

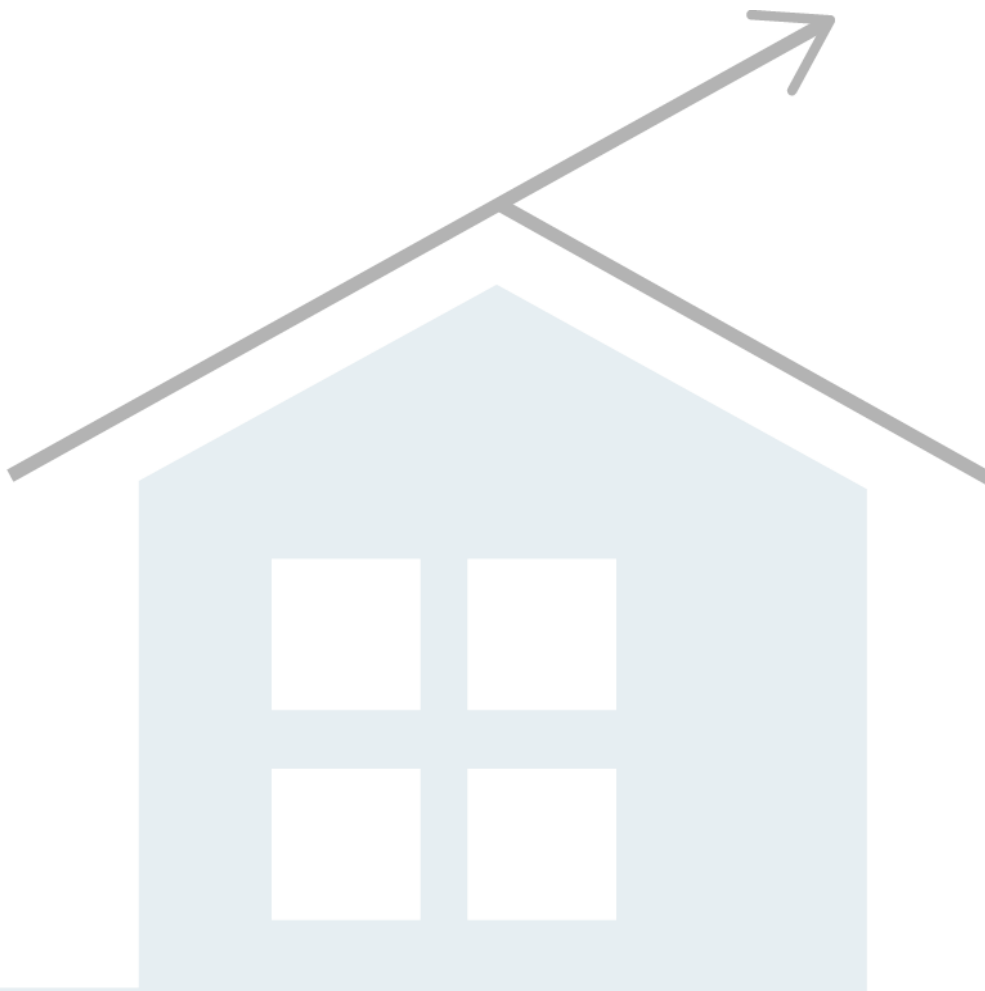


EXECUTIVE BRIEF

Nowcasting for maximizing portfolio value realization

Maximize net realized value for every property you sell through the nation's largest online real estate marketplace. Nowcasts—fresh analytic insights from current streams of online data—provide a moving picture of how real estate is moving. These Big Data analytic services work with and enhance your asset disposition strategies and process. By predicting, for instance, how a specific asset is likely to sell *today*, analytics help you identify which properties to offer via auction and pinpoint the best price for each.

