



Consumer Federation of America

# A SURFEIT OF REAL ESTATE AGENTS 3: ABUNDANT JOBS, INADEQUATE MENTORSHIP, AND FEW SALES

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The Consumer Federation of America has prepared three reports on the surfeit of residential real estate agents – the fact that over 1.5 million agents typically sell 5-6 million homes each year. This high agent to sales ratio virtually guarantees that most agents cannot support themselves only from sales commissions.[1] Our first report on this agent glut documented the capture of an estimated 25-30 percent of aggregate commission income by marginal agents selling five or fewer properties annually. It also discussed the many costs both to consumers and to the industry of the agent surfeit, including widespread agent incompetence and pressure to maintain 5-6 percent commissions.[2] Our second report began to explain why this agent glut exists. It focused attention on the ease with which almost anyone – 26 states (including the District of Columbia) do not even require a high school degree – can obtain a real estate license. It reported that in most states a real estate license could be secured in six to ten weeks at a median expense of \$600.[3]

This third report shows that despite the glut, major firms continually advertise for and hire new agents, then often fail to adequately train and mentor these licensees. One result is that most agents sell few or no properties each year. A second result, documented by the industry’s D.A.N.G.E.R. Report, is that when these agents do sell properties, they often do so incompetently.[4] Our report also explains why this seemingly self-defeating system continues to exist and what steps the industry and regulators could take to help ensure agent competence and success.

## **Glut of Agents Worse Than Previously Imagined**

Our first report on the agent surfeit relied heavily on data collected by the National Association of Realtors’ annual member survey. The 2022 survey, to which 9,220 Realtors responded, reported median annual transaction sides of 12 and median annual income of \$54,300.[5] In our report, we speculated that “respondents were more likely to be active and successful Realtors than were non-respondents.”[6]

Our more recent research reveals that this speculation was correct. The number of median transaction sides is much lower, and consequently the median income as well, than those reported by the NAR member survey.[7]

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[1] Many sources addressing this issue are listed in note 1 from: Stephen Brobeck, A Surfeit of Real Estate Agents: Industry and Consumer Impacts (Consumer Federation of America, July 2023).

[2] Ibid.

[3] Stephen Brobeck, A Surfeit of Real Estate Agents 2: Is Entry Too Easy? (Consumer Federation of America, October 2023).

[4] Swanepoel, D.A.N.G.E.R Report, commissioned by the National Association of Realtors and released in 2015, Section A1.

[5] National Association of Realtors, 2022 Member Profile (July 2022), p 48.

[6] Brobeck, Surfeit, p. 3.

[7] There are two sides in every sale – a buyer’s side and seller’s side. Each side counts one in totaling sales so that an agent who double-ended a sale – worked with both buyer and seller – would be credited with two sales.

Our research examined the number of sales of all agents listed by five major real estate firms in each of four diverse areas – Central Pennsylvania (PA), Orlando (FL), Minneapolis (MN), and Tucson (AZ).[8] Each of the 20 firms had numerous area property listings. Most of the firms were national but the sample included at least one local or regional firm for each area. The total sample of agents was 2000 with 100 agents selected randomly from each firm in each area. Information about sales during the previous year was drawn from Realtor.com, Zillow, Homes.com, and individual agent websites.[9] The table below shows the percentage of agents with 0 or 1 sales the previous year and the percentage with five or fewer sales.

Table 1: Percentage of Listed Agents With 0-1 Sales and 0-5 Sales the Previous Year in Different Areas (n=2000 agents with 100 from each area firm)

	0-1 Sales (%)	0-5 Sales (%)
<b>Central Pennsylvania</b>		
Berkshire Hathaway	55	86
Coldwell Banker	36	59
Iron Valley	46	71
Keller Williams	67	76
RE/MAX	26	44
<b>Orlando</b>		
Century 21	63	80
Coldwell Banker	56	75
Keller Williams	51	70
La Rosa	65	83
Rutenberg	68	90
<b>Minneapolis</b>		
Coldwell Banker	37	62
Edina	36	67
eXp	40	64
Keller Williams	45	63
RE/MAX	19	43
<b>Tucson</b>		
Coldwell Banker	48	72
eXp	59	76
Keller Williams	56	76
Long (Berkshire Hathaway)	58	74
Tierra Antigua	49	73
<b>Overall Average</b>	<b>49</b>	<b>70</b>

[8] The geographical area of the sampled agents was effectively defined by the individual companies, which always listed agents from the broad urban area and often beyond. Central Pennsylvania listings usually included those in the greater Harrisburg area, Carlisle, Hershey, and York.

