

# Zillow Will Evolve into a Real Estate Transaction Firm Over Time

Companies: COMP, OPEN, RDFN, Z/ZG

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## Research Question:

**Will Zillow's pivot from a media company to a real estate transaction company lead to consistent profits?**

## Summary of Findings

- [Zillow Group Inc.](#)'s (Z/ZG) transition from an advertising and media company to a real estate transaction company is a work in progress that will eventually succeed.
- Sources including [Zillow premier agents](#), non-premier agents, real estate agency executives, [Zillow Offers](#) competitors, and industry specialists offered mixed views that trended positive regarding Zillow Offers' future success, despite current market conditions that do not favor [iBuyers](#).
- In today's hot real estate market where inventory is limited and houses frequently sell above asking price, Zillow Offers and iBuyers are serving a limited market segment (1% to 5%). Typically, those transactions include depressed properties and sellers seeking fast cash and/or the convenience of a quick sale without home repairs, showings, or buyer traffic.
- Zillow's goal of a "one-click nirvana" home selling and buying experience is supported by its industry-leading search platforms, Zillow Offers, [Zillow Closing Services](#), and [Zillow Home Loans](#). Zillow Offers and its supporting services are gaining traction and if an offer is not accepted by a potential seller (sources said Zillow offers are rejected at a 94% to 98% rate) it generates a valuable lead that is sold to a Zillow premier agent or feeds its [Flex](#) program for a 20% to 30% cut of the future transaction commission.
- Zillow's premier agent program continues to succeed and generate significant revenue. All five premier agents interviewed plan to continue using the program and one said the Flex program could generate significant additional program revenue. Two of the five sources did express concern regarding the future role of premier agents as Zillow evolves into a transaction company.
- Sources said there is little difference between iBuyer companies. The price offered is typically the deciding factor for a seller considering an iBuyer transaction. Zillow Offers is considered the market leader because of its dominant name recognition and consumer mindshare. [Opendoor Technologies Inc.](#) (OPEN) and [Offerpad](#) (scheduled to go public in the second or third quarter of 2021 as Offerpad Solutions, ticker OPAD) were mentioned most frequently as key competitors; [Redfin Corp.](#) (RDFN) was discussed by one source. [Knock](#) was highlighted as offering a unique mortgage backing service for home shoppers with an existing home to sell. Institutional and private investors are also significant competitors in the quick sale space.

## Silo Summaries

### [1\) Zillow Premier Agents in Zillow Offers Markets](#)

Four of five premier agents working in Zillow Offers markets think the program will eventually provide sustained and meaningful profits. Zillow has the financial depth to switch from a media company to a real estate transaction company and buyers and sellers are interested in its one-stop shop business model. The current market is not conducive to iBuying, as inventory is short and demand is high. All five of these premier agents plan to continue in the program but two did express concern that they are unsure of its future.

### [2\) Non-Zillow Premier Agents in Zillow Offers Markets](#)

These four non-premier agents said Zillow Offers has limited opportunity in the current hot market conditions where inventory is low and buyers are overbidding for homes. However, there is still a place for iBuying for a small percentage of home sellers that need quick cash or because of the convenience factor. One source compared iBuyers to a pawn shop. Zillow's move into offering ancillary service is seen as a positive and potentially lucrative venture. These non-premier agents were critical of the premier agent program.

### [3\) Real Estate Agency Executives](#)

Three real estate agency executives had varied views regarding Zillow Offers becoming a viable profit generator for Zillow. The South Florida executive said Zillow Offers is currently unsuccessful because homes are selling fast and for top dollar. Should market conditions change, it could become successful. He sees the current value of Zillow Offers as a seller lead-generation tool, which has significant value in this market. The two Las Vegas executives differed, with one saying the current market is challenging iBuyers and Zillow is losing on every transaction to gain share. The other Las Vegas agent said iBuying is thriving and Zillow Offers would succeed and become the one-stop shop for real estate transactions.

### [4\) Zillow Offers Competitors](#)

Two Zillow Offers competitors acknowledge that Zillow Offers is succeeding despite a market that does not necessarily favor iBuyers.

### [5\) Industry Specialists](#)

Two industry professionals said Zillow is perfectly positioned to succeed. Zillow and Zillow Offers is the industry leading platform as it owns the mindshare of home buyers and sellers and is highly trusted by consumers.

	Zillow Offers Success and Profitability	Zillow Premier Agent Program Continued Success	Current iBuyer Market Conditions
Zillow Premier Agents in Zillow Offers Markets	↑	↑	Limited to distressed property and unsophisticated sellers
Non-Zillow Premier Agents in Zillow Offers Markets	→	↓	Limited to sellers seeking quick cash and/or convenience
Real Estate Agency Executives	→	→	Low inventory and high demand is not ideal for iBuying
Zillow Offers Competitors	→	→	Hot housing market is limiting iBuyers to sellers that need cash fast
Industry Specialists	↑	↑	Current conditions are not favorable; higher interest rates will favor iBuyers

## Background

Blueshift Research’s past reports on Zillow have highlighted the love-hate relationship between real estate agents and the company. In our [Oct. 30, 2019, report](#) sources said Zillow Offers was growing, unprofitable, and threatening premier agents. Our [March 21, 2019, report](#) findings suggested that Zillow Offers would dominate the iBuying space while risking its premier agent revenue which helped propel the company to the industry leader for online real estate advertising, lead generation, and agent management tools.

Blueshift’s ongoing research found Zillow doubling down on what it called in 2018 its “moon shot,” also known as iBuying or, as it is branded, Zillow Offers. In 2019, Zillow acknowledged that it was transitioning from a media and advertising business to a real estate transaction company. In what the company calls Zillow 2.0, it is using technology, service, and integration to simplify the buying and selling of real estate: a “one-click nirvana,” according to CEO Rich Barton. Despite three-plus years of Zillow Offers, the reality of attaining the “one-click nirvana” and meaningful consistent profits has yet to materialize and it remains to be seen if Zillow’s shift to a transaction-based business model will succeed.

Zillow’s doubling down on iBuying picked up steam in late 2020 and has continued to ramp in 2021.

- Sept. 23, 2020—Zillow [announced](#) that the company would launch brokerages and higher salaried real estate agents beginning in January 2021 to streamline and boost its Zillow Offers program. Zillow stressed that the Zillow agents would only be involved in the back end of iBuying transactions and Zillow’s premier agents would still have a significant role.
- Feb. 10—Zillow [said](#) it was acquiring the home tour scheduling platform ShowingTime to streamline and simplify a cumbersome but critical part of the home shopping experience.
- Feb. 22—Zillow promoted Jeremy Wacksman to COO and Susan Daimler to President. The promotions are part of an organizational alignment designed to focus more on the end-to-end Zillow customer experience, including solutions for buyers, sellers, and renters.
- Feb. 25—Zillow [announced](#) that its “Zestimate”—the online estimate of the home’s value—will now represent an initial cash offer from the company to buy the property. Zillow said it is designed to further streamline the process for homeowners considering selling to Zillow.
- March 11—Zillow [announced](#) that it would hire 2,000 employees, increasing its workforce by 40%. The new jobs address the company’s needs in tech, mortgage and loans, and product and software development and are available nationwide with a mix of work-from-home, in-office, and field roles.

Zillow posted strong fourth-quarter (Q4) and full-year 2020 results in February driven by an almost frenzied housing market with low mortgage rates, strong demand, and low inventory. Zillow reported revenue of \$789 million and EPS of \$0.44. The Street expected revenue of \$740 million and EPS of \$0.27. Full-year 2020 revenue grew 22%, despite the negative impact of COVID-19 on results during the first half of 2020. Zillow expects continued and accelerated real estate demand in 2021 and guided for record Q1 revenue of \$1.07 billion to \$1.12 billion, well ahead of analysts' expectations for \$892.4 million.

Traffic to Zillow's mobile apps and websites reached a Q4 record of 201 million average monthly unique users, up 16% year to year (YY). Total visits reached 2.2 billion, up 27%. The company reported a record 9.6 billion visits for the full year 2020, up 19% YY. For many people, the work-from-home requirements of the pandemic created the flexibility to move and Zillow is benefiting as home buyers turn to its website to shop. The high traffic levels on Zillow's sites are generating some welcome attention from the media. In December, *The New York Times* highlighted the company [as part of a roundup](#) of food, products, and other activities that people have turned to amid the pandemic and a February *Saturday Night Live* skit illustrated how [Zillow surfing](#) has become a favorite pastime during the pandemic.

Challenging Zillow in its pursuit of the "one-click nirvana" is its own premier agent program which has been its bread and butter for years. A [March article](#) on HousingWire suggests agents have been ambivalent about Zillow and are now concerned about Zillow Offers' move to a brokerage, as they are unsure where or if they fit into the new Zillow. Some premier agents feel they have bankrolled Zillow's growth and are now being exploited. Others think they can benefit from Zillow's move to a transaction-based company. Zillow said, "there is potential for meaningfully more growth" in premier agents as Zillow "makes more connections between our high-intent customers and our best-in-class, high-performing agents."

Other headwinds facing Zillow include skepticism from [brokers](#) regarding its purchase of ShowingTime, which they view as a move designed to edge them out of the market. Also, Zillow must address a recent [antitrust suit](#) brought by a real estate startup alleging that Zillow and its affiliate Trulia are illegally favoring listings by brokers who belong to the National Association of Realtors.

## Current Research

Blueshift Research assessed whether Zillow's pivot from a media company to a real estate transaction company will lead to consistent profits. We employed our pattern mining approach to establish six independent silos, comprising 16 primary sources (including four repeat sources) and three secondary sources focused on real estate and, specifically, the iBuyer market. Interviews were conducted April 5–16.

- 1) Zillow premier agents in Zillow Offers markets (5)
- 2) Non-Zillow premier agents in Zillow Offers markets (4)
- 3) Real estate agency executives (3)
- 4) Zillow Offers competitors (2)
- 5) Industry specialists (2)
- 6) Secondary sources (3)

## Next Steps

Blueshift Research will continue to research Zillow's evolution to a real estate transaction company and determine how much traction its Zillow Offers, Zillow Closing Services, and Zillow Home Loan programs are gaining. We will also monitor Zillow's premier agent program to determine if this key revenue generation segment is growing or declining as a result of the company's shift in direction.

