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Brokering Ties and Inequality: How White Real Estate Agents Recreate Advantage and Exclusion in Urban Housing Markets

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Abstract

The real estate brokerage industry has long perpetuated overt discrimination against minority housing consumers, but we know little about how it may reproduce inequality through less overt means. In this article, I highlight real estate agents' (REAs) reliance on social networks as key to how this "new inequality" happens. Specifically, I investigate the contextual factors that enable white agents to maintain predominantly white networks and how disparate-impact consequences for minority home buyers and sellers emerge when white agents deploy their networks in ordinary housing situations. My examination relies on one year of ethnographic research with 10 REAs and 49 in-depth interviews with REAs, home buyers, and home sellers in the Houston housing market. I begin my analysis by documenting agents' racially stratified networks. I then unpack how agent pay structure and status as market gatekeepers supported the persistence of white agents' white networks and constrained minority agents' business opportunities. Finally, I show how white agents' reliance on white networks came together with other widely shared practices to negatively affect minority home buyers and sellers, excluding them from for-sale homes and competitive customer service. I conclude by discussing the implications of my findings for mitigating housing market inequality.

Keywords

racial inequality, real estate agents, housing market, social networks

Multiple housing market industries, such as mortgage lending and property insurance provision, have long perpetuated racial segregation and housing inequality (Gotham 2014; Squires 2003). In particular, the real estate brokerage industry and its white gatekeepers have played a central role in shaping processes of housing exclusion and inclusion (Gotham 2014; Pearce 1979; Turner et al. 2013). Prior to the passage of fair housing legislation, white real estate agents (REAs) openly encouraged racial conflict through inciting white homeowners' racial fears and preying on minority home buyers' need to access housing (Gotham 2014). In the post-fair housing era, white REAs continue to treat Black and Latino buyers and renters differently from white buyers and renters. REAs provide white

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consumers with more information about homes than their minority counterparts, and they show white and minority clients homes in different neighborhoods (Pearce 1979; Turner et al. 2013). But as with the “new inequality” observed in the mortgage-lending industry, discrimination and inequality in the real estate brokerage industry need not be overt or directly observed mistreatment (Williams, Nesiba, and McConnell 2005:182). Instead, ostensibly race-neutral policies or practices may become racialized by perpetuating inequality and disparate-impact discrimination with no obvious or intentional racial animus.

Yet extant work tells us little about how ostensibly race-neutral policies or practices may become racialized, or have racially disparate consequences, in the real estate brokerage industry. The present article addresses this gap by adopting the following strategy. First, I center REAs’ racially stratified social networks as key to understanding how the new housing market inequality persists. REAs generally build their businesses by relying on referrals and repeat clients (Besbris and Faber 2017; Shi and Tapia 2016), and unsurprisingly, this chain of referrals is racially distinct for white and minority agents (Krysan 2008). But we know little about how this mundane feature of the real estate brokerage industry persists or how it can directly affect housing opportunities and outcomes, even in the absence of overt discrimination. Thus, taking cues from research on racial inequality in the labor market (DiTomaso 2013; Pager and Shepherd 2008; Royster 2003), I emphasize that unpacking how white REAs maintain homogeneous white networks and how these networks affect the flow of housing exchange is key to understanding the reproduction of contemporary housing inequality.

Next, I take up an empirical examination of REAs and their networks to address these gaps. Using a mixed-methods approach, I studied REAs, home buyers, and home sellers active in Houston’s highly diverse, highly segregated urban housing market. My data, collected between February 2015 and February 2016, consists of one year of ethnographic research with 10 REAs (three of whom were also housing developers); 125 in-the-field encounters with REAs, home buyers, and home sellers; and 49 semi-structured in-depth interviews with REAs, home buyers, and home sellers. My analysis begins by describing the presence of racially stratified social networks among REAs active in the urban Houston housing market: overwhelmingly, white agents had predominantly white clients, while black and Latino agents had racially diverse (but largely nonwhite) sets of clients. I trace how these social networks looked in action, then turn to unpacking specific mechanisms that helped white agents maintain white networks. I highlight two such mechanisms that, while ostensibly race-neutral, became racialized in practice: agents’ status as housing market gatekeepers and agent pay structure. Finally, I examine how disparate-impact consequences for housing consumers emerged when white agents implemented widely shared real estate brokerage practices within their exclusive, white networks. I conclude the article by discussing the implications of my research for detecting and mitigating inequality in the housing market and other institutions dependent on social networks.

The Real Estate Brokerage Industry and Housing Market Inequality

The housing market is racially segregated according to almost any measure. Housing industries, such as mortgage lending, property insurance provision, and real estate brokerage, alongside federal policy, growth machine politics, and individual prejudices and preferences, have long generated and continue to reproduce racial inequality in access to homes (Gotham 2014; Squires 2003). In turn, this inequality has contributed to persistent individual and neighborhood disparities in wealth, education, and employment (Gotham 2014; Immergluck 2009; Oliver and Shapiro 2006).

In particular, the real estate brokerage industry has played a central role in perpetuating housing market inequality and segregation (Gotham 2014; Pearce 1979). Real estate agents[1] mediate the majority of real estate transactions in the United States (Besbris

2016), and research in the post-fair housing era consistently finds that white REAs treat black, Latino, and white home buyers and renters in systematically different ways (Turner et al. 2013). For example, White REAs engage in racial steering, providing prospective black home buyers less information on available homes than white buyers (Turner et al. 2013). They may also "lose" prospective black and Latino home buyers by not returning calls or heeding their requests for information on homes and mortgage lenders (Stuart 2003). Housing scholars theorize that these behaviors may stem from racial prejudice, statistical discrimination, or in anticipation of the discriminatory treatment REAs believe minority buyers would face in a white neighborhood (Galster and Godfrey 2005; Ondrich, Ross, and Yinger 2003; Ross and Turner 2005).

But REAs may reproduce housing market inequality without overt prejudice or discrimination. As Williams et al. (2005:182) have argued regarding the mortgage lending industry, the "new inequality" can occur through institutional policies or practices that appear to be race-neutral. Officially, race does not factor into these practices. But in practice, they can become racialized or have racially disparate effects under certain conditions. I contend that the same may be true in the context of the real estate brokerage industry.

Specifically, I highlight the widespread practice of building brokerage business through social networks as key to understanding how the new inequality happens in this context. Most REAs are hired by prospective home buyers and sellers who rely on referrals from others or return to agents they have used previously (Shi and Tapia 2016). Moreover, the chain of referrals within real estate brokerage appears to be racially segregated, as in other social spheres. For example, Krysan (2008) found that white housing consumers in Detroit used white REAs, while black consumers primarily used black REAs.