[9] The number of listed sales in the past year sometimes varied among the four sources. We always selected the highest number. When members of a team were listed with total sales, the number of sales was divided by the number of team members to arrive at a figure for each team member.

The following observations can be made about these data:

- Nearly half of sampled agents (49%) reported no or only one sale the previous year while nearly three-quarters (70%) reported five or fewer sales. The median number of sales was barely two. In terms of personnel, the residential real estate industry is clearly a part-time industry.
- Areas with the highest ratio of agents to population and inventory had the highest percentages of agents with five or fewer sales. The ratio of people to Realtors is 102 in Florida, 136 in Arizona, 260 in Minnesota, and 341 in Pennsylvania.[10] In general, these ratios are inversely correlated with the percentage of agents with 0-1 and 0-5 sales. For example, Coldwell Banker's 0-1 sale percentages are 56 percent in Orlando, 48 percent in Tucson, 37 percent in Minneapolis, and 36 percent in Central Pennsylvania.
- Of the firms included, RE/MAX had by far the lowest percentages of agents with five or fewer sales. RE/MAX is well known for its emphasis on recruiting the most productive agents from other firms.[11]

### **How These Marginal Agents Survive Economically**

According to the 2022 NAR member profile, the 2021 household incomes of those responding Realtors was significantly larger than the incomes generated by their real estate work. Sales agents reported a median real estate income of \$38,300 compared to a median household income of \$110,000. Brokers and broker associates reported a median real estate income of \$90,000 compared to a median household income of \$156,700.[12] For these respondents who had median sales sides of 12, the non-realtor income likely represented sources such as the following:

- Income from someone else in the household, usually a spouse, partner, or parent.
- Income from retirement savings, including pensions and Social Security. The median age of responding Realtors was 56.
- Income from a part-time job other than property sales.

Yet we have noted that the sample of respondents to the NAR member profile did not appear to represent a cross-section of the industry. The typical agent listed with sampled real estate firms was marginal, with nearly half having sold no or one house in the previous year. Many of these agents certainly had someone else in the household generating income. Some did work in the real estate industry as commercial agents, rental or leasing agents, property managers, or administrative staff. The largest number of these agents, though,

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[10] The number of Realtors is reported in the National Association of Realtors' Monthly Membership Report.

[11] Lillian Dickerson, "RE/MAX Keys to Success in 2023: Recruitment, mergers, acquisitions" (Inman, January 27, 2023). This emphasis is reflected by the relatively low percentages in Table 1 and can be explained in part by the company's low commission cuts and high monthly fees noted later in this report.

[12] NAR 2022 Member Profile, pp. 48, 84.

appear to have held full-time positions outside the industry. When googling the individual agents, information about these positions often appeared. The positions included many teachers, government workers, restaurant servers, commercial employees, and a large number in associated industries – mortgage lending, real estate appraisal, commercial and residential investment, and the practice of real estate law.

Some full-time real estate agents have very low commission-related incomes. It appears that many of these agents are new licensees. More than half of all Realtors with two years or less experience, surveyed by NAR in 2022, reported incomes of less than \$10,000.[13] Certainly some of these younger agents still lived with their parents. Many of these agents eventually decided to quit. We were unable to confirm a much-cited NAR 2014 estimate that 75 percent of those receiving licenses left the industry within five years. Yet, no-one disputes the fact that agent turnover is high. In the NAR member survey, keeping in mind that respondents were some of the most active Realtors, nearly half of sales agents (46%) said they had been in the industry five years or less.[14]

Our research on 25 randomly selected agents, from the five companies in Central Pennsylvania, with no or one sale supported these observations. Nine of the 25 were mainly associated with residential real estate – two as team leaders, two as administrative support, and three apparently as full-time sales agents (one a new agent and two with another income in the household) while two others were in their seventies and likely semi-retired. The other 16 agents included a football coach, Vanguard employee, computer consultant, delivery driver, bartender, home renovator, small lender, mother/author, small business owner, attorney, former large business owner, Staples manager, Amazon manager, software engineer, nurse practitioner, and mattress store employee.

