

# Real Estate Digest

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[closing@title-smart.com](mailto:closing@title-smart.com)

Office: 651-779-3075 • Fax: 651-779-3066



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## Bombshell Lawsuit Alleges Top Real Estate Companies Violated Sherman Antitrust Act

A recently filed class-action lawsuit accuses major U.S. real estate firms of violating antitrust laws. The suit (Moerhl v. National Association of Realtors (NAR)) was filed in federal district court in Chicago and makes the claim that the defendants in the suit colluded to require home sellers to pay inflated amounts to the brokers representing the buyers of their homes.

The lawsuit focuses on a rule that was allegedly imposed by NAR which pertains to multiple listing services (MLS). The plaintiff in the suit argues that the MLSs are how the majority of homes in the U.S. are sold and that these MLSs are mostly controlled by local NAR associations.

When a seller's property is listed to the MLS, the rule requires sellers to not only pay the agent responsible for listing the property, but also pay a non-negotiable offer of compensation to the buyer's representative. The result is that sellers end up paying a cost that would otherwise be paid by the buyer in a competitive market.

The class-action lawsuit was brought by plaintiff, Christopher Moerhl, a home seller in Minnesota. He sold his Minnesota property



and paid a total broker commission of 6 percent with the buyer's broker receiving 2.7 percent of the commission.

The class-action lawsuit includes people who used one of the 20 largest MLSs over the course of five years since March 6, 2015 across a number of major cities, including Dallas, Texas, Washington, D.C., Cleveland, Ohio, and Denver, Colo.

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The plaintiff in the suit argues that if the rule did not exist then the buyer brokers' commissions would be negotiated, resulting in a lower cost. The suit alleges the rule results in agents steering buyers toward higher-priced listings that are subject to the requirement.

"In a competitive market, the seller would pay nothing to the buyer broker, who would be paid instead by the buyer, and the commission paid by the seller would be set at a level to compensate the seller broker only," according to the suit.

In the U.S., the total compensation that brokers receive is roughly 6 percent, with half of that awarded to the buyer's broker. The plaintiff alleges that in international markets, homebuyers pay their brokers less than half the compensation rates paid by homebuyers in the U.S.

The plaintiff is being represented by Benjamin D. Brown, an attorney and a partner at Cohen Milstein, Washington, D.C. Brown is the co-chair of the firm's antitrust practice group. Brown says the lawsuit could help save American home sellers a lot of money when they sell their homes.

However, analysts believe the lawsuit poses a serious threat to the real estate industry given there is no potential for a settlement. In addition, the lawyers on the case are from some of the most successful class-action plaintiff's law firms in the country. Cohen Milstein previously beat Apple in an electronic books antitrust lawsuit and has the funds to potentially continue to call expert witnesses and keep the case going for years.

In response to the motion, Mantill Williams, vice president of communications at NAR says the complaint "is baseless and contains an abundance of false claims."

"The U.S. Courts have routinely found that Multiple Listing Services are pro-competitive and benefit consumers by creating great efficiencies in the home-buying and selling process. NAR looks forward to obtaining a similar precedent regarding this filing," said Williams.

## Breakups Force Millennials to Return Home, Says Homes.com Study



Student loan debt and rising housing costs have long been considered the main reasons millennials move back home after moving out on their own. A new Home.com survey found another reason for the rise in boomerang kids: breakups. The survey of 500 millennials found 33 percent of 26 to 30-year olds moved back home following a divorce or breakup. By comparison, 37 percent of 31- to 35-year-olds and 24 percent of 36- to 40-year-olds decided to move back.

The survey authors theorize that newly single people wind up with less stable finances which results in them returning to live with mom and dad. Couples often share the financial burden of maintaining a household. However, a breakup often means that costs are simply too much for one person to bear alone.

"Home is a safe place a lot of times," Grant Simmons, vice president of Homes.com, told CNBC. "Perhaps it's just a safe place to get your act together and start fresh."

Young adults in the South suffer the most heartache with 25 percent of respondents reporting they moved back home after the end of a relationship. Survey respondents in the Northeast accounted for 20 percent of those who moved back home, followed by 17 percent in the Midwest, and 16 percent in the West. The most common reason survey respondents reported for their decision to move back home was to save for a home purchase. Unemployment and debt were other common reasons for moving back home, according to the survey.



## High-Priced Condos Sell at a Loss More Often than Non-Luxury Units



High prices do not guarantee profits when it comes to luxury real estate, according to a new study by StreetEasy. Researchers analyzed New York Department of Finance records from 2014 to 2018 and found that 7.7 percent of the 16,000 homes sold in New

York City during this period sold at a loss.

Isolating the statistics for luxury condos in Midtown Manhattan uncovered even higher losses. Of the 66 luxury condos bought and resold in that neighborhood during that time, 39 percent sold at a loss. While the study found that luxury properties selling at a loss was common among new luxury construction units in Midtown, the outcomes were the same for luxury property sales across the rest of the city, as well.

