

Q2

2020 Foreclosure Buyer Insights

COVID-19 Impact on Real Estate Investing

- Executive Summary
- Acquisition Strategies
- Market Outlook
- Buyer Profile



AUCTION.COM
MARKET RESEARCH & ANALYSIS

Foreclosure Buyers Moving Online in Wake of COVID-19 Crisis

- **Online auctions now top acquisition strategy with rising interest in remote bidding technology for live auctions**
- **Most hold-as-rental buyers, small-volume buyers and online auction buyers plan increase or no change in property acquisitions in 2020**
- **14 percent of buyers expect flat or declining home prices in 2020, up from 7 percent in 2019**

Irvine, Calif. — May 5, 2020 — Auction.com, the nation's leading distressed real estate marketplace, today released its Q2 2020 Foreclosure Buyer Insights report, which includes a special look at buyer outlook, sentiment and acquisition strategies in light of the COVID-19 pandemic and ensuing market turmoil.

The report draws data from two surveys sent to buyers who have purchased properties on the Auction.com marketplace: one conducted in February prior to the pandemic and national emergency declarations; and one conducted in April after the pandemic and national emergency declarations.

Both surveys were sent to buyers who had purchased at least one property on the Auction.com platform.

Other high-level findings from the report:

- 76 percent of buyers bought five or fewer properties in 2019
- A growing majority of buyers ranked rehabbing and reselling to owner-occupants as their preferred investing strategy.
- One-third of buyers ranked hold-as-rental as their preferred investing strategy
- More than 80 percent of both rehab-and-resell and hold-as-rental buyers budget at least 10 percent of a property's purchase price for rehab costs.
- 46 percent of buyers acquire majority of investment properties from Auction.com



“Most foreclosure buyers are small-volume investors purchasing fewer than five properties a year, and more than 90 percent of them are either selling to owner-occupants or holding the properties as rentals. This broad base of buyers is proving resilient even in the midst of market turmoil, leveraging the power of online auctions even as other sources of inventory are on the decline.

-- Jason Allnutt, CEO, Auction.com

Investors Move to Online Auctions Following Pandemic

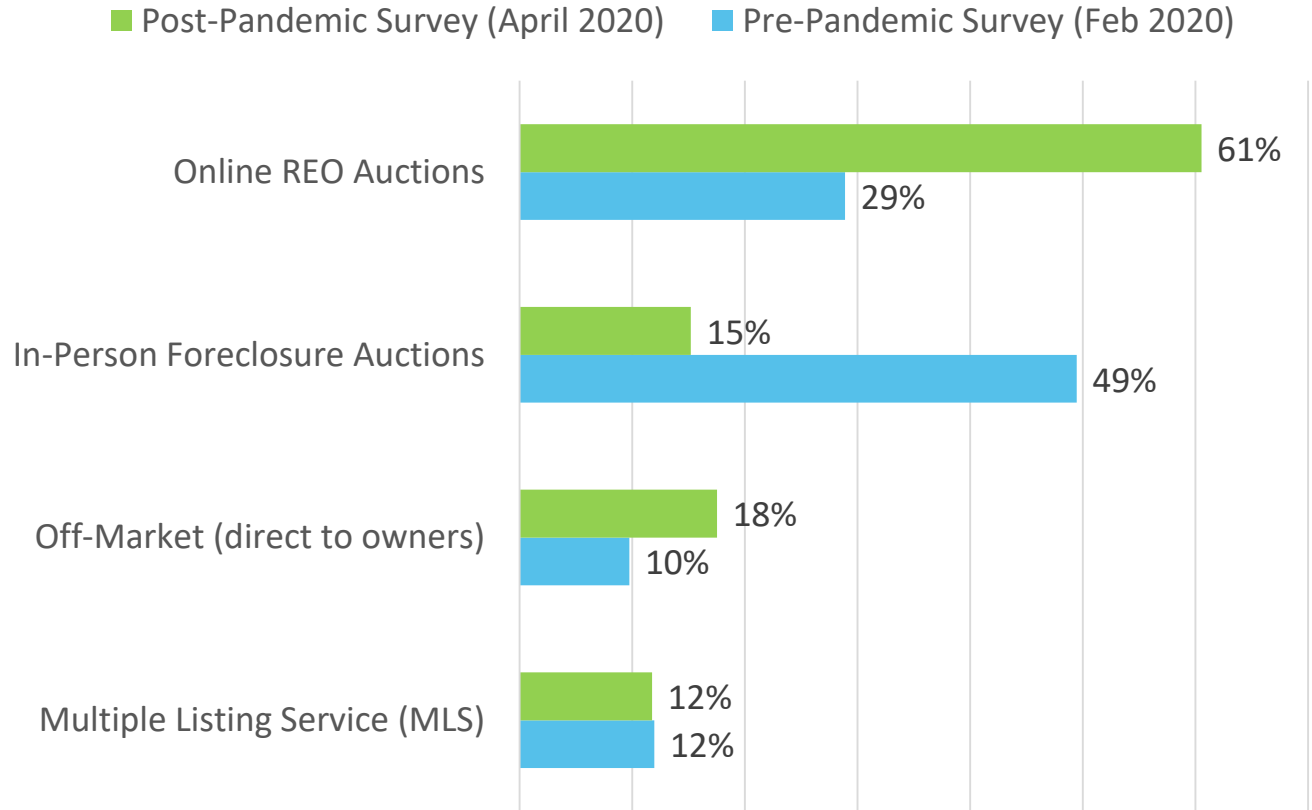
61 percent rank online REO auction as top acquisition method, up from 29 percent in pre-pandemic survey

