



# BABSON College

*“If you clicked here, you’d be home by now.”*

## **The Online Residential Real Estate Industry**

### **I. Introduction**

“Location, Location, Location,” has always been one of the most prevalent mantras in the physical world of real estate. Online, it is no different. As of the second quarter of 1999, annualized home sales in the United States exceeded 6.1 million units<sup>1</sup>. With a median home price of \$133,500 for an existing home and \$155,000<sup>2</sup> for new homes, this translates into an \$845 billion market. Add in all the ancillary sectors such as rentals, homeowner insurance, title insurance, home warranties, remodeling, etc., and the value of the overall industry exceeds \$1 trillion per year<sup>3</sup>. Needless to say, as the traditional world of bricks and mortar real estate fuses into an online world of clicks and mortar, the number of consumers utilizing the Internet to study, plan, and execute their personal real estate transaction will continue to increase, as will the number of Internet websites that aim to bring buyers, sellers, and real estate-related professionals together.

### **II. The Real Estate Industry**

The online real estate is both part of the traditional physical real estate market, and an industry unto itself, depending upon the specific company and the industry segment being analyzed. Traditionally, when a home owner decides that they wish to sell their home, they would contract with a realtor who would help the owner establish a listing price; enter the property’s physical information into the local multiple listing service (MLS); advertise the property to attract buyers (in addition to working with other real estate agents to achieve the same); schedule showings; and assist in final escrow. The process is very similar when a homebuyer works with an agent. The agent helps the buyer search for properties (via the MLS listings), schedules showings, prepares the purchase offer, arranges

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<sup>1</sup> “US Housing Market Conditions, National Data”. US Dept. of Housing and Urban Development. Internet. 23 November 1999. Available: <http://www.huduser.org/periodicals/ushmc/summer99/natdata.html>.

<sup>2</sup> Ibid.

<sup>3</sup> Homestore.com Prospectus, filed August 4, 1999.

mortgage financing, assists the buyer in securing homeowner insurance, and assists in final escrow.

In terms of consumer representation, agents can be categorized as a seller's agent or buyer's agent. The difference is not as subtle as to which party they work with, but is a matter of agency law. A buyer's agent specifically contracts with a buyer and must represent them to the best of his / her ability. A seller's agent, however, must represent the seller in the transaction to the best of his/her ability. The line become really gray however, if a buyer secures the services of the real estate agent and does not sign a buyer's agent agreement with the individual. In this case, the agent working with the buyer is a sub-agent of the seller's agent, and thus an agent for the seller themselves. In this situation, a buyer must be careful as to what information is released to either realtor because they are both legally responsible for working in the best interest of the seller.

The seller pays all commissions in the real estate transaction at the time of settlement out of the proceeds from the sale of the home. Commissions are normally split 50/50 between the listing agent and selling agent. This commission is normally paid to the agent's employing broker (office owner), who distributes a share to the realtor based on a specific commission formula. Normally, commissions paid to realtors by the broker are higher if the realtor sells an 'in-house' listing (since the broker makes more). Additionally, it is standard practice for a commission of 15% of the specific realtor's commission to be paid to a third party if that realtor's buyer or seller is referred to them by the third party. Therefore, there is great economic pressure on the realtor to market and sell their own listings since their commissions are much higher. To that end, approximately \$3.5 billion is spent each year on real estate advertising and print media.<sup>4</sup>

The requirements to become a real estate agent are not extremely stringent. For instance, in the state of Pennsylvania, all an agent needs to do is take the equivalent of 2 community access courses in real estate, pass the state real estate examination, and have their license sponsored by an employing broker. This has lead to realtors having a very diverse background, with the qualifications of some coming under question.

All properties that are listed for sale by agents within a community are stored on the local Multiple Listing Service (MLS), a database of all properties currently for sale within a specific market (normally a county). In order to have access to the MLS, an individual must be a member of the local board of realtors and pay annual dues. Once a member of the MLS, an agent is able to search for homes within the MLS' area. These proprietary databases – as well as the laws set by local real estate commissions – provide the industry's barrier to entry, since only approved individuals have access to the MLS.

