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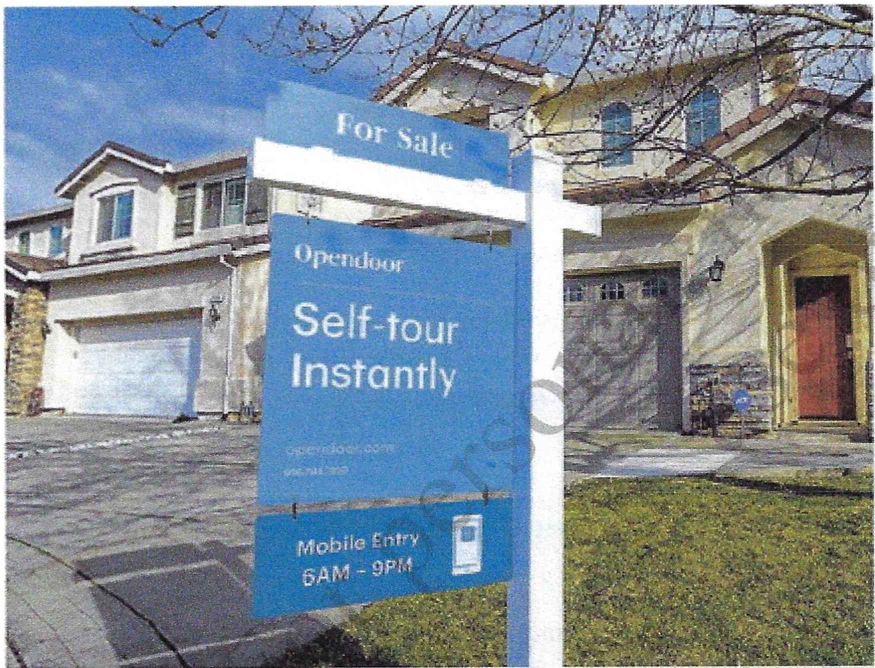

While Opendoor's stock has risen, the company still faces challenges. PAUL KITAGAKI JR/ SACRAMENTO BEE/ ZUMA PRESS

Opendoor Hype Won't Make Its Business Any More Viable

The loss-making house flipper has become a meme stock

Opendoor Technologies is the digital home-flipping outfit that somehow keeps clinging to life. Investors have rewarded its resilience by turning it into a meme stock.

After languishing below a dollar for much of the year, Opendoor's shares are now around $8, about 15 times as much as in mid-2025.

The company now has a $6 billion stock-market value, after reporting annual losses every year since it was founded in 2014. It has routinely been among the most-active stocks in the U.S. by share volume.

Individual investors dubbed the "Open Army" have rallied around the company and pushed for changes in leadership and strategy. Their efforts led to the departure of Carrie Wheeler as chief executive officer in August, the return of co-founders Keith Rabois and Eric Wu to the company's board, and the hiring of **Shopify's** chief operating officer, Kaz Nejatian, as CEO.

For all the recent excitement, a crucial problem remains: The economics of the home-flipping business don't scale. Expecting Opendoor to figure them out now represents a triumph of hope over experience. NOTE

With businesses that scale well, revenues increase much faster than costs, and each new customer adds more profit with relatively little extra effort or resources. Buying and selling homes for resale, however, is both laborand capital-intensive. Opendoor operates in some 50 markets, and local conditions vary widely, from permits and inspections to the availability of workers and supplies. There is no one-size-fits-all system that works in all places.

Zillow is the best-known example of an "iBuyer," short for instant buyer, that tried and failed to make a go at buying homes, doing minor repairs and renovations, and selling quickly. Zillow's algorithm for predicting housing prices failed spectacularly in 2021, leading its Zillow Offers business to overpay and sell at large losses. Even in its best years, Zillow Offers' gross margins were thin, and became swallowed many times over by ordinary operating expenses.

Before exiting Zillow Offers in 2021, Zillow had already halted new purchases while it grappled with renovation backlogs and other operational bottlenecks. Extended holding periods meant higher maintenance expenses, property taxes and other costs that ate up margins. Zillow never could contain them, and volatility in home prices made the business unsustainable.

In 2019, the last year before the pandemic, Zillow's home-flipping business posted a $50 million gross profit on $1.4 billion of revenue, and had a nonstandard metric called "return on homes sold after interest expense" that showed a loss of $22 million, or about $5,000 per home sold. But in reality, the homes unit had a $312 million pretax loss, equivalent to about $72,000 per home sold. The loss for its nonstandard metric looked smaller mainly because Zillow excluded most of the business's operating expenses.

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The story with Opendoor's numbers is similar. For the first half of 2025, it reported a $227 million gross profit on $2.7 billion of revenue. Opendoor emphasized its nonstandard "contribution profit" of $123 million, while it had a $114 million pretax loss. To calculate its nonstandard profit, it excluded most of its operating expenses as well as the interest costs on its $2.2 billion of debt.

The Open Army also has pushed for a shift to a less capital-intensive approach, away from homeflipping and toward a model in which Opendoor collects fees for connecting sellers with local agents. This isn't a novel idea. Plenty of other companies do it al--ready. Opendoor itself launched such a service in 2022.

And suppose Opendoor suddenly does figure out how to finally start making money in real estate. Housing is a mature industry, prone to booms and busts. It has countless other market participants. A lot of them have websites, algorithms and artificial-intelligence tools too. If Opendoor someday unlocks the secret to iBuying, the barriers to entry for competitors are low.

Perhaps its sharpest move would be to sell as much stock as it can, and build a nest egg to buy time while it figures out its alternatives— as other meme-stock companies such as GameStop have done. The best thing Opendoor has going now is hype. It might not last.

—Jonathan Weil