There are several reasons to examine REAs' networks and, in particular, to hone in on how homogeneous, white REA networks may be implicated in post-fair housing era inequality. Here, I highlight two. First, beyond conventional explanations such as white agents' racial prejudices or forms of (statistical) discrimination, we know little about the contextual mechanisms that support white agents' white networks. Because prejudice and (statistical) discrimination place heavy weight on individual motivations and behaviors, it is crucial to examine the broader context in which networks unfold (Tilly 1998). These contextual factors may be more amenable to policy intervention than individual prejudice (Krysan, Crowder, and Bader 2014). For example, agent pay structure affects the quality of services REAs provide (Turnbull 1996). It may also influence white agents' networks by enabling racial stereotypes about class status to affect their views about 'valuable' clients (Besbris and Faber 2017; Korver-Glenn 2017a), regardless of individual client socioeconomic status. In addition, REAs occupy a high-status position within the housing market as relational gatekeepers (Gotham 2014; Pearce 1979). Their status in connecting buyers and sellers to lenders, home builders, home stagers, and photographers may affect the racial structure of their networks. For example, to the extent that white agents are satisfied with or rewarded by the flow of ties they broker, they may seek to maintain their networks as they are and see no need to change their approach.

Second, housing exchange that flows through primarily or exclusively white REA networks may help reproduce disparate outcomes for white and minority consumers even if racial animus is absent. Research on labor market inequality suggests how this may happen: organizational hiring practices that occur primarily through employee referrals reproduce the existing racial composition of the organization and exclude under-represented racial groups (Pager and Shepherd 2008). Similarly, research on job-seekers shows that while all groups rely on networks to find jobs, white job-seekers disproportionately benefit from information and job leads through their racially homogeneous, white pools of acquaintances and family members (DiTomaso 2013; McDonald, Lin, and Ao 2009; Royster 2003). White REAs' white networks may have similar exclusionary, disparate consequences in the context of real estate transactions.

Using ethnographic and interview-based methods and the case of the Houston, Texas housing market, the present article thus examines REAs' social networks. In what follows, I outline my method of study, unpack my findings, and discuss the implications of white REAs' exclusive white networks for housing policy and future research. Note that because I focus on the process of REAs deploying their networks within the context of home sales transactions, I am unable to quantify the extent of unequal outcomes. Instead, my contribution lies in identifying mechanisms that reproduce white REA networks and how deploying these networks in the context of other routine practices can result in different outcomes for housing consumers. Ultimately, this work contributes to an emerging body of research on race and housing that emphasizes how the new inequality happens in the absence of explicit racial animus or individual mistreatment.

Methods and Data

Houston's Urban Housing Market

Houston, Texas—now the fourth largest city and most ethnically diverse large metro area in the United States (Emerson et al. 2012)—has never seriously regulated its housing market and has allowed a great deal of local autonomy in housing development (Feagin 1988). While the laissez-faire approach to housing in Houston has kept housing affordable compared with other large markets such as New York or Chicago, the lax approach to development has benefited whites more than blacks and Latinos. Moreover, as in other cities, Houston's black and Latino populations were long excluded from white neighborhoods and received systematically lower-quality municipal services (Feagin 1988). More recently, Houston's housing market remained relatively stable during the nationwide housing crisis (Federal Reserve Bank of Dallas, Houston Branch 2008) and has since experienced a period of phenomenal growth (Federal Reserve Bank of Dallas 2013). Because Houston's housing market is among the most active in the United States and its population among the most diverse, it provides an excellent lens through which to observe REA networks in action.

Using a purposive sampling strategy to ensure broad empirical coverage across types of housing transactions and access to a racially diverse pool of research participants, I selected three urban Houston neighborhoods, each with one dominant racial group, as a launching point for collecting data. Despite a relatively large Asian population in the Houston metropolitan area, there are no majority-Asian neighborhoods in urban Houston. Thus, while my study incorporated some Asian respondents who were active in one of the three initial neighborhoods, I focus on urban Houston's three largest racial groups: blacks, Latinos, and whites. While the present study is not a study of neighborhoods, selecting three distinct neighborhoods in which to begin collecting data aided the process of finding informants and respondents who differed along multiple social and professional axes, thus increasing my confidence in the validity of my findings (Small 2009).

The three neighborhoods—Fifth Ward, Heights, and Northside—share some characteristics and are also distinct (see Figure 1 for a map of the study area; see Table 1 for neighborhood and city demographics). For example, each neighborhood is roughly equidistant to Houston's downtown and has equal access to major freeways, which is key given Houston's car-oriented transportation system (Feagin 1988). These three neighborhoods are among Houston's oldest, and each area experienced significant disinvestment in the latter half of the twentieth century. On the other hand, the three neighborhoods have diverged in terms of socioeconomic status over the past 20 years. Yet my fieldwork and interviews revealed that REAs did not conceptualize their work in terms of these neighborhoods and their differences alone. Indeed, in every case, my informants and respondents were active across multiple Houston neighborhoods.

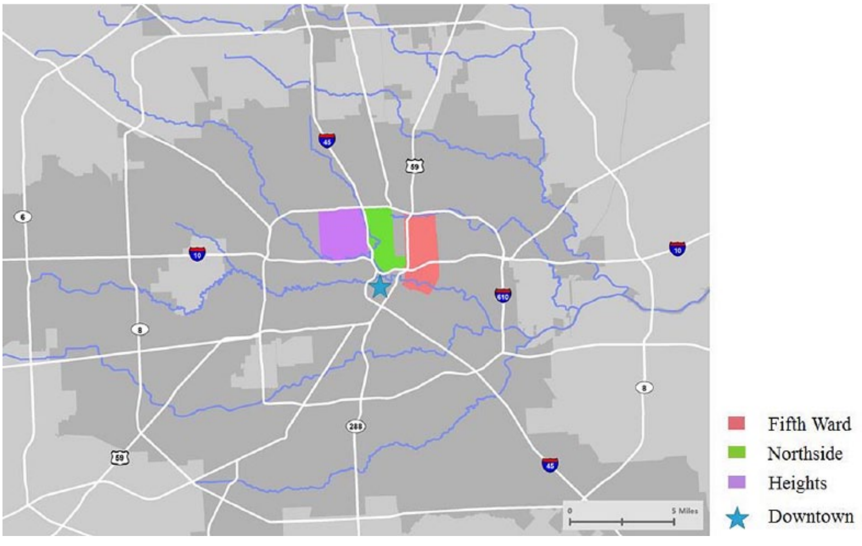

Figure 1. Map of Houston highlighting study area.
Note. Fifth Ward, Heights, and Northside were the starting point for data collection.

