

2019

BUYER INSIGHTS SURVEY REPORT

Auction.com Market Research & Analysis

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AUCTION.COM



More Than Half of Foreclosure Auction Buyers Are Mom-and-Pop Real Estate Investors

- **73 percent of auction buyers purchasing in the South, most of any region**
- **Nearly 1 in 4 see their local market as overvalued**
- **Rehab-and-flip identified as top investing strategy**

Irvine, Calif. — Oct. 16, 2019 — Auction.com, the nation's largest distressed real estate marketplace, today released its 2019 Buyer Insights Survey Report, which provides insights from buyers who have purchased multiple properties on the Auction.com platform.

The survey found that 51 percent of foreclosure auction buyers plan to purchase fewer than five properties in 2019 while 22 percent of buyers plan to purchase more than 10 properties for the year. Only 2 percent of buyers said they plan to purchase more than 100 properties in 2019.

"Foreclosure auctions are no longer dominated by larger investors able to navigate what was an opaque process of purchasing a property at the courthouse steps or from a hard-to-find REO asset manager," said Jason Allnutt, CEO at Auction.com, which accounted for close to 50 percent of all foreclosure auction sales in 2018.

"The majority of foreclosure and REO auction buyers are now smaller, mom-and-pop investors who are taking advantage of a much more accessible buying experience."

Other high-level findings:

- 51 percent of buyers surveyed plan to purchase fewer than five properties in 2019.
- 73 percent are purchasing properties in the South region of the country, the highest share of any region.
- 24 percent said their local housing market is overvalued with a correction possible.
- 33 percent expect to see home price appreciation between 3 and 5 percent over the next 12 months.
- Novice investors were identified as the biggest competitive threat to the real estate investing strategy of buyers surveyed.
- Rehab-and-flip was the most popular investing strategy .
- 49 percent of those surveyed budget at least 20 percent of the property purchase price for rehab costs.

The Auction.com 2019 Buyer Insights Survey Report is based on a survey sent to more than 4,700 buyers who had purchased at least three properties on the Auction.com platform. The survey was conducted between June 6 and June 20, 2019, with 197 buyers responding. See full methodology on Page 10.

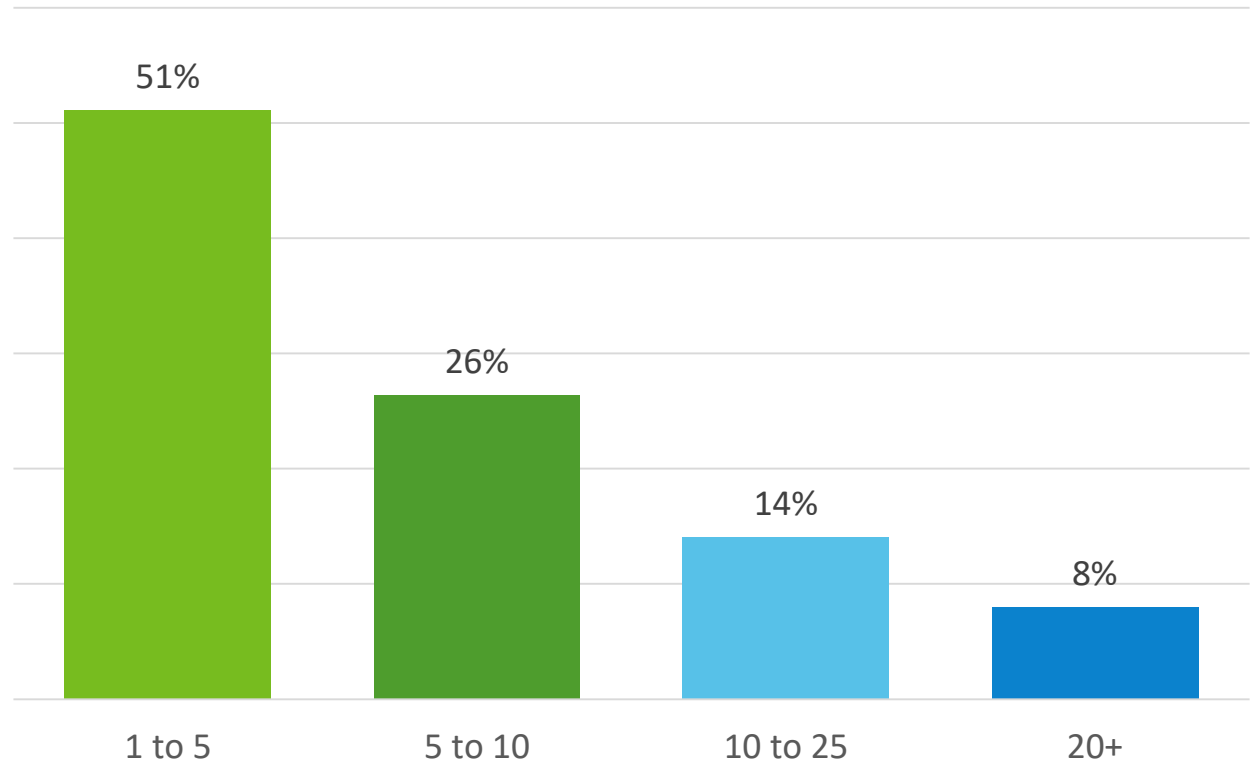
51 Percent of Buyers Plan to Purchase 1 to 5 Properties in 2019

