New Report Reveals the True Cost of Selling Your Home to an ‘iBuyer’

Perhaps you’ve heard about the new concept in home selling called iBuyers. Open Door, Zillow Offers and OfferPad are offering this way of selling your home. Basically, these firms use their own cash to buy your home and then re-sell it for a profit.

If you’re a seller who needs to sell quickly and you’re not worried about getting top dollar (or paying less in fees), the iBuyer model is an option that may not otherwise be available to you. You avoid the uncertainty of not knowing how long your home will sit on the market — or whether it will sell at all.

A company called Collateral Analytics has published a study of 4,000 iBuyer transactions in Phoenix which outlines the costs to sellers and the earnings vs. risks for these iBuyer companies. The report’s title is “iBuyers: A New Choice for Home sellers, but at what cost?” It was released two weeks ago. I have posted a link to it at www.GoldenREblog.com.

The last paragraph in the report is a good summary of their findings: “These preliminary empirical results suggest that sellers are paying not just the difference in fees of 2% to 5% more than with traditional agencies, and a generous repair allowance, but another 3% to 5% or more to compensate the iBuyer for liquidity risks and carrying costs. In all, the typical cost to a seller appears to be in the range of 13% to 15% depending on the iBuyer vendor. For some sellers, needing to move or requiring quick extraction of equity, this is certainly worthwhile, but what percentage of the market will want this service remains to be seen.”

In May I got a call from a couple which was under contract with OpenDoor for $485,000, but with a 7% “service charge” and $38,563 for “repairs found in assessment.” This way of doing business annoyed them enough that they terminated with OpenDoor and listed with me at $498,000, selling for $507,000, which netted them more.

Above is one of 3 charts in the report. The analysis is from Phoenix, where OpenDoor began buying homes in 2016, because they didn’t come to Denver until 2018.

I’ve written in the past about companies which will buy your home “as is” for cash without putting it on the MLS. Then they flip the property to a new buyer for a profit — profit that you gave up by doing business with them. The same is also true with iBuyers.

Bottom line: Unless money is no object for you, you’ll do better listing your home with a full-service traditional brokerage like Golden Real Estate. Call any of us at the phone numbers below!

Price Reduced on Horse Property

How does this sound? 0.92 acre horse property, 4 miles from downtown Golden, with 3-stall horse barn and 5-bedroom home with 3-car garage, now only $741,000. See pix & details at JeffcoHorseProperties.com.

Median Purchase Price Per Living Area for iBuyers vs. Overall Phoenix Metro

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<tr>
<th></th>
<th>iBuyer1</th>
<th>iBuyer2</th>
<th>Non-iBuyer</th>
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<td>(Jan. 2016 thru June 2019)</td>
<td>170,533</td>
<td>152,000</td>
<td>204,000</td>
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South Lakewood Condo Just Listed by Andrew Lesko

Rarely do these condos come on the market! This 2-bedroom 1-1/4-bath, 1,015- sq.-ft. condo at 10930 W. Florida Ave #618 is located in West Lochwood. The Lochwood Landings condo community is surrounded by 5 lakes, including Kendrick Lake Park & Cottonwood Park and numerous nearby hiking and biking trails. Walk to King Soopers, Starbucks, and many shops and restaurants. This condo is move-in ready, featuring fresh paint and newly installed carpet & flooring throughout. This is a desirable, second level, end unit with a southeast facing, covered balcony. It includes one reserved parking space and ample visitor parking. The most recent sales in the complex have been at or above $250K, making this an exceptional opportunity for a first-time buyer. You can view a narrated video walk-through at www.LakewoodCondo.info. For a private showing, call your agent or Andrew Lesko at 720-710-1000. Open Sunday, 11-3.

Jim Smith
Broker/Owner, 303-525-1851

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