

Q4 2021

# SELLER PREFERENCES REPORT



zavvie

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# WHAT IS THE SELLER PREFERENCES REPORT?

The zavvie Seller Preferences Report is the first review of its kind, covering all the selling solutions available to homeowners throughout the US. The report analyzes the current activity of leading seller options such as the "buy before you sell" solutions - we call them Power Buyers - and iBuyers, including market locations, business volume and trends, and current buy boxes. The zavvie report also examines offer strength, offer acceptance rates, service fees, average concessions, time to close, and customer satisfaction.

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## SUMMARY

October through December of 2021 continued the year's historic seller's market with limited inventory and strong price appreciation, albeit with a predictable seasonal sales slowdown. Generally speaking, selling a house was easy but buying a new house remained difficult. For the 55-70% of sellers who were also looking to buy, this created a "chicken and egg" problem: they would list and sell their home if only they were confident they could find a new house to buy. That dynamic stuck their listings on the sidelines of the market, making the inventory problem worse.

These conditions presented a challenge for iBuyers, whose value proposition is based on speed, certainty, and convenience. Who needs an instant offer from a tech company if you can sell your house on the open market faster than you ever thought possible for more money than you ever expected? Nevertheless, as we shall see the iBuyers had a breakout year.

At the same time, the market conditions in 2021 were perfect for the Power Buyers which experienced spectacular growth.

Consumers continued to embrace Power Buyers and iBuyers, and across the board sellers reported very high satisfaction with their experience. We believe both solutions are here to stay, and that Power Buying - including "buy before you sell" bridge solutions described below - may eventually become the norm in residential real estate.

# POWER BUYERS

In 2021, more sellers than ever utilized services offered by a range of companies that are fundamentally changing how residential real estate works. The details of their programs vary, but one common denominator is they dramatically increase the consumer's power as a homebuyer, creating a massive advantage for those who need to buy in order to sell. Hence our preferred term for these companies, "Power Buyers."



## POWER BUYERS: TOP SERVICES

**"Buy Before You Sell:"** enables home sellers to secure their next home with no financing contingency before listing and selling their current home.

**"Sale Leaseback:"** enables homeowners to unlock the equity in their home by selling it to the Power Buyer and then temporarily leasing it from the Power Buyer, enabling the homeowner to purchase their next home without a loan contingency, or use their equity for other purposes.

**"Cash Offers:"** enables home buyers to make offers that are backed by the Power Buyer and therefore have no financing contingency.

# SUMMARY OF TOP POWER BUYER SERVICES:

Company	Description	Services Offered
EasyKnock	Real estate technology company specializing in sale-leaseback programs	-Sell And Stay, MoveAbility, and ReLease: Unlock home equity
Flyhomes for Agents	Technology company that empowers home buyers, sellers, and agents to win.	-Cash Offer: Makes offers "as good as cash" -Buy Before You Sell: Enables sellers to secure their new house before listing their current house
Homeward	Modern home finance company	-Buy With Cash: Makes buyers' offers "good as cash" -Buy Before You Sell: Enables sellers to secure their new house before listing their current house.
Knock	Homeownership technology platform	-Knock Home Swap: End-to-end solution enables consumers to sell and buy simultaneously. -Knock Go: Makes offers "good as cash" -Knock Nest: Unlock home equity -Home Prep Concierge: Access to network of contractors, manages payment until closing.
Ribbon	Cash offers platform	-RibbonCash Offers: Makes offers "good as cash" -Buy Before You Sell: Enables sellers to secure their new house before listing their current house. -Ribbon Rescue: Provides cash funding so buyers can meet contingency dates.

## POWER BUYERS: CONTINUED GROWTH

Our analysis of the consumer benefit of working with a Power Buyer revealed that in the Denver market during Q2, a buyer using a traditional mortgage and having a loan contingency with their offer needed to make offers on seven houses before having an offer accepted. In contrast, homebuyers utilizing a "Cash Offers" program averaged just 1.1 offers submitted before successfully purchasing a home.

The Power Buyers themselves report similar findings supporting that "good as cash" offers are significantly more competitive and successful than traditional offers with loan contingencies, giving buyers (and sellers who are also buyers) a big advantage.

Throughout 2021, the Power Buyers experienced explosive growth and expansion. Ribbon reported demand for its Cash Offers has increased 10x in 2021. EasyKnock, which already operates nationwide, more than doubled its business over the course of the year. Knock continued its expansion from 3 markets at the end of 2019 to 71 markets by the end of 2021. Homeward kicked off a 20 state expansion plan. Flyhomes launched a national expansion as "Flyhomes for Agents" by rolling out in several states.

