

2021

Buyer Insights Report



AUCTION.COM
MARKET RESEARCH & ANALYSIS

- Executive Summary
- Buyer Profile
- Buyer Outlook
- Investing Strategies
- Renovation Budget
- Acquisition Channels
- Buying Occupied Properties

Most Distressed Property Buyers are Local Investors Rehabbing and Reselling to Owner-Occupants

- 78 percent purchase most investment properties within driving distance of where they live
- 87 percent purchased five or fewer investment homes in 2020
- Rehabbing and reselling to owner-occupants primary investing strategy for 57 percent of buyers
- 62 percent of rental property buyers rent back to current occupants of occupied homes

Irvine, Calif. — May 5, 2021— Auction.com, the nation's leading distressed real estate marketplace, today released its 2021 Buyer Insights Report, which shows that more than three out of every four distressed property buyers are local investors and nearly nine in 10 buyers purchased five or fewer investment properties in 2020.

Based on a survey of Auction.com buyers, the report also found that rehabbing and reselling to owner-occupants was the primary investing strategy for the majority of buyers (57 percent) while 38 percent of buyers said their primary investing strategy involved acquiring investment property as rentals.

Among those rental investors, 62 percent said that they have rented back to current occupants of occupied homes.

More than two-thirds of buyers (66 percent) said they budget at least 20 percent of a property's purchase price for rehab and holding costs, while more than one-third (34 percent) budget at least 30 percent of a property's purchase price for rehab and holding costs. Based on the average sales price of homes sold on Auction.com in 2020, that would be a budget of between \$27,000 and \$40,000 per property.

The report contains several case studies of rehab performed by Auction.com buyers on distressed property purchases.

Other high-level findings from the report:

- Building long-term wealth and creating new income sources were top investing motivations for most buyers
- 74 percent of buyers believe home prices in their local market will rise at least 3 percent in 2021, but 40 percent described their local market as overvalued with a correction possible
- 93 percent of buyers expect their 2021 acquisitions to increase or remain the same compared to their 2020 acquisitions



"A transparent and democratized distressed property marketplace attracts a diverse set of mostly local real estate investors who are committed to doing good in the communities where they invest. Not surprisingly, these local buyers are the best option for responsibly returning distressed properties to retail buyers and renters. Sixty-two percent of our buyers report they have successfully avoided an eviction by keeping the occupants in the homes as renters."

-- Jason Allnutt, CEO, Auction.com

78 Percent of Buyers Purchase Mostly Local Investment Homes

81 percent of rehab-and-resell buyers purchase most properties locally

Seventy-eight percent of buyers surveyed said at least half of their investment property purchases are within driving distance from where they live.

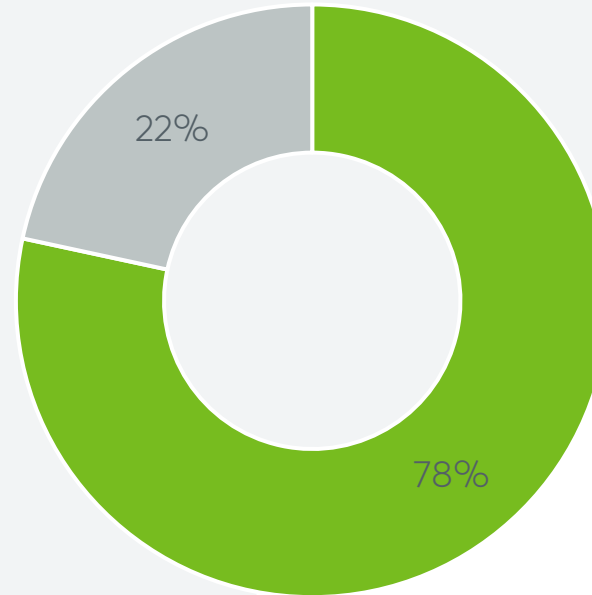
Ninety-five percent of buyers said at least some of their investment property purchases were within driving distance while only 5 percent said none were within driving distance.

"You're sure to fail when you have a long-distance flip. ... Forty miles from my home is the farthest I've gone."

– David Fisher, Ohio

Approximately what share of your investment property purchases are within driving distance from where you live?

■ More than half ■ Less than half



Buyers who said rehab-and-resell was their primary investing strategy were more likely to buy locally, with 81 percent saying at least half of their investment properties were within driving distance of where they live. Seventy-five percent of these buyers said at least 75 percent of investment properties were within driving distance.

By comparison, 73 percent of buyers with hold-for-rent as their primary investing strategy said at least half of their investment property purchases were within driving distance from their home.



