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WHEN WILL TECHNOLOGY DISRUPT HOME BUYING?

APRIL 28, 2017

Real estate's peak spring selling season is here. With lean inventories, buyers are facing bidding wars that evoke memories of the pre-recession housing bubble a decade ago.

What's truly surprising, though, is how little technology has changed real estate in the last decade. Yes, today 87% of house hunters conduct web searches for houses, browsing photo galleries, comparing prices and checking school and crime stats. Yet despite this digital encroachment at the margins, actual housing transactions have been stubbornly resistant to the disruptive impact of technology. Why?

Home buying, unlike simply ordering an item on Amazon.com, is the largest investment of an average person's lifetime. Labor intensive documentation and a complex marketplace encourage professional hand-holding over the DIY approach.

In spite of the Internet's relentless deflationary pressure, real estate commissions have actually increased since 2005. One study attributes this to the fact that two parties —representatives for both buyer and seller—are needed to sell a house. The number of real estate agents has risen about 60% since 1997. Meanwhile, "For Sale By Owner" deals are a shrinking slice of the market: 88% of buyers purchased their home through a real estate agent or broker—a share that has increased from 69% in 2001.

Technology's impact on home sales has been evolutionary rather than revolutionary. Improvements include streamlining paperwork and digital marketing that has made home hunting more of a year-round affair. The cost and complexity of real estate transactions, however, mean that many consumers are still willing to pay up for expert guidance.

"Purchasing property is a personal, emotional and sensual experience," ZEITGUIDE friend Mike Lubin, a broker with Brown Harris Stevens, told us. "How the building 'feels' to the buyer is paramount ... Falling in love with the molding and original glass in a dilapidated walk-up may override the fact that it's too expensive and too small."

As the first generation who never got ink-stained thumbs flipping through classified ads, millennials may be primed to adopt tech-assisted home buying. Although their rate of homeownership has lagged, 93% of millennials say they plan to buy a house someday, and they now represent the largest cohort of house hunters.

Meantime the real estate tech startup space is flush with venture capital. New firms are reinventing not just listings services, but also mortgages, appraisals, open houses and viewing and property management. Tech-assisted real estate brokerages like Redfin, Opendoor, Ten-X are also revamping the home shopping and selling process. That could add up to changes coming very quickly.

Keep learning,
Team ZEITGUIDE



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