## Silos

### 1) Zillow Premier Agents in Zillow Offers Markets

Four of five premier agents working in Zillow Offers markets think the program will eventually provide sustained and meaningful profits. Sources said Zillow has the financial depth to make the switch from a media company to a real estate transaction company and buyers and sellers are interested in its one-stop shop business model. The current market is not conducive to iBuying, as inventory is short and demand is high. Three sources said iBuying is declining locally and one said it

represents less than 5% of transactions in their market. Distressed properties and unsophisticated sellers are iBuyers and Zillow Offers primary targets in this hot market environment. One source said Zillow Offers will not succeed in all markets. He added the company is currently “flying by the seat of its pants” and lacks the infrastructure to support Zillow Offers and the ancillary services it is promoting. All five of these premier agents plan to continue in the program but two did express concern that they are unsure of its future. One suggested Zillow internal agents could get the more valuable leads, leaving only the dregs for the premier agents. Another suggested that Zillow’s switch to its Flex program will net increased premier agent revenue. Competition challenging Zillow Offers includes Opendoor, [Cash for Houses](#) (in Minnesota), [We Buy Ugly Houses](#) (part of [HomeVestors](#)), and [Homestead Road](#) (in Florida, Minnesota, and Wisconsin).

## Key Silo Findings

### Background

- 5 premier agents representing the Augusta, GA; Minneapolis, MN; Las Vegas, NV; and Cincinnati, OH markets.

### Zillow Offers

- 4 said Zillow Offers will eventually be successful and profitable. Zillow’s financial depth and buyer and seller interest in its one-stop shop business model were cited as strengths that will lead to success.
- 1 said Zillow Offers will be challenged to be successful in all markets. He added that Zillow is “flying by the seat of its pants” and lacks the infrastructure to support Zillow Offers and its ancillary services.

### Zillow Premier Agent Program

- 5 said they plan to remain in the premier agent program.
  - o 2 expressed concern regarding the future of the program.
  - o 1 said the Flex program will generate increased revenue for Zillow.

### iBuying Competitive Landscape & Market Conditions

- Current market conditions of low housing inventory and high demand are not ideal for Zillow Offers or iBuyers.
- Opendoor, Cash for Houses, We Buy Ugly Houses, and Homestead Road were discussed as Zillow Offers competitors.

## 1) Zillow premier agent in the Augusta, GA market

Zillow will likely be successful in its pivot from media to transactions, simply because it is so big. Realtors have been discussing Zillow’s efforts and are not sure what will happen but will continue their relationship with Zillow for leads—while they are still profitable. Zillow’s Offers program is not a significant factor and is primarily aimed at lower-end homes, essentially flipping them. The premier agent program will probably peter out and Zillow’s own agents will get the better leads, while the Premier agents get the dregs. There is not much happening in iBuying in this market and what little there was seems to be declining.

### Background

- Premier agent for three years.
- Not part of the Zillow Flex program.

### Zillow Offers

- “Yes, Zillow will succeed in this transition when they make the full turn; they already have strong market share and attention. Most people turn to Zillow for their first real estate encounter. I think Zillow’s dominance is inevitable; I’m not necessarily a fan but, if they want to, they will succeed.”
- “I don’t think Zillow’s one-click solution will work in a lot of smaller markets but it is likely to in larger markets.”
- “I would assume the current Zillow surfing craze will drive more visitors to their offers.”
- “I think some people who are using the Zillow Offers are also using their other services. Most of my clients are using local services but I know others have used Zillow-specific providers.”
- “I would think they can sustain their profitability but I’m not sure [and] would have to put some thought into it. Probably, it depends on how hot

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*Zillow premier agent in the Augusta, GA Market*

the market remains. The properties they buy to flip are typically in the low end.”

- “Lower fees totally would increase volume. In our area, 6% is the norm—you see agents offering 5% or 5½%, they’re going to get more people.”
- “I think Zillow Offers will have a moderate impact on getting leads. Getting in the front door is the important first step but most people aren’t going to go with a lowball offer for their home and, if I have a relationship with them, they’re going to call me.”
- “Zillow Offers probably won’t be profitable in the long run.”

#### **Zillow Premier Agent Program**

- “We’ve been having discussions to figure out how Zillow’s premier agent program will work. Probably Zillow will draw agents to work with them as a company. Probably they will do it on a referral basis, where other brokers will get the lower-quality leads.”
- “We expect they’re going to start doing more and more. Zillow’s own agents will take the better leads [and] give lesser leads to their premier agents.”
- “I feel like they need more back-office employees if they’re going to properly support their realtors; they’re going to need more than that.”
- “I completely agree that Zillow is a competitor but right now if I’m still providing for my family, I’m going to continue to use it. I don’t feel at the moment it’s a huge issue but I would agree they are a competitor. Personal interactions and local referrals from past clients will give me a lead over Zillow.”
- “I’m not sure what they will do. They will probably shift to Flex and premier agents will die out in few years.”

#### **iBuying Competitive Landscape & Market Conditions**

- “I think the iBuying is declining a bit but I have no data, just a sense. I’m really not sure what the current market share is but it appears to be declining. To be honest, there’s not much happening with that in our market and we haven’t been discussing it too much. I really couldn’t even tell you who the competitors are.”

#### **Miscellaneous**

- “Zillow will continue to have an impact; it really depends on when and how hard they push it. Real estate will still be handled by personal contact but it will definitely have an impact everywhere.”

## 2) Zillow premier agent in the Minneapolis, MN market

It will take some time for Zillow to establish itself as a trusted agency, so the short-term outlook for this transition is not good. Zillow Offers is staying afloat because agents are buying their leads. Zillow as a competing agency is not a concern, provided they adhere to ethical and professional standards. In this hot seller’s market only unsophisticated sellers or distressed properties are going with iBuying, which appears to be decreasing.

#### **Background**

- Premier agent for six years.
- His organization is part of the Zillow Flex program. They spend \$5,000 per month in Zillow Advertising/Flex payments.

#### **Zillow Offers**

- “[It is] possible long term [that Zillow will succeed in this transition] but short-term outlook is bleak; they’ve created a lot of enemies, so it is hard to do business when everyone else is against them.”
- “Some buyers will work with Zillow for their services but [Zillow is] not going to take over the industry; real estate is a relationship business and people want personal relationships with whoever they’re getting their mortgages from.”
- “Zillow Offers is staying afloat because of realtors paying for leads—without that they wouldn’t be profitable.”
- “Buyers may be coming through Zillow but most are more loyal to their realtor. If we get a lead most buyers are going to take their agents’ advice rather than Zillow’s.”
- “Improved profitability doesn’t mean profitable. In this market the only reason to sell for less than the full market value is because the property is distressed. Right now, putting a decent home on the market gets multiple offers. But there probably is a place for Zillow Offers in a more balanced market.”

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*Zillow premier agent in the Minneapolis, MN Market*

- “Of course, lower fees will increase volume.”
- “Zillow isn’t using Offers to generate leads but to actually buy homes.”

#### **Zillow Premier Agent Program**

- “My biggest concern is making sure the local governing body is holding Zillow to the same ethical standards that they do to other brokers. We pay dues to Minnesota Association of Realtors; they need to make sure they hold everybody to the same level of professionalism and ethics.”
- “I have no problem with Zillow as a competitor as long as they adhere to our ethical standards.”

#### **iBuying Competitive Landscape & Market Conditions**

- “In any kind of heavy selling market, it would be hard to make it work. In this market, the conventional route is those willing to pay more than asking price.”
- “There’s no way to say [what percent iBuying will be in this market in five years], there are just too many factors at play.”
- “I would say iBuying is decreasing in this market.”
- “iBuyers in our market are Homestead Road, Opendoor, Cash For Houses, We Buy Ugly Houses.”

### 3) Las Vegas broker with more than 20 years of experience; repeat source

This source has mixed feelings on Zillow’s success as a real estate company, stating it depends on whether Zillow agents are employees or independent contractors. He does believe, however, that Zillow Offers will generate sustainable profits and the company has enough money to throw at any problem. The premier agent program is revenue generating so he expects it will continue. He sees no benefit to use iBuyers in today’s market. There is too much demand and not enough inventory.

Oct. 30, 2019, interview: Zillow’s inventory of homes in the Las Vegas market is growing, but this broker sees Zillow Offers as a solution for a small segment of sellers who need to move quickly. They are not a threat to the traditional real estate ecosystem and their leads have remained steady in quality since the Offer program debuted. He expects to increase his investment with Zillow as a premier agent by shifting dollars away from Realtor.com, which has been underperforming.

March 19, 2019, interview: This broker sees Zillow’s entry into buying and selling homes as just another competitor in the marketplace, but not a competitor to traditional brokerages, so he is not that worried. He would pay Zillow more to get the leads generated by the Offers program. He does not expect to change his investment with Zillow as a premier agent because the program is successful for him. Zillow’s name recognition may give it an edge over the other iBuyers in the marketplace.

#### **Zillow Offers**

- “I believe Zillow Offers will generate sustainable profits. They are one of the most profitable companies right now on the internet and they have enough money to throw at any problem. But it depends on if their agents will be employees or independent contractors because, in my experience, contractors generally work harder and bring more revenue than employees.”
- “I don’t think people will use ‘one-click nirvana’ for buying and selling.”
- “I’m not aware of Zillow customers using Zillow’s mortgage and title services.”
- “I hear people balking at Zillow’s 7% fees all the time.”
- “If people decline Zillow Offers, I believe they will sell the leads back to the real estate community. That’s what I would do if I were them.”

#### **Zillow Premier Agent Program**

- “Zillow’s premier agent program will have a place in Zillow 2.0 and Zillow Offers. It is a revenue generating part of their business.”
- “In terms of the market impact Zillow will have as a broker, I think there is enough to go around but it depends, like I said earlier, on whether they hire salaried employees or independent contractors.”

I believe Zillow Offers will generate sustainable profits. They are one of the most profitable companies right now on the internet and they have enough money to throw at any problem. But it depends on if their agents will be employees or independent contractors because, in my experience, contractors generally work harder and bring more revenue than employees.

*Las Vegas broker with more than 20 years of experience*

- “I don’t see why premier agents leave the program because of Zillow Offers, especially if they are getting value from it. That makes no sense.”

#### **iBuying Competitive Landscape & Market Conditions**

- “I see no benefit right now for sellers to use iBuyers in today’s market unless they are desperate. There is way too much demand for a seller to settle for 20% less.”
- “iBuyers are not worth it right now unless they are willing to pay more for houses—but I don’t see it happening.”
- “I do 200 listings a year, so I have a pretty good feel for where the iBuyers are vs. the regular consumers who are waiving a lot of money at appraisals, which is the same as cash.”
- “Lack of inventory and too much demand hurts the iBuyer market.”