In brief, marginal real estate agents earn only a small fraction of their household income from real estate sales. However, through sporadic sales, these marginal agents drain income from those struggling agents, most of whom are women, who work full-time or nearly full-time but sell only a half-dozen to a dozen properties each year. In our sample of 2000 agents, 246 (12.3%) sold six to ten properties the previous year. Of this number, 137 (55.7%) were women.

### **Many Large Real Estate Firms Continuously Recruit Agents, Often Not Selectively**

One would think that with so many non-productive agents, large firms would not be

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[13] Ibid., p. 50.

[14] Ibid., p. 86.

seeking to recruit new agents, yet most of these firms are. The employment website Indeed is one of the main places real estate firms advertise positions.[15] As Table 2 shows, in five of six areas -- Seattle (WA), Orlando (FL), Minneapolis (MN), Central Pennsylvania, and Washington (DC) -- at least one sales position was advertised through Indeed by all but one of six major companies. In Tucson, only two of these companies advertised. The positions were usually advertised by one to several offices of each company. A few offered to pay for real estate school for non-licensees. These employer ads were those on only one employment website. Firms advertise positions in many other ways.

Table 2: Advertised Sales Positions by at Least One Office of Major Companies

	Seattle	Orlando	Minneapolis	Tucson	Central PA	Washington DC
Berkshire Hathaway	x		x		x	x
Century 21	x	x	x		x	x
Coldwell Banker		x	x		x	x
eXp	x	x		x	x	x
Keller Williams	x	x	x	x	x	x
RE/MAX	x	x	x			x

There are several economic reasons many large companies continuously recruit new agents. First, because of the high turnover rate noted earlier, companies feel they must work hard to recruit new agents. A surplus of agents allows “large brokerage operations...to blanket the market when momentum [surge in home sales] takes hold.”[16] This surplus also compensates for the “high agent turnover rate, as freshly-minted agents burned through their family members and social contacts without developing a viable client base.”[17]

A second related reason is that these new agents bring with them new clients. In part because of the agent glut, firms place a very high priority on acquiring new clients. An effective way they market their services is by recruiting agents who have recently obtained a license and are well-positioned to sell property to their friends and relatives. One reason for the high agent turnover rate is that because these “in-home” sales are infrequent, they usually do not represent a solid base for a real estate sales career. Given the agent glut and

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[15] Sean Moudry, “The Ultimate Guide to Recruiting Agents for Your Team of Brokerage” (The Close, November 3, 2022).

[16] Editorial Staff, “The rise and fall of real estate brokers and agents” (firsttuesday Journal, January 26, 2023), p. 8.

[17] Ibid., p. 13.

inadequate training (discussed later), new agents typically find it challenging to recruit clients outside their social circle.[18]

Third, new agents generate fee revenue for many companies. These fees include not only a percentage of each sale commission but also monthly fees for use of a desk and the firm's technology.[19] In addition, some firms charge fees for training and mentorship. Agent Advice, a consulting firm which includes many agent reviews of their employers, has summarized the commission cuts and typical monthly fees charged by large companies, noting that there is often variation by office and agent.

Table 3: Commission Cuts and Typical Monthly Fees Charged by Selected Large Firms

	Commission Cuts	Typical Monthly Fees
Berkshire Hathaway	40%	\$109
Century 21	50%	\$50
Coldwell Banker	40%	\$50
eXp	20%	\$50-\$85
Keller Williams	30%	\$50-\$85
RE/MAX	5%	\$400

These fees appropriately help companies cover infrastructure expenses including the maintenance of offices and technology. Yet, a number of agents, at all companies listed in the above table, complain that the fees are often too large. As different agents put it in comments on Reddit or Agent Advice:

- “The fees are excessive...There’s a franchise fee, office, fee, printing fee, etc.”
- “They take too much money. There are too many desk fees.”
- “I really don’t like the coaching fee...Brokers already get a cut (that’s fair) and we pay \$75 a month (that’s fair) but then they take more \$\$ out for ‘coaching.’ There really is no coaching.”
- “They charge \$400+ for fees plus the extremely high cost per month which is about \$350 and I’m not even counting the MLS fees.”
- “Fees are outrageous, and I already lost two on my team due to fees.”

