

WILLIAM RAVEIS

REAL ESTATE COMMISSIONS

The truth, the whole truth & nothing but the truth...

On Oct. 31, 2023-- HALLOWEEN-- a Kansas City jury returned a \$1.8 billion class action verdict against the National Association of Realtors (NAR) and several large brokerage firms. On November 26, 2024, the court granted final approval of a \$418 million settlement against NAR that included sweeping, industry-wide changes to buyer brokerage agreements and no posting of buyer broker compensation. As of August 17, anyone interested in touring a house with a Realtor must first sign a buyer representation agreement outlining compensation.

The premise of the lawsuit against the National Association of REALTORS® (NAR) was the allegation of antitrust violations, specifically that NAR's rules and policies on the Multiple Listing Service (MLS) said to have artificially inflated real estate agent commissions by requiring sellers to offer compensation to buyer's agents. The lawsuit, which settled in 2024, argued that this practice violated antitrust laws, lessened competition, and shifted the cost of buyer broker services to sellers at inflated, non-negotiable rates.

Having been a Broker for over three decades, I had to scratch my head. While I cannot speak to how real estate transactions are done in Kansas City Missouri, I can say with complete and absolute conviction, that here on the East End, we have always conducted business with full cooperation and transparency. Competition here is so fierce, there even exists a luxury brokerage that publicly advertises their discount fees to 1% listing fees. Commissions have always been discussed and decided with the client's full knowledge and consideration. Representation and compensation have always lived separately, and to memorialize this, on January 1, 1992 NYS Agency Disclosure Law became effective to clarify, via disclosure agreement, who agents work for. These disclosures are signed by both buyers & sellers.

As someone who has been in the business long enough to see many evolutions, from the original open market (before exclusives ruled) to aggregates such as Zillow that put listing information at the fingertips of the public, I will tell you the driver will always be the public. What's best for the public rules. The media hopped on the bandwagon with falsehoods about how commissions in the US were the highest of all countries. Well, the truth is, the US (commissions average 4-6%) & Mexico (commissions average 5-8%) are the only two countries where real estate agents are paid strictly commissions, Independent contractor status. According to Google and AI, Canada, UK, France, Singapore, Australia, Germany Austria, Spain all pay their real estate professionals wages, employee status, in addition to benefits and yes, commissions of 1-5%. Commission rates in other countries, such as Germany, go as high as 7%. In almost all other countries commissions are paid by the SELLER.

The question is... did the lawsuit benefit the public? Did it reduce fees, as promised? Did it result in more transparency? Is the public happier? Are licensees able to perform their duties without confusion?

Nicole Friedman of the Wall Street Journal wrote an article "Settlement On Realtor Fees Hasn't Cut Costs". It was an in-depth look at exactly what the result was. Bottom line-- 'nothing changed' per Jack Miller Chief Executive of real estate consulting firm T3 Sixty. Redfin reported "the average commission paid to a buyer's agent in the second quarter of 2025 was 2.43% of the home's sale price, up from 2.38% a year earlier".

What will prevail moving forward is the question.

I have bought, built and sold dozens of properties and as a seller, I will always offer compensation to both listing Broker as well as the selling Broker, as I want maximum exposure for my listings. As a buyer, I have always paid for professional services-- accounting, legal, brokerage-- these individuals earn their fees through their years of knowledge and experience to help guide me to the highest and best outcome.

So, I ask you... are you better off?

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