inside real estate

COVID-19

Industry Response & Outlook Report

MAY 2020

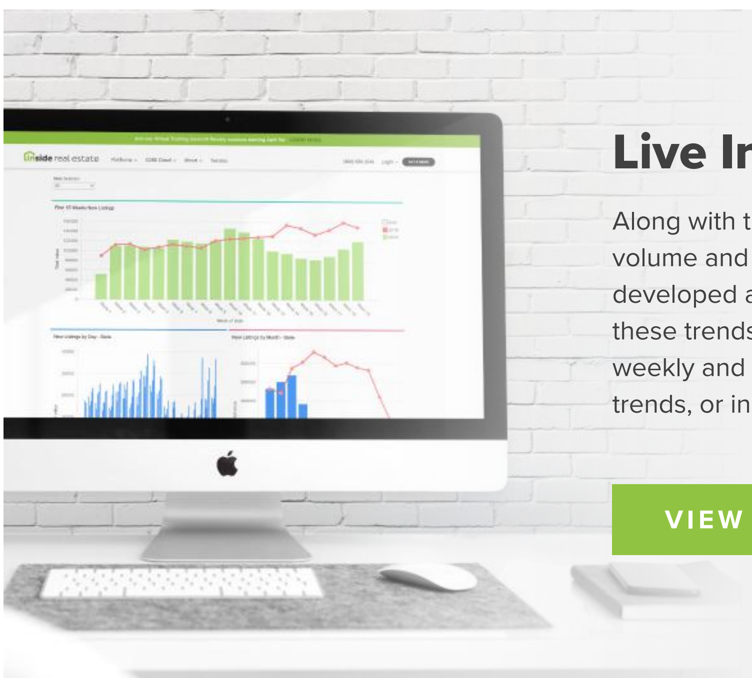
Overview

Inside Real Estate, one of the fastest growing independently-owned real estate software companies and a trusted technology partner to over 200,000 top agents, teams and brokerages, has unique visibility into the impacts and reactions of real estate practitioners across the United States and Canada.

Inside Real Estate covers 99% of all real estate listings, and hundreds of thousands of brokers, teams and agents interact with millions of consumers each month via Inside Real Estate's software. We've compiled this comprehensive data set to analyze the impact of COVID-19 on the real estate industry.

In addition, we've surveyed nearly 1,000 brokers, teams and agents across the US and Canada to get "on the ground" data from practitioners in the field to help measure the impact of COVID-19 within their business. To supplement this study, we took a deep dive into the recent spike in consumer engagement activity and recent decline in online advertising costs through our platform products.

The goal of this report is to evaluate the impact to the U.S. residential real estate industry from COVID-19 by assessing real-time data from real estate listings alongside consumer behavior and real estate agent and broker sentiment from the front lines.



Live Interactive Data

Along with this analysis of current real estate listing volume and industry trends, Inside Real Estate has developed a live interactive tool for the public to analyze these trends over time. Listing data can be viewed daily, weekly and monthly, and also adjusted to view national trends, or individual state trends.

VIEW LIVE INTERACTIVE DATA

By marrying these data sets, and providing an interpretive report alongside a public interactive tool, we hope to empower the U.S. residential real estate industry with information to better understand the current market realities, and aid in effective strategic planning.

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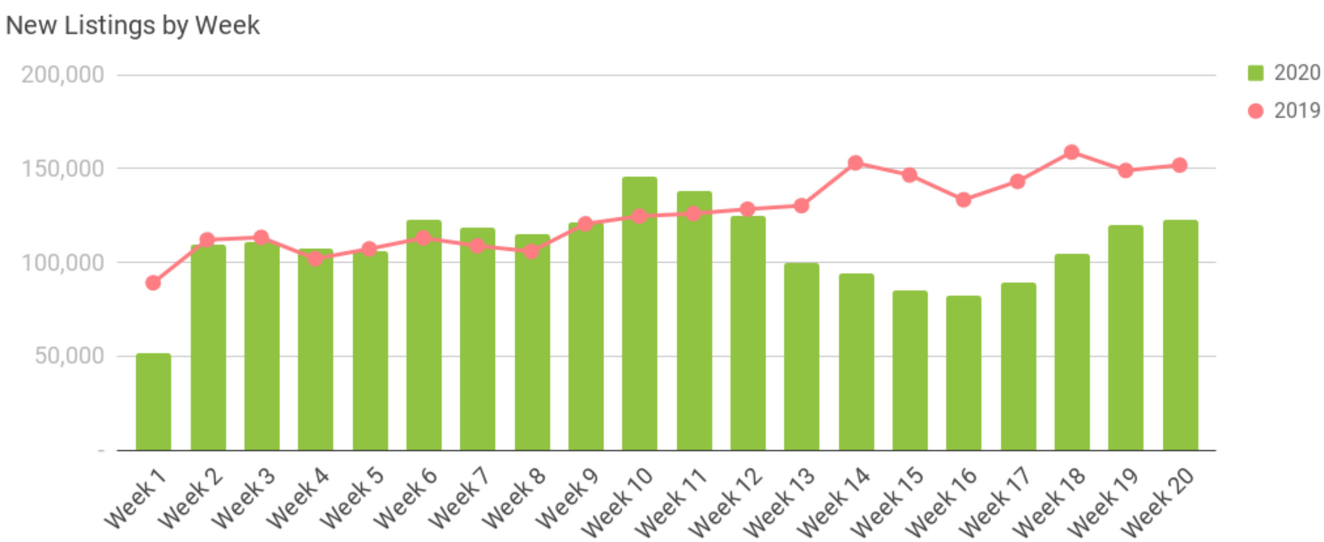
The National View: Shock as COVID-19 Sets in

US Listing Data Trends by Week

The following chart illustrates new listings data at a weekly level, comparing 2019 data (red line) to 2020 data (green bar). With 98% of listing data captured in this report, it gives us a solid and statistically reliable glimpse into the impact of COVID-19 on residential real estate listings.