# iBUYERS

Collectively the iBuyers purchased over 71,000 homes in 2021, compared with about 14,000 in 2020 (when the pandemic temporarily paused iBuying). That's a 5x increase.

In Q4 iBuyer purchases slowed compared with Q3 but remained strong at 20,000. Their offer strength continued to taper from the summer record highs, stabilizing at right around 100% of market value [1]. Service fees increased to 5.8%, which is not out of line with 5-6% commission amounts that are typical when selling a home on the open market.

**It's time to think differently about the iBuyers.**

In November, Zillow announced it would discontinue its iBuying operations. As we shall see in this report, it's clear that Zillow's decision was attributable to internal factors specific to Zillow rather than to any lack of consumer demand.

Taking a step back and considering Opendoor, Offerpad, and RedfinNow, we believe it's time to think differently about the iBuyers for the following reasons:

- They have achieved very legitimate national scale in just a few years, despite the headwinds of an unprecedented seller's market
- Their offer amounts and fees are in line with the open market.
- Consumers love what they do, based on consistently strong satisfaction scores.

For these reasons and others, it's time to stop questioning whether iBuying is good or bad, and start asking if an instant offer is a good option for your next home sale.



[1] Based on analysis of iBuyer purchase prices compared with Automated Valuation Model prices for the same properties. AVM provided by ATTOM Data Solutions.

# MARKETS

2021 was a year of expansion for Power Buyers and iBuyers on the zavvie platform, as they moved into numerous new markets as summarized below.

The pace of expansion slowed in Q4, as Power Buyers and iBuyers alike seemed to take a pause to digest the year's rollouts.

## Power Buyers

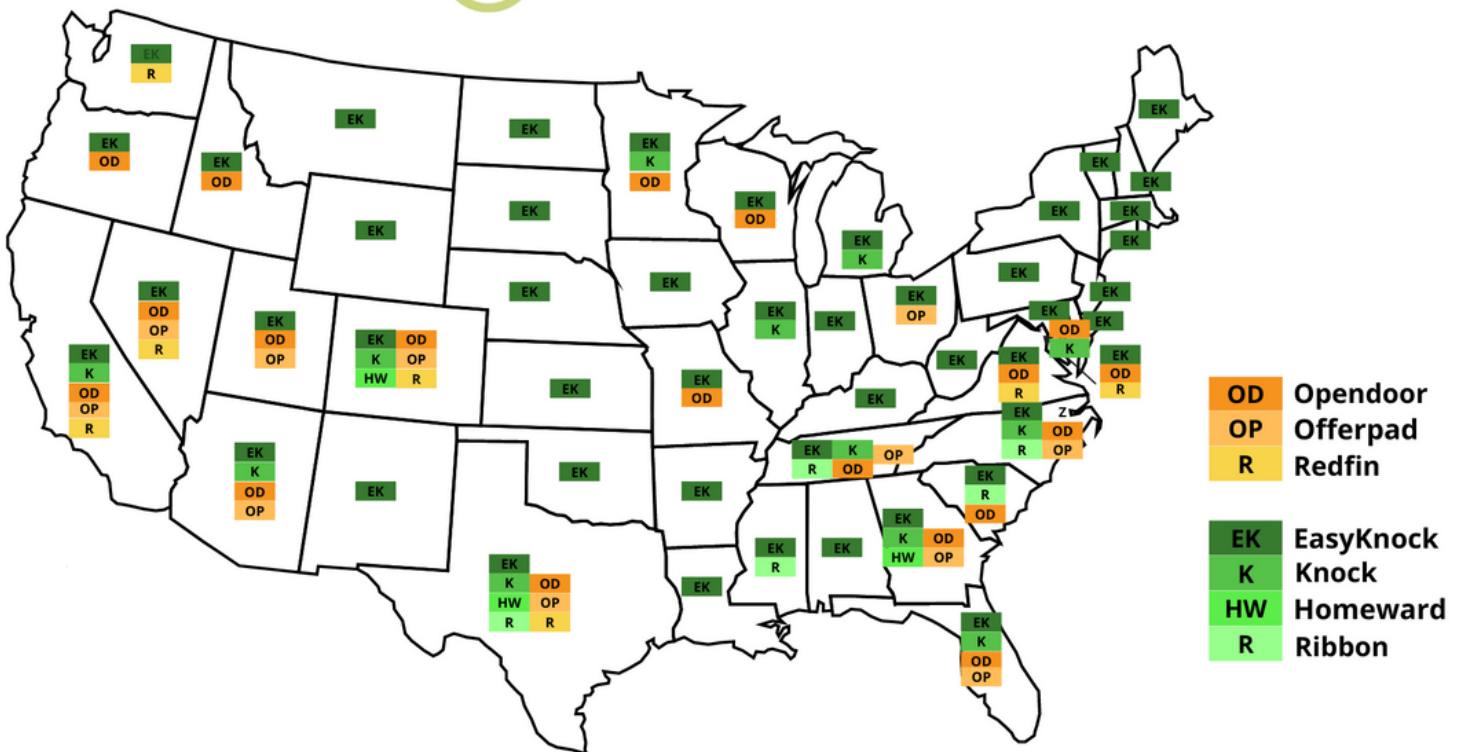
Solution Providers	Q4	Q1-3
Ribbon	AL	
Knock	MD: Baltimore MI: Detroit	AZ: Prescott, Yuma FL IL: Chicago MN: Duluth, Rochester, St. Cloud OR: Portland TN: Knoxville, Memphis, Sherman-Denison, TX
EasyKnock	Nationwide	
Homeward	AZ: Phoenix	
Flyhomes For Agents	TX, CO, MD, DC, CA, WA	

