

The Real Estate Market In Europe (The Internet, Consumer Protection and EU Regulation)

A

**Report by
Neil Ebsworth**

Table of Contents

1. Introduction
2. The Internet
 - i. What influence it has on the market
 - ii. Search Engines
 - iii. Individual Company Websites
 - iv. Keywords & Search Results
 - v. The dominance of Advertising sites
3. Conclusions
4. Consumer Protection & E.U. Regulation
5. The Problems
 - i. Conflict of Interest
 - ii. Education & Registration
6. Conclusions
7. The Ideal Solution.
8. AMLA- A marriage of ideas from across the ocean.

1.Introduction

The Real Estate Market in Europe is changing. This change is driven by two forces outside of the Real Estate industry. The strength of these forces are so strong however, that their impact on the Real Estate Industry is unavoidable. These two forces are technology and consumer pressure. More precisely, the Internet and consumer protection through regulation.

The aim of this report is to consider these two forces and how they affect the way real estate agents conduct business today and how in the future, agents can adjust their working practice to benefit from the changing face of the market.

2.The Internet

i. What Influence it has on the market

Most people have some experience of the internet. Surfing the web now competes with television in terms of number of hours spent each day.

As it applies to a Real Estate business the internet is starting to become more and more important. A website is seen almost as a necessity today, although for reasons I will explain, the effectiveness of over 95% of individual company websites as a means of attracting clients is negligible or completely non-existent. Most traffic these websites receive comes via another form of advertising, be it newspapers, business cards or as a point of reference after initial contact has already been made with a potential client. This said, it is expected that within 5 years, 80% of all property transactions will be initiated through contact via the internet.

ii. Search Engines

How do we find something on the internet? We use a search engine. Whether it is Google, Yahoo, MSN or one of the smaller companies, these digital directories account for over 90% of direct access to websites on the internet by the public.

Type in some “keywords or phrases” and a list will appear of related websites.

When you consider that over 98% of people searching for a topic will not look past the first five pages of results,(typically the top 50 websites), then the importance of your website appearing in these first 5 pages is apparent.

To complicate things further, the “keywords or phrases” used by the public to look for a topic is also as important. If this begins to sound confusing it is further complicated when you begin to examine the criteria used by the search engines to rank your website in your directory. This is not done by hand but by computer programmes called web crawlers and the mathematical formula used differs substantially from one search engine to another. Suffice to say, this is not a part time hobby for a real estate agent. It is a billion dollar/Euro industry for full time computer professionals.

iii. **Individual Company Websites**

I mentioned earlier that individual company websites were ineffectual when it came to attracting potential clients. Why is this?

The answer is simple.

They do not appear in the top 50 rankings on search engines. Most are not ranked at all by Google. Those that do get ranked are either not large enough, do not have enough content or are simply not written in code that search engines can read for them to be effective.

The top pages on the search engines are dominated by advertising sites. Designed by computer professional for the sole purpose of generating advertising revenue from agents looking for exposure on the internet.(More about these sites later)

iv. **Keywords & Searches**

An agent told me recently that his website was 13th ranked on Yahoo for the keywords “Property Spain Javea”

For an individual company website this may seem like quite an achievement after all that I have said before.

However, when you discover that this keyword search is used only 2.1 times each day, things begin to look less rosy. Add also the fact that the top twenty keyword search terms for people looking for property on the Costa Blanca, yielded in excess of 2500 searches daily and I think I have made my point.

v. **Advertising Websites**

So why do these sites dominate the internet search engines?

1. Design
2. Size and content.
3. SEO,(Search Engine optimization).

An individual company website cannot match these sites on all counts and this is why they dominate the top rankings on the search engines. Of course, agents may advertise. The average cost is around 2000 Euros a year. As a portion of an agents budget this may not seem excessive. However, the proliferation of these sites combined with their ability to act solely as digital billboards still limits their effectiveness as a tool in creating clients and revenue.

Conclusions

In the next five years, to be successful in the Real Estate industry, internet presence will play a vital role. To reach the top of search engine rankings so as to gain maximum exposure to the potential client base will take more than any one individual company website can deliver.

Is the answer, as has been the case up until now, the advertising website?

No.

The reasons will become clearer after examining the second force affecting change.

