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Estate Net Aims to Be King of Web Real Estate

By MICHELLE PENTZ

HAMBURG, Germany -- Harri Janss's office in Hamburg could probably be packed up in an hour -- some of his competitors seemed to fold just that fast. The sparsely furnished space is dominated by a personal computer, which is central to his task: to offer listings of real estate from Honolulu to Heidelberg on his firm's Web site.

The chain-smoking 43-year-old German is the marketing director and general manager of ESTATE NET Internet Marketing GmbH (www.estate.net). The firm, nearly two years old, offers brokers a home on the Web, charging them to list properties and to link their home pages to the site. It has carved out a prime spot in the German market, but wants title to larger grounds: a world-wide franchise network that will make it the McDonald's of Web real estate.

In its home market, ESTATE NET faces a varied lot of contenders: a Nurnberg software maker, a university student's one-man operation, a firm that moves want ads to cyberspace and a site showcasing investment properties. Focusing mainly on niche areas now, some of them hope to later corner the national listings market. Fat hance, says the jeans-clad Mr. Janss. "We are going to flatten them!" he roars, thumping his fist on the table. "When they finally make it to the starting block, we'll already be halfway around the world." Halfway isn't far enough. ESTATE NET is one of about 50 firms trying to lay foundations in a global market that pioneers see as a promised land. But no one has hit pay dirt yet: Sites wither from cash drought and simply disappear; others languish without updates, sitting on the Web much like abandoned warehouses. Undaunted, companies continue to enter the field.

What makes the market attractive is the idea of becoming "the World Trade Center of cyber real estate for all brokers and buyers," says Joann Chokrach, vice president and international editor at Internet Real Estate Digest, or IRED.COM, Inc., a Texas-based company that compiles a real-estate directory and rates Web sites. "Most companies are losing hand over fist on their Web sites," she adds, saying the typical aim is to cover losses for about three years.

But there is promise in cyberland, industry observers say, because real-estate sites can simplify life for brokers and buyers. "This type of application gives realtors a more effective way to disseminate complex information and reach more potential buyers -- brokers can be more targeted and reduce initial costs of sales," says Rosemary O'Mahony, the Paris-based managing partner for Andersen Consulting's Western Europe technology group. "The benefits to buyers are obvious if you compare searching the Web to trying to wade through conventional listings."

The on-line market is littered with subdivisions, segmented by country and property type, with more residential listings than commercial offers. The U.S. market is by far the largest, with as many as 20,000 Web addresses for real-estate listings. Of the 3,000 commercial and residential sites that aren't U.S. specific, about 50 sites have real-estate-oriented property databases and services in two or more countries, in addition to the developer's home market, according to IRED (www.ired.com).

But the global 50 aren't really competing yet, focusing instead on testing strategies and forging market identities. "It's too soon to say there's any competition out there," says Ms. Cockrach. "They're all presenting their names and getting their IDs out there."

ESTATE NET is one of the few to look beyond a particular niche, offering holiday rental properties as well as residential and some commercial listings in numerous countries. Meanwhile, Sunstyle International Holidays (sunstyle.com), St. Petersburg, Fla., is a major player in the global vacation-rental market. Worldwide Real Estate Opportunities (www.imagine-mms.com/real-estate/world) lists globally, but has a very small selection. One of the big U.S. sites, HomeScout (www.homescout.com), developed by Seattle-based Cobalt Group, is adding international properties to its site and has the potential to become a global powerhouse.

A diversity of sites suits real-estate brokers, who will typically list properties on more than one site. Rene Boehm, a Hamburg-based broker who has instead opted to list exclusively with ESTATE NET, says the Web helped him sell three islands. "The Net is the ideal medium for brokers. The problem with the Net right now is: Do they know I'm here?" he says. "Name recognition is the key at retirees who want a change of scenery and investors. And then there are the curiosity seekers and dreamers who check out tony villas and exotic hideaways.

