

A close-up photograph of a hand holding a small wooden house model. The hand is also holding a set of keys. The background is a blurred window with a grid pattern.

3 benefits that may result from the lawsuit against National Association of Realtors

About SIFF

For over 20 years SIFF Investment Services has provided unbiased, fee-based real estate consulting to disrupt outdated real estate models. We are not realtors or agents. Our role is to educate and empower clients by objectively outlining all options. Our fee-only structure allows us to put client interests first. By taking an unbiased, consultative approach, SIFF aims to help clients prosper through wise real estate investments.



A series of court challenges is seeking to upend longstanding real estate industry practices that determine the commissions agents receive on the sale of a home — and who foots the bill.

A federal jury in one of those cases on Tuesday ordered the “...National Association of Realtors (NAR) along with some of the nation’s biggest real estate brokerages to pay almost \$1.8 billion in damages, after finding they artificially inflated commissions paid to real estate agents” (Fortune, 2023).

If NAR’s “Mandatory Offer of Compensation Rule” were not in place, then homebuyers would foot the bill for their agent’s commission, which would open the door for competition — and lower commissions — among agents vying to represent a homebuyer, the plaintiffs contend (Fortune, 2023).

The way I see it, here are three benefits to consumers that could come out of this.

1

DOWNWARD PRESSURE ON THE STANDARD 5%-6% COMMISSIONS

The ruling against NAR opens the door for more price competition among agents, rather than locking in a standard 5-6% commission rate. With agents now allowed to negotiate their commissions independently, there will likely be downward pressure on the amount homebuyers pay. Analysts predict the \$100 billion pool of annual commissions could decrease by 30% or more as agents vie for business by lowering fees. Some innovative agents may even offer flat fee or hourly rate structures. This gives homebuyers more leverage to negotiate lower commissions rather than passively accepting the standard industry rate.

2

A HIGHER OVERALL QUALITY/KNOWLEDGEABLE REALTOR FOR CONSUMERS

Lower commissions could force many part-time or inexperienced agents to leave the industry if they cannot compete on price. This may reduce the ballooning number of licensed realtors, estimated to be over 1.6 million currently. While this sounds drastic, it may benefit homebuyers by elevating the knowledge and qualifications of the remaining pool of agents. Buyers will have access to truly seasoned professionals who provide value beyond just a standard listing service. Agents who can survive on lower commissions will likely be experts at negotiating, marketing, and providing exemplary service to justify their fees.

3

GREATER ACCOUNTABILITY AND TRANSPARENCY IN THE INDUSTRY

The ability for buyers to negotiate commissions will force agents to clarify what services they provide and how they will specifically market the home. No longer relying on locked-in commissions, agents will need to prove their value and differentiate themselves. This transparency should encourage greater accountability. Buyers should be able to demand better service and responsiveness when agents must compete for business. It also allows buyers to align the commission paid with the quality and extent of service provided by the agent. This evolution in the agent-client relationship promotes transparency around fees and forces agents to provide exemplary service that justifies their commissions.

Bottomline - like it or not, big changes are coming to the real estate industry. The court ruling against NAR opens the door for an overdue evolution in the real estate industry. While disrupting long standing commission norms, the changes stand to benefit both home buyers and dedicated agents alike. With increased competition and transparency, homebuyers can advocate for lower fees and higher quality service. Meanwhile, agents must prove their worth to earn business, upholding professionalism in the industry. In the end, this shake-up aims to empower consumers and realtors to forge relationships based on value rather than antiquated industry practices. The result is an elevated experience for all involved.