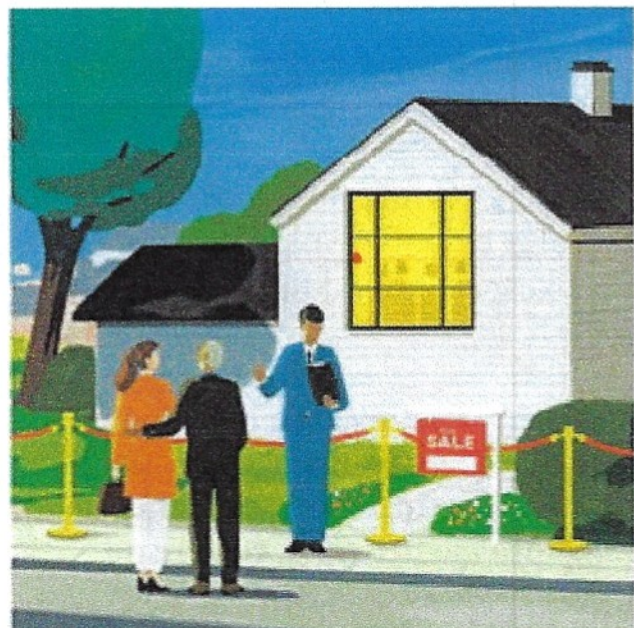




FABIO CONSOLI FOR WSJ

## The Battle To Control How Americans Buy Homes

**Compass is taking more offerings offline, sparking backlash from rivals who say the practice is upending market transparency**

BY KATHERINE CLARKE

### SOCIAL-MEDIA BATTLES.

A cease and desist. Lawsuits and threats.

The real-estate industry is tearing itself apart over a question that home buyers haven't had to ask in decades: When you search for a home online, are you actually seeing every property for sale?

For the better part of two decades, the answer to that question has largely been yes, with the vast majority of listings available on sites like Zillow and Trulia. But Compass—now the nation's largest brokerage—is changing the game. Compass offers its sellers the option to market their homes first as "private exclusives" through the company's internal website before putting them on listings sites or the local multiple listings service. In fact, it's been actively encouraging its agents to take their listings off those portals. In New

York, for instance, Compass recently offered a \$1,000 credit to agents who agreed to pull their listings off the website StreetEasy.

While Compass once controlled only a small percentage of listings, that changed in January with the company's controversial acquisition of the behemoth Anywhere Real Estate, parent company of Coldwell Banker, Corcoran, Century 21 and Sotheby's International Realty. Now a much higher percentage of properties for sale could be hidden from potential home buyers.

Compass says its model offers sellers more choice on how to market their homes, but critics say it is harming the consumer. Now the longsimmering industry dispute is spilling over into public view, with lawmakers and civil-rights advocates taking notice.

"This is all coming to a head," said Errol Samuelson, chief industry development officer at Zillow Group.

"This issue is going to have a real impact on people's lives and how they buy and sell, where they live."

(1)

## Brass-knuckled fight

Compass has grown quickly since its founding in 2012, but its \$1.6 billion acquisition of Anywhere took it to the next level, increasing its U.S. agents from about 40,000 to more than 200,000.

Justice Department antitrust enforcers wanted to investigate the merger before it took place, but were overruled by senior officials; Compass worked with Trump-aligned lawyer Mike Davis to make its case to the Justice Department.

Now Compass International Holdings, the umbrella company, handles an enormous share of listings across the country. In Manhattan, for instance, Compass and its affiliates now handle more than 80% of residential sales by dollar volume, according to some estimates, as well as more than 30% of listings in other major markets. Compass's spokesperson said those figures are incorrect, but said the company doesn't keep track of the numbers itself.

Since the merger, Compass's stance on private listings has made it a lightning rod for litigation and scrutiny. The company is now involved in litigation with Zillow as well as the California Regional MLS, one of the country's largest listing services. In July, Rep. Scott Fitzgerald, the Wisconsin Republican who chairs the House Judiciary Committee's antitrust subcommittee, asked Compass CEO Robert Reffkin for a briefing on its private-listings network, warning that private networks can create "velvet ropes" around homes.