Sixty-one percent of the post-pandemic survey respondents ranked online REO auction as their top property acquisition strategy, beating out off-market (18 percent), in-person foreclosure auction (15 percent), and MLS or broker network (12 percent).

Those responses represented a substantial shift from the pre-pandemic survey, in which 29 percent of respondents selected online REO auction as their top property acquisition strategy.

“REO auctions represent 95 percent of my business just because of the efficiency of always having inventory,” said Bijan Green, the Denver-based real estate investor.

What is your most preferred property acquisition method?



Most larger-volume investors with 20-plus properties purchases ranked online REO auctions as their top property acquisition strategy as did smaller-volume investors purchasing up to 10 properties. Forty-eight percent of mid-sized investors purchasing between 11 and 20 properties ranked online REO auctions as the top acquisition

method, still beating out the other acquisition methods.

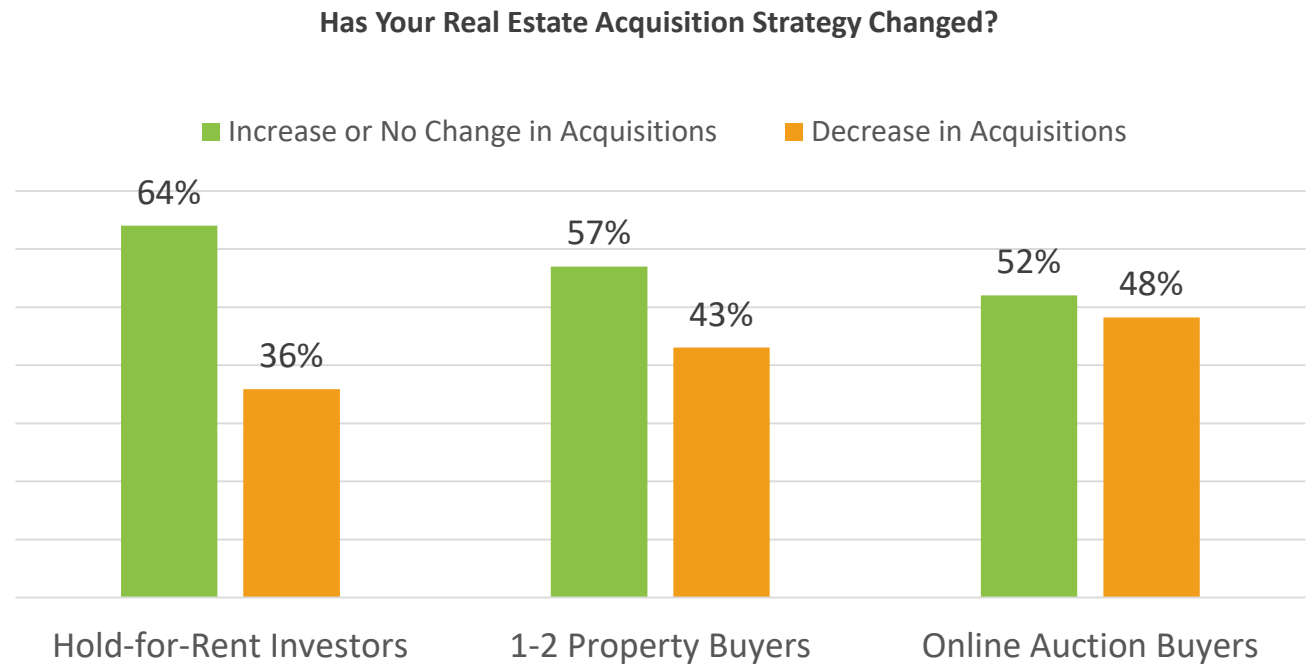
The preference for online REO auctions was consistent across different real estate investing strategies, with 60 percent of hold-as-rental investors and 63 percent of rehab-and-resell investors ranking it first among the four acquisition methods.

