



Get Real Podcast Episode: 019

“What The Bombshell Buyer-Side Lawsuit Means For Realtors”

Hosts: Ron Phillips & Angela Thomas

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Angela: Hey everyone, welcome to The Get Real Podcast. Thanks for joining us. This is Angela Thomas and I'm here with Ron Phillips. Say Ron.

Ron: Hello.

Angela: Hey. So we are going to talk about a little bit of real estate news today. That's probably most applicable to everyone out there who's running a real estate business or trying to get into it. And also everyone that has little mom and pop kind of businesses too, right? Like flipping.

Ron: It should be interesting for everybody because this is, I mean, this isn't what we're going to talk about is new, but the general consensus around it, Angela is not new. I mean this is all been happening kind of.

Angela: We've been talking about it forever

Ron: We have. I mean, I don't know that the normal person realizes exactly what's going on in the industry right now. Because I don't think it really affects them to the same degree as it would someone in the industry. But it should be interesting for everybody anyway.

Angela: Yeah. So what we're talking about is a huge buyer side lawsuit and how that's going to affect everyone in the industry or even touching the industry in it. Yeah. Like Ron said, it should be pretty interesting for everyone to hear about. So for anyone who hasn't read about this, most of you have probably seen something around or on Facebook or whatever, but for anyone who hasn't, Ron, do you want to kind of explain what it is and what happened?

Ron: Sure, yeah. And if you Google this, you'll, you'll be able to find it. It's a pretty big. So it was, this is a class action lawsuit was filed in the United States district court.

It is not a small deal, it is against the National Association of Realtors and a whole bunch of MLS, multiple listing services.

Angela: All the MLS is and all the big real estate companies right? The really big ones.

Ron: Yeah. And it's funny because you know, they named the largest ones and I, and there's only one reason for that, that they didn't try to name a whole bunch of other ones. And that's because the majority of the transactions happen with those larger companies. I'm not going to get in a name all of everything because it'll take forever and we don't have time for all of that. You can actually look up and you can read the lawsuit. It is interesting all of it. It's long. You know, read it at night view needs something to read. If your in the business, it will not help you go to sleep. If you are not in the business, it will help you go to sleep. So just depending on who you are.

Angela: Yeah. The only person this can benefit is a buyer, right? I mean, do you want to like simply explain kind of what, what the lawsuit says? Like what, what are they trying to do here?

Ron: Yeah. I mean, I think that really all this is, it basically alleges that there's cooperation and compensation, all that happening is a violation of the antitrust laws. And that it harms consumers because, it's forcing home sellers, the sellers side to pay the buyer's side commission. And if you want my opinion, really this is just a way to take another stab at the real estate brokerage as it has been for decades. You know, before we go into this actual case, Angela, there is, I mean, for years there've been some really big players coming into this market and they've just been attacking in really small ways, not anything huge, you know, Zillow and Redfin and you know, all these guys, they really, they don't say it in so many words, but, but these guys want to, they want to do what Uber did to the taxes.

Ron: I mean that's really what's going on here. They want to disrupt the market and they want to be able to play untethered in this space. Since those big boys, there have been other ones that have come in and in the real estate investment world. Those of you out there who are running businesses or who have, you know, studied about becoming a real estate investor, flipper, rehabber, buying rental properties, any of these things. Now there are very large companies, those of you who are in the business, you know, you've got to compete with these guys who are paying way too much money because they've got billions of dollars behind them and they're buying up a whole bunch of real estate. These guys are all coming in trying to use technology to disrupt an industry that has been, you know, kind of on lockdown for quite awhile, you know.

Angela: It's been regulated.

Ron: We've all been playing the same game the same way and you know, we've all had our unwritten rules about how the game's played. Well, those rules are out the window now and there's some new folks coming in and trying to shake things up. I believe personally that that's what this lawsuit is, I don't think really has anything to do with anything other than trying to break up the monopoly of the National Association of Realtors. Now I am a real estate broker but some of what is alleged in here is accurate. I mean, if we're getting real, some of this lawsuit is accurate. It has merit in my opinion. I'm no attorney, I don't know the law that well. But man, as I read through this, some of what it says is stuff I've been saying forever since I became a real estate agent.

Ron: I mean the stuff against the MLS and some of these larger companies, I mean, I think it's in here it talks about, the MLS has this rule where you, I mean, you basically have to agree to join an MLS. You have to agree that you are going to, you're going to play by the rules of the MLS and they're all dictated to you basically. And they're sedating that this is a violation of the Sherman Antitrust Act. I've kind of always said that it's a little bit mafioso in its way that it works in order you, I mean you to join some of the real estate companies and the reason that they've named some of these really large real estate companies, in order to be in that real estate company, you have to join the MLS and then you have to participate by the rules in the MLS. You're forced to do it. Now if I join as a broker and MLS, all of my agents have to join now otherwise I have to pay for all of these. And it's Anyway I'm not saying this is good or bad Angela I'm just saying that it is.