20 percent plan to buy 10 to 100 properties in 2019

2 percent plan to buy more than 100 properties in 2019

“My husband and myself about seven years ago decided we were going to start flipping houses. We try to do about two to three a year. We’re on our 16th house now.”
— Tracy B., Raleigh, NC

How many properties do you plan to buy this year?



Although the survey was sent to buyers who had purchased multiple properties through the Auction.com platform, more than half of respondents (51 percent) said they plan to purchase fewer than five properties in 2019, and an additional 26 percent said they plan to purchase between five and 10 properties.

22 percent purchasing 10+ properties

Twenty percent of respondents would be considered mid-sized investors, planning to purchase between 10 and 100 properties in 2019. Only 2 percent of respondents would be considered large investors, planning to purchase more than 100 properties for the year.

Investors Going South

73 percent are buying investment properties in the South

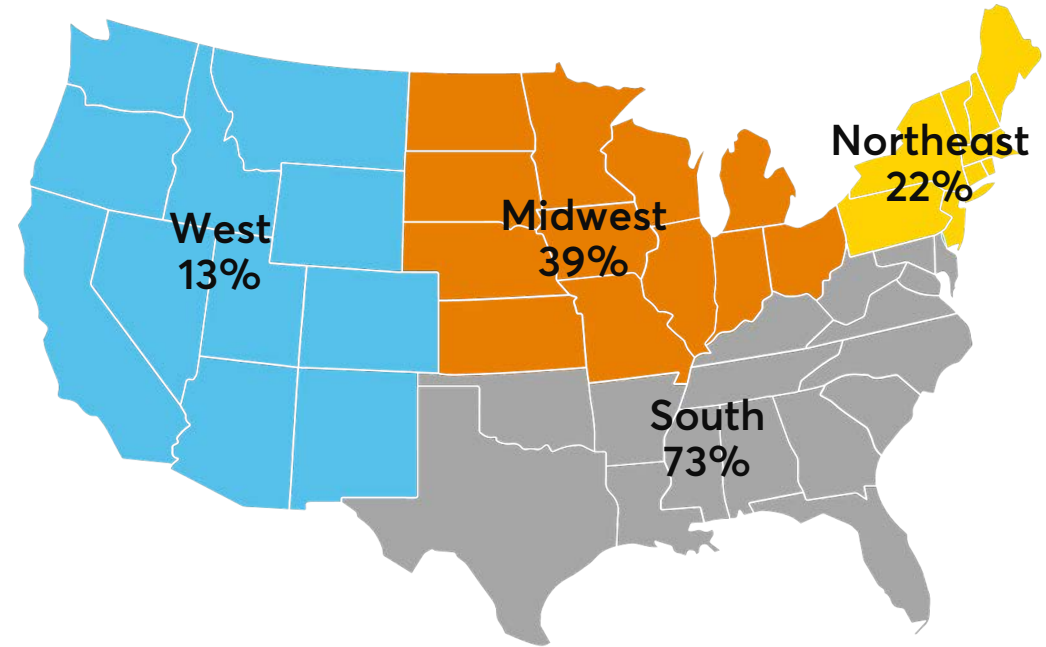
The South region of the country was the most popular region for buying investment properties, according to the survey. Nearly three out of four respondents (73 percent) said they are buying properties in the South compared to 39 percent in the Midwest, 22 percent in the Northeast and 13 percent in the West.

