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WHITE PAPER

ADAPTING TO THE POST NAR SETTLEMENT

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Abstract

This white paper examines the significant shifts in the real estate industry following the National Association of Realtors (NAR) settlement, which challenges the traditional compensation model. The settlement has set the stage for a transformation in how real estate transactions are conducted, requiring brokers, agents, and Multiple Listing Services (MLS) to adapt swiftly to a more transparent and competitive environment. This paper explores the implications of the settlement, the limitations of legacy systems in meeting new market demands, and the potential risks of failing to modernize. It also outlines strategies for transitioning to a modern, flexible technology stack that can support the evolving needs of a broader range of stakeholders, including consumers, financial institutions, and other service providers. By addressing these challenges proactively, the industry can not only mitigate potential disruptions but also seize opportunities for innovation and growth in this evolving landscape.



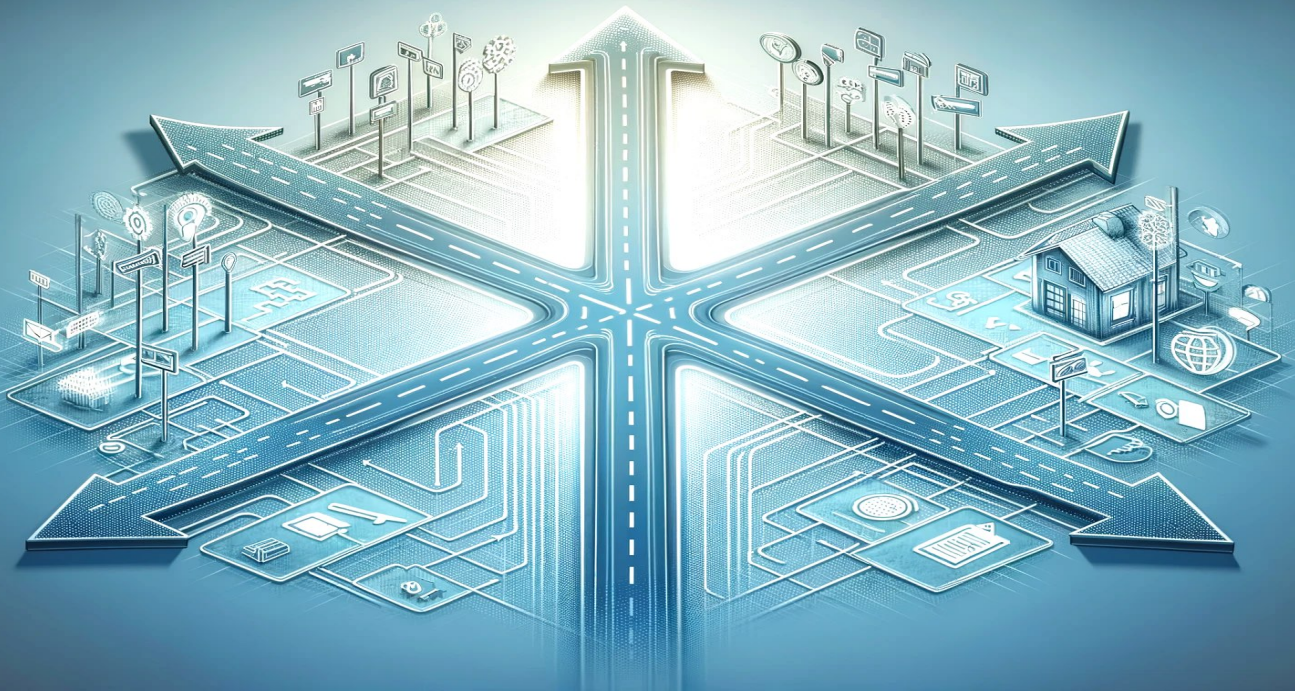
Executive Summary

The real estate industry is at a critical crossroads following the October 2023 NAR settlement that challenges the traditional compensation model. This white paper explores the significant implications of this paradigm shift and the urgent need for the industry to adapt to a more transparent and competitive marketplace.

