

# Q4



**AUCTION.COM**  
MARKET RESEARCH & ANALYSIS

## 2021 Foreclosure Market Outlook

- Executive Summary
- Foreclosure Supply
- Foreclosure Demand
- Foreclosure Pricing
- Foreclosure Outlook
- Neighborhood Outcomes

# A Gradually Rising Tide of Foreclosure Volume as Pandemic Protections Phase Out

- Foreclosure auction volume rises to new pandemic high in Q3 2021, still 68 percent below pre-pandemic levels
- Forward-looking foreclosure inflow increases to pandemic high, signaling continued increases in Q4 and early 2022
- Foreclosure auction prices up 42 percent from year ago, driven by strong distressed property demand

Irvine, Calif. — Nov. 2, 2021— Auction.com, the nation’s leading distressed real estate marketplace, today released its Q4 2021 Foreclosure Market Outlook, which shows foreclosure volume rising to a new pandemic high in the third quarter as foreclosure protections began to fade. Despite the increase, foreclosure volume in the third quarter was still 68 percent below pre-pandemic levels. Using proprietary data from the Auction.com marketplace – which accounts for close to 50 percent of all third-party foreclosure sales nationwide – the report analyzed trends in foreclosure supply, demand, and pricing along with post-foreclosure neighborhood outcomes, including the impact of foreclosure sales on owner-occupancy rates, property values, and affordable housing supply.

## Neighborhood outcomes high-level findings:

- 80 percent of foreclosure buyers are local, purchasing within 100 miles of their homes.
- 47 percent of foreclosure sales generated surplus funds that can be distributed back to distressed homeowners.
- 71 percent of renovated foreclosures are resold to owner-occupants.
- Renovated foreclosure resales increase property values by 55 percent on average.
- Renovated foreclosures resell at an average price point that is 26 percent below all retail home sales, providing affordable inventory to local owner-occupant buyers.

## Other high-level findings from the report:

- States with high foreclosure volume relative to pre-pandemic levels in the third quarter included Oklahoma, Indiana, Michigan, Mississippi, and Wisconsin.
- Remote Bid technology is expanding the demand radius for local foreclosure buyers by 49 miles on average by allowing them to bid on multiple foreclosure auctions occurring at the same time in different surrounding counties.



*“Over the past decade, Auction.com has proven that a transparent foreclosure marketplace produces optimal outcomes for both buyers and sellers of distressed properties. This report illustrates how the invisible hand of competition in such a marketplace also improves outcomes for distressed homeowners and neighborhoods.”*

*-- Jason Allnutt, CEO, Auction.com*

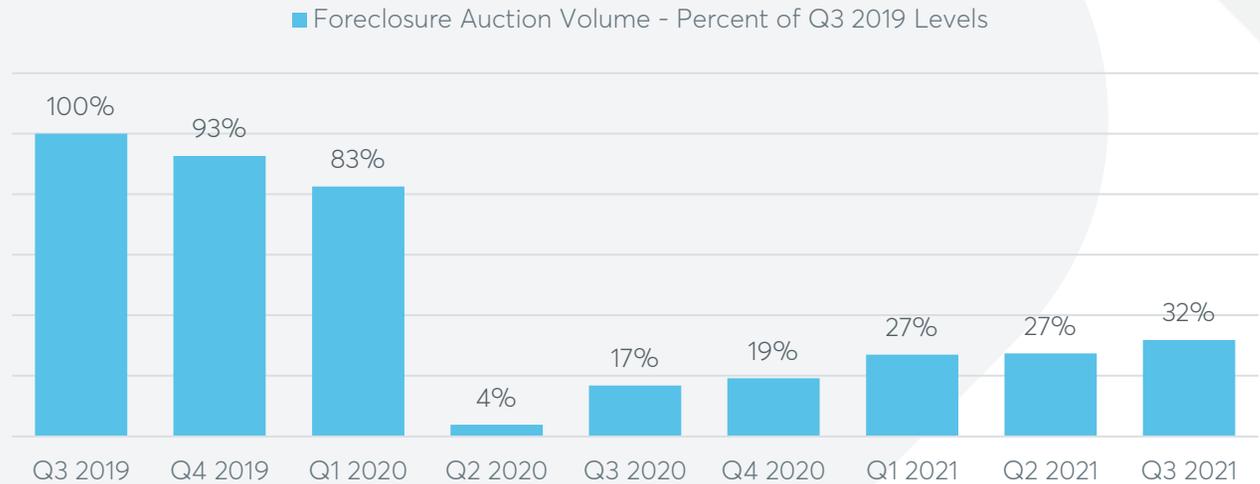
# Foreclosure Auction Volume Increases to New Pandemic High in Q3 2021

*Still 68 percent below pre-pandemic levels of Q3 2019*

The number of residential properties brought to foreclosure auction in the third quarter of 2021 increased 16 percent from the previous quarter and 89 percent from a year ago to a new pandemic high, according to data from the Auction.com marketplace.

Foreclosure volume in the third quarter was still just 32 percent of (or 68 percent below) the pre-pandemic level in Q3 2019 despite the expiration of the pandemic-triggered foreclosure moratorium on government-backed mortgages during the quarter.

## Gradually Rising Tide of Post-Moratorium Foreclosure Auction Volume



Many homeowners are still protected from foreclosure by mortgage forbearance and by a temporary rule implemented by the Consumer Financial Protection Bureau (CFPB). The CFPB rule is scheduled to expire at the end of the year.

States with high foreclosure volume relative to pre-pandemic levels in the third quarter included Oklahoma (97 percent of pre-pandemic level), Indiana (78 percent), Michigan (60 percent), Mississippi (46 percent), and Wisconsin (41 percent).



