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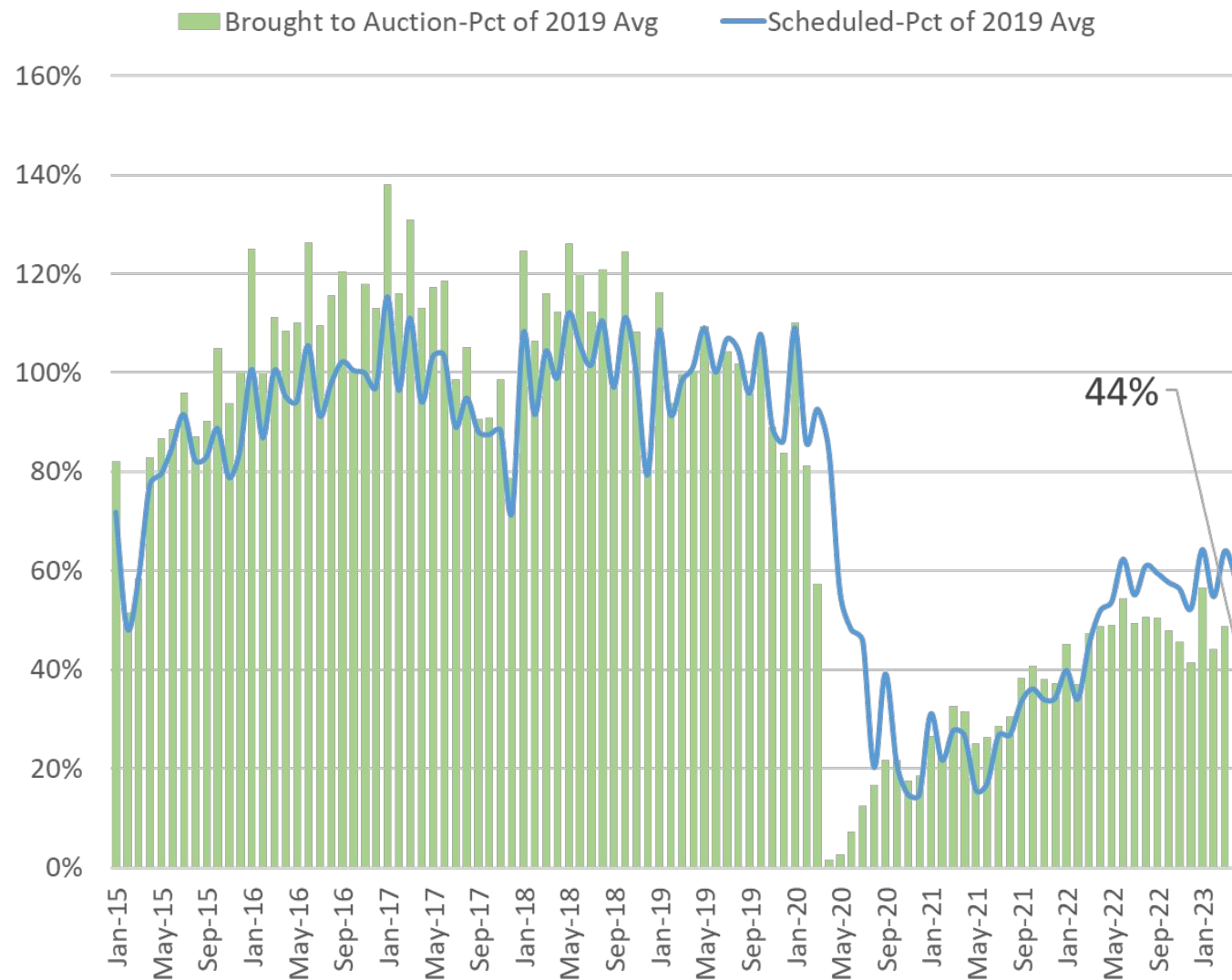
Market Outlook and Buyer Insights