As the settlement disrupts longstanding practices, brokers, agents, and MLSs must navigate a rapidly evolving landscape that demands greater flexibility, innovation, and inclusivity. The paper outlines the challenges posed by legacy systems, which are often ill-equipped to meet the new demands of a diverse group of stakeholders. It also highlights the risks of clinging to outdated technology, which can lead to fragmentation and a failure to meet market expectations.

To successfully transition, the industry must commit to investing in modern, adaptive platforms that can support a broader range of services, cater to the evolving needs of consumers, and foster collaboration among all real estate stakeholders. By embracing these changes and demonstrating a commitment to ethical practices and transparency, the real estate industry can mitigate potential damage, rebuild public trust, and remain competitive in this new era.

This white paper provides a comprehensive analysis of the current state of the industry, the challenges ahead, and the necessary steps for successfully navigating this transformative period. It serves as a guide for industry leaders who seek to not only survive but thrive in the wake of these monumental changes.



Real Estate Paradigm Shift

NAR Settlement

The NAR settlement and the accompanying guidance from the Consumer Federation of America (CFA) signal a significant paradigm shift in the real estate industry, especially in how agent compensation is negotiated and perceived by consumers. This change marks a departure from the traditional model, where seller-broker commissions were typically bundled and non-negotiable by buyers.

Key Aspects of the settlement

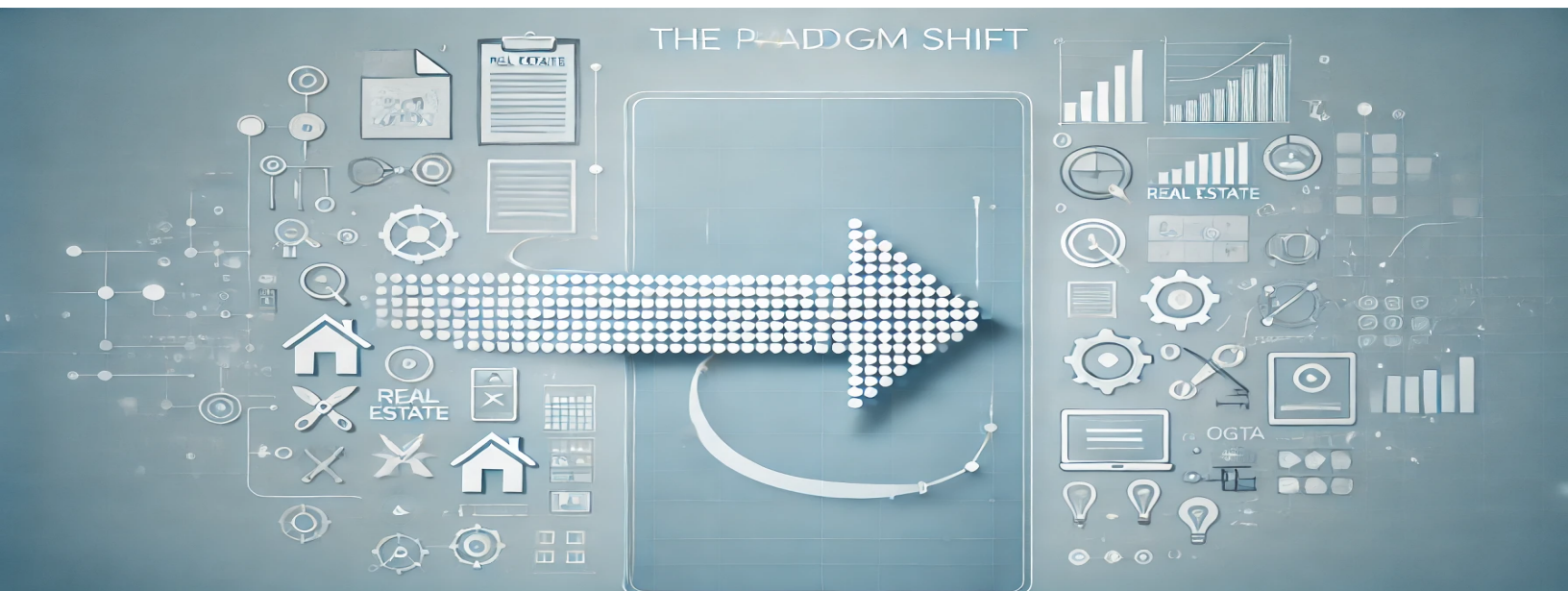
Prohibition on Mandatory Commission Offers - The settlement prohibits listing brokers from being required to offer compensation to buyer brokers on the MLS. Previously, it was common practice for listing brokers to offer a percentage of the sale price as a commission to the buyer's broker. This practice was seen as contributing to higher overall commission rates.