More Than Half of Online Buyers Plan Increase or No Change in Property Acquisitions

Acquisition outlook varies by investor type

In the post-crisis survey conducted in early April, more than half of hold-for-rent buyers, small-volume buyers and online auction buyers said they expect their property acquisitions to increase or stay the same despite the COVID-19 pandemic. Among all buyers surveyed, slightly more than half said they planned to decrease acquisitions, while just under half said they planned to increase acquisitions or keep acquisitions the same.

Just 5 percent of respondents in the February survey said they expected their



investment property acquisitions to decrease in 2020.

Survey respondent Bijan Green said he purchased 25 properties in 2019 and is gearing up to purchase more in 2020.

"I've been preparing for that," said Green, noting that he acquires 95 percent of his properties via online REO auction. "Some of the guys that have been in the game for 30 to 40 years have been sitting on the sidelines, waiting for this particular scenario in the market to buy again."

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Remote Bid Tech Increases Interest in Live Foreclosure Auctions

Two-thirds of buyers said remote bid would increase interest

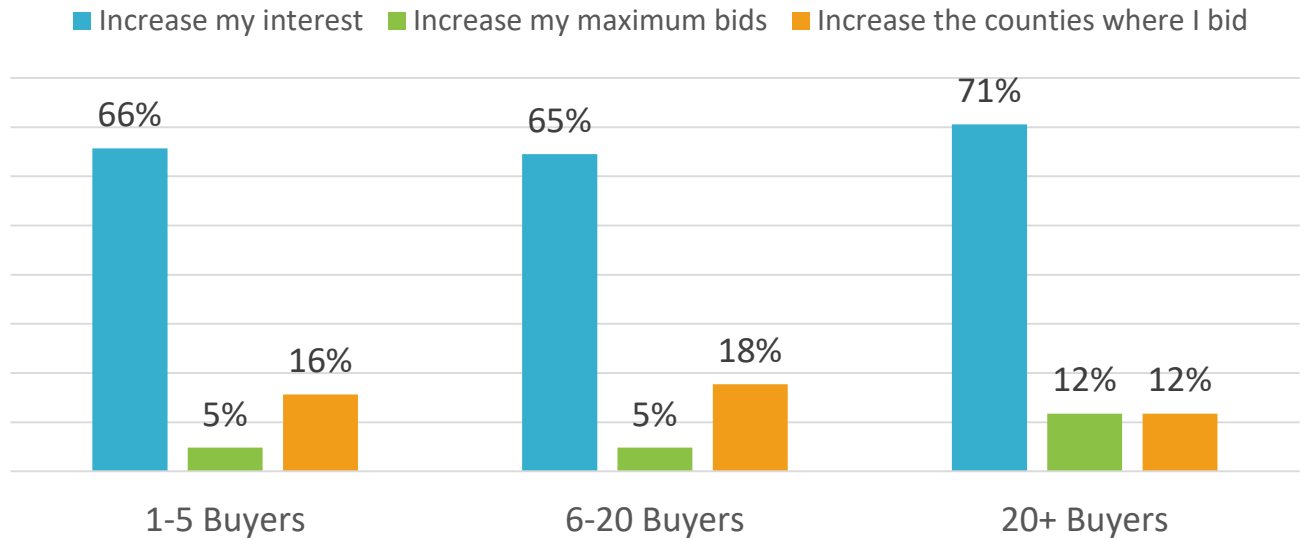
71 percent of 20+ property buyers have increased interest

