



2019 Seller Strategy Report

Executive
Summary

Time to
Sell

Sales Price
Execution

Neighborhood
Stabilization

Opportunity
Zone Impact



AUCTION.COM

New Seller Strategy Report Provides Data-Driven Disposition Insights

- **Foreclosure Auction Sale Prices Execute Highest to Reserve**
- **More Than Half of Foreclosure Sales to Third-Party Buyers Are Owner-Occupied After One Year**
- **"Day 1" REO Auction Sales Close 95 Days Faster than MLS REO Sales on Average**

Irvine, Calif. — Aug. 28, 2019 — Auction.com, the nation's largest distressed real estate marketplace, today released its Q2 2019 Seller Strategy report, which provides data-driven insights for key disposition metrics – including time to sell, sales execution and neighborhood stabilization.

The analysis looked at various disposition strategies employed over the last year for more than 23,000 properties that went to foreclosure auction in Q2 2018 via the Auction.com platform, which accounts for close to 50 percent of all properties sold at foreclosure auction nationwide.

"By synthesizing the rich transactional data from our market-leading platform with public record and MLS data, we're able to provide a holistic view of the disposition metrics that matter to distressed

property sellers," said Jason Allnutt, CEO at Auction.com. "At the top of that list are execution of the sale price relative to credit bid, time to sell a property, and impact on the surrounding neighborhood."

Primary disposition strategies analyzed were third-party sales at foreclosure auction, along with two types of disposition strategies for properties that reverted back to the foreclosing lender at the foreclosure auction (REO): online auction via a "Day 1 REO program"; and traditional REO sales via the Multiple Listing Service (MLS).

The analysis also evaluated potential gross rental yields for properties still unsold and in REO inventory a year after the foreclosure sale, along with a look at potential rental returns and foreclosure sales execution for properties located in Opportunity Zones compared to the same metrics for properties located outside Opportunity Zones.

High-level Findings:

- Properties sold via "Day 1" REO online auction sold on average 95 days faster than REOs sold via the MLS.
- Properties sold to third-parties at foreclosure auction executed higher relative to credit bid at the foreclosure sale than did properties sold as REO – both MLS and Day 1 REO sales.
- 56 percent of properties sold to third-parties at foreclosure auction were owner-occupied one year after the foreclosure auction date, compared to 43 percent of properties that reverted to the lender (REO) at foreclosure auction.
- Properties in Opportunity Zones that sold to third-party buyers at foreclosure auction executed 5 percentage points higher relative to reserve than properties located outside of Opportunity Zones.

“Day 1” Online REO Auction Shaves 95 Days Off Traditional REO Sale Process

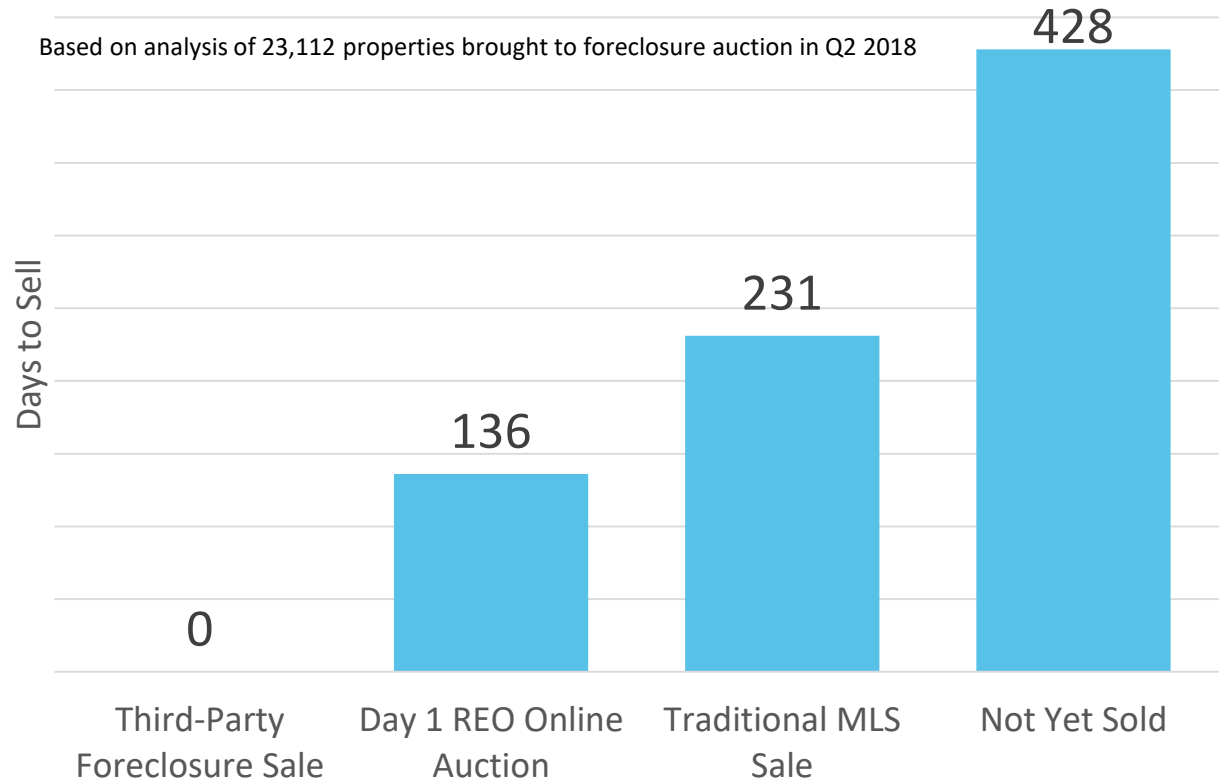
Average 136 days to sell via Day 1 online auction

