



MODERN MARKETPLACE REPORT

2022: YEAR IN REVIEW



zavvie

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WHAT IS THE MODERN MARKETPLACE REPORT?

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WHAT IS THE MODERN MARKETPLACE REPORT?

The zavvie Modern Marketplace Report is the first of its kind, covering the range of innovative home selling and buying solutions becoming increasingly available throughout the United States. The report provides deep insight into Power Buyers (providing “Cash Offer” and “Buy Before You Sell solutions”), iBuyers, Homeownership Accelerators (also known as “rent to own” programs), and Listing Concierge presale renovation services.

The report presents these services' availability, including market locations, business volume and trends, and eligibility requirements. The zavvie report examines the consumer experience, including offer strength and acceptance rates, service fees and other costs, and customer satisfaction.



HIGHLIGHTS



Power Buyer transactions we tracked in 2022 increased by 33% over 2021, which compares favorably to total transactions in the U.S. declining by 38% during the same period.



Listing Concierge companies grew their business an average of 490%.



iBuyers began the year strong, buying 53% more homes in Q1 than in the record-setting previous year. The pace slowed dramatically after that, and by Q4 iBuyer purchases tapered to a near standstill.



Yet, consumer demand for instant offers remained strong, with over 40% of all requests processed by zavvie being for instant cash offers.



zavvie's Modern Marketplace Index, an indicator of overall market share of the new solutions, increased modestly over the past two years from 2.59% in 2022 to 2.67% in 2023, despite the slowdown of institutional buying activity.



zavvie data showed that transactions were completed for 49.8% of properties where Modern Marketplace offers were requested. Yet, Modern Marketplace solutions were actually utilized in 2.7% of all US transactions. **Clearly, for agents and brokers, bringing new options to buyers and sellers who feel stuck by market conditions is an effective way to get deals done.**



Customer satisfaction scores for Modern Marketplace solution providers remained around 9 out of 10, consistent with what we've reported previously.

THE MODERN MARKETPLACE

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WHAT IS THE MODERN MARKETPLACE?

Not long ago, options for home buyers and sellers were scarce. Sellers had one way to go: list on the open market, see what happens, and do their best to synchronize their home sale with the financing of their purchase in order to move. For buyers, options were to either get a traditional mortgage or pay cash.

Today, the landscape is markedly different as “fintech” has begun to penetrate the \$1.6 trillion residential real estate space, bringing new options that increase liquidity for sellers and buyers. New solutions for buying and selling - including Power Buyers, the well-known iBuyers and other institutional buyers making cash offers, Listings Concierge, and Homeownership Accelerators - are generating more transactions, and finding high consumer acceptance. All indications are that modern solutions are here to stay.

The screenshot shows a web application interface for a real estate agent. At the top left is the logo for 'REAL ESTATE' with a house icon. At the top right, there is a phone number '(303) 555-1234' and a user profile icon labeled 'Agent Name'. The main heading is 'Request Seller Solutions'. Below this, there is a section titled 'Selling Location' with a location pin icon. The text says 'Tell us about the property that your client is selling'. There is a 'Property address:' field with the text '1285 Cypress Dr, Boulder, CO 80505' and a 'CHANGE' button. Below that is a 'Property type:' section with four icons: 'House' (a house icon), 'Condo' (a building icon), 'Townhouse' (a townhouse icon), and 'Other' (a question mark icon). At the bottom, there is an 'Estimated home value:' field with a '\$' symbol and a 'Home condition:' field.

THE MODERN MARKETPLACE SOLUTIONS SUMMARY

Buying	Selling
 <p>Open Market with Traditional Mortgage <i>Add on: Home Warranty</i> Best fit for: Well-qualified buyers in less competitive markets.</p>   	<p>Open Market Listing <i>Add on: Listing Concierge presale renovation</i> Best fit for: Sellers whose top priority is maximizing their sale price.</p>       
 <p>"Cash Offer" (Power Buyer) Best fit for: Buyers in competitive markets who need the advantage of making "good as cash" offers without a loan contingency.</p>     	<p>"Buy Before You Sell" (Power Buyer) Best fit for: Sellers who need the ability to buy their new home before selling their current house.</p>      
 <p>Homeownership Accelerators Best fit for: Aspiring homeowners who can't qualify for a traditional mortgage.</p>    	<p>Instant Sale (iBuyers and Investors) Best fit for: Sellers for whom predictability, control, and convenience are most important.</p>            

2022: YEAR IN REVIEW

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WHAT SHOULD WE TAKE AWAY FROM 2022?

The past year was challenging for everyone involved in residential real estate: home buyers and sellers, agents, brokerage companies, and Modern Marketplace solution providers.

