

Real estate pricing rules could change this summer

BY MARY DIMITROV
MDIMITROV@ISLANDPACKET.COM

It's a little box.

A little box with \$418 million implications for the National Association of Realtors (NAR) and reverberating impacts on the Hilton Head area real estate market.

In that little box on the database called the Multiple Listing Service or MLS, the NAR had selling real estate agents write in the commission a real estate agent representing the buying party would make on a sale. While buyer agents can see that number, homeowners can't. That policy is a major aspect of a collection of rules that lawyers argued created higher prices and lower quality service for American home buyers and sellers in a national lawsuit against the NAR.

The deal, which still needs a federal court's approval, attempts to rectify those claims from multiple home sellers across the United States. On behalf of its more than 1.5 million members, the NAR agreed to pay out \$418 million to homeowners over four years. It also agreed to do away with the little box on the database, effectively eliminating the 3% longtime-industry-standard sales commission for buying agents that are baked into the price of a home. NAR expects to implement the changes outlined in the proposed settlement by mid-July 2024.

It could have major implications for the local market, changing agents' role in the home buying process, with potential consequences for their commissions and businesses. Or not, according to local Realtors.

"We still don't know," said REsides CEO Colette Stevenson of what the impact could be. REsides is Hilton Head's shareholder-owned MLS, complicating the situation further because the organization isn't inherently covered by the settlement. The settlement would resolve claims against NAR and nearly every member; all state, territorial and local Realtors associations, and all association-owned MLSs

REsides could choose to opt into the settlement, but Stevenson said they haven't made a decision yet.

Stevenson said that the majority of REsides members are also part of the National Association of Realtors, and they would be covered by the settlement that way, regardless of REsides decision.

"They should be covered under their broker and agent agreements that they have with the association," she said.

WILL HOMEOWNERS STILL USE BUYER AGENTS?

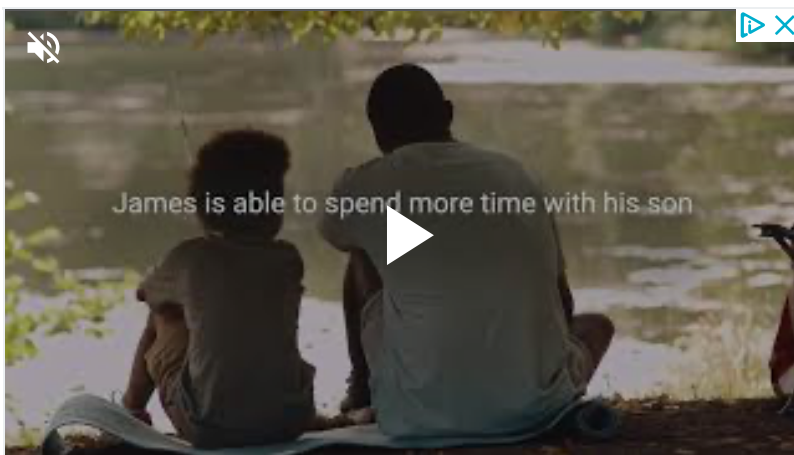
“This isn’t New Jersey,” Realtor Peter Geary said, estimating that about three-quarters of Hilton Head area real estate transactions are in private communities, and explaining that “for sale” signs aren’t allowed on the island and many buyers are unfamiliar with the area.

It’s reasoning for why Hilton Head is positioned to need buyers’ agents, according to Realtors, against a wave of questioning from homebuyers over whether paying for a buyer agent is necessary under the potential NAR lawsuit policy changes. While Realtors say the need for buyer agents won’t go away, brokerage’s business and payment models for those agents may change.

Currently, homeowners pay about 5-6% commission on top of the sale price of their home. That’s upwards of \$31,000 on the Hilton Head area’s [average 2023 home price](#): \$516,500.

That 5-6% is typically split between the buying agent and the selling agent, and the selling agent advertises how much of that share they will pay the buying agent on the MLS — in the little box connected to the listing. Only Realtors can see the advertised percentage, not homebuyers. What’s more, is that buyer agents could filter listings based on commission and potentially favor showing homes with high commissions to homebuyers to maximize their profit.

If the deal is approved, agents won’t be able to do this on the MLS, meaning that 3% isn’t essentially guaranteed and homeowners will have more control over what they want to pay agents.



Get Growing

Schedule a Demo Today! FieldEdge
in Action. Trusted by 40,000+ Users
fieldedge.com

Get Demo >

The change has a lot of homeowners believing that they don’t need to pay a buying agent, according to Geary.