Angela: Yeah. So can you connect that for us Ron? I know and just, you know, like help make it, so how does this lawsuit, you mentioned that you know, there's all these other companies, Zillow and Redfin and you know, Roofstock and all that. How does this further their agenda, if that's what you were saying, if I understand you correctly.

Ron: So let's go into the financial part of this and then I'll come back and I'll talk about a little bit more about the nuts and bolts of what's wrong with what they're alleging. But the nuts and bolts of this is, is that they have named all of these people. And just to kind of save you, they are suing based on the buyer's side commission, which is generally 3%. And they're suing in the major metropolitan areas. And I mean, it's so much billions and billions of dollars is what suing over. So and the attorneys who are bringing this lawsuit are no joke.

Angela: Yeah. They're huge, huge law firms.

Ron: So these guys have won billions and billions and billions of dollars for their defendant, for the clients. And so they're not in this to, I believe they're not in this to settle. I firmly believe that they're in this to get a, they're in this to get a judgment that it will bankrupt these institutions. There's no way that they can pay out this kind of money it's an obscene amount of money. I don't know exactly what happens at that point, but you could, you could speculate that if the MLS can operate the way that it is and the National Association of Realtors basically loses its hold on the industry, that anything is possible at that point. I don't know exact, I mean, if the buyer's side commission has to be paid by a buyer, good hell how many buyers are going to be buying real estate if they have to front the, if they have to foot the bill for that? And how many, how many real estate brokerages, if that happens, can actually live on 3% or less? But this has already been happening for a long time because there are companies now who will let you list for, you know, \$500 bucks so you can be on the MLS and not have to pay a realtor. And so I mean...

Angela: That's kind of what it has been heading towards

Ron: This has all been happening for years now we just have this first massive attack on the industry. And look, I'm not saying that they win, I'm just saying that a lot of what they assert has merit and you know, maybe they don't win and maybe nothing changes because of this. But I'm telling all of the brokers out there and the people who are in the real estate world, that our world is changing somehow and that we'd better get ready for it.

Angela: And how do we do that? I mean, if we assume this is a threat, whether or not it wins, I mean, like you said, there's going to be more like it, it's not just going to go away. Even if they don't want anything from this specific case...

Ron: No the big boys aren't going to go away because they need an open door to be able to come in here, pun intended, to come in here and actually be able to play in this space unabated by anybody else. And the NAR has such a hold on this particular industry that they're in the way. And so are all the brokers out there, unfortunately. So we've got to figure out as rehabbers, as you know, buy and hold guys, as brokers, everybody that's in this industry needs to start looking at this a little bit more intently and saying, okay, how's this going to affect?

Ron: I mean if you look at how Uber has affected the taxi market, I mean, there was still taxis, there are still taxi companies operating. They've had to change how they do things to be able to actually compete and survive. Where they literally had a monopoly because you had to get the license in the city. So it was all

regulated and you know, taxis were horrible and I hate to say it, but Uber came in and fixed it. Uber fixed it and I haven't used a taxi since Uber came out.

Angela: I mean, either. Why would you?

Ron: Why would you? Because Uber's are clean. The people are nice, they speak English.

Angela: Their normal people.

Ron: I mean there's so many reasons why you would choose an Uber.

Angela: Way more convenient, which I think is like you said, yeah, that's kind of the real estate industry. What I've seen is they're trying to make it way more convenient for buyers and that's, I mean I think that's a huge part of their angle is they're trying to bring technology in and make it like even the playing field. Like make it so a normal everyday person can access what you had. You know, you could only access on the MLS previously or had to be a broker or a real estate agent, right to access these deals.

Ron: Angela, I think why think this will be a great for the industry ultimately just like it is for everybody who uses Uber and the lift and you know, whoever comes after them that does the same thing. Ultimately it was good for the taxis because they need to clean up their freaking act man. They had a monopoly and that's what happens when you have a monopoly. You know, I think that the real estate world, especially the brokerage model, has to look internally and just take a look at what's going on and see if it's going to work long term. And then we all need to collectively make changes as the attacks are coming from the outside to make the changes as well. We need to keep our eyes open and try to look into the future so that we can see what's going on.

Angela: And maybe even, you know, like you said, like, how can you profit from like, we know this is coming. It might not be, you know, in the next couple of years, but it's coming, right? There's no way it's not. So how do you figure out how to profit from that? Like, how do you know what I mean?

