



2 Real Estate Disruption Stocks to Own in 2020

Description

I have a deep-seated hatred of the real estate industry as it exists today. It enriches agents, mortgage brokers, and other intermediary agents through high frictional transaction costs.

These costs, combined with a system that tends to make home prices opaque and mysterious. It is a terrible experience rife with intrigue and stress that is absolutely set up for disruption.

The outdated practice of home purchases reminds me of the way stock trading was before the technological revolution. Trading stocks was done by phone in the past, with huge commissions of \$50 or more per trade in many cases.

Stock prices were only available in the daily paper or by phoning into a broker who could access the current price on the ticker tape.

Fortunately, technology has led to more accurate, second by second stock pricing and remarkably lower trading fees that are trending towards zero. Nobody, I'm quite sure, laments "the good old days" of high trading fees and relative lack of stock price visibility.

At the moment, Canada doesn't have many stocks that fit into this category. **Real Matters Inc.** ([TSX:REAL](#)) is one of the few Canadian companies that are publicly listed at the moment.

Other entrants are primarily American, with **Zillow Group Inc.** ([NASDAQ:Z](#)) and **Redfin Corp** being the biggest movers.

Real Matters, unlike Zillow and Redfin, which are involved in real estate listing and sales services, are not directly involved in listing [real estate](#) or creating a marketplace for sales.

Rather, Real Matters operates to create a marketplace between the mortgage lenders and insurance companies involved in the real estate sales process. This go-between role positions the company to benefit from helping companies smooth out the transactions.

The business strategy has been performing very well, leading to some substantial results. Consolidated revenues for the company were up [57.9% year-over-year](#) in Q4 2019.

This strong growth came largely from its exceptional 107.6% revenue growth from its U.S. title business and 48.6% growth in its U.S. appraisal business. There certainly appears to be a lot more growth ahead, with U.S. title volumes tripling year over year.

Zillow is another great way to play real estate disruption. Although not a Canadian stock, its lack of a dividend makes it a great candidate for a taxable account.

This company is directly looking to change the face of the real estate business by making more transactions online. It already provides pricing visibility to a previously opaque industry, so I am looking forward to the day when it makes home buying a more efficient experience.

This company has also had a successful quarter, with Q3 2019 revenues increasing 117% year over year. The Homes segment has been instrumental in these results, which demonstrates that there is a lot of interest in offering online home sales.

The bottom line

While it shocks me that real estate is still struggling to move into the modern age of digital home sales and more visibility in pricing, it is encouraging that companies are beginning to move in the right direction.

Companies like Real Matters and Zillow are some of the best entrants to date. Hopefully, they won't be the last.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:Z (Zillow Group, Inc.)
2. TSX:REAL (Real Matters Inc.)

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