#### **4) Las Vegas agent and team leader with a large franchise; repeat source**

This long-time premier agent expects Zillow will be successful as a real estate company because people want the one-stop shop experience. However, real estate transactions are complicated and always present problems, which makes the “one-click nirvana” concept misleading. He does not see Zillow Offers as a competitor to premier agents and expects the premier agent program to remain through Zillow’s transformation.

March 21, 2019, interview: This premier agent has reduced his spending with Zillow because of poor lead quality, and is not interested in Zillow Offers leads. He believes Zillow will become the top iBuyer in the Las Vegas market because the company uses realtors in the process and walks around the property with the homeowner, as opposed to Offerpad’s and Opendoor’s less personal inspection process.

#### **Zillow Offers**

- “Zillow will succeed as a real estate company. Zillow is after the ancillary services—lending, title, etc.—and the public wants the one-stop shop.”
- “They are missing the ball a bit on one-click nirvana. Real estate transactions are complicated.”
- “It’s not one-click nirvana, no matter what anybody says. There are always problems.”
- “I’m not sure if the Zillow surfing craze will generate Zillow Offers revenue. It remains to be seen, but they are getting seller eyeballs now.”
- “Sellers using Zillow Offers are not using the title and mortgage services but they are counting on the buyers to use it.”

**Zillow will succeed as a real estate company. Zillow is after the ancillary services—lending, title, etc.—and the public wants the one-stop shop.**

*Las Vegas agent and team leader with a large franchise*

#### **Zillow Premier Agent Program**

- “I think premier agents will stick around through Zillow 2.0 and Zillow Offers because Zillow has the eyeballs.”
- “The impact of Zillow the broker on premier agents is yet to be seen. Transactions require multiple people; one person to show it, one to do the deal, etc.”
- “The larger Zillow gets, the less agile they will be. That is why I can always beat them competitively.”
- “It’s stupid to drop out of the premier agent program on principle. It sounds like short-term thinking.”
- “I think the move from market-based pricing to Flex will add to overall premier agent revenues.”

#### **iBuying Competitive Landscape & Market Conditions**

- Did not discuss.

#### **5) Zillow premier agent in the Cincinnati, OH market**

Zillow is going to have a difficult time making the transition from a media to a real estate transaction company. Even with an additional 2,000 hires, it has a long way to go to establish the necessary infrastructure to provide one-click home buying service. The Offers program is focused mainly on low-end housing—essentially the foreclosure market—and investors in that market are savvy and already have relationships with professionals. Realtors are still using Zillow for their leads but are wary and some have left completely. What little action there was with iBuying seems to be declining as the initial excitement has worn off.

## Background

- “I’ve been a premier agent for nine years.”
- Not part of the Zillow Flex program.

## Zillow Offers

- “I don’t think they will [successfully transition from a media to a transaction company]. I have done their offers but it’s been a nightmare closing—there have been many different issues. I don’t think they have the network that they can sustain; you need eyes on the properties. Most people are working with professionals unless it’s a beat-up property.”
- “No, they really have issues with their process, their back office. I have had some offers and other agents working with them had issues. I don’t foresee them solving this any time soon.”
- “[Using its ancillary services like mortgage and title services] is part of the problem; they don’t have the infrastructure in place. I had somebody who wanted to use them but ... especially getting loans, you want to talk to a physical person.”
- “[Whether Zillow can be sustainable if it lowers its renovation, holding, and selling costs] all depends on what kind of infrastructure they have in place. Right now they’re flying by the seat of their pants. I don’t foresee they can do that for all markets—it will take a couple years to put in place.”
- “I don’t think [lower fees would increase volume]. The standard Ohio rate is 6% but there are a number of different factors. Lower fees would potentially increase their volume, but not in savvy markets where savvy customers might go to Zillow first but are more likely to reach out to other realtors.”
- “I know they get tons of leads but are they good leads? Likely not. Most of their leads are just consumers inquiring about properties, not utilizing their services. Most of what they are buying are in the lower range; that’s probably driving traffic to them.”
- “I don’t think [Zillow Offers provides meaningful and consistent profits]. Literally, in the last eight months [no] agents I’ve spoken with that have worked with Zillow Offers has had anything good to say about them. Their process is not set up well.”

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*Zillow premier agent in the Cincinnati, OH market*

## Zillow Premier Agent Program

- “So that’s a good question, [whether there will be a place for premier agents in Zillow 2.0]. I can see where that’s going. They will always have leads come through [but it] depends on what they decide to do. They won’t completely eliminate [the premier agent] but might go the route where it’s a relocation referral. Depends on where that goes.”
- “Again, depends on which route they decide—if they want to create a real estate team and go out to agents that rely strictly on Zillow, or they could hire salaried agents to show and write offers. I don’t know.”
- “I think everybody thinks they can do real estate but, unless they’re educated, it’s like you call for tech support for their computer, they can’t talk to the customer intelligently unless they’re providing training.”
- “A lot of agents have completely dropped [the premier agent program] but there are still a solid group of agents, but simply for lead purposes. I don’t rely solely on their leads but my leads go into my own database. Whatever I paid to Zillow, I’ve made money.”
- “I don’t know [if Zillow will shift entirely to Flex or adopt a hybrid approach]. They do so many goofy things, I can’t say one way or the other.”

## iBuying Competitive Landscape & Market Conditions

- “The more experienced people are saying [iBuying’s] declining. It’s just, with the market being so tight, people are not relying on clicking on the website, they’re reaching out to someone they know. Buying a home is a complex process so once people have to deal with that, they’re not happy with [the iBuying experience]. If I were to look at the property Zillow is using as an evaluation model, you can compare it to a foreclosure model. Unless it’s an investor, nobody’s going to be interested in these properties; if they’re putting 20%, 25% down they want a better property.”
- “[iBuying market share is] less than 5%—not been very many.”
- “[Ancillary services are] going down. Initially, when it first started it was a big thing, people thought they would be getting a great deal, but agents are not interested in working with that.”
- “Agents are kind of disgusted with iBuying.”



- “I see [iBuying] dissolving completely. It depends on what they do to make changes. If they can’t get their back office under control that’s going to be difficult for them. They might acquire some with foreclosures next year, but not long.”

#### Miscellaneous

- “We don’t have a whole lot, about 4,100 agents in MLS. The talk amongst our agents is, even if someone is interested, they’re discouraged [from using Zillow Offers]. I don’t see dealing with it a lot in our market here.”

## 2) Non-Zillow Premier Agents in Zillow Offers Markets

These four non-premier agents said Zillow Offers has limited opportunity in the current hot market conditions where inventory is low and buyers are overbidding for homes. However, there is still a place for iBuying for a small percentage of home sellers that need quick cash or because of the convenience factor. One source compared iBuyers to a pawn shop. Zillow’s move into offering ancillary service is seen as a positive and potentially lucrative venture. One source suggested it could expand beyond just transactional services to home repair and remodeling professionals, as well. As might be expected, these non-premier agents were critical of the premier agent program, citing its frequent rule changes, poor lead quality, and its increasing competitive encroachment on the real estate agent’s turf. These non-premier agents compete against the iBuyers—which includes Zillow Offers, Opendoor, and Offerpad—in their markets by representing institutional and local investors.

### Key Silo Findings

#### Background

- 1 source represents the Phoenix market.
- 1 source represents the Mountain West.
- 2 sources represent Texas: 1 Houston, 1 Austin.

#### Zillow Offers

- 1 said the value proposition of iBuying dissipated in a hot market; however, some sellers will opt for the convenience. He compared the iBuyers to pawn shops.
- 1 said Zillow Offers has a high failure rate and added that its move into ancillary services offers a big opportunity.
- 1 said Zillow Offers will eventually succeed but in the short term profits are unlikely. Ancillary services were also viewed as a positive for Zillow.
- 1 said Zillow Offers will not succeed in the Austin, TX market.

#### Zillow Premier Agent Program

- 1 said the Zillow premier agent program changes its rules all the time and it is hubris. He compared it to the Tower of Babel.
- 1 said the Zillow acquisition of ShowingTime has caused many agents to pull their heads out of the ground regarding Zillow as a competitor. He added that he never found the leads to be of value when he was a premier agent.
- 1 said Zillow has a lot of clout and name recognition and could be OK for younger agents without a lot of contacts.

#### iBuyer Competitive Landscape & Market Conditions

- 2 said iBuying accounts for 5% to 6% of the transactions in the Phoenix and Mountain West markets.
- Institutional investors, local investors, and Opendoor and Offerpad were discussed as Zillow Offers prime competition.

## 1) Greg Swann, long-time Phoenix broker who runs Bloodhound Realty, a boutique agency and property management firm

iBuyers’ value proposition has disappeared in a hot real estate market. Why would a seller go to a high-priced iBuyer—which he likens to a “pawn shop”—when they can get more money from a traditional sale? Residential real estate is far too idiosyncratic to lend itself to the sort of tech-based efficiency the iBuyers hope to create.

**Oct. 30, 2019, interview:** iBuyers are out of their depth. They do not understand how to market homes and, because of long marketing times that raise carrying costs, they are losing money on every deal. This source calculates Zillow Offers, Offerpad, and Opendoor lose an average of \$20,000 to \$25,000 on each house they buy and resell in Phoenix, including carrying costs and renovation expenses.

## Background

- Real estate broker and property manager who has written an e-book advising agents and consumers about how to find holes in the iBuying model and take advantage.
- “I’ve never given Zillow a penny.”

## Zillow Offers

- “They clearly have a plan. I think their plan is absurd. Residential real estate is a hands-on relationship business that requires a lot of paperwork and the rules change by municipality. It’s very granular.”
- “Right now, the iBuyers are patting themselves on the back because they’re selling in two or three weeks. Everyone else is selling in two or three days. They sell so slow that they manage to hold onto listings for three weeks. Everybody should be done in four days. In the last 12 months, it’s been crazy. The people who sell slowest will do worst. It’s a great time to be a listing agent and a terrible time to be a buyer’s agent. When this market pops, the iBuyers will suffer because they’ll be stuck with inventory.”
- “Some will go for [‘one-click nirvana’]. Timing will make some people make the wrong decision. iBuyers are pawn shops. There’s a need for pawn shops. Say your great aunt dies and leaves you her condo in Sun City and you just want to get rid of it. Even if you inherited your great aunt’s home in Sun City, you shouldn’t go to the pawn shop. If you take an iBuyer’s offer, you’re leaving \$15,000 to \$20,000 on the table.”
- “I think they’re screwed. No matter how much cash they have, it eventually will run out. They lose money hugely on iBuying. Their only source of revenue is milking idiot agents who believe in advertising.”

Some will go for [‘one-click nirvana’]. Timing will make some people make the wrong decision. iBuyers are pawn shops. There’s a need for pawn shops.

