OPEN DOOR

Liquidity for Residential Real Estate

TEAM

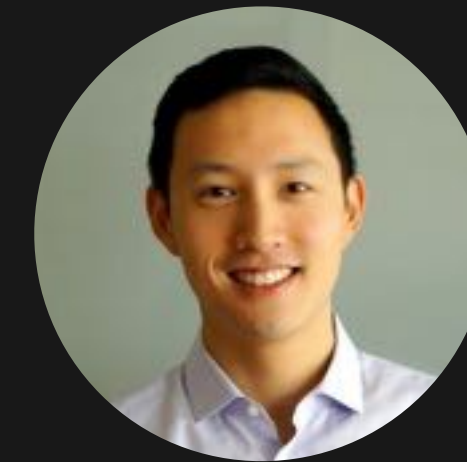Experienced team in data, technology and real estate.

Eric Wu

Head of Geo, Trulia
CEO, Movity.com (YC 2010)
Principle, Real Estate Fund

Keith Rabois

Partner, Khosla Ventures
COO, Square
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Ian Wong

Data Scientist, Square
Growth Engineer, Prismatic
Stats + EE, Stanford

Ryan Johnson

Portfolio Executive, Bain Capital PE
Analyst, McKinsey
Principal, Real Estate Fund

JD Ross

VP of Product, Addepar
Software Engineer, Addepar
CS, Washington University

THE PROBLEM

Residential real estate is one of the largest asset classes, yet one of the least liquid.

Lengthy

Average of 85 days
on market
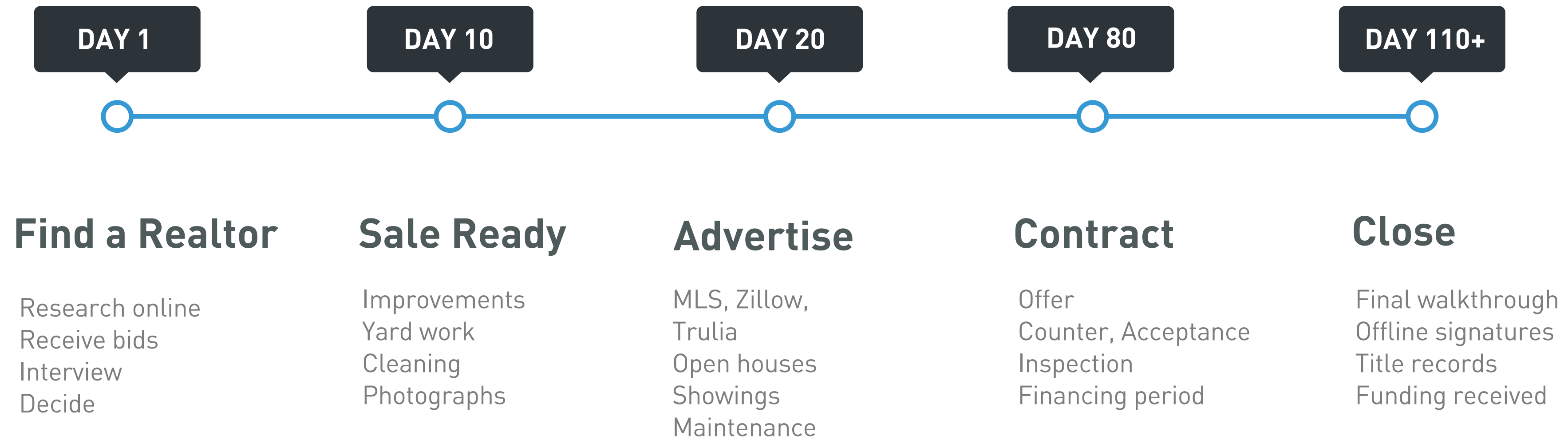
Expensive

Commissions of 6%

Bespoke

Difficult to price

This friction ties individuals to a location and a job, limiting geographic mobility.

