

REAL ESTATE

Homebuying Gets a Housecleaning

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By Jonathan J. Miller

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There were two significant events related to the housing market yesterday.

The first was Zillow Inc., the biggest U.S. real-estate website, saying it was interested in buying its main rival, Trulia Inc. I don't know if a combination will lead to a significantly better mousetrap for homebuyers and sellers, though investors certainly liked the idea based on the share prices of both company. For the companies, joining forces makes sense: Zillow gains market share and benefits from Trulia technology, such as its data-visualization tools. But I expect consumers will continue to do what they do -- search online and then contact an agent.

The second event worth noting was a Zillow-hosted housing forum in Washington. What caught my eye that one of the speakers was Lawrence Yun, chief economist and senior vice president of research of the National Association of Realtors (NAR). I see this as the more significant development because it symbolizes the changes occurring in this dysfunctional industry.

NAR is the old housing-industry establishment. It is the second-biggest spender on lobbying in Washington, averaging more than \$16.1 million a year, second only to the U.S. Chamber of Commerce. Its 1 million members make up a powerful constituency that any politician or policy maker must take into account.

Yet there have been signs that the discourse over U.S. housing has been shifting away from the NAR for some time. This became clear last year when the company sponsored an online forum in which Zillow co-founder and Chief Executive Office Spencer Rascoff posed questions from consumers to President Barack Obama. The NAR was nowhere to be seen.

Since the peak of the U.S. housing bubble in July 2006, Zillow and Trulia (disclosure: I was a

founding member of Trulia's industry advisory board) have become the place where millions of Americans start their search for a home. No longer is that role filled by a real-estate brokerage office, where the search starts with looking at a print-out of possible homes in a specific price range selected by an agent. This represents a broad shift in the balance of power among buyers, sellers and their intermediaries.

Online real-estate search is now embedded in the U.S. homebuying process. According to a 2013 joint study by the NAR and Google, 90 percent of homebuyers did research online when looking for real estate. Most of us couldn't begin to imagine getting serious about purchasing a home until we did our online homework.

Since these search engines aren't in the business of selling homes (they sell advertising to real-estate agents), they have had an easier time being transparent about housing-market conditions. This is a contrast with the NAR, with its century-long legacy as the gatekeeper of housing information.

The opportunity is there for Zillow and its Web brethren, in part, because of the conflicts inherent in the NAR and the industry's business model in which real-estate agents are paid a commission by the seller (usually). This was brought home to me when David Lereah, Yun's predecessor at the NAR, described the housing market in the mid-2000s as a balloon with a slow leak. The NAR's credibility still hasn't recovered from this misreading of the market.

Even today, even after having been as wrong as anyone could be about the housing market, the overarching messaging from the NAR is unchanged: it is always a good time to buy a home. Obviously, that isn't always true. This inability to provide leadership marginalized the NAR as a resource to help us understand the real-estate market.

Zillow, Trulia and other technology-based businesses continue to provide insights and bring more transparency to the post-financial-crisis housing environment. The coincidence of the Zillow-Trulia deal and Yun's appearance as a secondary figure at a Zillow-sponsored housing forum signaled that the odds of the NAR reclaiming its leadership role are receding. Zillow continues to lead by getting housing-policy wonks, economists, the news media and even the president to talk about housing issues in front of the consumer. The contrast with the way things used to be couldn't be clearer.

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