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Are Brokers Necessary? Controversial StreetEasy Tool Sparks Debate

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This master bedroom is located at 439 36th St. in Brooklyn.

MANHATTAN — Is it necessary to have a broker when looking to buy a home?

That's one of the questions rising to the forefront after StreetEasy — the wildly popular search engine that has the city's largest share of online listings — came under fire this month for adding a feature allowing brokers to pay a fee to be associated with listings in certain ZIP codes.

In the original iteration of the new "Premier Agent" feature, the fee-paying brokers, who might have little knowledge of the listing, got first dibs at answering emails from prospective buyers who sent a direct message to inquire about a property. Previously, all emails about the property went to the agent representing the seller of the property by default.

The Real Estate Board of New York questioned the legality of the tool — (<http://rew-online.com/2017/03/13/rebny-moves-to-protect-consumers-from-a-state-of-confusion-over-premier-agent-program/>) asking the state, which regulates real estate advertising, to review whether it broke any laws.

StreetEasy — which disputed the allegations in a letter sent to the state (http://streeteasy-public.s3.amazonaws.com/letters/Zillow_response_to_REBNY.pdf?utm_swu=2468&utm_campaign=170313_Agent_Letter&utm_source=agent_marketing&utm_medium=email) — has already begun

tweaking the feature to display both the "Premier Agent" as well as the listing agent for the property.

"We are updating StreetEasy to provide more options for consumers when they make the decision to contact a real estate agent," Susan Daimler wrote in an email to brokers about the amended feature — adding that their goal is to educate the buyers.

"Our aim is to give consumers the ability to contact the seller's agent or a buyer's agent in a clear and easy to understand way."

DNAinfo has rounded up some of the most common questions about brokers, and whether they're necessary in the era of online real estate listings.

How is working with a broker different for buying versus renting?

When working with a broker to rent an apartment, you usually have to pay a hefty broker's fee when you sign a lease — even if the broker merely unlocked the door for you after you found the listing on StreetEasy.

When you're buying, however, you don't pay your broker anything. The fee — often about 5 or 6 percent — is paid by the seller, with the commission split between the buyer's broker and the listing agent.

That's something many buyers don't realize, said Kobi Lahav, of Mdrn. Residential. (<https://mdrnresidential.com/>)

Lahav recently connected with clients who had been hesitant to work with a broker because they thought they'd save money by conducting the search themselves, he said.

After spending a day with Lahav searching for an apartment, the couple independently found a listing for a three-bedroom co-op on East 50th Street and Lexington Avenue listed for \$1.999 million and reached back out to Lahav for his opinion — even though they were still thinking about doing a direct deal with the seller's broker.

He convinced them they could benefit from his expertise, telling them the price was too high given it needed at least \$100,000 worth of renovations.

"We started negotiating with the seller," Lahav said. "If a broker is doing his job, you're going to be protected and pay the market price rather than some inflated value. I think it makes markets more efficient."

They got the price down to \$1.86 million, he said.

Why would buyers think they could go it alone?

Some buyers think they'll have an edge by representing themselves.

In the world of commissions on home sales, the commission paid by the seller stays the same — regardless of how many brokers are involved. That means that buyers without their own broker leave more commission for the seller's broker — a potential incentive for the seller's broker to encourage his clients to choose them in a competitive marketplace.

Other buyers want to avoid the pressure of working with a broker, who might bombard them with calls and new listings in a bid to make a deal.

What benefits come from having your own broker?

Buyers say it can be a lot harder to negotiate prices without the expertise of a broker to act as an intermediary.

In addition, there could be a conflict of interest if the broker representing the seller is also representing the buyer, experts say.

“The way I look at it, in an unfortunate situation such as a divorce, would you use the same attorney as your spouse?,” said Gea Elika, whose firm Elika Real Estate (<https://www.elikarealestate.com/>) only works as buyer's brokers. “We don't tell you if you look beautiful when the sun is shining through the window in a certain way. We'll tell you if it's worth it or not. We'll tell you if it's a lemon.”

Under New York State law, brokers have to disclose to buyers when they're acting in a dual agent capacity. Still, the listing broker ultimately has a fiduciary responsibility to get the best price for the seller, which often means buyers won't have much luck negotiating down a price unless they have their own broker, experts say.

Buyers who come with brokers are often taken more seriously by the listing agent, Elika added.

“When we call, we get better access,” Elika said. “They know we're not wasting their time and that we've pre-approved [our clients.] I've been able to negotiate better deals because of those relationships.”

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