Two-thirds of buyers surveyed said remote bid technology that allows them to bid remotely on properties at the live foreclosure auction would increase their interest in bidding at those auctions, which are traditionally conducted in large public spaces and require bidders to show up in-person.

A higher share (71 percent) of buyers purchasing more than 20 properties a year said remote bid technology would increase their interest in remote bid technology. Additionally, 12 percent of those large-volume buyers said remote bid technology would increase their maximum bids — more than double the share that said that among buyers purchasing fewer than 20 properties a year.

"Why can't your industry go to the states and say let's modernize this? Let's put these foreclosures up for sale online," said one Portland, Oregon-based survey respondent. "We present proof of

How would technology allowing you to bid remotely at in-person foreclosure auctions change your interest/ strategy for those auctions?



funds ahead of time as high as we're going to bid and then we bid online. I think that sellers ... would just be tickled to have remote bidding."

Remote Bid Launched

Feedback like this from many investors – as well as from sellers that want a competitive marketplace in which to sell – led Auction.com over the past year to develop a technology-empowered process that, for the first time, will allow foreclosure auction bidders to submit and win foreclosure auction bids remotely.

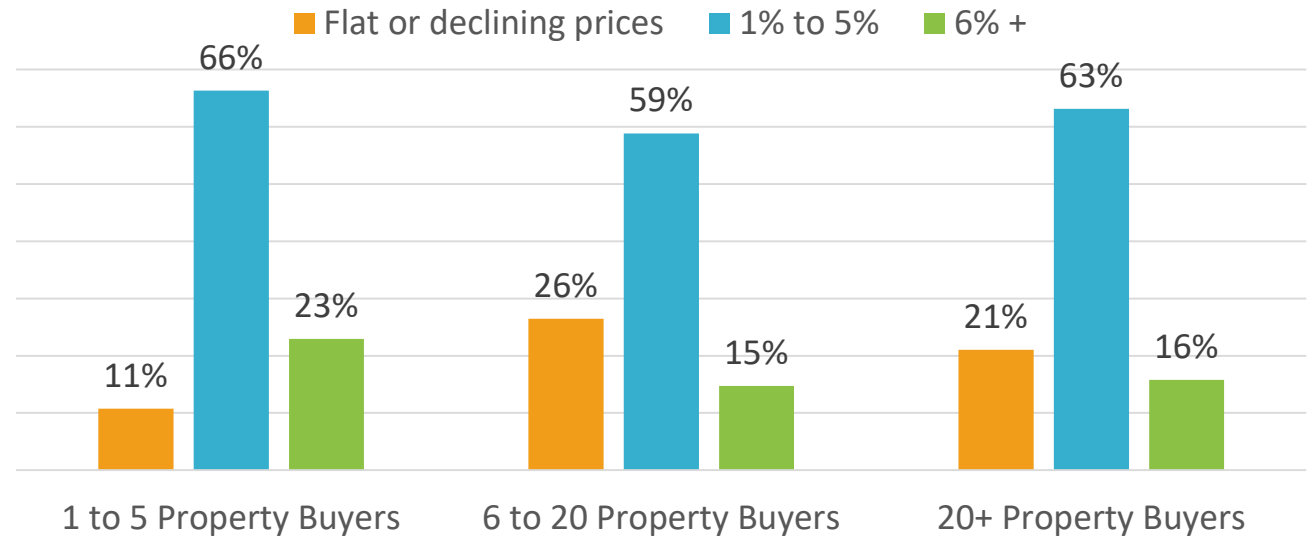
This foreclosure auction remote bid program was officially launched in four counties in early March and will soon be expanded to 370 counties nationwide.