“In New York, real estate behaves like a luxury good,” Grant Long, senior economist at StreetEasy, told the New York Post. “It’s like fancy cars and expensive handbags. It’s purchased to make a statement. But it’s also highly cyclical and subject to whims.”

Buyers in New York purchase luxury real estate only to sell at a loss for many different reasons. Some buyers are trying to avoid taxes while others sell to mitigate shared assets during a divorce. Some international buyers are also using the properties to get money out of their home countries or to hide money from their home governments.



## Redfin Study finds Homes with Pools Sell for More Money

Having a pool could mean higher home value for homeowners in some regions of the country, says a new study from Redfin. Overall, the study found that in warmer regions a pool can actually add thousands to a home’s value. However, the amount of added value was not the same for every housing market.

Researchers analyzed the value of a private pool as a value-add to a home’s per-square-foot sale price among homes in metro areas where most homes have pools. In Los Angeles, Calif., a pool can add \$95,000 to the value of a median-priced home, which was the largest increase reported. In Tampa, Fla., a pool adds nearly \$30,000 to a home’s value. In Phoenix, Ariz., a pool added \$11,000 to a home’s value, marking it the lowest increase in home value for the study.

For other regions, namely those with longer cold seasons, having a pool may actually detract from a home’s value. In Boston, Mass., homes were worth roughly \$15,000 less than comparable homes without pools.

Installing a pool does not come cheap, which is why homeowners should carefully consider the benefits of this upgrade. Installing an inground pool costs \$50,000 on average, according to HomeAdvisor. Larger pools and pools with special features come with even higher price tags.

## Home Sellers Not Comfortable with Real Estate Agents, Study Says



Homeowners ready to sell their homes are not always comfortable working with real estate agents, a new study by Clever Real Estate finds.

The study polled 1,000 adults and found that 45 percent of home sellers were unaware they are required to pay the buyer’s agent commission. Only 35



percent of respondents knew the standard total commission fee is roughly six percent of the final sale price of their home. Approximately 50 percent of respondents said they would be willing to sell their homes using an AI platform that connects them with potential buyers. Additionally, 27 percent think AI technology is capable of outperforming a human real estate agent.

Millennial home sellers were the least impressed with real estate agents: 93 percent reported they were less likely to work with a real estate agent. Millennials were also two times as likely to say a real estate agent was not important at all to the home selling process. Despite these findings, 50 percent of respondents said they would not feel comfortable directly negotiating the sale of a home with buyers. More than half of respondents, 62 percent, said they would not feel comfortable handling closing paperwork on their own.

“The key takeaway is that many homeowners simply don’t understand all of the costs involved in selling a home,” said Tommy O’Shaughnessy, Research Analyst at Clever Real Estate.

## LendingTree Study Examines How Housing Prices Have Recovered Since 2009



Home prices and unemployment rates have recovered significantly since the financial crisis, according to a new analysis done by LendingTree, the country’s largest online loan marketplace. The study examined the 50 largest metropolitan areas in the country to determine where housing prices have recovered the most. The study also examined how income and unemployment rates have changed since 2009.

In late 2008, many Americans saw a sharp drop in home values. In the decade since the Great Recession, home prices have rebounded from their lows. Although some areas have begun to cool,

in many cases, home values now surpass 2006 highs. On average, median home values have risen by nearly \$50,000 across the 5 largest metros in the United States thanks to increasing incomes and falling unemployment.

Hartford, Conn., Chicago, Ill., Virginia Beach, Va., and Baltimore, Md. were the only metros in the study where median housing prices have actually declined since 2009. The study cited a lack of employment opportunities and out-of-state migration in these metros for the declines.

San Jose, Calif., San Francisco, Calif. and Los Angeles, Calif. were the metros that saw the greatest increases in home prices since 2009. There was an average increase of \$243,600 thanks to an abundance of high paying tech industry jobs in these metros.

Across the country’s largest 50 metros, unemployment rates have declined by an average of 4.7 percent. Detroit, Mich. saw the largest decline of roughly 10 percentage points. For all 50 metros, the median household income rose by \$11,344 since 2009.

## Rising Housing Costs Causing Some Married Couples to Take on Roommates



It is becoming more common for married homeowners and renters to live with roommates, says a new Trulia study. Worsening housing affordability is the main cause of non-traditional living arrangements for married couples. While couples generally move in together to eliminate the need for roommates, more married couples now live with a roommate in order to share housing expenses.

The study found more than 280,000 married couples were living with a roommate or boarder in 2018, representing a nearly 40 percent increase compared with historical averages. Although this figure accounts for just 0.46 of married households in the U.S., the



rate has increased twofold since 1998. The trend is most prevalent in high cost housing markets.

