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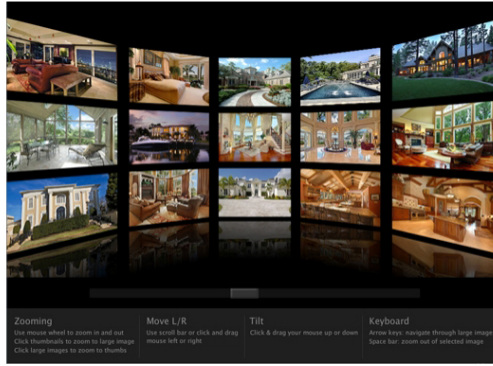
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A screenshot of VHT's Premium Series Photo Gallery.

VHT Inc.

## VHT Inc. prospers in troubled real estate industry

BY JASON HAHN  
JAN 21, 2009

While the real estate industry has spiraled downward this past year, demand for VHT Inc.'s visual marketing services for homes listed online remains at the lofty level of 2007's realty boom, according to the company's co-founder, chairman and former CEO, Brian Balduf.

VHT, based in Des Plaines, specializes in real estate photography services and generating virtual tours for homes listed for sale online. It also produces various visual marketing tools, including interactive floor plans, presentation albums and customized DVDs.

According to the National Association of Realtors, sales of existing homes fell in November to a seasonally-adjusted annual rate of 4.49 million, compared with a full-year total of 5.65 million in 2007. The foundering housing market "helps us more than it hurts," Balduf said. VHT's revenues last year held even with 2007, but the company served three times as many clients last year than it had during the previous two years combined, according to Balduf, who declined to provide specific figures. He attributed the flat revenues to diminished spending by agents.

"The more difficult it is to sell their homes, the more they need to do, the more marketing they need to do. Photography and video is at the heart of all marketing," Balduf said.

VHT has raised \$7 million in venture funding since it was founded in 1999: \$2 million in 1999 and 2000, and the rest since June 2007.

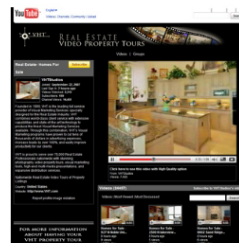
The company works for more than 3,500 companies, representing more than 75,000 agents, providing photography services in all the major metro areas in the U.S. and serving clients around the world.

Though it cut its staff by 12 percent in October, VHT currently employs 50 full-time workers and more than 100 contracted photographers. It has sales people in major cities across the country, and all of its photographers work out of their own offices.

This also caused real estate agents to look for more innovative solutions, according to Balduf. He described the majority of the past decade as a "seller's market" that had little need for marketing.

"Meanwhile, the marketing and technology side of things have moved ahead by leaps and bounds," Balduf said. The housing lull has forced real estate agents to open their eyes to these new technologies and expect their marketing partners to understand how to utilize them.

The real estate agents who work for VHT customer Rubloff Residential Properties Inc. "like the fact that we do virtual tours on all of our homes because they sell them," said Mark Pullinger, vice president and director of marketing at Rubloff, which is based in Chicago. Pullinger added that VHT's YouTube video tours help to advertise Rubloff's listings as well as enhance its search engine optimization for



VHT Inc.

A screenshot of VHT's YouTube channel.



Jason Hahn/Medill From data provided by ZipRealty Inc.



Jason Hahn/Medill From data provided by ZipRealty Inc.

Related Links

- VHT Inc.'s Web site
- VHT's sample interactive floor plan
- Vis-Home Inc.'s Web site
- Vis-Home's interactive floor plan demo
- The Real Estate Media Marketplace

"We are very happy with the service we get from VHT," he said.

VHT, which positions itself as "the Ritz-Carlton of this business," according to Balduf, has managed to preserve its strong market share in the Chicago area during the downturn. Balduf said the company has more than 50 percent of the market and credits this to VHT's strong relationships with most of the local major brokerage firms, relationships that have been developed during its 10 years in business.

Not everyone is delighted with VHT's business. Max Eydelman, chief operating officer of Vis-Home Inc., a competitor based in Chicago that specializes in producing interactive floor plans for homes listed online, said the disappearance of VHT would be a "godsend."

"VHT has done a good job of shutting out competitors," said Eydelman, who estimates VHT's market share in Chicago at more than 75 percent and pegs Vis-Home's market share at around 20 percent.

Vis-Home saw a 20 percent rise in the number of orders it received in 2008. "The industry trend for us in general is that virtual tour penetration has been increasing," Eydelman said. He ascribed this to the fact that most of the buyers today are younger, first-time home purchasers, "for whom this Internet-based form of marketing is most effective."

The National Association of Realtors released a survey in November showing that the proportion of first-time home buyers rose to 41 percent in 2008 from 39 percent in 2007.

"Given low home prices, plentiful supply and affordable interest rates, it's been an optimal time for entry-level buyers with a long-term view," said Lawrence Yun, NAR's chief economist, in a statement.

Eydelman also pointed to the family business's low overhead costs and a general trend he has observed as reasons for Vis-Home's ability to survive.

"The overall marketing dollar pie is getting smaller, but the slice of that pie that's going to Internet-based marketing is getting bigger," Eydelman said.

In light of Vis-Home's market share struggle with VHT, Eydelman said, "It's really between us and them."

VHT is already advancing into another realm of online real estate marketing. Its new venture, the Real Estate Media Marketplace, will be the company's focal point this year as it hopes to become "the end solution for agents," according to Balduf.

"This year, the focus is mostly on the REMM," he said. REMM is attempting to be a one-stop online platform where real estate agents can advertise their properties through the Internet, television, newspapers, magazines, print and cell phones by inputting data just once.

In mid-January VHT announced Alex Zoghlin as its new CEO to advance this cause. Zoghlin, who was the founder and chief technology officer of online travel site Orbitz.com in 2000. He was brought on to "repeat in this industry what he did for travel," according to Balduf.

Balduf said VHT had been proactively looking for someone to head the company since last January. Zoghlin saw an opportunity in real estate after personally experiencing the challenges of selling a home and met a VHT investor in the fall "by serendipity."

Zoghlin's appointment will free up Balduf so he can spend more time focusing on REMM.

Balduf acknowledges that VHT faces major obstacles going forward. There were 9,162 home listings in Chicago in December, according to ZipRealty Inc., a residential real-estate brokerage firm based in Emeryville, Calif. This reflected a 7.9 percent decline from the 9,944 listings in November.

During December, 1,193 listings were sold, a 26 percent year-over-year decrease. Chicago homes listed on the Multiple Listing Service are also staying on the market for longer periods of time, according to ZipRealty. The average days on market per listing for homes in Chicago rose 26 percent to 162 days in December 2008, from 129 days in December 2007.

Despite the ominous housing environment, VHT remains cautiously optimistic about 2009.

"Everybody here is pretty excited," Balduf said. "Change brings opportunity."

He noted that VHT constantly monitors its customers' satisfaction. "If you do right by the clients, they do right by you."

With a strong grip on the real estate visual marketing services industry and a new CEO's leadership, Balduf saw a "great foundation to grow on."

He declared: "Real estate led our country into this and hopefully real estate leads it out."