



REALSMART

Newsletter

A QUARTERLY JOURNAL OF REALSMART IDEAS

THE iBUYER MODEL: A NEW WAY TO SELL YOUR HOME

iPods, iPhones, iMacs, iPads, and now... iBuyers. While this latest iteration of iThing has nothing to do with Apple, and alas, will come with no flashy Tim Cook press conference to help me explain it to you, it does represent another disruptive force shaking up its industry. So what exactly is an iBuyer, and why should you care?

iBuyers are companies that will make a cash offer on your home based on a proprietary valuation model. If the offer is accepted, they can close in as little as a few days. Once they buy a home, they generally do some minor repairs and maintenance before quickly re-listing it to sell for a profit. The homes sometimes appear back on the market within a matter of weeks.

The key to the iBuyer business model is to sell a lot of homes, and do it quickly. Unlike most real estate investors, they aren't looking for homes in disrepair that require extensive remodeling. They want to buy homes that are generally well maintained which they can turn around and sell quickly. Their profit margins aren't huge, but their Wall Street and Sand Hill Road backed bankrolls are, allowing them to do enough volume to be viable businesses.

Their 9-figure funding has also made it possible for iBuyers to build technology platforms that streamline the selling process. For example, companies like OpenDoor and OfferPad, two of the more prominent iBuyers, have websites where you simply enter your home address, answer a few questions, and within 24 hours receive an offer. It's this simplicity and convenience that make working with an iBuyer appealing to sellers. They remove the headaches and stress typically involved with listing your home for sale, (repairs,

inspections, open houses, etc.) and provide quick and easy liquidity for homeowners who are ready to move on. The demand for this type of simplicity in real estate transactions has grown so much that Zillow and Redfin have both launched their own iBuyer platforms.

So why should you care? As of right now, the major iBuyers don't service the Bay Area. The high price points and limited inventory here challenge the sustainability of their business model. However, like Zillow and Redfin, local real estate investors (ourselves included) have recognized the demand for a streamlined and hassle-free home selling process, and have begun to package their services similarly. If your home meets certain criteria, you can get an all-cash offer, with no repairs, inspections, or open houses necessary, plus a move out date of your choosing.

If this interests you, we have recently launched our own iBuyer inspired, "RealSmart Home Offer Program", connecting sellers directly to our investors for simple, hassle-free, all-cash sales. For more information on the program, feel free to give us a call! (650)363-2808



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REALSMART FUND UPDATE: HYDE ST. FIXER MIXER & BEYOND

Hello friends of RealSmart! As you may be aware, work on our Hyde Street condos wrapped up last month. We were very happy to see so many of you make the drive up to San Francisco for the March 9th Fixer Mixer! For those who weren't able to make the trek, you can tour the property (and the neighborhood) in detail by watching our video tour at www.realsmartgroup.com/Hyde. You'll also find a quick event recap video of our Fixer Mixer!

We are still working with the Department of Real Estate to get final clearance to list the units for sale.. Stay tuned for further details.

As always, we are actively searching for the next RealSmart Fund buy. If you are interested in investing with RealSmart and would like to learn more about the Fund, give us a call at (650) 363-2808.



A PERSPECTIVE ON PRICING: BYE BYE BYE TO 9-9-9?



Listing a home for sale at a 999 price point has been a favored pricing strategy among Realtors since the dawn of the profession. The thought is that, psychologically, seeing the lower number at the front gives the buyer a better first impression of the price, even if it's only \$1,000, \$100, or \$1 away from bumping up another digit on the front end. It's supposed to lessen the "sticker shock". For example, \$999,000 might better to a buyer at first glance than \$1,000,000. Whether or not there's anything to this theory is up for debate, but regardless, the strategy has stood the test of time.

Until now.

The way consumers search for homes has changed

dramatically over the last several years, with the advent of online listing portals like Zillow and Redfin. When searching for homes on these websites, you have the option to enter a minimum and maximum price range, and usually these options are provided in set intervals. So a buyer might enter a price range of \$1 million to \$1.2 million. In this scenario, the buyer completely misses out on our \$999,000 listing, even though we, as sellers, intended to be in their price range. However, if we had priced out home right at \$1 million, not only would we have found our way into their search results, but we would have also shown up in any search results with a max of \$1 million as well. So it would seem the beloved \$999 pricing strategy has the potential to significantly limit a listing's exposure in online search results.

Of course, this theory assumes most buyers set minimum prices in their search for homes online. Unfortunately, Zillow and Redfin don't have data on consumer search behavior readily available, so it's impossible to know just how much the 999 pricing strategy could hurt your exposure. Still, it's something to keep in mind as more and more buyers rely on these listing portals to find their homes.



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HOME RENOVATION CORNER



DESIGN TRENDS: MATTE BLACK



People tend to shy away from black when it comes to designing their homes. But with enough natural light in your space to pull it off, tempered with the perfect balancing act of supporting materials (like washed wood, shim-

mering gold light fixtures and white quartz or tile), black makes a bold statement that's impossible to ignore. Edgy and, at the same time, sophisticated, black accents enhance surrounding shapes and colors and add definition, contrast and a boost of drama to a space.

Multiple options are available and currently on trend: Update your kitchen using matte black cabinetry with gold hardware, gold light fixtures or white quartz countertops. Or try a gold faucet against a matte black focal wall in a powder room. Contemporary black hardware looks seriously stylish on light wood cabinetry, and a matte black kitchen sink looks smart installed with butcher block wood countertops. Finish it off with punches of your favorite color via accent pieces

like rugs, throw pillows and artwork, and you will have a harmonious design that is both stunning as well as warm and welcoming. See it yourself to believe it. Check out some ideas on our blog, at:

realsmartgroup.com/matteblack



MORTGAGE UPDATE

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WHAT INDUSTRY EXPERTS ARE SAYING ABOUT THE SPRING SEASON

While winter is almost always the slowest season for real estate, Spring tends to be one of the strongest. The weather gets nicer, days get longer, and buyers come out of hibernation in search of new homes. But after a slower than usual winter season, how are we doing so far this Spring? Let's hear what some of the industry experts are saying:

Fannie Mae: Reports suggest that at the start of the spring home buying season, more consumers feel now is a good time to buy and sell. Their latest Home Purchase Sentiment Index surged 5.5 points to 89.8, its biggest climb since last June.

Freddie Mac Chief Economist: "Purchase mortgage application demand saw the second highest weekly increase in the last year and...overall mortgage demand rose to the highest level since the fall of 2016."

CoreLogic Chief Economist: "We expect mortgage rates to remain low and be a boost for the spring buying season," and that "could lead to a pickup in home price growth later this year."

George & Laurie: Interest rates remain lower than mid-late 2018 levels, and while heating up, the market here in the SF Peninsula is not nearly as competitive as previous spring buying seasons. These factors, in addition to lots of new inventory coming on the market, make for an opportune time to buy. If you'd like to find out what kind of mortgage you qualify for, just call the RealSmart office and ask for Laurie or George! (650) 363-2808



-Laurie & George



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FEATURED LISTING

730 17TH AVE
MENLO PARK



BRAND NEW MENLO PARK HOME

Impeccable new construction offering 4 bedrooms and 4.5 bathrooms, elegant finishes throughout, fantastic open floorplan, and top of the line gourmet kitchen. Crafted by a highly regarded Menlo Park builder with the utmost attention to detail.