



iBuyers, The Good, The Bad, and The Ugly

Bill Lublin, CRB, CRS, GRI, C-RETS, e-PRO®, GREEN
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

A man in a grey t-shirt and dark pants stands in the center of a modern office, gesturing towards a whiteboard. He is addressing a group of three people. On the left, a man in a light grey shirt and blue jeans sits in a blue office chair, working on a laptop. On the right, two men sit on a blue sofa, also working on laptops. The whiteboard behind the presenter is divided into sections with handwritten notes and yellow sticky notes. The office has large windows, a brick wall, and a large white lamp. The text "How do these businesses function?" is overlaid in white on a dark horizontal band across the middle of the image.

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 close-up photograph of a calculator, a pen, and a pair of glasses resting on a document with a table of numbers. The calculator is on the left, showing buttons for numbers 1-9, 0, and mathematical symbols like +, -, x, and /. The pen is a dark, sleek object lying horizontally across the middle. The glasses are on the right, with their frames and lenses visible. The document underneath is a table with multiple rows of numbers, some of which are highlighted in blue. The overall lighting is soft, and the colors are muted, giving it a professional and analytical feel.

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



iBuying Costs a Lot!



iBuying is Very Labor Intensive

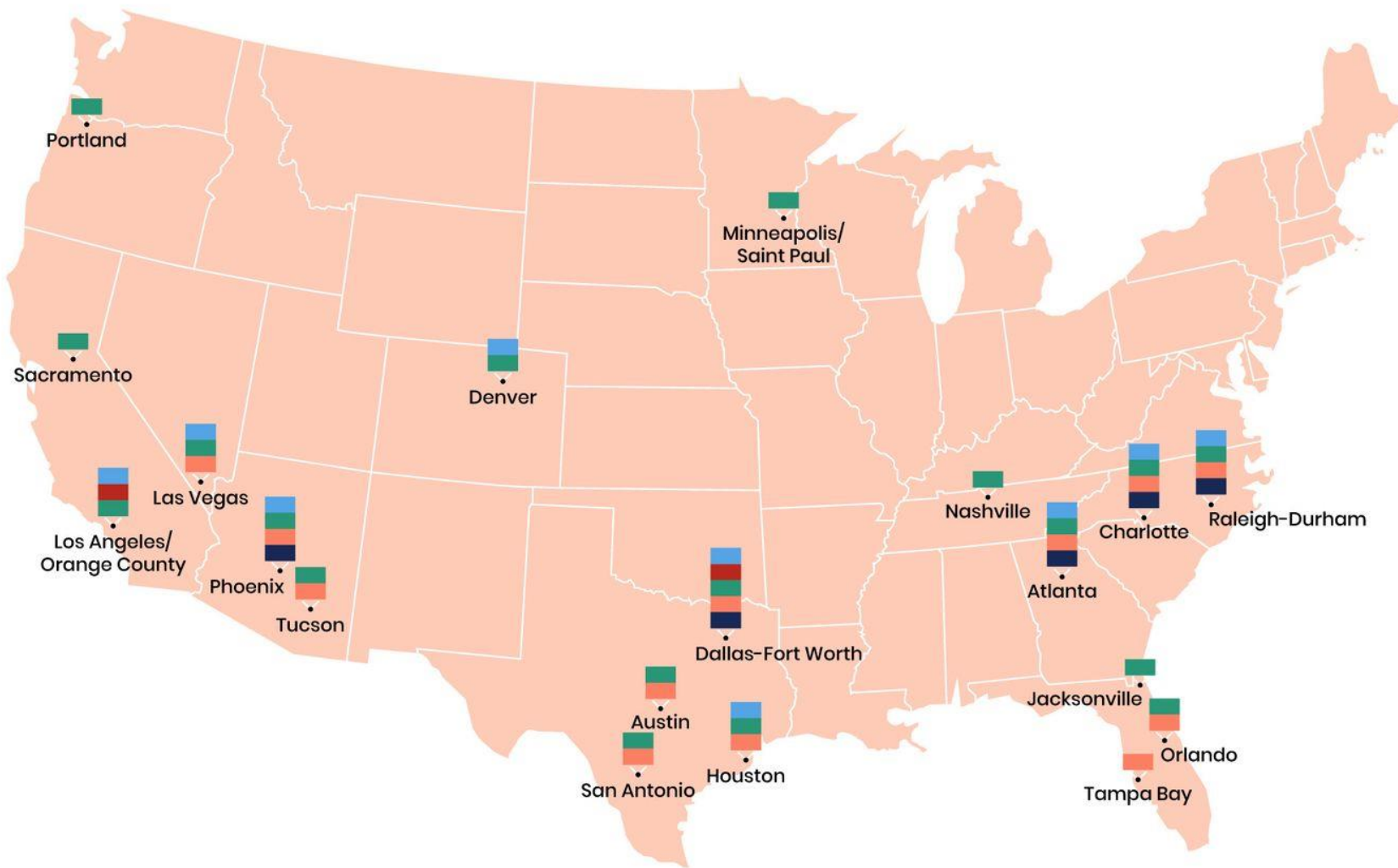
A US one-dollar bill is positioned horizontally in the center of the frame, with a US quarter coin placed directly below it. The background is a light-colored brick wall. A semi-transparent dark grey horizontal band spans the width of the image, passing behind the text.