Four percent of buyers purchasing properties in the South were large investors planning to purchase more than 100 properties in 2019 – twice the national average.

Forty-three percent of buyers purchasing in the South considered their market fundamentally sound, which is above the U.S. average of 37 percent.

“...if you had more vacant REOs in Memphis, Tennessee, we'd take as many as you can bring us.” – Chris U., Memphis, TN

In what regions of the country do you buy property (mark all that apply)?



Southern Markets with Increasing Foreclosure Starts

Counter to the national trend, foreclosure starts increased in the first half of 2019 compared to a year ago in 93 of 220 metropolitan statistical areas (42 percent) analyzed by Auction.com using data from ATTOM Data Solutions.

Many of the largest metro areas posting a year-over-year increase were in the South, including Houston (up 1 percent); Washington, D.C. (up 8 percent); Miami (up 32 percent); Atlanta (up 16 percent); and Orlando (up 71 percent).

Nearly 1 in 4 Buyers See Their Local Housing Market as Overvalued

37 percent still see their local housing market as “fundamentally sound”

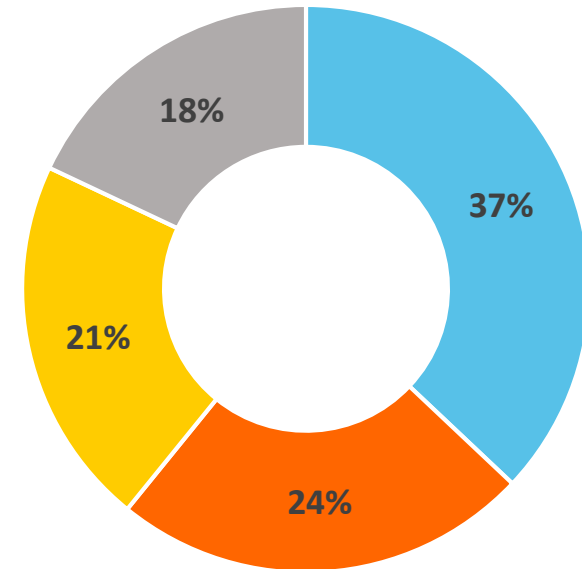
Thirty-seven percent of survey respondents said they consider the primary market where they invest as “fundamentally sound with solid growth” – the highest share of any response provided.

But the second-highest local market conditions response provided by survey respondents was “overvalued with correction possible,” which was selected by 24 percent.

“The rehab and holding costs now exceed the difference between the sale price and the market value. In essence, I would have to commit to losing money or the strong risk of loss given the current pricing ... for Midwestern market properties.”

— Steve L., Marquette, MI

What best describes your view of the housing market where you primarily purchase?



- Fundamentally sound with solid growth
- Overvalued with correction possible
- Soft fundamentals with select opportunities
- Undervalued with strong upside

An additional 21 percent of respondents selected “soft fundamentals with select opportunities.”

Regionally, the highest share of “overvalued” responses came from buyers who are purchasing properties in the Northeast: 29 percent of those buyers said the market where they primarily purchase is “overvalued with correction possible.”

