



# The Recent Real Estate Settlement and the Impact on the Virginia Housing Market

Presentation to the Virginia Housing Commission

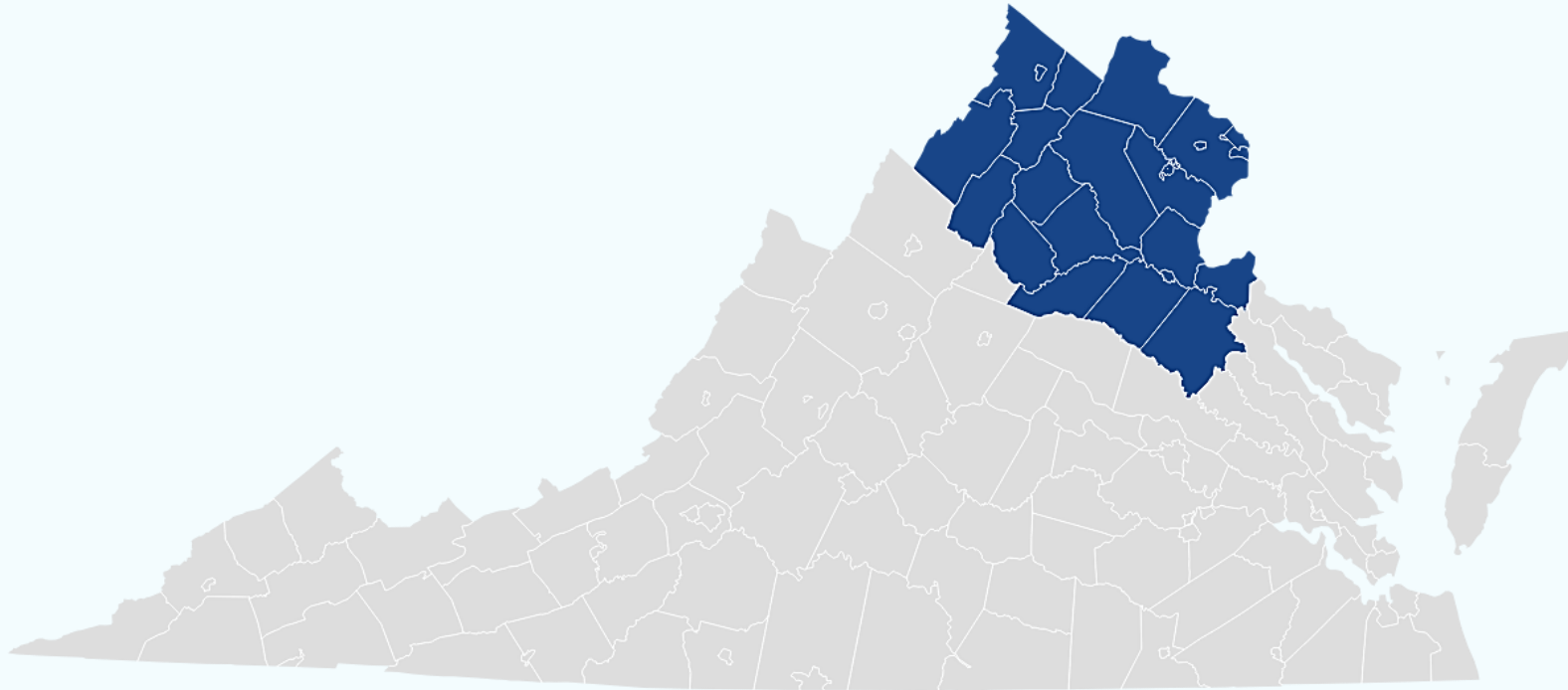
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Chief Economist, Bright MLS

