

2021

SELLER PREFERENCES REPORT



zavvie

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.



SUMMARY

From January through June, consumers across the country continued to grapple with unprecedented low inventory conditions. In such strong sellers' markets, it's easy to sell a house for a great price, but hard to find and buy one, simply because there are few houses on the market. Paradoxically, that makes moving tricky for the 55-70% of sellers who also need to purchase a home. It's a "chicken and egg problem" that has relegated many potential sellers - and their listings - to the sidelines, exacerbating the inventory problem.

Fortunately, new ways of selling and buying have risen to meet the sellers' needs and have found high consumer acceptance. It's not an exaggeration to state that for consumers with access to the new selling solutions, the real estate marketplace has fundamentally changed to their advantage.

POWER BUYERS

In the first half of 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," which was coined by the real estate tech strategist Mike DelPrete.



EasyKnock
homeward
knock-
ribbon

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
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 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: EXPLOSIVE GROWTH

Analysis of the consumer benefit of working with a Power Buyer revealed that in the Denver market, 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 have experienced explosive growth. Ribbon reports demand for its Cash Offers has increased 10x in 2021. EasyKnock's Q1 business grew 70% from the previous quarter. And Knock expanded from 3 markets at the end of 2019 to 49 markets by the end of Q2 21.

10X
The increase in
demand for
Ribbon's Cash
Offers

104.1%

The average percent of market value for iBuyer offers

iBUYERS: BETTER OFFERS

The iBuyers - Opendoor, Zillow Offers, Offerpad, and Redfin Now - became significantly more competitive in 2021. On average, their offers came in at an impressive 104.1% of market value during the first half of the year (1). Anecdotal reports from brokers across the country confirm the iBuyers are often making offers above prices expected on the open market.

iBUYERS: LOWER FEES

At the same time, iBuyer service fees dropped sharply from 7.2% in 2020 to 5.1% at the end of Q2 21. Moreover, their average concession charged for home repairs fell from 3.6% to 1.9%. Combined, that's 3.8 percentage points lower, equating to a 35% reduction in the consumer's costs of selling to an iBuyer. That dramatic decrease brings the iBuyers' fees in line with what sellers pay on the open market.

Driven by their very competitive economics, the iBuyers' business bounced back to pre-pandemic purchase volumes - despite the challenge of competing in the strongest sellers' market in history.

35%

The percent reduction in consumer costs of selling to an iBuyer

(1) Based on analysis of iBuyer purchase prices compared with Automated Valuation Model prices for the same properties. AVM provided by Attom Data.

MARKETS

In the first half of the year, Verified Buyers on the zavvie platform - including Power Buyers and iBuyers - increased their business in their current markets that already cover much of the US while expanding into numerous new areas.

knock.

New Markets:

CA: Bakersfield, Los Angeles, Orange County, Riverside/Palm Springs, Santa Barbara, San Bernardino, San Diego, and Ventura

FL: Daytona Beach, Fort Myers, Jacksonville, Lakeland, Miami/Fort Lauderdale, Melbourne, Naples, Orlando, Port St. Lucie, Punta Gorda, Sarasota, Tampa, Vero Beach, and West Palm Beach

MN: Minneapolis

TN: Nashville

Offerpad

New Markets:

CO: Denver

TN: Nashville

Planned Expansion:

Offerpad also announced plans to open in Indianapolis, IN, Columbus, OH, Kansas City, MO, St. Louis, MO, and Columbia, SC.

