



Why Buyers' Agents Are Important

Demonstrating Your Value in a Changing Real Estate Market

March 2024

A new era for Buyers' Agents

- Changes in the real estate industry are forcing brokers and agents to **rethink how they demonstrate their value** to consumers.
- There has been a major shift in how agents talk about their relationship with buyers. At one time, some buyers were told their agent was “free.” Now, however, agent commissions are being challenged in the courts and in public opinion, and **buyers need to understand the value the agent brings**.
- The role a buyer’s agent plays has not changed—but agents need to do a much better job demonstrating how they **help people minimize risk and successfully become homeowners**.
- Agents need to understand what consumers appreciate about having representation during the homebuying process and then **clearly articulate how they meet those needs**.



Value of a buyer's agent research

- The industry needs more information about what consumers understand about the homebuying process and what they need from an agent.
- Bright MLS conducted this research to develop a set of resources brokers and agents can use to communicate their value to homebuyers.
- While there have been other surveys on opinions about and experiences working with agents, much of the prior research has been very high level, without the in-depth insights needed to develop value proposition messages that resonate with consumers.

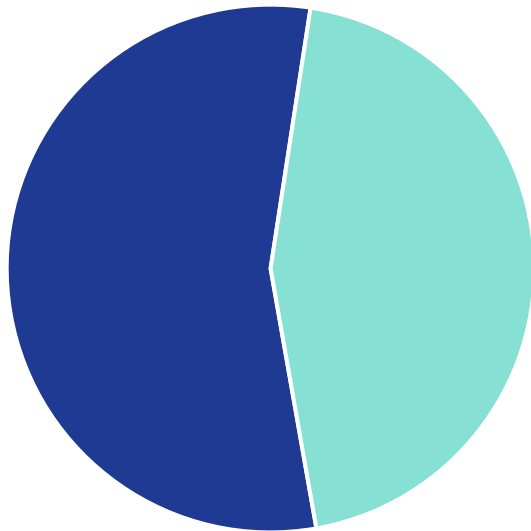


Buying a home is the biggest financial decision most people make

And homeownership, along with everything else, has gotten much more expensive

The typical monthly payment is equal to about 45% of the median household income

Median household income: \$75,000 or \$6,250 per month



Monthly payment on \$400,000 home*
\$2,800

Prices of everything have gone up
2023 versus 2019

Food	+25%
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Gas	+34%
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New vehicles	+22%
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Health care	+10%
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Childcare	+32%
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*Assumes 10% downpayment, property taxes and insurance based on US averages, and a 30-year fixed rate mortgage with a rate of 6.5%.
Sources: U.S. Census Bureau, Freddie Mac

Virtual consumer discussion

Goal: Collect in-depth information on consumers' experiences and attitudes about real estate agents and brokers

When: December 2023

Participants: 85 recent homebuyers, 15 renters

Mode: Hour-long, virtual guided discussion

Key Takeaway

Consumers think it is important that homebuyers have their own representation during the transaction.

But agents don't necessarily do a good job explaining their value.

Consumers think it is important for buyers to have representation

Which of the following statements do you agree with most?



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.”