Kelley Burns
Director Buyer Success

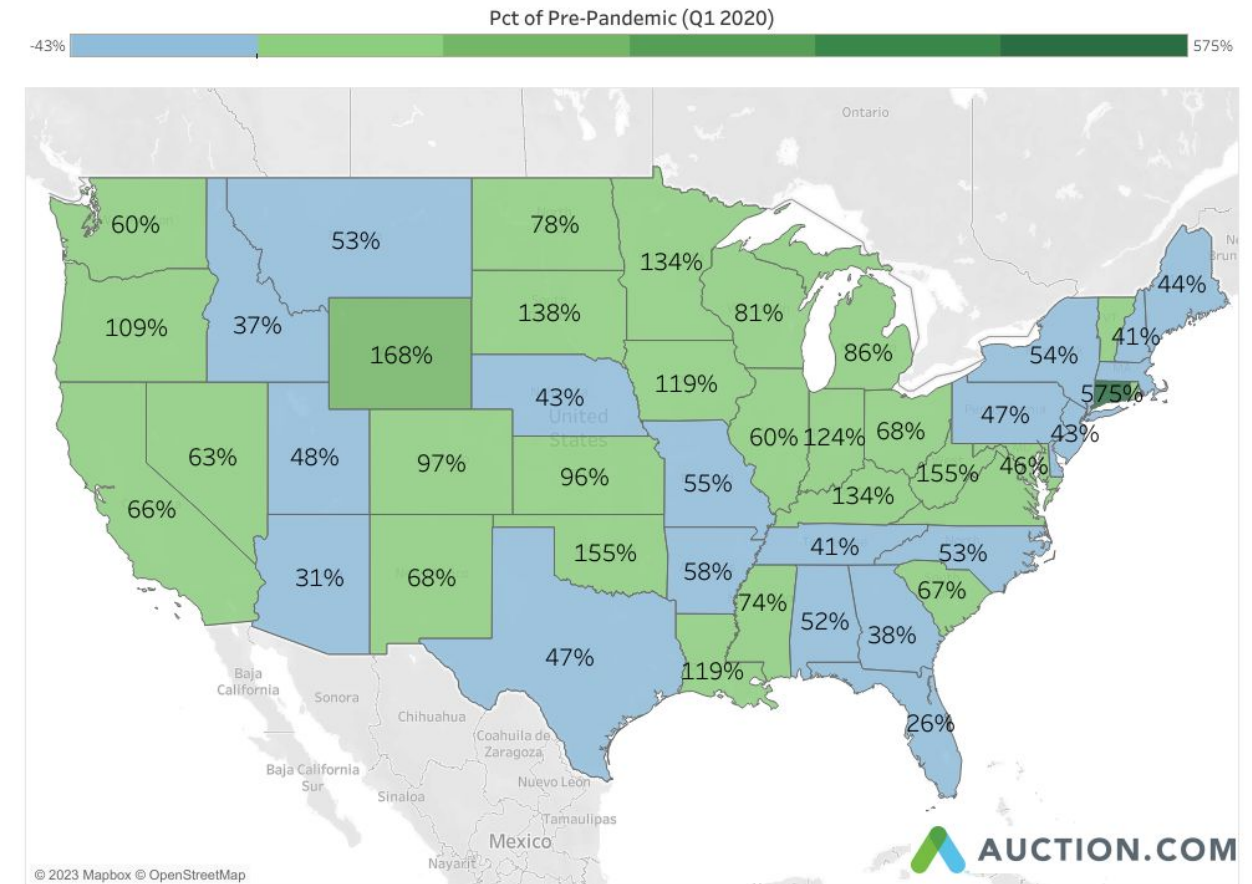
DISPOSITION SUMMIT 2023

Foreclosure auction supply plateauing

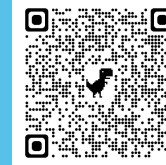
Foreclosure Auction Supply



Q1 2023 Foreclosure Auction Volume by State

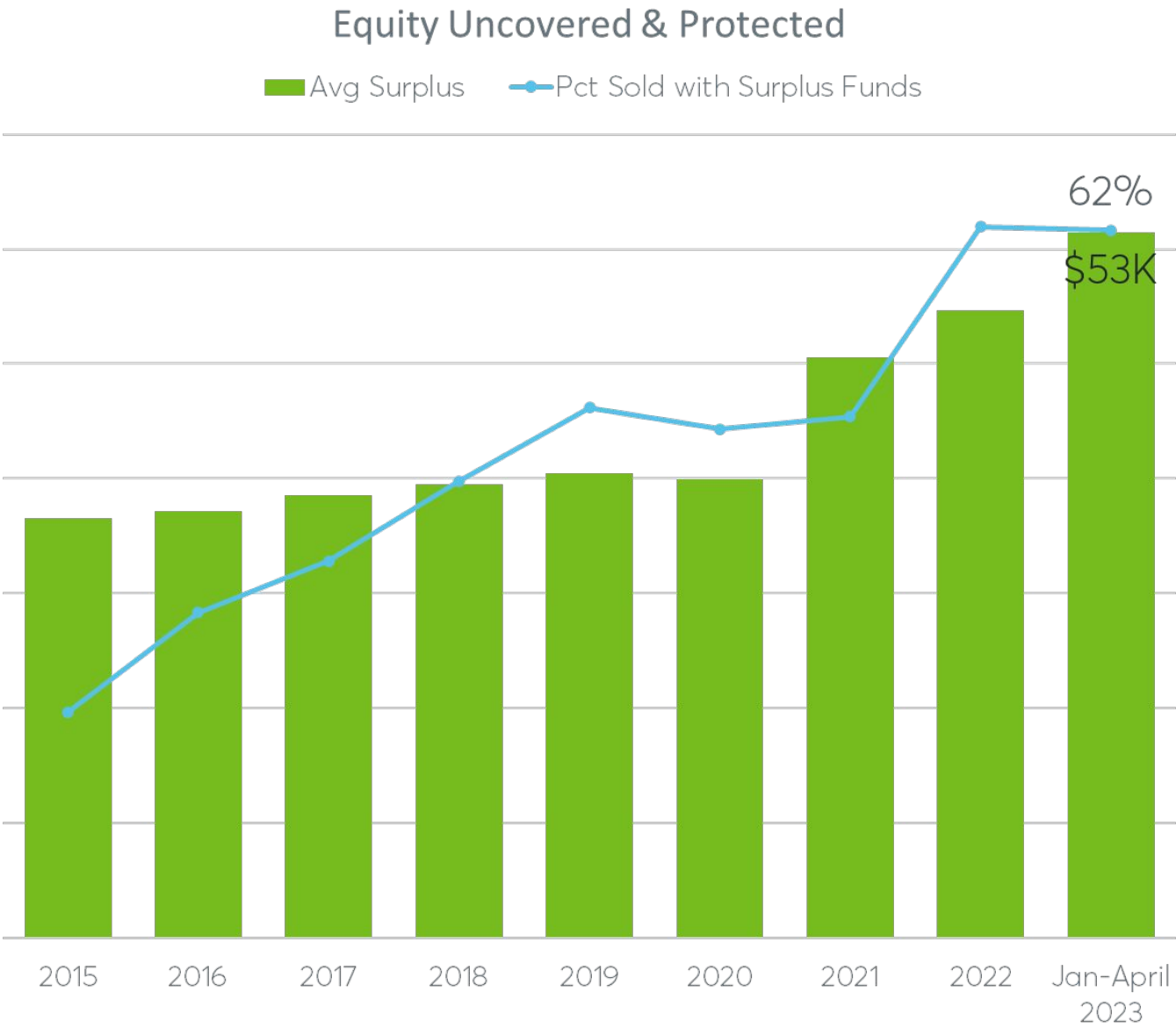
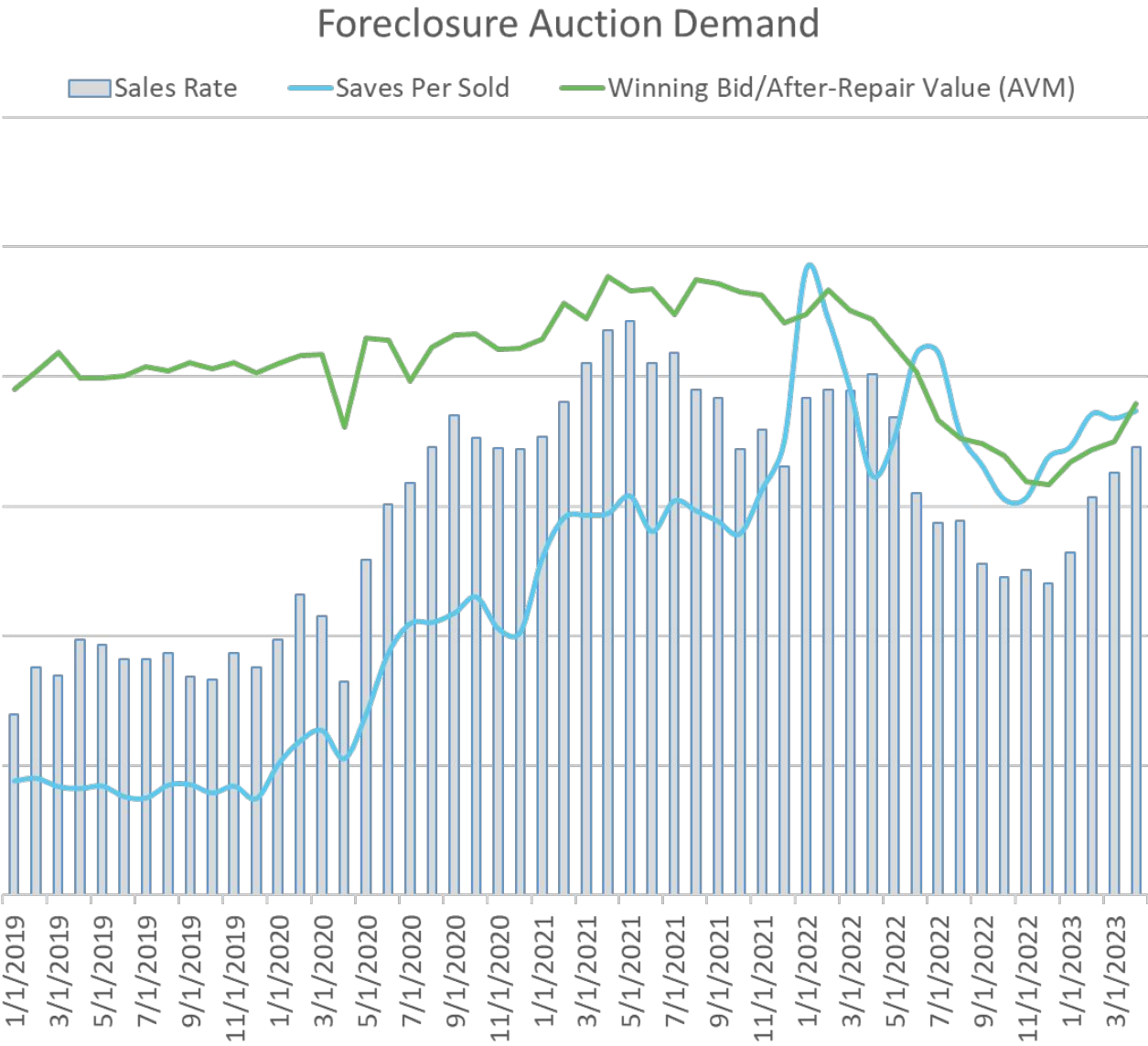


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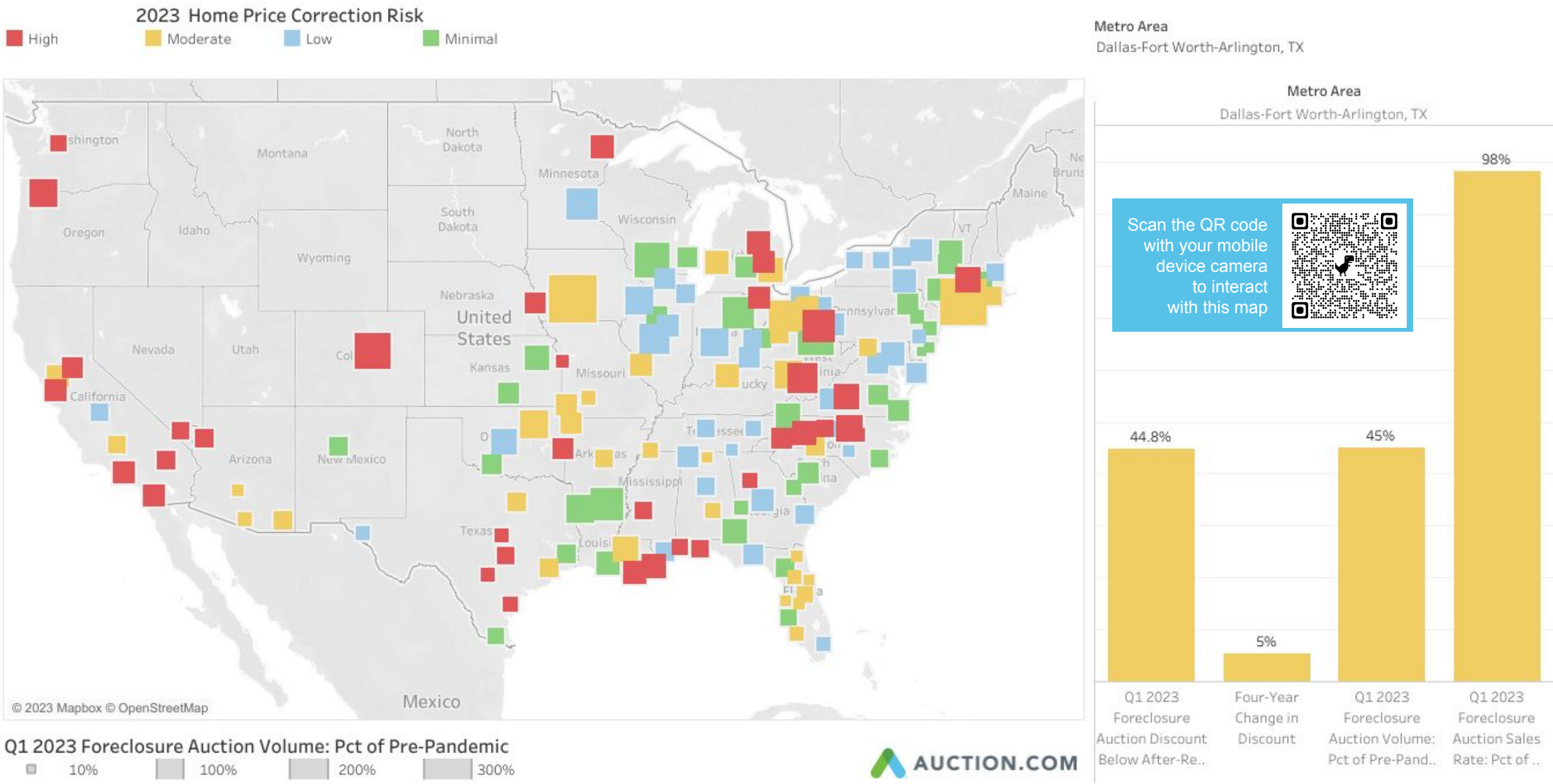




Foreclosure auction demand rebounding



Home Price Correction Risk by Market Based on Foreclosure Auction Bidding Behavior