Buyer Broker Compensation Transparency - The settlement mandates that brokers and agents are now required to establish a written buyer agreement with buyers before providing specific services. This buyer agreement details the agent's services and compensation terms, ensuring buyers have a clear understanding of any fees they may be responsible for.

Decoupling of Commission Rates - The settlement effectively decouples the commission structure, allowing buyers to negotiate their broker's compensation separately from the seller's agent. This is expected to lead to more competitive pricing and potentially lower commission rates overall.

Implications

The settlement is part of broader efforts to introduce more competition into the real estate market and empower consumers to have greater control over the fees they pay for real estate services. It addresses long-standing concerns that the traditional commission structure was anti-competitive and not fully transparent to consumers. The implementation of the settlement, started August 17, 2024, is expected to bring significant changes to how real estate transactions are conducted, with potential ripple effects across the industry as agents and brokers adapt to a more competitive and transparent marketplace.



Implications to the Real Estate Industry

The NAR settlement and the resulting advice from the Consumer Federation of America (CFA) signal a significant paradigm shift in the real estate industry, particularly in how agent compensation is negotiated and understood by consumers. This shift represents a departure from the traditional structure where seller-broker commissions are typically bundled and non-negotiable by buyers.

The CFA's [message to consumers](#) from the CFA

"The basic reason that the industry has been sued by the U.S. Department of Justice and by private citizens is because for a century, Realtors have colluded to set rates which now typically are five or six percent. The class action settlement, for the first time, effectively allows buyers to negotiate their agent's compensation. Buyers should take the opportunity to do so, setting a goal in dollar terms of two percent (of home sale price) or less. And so should sellers, who have had the same opportunity but frequently have decided not to pursue it."

In a past CFA's article published on June 6, 2006, author Stephen Brobeck portrays the real estate industry as a "cartel", accusing it of price fixing for over a century and even labeling some agents as dishonest.

While this represents a challenging moment for the industry, it also presents an opportunity to embrace a better future. By proactively addressing the issues raised and demonstrating a commitment to ethical practices and transparency, the real estate industry can mitigate potential damage and rebuild public trust. This can be achieved by working closely with industry associations and key stakeholders to present a unified and consistent response to the allegations, and by engaging with consumer advocacy groups to find common ground and show a genuine commitment to consumer interests.

Disruptive Impact on the Real Estate Industry

Increased Consumer Empowerment - The settlement empowers buyers to negotiate agent compensation, which could lead to a significant reduction in commission rates, potentially standardizing them around 2% or less. This challenges the longstanding practice of agents receiving 5%-6% commissions and disrupts the traditional revenue model of real estate agents.

- **Market Competition and Pressure on Commissions** - As buyers become more aware of their ability to negotiate, agents may face pressure to lower their fees to remain competitive. This could lead to more variable commission structures across different markets and force agents to justify their fees based on their competence, effort, and value-added services. A recent study by Rismedia reveals that average commission rates have decreased, with a 0.68% drop post-settlement compared to the previous year. This translates to significant income reductions, particularly for buyer agents, who experienced larger commission cuts than listing agents.
- **Reduced Incentive for Cooperation** - The assurance of compensation through MLS listings encourages cooperation among agents. Removing this component might reduce the willingness of agents to collaborate, as they would no longer have guaranteed financial incentives.