More Investors Expecting Price Declines in 2020

14 percent expect flat or declining prices, up from 7 percent in June 2019

“It’s going to be tough the next few months. I’ve got about 10 properties right now for sale. ... I’ve taken lower prices than normal. ...I’ve had people pulling out of them because of the coronavirus.”

How much home price appreciation do you expect in your markets in 2020?



Fourteen percent of pre-crisis survey respondents said they expected home prices in the markets where they invest to be flat or decline in 2020, up from 7 percent who said they expected flat or declining home prices in an Auction.com survey conducted in June 2019.

Medium- and larger-volume buyers were more likely to be pessimistic regarding home price appreciation in 2020, with 26 percent of those who bought six-plus properties in 2019 saying they expect flat or declining home prices. In contrast, only 11 percent of those who bought five or

fewer properties in 2019 said they expect flat or declining home prices in 2020.

“It’s going to be tough the next few months,” said survey respondent Michael Hallman in a follow-up interview conducted in March. Hallman said he has been purchasing, rehabbing and reselling — mostly to owner-occupants — 12 to 20 properties a year since 2012 in the Chicago metro area. “I’ve got about 10 properties right now for sale. ... I’ve taken lower prices than normal. ...I’ve had people pulling out of them because of the coronavirus.”

Most Foreclosure Buyers Are Small Investors

76 percent purchased fewer than five properties in 2019

13 percent purchased 10 or more properties in 2019

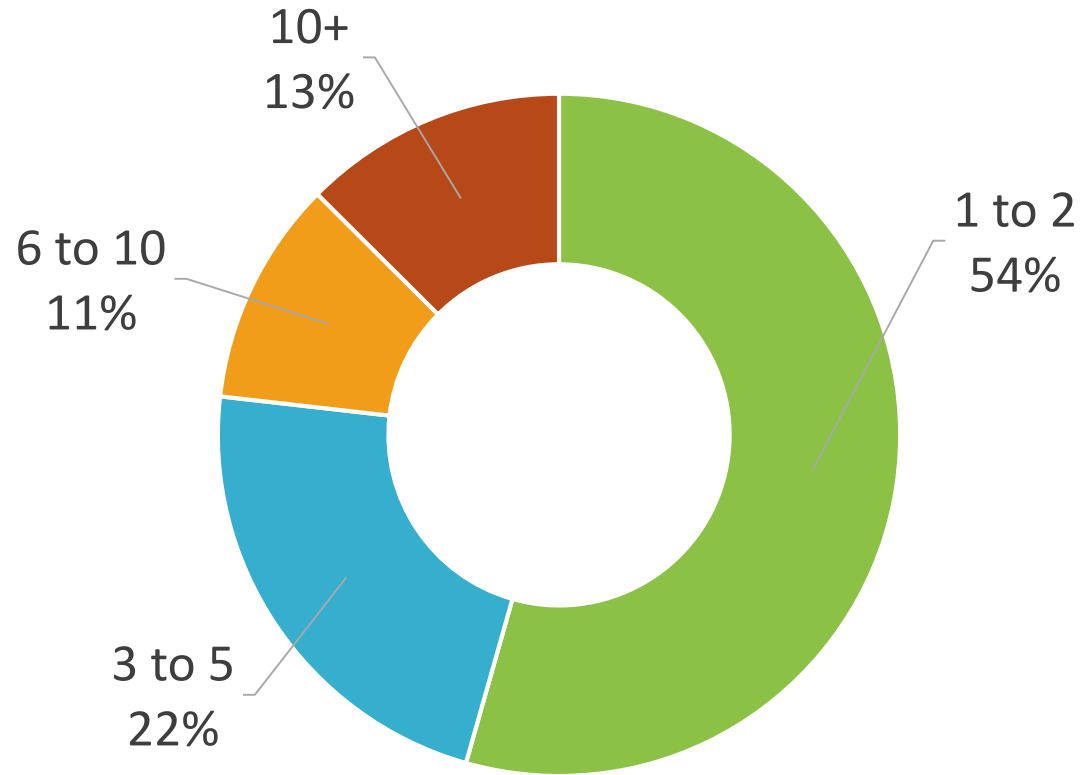
More than three out of four buyers using the Auction.com platform (76 percent) purchased five or fewer properties in 2019, according to the pre-crisis survey conducted in February. A similarly high share of 68 percent said they purchased five or fewer properties in the past year in the post-crisis survey conducted in April.