Metro Area
Dallas-Fort Worth-Arlington, TX

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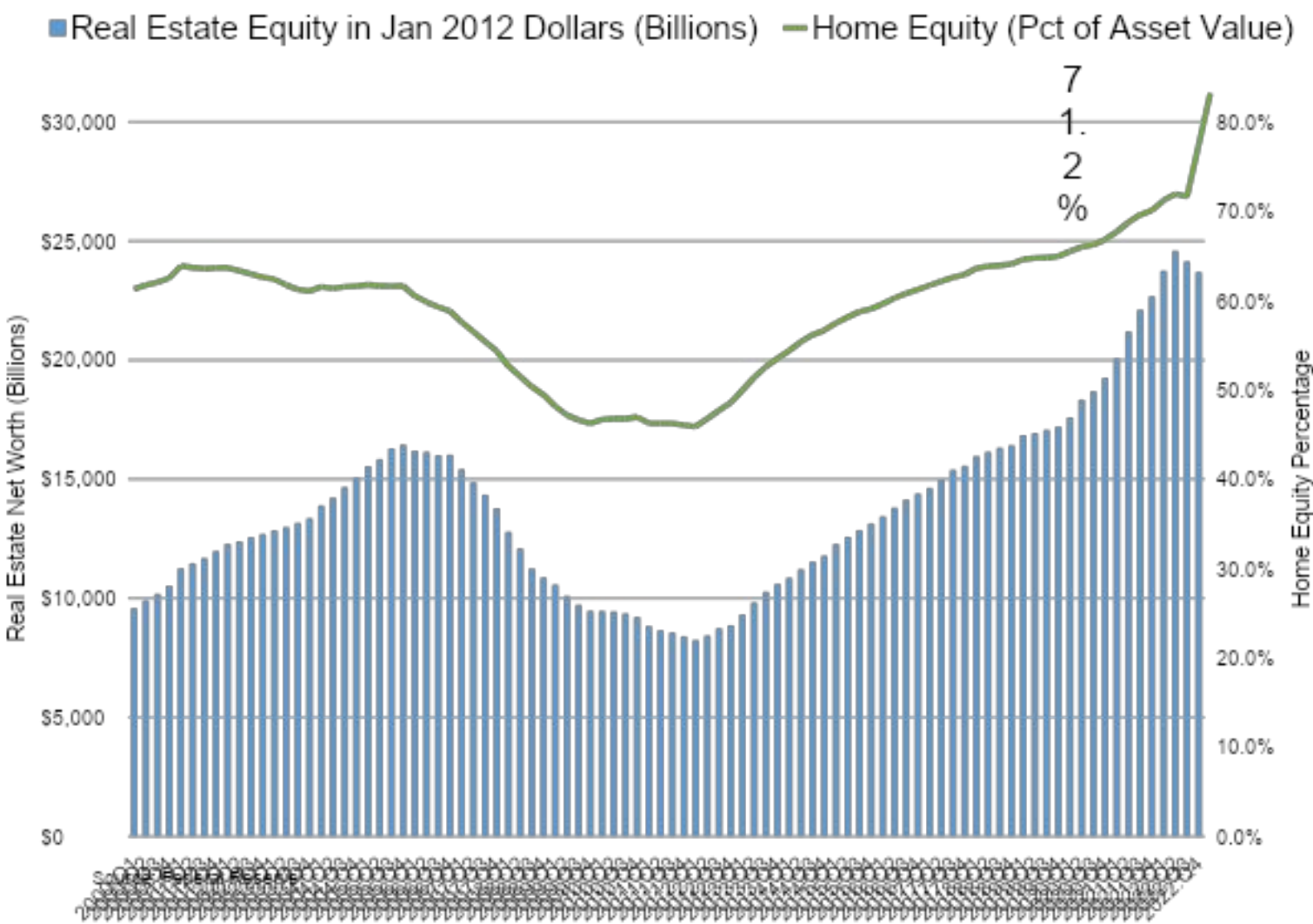
Q1 2023 Foreclosure Auction Volume: Pct of Pre-Pandemic

■ 10% ■ 100% ■ 200% ■ 300%



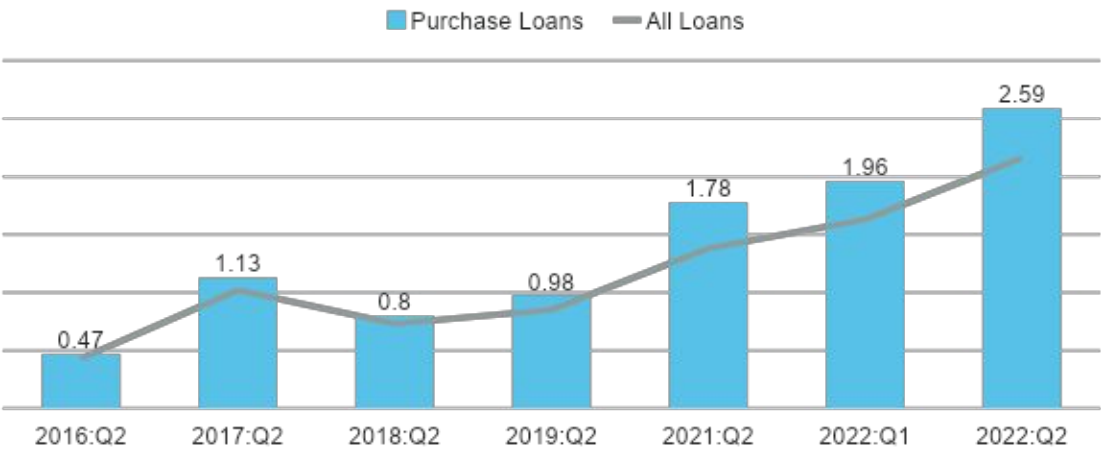
Home equity levels have started to recede, revealing distress under surface

- Home equity fell on a QoQ basis for the second straight quarter in Q4 2022 (still up YoY by single digits) after 40 straight quarters of increases
- Early payment delinquency rate of FHA purchase loans originated in Q2 2022 was 46% higher than a year ago and more than 2.5 times Q2 2019 level
- 60% of FHA loans originated in 2022 are underwater or have marginal equity (less than 10 percent equity)

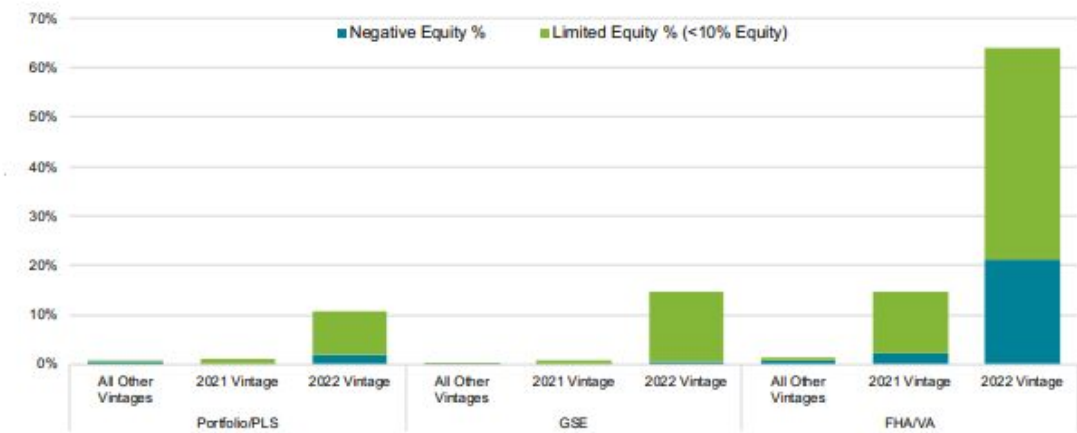


Sources: New York Federal Reserve, ATTOM

FHA Early Payment Default Rates



SHARE OF MORTGAGED HOMES IN LIMITED AND NEGATIVE EQUITY POSITIONS AS OF SEPTEMBER 2022 (BY INVESTOR AND ORIGINATION YEAR)

