Socioeconomic Drivers of *Lot Lidi* Transactions in Malaysia: Housing Affordability, Property Literacy and Information Asymmetry

Mohd Marbawi bin Taha*, Azarudin Bin Awang, Nur Ainina Binti Mohd Fauzi, Nur Ulfah Binti Harun

Academy of Contemporary Islamic Studies (ACIS), University Technology MARA (UiTM) Terengganu Branch, Dungun Campus, 23000 Dungun, Terengganu, Malaysia.

***Corresponding Author**

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ABSTRACT

Lot lidi transactions represent an informal land transaction practice in Malaysia involving small parcels created from larger land holdings and marketed to individual purchasers. While previous studies have examined their legal, Shariah and inheritance implications, less attention has been given to the socioeconomic and information-related factors sustaining demand. This article analyses three interrelated factors influencing *lot lidi* transactions: housing affordability, property literacy and information asymmetry. A qualitative document analysis was conducted based primarily on an earlier research report on *lot lidi*, supported by statutory provisions, official property-market reports and relevant academic literature. The findings indicate that housing affordability contributes to the attractiveness of *lot lidi*, particularly for households with limited financial capacity. Limited property literacy may also hinder buyers' understanding of registered land ownership, beneficial interests and contractual arrangements, contributing to information asymmetry between sellers, intermediaries and purchasers. The study highlights that the persistence of *lot lidi* is shaped not only by regulatory and demand factors but also by information gaps in property decision-making. Strengthening property literacy, improving disclosure of land status and providing access to authoritative land information are therefore important measures for consumer protection.

Keywords: *Lot Lidi*, Housing Affordability, Property Literacy, Information Asymmetry, Land Transaction

INTRODUCTION

Land ownership remains an important socioeconomic aspiration among Malaysians. For many households, owning a residential property represents not only a place of residence but also a form of long-term financial security and intergenerational wealth. However, access to conventional residential property may be constrained by house prices, household income, financing capacity and the location of available housing.

The Malaysian property market continues to demonstrate the importance of affordability in housing decisions. According to the National Property Information Centre (NAPIC), the Malaysian House Price Index stood at 233.1 points in 2025, with the average house price reaching RM502,922 per unit. Although the annual increase moderated to 2.6 per cent, the national average price remained considerably higher than the price level recorded at the beginning of the index series. [1] Bank Negara Malaysia (2026) also reported that residential transactions in 2025 continued to be driven mainly by the mass-market segment, with properties priced at RM500,000 and below accounting for approximately three-quarters of total transactions.[2] These developments demonstrate that affordability remains an important consideration in the housing market.

Within this socioeconomic environment, *lot lidi* has attracted some members of the public because the transaction may appear to provide an alternative route to land ownership at a relatively lower price. The research material underlying this article indicates that *lot lidi* transactions are commonly associated with purchasers seeking land for residential purposes, including members of village communities, retirees and

young families, particularly in suburban areas.

However, the affordability appeal of *lot lidi* cannot be separated from the purchaser's level of understanding of land law and property transactions. A purchaser may perceive a transaction as secure because of the existence of documents such as a sale and purchase agreement or a deed of trust, while failing to appreciate the distinction between contractual rights and registered title. The original research material identifies weak understanding of legal requirements as one of the reasons members of the public may become involved in transactions that fall outside the intended legal framework.

This situation can be further understood through the concept of information asymmetry. In property transactions, sellers and buyers may not possess equal information concerning the legal status, physical characteristics, development potential and risks associated with a property. Academic literature recognises information asymmetry as an important feature of real estate markets because properties are heterogeneous, transactions are relatively infrequent and relevant information may be costly for buyers to obtain and evaluate.[3]

Accordingly, this article shifts the analytical emphasis from simply identifying the factors behind the proliferation of *lot lidi* to examining the interaction between economic pressure, property literacy, and information asymmetry. The central argument is that demand for *lot lidi* may be strengthened when affordability constraints intersect with insufficient property knowledge and unequal access to reliable information. Against this backdrop, the article examines how housing affordability, property literacy, and information asymmetry shape the attractiveness of *lot lidi* transactions, purchasers' decision-making, and consumer protection in Malaysia.