TODAY

Painful process spanning multiple months.

| DAY 1 | DAY 10 | DAY 20 | DAY 80 | DAY 110+ |

Find a Realtor

Research online
Receive bids
Interview
Decide

Sale Ready

Improvements
Yard work
Cleaning
Photographs

Advertise

MLS, Zillow,
Trulia
Open houses
Showings
Maintenance

Contract

Offer
Counter, Acceptance
Inspection
Financing period

Close

Final walkthrough
Offline signatures
Title records
Funding received

Moving is often cited as one of the most stressful events in life.

MARKET SIZE

5 million

home sold annually

$260,000
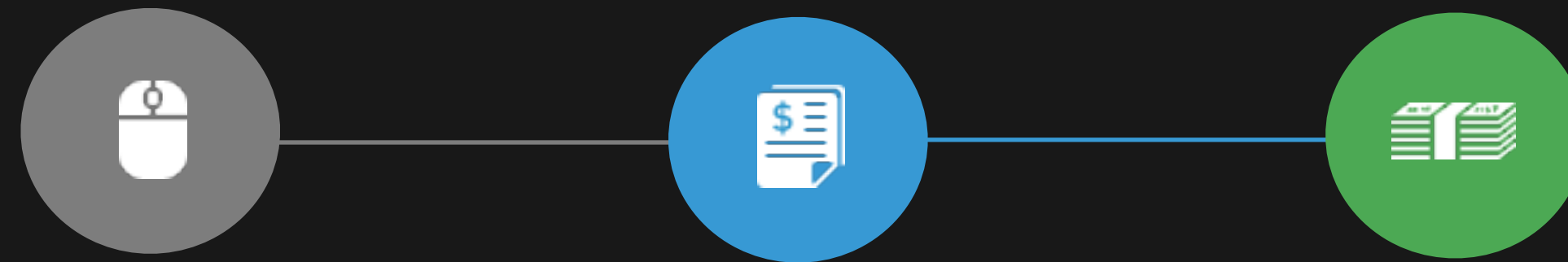
median sales price

$72 billion

in realtor commission

$5 trillion

in total equity

One of the largest markets with little innovation.

OUR EXPERIENCE

Simple, Certain & Fast

Click
Automated, online sale process.

Offer
Instantly receive a cash offer.

Cash
Funding in as soon as 3 days.

Friction-less liquidity for residential real estate.

DO SELLERS WANT THIS?