National and regional data trends indicate that at the beginning of the pandemic and shelter-in-place order in mid-March, week-over-week new listings fell sharply and continued to slide through the course of the following month. The gap between 2019 listings and 2020 listings grew to its widest point at Week 15 (April 6 - 12), representing a 42% drop in listing volume year over year.

At Week 16 (April 13 - 19) we appear to reach the bottom of the COVID-19 impact to new listing volume, representing a 38% decline from real listings that same week in 2019.

While new listings shouldered a significant decline during the onset of the pandemic, specifically the Weeks 13-16 of 2020, it's interesting to note there was a similar dip in Weeks 14-16 of 2019, albeit from a higher starting point. The data indicates listing transactions at the national level have picked up beginning Week 17 and begin to show signs of coming closer to convergence with 2019 new listing volume.

"These trends show enormous resiliency in the real estate industry to date, given the level of shelter in place and state mandates occurring across the country. With the assumption of real estate maintaining an "essential business" status, this data trend points to the market towards steady recovery at the national level."

-- Nick Macey, Chief Product Officer for Inside Real Estate

US Listing Data Trends by Month

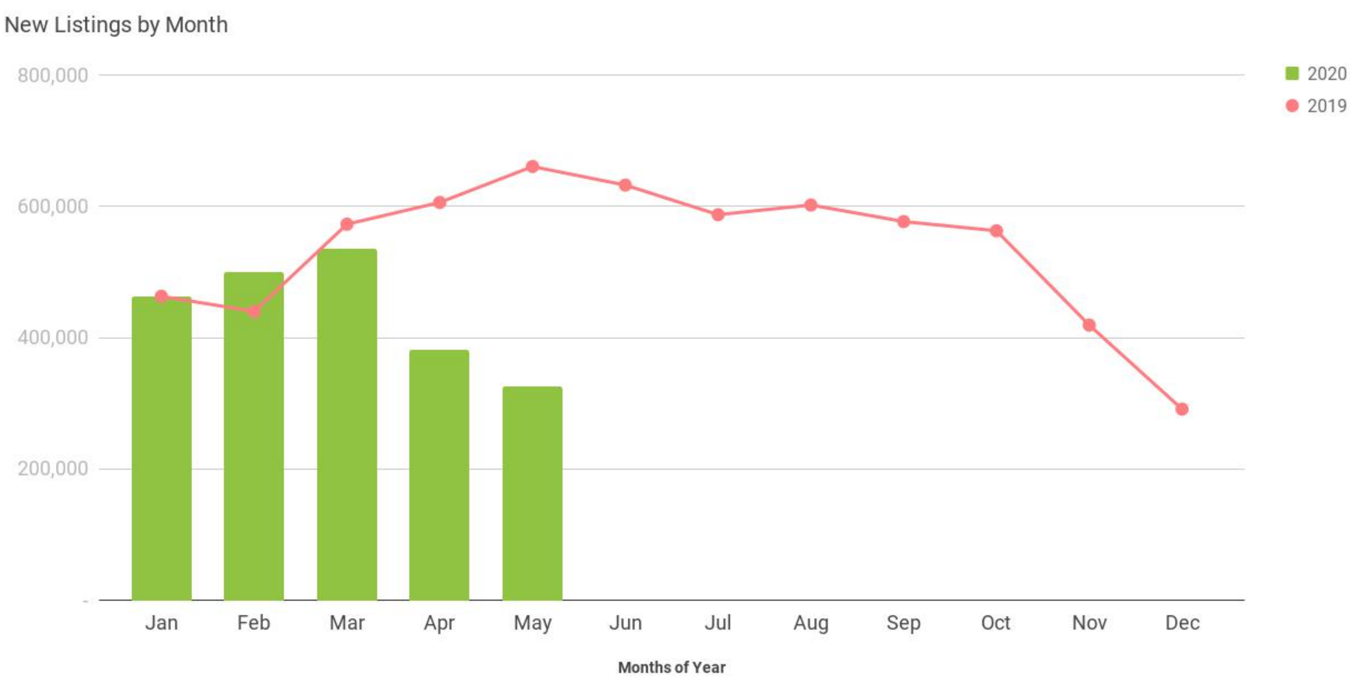
New listings at the monthly level shows an even starker reality on the effects of COVID-19 to new listings.

Without the sudden drop in mid to late March due to COVID-19, it appeared that March 2020 new listings were on track to surpass March 2019 new listings, similar to February 2020. As the effects of the pandemic spread, April takes the hardest hit, with a dramatic gap between 2019 new listings and 2020 new listings reflecting a 37% drop in year-over-year new listings.