Table 1. Neighborhood and City Demographic Characteristics.

	Fifth Ward	Heights	Northside	City of Houston
Total population (n)	23,504	33,783	24,766	2,136,166
Hispanic/Latino (%)	39.38	34.19	81.24	43.9
Non-Hispanic black (%)	57.59	2.13	10.64	22.8
Non-Hispanic white (%)	3.54	58.77	7.34	25.5
Housing units owner-occupied (%)	37.15	58.3	42.98	44.54
Over-25 adults with high school diploma/equivalency or above (%)	62.49	86.3	56.48	75.87
Over-25 adults with bachelor's degree or higher (%)	9.71	54.81	8.72	29.8

Note. Demographic descriptive statistics are from the American Community Survey 2014 5-year estimates.

Data Collection and Analysis

Since the goal of my research was to understand the persistence of racially stratified social networks and how they may reproduce disparate-impact outcomes, my methods needed to support an examination of process and to facilitate detecting and refining my understanding of relevant mechanisms (Lareau 2012; Small 2009). Thus, I employed a mixed-methods approach to data collection that allowed me to observe the activation of social networks during housing exchange events and to sequentially probe mechanisms that emerged until I was confident of their validity (Small 2009). I collected all data between February 2015 and February 2016. This data collection effort was part of a larger project that examined Houston's urban housing market across unique industries, such as mortgage lending and appraising. Here, I report on findings that emerged from my examination of real estate brokerage and home sales transactions involving home buyers and sellers.

First, data collection involved one year of repeated ethnographic go-alongs, in which I was both the observer and the active questioner (Kusenbach 2003), alongside participant observation at more than 50 open houses and neighborhood civic association meetings. I took detailed field notes by hand through all go-alongs and other fieldwork. In total, repeated go-alongs with 10 individual REAs and other participant observation resulted in 125 unique in-the-field encounters with other REAs, home buyers, and home sellers. While I observed the same racially diverse group of 10 REAs throughout the year, I also observed them in dozens of different situations, interactions, and transactions and could then triangulate across observations and responses to questions (Lareau 2012). The nature of the housing market is thus suited to the sequential observation of informants necessary to clarify how things happen and why they happen the way they do (Small 2009).

Recruitment of REA informants proceeded as follows. Noting that audit-based studies of discrimination in the real estate brokerage industry have focused on prospective home buyer experiences, I instead chose to focus on agents who specialized in selling homes. I thus compiled a list of agents who had homes listed for sale in one or more of the three initial research neighborhoods in January 2015. I then began approaching REAs with at least two listings in one of the three neighborhoods, often at open houses, and invited them to participate in my study. I continued inviting agents until at least two in each neighborhood agreed to participate and until my final informant sample reflected social and professional difference.

I recruited other informants and respondents (see below) through attending open houses, observing developments in each neighborhood, and drawing on REAs' connections. In the recruiting process, I found that REAs sometimes occupied more than one role simultaneously (e.g., both REA and appraiser; both REA and developer). Thus, I shadowed three developers who were also REAs and were active in both roles during the study period. In this article, I highlight their real estate brokerage activity. Overall, go-alongs with REAs and REA-developers included listing appointments, hosting or attending open houses, meeting with builders/developers, staging appointments, client appreciation events, consulting former and current clients, home sale closings, meeting with other REAs, examining current construction sites, and meeting with architects. These go-alongs revealed how agents' networks played out in practice and what the ramifications of stratified networks were in the context of other widely shared brokerage practices. Table 2 provides an overview of informant occupation and race, with pseudonyms selected to represent informant gender. Table 3 includes the number of REAs, home buyers, and sellers I encountered, but did not shadow, in the field. As go-alongs and participant observation progressed, I wrote memos on emergent patterns. I used these memos to inform my observations of informants and questions to ask during go-alongs (Kusenbach 2003).

These memos informed the final form of data I collected to understand REAs' networks: in-depth interviews. Aided by the diversity of the three initial study neighborhoods, I aimed to build my sample along multiple axes, including gender, race, and type of brokerage firm, to increase my confidence in the validity of observed mechanisms. I continued recruiting respondents through participant observation at open houses and civic club meetings and through purposive sampling until saturation was reached (Small 2009). I completed 49 semistructured in-depth interviews with REAs, home buyers, and home sellers (see Table 3 for respondent demographic characteristics). In interviews, I asked respondents about how they found their clients (for agents) and agents (for consumers) and asked agents about the racial composition of their clientele. I also asked agents about their marketing and business-building strategies, perceptions of agent pay structure, and observations about race and inequality in the housing market. I typically asked general questions in the first half of the interview and race-specific questions in the second half of the interview, but respondents often brought up race within the general battery of questions. Overall, these questions helped me understand how REAs go about the ordinary work of brokering real estate sales

Table 2. Informant Pseudonym, Occupation, and Race.

Informant	Occupation	Race
Fifth Ward		
Melissa	Real estate agent	Black
Chase	Real estate agent	White
Ramon[a]	Developer-real estate agent	Latino
Heights		
Jane	Real estate agent	White
Michael	Real estate agent	White
Luis	Developer-real estate agent	Latino
Bill[a]	Developer-real estate agent	Latino
Northside		
Kevin	Real estate agent	Black
Cora	Real estate agent	Latina
Jay	Real estate agent	White
Bill[a]	Developer-real estate agent	Latino
Ramon[a]	Developer-real estate agent	Latino

[a]Substantial activity in two of the three research neighborhood sites.

Table 3. Respondent Demographics and Fieldwork Encounters.

	Interview respondents	Fieldwork encounters[a]
Gender		
Female (n)	28	—
Male (n)	21	—
Race		
Asian (n)	4	—
Black (n)	7	—
Latino (n)	13	—
Multiracial (n)	2	—
White (n)	23	—
Average Age	43	—
Real Estate Role		
Real estate agents (n)	37	56
Home buyers and sellers (n)	12	69
Total (n)	49	125

[a]Fieldwork encounters happened during the course of go-alongs and rarely entailed repeated interactions. Thus, I was unable to obtain demographic data for this group of stakeholders.

transactions and how this work may become racialized, even when agents did not express overt prejudice.

In sum, I continued conducting fieldwork and interviews across a nonrandom sample of REAs, home buyers, and home sellers until the meaning of emergent themes and routine processes became apparent across individual interviews and ethnographic observations (Lareau 2012; Small 2009). My data thus do not generalize, in a statistical sense, to the real estate brokerage industry and housing consumers more broadly. However, my findings do lend themselves to analytic generalizability by centering processes and mechanisms related to the reproduction of inequality that have been underexplored in housing research (Small 2009). The processes and mechanisms I outline here are thus empirical and theoretical contributions that can be tested and extended in other housing market industries and locales.