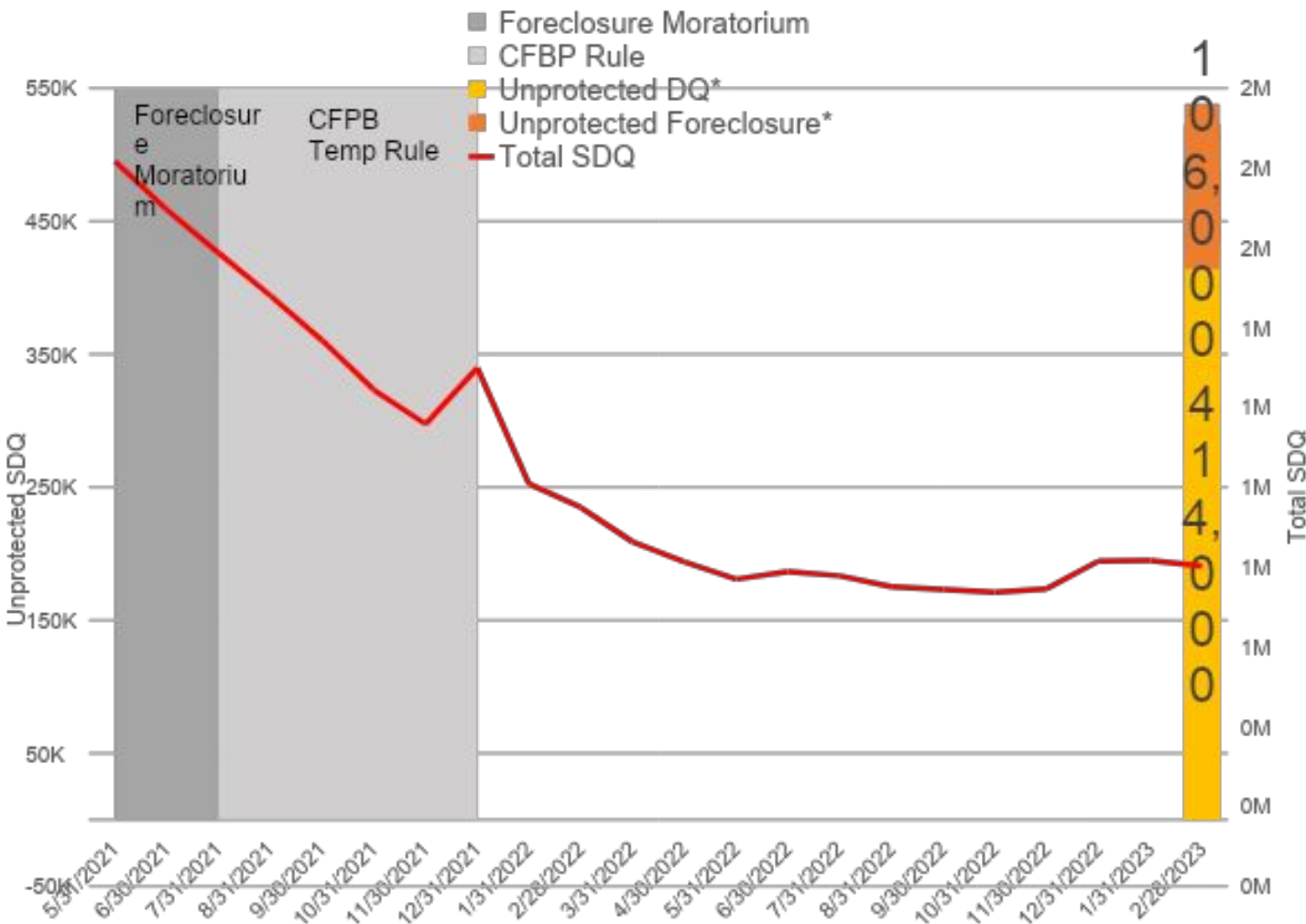


Source: Black Knight, McDash Property Module

Shadow supply in distressed market: pandemic-deferred distress

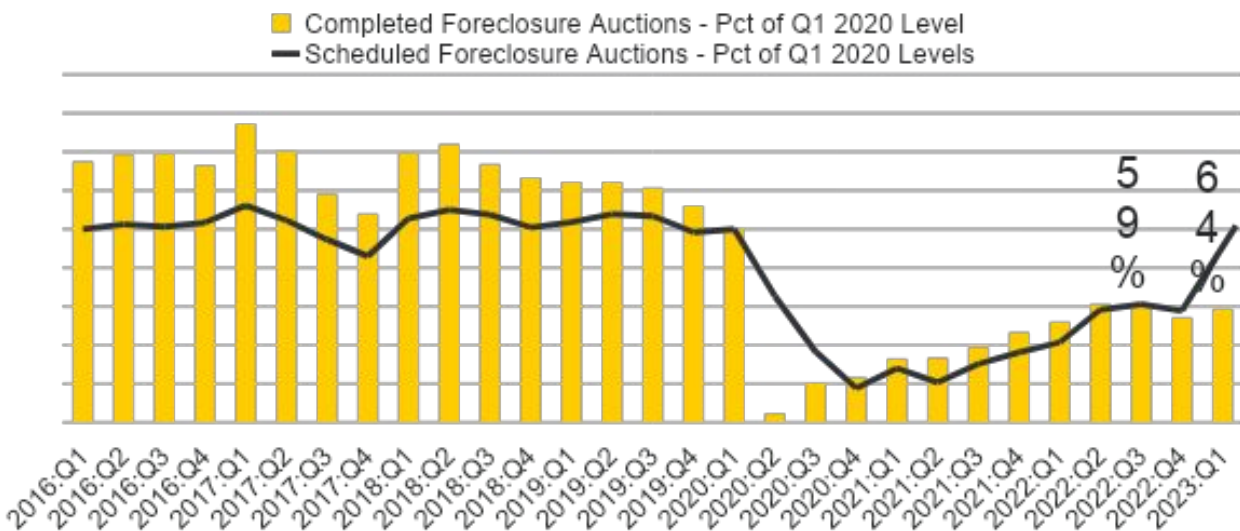
- 520,000 unprotected delinquent mortgages (DQ or in foreclosure but not in forbearance or loss mitigation)
- Slowing rising tide of foreclosure volume indicates this shadow supply is gradually coming into the light

Unprotected DQ Inventory

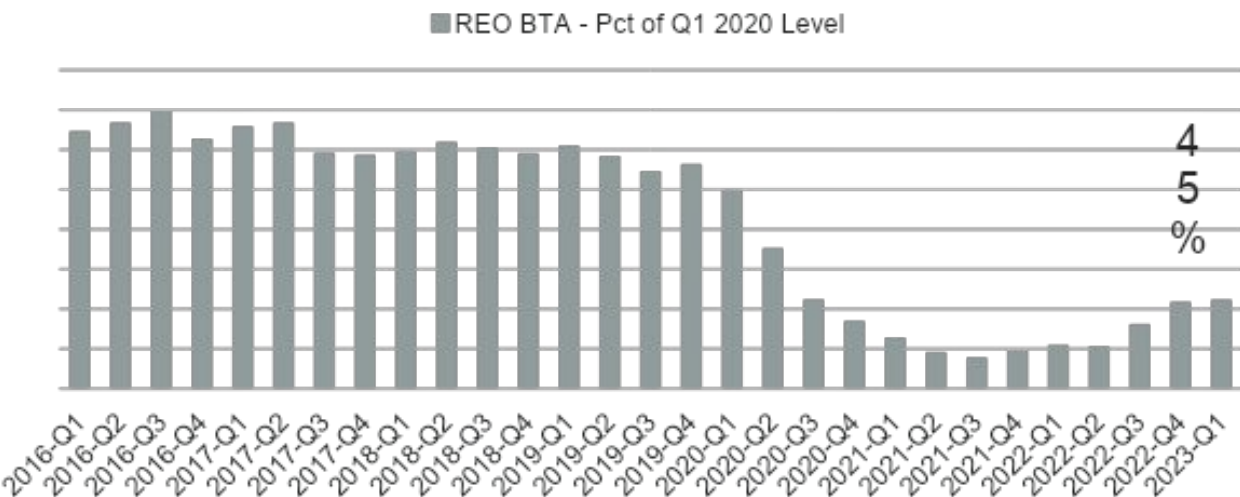


oes: Black Knight, Auction.com

Foreclosure Auction Volume



REO Auction Volume

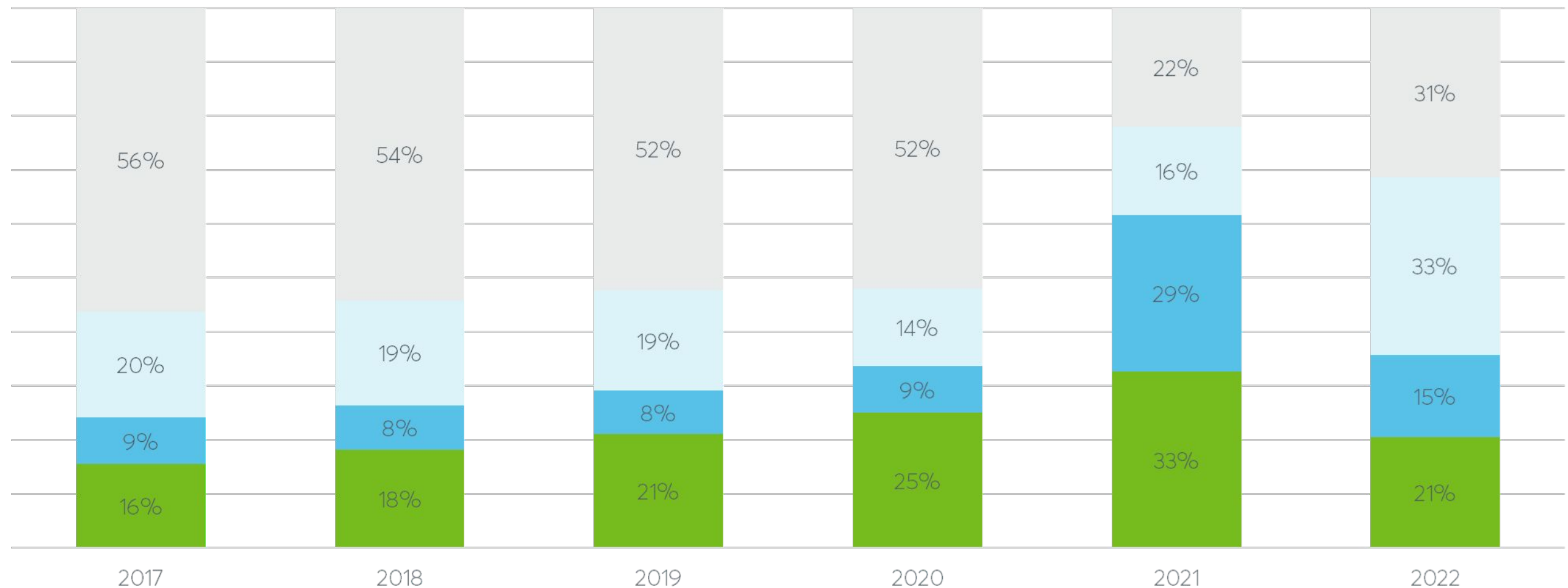


Supply: Shifting distressed disposition mix

- Shift toward pre-foreclosure sales during foreclosure moratorium
- Shifted back to foreclosure and REO sales in 2022, but REO still well below pre-pandemic levels