*"The tsunami of foreclosures many feared in the early days of the pandemic has not materialized thanks in large part to the swift and decisive foreclosure protections put in place by government policymakers and the mortgage servicing industry. While many of those protections are still in place, foreclosure volume is gradually rising as some slowly phase out."*

-- Ali Haralson, President, Auction.com

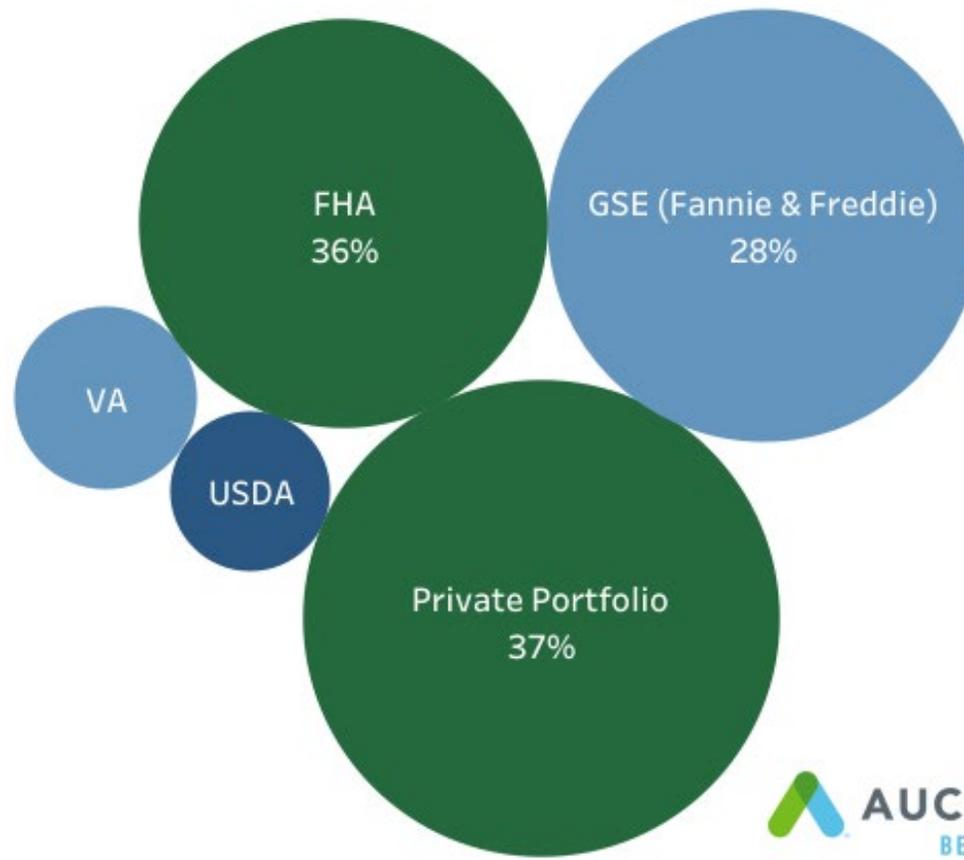


## Q3 2021 Foreclosure Auction Volume by Loan Type

Q3 2021 Completed Foreclosure Auctions -- Percent of Pre-Pandemic (Q3 2019) Levels



24% 37%



 To view interactive visual, [click here](#)

# Foreclosure Sales Rate Remains Elevated Despite Pullback in Q3

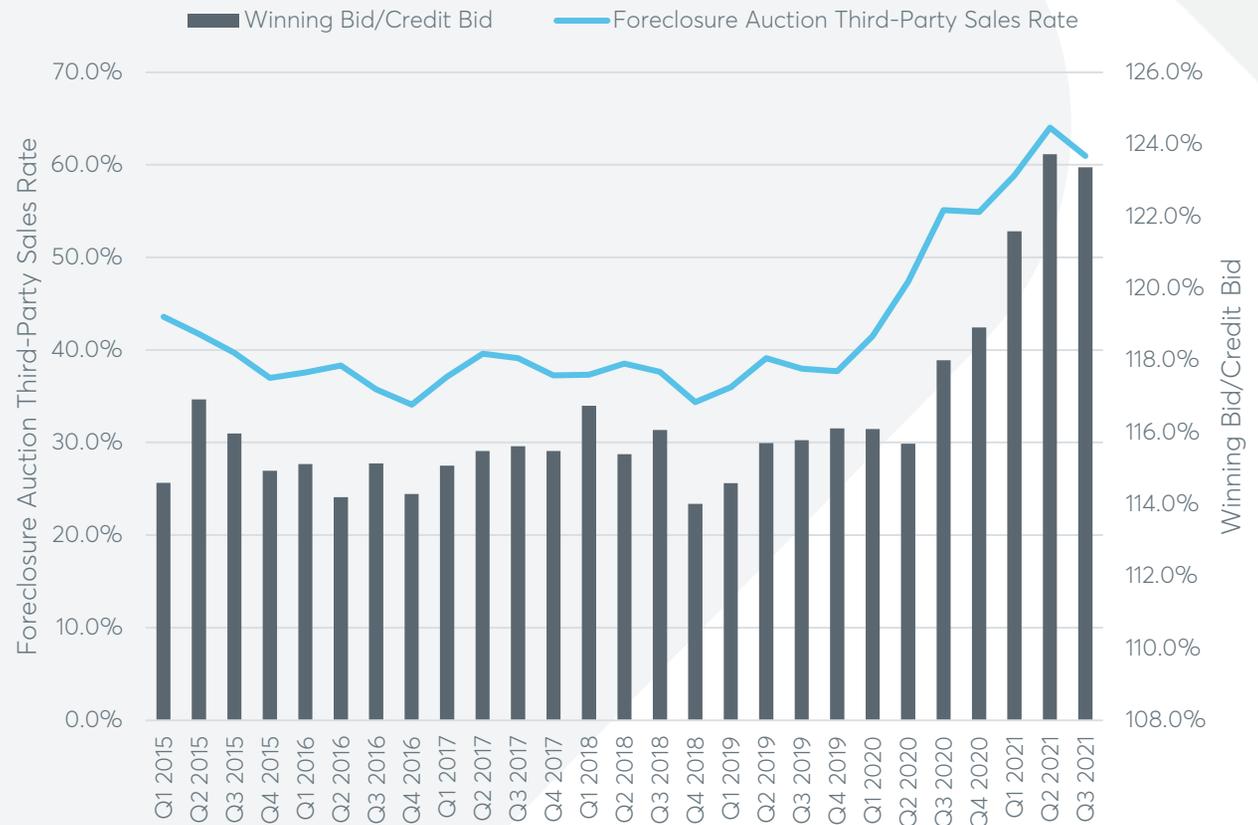
*More than 60 percent of foreclosure auctions selling to third-party buyers*

The foreclosure sales rate — percentage of all properties brought to foreclosure auction that sold to third-party buyers — was 61.0 percent in the third quarter of 2021, down from a pandemic high of 64.0 percent in the second quarter.

