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Homebuyers Are Increasingly Backing Out of Deals as Slowing Market Boosts Negotiating Power

About 63,000 home-purchase agreements were called off in July, equal to 16% of homes that went under contract that month. That's the highest rate in more than two years

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — Nationwide, roughly 63,000 home-purchase agreements fell through in July, equal to 16.1% of homes that went under contract that month, according to a new [report](#) from Redfin ([redfin.com](https://www.redfin.com)), the technology-powered real estate brokerage. That's the highest percentage on record with the exception of March and April 2020, when the onset of the coronavirus pandemic brought the housing market to a near standstill. It's up from a revised rate of 15% one month earlier and 12.5% one year earlier.

The housing market is slowing as higher mortgage rates sideline many prospective homebuyers. With competition declining, the house hunters who are still in the market are enjoying newfound bargaining power—a stark contrast from last year, when they often had to pull out every stop in order to win. Today's buyers are more likely to utilize contract contingencies that allow them to back out without financial penalty if something goes wrong. And with an increasing number of homes to choose from, they're also more likely to call a deal off if a seller refuses to bring the price down or make requested repairs—a situation that has become increasingly common given that sellers are still adjusting to the cooling market.

"Homes are sitting on the market longer now, so buyers realize they have more options and more room to negotiate. They're asking for repairs, concessions and contingencies, and if sellers say no, they're backing out and moving on because they're confident they can find something better," said Heather Kruayai, a Redfin real estate agent in Jacksonville, FL. "Buyers are also skittish because they're afraid a potential recession could cause home prices to drop. They don't want to end up in a situation where they purchase a home and it's worth \$200,000 less in two years, so some are opting to wait in hopes of buying when prices are lower."

Alexis Malin, another Redfin agent in Jacksonville, warns that there's no guarantee buyers will be able to find better deals in the future. Annual home-price growth has started to slow—to 8% today from 17% a year ago—but prices are still on the rise and Redfin economists don't expect them to crash.

"Some buyers who are backing out of deals have this mindset that the market is crashing and they'll be able to get a home for \$100,000 less in six months. That's not necessarily the case," she said. "Homes in many parts of Florida are still selling for a pretty penny, so I warn my buyers that the grass might not actually be greener on the other side."

Some buyers may also be backing out due to 5%-plus mortgage rates. Those who started their search months ago, when rates were closer to 3%, may be realizing the type of home they wanted before is now out of budget since monthly mortgage payments have soared nearly 40% year over year.

“Home-purchase cancellations may begin to taper off as sellers get used to a slower-paced market,” said Redfin Deputy Chief Economist Taylor Marr. “Sellers have already begun to lower their prices after putting their homes on the market. They’ll likely start pricing their properties lower from the get-go and become increasingly open to negotiations.”

Jacksonville and Las Vegas Have Highest Rate of Home-Purchase Cancellations

In Jacksonville, roughly 800 home-purchase agreements were called off in July, equal to 29.3% of homes that went under contract that month. That’s the highest percentage among the 93 U.S. metropolitan areas Redfin analyzed. Next came Las Vegas (27.4%), Lakeland, FL (26.2%), New Orleans (25.9%), San Antonio (25%), Orlando, FL (24.5%), Palm Bay, FL (24.5%), Deltona, FL (24%), Atlanta (23.7%) and Pensacola, FL (23.6%). Metros must have had at least 1,000 pending home sales in July to be included.

Six of the top 10 metros are in Florida. Florida exploded in popularity among homebuyers during the pandemic, and has also seen among the highest price growth in the nation. That’s causing competition to slow, meaning more buyers are negotiating—and backing out if sellers aren’t giving them what they want. In Orlando, 37.4% of home offers written by Redfin agents faced competition in July, down from 81.4% a year earlier—the largest year-over-year decline among metros analyzed by Redfin.

“The last four buyers I’ve worked with have all backed out of deals,” Malin said. “One of my clients asked the seller for money to cover the home being repainted. The seller said no at first, so my buyer canceled the contract, but the seller then changed their mind and repainted the whole house. My buyer still walked away because he decided he didn’t love the home that much after all and he knew he had other options.”

Kruayai, the other Jacksonville agent, advises her sellers to make sure their homes are in tip-top condition and stand out from the crowd given the increased likelihood of buyers backing out. That means fixing missing shingles, faulty electrical boxes and other issues buyers might catch, and being open to negotiations.

Newark, NJ had the lowest rate of deal cancellations. About 75 home-purchase agreements fell through in July, equal to 2.7% of homes that went under contract that month. It was followed by Omaha, NE (4.9%), Nassau County, NY (5.9%), Rochester, NY (6.9%) and New York, NY (7.1%).

To read the full report, including a chart of metro level data, please visit:

<https://www.redfin.com/news/home-purchases-fall-through-july-2022>

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