

## Even NYC Real Estate Brokers Think Fees Have Gotten Bonkers

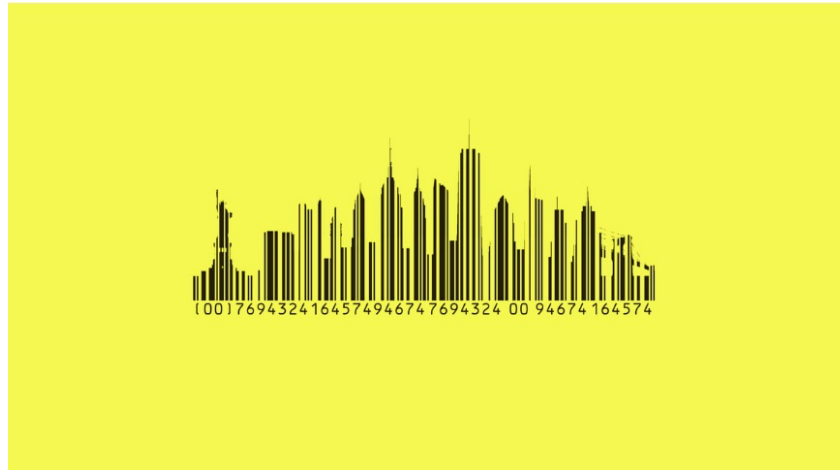
TOO DAMN HIGH

Real estate agents who don't even go to showings are charging tenants thousands and thousands of dollars.



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There is a well-worn complaint among prospective renters in New York City: Apartment brokers collect massive fees seemingly just for opening the front door. But sometimes they don't even do that. Last summer, when 31-year-old Bri'anna Moore was scouting for a one-bedroom in Brooklyn, many brokers simply texted her the lock code and told her to let herself in. And yes, they still wanted their commission.

This spring, as Moore contemplated moving again, the landscape was just as bleak. One rent-stabilized unit in Flatbush, Brooklyn, was listed at \$1,243 per month, she said. The broker fee? Almost \$5,000—even for people who found the listing themselves without the help of an agent.

"It's really predatory," Moore said. "It's contributing to the gentrification of New York City... The only people who can afford these apartments are going to be really wealthy."

Even some brokers are disgusted. "There's a little more that goes into what I do than opening the door, but not enough to charge somebody two months' rent [as] a broker's fee, I'll tell you that," said Keyan Sanai, the top New York City rental agent at Douglas Elliman.

"I think people know what's fair and what's unfair," he continued. "At the end of the day, it comes down to money and greed and not wanting to work. Why rent two apartments for a [one-month fee] when you can rent one apartment for 15 percent?"

The New York City rental market collapsed during the early days of the pandemic, then roared back as tenants returned. Demand dwarfed inventory, sparking bidding wars and allegations of price-gouging. The chaos peaked last summer, with reports of broker fees as high as \$20,000 for rent-stabilized apartments that are theoretically supposed to be more affordable.

Now, with prices at record highs, many brokers continue to insist on a fee equal to 15 percent of a unit's annual rent. In May, the median cost for a Manhattan rental was \$4,395 per month, according to Miller Samuel, a real estate appraisal firm. At that price, a 15 percent fee would amount to \$7,911 in upfront cash—not including the security deposit and first month of rent that many landlords require.

“I will be the first to go on the record to say the entire notion of a broker’s fee is unfair and should be paid for by landlords,” said Ian Slater, a power agent at Compass. But he also argued that most renters only see “the tip of the iceberg” of the work brokers do. Managing a listing involves dealing with painters and contractors, insurance issues, and incessant calls and texts, he said.

Once a listing goes live, Slater added, “people [are] telling you that you’re a piece of shit, and that you’re stealing their money, and that you suck... All of that is not very pleasant.”

Lower-priced listings are generally managed by junior brokers who make far less money than outsiders would expect, he said. Brokers usually hand at least half of their fees to their brokerage firm and sometimes must further divide the commission with other agents.

And while the market is currently hot, Slater said, things could easily flip like they did at the onset of COVID. Listing agents “are making more money than they’ve ever made, but it’s highly unreliable.”

In Sanai’s view, agents who lack experience and are trying to snag huge fees are doubly unreliable. “You have some schmuck on wheels trying to rent you an apartment they can’t even afford,” he said.

Sanai noted that many listing agents are ignoring messages from brokers representing prospective renters, since such deals would require them to split the fee.

There are multiple explanations for the scorching-hot market. Tenants who fled during the pandemic are still trickling back; the summer months generate more activity; and the high cost of moving keeps many people in their units, reducing vacancies.

The sales market has also cooled due to rising interest rates, which has encouraged would-be buyers to rent. Reba Miller, an agent at Compass who has sold more than \$1.5 billion in property, said co-ops and condos that previously sold in a snap might now require dozens of showings.

In February 2020, broker fees for renters were briefly banned in New York, until a judge issued an injunction. Now, several lawmakers—including state Sen. Jabari Brisport and Assemblymember Zohran Mamdani—are trying again. Their bill would prevent landlords from forcing tenants to pay the fees, but it’s not clear whether it will receive a vote before the end of the current legislative session. If it fails to pass, the lawmakers will need to wait until the next session begins in January to advance it again.

Brisport told The Daily Beast that broker fees are “exploitative of the tenant if the landlord hires the broker and then says the tenant needs to pay for it.” He says his bill would not rob agents of their incomes, just change the party responsible for the commission.

Mamdani added that his own chief of staff was asked to pay an exorbitant \$7,000 broker fee. “People are being priced out of the neighborhoods that they helped to build. And then they’re being told that, ‘Oh, if your apartment is too expensive, simply find another apartment,’” he said. Yet many can’t afford the required fees.

New York City Councilmember Chi Ossé is preparing to introduce his own bill to rein in high fees, he said.

Real estate lobbyists have opposed new regulation, arguing that laws obligating landlords to pay fees would simply increase rent prices. (Mamdani noted that higher rents are still more affordable than upfront costs that require tenants to have many thousands of dollars in savings.) Many agents also believe renters don’t understand the behind-the-scenes work that justifies their commissions.

Several apartment hunters who spoke to The Daily Beast scoffed at that. Pierre Mballa, a 25-year-old actor, said brokers are even asking for fees on low-quality units without complete kitchens or living rooms. He wrote in a message that he and two roommates “are in our twenties with great credit and reasonable incomes but we don’t have [\$5,000] to drop on a move BEFORE taking into account additional moving costs.”

A broker recently requested a \$7,000 fee, he said, plus the first month of rent and a security deposit. When they complained, the broker replied, “We’re doing the same thing everyone’s doing.”

Catherine Lindsay, a business development manager at an entertainment company, said some brokers have requested the equivalent of a month's rent simply to apply for a unit, promising to reimburse her if the application was rejected.

Landlords are demanding extra money for dubious reasons, too. A couple of weeks ago, Lindsay was preparing to sign a lease when the broker called and asked whether she works from home. "I go, 'Well, like, I'm a hybrid worker. So I work from home a few days a week,'" she recounted. The agent then informed her there would be an additional \$200 fee on top of her rent.

Would-be renters hoping the market will soon slow down are out of luck, said Tara Steppacher, of Sotheby's International Realty. "As a matter of fact," she forecasted, "I see things picking up."