To learn more about the impact of local buyers, [click here](#)

87 Percent of Buyers Purchased Five or Fewer Properties in 2020

Up from 76 percent in 2019

Only 3 percent purchased more than 10 properties

Nearly nine out of 10 Auction.com buyers purchased five or fewer investment properties in 2020, according to the February 2021 buyer survey. That was up from 76 percent of buyers surveyed in February 2020 who said they purchased five or fewer properties in 2019.

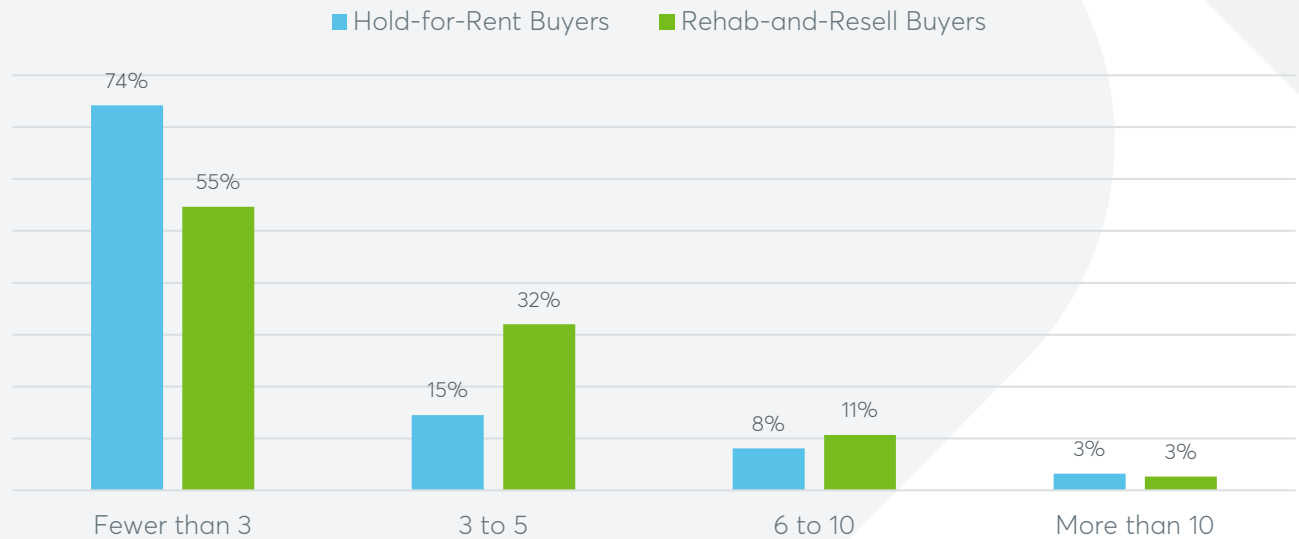
Only 3 percent of buyers said they purchased more than 10 investment properties in 2020, down from 13 percent in 2019.

More competition from new investors along with the scarcity of distressed

property inventory resulting from the foreclosure moratorium on government-backed mortgages likely contributed to this shift toward smaller-volume buyers in 2020.

Purchase volume skewed slightly higher for rehab-and-resell investors than it did for hold-for-rent investors. Forty-six percent of rehab-and-resell investors said they purchased at least three properties during the year, compared to only 26 percent of hold-for-rent investors.

How Many Investment Properties Did You Buy in 2020?



"I bought my first online investment last year from Auction.com."

– Beverly, Tennessee



To read last year's Auction.com Buyer Insights Report, [click here](#)

"I've purchased a few homes through Auction.com and plan on continuing to do so."