Despite a slight decrease, the Q3 foreclosure sales rate — a key indicator of demand at the foreclosure auction — was well above both year-ago levels (55.1 percent) and pre-pandemic levels (38.0 percent in Q3 2019).

States with the highest foreclosure sales rates in Q3 2021 were Idaho (100 percent), Arizona (83.1 percent), California (80.8 percent), Texas (80.1 percent), Georgia (76.7

Foreclosure Demand Surging



percent), and Delaware (76.0 percent).

Foreclosure sale price execution relative to the foreclosing lender’s credit bid — another key indicator of demand — was at 123.4 percent in Q3 2021, down slightly from 123.7 percent in the previous quarter but still up from a year ago (118.0 percent) and up from the pre-pandemic level of 115.8 percent in Q3 2019.

“More local buyers are doing what we’re doing. They’re showing up at the auction or they are bidding on Auction.com.”

– Will Wenzel, foreclosure buyer purchasing in Connecticut

# Remote Bid Expanding Demand Radius for Foreclosures

*Property purchase radius increased 49 miles in top five Remote Bid states*

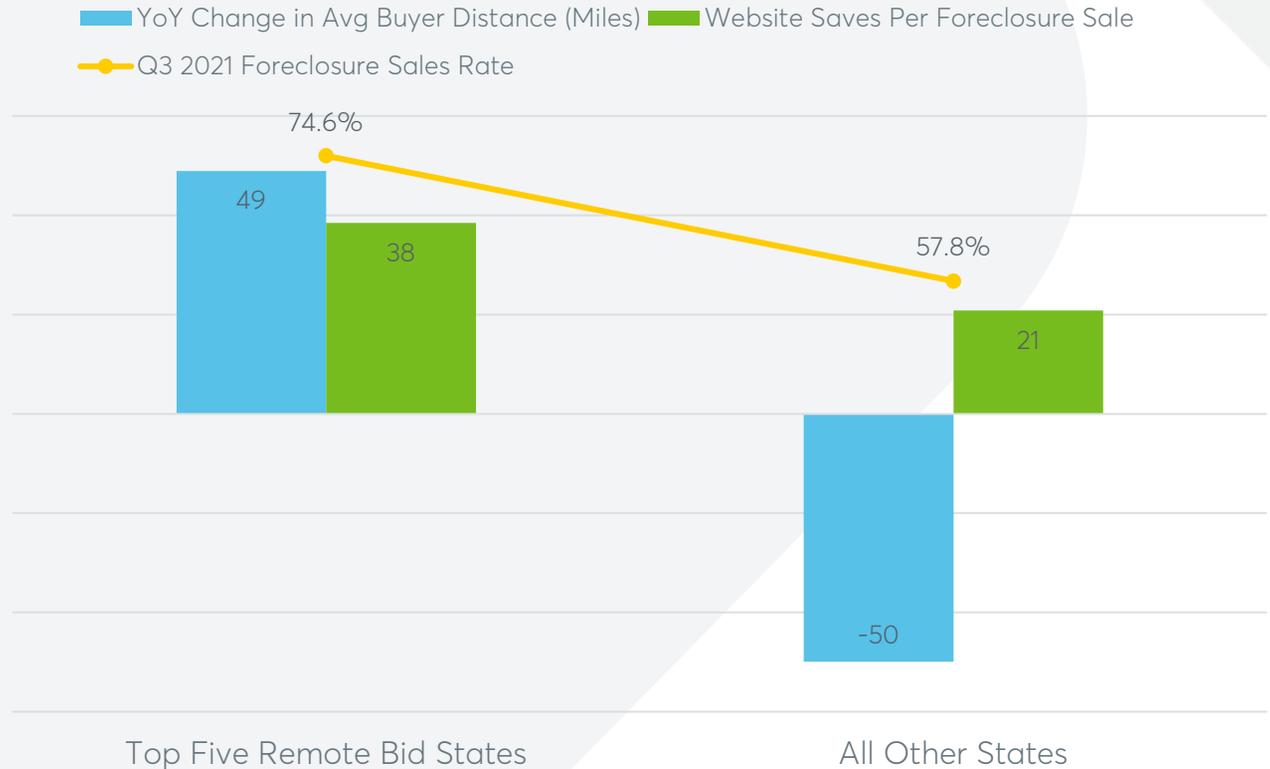
*Top five states outperforming in sales rate, website saves*

Remote bidding technology for foreclosure sales is allowing local buyers to expand their purchase radius, according to an analysis of data from the Remote Bid feature on the Auction.com mobile app.

The Remote Bid feature, which was launched in late 2020 and is now available in nearly 1,000 counties nationwide, allows prospective buyers to bid in real time on live foreclosure auctions on the mobile app. Traditionally buyers would need to attend foreclosure auctions in person to bid.

The technology is particularly helpful in states like Texas and Georgia, where all

## Remote Bid Driving Stronger Demand with More Potential Buyers



foreclosure auctions statewide are on the first Tuesday of the month.

In states with the most Remote Bidders so far in 2021 — Georgia, Texas, Alabama, California, and Tennessee — the average distance between properties purchased at foreclosure auction and the buyer’s home has increased by 49 miles compared to 2020.

### SHARE OF GEORGIA FORECLOSURE SALES WITH REMOTE BIDDERS

Month	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021
Share (%)	6.5%	18.0%	23.7%	46.8%	43.7%	54.3%

Source: Auction.com

To learn more about how Remote Bid helps local buyers, [click here](#)

# Most Foreclosure Buyers Still Purchase Within Driving Distance

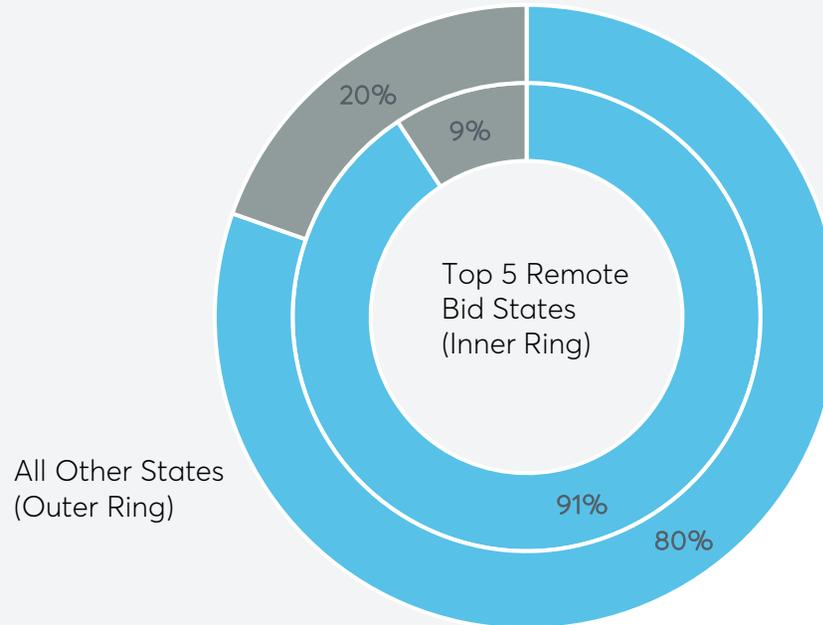
*80 percent of foreclosures purchased within 100 miles of buyer's home*