An agent or broker is essential during the complex homebuying process

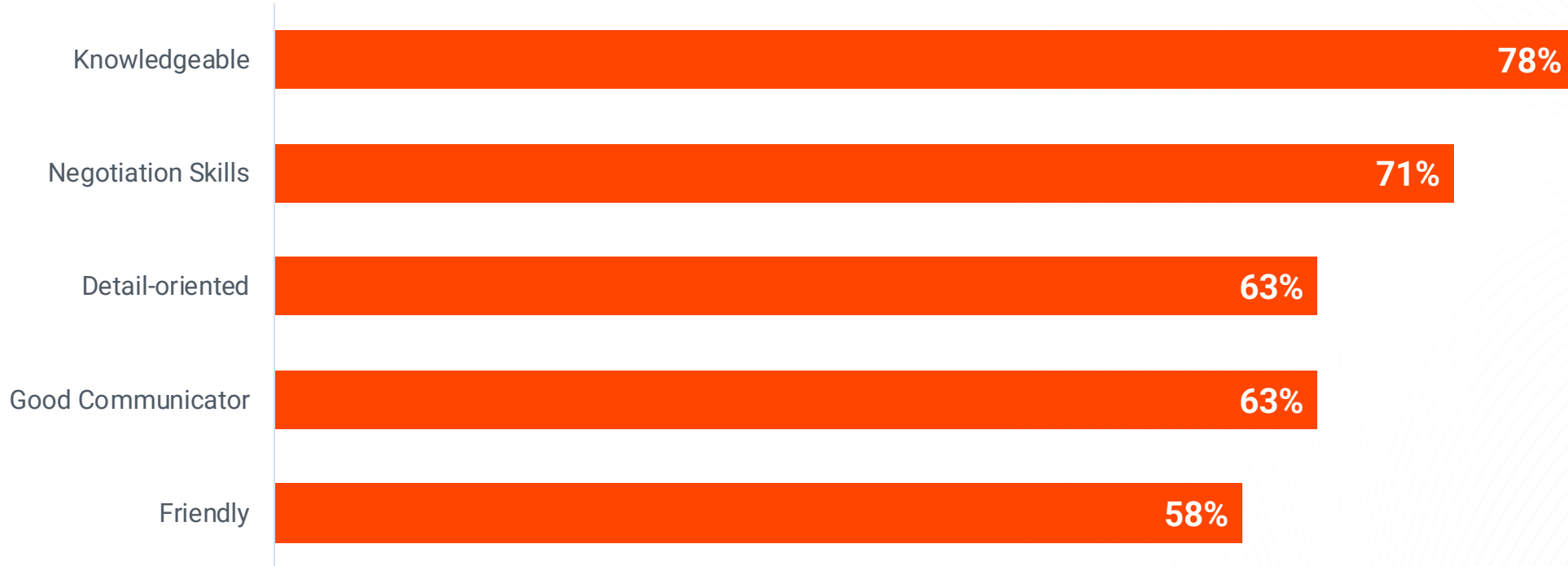
Share of Respondents Who Agreed or Strongly Agreed with the Statement