- **Fragmentation of the Market** - Without a centralized system providing transparent compensation information, the market could become more fragmented, with agents relying on personal networks or separate agreements to ensure they are compensated.
- **Shift in Negotiation Dynamics** - The prohibition on listing brokers offering compensation to buyer brokers on MLSs, coupled with the suggestion that sellers not offer upfront compensation to buyer agents, will likely change how negotiations are conducted. Sellers and buyers may need to engage in more detailed and transparent discussions about compensation, leading to new approaches in how these costs are addressed during the transaction process.
- **Increased Complexity and Confusion** - For both consumers and agents, the new rules introduce complexities that could lead to confusion, especially as agents try to preserve traditional compensation structures. Buyers and sellers may need to navigate new contract terms and negotiation tactics, potentially increasing the demand for legal advice or more consumer-centric agent practices.
- **Potential for Litigation and Disputes** - With new rules and more aggressive negotiations over compensation, there could be an uptick in disputes between agents, buyers, and sellers. Issues such as "procuring cause" claims and the legality of certain contract provisions might lead to more frequent litigation or arbitration, adding a layer of legal risk to real estate transactions.
- **Evolution of Agent Roles and Responsibilities** - Agents may need to adapt by offering more transparent and flexible services, possibly moving away from percentage-based commissions to flat fees or tiered service packages. This evolution could redefine the role of the real estate agent, making expertise, transparency, and consumer trust even more critical.

Long-Term Implications

The long-term impact of the NAR settlement is expected to shape a more consumer-driven real estate market, giving buyers and sellers increased control over transaction costs. As commission rates have already begun to decrease, especially for buyer agents, the industry may experience a consolidation, where only the most skilled and value-focused professionals succeed. This shift toward transparent, negotiable fee structures could spur the development of innovative business models and technology solutions that challenge traditional practices.

This transformation, fueled by both the NAR settlement and guidance from CFA, may drive down consumer costs while adding new complexities and competition among agents. As agents adapt to a more competitive landscape, they will likely face pressure to differentiate their services and demonstrate clear value to clients.



Is the Real Estate industry facing a fate similar to that of stock brokers and travel agents?

The real estate industry is indeed facing a transformative period, much like what happened with stock brokers and travel agents. However, the fate of real estate agents isn't necessarily one of complete replacement by digital tools, but rather a significant evolution in their roles.

Factors Contributing to Digital Disruption

Expanded Access to Online Resources - Public platforms like Zillow, Redfin, Realtor.com, Homes.com, and others offer comprehensive property listings, market data, and visual content, giving consumers the ability to handle tasks that traditionally required an agent. These tools diminish the need for intermediaries in the early stages of property search and decision-making.

Automated and AI-Driven Services - AI and machine learning are making property recommendations, pricing estimates, and even negotiation assistance more accurate and accessible. As these technologies advance, they can take on more complex tasks, further reducing the need for traditional agent services.

Consumer Demand for Transparency and Lower Costs - As we discussed earlier, with the recent NAR settlement and the push for more transparent and negotiable commission structures, consumers are becoming more aware of the costs associated with traditional real estate transactions. This awareness drives demand for lower-cost, technology-driven alternatives.

Digital-First Generations - Younger generations, who are accustomed to managing many aspects of their lives online, may prefer using digital tools over traditional agents. This generational shift could accelerate the adoption of digital real estate services.

Why Real Estate Agents May Not Face the Same Fate

- **Complexity of Real Estate Transactions** - Unlike stock trading or booking travel, real estate transactions are often complex, involving significant financial, legal, and emotional stakes. This complexity creates a continued need for expert guidance, negotiation, and local market knowledge, which digital tools alone may not fully replace.
- **The Human Element** - Real estate decisions often involve significant emotional and lifestyle considerations. Buyers and sellers may still prefer working with a trusted professional who can provide personalized advice, handle negotiations, and manage the various parties involved in a transaction.
- **Advisory and Negotiation Skills** - Agents offer more than just access to listings; they provide advisory services, negotiate deals, and manage the entire transaction process, including dealing