iBuying is Very Capital Intensive



iBuyers Need Discipline

Where iBuyers are operating



IBUYERS NEED TO SCALE RAPIDLY

■ Zillow ■ Redfin ■ Opendoor ■ Offerpad ■ Knock

*No iBuyers currently operate in Alaska or Hawaii



NATIONAL
ASSOCIATION of
REALTORS®

BROKER'S
EDGE



iBuying Firms can

Create Additional Income Potential



Institutional SFR Buyers



What's the Goal?

A Small Segment of a HUGE Market



The word "GROW" is rendered in a large, bold, sans-serif font. Each letter is filled with a dense texture of green grass, giving it a three-dimensional, organic appearance. The letters are set against a solid, vibrant green background that has a subtle gradient, being slightly lighter in the center where the word is located. The overall effect is one of natural growth and vitality.

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

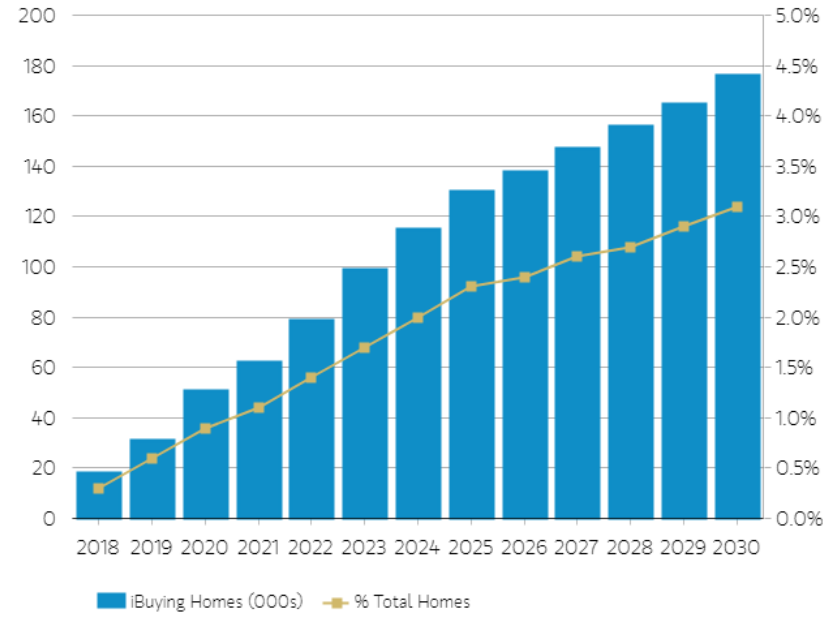


GROW

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

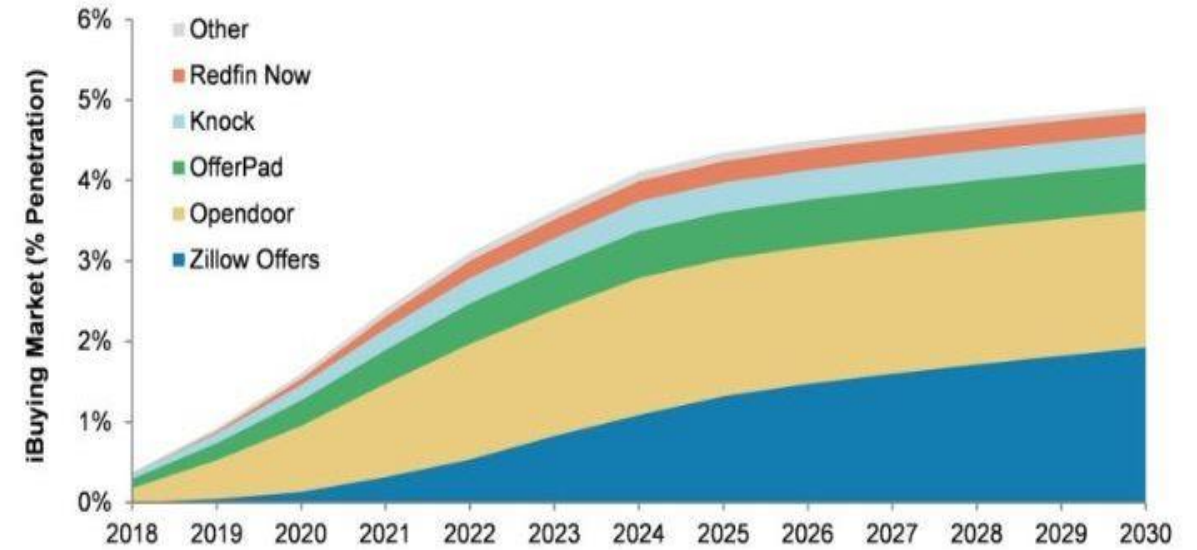
iBuyers were 4% of the Phoenix Market
Zillow's entry in May 2018 added 2%
Growing to 6% of Phoenix market by Feb 2019

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 of the Earth is the central focus. It is covered in thousands of small, blue, rose-like flowers. The top of the sphere is densely packed with various pieces of electronic waste, including old mobile phones, circuit boards, and other small components. The sculpture is situated outdoors in a parking lot. In the background, there are several cars parked, a grassy hill, and some buildings under a clear sky.