## iBuyers

Solution Providers	Q4	Q1-3
Opendoor	No New Markets	AL: Birmingham OH: Cleveland, Columbus AZ: Prescott CA: San Diego CO: Colorado Springs DC: Washington FL: Miami, Fort Lauderdale, and Palm Beach ID: Boise IN: Indianapolis, IN KS: Kansas City MO: St. Louis NC: Asheville, Greensboro, Winston Salem, and High Point NV: Reno OK: Oklahoma City SC: Columbia and Greenville TN: Knoxville and Chattanooga TX: Corpus Christi and Killeen
Offerpad	OH: Columbus	CO: Denver IN: Indianapolis MO: Kansas City, St. Louis SC: Columbia TN: Nashville

# MARKETS

A significant trend we continued to observe was a demand for Power Buyer and cash offer options from real estate brokers and their clients throughout the country, specifically in smaller markets where the national iBuyers aren't present. In such markets, non-retail institutional buyers that purchase houses as rental properties and local investors who often specialize in homes needing renovation are increasingly working with sellers seeking an experience similar to that offered by the national iBuyers.

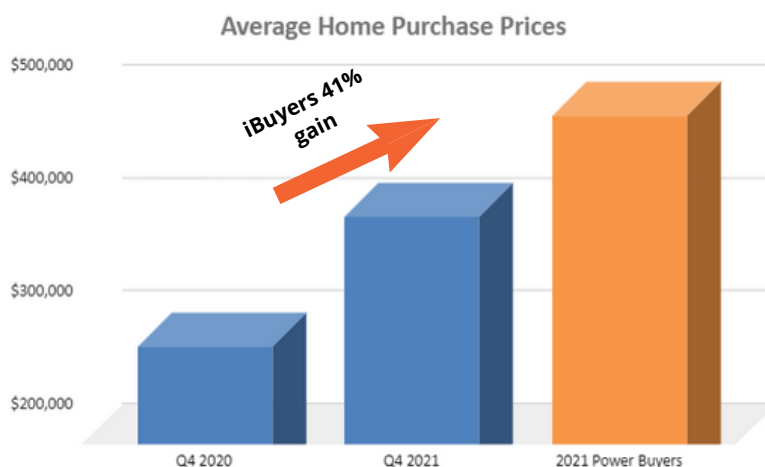


# BUY BOXES

In Q4, iBuyer "buy boxes" (their targeted purchase price range, age, and other conditions) stabilized, remaining consistent with past quarters. Historically the trend has been for buy boxes to expand as these programs moved into more expensive markets, gained operating experience and confidence, and aggressively pursued market share. That seems to have tapered off. From our analysis of iBuyer buy boxes and housing stock in markets where iBuyers operate, the iBuyers collectively could purchase 47% of properties. This is a marked increase from the 32% at the end of 2020.

Generally, Power Buyers can work with a broader range of properties and accommodate higher-priced properties than iBuyers can. However, the iBuyers have been closing the gap. In 2021, their buy box widening raised the percentage of houses eligible for their offers by 38%, increasing the percentage of eligible inventory in the markets they service from 32% to 47%.

**On February 8, Opendoor announced launching in the San Francisco Bay Area, where it would purchase houses up to \$2.5 million. That's the biggest buy box expansion we've seen yet.**



## MASSIVE INCREASES

Over the past year, median purchase prices for iBuyers increased remarkably from \$280K in Q4 2020 to \$395K in Q4 2021, a 41% gain.

In comparison with iBuyers, Power Buyers can work with a much broader range of properties, including higher-priced properties than iBuyers. In Q4 2021 the median price for Power Buyer transactions came in at \$485K.

Apparently, Power Buyer programs are a better fit for sellers at higher price points. That's not surprising considering many of these sellers are move-up buyers who are selling their house to buy a more expensive one.



