



2019 iBuyer Consumer Survey

An examination of consumer awareness and engagement with iBuyer services





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Executive Summary

The iBuyer business model has taken the real estate industry by storm. Billions of dollars of outside investment have flowed into several companies like OpenDoor, Offerpad, and Zillow Offers to fuel the launch of iBuyer programs. Redfin was the first brokerage to enter the iBuyer space with RedfinNow. Realty launched its cataLIST program through its Coldwell Banker brand, and Keller Williams quickly followed suit launching its own iBuyer program – Keller Offers.

The Houston Association of REALTORS® (HAR), the second largest local REALTOR® association in the country with 40,000 members and the only one to host its own [Consumer Research Panel](#), set out to investigate the consumer's awareness, interest and usage of iBuyer services. HAR.com reached out to more than 11,000 local Houston area consumers to

find out how aware they were of the iBuyer concept and how interested they were in considering it.

The objective of the research was: **To gauge consumer awareness of, as well as impression/attitude for, the iBuyer movement and potential interest in this alternative home selling method.**

With the help of [WAV Group](#), HAR's market research partner, HAR.com distributed a survey which produced some early reads on the potential for the iBuyer business model.

Given that the Houston market is a newer entry into the iBuyer space, the directional results indicate that there is definite interest with some consumers to consider the iBuyer option in addition to a more traditional sales process.

Key Observations:

- 33% of current sellers, recent sellers or those considering a sale in the future were aware of the iBuyer concept.
- Nearly four in 10 of those currently selling were aware of the iBuyer sales option; 41% of current sellers actively engaged in selling their home considered an iBuyer approach for their transaction.
- iBuyer interest was lower with recent sellers (16%) and future sellers (20%).
- The main reason for engaging with an iBuyer service was to get a read on the selling price of the home; while selling a home is stressful and requires repairs, de-cluttering etc., those were not the key interest drivers of the iBuyer model.
- 12% were very/extremely likely to work with an iBuyer in the future, and 39% of respondents were either somewhat/very/extremely likely to work with an iBuyer in the future.
- 92% of respondents have chosen to work with a REALTOR®

Detailed Results

Attitudes about Current Sales Process

When asked about their experience, consumers who have recently sold or are in the process of selling were generally satisfied with the following aspects of a traditional sales process.



Education they received from their agent about all of the steps of selling a home



Responsiveness and support they received from their REALTOR®



Amount of homeowner effort required to prepare and sell their home



Service and support received from their REALTOR®





Consumers dissatisfied with the time it took to sell their home or the number or size of offers they received were twice as likely to be interested in iBuyer services.

Reasons for Dissatisfaction with Traditional Selling Process

For those respondents who were NOT satisfied with the traditional process of selling a home, there were **four key drivers** affecting their dissatisfaction:

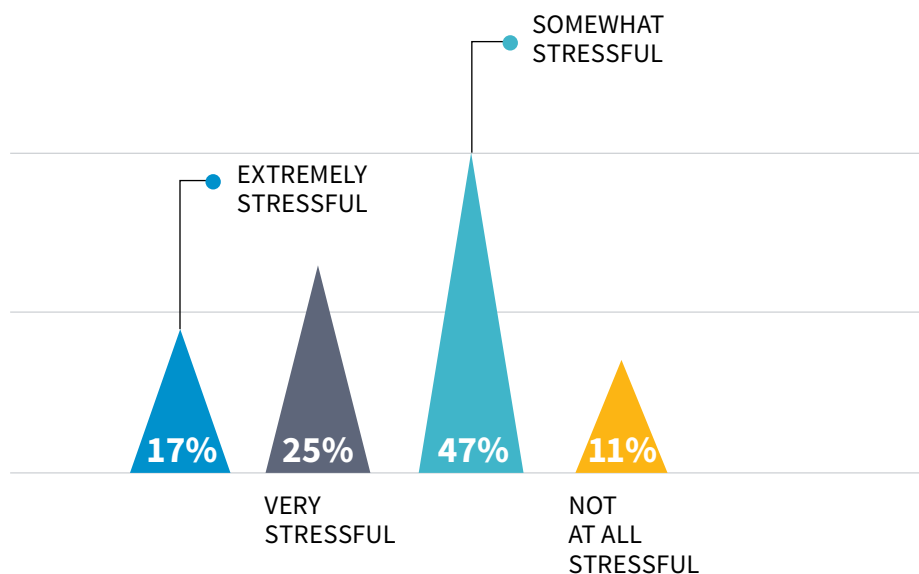
- *Time it took to sell*
- *Not enough interested buyers*
- *Not enough offers received*
- *Offers received were too low*

