



New real estate web concepts escalate their assault on brokerage business

By: David Winzelberg May 15, 2018 0



A house for sale in Boise's North End. Zillow, the online real estate marketing giant, is now buying homes directly from homeowners. Photo by Anne Wallace Allen.

The internet giveth and the internet taketh away.

That's the growing conundrum for the residential real estate industry, which has prospered from the web's enhanced reach to homebuyers and sellers, but is now up against a rising tide of online concepts competing with traditional brick-and-mortar brokerages for customers and listings.

The angst level among local real estate brokers soared last month on the news that Zillow, the largest real estate marketing site on the internet, is now buying homes directly from homeowners.

With its new Instant Offers program, homeowners can accept a cash offer from Zillow for their properties, eliminating the need to list them with a broker and avoiding paying a commission. Once Zillow owns the homes, it

enlists broker "partners" to show and sell them to prospective buyers. Zillow will also use its premier agents – those that pay Zillow as much as a few thousand dollars a month for the privilege – to help sell its properties.

While Zillow has previously steadfastly maintained it would never get into the business of directly buying and selling homes because it was strictly an advertising and marketing platform, that has now changed.

"The internet has conditioned consumers to expect hyper-connection and on-demand everything," said Zillow spokeswoman Kelsey Wickman via email. "Consumer preferences and needs are the impetus for this – sellers have needs that we can't fulfill with an advertising business model alone, so we are evolving our business and expanding."

Though the direct-buying pilot program has only been rolled out in Phoenix and Las Vegas (along with a modified Instant Offers concept in Orlando, Fla.) so far, it could be introduced to other markets, like New York's Long Island, in the not-too-distant future.

Asked about the developments with Zillow, Breanna Vanstrom, CEO of the Boise Regional Realtors noted that research shows four out of five recent home buyers and sellers used a real estate professional in recent transactions.

"While we don't yet know the details of how Zillow's Instant Offer is working in test markets, " BRR believes working with an agent is best for the consumer, Vanstrom said.

Chris DiJorio, principal of DB2 Properties which buys Long Island homes and either rehabilitates them or builds new ones to resell, says it's a "pretty big pivot" for Zillow to get into the business of buying and selling homes.

"I feel like it's going to hurt relationships with other developers and investors," DiJorio said. "We're a bunch of mom-and-pop shops and the market for flippers became so saturated. If I was an agent I wouldn't be thrilled about it. It's going to change the business."

The company has become the industry's biggest influencer. There's little debate over Zillow's dominance in online real estate activity. As of July 2017, Zillow and its sister website Trulia were attracting nearly 60 million unique visitors per month to its websites, according to Statista.com. That's three times more than each of its nearest competitors Yahoo! Homes and Realtor.com.



Breanna Vanstrom

But besides the popularity of its websites, Zillow has broadened its management of data for multiple listing services around the country. Through its Bridge Interactive subsidiary, Zillow has contracted with several MLSs to use its real estate transaction standard (RETS) server, so all of the information entered by MLS brokers and agents – including data about its buyers and sellers – goes directly through the Zillow server on its way to other third-party syndicators.

The Multiple Listing Service of Long Island, New York, switched over to the Zillow RETS server in January after making an initial deal with the online real estate marketing giant two years ago.

Don Scanlon, owner/broker of Century 21 American Homes and a member of MLSLI's board of directors said he voted against the Zillow deal because of its growing threat to the traditional brokerage business model.

"Why do we have to be feeding them the listings data?" Scanlon asked. "I felt that Zillow was trying to replace MLS and the broker."

Besides Scanlon, none of the brokers interviewed for this story were aware that MLSLI contracted to use Zillow's server to manage its data. Mara Navaretta, owner/broker of Homes By Mara Realty in Syosset, said she "had no idea" that MLSLI is now using Zillow's server.