The most frequent complaint about fees, though, is that for these payments, the companies do not provide either promising leads or adequate support, especially mentorship for new agents. The failure of many firms to adequately mentor new agents is the subject of the next section.

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[18] One agent interviewed for An Inman Select Report: Why and How Real Estate Needs to Clean House (2015), said: “A great many agents are part-time. Other than the few transactions they finagle out of their family and friends yearly they have very little to do with the industry and don’t care to educate themselves and increase their skills.”

[19] Chris Heller, “What Are the Best Brokerages for New Agents?” (Agent Advice, July 6, 2023).

Fourth, since the large majority of agents are independent contractors not employees, real estate firms have limited liability for the actions of their agents so understandably may not feel a strong responsibility for supervising their activities.[20] The California Department of Real Estate reports that “lack of supervision on the part of a broker is a recurring problem.” Brokers “failed to exercise reasonable supervision over the activities of salespersons.”[21] Accordingly, firms are less constrained in taking on new agents than other companies are in hiring employees. As one broker owner with 41 years-experience put it: “Until broker-owners have real skin in the game (legal exposure for their agents), they will take more agents to gain more market share and to capture more profits.”[22]

Largely as a result of these four factors, it is very easy for almost all new agents to be “hired” by a real estate firm. That has certainly been the experience of the agents who commented to Reddit on the subject in the past two years. Here are representative samples of these comments:

- “If you have a heartbeat and drink the flavor koolaide they serve – YOU’RE HIRED!!!! (por\_que\_)
- “Yep. You do need to fog a mirror and have a credit card.” (goosetavo2013)
- “You don’t even have to ask. Pass your exam and they’ll come out of the woodwork asking you to hang your license there.” (blakeshockley)
- “Nobody hires you. You interview brokerages and pick the one you like.” (Usual\_Focus2216)
- “Pick the brokerage you like. They are trying to win you over, not the other way around.” (Fta...)
- “You will get 100+ brokerages willing to hire you.” (ShookieDMV)
- “If you have a breath in your body, someone will hire you. Some might even hire you if you don’t.” (MrTurtle)

It is not always quite this easy to be hired by a firm. Firms specializing in luxury sales, firms like RE/MAX that prioritize hiring productive agents, and small “boutique” firms tend to be more selective, often requiring a full-time commitment from agents.[23] However, most large firms will hire agents who work part-time, and a few even allow inactive agents to be associated with the firm. These inactive agents generate little office expense and occasionally make sales, often to friends and family, with commission cuts for the firms.

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[20] See: Bernice Ross, “What if all agents had to be employees rather than independent contractors?” (Inman, May 4, 2015). Georges Benoliel, “Why Real Estate Brokerage Firms Don’t Hire Employees” (nest.apple, April 4, 2021).

[21] California Department of Real Estate, Most Common Enforcement Violations, Failure to Supervise Violations, Section 10177(h).

[22] Realtor Steve Wiley in a comment on an article by Bernice Ross (Inman, September 21, 2015).

[23] Jason Cassity, “Best Real Estate Brokerages for New Agents” (Inman, October 17, 2019).

## Real Estate Firms and Brokers Often Fail to Adequately Train and Mentor New Licensees

Few agents who have just received a real estate sales license are sufficiently prepared to sell property.[24] Some states recognize the limited competence of newly licensed agents so require additional coursework or active broker supervision of these agents. In addition, most large firms have training programs, usually online, available to these agents while a few firms, or agencies within these firms, have mentorship programs. However, the large majority of new licensees in the United States apparently are not required to take additional courses, participate in company training programs, seek a mentor, or receive more active broker supervision than more experienced agents.[25]

**State Requirements:** Four states – Alabama, Mississippi, North Carolina, and Oklahoma – issue temporary or provisional licenses to new agents that require the agents to take additional courses to earn permanent licenses. Three other states – Arkansas, Florida, and Vermont -- just require additional coursework. The length of these courses ranges from eight hours (Vermont) to 90 hours (North Carolina).[26]

Some states also require stricter supervision of new licensees by their managing brokers. We searched for broker supervision requirements in all 50 states (and the District of Columbia).

