



## How America's Real Estate Brokers Still Use Practices That Reinforce Racial Segregation

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Fifty years after the passage of the Fair Housing Act of 1968, residential segregation by race remains stubbornly high across the United States, especially in cities with high proportions of racial minorities. For several reasons, this presents quite a puzzle to social scientists. Studies of the real estate market that compare the experiences of two people of different races but similar incomes and credit scores suggest that overall mistreatment of racial minorities has declined over time. Racial gaps in socioeconomic standing have closed a bit, and studies show that White Americans now tolerate higher numbers of minorities in their residential areas than they did several decades ago. All of these dynamics should reduce racial residential segregation – yet that has not happened.

Because racial residential segregation has dramatic and long-lasting consequences, including by exacerbating economic inequalities, it is crucial for analysts to better understand why segregation persists in 21st century urban America. My research contributes to finding answers by highlighting the critical role of real estate brokers in maintaining racially segregated neighborhoods.

### Brokering Real Estate, Past, and Present

Prior to the enactment of U.S. fair housing legislation in the 1960s and 1970s, the real estate brokerage industry played a direct and explicit role in creating and maintaining segregated neighborhoods. For example, real estate agents often went door-to-door in White neighborhoods telling homeowners that Black residents had just moved in, in order to scare Whites into selling at low prices homes that could then be listed for sale to Black families at dramatically higher prices. Racial divisions were stoked for profit.

After fair housing legislation was passed, such explicit tactics became illegal. But beginning in the 1980s, research on real estate brokers found that these key gatekeepers in the housing market were treating Black and Latino home buyers and renters differently from Whites – by systematically showing different homes to minority versus White buyers and renters. More recent research suggests that such discrimination has been declining over the past 30 years. Yet these studies do not tell us whether real estate agents may be contributing to racial segregation in less explicit ways.

### A New Research Approach

Because real estate agents handle the majority of home sale transactions in the United States, their practices matter in every detail. Are they still engaging in practices that are *not* obviously about race yet still contribute to racial segregation? A study I conducted in Houston, Texas set out to explore this matter, by following the activities of ten real estate agents of different races for one year, and also conducting some three dozen in-

depth interviews with a racially diverse sample of real estate agents.

My key findings are highly revealing. Most basically, I learned that the real estate agents tap their social networks as primary tools for generating business. Because those networks are racially structured, white real estate agents end up working primarily with White home buyers and sellers, while Black and Latino agents deal with more diverse sets of clients.

I also learned that White real estate agents often engage in a practice they called “pocket listings” – that is, they keep personal lists of homes for sale that they do not announce publicly on the local listing services. Instead of doing such public postings, real estate agents send information on pocket listed homes to their personal and professional networks, often via email. Because White agents’ networks are overwhelmingly comprised of other whites, this means that Asian, Black, and Latino consumers are disproportionately excluded from finding out about informally listed homes for sale handled by White agents.

Overall, pocket listings, used in the context of segregated social networks, are one important way that real estate agents still contribute to racial segregation in the housing market, even when no explicit prejudice or mistreatment is observed (or even perhaps consciously intended).

### **What Could Be Done to Further Discourage Racial Divisions in Housing Markets?**

There may be little legislators or other policymakers can do about segregated social networks. But pocket listings are a prime example of a practice that legislators committed to interrupting stubbornly persistent racial segregation in housing markets can and should target. Here are some counter-measures that might help:

- In addition to posing a significant threat to equal housing opportunities, pocket listings also cut into the profits of real estate boards. Thus legislators willing to work with the real estate brokerage industry could approach real estate boards and detail the profit losses that result from the pocket listing practice.
- Legal researchers and advocates can also take steps. Already, lawyers for at least one major association of real estate agents have strongly advised its agents not to engage pocket listings, because they recognize this practice could violate fair housing law. In line with such legal advice, those seeking to reform housing policy through the court system could document how pocket listings constitute a form of “disparate-impact discrimination,” – the legal term used to describe an impact of a practice that has disproportionately negative effects for a protected class. Laws and practices can be at fault for disparate-impact discrimination, even if the practices themselves are not racially motivated nor explicitly discriminate against a specific type of person.

Durable housing and neighborhood segregation reinforces many other inequalities and divisions in American life – yet such segregation is not inevitable. By paying attention to real estate practices that are not explicitly about race but nonetheless may end up reinforcing racially unequal outcomes, policymakers, advocates, and real estate professionals can discover practical, effective interventions to reverse vicious racial cycles in America’s housing markets.

**Read more in Elizabeth Korver-Glenn "Compounding Inequalities: How Racial Stereotypes and Discrimination Accumulate across the Stages of Housing Exchange." *American Sociological Review***

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