Opendoor

New Markets:

AZ: Prescott

CA: San Diego

CO: Colorado Springs

FL: Miami, Fort Lauderdale, and Palm Beach

ID: Boise

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

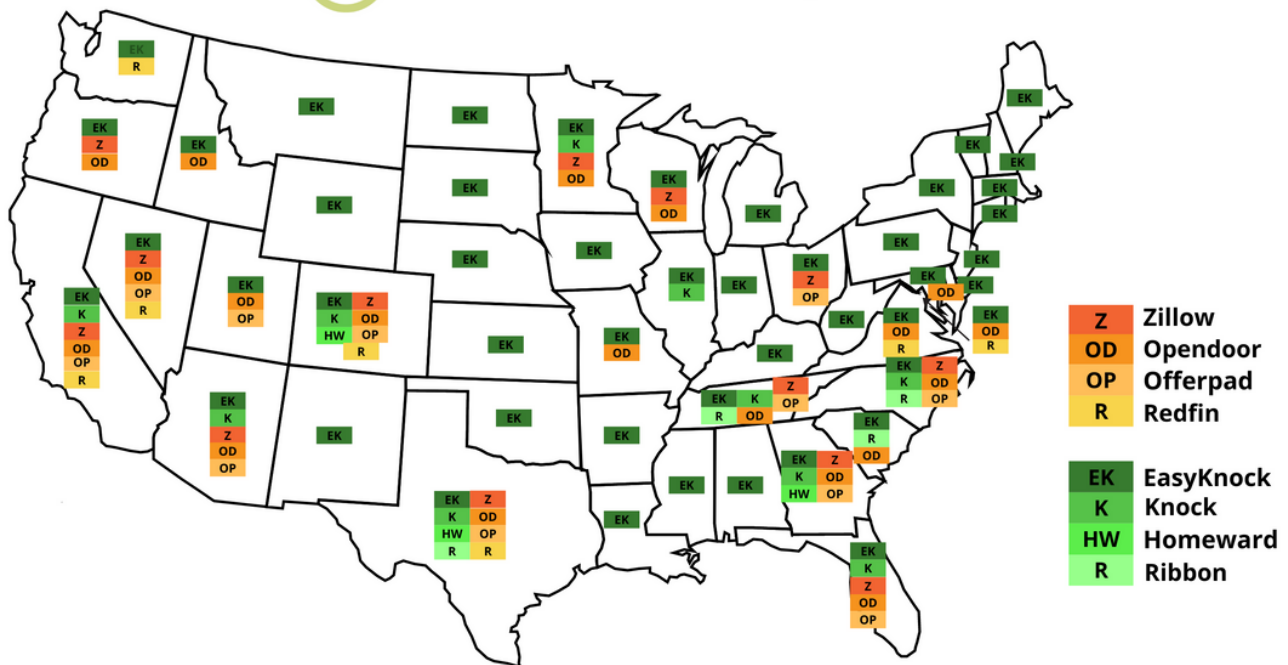
TX: Corpus Christi and Killeen

MARKETS

Interestingly, Opendoor began hiring staff in Washington DC, Virginia, and Maryland, which seems indicative of its plans to enter that area. zavvie also noted that Redfin Now has purchased a few homes in Virginia, suggesting they may be testing the waters for a launch in that market. Considering that up until now, the iBuyers that have focused on the West, Southwest, and South, opening in the DC area could be a first step toward offering services in the Northeast.

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.

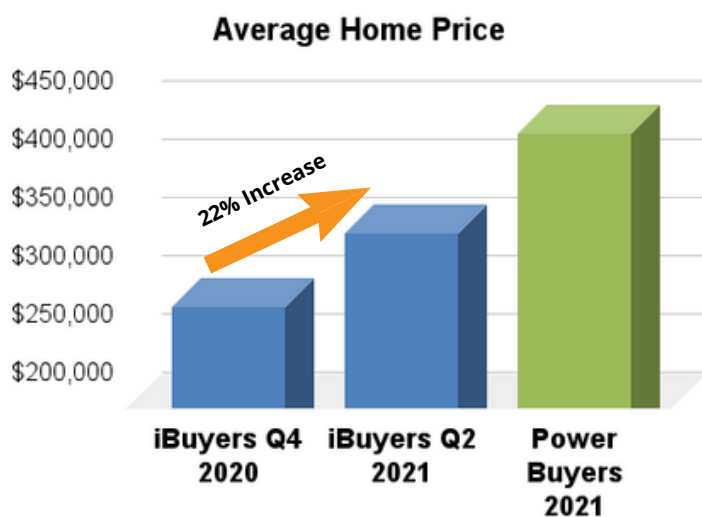
zavvie Verified Buyer Markets



BUY BOXES

Verified Buyer "buy boxes" (their targeted purchase price range, age, and other conditions) continued to widen in 2021. We believe this is driven by competition for limited listings and the Verified Buyers' increasing confidence in their ability to successfully transact more expensive properties.