It feels like a lifetime ago when 2022 got off to a strong start, with home sales initially maintaining 2021's record pace at 6.5 million annual units. But starting in March, transactions abruptly decelerated as mortgage rates climbed out of the 3% range.

Still, home prices continued to rise through May, peaking at a national median home price of \$423K in May.

Buyers - especially first-time buyers - were most affected by the perfect storm of increasing interest rates, higher home prices, and low inventory. By October, the Fannie Mae Home Purchase Sentiment index hit its all-time low, with only 21% of respondents believing it was a good time to buy.¹

Sales continued to slow as rates steadily rose through 7 percent in October. By year-end, annualized home sales had fallen from 6.5 million in January to just over 4 million, a 38% drop compared with 2021.²

Not surprisingly, the Modern Marketplace companies were also affected by the unprecedented slowdown and choppy market conditions.

WHAT SHOULD WE TAKE AWAY FROM 2022? (CONTINUED)

As usual, the well-known iBuyers dominated the news, though not for reasons they would have chosen. In November, Redfin announced it was shuttering its iBuyer business. At about the same time, Opendoor reported a loss of nearly \$1 billion, mainly due to the company's "inventory valuation adjustments." Offerpad fared better but saw its run of profitable quarters come to an end. Both remaining iBuyers saw their share prices reduced by about 90%.

What got less attention was that numerous other institutional buyers including Single Family Residence investors Amherst, Invitation Homes, Mynd, and Bridgetower paused or greatly reduced their acquisitions.

The Power Buyers took their lumps as well, with Flyhomes, Homeward, Knock, and Orchard all announcing layoffs. Ribbon made the extra step of suspending all operations until the spring of 2023.



1. A not-fun fact for first time homebuyers: \$107,281 is the required salary to afford the \$2,682 monthly mortgage payment on the typical U.S. home. That's up 45% from \$73,668 in 2021, according to a report from Redfin (www.redfin.com).
2. For perspective, it's important to note that 2021 was an outlier, with existing home sales 18% higher compared with the 10 year historical average, according to the National Association of Realtors. Still, the 2022 sales slowdown was unprecedented in its suddenness and was actually more abrupt than the deceleration that occurred as a result of Covid shutdowns in 2020.

WHAT SHOULD WE TAKE AWAY FROM 2022? (CONTINUED)

Despite the economic headwinds, Modern Marketplace solutions continued to help many buyers and sellers navigate the market successfully. In some cases, the companies flourished:

- EasyKnock grew its revenues by 89% compared with 2021 while completing Power Buyer transactions in 47 states.
- UpEquity quadrupled its Buy Before You Sell business.
- The Listing Concierge service Curbio raised \$90M in funding and completed more than 1,700 projects, an increase of 125% over 2021.
- Revive, which offers pre-sale renovations and an innovative instant sale product, experienced 75% growth each quarter.

A major reason why the Modern Marketplace solutions continued to find traction was their inherent adaptability to varying market conditions in the second half of the year:

- Power Buyer deals skewed from the Cash Offer product toward Modern Bridge, which offered a more direct benefit to sellers.
- Instant Sale tended to become an option for sellers not getting offers on the open market, rather than the convenience, certainty, and speed they provided during the stronger seller's market.
- Homeownership Accelerators increasingly became a solution for buyers who could qualify for a mortgage but preferred to delay buying until market conditions settled down.
- Listing Concierge benefited most from the changing market conditions, as sellers everywhere sought to gain an edge in attracting offers and maximizing their sale price by prepping their houses for sale without going out of pocket.

Real estate brokerages and agents used the Modern Marketplace solutions to enable thousands of clients to move or buy their first homes. **And more importantly, in many instances where brokers and agents suggested these services to their clients, the clients wound up listing on the open market or using a non-Modern Marketplace mortgage provider.** In such situations, the Modern Marketplace option effectively catalyzed an important conversation, resulting in a transaction that otherwise might not have happened. zavvie internal data showed that transactions were successfully closed for 49.8% of properties where a Modern Marketplace offer was requested. Yet, Modern Marketplace solutions were actually utilized in 2.7% of all US transactions. Clearly, for agents and brokers, bringing new options to buyers and sellers who feel stuck by market conditions is an effective way to get deals done.

MARKETS

WHAT DO THE SOLUTION PROVIDER MARKETS LOOK LIKE?

In the first half of the year, Modern Marketplace solutions continued to roll out coverage across the US, including into markets that are more challenging to operate in due to their higher home prices and more heterogeneous housing stock.

Curbio: Launched in 11 new markets.

