Legal Rulings' Effects on the Real Estate Market

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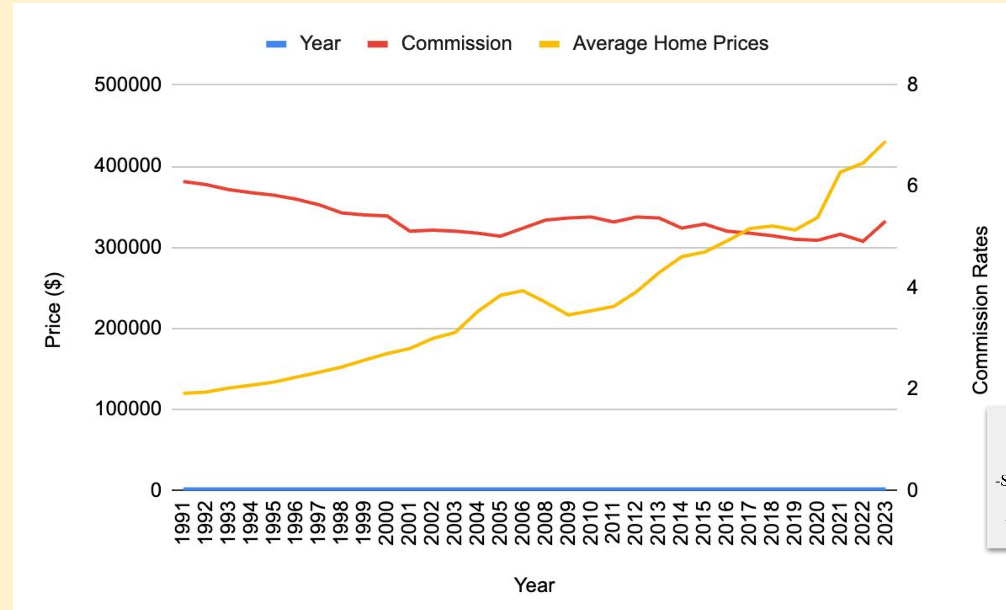
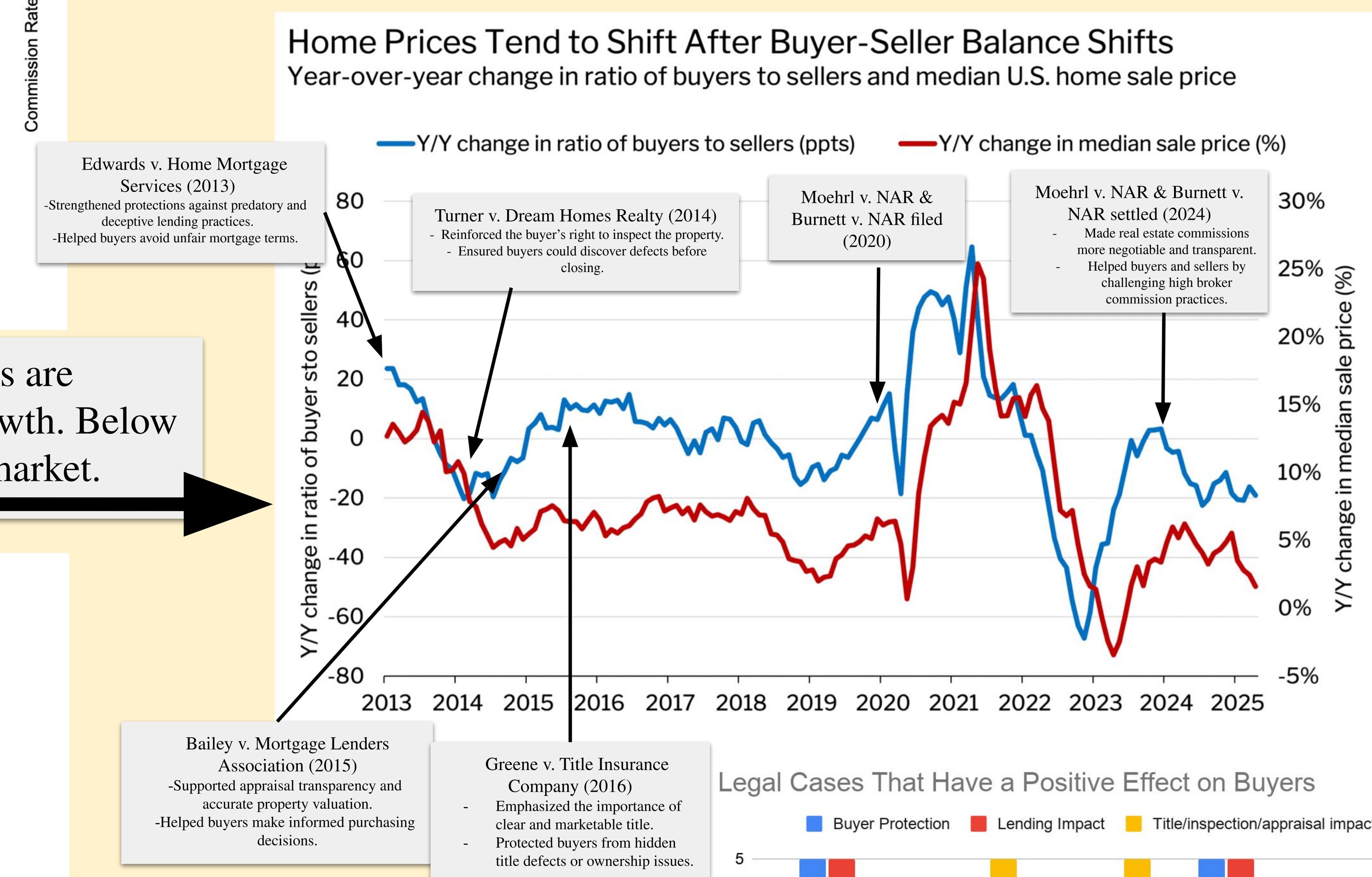
INTRODUCTION