PROBLEM STATEMENT

The issue of *lot lidi* has previously been examined from several perspectives. Earlier research has discussed its concept, characteristics, legal position, instruments used in transactions and problems experienced by purchasers. The original research report also identified four factors associated with the spread of *lot lidi*: high property prices, weak legal understanding, the absence of sufficiently effective restrictions and confusion concerning the meaning of *lot lidi*.

These findings provide an important foundation, but the four factors should not necessarily be treated as isolated variables. A more useful analysis can be developed by examining the relationships among them.

First, high property prices create economic pressure on households seeking affordable land or housing. Second, when prospective purchasers have limited knowledge of land law and property documentation, they may have difficulty evaluating whether an apparently affordable property actually provides registered ownership. Third, the difference in knowledge between the seller or intermediary and the purchaser creates the conditions for information asymmetry. Fourth, uncertainty concerning the definition and legal characteristics of *lot lidi* may further complicate the purchaser's assessment.

The problem, therefore, is not merely that *lot lidi* may be cheaper than conventional property. Rather, the critical question is why an apparently affordable land transaction can remain attractive even when its legal and practical limitations may not be fully understood by prospective purchasers.

This question is particularly relevant because property transactions involve substantial financial commitments. Unlike ordinary consumer purchases, land transactions may affect household wealth over a long period and may subsequently create complications involving inheritance, transfer, financing, development and government acquisition.

The study therefore seeks to conceptualise *lot lidi* transactions through three interconnected socioeconomic dimensions: housing affordability, property literacy and information asymmetry.

LITERATURE REVIEW

Understanding Lot Lidi As A Property Transaction

The term *lot lidi* is not a statutory term used in Malaysian land legislation. The research material describes it as a term commonly used by society to refer to a particular form of land transaction. In the context examined by the original study, *lot lidi* generally involves alienated land, often subject to an agricultural category or condition, which is divided into smaller portions without following the statutory requirements for subdivision and subsequently marketed to purchasers for residential purposes.

The absence of a statutory definition is significant because different members of society may use the expression *lot lidi* to describe different forms of land. The research material identifies at least three understandings, including the problematic transaction involving unauthorised subdivision, co-proprietorship of land and land parcels that are physically narrow and elongated. Such differences in terminology may create confusion concerning the actual legal nature of the property being offered.

This distinction is important for property literacy. A purchaser who sees a physical parcel of land with boundaries, a lot number on a sketch plan or an agreement may assume that these features necessarily represent registered ownership. However, physical identification of a parcel and legal registration of an interest in land are not necessarily the same thing.

Under the National Land Code 1965, registered dealings involving agricultural land are subject to specific restrictions. Section 205(3), for example, restricts dealings that would result in an undivided share corresponding to an individual portion of less than two-fifths of a hectare in the circumstances specified by the provision (Mohd Marbawi et al., 2022).[4] The existence of such statutory restrictions helps explain why alternative contractual arrangements have sometimes been used in lot lidi transactions. In practical terms, the provision is relevant because it limits the extent to which an agricultural holding can simply be divided into very small undivided interests through ordinary dealings. It therefore helps explain why parties may turn to alternative contractual or trust arrangements when an individual registered title cannot be created in the manner expected by the purchaser. However, the existence of Section 205(3) should not be treated as a complete explanation for every lot lidi transaction; the actual legal position depends on the title, land category, restrictions, form of dealing and circumstances of the particular transaction.

The original research material identifies two instruments commonly associated with such transactions, namely the *Surat Ikatan Amanah* (SIA) and the sale and purchase agreement. These documents may provide contractual evidence of an arrangement between the parties, but their existence should not automatically be equated with registration of ownership under the land registration system.

Consequently, understanding the difference between a contractual arrangement and registered proprietary ownership is an important element of property literacy.

Housing Affordability as an Economic Driver

i. Property prices and household affordability

The first dimension is the affordability of conventional property. The original research identified high property prices as one of the principal reasons why *lot lidi* continues to attract purchasers. The report cited NAPIC data showing that the average Malaysian house price increased from approximately RM158,000 in 2010 to RM330,000 in 2022, while a 2022 report citing Bank Negara Malaysia indicated that household income had grown more slowly than house prices during the period examined.

Although these historical figures provide the socioeconomic context in which the original research was conducted, more recent data demonstrate that affordability remains a relevant consideration. NAPIC reported that the Malaysian House Price Index reached 233.1 points in 2025, with an average house price of RM502,922.[1] Bank Negara Malaysia similarly reported continuing supply-demand mismatches in the housing market and noted that the mass-market segment remained a major component of residential

transactions.[2]

The significance of affordability should therefore be understood not merely through the absolute price of a property, but through the relationship between property price, household income, financing capacity and location.