From a sheer volume level, this amounts to a massive 225,000 fewer listings in April 2020 compared to 2019 levels. Equally staggering is the approximately $3.8 billion loss* in potential commissions for real estate agents and brokers in April alone.

While too early to capture complete May data at the time this report went to publication, the trends we are watching at a daily and weekly level for new listings point to a mild recovery in May, the typical height of listing season. These patterns have led to some of our projections indicating new listing counts to catch up to 2019 levels in the second half of 2020.

• based on median listing price of $282,000 and average commission of 6%



May data is incomplete at the time of this report

At the State Level

When analyzing data at the state level, it's clear that regions impacted more heavily by COVID-19 saw the biggest gap, but no geography escaped.

Live Interactive Data by State

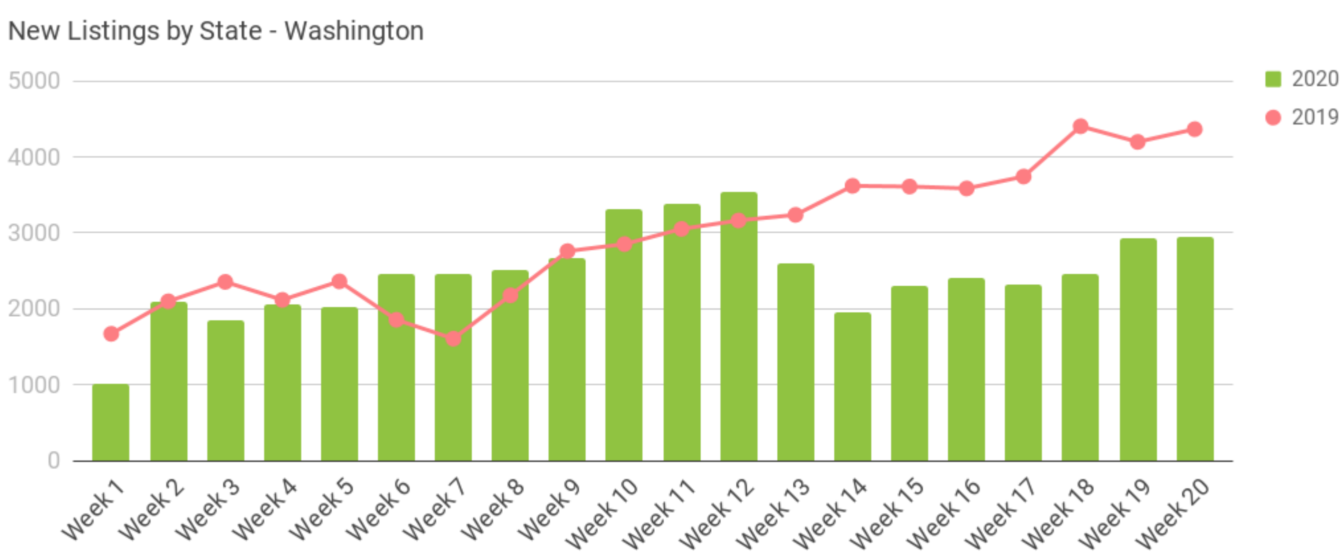
Use our live interactive listing data tool to view listing trends in every state.

VIEW LIVE DATA BY STATE

Uncertain Recovery In Early-Impacted Geographies

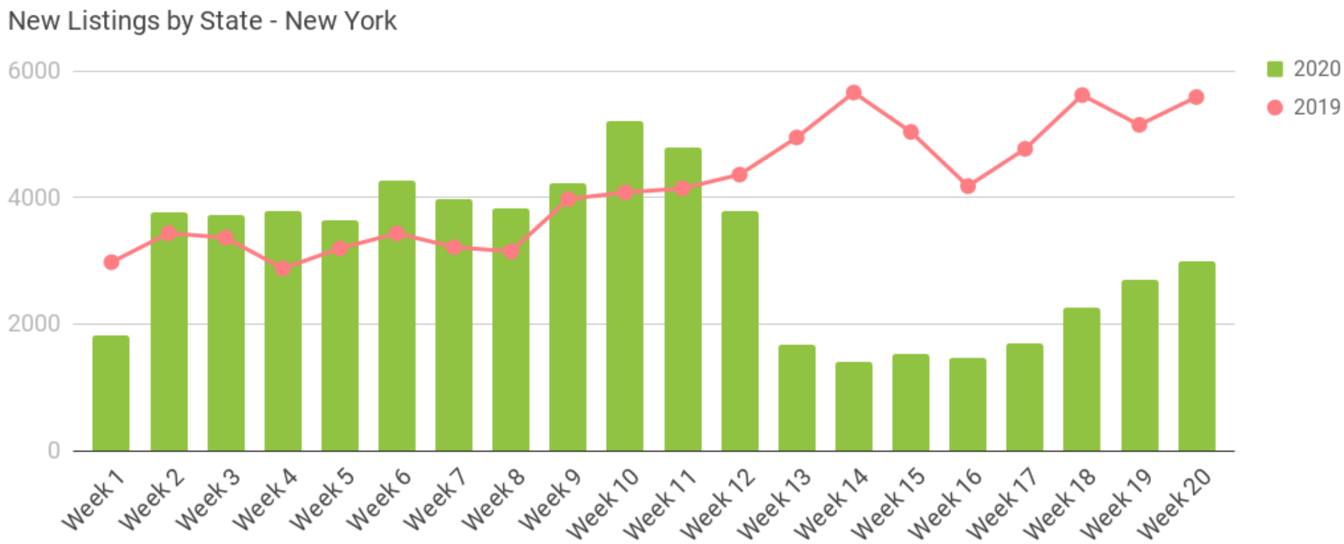
Washington:

Geographies hit early by COVID-19, such as the state of Washington, show a similar sudden drop in new listing volume and also a more uncertain recovery. New listings held steady but didn't show the same recovery trend we see at the national level or within other states. Fortunately the recovery seems to be picking up speed more recently, and show signs of a decreasing gap between 2019 listings and 2020 listings.



