



**D**id you know that 40% of American's described the homebuying process as the most stressful experience of their life? According to the National Association of Realtors (NAR), the most difficult parts of the homebuying process are<sup>1</sup>:

- Finding the right property (56%)
- Paperwork (20%)
- Understanding the process and steps (16%)

Difficulties in finding the right properties were highest and consistent across both first-time and repeat

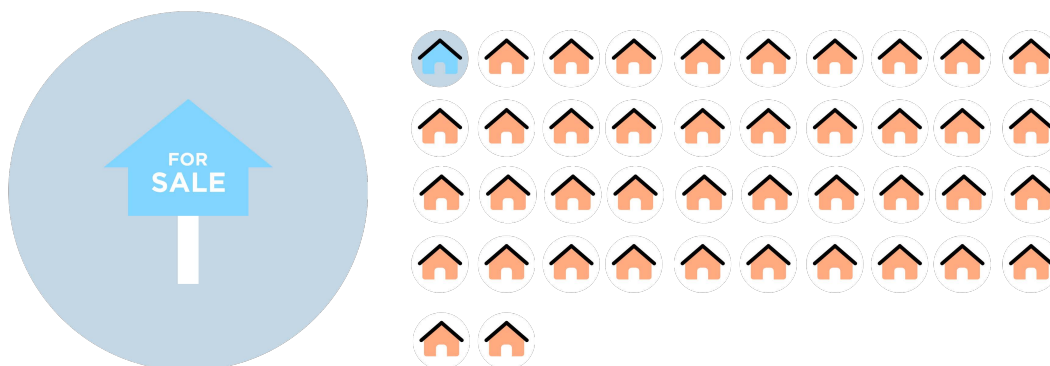
homebuyers with 40% of all buyers researching for 120 days or more before taking any action on a real estate site<sup>2</sup>. The stress continued post-purchase, with nearly 44% of homebuyers (63% of millennial homebuyers) expressing regret about their selection<sup>3</sup>.

### Limited Selection = Limited Homebuyer

According to The REALTORS, there is less than 1 home for-sale for every 100 households<sup>4</sup>. With limited inventory, it is no surprise that 66% of homebuyers are reporting that they are compromising on their purchase<sup>5</sup>.

AnyCurb Study<sup>6</sup>:

For every 1 home for-sale there are 41 homes that would sell if there was an offer made.



Despite low inventory of homes listed for-sale, AnyCurb's study found that 46% of homeowners have considered selling their home, and 42% would sell if they received a market price offer<sup>6</sup>. It stands to reason that there are potentially 40X+ more homes that buyers should be considering when searching for a new home. **This inventory would reduce the leading cause of homebuyer regrets resulting in a happier and compromise-free home buying experience.** In addition, this increase in inventory would impact some constraints faced by 57% of renters that consider buying before they rent<sup>7</sup>. This begs the question: Why is this additional inventory not listed for sale? Further exploration found that the pain points of selling a home may be the biggest barrier of entry to unlocking the additional inventory needed to kick-start a flywheel effect in residential real estate.

## Why is Selling a Home Difficult?

More than three-quarters of American's said that selling a home was a stressful experience.

Zillow found that this stress is second only to a relationship break-up. Some of the things that make this process stressful are:

- **Uncertainty of a homeowner selling their home in their desired time frame**, as 7 out of 10 homeowners mistimed the process. This is because 61% of people selling their homes are also buying one leading to jumbled timelines<sup>8</sup>.
- **Pricing** a home has many factors, such as available inventory, sales comparisons, and getting the right CMA (Pricing Analysis). Among real estate agents surveyed, 51% selected "Pricing a Home for Sale" as the biggest area in which sellers can make an error<sup>9</sup>.
- **Days on the market** is a consideration criteria for buyers regarding the attractiveness of a seller's property. Homeowners that sell their home in 10 days realized 99% of the original sales price, whereas those who had homes on the market for 45 to 90 days realized 90% of the original sales price<sup>10</sup>.

- **Selecting the right agent**, as one-third of homeowners say it's difficult to find the right agent. The most desired feature from an agent is their ability to find interested buyers<sup>11</sup>.
- **Costs** for selling your home can range from 6% to 10% of the home's value, including "hidden-costs" such as closing fees. In total, fees can offset nearly 2.5 years of appreciation<sup>12,13,14</sup>.