Average 231 days to sell via MLS

REO properties that sold via a “Day 1” online auction sold in 136 days on average, 95 days – or 41 percent – faster than properties that were listed and sold on the Multiple Listing Service (MLS), according to an Auction.com analysis of more than 23,000 properties brought to foreclosure auction in Q2 2018 via the Auction.com platform.

The analysis, run in July 2019, matched proprietary data from Auction.com with public record and MLS data to determine which properties that reverted to lender at the foreclosure auction have subsequently resold.

Days in REO Inventory by Disposition Type



Average days to sell were calculated by subtracting the foreclosure auction date from the closing date of the subsequent sale.

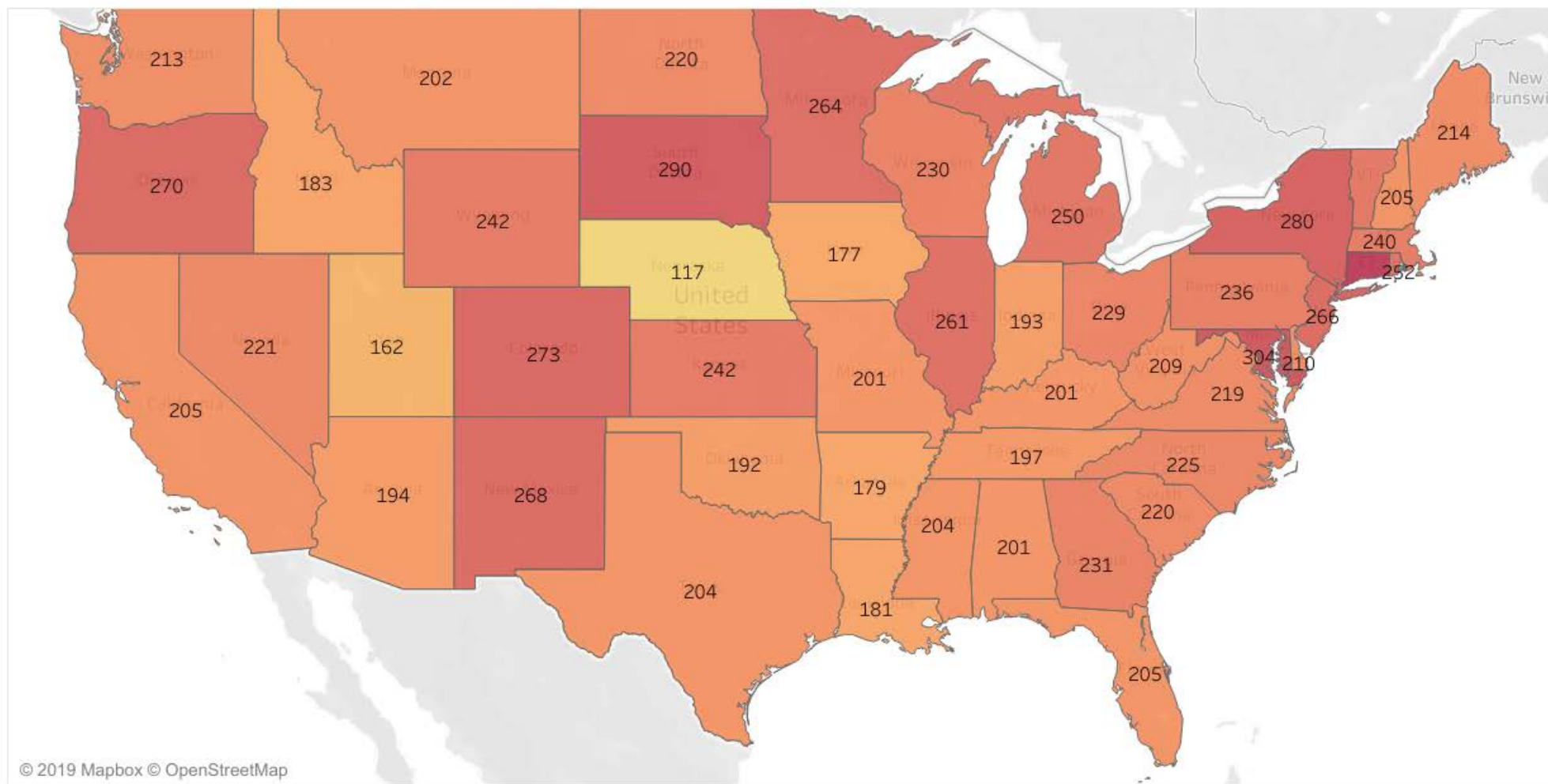
REO properties sold via the Day 1 online auction are those in which the servicer made the property available for online auction as soon as possible after it reverted at the foreclosure sale.