Inside: Find out how to boost incremental net recovery by an average 19 pts



See the market as it is now

Online auctions, bringing together large bidding populations in expedited timeframes, help you liquidate your assets at full market value. In fact, companies like yours have sold more than \$30 billion in residential and commercial properties on Auction.com, the nation's leading online real estate marketplace. Typically clients obtain prices up to 15% higher than through other methods while reducing holding times and costs to just a fraction of what they would otherwise be.

To realize the highest value for your assets, you need insights into how the market is moving right now. Unlike traditional forecasts, often based on months-old data, Nowcasts are generated from current streams of online data, such as web searches, clicks and transactions. It's an approach that's proved valuable for predicting economic trends and weather events. Now Auction.com is bringing it to the real estate market. Our Home Sales Nowcast, for instance, predicts existing home sales ahead of traditional indicators. The Auction.com Commercial Real Estate Nowcast reveals the current movement of prices in that market.

This brief focuses on the Auction.com *Portfolio Nowcast*, which analyzes current auction transactional data and other market information to predict how your assets would transact if auctioned right now. Specifically, for each asset, this Nowcast tells you the *likely high bid* as well as *probability of sale* based on reserve price.

Figure 1: Fresh forecasts from current data help you make better asset disposition decisions today

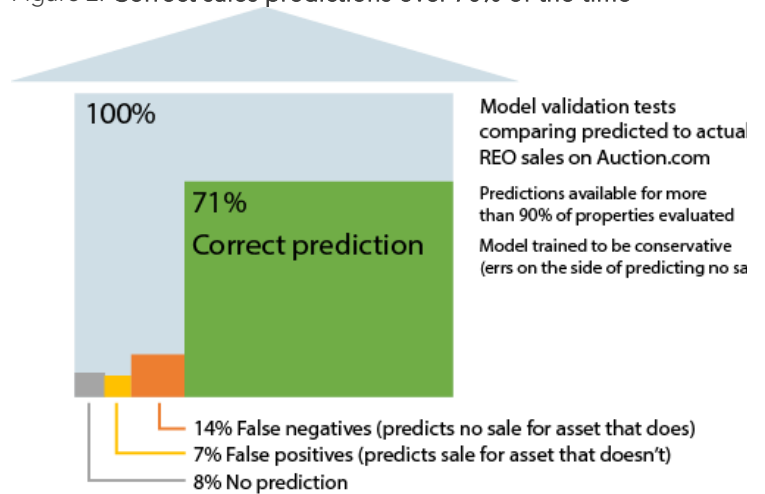


Using these current analytic insights—regenerated daily—you can fine-tune and optimize your targeted asset disposition strategy. It's a systematic, reliable way of increasing net value realized per asset across all auctioned properties in your portfolio.

Predict the performance of every asset, every day

The Portfolio Nowcast generates a fresh prediction daily for every one of your assets. When market dynamics such as local investor activity or property values change, these trends are reflected *as they develop* in predictions. That helps you bring properties to auction with spot prices that are spot-on. You can also view predictions rolled up to the portfolio level, providing a quick snapshot of the total market value of all your assets.

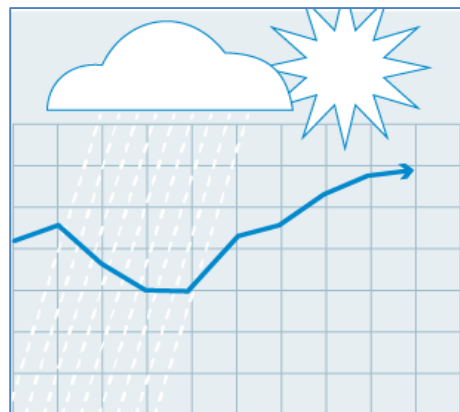
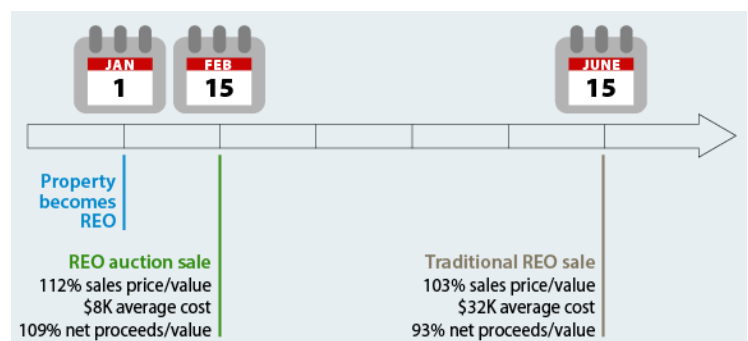
Figure 2: Correct sales predictions over 70% of the time