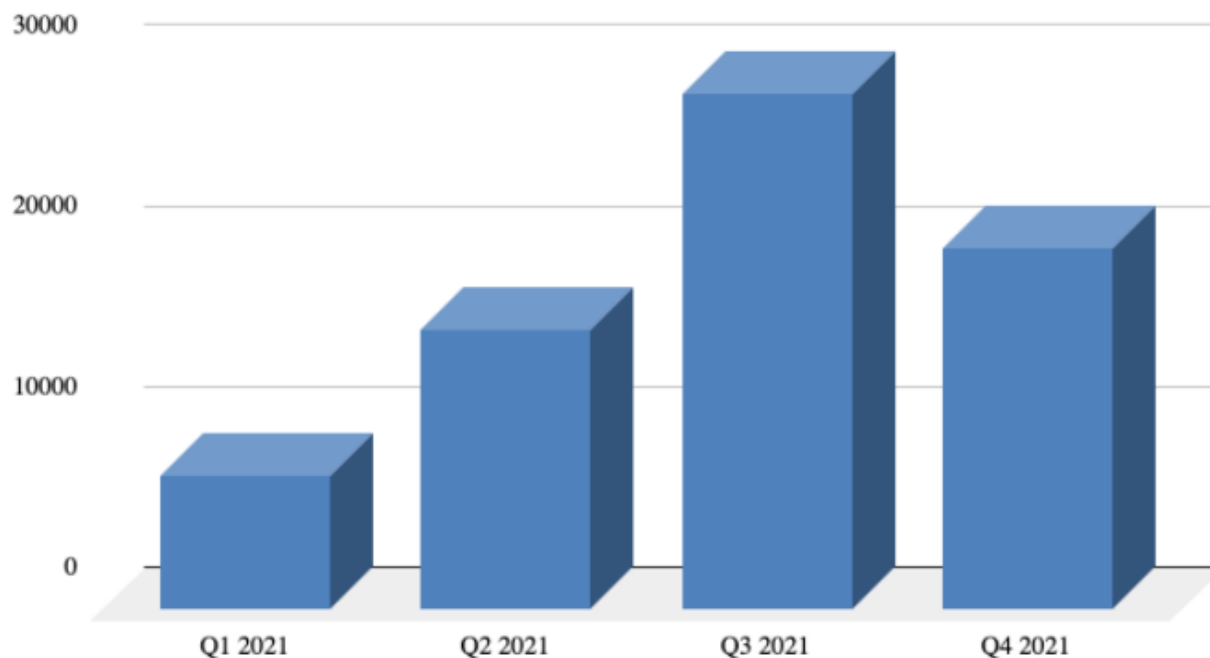
# ACTIVITY/VOLUME

Utilization of Power Buyer services continued to grow, particularly with regard to "Cash Offer" services that enable buyers to make offers that are backed by the Power Buyer, so they are effectively as good as cash. Various Power Buyers reported growth for Cash Offers ranging from 2x to 10x compared with Q4 2020.

iBuyer purchases soared in 2021, with all iBuyers increasing their purchases markedly. Though acquisitions dipped in Q4 due to Zillow's exit and normal seasonality, in total the iBuyers bought over 71,000 homes in 2021, around 1.3% of national market share. In comparison with 14,000 homes purchased in 2020, that's a 5x increase. Even taking into account that the iBuyers paused acquisitions due to Covid, that's a massive gain in 2021.

