



iBuyers, The Good, The Bad, and The Ugly

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CEO, SMMI and CENTURY 21 Advantage Gold

The State of the Industry

- **\$1.6 trillion worth of annual real estate transactions** (Source; NAR)

The State of the Industry

- **\$100 Billion worth of real estate commissions paid**

(Source; NAR)



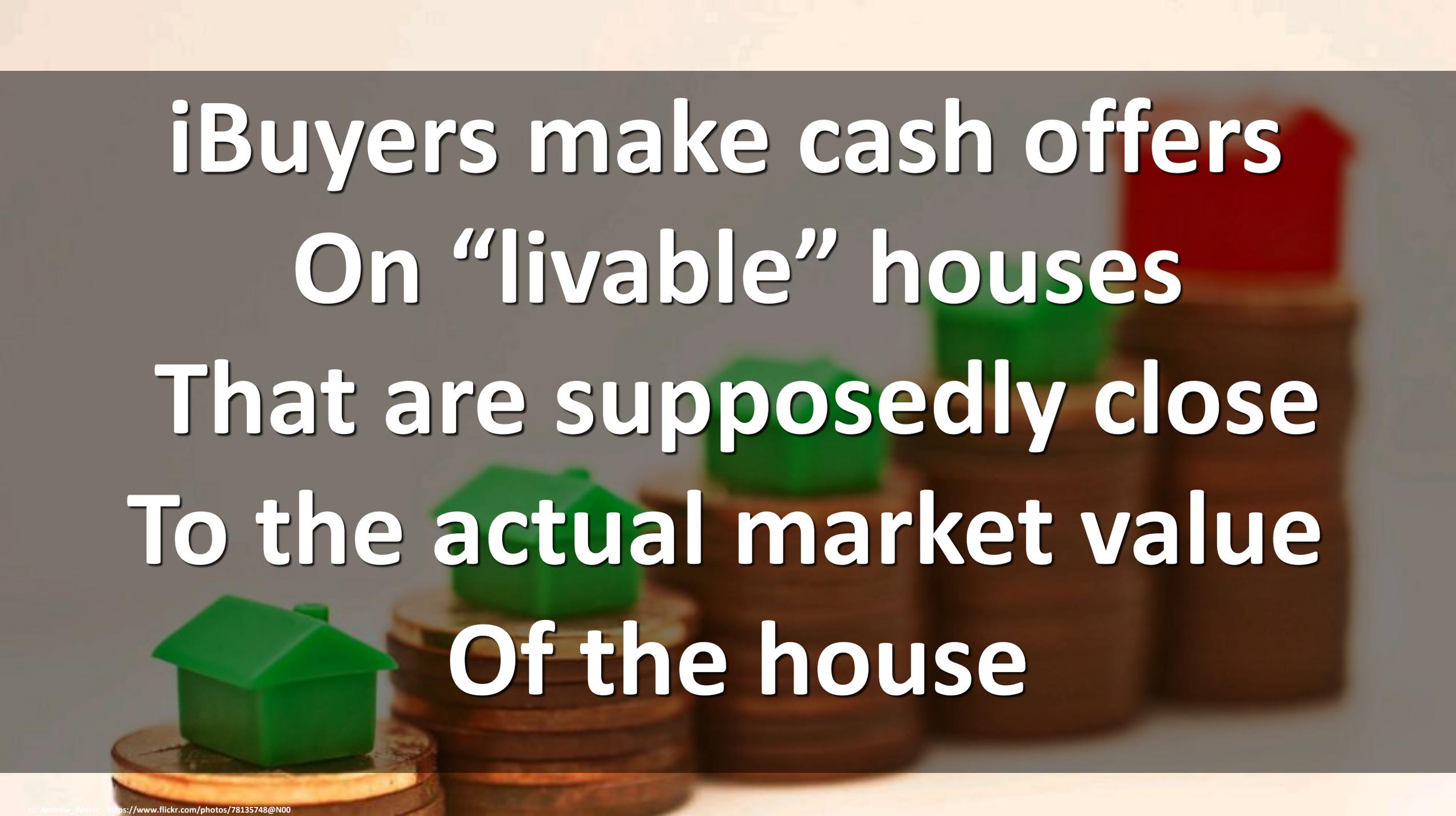
iBuyer= Instant Buyer



So What's New About That?