## How to Increase Housing Supply

*“So you're thinking about putting your house on the market, but first you'd love to know if buyers are interested and what they might pay?”*

Those words were stated by Zillow as they launched their **Direct Sale Model** (Make Me Move tool)<sup>15</sup>. This tool let homeowners set a price for their home and connect with interested homebuyers. However, Homebay found three reasons why this tool was inconvenient for homeowners<sup>16</sup>:

1. Zillow's default search parameters for Buyers excluded For Sale By Owner and Make Me Move listings. Buyers had to opt-in to see this additional inventory. Limited Visibility.
2. This information was increasingly used by agents to target homeowners with offers to list their homes instead of buyers seeking to purchase homes. More Agents, Less Buyers.
3. Make Me Move pricing appeared alongside Zillow's price history page, which included prior listing efforts. "Days on Market" risk

In the end, Zillow's efforts to connect buyers with sellers (their Make Me Move tool) was removed from Zillow in early 2020.

**Auction Model** leader eBay, a pioneer in action style consumer to consumer approach, permits sellers to list a property for sale with a listing fee. However, this model has underlying limitations as the enforceability of eBay's sales for real estate draws some legal scrutiny. As eBay is not a real estate agent, and with laws varying from state to state, winning a home in an auction might not be binding. With the only potential recourse on a failed transaction being negative feedback and a potential account suspension it has drawn some comedic parodies such as when Michael Scott from the Office attempted to list his home for auction but eventually rescinded his sale (The Office, Season 3, Episode 23). The buyer and seller are mostly left to their own devices and expected to communicate outside of the platform after the sale.

This is why many properties on eBay are fixer-uppers at rock bottom prices<sup>17</sup>. In a sampling of 100 completed auctions in the residential property category, roughly two-thirds sold, and the remaining one-third ended without a sale. Half of the homes sold for prices under \$5,000, with a quarter of those 100 homes selling for less than \$1,000.

**New Construction** seems like a logical solution to increasing the supply of inventory; however, a 2018 study performed by Freddie Mac found that two issues continue to hinder this supply<sup>18</sup>. The increased development costs and shortage of skilled labor are problems that are systemic barriers that can not easily be solved. These problems are compounded by heightened laws and regulations surrounding local zoning restrictions on lot sizes, building height, and open space designations which only further reduces the supply of new homes. Regulatory costs increased 29% between 2011 and 2016, the National Association of Home Builders (NAHB) estimates. Additionally, the count of unfilled jobs in the construction industry reached post-Great Recession highs in 2018, the NAHB reports.

**iBuyers** are real estate companies that buy homes directly from customers and make-up 0.2% of national market share<sup>19</sup>. Their approach offers a seemingly modern solution to the pain points of selling a home.

However, this convenience may come at a cost to the homeowner. Service fees for iBuyers may fall between 7.5% and 12% of the home price which is subtracted from the sales price of the home. Second, iBuyers make revenues on any price appreciation on the home while it is being held or improved, which may add another 3% to 8% to the iBuyer revenue.

Despite its convenience, the iBuyer model faces challenges when scaling. First, iBuying involves significant carrying costs and adverse selection risks, translating into a narrow and limited buying radius = iBuyers can only buy some houses in some areas. Secondly, when comparing their purchase price to the AVM (automated valuation models, predicted price for a home), iBuyers are within 2% of the mean, but have a large standard deviation<sup>20</sup>. This indicates that iBuyers may pay too much or too little for the home. Lastly, iBuyers are offering aggressive pricing in a competitive environment and are still losing thousands of dollars per home sale<sup>21</sup>.

**Real Estate Agents** are used by 90% of Americans to ease the pain points of selling and reduce the regrets of buying<sup>22</sup>. Agent expertise in negotiating, helping to understand the process, and pointing out unnoticed features in a home are among the additional benefits to both buyers and sellers. But first and foremost, it is the trust and safety that agents bring to each transaction, which is essential to maintaining market stability.