We found that only seven of these states require stricter supervision of new licensees than of more experienced agents.

- Colorado requires employing brokers, or their designated representatives, to “ensure that a high level of supervision is exercised over a newly licensed active broker [called ‘sales agent’ in most states] during their first two years of real estate practice.” This supervision includes specific training in office policies and procedures, assistance in preparing contracts, monitoring transactions from contracting to closing, reviewing documents before closing, and participating in closings.[27]

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[24] In a recent (May-August 2022) survey of more than 2000 agents by #ThrivePastFive, over half of new agents responding said they don't succeed because “they're not getting trained.”

[25] A broker interviewed for Inman's 2015 Select Special Report (loc. cit.) noted: “It is too easy to become a part-time agent. These agents lack supervision and training. There needs to be a minimum standard of production. I think this problem stems from lack of broker-in-charge attention to new agents. A lot of brokerages hire agents and then administer hardly any supervision or training. I speak to new agents and experienced agents who say they can never get their broker-in-charge on the phone to answer their questions.”

[26] See discussion in: Brobeck, Surfeit 2, loc. cit., pp. 10-11.

[27] Colorado Department of Regulatory Agencies, Division of Real Estate, Employing Broker Supervision and Responsibility.

- Illinois spells out specific supervisory duties for designated managing brokers for licensees who have yet to complete their 45 hours of post-license education. The duties include direct oversight and handling of all escrow moneys, direct involvement and oversight during contract negotiations, and direct supervision and approval of all advertising and marketing materials. These licensees “shall have no authority to bind the sponsoring broker to any contract or agreement.”[28]
- Maine requires that: “The designated broker, at a minimum, shall review and initial, as soon as possible, all contracts, property data sheets, disclosure forms, market analyses and other relevant information prepared by a sales agent for buyers and sellers during the first 90 days of the licensing of the sales agent with the real estate brokerage agency.”[29]
- Montana requires a “high level of supervision...for licensed salespersons with less than two years of experience or...less than ten transaction sides in a calendar year.” This supervision has the following requirements: “(a) Provide specific training in office policies and procedures. (b) Review and provide assistance in preparing contracts. (c) Monitor transactions from contract to closing.(d) Review documents in preparation for closing.”[30]
- North Carolina requires “brokers-in-charge” to “supervise all brokerage activities of provisional brokers until required courses are completed.”[31]
- Texas requires that “when a sales agent performs a type of real estate brokerage activity for the first three times, the broker must require that the sales agent receive coaching and assistance from an experienced license holder competent of that activity.”[32]
- Washington requires managing brokers to “provide a heightened level of supervision as provided by rule of the director” during the first two years of the broker’s [called “agents” in most states] licensure.[33]

**Company Requirements:** Nearly all national and large regional companies offer training in the practicalities of selling property. These courses are almost always given online.[34] Agencies and offices within companies more often require new agents to receive this training and more often provide this training in person. Less frequently, companies and agencies provide formal mentorship programs in which experienced brokers mentor or

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[28] Illinois Administrative Code, Title 68, Chapter VIII, Subchapter b, Part 1450, Section 1450.705, Designated Managing Broker Responsibilities and Supervision, Subsection C.

[29] Maine Department of Professional and Financial Regulation, Real Estate Commission, Chapter 400: Agency Designated Broker Responsibilities, Section 1, Subsection 5. One wonders how many new licensees in Maine sell properties during the first 90 days with their company.

[30] Administrative Rules of the State of Montana, 24.210.606, High Level of Supervision.

[31] North Carolina Real Estate Commission, 2022-2023 Broker-in-Charge Update Course, Section 3, Broker-in-Charge Responsibilities.

[32] Texas Administration Code, Title 22, Part 23, Chapter 535, Subchapter B, Rule #535.2(i)(5).

[33] Washington State Legislature, RCW 18.85.275, Designated broker or managing broker –Authority and Duties (6).

[34] Examples of educational programs are: Coldwell Banker’s CBU Learning Center, Keller Williams’ Ignite Training Courses, eXp’s University, and Century 21’s C21 University.

coach new agents. These mentors are responsible for working closely with new licensees to assist all aspects of their work.