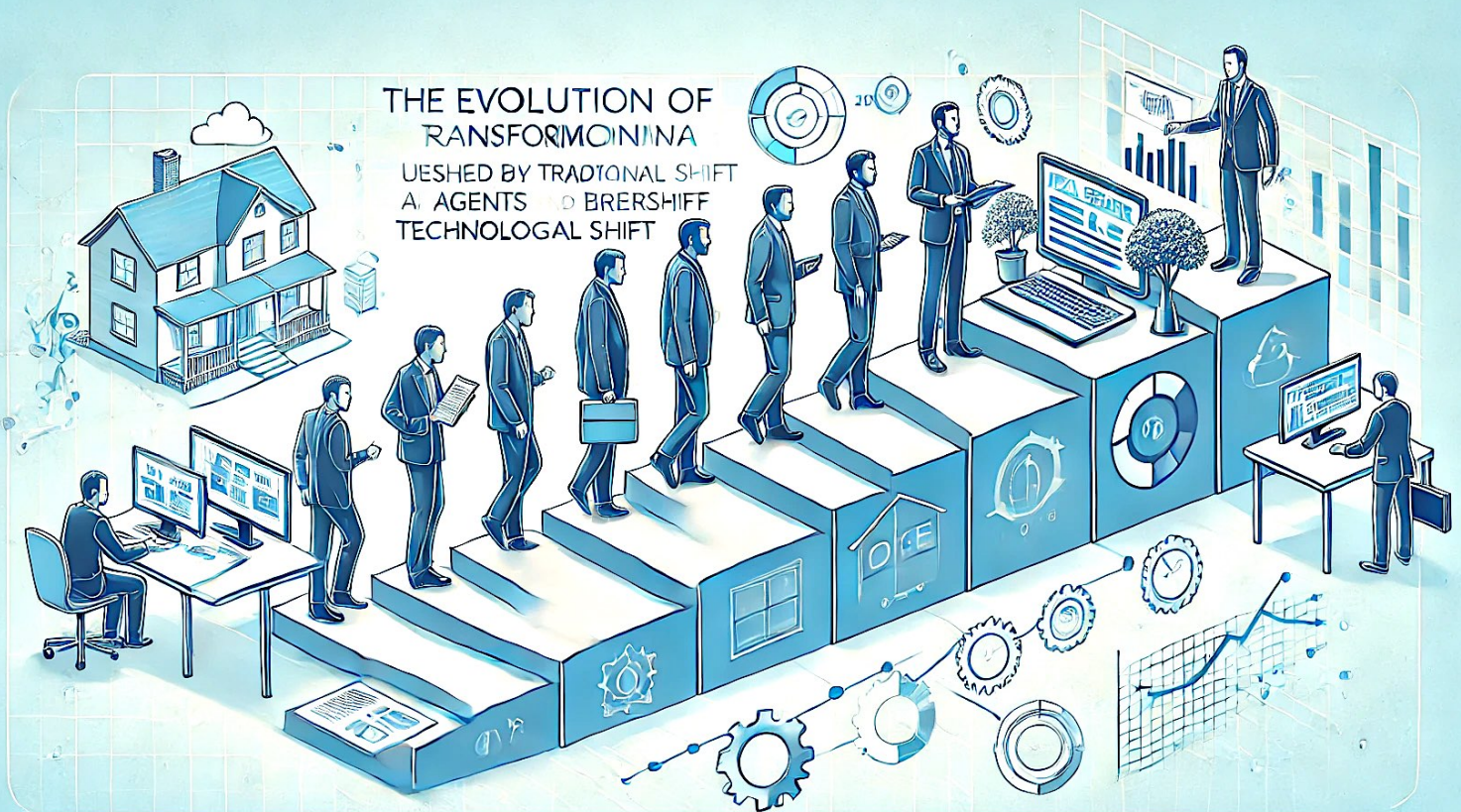
with legal documents and coordinating with inspectors, lenders, and other professionals. These tasks require a level of expertise and personal touch that digital tools may struggle to replicate.