In an August essay in Time magazine, NAACP President Derrick Johnson said private-listing networks are akin to "digital redlining."

A Compass spokesperson said the company follows all laws, including fairhousing rules, regardless of how or when a home is marketed, and declined to comment on Fitzgerald or pending litigation.

## How we got here

Off-market sales aren't new. Agents have long kept a small number of homes as private "pocket listings," which aren't advertised publicly but instead shopped mostly by word-of-mouth among a select group of agents and their clients. MLS rules allow certain exceptions for sellers who don't want the public to know their homes are on the market, such as celebrities or divorcing couples.

Many homeowners, however, want their listings to reach as many potential buyers as possible in hopes of selling quickly, for the highest-possible price.

"There's 40 years of white-paper research on how the more eyeballs you put on the property, the higher the probability of a higher price," said appraiser and market analyst Jonathan Miller, who has been a critic of Compass.

Compass's acquisition of Anywhere, however, has dramatically increased the number of private listings.

"[Pocket listings] were the exception," said Bess Freedman, chief executive of Compass rival Brown Harris Stevens. "Compass is making them the rule."

In addition to "private exclusives," Compass offers sellers the option of marketing their properties as a "coming soon," which means they are on the Compass website but not on most other listings sites.

Critics say Compass is keeping listings in-house to increase the likelihood that one of its own agents will bring the buyer, thereby earning double the commissions for Compass.

"Sellers could get hurt because the brokerage has this self-interest," Miller said.

Compass, however, said double-ended deals aren't its goal and that it doesn't track them. Instead, it said private listings provide sellers with more options for how to market their homes.

"Homeowners have the right to decide how their own home is marketed so long as they comply with the law," Compass International Holdings said in a statement.

Citing internal data, Compass said when homes it represented were initially listed privately, they sold for 4.6% more on average than comparable homes, as well as going under contract 34% faster once active on the MLS. These homes were also 29% less likely to cut their price, the company said.

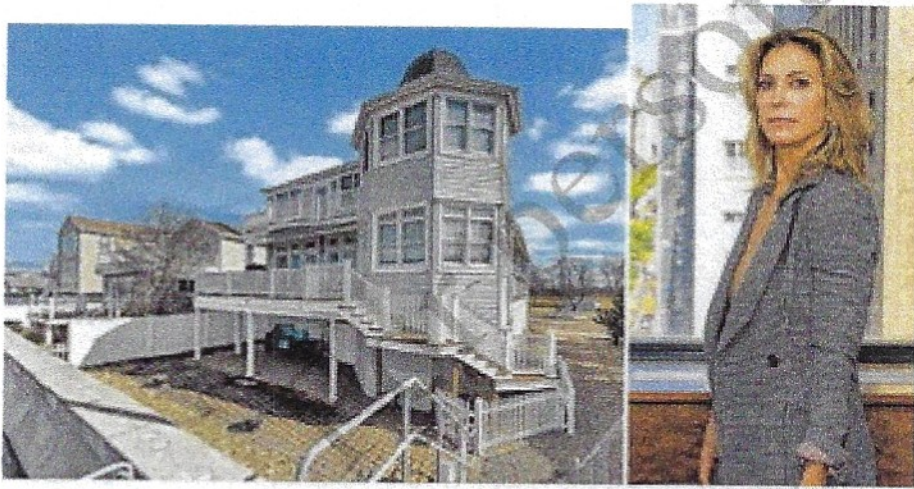
‘What are you trying to hide?’

Eric Johnson, a Compass agent in Boston, said he uses private listings as a sort of test run for homes

**Sale price: \$1.63 million**



CLOCKWISE FROM TOP LEFT: ERIC JOHNSON OF THE MISSION REALTY ADVISORS TEAM AT COMPASS; BROWN HARRIS STEVENS; BLOOMBERG NEWS A Compass listing for a waterfront home in Quincy, Mass., was billed as ‘coming soon,’ selling before going on the MLS. The home has four bedrooms and is about 2,700 square feet.



Bess Freedman.



Jonathan Miller.

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