April 16, 2024



## Bright MLS Service Area

Virginia



### What is the MLS?

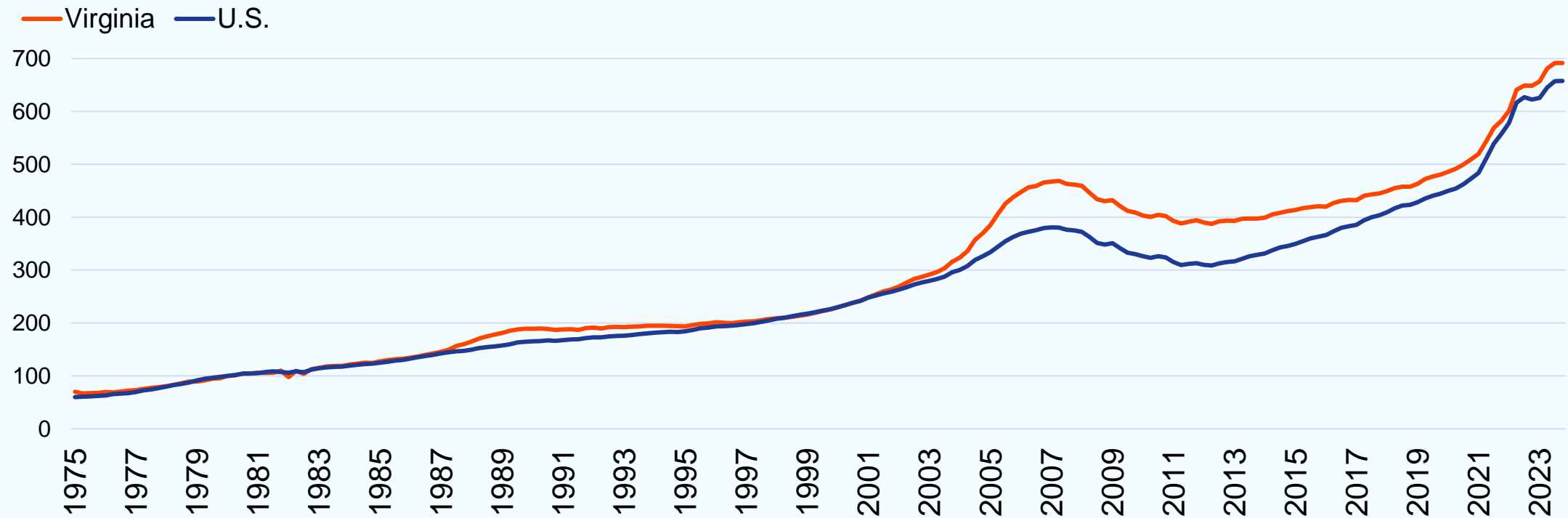
The MLS is the centralized database where property listings are entered by sellers' agents. When a home is listed on the MLS:

- All homebuyers have access to all available listings
- Data are made available to public, online real estate portals
- Property data are consistent and accurate

# Home prices have been rising faster than incomes

Price appreciation in Virginia outpaces the nation

Virginia Home Price Index (quarterly)

