

## **Should Canadian Real Estate Companies be Worried about Zillow?**

The answer. A resounding **YES!**

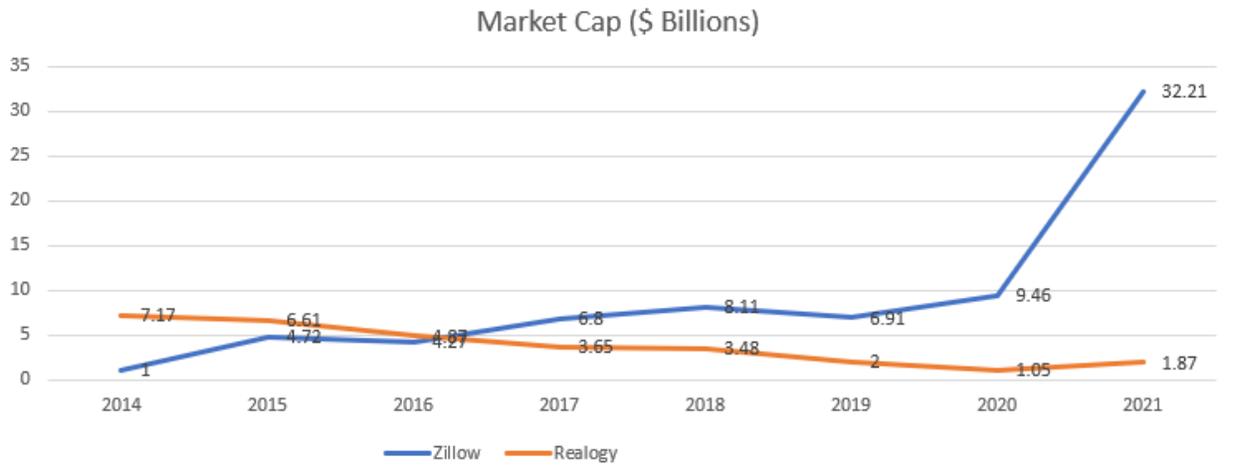
Traditional Canadian real estate companies should be concerned about Zillow and other new PropTech companies that are capable of disrupting the traditional business model. Disruption will take place as the new PropTech companies such as Zillow take advantage of data and technology to streamline the real estate transaction process while driving down costs and providing more relevant services to consumers.

Insightt closely monitors the US real estate industry for early warning insights into what could and probably will take place in Canada. For this article, we reviewed the market cap, stock price and profitability of Zillow vs Realty which are both publicly traded companies on the U.S. stock exchange.

Zillow needs no introduction. They have brought change to the U.S. real estate industry with their impressive website, lead generation, property valuation model (Zestimate) and the acquisition of companies that are complimentary within the real estate value chain.

Realty is also an impressive real estate company that is categorized as traditional because it owns a number of traditional franchise brands including Century 21, Coldwell Banker, Corcoran and Better Homes & Gardens. While Realty has also introduced numerous innovative and positive changes to the US industry, it remains largely dependent on the traditional real estate business model.

Is Zillow impacting traditional real estate companies like Realty? The numbers tell the story. As shown in the chart below, Realty reported a market cap that was 7 times larger than Zillow in 2014. Fast forward to 2021 and Zillow's reported market cap is now more than 16 times greater than Realty.



We know that market cap is not the entire story, so we also looked at the revenue and profit for each company in 2020 as shown below:

Company	2020		
	Revenue (\$000)	EBITDA (\$000)	EBITDA %
Zillow	1,710,535	342,993	20%
Realogy	6,221,000	726,000	12%

*Source: Zillow and Realogy investor filings*

We also tracked the stock price of both companies over the past 5 years as shown below. Zillow's current stock price is more than ten times higher than Realogy's stock price in US financial markets.



Market Summary > **Realty Holdings Corp**  
NYSE: RLGY

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**16.40** USD **-0.55 (3.24%)** ↓  
Mar. 18, 3:00 p.m. EDT · Disclaimer

1 day 5 days 1 month 6 months YTD 1 year **5 years** Max



Source: Google Finance

### **Putting it ALL into Perspective:**

Traditional real estate organizations must consider Zillow as a force to be reckoned with and taken seriously. They have a large market cap, they have better than industry margins and they have access to vast amounts of capital for the acquisition of additional companies in the real estate value chain.

We are not suggesting that established real estate companies in Canada need to raise the white flag yet, but they need to start heavily investing in technology and data before it's too late. The next few years are about to get quite exciting in the Canadian real estate market. Zillow is now in Canada and many other new proptech companies coming on the scene.

Insightt tracks new and innovative companies that are coming into the market through it's Innovation Showcase. To stay up to date with new and innovative real estate related companies, visit - <https://www.insightt.ca/real-estate-innovation-showcase>

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