

## How to cope with iBuyers in your market

Utilize all the options on the table to give your sellers the best route for them

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BY BERNICE ROSS July 01, 2019

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The iBuyer model has hit the industry by storm, but will it be only a small portion of the market or something much bigger in the long run?

Offerpad, Opendoor and Zillow Offers are the latest darlings in the real estate press and certainly with major venture capital firms.

For example, Opendoor, one of the early leaders in this area, has garnered a whopping [\\$3.8 billion valuation](#) and has raised \$1.3 billion in funding with some \$3 billion in debt financing to purchase properties.

Moreover, [Berkshire Hathaway Home Services](#), [Realogy](#) and [Keller Williams](#) are also jumping into the fray by offering an iBuyer option in conjunction with their traditional real estate services.

## A mislabeled model?

You've probably heard the term iBuyer at this point. An iBuyer, for our purposes, is a direct-to-consumer homebuying and selling service,



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The process of iBuyers generally looks like this: they purchase a home, directly from homeowners, offering a quick-close and all-cash. Generally, they will then do some light maintenance and resell for a profit.

I recently interviewed Darryl Davis, one of the industry's leading speakers as well as the author of [\*How to Become a Power Agent in Real Estate\*](#) and [\*How to Design a Life Worth Smiling About\*](#).

Davis's "How to Defeat iBuyers Every Time" already has his speaking schedule completely booked up through the end of 2019.

According to Davis, the first step in defeating an iBuyer is to help consumers understand that the so-called iBuyer model has been mislabeled.

According to Davis, they're not "iBuyers" — they're actually "iInvestors."

In other words, the iInvestor purchases at a lower price so that they can later sell at a retail price and make a profit.

Davies calls the traditional model the iRealtor model. The iRealtor model is a retail model — the iInvestor is a wholesale model.

## The model

According to a [recent report from MarketWatch](#), the convenience of working with an iBuyer comes at a substantial cost:

“A MarketWatch investigation of multiple transactions involving iBuyers shows that their offers would net their customers, on average, 11 percent less than owners who choose to sell their homes on the open market, when fees and other costs are considered, translating to tens of thousands of dollars lost.

“The findings also revealed considerably more uncertainty around the transactions — the scope of inspections, for instance — than the iBuyer model purports to offer consumers who are looking for ease.”

## **When there's an iBuyer involved**

iBuyer or iInvestor, if you're faced with the possibility of sellers choosing to forgo the iRealtor model, here's what you should do:

### Compare the numbers

First, when you find yourself competing against an iBuyer, educate your sellers about the difference of seeking a retail versus a wholesale price.

Even if they lower their asking price by 5 percent to 8 percent using the retail model, they will still normally net more than selling at the discounted wholesale price with an iInvestor.

Next, use [Zavvie's Offer Optimizer](#) that compares instant offers side-by-side so the seller can determine which one will net them the most money. It also compares the best instant offer net with the expected “retail” net from working with a traditional broker.

Have the best of both

Byron Short, the broker-owner of Success Property Brokers in Phoenix, has created a very effective approach to coping with all the iBuyer models in his market.

Short educates sellers on how to have it both ways — they can sell for a retail price by listing with him, but if the property doesn't sell during the 29-day listing period (iBuyer offers are generally good for 30 days), the sellers can still sell with an iBuyer if necessary.

Second, it's imperative that sellers have their house inspected to determine how much any repairs will be. Because iInvestors use their own inspectors and contractors to do repairs, the sellers won't know if the bids they're receiving on the work are inflated or not.

Once the seller has prepared the house for sale and just prior to posting the property on the MLS, the seller contacts Opendoor, Offerpad and/or Zillow Offers and obtains a bid from each company that shows what the seller will net.

(Please note that Zillow Offers shows sellers how much they typically will net from a Zillow Offer vs. working with a Realtor.)

## **What's happening in the field**

iInvestors target median priced homes, preferably in cookie-cutter subdivisions where, if you know the price of a particular model, you can

closely predict how much that model anywhere in the subdivision. Only about half the homes in the country even qualify to use this model.

Moreover, Davis has interviewed agents across the U.S. whose clients sold their house to an iInvestor. Every single one of these sellers were unaware of the true costs of that model because none of them had talked to a Realtor. As Davis said, “They didn’t know any better.”

Consequently, Davis strongly recommends that both companies and Realtor associations aggressively create marketing campaigns to educate consumers about their choices.

They need to understand how much each model costs, what the trade-offs are for a fast sale and then make a decision once they are fully informed. Again, they can get a quick comparison by using the Offer Optimizer from Zavvie.

## **‘iBuyer’ models that solve an age-old problem**

One of the stickiest situations in the business occurs when a seller must sell their home to buy a new home. Two players serving the contingent sale niche are Knock and newly launched [BoardRE](#).

According to MarketWatch, “Knock is often lumped into the category of iBuyers, but its model is quite different from theirs. Knock advances homeowners cash to buy their next home and, once the customers are settled, sells the previous home. Customers pay a fee for the overlap period.”

Knock charges a 6 percent seller’s fee, according to [MarketWatch](#).

“In most cases, however, Knock determines it’s preferable that its agents list a property on the open market rather than accept an iBuyer offer.”

BoardRE (Board.live) offers to buy a house for its customers and then lends them the money to buy it back. Board’s closing costs are the same as they are in a standard transaction.

Board generates its profit from the 1 percent to 2 percent loan origination fee and from having salary-based rather than commission-based loan officers. One other important point: Both the buyer’s and the listing agents’ commissions are paid at the all-cash closing.

If you have iBuyers in your market, create digital, postcard mailing and social media campaigns that share actual statistics on the costs of working with iBuyers in your market.

If one of your sellers wants to consider using that model, provide them with the choice of listing for 29 days and then taking the alt model if they don’t sell. That’s the best strategy to give them the best possible outcome for their situation.

*Bernice Ross, president and CEO of [BrokerageUp](#) and [RealEstateCoach.com](#), is a national speaker, author and trainer with over 1,000 published articles. Learn about her broker/manager training programs designed for women, by women, at [BrokerageUp.com](#) and her new agent sales training at [RealEstateCoach.com/newagent](#).*