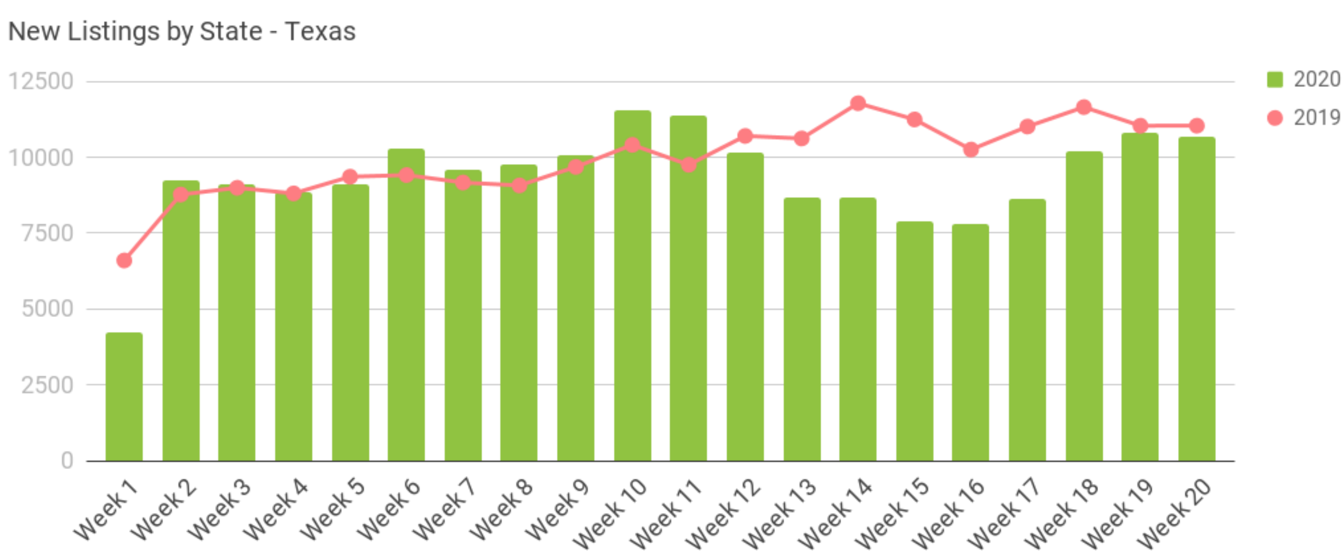
New York:

New York state, hit hardest by the pandemic, sadly shows the most dramatic gap in new listings from 2019 to 2020, representing **a massive 75% year-over-year drop** in Week 14 (March 30 - April 5). While the recovery will likely be slower in these hard hit states, there is a noticeable recovery already present with that year over year gap decreasing to 47% in Week 19 (May 4 - 10).

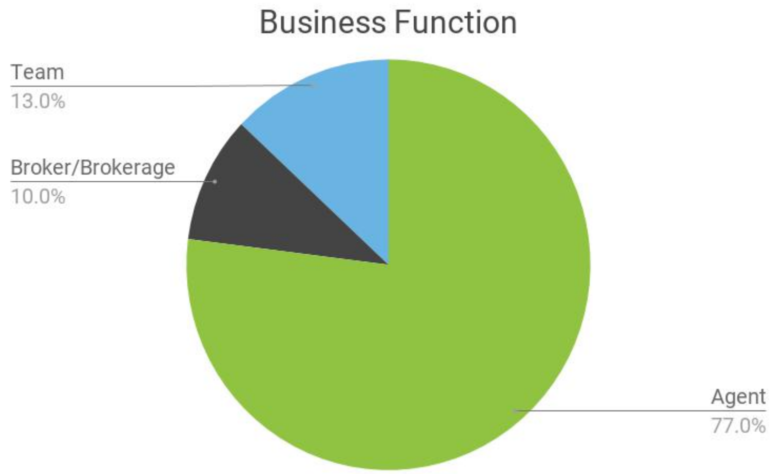


Texas:

Texas, often known for its "slow and steady" growth and ability to avoid much of the up-and-down cycle of the residential real estate market, has also managed to weather the COVID-19 storm quite well. While new listings still dropped, their year-over-year decline was less pronounced. Even more impressive is the gap between 2019 new listings and 2020 new listings has almost entirely disappeared by Week 19 (May 4 -10) -- more evidence of the resiliency of the Texas real estate market.