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 35%, increasing the percentage of eligible inventory in the markets they service from 32% to 43%.



22%
Percent increase
in average
home sale price
for iBuyers

MASSIVE INCREASES

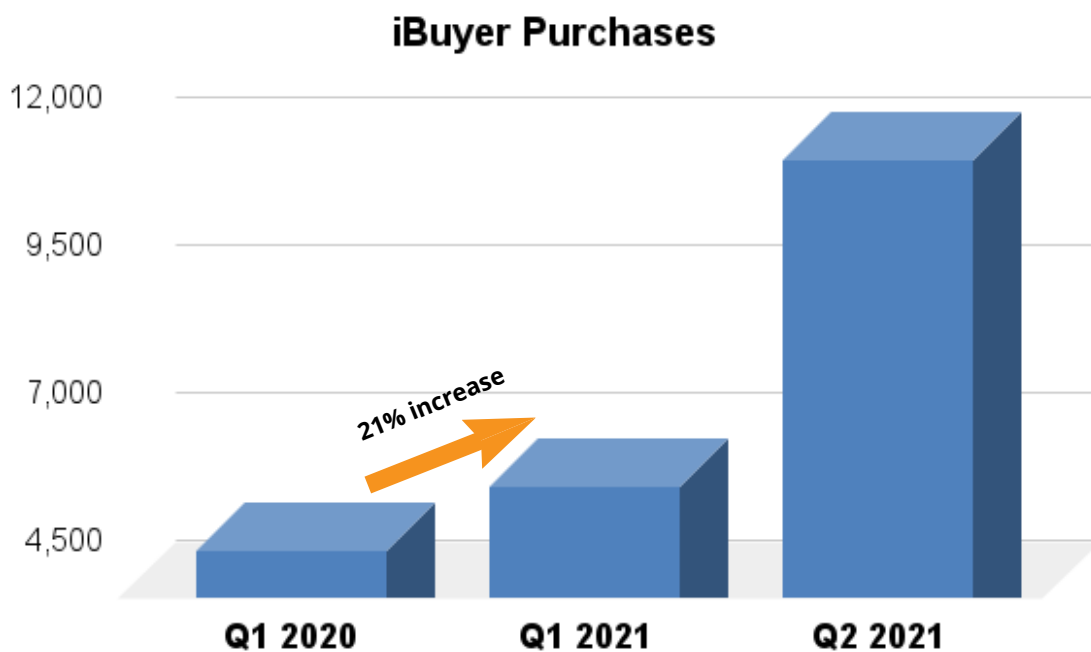
In the past year, it's also notable that median purchase prices for iBuyers increased from \$280K in Q4 2020 to \$344K in Q2 2021, a gain of 22%.

In comparison with the iBuyers, Power Buyers' median transaction prices were significantly higher at nearly \$430K. Apparently, their programs are a better fit for sellers at higher price points.

ACTIVITY/VOLUME

Utilization of Power Buyer services increased dramatically, 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.