SELLERS CRAVE LIQUIDITY

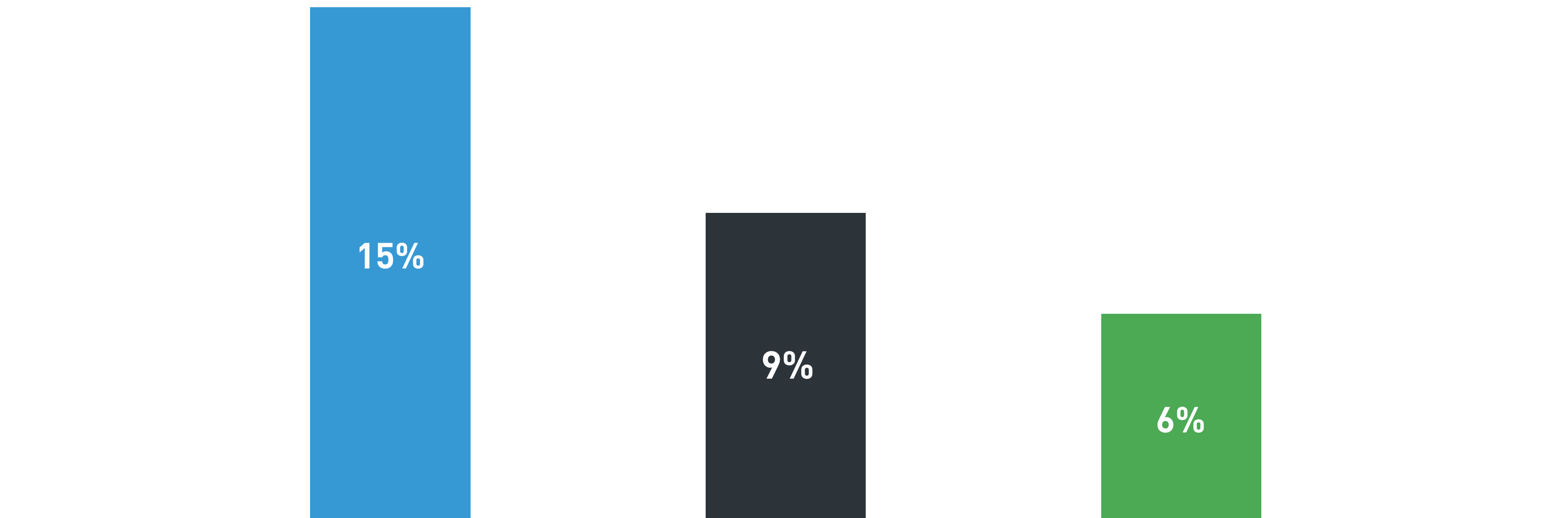| Asset Analogues	Companies	Discount
Cars	CarMax Used Car Dealerships	**7.9%+**
Equipment	Richie Brothers Iron Planet	**15%+**
Electronics	Gazelle Glyde	**20%+**
Homes	**WeBuyUglyHouses**	**35%+**

In all assets, sellers demand and will pay for liquidity.

OUR INITIAL DISCOUNT IS 15%.

TRUE LIQUIDITY DISCOUNT

**OpenDoor
Costs** — **Traditional
