Homebuyers gain an edge with Internet searches

August 8 2009, By Jim Wasserman

In the colorful, centuries-long history of house hunting, when have so many buyers come to the table knowing so much about prices, neighborhoods and school test scores?

Probably never. Credit an average 16 weeks spent browsing the Internet before buyers contact a real estate agent to get serious. Fifteen years into the World Wide Web, home searches once defined by riding around in agents' sport-utility vehicles -- a process in which agents knew all and a buyer knew little -- have been thoroughly recast.

Buyers -- 84 percent of whom use the Internet for house hunting, according to a California Association of Realtors study -- have taken on much of the information gathering formerly done by agents, who occupy the middle of a transaction and typically get a commission of 6 percent of the sales price, 3 percent for the seller's agent and 3 percent for the buyer's agent.

A variety of mostly similar Web sites now enable buyers to browse homes for sale, probe a home's transaction history, gauge its tax bite, compare area values and even see, via aerial photos, whether the neighbors have planted grass in the backyard.

This maturing of real estate Web sites has raised questions about where agents and brokers fit in and opened some debate about the size of their commissions. At least one online brokerage is trying to redefine the agent pay structure to gain business by making it cheaper to buy and sell.
Still, buyers and agents alike say the sheer complexity of buying and selling homes is keeping the current system largely intact. House buying as a click-here and do-it-yourself job is still much in the realm of fiction. Today, only about 5 percent of real estate sales occur solely between a buyer and seller, said Glenn Kelman, chief executive officer of Seattle's Redfin, an online brokerage aiming to simplify home buying.

Even the most Web-savvy buyers balk at trying to close a deal without an agent.

"I can buy $100,000 worth of stock with the click of a mouse. But I can't buy a $100,000 house without going through a ton of paperwork," said Adam Bradley, an Elk Grove information technology staffer. Early this year, he found an attractive listing online and went so far as to make an offer without actually seeing the house.

"We submitted an offer based on the pictures and the Google map showing me an overhead and a street view, and then we went out and saw it that weekend," he said.

But Bradley turned to an agent to navigate the daunting process of buying the house and closing escrow in May.

Many agents, especially younger ones, say the Web is enhancing, not damaging their careers.

"Last year I had 26 transactions and 14 came from the Internet," said Erin Attardi, 30, of Lyon Real Estate. Agents traditionally have gotten clients from referrals or from doing open houses.

"Most of my business comes from the Internet," said Attardi, of
Sacramento. "It comes by way of my blog. I get a lot of business from Trulia. I get a little business from Zillow. But mainly it's my blog. People follow me on Twitter or find my Facebook page."

Said Attardi, "I got my license at the end of the housing boom. I knew I wasn't going to be getting any referrals. This was my strategy from the beginning."

Even as the Internet lessens buyer dependence on real estate agents, it's also making it easier for them. A 2009 Home Buyer Survey conducted by the California Association of Realtors showed that buyers who used the Internet, on average, visited 13 homes with an agent. Buyers who didn't use the Internet needed an average of 25 visits before deciding.

Chris Saizan, 26, a Keller Williams agent in Elk Grove, said he's established a relationship with a Bay Area real estate search site, movoto.com, that brings "four or five phone calls" daily. Among clients closing escrow this month are a couple from Fiji who searched the Sacramento housing market from thousands of miles away.

Saizan pays Movoto 30 percent of commissions from clients it sends his way. But that's just one site among many where his listings appear.

"When I get a listing, I enter it into our (Keller Williams) system. It automatically links to realtor.com, to Trulia, Zillow and all those other Web sites," he said.

Such sites have become a big bang in the online universe during the past five years. Others such as ziprealty.com, cyberhomes.com and smartzip.com also provide streams of visual and written information to help buyers investigate neighborhoods, property taxes and histories of individual homes. Sites that either rely on advertising or paid subscriptions distinguish themselves by specializing in automated home
value estimates, highlighting price reductions or predicting values 10 years from now. Add to all this the sites of local and regional real estate firms, local newspapers, the public site of Sacramento's Metrolist Services Inc. and those of individual agents.

In Antioch, Michael Mohr spends hours online at these sites looking for houses in Orangevale and Rancho Cordova. A state correctional officer who hopes to move closer to his work in Folsom, Mohr checks values and comparable sales trying to decide if the market is nearing some kind of bottom. It's much different than 1994, he said, when he mainly found U.S. Department of Housing and Urban Development listings online.

"This time I've got a lot more tools," he said. "But I still feel that I need to use an agent so all the T's are crossed and the I's dotted. I would do this on my own if it wasn't for how difficult it is."

Some online sites recognize that buyers are doing more of their own work in finding houses. They've tried to win clients by cutting agent commissions. Redfin.com is among them, entering the Sacramento market this year. The broker refunds half of its 3 percent buyer's agent commission, contending agents often just guide buyers through the paperwork.

"You're probably not going to see millions of real estate agents in 10 years if Redfin succeeds," CEO Kelman said this week.

But even that will leave plenty of work, some agents say. Saizan, asked if real estate agents will be around for a while, answered, "I would argue that with exclamation points behind it."

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