Northwestern University conducted a study that confirmed that using a broker accelerates a sale by an average of 20 days<sup>23</sup>. In addition, 20% of FSBO listings had to use an agent because their home didn't sell. Even the owner of ForSalebyOwner.com had to hire an agent and pay them a 6% commission after he failed to sell his condo for nearly 6 months<sup>24,25</sup>.

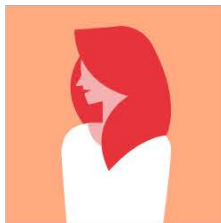
However, according to the REALTOR technology report: 64% of brokers charge fees for technology and 36% of agents want brokers to provide predictive analytics<sup>26</sup>. Free-to-use predictive analytics provided to agents could greatly improve agent selection to increase supply for their customers and result in an improved home shopping experience.

## The Modern Homebuyer

The Modern Homebuyer is primarily Millennial (37%) and a first-time buyer (33% of total)<sup>1</sup>. Given this shift to a younger buyer, affordability is a common concern. According to NAR, the home affordability index for first-time buyers in 2018 dipped to 92.5<sup>27</sup>. A value of 100 means that a family with the median income has exactly enough income to qualify for a median-priced home. In 2015, the index was 109.3. Student loan debt also plays a role in affordability with 50% of buyers under the age of 36 claiming that debt delayed their purchase<sup>28</sup>.

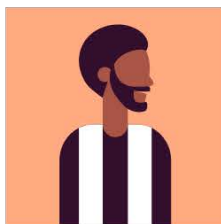
The Modern Homebuyer has taken more control over the real estate process. 50% of homebuyers found the home they purchased directly on the internet and 57% of millennial sellers are trying to sell their homes without a real estate agent<sup>29,30</sup>. Also, two-thirds of renters view homeownership as important to the American dream, indicating a potential group of untapped homebuyers with a high willingness to buy but with constraints.

### *Different Buyers. Different Needs.*



#### **SARAH BUYS TO MAKE AN INVESTMENT.**

According to NAR, 18% of recent buyers were single females who value owning a home more (+8%) than males<sup>31</sup>



#### **SAM BUYS TO SET ROOTS.**

According to Fannie Mae, the top reason to own a home is to provide children with a good education.<sup>32</sup>



#### **MARY BUYS TO BE NEAR COMMUNITY**

According to NAR, Baby Boomers (54 to 72) moved within 50 miles of friends and family.<sup>33</sup>

## Flywheel Effect in Residential Real Estate

The Flywheel effect is a concept developed by Jim Collins in the book "Good to Great". Now picture the residential real estate market with lower pain points to selling which would start a virtuous cycle: More sellers lead to more selection. More selection leads to more buyers. More buyers and sellers lead to more transactions. More transactions lead to more agents and more agents lead to lower selling fees. Lower selling fees lead to more sellers and the cycle repeats.

Increasing inventory of homes for sale by addressing the pain points of sellers will increase the customer experience for the buyer. Potential buyers can become actual buyers faster, and current buyers can have improved home shopping experience.

By leveraging learnings from prior efforts to increase housing supply, AnyCurb identifies opportunities for further digital advancement in residential real estate to dramatically increase housing supply and ignite the flywheel.

### *The Flywheel Effect in Residential Real Estate*



## About AnyCurb™

AnyCurb is a consumer-first online real estate marketplace that connects homeowners to quality buyers and helps facilitate the transaction with partner agents. AnyCurb aims to solve the supply side on two fronts:

### A SAFE SPACE FOR OWNERS

AnyCurb has created a **safe space for homeowners** to manage their properties, test the waters, and receive buyer (or i-buyer) offers while keeping their address anonymous.

### PREDICTIVE TECHNOLOGY

Through proprietary algorithms, AnyCurb can identify which homes are likely to sell soon. They share that information with buyers to increase their selection by 6X or more of the available inventory. Agents who partner with AnyCurb believe in **empowering buyers with all the information** so that they can make an informed decision. These agents approach these off-market homes with compelling and high-intent offers to transact in advance of any sales efforts.

Headquartered in Chicago, AnyCurb was created by Danyal Ali, most recently a Vice President of Strategy & Analytics at Gympass (a SoftBank & General Atlantic backed company). With the belief that freedom of information should drive efficiencies in marketplaces, AnyCurb creates insightful technologies to help consumers navigate the otherwise complicated world of real estate.