Costs** = **Liquidity Discount**

15%

9%

6%

UNIT ECONOMICS

Revenue: 15%
Buy Closing Costs: 1.7%
Operating Costs*: 2%
Financing Costs*: 2.2%
Buyer Broker Commission: 3%
In-House Sale Cost: 1.0%
Sale Closing Costs: 0.4%
Margin: 4.7%
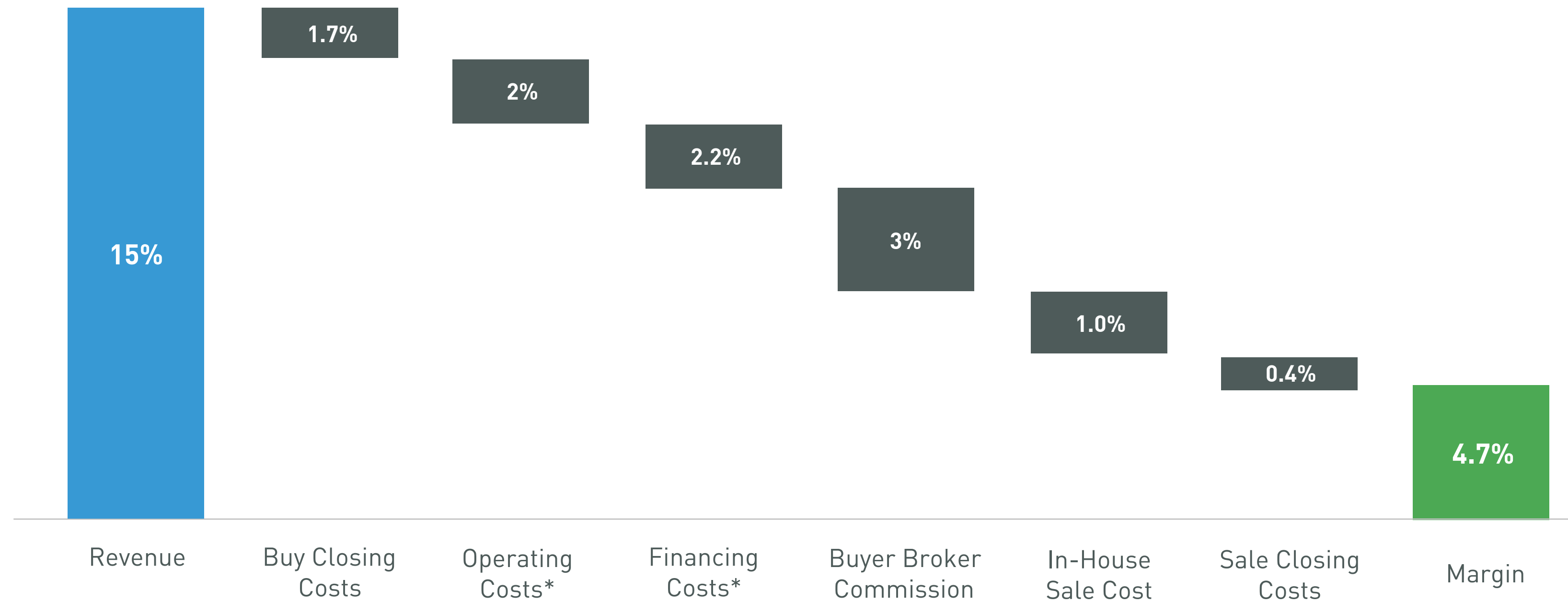
* Median home price is $260,000
* Financing costs are assumed to be 7-10% APR in the short-term.
* Operating costs are assumed to be 2% in the short-term.