For some households, purchasing a small parcel of land may appear more achievable than purchasing a completed residential property. *Lot lidi* may therefore be perceived as a pathway to eventual home ownership: the purchaser acquires what appears to be an affordable parcel and plans to construct a house at a later stage.

This perception can create a powerful demand-side incentive.

ii. The affordability paradox

However, affordability may produce what can be described as an affordability paradox.

A transaction may have a lower initial purchase price but expose the purchaser to greater legal, financial and practical uncertainty. The apparent saving at the point of purchase does not necessarily represent a lower overall cost if the purchaser later encounters difficulties relating to construction approval, financing, transfer, inheritance, utilities or other matters.

Thus, the relevant question is not simply:

“How much does the land cost?”

but:

“What rights, risks and future costs accompany the purchase?”

This distinction is important because consumers may compare the advertised price of *lot lidi* with the purchase price of conventional property without assigning a monetary value to legal and administrative risks.

The issue consequently connects affordability with information asymmetry. When a purchaser is primarily attracted by the lower entry price, the purchaser may pay less attention to information concerning the legal status of the land.

Property Literacy and Purchaser Decision-Making

i. Meaning of property literacy

Property literacy may be understood broadly as the ability of a prospective purchaser to obtain, understand and evaluate essential information concerning property ownership, title status, land category, restrictions, transaction documents, development requirements, financing and associated risks.

Property literacy does not necessarily mean that an ordinary purchaser must become a land-law expert. Rather, it refers to the minimum level of knowledge necessary to make an informed property decision.

This is particularly important in land transactions because the terminology used in advertisements and contractual documents may not always correspond to the legal status of registered ownership.

The original research material highlighted the problem of weak legal understanding among members of society and noted that some purchasers may believe that the existence of a trust deed and sale and purchase agreement is sufficient to demonstrate that ownership has been transferred to them.

Such a misunderstanding illustrates a property-literacy gap.

ii. The distinction between documents and ownership

One of the most important aspects of property literacy concerns the distinction between:

1. a document evidencing an agreement between parties;
2. a beneficial or contractual interest;
3. an interest recognised within the land administration system; and
4. registered ownership.

A purchaser may possess a document and legitimately believe that the document protects his or her financial interest. Nevertheless, the existence of such a document should not automatically be interpreted as equivalent to registration of the purchaser as proprietor.

This issue becomes especially important in *lot lidi* transactions because the purchaser's name may not appear as an individual proprietor in the registered title. The original research found that SIA and sale and purchase agreements were used as alternative instruments where direct registration was not available.

The difference between documentation and registration should therefore become a central component of property education.

Information Asymmetry in *Lot Lidi* Transactions

i. The concept of information asymmetry

Information asymmetry occurs when one party to a transaction possesses more relevant information than another party. In real estate markets, information asymmetry is particularly important because property is heterogeneous, transactions are relatively infrequent and many characteristics of property are difficult for an ordinary purchaser to assess.[3]

Research on housing markets has shown that information asymmetry can affect buyer behaviour and transaction outcomes. Buyers with less information may incur greater search costs and may depend more heavily on information supplied by sellers or intermediaries.[3]

This theoretical framework is relevant to *lot lidi*.

ii. Information differences between seller and purchaser

In a *lot lidi* transaction, the seller or intermediary may possess greater knowledge concerning:

- the registered proprietor;
- the original title;
- land category;
- restrictions in interest;
- previous dealings;
- the reason why individual registration cannot be effected;
- the status of subdivision;
- planning requirements;

- development restrictions; and
- the precise legal effect of the documents presented to the purchaser.

The purchaser, by contrast, may primarily observe the physical parcel, the price, the location and the documents shown by the seller.

This difference creates the potential for information asymmetry.

It does not follow that every seller deliberately withholds information. Information asymmetry may arise simply because the parties possess different levels of knowledge and different capacities to interpret technical land information.

This distinction is important. The concept should therefore be used analytically rather than as an allegation that all *lot lidi* sellers engage in fraudulent conduct.

iii. Information asymmetry and the attractiveness of low-priced property

Information asymmetry becomes particularly significant when the advertised price is attractive.

