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September 14 2002

eBay clicks with real estate

Auction site's foray into house market adds competition

The face of the Canadian real estate market is poised for change with the launch of a new category on eBay, one of the world's largest online marketplaces.

With this move into cyberspace real estate, buyers and sellers of homes in Canada will have more choice than the two traditional options of listing with a real estate agent, or selling privately. But the eBay initiative also threatens to disrupt the commonly accepted Multiple Listing Service (MLS) model of real estate marketing in which agents emphasize service, experience and expertise to justify their commissions.

Here's how the eBay model works and why it poses challenges for the organized real estate industry:

In a co-operative effort with Harvey Kalles Real Estate and Realtysellers, two well-known Toronto realtors, eBay is now offering its Canadian real estate customers a package of options that opens up the marketplace to new possibilities. In doing so, it could be leaving the MLS system in its wake.

The goal of the new eBay program is to allow its users to choose from several alternatives including the traditional eBay auction, the fixed price sale, and the advertising-only format. This marketing model can also be combined with the Realtysellers program, which allows sellers to list their homes on the Toronto Real Estate Board MLS system for a fee of \$695, or obtain a full-service selling agent for 0.75 per cent commission instead of the usual 2.5 or 3 per cent.

For sellers looking to advertise a property only, eBay will post an ad for \$75 for 30 days, and \$150 for 90 days. The advertised property is exposed to eBay's large registered user base of 1.4 million Canadians. Prospective homebuyers will be able to contact the seller or listing agent directly to inspect the property, obtain further details, or begin negotiations.

For house-seekers who want the help of a real estate agent to negotiate the purchase of a home they find on the eBay site or the MLS system, Realtysellers will refund half of the commission they receive on the transaction. For example, on a \$300,000 home, the buyer will receive as much as \$4,500.

Realtysellers is the brainchild of Stephen Moranis, a leading Toronto broker who is a past president of the Toronto Real Estate Board, and Toronto lawyer Lawrence Dale, whose company won the bid to purchase SkyDome in 1999.

Listings with Harvey Kalles Real Estate are now posted on the eBay Web site as well as the company's own site and the <http://www.mls.ca> site.

Based on my own experiences, more and more homebuyers are using the Internet to do their preliminary research and house hunting. Many of these computer-savvy buyers will find that the eBay Web site is far superior to the MLS site.

At random, I picked two properties and compared their listings on the eBay site and the MLS site. The first was a semi-detached two-storey home on Rosethorn Ave. in central-west Toronto, listed at \$199,900. The property had virtually identical descriptions on both Web sites, but with two major differences. The MLS Web site showed only one photo of the house, while the eBay site had posted three exterior shots and three interior views giving the cyber-shopper a true feeling for the charm of the house. As well, the eBay site shows the street address of the property, something the MLS system has always avoided.

I also compared the Web listings of a 15th floor waterfront condominium near SkyDome listed at \$218,900. Again, the eBay site was far superior, showing not only the full address and suite number, but seven photos including one of the stunning view from the suite.

In today's competitive market, there is an inevitable trend to commoditize businesses, including service industries. If clients cannot see any real difference between one real estate agent and another, they will make a purchase decision based on price.

In other words, some customers will treat real estate agents (and other service providers) as mere commodities and make their choice on cost alone, as if the service was merely a commodity.

The combined forces of eBay, Realtysellers and Harvey Kalles Real Estate challenge this trend by providing access to the MLS system at a fraction of the industry norm, together with a full service agency offering the possibility of a rebate of half the sales commission, and a Web listing complete with address and photos.

Earlier this week there were only 81 Canadian properties listed on the eBay site at <http://www.ebay.ca/realestate>. But more Canadians visit eBay than any other domestic online shopping destination, and the challenge to the existing real estate industry is on the table.

My own view is that there is room for both models of real estate sales in the current marketplace, but watch for eBay to make significant inroads if MLS doesn't improve its Web site.

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