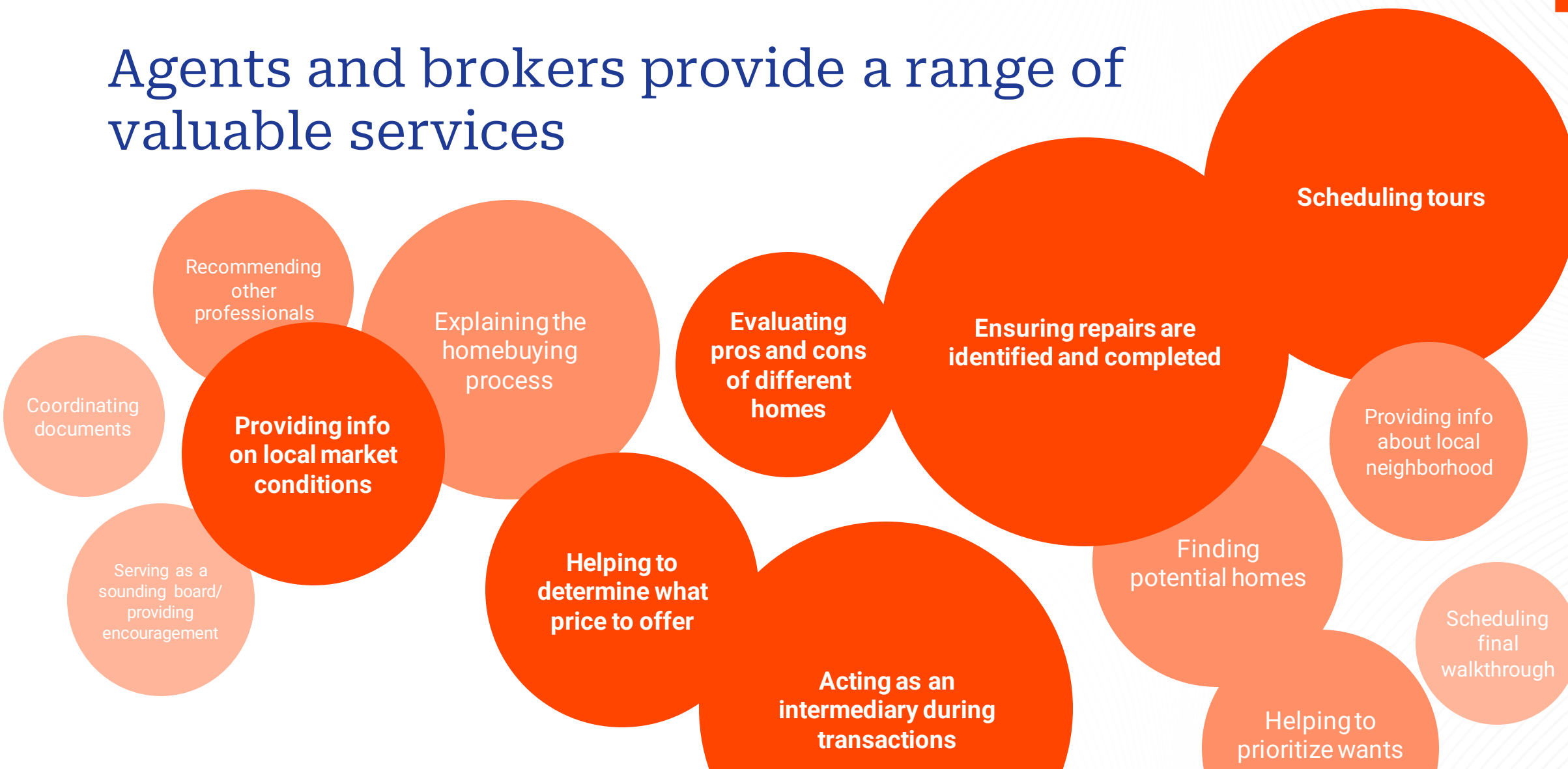


Consumers think real estate agents are knowledgeable, good negotiators

Top 5 Characteristics Associated with a Real Estate Agent or Broker



Agents and brokers provide a range of valuable services



We gave survey participants the following scenario

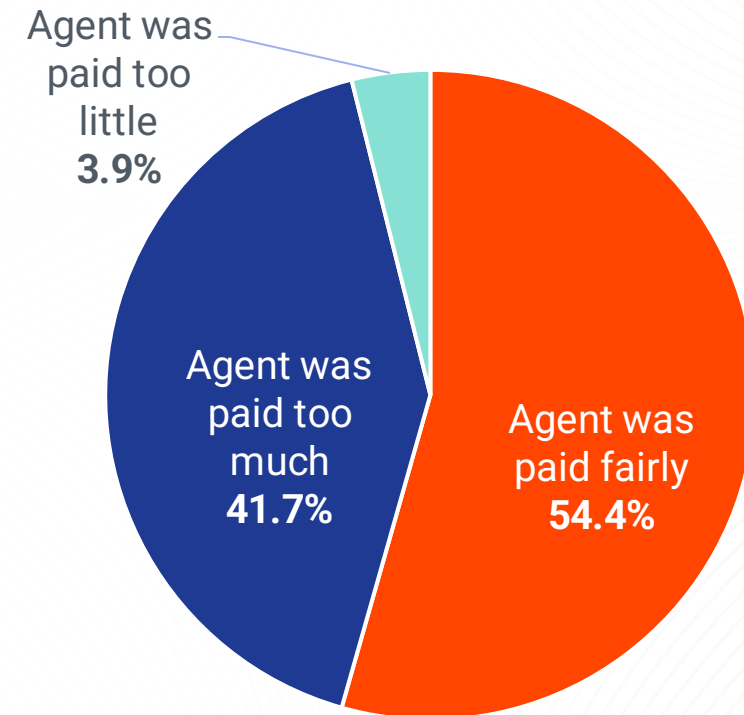
Scenario

Imagine that you buy a house for \$400,000.