Although Remote Bid is helping buyers expand their foreclosure purchase radius, most buyers are still staying within driving distance. Nationwide, 80 percent of properties sold at foreclosure sale so far in 2021 were within 100 miles of the buyer's home. In the top five Remote Bid states, 83 percent of purchases were within 100 miles of the buyer's home.

And while the share of out-of-county buyers in those five states has increased to a new high of 53 percent so far in 2021, only 9 percent of foreclosure purchases in those five states were by out-of-state buyers for all foreclosure sales nationwide.

Foreclosure Buyers Staying Local

■ In-State Buyers ■ Out-of-State Buyers



"I'll buy anywhere I can drive to," said Steve R. Johnson, a Chattanooga, Tennessee, buyer who purchased two properties across the state line in Georgia in March 2021 via Remote Bid.

"Remote Bid allows me to bid on many properties in many different locations at the same time."

– Steve R. Johnson, foreclosure buyer purchasing in Tennessee and Georgia

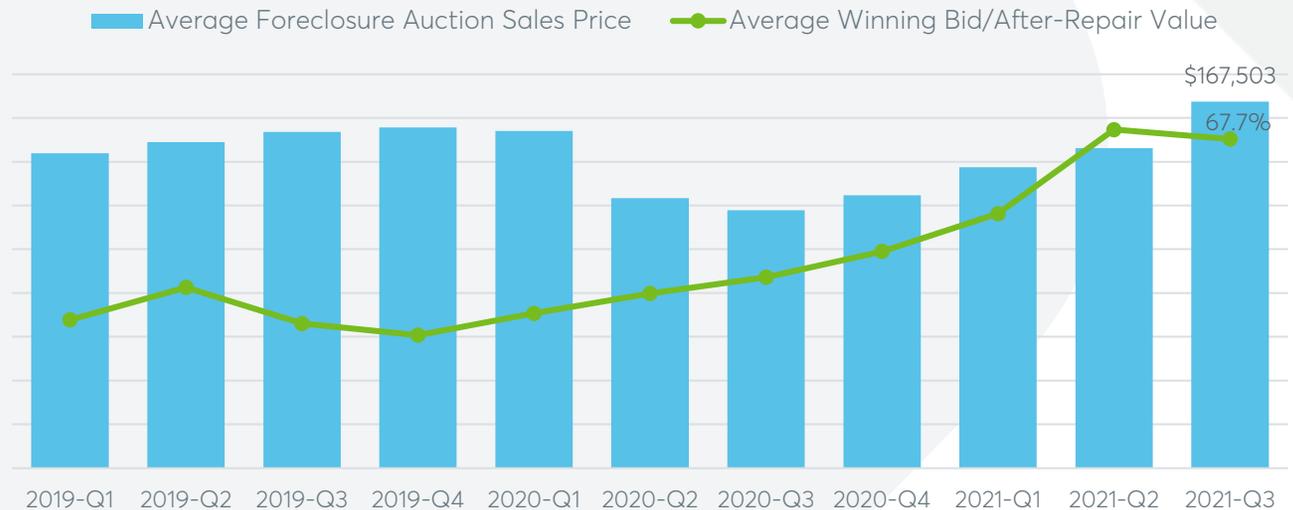
# Foreclosure Sales Price Jumps to Eight-Year High in Q3 2021

*Foreclosures selling for 68 percent of after-repair value, up from 61 percent pre-pandemic*

The average sales price of properties sold to third-party buyers at foreclosure auction increased to \$167,503 in the third quarter of 2021, up 15 percent from the previous quarter and up 42 percent from a year ago to the highest level since Q2 2013 — a more than eight-year high.

The more than eight-year high in average sales price came even though most foreclosure sales during the pandemic have been on vacant or abandoned properties exempt from the foreclosure moratorium — a trend that continued in Q3 2021.

## Foreclosure Auction Prices Up 42 Percent From a Year Ago



Properties purchased by third-party buyers at foreclosure auction in the third quarter sold for 67.7 percent of their estimated after-repair market value — the estimated market value of the property in move-in-ready condition with no major repairs required.

This was down slightly from 68.0 percent in the previous quarter but still up from 62.8 percent in Q3 2020 and up from the pre-pandemic level of 61.1 percent in Q3 2019.



*"Our unparalleled marketing engine, both online and on the ground at auction events, combined with the market tailwinds of low supply and strong demand, has lifted the average sales prices at foreclosure auction to unprecedented levels."*

-- Steve Price, EVP, Foreclosure Auction Services, Auction.com

 To read last year's Foreclosure Market Outlook, [click here](#)