All research participants signed and received a copy of the Institutional Review Board (IRB)-approved human subjects consent form. I offered each a gift card incentive—$100 for informants and $25 for respondents. One informant and about half of the respondents accepted the incentive. Throughout the article, I have changed all names and some identifying details to protect participant confidentiality.

To analyze my data, I employed an abductive approach, immersing myself in field notes, memos, and interview transcriptions by reading and re-reading through hundreds of pages of data (Desmond 2012) and using ATLAS.ti as an organizing device for codes. An abductive approach pays attention to how previous research informs the coding process and, at the same time, remains attentive to how new data may not fit the patterns expected by previous work (Timmermans and Tavory 2012).

I report the findings that emerged from my data collection and analysis below, paying particular attention to how social networks, race, and unequal outcomes unfolded together. I first establish the presence of white REAs' homogeneous white networks and minority REAs' diverse, largely minority networks, then move to describing the contextual factors that enabled white agents to maintain white networks. Finally, I show how white REAs' white networks, when mapped on to other widely shared practices, can put disparate-impact outcomes for housing consumers into motion.

Social Networks: How Real Estate Agents Do Business

Globalization and the rise of information technologies have pressured real estate transactions to become increasingly uprooted from local conditions (Gotham 2006). Yet simultaneous with these structural conditions, I found that local social networks organize Houston's real estate brokerage industry: on-the-ground business for REAs is generated primarily by local referrals and repeat clients (Shi and Tapia 2016). REAs made money by drawing on referrals and repeat business from previous home-buying and selling clients. This pattern of generating real estate business held true for all REA informants, regardless of race. It was also true of most of the REAs I interviewed. Almost all interviewed REAs estimated that they generated more than 50 percent of their business through repeat business and client referrals, and the vast majority said that at least 70 percent of their business came through repeat business and client referrals. Moreover, REA networks were racially distinct. During fieldwork, I observed that white REAs tended to have racially homogeneous, white social networks; those they interacted with—clients, potential clients, other REAs, developers, and lenders—also tended to be white. On the other hand, the black and Latino REAs I accompanied had heterogeneous, largely minority networks. Within the context of interviews, I could not observe agents' networks, but white REAs reported that most of their buying and selling clients were white, while Asian, black, and Latino agents generally reported racially diverse sets of clients or a clientele that was predominantly other-race (e.g., a black REA who reported most of her clients were Hispanic).

During fieldwork, for example, I observed that while Jane and Michael (both white, middle-aged REAs) represented clients outside of the Heights, their work and racially homogeneous, white networks were concentrated in or near the neighborhood. Both used most of their marketing funds to retain past clients through activities like client appreciation events. In contrast, black and Latino agents like Bill, Luis, Kevin, Melissa, and Ramon had racially diverse client and professional networks and often worked (far) beyond the borders of the initial study neighborhoods (see Figure 2, which compares past real estate activity for Kevin, Melissa, and Michael). Only one minority REA informant, Cora, worked on cultivating business primarily in Northside and the Heights, rarely going outside of these two areas. In general, black and Latino REAs worked harder in more areas of the city to generate business via a heterogeneous pool of referrals and repeat clients, while white agents relied on white networks in whiter and, often, contiguous areas.

While they were a mundane feature of brokering residential real estate, white agents' white networks were not benign, nor were they merely a product of prejudice toward minorities. Rather, white REAs' white networks were supported by contextual factors that went beyond, but sometimes allowed white REAs to incorporate, racial stereotypes and prejudice.

How White Real Estate Agents' White Networks Persist

Here, I describe two ostensibly race-neutral contextual factors that supported white REAs' white networks. These factors became racialized in practice but, unlike home buyers' racial preferences and agent racial prejudice, were not overtly or officially about race.

Tie Control

First, *tie control*, or the ability of REAs to control the flow of strong and weak business ties, helped maintain white agents' segregated networks, largely excluding minority REAs from accessing white clients and promoting diverse minority REA networks. Consistent with prior research, I found that REAs are high-status

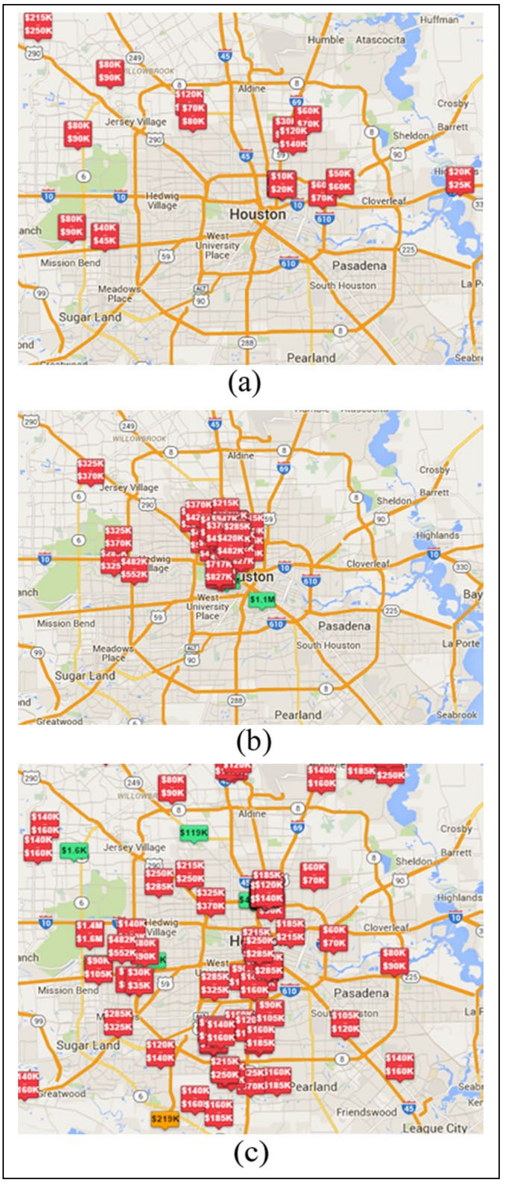

Figure 2. Past residential sales for a sample of REA informants.

