

Compass files suit against Zillow over policy

BY MICHELLE CHAPMAN

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Real estate brokerage company Compass has filed a lawsuit against Zillow, claiming the popular real estate website is refusing to accept home listings for properties that have been initially advertised for sale elsewhere.

In a filing with the U.S. District Court for the Southern District of New York, Compass claims that "Zillow has sought to rely on anticompetitive tactics to protect its monopoly and revenues in violation of the antitrust laws."

Compass says that Zillow has implemented an exclusionary policy that says if a home seller and their real estate agent market their property off Zillow for more than one day, that Zillow and its allies, Redfin and eXp Realty, will ban that home from being listed on their search platforms.

"The Zillow Ban seeks to ensure that all home listings in this country are steered on to its dominant search platform so Zillow can monetize each home listing and protect its monopoly," Compass said in the lawsuit.

Compass alleges that the 'Zillow Ban' was enacted to prevent rivals from competing against it and reduces homeowner choice.

"In a free and competitive market, competitors' products and strategies should rise and fall on merit—not the whims of a monopolist gatekeeper like Zillow," Compass said.

Home sellers generally benefit from having their home advertised to as many potential home shoppers as possible. More interested buyers often can translate to multiple offers, which helps sellers ensure their property sells for the best price the market can offer.

But one drawback to listing a home on the multiple listing services, or MLS, and large listing search sites like Zillow, is that such listings show how long a home has been on the market and whether it has had any price reductions over time. Such information can be a signal to potential buyers that they may have more leverage to negotiate a lower price, or other concessions, from the seller.

To mitigate this, Compass and other brokerages give sellers the option to initially just share their home listing internally among their own brokers, avoiding the internet and the MLS, what is known in the real estate industry as a pocket listing or office exclusive.

Compass also gives sellers the option to make their listing public — but on the brokerage's own website. These listings also don't display how long a property has been on the market or whether it has had its price reduced.

The listings can be found by real estate agents from other brokerages who search the site, but the properties don't appear on Zillow or similar sites.

Compass contends that, as a result of Zillow's current policy, homes listed for more than a day on Compass.com would not be included on Zillow once the seller opts to advertise them more broadly.

Compass wants an injunction that would prohibit Zillow from implementing and enforcing its 'Zillow Ban' and implementing and enforcing similar policies. The company also wants a trial by jury and an unspecified amount in damages.

A Zillow spokesperson said in a statement on Monday that the company believes the claims in the lawsuit are unfounded and that it will vigorously defend against them.

"Our focus remains on creating a level playing field that serves the best interests of everyone in the home buying and selling journey," the spokesperson said.

The housing market is always competitive, but has become more fierce of late. Last month the National Association of Realtors reported that sales of previously occupied U.S. homes fell in April, as elevated mortgage rates and rising prices discouraged prospective homebuyers during what's traditionally the busiest time of the year for the housing market.

Existing home sales dropped 0.5% in April, from March, to a seasonally adjusted annual rate of 4 million units, according to the National Association of Realtors. The sales decline marked the slowest sales pace for the month of April going back to 2009 in the wake of the U.S. housing crisis. March's sales pace was also the slowest for that month going back to 2009.

Sales of existing homes barely moved in May, with existing home sales up 0.8% last month from April to a seasonally adjusted annual rate of 4.03 million units, the National Association of Realtors said Monday. Stubbornly high mortgage rates and rising prices made homebuying less affordable even as the inventory of properties on the market continued to increase.

There's also been the issue of more sellers than homebuyers, with potential buyers skittish over high prices and mortgage rates. As of April, the U.S. housing market had nearly 34% more sellers than buyers shopping for a home, according to an analysis by Redfin.

Aside from April 2020, when the pandemic brought the economy and home sales activity to a standstill, there haven't been this few buyers in the market for a home before, based on records that date back to 2013.