It takes you two months between the time you start looking for homes and the day you close on the home. Since the housing market is very competitive, you end up having to make multiple offers before successfully purchasing a home.

Your real estate agent spends approximately 120 hours over those two months showing you homes, evaluating properties, setting up a home inspection and appraisal, recommending a lender, writing offers, and negotiating on your behalf with sellers. When the transaction closes, your real estate agent receives a fee of \$10,000. That fee comes out to about \$83 per hour.

Was the agent compensated fairly?



There was a divide in opinions about the level of compensation

Talking about expertise and trustworthiness—and not an hourly wage—is important for consumers to understand an agent's value

Agent was compensated fairly

- Nearly 60% of participants said the agent was paid fairly or was paid too little.
- Reasons why the compensation seemed fair:
 - Agent builds trust with buyer
 - Agent has a wide range of expertise
 - Agent should be compensated for unpaid work
 - Pay reflects that agent deals with a lot of uncertainty

I believe that the amount of work they put is worth it because they have to comb over many documents and set up many meetings/evaluations and inspections which takes a HUGE load off of the buyer.

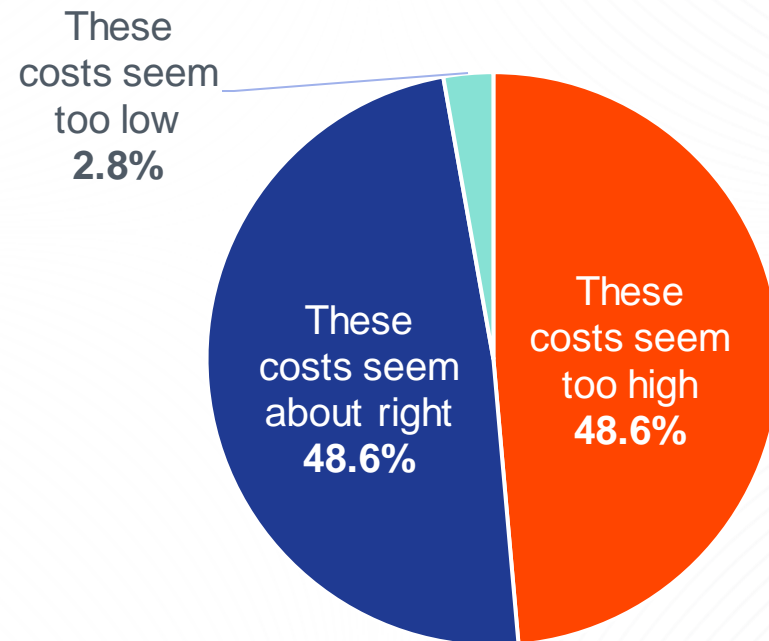
The hours of work and building a trusting relationship with the buyer is important and **I think that makes it worth the price.**

Consumers do not always understand all the fees involved in the homebuying process

Other fees in the homebuying process

The average closing costs for a homebuyer is about \$7,000. That amount is the average for the U.S. and covers underwriting, title search, and loan fees, and is on top of the down payment amount. These fees go to the mortgage lender, title company, and local/state government.

What is your opinion of these closing costs?



Most prospective homebuyers use online real estate portals

- Nearly all participants (91%) had visited an online real estate portal
- Reasons for visiting portals:
 - Browsing homes for future purchase
 - Comparing homes in different neighborhoods
 - Checking prices in their own neighborhoods
- Valued the convenience of these sites, the ease of filtering options, and the range of information available



But consumers do not think portals are a replacement for representation

According to participants...

Online real estate portals have significantly improved the homebuying process by making it easier to access information, compare homes, find homes with specific characteristics, request home viewings, see virtual house tours, narrow down choices, and search from long distances.