26 percent of new REO unsold a year later

The analysis found that 74 percent of the properties that entered REO inventory in Q2 2018 have resold within a year. The 26 percent that had not yet sold had been in REO inventory an average of 428 days at the time of the analysis.

Average Days to Sell REO Properties on the MLS

Average Days from Foreclosure Auction to REO Close Date



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Foreclosure Sales Post Highest Price-to-Credit Bid Execution

Price-to-credit bid execution on foreclosure sales 16 percentage points above MLS REO sales

Difference in execution even more pronounced with holding, repair and sales costs factored in

Properties that sold to third-party buyers at the foreclosure sale posted the highest execution relative to the seller's credit bid -- sometimes referred to as reserve -- at the foreclosure sale, according to the Auction.com analysis.

Properties that sold at the foreclosure sale had a winning bid that was 115.4 percent of the seller's credit bid.

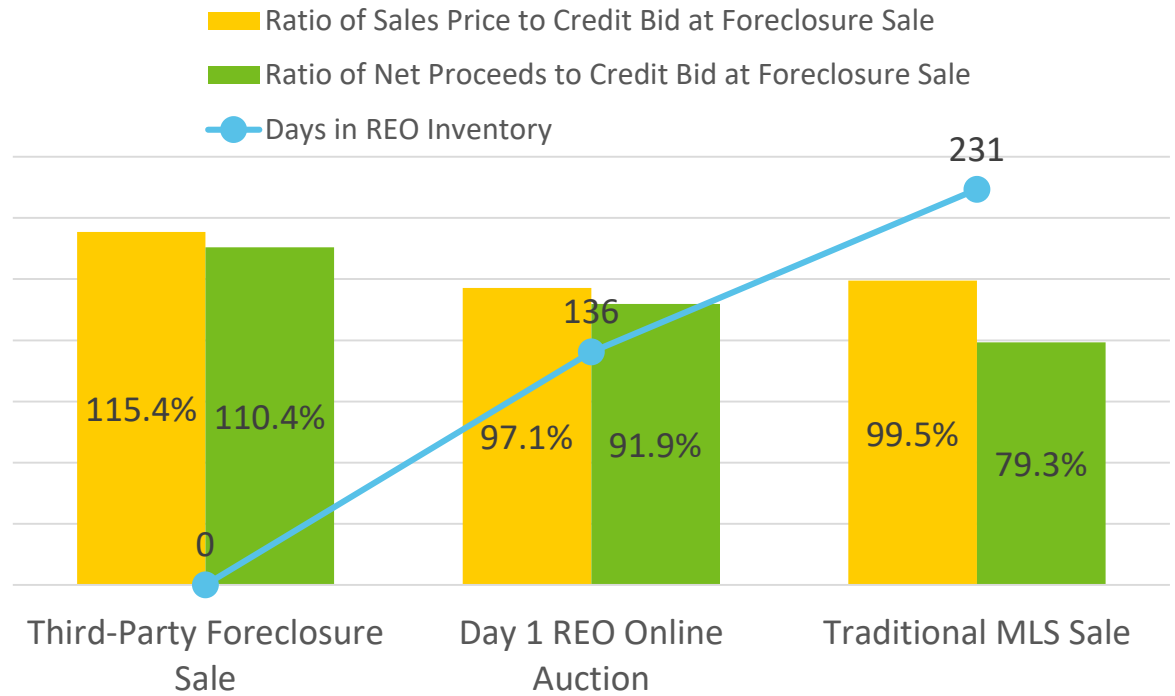
Among the properties that reverted to the lender (REO) at the foreclosure sale, those that subsequently resold via a Day 1 online REO auction were purchased for 97.0 percent of the credit bid that had been set at the foreclosure

sale while those that sold after being listed on the MLS were purchased for 99.5 percent of the foreclosure sale credit bid.