7.2% of All Homes Sales in Q1 2019 Were to
“Flippers” (138 Markets Nationally) (Source; Attom Data)



iBuyers make cash offers
On “livable” houses
That are supposedly close
To the actual market value
Of the house

iBuyers are fueled by Cash

- **Opendoor** \$1.3 Billion in Equity Raised
- **Zillow** \$7.1 Billion Market Cap
- **Offerpad** \$150 Million in Equity Raised
- **Knock** \$60.5 Million in Equity Raised
- **Redfin** \$1.8 Billion Market Cap

How do these businesses function?

Buy Box Discipline



P R O F I T

M A R G I N S

iBuying is Low Margin, High Volume

A blue-tinted photograph showing a close-up of a calculator's keypad on the left, a pen and a pair of glasses on the right, and a document with a list of numbers in the background. The text is overlaid on a dark horizontal band across the middle of the image.

**Fees (6-12%)+ Price Appreciation (3-8%)
= Revenue**



iBuying Costs a Lot!



iBuying is Very Labor Intensive

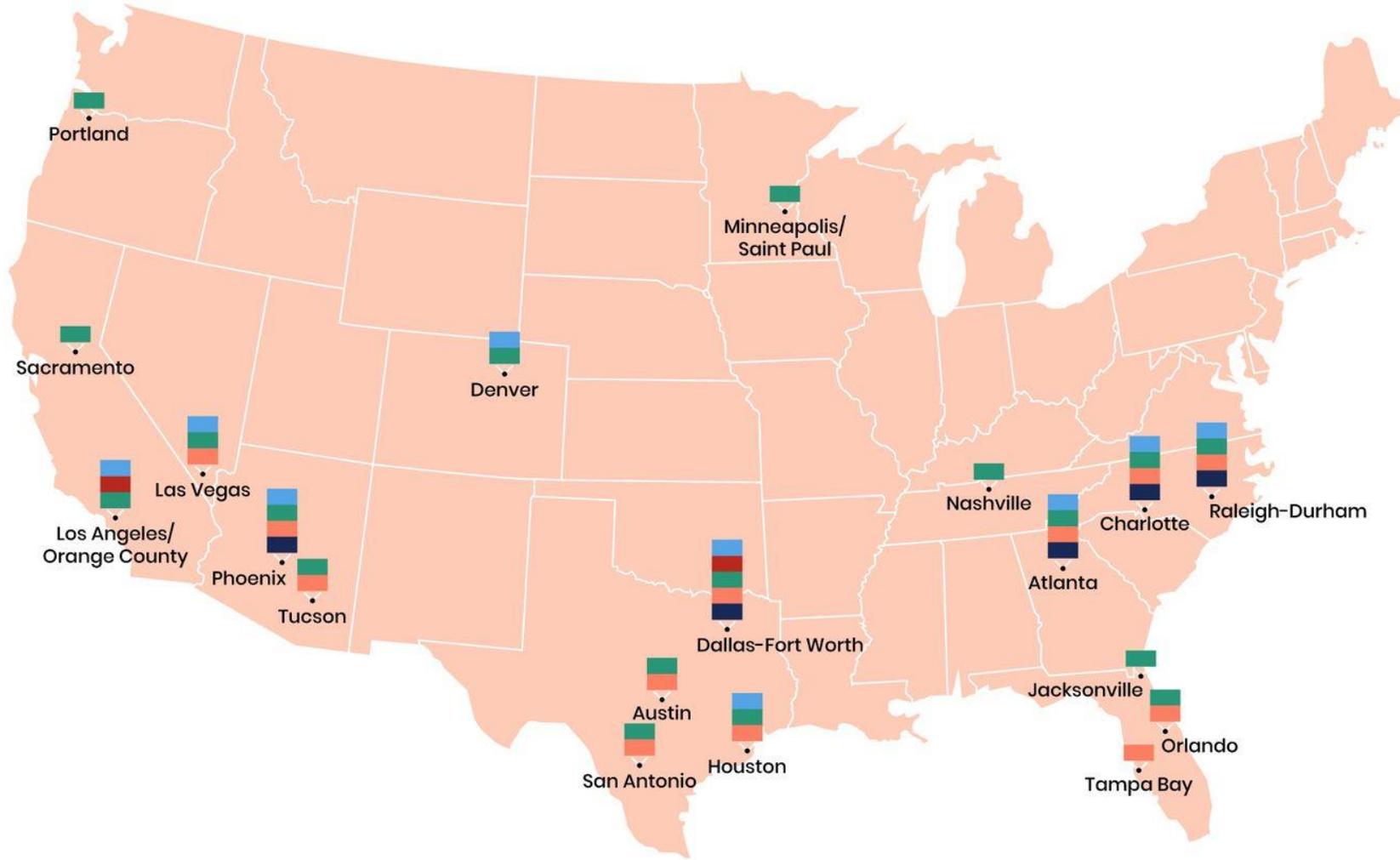
A one-dollar bill is centered in the lower half of the image, resting on a light-colored brick wall. The bill is slightly out of focus, showing details like the portrait of George Washington, the serial number L 89823401 J, and the words 'FEDERAL RESERVE NOTE' and 'THE UNITED STATES OF AMERICA'. A semi-transparent dark grey horizontal bar is overlaid across the middle of the image, containing the text 'iBuying is Very Capital Intensive' in a bold, white, sans-serif font.