Not all properties are sold utilizing a real estate agent. Those who choose to sell their own property are known as a FSBO (pronounced *fizzbo* -- for sale by owner). The size of the FSBO market is hard to estimate, with estimates running as low as 10% (according to the National Association of Realtors)<sup>5</sup> and as high as 29% (according to the US Department of Commerce)<sup>6</sup>. Whatever the number, the challenge for the FSBO seller is to have the ability, dedication, and resources available to market and sell their own home. Other methods of home sales include auction, institutional selling (i.e. foreclosed properties sold

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<sup>4</sup> Ibid.

<sup>5</sup> "The Home Buying and Selling Process 1997". [Real Estate Business Services, National Assoc. of Realtors®](http://www.onerealtorplace.com/Home+Buying+and+Selling+Process.nsf). Internet. 23 October 1999. Available: <http://www.onerealtorplace.com/Home+Buying+and+Selling+Process.nsf>.

<sup>6</sup> "Selling Your Home Yourself: Why and How". [washingtonpost.com](http://www.washingtonpost.com). 25 February 1997. Internet. 13 Apr 1999. Available: <http://www.washingtonpost.com/wp-srv/longterm/quinn/columns/022597.htm>.

by lending institutions), and relocation company sales and purchases.

### III. The Industry's Macro Environment

As is common with most new Internet business industries, the online real estate industry is one that has experienced many political, economic, social and technological influences.

The largest political influence in the industry is in the area of real estate licensing. The real estate industry is mostly regulated on a state-by-state basis by state real estate commissions. Most laws require both real estate brokers (normally those who either work independently or are the owners of offices) and real estate agents (normally those who work for brokers) to be approved and licensed by the state in order to represent sellers and buyers in real estate transactions. This ensures that certain legal (and ethical) standards are upheld during the real estate transaction. Protections are mainly designed to benefit the buyer, in areas such as disclosure laws (radon, lead paint, known defects, etc.) and buyer representation (since agency laws dictate that both listing and non-buyer selling real estate agents technically represent the homeowner in the transaction). Other potential political influences include governmental rent control (which would affect the returns landlords get – and thus the price – for investment properties), and tax base determination (affecting the costs of real estate operations as well as property cost and value).

The economic environment for real estate is relatively strong and stable. In the United States, homeownership rates approached 67% as of the 4<sup>th</sup> quarter, 1999, and have not been any lower than 63% since 1965<sup>7</sup>. Home sales in the United State have normally increased from year to year as the population increase, with the biggest exception being the late 70s, when the mortgage interest rate index (an indication of the overall mortgage interest rate market) skyrocketed to reach rates above 15%. The growth in homeownership has been especially pronounced during the 1990's as the mortgage interest rate index has remained below 8%. In this time period, the industry has realized a yearly increase in the number of homes sold of over 2 million homes per year<sup>8</sup>. However, home sales could decrease just as quickly if interest rates go up as a result of the Federal Reserve Bank's tightening of monetary policy to stem off inflation. In fact, from June 1999 to March 2000, the Fed has raised short-term interest rates five times (from 4.75% to 6.00%) with some analysts expecting short-term interest rates to approach 6.75% by year-end<sup>9</sup>. Other than mortgage interest rates, economic factors which influence the real estate industry include home prices, family income, and the supply of homes for sale on the market.

Socially, the industry has to deal with consumer perceptions and attitudes toward real estate agents and the economy in general. Realtors across the country make money representing buyers and sellers in the real estate transaction, with real estate commissions across the US hovering around 6%. For an existing home with a median price of \$133,500, that 6% commission equates to a transfer of \$8,010 from the homeowner to the realtor for the services they provide. If a consumer were to believe that they were able to market

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<sup>7</sup> US Census Bureau. "Housing Vacancies and Homeownership, Fourth Quarter 1999". 27 January 2000. Internet. 26 March 2000. Available: <http://www.census.gov/hhes/www/housing/hvs/q499tab5.html>.

<sup>8</sup> Based on a statistical analysis performed by case writer from information available at the Dept. of Housing and Urban Development website (<http://www.hud.gov>).

<sup>9</sup> Englemann, Knut. "Analysis: Bracing for a More Aggressive Fed." *Reuters News Service*. 26 March 2000. Internet. 26 March 2000. Available: [http://dailynews.yahoo.com/hix/nm/20000326/bs/economy\\_fed\\_14.html](http://dailynews.yahoo.com/hix/nm/20000326/bs/economy_fed_14.html).

their own home (whether on the Internet or off) and save the money they would have to spend on commission for themselves, the demand to have agent representation would decrease. Similarly, demand for and supply of homes would decrease significantly if the consumer realized dissatisfaction with the economy, since they may be more hesitant to make a change in the face of economic insecurity.

