

Opendoor and Zillow converge business models

The business models of the two iBuyers have more in common than one might think, an interview at Inman Connect Las Vegas revealed

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There used to be some pretty clear differences between the two leading iBuyers — Zillow and Opendoor.

Opendoor bought and resold homes without using traditional agents, whereas Zillow worked with outside, third-party agents. Zillow was also understood to be largely focused on using its iBuyer to generate seller leads for partner agents; Opendoor, on the other hand, seemed to be dedicated to buying homes whenever possible.

But times have changed.

Opendoor is increasingly relying on third-party agents. Like Zillow, it's tapping them for referral fees and for help with reselling some of its homes.

This insight emerged during a discussion between Opendoor CEO Eric Wu and Inman News Publisher Brad Inman Wednesday at Inman Connect Las Vegas 2019.

Opendoor has embraced agents as part of a mission to provide consumers with options, Wu's comments suggested. Not only does Opendoor want to serve customers who prioritize convenience and certainty, the *raison d'être* of Opendoor's iBuying business. It also wants to help consumers set on maximizing price and lowering transaction costs, Wu said. And that may mean pairing a buyer or seller with an agent at another brokerage.

"We believe that if we give consumers options to fit their needs perfectly, then it's a better solution for them ... some people would choose to list with an agent, and we encourage that."

Opendoor considers itself an "advisor in transactions," Wu said. This entails doing everything from connecting a consumer with the right agent to delivering the "best trading experience." (Opendoor offers a trade-in experience in which homeowners can sell their home to Opendoor and buy a new home with Opendoor at the same time.)

As part of this focus, Opendoor has formalized a program under which it will send sellers to agents in exchange for referral fees should they result in transactions.

As Mike DelPrete, a real estate analyst, pointed out in a presentation at Connect on Wednesday, this sort of referral business could easily become vastly more profitable than actually buying and reselling homes. He estimated that Zillow could soon earn \$200 million in annual profit through seller leads generated by its iBuyer.

This opportunity apparently has not been lost on Opendoor.

Opendoor also tipped its hand earlier this year with its decision to partner with the brokerage Redfin. Now visitors to Redfin's website can request offers from Opendoor in Atlanta and Phoenix, Wu said. Redfin agents can then present the offers to owners in person alongside an estimate of what they think they could sell the home for on the open market.

Opendoor also may be increasingly turning to third-party agents for help with disposing of its inventory.

Inman asked Wu about the validity of rumors that Opendoor was selling a large chunk of its homes in Dallas-Fort Worth through third-party agents, rather than listing the homes itself.

In what sounded like a hedged "yes," Wu answered that sometimes Opendoor will have "lots of activity on the seller side" where "we want to make sure we have partners in place who can help us deliver."

Agents aren't going anywhere anytime soon, Wu admitted near the end of the interview. But he does believe that the "project management" aspect of the job will be automated, leading agents to "evolve to being more of an advisor."

"That's our perspective internally as well," Wu said. "We even call our team advisors because where the value is created is providing expert advice," he said.