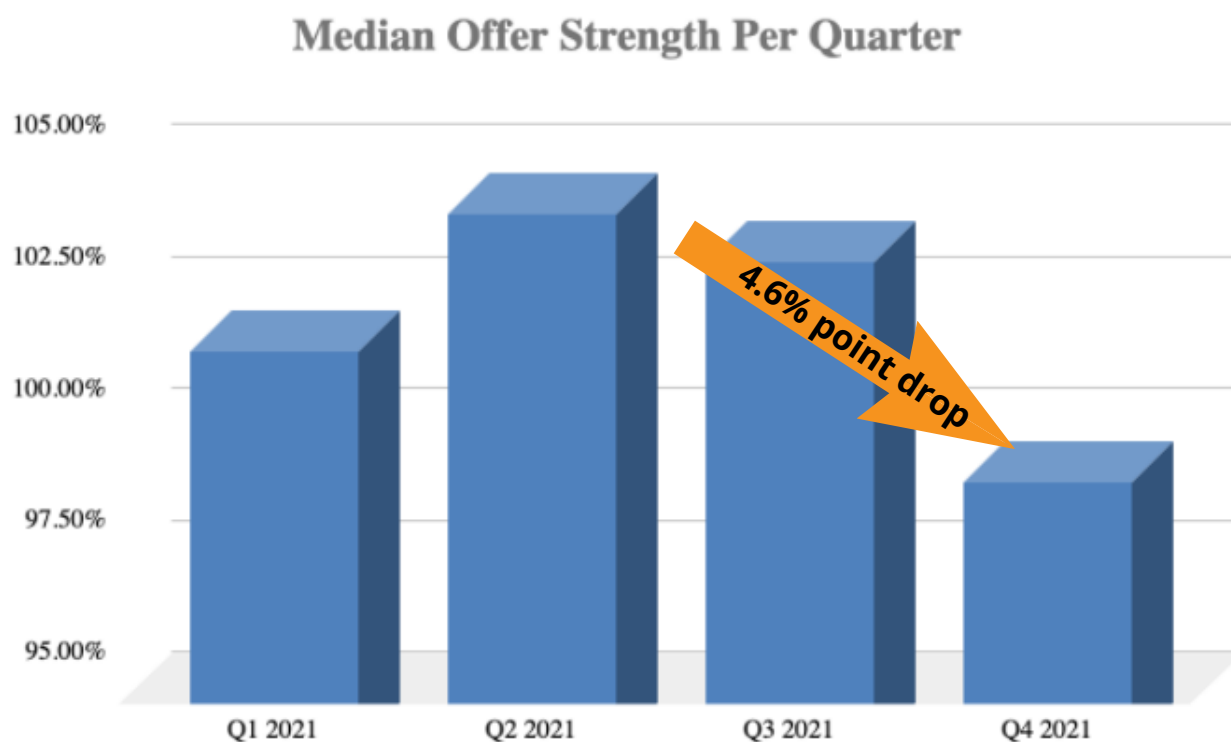


## Number of Homes Purchased by iBuyers



# OFFER STRENGTH

iBuyer offers peaked at 104.1% of market value in Q2 before tapering to 99.4% of market value in Q4. Evidently the iBuyers' algorithms - together with the humans who use them - are becoming very accurate at pricing acquisitions to the market. And, they may be finding they don't need to pay above market to acquire properties.



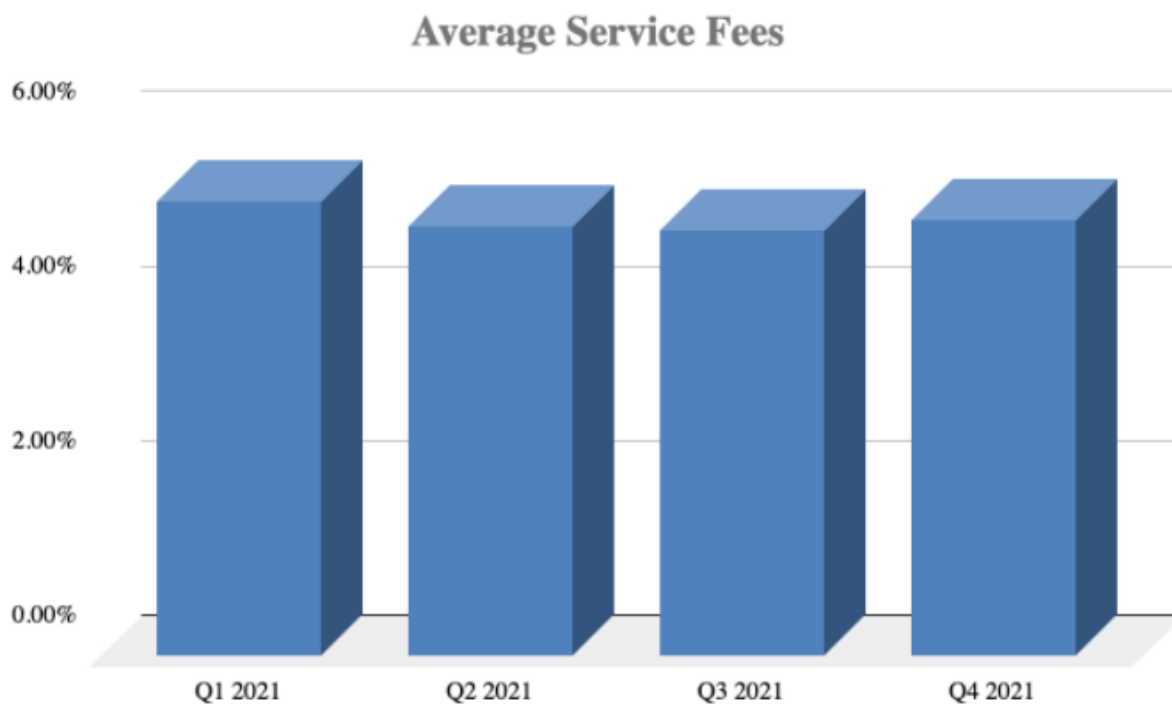
Based on analysis of iBuyer purchase prices compared with Automated Valuation Model prices for the same properties. AVM provided by ATTOM Data Solutions.