*Greg Swann, long-time Phoenix broker who runs Bloodhound Realty, a boutique agency and property management firm*

## Zillow Premier Agent Program

- “The brokerage model exists to milk agents. Actual agents on the ground who make money from one year to the next are the rarest thing in the world. If you go to the Zillow premier agents, you’ll find a whole bunch of supremely talented team leaders who are making money. Yes, they have businesses and they have predictable cash flows. That would be the argument Zillow wants to make—if we can introduce enough efficiencies into this process, it’ll make up for all the inefficiencies.”
- “They’re changing the rules all the time. I don’t really understand it.”
- “They’re hiring inexperienced agents. I think it’s hubris. I think it’s the Tower of Babel.”
- “The difference between employees and entrepreneurs will show up quickly. Brokers pay by 1099 because it’s the only way to get the best out of people. Employees just don’t go the extra mile. Brokers figured out how to get the most out of agents: don’t feed them until the deal closes. There’s no better way to train wolves.”

## iBuyer Competitive Landscape & Market Conditions

- “I don’t know who’s doing business with them now. Nobody should. You can sell a house in four days. I don’t know that they’re actually getting any deals right now. Everybody in iBuying has to pay at least the Zestimate because Zillow is paying the Zestimate.”
- “They were 5% or 6% of the Phoenix market before the virus hit. I don’t hate it when they list because they always list too high. So they make me look like a bargain—I like that.”
- “They have a good sales pitch with the virus in the sense that it’s zero touch. They could be taking better advantage of that. They’re not very good marketers. You look at Zillow’s home page and it’s just boring. ‘When you’re ready to change, we’re ready to help’—it’s just boring. There’s no value proposition here.”
- “Buying the house is the easy part for Zillow. Selling is the hard part.”
- “I don’t know what would be a strength. If I were them, I’d ignore the real estate transaction and concentrate on lending and title. It’s easy money, it’s all indoors. Real estate is an outdoor business—you have to meet people, you have to touch things, you have to visit properties. If you’re looking for a business to disintermediate, look for indoor business. Title and lending are ripe, whereas real estate involves a whole lot of tasks that can’t be replaced by computers. Businesses that are ripe for internet disintermediation are industries that are office bound. There’s no way to make home inspections, home repairs, open houses happen without physical contact.”
- “There are two institutional buyers that matter to me and they’re both hedge funds. Those are the only two players who really matter to me. Zillow, Offerpad, Opendoor—none of them really matter to me. There are a zillion freelance iBuyers in Phoenix right now, many of them advertising on television and radio. It means Zillow, Opendoor, and Offerpad all have to pay more because these competitors are out there. Rich Barton is a fan of blue ocean theory. I don’t know if he thought iBuying was blue ocean, but he chummed up a whole bunch of sharks. Every real estate

agent in the country has a network of real estate investors who will pay cash on the barrelhead. All of this means Zillow Offers has to compete by paying more, which makes an unprofitable business model even less profitable.”

## 2) Mountain West real estate executive

Zillow Offers and other iBuyers are not a big presence in this agent’s market, probably because inventory is so tight and homes are selling so quickly. This agent’s brokerage has partnered with a local investment group to offer in-house iBuying. The long-term play for Zillow seems to be capturing not just mortgage and title but also referrals to roofers, plumbers, and movers.

### Background

- This real estate professional does not buy leads from Zillow.
- Zillow Offers and other iBuyers operate in his market.

### Zillow Offers

- “Without doubt, there’s a market for iBuying. There’s a need for it and, as long as the market is tight, iBuying can work. But, from what I’ve seen, the cost is anywhere from 8% to 14%. In today’s market, is anyone really willing to sacrifice that much? With such low inventory and so much overbidding, why would I do it? If you need to get out, maybe there’s a potential need for it. But only 5% to 6% of the people who get bids from iBuyers actually sell to them—that’s a 94% failure rate.”
- “I scratch my head about this: Zillow has never made a profit. They’ll make a quarterly profit here and there, but not a sustainable profit. And yet their founders are billionaires.”
- “Zillow has just blown the doors off the competition in terms of framing themselves as the source of information.”
- “At the moment, no [Zillow is not capturing ancillary services]. But do I think that’s where their huge opportunity is? Yes. Zillow’s main goal is data and ancillary services. My company has mortgage and title companies. It’s a win for us all the way around. Zillow is doing the same thing but the real prize will be if Zillow is able to partner with all sorts of ancillary services—exclusive roofers, exclusive movers, exclusive plumbers. In my opinion, that’s where Zillow is going. That’s a lot of pennies adding up to a hell of a lot more than title.”
- “I don’t think Zillow is going to do anything they don’t want to do [in terms of pressure on the 7% fee]. I don’t think they’re going to change their business model. I don’t think they’re going to feel the pressure. For the people who want to get out of the house and think selling is a pain, I don’t think it matters to them. They’re willing to sacrifice that equity.”

### Zillow Premier Agent Program

- “With the ShowingTime acquisition, a lot of agents are starting to pull their heads out of the ground and say, ‘Wait a minute.’”
- “Any Zillow lead that has ever come in to me has been terrible. If you want to get rich, I can tell you how: Convince real estate agents that you can sell them leads that make them more money in less time. I rarely found the value. I would rather take the \$1,000 or \$2,000 a month I would have spent on cold leads nurturing relationships with my past clients—buying them flowers or taking them out to lunch. 85% of everything I do is referral or repeat business.”
- “There’s a lot of fear [about Zillow as a competitor] but I think that fear is a little misplaced. I personally am not in fear of Zillow coming into the business. I believe it makes me run a sharper game. And if the consumer ultimately benefits, and it makes me run a sharper and better game, why would I be opposed to that?”
- “There are people who are concerned about that, and I’m not belittling them by any means, but to be completely vapor-locked and worried about it, I’m not.”

### iBuyer Competitive Landscape & Market Conditions

- “We haven’t seen a lot of iBuyer presence in my market. They’re here, but they’re not a big player.”

Without doubt, there’s a market for iBuying. There’s a need for it and, as long as the market is tight, iBuying can work. But, from what I’ve seen, the cost is anywhere from 8% to 14%. In today’s market, is anyone really willing to sacrifice that much? With such low inventory and so much overbidding, why would I do it? If you need to get out, maybe there’s a potential need for it. But only 5% to 6% of the people who get bids from iBuyers actually sell to them—that’s a 94% failure rate.

*Mountain West real estate executive*

- “My company is partnered with a co-branded iBuying company. A group of investors is willing to buy homes. So, when a seller says about the iBuyers, ‘They can offer a guaranteed sale.’ So can I.”
- “We’re not seeing a lot of it. Part of that might be a lack of inventory. As long as that persists, I don’t know how iBuyers will really expand. If foreclosures pick up, maybe they’ll become more relevant. There are people who believe all the forbearance stuff is going to go into foreclosure. But even if all of those go into foreclosure, it still won’t equal what we saw back in 2008 and 2009.”

### 3) Broker with more than 30 years of experience in the Houston, TX real estate market

This 30-year veteran believes Zillow will ultimately be successful as a real estate company. However, the Houston iBuyer market is very weak due to the strong presence of Houston Area Realtors ([HAR](#)). Short-term profitability for Zillow is unlikely—it is focused on market share and growing its suite of ancillary services. He does not see Zillow as a threat because it is the realtors and their hard work bringing true value to consumers. There is a convenience niche for iBuyers, but not currently in the Houston market.

#### Background

- “I have never been a Zillow premier agent and don’t know anyone who is.”

#### Zillow Offers

- “Zillow came to the market like [Compass \[Inc./COMP\]](#) real estate. Compass changed their mission over the years and offered signing bonuses to become premier agents. Zillow is similar.”
- “Zillow can come in with a lot of money but making money is not important to them at this point. Their focus is building a full suite, soup-to-nuts brokerage with all the ancillary services.”
- “Realtors get 6% so everyone wants a piece of the action. The realtors do all the work.”
- “What do buyers and sellers like the most about online platforms? The answer is always the realtor. The realtor is the value add to Zillow.”
- “I really don’t pay much attention to Zillow. They hardly ever come up in Houston.”
- “Houston has a powerful real estate association. Houston Area Realtors already does everything.”
- “I don’t see any reason why they can’t make it as a real estate company.”

#### Zillow Premier Agent Program

- “[Regarding the hire of 2,000 back-office employees], it makes sense if they are going national and think they will capture market share. Build it and they will come.”
- “[Regarding premier agents dropping out], the agent needs to ask how successful it’s been and do they enjoy it. They shouldn’t leave on principle.”

#### iBuying Competitive Landscape & Market Conditions

- “I’m in the inner city and have yet to run into an iBuyer.”
- “I see them in the suburbs but don’t think they are making money. They all seem to be trying to gain market share and become the next platform.”
- “iBuyers have a low presence in Houston. I never run into them.”
- “iBuyers offer a lot of conveniences to the right customer.”
- “Opendoor is the only iBuyer I’ve seen in Houston.”

#### Miscellaneous

- “A lot of big companies are transitioning to real estate. [Berkshire Hathaway \[Inc./BRK.A/B\]](#) purchased Prudential to get in the market.”

### 4) Realtor/investor with more than 21 years of experience in the Austin, TX real estate market

According to this veteran realtor, Zillow will not succeed as a real estate company in Austin. This is currently not a market for iBuyers or Zillow. This is a hot market requiring the hard work and presence of live agents with offers ready within five minutes of a showing. Zillow cannot accomplish this. This source is not a fan of Zillow and does not believe in its concept. She admits, however, it may be a good fit for younger realtors who do not have the contacts of a seasoned agent.

#### Background

- “I don’t use Zillow and do not believe in their concept.”

## Zillow Offers

- “Zillow will not succeed as a real estate company. Not today and not in this market, meaning Austin and Central Texas.”
- “You have to be there on day one to schedule appointments, with offers ready five minutes after leaving the house. Zillow offers cannot accomplish this.”
- “There are too many variables in the market today for Zillow to be able to help people.”
- “I do not like Zillow. They are trying to make us obsolete.”

## Zillow Premier Agent Program

- “Zillow has a lot of clout and name recognition. Maybe they are good for younger folks that don’t have the contacts but I see them as trying to take my job.”
- “I don’t see the significance in hiring 2,000 back-office employees. Everybody offers this.”
- “I understand that Zillow now wants to charge a monthly fee to put a listing on their site. It’s either \$20 per week or per month per listing.”

## iBuying Competitive Landscape & Market Conditions

- “10 billionaires now live in Austin, with lots of California cash. Cash is king in Austin.”
- “In today’s hot market, people need an agent.”