ADDITIONAL SHORT-TERM UPSIDE
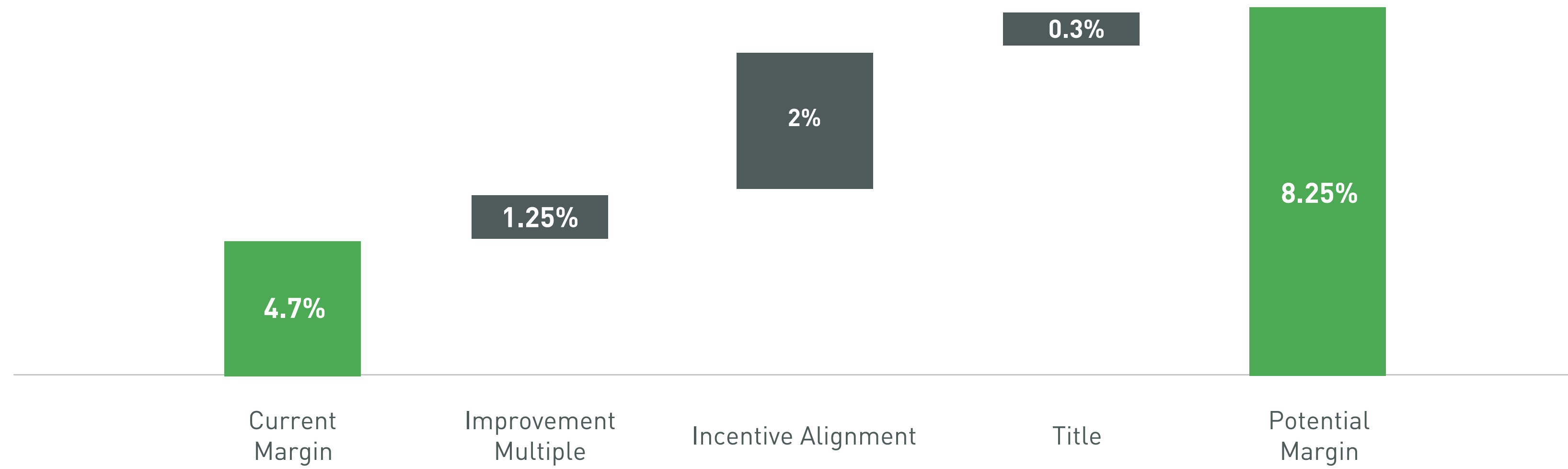
WHAT ARE THE CORE RISKS?