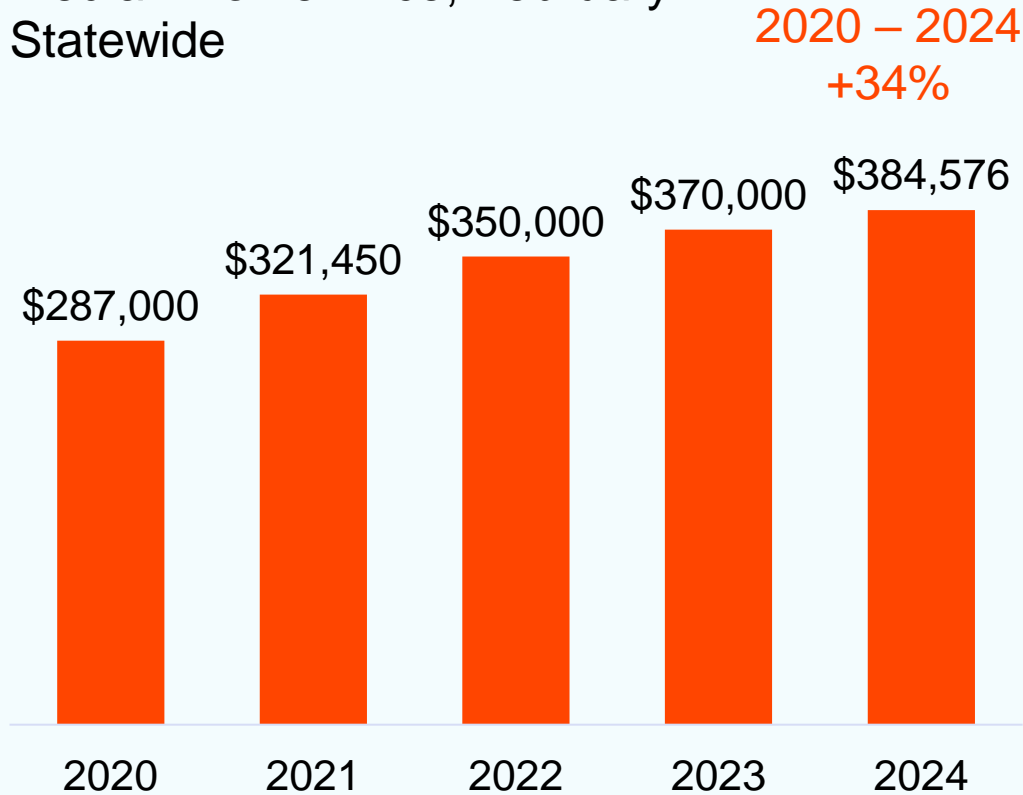


Source: U.S. Federal Housing Finance Agency

# Housing affordability is a growing challenge

Rapid price growth and elevated mortgage rates make buying a home more difficult

## Median Home Price, February Statewide



Source: Virginia REALTORS®

## Income Needed to Afford a Home In Virginia\* Increased by 76% between 2020 and 2024

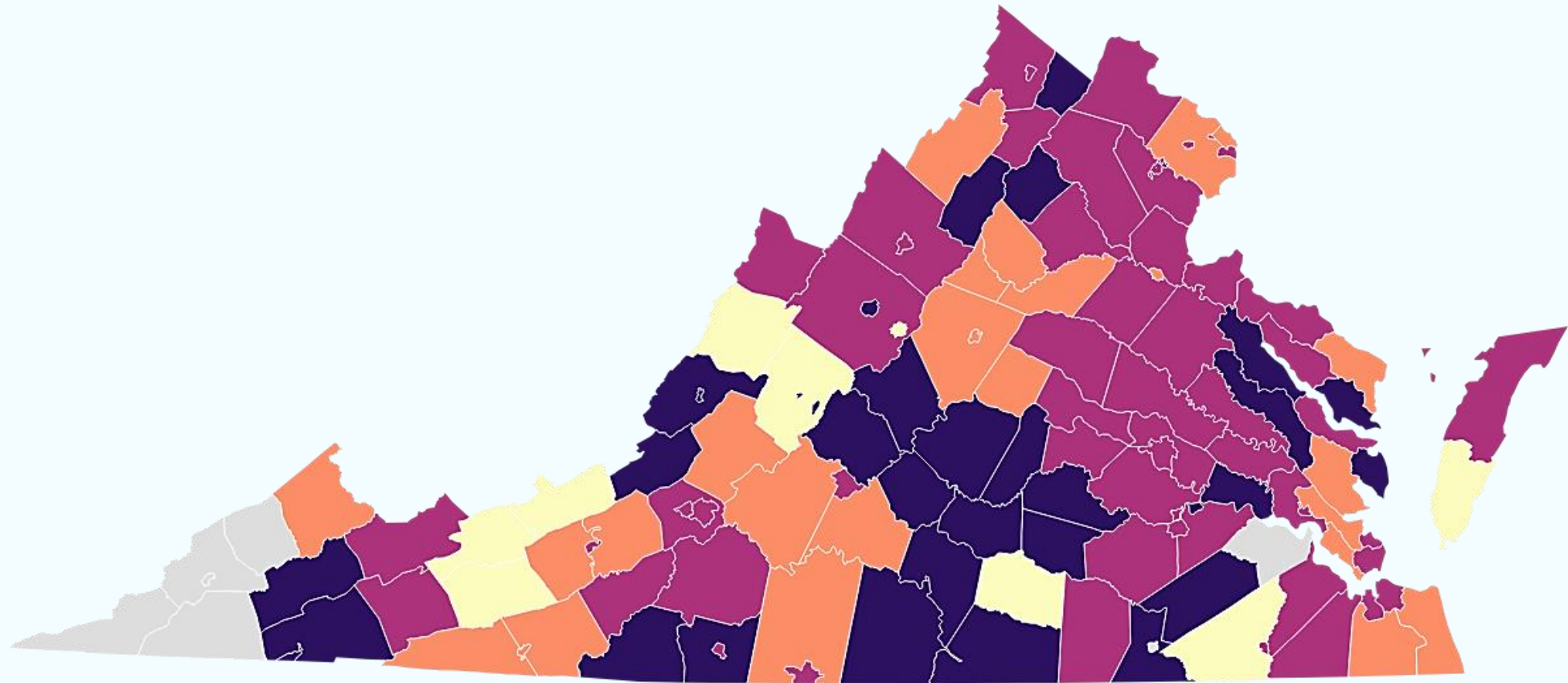
	Home Price	Mortgage Rate	Monthly Payment	Income Needed
2020	\$287,000	3.47%	\$1,573	\$67,400
2021	\$321,450	2.81%	\$1,639	\$70,300
2022	\$350,000	3.76%	\$1,936	\$83,000
2023	\$370,000	6.26%	\$2,546	\$109,100
2024	\$384,576	6.78%	\$2,759	\$118,300

\*Assumes a 30-year fixed rate mortgage, 10% downpayment, and average property tax rate homeowners' insurance. Assumes borrower spends no more than 28% of income on the monthly payment.