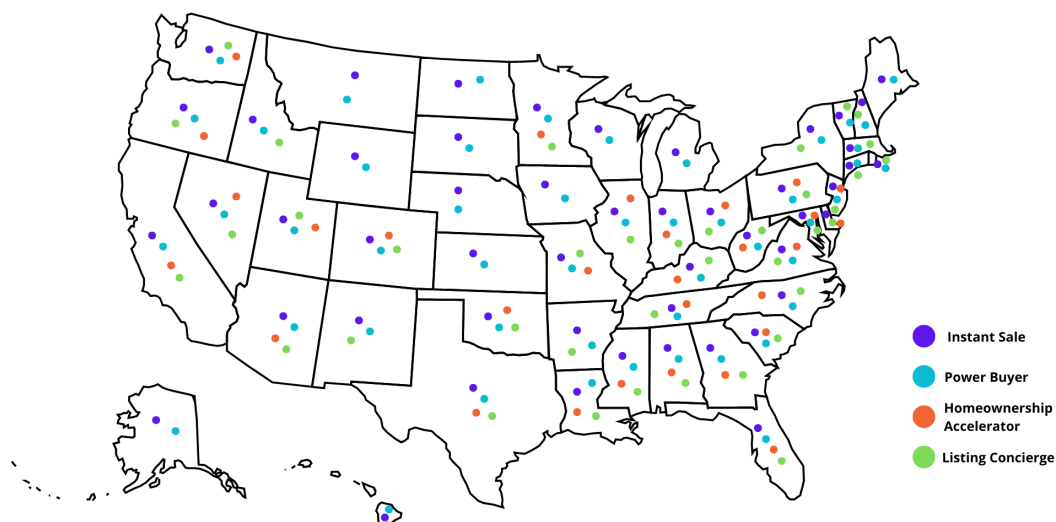
EasyKnock: Operates in all 50 states and in 2022, they completed transactions in 47.

New Western (HomeGo): Launched in 11 new markets including: Washington, DC, Waco, TX, Ft. Myers, FL, Salt Lake City, UT, Orlando, FL, Jacksonville, FL, Pittsburgh, PA, Birmingham, AL, Chicago, IL, Indianapolis, IN, and Greenville, SC.

Sailbridge: Became the first Power Buyer to enter Massachusetts, one of the toughest markets due to its higher price points.

UpEquity: Launched in 10 states and is now available in AZ, CA, CO, CT, FL GA, KS, ID, IL, IA, NJ, OR, PA, SC, TN, and TX.

At this point, the range of Modern Market solution types is now available in nearly all states.



POWER BUYERS

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HOW HAVE POWER BUYERS FARED OVER THE LAST YEAR?

Sellers and buyers continued to utilize the services offered by a range of companies that are fundamentally changing how residential real estate financing works. The details of their programs vary, but one common denominator is they dramatically increase the consumer's power as a homebuyer, creating a massive advantage for those who need to buy in order to sell. Hence our preferred term for these companies is, "Power Buyers."

We believe that Power Buying - including "Buy Before You Sell" bridge and "Cash Offer" solutions - will eventually become the norm in residential real estate. These services provide massive advantages of competitiveness and convenience at little or no cost to the consumer.

Top Services	What They Provide
Cash Offer	Enables home buyers to make cash offers that are backed by the Power Buyer and therefore have no financing contingency.
Buy Before You Sell	Enables home sellers to secure their next home with no financing contingency before listing and selling their current home.
Sale Leaseback	Enables homeowners to unlock the equity in their home by selling it to the Power Buyer, then temporarily leasing it from the Power Buyer, enabling the homeowner to purchase their next home without a loan contingency or use their equity for other purposes.

NUMBER OF POWER BUYER TRANSACTIONS



Power Buyer transactions surged through Q2, then dropped with the increased interest rates and general market slowdown. A major factor was that demand for the “Cash Offer” product - which had been the leading Power Buyer offering - declined sharply as home buyers ascribed less value to making a “good as cash” offer in a market where fewer offers were being made.³

The Power Buyer transactions zavie tracked increased by 33% over 2021, which compares favorably to total transactions in the U.S. declining by 38% during the same period. The strong growth was attributable to higher demand for the “buy before you sell” and “sale-leaseback” products used by consumers who are buying, as well as selling.

3. Many observers have commented that, regardless of market conditions, cash is still king and buyers will always benefit by making cash offers in terms of getting a discount on the home price. So in a seller’s market, the cash offer advantage is it gets the offer accepted. In a buyer’s market, the cash offer advantage is it enables the buyer to pay less.

AVERAGE POWER BUYER PURCHASE PRICES



Power Buyer purchase prices peaked in Q1 at \$683K, far higher than the national average home price of \$348K. Then, Power Buyer prices came back to earth at around \$500K at year-end.

We believe the decline was related to fewer consumers using Cash Offer products to gain an advantage in hypercompetitive, high-priced markets. Undoubtedly, Power Buyer services are becoming more mainstream and are being used in markets across the country.

