Basis Points – November 4, 2021

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Above the Fold

Algorithm Fails to Predict Profitable Trends in the Housing Market

Companies like OpenDoor, Redfin, Offerpad and Zillow have been using their proprietary algorithms and public data to make cash offers on homes across the nation; but some are scaling back momentum, while others are getting out of the home-flipping business altogether.

Traditional realtors have long been at odds with the values and disruptive processes that many of these online services (called iBuyers) offer owners. The estimates, which are often revealed with little to no actual knowledge of a property, have been called everything from "misleading" to "manipulative" as some homeowners watch their valuation movements on a daily basis, believing

them to be a near absolute sellable price of their home, similar to a stock. For Zillow, a pioneer with its "Zestimate" home value system, home valuation and prediction has been an absolute disaster.

The company just announced that its algorithmic+ model used to buy and sell homes does NOT work as expected and failed to yield previously promised results. CEO Rich Barton said the company could not predict home-price appreciation and market trends accurately and will be ceasing operations in its flipping unit. The segment was originally forecast to generate up to $20 billion a year, but instead Zillow will be cutting 25% of its workforce. Experts believe that similar trends are likely to reverberate throughout the sector and could be a sign that the hot housing market could also experience a slowdown. And with the loss of Zillow as a massive buyer (and with apparently 7,000 extra homes it needs to unload), Americans should also expect a little more inventory to become available for traditional homebuyers.

Three Things

1. *Bond Investors Finally Getting Paid in Europe* – With markets predicting a sooner-than-expected rise in interest rates by the ECB (European Central Bank), several countries' sovereign debt yields are finally flirting with or turning positive. Irish, Swiss, Dutch and French yields have all been dancing around the positive yield threshold in past weeks, while the total amount of negative-yielding debt across the Euro Bloc dropped to $10.7 trillion, down from its peak of $18 trillion late last year.
2. *Facebook Will No Longer Recognize Your Face* – As the company undergoes a transformation amid increased regulatory scrutiny, it will shut down its facial-recognition system. The feature, which automatically recognizes faces in photos and videos across its platforms will cease to operate, even for those who have opted in. The move comes as concerns around privacy increase scrutiny of potentially invasive features like automatic facial recognition. It was not clear what Facebook (now Meta) would do with the data already collected.
3. *Amazon Lifts Mask Mandate for Workers* – Beginning Tuesday, the digital retail giant fully lifted its company-wide mask mandate for vaccinated warehouse and delivery workers. Corporate staff is expected to return to the office in early 2022. And while the move is likely to set a precedent across the country, local and state mask requirements will still have to be honored.

Did You Know?

Is the Single Family Home Era Coming to an End?

In many areas across America, lawmakers are enacting laws to help combat rising home prices and the lack of affordable, starter homes. One of the more controversial types of legislation is to prevent single-family-only zoning for new construction or lots without existing property already built. Lawmakers argue that suburban sprawl has disconnected residents from major metro hubs, while contributing to segregation and less affordable housing. California Governor Newsom just signed a bill into law that effectively allows up to four dwellings to be built on almost any single-family lot in the state. Similar laws are going into effect across the nation.