# 47 Percent of Foreclosure Sales Generated Surplus Funds in Q3 2021

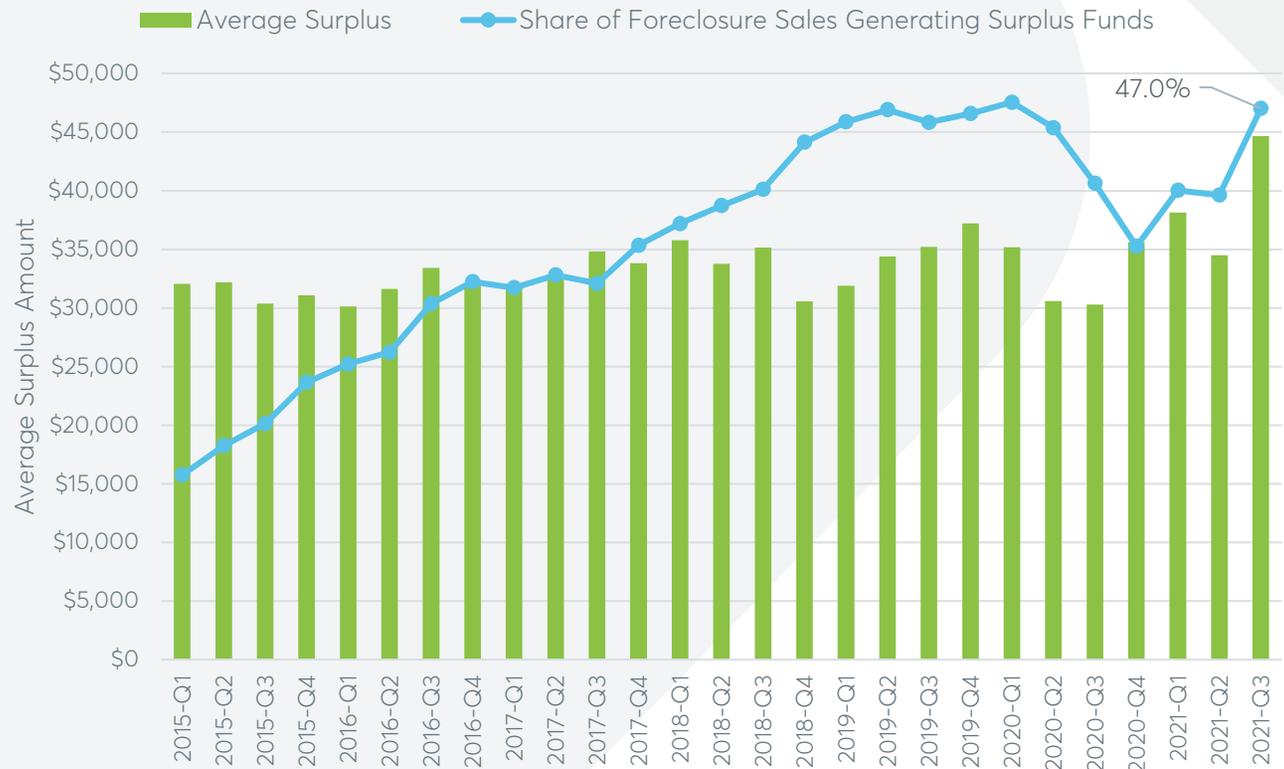
*Surplus funds go to foreclosed homeowner after any junior lien holders*

*Average surplus of \$44,659 at a more than eight-year high*

Rising prices driven by strong demand is helping to increase the share of foreclosure sales generating surplus funds — sales proceeds that are above the total debt owed to the foreclosing lender. Those surplus funds go back to the foreclosed homeowner after any junior lien holders are paid. By optimizing surplus funds, a robust foreclosure marketplace ensures that homeowners exit a distressed sale with the maximum amount of equity.

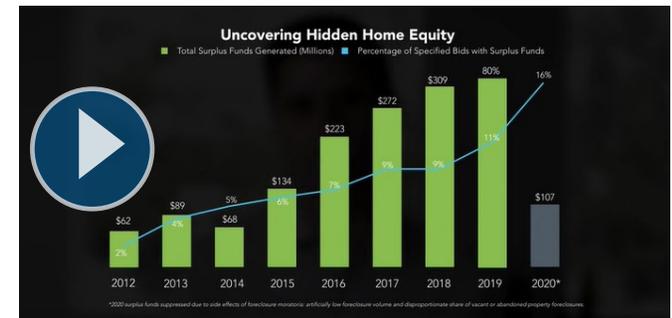
In Q3 2021, 47.0 percent of all foreclosure sales on the Auction.com platform generated surplus funds, a new pandemic high. The average surplus amount was

Foreclosure Sales Generating More Surplus Funds For Homeowners



\$44,659, up from \$34,494 in the previous quarter to the highest average surplus since Q2 2013 — a more than eight-year high.

States with the highest average surplus funds generated in Q3 2021 were Utah (\$190,852), Colorado (\$102,172), New Mexico (\$91,689), California (\$90,799), and Arizona (\$77,669).



[Learn more](#) about how surplus funds protect homeowner equity.

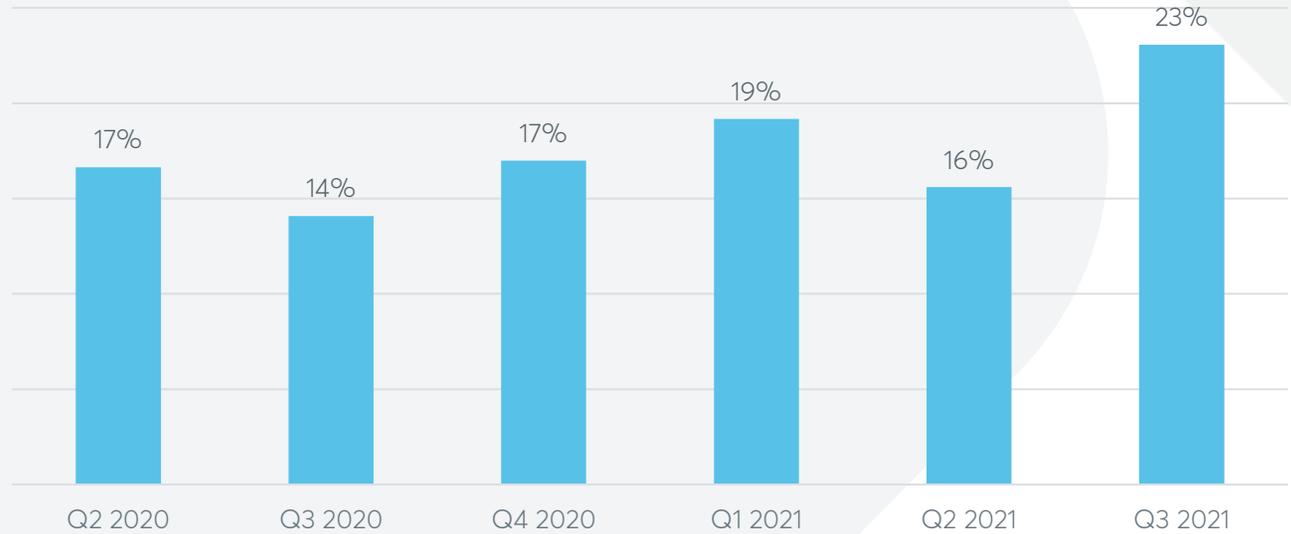
# Foreclosure Inflow Increases to New Pandemic High in Q3 2021

*Inflow still 77 percent below pre-pandemic level in Q3 2019*

*Inflow predictive of future foreclosure auctions*

Foreclosure inflow into the Auction.com platform in the third quarter of 2021 increased 48 percent from the previous quarter and was up 64 percent from a year ago. Third quarter foreclosure inflow was still 77 percent below the pre-pandemic level two years ago despite the expiration of the foreclosure moratorium on government-backed mortgages during the quarter. Other foreclosure protections remain in place, including mortgage forbearance and temporary protections implemented by the Consumer Financial Protection Bureau (CFPB), scheduled to expire in January.