This research examines major legal cases impacting the real estate market, focusing on recent antitrust lawsuits against the National Association of Realtors (NAR), such as Moehrl v. NAR and Burnett v. NAR. Commissions, typically around 5% of the sale price paid to each agent, heavily influence buyer and seller decisions, and NAR rules sparked disputes that ended fixed MLS commission offers, boosting transparency. My study analyzes how these cases changed prices, negotiations, and market dynamics.

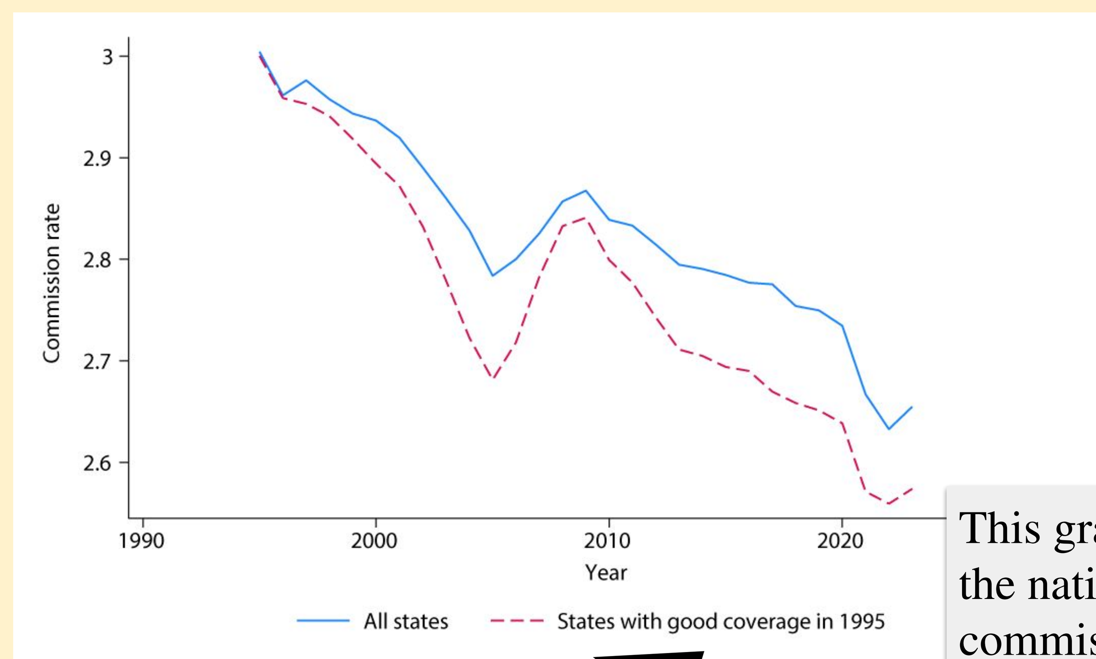
DATA AND FINDINGS



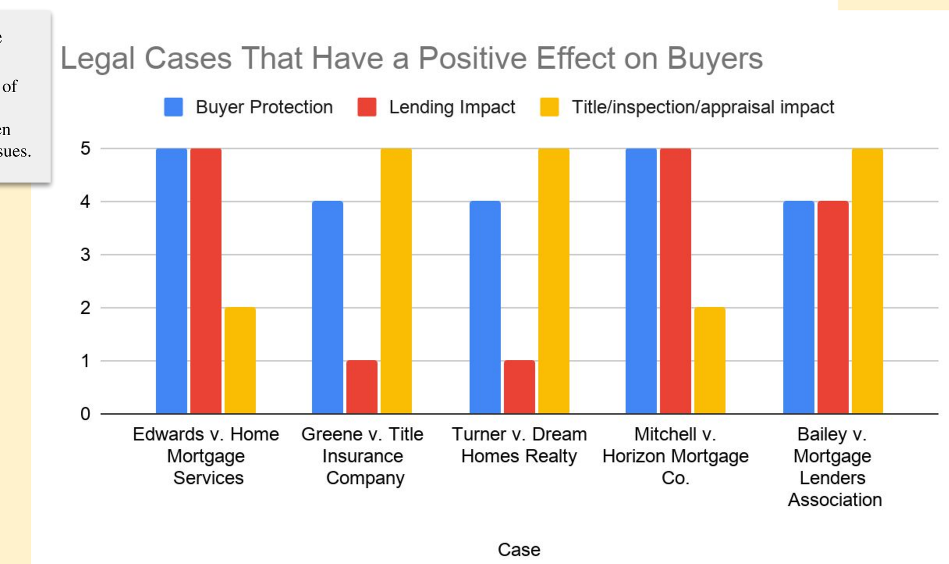
This graph shows the relationship between average home prices, and how that compares to the commission rates between 1991 to 2023.



This graph shows swings in the ratio of buyers to sellers are typically followed by similar swings in home-price growth. Below 0 shows a buyers market, and above 0 shows a sellers market.



This graph shows the modest decline in the national average buyer's agent commission rate over time, with the average rate falling from about 3% in the late 1990s to about 2.7% today.



CONCLUSIONS, IMPLICATIONS, AND NEXT STEPS

Buyer agent commissions increased in the first year following NAR's policy changes, which settled landmark seller lawsuits like Moehrl and Burnett. Sellers continue paying most buyer agent fees due to current low demand market dynamics, though this may change as buyer demand rises and sellers gain leverage. Under the new rules, sellers no longer advertise buyer agent commissions on MLS listings, and listing agents cannot show commission splits publicly. Instead, sellers negotiate fees privately with their listing agent and decide whether, and how much to contribute toward the buyer's agent compensation.

RESEARCH METHODOLOGIES

