

Zillow's Offer to Buy Your Home for Its 'Zestimate' Is a Brilliant but Devious Strategy

I've written in the past about various "iBuyer" players — look for my August 22, 2019, and January 2, 2020, columns archived online at www.JimSmithColumns.com.

Basically, iBuyers such as Opendoor and Zillow Offers attempt to lure homeowners into selling their home for what appears to be a good price but which is literally intended to net the seller less than if they exposed their home to the full universe of potential buyers.

Literally intended? Yes, all you need to know is that if a company wants to buy your home in order to resell it, it's because they will make a profit from doing so. Wouldn't you want to keep that profit for yourself?

Now Zillow has weaponized its much criticized "Zestimate" for the purpose of getting their "foot in the door" with you. Let me share with you a few points to ponder before responding to Zillow's pitch.

First of all, you and I both know that the Zestimate is a computer-generated number that is by definition not particularly accurate. (Zillow's estimate on my own home is at least \$100,000 over its true value.)

To facilitate their iBuyer program in Colorado and elsewhere, Zillow made big news recently when they opened brokerages and started hiring brokers. They have opened an office in Centennial and, as of this week, have 15 broker associates, 12 of them members of the Denver Metro Association of Realtors. The others belong to an out-of-state Realtor association. So far that brokerage has put zero listings on REcolorado, our MLS, whether active, pending or closed. Presumably those 15 broker associates are busy re-

sponding to homeowners who responded to Zillow's pitch about buying their home for the Zestimate price. How will those meetings go?

REAL ESTATE TODAY



By JIM SMITH, Realtor®

First, the broker associate will do a true market analysis and explain that the Zestimate was computer generated and overstated their home's value. "Here's what we will offer you, now that we know the true value."

If the seller accepts the lowered price and signs a Zillow purchase contract, it will have the following provisions, assuming it's like the contract from Opendoor that I was able to study.

First of all, the seller will have accepted a 7½% "service fee" in lieu of a commission. Next, they will have agreed to an inspection or "assessment" of the property, which will be followed by "adjustments" to the purchase price based on "needed repairs," including, for example, a new roof, a new furnace or water heater based on age — whatever can be justified. The example I cited in my August 2019 column mentioned \$38,563 worth of "repairs found in assessment."

That contract had an escape clause for the seller, which Zillow's contract probably does too, allowing the seller to terminate at any time, which is what that buyer did. The combination of the "service fee" and the reductions to cover supposed "repairs" was so great that they called me. I listed their home for the right price and sold it above asking price due to multiple offers, netting the seller more than they would have netted under their contract with Opendoor.

I got the seller more money, because, as I said above, the only reason for Opendoor or any iBuyer to purchase a home is to sell it *at the market*, which requires them to purchase the home *below* its market value.

In the iBuyer marketplace, Zillow clearly has the advantage, because virtually every homeowner is already being dazzled by the Zestimates they get routinely by email, whereas Opendoor and other iBuyer competitors have to canvass and cold-cold homeowners about selling their home "without putting it on the market or paying a commission." Zillow enjoys what every brokerage wants — sellers calling them! All the Zillow brokerage has to do is employ enough agents to answer the phone and arrange those in-home "selling" appointments, which are really for the purpose of listing the home for sale once it is owned by Zillow.

It's a great business model — for Zillow, but not necessarily for the homeowner. That is, unless the homeowner is willing to give up thousands of dollars in proceeds in return for the "convenience" of selling without any showings or other intrusions.

For some homeowners, that convenience is worth the loss of proceeds, and there are probably

enough such homeowners to make the iBuyer model successful. What bothers me is that for some it will feel like a "bait and switch" situation. After all those "adjustments" have been made, they might be unable or unwilling to exercise their right to terminate the contract because they have made life plans based on the expectation of selling their home for an acceptable price.

Some will have already signed contracts for a new home or at a senior community. They will have already packed some of their belongings or put them in storage, and they may have told their friends that they are selling and moving. For these persons, it may be psychologically difficult or financially costly to reverse course when they discover they have been fooled into selling their home for less than its worth.

If you have responded to the Zillow pitch and would be willing to share your experience, I'd like to hear from you. My cell number and email address are below. I'll share what I learn in a future column. Meanwhile, look for this column, like all my columns, on our company blog, www.GoldenREblog.com, where I will likely have additional information and follow-ups. Click on "Follow" to subscribe to our blog and get alerts about future postings on this or another topic of interest.

North Golden Bungalow w/ 2-Car Garage



This 1940 bungalow at **1110 5th Street** is a short walk from downtown Golden, Clear Creek, a city park and numerous hiking and biking trails on the hills and mountains that encircle downtown Golden. The home has been beautifully updated, with a kitchen that is open to the living room and dining room. There are two bedrooms and a full bathroom on the main floor, plus two more bedrooms and a 3/4 bath in the basement. Unlike many Golden bungalows, this one has a detached 2-car garage with an electrical subpanel and water that is accessed from an alley behind the home. You'll also appreciate the established low-water gardens. Find lots of pictures and a narrated video tour at www.NorthGoldenHome.com, then call your agent or Jim Smith at **303-525-1851** to see it in person. We'll have an open house this **Saturday, 11-1**.

Just Listed: 2-BR Downtown Golden Condo



Washington Station, at **722 Washington Avenue** on the corner of 8th Street, is a mixed use building, with businesses on the ground floor and part of the 2nd floor, with secure residences on the rest of the 2nd floor and the 3rd floor. This unit, #302, comes with 2 parking spaces in the ground-

level garage. It has newly installed carpeting and engineered hardwood floors. The kitchen, which is open to the living room/dining room, features slab granite countertops, stainless steel appliances, a breakfast bar, and the same hardwood flooring. You'll enjoy the mountain views from the living room windows and the 6'x11' balcony overlooking Church ditch. A storage closet in the unit is big enough to hold bicycles, skis, snowboard, a kayak, etc. Take a narrated video tour online at www.GoldenCondo.info, then call your agent or Jim Smith at **303-525-1851** to see it!



Every element of ad is also posted at GoldenREblog.com

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