– Casey, Texas

Building Long-Term Wealth Top Motivation for Buyers

36 percent ranked it as top reason for investing in real estate

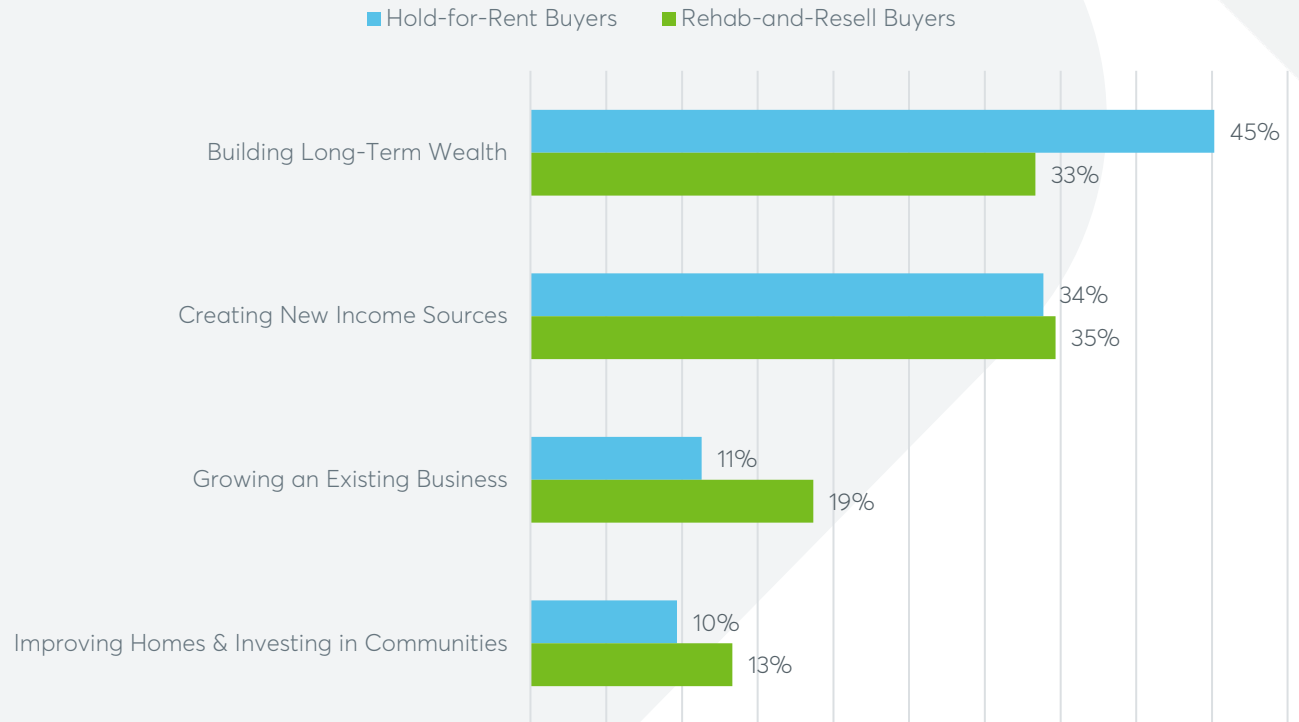
35 percent said creating new income sources is top motivation

More than one-third of buyers (36 percent) said building long-term wealth is their top reason for investing in real estate, while 35 percent said creating new income sources.



To learn more about buyers building generational wealth, [click here](#)

What is the No. 1 Reason You Invest in Real Estate?



Creating new income sources was the top motivation among hold-for-rent buyers, while building long-term wealth was the top reason for rehab-and-resell buyers. A combined 13 percent of buyers said that improving homes and neighborhoods or investing back into the community was their top motivation for investing.

"My passion is really going back into the neighborhoods I grew up in, and helping to enhance those areas through my rehabs. ... and I also want to make a profit, of course."

– Sue, Georgia

Before



After



This Dayton, Ohio, property was the first investment property purchase by Sue McCormick, a part-time investor who continues to have a "regular" job. She purchased the home at auction in early 2020 and has since purchased or is in the process of purchasing 11 more investment properties in her hometown of Dayton — three of those through Auction.com. McCormick said she purchased this home for \$25,000, spent \$65,000 on a six-month rehab during which the property was converted from a 2-bedroom, 1-bathroom to a 4-bedroom, 2.5-bathroom. The home was sold to an owner-occupant.

"It was a house that had fire damage in the kitchen. It was just kind of an eyesore on a nice quiet street," McCormick said. "It was in a predominantly black area, and to see older people and some younger homeowners walk through and literally thank me ... it was really fulfilling to do that."