Technology is having the largest impact on the real estate industry. Real estate has always been an industry on the cutting-edge of technology. The quest for perfect information and better marketing techniques in order to reach consumers has driven the market to develop and implement new technologies in areas such as data storage, communications, marketing, and customer relationship management. The real estate industry was one of the first to truly embrace the information age and the potential power the Internet could have on their everyday lives. The Internet presents real estate agents with new channels to reach prospects, serve customers, advertise homes, and gather information. However, technology also has the power to eliminate the agent altogether, since it presents the consumer with a virtual market, access to information, and the ability to source out their own resources.

#### **IV. Industry and Competitive Analysis**

In the arena of online home listings, the wide array of real estate brokers, agents, Internet web sites, and individual MLS agencies, as well as an industry competitor such as auctioneers (both online and off) presents a consumer with a very fragmented market. The Internet exacerbates this situation, since individuals can become even more confused when searching for homes online. If a customer were to do a general search (say in a search engine) for "homes in Hanover," they could very well get 100 different websites from 20 different states! Just as varied are the offerings of many of these companies. While some online companies try to meet a specific market niche (such as HomeBid.com with its narrow focus on home auctions), others are broad and try to take the metamediary approach of being "all things to all people." These sites normally offer everything from home listings, information about mortgage financing, online neighborhood and school information, to online e-commerce stores for home goods and appliances. Sites in this model include Realtor.com and HomeAdvisor.com, as well as portal players such as Yahoo!, Excite, and Lycos.

##### ***Business Models***

Just as there are many different business models in the physical world of real estate, the same holds true online, with many of the same dynamics. Some sites simply serve as an online billboard for individual agents or companies, and offer very little in the way of customer content. Many of these are simply online commercials for homes for sale - or the realtor selling them. They list the homes of an individual agent or office; provide contact information that leads directly to the realtor; and gives a method to contact the agent. These sites are normally designed by an individual agent or office and are not thought out well. Many simply provide a way for a realtor to say, "look at me" to themselves and other agents (see RealtorDeb.com) rather than a "look at you" customer-first perspective.

Other sites seek to be online metamediaries - a repository of homes, information, and links to related professionals. These sites provide nothing more than an online advertising medium for individual Realtors and MLS systems to showcase their homes for sale, as well as for content and service partners who pay to advertise across the website.

These sites normally operate on a subscription basis, with each agent paying a monthly or yearly fee to market their homes online. The value proposition to these agents is that the site provides the agent with the opportunity to capture the customer first, using the homes that are listed as the bait – hopefully either entitling them to a full 6% commission if they sell their own listing, or at the very least keeping them from having to pay if the customer is referred by another party. Sites in this model include Realtor.com, HomeSeekers.com, and HomeAdvisor.com, as well as the Internet portal sites, although they do not normally provide the depth, and do not originate their own content.

Other business models which exist in the real estate industry include auction (HomeBid.com and Y2Homes.com) which make a percentage of the sale for bringing the buyer and seller together; fee for informational services (theschoolreport.com) which charge for access to compiled databases of neighborhood or school information; realtor referral-oriented websites (such as HomeGain.com) which make their money by registering consumers through their site and farming those leads out to local realtors; and back-end (b2b) content-providers such as mortgage101.com and inman.com which charge other real estate sites for access to consumer information and industry news feeds created and hosted by them.

A market that is basically ignored on a national scale is the owner-direct model. Companies operating under these models will list an owner's home online for a fee, and many will bundle these listings with a value-added collection of materials and services such as a FSBO home selling kit – including items such as yard signage, "how to" books and videos, forms, etc. These kits provide owners with the ability to potentially save thousands in real estate commissions, but do not come with the same access to intellectual and physical resources normally provided by a realtor. Locally, there are many of these sites on a state-by-state (even a county-by-county) basis, however only a handful are successfully able to compete on a national basis. Of these, the largest is Owners.com, which has less than 1% of the number of listings as Realtor.com, even though the overall FSBO market is 10-29% the size of the 'traditional' online market.