"Something you could be doing to improve your life while you were doing your main job," said one survey respondent of how she and her husband view real estate investing. She said the couple purchased five homes

in the last year, all within a 50-mile radius of the small Louisiana town where they live.

A buyer survey conducted in June 2019 found that 51 percent of buyers planned to purchase one to five properties in 2019.

How many properties did you buy in 2019?



"Something you could be doing to improve your life while you were doing your main job."

What is your most preferred investing strategy for properties you plan to purchase in 2020?

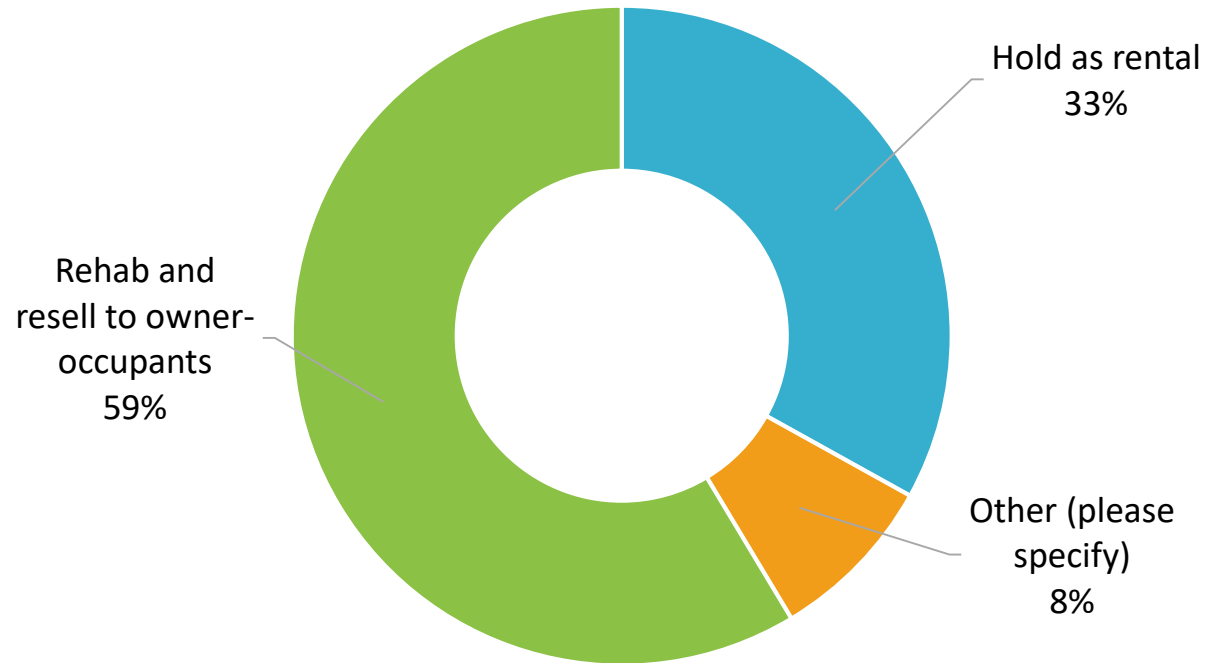
Reselling to Owner-Occupants Top Investing Strategy For Majority of Foreclosure Buyers

33 percent selected hold-as-rental as top investing strategy

More than half of all survey respondents (59 percent) said rehabbing and reselling to owner-occupants is their most preferred investing strategy, while 33 percent selected holding as rental as their top investing strategy in the February survey.

The April survey yielded similar results, with 91 percent of buyers identifying either rehabbing and reselling to owner-occupants or holding as rental as their top investing strategy.