Interestingly, the consumers who were dissatisfied with the time it took to sell their home or the number or size of offers they received were **twice as likely to say they were very/extremely likely to use an iBuyer service for their next home.**

Stress Level Relatively High when Selling a Home

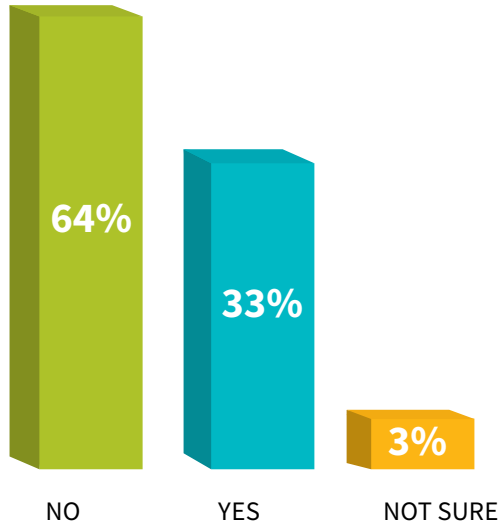
A recent [study](#) published by Homes.com reported that two in five first-time homebuyers felt nervous about their home purchase process, and 44% felt nervous throughout. Sellers were just as stressed out by the process as first-time homebuyers. In the 2019 HAR.com iBuyer consumer survey, 42% state that selling their home was very/extremely stressful.

To Recent / Current Sellers
How would you rate your overall stress level of selling your home?



Awareness of iBuyer Services

iBuyer services entered the Houston market in the summer of 2018, so they are a relatively new business model in that market. Even with just more than a year under their belt, iBuyers have established strong awareness levels. 33% of total respondents are aware of the iBuyer concept.



What drives interest in considering iBuyers?

The main reason attracting consumers to iBuyers is the hope for a strong price offer. Looking to comparison shop was a much stronger driver than “not having to prep my home,” “not having to pay for needed repairs,” or “not having to clean up house every day.” It appears as though price was more important than the prep work needed to sell a home.

[To All Respondents] What attracts/might attract you to consider working with an iBuyer? (Choose all that apply)



40%

More than 40% of those who were currently engaged in the process of selling their home were aware of iBuyer services within just one year of promotion to date.

- Y Yes
- 35% Recent Sellers
- 41% Current Sellers
- 30% Future Sellers

Reasons for Choosing an iBuyer

The few who had chosen to work with an iBuyer did so because they were looking for a quick sale without the hassle of repairs and inspections. Others went the iBuyer route after exhausting the traditional path.

One respondent said: “After 6 months on the market and only 6 viewings, I took the VERY low offer. I could not afford two house payments any longer.”