Zillow has a lot of clout and name recognition. Maybe they are good for younger folks that don’t have the contacts but I see them as trying to take my job.

*Realtor/investor with more than 21 years of experience in the Austin, TX real estate market*

## 3) Real Estate Agency Executives

Three real estate agency executives, one in the South Florida market and two in the Las Vegas market, had varied views regarding Zillow Offers becoming a viable profit generator for Zillow. The South Florida executive said Zillow Offers is currently unsuccessful because homes are selling fast and for top dollar. Should market conditions change, it could become successful. He sees the current value of Zillow Offers as a seller lead-generation tool, which has significant value in this market. The two Las Vegas executives differed, with one saying the current market is challenging iBuyers and Zillow is losing on every transaction to gain share. The other Las Vegas agent said iBuying is thriving and Zillow Offers would succeed and become the one-stop shop for real estate transactions. These executives were unsure of the role of premier agents going forward, as Zillow is considered a competitor; however, they acknowledged that some agents are willing to continue to pay for leads or pay a third of the commission when the lead generates a sale. Competitors discussed include Opendoor and Offerpad, although Zillow Offers is considered the market leader. Knock was also discussed, but it offers a unique service as a mortgage backer for buyers that want to buy a new home prior to selling their existing home.

## Key Silo Findings

### Background

- 1 source represents a Florida real estate agency.
- 2 sources represent Las Vegas real estate agencies.

### Zillow Offers

- 1 said Zillow Offers is unsuccessful in the current market but its value is the generation of seller leads, which it then monetizes with its premier agents.
- 1 said in the current market conditions where homes sell fast and at top dollar, Zillow Offers and iBuyers will not be successful.
- 1 said Zillow Offers will be successful and Zillow will succeed at becoming the one-stop shop for real estate transactions.

### Zillow Premier Agent Program

- 3 said Zillow premier agents are now viewing the company as a competitor; however, many are still willing to advertise and buy leads.

### iBuyer Competitive Landscape & Market Conditions

- The current market where there is limited inventory and high demand is not favorable to iBuyers.

- Opendoor and Offerpad are key Zillow Offers competitors. Knock offers a unique mortgage support service for buyers with an existing home to sell.

## 1) Real estate agency owner and broker in a Zillow Offers Florida market

This owner of a 1,200-agent brokerage in Florida says iBuyers' value proposition has lost much of its appeal because homes are selling so quickly and for prices above asking price. However, he expects Zillow to use Zillow Offers as a lead-generation business, particularly to generate seller leads in an era of scarce housing inventory. Should market conditions shift, Zillow Offers could be successful. Zillow's premier agent business should be enhanced by the additional data it acquires through the acquisition of ShowingTime, home seller leads generated by Zillow Offers, the bidding for lead feature, and the Flex program requiring a third of the realtor's sales commission. Knock is used by this agency to assist its buyers in qualifying for a mortgage before they sell their existing home.

### Background

- "As a company, no, we are not participating with Zillow. A number of my agents probably buy leads from Zillow. Years ago, I bought leads from them. For whatever reason, it didn't pan out and I decided to discontinue the relationship."

### Zillow Offers

- "Zillow is primarily a business that generates buyer leads. Nobody needs buyer leads right now—they need seller leads."
- "Zillow Offers is designed to generate seller leads. In the current market climate, Zillow Offers is completely unsuccessful. That doesn't mean they haven't been in the past or they won't be in the future. You have every buyer on planet earth coming to Florida right now. Zillow Offers is this concierge service that's this nice, pleasant way to sell your home but you're taking it on the chin in fees. If I ask Zillow Offers for an offer on my \$300,000 house, they might offer me \$285,000. I can put the house on the market and get offers for \$302,000, \$304,000, and \$309,000, so why would I sell to Zillow Offers? When it shifts and the market changes, are they going to be successful? Sure, they could be."
- "My understanding is the conversion rate is limited. Why it's limited, I don't know, but there's just such a barrage of competition, particularly in mortgage."
- "Of course [there is competitive pressure on 7%]. But their main source of income is not buying and selling the house. If the seller says, 'I'm not going to take your offer, Zillow Offers,' that seller is now a \$500 lead for Zillow to sell to me or [Coldwell Banker](#) [Realty Holdings Corp./RLGY] or [Re/Max \[Holdings Inc./RMAX\]](#). That's the business—they have no risk. Sometimes they'll do bidding wars—I've got a \$300,000 seller, who wants it?"
- "I don't think it's that awesome of a business. If you're only discounting the property 3% and paying for renovations, you could end up at par or upside down."
- "The real business is they're monetizing every aspect of every phone call. If a homeowner turns down Zillow's offer for \$285,000, they can sell that lead along with the information that the seller turned down the offer. If Zillow has a listing and a buyer doesn't like it because it's hot pink, Zillow can sell that lead to an agent, who can say, 'I know you didn't like Zillow's pink house but here's a blue house and a green house you might like.'"
- "If interest rates go up, buyers aren't going to want to buy homes as quickly, so that helps Zillow's cause. If homes are sitting on the market longer, sellers will be more willing to sell to Zillow Offers."

### Zillow Premier Agent Program

- "Zillow bought ShowingTime a month ago. ShowingTime's product is ShowAssist, which is a plug-in to the MLS that we Realtors use to access showing instructions for a listing. ShowAssist is a secure bit of data in the MLS. When I click on Coldwell Banker's listing, then Coldwell Banker gets an email saying this agent is interested in this property because he clicked on it. And then the showing instructions pop up. Why would Zillow buy this company? A, it's already embedded in just about every MLS in the nation. B, Zillow is a marketing company driven by data. Now it has access to data it previously didn't have."

**If interest rates go up, buyers aren't going to want to buy homes as quickly, so that helps Zillow's cause. If homes are sitting on the market longer, sellers will be more willing to sell to Zillow Offers.**

*Real estate agency owner and broker  
in a Zillow Offers Florida market*

- “I can see Zillow putting ShowAssist on the Zillow app. Bob Smith clicks on the button and it says, ‘To see this property, call a Zillow agent.’ Then Zillow calls me and says, ‘We want half the commission to give you Bob Smith’s contact info.’ So now Zillow has inserted themselves at a strategic point in the transaction. They’re going to extort some money out of you, or they’re going to have a bidding war to sell that lead.”
- “Now they can start to sell up listing leads, which are really currency of the real estate market.”
- “It used to be you paid Zillow maybe \$80 or \$90 or \$150 for a lead—no guarantees. Most of the leads never panned out, which was why they were so cheap. Now, Zillow wants a third of the commission at closing. On my \$300,000 sale, I make a \$9,000 commission and Zillow wants a third of it. Some agents are willing to do that for the certainty of not having to pay for the lead until the sale closes.”

#### **iBuyer Competitive Landscape & Market Conditions**

- “I work with a company called Knock. They used to be an iBuyer. My dealings with them are 100% mortgage-based. If you have a home that you want to sell but you don’t have the cash to buy another home without selling, Knock will underwrite your mortgage on the new home and back out the expense of your existing mortgage so it doesn’t show up in your debt-to-income ratio. That way you can qualify for a \$400,000 home before you’ve sold your \$300,000 home. And Knock will give you six months to sell your \$300,000 home.”

## 2) Las Vegas real estate broker and franchise owner

This broker has worked with Zillow Offers and other iBuyers. He says iBuyers face a challenging market now because sellers can quickly get top dollar for their homes. Zillow Offers appears to be losing money on every home it buys but it is accepting the losses as part of its quest for long-term market share and for ancillary service profits. Agents view Zillow as a frenemy and this source sees participation in the premier agent program declining because Zillow continues to strengthen its competitive position in the market by recently becoming a broker and purchasing ShowingTime.

#### **Background**

- “We’ve worked with iBuyers. Those relationships are very elusive. They start off by saying they need someone to list their properties, then they become realtors themselves. We worked with Zillow and the idea was that we could list some of the properties. That was somewhat successful.”

#### **Zillow Offers**

- “Zillow has people who are many times smarter than me. They have a vision and I believe the vision is that they’re going to lose money on every house they buy until they become profitable, or that they’re going to make money on the ancillary services.”
- “I have no idea [about ancillary services capture]. I’ve got to believe it’s very low. A real estate brokerage has a mortgage company and a title company and insurance services, and they want agents to use those services. The industry is shifting to that type of model. I think that’s what Zillow is trying to do—let’s control the entire process. The buyer will get a reward if they use our mortgage company or our title company.”
- “To be competitive, they’ve negotiated [the 7% fee] down but it’s almost always more than a real estate commission. If our fee is 5% or 6%, theirs is 7%, 8%, 9%, or 10%. The margins are extremely tight in the iBuying market right now. There’s competitive pressure on my fee. Sellers are saying, ‘We used to pay you 6% but we don’t want to do that anymore.’ If we succumb to that, then Zillow has to lower their fee. In every marketplace, there are individual iBuyers, mom and pops, and the name-brand iBuyers are there as well. So there are lots of competitors.”

#### **Zillow Premier Agent Program**

- “Zillow is taking a third of the commission. It is happening. But it is very new and it hasn’t rolled out in all marketplaces. They transitioned us to a referral fee program but we do not have any relationship now with Zillow. I do have agents who pay Zillow for advertising. My observation is that that number is dropping because of the perceived threat that Zillow poses to the real estate industry. The industry sees Zillow as a competitor. They are now a realtor, so we’re very limited in what we can do. We can’t badmouth them because that’s against our code of ethics. The good side of that is that they are now bound by our code of ethics and they might be forced to become more transparent.”
- “Now Zillow is [running](#) everything through a company in Vegas called [GK Properties](#). And what they’re doing is they’re mandating processes. Zillow is saying, ‘If you’re going to make an offer on one of our properties, you have to use one of our contracts and you have to use [dotLoop](#).’ That’s not a bad thing from their perspective but from our perspective as realtors, we’re not familiar with their contract and any loopholes it contains.”

- “Zillow is the frenemy. Now they have become a broker. That creates an interesting relationship. On the one side, they’re selling advertisement to realtors. On the other side, they’re a broker that competes with us directly. Zillow acquired a company called ShowingTime. That was another shot over the bow that caused realtors to become even more aware that Zillow is competing directly with realtors.”