Among major companies, only eXp requires inexperienced agents (those with three or fewer real estate transactions in the past year) to participate in a mentorship program. Mentors are required to have completed at least eight real estate transactions in the past year, attend at least eight of twelve monthly Mentor Mastermind Workshops, and attend at least half of their state meetings. Mentors “guide mentees through their first three transactions.” Mentees are also required to complete all Mindflash courses. Mentees are charged twenty percent of their brokerage fees in the three mentored transactions.[35]

**Agent Assessment of Company Support for Training and Mentoring:** Agent Advice, an agent-oriented service, provides agents the opportunity to comment on the companies for which they work. We studied over 300 comments made by agents related to six major companies – Berkshire Hathaway, Century 21, Coldwell Banker, eXp, Keller Williams, and RE/MAX. A large majority of these commentators appeared to be full-time agents who were at least somewhat satisfied with their company employer. In their summary rating, most gave their company four or five stars. Yet, a significant minority complained about inadequate support from their company or agency, especially when they started out. And none complimented their company or agency on a successful, institutionalized mentorship program.

Here are comments from agents from all six companies. Individual companies are not identified because we felt that the sample of comments was too small to single companies out. Also, the comments may reflect more on the agent’s agency or managing broker than on the larger company.

- “[Name of company] provided no support or mentorship which made it difficult for someone new like me to grow in the business.”
- “They absolutely SUCK at development of new agents.”
- “Everyone is super supportive of each other.” But “they could improve by having a Mentorship program...at the start.”
- “When you are brand new I feel like you should be able to reach out to managers and get responses without hesitation. They seem stretched thin and not enough availability.”
- “It’s easy to get lost in the shuffle when a brokerage has a lot of agents but the managers should try to stick with new agents to monitor their progress.”
- “I wouldn’t recommend this brokerage to new agents only because they really don’t offer great training. The training classes are external from the brokerage, and there’s not much coaching for new agents.”
- “If I could suggest an improvement, I would add more attention and training to new agents.”

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[35] eXp Realty, eXp Mentor Program: What is the Mentor Program? What is a Certified Mentor? Mentee Expectation Checklist.

- “But for beginner agents there is no guidance...”
- “You receive absolutely no help or support. I was stood up multiple times by my broker when meetings were scheduled. After asking for help, some of my questions were ignored.”
- “Felt abandoned and overwhelmed by the onslaught of information and inability to connect with someone who could walk me through how to do the large number of checklists for getting set up.”
- “I will be switching brokerages soon... I don't think that everything promised to me was provided, like the training class and agent support.”
- “I would suggest either improving the mentor system or abandoning it altogether. Having one senior agent forced to mentor 10-12 rookie agents is pointless.”
- “If I had to improve one thing, it'd be new agent hire and training.”
- “The promise of training and support just isn't delivered on and I'm very frustrated with that.”
- “I really feel like I've been left to figure the business out on my own. They need to give more guidance and mentoring – maybe even an opportunity to shadow other agents.”
- “I was a new agent and stayed there 8 months. In all that time, no one would help me get anything done.”
- “You will pretty much be alone, as I was with my very first appointment though I was promised to [be] hand-held my first 3 transactions.”
- “The mentorship program is a disaster. I was assigned a mentor that would not show up to pre-scheduled calls and when he did, he always seemed to have better things to do. When I asked him questions like what if appraisal comes in low, he would tell me ‘you ask too many questions’.”

To some of these complaints, companies could respond that agents should recognize that they are independent contractors, not employees, who will not succeed unless they are proactive and entrepreneurial. Agents dissatisfied with the training or mentorship should join a team or seek a mentor. A number of agents commented that they were able to find a successful mentor on their own. Yet it is also true that most brokerages with many new agents do not have the capacity to personally train and mentor all of them. And some agencies seem to have no interest in mentoring or coaching. They recruit an excess of agents, throw them into the pool, then retain those able to swim and even a number who just thrash around on the surface.[36]

## Summary and Recommendations

This third report on a surfeit of agents focuses on the role of real estate companies in the creation of the glut and related incompetence of many agents. Our analysis of the sales

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[36] “It's in the national brokerage's best interest to bring in as many agents as possible and see who sticks.” Cassity, “Best Real Estate Brokerages, loc. cit.

experience of 2000 representative agents from large companies in five different areas revealed that there is an even greater surfeit than we and many others had imagined. Nearly one-half (49%) of these agents had none or only one sale in the previous year while nearly three-quarters (70%) had five sales or fewer. Almost all of these agents hold another steadier job or are retired. For most agents, the residential real estate industry is truly a part-time business.