POWER BUYER OFFER ACCEPTANCE



During the first two quarters, offer acceptance for Power Buyers remained consistent with previous rates, around 35-40%. Considering the advantages of being able to buy before selling and making an offer without a loan contingency, it's not surprising that many consumers are willing to pay fees ranging from 0-3% for these services.

The drop in the year's second half is consistent with the overall market conditions and demand for real estate financing, as many Power Buyer customers decided to hold off on their real estate plans until conditions improve.

iBUYERS

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HOW HAVE iBUYERS FARED OVER THE LAST YEAR?

iBuyers are tech companies that make cash offers on eligible homes, usually, about 40% of all houses in markets where they operate are eligible. In contrast to the “flippers” that target distressed sellers and homes needing substantial renovations, the iBuyers aim to provide a better experience to sellers who value increased speed, certainty, and convenience in selling a home.

iBuyer purchases started 2022 at a record pace, seemingly on track to exceed the breakthrough levels achieved in 2021. As we know now, that pace didn't last. Q3 transactions were little more than half compared with Q2, and by Q4, iBuyer purchases had tapered to a near standstill.

In addition to the retail iBuyers - now only Opendoor and Offerpad, since Redfin exited the business - numerous other institutional buyers were also actively buying homes from consumers. These companies, known as “SFR investors” include Amherst, Invitation Homes, Tricon, and First Key (among many others). They buy properties and then hold them as rentals for several years. In 2022 such large investor companies collectively purchased about 3x the number of homes that iBuyers did. Like the retail iBuyers, the SFR investors also sharply curtailed their acquisitions in the second half of the year.

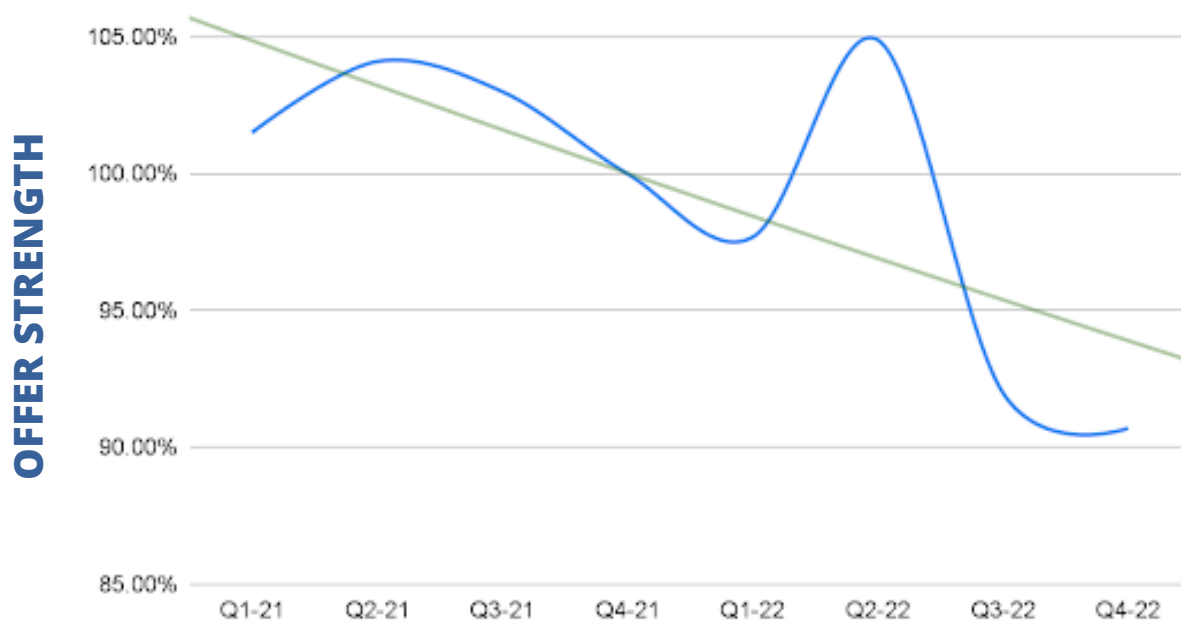


AVERAGE iBUYER PURCHASE PRICES



iBuyer price points hit a new high in Q2. Then, as the iBuyers were winding down their purchases, their average price point dropped as well. This is probably because higher-priced properties correlate with higher risk for the iBuyer in terms of resale. As market conditions became more challenging, the iBuyers sought to reduce their risk by pulling back on their offers for higher-priced homes.