Note. (a) HAR.com screenshot of Melissa's recent listing activity (accessed 10/15/2015), (b) HAR.com screenshot of Michael's recent listing activity (accessed 10/15/2015), and (c) HAR.com screenshot of Kevin's recent listing activity (accessed 10/15/2015). REA = real estate agent.

information gatekeepers within the housing market institution (Gotham 2014; Pearce 1979). They connect consumers with other housing market professionals, such as lenders, inspectors, stagers, and builders, and they connect housing market professionals with each other—building and décor suppliers with builders, other REAs with architects, and lenders with title companies, for example. In other words, they direct, or bridge, the flow of ties and capital across strong-tie circles of professionals and consumers (Granovetter 1973).

For white REAs, tie control supported the status quo of cultivating racially homogeneous white networks. Because white agents controlled a flow of predominantly white clients and other-industry colleagues, black and Latino REAs were, in effect, unable to direct the flow of ties between white REAs and consumers and instead spent much of their time connecting other minorities.

Michael's relationship with his client Lynne, Bill's multifaceted yet constrained real estate strategies, and Olivia's lack of access to white, affluent clients all illustrate how tie control worked to reinforce white REA networks and lock minority REAs out of white business, pushing them into creative strategies that fostered a diverse, largely minority clientele. I begin with Michael's relationship with Lynne, a middle-aged white female. Another of Michael's white female clients referred him to Lynne, who was a wealthy business owner. Lynne then hired Michael to sell her current house in the Heights for $875,000 and to then represent her as a buyer. Michael directed her to a $1.5 million house in another wealthy, white neighborhood, which had been built by a white developer he had worked with for several years. Lynne purchased the new home, but unfortunately, it had several issues even after closing, and Lynne was extremely unhappy. Because of Lynne's high social status and the amount of business Michael brought the white developer each year, Michael successfully pressured the developer to do extensive repairs even after closing the transaction (a highly unusual practice). Michael spent several weeks driving over to Lynne's new home each morning to ensure that she was satisfied with the repairs. Lynne then connected Michael with others in her circle and gave him economic discounts at her media business, confirming to Michael that the extensive time spent with Lynne had been worthwhile.

Bill, a Latino REA-developer, also controlled the flow of ties between different types of stakeholders. However, unlike the white REAs I observed, Bill had a multifaceted strategy for client cultivation; Bill and other minorities focused their attention on racially diverse (mainly minority) sets of clients and colleagues. Bill, for instance, pursued projects in Latino, black, and white neighborhoods such as Northside, Third Ward, Independence Heights, and the Heights. He cultivated relationships with and linked black, Latino immigrant, and Mexican American contractors, black bankers, Asian and white investors, black, Latino, and white REAs, white developers, and Latino building suppliers. Similarly to Michael, Bill benefited from tie control by getting deals on land and learning about new brokerage strategies, for example.

My fieldwork with Bill indicates that he adopted this multifaceted strategy and cultivated a diverse, largely minority flow of ties in part because of the barriers he experienced in accessing white business and spaces. For example, during the study period, he finished building and listed for sale four homes in the white Heights neighborhood (in addition to numerous projects elsewhere). But one day, as we waited for construction plans at a copy shop, he told me that a popular, white Heights-area architect had refused to work with him. Another day, when we went to check on a job site in the Heights, he told me that someone had broken into the home early that morning: "I hate that feeling, like you don't have control . . . and then the police came and he asked *me* for my ID!" (Field Notes 06/18/2015).

Like Bill, Olivia and other minority REAs described constraints in accessing white consumer business. When I asked Olivia, an established middle-aged black agent, whether she could relate experiences of racial discrimination in the housing market, she replied that she had not experienced racial discrimination in the form of mistreatment, but then she suggested that being unable to access white clients was another form of discrimination:

> . . . one of the things I'd like to do, as a realtor—and I'm still going to work on this—is to be able to sell those million-dollar properties. They don't touch us. (laughs) We're just as prepared as . . . anyone else, but I don't know anybody—I think there's one person in my office. She's one of the teachers. She actually sold a million-dollar property, but it's difficult. We don't even have a chance to get close to it. (Interview, 4/15/2015)

After the interview, Olivia gave me (a white person) some of her business cards and said, "Make sure you tell me if you know somebody with a million-dollar listing!"

Tie control supported the self-fulfilling loop between white REAs and their white client networks (see also DiTomaso 2013; Royster 2003). Further, white REA control of white consumer and other professional ties encouraged minority REAs to adopt creative methods to expand and diversify their networks.

Percentage-based Commission

Second, *percentage-based real estate commission* further supported white REAs' white networks. While percentage-based commission is not formally institutionalized, REAs who listed homes for sale generally were protective of a 6 percent commission rate in practice, splitting their pay 50-50 with buyers' agents. And, while real estate economics scholars disagree on the efficiency of this compensation model (Benjamin, Jud, and Sirmans 2000; Miceli, Pancak, and Sirmans 2007), the percentage-based commission persists as the dominant pay model for the vast majority of REAs in the United States. A 6 percent fee, split two ways, is a common rate (Delcoure and Miller 2002).

On its own, percentage-based commission appears to be race-neutral. Yet it encourages REAs to pursue affluent home buyers and home sellers with high-value homes, and the means of determining the "kind" of client who will be at the high end of the value spectrum is subjective. While REAs of all races frequently assumed whites were more affluent and had higher-value homes, white REAs' assumptions were largely unaffected by other concerns. In contrast, black and Latino REAs' assumptions were influenced by concerns about discrimination, empathy or a desire to help, or the plan to pursue a profitable minority market niche. The infusion of (un) altered racial assumptions to the percentage-based commission structure contributed to white agents' white networks and black and Latino agents' largely minority networks. Here, I trace white agents' use of commission, then how this use can map on to their racial assumptions about affluence or lack thereof, affecting the homogeneous, white composition of their networks. Then, I describe black and Latino agents' use of commission and how it intersects with racial assumptions influenced by other concerns, contributing to heterogeneous client networks.

Most white REAs were committed to the percentage-based commission, and some, like Michael and Jane, were zealously protective of the 6 percent rate. For example, one day as Michael drove me to large, expensive home[2] he had just listed in the Heights, he started discussing a relationship between another agent at his brokerage and a local builder:

> [That agent]'s a real douche bag. I made a big stink about him at [my brokerage], because how he got the [home] listing was he went and reduced his commission. (Field Notes, 6/18/2015)

Michael policed the other agent's reduction of the commission by reporting him at his brokerage. Jane, too, policed the commission of other agents at her brokerage. At a visit to her office one hot fall afternoon, Jane explained to me that I'd just missed a visit from a younger agent, who had come to her for advice. As I sat down in an empty office chair, Jane explained,

> Jane: Yeah, an agent of ours just came in. She had some clients come in right before closing and they tried to strong-arm her into giving back $1,000 of her commission . . .
>
> EKG: Wow! Was she afraid she'll lose the deal if she doesn't give it to them?
>
> Jane: No, I think she was more afraid in terms of the future impact, as in no referrals from them. But I told her, "These are not the people you want referrals from. These are people you say, 'Bye bye, have a nice life.'" (Field Notes, 10/8/2015)

Jane's opinion was that maintaining the standard commission—and finding clients who would pay the full commission—was more important than this one transaction.

