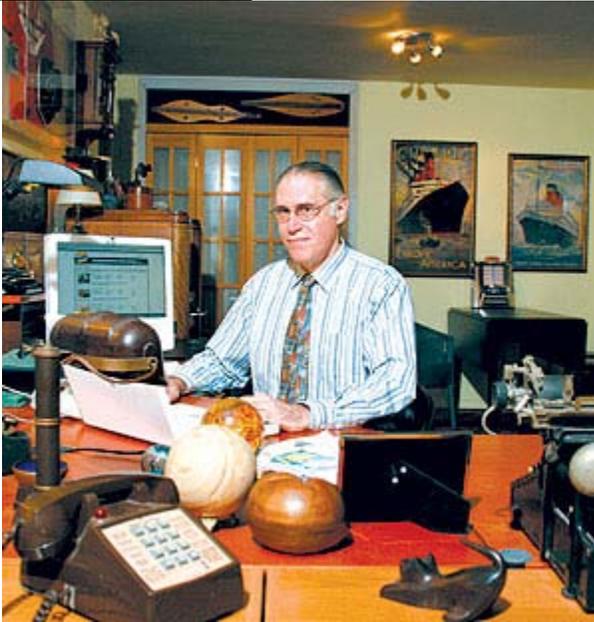


Will new virtual firms pave way for full MLS?

With online brokerages now allowed to advertise other firms' exclusives, some say listing sharing is next

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By Candace Taylor



Leigh Zaph is planning on registering his three-person firm, Manhattan Homes, as a Virtual Office Web site.

A new breed of online brokerage is springing up in New York, altering the landscape of real estate sales in Manhattan and worrying traditional firms, who fear the changes may hurt their business.

In the past, New York firms have contended with Web aggregators like StreetEasy and Trulia, which gather and post information on local brokerage listings.

But thanks to a recent settlement between the federal Department of Justice and the National Association of Realtors, the Real Estate Board of New York is now sharing all of its members' listings directly with online brokerages, known as "Virtual Office Web sites."

These VOWs, as they are called, allow consumers to view those listings -- including those from other firms -- online.

Experts say the change will have far-reaching consequences for the industry in the coming year and beyond. Some believe VOWs could also pave the way for a comprehensive Multiple Listing Service, which has long been resisted here.

Eric Gordon, the managing director at Realplus Online Listing Exchange, a shared listing database that's the closest thing New York has to an MLS, called the emergence of VOWs in Manhattan "huge."

"In a lot of ways, it levels the playing field between the small and large firms," he said.

The change stems from a lawsuit filed by the Department of Justice against NAR in 2005. The suit alleged that NAR's policy of allowing brokers to withhold listings from VOWs violated antitrust law because it stymied competition.

A 2008 settlement between Justice and NAR requires that VOW users be able to choose from the same database of available homes as customers at traditional brokerages. Because VOWs' business model is to operate online rather than from brick-and-mortar offices, the settlement said, customers may browse through all of the listings a flesh-and-blood broker could access for them in person.

In essence, "the law views a VOW as the same as a storefront," explained Steven Spinola, the president of REBNY.

VOWs operate by posting listings on their Web sites and then acting as the buyer-side broker when a customer inquires about a property. Because they operate mostly online, they are able to do business cheaply, often charging customers smaller commissions.

At Manhattan's first VOW, which is known as the CBS 2 Real Estate Market, visitors to the site, CBS2REM.com, see a detailed map of the New York area. They can click on a neighborhood and scroll through a series of brightly colored sales and rental listings, including exclusive listings from firms like Prudential Douglas Elliman and the Corcoran Group.

When browsers see a home they're interested in, they enter their contact information. Within a few days, an agent with Property Strategies Group, the licensed New York brokerage associated with CBS, will call to set up an appointment and show them the home.

Because Property Strategies Group is a licensed brokerage and REBNY member, all the listings come directly from REBNY's internal database, known as RLS.

"When the consumer signs in, they can see what the brokers see," explained Diane Levine, an agent at Sotheby's International Realty and a member of REBNY's board.

By contrast, traditional Manhattan brokerages may only list their own exclusives on their Web site. If they want to receive REBNY's listings, they must first become a VOW, a process that involves paying a fee to REBNY and requires customers to register to log on to the site.

Though VOWs are now common in other regions, CBS2REM.com, a partnership between WCBSTV.com and LMG Digital Media that launched in August, is Manhattan's first. However, many other local brokerages are expected to follow suit.

Kathy Braddock -- a founding partner of Charles Rutenberg Realty -- said Rutenberg plans to become a VOW, in addition to continuing to do business the traditional way.

"I think everybody will," she said. "It's the way the rest of the world works."

The likely preponderance of new VOWs represents a vast change in how the real estate business works in Manhattan.

"Up until this point, you've never been able to market another firm's exclusives in any shape or form," Gordon explained. "[Now], when a customer goes to a firm's Web site, they can see all of the industry's listings ... as opposed to just that firm's."

Experts say the change could open the door for a true MLS in Manhattan. While the Manhattan Association of Realtors currently maintains an MLS, it has only a small number of the city's listings. Many Manhattan agents have long opposed an MLS because they believe sharing listing information would mean losing business to competitors.

"MLS -- agents in Manhattan are scared of that name," said Derrick Gross, a business analyst at StreetEasy. But Gordon said the increasing transparency provided by VOWs could lay the groundwork for a shared listing database.

Now that VOWs are on the scene, he said, many New York firms have been asking him for software for an IDX, a feature traditionally offered by MLS databases that allows brokerages to voluntarily post listings on other firms' sites. Unlike with VOWs, visitors don't have to sign in to see IDX listings.

The IDX concept "is going to grow in popularity now that the concept of one firm being able to market another firm's exclusives is something people are willing to accept here," he said.

Small firms say becoming a VOW will help them by allowing customers on their Web site to view all of the industry's listings, not just their own.

"It's great," said Leigh Zaph, president of three-agent firm Manhattan Homes, which is planning to become a VOW. "It allows every broker to be able to present their customers the full database to search."

But other brokerages, especially those that have large numbers of exclusive listings, stand to lose their competitive advantage.

"It doesn't benefit the large firms," said Gordon. "If it was up to them, [VOWs] wouldn't be here."

Brokers also fear that VOWs will make it harder for them to do direct deals. "These people are not being paid a salary," Braddock said. "They eat what they kill."

Still, even with VOWs, the Manhattan market has a long way to go before it becomes fully transparent.

Earlier this year, ZipRealty, the nation's largest VOW, approached REBNY for a listing feed for

its Web site, but ultimately decided against it.

Pat Lashinsky, the CEO of Zip Realty, said because REBNY listings aren't regulated by the same strict rules as an MLS, the data wasn't as comprehensive as listings in other areas.

"Manhattan is a really unique market relative to the rest of the country," he said. "We were able to get much better information and tools in Long Island and Westchester."