iBUYER OFFER STRENGTH



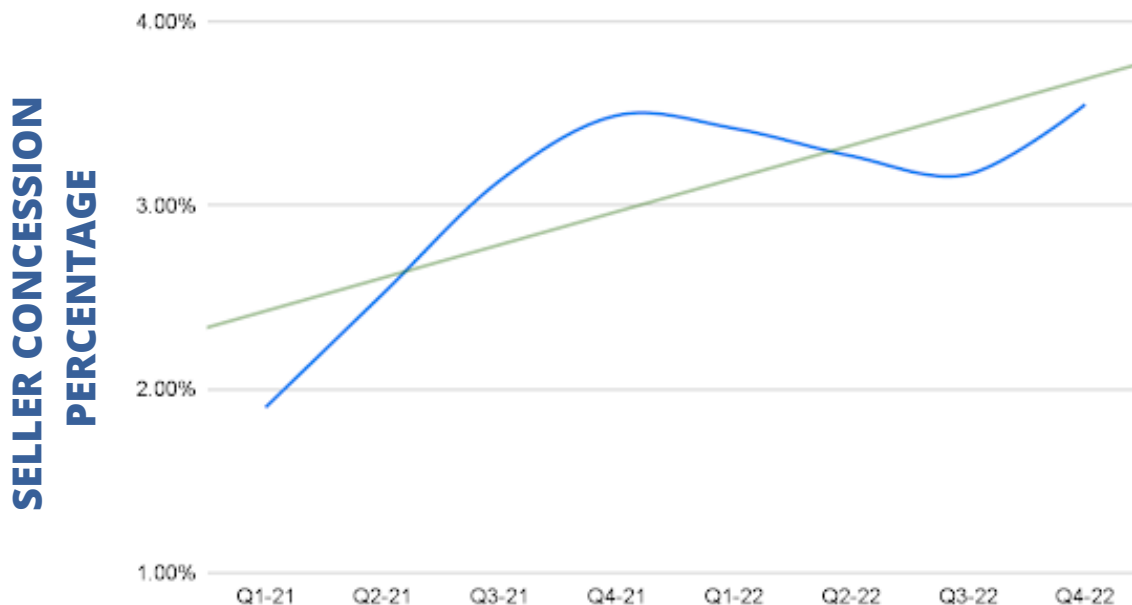
iBuyer offer amounts soared to new heights in the second quarter before dropping suddenly to the lowest levels we have seen, just above 90 cents on the dollar. Evidently, the iBuyers grew more conservative as the market became riskier.

iBUYER SERVICE FEES

In the past two years, Opendoor and Offerpad service fees were standardized at 5%, and 6% respectively, which compares favorably with real estate commissions, typically 5-6%.

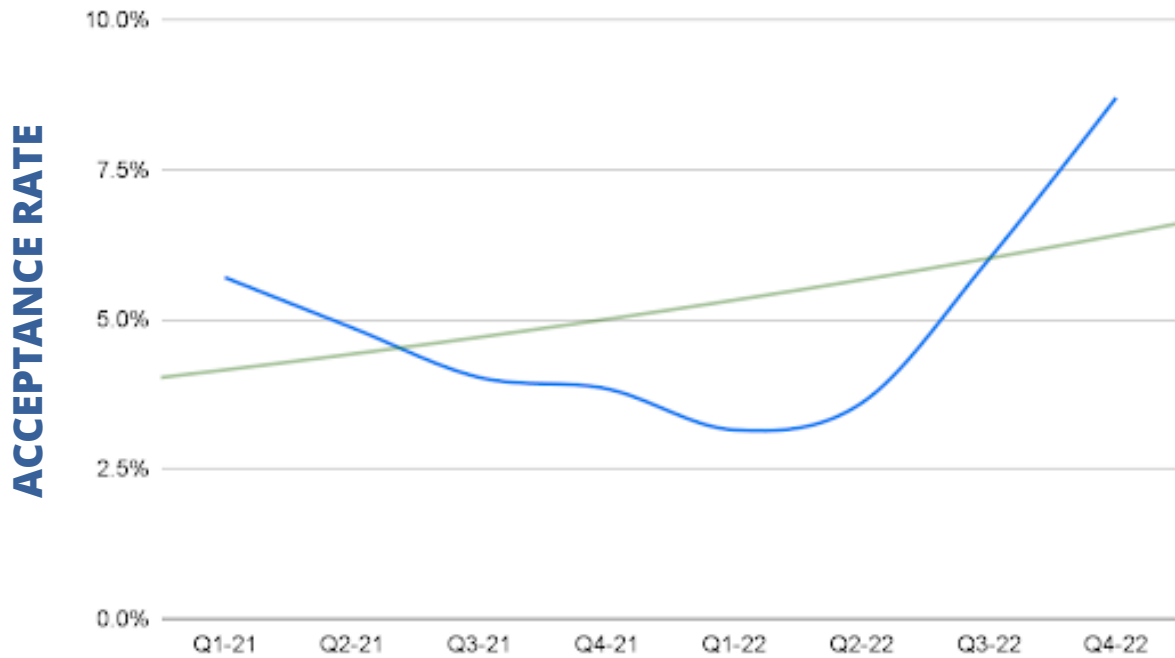
In August, Offerpad added a 2% "Current Market Factors" fee, effectively bringing their service fee for some transactions to 8%.