# Change in Median Home Price

February 2020 - February 2024

■ < 0%   ■ 0%–34%   ■ 34%–68%   ■ ≥ 68%

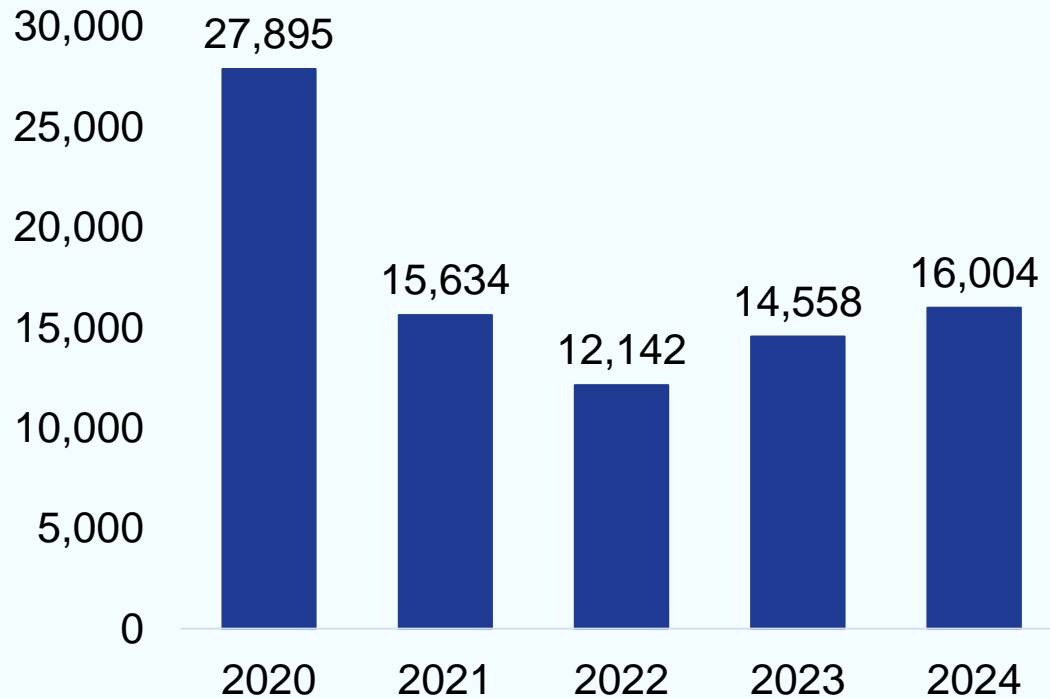


Map: Bright MLS • Source: Virginia REALTORS(R) • Created with Datawrapper

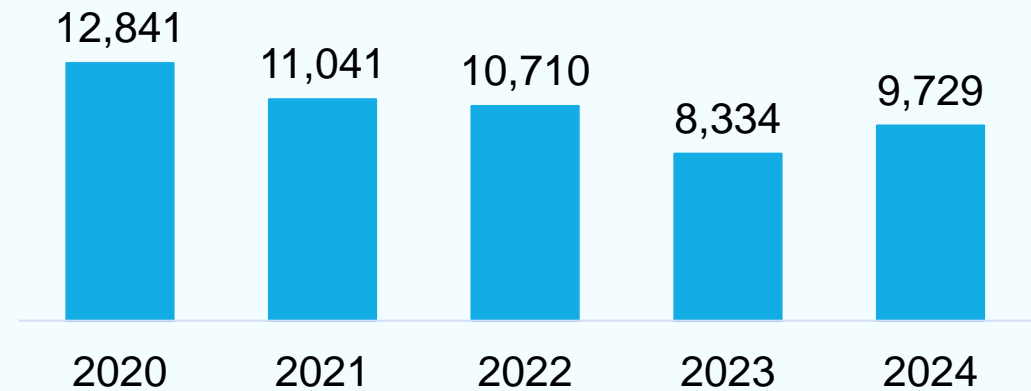
# Low inventory has been a constraint on the market