THREE CORE RISKS

AVM Error

Current AVMs have high variance and are error prone.

Outliers

During the validation stage, purchasing greatly overvalued homes is a costly mistake.

Capital

There are large initial capital requirements to purchase homes.

MODEL IMPROVEMENTS

Current AVMs → **More Targeted** → **More Data** → **Our AVM**

8-10% Median Error

$1-5 per home

No downside of inaccurate valuations.

Must predict all cases, all homes.

Incomplete data

Inaccurate data

Target and purchase homes with low error.

Owner-occupied

Model sellers

Economics to collect more, accurate data.

Seller inputs - home condition, home characteristics, confirm data.

Home quality and data - Verified with on-site inspection and custom BPO.

< 4% Median Error

$1,000's per home

Complete Seller Data

Complete Home Data

We have better economics that allows us to gather more data for every home we value.

OUTLIERS

Diligence Process and Key Adverse Selection Events

Seller Data — **Home Offer Accepted** — **Inspection/ Custom BPO** — **Confirm Price** — **We Accepted** — **Fund**
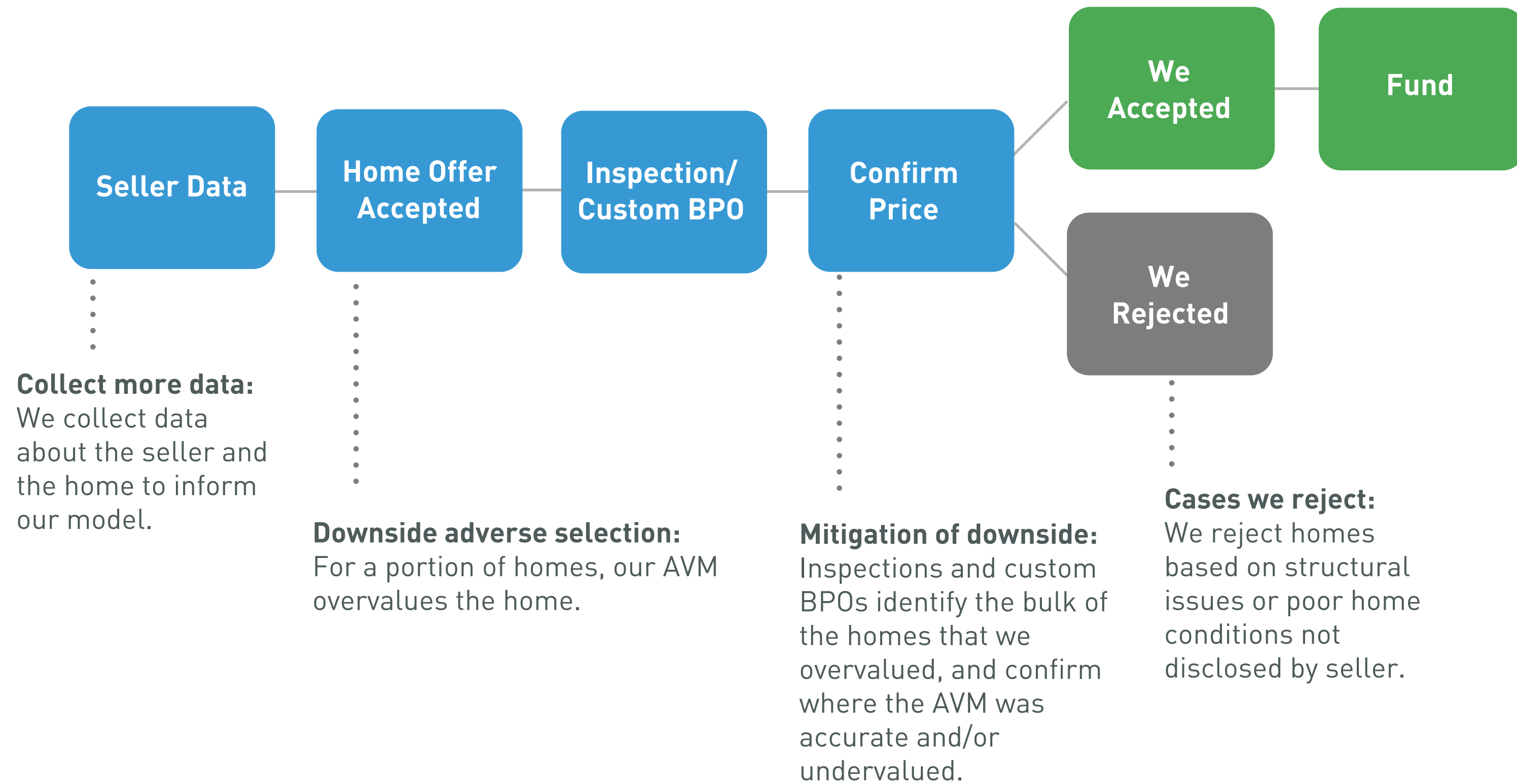
We Rejected