With holding, repair and sales costs factored in, net proceeds from MLS REO sales executed at 79.3 percent of the foreclosure sale credit bid versus 110.4 percent at foreclosure sale and 91.9 percent at Day 1 REO.

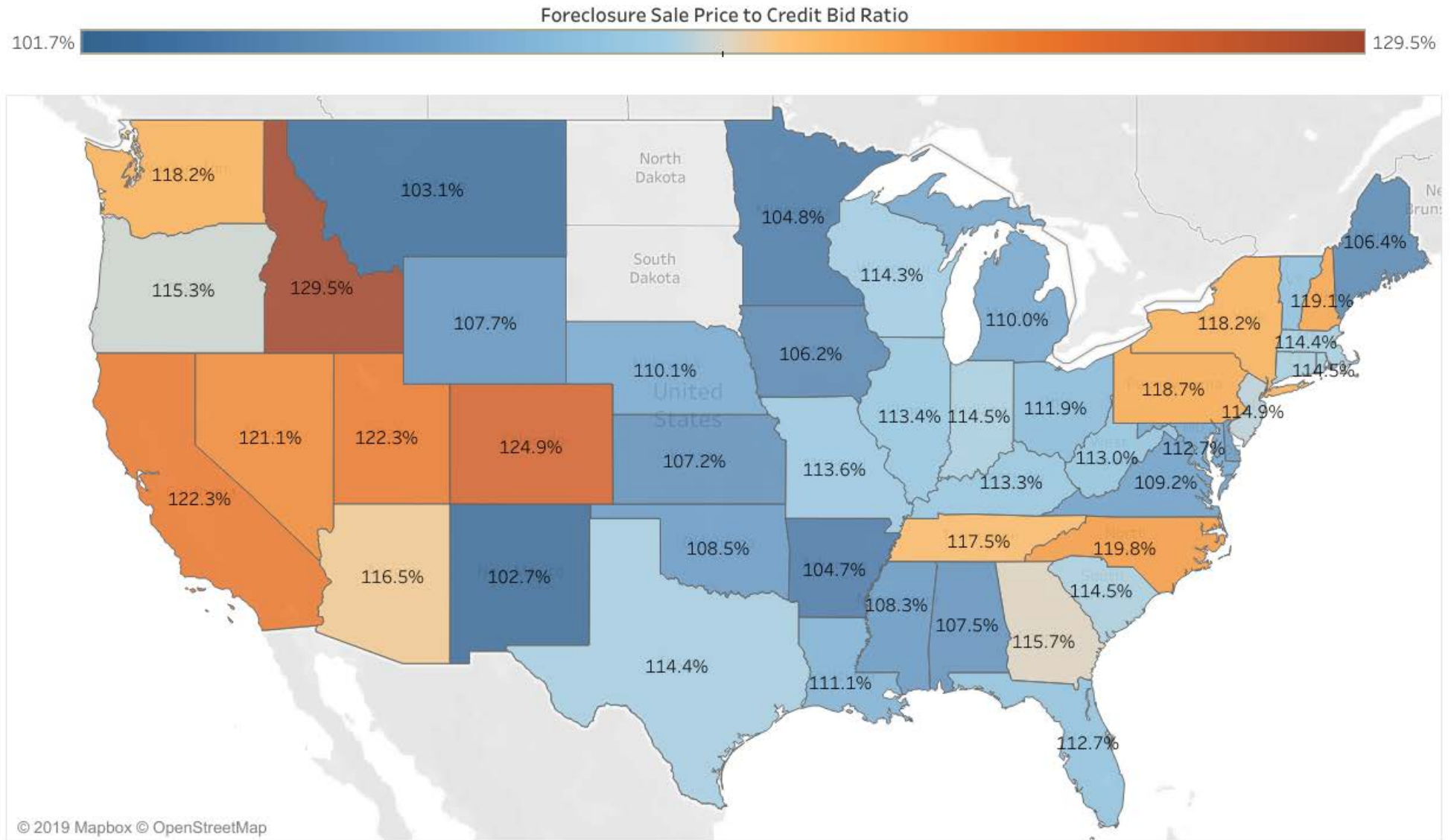
"The high price-to-credit bid ratio at foreclosure sale demonstrates the strong buyer demand at those auctions," said Min Alexander, Chief Operating Officer at Auction.com. "Day 1 REO is an attractive disposition option that sells a property quickly and with net proceeds that outperform MLS sales -- without the extra risk that comes with holding a property for another 95 days."

Disposition Execution to Seller Credit Bid



Net proceeds subtracts 10% annual holding costs, 10% annual repair costs (MLS only) and sales & closing costs: 7.5% for MLS, 5% for foreclosure sale and 1.5% for REO Day 1.

