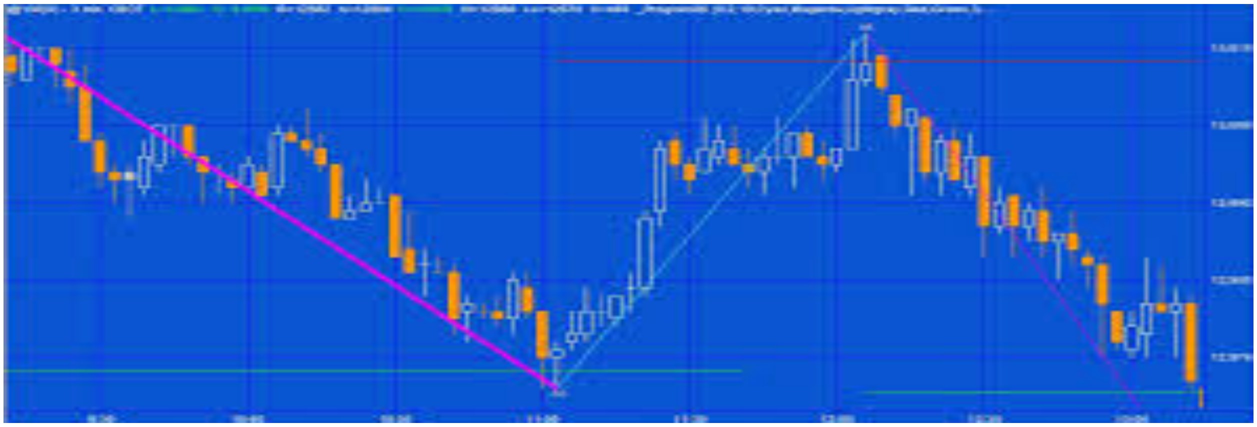

iBuyer 2020 Losses Reflect Costs of Disrupting the Status Quo During a Global Pandemic

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In a recently published article, respected New Zealand-based Tech Strategist Mike DelPrete referred to the significant accrued losses of the real estate conglomerate and *iBuyer* Zillow, in a manner that questions the wisdom of incurring transactional losses, to disrupt the status quo of residential real estate purchasing and selling.

iBuyers are well capitalized cash buyers of Single Family Residential real estate and subsequent re-sellers of SFRs, generally absorbing origination and closing costs into their acquisitions for a transactional fee. Direct *"instant purchases"* are a disruptive and attractive alternative to the status quo of potentially lengthy listings, sale negotiations, lender requirements and prolonged and costly closings.

My view is that losses of Zillow and other *iBuyers* are cyclical...and in the case of Zillow...offset to a large degree with both core and ancillary revenue being generated to-and-for its affiliated operating units.

> As to the *iBuying* industry, the business model is brilliant given forthcoming improvements to *iBuyer* algorithms, cost controls, alliances, selling strategies and sales channels. Such improvements represent the cost of providing an alternative to...if not changing...the status quo.
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> *iBuyer* losses are generally attributed to a low purchase price, insufficient transactional fee, excessive closing costs and a lower than anticipated resale price.

Naturally a pandemic-related “lull” in *iBuying* took place earlier this year as *iBuyers* balanced their inventory. This is precisely what happened in the real estate markets after 911...which was followed for the next few years with phenomenal growth.

On November 5, 2020 Zillow CEO Rich Barton stated that in balancing Zillow's *iBuyer* inventory, the firm had purchased only 808 homes, while selling 583, contributing $186 million 3rd quarter unit revenue to $657.7 million in corporate revenue, and $40 million in net income. Developing an in-house premier real estate network, intended to reduce operating losses per transaction, generated revenue of $298.7 million. Zillow, which operates, "Internet, Media and Technology (IMT) Divisions" ended the third quarter with a massive war chest of $3.8 billion.

Zillow remains fully committed to *iBuying*, adding its 25th geographic market and increasing its home purchasing by 25% during the third quarter. Opendoor and Redfin, while maintaining fewer homes for sale, and purchasing at a slower rate, also appear fully committed to *iBuying* as they generate incremental revenue via up-sale and cross-sale strategies to its other core (IMT and brokerage) services.

One truism consistent throughout history, is that what goes up, comes down…and what goes down will go up...as confidence and market factors change.

1. Once stabilized, 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.
2. Often referred to as “keeping their powder dry” real estate *iBuyers,* armed with tens of billions of dollars in capital, are essentially waiting for the bottom of the market, in order to increase acquisition (balancing) of asset portfolios in coming quarters.

3. Experts believe that astute real estate *iBuyers* are 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 of assets into the same buy-side down market.
4. 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.
5. Most industry experts believe *iBuyers* benefit from a market slowed by any number of economic factors 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.

The aggregate "new *iBuyer* losses" over the past two years, versus growth to nearly 10% of the residential real estate market in transaction volume and revenue, in recent years, are a drop in the bucket. The fact that 30 *iBuyers* are successfully disrupting the 200 year old status quo...in the midst of a global pandemic which has destroyed thousands of businesses...is an incredible accomplishment.

Many experts expect *iBuying* to capture 20% of the residential real estate market within two years.

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