But curiosity and dreams don't fill coffers. After spending up to \$750,000 to create an electronic listings warehouse, some companies simply crumble. "Now we're seeing fallout," Ms. Chokrach says. "A lot of sites are dropping out." Of the listings her firm tracks, about 5% fail each month. But new ones crop up, so the total number is climbing, she says. Persistence may prove golden. U.S. realty firms will likely seek out companies with local listings warehouses in markets where membership in a central real-estate organization -- such as the U.S.'s Multiple Listings Service -- isn't mandatory, like in Europe. Bruce Benham, international vice president of information technology at RE/MAX International, a top U.S. brokerage company based in Englewood, Colo., says the cost of creating a listings warehouse is substantial even with the MLS listings provided. "It wouldn't be in our firm's best interests to try replicate that in areas where MLS doesn't exist."

Breathing Room Surveying the market's prospects, Mr. Janss, a fidgety, fast-talking fellow, says he saw a big future. So he left his real-estate brokerage agency in mid-1995 to launch ESTATE NET with co-founders Susanne Hagen, 32, and Tomas Boente, 34, who put their hotel-guide work on hold to handle the technical end of the business. The trio plowed a total of 750,000 marks (\$400,000) into the venture, along with their blood, sweat and tears. They cut the ribbon to open the Web site in November 1995. ESTATE NET broke even in 1996 -- but only because the founding partners didn't take home paychecks. The firm has since gained some breathing room: Kuffler GmbH of Germany took a 35% stake in the company in January 1997, injecting a six-figure sum. Since then, ESTATE NET's aim has been to turn a profit by 1999, but Mr. Janss thinks a small profit may be possible this year. "Midyear, we've already surpassed our last year's sales," he says. "If we're lucky, I am confident we can reach one million marks in sales this year." The firm boasts 500,000 listings in 51 countries, but Germany -- representing 60% of its business -- is its cornerstone. Brokers can list properties on ESTATE NET for between 50 marks and 8,000 marks a month, with the price dependent on who handles design, the prominence of the listing and whether it includes photos. Brokers can refer customers to each other via e-mail, chat on-line and locate reference sites and services. Through Estate Net's trademark global link -- which prompted IRED to rate the site a "top 10 international hot pick" last year -- users can click onto a world map and zoom to a desired continent, where a list of countries appears. The user then selects "show" to view an alphabetical list of participating brokers in that area and properties offered for sale or rent. Surfers can also search ESTATE NET's database for a particular property and price range. With information available in English, German or Spanish, users can view apartments in Madrid, homes in London, a vacation rental in Marbella, a Loire Valley chateau and even a private Caribbean island. Users can also download property statistics and pictures, send e-mail to brokers, put together an on-

line personal catalog -- cutting and pasting interesting properties in a virtual scrapbook -- or read up on a region's climate and culture. The amenities would mean little, though, without fresh listings. Mr. Janss aims to build a "real-estate platform" and marketplace where huge numbers of sellers can be found. Sohe's running ragged to get international listings from franchise-agents at renowned U.S. brokerage companies like RE/MAX and two units of HFS Inc., Century 21 Real Estate Corp. and Coldwell Banker Residential Brokerage.

But he also is trying to build up a stable of agent representatives to coordinate listings in national markets. The job of a rep is to provide editorial content for a market, furnish listings in the local language and translate them into English, as well as tend to ties with brokers. ESTATE NET provides agents with software and a venue for listings, and gets a negotiated cut of sales, i.e., broker listings. This is ESTATE NET's take on a McDonald's-type franchise. So far, ESTATE NET has an agent representative in Spain, and the firm is negotiating with a total of 30 potential ones in Switzerland, Austria, the Czech Republic, Poland, Greece, Romania, Hungary, the Dominican Republic, Russia and Australia. Estate Net seems to be well positioned. Jorg Birkelbach, director of the new media/Internet-banking department at Cologne-based Sal. Oppenheim Jr. & Cie. and the author of three books on electronic commerce, once criticized ESTATE NET for disorganization but credits it for changing its ways. "Now they're one of the best in the world," he says. "The global link and these agents abroad will be their edge. Because only local brokers know how to negotiate all the 10,000 special procedures, laws and documents needed to close a deal."

What ESTATE NET and other firms need to do in the lean days of market development, Ms. Chokrach says, is take a cue from the early days of television. Companies sponsored high-quality television programs, without seeking immediate gain, and established brand recognition that later paid off. Similarly, sites that provide good real-estate information on the Web may not profit in the short term. "In the long run," she says, "they will make big money."