# SERVICE FEES

Power Buyer service fees ranged from 0% to 3%, depending on the specific company and service. Interestingly, many sellers perceive the Power Buyer solutions as actually cost neutral or cost positive because:

- When they purchase their new house, they won't have a loan contingency, and therefore will pay less than other buyers because their offer will be stronger.
- When they sell their current house, they will have already moved out, so their house will be more accessible and fully staged, making it more attractive to buyers and increasing its sale price.

During Q4, iBuyer service fees averaged 5.0%, which is slightly higher than the 4.9% we saw in Q3, but still lower than the commission amount sellers typically pay on the open market. Essentially, Opendoor and Offerpad have made 5.0% their standard fee.

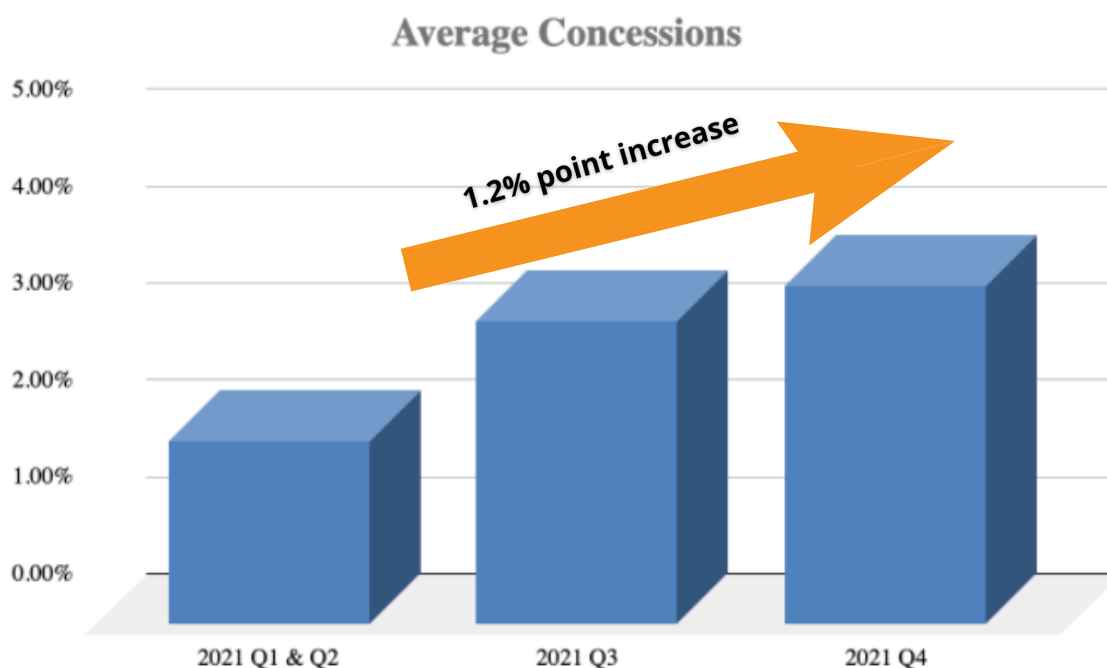


# AVERAGE CONCESSIONS



This is the average amount iBuyers charged sellers for "prep and repairs," which is received from the seller as a concession. Sellers don't learn about this total amount until the iBuyer has completed a thorough inspection of their home, which happens after the seller has accepted the iBuyer's initial offer.

