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Which brokerages will thrive in a post-NAR settlement world?

Industry experts and analysts weigh in on how the terms of NAR's settlement agreement will impact different brokerage models

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Like with most things in life, [real estate brokerages](#) come in a variety of shapes and size, from white-glove service firms to discount brokerages to flat-fee firms that offer al a carte services.

While all types of brokerage models see different levels of success in the current real estate environment, industry experts believe this may change due to the terms of the recently negotiated [settlement agreement](#) by the [National Association of Realtors](#) (NAR) in the [commission lawsuits](#).

Fewer agents?

At the root of many of these predictions is the notion that the settlement agreement will result in a higher level of agent attrition than analysts would anticipate solely based on [the housing market](#) slowdown experienced over the past two years.

“If I was a Realtor member who only does a transaction or two a year, I wouldn’t want to pay membership dues or brokerage fees and risk losing that money because I didn’t manage to close a transaction,” said Bennie Waller, a Realtor and a professor of economics, finance and legal studies at the [University of Alabama](#).

“Those fees are not insignificant, but if you have a sale a year, you can cover them, but why would someone on the fence want to risk it?”

If these part-time agents [leave the industry](#) as Waller and many others are predicting, it could be a massive opportunity for the agents who choose to remain.

“The majority of transactions today are already done by the top 20% or so of agents, but that is probably only going to get more amplified with these changes,” said Ryan Tomasello, an industry analyst at [KBW](#).

Although this may be a positive for some of the country's top agents, experts believe an overall drop in agent count may be rough on some firms.

"Obviously, **RE/MAX** comes to mind as it has a large franchise model that is tied to agent count," Tomasello said. "If agent headcount declines materially, could that impact a model like that? Sure, but it goes back to whether or not the average RE/MAX agent is an agent that is going to be more inclined to leave the industry versus an agent that is a more productive full-time agent."

In recent years, RE/MAX has struggled with its [agent count](#), but it also boasts some of the nation's most experienced and highly productive agents, making it challenging for analysts to predict its future.

"RE/MAX is squarely agent count times fees," said Soham Bhonsle, an analyst at **BTIG**. "RE/MAX has been losing agents over the past couple of years, but it is offset a bit by the fact that RE/MAX has productive agents, so that makes it hard to say how they will fair in a world where agents are leaving on a macro level. They will have to find a way to attract more agents all of a sudden."

Despite RE/MAX's agent attraction and retention woes, Bhonsle firmly believes productive agents will be the key to firms succeeding in the post-NAR settlement world.

"In the scenario where the best agents take more market share, you have to think about where those agents sit today," Bhonsle said. "Every big brokerage has some of them, but if you think about some of the most productive agents, a lot of them sit on **Compass'** platform.

Douglas Elliman also has some big hitters, but they also have some folks that don't do that much business. Then HOUS [**Anywhere Real Estate**] has a lot of run-of-the-mill agents, with some strong ones at **Corcoran** and **Coldwell Banker**. So, the ones that are able to attract more of these better agents are going to take more market share and potentially get bigger."

While Bhonsle feels optimistic about firms with top producers regardless of whether or not their model relies on agent count, he is less optimistic about what he calls the "discount firm."

"If you look at **eXp**, the productivity of their agents is relatively lower than everyone else's because a lot of part-time agents joined the firm during COVID," Bhonsle said. "So, I am a little cautious because I feel there could be a lot of pressure on their agent count if these types of folks leave."

Although Bhonsle's feelings about eXp may be less positive, he is optimistic about **The Real Brokerage**, which he also classifies as a discount firm.

“It is protruding agents left and right because they offer agents the chance to keep their own brand, but they get to keep 90% of their commission,” Bhonsle said. “In a world where a discount brokerage offers enough to agents and they get to keep more of their commission, you could see a scenario where brokerages like this benefit from the settlement agreement.”

Value proposition

For [Steve Murray](#), the co-founder of **RealTrends Consulting**, whether or not a firm succeeds in the post-NAR settlement world will depend on how well it is able to differentiate itself to both agents and consumers.

“In a marketplace of service or product providers, usually the ones who suffer are the ones whose differentiation is not both valuable to the recipient and very clear,” Murray said. “For instance, Walmart’s value is very clear: ‘Everyday low prices.’ You don’t go to them for high-end fashion, and you don’t go to Nordstrom or Neiman Marcus looking for cut-rate products. But the guys that have gotten caught in between, like JCPenney, Kohl’s and Sears, look at what has happened to them.”

Based on Murray’s framework, the lowest-cost brokerage models — as long as their differentiation is clear and their costs truly are low — should be feeling confident about their position. The same goes for the full-service, higher-cost firms, as long as they are clear about what makes them different from the low-cost firms.

“If you think of yourself as a high-value-add, mid-cost brokerage, then you might be in trouble,” Murray said.

While the actions firms take in order to attract top agents and differentiate themselves will play a part in their future success, analysts note that consumers will be the final determining factor.

“I think it is still too early to tell what is going to happen, because we have to watch for where buyer and seller behavior goes with all of this stuff,” Bhonsle said.