Foreclosure Sales Execution to Reserve

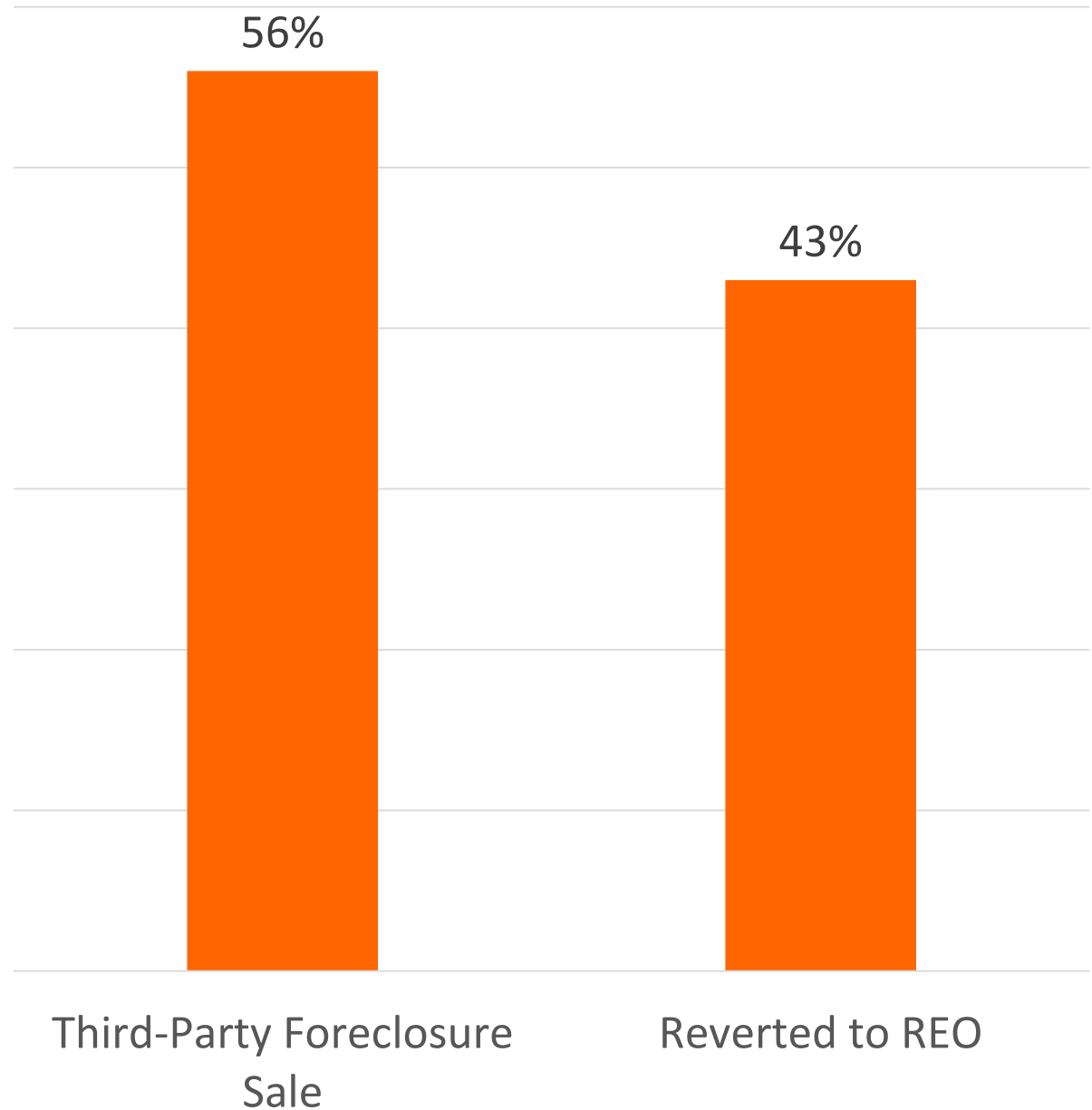


Foreclosure Sales Result in Highest Share of Owner-Occupied Homes One Year Later

More Than Half of Homes Sold to Third-Party Buyers Now Owner-Occupied

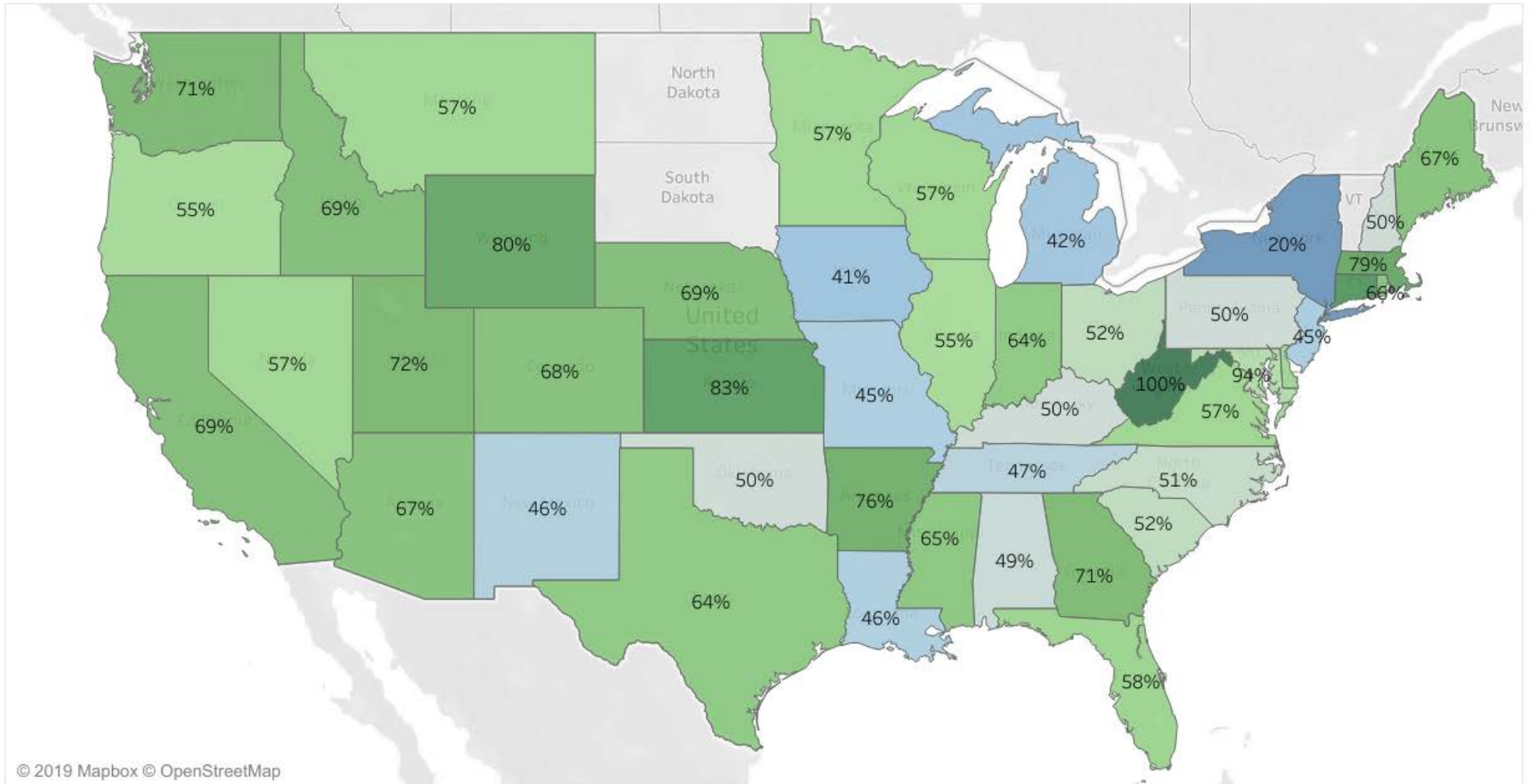
Properties purchased by third-party buyers at foreclosure sale were much more likely to be owner-occupied one year after the foreclosure auction date than those that resold after reverting to the lender at the foreclosure sale, according to the Auction.com analysis: 56 percent of resold foreclosure sales were owner-occupied one year later versus 43 percent of those that reverted to the lender (REO) at the foreclosure sale.

Owner-Occupied Share One Year After Foreclosure Auction Date



Foreclosure Auction Owner Occupancy Rates

Percent of Foreclosure Sales Owner-Occupied One Year Later



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Foreclosure Sale Execution 5 Points Higher for Properties in Opportunity Zones