#### iBuyer Competitive Landscape & Market Conditions

- “The iBuyers are not buying a tremendous amount of homes and they shut down during the pandemic. That has been used against them by realtors. They were supposed to be the buyer who would buy in any circumstances and then, in the worst of circumstances, they stopped buying. Now the iBuyers are back and they’re competing in a marketplace that is very difficult. Right now, homes are selling for more than they’re worth. Zillow has been forced to pay above-market prices just to generate volume.”
- “Zillow is less interested in profitability right now. I truly believe from some of their actions that they want volume. Wall Street is not connecting the dots that Zillow is coming in and offering competitive prices that sometimes leave us scratching our heads. When they sell it, they’re losing money. Somehow, Wall Street is buying it.”
- “Our deals are closing in 20 to 30 days, so we can deliver the timing. There are all kinds of things creating certainty in our marketplace. And certainty is the greatest selling point for the iBuyers.”
- “In my opinion, it is an absolute freaking commodity, because each of them is saying the same thing. They pay cash and they offer convenience. How do you differentiate yourself if you’re a commodity? No seller is going to say, ‘I’m only going to get an offer from Zillow.’ They’re all comparing offers from Opendoor and Offerpad. Sometimes Zillow is higher, sometimes Offerpad is higher. There may be some possibility that the name recognition of Zillow will be powerful enough to offer differentiation but I don’t believe that’s the case.”
- “When you look at the market share of iBuyers, it is interestingly blown out of proportion. I’ve heard it’s up to 10%. We track the marketplace and it’s 1%, maybe 2%.”
- “What we’re seeing right now is a highly, highly competitive market. If Zillow can’t buy, they can’t sell. There have been arguments that a down market is a potential challenge because, if it takes six months to sell, that increases the closing costs. Zillow has the benefit of free money.”

When you look at the market share of iBuyers, it is interestingly blown out of proportion. I’ve heard it’s up to 10%. We track the marketplace and it’s 1%, maybe 2%.

*Las Vegas real estate broker and franchise owner*

### 3) Las Vegas partner and broker manager with 27 years of experience; repeat source

This seasoned Las Vegas realtor believes Zillow Offers will succeed as a real estate transactions company. The iBuyers in this market are thriving. Zillow leads the pack, with Opendoor in a distant second. iBuyers thrive in markets rich with home equity. However, anything that causes home prices to come down will potentially disrupt iBuying success. This source believes Zillow will eventually become the one-stop shop of the real estate market by hiring salaried sales agents.

Oct. 30, 2019, interview: This broker says iBuyers are taking a larger portion of the Las Vegas market, up to 25%, and Opendoor is by far the most popular and dominant player, although Zillow is also growing. Profit margins appear to be razor thin, as Zillow, and other iBuyers, are offering close to retail price for properties and making money only on ancillary services, such as mortgages and home warranties. This former premier agent left Zillow when it introduced its Offers program and has not returned.

Oct. 24, 2018, interview: This broker severed ties with Zillow when the company introduced its Zillow Offers program. Although iBuyers are popular now, their business model will not last, especially since brokerages also offer Zillow Offers. Also, the market is full of equity, but as that shifts consumers will be less interested in leaving \$10,000 to \$30,000 on the table for convenience. [Note: This source was in the Agency executive silo in 2018.]

#### Background

- “We left the Premier agent program over a year ago when I realized Zillow was entering the real estate market as a competitor.”

#### Zillow Offers

- “I think Zillow will succeed as a real estate company.”



- “I do not see Zillow as a competitor.”

#### **Zillow Premier Agent Program**

- “It’s hard to say what role premier agents will play in Zillow 2.0.”
- “I think it’s just a matter of time before Zillow brings in salaried agents.”
- “Zillow’s plan to hire 2,000 back-office employees makes sense. They will need them.”

#### **iBuying Competitive Landscape & Market Conditions**

- “The weak agents are threatened by iBuyers and uncomfortable with it. The strong and confident agents have already added iBuying to their sales presentation process.”
- “Homes went up in value so much that Vegas is a perfect market for iBuyers.”
- “The iBuyers in Las Vegas include Opendoor, Offerpad, Zillow, and Knock, to name a few.”
- “I think Zillow is doing best and Opendoor is second.”
- “Zillow has the name recognition and that goes a long way.”
- “The convenience and hassle is off the table if you go with iBuyers—but sellers make less money.”
- “iBuying works best in markets with a lot of equity, so anything that causes home prices to come down will affect it.”
- “Zillow offers will do fine as long as the market opportunity exists.”

## **4) Zillow Offers Competitors**

Two Zillow Offers competitors—one a franchisee of a large national home investing company and the other a broker representing a team of investors—acknowledge that Zillow Offers is succeeding despite a market that does not necessarily favor iBuyers. Success is coming because the current market offers strong margins, Zillow is flush with cash and offers strong technology and ancillary services, and a small percentage of buyers always need cash fast. Both sources question if Zillow Offers can sustain its success if the market changes. Zillow premier agents are expected to push back against Zillow Offers, according to one source, as it is viewed as competition. The other source said it just continues the love-hate relationship agents have with Zillow and some will opt out and cease their advertising spending while others continue to participate. Sources said they see few differences other than price between iBuyers which include Opendoor, [HomeLight](#), and local investors.

### **Key Silo Findings**

#### **Background**

- 1 source is a franchisee of a large nationwide housing investment firm.
- 1 is a broker that represents a pool of investors in his local market.

#### **Zillow Offers**

- 2 said Zillow Offers is successful in current market conditions with high margins and a few buyers that need cash fast because it is flush with cash and has strong one-stop technology. Both question if its success will continue if market conditions change.

#### **Zillow Premier Agent Program**

- 1 said they expect premier agents to push back, as Zillow Offers is viewed as competition.
- 1 said Zillow Offers perpetuates the love-hate relationship agents have with Zillow. Some will cease advertising and others will continue, as the ROI justifies the expense.

#### **iBuyer Competitive Landscape & Market Conditions**

- Current market conditions do not favor iBuyers because inventory is low and buyer demand is high. Houses sell quickly for top dollar. Still, there is a small percentage of sellers that need cash fast.
- Opendoor is a key Zillow Offers competitor and HomeLight was also mentioned, along with local investors.

### **1) Real estate investor in Florida**

Zillow Offers is succeeding now thanks to strong price appreciation, but this franchise home investor wonders if its thin-margin model can survive a softer real estate market. Homeowners who consider selling to Zillow Offers are often surprised by the fees that come in the fine print. Competition is pressuring Zillow Offers’ 7% fees; however, people in need of cash still accept the deal. According to this source, pushback from premier agents is likely because Zillow is

limiting the number of premier agents in larger markets and competing against its premier agents with its Zillow Offers program. In South Florida Zillow Offers competes against Opendoor, its franchise, and many mom-and-pop investors.

## Background

- “We buy 225 to 230 homes a year in South Florida. Our secret recipe is we renovate everything we buy and that takes a lot of manpower and a lot of work. We’re not just flipping for \$3,000 to \$4,000.”

## Zillow Offers

- “Zillow made all of their money over the years by marketing and selling leads to agents. Now they’re competing with them. We often wonder where that’s going to end. The iBuyers have influenced Zillow to jump into the market. Right now, everybody is riding the wave of appreciation. They will succeed in the market we’re in right now. It’s hard to make a mistake in this market. Our appreciation is 15% to 25%. It’s hard to make a mistake, even if you’re a novice. The recipe for success is golden. But will it last? When the market moderates, how are they going to make money? Their margins are so thin.”
- “Zillow looks at the homes that are very easy to fix because they don’t want to get into the contracting business. We have more latitude—we’ll buy a house that’s been burnt out. We’ll buy a house where the couple is getting divorced and one person wants to sell and the other doesn’t. We’ll buy a house where four siblings have inherited it and three want to sell and one doesn’t. We’ll buy partitions.”
- “The Zillow instant cash offer is not really an instant cash offer. They make it very clear now that they’re calling it a preliminary cash offer, so they don’t run into legal problems. They sign the contract long before they ever see the property. We’re a little different. We go out and look at the property and then we give the seller a cash offer. You have to pay an investor fee for Zillow to go out and inspect the property. That’s in the fine print.”
- “We saw a deal the other day where we offered \$190,000 and Zillow Offers offered \$190,000. But the fine print of their offer said the seller was responsible for all commissions and closing costs. That can be 11%. We all know that but the average homeowner doesn’t know that. The client called us back and said, ‘I didn’t realize I was only getting \$162,000.’”
- “Yeah, there is [competitive pressure on 7%]. People go ahead because they’re in need of cash. But I don’t like the idea that people are paying all the things that Zillow is adding on.”

The iBuyers have influenced Zillow to jump into the market. Right now, everybody is riding the wave of appreciation. They will succeed in the market we’re in right now. It’s hard to make a mistake in this market. Our appreciation is 15% to 25%. It’s hard to make a mistake, even if you’re a novice. The recipe for success is golden. But will it last? When the market moderates, how are they going to make money? Their margins are so thin.

*Real estate investor in Florida*

## Zillow Premier Agent Program

- “They have only selected a very few premier agents and they’ve limited their locations to large cities. For instance, Miami has a premier agent who can get access to Zillow Offers but Fort Lauderdale doesn’t, Palm Beach doesn’t.”
- “Now they’re competing with agents. Now what they’re doing is the calls come in and Zillow makes an offer, eliminating the agent. I think there’s going to be some pushback. We’re all feeding out of the same trough.”

## iBuyer Competitive Landscape & Market Conditions

- “Everybody was gung-ho a year ago. They had their guns blazing. When COVID hit, everybody retrenched dramatically. Nobody knew where the market was going to go. Zillow and Opendoor took their offers off the table. I did, too. Everybody thought it was going to be devastating. Who would have ever thought we’d have a lack of inventory and appreciation of 15% to 25%?”
- “There’s a lot of investors in South Florida but they’re little mom-and-pop guys and they buy six or seven houses a year. They fix them themselves. There’s numerous small investors out there.”
- “Zillow tends to buy the houses that need less work. We’ll buy houses with shag carpeting, with a kitchen that hasn’t been replaced in 25 or 30 years.”

## 2) Florida real estate broker who created a pool of investors to compete with large iBuyers

Zillow Offers is flush with money and offers a simple one-click technology for selling, buying, and related ancillary services that it can build a moat around. However, current market conditions do not favor iBuyers, as the high number of buyers in

the market are driving fast sales at higher prices than the iBuyer model. After iBuyers launched in the Florida market, this broker responded by creating his own iBuying program to compete with the big players. Zillow Offers and Zillow 2.0 continue to perpetuate the love-hate relationship real estate agents have with Zillow. Some plan to cut their advertising spend, while others say they are the enemy but they make money off the advertising and leads. Zillow Offers competition is coming from HomeLight and Opendoor. This source notices no competitive differentiation between them and doubts sellers do either. All three are competing for a small inventory of homes in a market where sellers are reluctant to discount their price.