Percentage-based commission supported white REA's white networks by allowing these agents to transpose widely shared racial assumptions onto a hierarchy of home price. In this way, lower prices—and thus lower pay—can be mapped on to common assumptions about black and Latino prospective buyers. They assumed minority buyers were lower-income or had bad credit (Stuart 2003), would require more work to "educate" (Korver-Glenn 2017a), or (less common) because they believed certain groups would expect them to drop the commission. In addition, white agents assumed that minority home sellers had poorly maintained properties or that their homes were of low value.

David, Jane's white middle-aged business associate, explained how racial assumptions influenced their interpretations of the percentage-based commission as we waited for Jane to finish a phone call with a client one afternoon. He asked me what I had been learning so far in my research. Then, when I answered that I had observed that REAs do not focus their marketing energy on black and Latino areas like Fifth Ward and Northside, he replied,

> Well that's not because of ethnicity, you know why that is? Price. You have to do 15% more work, for houses under $200,000. The people over there aren't qualified [for mortgages], their houses haven't been maintained, and it's just a headache. . . . A $1 million-dollar house is a different type of work, but you know that it won't take three contracts to get it to stick. It's just sheer remuneration. . . . I'll give you an example . . . This lady called not too long ago and wanted to look at a house in Third Ward [another black Houston neighborhood]. She said she had a good job and everything. I asked her if she was [pre-]qualified, and she said no, and I explained that she needed to talk to a lender to find out what she would be pre-qualified for, and that I would send her a list of lenders, and then she got all defensive! I mean I'll show her the house because it could result in a sale. But I know she's not qualified. And it's not because of

> race, it's because she doesn't know anything about the process, doesn't know about property taxes, and so on. (Field Notes, 8/20/2015)

David rejected the notion that marketing differences were race-based, instead explaining that it was "sheer remuneration" that caused these differences. Simultaneously, David drew on racialized notions of homeownership by assuming minorities "over there" would not qualify for mortgages and would be uneducated about the home-buying or selling process—despite, in this case, the woman's protests and insistence on her economic stability and ability to purchase a home. In his view, recruiting clients in minority areas would require more work than the 6 percent commission rate would compensate. Even as David denied that race had anything to do with marketing strategies, he explained that he and Jane do not seek out business in minority neighborhoods because of these racial assumptions.

An interview with a 30-something white REA, Kate, illuminates another way that racial assumptions can entwine with the commission model. As we sat in a coffee shop in the Montrose neighborhood, Kate explained,

> Um, I believe I've heard that, um, they've—I've—I don't know if it's just Chinese or if it's Asian—um, where it comes from—but they expect that you're—that you drop the commission lower . . . so therefore they're not having to pay it. So they'll blatantly ask you . . . that you lower your commission. (Interview, 7/29/2015)

Kate continued her narrative by explaining that because of these stereotypical views of Chinese (or Asian) clients' commission expectations, white REAs committed to the (6 percent) commission structure avoid Chinese clients, again reinforcing white agents' white networks.

In contrast to those who stuck rigidly to the 6 percent rate, some white REAs I interviewed displayed flexibility in how they applied the percentage-based commission, giving small breaks to repeat white clients to demonstrate and encourage loyalty. In May 2015, I approached Jordan, a middle-aged REA, at an open house he was hosting in the Heights, explained my study, and requested an interview. He agreed, and we arranged to meet at a nearby coffee shop in June. During the interview, he explained that the couple who owned the home I had visited during the open house were long-term clients. "So," he said, "my deal with them is that if I did get a contract within 60 days [the commission] would be 5 percent. If it took longer then they would agree to the 6 percent because it would take more marketing dollars" (Interview, 6/3/2015). When flexibly applied, REAs' reliance on percentage-based commission gave an already-white clientele monetary benefits and served to cement ties between white agents and consumers, preserving the homogeneity of white agents' networks.

Like white REAs, black and Latino REAs were also protective of the standard 6 percent real-estate commission rate and some displayed flexibility in pay options. Further, hierarchical assumptions about black, Latino, and white consumers' credit and property values were also prevalent among black and Latino REAs (Korver-Glenn 2017a). However, minority REAs' racial assumptions were tempered by their own counter-narratives and awareness of discrimination (Jung 2015), as well as experiences building thriving businesses with minority clients. And, unlike the white agents who sometimes gave breaks to repeat (white) clients to encourage loyalty, black and Latino agents flexed the percentage-based rule for different reasons: to carve out competitive niches that white agents did not control and to enable under-serviced clients to access homeownership opportunities.

Kevin, a middle-aged black REA, was active across the Houston area, working in black, Latino, and white areas of varying socioeconomic statuses, including Northside. In my interactions with him, Kevin repeatedly emphasized, "To me, it's not about the commission. It's about the people." Ramon, a middle-aged Latino REA-developer, explained that most of the (re)development he had done in his career was in low-income Latino areas, which he perceived as poorly served by REAs. Capitalizing on being bilingual, he eventually became a licensed REA and charged a flat fee with guaranteed fast results to a primarily Spanish-speaking clientele. As we waited for a city inspector to arrive at one of his newly constructed homes, Ramon explained,

> But what I would do is I would target highly motivated sellers: people going through a divorce, people with a death in the family—and I would tell them, I'll take 45 days to sell your home for $60,000 . . . all based on a handshake, they haven't signed anything. If they decided they wanted me to sell, I would say, "Okay, my fee is $6,000," there would be no percentage. Then I would go out and match private lenders with the house. But I would make it happen. (Field Notes 10/15/2015)

Like Ramon, Candace, a middle-aged black REA active in Fifth Ward and other areas of metropolitan Houston, displayed some flexibility in applying the commission structure and, like Kevin, oriented this around her desire to help people. During her interview, Candace explained,

> It is pretty much—if I know I've known you for years, I might say, "I'll sell it for a dollar." It depends on the rapport you have . . . And then each case is case by case, but we don't have a set rate. Everybody here charges 6 percent, of course. Sometimes I may go 4 percent, 5 percent if I have a buyer that's marginal, I will—I'll give in. We're not supposed to but I do, because I'm a social worker at heart. I want people to get into their homes. I want to put a family into a home, so sometimes I have to bite the bullet. (Interview, 7/30/2015)

A willingness to be flexible to extend a helping hand and an awareness of still-existing housing market discrimination attenuated minority REAs' assumptions about other minority buyers and sellers. Because other experiences or concerns altered minority REAs' racial assumptions, and because white REAs controlled white consumer business, percentage-based commission supported minority REAs' diverse, largely minority networks.