Total Market Disposition Mix

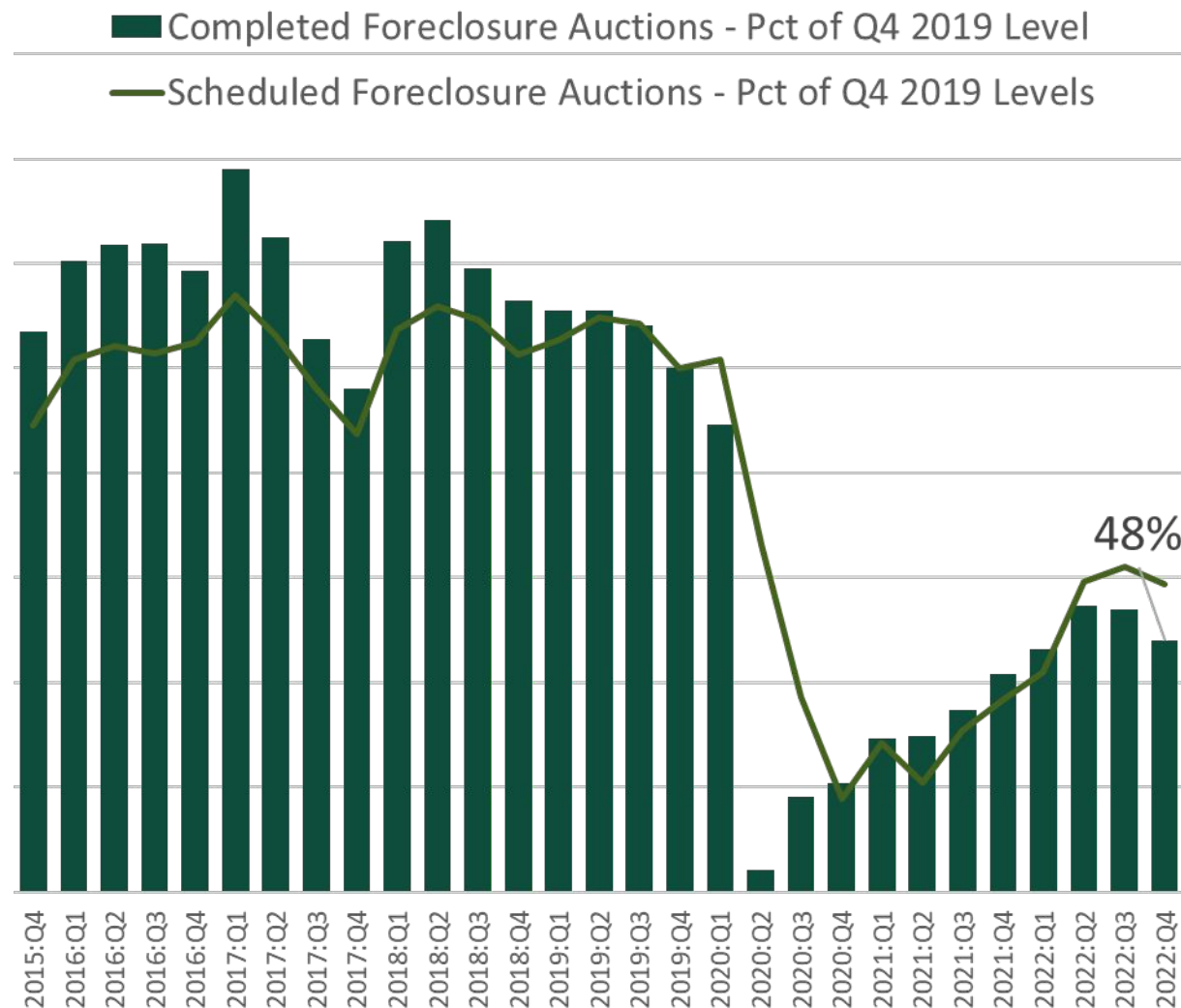
■ Pre-FCL Equity ■ Pre-FCL Short Sales ■ Foreclosure Sales ■ REO Sales



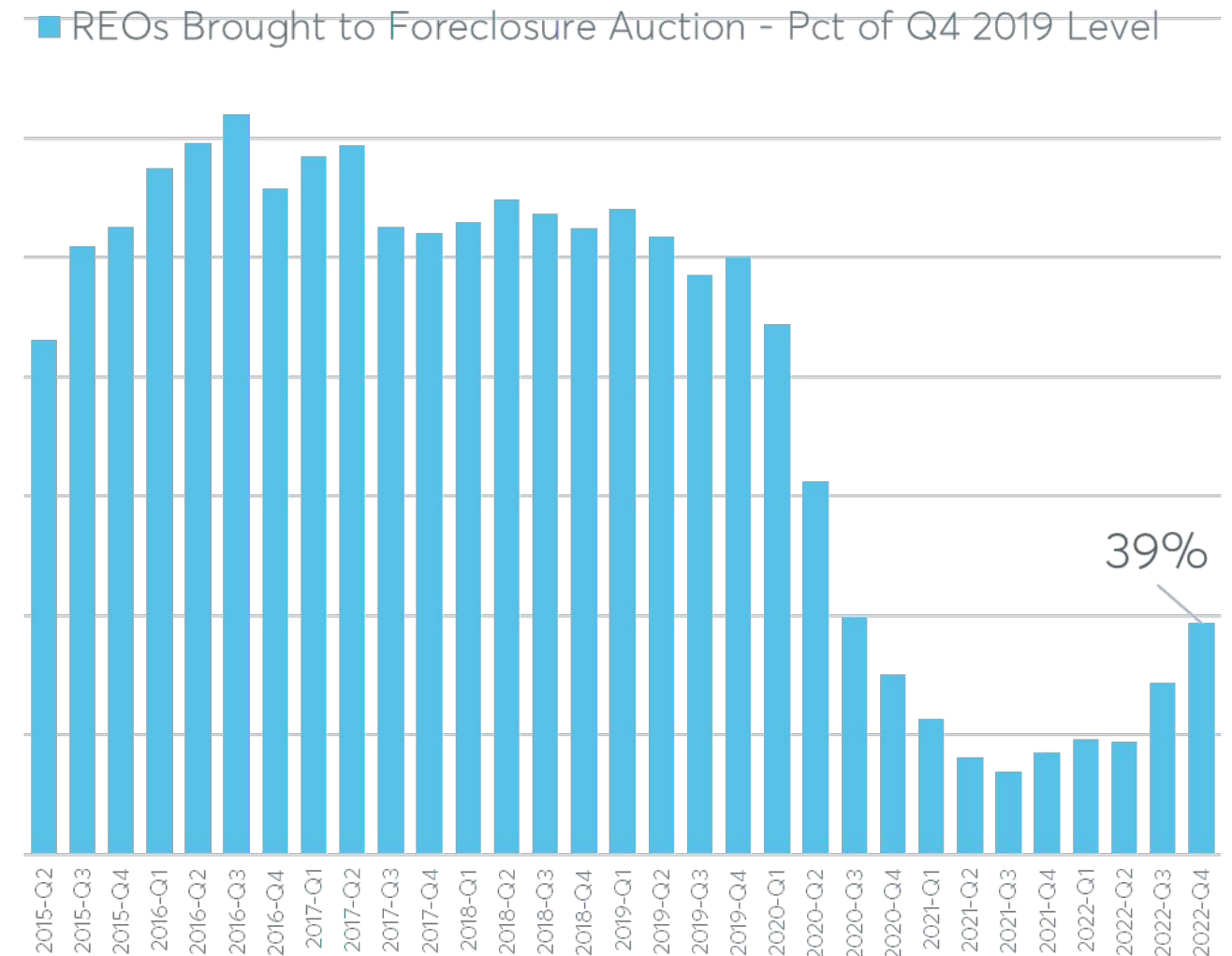
Supply: foreclosure sales plateau, REO sales still rising

- Foreclosure auction volume slowly rising but still below 50 percent of pre-pandemic levels
- REO volume only at 39 percent of pre-pandemic levels (partly as function of high foreclosure sales rate)