iBuying is Very Capital Intensive

A group of people, including men and women, are sitting in a long line on the ground, practicing a martial art. They are wearing white uniforms with dark belts. The background shows a wooden fence and trees. The scene is outdoors and appears to be a training session.

iBuyers Need Discipline

Where iBuyers are operating



■ Zillow ■ Redfin ■ Opendoor ■ Offerpad ■ Knock

*No iBuyers currently operate in Alaska or Hawaii

IBUYERS NEED TO SCALE RAPIDLY



iBuying Firms can

Create Additional Income Potential



Institutional SFR Buyers



What's the Goal?

A Small Segment of a HUGE Market





GROW

A Rapidly Growing Sector - 0.2% of All Sales in 2018

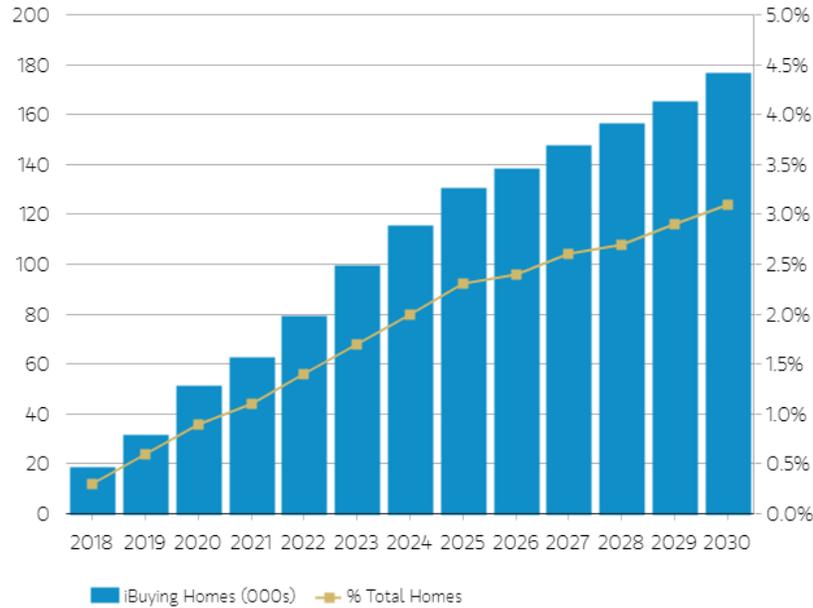


GROW

“But grow in the grace and knowledge of our Lord and Savior Jesus Christ.” 2 Peter 3:18