- **Why Buying a Home is Different from Other Transactions** - A home is the largest asset most people will ever buy. Unlike stocks or travel bookings, real estate transactions are complex, involving legal, financial, and market factors that benefit from professional guidance. While technology reshapes the industry, a skilled agent remains vital to navigating this important decision.

Evolution, Not Extinction

Real estate agents are likely to undergo a significant evolution rather than face extinction. Those who embrace digital tools to enhance their service offerings, reduce costs, and improve transparency will thrive. The industry is moving towards a model where agents act more as consultants, guiding clients through complex transactions with the aid of sophisticated technology.

While digital tools will undoubtedly take over some aspects of the real estate process, the industry's complexity and the value of human expertise mean that agents who adapt to the digital age will continue to play a crucial role. The industry may shrink in terms of the number of agents, but those who remain will be more specialized and technology-savvy, providing services that go beyond what digital tools alone can offer.



Is the the Real Estate industry ready for this paradigm shift

The Real Estate industry is at a critical juncture where it must adapt to this paradigm shift, but readiness varies across different segments. While some forward-thinking organizations and platforms are embracing new technologies and inclusive models, many others remain reliant on outdated systems and processes. The industry's overall readiness will depend on its ability to invest in innovation, reimagine traditional roles, and adopt more collaborative and flexible approaches that meet the evolving needs of all stakeholders. Transitioning to newer, more adaptive platforms will be essential for staying competitive in this rapidly changing landscape.

Challenges for Existing MLS Systems

Outdated Technology - Most real estate platforms, originally designed and architected for a previous era and primarily focused on serving brokers and agents, lack the flexibility and modern architecture needed to address the challenges and demands posed by this paradigm shift. As a result, existing MLS platforms will struggle to efficiently and economically adopt and deliver the market-driven solutions necessary for MLSs to meet and exceed rapidly evolving market expectations.

MLSs will need to carefully plan a least disruptive path to transition their technology stack from platforms primarily serving brokers and agents to a modern, versatile tech stack that offers expanded services, meeting the needs of various real estate stakeholders and consumers.

Integration and Data Exchange - Modern real estate transactions increasingly demand seamless integration with various other platforms, including financial institutions, insurance companies, digital wallets, AI-driven tools, blockchain repositories. However, older MLS systems often struggle with interoperability, hindering the level of data exchange and integration that will be crucial in this new digital era.

User Experience and Accessibility - Consumer expectations have evolved significantly, with a demand for intuitive, mobile-first, and highly accessible platforms. Many older MLS systems may fall short in providing a user experience that meets these expectations, especially when compared to newer, more modern alternatives.

The Path Forward

In summary, for the industry to successfully navigate this transformation, it will require a commitment to investing in innovation, providing additional services to all stakeholders, reimagining traditional roles, and adopting more collaborative and flexible approaches that address the evolving needs of all parties involved. Transitioning to newer, more adaptive platforms will be crucial for creating value and maintaining competitiveness in this rapidly changing landscape.



In conclusion, the immediate future will be pivotal for MLSs as they navigate the rapidly changing real estate industry, marked by digital disruption and evolving market demands. By embracing advanced technologies such as AI and machine learning, expanding their services to cater to a broader range of stakeholders, and enhancing data interoperability, MLSs can transform from traditional listing platforms into comprehensive, consumer-centric ecosystems. The shift towards greater transparency, collaboration, and inclusivity will not only help MLSs stay competitive but also position them as key facilitators in the real estate market of the future. As they adapt to these changes, MLSs have the opportunity to lead the industry into a new era of innovation, efficiency, and growth.



Frequently Asked Questions

What problem does it solve?

Amplify establishes a new backend real estate platform category named "**Endless**," designed for continuous adaptability and limitless scalability. This platform enables real estate organizations to seamlessly integrate, configure, and evolve their operations in real time. With a low-code framework, powerful data handling, and automated processes, Amplify redefines backend capabilities to meet the growing demands of a dynamic real estate market, setting a new industry standard for flexibility and resilience.

