

Rocket Enters The Portal Wars

Author: Mike Delprete | Publications | Consulting | Podcast | About www.mikedp.com

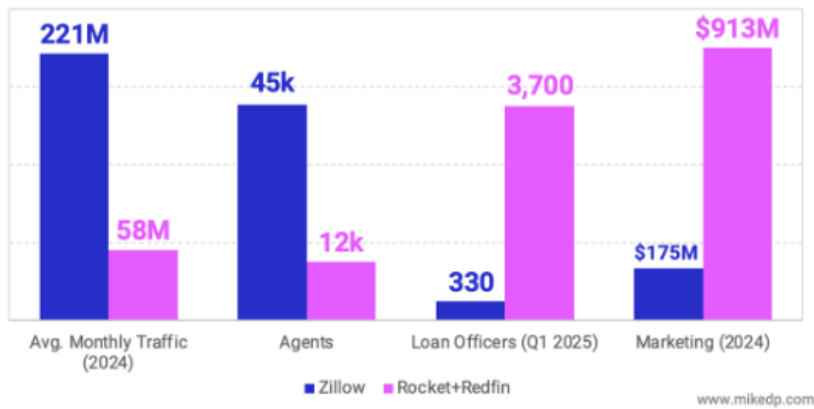
With a Super Bowl ad followed by the \$1.75 billion acquisition of Redfin, Rocket has emerged as a serious player in the U.S. real estate portal space.

Why It Matters

Rocket is going down a similar path as Zillow, in search of, as I said in the Wall Street Journal, the holy grail of real estate: a one-stop shop that combines home search, buy & sell, financing, and title insurance.

- Zillow and Rocket are approaching the same goal from different directions; Zillow with top of the funnel traffic and a large agent network, and Rocket with tons of loan officers and consumer marketing.

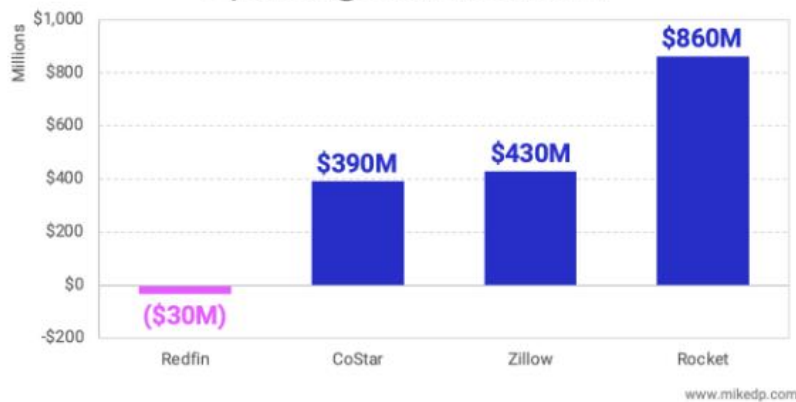
Zillow and Rocket+Redfin Comparison



These are titans of the industry – which, including CoStar, are the companies with the highest operating cash flow (profit) in real estate.

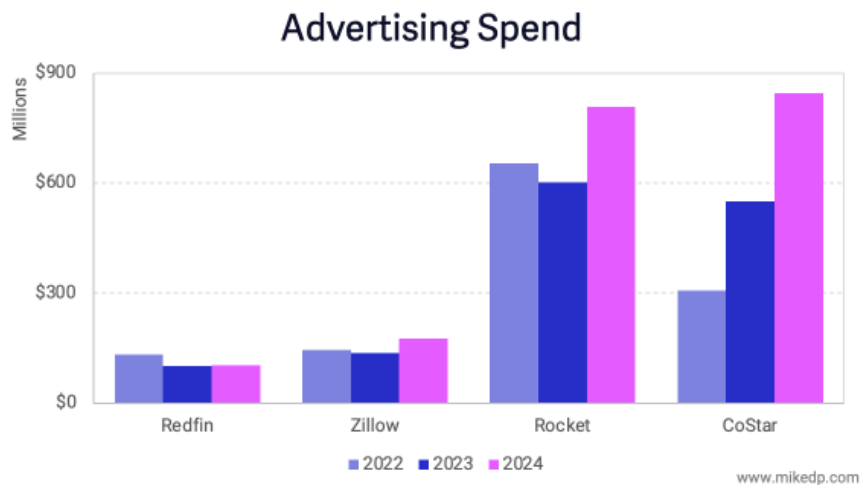
- Cash flow = investment potential. These companies can afford to invest more, at a scale higher than anyone else, in innovation, disruption, and guiding consumer behavior.
- The chart below also makes it clear why Redfin could no longer compete against this collection of profitable behemoths.

Operating Cash Flow, 2024



The annual advertising budgets of these companies are massive; CoStar and Rocket are approaching \$1 billion each.

- This is a reflection of the firepower available to try and move the needle in consumer behavior; not just to build awareness, but to promote the one-stop shop of a seamless real estate transaction.
- CoStar and Rocket's advertising budgets are for the entire company, not just the residential portals, but remain a good reflection of the resources available.



Who's Disrupting Whom?

Rocket's entry into the space raises an interesting question about, at a category level, who's disrupting whom.

- For years, real estate tech companies have been going after mortgage, but now mortgage is going after real estate.
- This chart is from my 2021 article, *The Real Estate Disruptors Serious About Mortgage — A 10x Story*



The Bottom Line

The bottom line: The total addressable market for a one-stop shop experience is absolutely massive; there is more than enough room for many players to be successful.

- It's like the explorers Magellan and Vasco de Gama – just because one is successful doesn't mean the other can't succeed, too – and there's more than one path to success.
- While it remains uncertain if a consumer will specifically seek out a one-stop shop solution, it does mean that the more opportunities the portals capture at the top of the funnel, the less opportunities there will be for everyone else.

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