In both the pre-pandemic and post-pandemic surveys, less than 10 percent of



survey respondents said they employed an investing strategy other than either rehab and resell to owner-occupants or hold as rental. Some of the "other" strategies entered by survey respondents included build-to-rent, live in, and buying for family members.

The 59 percent selecting rehab and resell to owner-occupants as their top investing

strategy is up from 40 percent in an Auction.com buyer survey conducted in June 2019.

Rehabbing and reselling to owner-occupants was consistently the top strategy across a wide variety of buyers based on volume of purchases, although it was slightly more preferred among small-volume buyers.

81 Percent Budget at Least 10 Percent of Purchase Price for Rehab Costs

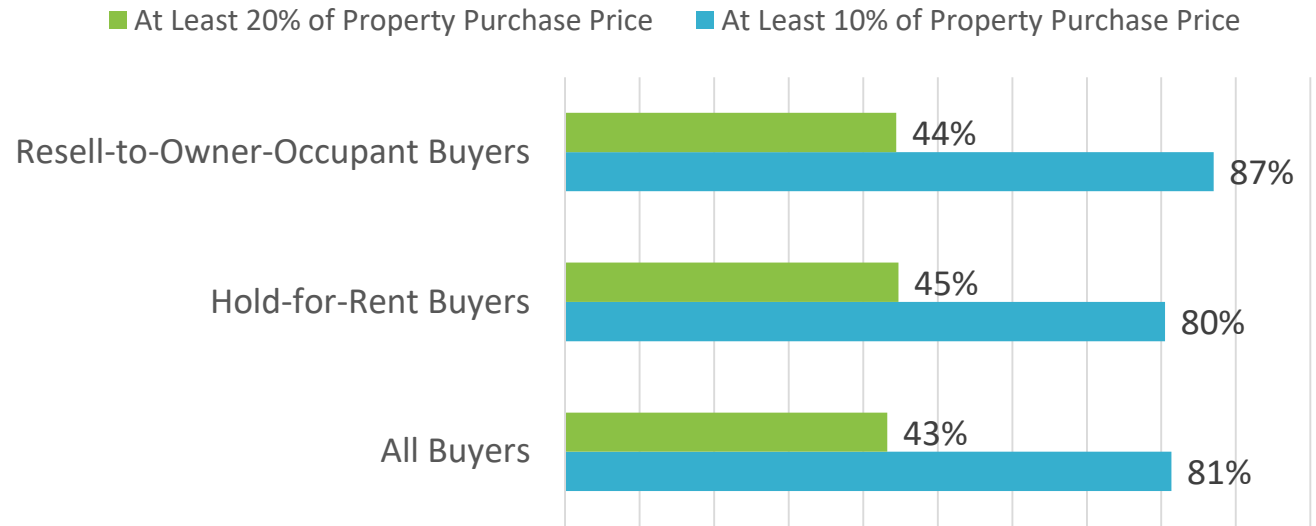
43 percent budget at least 20 percent for rehab

Resellers and renters report similar rehab budgeting

More than eight in 10 survey respondents (81 percent) said they budget at least 10 percent of a property's purchase price toward rehab costs, and 43 percent said they budget at least 20 percent toward rehab costs.

Rehab budgeting was similar for both rehab-and-resell investors and hold-as-rental investors: 87 percent of respondents who selected resell to owner-occupants as their preferred investing strategy said they budget at least 10 percent of the property's purchase price toward rehab

How much do you typically budget for rehab costs (excluding holding costs)?



while 80 percent of respondents who selected hold-as-rental as their top investing strategy saying they budget at least 10 percent of the property's purchase price toward rehab.

"Our houses when we rent them, they're nice," said one Portland-based survey respondent who said he and his wife have gradually built up a portfolio of about 30 properties in the last 10 years. "They are a house that my wife would move into if she were looking for a house."

