

REALTOR Perspective

Kelly Moye, RE/MAX Alliance



- iBuyers - who are they?
 - How do they work?
 - Pros and Cons
 - How will this affect your business?
 - Is this what they mean by a “disruptor”?
 - Educate yourself and your clients
-

WHAT IS AN
iBuyer?

A top-down view of a person's hands typing on a laptop keyboard. The text "WHAT IS AN iBuyer?" is overlaid in white on the keyboard area. The hands are positioned over the keyboard, with fingers resting on various keys. The laptop is silver, and the keyboard is black with white lettering. The background is a solid blue color.

What is an ibuyer?

What is an "iBuyer"?

iBuyers are companies like Opendoor and OfferPad which use pricing algorithms and other technology to make quick offers on homes, close in days, and then resell them.

These are not traditional home flippers seeking properties in disrepair to purchase at a steep discount. (Remember the yellow "We Buy Ugly Houses" signs?)

These are Wall Street-backed companies which have raised millions of dollars and are experiencing initial success with home sellers in their current markets.

How Do They Work?

We'll use Opendoor as an example.

Sellers can go to Opendoor's website and request a tentative bid on their property. The standard turnaround time for a bid is 24 hours.

The bid includes an offer price as well as service fees. The service fee starts at 6%, similar to the standard real estate commission, plus an additional fee which varies with the company's assessment of the transaction's riskiness. The average fee has been around 8% total.

If the seller decides to accept the bid, Opendoor then schedules a home inspection, completes the repairs, and deducts the repair costs from the seller's net.

Sellers pick a closing date, which can range from 3 days to 60 days after bid acceptance.

A mislabeled model?

They really aren't "iBuyers", they are more accurately "iInvestors"

They purchase at a lower price so they can later sell for retail and make a profit

So, we could say the iRealtor model is the retail model and iInvestor is the wholesale model

" An investigation of multiple transactions involving iBuyers show they net their customers on average, 11% less than owners who choose to sell their homes on the open market" Inman news

Zillow says...

“We’re not flipping this property,” Barton said. “We’re not trying to get an artificially low price, we’re not trying to take advantage of anyone in a bad situation, we’re not looking to hold it and do a big renovation.”

“We’re looking to move it as quickly as possible and earn our money off the transaction fee.

Reality....

- Restrictions on what kinds of houses they will buy (age, price range, condition)
- Price offered is often NOT market value and 90% of sellers turn it down
- Now, that seller is a valuable lead who can be sold to participating agents for a fee

Pros (yes, there are some)

- No showings
- Sellers know what to expect up front
- Closing scheduled according to seller's needs
- Fewer conditions in the sale (no loan condition, appraisal)

Sounds good, but...

- Sellers will sell for a lower price. Fees will range from 8%-13%
- No opportunity to offer the property on the open market, which will likely net the seller a higher price
- Not available in every market, and only available for specific kinds of homes (mid price ranges, age limitations)
- Recent problems with squatters, illegal activities

It's Not Just Us...

- Not really a “disruptor”, happens in every industry (dairy farmers, car industry, travel agents)
- No industry is safe from changes. It's not “our” turf
- It's time to pivot and adjust
- Keep your head down, get to work, educate yourself and your clients

Other changes - no need for the MLS?

Other changes on the horizon...

Companies not using the MLS at all - be aware and be prepared

Make sure agency agreement is in place and buyers understand the different compensation structures out there

Example: 2350 Central Park

REX

We charge 2% total. No hidden fees or upfront costs.

You don't need a PhD in anything to understand that REX charges lower fees than everyone else. Here's what it boils down to... Traditional agents charge 5-6%, discount brokers like Redfin say they charge a 1% "listing fee", but read the fine print, it's more like 4% (since sellers also pay the traditional buyer agent commission of 3%). REX charges 2% total, eliminating the buy side agent commission by using data and technology to identify buyers directly, selling homes faster than the average days on market.

Educate yourself and your clients!

- Include information regarding iBuyer programs in your marketing
- Be able to easily explain the differences, the pros and the cons
- Practice showing how your service and pricing is better
- Sharpen your practice and be prepared to explain different compensation structures and how they can affect your clients