White Real Estate Agent Networks and Disparate Consequences for Housing Consumers

Tie control and percentage-based commission supported white REAs' white networks, which constrained minority REAs' business-building opportunities. But white REAs' networks also reproduced disparate consequences for white and minority home buyers and sellers when they were mapped on to widely shared brokerage practices. Here, I trace how disparate consequences emerged when white REA networks came together with these practices.

First, white REAs' white networks came together with informal listing practices to *limit minority home buyers' access to housing.* One such informal listing practice was that of "pocket listings," or listings that REAs keep "in their pocket" and share only with people in their networks. REAs sent pocket listings not only to former clients but also to friends, family, lenders, and builders, among others. White agents told me they used pocket listings to generate heightened interest in a property—a social-psychological incentive to have access to something before anyone else—as well as to preserve the privacy of their clients. Interviewed white REAs regularly reported engaging pocket listings, and Jordan, for example, stated that 50 percent of his (predominantly white) clientele consider selling their homes as pocket listings. Of informants, Jane and Michael both had pocket listings during the study period, and they referred to other white agents who used them, too. Michael, for example, used his pocket listings to reassure a pair of white first-time home buyers that he had the inside track on the market. In one interaction with Jane, I learned that another white male agent had bragged that he had $157 million in sales in 2014, $79 million of which was through the (public) multiple listing service (MLS) system, and $78 million that he said was "off-the-books," or not listed on MLS (Field Notes, 10/1/2015). While Jane believed this figure was high, it is probable—given the prevalence of pocket listings that I observed and learned of in interviews—that the amount of nonpublic sales was substantial.

Pocket listings occurred across Houston; during the study period, the *Houston Chronicle* reported on how falling oil prices were weakening the Houston housing market and highlighted a local REA who was "coping with the shift . . . by keeping some of the houses he's trying to sell off listing websites, so in case they don't sell right away the public won't see them as tainted" (Sarnoff 2015). However, black and Latino REAs rarely used pocket listings, perhaps because—as one black agent stated—they "never heard of them" or because they believed in the economic logic of an open market. One black agent explained,

> I don't understand why [other REAs] would do that. And I'll tell you why. MLS—everybody can see it. Every agent can see it. That's like our go-to guide. If there's a good point of properties listed on MLS, any property you want is there. And that's the way we do business. (Interview, 5/20/15)

As this agent implied, pocket listings have the consequence—whether intended or unintended—of excluding most of the general public from access to a for-sale home advertised only through informal, network-based means. For white REAs, whose social networks were predominantly white, this meant that minority home buyers often never knew a pocket-listing home was available. For the few black and Latino agents who used pocket listings, the practice did not have the same exclusionary ramifications because their client and colleague networks were racially diverse.

At least one powerful real estate board—the California Association of Realtors® (CAR)—has noted the disparate-impact consequences of pocket listings. CAR's legal counsel has cautioned its agents against using pocket listings as a way to sell homes both because it may not have the home sellers' best economic interests in mind by deflating the pool of potential home buyers and because "it may have an alleged discriminatory effect (i.e. reinforcing segregated housing patterns) even when there is no intent to discriminate" (Miller-Bougdanos and Bailey 2013:16). The potential for disparate-impact consequences, they explained, comes from "limit[ing] their listing exposure to only certain sectors of the market" (Miller-Bougdanos and Bailey 2013:16). My research indicates that limiting exposure for "certain" home buyers happens through white agents' everyday reliance on white consumer networks when engaging nonpublic listings.

Second, white REAs' reliance on white networks and minority REAs' attempts to cultivate diverse networks helped reproduce *different levels of customer service for white and minority home buyers and sellers*. One example of how this happened was through competition for home seller business. Although black and Latino REAs experienced constraints, they consistently tried to generate business with white consumers and in white areas in addition to seeking out other minorities. However, the opposite flow of white REAs seeking to generate business with black and Latino clients and in black and Latino areas rarely occurred (see David's explanation, above). This unequal flow of client cultivation increased competition and levels of service for white home sellers, who had a broader and deeper pool of agents from which to choose. The relative lack of competition for black and Latino clients suggests that these home sellers receive lower levels of customer service relative to white clients and, as Besbris and Faber (2017) suggest, may help deflate prices in black and Latino neighborhoods. In fact, lower levels of competition between REAs in black and Latino areas can create opportunities for housing developers to prey on homeowners in these areas (Korver-Glenn 2017b) just as easily as it created opportunities for entrepreneurs like Ramon, who provided better customer service to an underserved group while also turning a profit.

This distinct flow of competing agents also affected the breadth of the home buyer pool for home sellers. Less competition between REAs for black and Latino business meant less incentive to provide quality service in terms of marketing a home for sale, thus constricting the pool of buyers accessing for-sale homes. During my fieldwork, for example, for-sale homes in Fifth Ward and Northside rarely benefited from the flow of buyer traffic generated

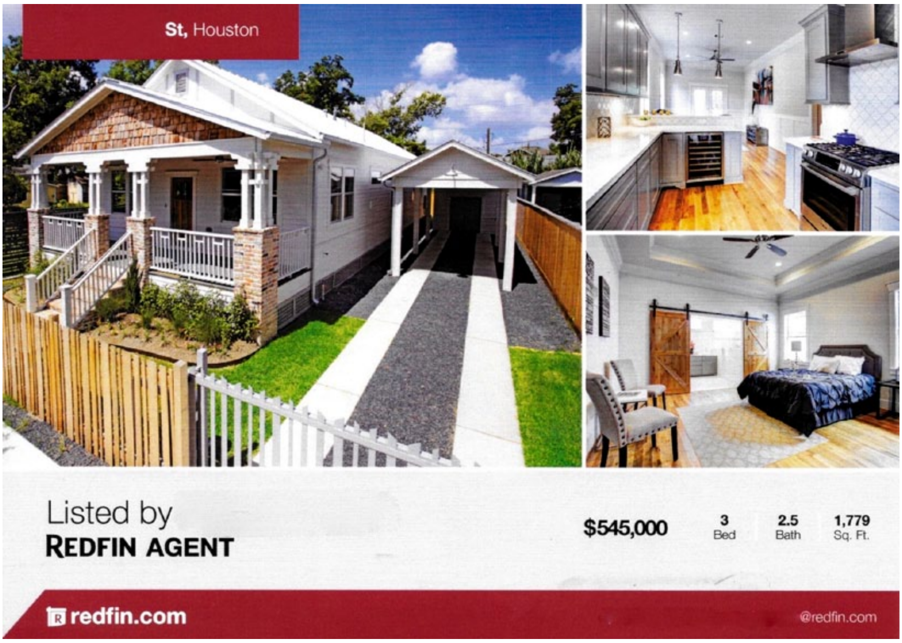

Figure 3. For-sale Heights home marketing mailer received at Northside address, 2015.

by open houses. Several weekends passed with no open houses in these areas, and only a few open houses (3-5) occurred on most weekends, despite stable numbers of dozens of for-sale homes in both neighborhoods throughout the year of field research. By contrast, there were dozens of open houses each weekend in the Heights.