A purchaser may reason:

“The land is cheaper, the location is suitable, and there is an agreement protecting my purchase.”

However, the purchaser may not possess sufficient information to determine whether the apparent benefit compensates for the legal and practical risks involved.

Research in housing economics has similarly demonstrated that less-informed purchasers can behave differently from better-informed purchasers because obtaining and processing property information involves costs.[3]

The implication for *lot lidi* is that a low price may function as a powerful signal that reduces the purchaser's incentive to conduct further investigation.

The Interaction between The Three Drivers

The three dimensions identified in this study should not be considered independently.

They can be represented as follows:

Housing affordability pressure
↓
Search for lower-cost property alternatives
↓
Attractiveness of lot lidi
↓
Limited property literacy
↓
Difficulty evaluating legal and administrative status
↓
Information asymmetry
↓
Greater exposure to transaction risks

This analytical relationship provides a different interpretation of the proliferation of *lot lidi*.

The problem is not simply that consumers want cheap land. Nor is it sufficient to say that consumers lack legal knowledge. Instead, the phenomenon may emerge from the interaction between economic necessity and information constraints.

When households experience difficulty accessing conventional property, they may search for alternatives. When an alternative is presented at a comparatively lower price, demand may arise. If the purchaser has limited property literacy, the purchaser may not fully appreciate the difference between the apparent parcel being purchased and a legally registered parcel. Where the seller or intermediary possesses significantly more information, the resulting information asymmetry may further influence the decision.

The persistence of *lot lidi* can therefore be understood as a socioeconomic and informational phenomenon rather than solely a legal phenomenon.

Confusion Over The Term "*Lot Lidi*" And Its Effect On Property Literacy

Another important issue is terminological confusion.

The original research found that *lot lidi* has been understood in different ways. Some members of society associate it with small and elongated parcels, while others equate it with co-proprietorship under section 342 of the National Land Code. The research emphasised that these concepts should not automatically be treated as legally identical.

This confusion has implications beyond terminology.

If consumers believe that every small or narrow parcel of land is a *lot lidi*, they may incorrectly assume that all such parcels are legally problematic. Conversely, if consumers assume that all arrangements described as *lot lidi* are forms of legally recognised co-ownership, they may underestimate the risks of a transaction.

Therefore, consumer protection requires not merely more information, but accurate and standardised information.

A clear public definition or explanatory framework should distinguish:

1. registered subdivision;
2. registered co-proprietorship;
3. contractual or trust arrangements; and
4. unauthorised physical subdivision marketed as individual residential lots.

Such differentiation would enhance property literacy and reduce information confusion.

For analytical clarity, the term lot lidi should therefore be treated as a descriptive social label rather than as a single legally defined category. The following distinction is used in this study to avoid treating physically similar land parcels, registered co-proprietorship and informal contractual arrangements as legally equivalent.

Understanding of lot lidi	Main characteristic	Property-literacy implication
Registered subdivision	A parcel created through a legally recognised subdivision process and reflected in the land administration system.	The purchaser can distinguish a registered parcel from an informal physical division.
Registered co-proprietorship	More than one person holds an undivided interest in the same registered land.	A co-proprietor's undivided share should not automatically be treated as an individually registered physical lot.
Contractual or	Rights are structured through private	The purchaser must understand the

trust arrangement	documents such as a trust deed or sale and purchase agreement, without necessarily creating individual registered title.	difference between contractual or beneficial interests and registered proprietary ownership.
Unauthorised physical subdivision	A larger parcel is physically divided and marketed as smaller residential lots without the corresponding statutory subdivision and registration.	A physical boundary, sketch plan or advertised lot number does not by itself establish registered ownership.

Implications for Consumer Protection

i. Improving access to authoritative information

The first policy implication is the need to make authoritative land information more accessible to ordinary purchasers.

Potential purchasers should be encouraged to verify the registered title and relevant restrictions before making payment. Public information campaigns should explain that advertisements, sketch plans and private agreements do not necessarily establish registered ownership.

ii. Standardised disclosure

A standardised disclosure document could be considered for transactions involving land that is not capable of being transferred to the purchaser as an individual registered proprietor.

Such disclosure should clearly state:

- registered proprietor;
- land category;
- express conditions;
- restrictions in interest;
- status of subdivision;
- whether individual title exists;
- whether individual transfer is legally possible;
- permitted land use;
- development restrictions; and
- principal risks to the purchaser.