Two-Thirds Expect Below 5 Percent Price Appreciation in Next Year

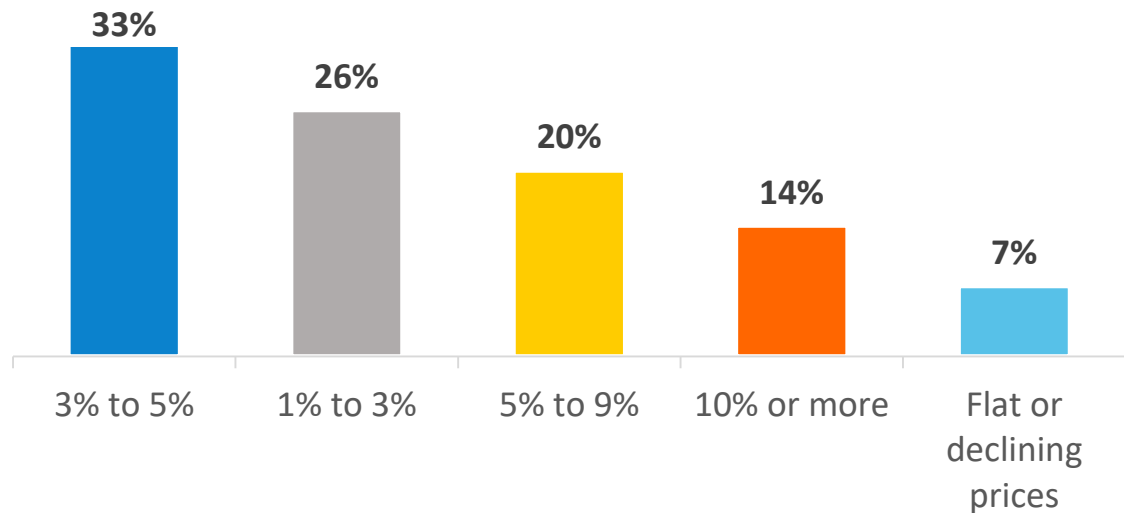
7 percent expect flat or declining prices

14 percent expect double-digit appreciation



“Auction.com buyers are on the frontlines of the real estate market, transacting at a much faster velocity than retail buyers. That means they are often the first to recognize emerging shifts in the marketplace.” — Min Alexander, Chief Operating Officer, Auction.com

How much average home price appreciation do you expect over the next 12 months in the housing market where you primarily purchase?



While nearly one in four survey respondents say a home price correction is possible in their local housing market, only 7 percent said they expect that correction to happen in the next 12 months in the form of flat or declining home prices.

On the opposite end of the spectrum, 14 percent of respondents expect to see double-digit growth in home prices over the next 12 months.

The vast majority of respondents expect low single-digit home price growth of 5 percent or less, with 33 percent expecting appreciation of 3 percent to 5 percent and

another 26 percent expecting home price growth of 1 percent to 3 percent over the next 12 months.

Midwest Buyers Least Bullish

Regionally, the highest share of respondents expecting flat or declining home prices over the next 12 months came from those buying in the Midwest at 11 percent.

Buyers in the West Most Bullish

Eighteen percent of respondents buying in the West expect to see double-digit home price growth over the next 12 months, the highest share of any region.

Novice Investors Identified as Top Competitive Threat

Beating out institutional investors, iBuyers and owner-occupant buyers

One-third of survey respondents identified novice real estate investors as the biggest competitive threat to their own real estate investing business, the most popular response among the four options available on the survey.

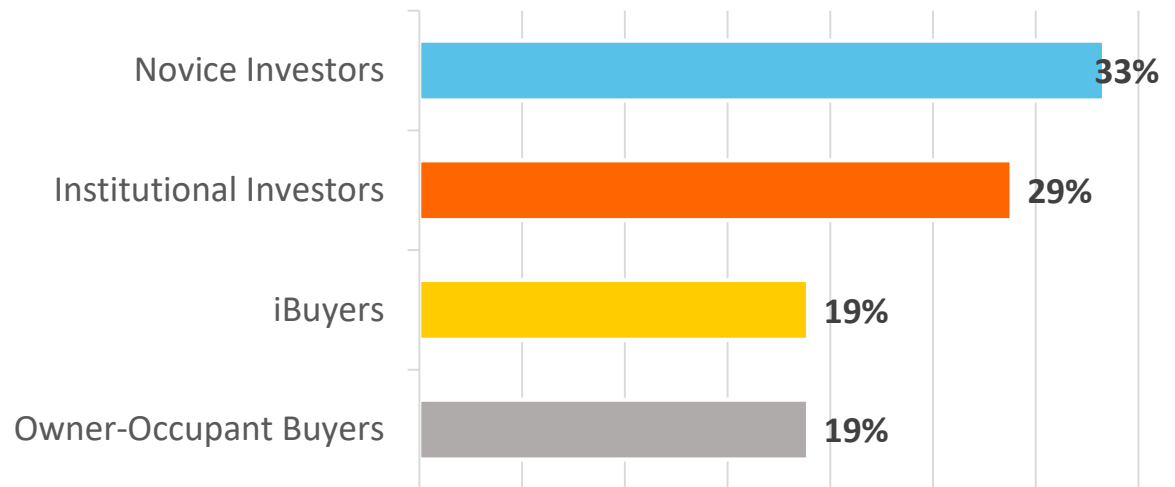
The second most-popular response was institutional investors, which were identified as the biggest competitive threat by 29 percent of respondents. Owner-occupant buyers and iBuyers were both ranked as the biggest competitive threat by 19 percent of respondents.