Reasons for Rejecting iBuyer

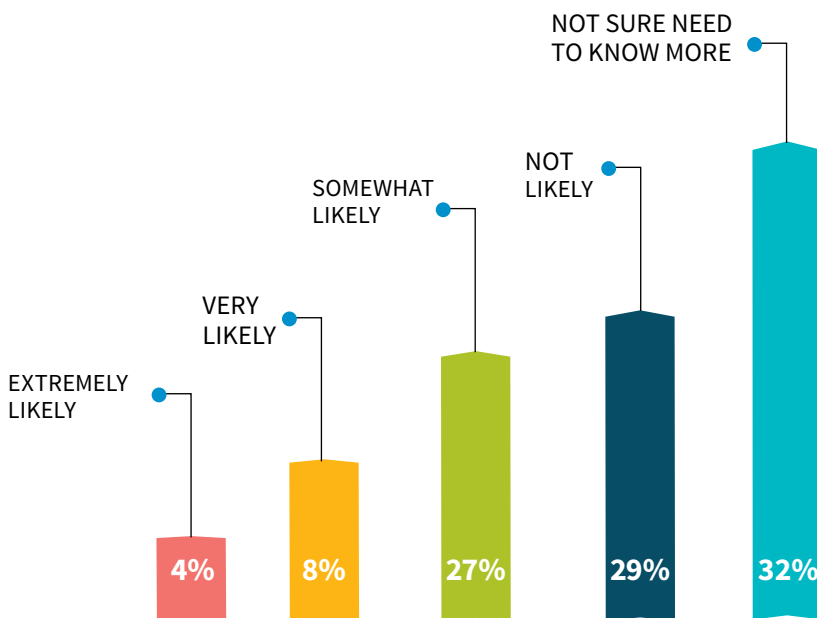
The majority of respondents who considered using an iBuyer service rejected the idea. Here are the **top four reasons** why they rejected working with an iBuyer service.

Top Four Reasons for Rejecting iBuyer Service

- 1 Price offered was too low
- 2 Didn't know if program was legitimate, didn't know enough about the process
- 3 They don't buy homes in my area/price point/home type
- 4 Believed I would get a better price if more people were able to look at my property

Likelihood to use iBuyer service for next sale

When asked how likely you would be to sell your next home with an iBuyer, 12% said they would be very/extremely likely to do so. Nearly four in 10 said they would be somewhat likely/very/extremely likely to choose an iBuyer in the future. As awareness and trust of iBuyer sales process increases, the number of iBuyer transactions could continue to grow.



If you were to sell your home today, how interested would you be in working with an iBuyer service?

Perceptions of iBuyer services expressed by respondents

Reasons for Interest

"Process is unbelievably simple and easy."

"When selling my home, the most important thing is reducing the overall cost of the transaction.

The advantage of iBuyer is that I will save money on extended loan payments while selling the house, but only if that is greater than any additional fee for selling.

"This (iBuyers) would be far more attractive if the fees were less than REALTOR® fees."

If I was offered a fair price, one that approximates my asking price minus the commission I would be paying a REALTOR® - AND avoided the wait and negotiations associated with the traditional method of selling through a REALTOR® - **I would do it.**

"It's a good idea but they would need to offer close to market value for me."

Neutral Comments

"Would like to see itemization of offer price to understand how much the repairs, cleaning, convenience, etc deduct from the market price."

Reasons for Lack of Interest

"The only advantage to an iBuyer program is not having to put in the work needed to sell a home. It is understood you will not get market value for your home, which is acceptable under certain conditions. However, having to pay 6% to 10% in fees on top of selling a home under market value, makes this option an unsound decision."

"Sounds like it might offer value for older homes requiring repairs, but newer or new homes not so much."

"Probably better for homes that deserve a lower value but not if the house is immaculate."

"I am very interested however; after contacting [iBuyer Service], I was notified they only purchase up to 500K; which eliminates our home. I do not believe we are the target market for these companies."

11%

IBUYER
PROJECTED TO
SELL FOR 11% LESS
THAN TRADITIONAL
METHODS

When the awareness levels of the true price differential between a normal "retail" sale and an iBuyer sale become more well understood, it may negatively or positively

impact the growth of this emerging sector. According to an article in [MarketWatch](#) from Andrea Riquier, using an iBuyer service could cost a seller thousands of dollars. *"Notably, not only are iBuyer offers generally lower than the ultimate sale price, but their fees are often higher as well."* Based on an investigation conducted by the news outlet, the net proceeds received from an iBuyer are estimated to be 11% lower than the traditional approach, which means consumers could be leaving quite a bit of money on the table.

iBuyer Fees are higher than average real estate commission rates

At the time of publishing this survey in October 2019, Opendoor's website states its average "[service charge](#)" is 7.1% but can range from 6% to 14%. Offerpad's [fee](#) is typically 7%, but can vary from 6% to 10% at time of publishing. According to a recent REAL Trends Commission Study, the average commission on a traditional real estate transaction is just over 5%.