### ***Industry Costs and Capital Structure***

The cost and capital structure for the industry is moderate to high, depending upon the scope of the Internet operation and the amount of marketing the site is engaged in. The two highest cost drivers are customer acquisition and technology. Therefore, SG&A expenses for these companies are very high – in fact many of these companies anticipate large losses for many years, as they strive to capture the market. Major fixed capital expenditures include the purchasing of hardware and real estate, while sources of variable costs include cost of sales, advertising, and cost of labor.

On a positive note, profit margins in the industry are very high. For instance, HomeStore.com reported in their six-month pro forma for the period ending June 30, 1999 that their gross profit margin was over 58% during that period. However, due to extremely high sales and marketing expenses, operating margins were negative (-174% of revenue during that same period). With the large amount of cash required to build brand awareness and purchase consumer mind share, chances are that companies that enter the market will not break even during their first few years of existing. However, longer-range investors could potentially realize significant returns once sales and marketing expenses are normalized due to these significant margins.

### ***Market Structure***

The online real estate industry falls into a monopolistic competitive market structure. There are many competitors within the industry, both on a national and local scale. These businesses are all competing to gain a share of the market, build brand awareness, and acquire customers. Companies within the industry are engaged in fierce competition, and have very little influence over the price they can charge. However, they do attempt to influence realtor demand for their own sites and product offerings by aligning with trade associations, realtor boards, brokers, and local MLS providers.

The barriers to entry for an individual player into the marketplace are very low considering the open nature of the Internet. However, market participants do face the daunting task of trying to build brand equity and mind share in order to attempt to become a big player in the industry – a barrier to entry about itself. Even today, there are only a small number of proven players in the online real estate industry – even though the sheer volume of these sites is mesmerizing.

### ***Competitive Activity***

Competition is already fierce and only expected to continue to grow. As we speak, the battles are being fought on many different levels. Not only are individual companies actively competing against one another to sign real estate agents, brokers, and MLS providers to exclusive subscription contracts, but at the same time are trying to fight off outside companies who desire complete and equal access to MLS databases in order to originate their own offerings and compete directly against the original compilers of said information. In fact, in this area, the US government has intervened with two so-called 'database bills' being offered to 'protect' the type of information contained within the off- and online databases. As of the writing of this case, it is unclear whether the traditional MLS providers will prevail in their attempt to keep these databases proprietary.

## **V. The Online Real Estate Industry Players**

In the online real industry, there are four main players worth mentioning: HomeStore.com, HomeSeekers.com, HomeAdvisor.com, and Owners.com. These four companies are pure Internet plays, with three of the four (with Owners.com being the sole exception) having gotten their start in the software industry.



### ***HomeStore.com***

HomeStore.com, Inc. owns and operates a family of real estate related websites that include HomeStore.com, Realtor.com, HomeBuilder.com, CommercialSource.com, and SpringStreet.com. Homestore.com got its start in 1993 as a company named InfoTouch, Inc., which initially developed consumer kiosks to allow customers to search for home listings from their local Multiple Listing Services (MLSs) in areas such as mall kiosks. In December 1996, InfoTouch, Inc. formed a subsidiary called RealSelect that was formed to

build and operate the Realtor.com website for the NAR. By 1999, the individual companies were all consolidated into a single company called HomeStore.com, Inc.

The biggest resources possessed by HomeStore.com are their relationships and affiliations. Through their alliances with the National Association of Realtors (NAR) and National Association of Home Builders (NAHB), as well as individual agents, brokers and regional MLSs, HomeStore.com is able to call upon 720,000 NAR members, 197,000 NAHB members, and 800 MLSs with their 1.47 million home listings. Additionally, HomeStore.com has significant alliances with major Internet players such as America Online, @Home, Excite, Go Network/Infoseek and Lycos. They have leveraged these assets to form a company with a market capitalization of \$3.6 billion.

HomeStore.com's largest source of revenue comes from their subscribing members who pay HomeStore.com to put their properties onto the Internet. The end goal of the customer transaction is to always end up buying a property through HomeStore.com's real estate agents. As the official website partner of the NAR and NAHB, HomeStore.com only accepts listings from realtors. Additional sources of revenue include advertising, partnership income, and software development.