Foreclosure Supply

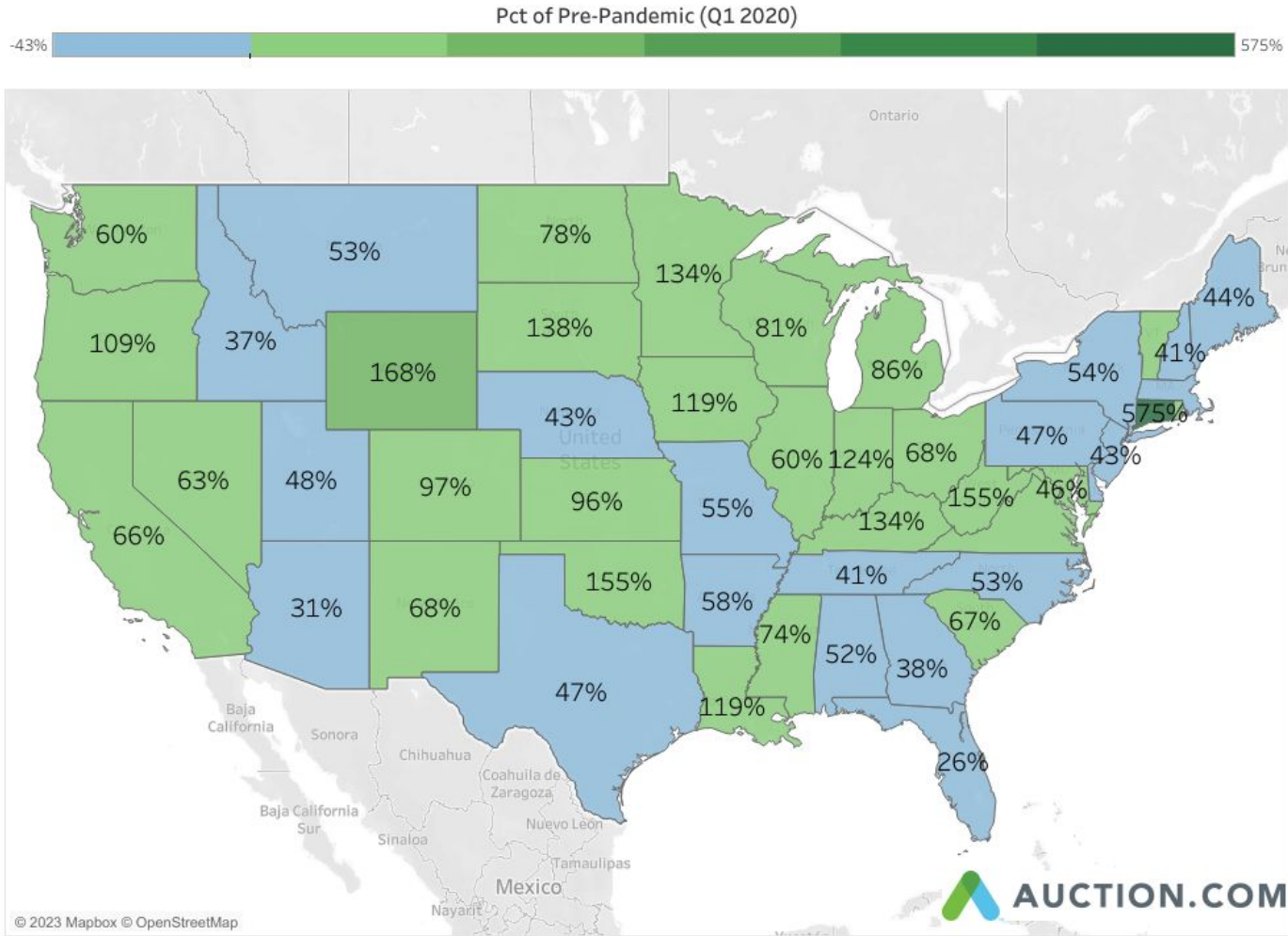


REO Supply

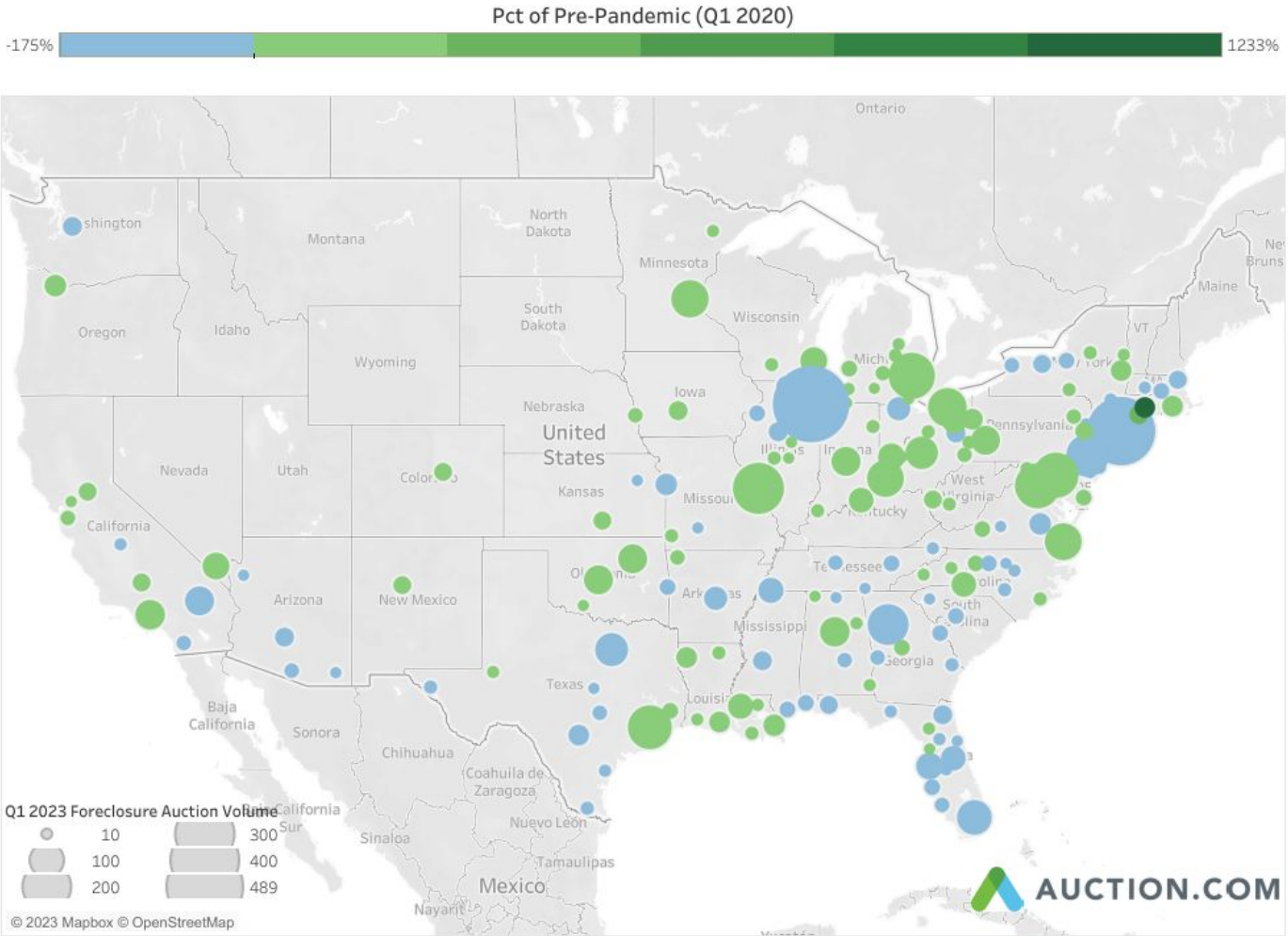


Markets where foreclosure volume is returning the fastest

Q1 2023 Foreclosure Auction Volume by State



Q1 2023 Foreclosure Auction Volume by Metro



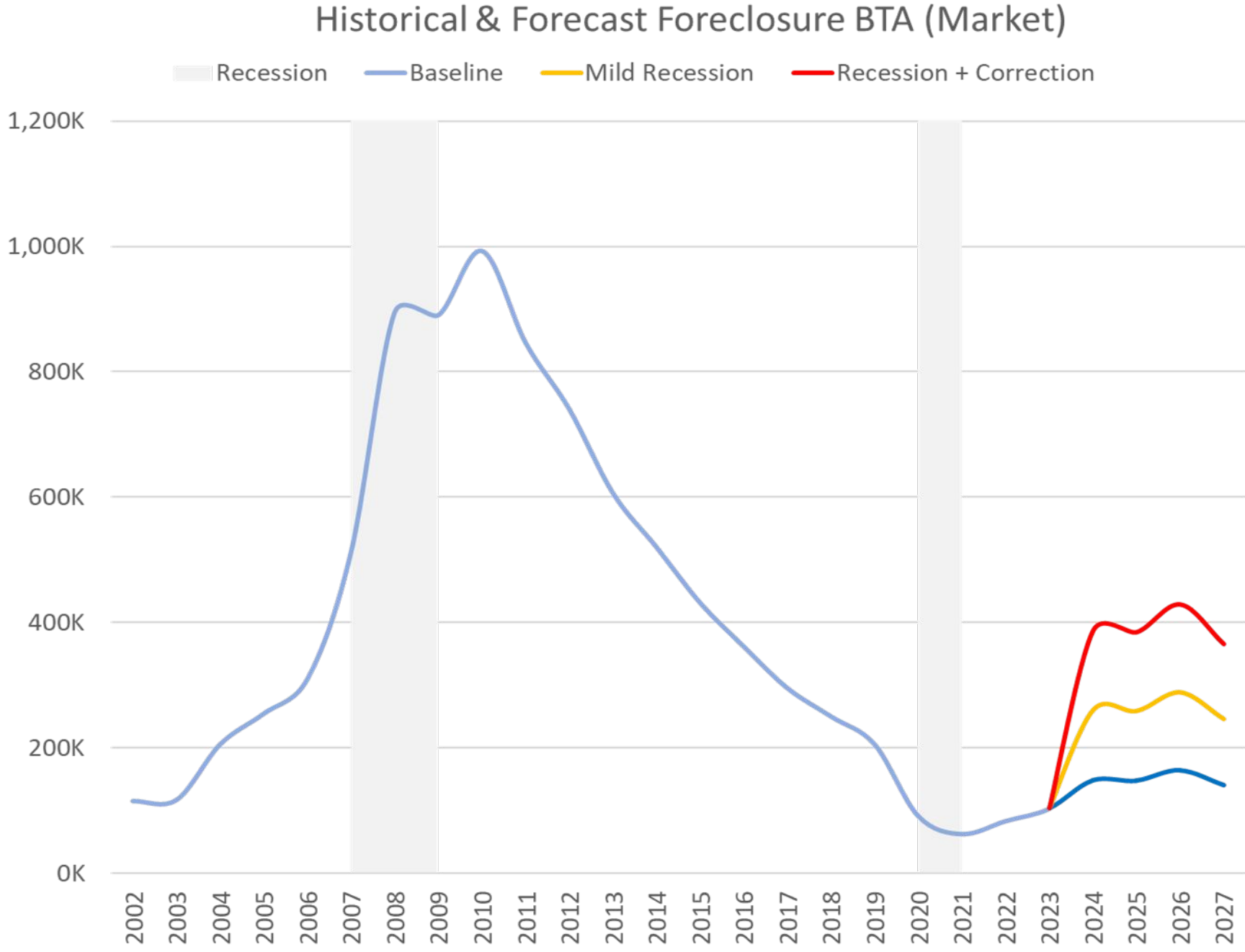
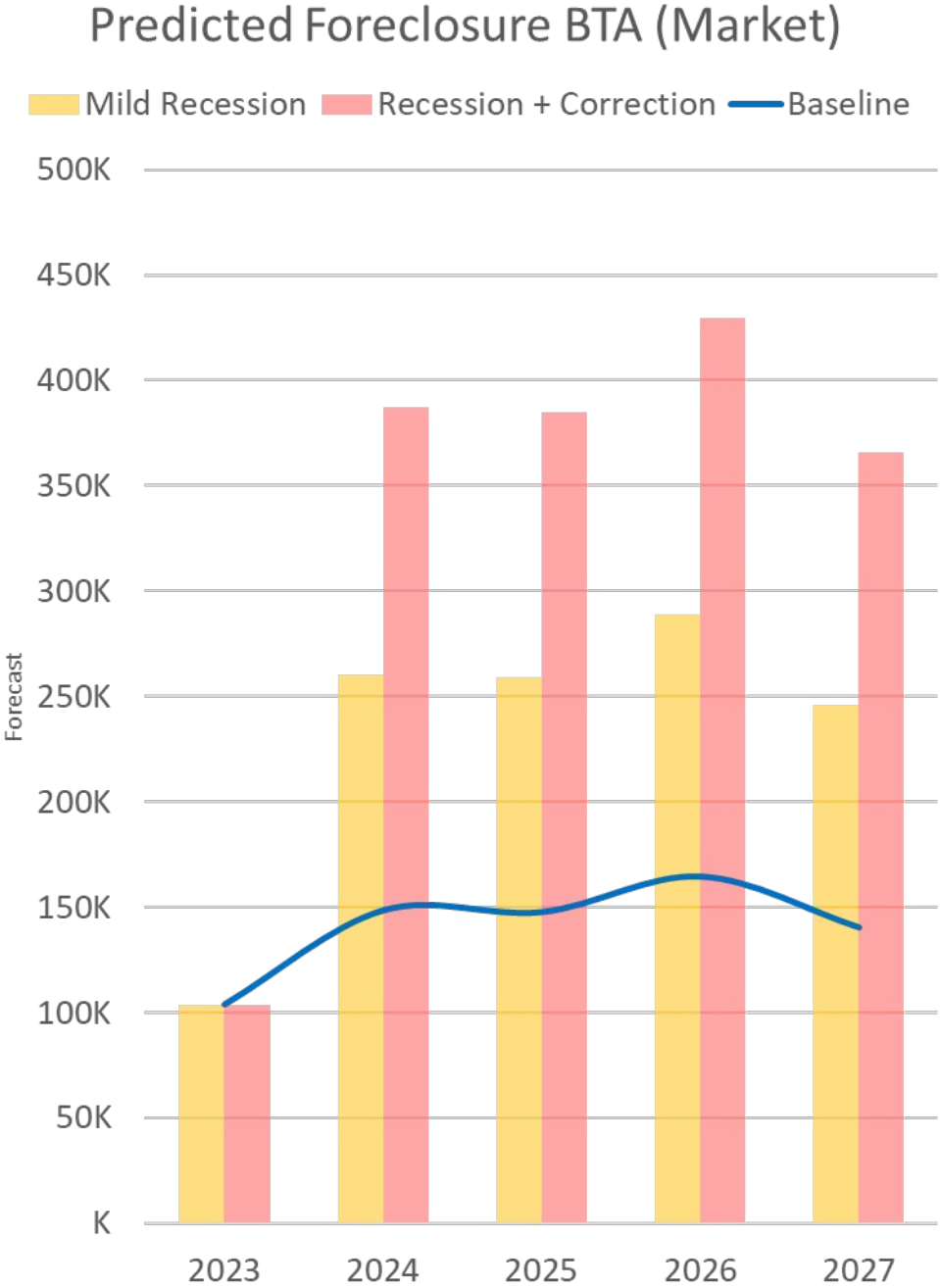
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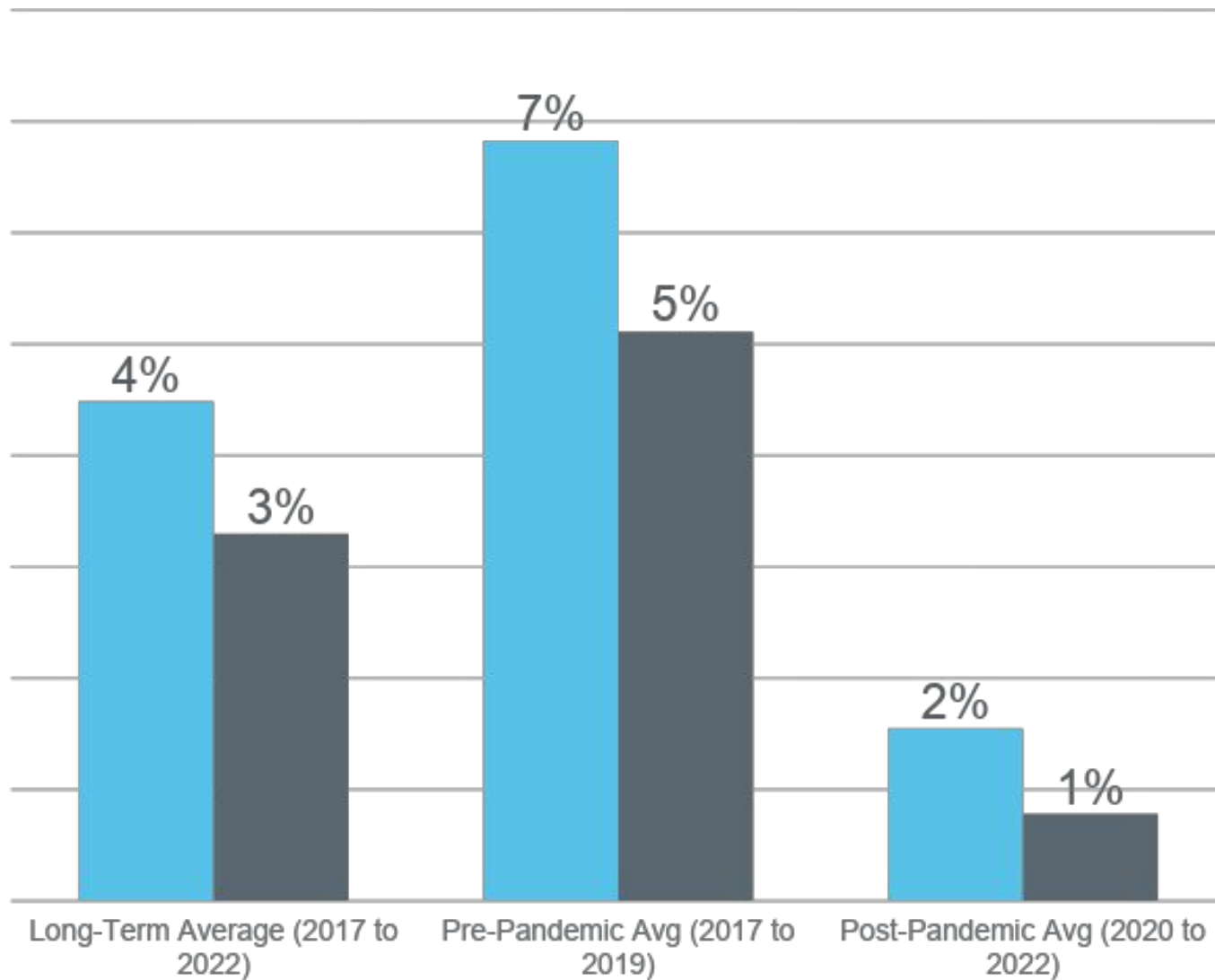
Long-Range Forecast: Three Scenarios