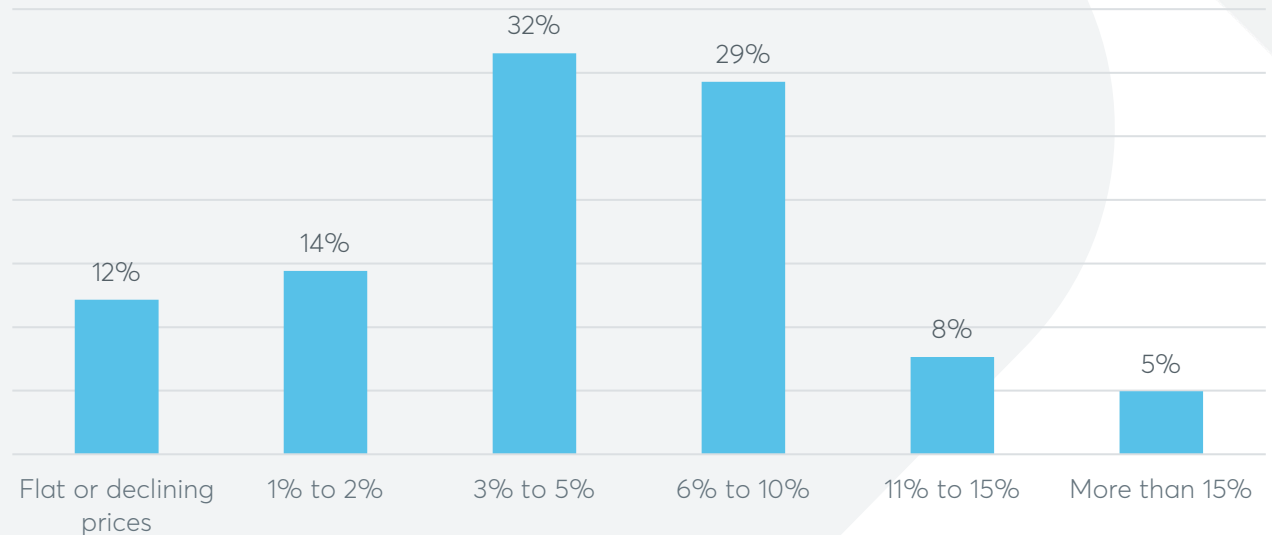
Buyers Bullish on Home Prices, But 40 Percent Say Local Market is Overvalued

74 percent believe home prices will increase at least 3 percent in 2021

Nearly three out of every four buyers surveyed (74 percent) believe home prices will increase at least 3 percent in their local markets in 2021, with 13 percent believing home prices will rise by more than 10 percent for the year.

While buyers were generally bullish on home price appreciation, 40 percent still described their local market as overvalued with a correction possible compared to 38 percent who described their local market as fundamentally sound with solid growth. Another 16

How much home price appreciation do you expect in your markets in 2021?



percent described their local market as having soft fundamentals with select opportunities, while 6 percent said their local market was undervalued with strong upside potential.

Rehab-and-resell buyers were more bullish than hold-for-rent buyers in terms of home price appreciation. Seventy-seven percent of rehab-and-resell buyers expect at least 3 percent appreciation in 2021 compared to 69 percent of hold-for-rent buyers. Eighteen percent of hold-for-rent buyers expect flat or declining prices.



"While buyers are generally optimistic about home price appreciation in 2021 – likely because of the massive and multifaceted government stimulus to combat the economic shock from the pandemic -- there is a clear undercurrent of belief that many local markets are overdue for a home price correction."

-- Ali Haralson, President, Auction.com

Buyers Expect More Acquisitions Despite Inventory Challenges

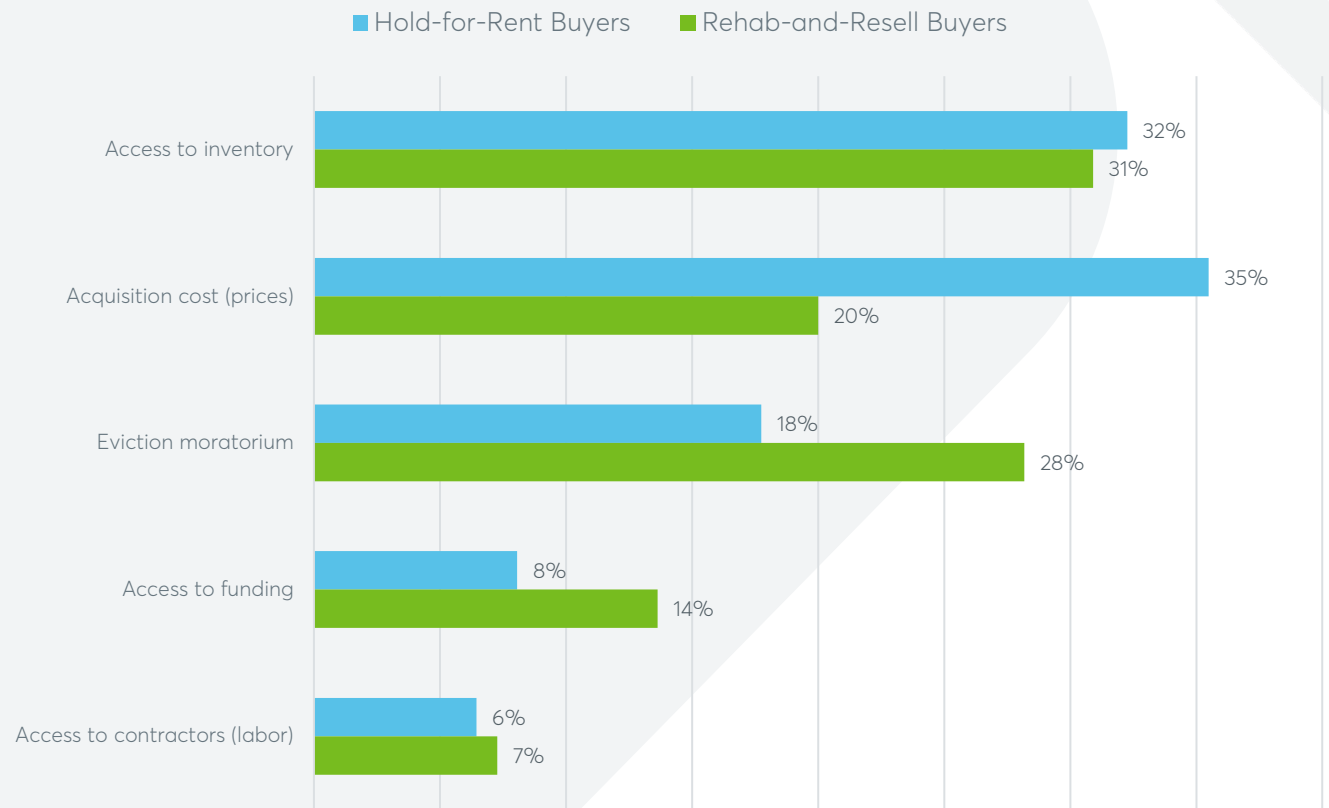
93 percent expect 2021 acquisitions to increase or remain the same