BUT

- Consumers feel overwhelmed by the amount of information available online
- Most agree that while you can view homes online, it's still important to work with an agent
- Human interaction during the homebuying process is extremely valuable
- An agent has knowledge and expertise that is not available through an online portal

Consumers think agents—not portals—should get paid

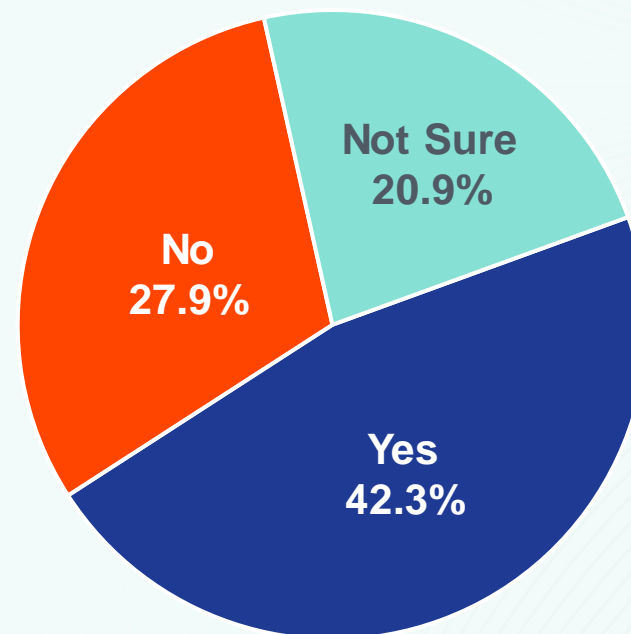
Portals Should Not Benefit from the Agent’s Work

There was a consensus that while online portals have made it easier to access information, a buyer’s agent or broker provided essential expertise and help in wading through seemingly limitless information online.

“They are the ones with the experience and the education and knowledge.”

“I want most to go to the hard-working agent.”

If you find a real estate agent on a real estate portal, would it bother you to know that a big chunk of your real estate agent's fee went to the online portal?



Consumers want an open and fair housing marketplace

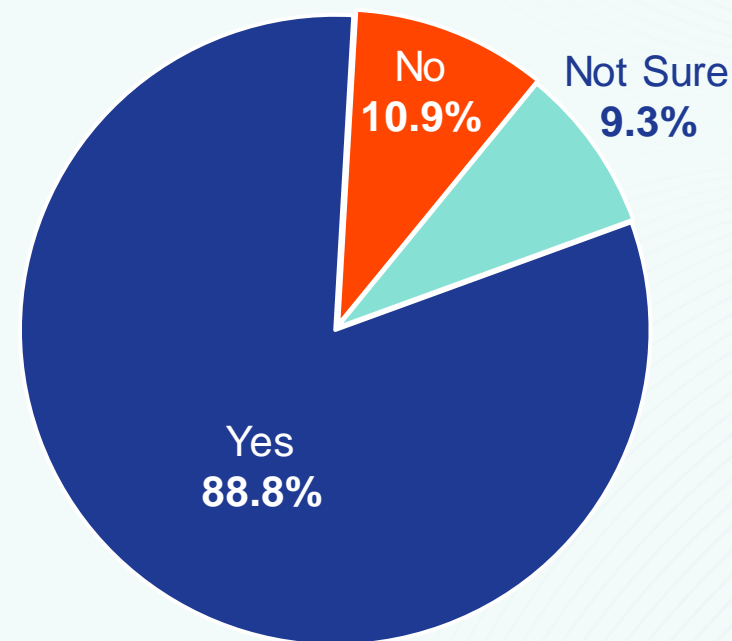
Why homeownership is important:

- Enabling wealth creation
- Fostering a pride in ownership
- Reinforcing a stable society
- Fundamental necessity and personal goal for many

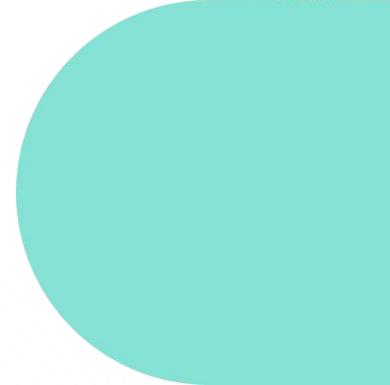
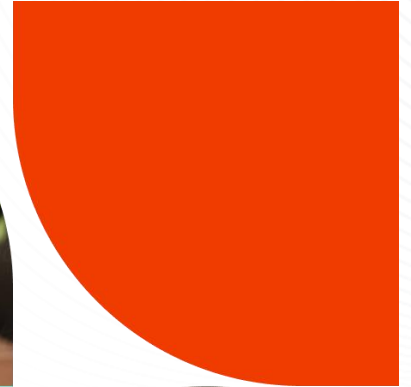
“Homeownership shouldn't be something that's just reserved for the rich. Housing is a necessity, and people should be able to have their own homes.”