### **HomeSeekers.com**

Like HomeStore.com, HomeSeekers.com got its start in the real estate software industry. The predecessor of the company was called Nevada Data Systems, Inc., and was engaged in the development and marketing of a product called Realty 2000, a software product that provided real estate customer and property database information for use by realtors. The company's start in the Internet field came in 1994, when Nevada Data introduced HomeSearch 2000, an Internet search database permitting users to identify property meeting a user's specifications. This product was the direct precursor to the current HomeSeekers.com online search product.

In addition to their website, HomeSeekers.com also publishes real-estate listing magazines (primarily in the Midwest), makes software for real estate professionals, and provides Internet/intranet design and planning services (through its Genstar Media Affiliate). It markets its services and products through seminars, direct sales, and telemarketing<sup>10</sup>. In terms of market share, HomeSeekers.com runs a distant second. The company claims to offer more than 800,000 listings and has a market capitalization of \$287 million.

Like HomeStore.com, HomeSeekers.com generates income via subscriptions – both via their online home listings, as well as for independent website development, and individual software sales. Like HomeStore.com, the site does not accept homes being listed FSBO. Additional sources of revenues include advertising and partnership income.

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<sup>10</sup> "HomeSeeker.com, Inc.: Company Capsule". *Hoovers Online*. Internet. 26 March 2000. Available: <http://www.hoovers.com/co/capsule/0/0,2163,61320,00.html>.



## HomeAdvisor

### **HomeAdvisor.com**

Started by Microsoft in 1998, HomeAdvisor.com announced in March 2000 that it will become its own business entity to be called HomeAdvisor Technologies Inc. In addition to homes listed for sale by individual realtors, offices, and MLS providers, the company will offer a complete mortgage application process on its Web site that will let visitors apply for a loan, lock in a rate online, and cut the whole buying process down to 10 days, saving consumers thousands over the life of their loan.<sup>11</sup>

The end goal of HomeAdvisor Technologies, Inc. is still unclear. They are a late entry into a very competitive marketplace, and it is unclear whether or not the site is just an offering to assist Microsoft's MSN division in competing against Internet portal powers such as Yahoo! or if the new company will be able to gain significant market share for a possible spinoff. The site generates revenues via advertising and will not accept FSBO listings.



### **Owners.com**

Owners.com wishes to remove the real estate agent from the equation all together, using the Internet as the sole medium to bring buyer and seller together. The company, started in 1995 as Abele Information Systems, caters exclusively to the FSBO seller and offers home sellers a choice three different listing packages ranging in cost from free (for a simple ad with no pictures) to for a complete listing with pictures, virtual tour, and home selling kit. However, Owners.com claims virtually no market share, with just over 18,000 active 'listings' in their database as of March 26, 2000<sup>12</sup>.

The biggest hindrances for Owners.com are their lack of size (they are a private company so exact financial information is not available for them), and their lack of a distribution network (the other three sites have their listings provided to them by the MLSs and local realtors). However, what Owners.com does have working for it is savings: they report an average savings of \$10,000 for homeowners who have sold their properties online.

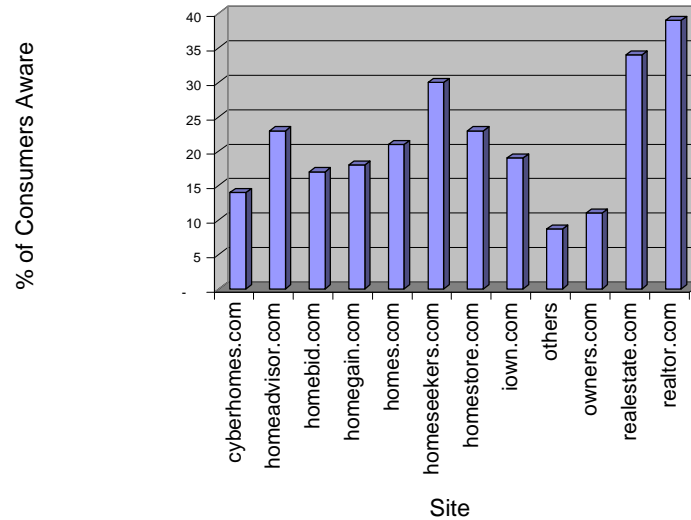
Revenues are generated via the sale of online database listings (both separately and as part of a pre-packaged kit, as well as advertising. Owners.com recently started offering to refer customers to realtors, cheapening their claim to being a resource for owners (while