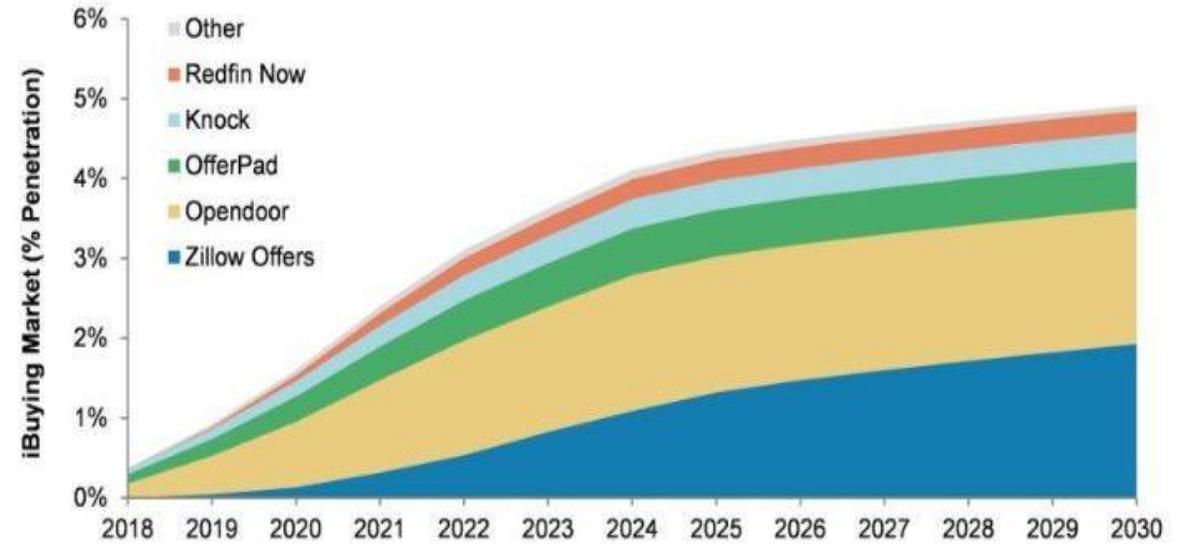
iBuyers were 4% of the Phoenix Market
Zillow's entry in May 2018 added 2%
Growing to 6% of Phoenix market by Feb 2019

Morgan Stanley Estimates the iBuying Market Could Reach ~3% Total Transaction Penetration by 2030, the Equivalent of ~175k Homes



Source: Company data, Morgan Stanley Research estimates

Exhibit 12: We Estimate the iBuying Market Reaches ~5% Total US Transaction Penetration by 2030, with Z Obtaining Leading 40% Market Share



Source: Company data, Morgan Stanley Research

A GROWING SEGMENT OF THAT MARKET

- These businesses are seeking their IPO, or looking for better stock prices so they don't require immediate profitability



For VCs and Stock Prices, Velocity
Outshines Profit

“Red is the New Black” -Mike DelPrete at #ICLV

- Sustained unprofitability” has become a competitive advantage

MIS INFORMATION



iBuying, Like all Tech is Surrounded by Hype
and Misinformation

A large, spherical sculpture made of thousands of blue plastic roses. The top of the sphere is covered with various pieces of discarded electronic waste, including mobile phones, a watch, and other small plastic items. The sculpture is set outdoors in a parking lot with cars and a grassy hill in the background.