Buyers have relatively few options and a lot of competition

Active Listings, End of February  
Statewide



New Listings, February  
Statewide



Source: Virginia REALTORS®

# Mortgage rates drive both supply and demand

Homeowners “locked in” with a low rate

Avg. rate, 30-year fixed-rate mortgage



Source: Freddie Mac

# Rates are not particularly high by historic standards

But home prices are higher and affordability is more challenging

Avg. rate, 30-year fixed-rate mortgage



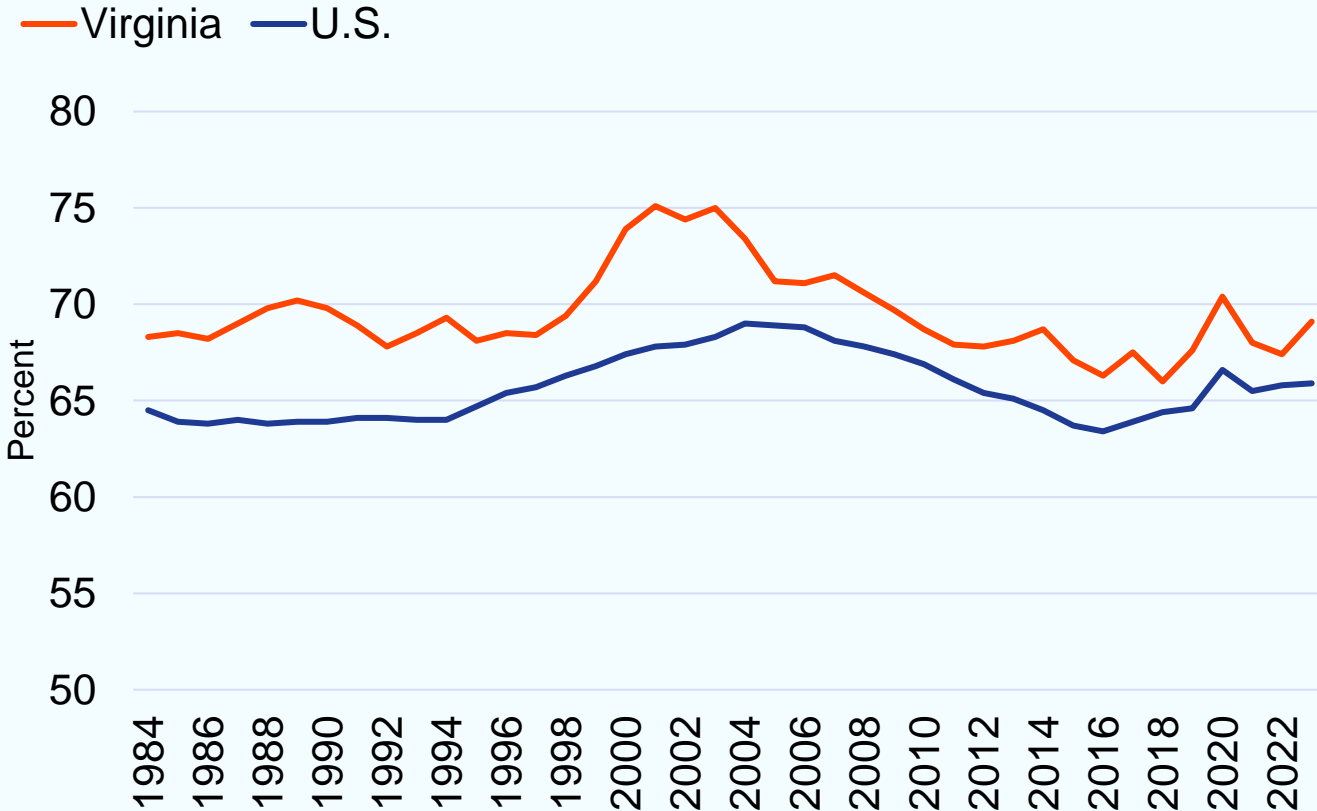
Source: Freddie Mac



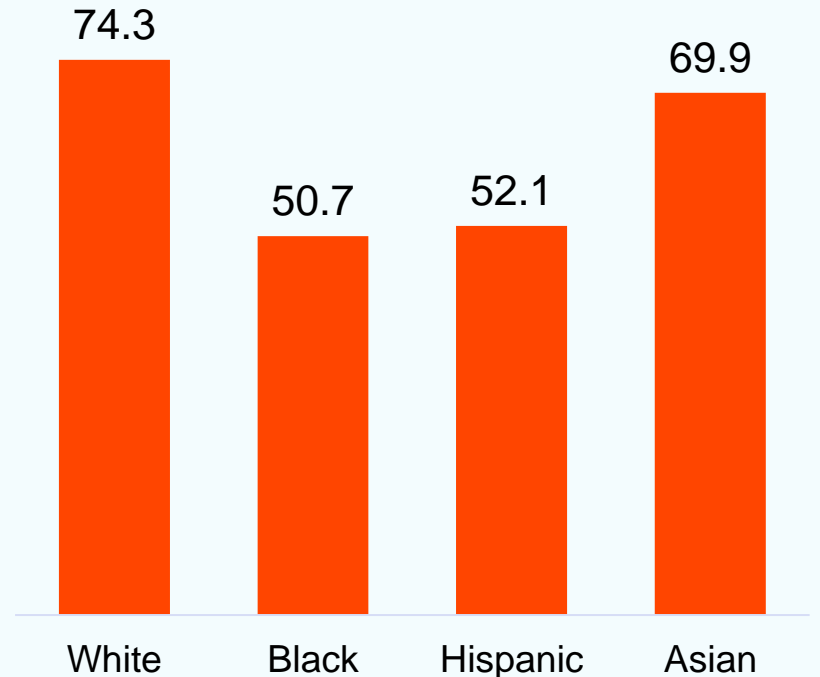
# Homeownership rates are higher in Virginia than in the U.S. overall