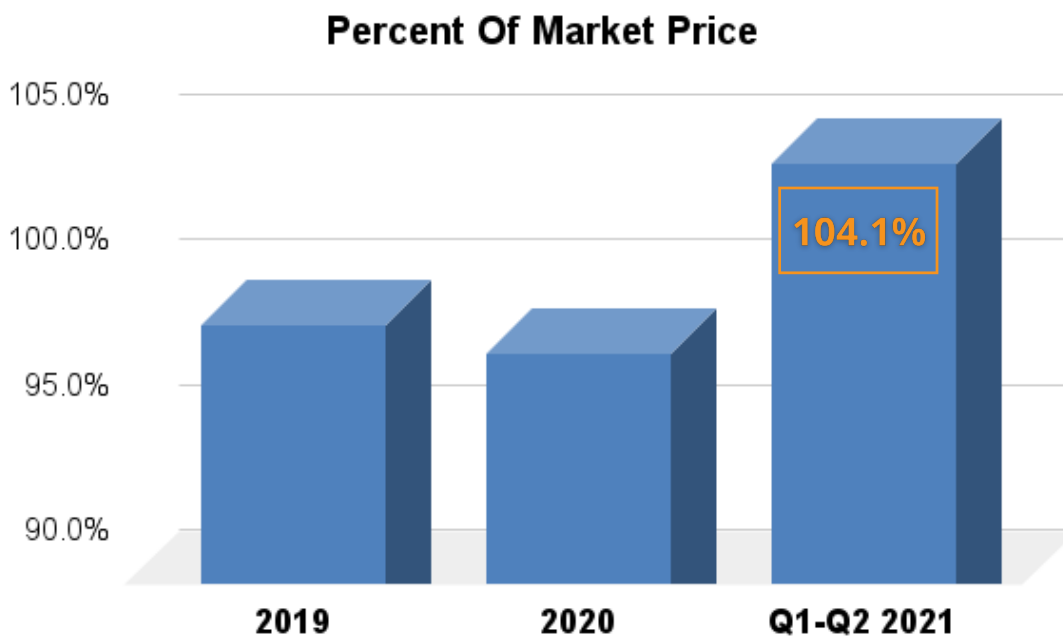
At the same time, iBuyer purchases in Q1 bounced back to exceed their pre-pandemic levels a year ago by 21%. And, in Q2, iBuyer purchases rocketed to nearly double the Q1 2021 total. Definitely, the iBuyers are back in the marketplace.



OFFER STRENGTH

In 2020, iBuyer offers averaged 97.6% of market value; this was 1% lower than before the pandemic in 2019. This drop is attributable to the iBuyers factoring risk into their purchases during the initial uncertainty of the pandemic.

However, in 2021 the iBuyers began making more competitive offers than ever, on average exceeding market prices (2). This surprising development is confirmed by anecdotal reports from real estate practitioners across the country - the iBuyers are making very strong, "above market" offers.



Just as the iBuyers hedged when the market seemed uncertain, they have become more bullish as they judge the housing market to be predictable and strong - with the likelihood for price appreciation while they hold the house before reselling it.

Offer strength doesn't apply to Power Buyers since their transactions occur on the open market.

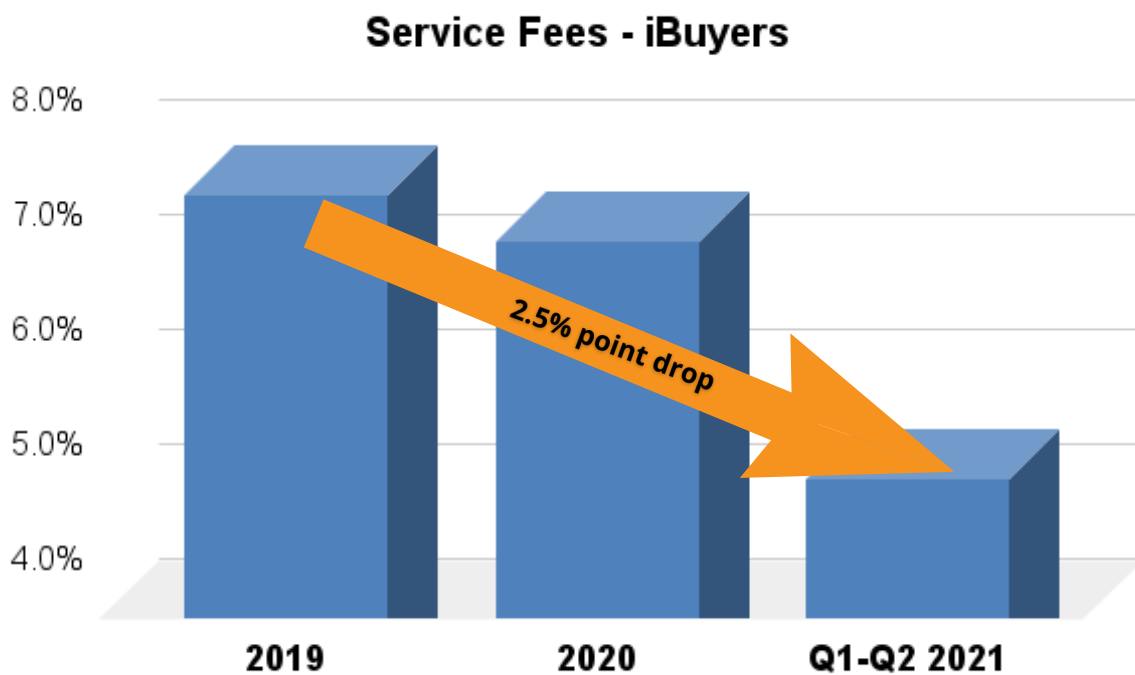
(2) Based on analysis of iBuyer purchase prices compared with Automated Valuation Model prices for the same properties. AVM provided by Attom Data.