The Reality on the Street



Although actual listing data is vital to assessing the overall impacts to the market, the real life data and sentiments of real estate professionals on the street give us more practical knowledge. We surveyed nearly 1,000 real estate professionals across the U.S. and Canada to understand their current local business environment and get a glimpse into their personal forecasts for their respective markets. It's worthwhile to note that this survey data was primarily captured between Weeks 17 and 18, and forecasts, optimisms and realities of the pandemic adjust daily as new information is released, and as state and county mandates adjust.

Of the people we surveyed, approximately 77% were individual agents, 13% were part of a team, and 10% represented brokers and brokerage level management.

The Pre-COVID-19 business operating size of each survey respondent varied, showing representation across all business unit sizes from individual agents, various team sizes, small to mid sized brokerages, as well as large sized brokerages with 500+ agents.

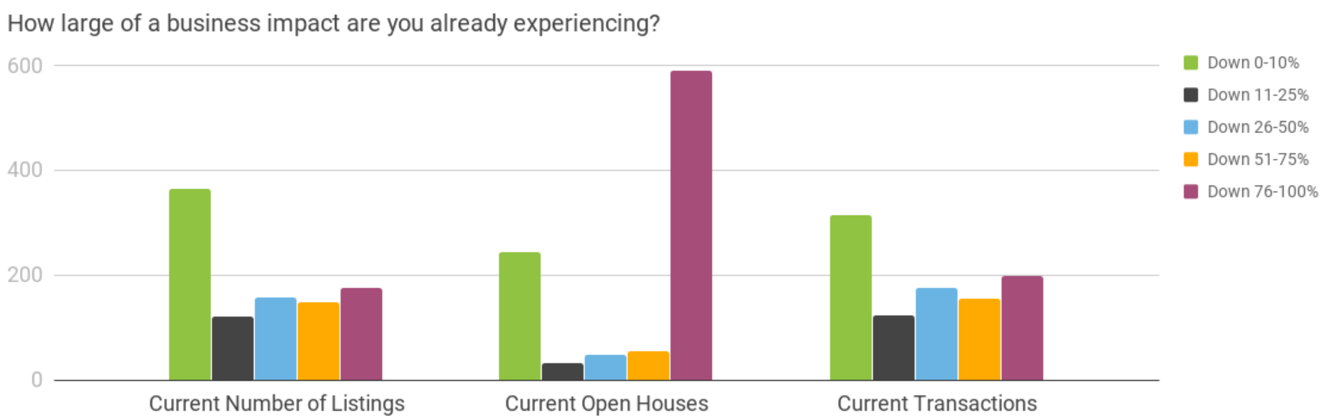
Current Business Impact

When asked about the business impact currently being experienced, **the overwhelming response was tied to open houses with 60% reporting a decline between 76-100%.** With shelter-in-place orders it's become extremely challenging if not impossible to hold open houses at the time of this survey.

Even more interesting, **on the flip side of this, the majority of our survey respondents indicated their current number of listings have only mildly been affected.** 38% said their listings are down less than 10%. And two thirds of the respondents reported their listings were down less than 50%. What does this indicate?

38% said their listings are down less than 10%

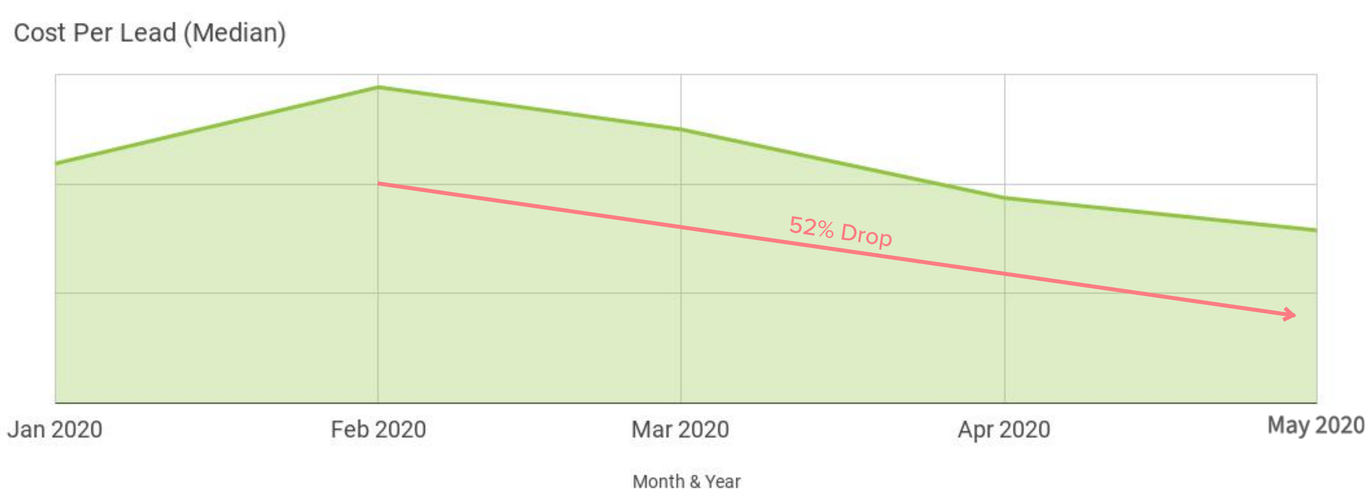
Many real estate professionals adapted quickly to the loss of the traditional open house. The ones that are embracing the challenge, equipped with the right technology to operate their business efficiently from home, offer virtual open houses and use sophisticated technology to keep communications running smoothly, have weathered the storm better than others. It's important to note that our survey primarily went out to users of kvCORE Platform, which offers these technology advances.