Racial gaps in homeownership rates persist

## Homeownership Rates



## 2022 Homeownership Rates (%) Virginia



Source: U.S. Census Bureau

# It is this environment in which the NAR settlement is operating

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## What does the NAR settlement do

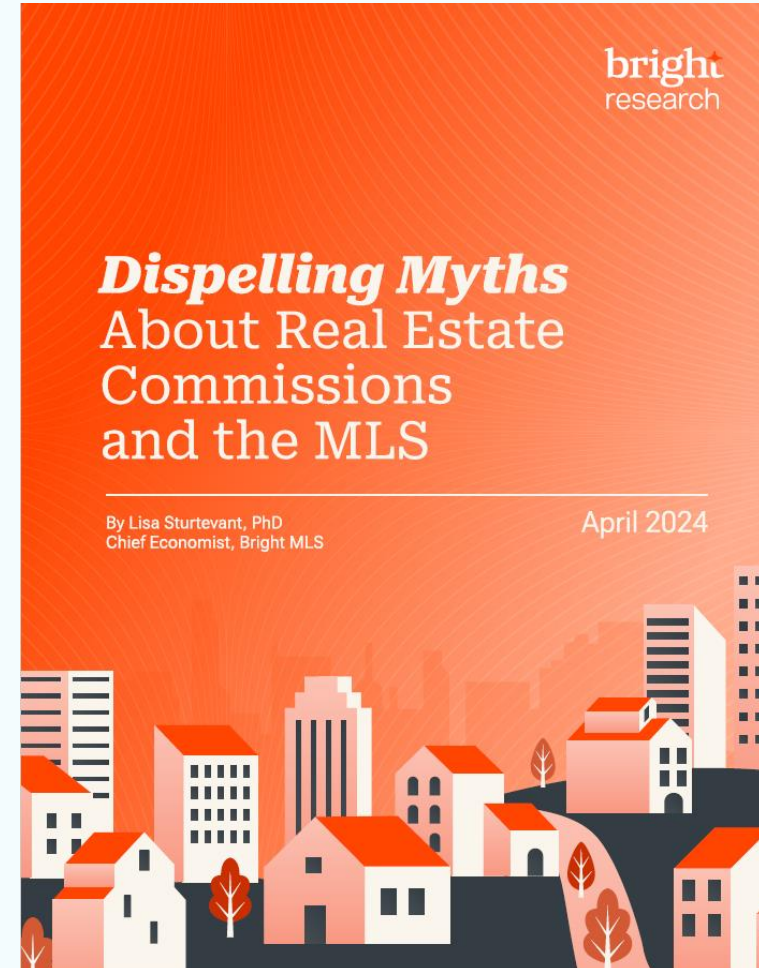
- Ends the lawsuits (mostly)
- NAR covers the settlement payments (mostly)
- Creates new MLS rules
- Emphasizes the role negotiations have always played in the transaction

## FACT OR FICTION?

# Dispelling Myths about Real Estate Commissions and the MLS

Homebuyers and sellers are hearing misleading, and in some cases, inaccurate, information about the real estate industry, real estate commissions, and multiple listing services (MLSs) in the wake of the recent class action litigation.

Bright MLS conducted research to help clarify how home sales transactions actually work and to show how REALTORS® and the MLS bring value to consumers.



## FACT #1

# Agents do not “steer” buyers to homes with higher buyer agent commissions

- Analysis of four years of home sales transactions shows no such relationship between sales activity and commissions.
- Furthermore, logic suggests that since buyers can see homes available for sale online, it would be very difficult for buyers’ agents to keep their buyers from touring a home.



**FACT #1:** Agents do not “steer” buyers to homes with higher buyer agent commissions

## Multivariate Analysis – What Explains Days on Market?

A multivariate analysis can account for other factors that influence how long a property takes to sell.

What makes homes take longer to sell?