Yet despite this agent glut, many large companies keep recruiting new agents, often regardless of agent qualifications. They do so largely because of four factors – high agent turnover rate, new agent sales to friends and family members, fees paid by these agents, and limited liability for these agents since they are independent contractors. For these same reasons, many companies continue an association with agents even when the agents routinely sell only one or no properties a year.

The surfeit of agents ensures that many will not be able to receive adequate personal training and mentorship. One agent reported that a managing agent had been assigned responsibility for more than 100 agents.[37] Large companies do make available on-line training but many agents report that what new agents really need is experience working with a veteran agent and close supervision by a broker while they are selling properties. That close supervision is not required by most states. Of the 50 states (and DC) we examined, only seven require closer supervision of new agents than more experienced ones. Furthermore, that close supervision is often not clearly defined, and we have seen little evidence that state regulators have focused on the issue. Consequently, some companies and agencies feel permitted to adopt a “sink or swim” approach to their new agents that certainly is not to the benefit of their consumer clients.

There are roles for states, the National Association of Realtors, and individual companies and agencies in addressing this issue. State legislatures should require close broker supervision of inexperienced agents beyond checking paperwork. Colorado, Illinois, and Montana not only require closer supervision but define what this supervision entails. States should also follow the lead of those states, a small minority, that require agents to receive post-licensing education on the practicalities of selling property. Moreover, regulators should intervene when the complaints they receive show evidence of inadequate training and supervision.

The National Association of Realtors (NAR) could play a role differentiating inexperienced sales agents from full-time professionals by raising the standards of earning Realtor status. Today, few consumers understand or are influenced by this status. If NAR were, for example, to require more experience and competence from Realtors then publicize this difference, consumers would more likely hire these agents. These requirements could include, for

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[37] Agent Advice comment by one agent about their experience with Keller Williams.

instance, selling more than five properties in the previous year and initially passing a new exam on the practicalities of selling property.[38]

Many companies and agencies take seriously the training of new agents, yet many do not. [39] The latter should recognize that heightened consumer awareness of industry practices resulting from class action litigation is likely to encourage more informed selection of agents. The industry should also recognize that increasing the number of agents does not appreciably affect home sales but does reduce the average income of individual agents and brokers. Companies and agencies should value full-time professional agents and brokers more highly than part-time sales agents who are engaged in other occupations.[40]

The glut of agents and the inadequate training and experience of many has an important implication for consumers. Both home sellers and buyers should choose their agents carefully. These consumers should pay particular attention to the number of recent sales and client evaluations of the agents considered. Both Zillow and Realtor.com list this information about many agents, and this information tends to be more objective than that offered by referral agencies. Consumers should be wary of agents without an informative listing on either website. Friends and family members who have recently sold or purchased a home can also be consulted, yet consumers should also use Zillow and Realtor.com to supplement the information these individuals provide.

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[38] In a comment on an Inman article by Bernice Ross (loc. cit.), Realtor Dan Miller suggests an even higher sales standard: “The NAR needs to require a minimum number of transactions to first EARN the designation REALTOR (i.e., 7 in the first year) and maintain a minimum number of transactions thereafter (i.e., 10 per year) to retain the REALTOR designation.”

[39] In a 2019 Quora comment, a broker with 11-years experience said: “New Realtors would greatly benefit from an apprenticeship type of program, or internship with an experienced team or successful Realtor. Despite the many rules, codes of conduct and laws in Real Estate, there remain so many gray areas that require both knowledge and experience that the new Realtor will find the path very difficult unless there are already in place the excellent contacts than can help one to be successful immediately.”

[40] Many agencies do value the importance of a full-time commitment to a real estate career. For example, in 2022 Lamacchia Realty began requiring agents to make real estate their “main career” within six months of joining the firm and regularly attend training sessions on real-estate fundamentals and sales techniques. Reported by Anne Marie Chaker and Nicole Friedman, “As Home Sales Slow, Realtors Go Back to Their Other Jobs,” Wall Street Journal (February 14, 2023).