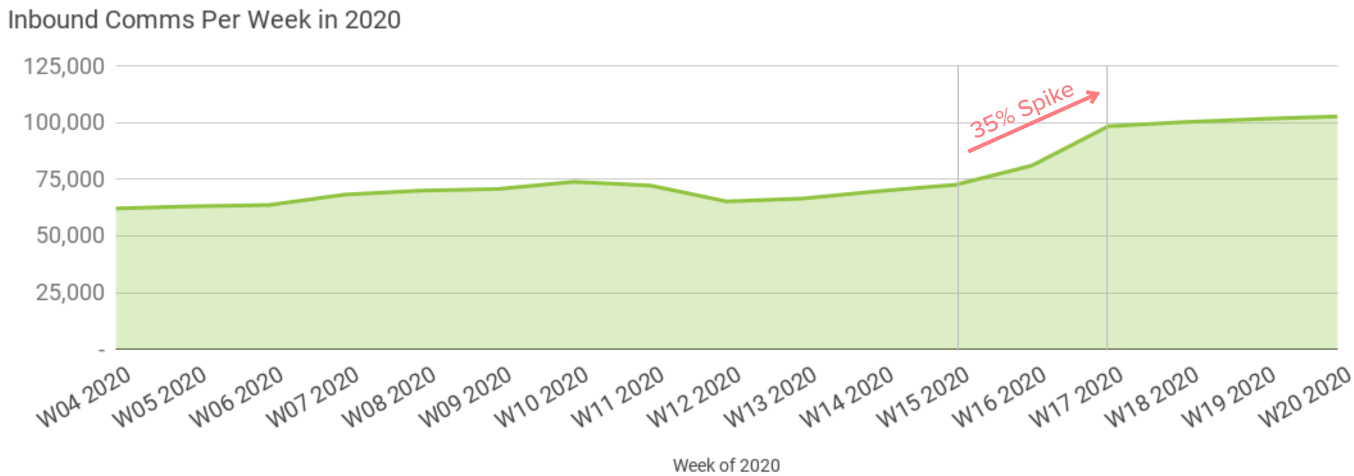
Consumer Behavior and Lead Costs

The shock of the COVID-19 crisis drove consumers to spend more time online, which resulted in both a dramatic spike in engagement with agents through our platform via calls, texts and email, and a dramatic dip in online lead costs.

"We've seen sizeable decreases in cost-per-leads though advertising platforms like Facebook," said Nick Macey, Chief Product Officer for Inside Real Estate. **"Users of our CORE PropertyBoost product, which promotes listings on Facebook and proactively updates the homeseller, experienced a 52% drop in cost-per-lead from February to May.** Consumers are clearly spending more time online, exposing them to more advertising, which is driving down the costs for lead gen."

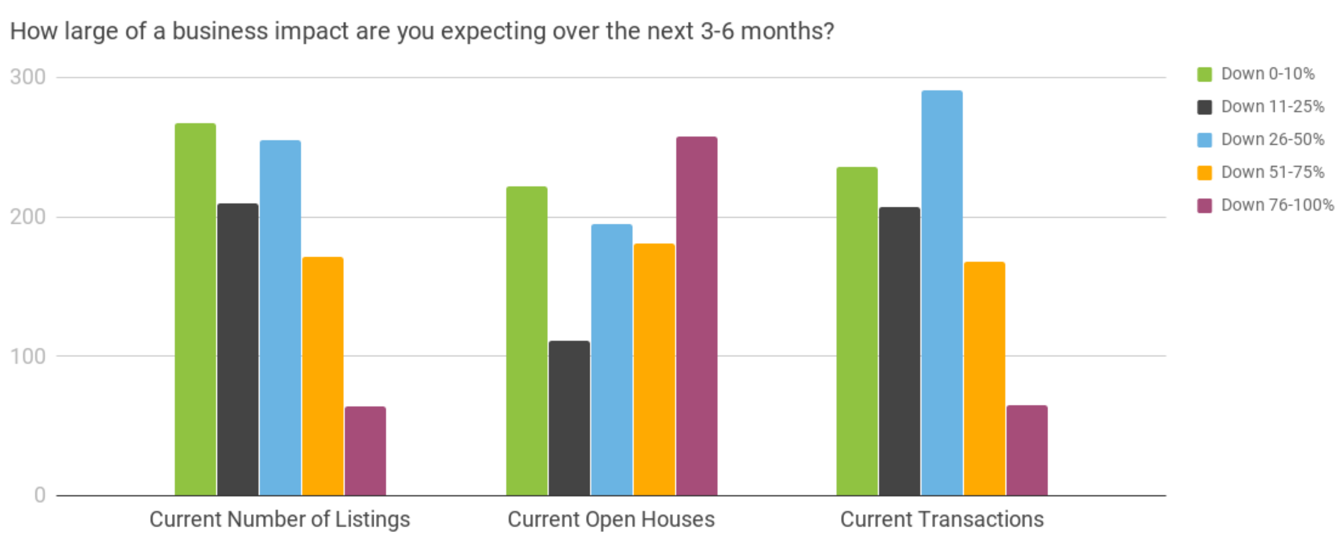


“Equally fascinating is the rapid increase in **inbound** consumer engagement for our platform users,” said Macey. **“From Weeks 15-17, when new listing volume reached a low point, we saw a 35% spike in contacts actively interacting via inbound calls, texts and emails with our kvCORE agents.”** This data supports other findings that point to optimism in the industry at both the consumer and agent levels.