Inventory cited as biggest factor impacting property acquisitions

More than half of buyers surveyed (55 percent) said they expect their investment property purchases to increase in 2021 compared to 2020, with an additional 38 percent expecting property acquisitions to remain the same in 2021. Only 7 percent said they expect investment property acquisitions to decrease in 2021.

Access to inventory was the biggest factor impacting 2021 acquisitions, according to 38 percent of all buyers. That came in ahead of acquisitions cost (27 percent), the eviction moratorium (19 percent), access to funding (9 percent), and access to

Which factor will have the most impact on your 2021 property acquisition plan?



contractors (6 percent). Acquisition cost was the biggest factor for hold-for-rent buyers, with 38 percent ranking that No. 1. Buyers who primarily employ the rehab-and-resell investing strategy were more likely to be impacted by the eviction moratorium — 28 percent of those buyers said it was the most important factor

impacting their 2021 property acquisition plan, compared to only 18 percent of hold-for-rent buyers who ranked the eviction moratorium as the most important factor.

"All good. Just need more inventory."

– Mark, New York

Reselling to Owner-Occupants Primary Investing Strategy for 57 Percent of Buyers

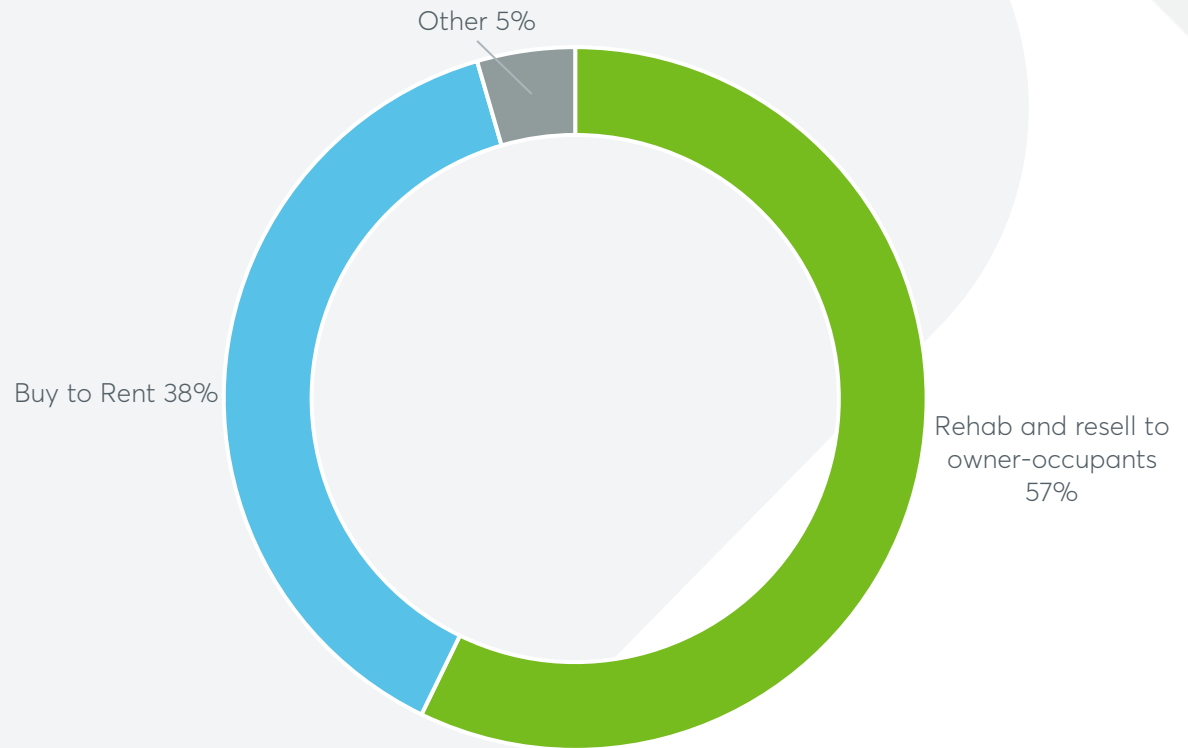
Buy-to-rent primary investing strategy for 38 percent of buyers

