

Cost \$995

2006 ONLINE
REAL ESTATE
ADVERTISING

Borrell Associates Inc.

EXECUTIVE SUMMARY ONLY

July 2006

2006 Update: Online Real Estate Advertising



BORRELL ASSOCIATES INC.
EXECUTIVE STRATEGIES FOR LOCAL MEDIA

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Executive Summary

Of all the advertising segments ripe for change, the real estate market might seem so ripe as to be nearly rotten. This is one advertising category where something's *got* to change.

An overheated home-sales market has only recently begun to slow down – well beyond the predicted cyclical slowdown that should have occurred three years ago – and the proliferation of “free” listings sites on the Internet portends a collapse in the \$6 billion print classifieds business, especially with the vast majority of home seekers now using the Internet to find a home.

For years we've heard how most brokers and agents despise their local newspapers. They've repeated their mantra *ad nauseum*: The only reason they buy newspaper listings is to appease the seller, not to sell homes. Newspaper ads don't sell homes, agents and the Internet do. Yet, agents and brokers continued to plow money into newspaper advertising.

Toward the end of 2005, the nearly rotten started looking truly rotten. As home sales slowed down and the inventory of unsold homes grew, the Internet became the most-used method of selling a home – beating out even the old-faithful yard sign. The \$11 billion spent on total real estate advertising stagnated, growing less than four percent over the past four years, while the available advertising inventory – the number of existing homes for sale on the market – rose 41 percent in the last 12 months. That metric alone is enough to stop a real estate advertising executive dead in his or her tracks.

What happens next should be quite interesting indeed. We expect that this tipping point will help propel Internet real estate advertising to a \$2 billion level this year and push it past \$3 billion by 2010, surpassing newspapers in terms of advertising market share.

Despite all the hype about agents and brokers already advertising on the Internet, there is huge room for growth. Sixty-one percent of agents *do not* advertise on the Internet. And 87 percent of agents are *not* buying keywords on Google or Yahoo.

There appears to be some level of disruption occurring within the ranks of the agents themselves. The real estate bonanza has brought an influx of new agents who seem hell-bent on using the Internet to reach new customers. In our survey of 535 agents, we found that 64 percent of the less tenured agents were likely to advertise online while only 36 percent of the agents selling homes for more than 10 years were likely to advertise online. The rest of the findings indicate that an Internet-marketing gap exists between newer and long-time agents.

Finally, we must note the emergence of what we call the “new kids on the block.” Sites with names that might be more fitting of rap stars – like Trulia, edgeio, Oodle and CityCribbs – may wind up being the new disruptors to the “old” business models of paid online listings. With the elements of change in place, they are definitely models to watch.

Real Estate Ad Spending, 2001-2010 (*\$ millions; projections in italics*)

Year	Online Adv.	Total Adv.	Online Share
2001	\$395.71	\$11,169.84	3.5%
2002	\$580.62	\$11,166.57	5.2%
2003	\$971.10	\$11,762.51	8.3%
2004	\$1,159.36	\$11,202.02	10.3%
2005	\$1,718.68	\$11,697.99	14.7%
<i>2006</i>	<i>\$2,050.10</i>	<i>\$11,591.65</i>	<i>17.7%</i>
<i>2007</i>	<i>\$2,560.95</i>	<i>\$10,818.82</i>	<i>23.7%</i>
<i>2008</i>	<i>\$2,822.17</i>	<i>\$10,151.42</i>	<i>27.8%</i>
<i>2009</i>	<i>\$2,983.79</i>	<i>\$9,502.60</i>	<i>31.4%</i>
<i>2010</i>	<i>\$3,067.73</i>	<i>\$9,556.50</i>	<i>32.1%</i>

Sources: Dun & Bradstreet, Ad Audit Services, Borrell Associates Inc., 2006

This report also includes our 12-question survey results describing the online and newspaper marketing habits of over 500 real estate agents.

Borrell Associates Inc.

Borrell Associates is a national research and consulting firm that tracks local Internet advertising and crafts executive strategies for media and pure-play Web sites. Our proprietary WebAudit™ service delivers detailed online ad-spending data for any local market and/or spending category. In addition to the expertise offered by our top-level associates, our primary strength is fact-based analysis. For more information about our reports, presentations and consulting services, visit www.BorrellAssociates.com.

We would appreciate your feedback on this report. E-mail us at info@borrellassociates.com.

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