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.

iBuyer service fees dropped sharply in Q1, from 7.6% in 2019 to 5.1% in 21. Individual transactions in the 1-3% range were not uncommon.



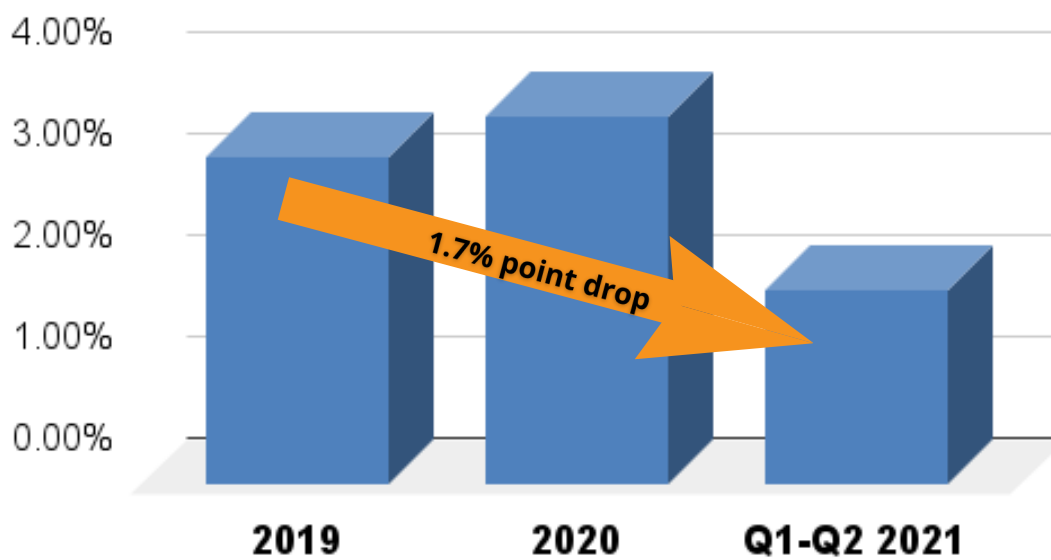
AVERAGE CONCESSIONS



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.

In the first half of the year, the average seller concession fell sharply from 3.6% in 2020 to 1.9% in 2021. Considering that in a seller's market buyers are in a much weaker position to demand concessions, this drop isn't surprising.