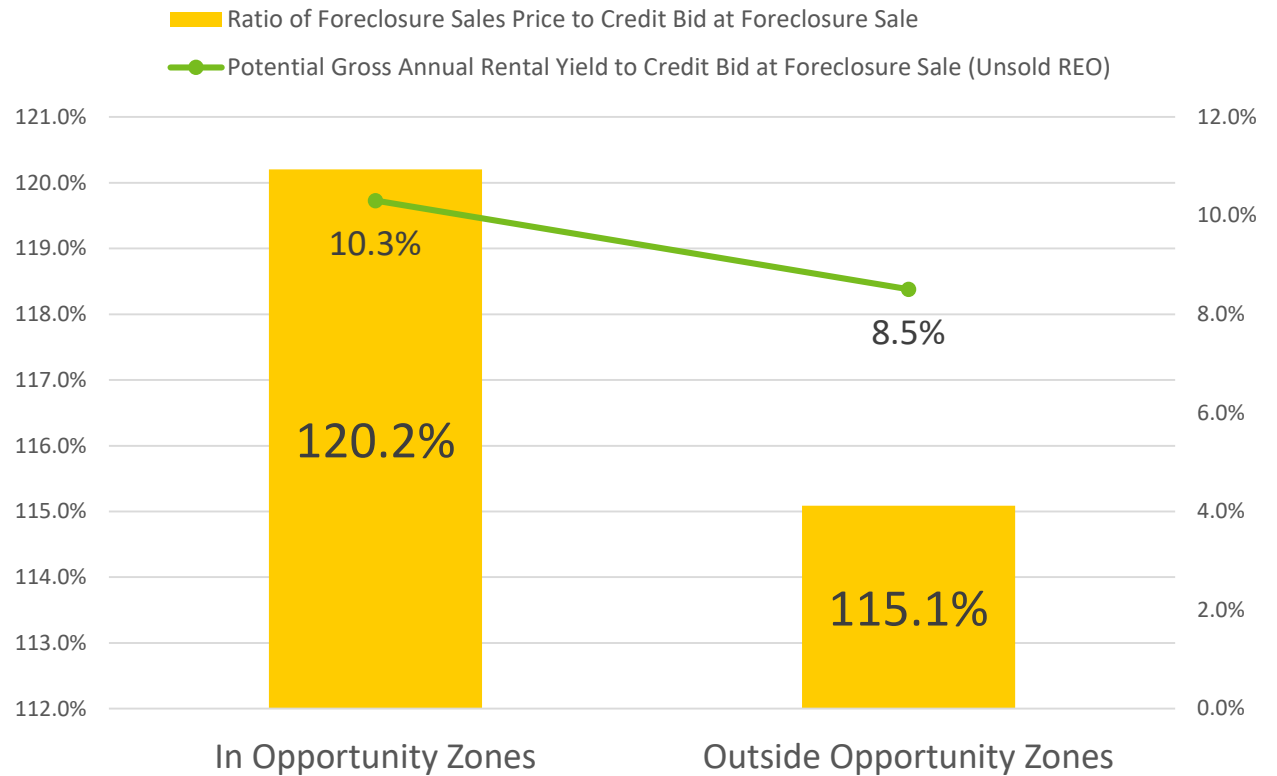
9 percent of foreclosure sales were in tax-incented Opportunity Zones

Of the 9,291 properties sold at foreclosure auction in Q2 2018, 844 (9.0 percent) were located in Opportunity Zones -- Census Tracts designated by the 2017 Tax Reform law where new tax breaks are available to investors.

Properties located in Opportunity Zones sold for 120.2 percent of the credit bid set by the seller at the foreclosure sale, while properties outside of Opportunity Zones sold for 115.1 percent of the credit bid.

A similar trend showed up for potential rental returns among properties not sold at foreclosure sale that remain in REO inventory a year later.

