



The Cyclical Strategy of *iBuyers*' Balancing of "Buy-Hold-Sell" Portfolios



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As an author of business plans and strategic initiatives primarily serving real estate industry growth-stage businesses, I have traditionally focused "risk avoidance" based on client executive team's industry knowledge, capitalization, customer benefits of their proposed offering, sufficient sales & marketing talent, product-launch strategies and appropriately developed implementation tactics.

Naturally, I have also presented an analysis of trend analysis, positioning, supply chain issues, logistics, labor capability, workflow matters, customer acceptance, competitive challenges and in some cases re-positioning. A well-prepared SWOT Analysis is a basic and effective tool in aggregating and presenting basic strengths, weaknesses, opportunities and threats.

In recent years, I introduced to my client evaluations important risk considerations, such as political turmoil, legal & legislative considerations, regulatory restrictions, social acceptance, environmental factors and military intervention. In the case of real estate I closely evaluate supply and demand, the impact of the general domestic economic health, marketplace liquidity, employment levels, disposable income, monetary policy, interest rate fluctuations, lifestyle and alternatives to proposed product offerings.

However, in recent engagements, I have added the crucial factor of serious health crises, such as the global Coronavirus pandemic, as impacting virtually every aspect of our lives and client viability. Such pandemics cause recession, and in some cases severe economic depression, adversely impacting the market's ability or willingness to purchase new or existing products heretofore considered common in the lives of investors, buyers and sellers.

- Given the serious nature of the health crises facing literally every nation and all its citizens, virtually all consumer, commercial, industrial markets are negatively impacted by purchasing power, or confidence to purchase or sell goods during a time of historic instability.
- Due to the impact of the health crises negatively affecting real estate demand and opportunity; transaction volume and value is plummeting. The suggestion is that *iBuyer* investors and traditional individual buyers have taken a “wait and see” perspective in both residential and commercial real estate segments.
- Notwithstanding, history has demonstrated that essentially every aspect of investing in, buying and selling real estate is highly cyclical in nature.

In the case of real estate, "cyclical" is real when market factors are particularly susceptible to both the "down-market" and the "up-market". One truism experienced throughout history, is that what goes up, comes down...and what goes down will go up as confidence and market factors change.

1. Widely published real estate experts believe that today's plummeting of both real estate value and the volume of real estate transactions are indeed the result of a down-market cycle that will rebound in time. Naturally, it is always a question of time...as in...when does normal return?
2. Experts believe that astute real estate *iBuyers* are observing market conditions...sitting on the sidelines... contributing to unstable demand, pricing and transaction volume.
3. However, in the case of *iBuyers*, most industry experts believe that they benefit from a market slowed by any number of economic factors; and because they have the capital to wait for a down-market opportunity to buy greater numbers of real estate assets in better geographic markets at better pricing.
4. Often referred to as “keeping their powder dry” real estate *iBuyers* armed with trillion of dollars in capital are essentially waiting for the bottom of the market, in order to increase acquisition of asset portfolios in coming quarters.
5. In the meantime, real estate *iBuyers* are considered by many as remaining on the buy-side sidelines, thoughtfully balancing their asset inventory, so as not to be too heavy into newly purchased assets while holding an inventory of current assets-for-sale, thereby avoiding the selling such assets below-premium assets into the same buy-side down market.
6. In other words, real estate *iBuyers* are “balancing” their asset portfolios, preparing for a strategy of buying at the bottom of the market, while preserving capital during the period of time that must pass to allow them to sell previously acquired assets (inventory) into a recovered market that maximizes asset value.
7. Today's cyclical real estate market, brought on by the catastrophic global pandemic, will result in the well capitalized *iBuyers* accelerating both buying and selling in timeframes of their own choosing. This choosing is clearly tied to a resolution of the pandemic's spread and eradication, and the return to normal buy, sell and investment ROI opportunities.
8. Well-capitalized real estate *iBuyers* will be uniquely positioned to dramatically grow by balancing both buy-side and sell-side strategies as this today's pandemic-affected market cycle turns in future quarters.
9. Many industry real estate vendors are well positioned to serve the real estate *iBuyers* market in both down-market and up-market by virtue a focus on astute “cash-buyers” “sellers” and “self-finance lenders” executing aforementioned real estate portfolio balancing strategies.

10. Unquestionably, cyclical markets will experience downturn, and the primary drivers of reduced transaction volume and asset value will result in a consolidation of *iBuyer* participants. In other words the well-capitalized *iBuyers*, scaling back their operations during the down market, result in a preservation of capital for future asset purchases as the market stabilizes.
11. Notwithstanding current market instability, it is self-evident that in both cyclical and generational downturns in the real estate market, as being experienced today, the well-capitalized strong will survive and a consolidation of market participants will take place.

There is little risk to the future of the real estate *iBuyer* market as an entrepreneurial business model. Values and transaction volume will recover as *iBuyers* carefully *balance* their acquisitions, re-sales and future self-financed lending.

The *iBuyer* business model is outstanding, and although a consolidation of participants will take place, the concept is solid, and the strong will increase their market share to make up for the reduction of competitors as the upmarket returns in future quarters.

The iBuyer business model will survive today's market downturn. There will indeed be a reduction in transaction volume and employment, and for some iBuyers it may temporarily reach 50%. However, this is clearly a result in iBuyers properly tightening their belts...protecting their capital...while the bottom of the market is approached.

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