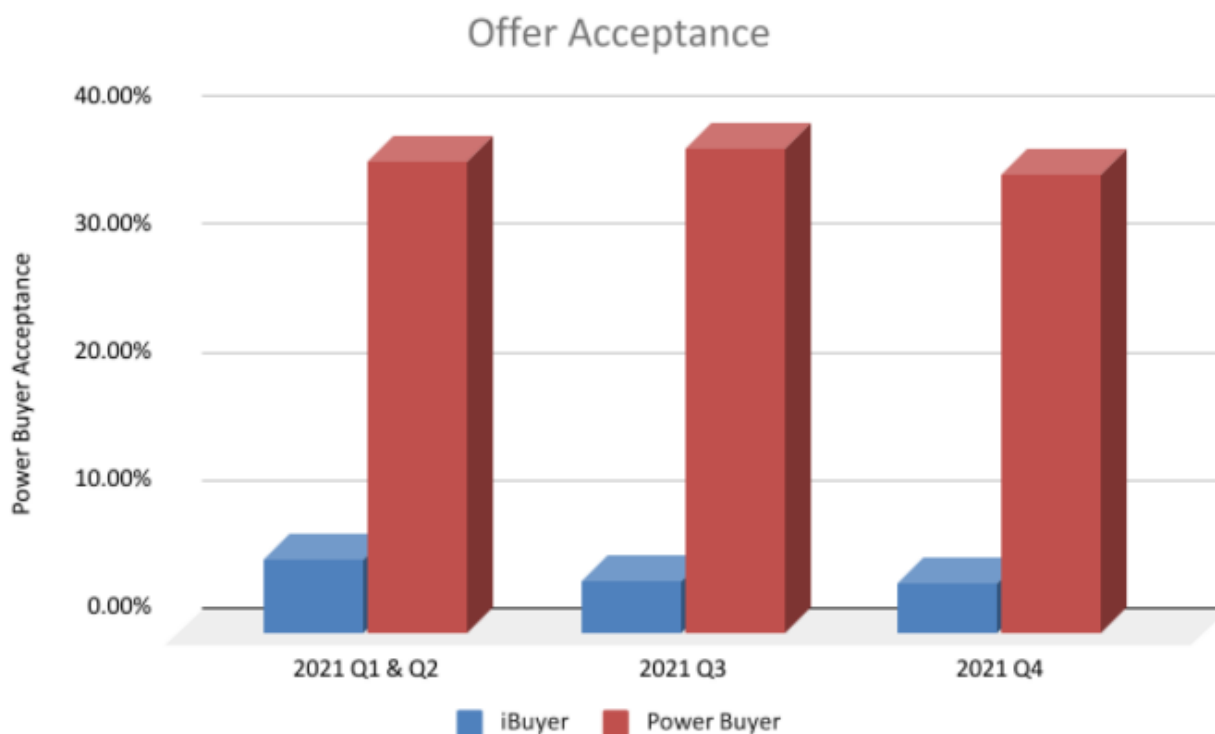
Over the course of the year, the average seller concession increased from from 1.9% to 3.1%. This is still lower than the 2020 average of 3.6%. This trend is consistent with iBuyers generally making less aggressive offers.



# OFFER ACCEPTANCE

In Q4, acceptance rates for sellers requesting offers from Power Buyers remained consistent with past quarters at 36%.

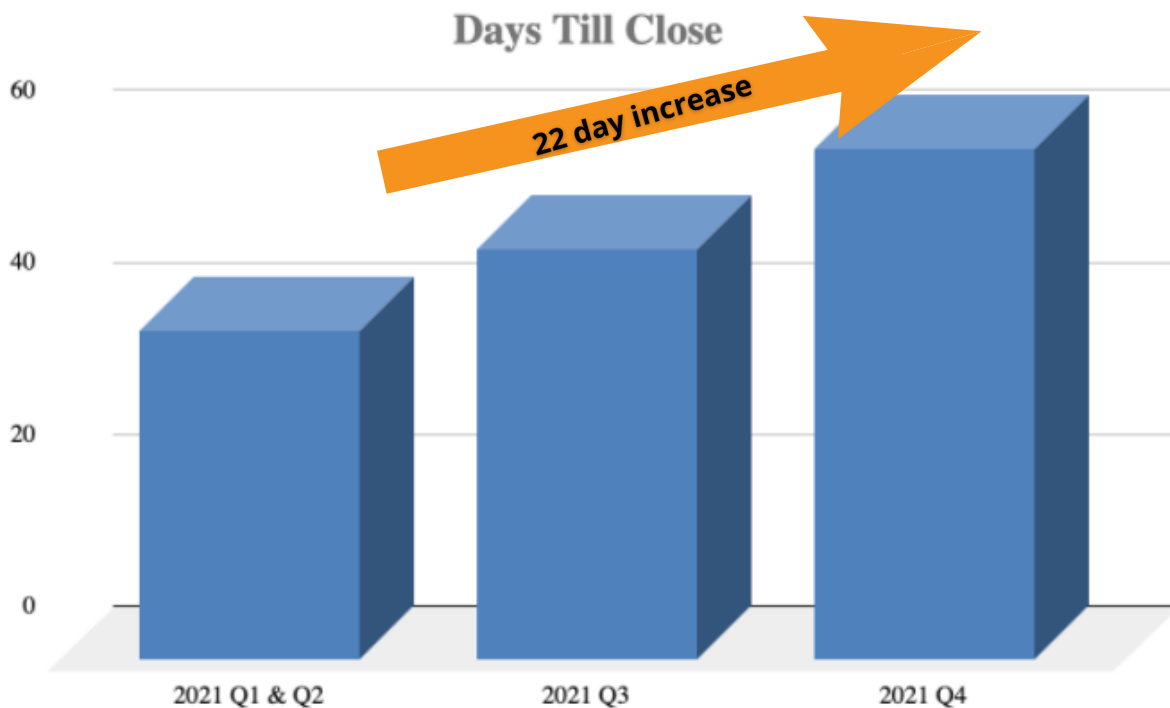
For iBuyers, acceptance rates continued a downward trend to 3.8% for the quarter, compared with the high of 5.7% we saw in the first half of the year. Evidently, the decrease in offer strength and increase in service fees and seller concessions has had a tangible impact.