“That’s like cutting off your nose to spite your face,” he said, explaining that buyers agents’

function is to bring in qualified, educated, vetted home buyers who “aren’t going to waste your time.” In Hilton Head’s market, this role is further needed because potential buyers can’t enter a gated community without a pass to see a neighborhood, and many buyers are out of state, and unfamiliar with the area.

Geary said that the need for buyer agents won’t go away, but predicts the market will start to see a widening gap between how brokerages conduct and generate businesses between those who prioritize transactions versus those who prioritize relationships.

IF NOT 3%, THEN WHAT?

The lack of an almost certain commission for homebuyers opens up the possibility for itemized services, meaning that Realtors might charge each time they drive a potential buyer around Sea Pines, for example. This could be a flat fee or by the hour.

It’s not Geary’s style.

“How do you teach somebody about a market if every single time you get in the car, you’re nickel-and-diming them?” he asked. “I’m not going to charge people to do that.”



But real estate agents are independent contractors and each one is going to run their business the way they see best. “A piecemeal approach” isn’t what Realtor Chip Collins is doing with his brokerage either. Collins said that there have always been different service models, but for him, it’s business as usual as a full-service brokerage, and he isn’t aware of any local brokerages switching to an itemized model so far.

For brokerages who choose to do an itemized approach, it will eliminate the “tire-kickers,” Geary said of the people who aren’t serious about buying, but want to shop for a property as more of a hobby or curiosity without means or interest in purchasing.

The seller agent could also still cover the buyer agent fee, and pay them 3%; however, they’re not allowed to advertise it in the MLS. Geary, for example, advertises a 3% buyer commission on his

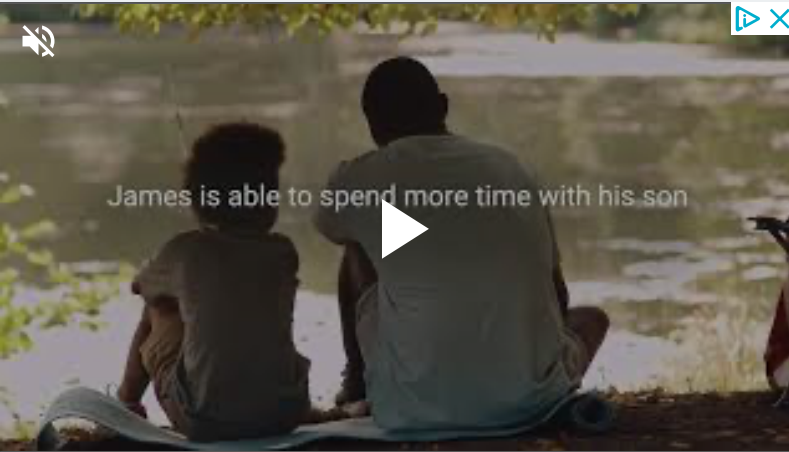
private website.

“If you think about the MLS as a magazine of all the houses for sale, you can’t advertise cooperating brokerage commissions in that magazine, but you can put it anywhere else you want it,” he said.

As part of the proposed national settlement, there is a requirement for written buyer agency agreements, saying how much they will be paid in writing. This won’t impact Hilton Head because that practice has been in place in South Carolina for decades, according to Hilton Head Area Realtors CEO Jean Beck. The state is one of 18 that already required these written agreements.

WILL HOME PRICES FALL?

The lawsuit alleges that the National Association of Realtors rules reduced price competition among brokers and led to higher prices, inferring that without these rules the market would be more competitive and the price to buy a home would go down.



Get Growing

Schedule a Demo Today! FieldEdge
in Action. Trusted by 40,000+ Users
fieldedge.com

[Get Demo >](#)

Stevenson, the RESides CEO, predicts that while the sticker price for a home may look less expensive, the actual price will stay around the same. For example, if a home sold for \$1 million, on the MLS that would encompass the buyer and seller agent fees, she said. Now, it won’t.

“What you’re paying for the home will still be the market value,” she said. “But some of the extra costs that maybe were wrapped into the price before will be removed.”

Geary said that if homeowners don’t pay a buyer’s agent in commission, they’ll end up paying in time or money elsewhere.

“Do you want to (...) make sure you get your full sale (price) and get it sold the first two weeks?”

he said of working with a buyers agent. “Or you want to keep letting (the home stay on the market) week after week after week, not selling, and you get less and less money for it?”

Mary Dimitrov: (843) 940-8964, @mary_dimitrov