In Washington D.C., 1.39 percent of married couples lived with roommates between the years 2012 and 2016, marking a 66.4 percent increase from 2005 to 2009. Honolulu, Hawaii and Orange County, Calif. have the highest rates. In these housing markets the share of married couples living with roommates is roughly 4.5 times the national average. Other housing markets with high instances of married couples living with roommates or boarders include San Francisco, Calif., Los Angeles, Calif., Seattle, Wash., and San Diego, Calif.

## New Study Analyzes Salary Needed to Afford Housing in Top U.S. Metros



A new hsh.com study uncovered the disparities in home affordability across the United States. The study explored the salaries potential homeowners need to earn to afford the principal, interest, taxes, and insurance payments for a median-priced home in the top most populous metro areas of the country.

The median-price is the middle point of a dataset of real estate prices, with exactly 50 percent of the homes in a market priced lower and the other half priced higher. The study used median price data for existing single-family homes from the National Association of Realtors. The definitions used to determine the range of metro areas were those provided by the Office of Management and Budget.

According to the study, the most expensive area to live in the country is San Jose, Calif., where potential homeowners need to earn \$255,000 to afford a median-priced home of \$1.25 million. The least expensive area of the country is Pittsburg, Penn., which requires less than \$38,000 to purchase a median-priced home of \$141,625.

The figures for other notable cities from the study include:

- ✱ **Detroit, Mich.** — potential homeowners need to earn a salary of \$46,802 to afford a median-priced home of \$186,317.
- ✱ **Richmond, Va.** — potential homeowners need to earn a salary of \$56,562 to afford a median-priced home of \$256,500.
- ✱ **Los Angeles, Calif.** — potential homeowners need to earn a salary of \$123,156 to afford a median-priced home of \$576,100.
- ✱ **San Francisco, Calif.** — potential homeowners need to earn a salary of \$198,978 to afford a median-priced home of \$952,200.

## Rising Seas Eliminate \$15.8 Billion in East Coast Home Values



A new First Street Foundation study found rising sea levels resulted in losses of \$15.8 billion in property values between 2005 and 2017 among 15 East Coast states, Alabama, and Mississippi.

Researchers considered the characteristics associated with home value, such as square footage and proximity to amenities. Unlike other studies which were designed to forecast the future impacts of sea level rise flooding on home values, this study is the first to demonstrate the value loss that has already occurred. The study also uncovered that in addition to flooding on the property-lots, nearby road flooding has a significant impact on home value declines.

Among the 17 states included in the study, Florida saw the largest loss in home values at \$5.4 billion. New Jersey followed second at \$4.5 billion and New York came in third at \$1.3 billion. The three cities that saw the greatest losses in relative property value were Miami Beach, Fla., Charleston, S.C., and Ocean City, N.J.

“Flooding is the costliest natural disaster in the United States,”



said Matthew Eby, executive director of First Street Foundation. “FEMA is the gold standard when it comes to Americans understanding their flood risk, yet FEMA’s flood maps are fundamentally wrong. First Street Foundation’s home value research is the first step toward our goal of providing accurate, meaningful, and comprehensive flood risk information to every American.”

## How to Negotiate Like the Pros: 3 Expert Tips to Help You Close Real Estate Deals



As a real estate agent, there’s nothing worse than seeing a deal go up in flames after you’ve already invested your time and energy into it. It’s even tougher when you know you could have closed the deal if only one of the parties had been just a bit more flexible. Instead, both sides refused to budge. The buyer wouldn’t raise their offer and the seller wasn’t willing to drop theirs.

So, what do you do when there is a standoff like this? Many agents simply let the deal fail. Brokers lose clients and clients miss out on their dream properties. However, a standoff doesn’t have to mean the end of the deal.

Here are three tips to help you learn how to negotiate like a pro so you can close the deal even under the most difficult circumstances.

**1 Price.** Consider what price means to both the buyer and the seller. For one party, it means making money. For the other, price represents losing money. Consider what price means in your current deal. Will negotiation mean making slightly less money?

Breaking even? Or losing money (but not the maximum amount they could lose)?

**2 Pressure.** No one wants to miss out on the deal of a lifetime. Consider applying pressure to help bring things into perspective for your client. In a standoff, remind your client that no one can time the market so they should take action now before conditions change. How does fear play into the standoff you’re currently experiencing in this deal?

**3 Persistence.** Stay focused on getting results. Repeat the details to your client often. Follow up continuously. Send the comps and data that support your position. Continue to remind them about the positives of the offer. What is the key message you need your client to understand right now in order to move the deal forward?

Negotiation is both a skill and an art form. Don’t forget you’re not only working with properties — you’re working with people. Your clients come from all walks of life, having had different experiences and now have certain expectations. What may have worked for your last client may not be the right solution for your current client. Forget the numbers and focus on your client. What are their motivations? How are they interpreting the situation?

Instead of thinking of a standoff as a failed deal, consider it a part of the selling process you should anticipate. Rather than trying to force people to see things your way and get them to do what you want, make your goal to bring hope to a difficult situation. Show your clients you want to create a scenario that is beneficial for everyone involved and you’ll have a much higher chance of getting the deal back on track.



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