

'This will blow up the market': The 6% commission on buying, selling a home in America is dead as NAR reaches deal — 1 analyst said over 50% of country's 1.6M agents could be out of business

Serah-louis Mar. 22, 2024

The DOJ is continuing to investigate the real estate titan's business practices.



The National Association of Realtors (NAR) is set to cough up \$418 million in damages and eliminate commission rules in a landmark deal experts say will significantly **shake up** the real estate industry.

"This will blow up the market and would force a new business model," Norm Miller, a professor emeritus of real estate at the University of San Diego, **told** The New York Times.

The NAR agreed to settle after a series of lawsuits accused the organization of **conspiring to artificially inflate** home sale commissions.

Ryan Tomasello, an analyst for investment banking firm Keefe, Bruyette & Woods, published a **report** in October prior to the settlement. In it, **he predicted changes to the commission structure could lead to a 30% reduction in the \$100 billion Americans pay in real-estate commission fees each year.**

What's more, Tomasello said it could drive more than half of the nation's 1.6 million realtors out of the industry.

The end of the 6% commission fee?

Real estate agents across the U.S. typically charge a commission between 5-6% — one of the highest rates in the world — that is often divided equally between the buyer's agent and the seller's agent.

However, recent lawsuits argued the NAR stifled competition among real estate brokers and violated antitrust laws by requiring the seller's agent to make an offer of payment to the buyer's agent and implementing rules that led to steep standard commission fees.

This settlement means the NAR can no longer set any rules that would allow a seller's agent to set compensation for a buyer's agent. The association's Multiple Listing Service (MLS) — which buyers and sellers use to view for-sale properties — will no longer feature any fields offering broker compensation either.

Experts say the agreement — and potential slide in commission fees — could revive the sluggish housing market.

"This will be a really fundamental shift in how Americans buy, search for, and purchase and sell their housing. It will absolutely transform the real estate industry," said Max Besbris, an associate professor of sociology at the University of Wisconsin-Madison, according to The New York Times.

However, others warn the possibility of lower commission fees and demand for buyer agents could deter folks from pursuing careers in the real estate industry.

DOJ still investigating

The Department of Justice's antitrust division is continuing to investigate NAR practices — particularly whether the organization's rules have led to price-fixing on commission fees and if MLS databases have been constraining competition.

The Realtor group continues to deny any wrongdoing.

"Ultimately, continuing to litigate would have hurt members and their small businesses," Nykia Wright, the interim CEO of NAR, said in response to the lawsuit agreement.

"While there could be no perfect outcome, this agreement is the best outcome we could achieve in the circumstances."

The agreement must still receive approval by a federal judge before it can take effect.