<sup>11</sup> Hillis, Scott. "New Microsoft Venture Aims to Streamline Mortgages". *Reuters News Service*. Internet. 26 March 2000. Available: [http://dailynews.yahoo.com/h/nm/20000316/wr/microsoft\\_homeadvisor\\_1.html](http://dailynews.yahoo.com/h/nm/20000316/wr/microsoft_homeadvisor_1.html)

<sup>12</sup> Based on online search conducted by case writer on 26 March 2000. Owners.com. Available: <http://www.owners.com/Search/ShowResultList.asp?Page=1&State=&City=&ptype=&minbr=0&sqft=0&minprc=0&maxprc=&citynm=&councd=&dmacd=>

joining the overly-crowded realtor service market), but generating additional revenue via referral income.

**Consumer Awareness of Select Online Sites**



### ***Industry Awareness***

Obviously, the three public companies have spent tens of millions of dollars on marketing aimed at brand exposure and awareness. Based on a recent online survey, this investment may have paid off, with consumer awareness of Realtor.com (the main property of HomeStore.com) and HomeSeekers.com exceeding 25% - in addition to RealEstate.com, whose success may be tied directly to their relevant domain name. And while HomeAdvisor.com is just slightly behind these three in terms of brand name recognition, Owners.com finished 11 out of 18 sites tested - just two percentage points higher than webofhomes.com, an online homeowner and lender metamediary that will be competing in the FSBO arena, even though the site has not gone live yet<sup>13</sup>. This indicates that even though the large market participants have spent millions on marketing, their consumer brand awareness is very fragile.

## **VI. Factors to Ensure Competitive Success**

### ***The Use of Technology***

In order to provide a competitive and serviceable online real estate site, an Internet company must embrace a number of core technologies. Primary to all real estate sites is the online database of homes. These databases are compiled utilizing information from the participating agents, brokers, and MLS providers. In order to ensure that listings are current and active, it must be updated constantly. Sometimes, this may require a direct

<sup>13</sup> Survey conducted online by case writer for webofhomes.com project. Results based on 205 respondents who filled out survey from March 18 to March 25, 2000. Survey available online at <http://www.webofhomes.com/real-estate-survey/>.

connection from the online site directly to the local MLS system. This line would need to be secured via a firewall so that the transmissions of data would not be corrupted or stolen. Additionally, this database would need to be secure via password and / or other methods of user authentication in order to ensure that the databases are secure against piracy.

The site should provide access to more than just homes. Additional areas that a consumer may need information on include areas such as mortgages, home and title insurance, etc. This information can be organized and presented in much the same manner as an online portal (such as at [virtualrelocation.com](http://virtualrelocation.com)), or via a searchable knowledge database. This requires a great deal of content creation and management – much of which can be outsourced or provided by strategic partners.

Since real estate is still a personal transaction, with consumers wishing access to information when and how they want it, the technologies employed must allow for personalization of content and the storage of preferences. This information can be stored locally via browser cookies or on the site in a database table accessed via site login. Users can be traced – along with all their transactions – via online databases that reference customer database files created during login or via cookies. With diligent tracking, before long a site can have very detailed information about a visitor's demographics, their income and credit levels, desired housing, and type of mortgage information they desire. This type of data profiling could prove to be very profitable since the site can work with their partners to produce a push marketing campaign aimed at specific profiles. However, this need for personalization must be balanced by a consumer's desire for privacy.

Lastly, there must be a measure of standardization within the technology to allow partners to "plug-in" directly to a company's offering. This may require the adoption and use of common scripting languages such as XML for browser side compatibility, or ODBC for database communications. This will allow data to be shared not just between the MLS systems and online databases, but also across platforms – say between an online home listing site and an online mortgage banking site, reducing the paperwork between channel partners and decreasing slack in the real estate transaction.

### ***Partnerships***

There are many different forms of partnerships that can affect the real estate industry. There are a number of natural relationships that form as a result of a real estate transaction. In addition to the buyer and seller and their representatives (the realtors), there are many third parties including title agents, attorneys, mortgage bankers, inspectors, appraisers, insurance carriers, etc., who have a vested interest in the transaction and are natural partners for the online real estate industry.