More than half of all buyers (57 percent) said rehabbing and reselling to owner-occupants is their primary investing strategy. Meanwhile, acquiring properties as rentals is the primary investing strategy for a combined 38 percent of buyers — with 28 percent holding properties they acquire as rentals and another 10 percent

"(We are) using (Auction.com) with our non-profit to give low- to moderate-income homebuyers an opportunity in this high market."

– Katie, North Carolina

What is your primary investing strategy for 2021 acquisitions?



rehabbing and reselling properties to others — who are likely holding the properties as rentals.

An analysis of public record assessor data shows that 70 percent of homes sold to third-party buyers at foreclosure auction via Auction.com were owner-occupied within one year of the auction date.

Among local buyers who purchase most investment properties within driving distance of where they live, a slightly higher share (60 percent) said their primary investing strategy was rehabbing and reselling to owner-occupants.



To learn more about post-foreclosure owner-occupancy rates, [click here](#)

Before



After



The Safeguard Group, a non-profit that buys and rehabs distressed properties for low- to moderate-income homebuyers, purchased this Long Island property on Auction.com in April 2020 for \$93,450. After extensive rehab, the property was listed for sale in February at \$309,000, offered for the first 21 days to buyers making less than 120 percent of the area's median income along with \$1,000 from Safeguard to assist with closing costs.

"We want to construct good quality homes that the homeowner will be proud of," said Katie Doig, a HUD-certified housing counselor with Safeguard. "The inventory for this type of program is very, very low right now. ...we hope this will improve so that we can continue to serve the community."

Two-Thirds of Buyers Budget More Than 20 Percent on Rehab and Holding Costs

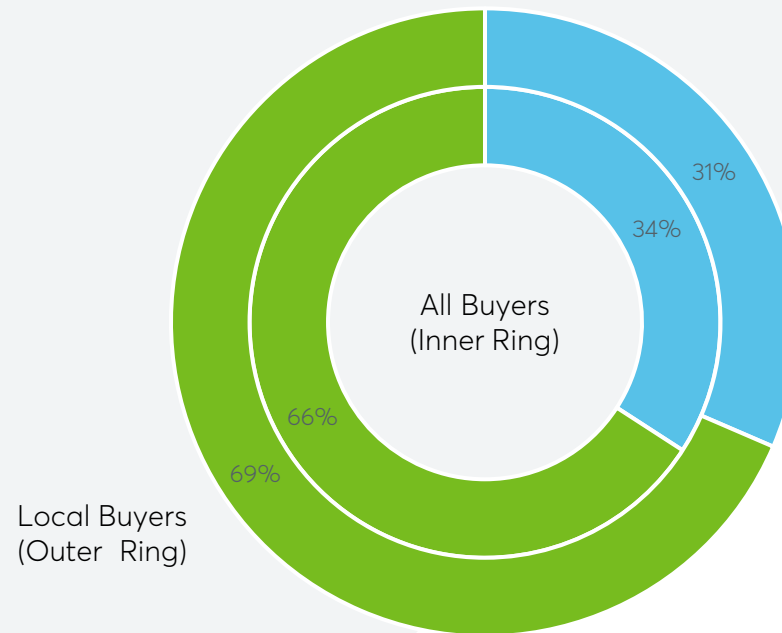
69 percent of local buyers budget more than 20 percent of property purchase price on rehab and closing costs

Two-thirds of buyers surveyed (66 percent) said they budget more than 20 percent of a property's purchase price for rehab and holding costs, and more than one-third of buyers surveyed (34 percent) said they budgeted more than 30 percent on rehab and holding costs.