In addition, as a resident of Northside for the duration of my fieldwork, I never received any marketing mailers for for-sale homes in my own neighborhood, but did receive mailers for for-sale homes in the Heights (see Figure 3). While mailers do incur direct economic costs for REAs and thus their absence may reflect real differences in home value and agents' willingness to spend a portion of their commission, open houses do not (necessarily) incur economic costs for agents. By *not* hosting open houses for for-sale homes, REAs can restrict the pool of potential buyers for hopeful sellers. I contend that depressed competition between agents for black and Latino clients can help disincentivize equal customer service across groups, including low- or no-cost forms of service such as open houses. Together, different levels of customer service for white and minority home buyers and sellers and disproportionate exclusion of minority home buyers from white REA pocket listings illustrate how the persistence of white REAs' white networks helps reproduce racial inequality in the contemporary housing market.

Discussion and Conclusion

The present study undertook an examination of REAs' social networks. Emphasizing contextual factors, I asked how white REAs maintain white networks. I also asked how disparate-impact consequences can emerge when homogeneous white networks come together with other ordinary brokerage practices. Echoing previous research, I found that Houston's white agents work with white clients, and black and Latino agents work with diverse sets of clients who are usually also minorities. I found that white REAs' white networks persist through ostensibly race-neutral mechanisms that become racialized, like percentage-based real estate commission and tie control, and exclude minority REAs from white consumer business. I showed how white REAs' white networks can reproduce disparate outcomes for white relative to black and Latino home buyers and sellers. White consumers receive higher levels of competition and customer service, and disproportionate, exclusive access to housing. Black and Latino potential home buyers and sellers receive lower levels of competition and service and have limited access to white-controlled homes through practices like pocket listings.

In the pre-Civil Rights era, explicit racial inequality was a fundamental part of how the housing market operated. White home buyers and REAs benefited from inclusion in federal policies that excluded blacks, actively perpetuated violence against (potential) black home buyers, and practiced explicit forms of discriminatory treatment against nonwhites (Gotham 2014; Massey and Denton 1993). In the post-Civil Rights era, explicit forms of perpetuating racial inequality still exist, although they are illegal. Racial steering, for example, still occurs and helps maintain racial inequality (Galster and Godfrey 2005). (Indeed, while I did not observe any instances of explicit racial steering in my fieldwork, I recorded several instances of racial steering in my interviews.) However, white REAs—who have homogeneous, white networks—do not *need* to steer their clients to maintain social and economic advantages. Instead, the new inequality can happen as white REAs cultivate primarily white pools of housing consumers. Whether intentionally or unintentionally, this practice results in virtually self-perpetuating social closure (see Elliott and Smith 2001; Weber 1968).

While my work centered on the study of REA activity across three urban Houston neighborhoods, my findings are not limited to these three neighborhoods and seemed to characterize the Houston housing market more broadly. All informants conducted business in multiple neighborhoods. And, while all REA, home buyer, and seller respondents were in some way active in one of the three neighborhoods in which I based my study, I conducted interviews in 21 different Houston area ZIP codes—places convenient to the respondent's work that day. Neighborhood boundaries do not constrain the social-network-driven nature of the housing market in Houston.

Indeed, while my work is limited empirically to the Houston urban real estate brokerage industry, it echoes empirical findings of how real estate brokerage practices and inequality may happen in other places, such as Chicago (Stuart 2003), Detroit (Krysan 2008), and New York (Besbris and Faber 2017). Theoretically, the present article extends beyond Houston's borders. White social networks propel the reproduction of inequality in employer hiring practices (Pager and Shepherd 2008) and employee job search strategies (DiTomaso 2013; Royster 2003). They also affect parents' school and home decisions (Holme 2002) and the formation and implementation of mortgage loan practices (Stuart 2003). Here, I have also contended that white networks are not just a by-product of individual agent prejudice and discriminatory treatment. Rather, there are additional contextual factors that support white REAs' cultivation of white networks. When put into practice on an everyday basis, these networks can reproduce disparate consequences even when racial animus and overt discrimination are absent.

These findings have several policy implications. For example, real estate boards could incentivize social network diversification and promote alternative pay structures, such as the flat fee structure used in the appraisal industry. This would inhibit the application of subjective, racialized ideas about value to agents' pay expectations and efforts to recruit clients. And, because real estate boards have warned against pocket listings because of their disparate-impact discrimination implications, a collaboration between policymakers and boards could generate legislation that would make pocket listings much more difficult for REAs to engage.

One empirical limitation of my study is that I cannot directly measure or quantify the disparate-impact consequences of racialized social networks in the context of real estate brokerage; however, my work does suggest *how* disparate-impact outcomes may result from the everyday operation of urban housing markets. I suggest that future work on disparate-impact outcomes in housing attempt to measure the reverberating effects of pocket listings, disproportionate recruitment of white clients, and the spatial concentration of white REAs. Overall, my work suggests that examining the ordinary operation of the housing market will aid identification of perhaps taken-for-granted "rules" that result in an uneven playing field. Denaturalizing these rules can then become the basis for effective intervention.

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Notes

1. There are licensing and other differences between real estate agents (REAs) and brokers (e.g., brokers have more experience and higher-level licensing than agents). However, both agents and brokers rely heavily on social networks. They all must pass the same initial licensing exam. And, in my sample, there was no substantive difference between how agents and brokers perceived their networks and mapped other brokerage practices onto their networks. Thus, to ease readability, I refer to real estate agents throughout.
2. Michael, like the other REA informants in my study, listed or sold properties across a wide price spectrum during my fieldwork (between May 2015 to February 2016, his range was approximately $215,000 to $1,425,000). However, perhaps because he was keener to have me join him at the higher-priced properties, my field notes about go-alongs with Michael contained more information about these properties.

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