

Everything You Need to Know About iBuyers and the “Instant Cash Offer”

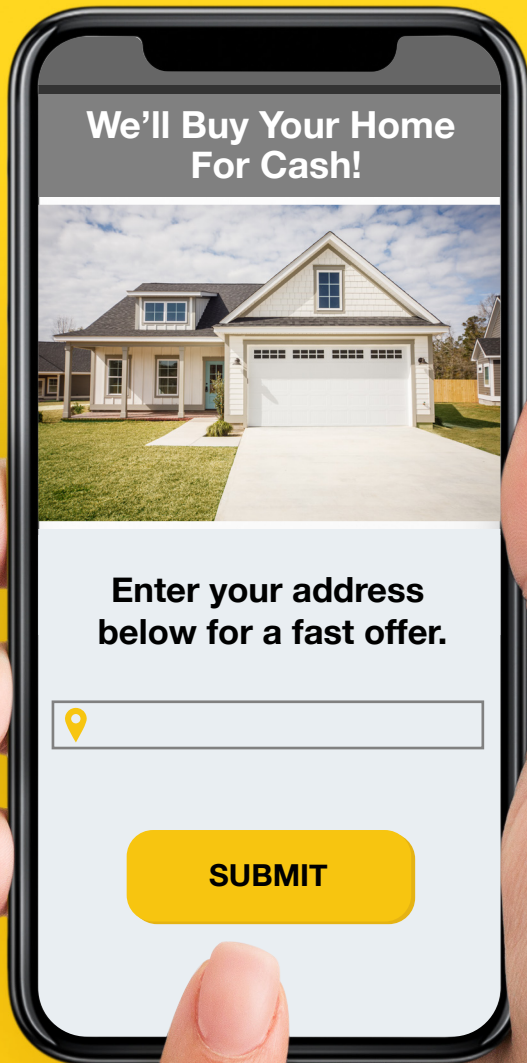
Technology is changing the way we do everything, and real estate transactions are no exception. In fact, a new crop of tech startups wants to revolutionize the way we buy and sell homes. iBuyers like Opendoor, Offerpad, and Properly use data and computer models to provide sellers with a quick cash offer to purchase their property.

While the actual market share of iBuyers remains small, their big advertising budgets have helped create a noticeable buzz in the industry. This has left many of our clients curious about them and how they work. In this report, we explain their business model, weigh the pros and cons of working with an iBuyer, and share strategies you can use to protect yourself if you choose to explore this new option to buy or sell your home.

HOW DOES THE iBUYER PROCESS WORK?

While each company operates a little differently, the basic premise is the same. A seller (or seller’s agent) completes a brief online form that asks questions about the size, features, and condition of the home. Digital photos may also be requested. If the property meets the iBuyer’s target parameters, a computer algorithm will be used to estimate its value. A cash purchase offer is usually sent to the homeowner within a few days.

If the seller accepts, an in-person visit and inspection are scheduled. The iBuyer will ask for a reduction in price to cover any defects they find during the process. The seller will also be required to pay a service fee, which is typically between 7% and 12% of the purchase price.¹ Once the sale closes, updates and repairs are made, and then the property is resold on the open market.



WHAT ARE THE PROS AND CONS OF SELLING TO AN iBUYER?

Of course, the biggest benefit of selling your home to an iBuyer is convenience. For some homeowners, the process of decluttering, making repairs, and preparing for showings can feel overwhelming. And many sellers like the predictability of a cash buyer and the flexibility to choose their closing date.

However, this added convenience does come at a cost. A MarketWatch investigation found that transactions involving iBuyers net the seller 11% less than if they would have sold their home with an agent via the traditional route.¹

WHAT ARE THE PROS AND CONS OF BUYING FROM AN iBUYER?

iBuyer listings are usually clean and feature fresh paint and neutral finishes. And because they're uninhabited, you don't have to work around a homeowner's schedule to view them. However, there are some pitfalls to watch out for, and negotiating with a corporation can present unique challenges. For example, their tight investment margins leave little room for price negotiation.² So you may want to avoid investing in an inspection if the property is overpriced or exhibits any "red flags."

That's why we always recommend visiting real estate listings with an agent. Luckily, since most iBuyers (and traditional sellers) pay a buyer agent's commission, you can benefit from the guidance and expertise of a real estate professional ... at no cost to you!



HOW CAN I PROTECT MYSELF IF I CHOOSE TO WORK WITH AN iBUYER?

Just like you wouldn't go to court without a lawyer, you shouldn't enter into a real estate transaction without an advocate to represent you. Having a professional agent on your side can be especially important when negotiating with an iBuyer. Remember, they employ sophisticated representatives and a team of lawyers who are focused on maximizing their profits, not yours. You need someone in your corner who has the skills and knowledge to ensure you get a fair deal and who understands the terms of their contracts, so you don't encounter any unpleasant surprises along the way.

Overall, we think the emergence of new technology that helps to streamline the real estate process is exciting. And if we believe a client can benefit from working with an iBuyer, we present it as an option. But there is—invariably—a cost to the convenience. After all, most iBuyers eventually list the properties they acquire on the open market, which is still the best place to find a buyer if you want to maximize the sales price of your home.

EXPLORE YOUR OPTIONS

Sources: 1. MarketWatch 2. US News & World Report

Do you want to learn more about iBuyers and other options currently available in our area to buy or sell your home? We can help you determine the best path, given your unique circumstances. Contact us to schedule a free, no-obligation consultation!

Hadley and Josh Ott, REALTORS
Discover Realty Group
720-253-9495
hadleyott@gmail.com
www.DiscoverRealtyGroup.com