Houston Market Dynamics

HAR.com profiled the types of sellers responding to the survey, as well as the profile of their transactions. This perspective helps the reader to be able to compare your own unique market dynamics to Houston to surmise whether your market results might be any different than HAR's findings.

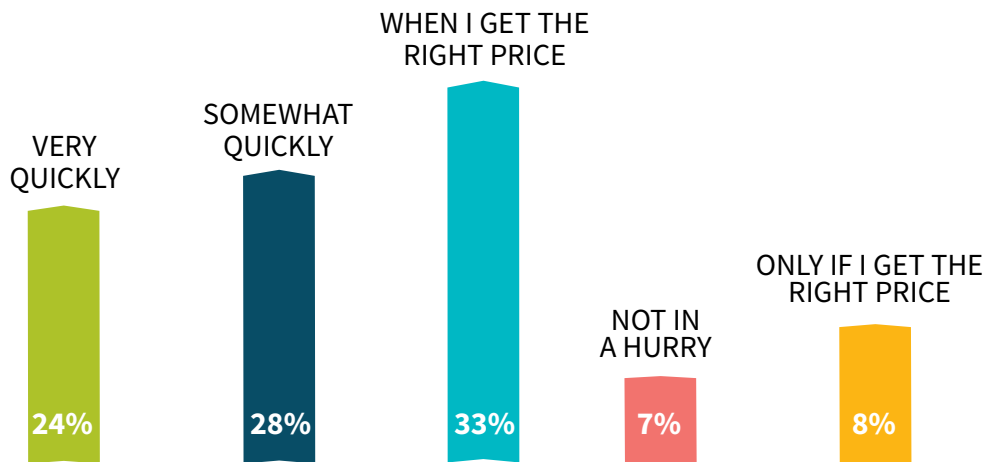
Solid Market Demand

The Houston real estate market can be categorized as a strong/solid market right now, buoyed by low interest rates and healthy employment numbers (latest Texas Workforce Commission report shows the creation of almost 82,000 jobs in Metro Houston – a 2.7% increase – in the 12 months ending August 2019).

The average days on market in August 2019 was 52 days, up 4 days from 48 days in August 2018. According to recent seller respondents, 57% of their properties sold in a few weeks or less. For sellers still engaged in the process, 53% of the respondents said their property had been on the market for a few weeks or less.

Nearly 25% of respondents need to sell quickly

24% of the market needs to sell quickly, and another 28% claim they need to sell their home somewhat quickly. 33% said they will sell only when they get the right price. Generally, again, these factors indicate a strong/solid market with a relatively normal need to sell quickly. For those who are getting transferred for work, having a child or experiencing other significant life changes, they need to move more quickly. The bulk of the market is participating in a normal timeline though.