Given an average sales price of \$136,110 for homes sold on the Auction.com platform in 2020, a 20 percent rehab and holding cost budget would come to more than \$27,000 while a 30 percent budget would come to more than \$40,000. This budget range starts at the high end of

How much do you typically budget on rehab and holding costs for a home flip?

■ Up to 20 percent of purchase price ■ More than 20 percent of purchase price



what lenders typically spend on foreclosed property expenses. Those REO expenses ranged from \$10,000 to \$27,000 per property, depending on the lender and type of mortgage, according to an analysis of 2020 annual 10-K SEC filings for government-backed mortgage entities.

"Where most people put in 10 to 15 thousand, we put in 35 to 40 thousand. We spare no expense. We make it like it's brand new."
 – Chris Ulander, Tennessee

Before



After



Chris Ulander with Mid South Homebuyers purchased this Memphis, Tennessee, home as a bank-owned property via online auction on Auction.com in October 2020. The property was purchased for \$34,000 and underwent extensive rehab that cost \$61,000 and took more than two months. Renovations included a new roof, new flooring, updated electrical and plumbing and a completely redone kitchen. The property is now being rented for \$875 a month – 24 percent below the HUD fair market rent for three-bedroom properties in its zip code.

"We take the ugliest, most overrun house on the street and make it shine," said Ulander. "We've had tenants in their 50s that have never had properly working heating or air. There has been a slum lord crisis in Memphis, and we're happy to be turning the tide on that."

Online REO Auctions Top Acquisition Source for Most Buyers

55 percent rank as top source

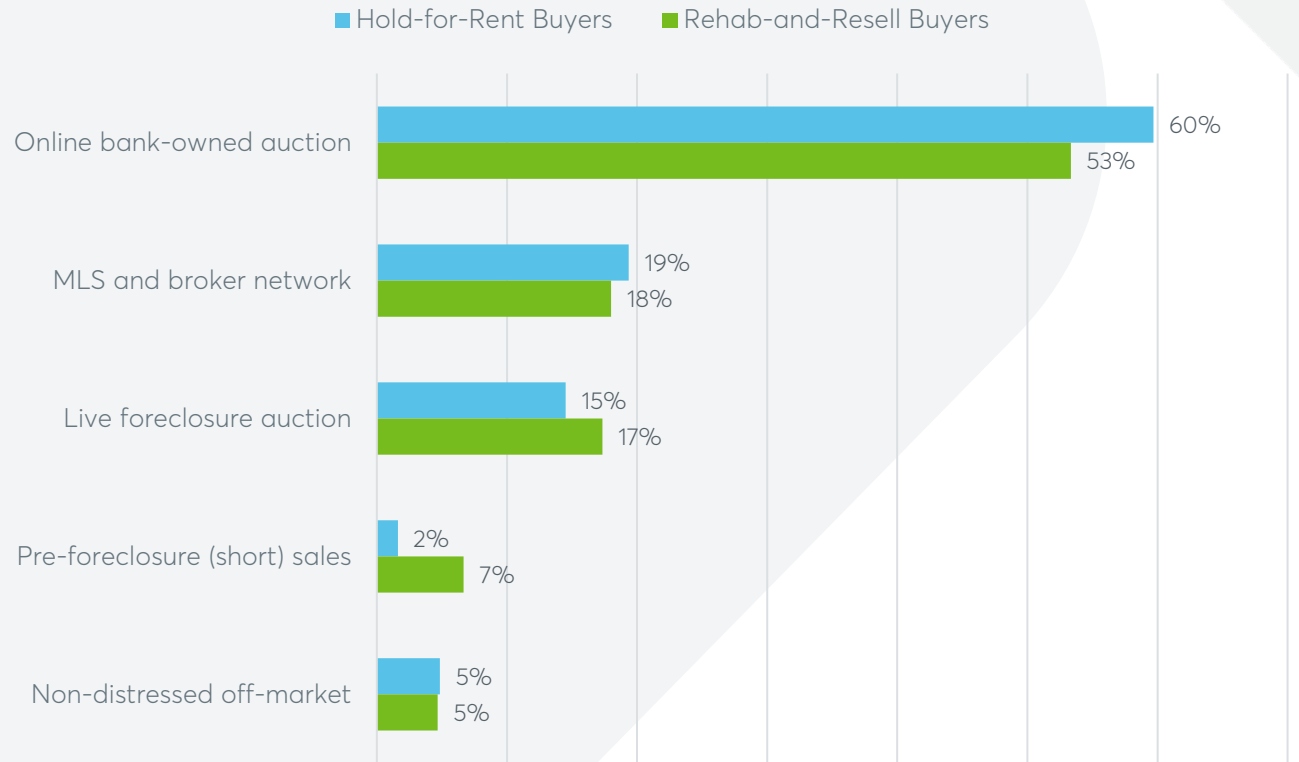
Live foreclosure auctions were top acquisition source pre-pandemic