Living in an iBuying World

A man with dark hair, wearing a grey hoodie and blue jeans, is sitting on a wooden bench. He is looking down at a yellow object in his hands. To his right, a woman is sitting on the same bench, wearing blue jeans and a dark jacket, holding a green handbag. The scene is set in what appears to be a public space, possibly a train station or a bus stop.

iBuying isn't all its' cracked up to be



**AVMs are Not Necessarily Reflective of
True Market Value**

AVMs May Create Confirmation Bias for the Seller (or Buyer)

- **Definition of Market Value;** *”Market value is the most probable price that a property should bring in a competitive and open **market** under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.”*

A top-down view of a clear glass juicer with a textured, ribbed rim and a handle on the left. A single bright yellow lemon is positioned in the center of the juicer's basket. The juicer is placed on a dark reddish-brown wooden surface with visible grain. The lighting is soft, highlighting the texture of the glass and the vibrant color of the lemon.

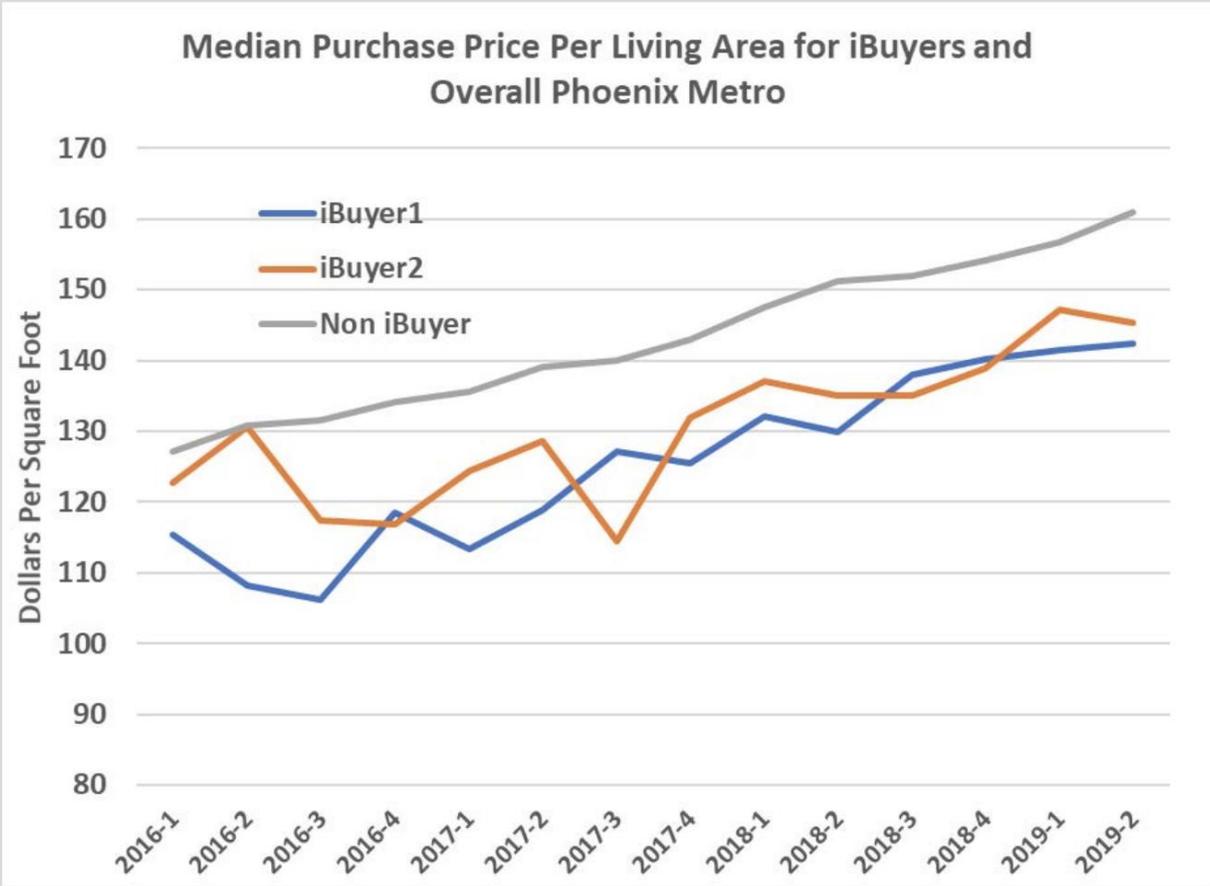
**The Juice May Not be Worth
“The Squeeze” for the Seller**