AVERAGE SELLER CONCESSIONS



This is the average amount iBuyers charged sellers for "prep and repairs," which is received from the seller as a concession. Sellers don't learn about this total amount until the iBuyer has completed a thorough inspection of their home, which happens after the seller has accepted the iBuyer's initial offer.

iBUYER OFFER ACCEPTANCE



For iBuyers, acceptance rates continued a downward trend in the first half of the year, bottoming at 3.1%. Then, in contrast to all the other trendlines in this report, offer acceptance took off through the 8% range. Apparently, for an increasing percentage of sellers, the iBuyer offers were attractive given the market conditions.



INSTANT SALE - DOWN, BUT DEFINITELY NOT OUT

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WHAT IS THE FUTURE OF iBUYERS IN REAL ESTATE?

Rumors of the demise of instant cash offers have been greatly exaggerated. Consumers still want the speed, certainty, and convenience associated with selling to an institutional buyer. Consumers find selling a house the traditional way highly stressful and welcome the iBuyer alternative.

In a comprehensive survey, 1000watt Consulting found that:

- Over 70% of sellers found the process either “stressful” or “very stressful.”
- 77% of respondents said they would be “probably” or “maybe” willing to take 5% -10% less for their home to avoid the hassle of a traditional sale.
- While 62% of sellers said getting the highest price was what matters most, that means nearly 40% of sellers reported other factors as being more important.
- Over 80% of sellers said they would react positively to receiving a cash offer on their house from a credible company.

As an indicator of consumer demand throughout 2022, zavvie continued to process more requests for Instant Sale solutions than any other type of Modern Marketplace solution, with over 40% of all requests being for instant cash offers.

WHAT IS THE FUTURE OF IBUYERS IN REAL ESTATE? (CONTINUED)

With regard to the availability of instant offers, though the iBuyers have slowed their purchases, it should be noted that:

- For clients whose homes need renovation, the availability of Instant Sale options wasn't affected. Solutions including New Western (HomeGo) and HomeVestors ("We Buy Ugly Houses"), among many others, continued to make cash offers. Sellers who utilize these services rather than making repairs themselves can actually come out ahead compared with listing on the open market.
- Solutions including EasyKnock, UpEquity, and Revive offered an equity cash-out alternative to the standard instant sale: rather than receive a single payment upfront, consumers get an initial payment of about 80% of their home's market value which they can use to finance their new home. Then, after their house sells on the open market, they receive the balance of their home value, which means they effectively net 100% of their home's market price (less a service fee). We expect to see continued growth in these services in the months ahead.
- Numerous brokers across the country offered their own "Guaranteed Offer" programs, committing to purchase a seller's home at a predetermined price if the broker can't sell it on the open market for a higher price.



All considered, it seems likely that going forward, cash buyers that are less retail and more behind the scenes - working through agents rather than going direct to the consumer and wanting to own the consumer relationship - will increasingly be at the forefront of instant offers.

LISTING CONCIERGE

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HOW HAS LISTING CONCIERGE FARED OVER THE LAST YEAR?

Presale renovation and repair services have spread like wildfire across the country in the past three years. Essentially, Listing Concierge companies enable home sellers to easily finance the repairs and renovations they need to maximize their net proceeds on a home sale. Using these services, sellers typically don't pay for the work until their house sells, so they don't need to pay out of pocket. Leading Listing Concierge companies include Curbio, Freemodel, Punchlist USA, and Revive. Data provided by these companies shows that smart renovation projects yield a significant return on investment, which means the seller can maximize their profit without dipping into their pocket. That's a compelling value proposition.

Project amounts vary widely, ranging from hundreds of dollars for minor repairs to hundreds of thousands of dollars for major renovations.



Average annual growth
rate: 490%



Average project
amount: \$47K



Average project return
on investment over
100%

HOMEOWNERSHIP ACCELERATOR

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HOW HAVE HOMEOWNERSHIP ACCELERATORS FARED OVER THE LAST YEAR?

