The Notorious R.O.B.: Zillow fever strikes again

Reposted with permission from Rob Hahn.

[Note: I have a business relationship with Zillow, but as I have mentioned many times before, they don't know that I'm writing this. But, you make up your own mind, y'hear?]

One of the more amusing things about the real estate industry in the 21st century is the extent to which Zillow triggers some folks to heights of lunacy otherwise seen only in the more extreme social justice warrior types.

Rob Hahn

If Zillow bought Coca-Cola tomorrow, some people would immediately switch to Pepsi. The latest fracas involving Zillow's Instant Offers test is a good example.

As Inman reported, the product allows prospective homesellers to receive all-cash offers from a hand-selected group of 15 large private investors along with a side-by-side comparative market analysis (CMA) from a local Zillow Premier Agent.

The way it works seems pretty straightforward. Some homeowner surfing Zillow fills out a form.

That form is sent to well-heeled (institutional) investors. It is also sent to some agents who are asked to provide a valuation (CMA) and try to get the homeowner to list the home with them instead of selling to an investor.

The homeowner can choose to (a) sell to an investor, (b) sell to an investor, but pay an agent to help, or (c) list with an agent.

Doesn't strike me as being all that different from all of those "What's Your Home Worth?" type of things we have seen on the real estate web since… well… the start of the real estate web.

I distinctly remember Homegain doing that back in the day, and doesn't anybody remember HouseValues.com? And yet, the response from some (though not all) people has been… ah… striking.

Y'all need to chill out. This isn't anything more than Zillow trying to fend off real threats looming on the horizon in the form of Opendoor and its copycats. Yet some of the same people who were pooh-poohing Opendoor as a We Buy Ugly Houses with fancier office furniture are losing their ever-loving minds when Zillow does something similar but with a benefit for agents.

If that's not a symptom of Zillow Fever, I don't know what is. Let's explore this like rational people.

The triggering

First of all, if you haven't read the Inman coverage, go ahead and do that first. Start with this story, and then also read Brad Inman's take on 11 burning questions. Finish up with this comparison of Opendoor and Zillow Instant Offers.

Note also that Zillow insists that this is but a test in two markets. They'll learn from it, and then decide whether to go forward with it or not.

As a test, Zillow isn't making any money from Instant Offer, but we all can rest assured that it will figure out a way to monetize it if it becomes a full-blown product offering. So in essence, we have some homeowner somewhere who's thinking about selling.

Instead of calling his Realtor, he decides to go surf Zillow to look at Zestimates, look at what's on the market, and maybe take a gander at what sold for how much, and so on. (We'll get to why he didn't call his Realtor below….)