The purpose would not necessarily be to legitimise an otherwise prohibited transaction, but to ensure that consumers are not making decisions based on incomplete information.

iii. Property literacy programmes

Property literacy should be incorporated into wider financial and consumer education.

Government agencies, universities, professional bodies and consumer organisations could collaborate to produce simple educational materials explaining:

- how to conduct a land search;

- how to read a title;
- the meaning of land categories;
- the difference between registered ownership and contractual rights;
- common land transaction documents;
- the risks associated with informal land subdivision; and
- the importance of obtaining independent professional advice.

Such programmes would address the informational dimension of the *lot lidi* problem.

iv. Greater professional responsibility

The involvement of lawyers, agents and other professionals in land transactions also highlights the importance of clear communication.

Where a professional is involved, the purchaser should be able to understand the exact nature of the interest being acquired. Technical legal terminology should not substitute for meaningful disclosure.

The objective should be to ensure that purchasers understand not only what they are signing, but also what legal interest they will actually obtain.

RESEARCH METHODOLOGY

This study employs a qualitative document analysis approach. The primary source is the research material contained in the research report on lot lidi, particularly material concerning the factors contributing to its proliferation, the characteristics and meanings of lot lidi, the instruments used in transactions, and the problems experienced by purchasers. Secondary materials comprise Malaysian property-market reports, statutory provisions, institutional publications and academic literature relating to housing affordability, property literacy and information asymmetry. Sources were included where they directly contributed evidence or conceptual support to one or more of the three analytical dimensions.

For analytical purposes, the documentary material is organised thematically around three dimensions. Housing affordability is examined through property prices, household income and financing constraints, location, and the perceived lower entry cost of lot lidi. Property literacy is examined through purchasers' understanding of registered title, land category, restrictions in interest, subdivision, transaction documents, and the distinction between registered ownership and contractual or beneficial interests. Information asymmetry is examined through differences in access to information concerning the registered proprietor, title status, land category, subdivision, development restrictions and the legal effect of transaction documents. The analysis then compares these themes across statutory provisions, market reports and academic literature to identify areas of convergence, qualification and limitation.

The study also recognises source and methodological limitations. The analysis relies substantially on an earlier research report as its primary source, and that source may reflect the scope, period and respondents of the original research. Secondary materials are therefore used to contextualise and cross-check the interpretation, but they do not eliminate the limitations of the underlying evidence. No primary survey or interview was conducted specifically for this article. Accordingly, references to purchaser behaviour are interpreted from documentary evidence and should not be read as statistically generalisable findings. The framework developed here is intended as a basis for future empirical research involving purchasers, sellers, land administrators, lawyers and property professionals.

The analytical process can be summarised as: (i) identifying relevant documentary evidence; (ii) organising evidence according to affordability, property literacy and information asymmetry; (iii) comparing the evidence with statutory and market sources; and (iv) synthesising the relationships among the three dimensions. This

structure strengthens transparency without claiming that the study provides a primary empirical measurement of purchaser behaviour.

DISCUSSION

The analysis demonstrates that the socioeconomic drivers of *lot lidi* transactions operate through a chain of interconnected factors.

First, housing affordability creates demand for alternatives to conventional property. The latest NAPIC data show that the national average house price remained above RM500,000 in 2025, while Bank Negara Malaysia continued to identify affordability and supply-demand mismatches as important features of the residential property market.[1][2]

Second, affordability alone does not explain why a purchaser would accept a transaction involving potentially complex legal arrangements. The purchaser's level of property literacy becomes important because the decision depends on the ability to distinguish between price, physical possession, contractual rights and registered ownership.

Third, information asymmetry may magnify the problem. Property transactions are information-intensive, and purchasers may not have the same capacity as sellers or professionals to interpret title restrictions, land categories and legal documents. Existing housing-market literature confirms that differences in information and information-acquisition costs can influence buyer behaviour.[3]

This framework provides a conceptual contribution by connecting an economic factor with a knowledge factor and a market-information factor.

It also provides a different analytical direction from earlier studies of *lot lidi*. Rather than focusing primarily on the definition, fiqh status, inheritance or government control of *lot lidi*, this study examines why purchasers may continue to find the transaction attractive and how the information environment surrounding the transaction affects that attraction.