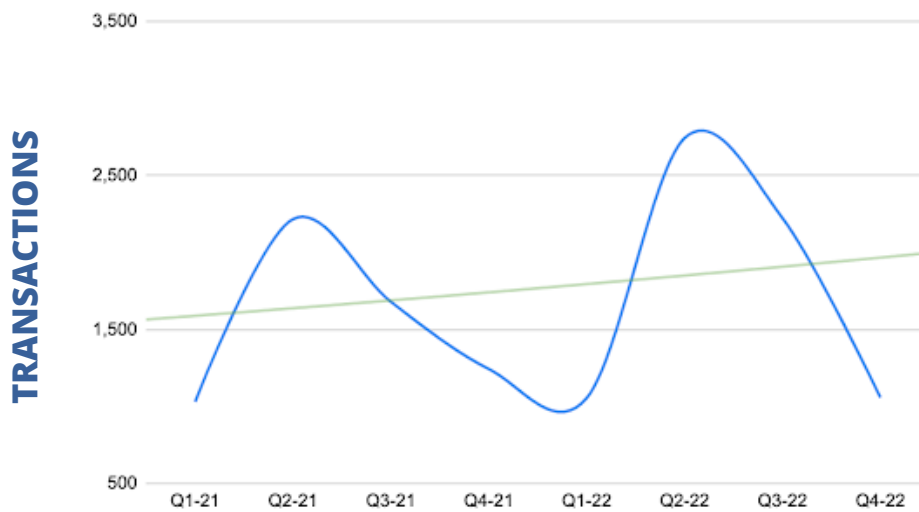
Essentially, these companies enable people to work with an agent, choose a house they want to live in, and then rent it with an option to buy the home later. This can be a great solution for buyers with lower credit scores or lacking a down payment. It can also be a smart fit for people who would rather rent a house than buy a home or rent an apartment. Divvy reports that 50% of customers using their service have exercised their option to purchase their homes.

Considering that the path to homeownership for many first-time buyers has become increasingly difficult, it's not surprising that these services have grown and expanded rapidly. Homeownership Accelerator solutions are now available in 36 states.

It's notable that Home Partners Of America, the well-established category leader offering a "lease with the right to purchase program," was priced at \$6 billion in 2021, placing it among the highest-valued residential real estate firms of any type. The leading new entrants' Divvy, Halo, and Landis collectively have raised nearly \$2 billion.

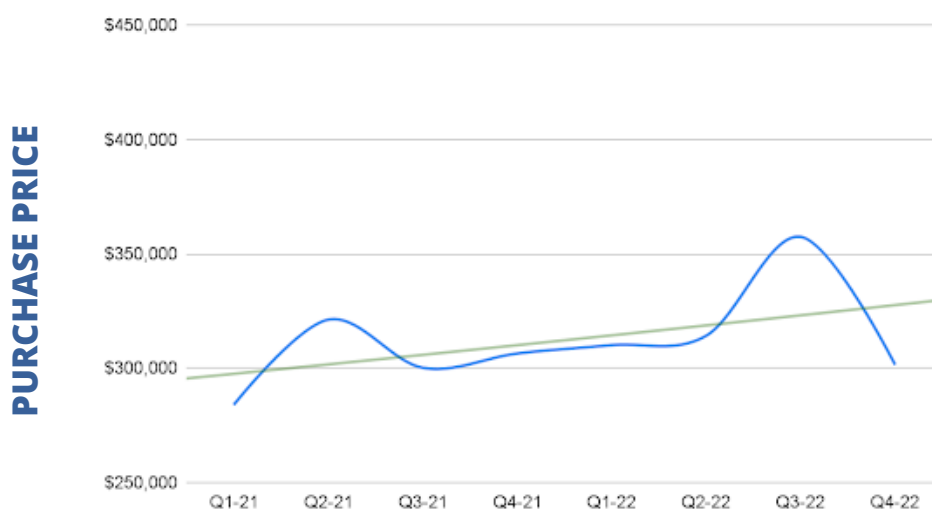


NUMBER OF TRANSACTIONS



In 2022 the Homeownership Accelerator companies increased their transactions by 15%, in contrast to a decline in total US transactions by 38%

AVERAGE PURCHASE PRICE



Compared with 2021, Homeownership Accelerators increased their average purchase price by 6.2% from \$306K to \$325K, which is lower than the national home price appreciation in 2022 of 9%.

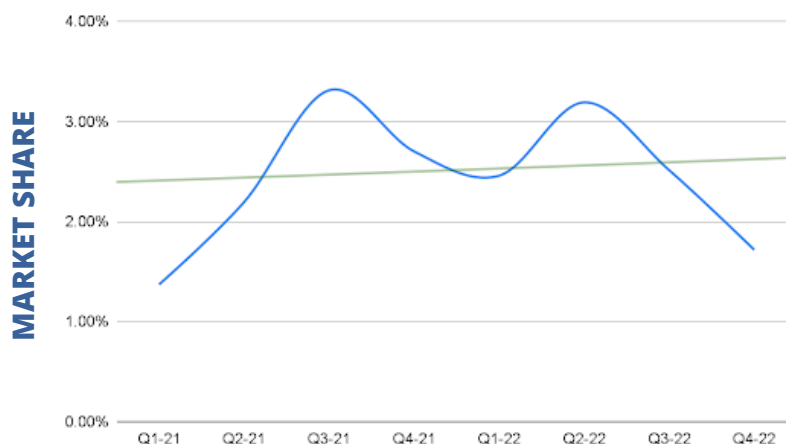
MODERN MARKETPLACE INDEX

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WHAT IS THE MODERN MARKETPLACE INDEX?