Fine-tune your asset disposition strategies

Nowcasting doesn't replace your current analytic models and rules-driven strategies. It enhances them. Asset performance predictions help you identify properties likely to net more via auction than other disposal paths, and those likely to sell to investors. Predictions are also powerful inputs to econometric modeling, helping to sharpen your visibility into supply-and-demand trends.

Figure 3: For some assets, liquidating sooner is better than later



Nowcasting improves predictiveness under dynamic conditions

Nowcasting is becoming widely used in economics, where standard forecasts are generally available only after a lengthy delay. To get an earlier prediction for key economic performance indicators, economists are using Nowcasting models to analyze a diverse range of inputs from multiple sources and test predictions against real-time data. In head-to-head comparisons, Nowcasting proved to be as accurate as the Federal Reserve's *Greenbook*.

A similar technique is often used to predict local weather events, such as thunderstorms. By analyzing current and recent (past 5-20 min.) observational data from radar, Nowcasting models can make fine corrections to more comprehensive numerical weather models, increasing the predictiveness of near-term weather.

CASE STUDY #1: Half of REO listings could net much more

In this Auction.com research study, we wanted to see if a buyer of nonperforming loans (NPLs) could increase net recoveries from foreclosed, distressed real estate. The company has traditionally sold these properties through MLS sales.

Now we wanted to know:

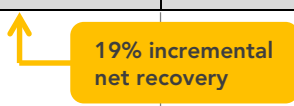
QUESTION: Could analytics identify an optimal mix of disposition paths that would maximize net realized value while minimizing neighborhood impact?

ANSWER: Yes. Using Nowcasting to test an alternate strategy, we compared results if half of the company’s listings were disposed of via third-party sale or Day One REO auction. *Result:* 19 pt average increase in net recoveries for this 50% of properties, with a 9 pt overall increase. Plus the alternate strategy minimizes holding time. It returns properties to housing stock sooner, so they’re not sitting empty, deteriorating and becoming targets for vandalism. The entire neighborhood benefits.

Figure 4 shows how the alternate strategy would efficiently move properties through a multi-pronged disposition path—plus detailed results compared to traditional REO disposition. Improvements include higher returns, elimination of property preservation, eviction, carrying and title issue costs, and lower closing costs.

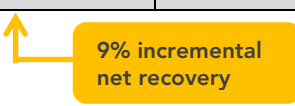
Figure 4: Liquidating the right asset at the right time in the best way

	3 rd Party Sale or 2 nd Chance REO*	Retail REO**	TOTAL Auction.com	TOTAL Traditional REO
<i>Split</i>	50%	50%	100%	100%
Sales Price	104%	95%	99.5%	95%
Selling Cost	0.5%	7%	3.75%	7%
Time in REO	15	90	52.5	90
Holding Cost	0.5%	3%	1.75%	3%
Net Recovery	103%	85%	94%	85%



19% incremental net recovery

* Property goes to foreclosure, with investor bidding up to amount of credit bid. Any higher 3rd party bid wins Auction.
OR immediately after foreclosure, REO offered for sale through online auction.