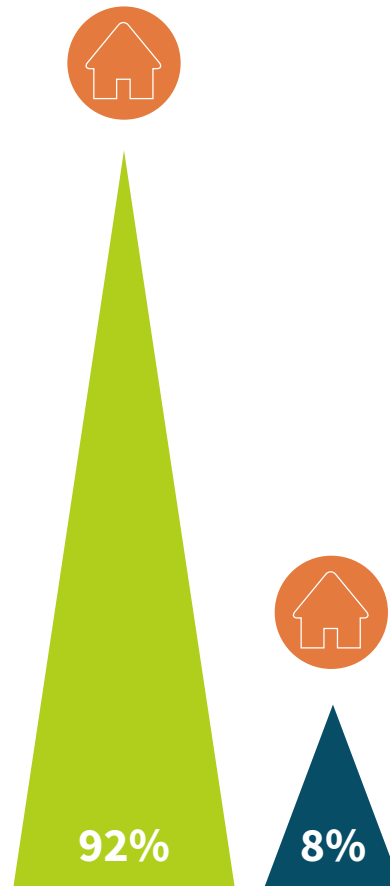
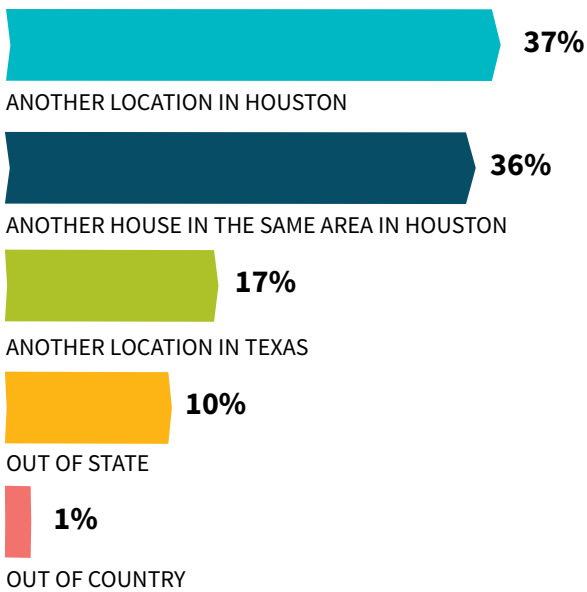
To current sellers: How quickly do you need to sell?



Most are moving within Houston Area

73% of respondents are moving within the Houston area. Just 11% are moving out of state or out of the country.

Where are you moving to?

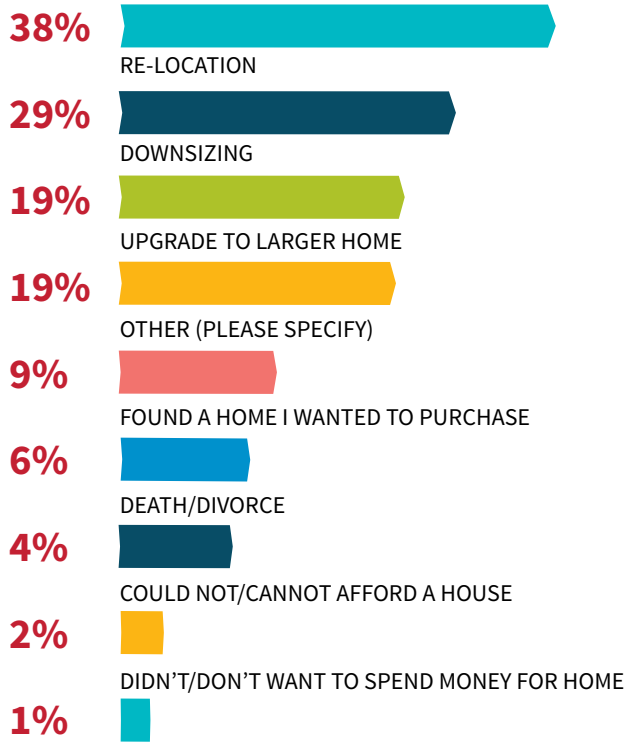


Did you work with a REALTOR®?

REALTORS® are a key part of the sales process in Houston

92% of the respondents plan to or have used a REALTOR® in the sales process. The 8% that are not using a REALTOR® in the process believe their home will be easy to sell, or they are investors.