## Background

- This real estate professional runs a real estate brokerage in Tampa. He pooled a group of investors who make their own instant offers to compete with Zillow Offers, Opendoor, and Offerpad.

## Zillow Offers

- “I would group all the iBuyer programs together. At the end of the day, it’s large, institutional money. You can’t ignore that Zillow is flush with money. They’re a really well-funded company, so the margin of error is pretty big to absorb a loss, as opposed to my little world of iBuyers. They can’t afford to get many wrong.”
- “Zillow can leverage technology to make it a very simple, one-click buy and sell. They can benefit from building a fence around this garden. They can grab transactional revenue, particularly title, to guard against losing money on the transaction.”
- “I think there is [pressure on the 7% fee]. What I’m seeing is the cat is out of the bag. As a seller selling my home through Zillow Offers or any of the iBuyers, it’s really about the value proposition. Originally it was marketed with the idea that the seller would cut out the agent. The assumption was, no agent, no fee. That’s clearly not the case. There’s a cost of convenience. In today’s market, there’s so many buyers that that value proposition is challenged. Why would I do that when it’s two days on market and it’s done?”

## Zillow Premier Agent Program

- “Agents have had this love-hate relationship with Zillow over the years. At the end of the day, realtors are lead junkies. They’re sales minded and they’re out there chasing business. The stream of leads—put aside the quality of the leads—gives many agents the false sense of security that their business is advancing. Zillow has done an excellent job of selling this promise that you’re going to get leads and convert them.”
- “How annoying and threatening is Zillow’s 2.0 model? Are agents willing to cut off any and all advertising? I have agents who say, ‘I’m out, Zillow’s not getting another dime from me.’ I have others who say, ‘Yes, Zillow is my enemy, but this is a profitable marketing channel for me.’ The ROI is pretty simple. If I pay \$12,000 a year to Zillow, do I get \$12,000 in commission income I wouldn’t otherwise see?”
- “What’s infuriating is when Zillow starts competing directly with agents. We’ve started to see that, where agents are competing for a listing but Zillow places it with one of the Zillow agents. They are 100% in direct competition. The next phase will be that Zillow will put agents on a salary. They’re very well-positioned to do that.”

## iBuyer Competitive Landscape & Market Conditions

- “They’re beating the drum. They’re out there marketing. They have very well-funded marketing campaigns. Zillow, HomeLight, and Opendoor are all chasing very small levels of inventory. Sellers are emboldened, sellers are pretty well-informed of the value of their property, and sellers are very reluctant to offer discounts on their properties.”
- “Right now, you and I could go buy a house, sit on it for a month, and sell it for a profit. The market is making the iBuyers’ bottom lines look really good. It will be interesting when we hit a plateau or a declining market.”
- “When the pandemic hit, they just locked it down. All of the iBuyers are very skittish during market gyrations. To my mind, it’s a very fragile business model. Zillow is putting some houses on the market, and they’re not even getting what they paid for it.”
- “Candidly, I don’t even know the difference. Other than price, I don’t know how a consumer would know the difference.”
- “We’re in a sharply rising market now. How are the iBuyers going to perform if the reverse happens? This model will be under a lot of pressure when this market shifts.”

Zillow can leverage technology to make it a very simple, one-click buy and sell. They can benefit from building a fence around this garden. They can grab transactional revenue, particularly title, to guard against losing money on the transaction.

*Florida real estate broker who created a pool of investors to compete with large iBuyers*

## 5) Industry Specialists

Two industry professionals said Zillow is perfectly positioned to succeed. Zillow and Zillow Offers is the industry leading platform as it owns the mindshare of home buyers and sellers and is highly trusted by consumers. Current market conditions are not favorable for the iBuyer market, as houses are selling in an average of 10 days and above asking prices. However, Zillow Offers' value proposition of a quick, convenient, and secure sale has a small percentage of home sellers with the need to sell quickly willing to pay a premium for the service. Zillow's ancillary services are gaining traction and provide a meaningful contribution to Zillow's bottom line. Zillow's high transaction fees do not seem to be a significant factor for home sellers in need of a quick sale. One source did say that Zillow is experimenting with its pricing and has gone as low as 5% and as high as 12%. Zillow's premier agents are making great money, according to one source, and both said it is benefiting from Zillow Offers. With 98% of Zillow Offers failing, it generates listing leads which are passed on to premier agents. Also, the Flex program 20% to 30% fees for successful transactions is lucrative for Zillow. Zillow Offers competition comes primarily from Opendoor, Redfin, Offerpad, and Coldwell Banker. Both sources see Zillow as the clear leader due to its name recognition.

### Key Silo Findings

#### Background

- 1 is a real estate data firm executive.
- 1 is an executive at a nationwide real estate association, national speaker, and former top-producing real estate agent.

#### Zillow Offers

- 1 said the value proposition of Zillow Offers is clear; however, current market conditions are not favorable for iBuyers.
- 1 said Zillow Offers will produce meaningful profits as people will pay for speed, convenience, and security.

#### Zillow Premier Agent Program

- 1 said the premier agent benefits from the Zillow Offers as a lead generation program and the Flex 20% to 30% transaction fee is lucrative for Zillow.
- 1 said premier agents are making great money and there is a place for them in the new Zillow.

#### iBuyer Competitive Landscape & Market Conditions

- Current market conditions do not favor iBuyers; however, a small percentage of seller still have a need to sell quickly.
- Zillow has name recognition and consumer mindshare over its main competitors, Opendoor, Offerpad, Redfin, and Coldwell Banker.

#### Miscellaneous

- 1 said Zillow is not expected to become a traditional brokerage but needs the license to participate in transactions.
- 1 said watch what Zillow does, not what they say—and pointed to its previous comments about not pursuing a brokerage license and then getting one.

## 1) Executive of a real estate data firm

This longtime industry executive says iBuying simply does not make sense now. Sellers can make more money with traditional sales. However, as lenders begin foreclosing on properties again, iBuyers will see more activity from willing sellers. Zillow's name recognition gives it an advantage over Opendoor and Offerpad. Zillow seems unlikely to operate a full-fledged brokerage—its brokerage license is aimed mainly at allowing it to collect referral fees from realtors.

#### Background

- Executive of a data firm whose subscribers are real estate investors and real estate agents. This company has no direct business relationship with iBuyers.

#### Zillow Offers

- "The value proposition is pretty clear. They can execute a clear sale and do it quickly."
- "There's really no rational reason to sell to an iBuyer. In California, the average sale price is 100.8% of list and the average days on market is 10. Why would you sell for less? But the tide could turn. At some point, the government forbearance programs will end and we will see a rise in foreclosure activity. Not like last time, but it will be a lift. When you have a lot of distressed inventory, people don't always act rationally. Even though a lot of homeowners

have equity, some people will go into denial and just won't do anything until it's too late. iBuyers have the opportunity to come in and buy those properties. That influx of distressed homeowners presents a golden opportunity for iBuyers. Realistically, most people should be able to sell before foreclosure, but not all of them will. And if you wait too long, it becomes too late to sell your way out of foreclosure. There's another subset to watch and that's the FHA loan pool. Their serious delinquency rate is four times higher than loans backed by Fannie and Freddie. Those borrowers tend to have less equity. You're likely to see a fair number of those properties wind up in foreclosure."

- "[Zillow is] capturing some [ancillary services]. It's a critically important part of their business. The sales transactions themselves, generally speaking, aren't profitable. The home sales are almost loss leaders and they tend to make their money on ancillary services."
- "You'd think there would be [competitive pressure on 7%]. It's all sort of fuzzy math. I don't think they've been successful buying from people with a lot of options, because the 7% fee just isn't that competitive. You could say it's close to a full commission of 6% but it's really not, because the iBuyers tend to come in with offers below full price. But, even with the pricing model, they're still losing money on almost every transaction. The people who sell to them clearly are not looking to get top value for their property. I suspect it has to do with time or convenience, or they're in distress."
- "Partly they shut down [Zillow Offers] for pandemic-related reasons, which kind of makes sense. But logically, their model should have done well because it relies less on face-to-face contact. They probably shut down thinking that the housing market would be weaker than it was longer than it was."
- "They're kind of keeping their powder dry until the market becomes more favorable for them. They're just positioning themselves to be more active when the market cools. They're not going to be competitive as long as we're seeing double-digit appreciation and this supply imbalance in the housing market."

#### Zillow Premier Agent Program

- "A huge, huge part of Zillow's revenue is still reliant on agent advertising. They're going to be more careful about alienating agents than Opendoor and Offerpad. Zillow does have a pretty solid, thriving business operation that doesn't rely on iBuying."
- "Even back when Spencer Rascoff was running the company, I believed they were trying to move away from selling leads and more into getting referral fees for highly qualified leads. The holy grail in this industry is getting a cut of commission revenue. Zillow is extraordinarily well-positioned simply because they're the predominant online portal people go to to look for houses. If Zillow can get 20% to 30% referral fee on transactions, that's a pretty lucrative business model."
- "Zillow Offers gives Zillow an opportunity to get seller listings. If you give them truth serum, the iBuyers will admit that only 1% to 2% of their offers are accepted. Even if you're failing on 98% of your offers, you just identified the 98% of people who are getting ready to sell their house. That's a huge volume of seller leads. So, I don't get the offer, now I can market you as a lead to Zillow premier agents."
- "I don't see them getting into the traditional brokerage game. To collect a referral fee, you need a broker's license. So even if you weren't going to sell houses, you would still need a broker's license. Do I think they ultimately become the next eXp [Realty] or Compass? Probably not. I think the brokerage license is more to be able to participate in the transaction revenue and to use it as needed. Even if Zillow came up with a cure for cancer there still would be a segment of agents who were in an uproar about Zillow. That's just the nature of the beast. I can't see Zillow wanting to get into the brokerage game."

#### iBuying Competitive Landscape & Market Conditions

- "The iBuyers are advertising—they're keeping their name out there."
- "Zillow has a huge advantage over the others just in terms of name recognition. There's a trust that's there that just doesn't exist for Opendoor and Offerpad just yet. And those three—Opendoor, Offerpad, and Zillow—are really the three major players. It's them and everybody else."

Zillow Offers gives Zillow an opportunity to get seller listings. If you give them truth serum, the iBuyers will admit that only 1% to 2% of their offers are accepted. Even if you're failing on 98% of your offers, you just identified the 98% of people who are getting ready to sell their house. That's a huge volume of seller leads. So, I don't get the offer, now I can market you as a lead to Zillow premier agents.