Ron: Internally, Angela, you and I know we're, we are actually, I mean we're right now taking the technology that we built for our company and we're expanding it to be able to serve more people because that is where this is going. I do believe and I know you do too, that high tech without high touch doesn't work. One of the reasons why Uber is so successful is that the technology made it easy but then they fixed the other problem, right? There was no high touch in the taxi and

there was no high tech. They had both problems. So Uber's technology fixed the one but then hiring normal human beings with decent cars fixes the other one, okay.

Angela: Yeah. You can even choose them based off their car or their ratings. So I mean yeah, they completely fixed the high touch customer service side of it too.

Ron: I believe that the current companies that are coming in with their technology, that's all a good thing. But I believe that they're trying to take the high touch out. They don't realize because they're not in the business what the high touch part of this means. That is a place where those of us who are in the business and have the high touch side figured out can combine it with some technology and we can really, really do well for ourselves. The ones who will be drummed out of this business are the people who have been relying on just this monopoly. Which I really believe at some point is going to be dismantled. I don't know if this is going to do it, but some at some point it is. And here's why I mean here, listen, this is what they let some of the things they alleged just about the MLS.

Ron: The MLS is required for any brokerage who wants to do business. Yeah, true. Yup, definitely true. The MLS is controlled by the local associations and the local associations they got to abide by the NAR Rules and the commission structures that are there are there, you know, all of that's true. That's all true. Buyer broker commission rules they forced sellers to pay buyers commissions. That's true, it's absolutely true. The fact that all agents are forced to join this association even if they don't want to, it's true. I mean, and because of all of that, in order to compete on this platform, you've pretty much got to keep your commission where everybody else's are because otherwise you're not competitive with your compensation to the other agents and they don't show the properties.

Ron: And so it by default it kind of sets what the commission rates going to be. Which is definitely in my opinion, it's against antitrust. I've said that since I was first forced to join one of them. It's a little oppressive that they force people to join those things. So this is a real threat. This is no joke. I don't know if they're going to win, but it's, it's a legitimate threat to the industry, to the NAR, into the multiple listing service as we know it.

Angela: Yup. Yeah. I think we, I mean, you hit the nail on the head with what we need to do here, you know, you need to look to the future, figure out how to be profitable. And I think Ron too, that we both believe that because these other companies that are kind of seeing this change in stepping in and trying to take advantage of it with their high tech, those guys all have a lot of funding, a lot of money that other small real estate businesses around the country don't have. So

I think we're all going to have to figure out how to kind of band together to be able to really compete in this new market, right.

Ron: So I sent something out as you know, on Monday to our team, we communicate because we're all across the country, we don't actually have an office anymore. We communicate using Marco Polo, which is a video app where you can send videos to everybody.

Angela: How young and hip are we?

Ron: It is fun. It's a lot of fun to stay in communication that way. But I sent one out on Monday about how can you wow your customers or danger of potential customer, your prospects, right? That's going to become so much more important. You know, the days of just being a realtor, sticking a sign in the yard and waiting for the multiple listing service to do its job or over.

Angela: Yeah. Having a real estate license doesn't guarantee you anything, right?

Ron: No, no. I mean the people who are going to rise to the top are the people who really have it dialed in to be able to wow the consumer where they, where they go, man, I'm going to use you again and the reason isn't because, you know, because I could get a lot of information from this high tech company over here, but I'm going to use yours because you made the experience for me so awesome. And the product was so awesome. I want to do that again. Those are the people who are going to win this when combined with the technology. So do you have to have the best technology? No, but you got to have some technology you got to combine it with the absolute best in customer experience, it's a must. So if I were, if I were to tell anybody how to, how to try to solve for this before we even know what this is, I would say get your customer's experience dialed in so that you can pivot when you need to.

Angela: That's awesome advice. Thanks Ron. Definitely agree with that. So, well we would, I mean we'd love to keep this conversation going. I think we'll, you know, we'll kind of end it there for now, but I would love to know what everybody else thinks about this. So if you guys want to visit, GetRealEstateSuccess.com and you know, give us your feedback on this or our Get Real Estate Success Podcast page on Facebook. Um, let us know what you think, get your opinion on the subject. We'd love to hear about it and yeah we'll see you guys...

Ron: I'd love to hear if there's somebody out there who knows some high level brokers in the retail world who would potentially be affected by this. I've got some in mind maybe I'll call and maybe we'll have another conversation about

this if, if everybody wants to with someone in the retail industry where they could actually tell us what they're seeing in the marketplace and how this is going, how this could potentially affect them and anyone else in the industry as well.

Angela: Yeah, I think that'd be really interesting. That'd be cool. Yeah, definitely. Let us know. Thanks for listening. We'll see you next time.

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