

Here's How I See the NAR Settlement Affecting Buyers, Sellers and Their Agents

Last week I focused on how the media has covered the settlement between the National Association of Realtors (NAR) and sellers regarding the payment of buyer agent commissions. At the end of that article I directed readers to my blog to read my further thoughts about how the settlement would affect buyers, sellers and their agents.

Since not all readers visited that website (or it might have crashed), I'll provide those insights in this column.

Not detailing co-op commissions in the nation's MLSs will require agents to talk to each other before an offer is submitted to find out what compensation, if any, can be inserted in the purchase contract. Buyers' agents who didn't get a buyer to agree to pay them a commission can be expected to call listing agents about compensation before they even show the listing. If more than one agent asks the listing agent that question and then fails to set a showing, the listing agent might convince the seller that offering a co-op commission is a good idea.

Note: Although co-op compensation will not appear on the MLS, those listing agents (like Golden Real Estate's) who create a website for each listing *can* mention co-op compensation there, and ads (like ours) can include that information too, drawing buyers to our listings over other listings.

Report Shows Increase in Home Renovation Spending

With sellers and buyers both sitting on the fence more than usual thanks to increased mortgage rates, it's not surprising that both are investing in improvements of their current home, and that's reflected in this year's home renovation report from [Houzz.com](https://www.houzz.com).

Here are some of the key findings in their 2024 report published last week based on 32,615 website users, including 17,713 home renovators, who participated in a survey regarding their 2023 spending.

The median amount spent on renovation in 2023 was up 60% from 2020 to \$24,000. The median spend in the 90th percentile was up 77% to \$150,000.

Here are some practical changes that can be expected. First, the Colorado Real Estate Commission (CREC) will tweak the **Exclusive Right to Sell** (listing) contract to remove the offer of co-op compensation from Sec. 7.1.1.1. Instead of entering, for example, 5% to 6% as the commission, the contract will likely show 2.5% to 3% as the commission.

If the seller agrees to the idea of incentivizing buyers' agents, it could be expressed in a newly created section of the listing agreement or under Additional Provisions like this: "If a buyer's agent requests compensation, Broker is authorized to offer x% commission to be paid by Seller at closing."

Beware, however: Not offering the exact same commission to every inquiring agent could constitute a Fair Housing violation. It would be better to **publish** that amount, such as on a listing flyer and/or listing website.

I have always advocated for buyers to have professional representation, so I welcome the settlement's requirement to have a signed buyer agency agreement before showing listings. This can be a 1-day or 1-week agreement, to allow the buyer time to decide if he/she wants a formal exclusive relationship with that agent. However, buyers will likely be reluctant to sign **anything** just to see a home, so they will call listing

In just one year, the percentage who financed their project using credit cards surged 9 percentage points to 38%.

Gen Xers edged out Baby Boomers, as they did last year, with a median spend of \$25,000 vs. \$24,000. When it came to big projects, the top 10% of Gen X renovators had a median spend of \$180,000 compared to \$131,000 for Baby Boomers.

The most commonly renovated room continued to be the kitchen, followed by guest bathroom, primary bathroom and living room — 29, 27, 25 and 21 percent respectively. The median kitchen project cost \$24,000 (up 20% over 2022), and median bath project cost \$15,000 (up 15% over 2022).

agents instead. **When a listing agent shows his or her own listing, the buyer isn't required to sign anything**, although the listing agent is required to present the buyer with a disclosure that he/she represents the seller and that the buyer is a "customer." Are listing agents prepared for that onslaught? (Signing that document is not required.)

Listing agents who are used to putting a listing in the MLS and waiting for other agents to sell it won't like buyers asking for showings — especially once they aren't able to get sellers to sign a 5% to 6% listing agreement.

The rules will disproportionately hurt buyers who can barely afford a downpayment, **unless lenders allow a buyer commission to be included in the loan amount**, and those buyers won't be able to come up with thousands in cash to pay their agents. Those buyers will **surely** go to listing agents directly.

Meanwhile, listing agents are used to their paycheck doubling when they don't have to share their 5 to 6 percent commission with a buyer's agent. That's going to go away unless listing agents convince their sellers to put a provision in their contract that if no commission is owed to a buyer's agent, then the listing commission is **increased** by x%.

The CREC's mandated buyer agency agreement has long had a section which says the buyer's broker will **request** payment from the seller but, **failing that**, buyer agrees to pay a stated fee for representation. This will become the default section in the **Exclusive Right to Buy** contract. Agents working with a buyer will seek to insert 2.5% to 3% in their buyer agency agreement in case a seller doesn't agree to that much (or any) compensation for the buyer's agent. Percentages like that will be a hard sell, because the buyer would be on the hook for the dif-

ference between what the seller pays (if anything) and what's in their buyer agency agreement.

Buyers can be expected to resist almost any percentage, since they have never paid a commission in the past. Because of this, more buyers can be expected to call listing agents to see homes instead of hiring a buyer's agent, although I'll continue to advocate for buyers to hire an agent to represent them.

Justifying the **listing** commission will be an easier sell, but only if the listing agent offers the kind of value we do at Golden Real Estate. It will be a harder sell for agents who provide minimal value.

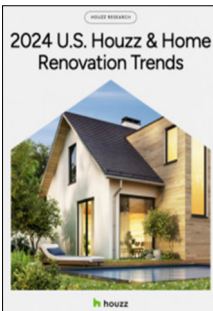
Here's a partial list of the value Golden Real Estate agents provide to our sellers:

- ◆ A free staging consultation
- ◆ Free use of our box truck, free moving boxes, and free packing materials, including bubble wrap
- ◆ Magazine quality still photos, HD narrated video tour, and aerial video and stills
- ◆ Custom websites for each listing and custom URLs (yourhome.com)
- ◆ Advertising your home next to this real estate column in the *Denver Post* and 23 weekly newspapers
- ◆ Discount on the listing commission when we don't have to pay a buyer's agent and/or when we earn a commission selling you a replacement home.

The NAR settlement still allows the MLS to include an offer of **monetary concessions** for buyers, such as paying for buyers' closing costs.

Lakewood Petition re: Parks

Recently, I wrote about a citizens group fighting a high-rise building planned adjacent to Belmar Park. Now, another organization is sponsoring a petition to close the loophole allowing developers to pay a low fee in lieu of designating park land. Find a link for it at [http://RealEstateToday.substack.com](https://RealEstateToday.substack.com).



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"Concentrate on giving, and the getting will take care of itself." —Anonymous