*Executive of a real estate data firm*

## 2) Real estate industry specialist and national speaker on brokerage practices; repeat source

This industry specialist believes Zillow will succeed as a real estate transactions company and is on track to provide meaningful and consistent profits. Since COVID-19, people are more willing to pay a premium for speed, convenience, and security. The work from home economy also favors Zillow's hiring plans. Premier agents are making great money and will have a place in Zillow 2.0. Zillow is positioned as the market leader; however, iBuyer success is always determined by market conditions.

March 24, 2019, interview: Zillow is poised to become the strongest player in the iBuyer arena because it has the largest consumer audience and consumer trust. The company will invest heavily in dominating the iBuyer market even if it means taking less profit per home in the near term. The acquisition of competition, such as Opendoor, would be a smart play for Zillow.

June 7, 2018, summary: Zillow's house flipping program would boost the company's overall revenue as another lead-generating program for existing premier agents and as a lure for those who were not yet premier agents. The program also would attract more consumers to Zillow's site, especially those who questioned paying real estate commissions. Zillow's move to this space was inevitable as competition shifted from home search to home transaction. Its size and resources could help it become the segment leader.

### Background

- Executive in a national real estate association, speaker, and former top-producing real estate agent.

### Zillow Offers

- "I think they are on track to provide meaningful and consistent profits. It's a trend that will not go away because, people are willing to pay for quickness, convenience, and security."
- "Zillow is perfectly positioned. They were already on the move pre-COVID."
- "One-stop shopping is huge since COVID-19. The pandemic accelerated the process."
- "People will pay a premium for one-stop transactions."
- "Their move to becoming a brokerage is strategic in many ways to get the IDX [Internet Data Display] from MLS directly and inject to MLS directly. Now they will get sold data as part of their IDX."
- "Sellers are waiting to the last minute to sell homes. First they want to have their new home waiting."
- "Yes, sellers use Zillow for their ancillary services. That is the ideal. I'm not sure what the attach rate is."
- "The margins gained by lowering renovation costs is definitely sustainable. It doesn't take much more than a coat of paint or new floors. They are good at partnering with the right contractors and handymen."
- "I've seen fees as low as 5% and as high as 12%. Zillow is trying different fees to size up the market."
- "I don't think lower fees will increase volume. Most consumers do not see Zillow as a transactional company."

I think they are on track to provide meaningful and consistent profits. It's a trend that will not go away because, people are willing to pay for quickness, convenience, and security.

*Real estate industry specialist and national speaker on brokerage practices*

### Zillow Premier Agent Program

- "Premier agents are making great money. They will have a place in Zillow 2.0."
- "They will operate as hybrid agents based on referrals. It has worked for years and will continue to work."
- "The wild card is Zillow turns into an eXp model, a virtual brokerage model for a potential Zillow 3.0."
- "2,000 employees make sense. They will need every type of support employee. With a decentralized economy it will be a lot cheaper now."
- "Premier agents see Zillow as a competitor in markets where Zillow Offers buys 60% to 70% of the cookie cutter properties. However, they are not as competitive or as focused on older homes."

### iBuying Competitive Landscape & Market Conditions

- "Opendoor, Redfin, and Coldwell Banker are the major iBuyers in Colorado."
- "None have any market share to speak of. They are fighting over the 9% of sale by owner methodology."
- "Zillow and Opendoor are teaming up with builders and new construction."
- "Most important, Zillow owns the mindshare."

- “iBuyers are all fairly the same and use the same algorithms. The consumer mindset is the most important differentiator.”
- “Sellers choose iBuyers based on trust, value, and mindshare. They want the most bang they can get from iBuyers.”
- “Markets with multiple iBuyers will compare prices and then approach a realtor to see if they can get more.”
- “Smart realtors realize that iBuyers have been around forever, even before the internet.”
- “The success of iBuying comes down to market conditions. Higher Interest rates can disrupt the market by deleting a lot of potential buyers.”
- “Zillow knows how to pivot with the market and their offers.”

#### Miscellaneous

- “Where it comes to Zillow, watch what they are doing, not what they are saying. A good example is, for years, Zillow said they will not become a brokerage but everything they did was moving toward becoming a brokerage.”
- “A few years ago, Zillow had a strategic meeting with the Obama administration regarding the housing market.”

## Secondary Sources

These three secondary sources focused on the improving accuracy of online home value estimates, Zillow’s accolades as a great place to work, and the anticipation of online services being at the forefront of real estate transactions in 2021.

#### April 21 Salten News [article](#)

The accuracy of online estimates has improved thanks to better data gathering and algorithms.

- “While your home’s Zestimate may have you saucer-eyed, in fast-moving markets like this one it is harder to predict what your home will actually sell for.”
- “There is a kind of sticker shock that sellers may have right now,” said Krishna Rao, vice president of analytics at Zillow. “Even if they may have thought about selling a couple years ago, to look at where the market is now can be surprising.”
- “Hundreds of factors go into the calculations for these estimates, he said, including local real estate databases, sale records over time, property records, tax records and other sources.”
- “Each online real estate firm’s estimate is like its own special sauce with its own secret recipe.”
- “They can range widely, if you look at one address across many sites,” said Dave Masters, director of product management at Realtor.com. “No one has models that aren’t sophisticated, but the inputs can be very different.”
- “That’s one reason why Realtor.com offers three different estimates from the data companies it partners with, sources that are typically used by lenders and insurance companies.”
- “One reason why we think the three numbers are more insightful, is that it shows home sellers the picture is varied,” said Masters. “There are some markets where the difference isn’t too drastic, in other cases, they can be wildly different.”
- “The fast pace of the current housing market has made estimating prices more difficult, Masters said. For example, when there are more comparable homes on the market, the valuation models become more accurate with additional data. But in a super competitive market, where homes are selling quickly and often for well over asking price, the sale price doesn’t necessarily represent fair market value – nor should it.”
- “Zillow and Redfin offer some transparency by publishing regular accuracy reports.”
- “The company says the Zestimate for homes on the market has a median error rate nationally of 1.9%. Redfin, meanwhile, says its estimate for homes on the market has a median error rate of 2.19% in the 43 states and District of Columbia where it operates. That means that the estimates for half of all homes on the market with estimates on Zillow or Redfin are within roughly 2% of the selling price.”
- “But if you’re just thinking about selling and your home is not on the market, the error rate is a lot higher. The Zestimate for off-market homes has a median error rate of 7.3%. The Redfin Estimate for off-market homes has a median error rate of 6.94%.”
- “The accuracy for an on-the-market home is better because we have more up-to-date information,” said Rao. “The typical home information may be out-of-date. Owners added something or renovated. Our estimates can’t incorporate that information.”
- “Thanks to better data gathering and algorithms, the estimates have become more accurate over time, Rao said.”

- “In fact, they have improved so much that Zillow says it is willing to make offers to buy a home at the Zestimate price in some markets. Since 2018, the company has bought more than 11,300 homes directly through its Zillow Offers division. Last month, it said it began buying homes based on the Zestimate in markets where it determined the estimate was accurate enough to make cash offers.”
- “We are confident enough in our models and our Zestimate to buy it at that price,” said Rao.”

## April 12 KHQ 06 [article](#)

Zillow is named to the Great Place to Work and Fortune 2021 list of 100 best companies to work for.

- “Zillow Group, Inc. (NASDAQ: Z and ZG), which is transforming the way people buy, sell, rent and finance homes, today was named one of the 100 Best Companies to Work For® according to Great Place to Work® and Fortune.”
- “This highly competitive award is based on a rigorous analysis of confidential survey responses from more than half a million current employees of companies across the U.S. In that survey, conducted in the fall of 2020, 95% of Zillow employees said Zillow is a great place to work – 36 percentage points higher than the average U.S. company.”
- “The list paid particular attention to companies' leadership, policies and benefits in response to the COVID-19 pandemic. Zillow earned its ranking in part due to employee feedback on how trustworthy, caring and fair the company is in times of crisis; employees' physical, emotional and financial health; and the company's broader community impact.”
- “The Fortune 100 accolade comes on the heels of Zillow's announcement of plans to hire more than 2,000 new employees nationwide. The majority of these new or coming-soon roles are open to prospective employees regardless of where they live in the U.S. Find more information about open positions on Zillow's Careers site.”
- “This is Zillow's second appearance on the list of 100 Best Companies to Work For®, having ranked in 2019. Zillow has also been named multiple times by Fortune and Great Place to Work among the Best Workplaces for Parents, Best Workplaces for Millennials, Best Workplaces in Technology, Best Workplaces for Women and Best Workplaces for Diversity.”
- “Great Place to Work is the only company culture award in America that selects winners based on how fairly employees are treated. Companies are assessed on how well they are creating a great employee experience that cuts across race, gender, age, disability status, or any aspect of who employees are or what their role is.”

## April 7 HousingWire [article](#)

2020 saw 1 in 10 Americans moving and Zillow says millions more will enter the housing market in 2021. Online real estate is expected to be at the forefront.

- “In what will be known to future generations as the Great Reshuffling, a recent Zillow survey showed that more than 1 in 10 Americans reported moving in the past 12 months, either by choice or by circumstance. And now, with the COVID-19 vaccine circulating and the economy slowly regaining strength, Zillow researchers say millions of additional households could enter the housing market in 2021.”
- “Per Zillow, more than half of Americans said they experienced happiness (54%) and relief (53%) following their move, with nearly 80% saying the move was the correct decision. And approximately 60% said the move led to positive life events, such as a bigger home, a cheaper mortgage, and new experiences in a new city and state. This data factors into what Zillow believes will be approximately 2.5 million new households entering the housing market in 2021.”
- “Finally, Zillow's housing market report underlined how important the accelerated development and adoption of real estate technology was in the last 12 months, and how buyers and sellers will be relying on it going forward.”
- “Approximately 80% of those surveyed said they would like to view a virtual home tour and a digital floor plan before buying, if they were shopping for a home. Zillow officials said homes on its 3D Home Tour platform were saved by buyers 32% more than homes without, and received, on average, 29% more views than listings without.”
- “Online real estate has trickled down to all aspects of the industry, including with appraisals, closings, and underwriting.”

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Additional research by Brad Borch and Shane Podolsky.



# Zillow Group Inc.

The Author(s) of this research report certify that the information gathered and presented in this report was obtained in accordance with Blueshift Research's compliance protocols as outlined in the company handbook. All Blueshift reporters identified themselves as reporters/researchers from Blueshift Research and articulated the purpose of the research. To the best of our knowledge and efforts, Blueshift confirmed that the underlying source(s) lawfully obtained the information shared with Blueshift and were entitled to provide such information to Blueshift without breaching a duty to another party. The data in this report has undergone review from Blueshift Research's Compliance Officer and has been approved for distribution to Blueshift Research's clients.

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