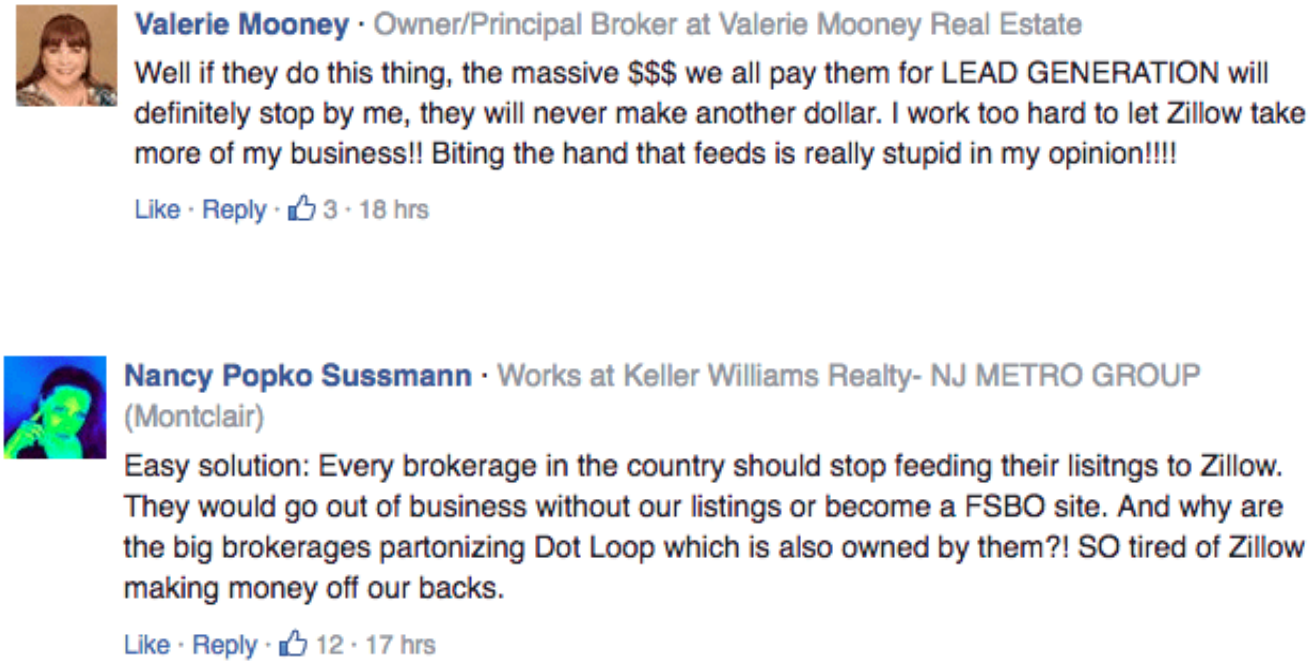
He's presented with some kind of a call to action that says "Get an instant offer!" He fills out some info, hits submit, and some time later (we don't know just how quickly investors or agents will respond), he gets a binding offer that lasts five days and a CMA from some agent who would like to

list the house instead. That's it.

That's the product. It generates leads — like everything else on Zillow. In fact, it generates seller leads, which are the most valuable of all.

The triggered

The response to this modest little experiment is a full-on Zaterade festival. Some examples from the comments of just one Inman article:



Valerie Mooney · Owner/Principal Broker at Valerie Mooney Real Estate

Well if they do this thing, the massive $$$ we all pay them for LEAD GENERATION will definitely stop by me, they will never make another dollar. I work too hard to let Zillow take more of my business!! Biting the hand that feeds is really stupid in my opinion!!!!

Like · Reply · 3 · 18 hrs

Nancy Popko Sussmann · Works at Keller Williams Realty- NJ METRO GROUP (Montclair)

Easy solution: Every brokerage in the country should stop feeding their lisitngs to Zillow. They would go out of business without our listings or become a FSBO site. And why are the big brokerages partonizing Dot Loop which is also owned by them?! SO tired of Zillow making money off our backs.

Like · Reply · 12 · 17 hrs

Greg Bennett · Sugar Land, Texas

So now we compete against Zillow! Now I know where they get their name: G-dzillow's continued onslaught for the bread and butter of the real estate agent is literally taking food off our tables. Go for it. Spend billions! Get sued, lose your ars! I find Zillow good for one thing: dependable misinterpretation and pollution of the real estate markets with data used from sources we agents create and fund. Parasitic activity. I encourage fellow agents to reconsider the use of and funding an organization bent on the elimination of the agent in the transaction. Zillow and others before them forget they cannot replace the agent as many have tried to do in the past. Additionally, you can't take the incentive away from agents who work 18 hour days 7 days a week. We are the heart and soul of the industry. We cannot be replaced with a computer program, which is what Zillow is trying to do.

Like · Reply · 6 · 17 hrs

Jay Meader · Sales Consultant at Homequest Real Estate

Ah, so the great and benevolent Zillow now wants sellers to sell as a FISBO to "investors" who are conveniently also brokers and requires them to pay a "service fee" of 9%. A little like the grieving widow selling the family jewels to Snidely Whiplash AND agreeing to a 9% fee? If anyone was undecided about the motives of Zilow before, I think all is clear now. This is worse than a Craigs List scam. In some quarters the perception of Zillow as a concept and an organization is extremely poor and I for one would agree. Stopping now before I go off.