[To All Respondents] What is the reason for selling your home (Choose all that apply)

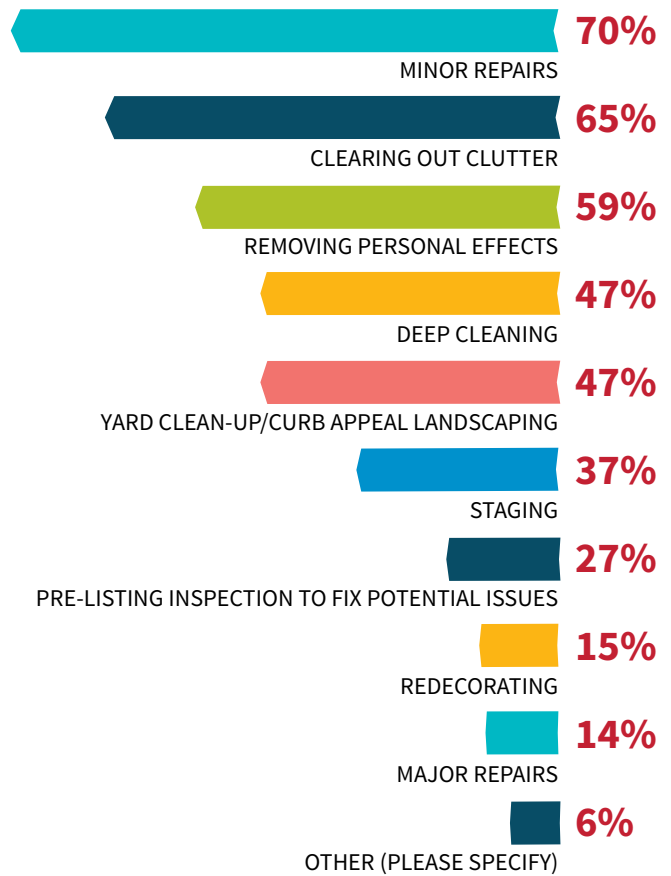


Relocation, downsizing and upgrading are the top three reasons for selling a home

Relocation, both around the Houston area and out of town is the largest reason for selling a home in Houston.

Minor repairs, personal effect removal and clearing out clutter are the most common home sales preparations

70% of sellers say they needed to complete minor repairs, remove personal effects and clear out clutter before selling their home.



[To All Respondents]
What did you do / are you doing to prepare your home for sale?

Conclusions

While still very early, iBuyers have definitely grabbed the attention of sellers, especially for those in the process of already selling. Most consumers are intrigued by the potential to get an offer on par with an offer they would receive from a conventional real estate sales process without having to go through the sometimes arduous process of prepping their home for sale. The stress associated with prepping a home for the move, while relatively significant, seems to be less of a motivator for interest in iBuyers than simply shopping for a better price.

Some consumers, especially active sellers, are acutely aware of the higher fees and lower purchase price being offered by iBuyers today. Consumers understand that iBuyers are going to resell their home therefore the offer price will likely be lower than the full market value. With the exception of just a few, consumers ultimately did NOT choose to work with an iBuyer because they were concerned the price they were offered was not high enough. If this differential can be closed or if iBuyers can prove their offers are comparable to traditional methods, the iBuyer concept may become more popular. This may be true especially for those who do not want to make repairs, de-clutter and conduct the regular cleaning needed to keep their home on the market for several weeks or months.

Today the market for iBuyers is also limited by the types of neighborhoods and price points iBuyer services concentrate on. If these systems can improve their algorithms to more accurately predict the values of more custom and higher end homes, the market potential could expand significantly.



About Houston Association

of REALTORS® Founded in 1918, the Houston Association of REALTORS® (HAR.com) is a 40,000-member organization of real

estate professionals engaged in every aspect of the industry, including residential and commercial sales and leasing, appraisal, property management and counseling. It is the largest individual dues-paying membership trade association in Houston as well as the second largest local association/board of REALTORS® in the United States.



About WAV Group

[WAV Group](#) is a highly respected consulting firm focused on making a positive impact on the residential real estate industry. The company uses consumer and practitioner insights to identify emerging consumer trends, new business opportunities and insights to drive strategic shifts in MLSs, Associations, Brokerages and Technology Companies. WAV Group is the largest research firm in residential real estate conducting customer satisfaction, retention studies, UI research, opportunity identification, consumer research and other strategic studies for hundreds of clients in North America and around the globe.