“I think that homeownership is important to building communities. Communities are important to building families with good roots. It all builds from there. Homeownership is a very important base for our society.”

Do you think it's important to make homeownership accessible to as many people as possible?



**In this uncertain environment,
it's never been more important
for buy-side agents to demonstrate
their value to consumers.**



A woman with dark hair pulled back, wearing a beige blazer over a white top, is smiling and looking towards a man. The man, wearing a grey suit, is seen from the side, looking at the woman. They are sitting at a dark desk with an open notebook and a pen. The background is a light blue wall.

How to demonstrate
your value to homebuyers

How to demonstrate your value to homebuyers

People think it's important for homebuyers to use a real estate agent.
The top three things consumers want from their agent:

- **Risk Mitigation:** As their agent, your number one priority is protecting their interests—whether it is by making sure they get the best price, identifying potential problems with the home, or anticipating and dealing with obstacles during the homebuying process.
- **Real Estate Expertise:** You bring the expertise needed to make the complex process of buying a home less stressful—and even fun.
- **Transparency:** There is a lot of information online, and you are here to help your clients use that information effectively to successfully purchase a home.



A decorative graphic on the left side of the slide. It features a teal circle at the top, a light teal rounded rectangle in the middle containing text, a dark blue rounded rectangle below it, and an orange circle at the bottom.

Key Takeaway #1

Risk mitigation

Risk mitigation: Navigating a complex, high-stakes transaction

People don't want to be taken advantage of, and buyers are worried that they may make a bad financial decision during the homebuying process.

Tactic #1

Emphasize to buyers that your role is to look out for their interests—period.

- Example: Ask your client questions about what is important to them. Explain that while real estate is a collaborative industry—and that you work with sellers' agents to facilitate transactions—your priority is protecting their interests.

Tactic #2

In this competitive market, prospective homebuyers have a heightened focus on price and affordability. They place a lot of value on having an agent who is working to negotiate the best deal for them.

- Example: Share examples of recent successful negotiations where you got your buyer the best price or the best seller concessions.

Risk mitigation: Putting your knowledge to work to minimize risk

People willingly pay for knowledge and expertise, including for representation during the homebuying process, but the agent needs to explicitly talk about how their expertise helps minimize risk.

Tactic #1

Demonstrate to your buyers that you can anticipate and deal with obstacles and be a source of reliable information all along the way.

- Example: Share specific instances when you were able to handle sticky situations to provide a positive outcome for your client.

Tactic #2

Buyers have likely done research on the homebuying process, but agents should discuss the steps and ask for questions or concerns.

- Example: When meeting with your buyer clients, don't assume they know exactly how the process works. Take the time to explain the steps in the process, and what those steps mean to your prospective clients and their specific situation.

Risk mitigation: Putting your knowledge to work to minimize risk, continued

People willingly pay for knowledge and expertise, including for representation during the homebuying process, but the agent needs to explicitly talk about how their expertise helps minimize risk.

Tactic #3

High home prices are the biggest obstacle to buying a home, according to our research, and buyers are often having to make compromises. Talk about how you have the knowledge and expertise to help them understand trade-offs that might be necessary to stay in their price range and how you understand local market conditions and can negotiate the best price.

Example: Use local market statistics—available for every local market serviced by Bright—to explain trends as they relate to your prospective client's search. Prospecting tools like RealList (coming soon to Bright) will also help you identify trends in neighborhoods so you can assess what areas are going to be places your clients can more successfully find a home to purchase.