A regional comparison is not undertaken in this study because the documentary evidence assembled here is focused on Malaysia. This is an area for future research, particularly to examine whether comparable informal land practices in Southeast Asia are driven by similar combinations of affordability pressure, limited property literacy and information asymmetry, or whether their institutional and legal contexts produce different outcomes.

CONCLUSION

The transaction of *lot lidi* in Malaysia should be understood within the wider socioeconomic environment of property ownership and housing affordability. The evidence examined in this study indicates that the attractiveness of *lot lidi* cannot be explained by legal or regulatory factors alone.

Three interrelated dimensions are particularly important: housing affordability, property literacy and information asymmetry.

Housing affordability creates the demand for lower-cost alternatives. Property literacy determines the purchaser's ability to understand the nature and consequences of a proposed transaction. Information asymmetry may arise when sellers or intermediaries possess more relevant information than prospective purchasers and when the latter face difficulties in obtaining and evaluating authoritative information.

The central implication is that addressing lot lidi requires more than enforcement. Consumer protection should also address the informational conditions that influence purchasing decisions. Improved property literacy, clearer disclosure, accessible land information and meaningful professional advice can help consumers make decisions based on the actual legal and practical characteristics of the property rather than its advertised price alone. In this respect, the study's contribution is not to treat affordability, literacy and information asymmetry

as separate explanations, but to show how they may reinforce one another in shaping the attractiveness and perceived accessibility of lot lidi. This interaction has implications for both consumer protection and longer-term housing policy, particularly where households search for lower-cost pathways to land ownership.

The study is limited by its reliance on documentary analysis and the absence of primary data from *lot lidi* purchasers. Future research should therefore undertake empirical studies involving purchasers, sellers, land administrators, lawyers and property professionals. Quantitative research could further examine whether affordability pressure, legal knowledge and information access significantly influence consumers' willingness to purchase *lot lidi*.

Ultimately, understanding *lot lidi* as an interaction between economic affordability and information quality provides a broader basis for developing consumer-protection strategies while avoiding the assumption that every purchaser enters such transactions for the same reason.

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NOTES / FOOTNOTES

1. National Property Information Centre (NAPIC), *Property Market Report 2025*. The report records the Malaysian House Price Index at 233.1 points and the national average house price at RM502,922 in 2025, with annual growth of 2.6%. (NAPIC)
2. Bank Negara Malaysia, *Financial Stability Review – Second Half 2025*. The report states that the mass-market segment, defined as houses priced at RM500,000 and below, accounted for approximately three-quarters of residential transactions in 2025 and notes continuing supply-demand mismatches in the housing market. (Bank Negara Malaysia)
3. Li and Chau explain that housing markets are characterised by information asymmetry because property is heterogeneous, transactions are relatively infrequent and buyers face different costs of obtaining and processing information. (Springer)
4. Section 205(3) of the National Land Code 1965 restricts dealings involving agricultural land where the resulting undivided share would correspond to an individual portion of less than two-fifths of a hectare in the circumstances specified by the provision. The statutory restriction is relevant to understanding why certain forms of subdivision or transfer cannot simply be effected through ordinary registration. (Supreme Today AI)

5. The original research report underlying this article identifies four factors associated with the spread of *lot lidi*: high property prices, weak understanding of law, limitations in regulatory control and confusion concerning the definition of *lot lidi*.
6. The original research further records the use of Surat Ikatan Amanah and sale and purchase agreements as instruments associated with *lot lidi* transactions. The research distinguishes these instruments from the actual registration of land ownership.
7. The distinction between property documents and registered ownership is central to the concept of property literacy developed in this article. The original research notes that some purchasers may believe that the existence of a trust deed and sale and purchase agreement is sufficient to establish that the property has been transferred to them.
8. The term *lot lidi* itself is not treated in the original research as a statutory term. The research identifies several competing understandings of the term, including unauthorised subdivision, co-proprietorship and physically narrow or elongated land parcels.
9. Existing research on information asymmetry in housing markets indicates that less-informed purchasers may face higher information costs and may rely more heavily on information supplied by sellers or other market participants. (Springer)
10. Research conducted in Northern Sarawak also demonstrates the relevance of information asymmetry to residential property purchasing decisions and highlights the importance of transparency and accessible information in supporting informed decision-making. (UNIMAS IR)