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46 Percent Acquire Most Investment Properties from Auction.com

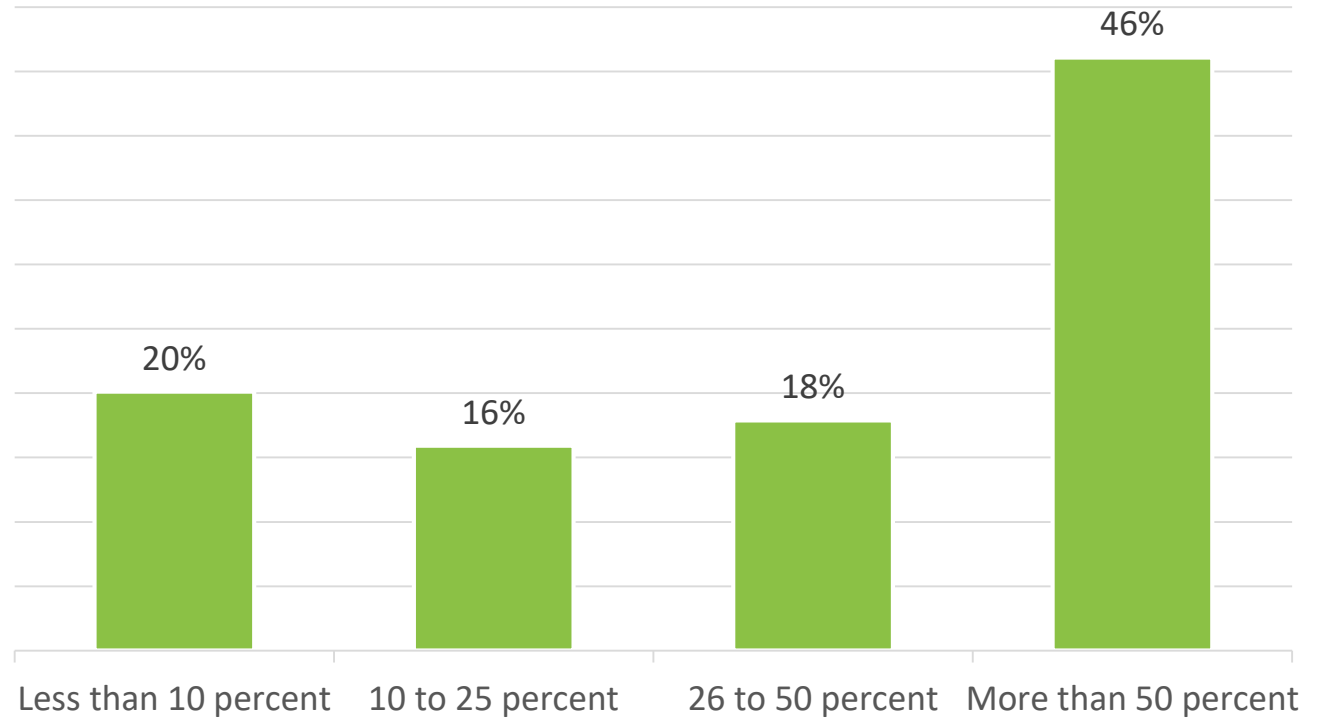
One-third acquire more than 75 percent of properties from Auction.com

More than one-third of survey respondents said they acquire more than 75 percent of their investment properties from Auction.com, with an additional 13 percent saying they source between 50 and 75 percent of their deals from Auction.com.

Smaller-volume buyers were more likely to acquire the majority of their investment properties from Auction.com, with 55 percent of buyers who purchased five or fewer properties in 2019 saying more than 50 percent of their purchases came from Auction.com.

"I've been successful at online auctions in

Approximately what percentage of your 2019 property purchases came from Auction.com?



part due to your excellent information provided to help investors properly prepare and participate," said Houston-based Alan Goodwin, who purchased his first investment property in May 2019, using Auction.com. "Your post-auction folks have always been accessible, friendly, helpful in answering all my questions through my taking possession of the property."

"I've been successful at online auctions in part due to your excellent information provided to help investors properly prepare and participate."

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.

For more Market Research & Analysis, visit us at www.Auction.com/InTheNews

Or follow Auction.com on LinkedIn

Report Methodology

The Auction.com Q2 2020 Foreclosure Buyer Insights report is based on two surveys each sent to more than 9,000 buyers who had purchased at least one properties on the Auction.com platform. The first survey was conducted between Feb. 6 and Feb. 20, and the second survey was conducted between April 3 and April 10.

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.

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.