The two main forms of partnership are fee for service and business development. Under a fee for service arrangement, one company will pay another for a service – normally a customer referral. For instance, HomeSeekers.com has a working relationship with E-Loan.com where HomeSeekers.com provides links throughout their site to E-Loan.com and receives a \$125 commission every time a loan closes that was originated via the link<sup>14</sup>. A business development arrangement calls for a closer relationship between the two parties, with at least one of the two parties agreeing to pay a significant amount of money to the

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<sup>14</sup> "HomeSeekers.com Company Prospectus". [Edgar Online](http://www.edgar-online.com/bin/edgardoc/DocFrame.pl?doc=A-938578-0001042910-99-000518&fmt=&nad=&nav=1&x=37&y=8). Filed May 3, 1999. Internet. 26 March 2000. Available: <http://www.edgar-online.com/bin/edgardoc/DocFrame.pl?doc=A-938578-0001042910-99-000518&fmt=&nad=&nav=1&x=37&y=8>.

other or at least one party take an equity position in the other. For instance, on March 24, 2000, HomeStore.com announced a \$10 million extension of their \$20 million original business development investment in HomeStore.com. In return for the monetary investment, HomeStore.com will provide advertising and professional services for GMAC to market its products to Homestore.com visitors.<sup>15</sup>

### **Content**

In order for a company to provide an online site that offers consumers a great wealth of information and provides a certain “stickiness” which is of the utmost importance in an online advertising model. According to the webofhomes.com real estate survey, the content that consumers desire to have on a online real estate website include the following areas:

<b>Virtual Property Tours</b>	68%
<b>Home Listings Database</b>	66%
<b>Mortgage Information</b>	60%
<b>Access to Industry Experts</b>	59%
<b>Online Guides to Real Estate and Mortgages</b>	53%
<b>Homeowner Insurance</b>	49%
<b>Source: webofhomes.com online survey. Results © 2000 webofhomes.com.</b>	

Using this information as a guide and roadmap, it is easy to see the type of content an online real estate player needs to build into their web site offering just to be competitive. It is also a great benchmarking system to determine whether or not a company is meeting the needs of their customers with content. In the area of content, HomeStore.com is the winner hands down. In fact, according to a company press release dated 21 March, 2000, the HomeStore.com network of sites had 2.9 million unique visitors stay an average of 14.7 minutes during February – good for over 77 million total minutes of advertising exposure for advertisers<sup>16</sup>.

## **VII. Conclusion**

The differences between online real estate companies and their offline counterparts are minor in some areas and major in others. In the market today, there still exists no exact substitute for the real estate agent, and most of the sites now online cater to them in their product and service offerings. The traditional online model mirrors that which is offline

<sup>15</sup> McGary, Debra. “Homestore.com up 34% on pact”. [CBS MarketWatch](http://cbs.marketwatch.com/archive/20000324/news/current/screamers.htx). 24 March 2000. Internet. 24 March 2000. Available: <http://cbs.marketwatch.com/archive/20000324/news/current/screamers.htx>.

<sup>16</sup> “Homestore.com™ Attracts Nearly Three Million Unique Users, An All-Time Record in Latest Media Metrix Report”. [HomeStore.com Press Release](http://biz.yahoo.com/prnews/000321/ca_homesto_1.html). 21 March 2000. Internet. 27 March 2000. Available: [http://biz.yahoo.com/prnews/000321/ca\\_homesto\\_1.html](http://biz.yahoo.com/prnews/000321/ca_homesto_1.html).

– with the realtor being the center of the real estate transaction and the leading principal marketed via the Internet. Although a few companies have tried to circumvent the realtor, they have had limited success because they have not yet figured out a way to achieve an effective distribution channel to push their product into the marketplace. Companies such as Owners.com will never be able to take the place of companies such as HomeStore.com, HomeAdvisor.com, or HomeSeekers.com until they figure out a way to achieve a critical mass – both of customer visits and for distribution of their products.

Whatever the future holds for the online real estate industry remains to be seen. The Internet should be a perfect medium to bring buyers and sellers together – and even though intermediary sites such as Chemdex and eSteel have made a killing in this arena, the same cannot be said about online real estate industry. Realtors are still the center of the transaction and the current crop of web offerings pose no real threat to that paradigm – they only serve to bring buyers and sellers to the Realtor – not to each other.