Like · Reply · 9 hrs

Jay Meader · Sales Consultant at Homequest Real Estate

This is a giant step in the bucket of crap publicity fail for a company headed in the wrong direction

Like · Reply · 9 hrs

All of the people talking about pulling listings from Zillow seem to ignore that this particular product generates listings.

No Realtor’s listing was harmed in the production of said listing leads.

Then you have all of the people yelling that “Aha! Zillow IS becoming a brokerage! They’re matching buyers to sellers!!! ZOMG!”

I suppose that makes Google a brokerage, too, since most real estate searches start on Google, thereby playing a role in matching buyer to seller.

Of course, neither is actually true since the modern real estate brokerage isn't in the real estate transaction business, but in the agent recruiting and retention business. "My agents are my customers," said many a broker I have met over the years.

And they're not wrong to say that now, are they? Finally, you have those who are screaming that Zillow is now competing with the agent, like Greg above. This one deserves a bit more discussion, so let's do it.

Competing for listings?

The only possible WTF factor here is that Zillow, with its Instant Offers, may be competing for listings with the agent on the street.

After all, getting a listing is just about the hardest thing to do in real estate, once you've gotten past your mom, your uncle and your sister.

Getting strangers to invite you into their homes to list it for sale is the goal of every real estate agent in the world — "list to last" and so on.

From that standpoint, I can understand why some agents are livid that a billion-dollar tech company wants to insert itself between them and the homeowner.

What I wonder about, however, is why this is even remotely an issue for the competent Realtor. I said I'd talk about why Mr. Homeowner didn't call his Realtor above. Let me do that by way of personal experience.

My Realtor

Blayne Vackar

I'd like y'all to meet Blayne Vackar, my Realtor.

Since 2011, when I first met him moving to Texas, Blayne has helped me buy a house, sell a house, buy two more houses, and is now working on selling a house for me. That's five transactions in six years.

When I decided to put my house on the market, I didn't go to Zillow — even though, as I said, I have a business relationship with them. I didn't go to HAR.com, even though HAR is dominant here in Houston. I just texted Blayne. Now, Blayne sorta sucks at post-transaction relationship management — something we've talked about in the past.

But still, he's not terrible, and we've become friends over the years. He takes care of me in a transaction. I just got a text last night telling me about landscaping costs to prep my house for sale. He's handling everything from cleaning to repairs to staging (though I'm not staging this house, as it's empty) so I don't have to.

When I've got that, why would I bother with anything else? Technology is cool and all, but it doesn't replace My Realtor.

So why are so many people freaked out? Because they know very few homeowners think of them as "My Realtor."

Why not? Because they've done nothing to deserve to be thought of as My Realtor by anybody. If they had, why in the world would they be worried about some computer algorithm?

Teenage angst

The situation reminds me of some 15-year old getting jealous of an oblivious crush going out with someone else.

The homeowner opting into the Instant Offers situation clearly does not have someone he thinks of as My Realtor. If he did, why is he clicking around a website? Why isn't he calling his Realtor and talking about it?

Should said homeowner choose to take an investor's offer — listen, he wasn't ever going to list with an agent for a variety of reasons. This came up in the Opendoor conversation, but someone

who just wants to sell the house with as little hassle as possible understands that he's leaving money on the table — just like the people who trade in their vehicles at the car dealership know they're leaving money on the table, but do it anyhow for the sake of convenience.

Should said homeowner mess around on Zillow, get an Instant Offer from an investor, and call you, because you're His Realtor, then what's the problem?

Do your job and advise your client on how to best handle an offer from an investor.

Should said homeowner elect to call an agent to come in for a listing appointment because of Instant Offer… well, what's the problem? "It's not right that some agent who just pays Zillow gets that seller lead instead of me!"

