

**Statement of Commissioner Ohlhausen, Commissioner Wright, and Commissioner McSweeney
Concerning Zillow, Inc./Trulia, Inc.
FTC File No. 141-0214
February 19, 2015**

The Commission has decided unanimously to close its investigation of Zillow, Inc.'s ("Zillow") proposed acquisition of Trulia, Inc. ("Trulia") following a comprehensive six-month investigation of the proposed transaction. Zillow and Trulia operate the first and second largest consumer-facing web portals for home buying that sell advertising space to real estate agents seeking to attract customers buying and selling homes. Staff uncovered documentary evidence tending to show that Zillow and Trulia compete closely with one another for consumer traffic and for real estate agent advertising dollars. However, there is evidence that real estate agents use numerous methods in addition to the platforms operated by Zillow and Trulia to attract customers, and there was insufficient evidence leading us to conclude that real estate agents would face higher prices for advertising after the merger, or that the combined company would have a reduced incentive to innovate either on the consumer side or the advertiser side of its platform. Accordingly, the Commission has voted to close its investigation.

I. Industry Background

A real estate agent advertises to attract home buyers and home sellers so that the agent may earn a commission if he or she represents a buyer or seller during a sale transaction. Prior to the rise of the Internet, an agent used various offline methods to attract potential buyers and sellers, including direct mail and outdoor advertising. The Internet has enabled agents to use additional methods to target potential leads. These include dedicated real estate agent websites, social media advertising on websites like Facebook, and general search advertising through web search engines such as Google or Bing. Real estate portals such as Zillow and Trulia offer a variety of free and paid advertising products to aid real estate agents in lead generation. The most significant of these is zip code targeted advertising, where agents active in a particular zip code can use a real estate portal to deliver their ads adjacent to properties for sale displayed from that zip code.

II. Analysis

The Commission considered whether the particular sets of products and features offered by Zillow, Trulia, and other real estate portals constitute a relevant product market first to all real estate agents and second to certain "high performing" agents that achieve the highest return on investment ("ROI") from advertising on real estate portals. The Commission uncovered some qualitative evidence consistent with such market definitions, including the fact that the documentary evidence demonstrated that the parties closely tracked one another in terms of consumer traffic, site features, and pricing. However, the balance of evidence reviewed does not suggest that a hypothetical monopolist of real estate portals could profitably impose a price increase on agent advertising.¹

Staff also attempted to assess whether the merger would lead to anticompetitive effects. Specifically, staff investigated whether it would be profitable for the combined firm to impose a price

¹ The Commission's conclusion in this regard is necessarily based upon the specific facts and evidence available at this time. The competitive dynamics of the real estate advertising industry are rapidly changing and the Commission's statement today does not foreclose the Commission from finding a narrower product market in the future, should the evidence support such a conclusion.

increase either on real estate agents generally or on high performing agents. The evidence was inconclusive. First, there is evidence that a high volume of agents leave Zillow and Trulia on a regular basis, suggesting that alternative advertising sources may constrain their pricing. Second, there is no reliable evidence as to the magnitude and proportion of high performing agents that exist in any particular zip code. Third, there is no evidence that the parties have the ability to price discriminate and thereby target the high performing agents with a post-transaction price increase.

Staff rigorously examined whether quantitative analysis supported the conclusion that a merged Zillow-Trulia would be able profitably to raise price. First, staff found that real estate portals represent only a small portion of agents' overall spend on advertising and that there was no evidence that real estate portals offered a higher ROI compared to other forms of advertising to a sufficiently high percentage of agents. If agents spent a high percentage of advertising dollars on real estate portals or if real estate portals offered a higher ROI than other forms of advertising, then the merged firm could conceivably raise price post-merger. Second, despite significant effort, staff was unable to develop quantitative evidence showing that a significant portion of Zillow's customers would turn to Trulia in the face of a price increase or vice versa. Finally, data analysis did not show a robust relationship between Zillow's pricing to advertisers and Trulia's presence in a particular geographic market.

Staff also investigated whether the merger would reduce competition on the consumer-facing side of the platforms, *i.e.*, whether the merger would substantially lessen competition for consumers interested in researching home buying or selling online. Staff's investigation concluded that the combined entity will continue to have strong incentives to develop new features in order to grow its consumer audience and thereby increase its advertising revenue. Moreover, we note that the combined firm will still face significant competition for consumer traffic from the remaining portals like Realtor.com, online brokerage services such as Redfin, and other consumer-facing online real estate products.

III. Conclusion

Based upon the weight of the evidence reviewed over the course of staff's thorough investigation, the Commission has decided to close the investigation. We emphasize that this decision is the result of a comprehensive examination of all the qualitative and quantitative evidence staff was able to develop during its investigation.