Collect more data: We collect data about the seller and the home to inform our model.

Downside adverse selection: For a portion of homes, our AVM overvalues the home.

Mitigation of downside: Inspections and custom BPOs identify the bulk of the homes that we overvalued, and confirm where the AVM was accurate and/or undervalued.

Cases we reject: We reject homes based on structural issues or poor home conditions not disclosed by seller.
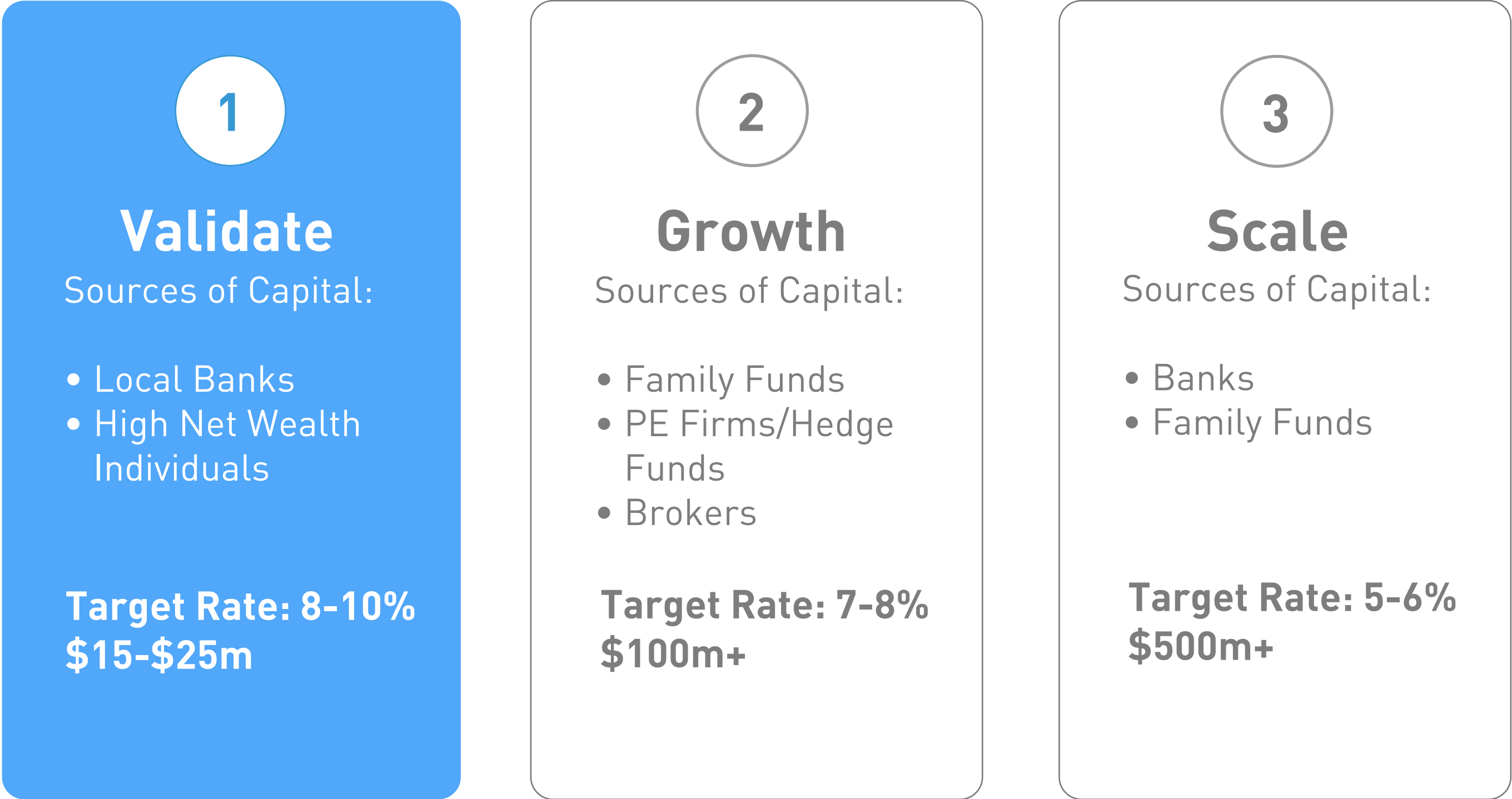
For every home we purchase, we ensure accuracy.