This trend largely held true even for buyers who said they plan to purchase fewer than

five properties in 2019, with 32 percent of that cohort identifying novice investors as the biggest competitive threat, tied with institutional investors.

A higher share of mid-sized to larger-volume buyers identified novice investors as their top competition. Among buyers who plan to purchase 10 or more properties in 2019, 41 percent identified novice investors as the biggest competitive threat. A higher percentage of these larger-volume buyers also viewed iBuyers as the biggest competitive threat, with 23 percent selecting that option.

What is the biggest competitive threat to your investing?



“Auction.com buyers are hyper-aware of nascent housing market trends that impact their businesses. This includes both challenges and opportunities that may also impact others in the real estate industry.” — Ali Haralson, Chief Business Development Officer, Auction.com

64 Percent of Buyers Rank Rehab-and-Flip as Top Investing Strategy

40 percent rehab and flip to owner-occupants

24 percent rehab-and-flip to other investors

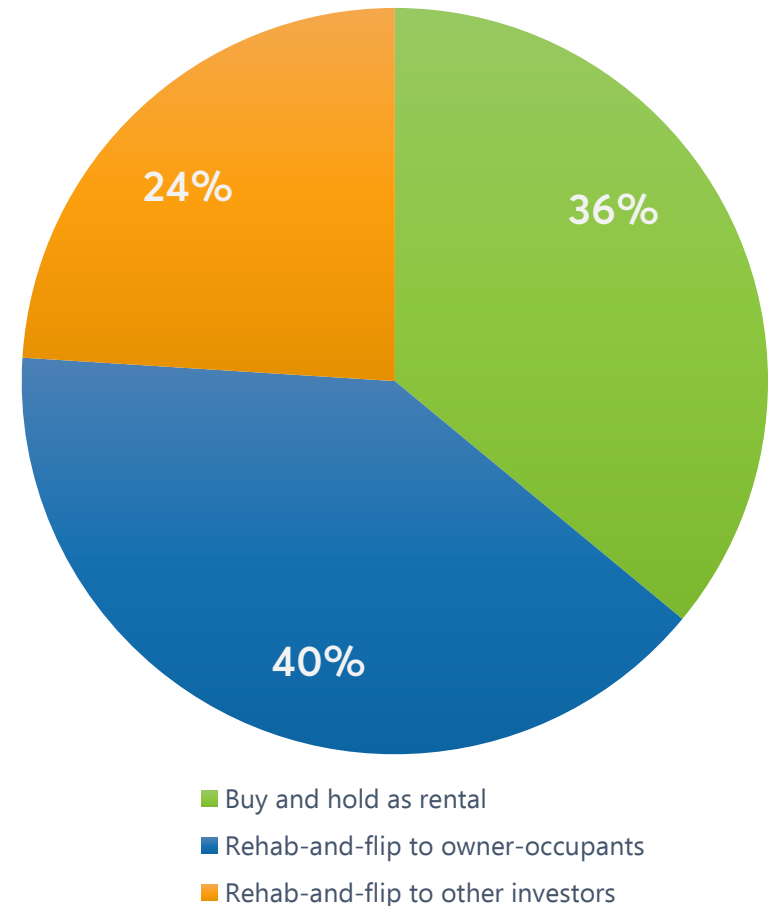
Nearly two-thirds of survey respondents identified some variation of the rehab-and-resell investing strategy – also known as fix-and-flip – as their top investing strategy.