Foreclosure Inflow – Percent of Pre-Pandemic Level



Foreclosure inflow on mortgages backed by the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac increased 74 percent in Q3 compared to the previous quarter, above the 66 percent increase for mortgages insured by the Federal Housing Administration (FHA). Foreclosure inflow on private portfolio mortgages increased 14 percent. States with above-average quarterly increases in foreclosure inflow included California (up 373 percent), Texas (up 162 percent), Missouri (up 74 percent), Michigan (up 91 percent), and Oklahoma (up 70 percent).



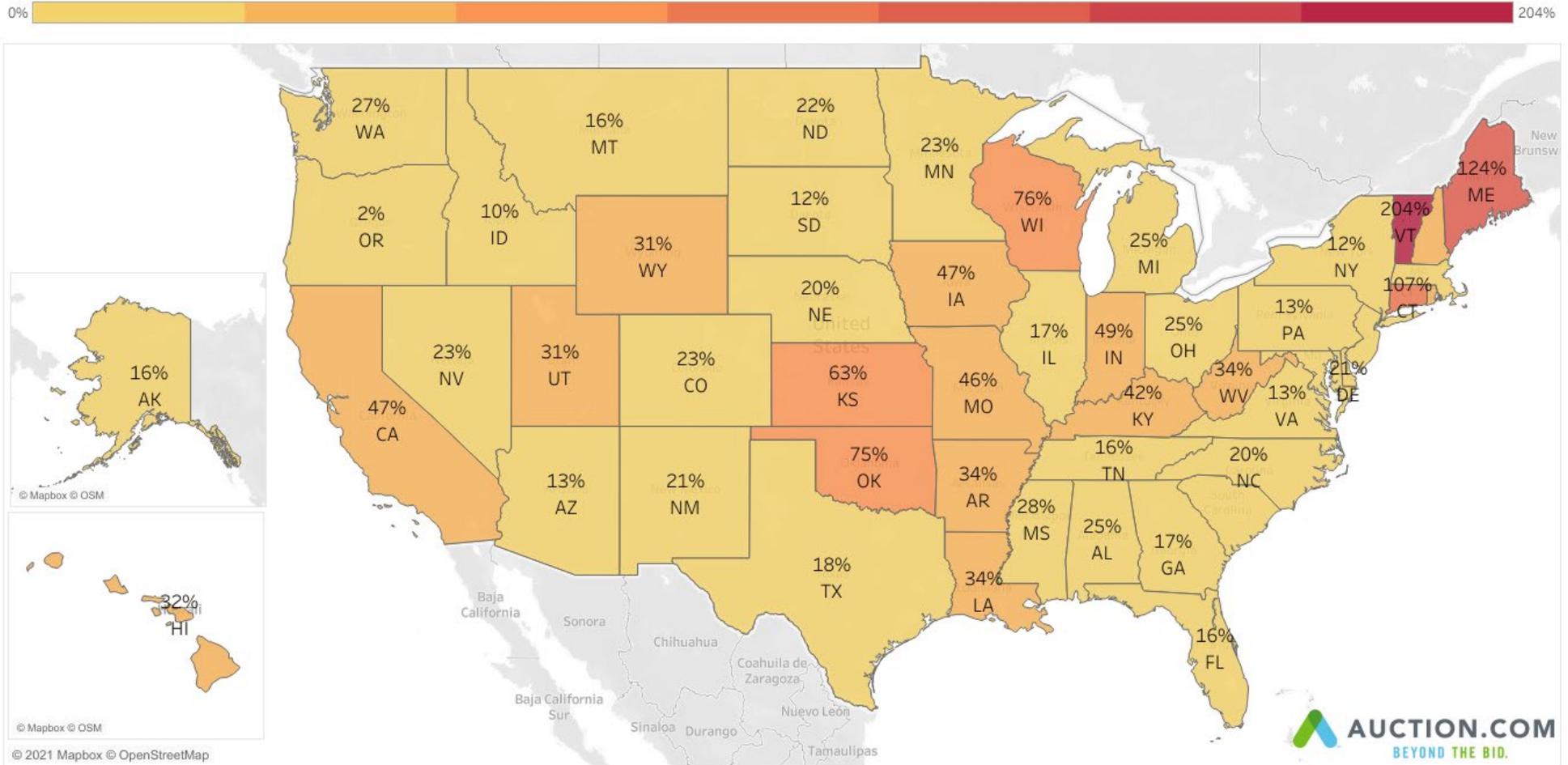
*"We'd expect a gradual, but somewhat lumpy, rise in foreclosure auction volume in 2022 that corresponds with the foreclosure inflow pattern we've seen in late 2021. The expiration of CFPB foreclosure protections in January will also contribute to the gradual rise next year."*

*-- Jesse Roth, EVP, Business Development, Auction.com*

# Foreclosure Inflow Volume By State

## Q3 2021 Foreclosure Inflow Trends

Q3 2021 Foreclosure Inflow: Percent of Pre-Pandemic (Q3 2019) Levels



 To view interactive map, [click here](#)