Risk mitigation: Trust and credibility

Agent trust is incredibly important to homebuyers, which is not surprising since the agent is helping them with the biggest financial decision of their lives.

Tactic #1

Demonstrate trustworthiness to your clients—and make sure to show that trustworthiness over and over.

- Example: Tell your clients directly that you want to earn their trust. Be upfront with all information related to your buyer's agent contract and explain clearly how your commission is paid.

Tactic #2

It is important to be professional, be responsive, and be very upfront with the pros and cons of any potential situation so a buyer doesn't end up thinking you held back.

- Example: Talk about how you identify potential homes for your client, and be responsive when they bring you homes they find online. Do not hold some listings off the MLS—keeping listings off the MLS creates an unfair housing marketplace.

Risk mitigation: Trust and credibility, continued

Agent trust is incredibly important to homebuyers, which is not surprising since the agent is helping them with the biggest financial decision of their lives.

Tactic #3

More than anything, a prospective homebuyer wants to know that their agent is prioritizing their interests.

- Example: Talk about how you work with a whole range of real estate professionals, which helps you be knowledgeable about the entire transaction. You often also work closely with sellers' agents during the transaction, but as your client's agent, you are representing your client

and their interests are always the priority. Tell them to let you know if they feel you are not accurately representing what they want during the process.

Additionally, sharing examples of how you protected your clients' interests in previous transactions can help add that extra layer of comfort for your prospective client.



Key Takeaway #2

Real estate expertise



Real estate expertise: Expert intermediary

Prospective homebuyers value the agent's role as an intermediary during the transaction.

Tactic #1

Understand that people generally feel like the homebuying process is complex and stressful. Demonstrate how you can make the process much less stressful.

- Example: Have a homebuyer's kit ready to go for your client that clearly lays out the steps of the homebuying process so they know what to expect. Talk about your experience and specifically about ways you have made the process easier for your prior clients.

Tactic #2

Stress the negotiation skills you will bring to the transaction—these negotiation skills are something homebuyers highly value.

- Example: Share examples of recent successful negotiations where you got your buyer the best price or the best seller concessions. Talk about what your approach will be when you bring offers to the seller, including how you can present the buyer's offer while remaining realistic and looking for opportunities in markets where sellers still have the upper hand.

Real estate expertise: Home tours

Coordinating and scheduling times for prospective buyers to view homes is something buyers cannot easily do themselves—and is something they truly value from their agent.

Tactic #1

Very few buyers purchase sight unseen. Buyers like viewing homes online, but the most important—and exciting—part for buyers is actually walking through homes in person.

- Example: In a competitive market, creativity in scheduling showings is important. Talk with your clients up front about when and how they prefer seeing homes. But also offer ways to view homes—like FaceTime, or video tours you can do remotely—that allow your buyer to see homes quickly.

Tactic #2

Even though prospective buyers are viewing homes online, they need your assistance to actually tour each property.

- Example: Share how timing in this market is critical and that the buyer who can see a home first often gains the upper hand. Explain how you will work to ensure that your client will be able to see homes they want quickly, so they can compete most effectively for homes that meet their needs.

Real estate expertise: Home tours, continued

Coordinating and scheduling times for prospective buyers to view homes is something buyers cannot easily do themselves—and is something they truly value from their agent.

Tactic #3

Buyers' agents should double down on services they offer to buyers that make scheduling home viewing easy and accommodate buyers' schedules and preferences.

Example: In addition to your ability to show homes yourself, if possible, offer up on-demand showing services like Showami (or others) that can help your client get to see homes first.

Real estate expertise: Issues and repairs

Homebuyers worry that they will buy a house that ends up having a lot of issues, which will mean more stress and more expense for them.

Tactic #1

While consumers get information about homes online, they want to see homes in person and want much more detailed information about the property before making an offer.

- Example: Clearly explain to your buyer the wide range of contingencies and inspections they have at their disposal: termite, sewer, home, and radon, to name a few. Offering up the possibilities—then using your expertise to help guide your client to the right choices—is critical.