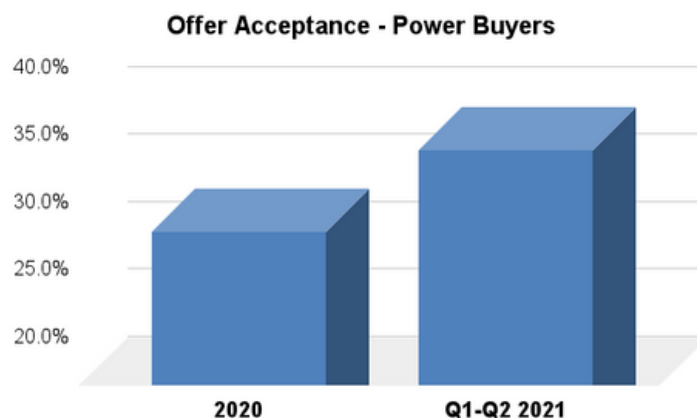
Average Prep & Repairs Concession To iBuyers



OFFER ACCEPTANCE

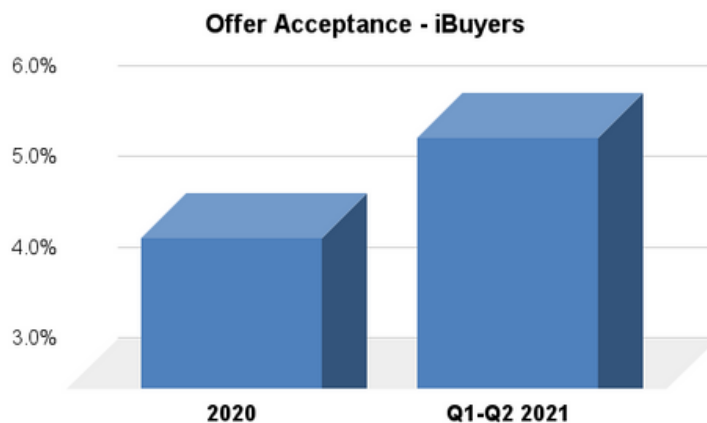
POWER BUYERS

Sellers requesting offers from Power Buyers accepted those proposals at 37%, an increase compared with 2020. This high conversion rate indicates their solutions are well aligned for sellers who need to buy their new house before selling their current home due to tight inventory conditions.



iBUYERS

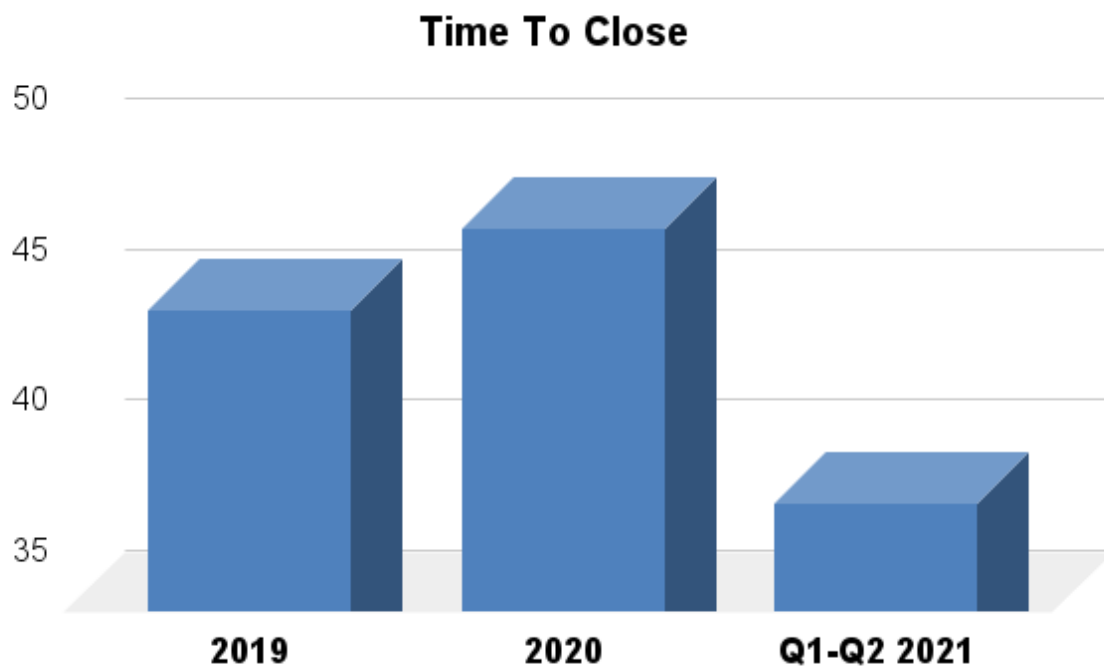
Acceptance rates for the iBuyers also increased, from 4.6% in 2020 to 5.7% in the first half of 2021. This is attributable to their more substantial offer amounts and lower fees.