Decoupling Frontend and Backend

Amplify solves the problem of monolithic system architecture by decoupling the frontend from the backend. This separation allows MLSs to move away from rigid, all-in-one platforms and instead adopt a more modular approach. This decoupling significantly reduces complexity, making system maintenance, updates, and customization much easier and more efficient.

Moving Beyond Relational Databases

Traditionally, most technology vendors have relied on relational databases as the foundation for architecting and designing MLS systems. While these RDBMS have served the industry well since the 1980s, they are increasingly seen as rigid and complex, limiting flexibility and adaptability in today's dynamic real estate environment.

Improved Scalability and Performance

By adopting a modern backend architecture that moves beyond relational databases, Amplify provides MLSs with enhanced scalability and performance. This is crucial for managing the growing amount of data and complex workflows involved in today's real estate transactions, ensuring that the system can grow and adapt as the MLS's needs evolve.

Customization and Flexibility

Amplify allows MLSs to create additional local databases tailored to specific needs, such as specialized property types or market segments. This level of customization ensures that MLSs can maintain and utilize data that is highly relevant to their operations, improving the accuracy and detail of property listings and making the platform more adaptable to future requirements.

Streamlined Integration and Innovation

By decoupling the backend, Amplify makes it easier for MLSs to integrate with other technologies and third-party services, fostering innovation and enabling a more dynamic ecosystem. MLSs can quickly adopt new tools, features, or data sources without being constrained by a monolithic system architecture.

What is different about Amplify compared to current solutions?

Amplify stands out from current solutions in several key ways:

Low-Code Customization

Unlike traditional platforms that require extensive development work to implement changes, Amplify's low-code architecture allows administrators to make adjustments quickly and easily, without needing a highly specialized team of developers. This reduces both the cost and time associated with customization.

Business Rules Management

One of the standout features of Amplify is its powerful and flexible business rules management module, which provides essential transparency by making the complete set of rules available to MLS staff in PDF or CSV format. Amplify empowers MLS organizations to make informed decisions when enforcing specific business rules tailored to their unique needs, ensuring data integrity, compliance, and operational efficiency.

Real-Time Adaptability

Amplify is built to adapt in real-time, enabling organizations to respond rapidly to market shifts, new regulations, and evolving customer expectations. This is a significant improvement over more static legacy systems.

Advanced Content Generation

Amplify incorporates cutting-edge features such as computer vision, text-to-speech, language translation technology to generate listing marketing videos and audio descriptions for properties. These innovations significantly enhance the way real estate listings are presented and shared across platforms, providing a more engaging and accessible experience for users.

Why is now the right time for this solution?

The real estate industry is undergoing significant transformation, driven by shifts in consumer expectations, regulatory changes, and the rapid adoption of new technologies like AI and machine learning. Amplify is perfectly positioned to help organizations navigate this landscape by providing a platform that is not only ready for today's demands but also built to evolve with future challenges. As traditional models become increasingly outdated and less effective, now is the ideal time for MLSs and brokerages to adopt a solution that offers the flexibility, efficiency, and innovation needed to thrive in a competitive and ever-changing market.

What other companies provide a similar solution?

While various companies offer platforms with features that address similar needs in the real estate industry, they are rooted in a past era of monolithic systems.

Amplify, by contrast, is a specialized backend solution designed for flexibility and efficiency in MLS operations. It enables MLSs to manage core listing databases while also creating and maintaining additional local databases tailored to unique needs. These supplementary databases integrate seamlessly into the listing maintenance process, allowing MLSs to store and use detailed information on specific categories, such as condominium complexes, high-rise buildings, and energy-efficient properties... This versatility extends beyond brokers and agents, providing value to diverse real estate stakeholders across the ecosystem.

What makes Amplify stand out amongst these competitors?

Amplify distinguishes itself from competitors through its exclusive backend focus, advanced content generation capabilities, modern and scalable architecture, and unparalleled flexibility. These features make Amplify a powerful and adaptable backend platform for MLSs looking to modernize their operations and stay competitive in a rapidly evolving real estate landscape.

