

## Zillow-grade fever

*While the increasingly costly listings service remains an essential tool for some brokers, others say it provides diminishing returns*

By [Hannah Madans](#) | April 20, 2018 06:00AM



*Spencer Rascoff*

Eight years ago, Mid-city-based Century 21 broker Ron Escobar was spending \$20,000 a month marketing properties on Zillow. Now, he is spending almost nothing.

“It used to be a good source for me, but lately the cost per lead skyrocketed,” Escobar said, adding that leads that used to cost \$20 now cost \$60. “At one point in time, Zillow sold to team leaders. Now they’re diluting it by selling to many agents.” The rising costs of using the service — which vary greatly depending on location and a host of other factors — are

especially problematic, as money spent on Zillow often comes directly out of a broker's pocket and is not reimbursed by a brokerage, he added.

Escobar is just one of many Angeleno agents now doing a cost-benefit analysis on the ubiquitous platform and finding the results tough to take. Given its popularity with buyers and sellers, the listings service provides valuable exposure, but its widespread use by brokers translates to fewer eyeballs for each — unless you want to pay top dollar.

“When I started using it in Beverly Hills, nobody was using it. People thought it was like using a bus bench ad, a sign of desperation,” said Gary Gold, a Hilton & Hyland executive vice president, who for a time got leads on Zillow for free. “I got so much business it was ridiculous. I have a lot of clients that are famous celebrities that I met through Zillow.”

Gold initially bought advertising on the site that made his one of the faces that came up for all properties in the popular 90210 zip code.

“Millions of times a year, people would see my face if they were searching — whether they clicked on anything or not,” Gold said. “You are subliminally very familiar with me and more likely to contact me....It was very effective. Now the way it is set up, [my information] shows up only if you actually try to contact someone.”

It's now been several years since Gold has purchased zip codes, but he still pays \$60 to \$70 a month for his name to appear beside his listings.

“I do still get a lot of leads from Zillow; they just happen to be on my listings,” he said. “If you have listings that you are not on, you are a fool.”

**A presence on Zillow is also essential for Tami Pardee, owner of residential brokerage Halton Pardee + Partners. Her firm specializes in inventory-strapped Venice, and she said she spends more than \$1 million a year with Zillow.**

**“We pay to play with them,” Pardee said. “It’s not a free partnership. You have to go with where the clients are looking.”**

### **The StreetEasy case study**

While L.A. agents may gripe about Zillow’s fees, the situation could get much worse very quickly, as evidenced by the actions taken by Zillow’s New York City listings service, StreetEasy.



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**GARY GOLD, HILTON & HYLAND**

The portal started charging [\\$3 per day for rental listings](#) in July 2017. And just a few months before that, it had launched [Premier Agent](#), which, like the L.A. setup, allows agents to pay to have their contact information appear on listings

that don't belong to them. Zillow's other program, Premier Broker, which launched nationwide in the fall of 2016, allows firms to purchase buyer leads in bulk.

Although the announcement of each new charge was met with howls of disapproval by brokers, they largely came onboard to pay for the additional expenses.

Real estate tech expert Mike DelPrete said it would be "naive" to think Zillow wouldn't begin charging for rentals, advertising or construction information in L.A.

"Zillow is a business, and they are out there to make money," he said. "You should expect to see them looking for new revenue streams."

However, when a Zillow spokesperson was reached for comment, the spokesperson underscored the fact that charging for rentals is limited to the New York City market. "StreetEasy is the only one of our brands with a per day, per listing fee for rental listings for agents," the spokesperson said.

Zillow generated about \$1.08 billion in revenue in 2017, a 27 percent increase over the previous year. Revenue for Premier Agent increased 26 percent, according to earnings reports, and Zillow gets 71 percent of its revenue from real estate agents.

"We're in growth mode," Zillow CEO Spencer Rascoff said at the time. "The market opportunity in front of us remains massive."

### **New moves**

In March, Zillow started [charging builders nationwide](#) for listings. Homebuilders on the site with 150 or more closings a year are required to join Zillow's Promoted Communities program, which requires a monthly fee to have listings appear on Zillow's sites.

The company also recently said it will begin [buying homes in Phoenix](#), with the aim of reselling the properties within 90 days. Agents who participate in Premier Agent could be picked to broker the sales on behalf of Zillow and other buyers. The new venture doesn't completely cut out real estate agents, but it certainly downsizes their role: A lot of the process takes place online, and a quick flip may not require a face-to-face interaction.

“While most [sellers] prefer to sell their home on the open market with an agent,” Jeremy Wacksman, Zillow’s chief marketing officer, said in the announcement, “some value convenience and time over price.”

The company says it will invest between \$75 and \$250 million to buy up to 1,000 homes by the end of the year, according to the Wall Street Journal.

Although the new venture may upend some aspects of the business, DelPrete thinks one thing will remain unchanged: Zillow is in “no position to charge for listings for for-sale properties,” considering it gets them from the MLS, he said. And local brokers — especially those specializing in luxury properties — [don't feel threatened](#) by the company’s latest move.

“Someone that wants to sell a property ranging anywhere from \$2 to \$200 million isn’t going to go to Zillow,” said Hilton & Hyland’s Bjorn Farrugia. “Zillow is a discount broker.”

Rodeo Realty’s Josh Flagg, a star of “Million Dollar Listing Los Angeles,” added that Zillow hasn’t changed his businesses. “I do not see a computer replacing a broker,” he said. “You cannot replace good negotiation skills.”

