



Should I Sell My Home to an iBuyer?

For decades, homeowners have had three choices when it came to selling their homes: 1) sell to an investor, 2) sell it themselves, or 3) hire a real estate agent to assist them with the sale.

These choices evolved nearly five years ago, with the creation of the iBuyer real estate model. It started with just one company but soon, several imitators jumped on the bandwagon.



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Your Bay Area Local Real Estate Resource



Reach out to me with all of your real estate questions:
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What is an iBuyer?

In a nutshell, iBuyers are technology companies that offer to pay cash for a home. They will then make needed repairs and the iBuyer will sell the home on the open market, thus making a profit. The process includes slight variations, depending on the company.

iBuyers don't like being compared to property flippers, yet in our opinion, that is exactly what they are. In fact, Jeff Andrews at Curbed.com calls iBuyers "algorithm-powered home flippers."

They make rock-bottom offers on homes that they know they can make a buck off of, but package the entire process as a win-win. Read on to find out why the homeowner is typically the loser when the iBuyer buys their home.

Speed or Money?

With easy access to information, real estate consumers are far more knowledgeable than in the past, agents have better access to consumers and as a result, homes sell substantially quicker than they used to.

However, if 30 to 60 days is too long for you to wait for the home to close, then selling to an iBuyer may be a good option for you. If, on the other hand, selling for the most money possible is your goal, you'll want to work with a real estate broker.

Because, when you sell to an iBuyer you'll sell quickly, but you most likely will hand over a substantial chunk of your home's equity to the iBuyer.

When you hire a real estate agent to assist you with the sale, you'll typically make more money off the sale, and there are several reasons why.

First, iBuyers will not view your home before making the initial offer nor are they necessarily familiar with the area. Instead, they will use an algorithm to determine your home's market value. It's a notoriously error-prone process.

That means the iBuyers' algorithm may suggest they offer you \$270,000 on a home with a current market value of \$300,000. Is a quick sale worth leaving \$30,000 or more on the table?

A low offer isn't the only way you'll lose money.

The results of a recent MarketWatch.com investigation of iBuyers transactions yielded some eye-openers.

"iBuyers' offers net their customers, on average, 11% less than owners who choose to sell their homes on the open market, when fees and other costs are considered, translating to tens of thousands of dollars lost," according to MarketWatch.com's Andrea Riquier.

Then, there are additional costs. Once under contract with Opendoor, for instance, they send in not one, but a team of home inspectors, according to Carolyn Schwaar with Realtor Magazine.

"A team of five Opendoor contractors—one for electrical, one for plumbing, one for foundations, and so on—went through the house with a magnifying glass," she claims.

"Then, they asked for fixes such as new bathtubs, toilets (when there wasn't a thing wrong with the home's current toilets) and more, to the tune of \$16,000 on a \$300,000 home," said Schwaar.

If you have an urgent need to sell and don't want to make any repairs, then consult with several iBuyers to find out what they can do for you.

Yes, this may sound self-serving, but we are convinced that a professional listing agent will net you far more money, with less hassle, than iBuyers can.

FIND OUT HOW MUCH YOUR HOUSE IS WORTH IN TODAY'S MARKET.

If you're going to sell your house in the next 6-12 months, what you do right now to prepare for the sale could make a difference of thousands of dollars.

The first thing you'll need to know is how much your house is worth compared to other homes in today's market. It's easy to find out.

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so you have a good idea of what homes like yours are selling for in your neighborhood.

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