More than half of buyers surveyed (55 percent) ranked online bank-owned (REO) auctions as their top source for acquiring investment property, while only 17 percent



To learn more about how buyers are finding inventory, [click here](#)

What is your top method for acquiring investment properties?



ranked live foreclosure auctions as their top source for acquiring inventory — behind the multiple listing service (MLS) at 18 percent.

This is a reversal from the February 2020 survey, in which 50 percent of buyers ranked foreclosure auctions as their top acquisition source, 29 percent of buyers

ranked online REO auctions as their top acquisition source, and just 12 percent ranked the MLS as their top acquisition source for investment properties.

"It's impossible to find anything on the MLS right now."

– Andrew, Michigan

62 Percent of Rental Property Buyers Rent Back to Occupants of Occupied Homes

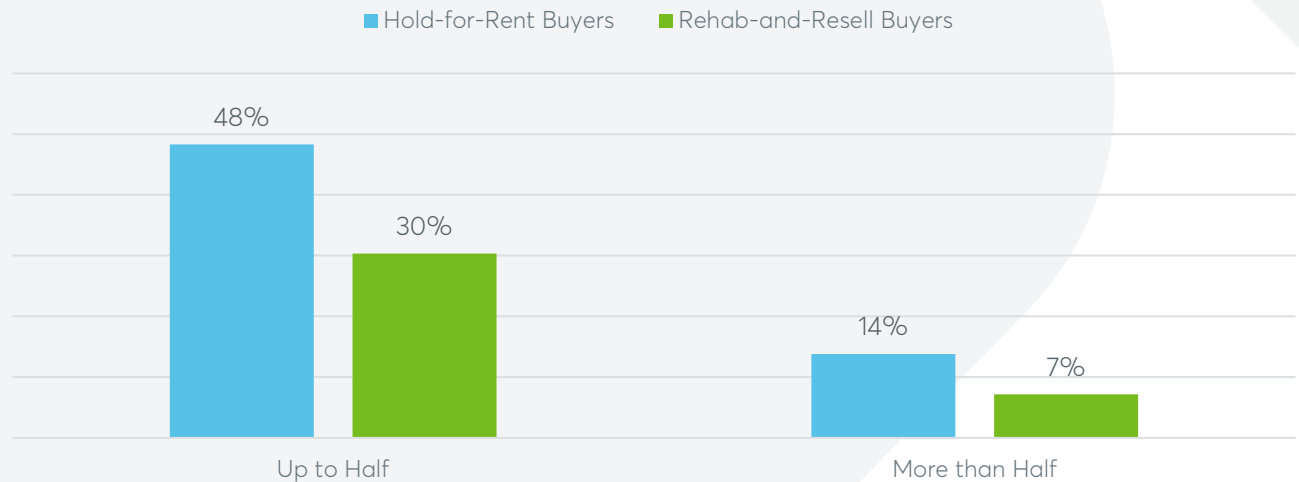
All occupied property buyers offering eviction alternatives to current occupants given eviction moratorium

Nearly two-thirds (62 percent) of all occupied property buyers who primarily employ the hold-for-rent investing strategy said they rent back some of their investment property purchases to the current occupants of the home.

Thirty-seven percent of rehab-and-resell buyers said they rent back some of their investment properties to current occupants even though that is not their primary investing strategy.

All occupied buyers said they offer current occupants options that do not

Approximately what percentage of investment property purchases do you rent back to current occupants?



require eviction. Nearly three-fourths of all occupied property buyers (73 percent) offer to pay relocation costs, while 40 percent offer to lease back the property to the current occupant and 13 percent offer the current occupant the option to buy the property.

“Even if it’s tenant-occupied, I’m giving that option (to stay). I can turn that around into a huge win for them, because they can stay.

– Eric, California



To learn more about buyers are keeping current occupants in homes, [click here](#)

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 2021 Buyer Insights Report is based on a survey completed by more than 200 Auction.com buyers in February 2021. The survey was sent to buyers who had purchased at least one property on Auction.com in the last two years.

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.