# TIME TO CLOSE

This is the number of days it takes to sell a house, starting when a seller first contacts an iBuyer to request an offer and ending at closing.

One benefit of selling to an iBuyer is that the seller chooses their closing date, so the days till close is purely a reflection of seller preference. For iBuyers across all markets, the average time to close for Q4 was just under 60 days, a significant increase compared with the 38 day average for 2020. A plausible explanation for this increase is that sellers are wanting more time to secure their new house after agreeing to sell their current home to an iBuyer.

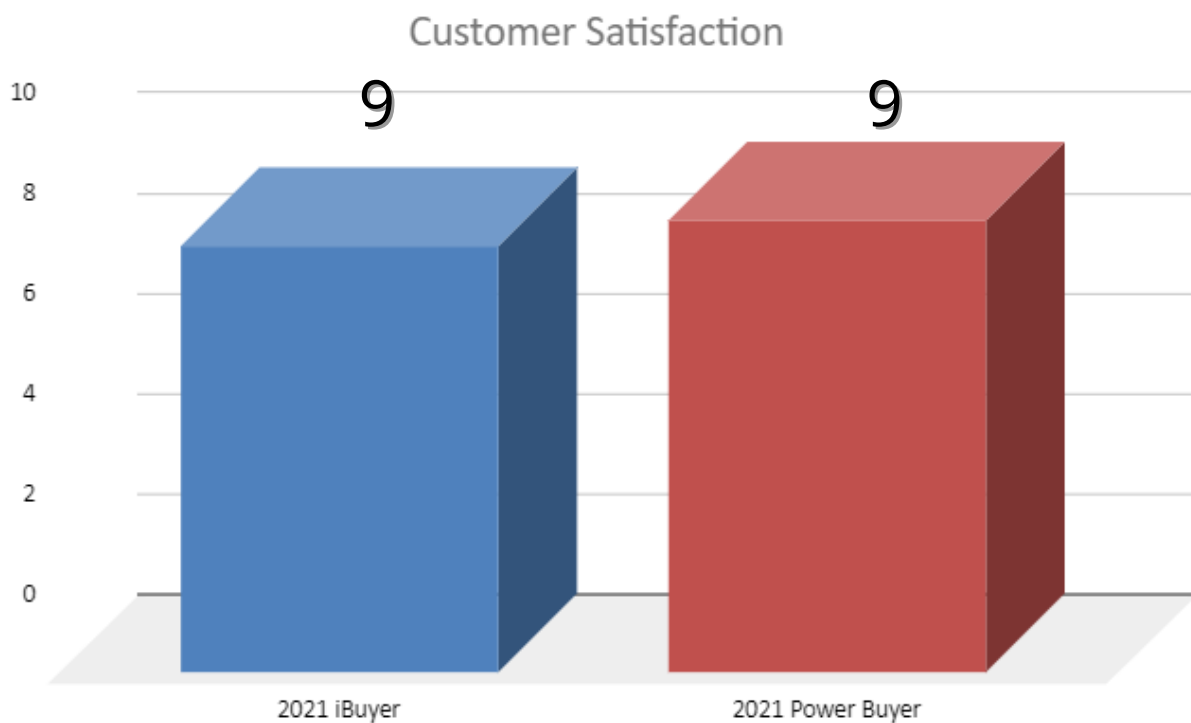


Power Buyers typically have the ability to approve customers within 24 hours and close on purchases in 14-30 days, with on-time closing guarantees. In 2021, homes nationwide were on the market a median of 21 days before going under contract. Then, there is usually a closing period of 30-45 days, making the average time to sell a house between 51-66 days.

# SATISFACTION

Power Buyer and iBuyer satisfaction scores were strong throughout 2021, both averaging 9.0 out of 10 for the full year. For the Power Buyer clients, we believe this satisfaction is attributable to the immense advantage they gain on the open market, and the success they achieve in purchasing a house. For the iBuyers, Q4 showed a strong rebound from an 8.0 average in Q3.

In sum, the vast majority of sellers who used either a Power Buyer or iBuyer are glad they did and would do it again.





## About zavvie

zavvie is a software technology company that provides real estate brokerages with a marketplace for buying and selling solutions via their own white-labeled platform.