Living in an iBuying World

A man with dark, curly hair, wearing a green hoodie and blue jeans, is sitting on a wooden bench. He is looking down at a smartphone in his hands. To his right, another person is partially visible, wearing blue jeans and holding a green handbag. The background is slightly blurred, suggesting an outdoor setting.


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."*



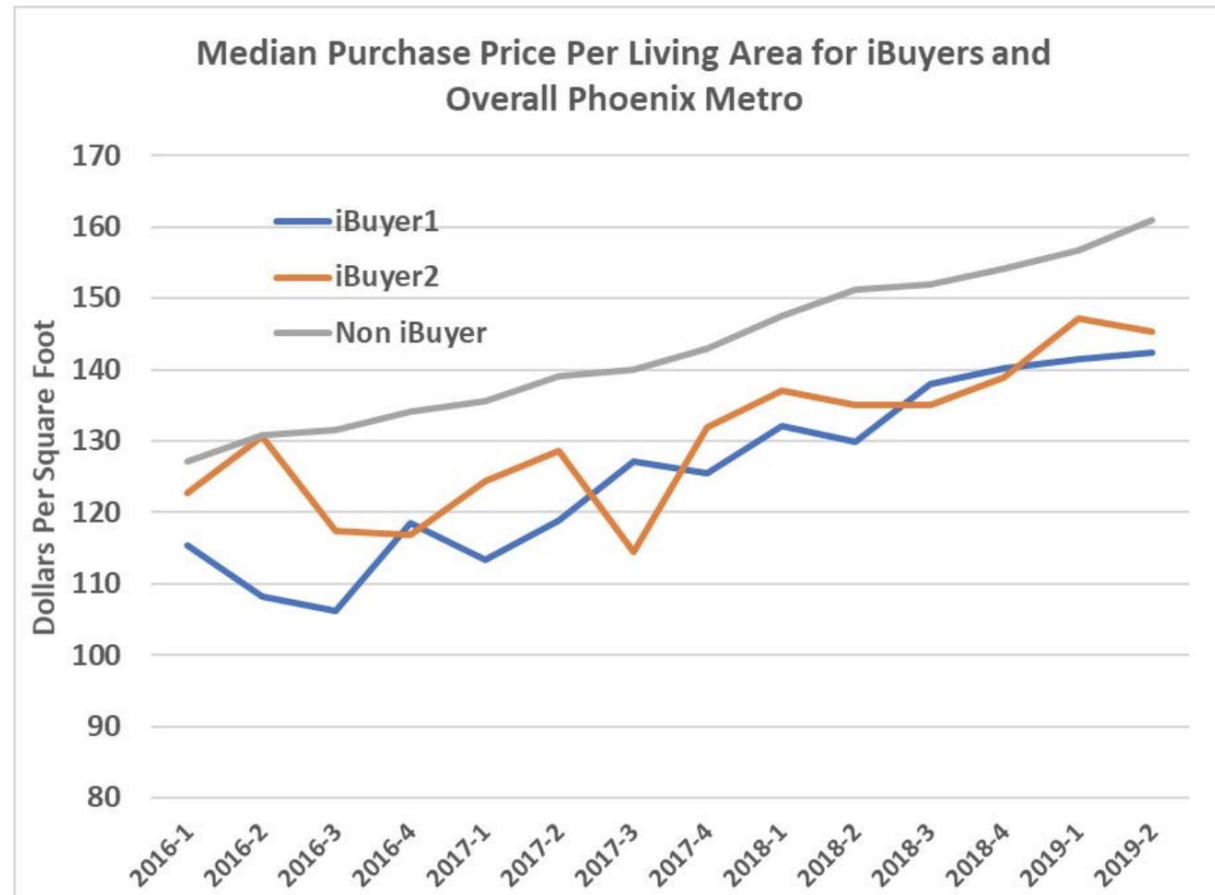
**The Juice May Not be Worth
“The Squeeze” for the Seller**



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 focus is on a green key with the word 'sell' in white lowercase letters. Surrounding it are several white keys: 'caps lock' to the upper left, 'A' to the upper right, 'S' to the right, 'Z' to the lower right, 'X' to the right, 'alt' and 'option' to the lower right, and a key with a four-way arrow symbol to the right. The keyboard has a silver or light grey frame.

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**



**SO, IN
CLOSING**

-



Thanks for listening!

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