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.

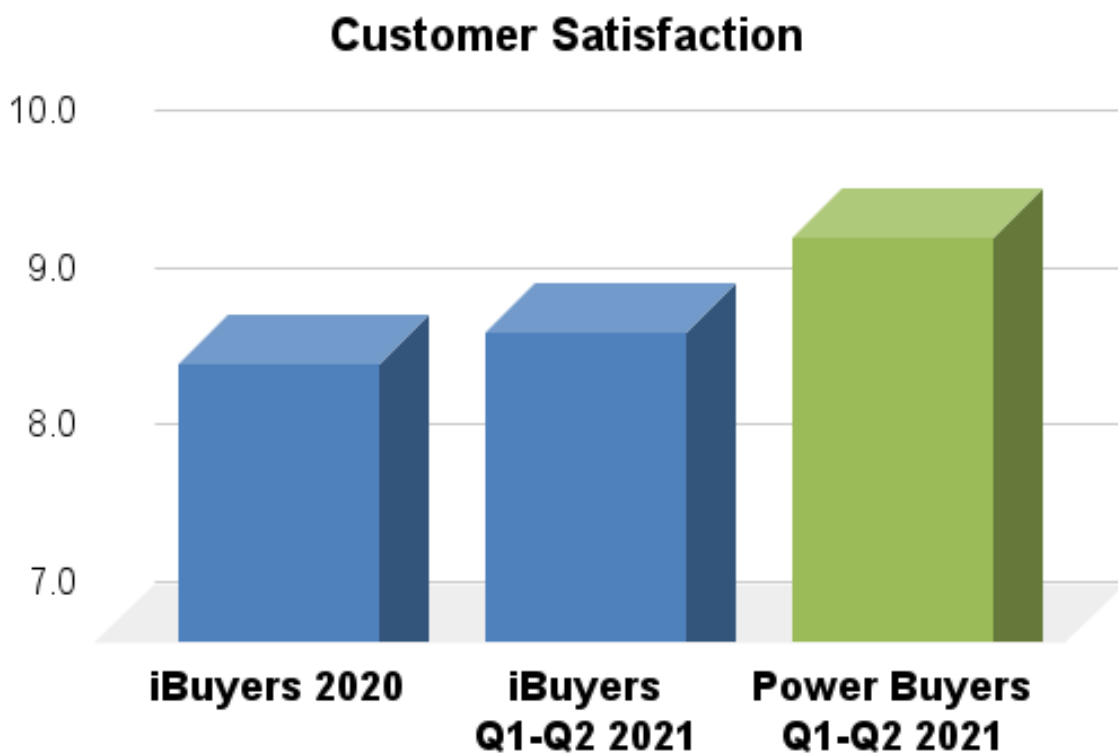
One benefit of selling to an iBuyer is that the seller chooses their closing date, so the decreased time to close is purely a reflection of seller preference. For iBuyers across all markets, the average time to close for the first half of the year was 38.3 days, a notable decrease compared with 48.5 days for 2020. It's plausible this is related to sellers wanting to close quickly in the fast-moving market.



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 2020, homes nationwide were on the market an average of 25 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 55-70 days.

SATISFACTION

Satisfaction among customers of Power Buyer and iBuyers services is very high, roughly 9 out of 10. The vast majority of sellers who use either of these services are glad they did and would do it again.





About zavvie

zavvie is a brokerage-branded marketplace that connects broker-agents and their clients with Verified Buyers on new ways to buy and sell homes while keeping agents at the center of the transaction.