Sources: Auction.com

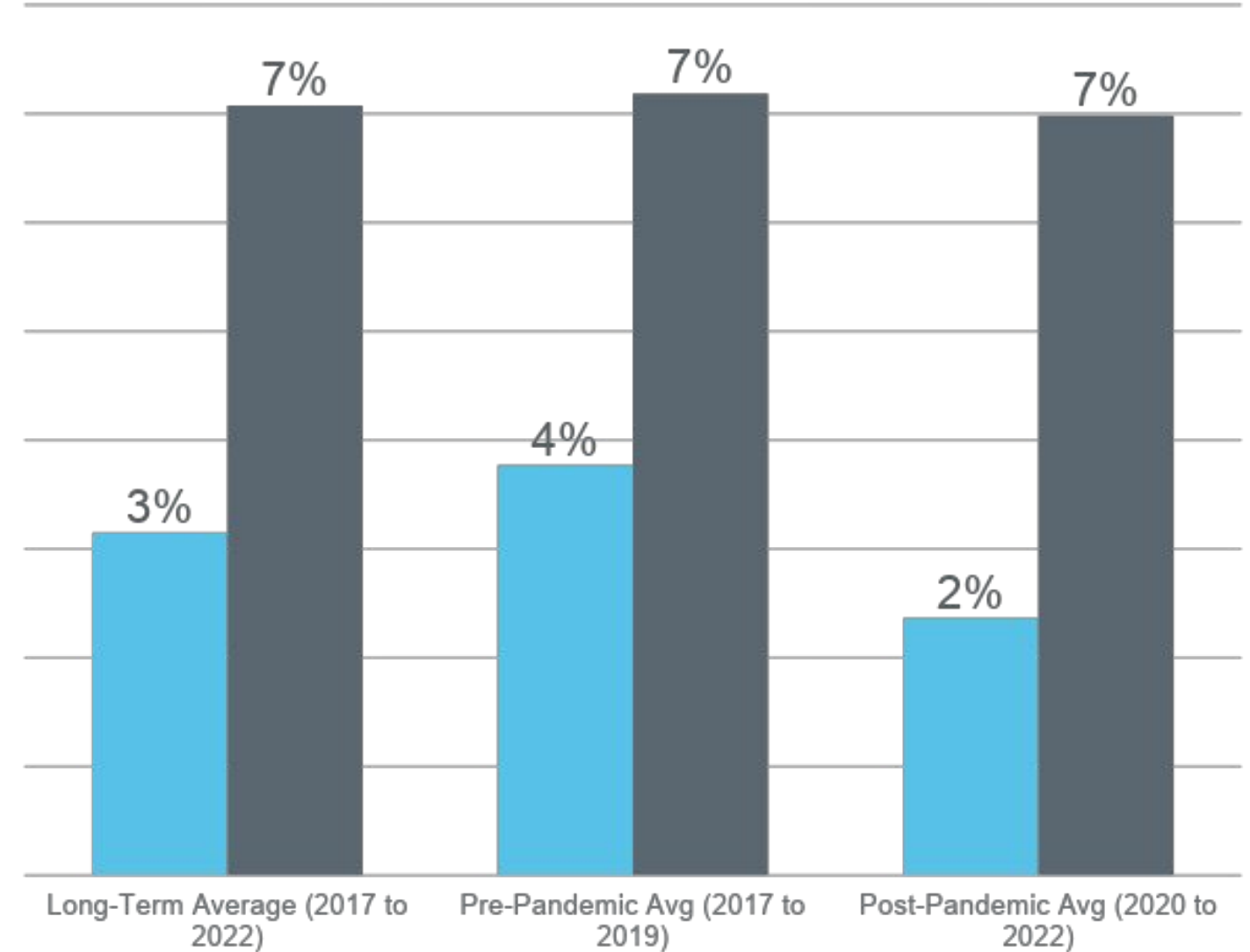
Monthly Roll Rates: 90-Day DQ to FCL Start

■ Total Market ■ FHA



Monthly Roll Rates: FCL Inventory to Auction

■ Total Market ■ FHA





AUCTION.COM

Buyer Insights

DISPOSITION SUMMIT 2023



Buyer Profile

“Just purchased my first one ... Making improvements quickly to benefit value of neighborhood.”