CAPITAL FINANCING

Secure expensive capital now to validate model. Then, prove track record for access to volume, inexpensive capital.

1

Validate

Sources of Capital:

- Local Banks
- High Net Wealth Individuals

Target Rate: 8-10%
$15-$25m

2

Growth

Sources of Capital:

- Family Funds
- PE Firms/Hedge Funds
- Brokers

Target Rate: 7-8%
$100m+

3

Scale

Sources of Capital:

- Banks
- Family Funds

Target Rate: 5-6%
$500m+

We have 3 term sheets for debt financing at our target terms.

SERIES A FINANCING

Key Objectives

Build AVM

Gather real-time MLS data, location data, seller inputs, and proprietary offline data to build an AVM.

Acquire Sellers

Acquire a large sampling (n=500) of real sellers looking to sell their home instantly online.

Acquire and Sell Homes

Acquire, rehab, maintain, and sell 50-150 homes in one geo.

Milestones to Achieve

< 8% Error Instantly, < 4% Error Post-Process

We will be able to instantly price homes with less than 8% median error. Post-process (inspection), have less than 4% median error of the homes we purchase.
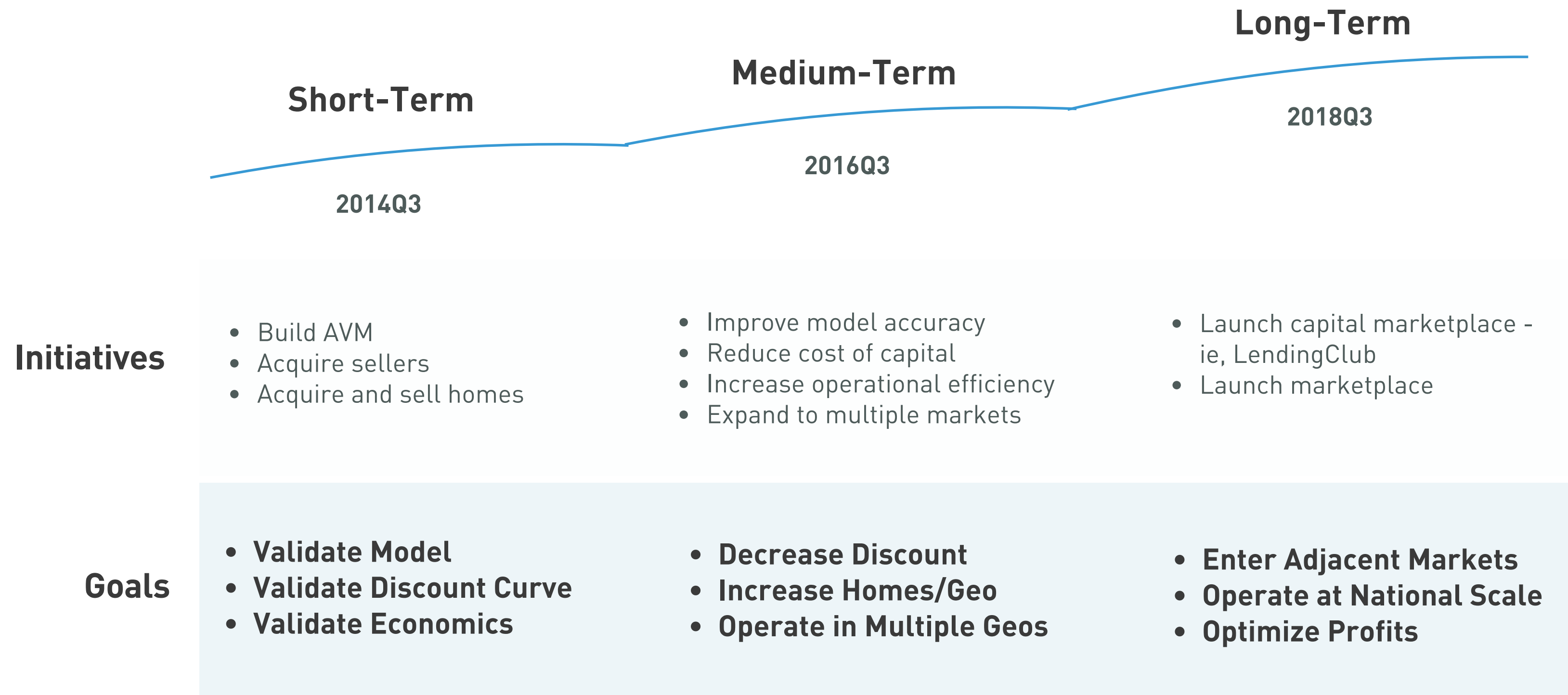
Validate Seller Discount Curve

Analyze both accepts and rejects to statistically validate conversion rates across various discounts and seller types.

Validate Cost Structure

Confirm the cost structure of acquiring, financing, maintaining, and selling properties.

We're raising $9m in our Series A to execute on three key objection.

THE PLAN

Long-Term

Medium-Term

Short-Term

2018Q3

2016Q3

2014Q3

Initiatives

- Build AVM
- Acquire sellers
- Acquire and sell homes

- Improve model accuracy
- Reduce cost of capital
- Increase operational efficiency
- Expand to multiple markets

- Launch capital marketplace - ie, LendingClub
- Launch marketplace

Goals

- **Validate Model**
- **Validate Discount Curve**
- **Validate Economics**

- **Decrease Discount**
- **Increase Homes/Geo**
- **Operate in Multiple Geos**

- **Enter Adjacent Markets**
- **Operate at National Scale**
- **Optimize Profits**

Short-term goal is to validate model and break even.
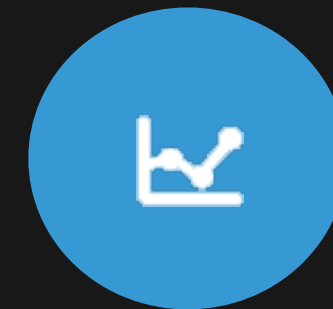**Long-term opportunity to maximize profit and enter adjacent markets.**

IMPACT

The implications if we succeed.

Geographic Mobility

Home owners will be able to move more freely, spurring economic growth.

Increase in Home Ownership

Reducing all friction to sell makes home ownership more attractive.