Look, that crush ain't your spouse. The homeowner isn't your client. He doesn't think of you as His Realtor; he barely knows you exist.

That's not on Zillow, not on Opendoor, not on Offerpad or Blackstone Group or We Buy Ugly Houses or anybody other than you. Look at this revealing stat from NAR:

- 64 percent of sellers who used a real estate agent found their agents through a referral by friends or family, and 25 percent used the agent they previously worked with to buy or sell a home.
- Sellers who definitely would use same agent again: 70 percent

Then add in the fact that only 17 percent of buyers use the agent who helped them buy the house, despite 73 percent saying they would.

The mismatch is because most agents are not good at staying in touch with past clients, despite numerous pleas from their managing broker, suggestions from their coaches and the like.

And if they're bad at staying in touch with people who actually bought or sold a house with them, how are they at proving value to the strangers in their market areas so that some of those homeowners might start to think of them as "My Realtor?" The answer is not exactly a mystery.

The non-triggered

Let's be fair here. Not all commenters were acting like teenagers.

Frank Consulting Group LLC

This has nothing to do with Zillow wanting to be a brokerage. It's a "seller" lead play. Plain and simple. And, it's a great one. Watch how fast five agents line up to pay for providing a CMA to a homeowner that has aggressively indicated they plan to sell.

Zillow draws consumers, creates demand, qualifies buyers/sellers, sells advertising and leads.

Like · Reply · 4 hrs

Erik Johnson · Phoenix, Arizona

This moves takes away business from companies like OpenDoor, We Buy Ugly Houses and OfferPad. I see this as a smart way for agents to get in the door with a CMA. Maybe 10% of homes go through that would otherwise have gone to foreclosure, the rest get CMA's and are connected to an agent. +outlook

Like · Reply · 3 · 20 hrs

Erik Hinshaw · Real Estate Broker at Hawaii Life: Oahu

Seems to me that this a great for a listing agent who adds value and knows how to communicate that to a seller. Sign me up.

Like · Reply · 1 · 21 hrs

Pete Thorpe - MD/PA Realtor

Please bring this to my market.... "hey, an investor will offer you 70%, if you're lucky, of market value AND charge you 9% (don't worry, that covers the 1.25% transfer fee to the State)".... I may have to become an investor myself with numbers like that.... by all means, make it easier for me to show my value..

Like · Reply · 1 · 22 hrs

A number of brokers and agents saw this as what it appears to be, and I have to agree with Pete Thorpe here. If a Realtor can’t prove value over an investor’s bid, well, that homeowner was in a rush and would have sold to Opendoor or We Buy Ugly Houses people anyhow.

Why would you care about that? I suspect that these Realtors have strong relationships with their clients, past-clients, sphere and neighborhood. They’re not worried about Instant Offer any more than they are about Opendoor.

They're not complaining about Zestimates, because that just lets them showcase their local knowledge and expertise. They know their people do think of them as "My Realtor" and would behave accordingly.

You gots to chill

So, takeaways. If you've stayed all the way to this point, I think you deserve one or two — even if you disagree violently with them.

Zillow didn't do Instant Offers to become a brokerage — Zillow Group is a publicly traded company, and it can't get into low margin businesses like real estate brokerage with 2 to 3 percent profit margins. It did it because guys like Opendoor and Offerpad are potential threats, and besides, if Zillow Group could generate seller leads, agents would be shouting "Shut up and take my money!" at them.

Any homeowner who takes an Instant Offer from an investor was never going to sell with a listing agent anyhow. They know they'll lose money. They don't care, because something else is more important to them.

The brokers and agents who have done and do a good job with their clients, then stay in touch with them after the transaction and provide value to their sphere and community have nothing to worry about. There isn't a human being in the world who prefers a computer algorithm to a warm, helpful Realtor who takes care of them.

So chill out, everybody. Go do what you do best: engaging people as human beings with a life, concerns, families, interests… and a house they might want to sell.

You can't out-tech tech companies, but they can't out-human you.

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