4.Consumer Protection & E.U. Regulation

There is a growing call for regulation of the Real Estate Industry from the one group large enough to instigate change. The General Public.

In the UK, the Office of Fair Trading's commercial arm WHICH is running a hard hitting campaign for tougher regulation. (see <http://www.which.net/moveit/index.html>).

In Brussels, the first steps are being taken to lay the groundwork for European-wide reform with the final stages of ratification of Directives to harmonize Contract Law across the European Union.

Anyone working in the industry realizes that change is inevitable. The public who buy and sell Real Estate want accountability and access to means of compensation when they have proof of wrongdoing.

5. The Problems

i. Conflict of Interest

“A situation when someone has competing professional or personal obligations or financial interest that would make it difficult to fulfill his duties fairly”

Lawyers, Public Official as well as many other professions abide by it. At the very least, it is disclosed to all parties and only when all parties agree to proceed, is it acceptable.

When an agent acts for a vendor and vendee in a property transaction, he has a direct conflict of interest. It is called dual agency and carries restrictions on an agent in his duties and representation to clients, IF, they agree to allow a transaction to proceed under its terms. (This does not occur in European Real Estate practice)

It is undoubtedly the single, most important issue that needs to be addressed in the Real Estate industry before respect is gained by the public for Real Estate Agents as a professional body.

ii. Education & Registration

All professional bodies dealing in transaction with the public of a financial nature need two things.

Registration – The need to identify the party in case of a dispute

Education – The need to the public that the party that they choose to act for them is qualified to do so.

These two needs are usually covered by some form of legislative regulation.

Once again, the Real Estate industry fails to meet these needs.

6. Conclusions

Some form of regulation is coming. It will probably come in the form of an EU Directive once contract law across the EU has finally been harmonized.

In any event, the main market of clients for Spanish coastal property; the UK, is already being driven towards greater regulation, by those very clients that you are hoping to be attracted to buy in Spain.

They will be increasingly attracted to use those agents that they feel come closest to meeting their need for financial & professional security.

7. The Ideal Solution

In the years ahead, to stay successful in the Real Estate Industry you will need to meet certain criteria.

Technology awareness. You will need an internet presence amongst the top ranked websites on the major search engines.

Paying advertisers to achieve this for you however will not be enough. One dimensional advertising will leave you the same as the rest of the market.

You will need to show professional competence. Satisfying the clients needs of a professional agent will set you above those who choose the easy path and wait until Government Legislation forces them to change. This may not happen for five years. The need for it by the client, is NOW.

Oh, you will also need to be good at your job.....selling Real Estate!!

8. AMLA,(The Association of Multiple Listing Agents)-A Marriage of Ideas from across the Ocean.

The idea behind AMLA comes from a background in Real Estate Markets in Spain and USA. I graduated The Real Estate School of Charleston, South Carolina in 2005, a prequalification course to gain a licence to practice as a Real Estate Agent in that state. This, combined with 15 years experience in the UK Financial Services industry and 3 years as an Agent in Spain.

AMLA's aims are as follows.

1. To provide a Multiple Listing Service to Spanish Real Estate Agents.

More than an advertising website, the AMLA MLS also tackles the primary source of Public concern, namely the elimination of conflict of interest.

By its very nature though, it satisfies all the requirements to provide a highly ranked website on all search engines, in all necessary search categories.

2. To be constantly ranked highly on all search engines in all fields required.

As a primary aim, this site is constantly managed by a team of professionals in Canada to maintain its ranking status.

3. To provide a Code of Practice as a statement of the memberships commitment to professional standards.

The Code of Practice has been adapted from the NAEA, (UK National Association of Estate Agents).Most of this was adapted from US legislation.

AMLA also offers its members services so that they can host their individual company websites within a system that allows greater SEO under our MLS umbrella.

(Note: When you search for an agent in the US, you rarely find advertising websites. This is because 80% of all transactions occur through the MLS. This leaves the individual to compete for business on their own merits and skills.)

AMLA is the first website of its kind in Europe.

It addresses the realities of the changing market and its concept is proven to be successful in those markets where it is used. Over 1,000,000 agents use this method of doing business.

The Market is changing. Come and join us at the front and help shape that change for the best results for both agent and client alike.

Thank you for taking the time to read this paper.

Question, comments and ideas are always welcome. You can contact me on neil@amlaspain.com

Neil Ebsworth