The Modern Marketplace Index is a consolidation of zavvie’s best data about the utilization of all Modern Marketplace Solutions across the country. It indicates the percentage of all transactions where a Modern Marketplace solution was utilized, in areas where Modern Marketplace solutions are available. Put simply, the index is the total combined market share for Modern Marketplace solution providers.

This index is intended to provide a consistent reference for the growth (or decline) of Power Buyers, Instant Sale, Homeownership Accelerator, and Listings Concierge solutions. Going forward, new types of solutions will be added as they gain consumer acceptance. These may include emerging shared equity, DeFi, and Web 3.0 solutions.

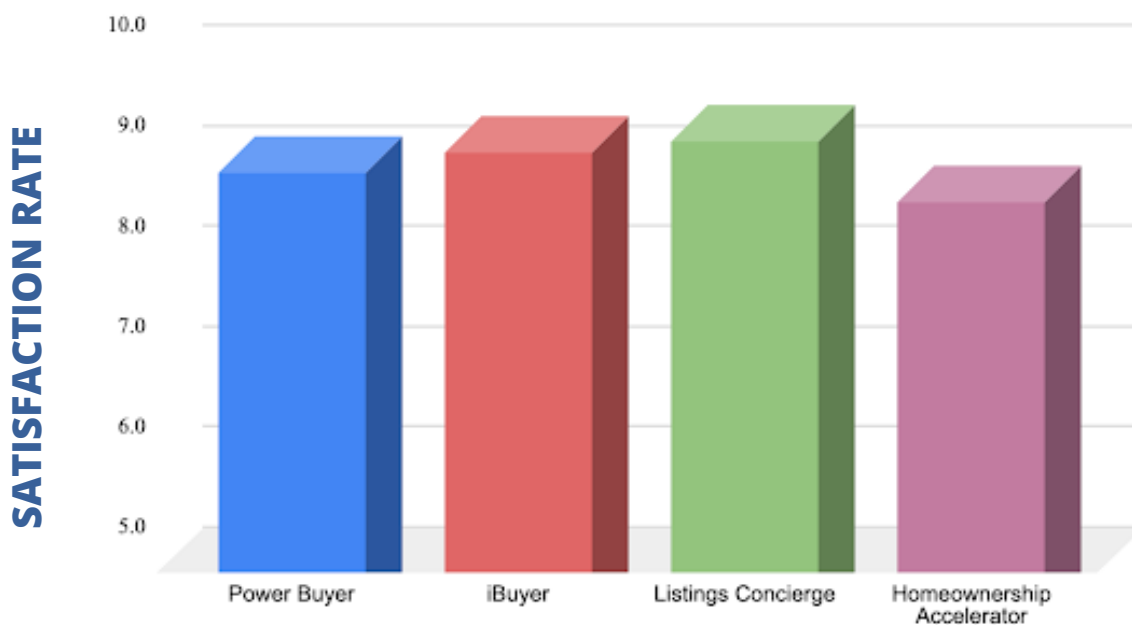


Overall, the Modern Marketplace Index increased modestly over the past two years from 2.59% in 2022 to 2.67% in 2023. It’s noteworthy that the index climbed despite the significant slowdown in institutional buying activity in the second half of 2022, which affected Instant Sale buyers as well as Homeownership Accelerators. Listing Concierge and Power Buyer “Buy Before You Sell” solutions picked up the slack.

CUSTOMER SATISFACTION

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HOW DO CONSUMERS FEEL ABOUT THESE SOLUTIONS?



At the end of the day, it's customers who determine whether or not a business is delivering good value. Going back two years now, we have seen consistently high scores for Power Buyers and iBuyers, both consistently scoring around 9 out of 10 for customer satisfaction. We are not surprised that Listing Concierge and Homeownership Accelerators are rated similarly.

The bottom line: the vast majority of sellers who used one of the Modern Marketplace solutions are glad they did and would do it again.



THANK YOU



ABOUT US

zavvie is a software technology company that provides real estate brokerages with a marketplace for buying and selling solutions via their own white-labeled platform. The platform connects agents with solutions and allows them to present all options to their clients while remaining at the center of the transaction.



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