Only 2.5% of iBuyer Inquiries
Result in a Purchase for Them

A Recent Study Shows iBuyers cost Sellers 13-15% More than traditional sales

(Source: Collateral Analytics)



Local Studies Shows the Same

(Source: Marketwatch “*Selling your home to an ‘iBuyer’ could cost you thousands*”)

iBuyer offers fall short of market potential

	ATLANTA AVERAGE	CHARLOTTE AVERAGE	RALEIGH-DURHAM AVERAGE
Actual sold price	\$293,311	\$237,900	\$211,100
Opendoor offer	\$256,838	\$218,700	\$202,660
Opendoor fee	6.9%	5.0%	5.6%
Offerpad offer	\$240,813	\$204,015	
Offerpad fee	7.8%	7.8%	
Estimated customer net, Opendoor offer	\$238,142	\$207,765	\$190,971
Estimated customer net, Offerpad offer	\$222,005	\$188,274	
Actual customer net, open market	\$271,420	\$220,911	\$196,571
Offerpad discount	18.2%	14.8%	
Opendoor discount	12.3%	6.0%	2.8%

Sources: MarketWatch calculations, based on customer interviews, public records, and Knock company data

And All iBuyers Aren't the Same

(Source: Marketwatch “*Selling your home to an ‘iBuyer’ could cost you thousands*”)

A sample iBuyer customer experience

Sale of Jeremy Ano's home in Acworth, Georgia

Seller concession	\$10,000
Opendoor offer	\$278,300
Opendoor fee	11.50%
Offerpad offer	\$256,459
Offerpad fee	7.5%
Customer net: Opendoor	\$246,296
Customer net: Offerpad	\$237,225
Customer ne: Knock	\$269,884

Source: Jeremy Ano, public records, Knock



We Are Just starting to See the Second
Wave of Companies



There will be Competitive Pressure on these companies that may bust their “Buy Box”



The companies will be susceptible to
Market cycles and Slowdowns

Where does that leave RE Professionals





People may get an iBuying Offer First

A close-up photograph of a computer keyboard. The central focus is a bright green key with the word "sell" printed in white lowercase letters. Surrounding this key are several other white keys with black text: "caps lock" to the left, "A", "S", and "Z" above, "X" to the right, "alt" and "option" below, and a "command" key with a cloverleaf symbol to the right. The keyboard is set against a light-colored background, and the lighting creates soft shadows between the keys.

Since There's Only a 2.5% Conversion Rate



This May be Just a Stop on the Way to
Listing Their Home

We have the resulting seller opportunities



We have the remaining 95% of the market





The COMPLETE iBuyer Solution

for Brokerages

[Learn More](#)

Home sellers, heard about us in the news? [Get started.](#)

“zavvie gives brokers a seat at the table in the world of iBuyers.” — Mike DelPrete



AND iBuying Lead Gen Opps will appear

Small Investors may Suffer some



MOVE
CHANGE
ADAPT
FLEX
GROW
BE
DO.

**BUT IN
GENERAL
AGENTS
AND
BROKERS
WILL ADAPT**



**KEEP
CALM
AND
DON'T
FORGET
TO BE
AWESOME**

James Montour

**SO, IN
CLOSING**

-



Thanks for listening!

- Want to hear me talk some more?
 - [Write to me:
billlublin@gmail.com](mailto:billlublin@gmail.com)
 - Call Me 215-280-4114
 - Tweet at Me @BillLublin