How is this new tech an improvement?

Amplify's new technology improves upon traditional MLS systems by offering greater flexibility, scalability, and innovation. Its decoupled architecture, advanced content generation, and real-time adaptability enable MLSs to provide a more dynamic and user-centric experience while extending their services beyond just real estate brokers and agents to encompass a diverse range of stakeholders. This positions MLSs to succeed in an increasingly competitive and rapidly evolving real estate market.

Key Features of Amplify

Key Features of Amplify

Real-Time Adaptability

Amplify's architecture allows for real-time modifications without disrupting the production environment. This capability ensures continuous service availability and up-to-date functionalities, significantly enhancing user experience and productivity.

RESO Native, Low-Code Platform

Designed to be managed and configured by administrators rather than software developers. This approach allows for the addition of new database fields and values in as little as 5 minutes, dramatically reducing the turnaround time from weeks or months typically required by legacy platforms.

Active-Active Backend Configuration

An active-active database configuration offers a robust and efficient solution for managing databases that demand high availability, fault tolerance, and scalability. By utilizing multiple load-balanced instances across different cloud providers, this setup ensures continuous operation and optimal performance, even under high load or in the event of failures.

Digital Transformation

Amplify represents a significant shift from traditional methods, embracing the forefront of digital transformation by tightly integrating machine learning, generative AI, computer vision, and blockchain technologies. The adoption of these emerging technologies will usher in a new era of efficiency and productivity.

SSO / Authentication

Amplify's Single Sign-On and Authentication module streamlines user access and enhances security across the platform. This module allows MLS organizations to manage user credentials and access permissions efficiently, providing a seamless and secure login experience. By integrating with existing identity providers and supporting various authentication protocols, Amplify ensures that users can access the system securely without managing multiple sets of credentials. The SSO/Authentication module also supports multi-factor authentication (MFA), adding an extra layer of protection to safeguard sensitive data and prevent unauthorized account sharing.

Data Syndication Solution

Amplify's data syndication empowers MLS organizations to manage all aspects of data distribution efficiently. Through the use of payloads, MLS staff can define specific data sets for distribution, ensuring that data consumers receive only the relevant fields. This system prevents unexpected changes by keeping payloads independent of data consumers, with an option for an "all fields" payload that dynamically updates with new fields.

Amplify's syndication services offer two models for data distribution Replication and Live Search.

Vendor Management

Vendors can be onboarded through MLS or brokerage-defined processes, with an approval step by MLS staff. Alternatively, vendors can self-sign up via a dedicated website, pending MLS approval. MLS staff maintain full control over vendor information, including activation and deactivation.

Agreements

Amplify supports binding agreements between vendors, MLSs, and brokerages, utilizing electronic signatures and managing renewal dates. This ensures clear, enforceable terms for all parties involved in data distribution.

Live Search

Live search feed provides a more dynamic and comprehensive option, enabling data consumers to query across all fields within their data feed. Powered by a high-performance ElasticSearch cluster, Live Search eliminates the need for data consumers to replicate the MLS database on their servers. This setup allows real-time searches directly on the Amplify system, ensuring high performance and real-time data updates.

Amplify's Machine Learning-Based Data Mapping

Amplify's state-of-the-art data mapping tool automatically uncover patterns, relationships, and mappings across disparate data fields or schemas. This advanced tool focuses on aligning data elements from one dataset with their counterparts in another based on their inherent meaning or content, rather than just labels or positions. By doing so, it ensures a more accurate and meaningful data integration process. This innovative data mapping tool drastically reduces the time and resources needed for manual mapping and eliminates the risk of human error. It streamlines the integration of diverse datasets, providing seamless and efficient data alignment that enhances overall data quality and consistency across platforms.

Future-Proofing

Amplify's design is future-ready, capable of integrating new technologies and evolving with industry needs. This ensures that your investment remains relevant and effective in the long term.

Amplify Core Services