Forty percent of respondents said rehabbing and reselling to owner-occupants was their most preferred investing strategy, and another 24 percent said rehabbing and reselling properties to other investors was their top investing strategy.

Holding properties as rentals was selected as the top investing strategy for 36 percent of respondents. Holding for rental was the top investing strategy among buyers who said they plan to purchase fewer than five properties in 2019, with 44 percent of them selecting that option followed by 33 percent selecting rehab-and-flip to owner-occupants.

The reverse was true for mid-size to larger investors planning to purchase more than 10 properties in 2019: 41 percent of them selected rehab-and-flip to owner-occupants as their top strategy.

What is your most preferred investing strategy?



“Last year we actually bought two properties on Auction.com. One we were able to fix and flip it, and one due to the market we held on to it as a rental.”
— Ty S., Palm Beach, FL

84 Percent of Buyers Budget at Least 10 Percent of Purchase Price on Rehab

49 percent budget more than 20 percent for rehab

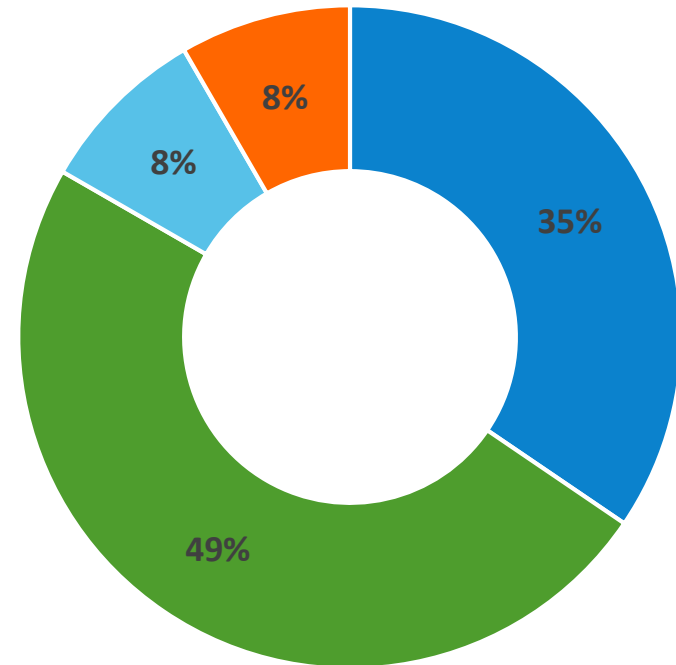
A significant majority of survey respondents (84 percent) said they budget at least 10 percent of the purchase price on average for property rehab costs.

Nearly half of respondents (49 percent) said they budget at least 20 percent of the property purchase price for rehab costs, with 20 percent saying they budget 30 percent or more toward rehab costs.

Many of the 8 percent who responded "other" to this question said rehab costs vary, but some additional responses included estimates ranging from \$42 to \$75 per square foot for property rehab.

"We paint everything. If they need new floors, we put in new floors. We tear out the kitchen, put in a brand new kitchen and put in a new bathroom. Those are the things that are important to long-term tenants." — Scott S., Dayton, OH

On average how much do you budget for rehab costs (excluding holding costs)?



- 10%-20% of purchase price
- More than 20% of purchase price
- Less than 10% of purchase price
- Other

Northeast Buyers Budget Most for Property Rehab

Sixty-three percent of respondents buying in the Northeast budget at least 20 percent for rehab, followed by the Midwest at 59 percent, South at 39 percent and West at 13 percent.

Forty-nine percent of respondents budget less than 10 percent of the property's purchase price toward holding costs, although nearly one-third (31 percent) said they budget 10 percent to 20 percent.

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

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Respondents quoted in the report provided the responses in the survey itself or via a follow-up phone call after the survey was completed. All quoted respondents gave permission to use their comments in published materials.

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