

## Zillow Offers Shuts Down

By: Jann Swanson | Mbn, Nov 8 2021, 11:28 AM

One of the original and most well-known housing market IBuyers has bit the dust. Zillow announced last week that it is **discontinuing its Zillow Offers**, a program through which the company bought homes directly from owners, made necessary improvements, and listed them for resale.

A message on the Zillow Offers landing page says, "Zillow Offers is winding down, which means we are not making any new offers on homes. We're focused on helping existing customers and selling our remaining inventory. If you're looking to sell, we can connect you with an expert agent in your market." Customers with a Zillow contract are advised to log into their account for further information.

In late October the company announced it was **suspending acquisitions** through the end of the year. **This announcement makes it permanent.**

In a letter to shareholders accompanying the company's third quarter financial summary Zillow CEO Rich Barton and CFO Allen Parker said the company lost about \$304 million in the third quarter from the program. It bought nearly 9,700 homes during that period and sold just over 3,000.

The company started the program 3-1/2 years ago and the letter said, in that time "we have experienced a series of extraordinary events: a global pandemic, a temporary freezing of the housing market, and then a supply-demand imbalance that led to a rise in home prices at an unprecedented rate. We have been unable to accurately forecast future home prices at different times in both directions by much more than we modeled as possible." When they started the program, they set economic target guardrails of +/- 200 basis points of breakeven economics. The unit has instead seen a swing of 1,200 basis point from Q2 to what is forecast for Q4.

A final factor in the decision is their failure to convert inquiries to contracts. To date **only about 10 percent of the serious sellers who ask for a Zillow Offer have accepted it**, "and [we] have tended to disappoint the roughly 90% who didn't sell to us.

The company says it expects the decision to wind down the operation will involve a 25 percent reduction in its workforce over the next few quarters.

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