Future Business Impact

Even though this survey was sent during the probable (and hopeful) height of the pandemic, the optimism expressed from real estate professionals on the street was profound. Once again **the majority (28%) indicated they expect their number of listings to be down ONLY 0-10% over the next 3-6 months.** Another 21% expected their listings down 11-25%, and 26% said they forecasted their listings down 26-50%. While hugely significant in the sheer volume of listing transactions being affected, it would also be reasonable to expect this sentiment to improve over time, of course with a huge footnote tied to the circumstances surrounding the pandemic.

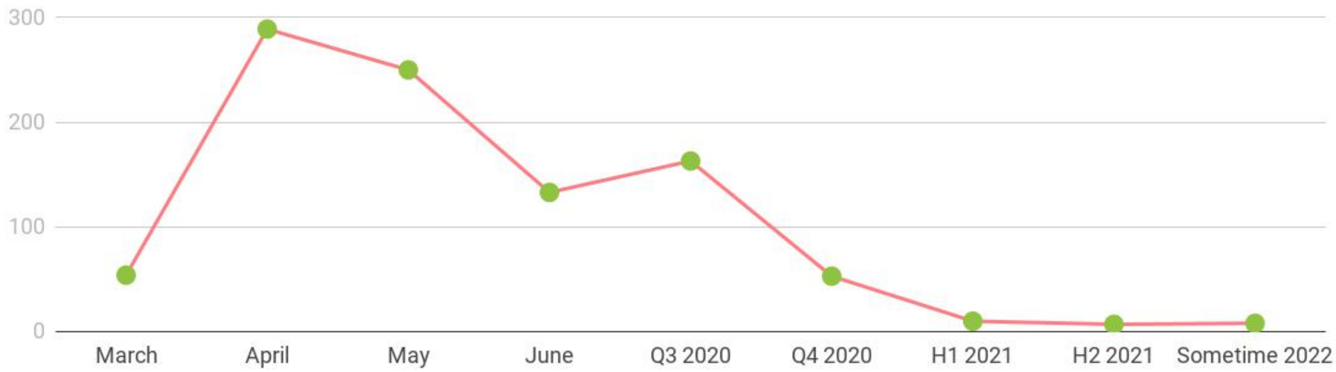


It’s also noteworthy that most real estate professionals don’t see the situation of open houses changing any time soon. Adapt now or forever hold your peace.

Even more proof of this optimism for the future shows up when we asked survey respondents which month they expect to be the lowest point in terms of negative business impact. **The majority - 61% - expect the worst to occur by the end of May 2020. Over 91% expect the worst to be over by the end of September 2020.**

61% expect the worst to occur by the end of May 2020

What month do you expect will be the lowest point in terms of negative business impact?



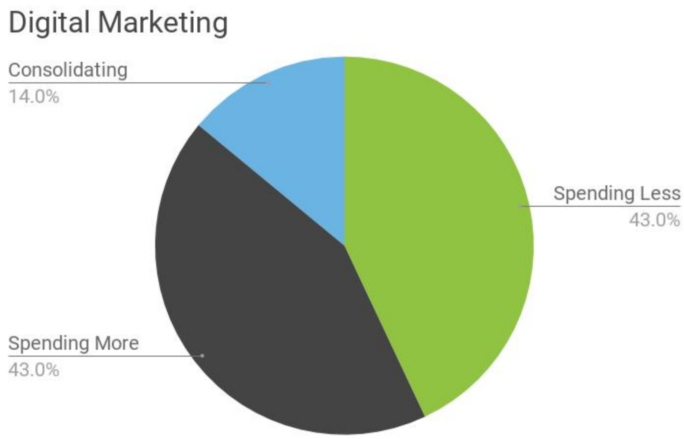
This sentiment speaks volumes in terms of the ability for the real estate industry to recover in the shorter term vs the longer term, although the pace is still very much unknown. While there are still more unknowns than knowns, it’s reassuring to see the optimism among our professionals in the field.

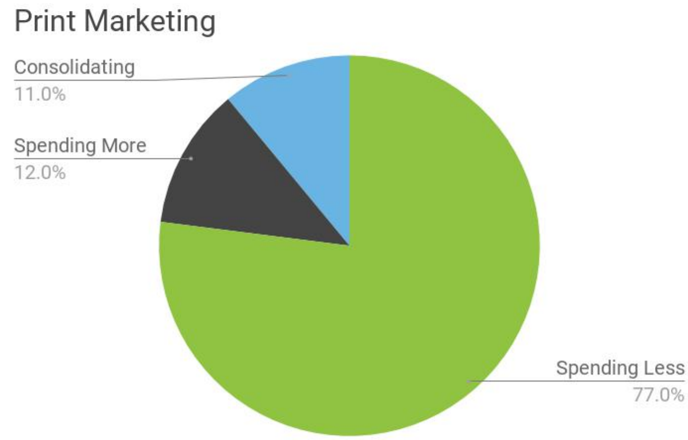
How We Adapt

As expected, savvy real estate professionals are adjusting to the new norm. Across the board people are evaluating expenses and looking for opportunities to streamline and create efficiencies.