Disposition Execution and Rental Returns in Opportunity Zones



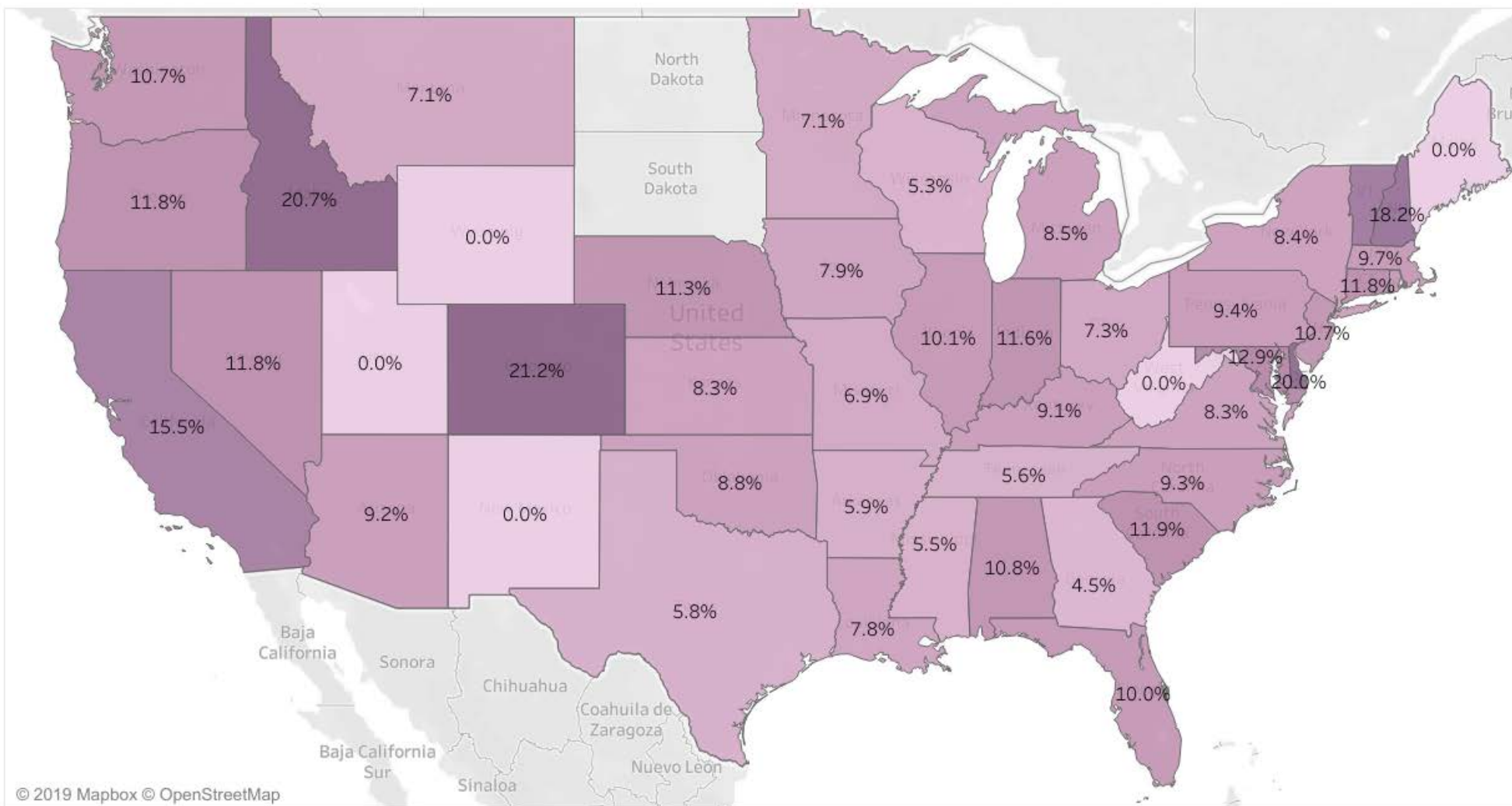
Among 3,090 properties that reverted to the lender at foreclosure sale in Q2 2018 and remain unsold a year later, 295 (9.5 percent) were located in Opportunity Zones.

Potential gross rental yields (as a percentage of the credit bid at foreclosure sale) were 10.3 percent for properties in Opportunity Zones compared to 8.5 percent for properties outside Opportunity Zones.

"Properties in Opportunity Zones sold at an average price point that was 24 percent below the average price point of properties outside of Opportunity Zones, but the higher execution relative to credit bid in Opportunity Zones is good news for sellers with inventory in Opportunity Zones," said Ali Haralson, Chief Business Development Officer at Auction.com.

Share of Foreclosure Auction Sales in Opportunity Zones

Percentage of Auction.com Foreclosure Sales of Properties Located in Opportunity Zones



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Market Research & Analysis



Survey results were analyzed and summarized for this report by the Auction.com Market Research & Analysis team. Led by VP of Market Economics Daren Blomquist, this team leverages proprietary Auction.com data along with public record data to provide [data-driven insights](#) on distressed housing trends to the marketplace.

About Auction.com

Auction.com is the nation's largest online real estate transaction marketplace focused exclusively on the sale of bank-owned and foreclosure properties. The company brings a breadth of quality assets to the market, attracting prospective buyers through world-class marketing and leveraging a scalable technology platform to conduct transactions in a transparent, efficient manner.

Auction.com is a Thomas H. Lee Partners company and is headquartered in Irvine, California, with offices in Silicon Valley, California, and Plano, Texas. Investors include CapitalG (formerly Google Capital) and Stone Point Capital.

Report Methodology

The Auction.com Seller Strategy report combines proprietary data from properties brought to foreclosure auction via the Auction.com platform with public record real estate data and Multiple Listing Service (MLS) data. In 2018, properties sold to third-party buyers at foreclosure auction through the Auction.com platform accounted for 47.2 percent of all third-party foreclosure auction sales nationwide.

Foreclosure Sale: a property sells to a third-party buyer at the public foreclosure auction of a property. The foreclosure auction is legally required as part of the foreclosure process. Often these auctions are on the county courthouse steps or in some other public location.

Day 1 REO Sale: after reverting to the foreclosing lender at the foreclosure auction (REO), a property sells to a third-party buyer via an online auction. Day 1 means the property is made available for auction as soon as possible after reverting.

MLS REO Sale: after reverting to the foreclosing lender at the foreclosure auction (REO), a property sells to a third-party buyer via the Multiple Listing Service (MLS).

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