- Price
- Age of the home
- Size of the home
- Location of the home
- Not the offer of buyer compensation

```
areg daysonmarket comm_pct originallistprice listyear age agesq
feesimple bedroomstotal livingarea, absorb(postalcode) robust
```

Linear regression, absorbing indicators  
Absorbed variable: **postalcode**

Number of obs = 1,059,333  
No. of categories = 1,630  
F( 8,1057695) = 3771.34  
Prob > F = 0.0000  
R-squared = 0.1093  
Adj R-squared = 0.1079  
Root MSE = 44.0233

daysonmarket	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
comm_pct	1.589256	.1288045	12.34	0.000	1.336803	1.841708
originallistprice	6.13e-07	2.88e-07	2.13	0.033	4.94e-08	1.18e-06
listyear	-8.460171	.0511744	-165.32	0.000	-8.560471	-8.359871
age	.0015337	.0004493	3.41	0.001	.000653	.0024144
agesq	6.72e-07	1.42e-07	4.73	0.000	3.94e-07	9.50e-07
feesimple	-7.899328	.1686669	-46.83	0.000	-8.22991	-7.568747
bedroomstotal	1.953954	.2549422	7.66	0.000	1.454276	2.453632
livingarea	.0010175	.0003785	2.69	0.007	.0002757	.0017593
_cons	17119.73	103.4615	165.47	0.000	16916.95	17322.52

Compensation variable sign is positive. As the compensation increases by 1 percentage point, the average days on market increases by 1.6 days.



## FACT #2

# Commissions are not driving up home prices

- Analysis of four years of home sales transactions shows that list prices are driven by a variety of factors, but buyer agent compensation does not lead to higher home prices.
- Characteristics of the property (i.e. number of bedrooms, age of the home, whether it is a condo or fee simple property) and mortgage rates are the most significant determinants of list price.



**FACT #2: Commissions are not driving up home prices**

# Multivariate Analysis – What Explains List Price?

Based on the multivariate analysis of original list price, higher compensation percents lead to lower list prices, holding other factors constant. The most important factors explaining list price are characteristics of the home and mortgage rates.

Compensation variable sign is negative. As the compensation increases by 1 percentage point, a home's list price decreased by \$21,523.

```
areg originallistprice comm_pct listyear age agesq feesimple
bedroomstotal livingarea inventory mort_rate, absorb(postalcode) robust
```

Linear regression, absorbing indicators  
Absorbed variable: **postalcode**

Number of obs = 1,000,525  
No. of categories = 1,620  
F( 8, 998897) = 35738.73  
Prob > F = 0.0000  
R-squared = 0.6877  
Adj R-squared = 0.6872  
Root MSE = 1.472e+05

originallis~e	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
comm_pct	-21523.45	986.3358	-21.82	0.000	-23456.63	-19590.26
listyear	31091.81	332.6492	93.47	0.000	30439.82	31743.79
age	-20.22475	4.83467	-4.18	0.000	-29.70054	-10.74896
agesq	.001378	.0006146	2.24	0.025	.0001734	.0025826
feesimple	100431.4	1980.686	50.71	0.000	96549.29	104313.4
bedroomstotal	88014.46	8021.531	10.97	0.000	72292.53	103736.4
livingarea	29.94023	13.14738	2.28	0.023	4.171801	55.70866
mort_rate	-2184.986	181.0916	-12.07	0.000	-2539.919	-1830.052
_cons	-6.28e+07	672480.1	-93.39	0.000	-6.41e+07	-6.15e+07

Note: Excluded top 1% original list prices

### FACT #3

## Listing a home on the MLS creates an open and fair housing marketplace.

- When brokerages hold listings to sell as “office exclusives,” they are keeping information about available homes for sale from a lot of prospective buyers.
- There is evidence that the practice of holding listings off the MLS and marketing them within a single brokerage reinforces residential segregation patterns and creates an unfair housing marketplace.





**FACT #3:** Listing a home on the MLS creates an open and fair housing marketplace

## Summary of Neighborhood Characteristics

OE Listings vs. Non-OE Listings: Bright MLS Service Area

### Comparing Neighborhoods

In an analysis of closed sales in the Bright MLS service area between 2020 and July 2023, we found that office exclusive listings were more likely than non-OE listings to be in neighborhoods with higher shares of white residents.

OE listings were also more common in higher-income neighborhoods.

#### Neighborhood Percent White

State	OE	Non-OE	Diff (OE-non OE)*
Overall	61.7%	59.0%	2.7%
DC	40.5%	36.9%	3.6%
DE	73.2%	63.5%	9.7%
MD	57.8%	53.4%	4.4%
NJ	66.7%	63.6%	3.1%
PA	70.0%	69.6%	0.4%
VA	53.8%	51.6%	2.2%

\*Statistically different at the 1% level

#### Neighborhood Median Household Income

State	OE	Non-OE	Diff (OE-non OE)*
Overall	\$114,504	\$98,609	\$15,895
DC	\$119,527	\$105,674	\$13,853
DE	\$78,469	\$75,786	\$2,683
MD	\$126,198	\$100,153	\$26,045
NJ	\$96,789	\$93,007	\$3,782
PA	\$95,691	\$84,093	\$11,598
VA	\$141,809	\$127,867	\$13,942

## FACT #4

# Homebuyers highly value a knowledgeable, professional buyer's agent.

- Recent consumer research conducted by Bright MLS found that people believe it is important that homebuyers have their own representation during the transaction.
- Consumers believe that the real estate agent should be compensated fairly. By and large, fees should not go to online portals or other advertising sites.