"I have been fighting the Zillow concept for years," Navaretta said via email. "I believe MLSLI has failed us. We have lost our leads to a company that preys on us and advertises better and stronger than us and now we have lost our business to those who can afford to buy our leads."

Moira Connolly, an associate broker who works out of Coldwell Banker Residential's Bellmore, New York office, said she pays nearly \$1,000 a month to Zillow to make sure she has a presence on the listings in her area that the website advertises, but hasn't seen much return on her investment.

"I don't get a single lead from them on my listings," Connolly said. "The agent that pays more gets the leads. I feel that they're taking our money, but you're not really protected."

While they didn't debate the fairness of the company's premier agent concept, Zillow's spokeswoman said the company "excels in connecting consumers with agents and brokers online, and we partner with MLSs across the country to publish listings on Zillow Group sites."

Zillow executives maintain that using the company's RETS server has added benefits for MLS members, such as supporting unlimited high-resolution photos and the ability for brokers working in multiple markets to put all of their listings into a single place, making it easier to manage and share with their service providers.

Curt Beardsley, Zillow's vice president of MLS partnerships, said it's not unusual that Long Island's MLS didn't inform its members about the switch to Zillow's server.

"It's a piece of software," Beardsley said. "I'm sure they don't tell their members when they change phone systems."

Zillow, through its Bridge Interactive subsidiary, charges each MLS about \$15,000 as an initial setup fee and about \$1,000 a month for using its server to manage data. The company now contracts the use of its server with about 30 percent of the top 100 MLSs, which cover about 85 percent of the population.

Beardsley asserts that Zillow can't do whatever it wants with the information managed by its servers.

"It's their (MLS's) content and they have 100 percent control of it," he says. "We do not take, assume or demand any rights to the data that flows in those systems. We're simply providing a software system that allows the MLS to function better."

Beardsley went further by claiming that Zillow would not replace MLSs because "that's not Zillow's business at all. We're not in that part of the business." However last year, the company did in fact get into that part of the business when Zillow acquired Hamptons Real Estate Online (HREO) and RealNet, which is the multiple listing platform used by brokers and agents on the East End.

Despite its focus on gathering real estate information, local brokers remain skeptical over Zillow's accuracy. Jamie

Winkler, owner/broker of Winkler Real Estate and a 33-year veteran of the Long Island real estate industry, said it “makes no sense” that MLS data is now handled by a Zillow server.

“Zillow makes a million mistakes,” Winkler said. “I get complaints all the time.”

Winkler recounted one example where Zillow’s “Zestimate” of a property’s value was skewed and ended up hurting her business. It concerned a waterfront house in West Islip, New York.

“It was small, about 1,500 square feet and it had a terrible layout,” she said. “You had to walk down five steps to get to the kitchen. The house sold for \$525,000. Zillow put the market value at \$1.1 million. They don’t understand. It killed my market.”

Websites like Zillow, Trulia and Realtor.com, aren’t the only challenges for local brokers and agents to navigate or overcome. Fledgling real estate platforms, such as Knock, Opendoor and Purplebricks, are expanding and aimed at taking business from the traditional brokerage industry.

Knock offers to use its own cash to buy a home directly for a homebuyer. It then lists the homeowner’s previous property and transfers title on the new home once the old one sells. Opendoor first buys a home seller’s property and then resells it directly to consumers on its website. Purplebricks charges a flat fee of \$3,200 to list a home no matter the price of the property. In its television advertising, the company, which recently expanded into the New York area, claims “you just don’t pay crazy amounts of commissions” if you use its service.

Connolly was unaware that one of her Massapequa, New York listings was being advertised on the Purplebricks website, which offered customers no way to directly contact her.

“You’re not going to be well served,” Connolly said of the online platforms that eschew local brick-and-mortar offices. “It will flush out the agents that can’t provide the proper level of knowledge and expertise.”

Winkler scoffed at the idea that an online platform could ever be a substitute for an experienced broker or sales agent.

“People still need to see the houses,” she says. “You can only do so much without a broker.”

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