Talk about the disclosure and other documents you have available as an agent who uses the MLS—HOA/POA documents, prior sale information, permit and other information about renovations, etc. Explain how you use this wide range of information to help protect clients from potential problems.

Real estate expertise: Issues and repairs, continued

Homebuyers worry that they will buy a house that ends up having a lot of issues, which will mean more stress and more expense for them.

Tactic #2

Talk about how you can objectively assess potential issues with a home.

- Example: All issues are not created equal, so tell your clients that you will help identify those that may be deal-breakers—termites and bad electrical systems, for example—and the ones that may be worth addressing with the seller, such as older windows, dated HVAC, etc.

Tactic #3

You are the expert who can talk through the extent of the issues or concerns, and, when needed, help make sure issues are resolved or problems with the home are fixed, bringing peace of mind to a homebuyer.

- Example: Discuss with your buyer which repairs should be done by the seller prior to close, and which ones the buyer should ask for a credit for and do themselves after closing. For the issues to be done after closing, provide your client with at least two options to choose from to do the work. Reassure your buyer you'll be there every step of the way to make sure the work is done right.



Key Takeaway #3

Transparency



Transparency: Explain the fees

People think it is expensive to buy a home. In general, they acknowledge that the fees are necessary, but they often don't understand what all the costs and fees associated with buying a home are for.

Tactic #1

Fully explain to prospective buyers the costs and fees associated with the home purchase, and even how you will help buyers look for ways to reduce those costs.

- Example: Provide written descriptions along with the rationale for costs and fees, particularly fees for those services that help buyers avoid making a costly mistake.

Tactic #2

Consumers are particularly looking for expertise about the mortgage process and the fees associated with a home loan—this is the point of the transaction that creates the most confusion for buyers.

- Example: Introduce your buyers to lender options early in the process. Make sure that you have reliable, trustworthy lending partners. Take as much time as needed to explain the variety of down payment and lending options available to your client, and the potential impact those options will have on the buyer's ability to compete for homes on the market.

Transparency: Educate consumers about portals

Almost all prospective homebuyers view homes on an online portal, but almost no consumer understands how much these portals make off buyers' agents.

Tactic #1

Describe the relationship between the online portals and the real estate agents consumers see on those portals.

- Example: Explain to your buyers that 85% to 90% of home sales happen through the MLS, not portals, and that you will work diligently to ensure that you help your buyer stay on top of the freshest listings through the MLS. Also share with buyers that if they choose to connect with an agent through a portal, that usually means a big share of the agent's commission is passed

on to the portal. That additional cost does not necessarily equate to additional services for the buyer.

If you pay to be listed on an online portal, talk to the buyer about what that involves and how the site is paid. If you are not highlighted on the portal, talk about the ways in which you prefer to connect with prospective clients.



Dos and Don'ts

Reframe Your Conversations with Buyers



Reframe Your Conversations with Buyers

Do



Talk about the specific services you provide that consumers value

Talk about how your buyer is your only priority

Talk about how you can make sure your buyer sees as many homes as possible in this competitive market

Serve as an advocate to minimize any risk to the buyer

Emphasize how a buyer's agent has information and insights a buyer can't get online

Talk about your negotiation skills

Don't



Talk about the hours you're spending on your buyer or the hours you don't get paid

Talk about all the relationships you have in the industry

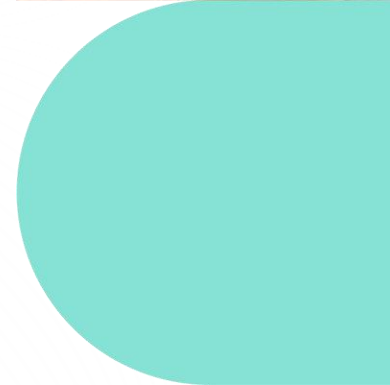
Talk about how you can find homes for buyers

Assume your buyer wants a confidante or friend

Negate out of hand information your buyer gets online

Talk about how aggressive you can be

Broker and agent success is Bright's #1 priority. We strive to help them better communicate their value to consumers.





Thank you!