



# The Daily Dirt: Shorting Zillow Group and other residential companies

*An analysis of New York's top real estate news*

By [Kathryn Brenzel](#) | July 25, 2019 11:00AM



*Left to right: Former Zillow CEO Spencer Rascoff, Zillow CEO Rich Barton, and Steve Eisman (Credit: Getty Images and JD Lasica via Flickr)*

## Shorting public residential companies might be the latest craze. Here's why.

“The Big Short 2”: We open the scene with investor Steve Eisman (played by Steve Carell) sitting alone in his office, watching Zillow Group’s stock price climb. He smiles to himself because he knows what goes up ... must come down.



You're probably thinking there's no way that people are going to watch a second movie about a recession and someone who benefits from it, and you're definitely right. But the point of this lame scene is that Eisman — who made millions betting against collateralized debt obligations laden with subprime residential mortgages ahead of the 2008 financial crisis — is now shorting Zillow Group, [Rich Bockmann reports](#).

“Basically what was happening was Zillow got to a very large size for its platform. Growth was slowing dramatically,” Eisman said. “I thought there was a lot more competition for the platform, and so I thought the growth in the platform was really just going to continue to slow.”

Eisman isn't alone. As of the end of June, short positions in Zillow accounted for 21.7 percent of the company's “float” — or the total shares of the firm's stock that are available to trade. For some context, Elon Musk's Tesla, has about 35 percent of its float shorted. (In case you haven't seen “The Big Short,” to short a stock, an investor buys shares in a company they think will decline in value over a set period of time. They borrow the stock from a broker-dealer, sell the borrowed stock at the market price and when the stock price drops, they buy back the stock at a lower price and return the shares to the broker-dealer — meaning they pocket the difference. Simple!)

After years of massive growth since going public in 2011 and then acquiring StreetEasy in 2013, Zillow's revenue flow has slowed. And its plan to sell homes to grow revenue, through its Zillow Offers program, could hit a snag if the housing market cools — which would make a lot of short sellers very happy.

Zillow's competitors, including Redfin and Realty, also seem to be a target. Short positions make up 20.7 percent of both Realty and Redfin's float. And now might be a prime opportunity to short Realty. The company just announced a partnership with Amazon, through a lead-generation service called “TurnKey.” So far, the news has buoyed Realty's plummeting stock, but [analysts are skeptical](#) that such growth will last long.

### **Speaking of skeptical analysts ... the We Company might go public in September.**

The SoftBank-backed unicorn is looking to go public earlier than expected. According to the Wall Street Journal, the company's initial public offering could be held as early as September.

The We Company filed some IPO paperwork with the U.S. and Securities Exchange Commission in April, and has since initiated talks with JPMorgan for a \$2.75 billion line of credit, a further indication that the company is moving forward with an IPO.

The company, however, has yet to turn a profit and some critics doubt it will live up to its purported \$47 billion valuation. Last week investors also raised concerns that co-founder and chief executive Adam Neumann has in recent years sold \$700 million of debt and equity in the company. ^\\_(\ツ)\\_/

**What we're thinking about next:** Will the Trump Organization ever pursue [another project in Moscow](#)? Send a note to [kathryn@therealdeal.com](mailto:kathryn@therealdeal.com)



## CLOSING TIME

**Residential:** The priciest residential closing recorded on Wednesday was for a condo unit at 220 Central Park South in Midtown, at \$14.6 million.

**Commercial:** The most expensive commercial closing of the day was for a [development site](#) on the southeast corner of East 56th Street and Lexington Avenues, at \$97.4 million. MRR Development and Zahi Hagag is buyer, and Kiska Development is the seller.

## BREAKING GROUND

The largest new building filing was for a 15,520-square-foot mixed-use building at 109-25 207th Street in Jamaica. 206M1 LLC filed the permit application.

## NEW TO THE MARKET

The priciest residential listing to hit the market on Wednesday was for a co-op unit at 125 East 72nd Street in Lenox Hill, at \$7.8 million. Sotheby's International Realty's Kerry Schmidt has the listing. — *Research by Mary Diduch*

## A thing we've learned...

NYC has nine different Chinatowns. Many of you probably immediately think of the one in Manhattan, and those in the know will also offer up Flushing and Sunset Park. According to Eater, there are also Chinatowns in Little Neck, Forest Hills, the East Village, Homecrest, Elmhurst and Bensonhurst. Thank you to Yoryi DeLaRosa, who first spotted a breakdown of the city's various Chinatowns on Wikipedia.

## Top stories from our other markets:

### NATIONAL

CoStar Group Inc. [took in a record \\$59 million](#) in sales bookings companywide in the second quarter, marking a 32 percent increase year over year and fueling a 16 percent growth in revenue. The bookings boost stemmed from a 122 percent surge on Apartments.com, the company's rental listing platform, according to CoStar's second-quarter earnings report. The real estate data firm saw \$344 million revenue in the second quarter. Net income totaled \$63 million and EBITDA was \$94 million, both metrics also up year over year.

### CHICAGO

A Connecticut investor made a splashy acquisition in the Chicago industrial market, buying a Goose Island building that is home to the University of Illinois' high-tech manufacturing hub. Greenfield Partners [paid \\$73 million](#) for a 280,000-square-foot industrial facility at 930 West Evergreen Avenue, according to Cook County property records. Selling the facility was candy purveyor Mars, which appears to have made a tidy profit on the deal. The Wrigley Company, a subsidiary of Mars, bought the massive factory from Republic Windows and Doors in 2006 for \$31 million, the Chicago Tribune reported at the time.

### LOS ANGELES

There's a new wrinkle in the ongoing demolition of the so-called Starship Enterprise, built by spec home developer Mohamed Hadid. The



four Bel Air neighbors who are suing Hadid for his half-built mansion are [now claiming](#) the property has moved an inch during the demolition process, further endangering their own homes. That's according to the latest court filings in the drawn out case involving Hadid and the Bel Air home, which has become the subject of civil, criminal and FBI cases. In the most recent civil case, brought by the neighbors, Hadid has been ordered to tear down the portions of the home that were built in violation of city codes. That includes the third floor of the 30,000-square-foot home, as well as the pool deck.

## MIAMI

New York Life Insurance Co. bought the Financial Center at the Gardens for [\\$71.8 million](#), marking one of the Palm Beach County's largest office sales of the year. The real estate arm of New York Life Insurance purchased the 195,787-square-foot-office building at 3801 PGA Boulevard in Palm Beach Gardens for \$366 per square foot, according to a press release. Newport Beach, California-based KBS, one of the nation's largest owners of office space, sold the property. Boca Raton-based Crocker Partners will be the operating partner of the 10-story Financial Center. KBS bought the property in 2015 for \$63.1 million.

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