-Kathy, New York



Most Buyers Are Main Street, Not Wall Street

94% of buyers purchased 10 or fewer properties in 2022

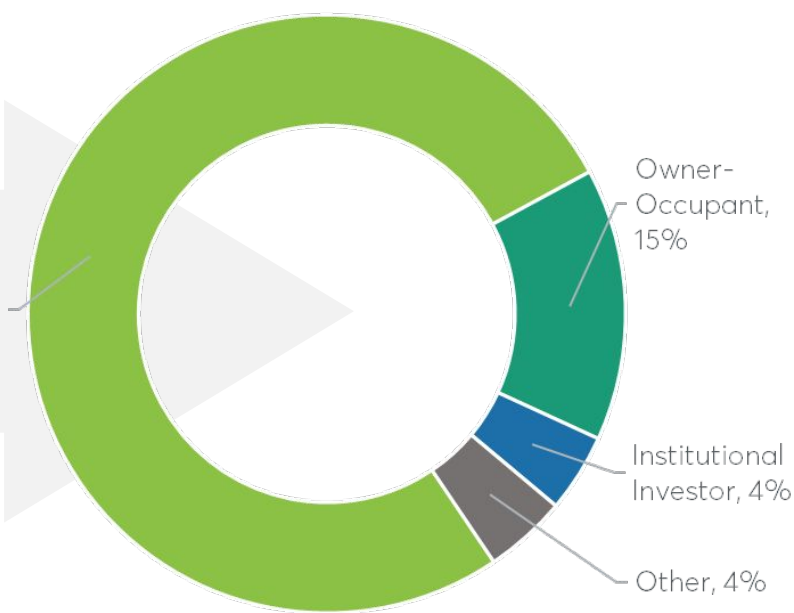
15 miles median distance between buyers and properties purchased in 2022

77% of buyers describe themselves as local community developers

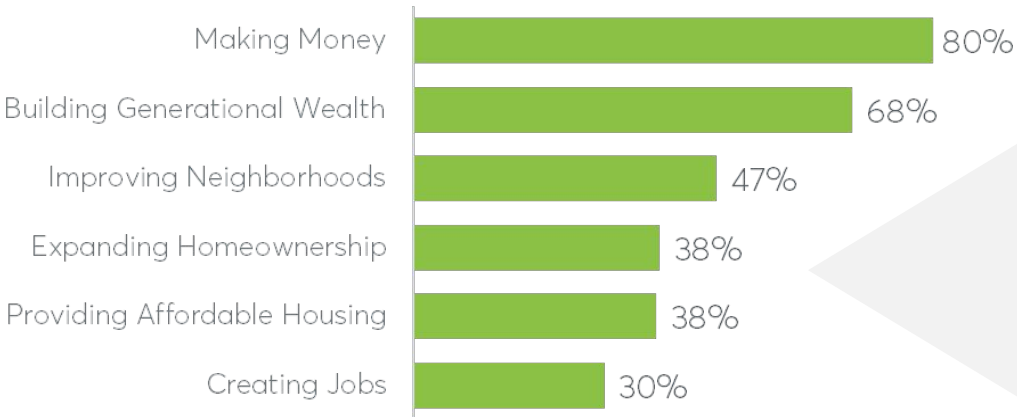
89% rank a neighborhood-stabilizing outcome as one of their top three motivations for buying and renovating distressed properties

Auction.com buyers describe themselves as:

Local Community Developer (Individual Investor), 77%



Pct of Buyers Ranking as a Top-3 Motivation



Top motivations for buying and renovating distressed homes:

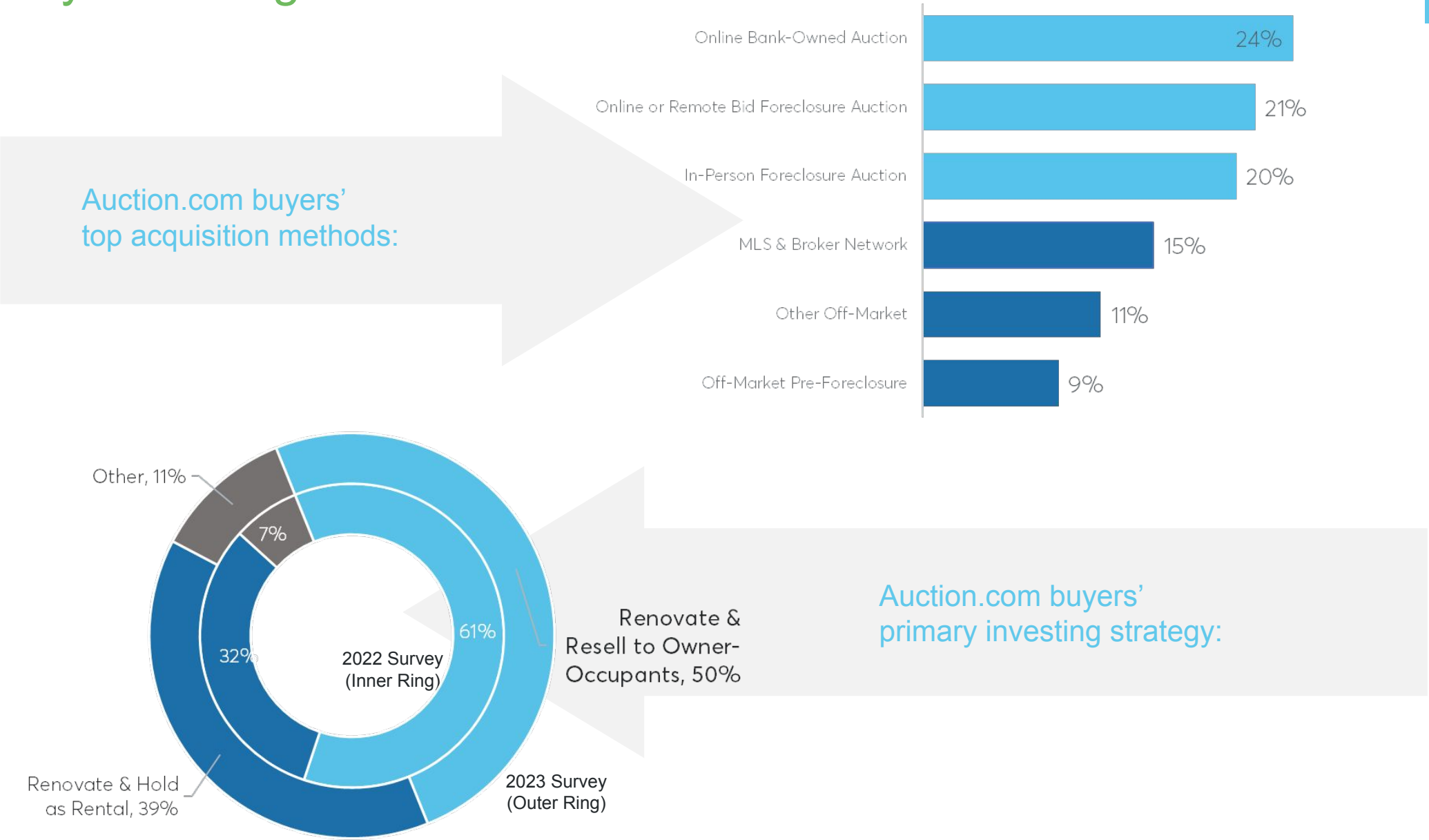


“The online bidding experience was a simple and safe process and I highly recommend Auction.com to other buyers.”

- Jennifer, Wisconsin



Buyer Strategies



Buyers Employ Safe & Responsible Strategies

65% of buyers ranked auctions as top purchase method

50% of buyers renovate and resell to owner-occupants as primary investing strategy

39% renovate and rent as primary investing strategy

88% spend more than \$10,000 on renovations

9 in 10 local community developers who buy occupied properties offer a graceful exit to current occupants



Buyer Outlook

“Right now we’re very, very bullish, but cautiously bullish, too, because I don’t know what events are going to come in that could throw a monkey wrench into my plans. ... If they aggressively drop it (price), I’m going to be aggressively buying, that’s for sure.”

Paul, Florida

Auction.com buyers’ outlook for home prices in 2023:



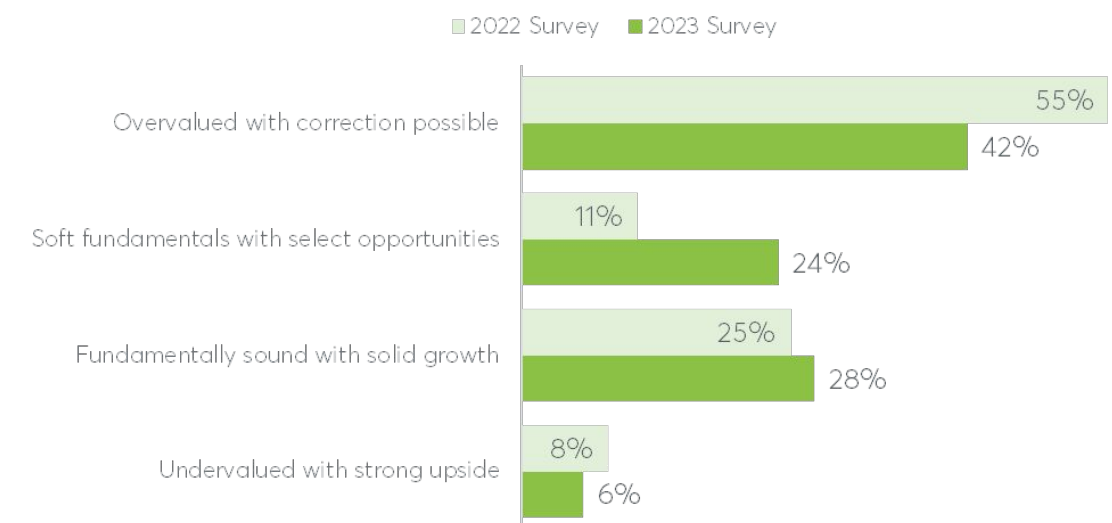
Buyers Cautiously Bullish for 2023

32% of buyers expect declining home prices in 2023

16% of buyers expect declining rents in 2023

42% of buyers describe their market as overvalued with correction possible

87% expect their property acquisitions to increase or remain the same in 2023



How Auction.com buyers describe their local housing markets:

THANK YOU

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