*Source: Bright MLS focus group of 110 recent homebuyers and renters, December 2023*



**FACT #4:** Homebuyers highly value a knowledgeable, professional buyer's agent

## Consumers think it is important for buyers to have representation

Which of the following statements do you agree with most?

When you buy a home, you should definitely have someone who represents your interests during the whole process.

76%

Buying a home is something you can do mostly on your own, perhaps with a lawyer to help with the paperwork.

24%

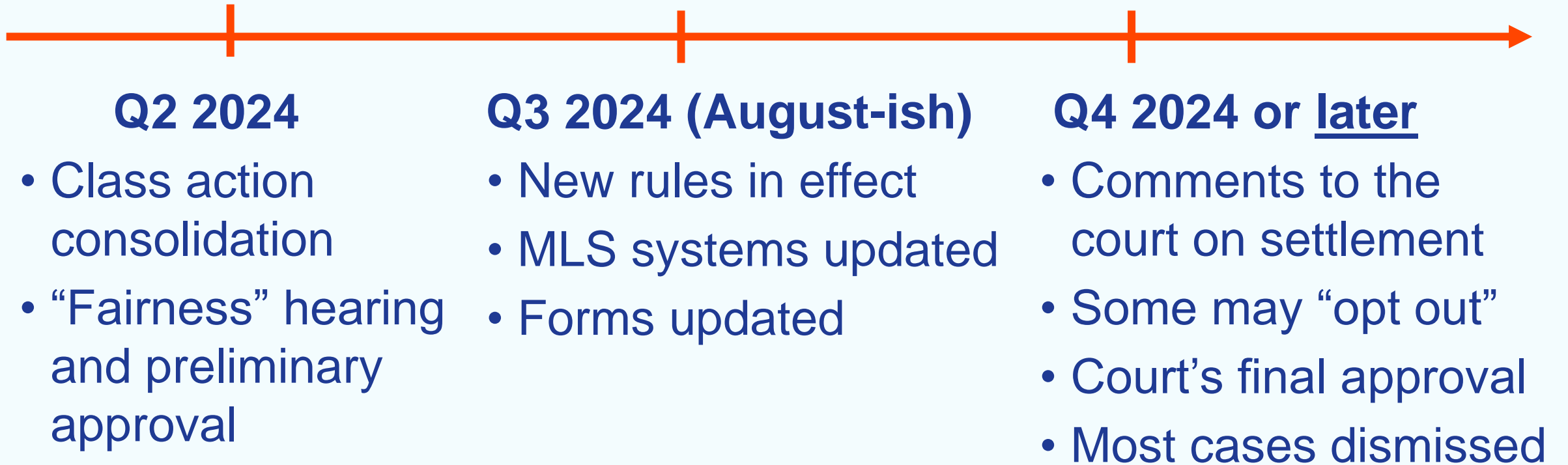
### Quotes from participants

*"It's important to have professional help so you don't make a huge financial mistake."*

*"Because the process can have its challenges, I'd rather have someone with experience helping me."*

Source: Bright MLS focus group of 110 recent homebuyers and renters, December 2023

# NAR Settlement Likely Timeline



# Potential Impacts on the Housing Market

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Moderate-income homebuyers  
First-generation homebuyers  
Young homebuyers  
Veteran homebuyers



could have a harder time in this competitive housing market

- ▶ Need to pay buyer representation out of pocket
- ▶ Or go without representation
- ▶ Or sellers offer closing cost assistance
- ▶ Possible fewer listings available via the MLS

# Potential Impacts on the Housing Market

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- There likely will not be an impact on overall number of home sales transactions in Virginia
- But there could be shifts in timing
  - Some buyers/sellers waiting for more clarity
  - Some buyers/sellers moving up their purchase before any changes
- Higher-income buyers, cash buyers could be better positioned
- **Supply and demand drive housing market activity**

# Potential Areas for State Government Involvement

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- Homebuyer assistance for representation (similar to downpayment assistance programs)
- Requirement that listings represented by a licensed real estate agent be listed on an MLS
- Continued and increased attention on fair housing and access to homeownership, particularly among minority homebuyers

Thank you!

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[www.brightmls.com/research](http://www.brightmls.com/research)