# 71 Percent of Third-Party Foreclosure Sales Are Resold to Owner-Occupants

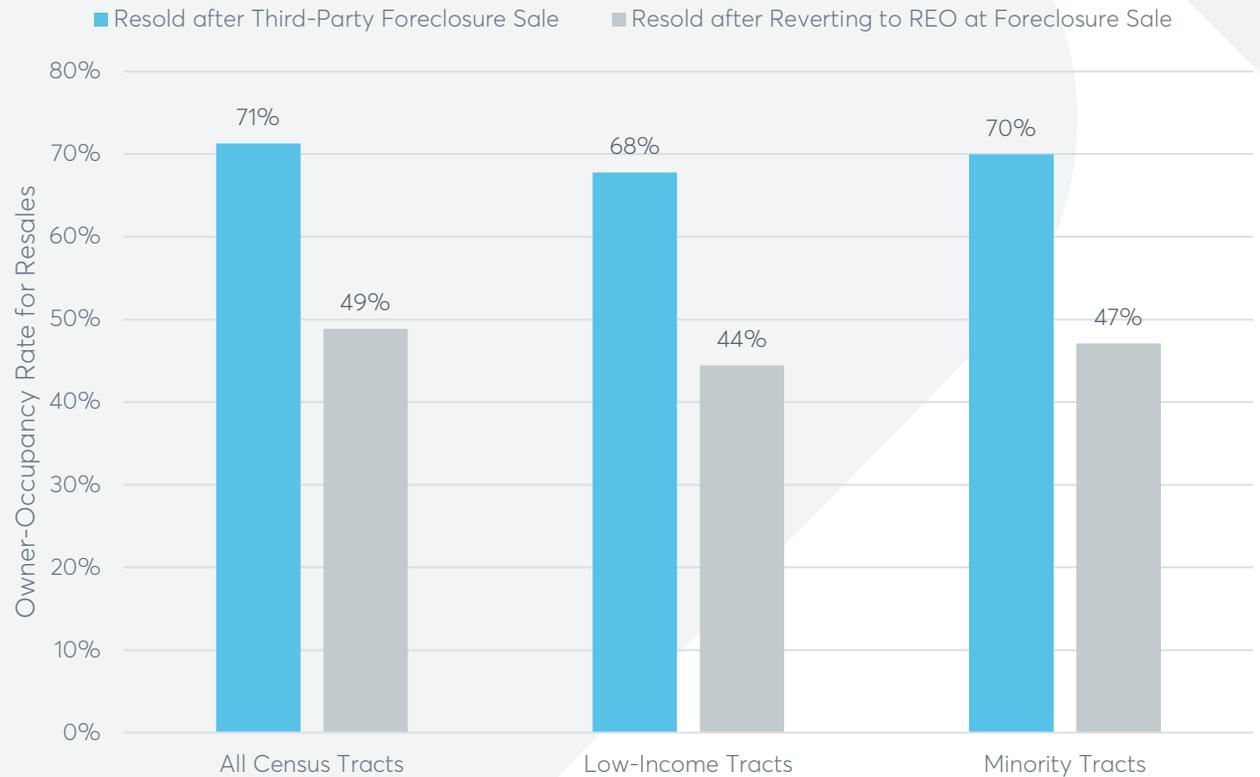
*Among 20,000 renovated properties originally purchased at foreclosure sale in 2019 and 2020*

*40 percent owner-occupancy rate for resales of bank repossessions (REO)*

An analysis of more than 20,000 resales of renovated properties that were originally purchased at foreclosure auction via the Auction.com platform in 2019 and 2020 shows that 71 percent of those resales were owner-occupied as of the third quarter of 2021. The analysis used public record county assessor data to determine owner-occupancy status.

The analysis used public record county assessor data to determine owner-occupancy status and identify resales.

## Higher Owner-Occupancy Rates For Resales of Third-Party Foreclosure Sales



The net owner-occupancy rate was 52 percent as of Q3 2021 for all third-party foreclosure sales in 2019 and 2020 — including both properties that subsequently resold and those that have not been resold.

By comparison, the net owner-occupancy rate was 40 percent for properties that reverted to real estate owned (REO) at the

foreclosure auction in 2019 and 2020.

Among the subset of those REOs that have subsequently resold via traditional sale — typically listed for sale on the MLS — the owner-occupancy rate was 49 percent as of the third quarter of 2021.

[Read more](#) about post-foreclosure owner-occupancy rates.

# Renovated Foreclosure Resales Increase Property Values by 55 Percent

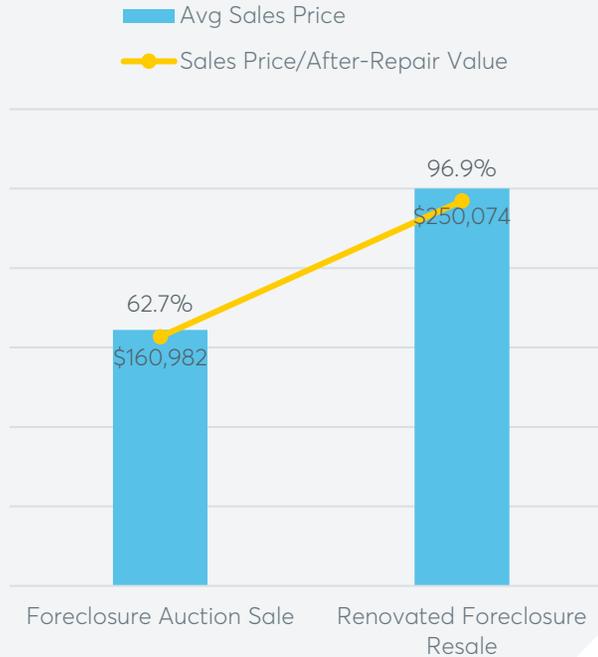
*\$89K lift in value over 221 days on average*

The analysis of more than 20,000 renovated foreclosure resales showed an increase of 55 percent (\$89,092) between the distressed sale price at foreclosure auction and the subsequent resale price.

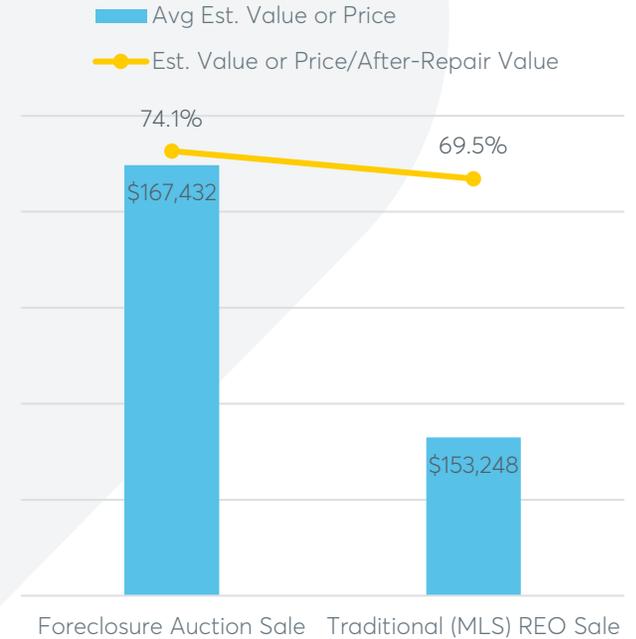
The distressed properties were purchased at foreclosure auction for 62.7 percent of their estimated after-repair market value on average. They were subsequently resold an average of 221 days later for 96.9 percent of their estimated after-repair market value on average. The significant increase in value combined with the more than seven-month holding period indicates significant renovations.