9% incremental net recovery

** Property may be improved. Often sold to an owner-occupant with mortgage financing.

CASE STUDY #2: Immediate auction liquidation boosts recoveries

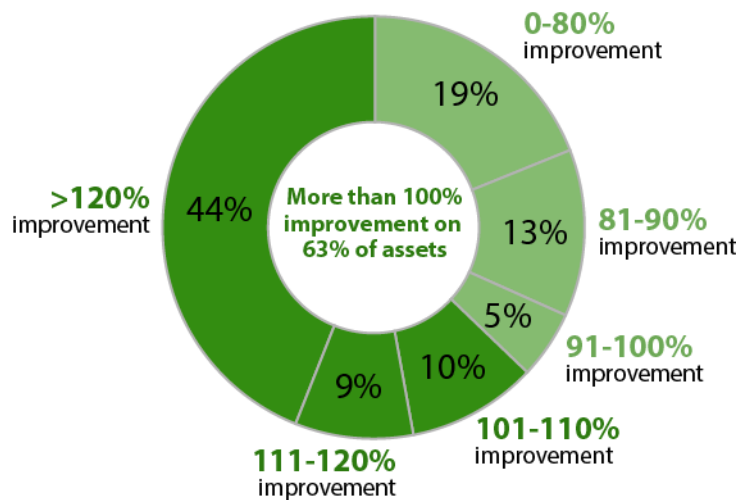
In this Auction.com research study, we analyzed over 23,000 live investor-purchased REO listings in eight states during October 2014. We wanted to know:

QUESTION: Could analytics accurately identify those properties that would yield higher net proceeds from immediate retail auction liquidation?

ANSWER: Yes. Nowcasting enabled our researchers to increase retail recovery by an overall 63%. Total estimated incremental net proceeds were projected at \$220 million overall and \$16,000 per property.

Figure 5 shows a breakdown of net proceed improvements across the entire research set of REO properties.

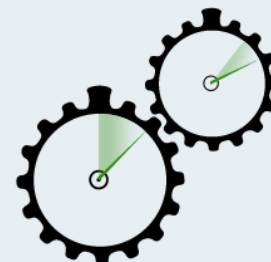
Figure 5: Identifying REO properties that net higher recoveries when auctioned immediately after foreclosure



Machine learning for up-to-the-minute insights

The Portfolio Nowcast is able to generate fresh predictions for any number of assets because it incorporates advanced machine learning and optimization techniques. Using about 1,500 analytic models, tailored to asset disposition path, geography and other dimensions, the Portfolio Nowcast instantly factors in a wide range of data. In addition to the latest auction transactional activity and outcomes, it examines dozens of additional variables, including:

- Estimated market value
- Broker's Price Opinion (BPO)
- Current reserve
- Property characteristics
- Seller characteristics
- Local demographics
- Local investor activity
- Listing quality and engagement
- Zip code performance
- Time effects
- Financing ability
- Prior auction attempts
- Bidding history



Nowcasting—a favorable trend for your bottom line

Using streaming online data to forecast what's likely to happen in the immediate future is a strong emerging business trend. Innovators in every industry are moving quickly to explore how Nowcasting can help them be more responsive and competitive in their marketplaces. Auction.com is the first to offer Nowcasting for the real estate industry.

Fine-tune your existing analytic models and rules-driven asset disposition strategies with Nowcasting. Obtain fresh daily predictions of how each asset will perform at auction, enabling you to select the right properties and set the right prices at the right time. View predicted values rolled up to the portfolio level, for a quick snapshot of the total market value of all your properties. Benefits include higher portfolio net value realization, shorter holding times and lower property preservation, eviction, carrying, title issue and closing costs.

[Find out what Nowcasting can do for your company.](#)

About Auction.com

Founded in 2007, Auction.com is the nation's leading online real estate marketplace, having sold more than \$30 billion in residential and commercial assets. The company serves a wide variety of real estate customers – from major financial institutions and government agencies to institutional investors, individual consumers and real estate professionals. Auction.com's mission is to provide the most trusted online real estate marketplace that makes real estate transactions transparent and simple. For more information, visit www.auction.com.