On larger scale investments such as CRM platform technology, front-end technology or transaction technology, about 85% of the businesses surveyed are looking for ways to consolidate these costs to eliminate overlap across multiple vendors. Interestingly, 15% of the businesses surveyed are using this time to **invest in better technology** to help streamline their business and cut costs through more modern tech solutions.

When we asked about marketing investments, the results were telling, and point to a potential longer term shift in marketing spend. While the majority are reducing their spending on higher cost print marketing, nearly half (43%) are spending more on digital marketing.





With the necessity to move to more virtual and online business operations, it seems natural to shift to more digital marketing outlets as well. But also important are the lower costs, and in many cases higher ROI, associated with digital marketing over other marketing channels like print marketing, even before the COVID-19 crisis. With the advancement of technology especially within brokerage sponsored platforms like kvCORE, the effectiveness of lead generation through digital marketing has greatly improved.

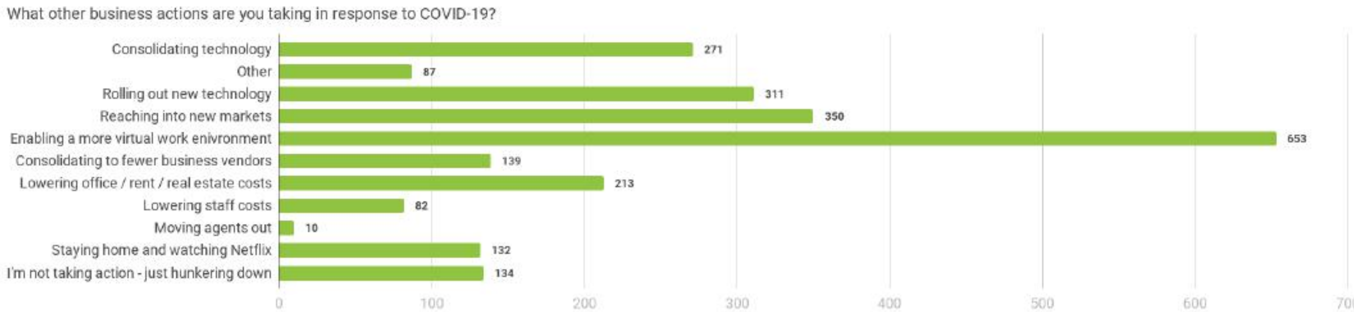
Business Adjustments

What other business actions are real estate professionals taking in response to COVID-19? It's a well balanced mix with the majority (68%) embracing the challenge by enabling a more virtual work environment, **36% looking at this as the right time to expand their business by reaching into new markets,** 32% find this an opportune time to roll-out new technology, and 28% are finding ways to consolidate their technology to avoid overlapping tech costs.

36% looking at this as the right time to expand their business by reaching into new markets

32% find this an opportune time to roll-out new technology

28% are finding ways to consolidate their technology to avoid overlapping tech costs.



We'll just assume the folks that are watching Netflix and hunkering down have a healthy enough business to pause during this industry shakeout.

Where We're Headed

Our analysis indicates that COVID-19 has caused a significant downturn in listings, meaningful increase in consumer and agent interactions, and, once the first wave of COVID-19 peak has passed in a geography, the beginning of a recovery of listings, but still with a significant year-over-year gap.

Our raw data and information from the field suggests many areas are at our near the bottom of this downturn and are entering a recovery stage, similar to what other real estate analysts have suggested. It's reassuring to note the sentiment of our real estate professionals in the field matches the optimism that our data suggests. And over one third of our respondents are looking at the right time to **expand** their business, which speaks volumes. The biggest question and unknown still rests in the pace of the recovery, with most real estate professionals and analysts agreeing that the real estate market will likely recover to its 2019 levels sometime in 2021; sooner in some markets and later in others factoring in other factors such as local unemployment rates.

"Our study shows the sudden devastating drop in new listings across the country, yet an overall sense of optimism across the board. Our comprehensive listing data, extensive footprint in practicing professionals, platform and consumer data all align to suggest remarkable resilience and adaptability in this industry. Many businesses may not have financial stability to weather the downturn, and opportunities for consolidation and strategic investments are expected. Companies across all sectors that have a solid financial footing, are embracing the new norm and intent on investing in efficiency and business growth, will be positioned to benefit during the recovery."

-- Joe Skousen, President of Inside Real Estate

Our Response

Inside Real Estate has been committed to providing resources and financial relief in an effort to support both our customers and the industry as a whole during this unprecedented time.

At the onset of COVID-19, we launched a Customer Empowerment Program to demonstrate our fierce commitment to the success and well-being of our over 200,000 agents, teams and brokerages. The program is aimed at providing financial relief as well as over 2 months of free **virtual training** designed to support customers who have been impacted by global events related to coronavirus.

Although the impact of COVID-19 has affected everyone, we are pleased to see our tech-forward customers are well-equipped, adapting quickly, remaining optimistic and preparing for their future business growth ahead. kvCORE Platform, CORE Back Office, CORE Listing Machine and our other tech-forward products are designed to keep brokers, teams and their agents as productive as possible through even the toughest markets.

Equip your brokerage or team to thrive in today's market

LEARN MORE ABOUT KVCORE

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