## References

1. [https://nationalmortgageprofessional.com/sites/default/files/NAR\\_HBS\\_2018\\_10\\_29\\_18.pdf](https://nationalmortgageprofessional.com/sites/default/files/NAR_HBS_2018_10_29_18.pdf)
2. [https://www.nar.realtor/sites/default/files/documents/Study-Digital-House-Hunt-2013-01\\_1.pdf](https://www.nar.realtor/sites/default/files/documents/Study-Digital-House-Hunt-2013-01_1.pdf)
3. <https://www.bankrate.com/mortgages/homebuyers-survey-february-2019/>
4. <https://www.realtor.com/research/tag/inventory/>
5. [https://nationalmortgageprofessional.com/sites/default/files/NAR\\_HBS\\_2018\\_10\\_29\\_18.pdf](https://nationalmortgageprofessional.com/sites/default/files/NAR_HBS_2018_10_29_18.pdf)
6. <https://www.surveymonkey.com/stories/SM-8PKGCMDD/>
7. <https://www.zillow.com/report/2017/renters/typical-american-renter/>
8. <http://zillow.mediaroom.com/2019-06-24-More-than-a-Third-of-Americans-Cry-While-Selling-Their-Home>
9. <https://www.homelight.com/blog/pricing-a-home-for-sale/>
10. <https://www.wallingfordpahomes.com/blog/2014/03/how-days-on-market-affects-selling-prices/>
11. <https://www.zillow.com/sellers-guide/choose-right-real-estate-agent/>
12. <https://www.bankrate.com/real-estate/how-much-does-it-cost-to-sell-house/>
13. <https://www.zillow.com/research/hidden-costs-selling-home-19105/>
14. <https://www.housingwire.com/articles/49250-the-annual-rate-of-home-price-appreciation-falls-to-a-7-year-low/>
15. <https://www.zillow.com/sellers-guide/testing-real-estate-waters/>
16. <https://www.homebay.com/tips/everything-you-need-to-know-about-zillows-make-me-move-tool/>
17. <https://www.cnn.com/id/100281671>
18. [http://www.freddiemac.com/research/insight/20181205\\_major\\_challenge\\_to\\_u.s.\\_housing\\_supply.page](http://www.freddiemac.com/research/insight/20181205_major_challenge_to_u.s._housing_supply.page)
19. <https://www.slideshare.net/MikeDelPrete/the-ibuyer-report-preview>
20. <https://www.mikedp.com/articles/2019/11/12/do-ibuyers-like-opendoor-and-zillow-make-fair-market-offers>
21. <https://www.chron.com/business/real-estate/article/Zillow-continues-to-lose-money-on-iBuyer-operation-15080080.php>
22. <https://www.housingwire.com/articles/47376-more-americans-are-using-real-estate-agents-than-ever-before/>
23. <https://cpb-us-e1.wpmucdn.com/sites.northwestern.edu/dist/5/1132/files/2016/06/The-Relative-Performance-of-Real-Estate-Mark-Plat-MLS-vs-FSBO-Maddotcom-1i2zifg.pdf>
24. <https://www.landmarkhw.com/resources/buying-selling-house/using-a-realtor-vs-using-for-sale-by-owner/7/110>
25. <https://www.wsj.com/articles/SB10001424053111903341404576484352486553740>
26. <https://www.nar.realtor/reports/realtor-technology-survey>
27. <https://www.investopedia.com/news/real-reasons-millennials-arent-buying-homes/>
28. <https://www.investopedia.com/news/real-reasons-millennials-arent-buying-homes/>
29. <https://www.nar.realtor/infographics/infographic-where-buyers-found-the-homes-they-purchased>
30. <https://www.zillow.com/report/2017/sellers/challenges/>
31. <https://www.nar.realtor/sites/default/files/documents/2019-home-buyers-and-sellers-generational-trends-report-08-16-2019.pdf>
32. <http://blogs.reuters.com/felix-salmon/2010/04/06/the-national-housing-survey-and-the-real-estate-bear-market/>
33. <https://homesmsp.com/2019/06/what-makes-baby-boomers-decide-to-sell-their-house.html>