This research is qualitative because I coded the essential aspects of 2 prominent legal cases (2019-2024) and the 4 additional cases representing the buyers market (2013-2016) by examineing the relationship between the legal rulings, market supply and demand, and buyer-seller shifts. The procedures, arguments, and ruling played an important role in data collection. Additionally, this research is quantitative because I compared home prices in the market, which have changed since these legal battles took place. I began by studying small communities that have experienced either positive or negative effects, and then expanded my research to the larger population, including Southern California. I discussed the effects of the legal cases on buyers, sellers, and the NAR. I selected my sample for my research by identifying the areas that have experienced the greatest effects and discussing how, why, and to what extent.

DISCUSSION, ANALYSIS, AND EVALUATION

Burnett v. NAR and Moehrl v. NAR questioned the way commissions have usually worked in real estate. Before these cases, sellers almost always had to pay the buyer's agent's commission through the MLS system. The people suing argued that this made everything more expensive and hurt competition. After these cases, the handling of fees became more transparent and negotiable. Now, buyers usually have to sign a contract with their broker, and how the broker gets paid is discussed up front rather than included automatically in the sale. This change means commissions can be lower or work differently, like some companies offering flat fees, but buyers have to pay more attention to what they'll owe their agent. The 4 additional cases from 2013-2016 strengthened protections for homebuyers by promoting stronger buyer protection, and honest appraisals, inspections, and lending. Together, they made the housing market more transparent and safer for buyers by helping ensure they receive accurate information and protection from unfair practices.

ACKNOWLEDGEMENTS / REFERENCES

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