## Foreclosure Buyers Adding Value Before Resale

Resales of Third-Party Foreclosure Sales



Traditional (MLS) Sales of Foreclosure Reverts (REO)



In contrast, homes that reverted back to the foreclosing lender at the foreclosure auction (REO) were subsequently sold on the Multiple Listing Service (MLS) for 8 percent less (or \$14,184 less) than their estimated value at the time of the foreclosure auction. These traditional REO sales occurred an average of 257 days after the foreclosure auction.



[Learn more](#) about one foreclosure buyer's renovation story.

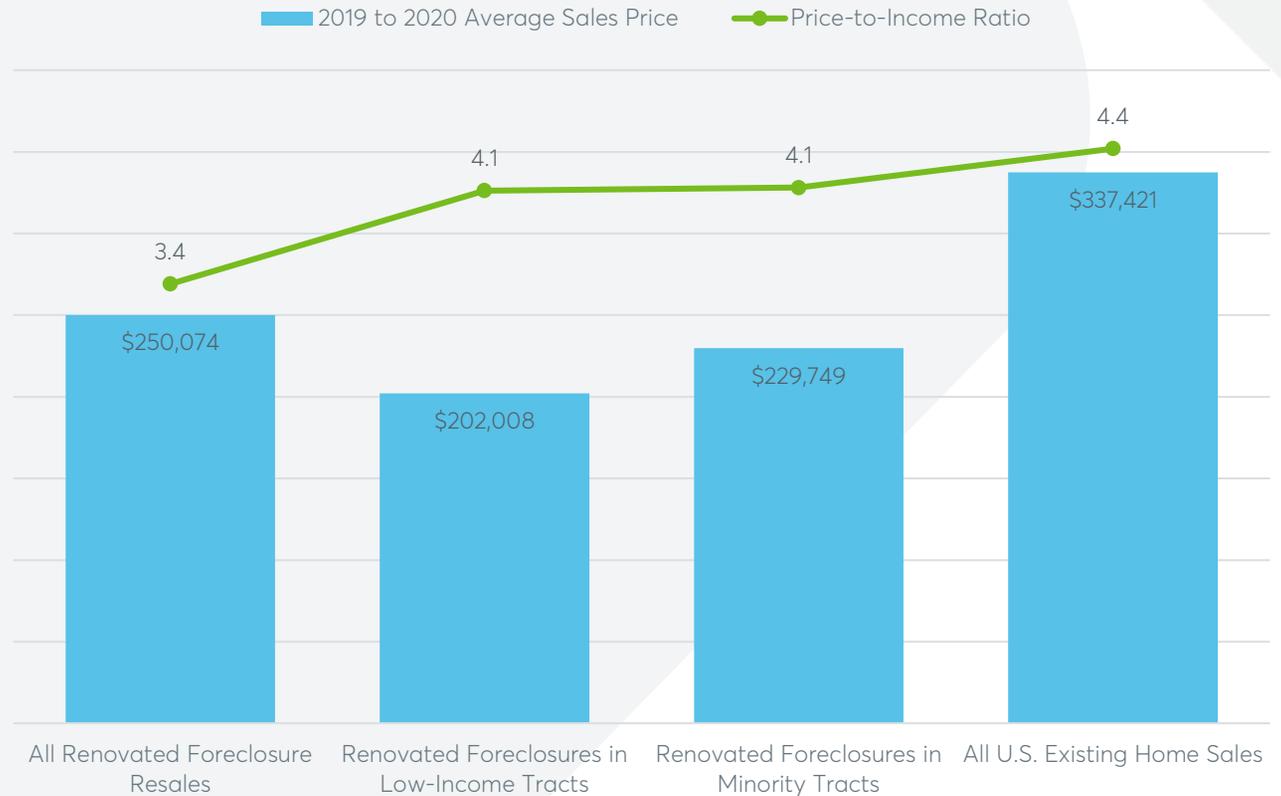
# Renovated Foreclosures 26 Percent More Affordable Than All Retail Sales

*Sell for 3.4 times the area median income, below 4.4 price-to-income ratio for all retail home sales*

The average resale price of a renovated home originally purchased at foreclosure auction via the Auction.com platform was 3.4 times the median income in the surrounding neighborhood on average, according to the analysis of more than 20,000 renovated foreclosure resales. The neighborhood median incomes were pulled from Census tract-level median income data for 2021 from the [Federal Housing Finance Agency](#) (FHFA).

The average price for all existing home sales nationwide during the same two-year period (2019 to 2020) was \$337,421, according to public record sales data from

## Renovated Foreclosures Add to Affordable Housing Supply



ATTOM Data Solutions. That was 4.4 times the nationwide median income of \$77,623, according to [Census data](#).

The average renovated foreclosure resale price of \$250,074 was 26 percent lower than the average sale price for all existing home sales during the two-year period.

Renovated foreclosures were also relatively affordable for local residents in

low-income and minority neighborhoods, according to the analysis, which layered in median income and minority population information at the Census Tract level from the FHFA data.

[Read more](#) about how renovated foreclosures provide affordable housing supply.

# 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](http://www.Auction.com/InTheNews)

Or follow Auction.com on LinkedIn

## Report Methodology

The Auction.com Q4 2021 Foreclosure Market Outlook report is based on proprietary data from the Auction.com platform, which has accounted for close to 50 percent of all foreclosure auction sales to third-party buyers over the last two years. The report also appends public record data and MLS sales data at the property level to the proprietary Auction.com data to evaluate post-foreclosure outcomes, including owner-occupancy rates and changes in property value. The report appends median family income data at the census tract level from the U.S. Census -- curated by the Federal Housing Finance Agency (FHFA) -- to calculate price-to-income ratios for properties that resold after the foreclosure sale.

## 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.