

Redfin Reports Nearly One-Third of U.S. Homes Are Bought With Cash, Well Above Pre-Pandemic Levels

For buyers taking out loans, the share of homes purchased using FHA and VA loans are both up slightly from record lows as the market cools down

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — Nearly one-third (31.4%) of U.S. home purchases were paid for with all cash in July, according to a [new report](https://www.redfin.com) from Redfin (www.redfin.com), the technology-powered real estate brokerage. That's near the eight-year high reached in February and up from 27.5% a year earlier. The share of all-cash purchases jumped in early 2021 during the pandemic-driven homebuying frenzy and has remained elevated since then.

All-cash purchases are prevalent with today's affluent buyers largely because mortgage rates have doubled from a year ago, reaching 6% in mid-September. Buyers who don't use loans avoid high interest payments that exacerbate home prices, which remain near record highs even as the housing market slows.

All-cash purchases jumped in popularity last year because they allowed buyers to stand out among fierce competition: Bidding-war rates reached record highs in early 2021 due to sub-3% mortgage rates and remote work driving homebuyer demand. Remote work has also given more Americans the *option* to use all cash, as it allowed a record share of homebuyers to relocate, often from expensive to affordable parts of the country. U.S. home values have skyrocketed since the start of the pandemic, which means Americans who sell a home in a pricey place like San Francisco may use equity to pay cash in a more affordable area like Las Vegas.

Investors are also contributing to the all-cash boom. Real estate investors bought up a record share of the U.S. housing stock in the fourth quarter of last year, and their share has remained above pre-pandemic levels since then. About three-quarters of investor home purchases are made with cash.

All-cash purchases are most prevalent in Long Island, NY and Florida

Three of the five metro areas with the highest share of all-cash purchases are in Florida, partly because the state is home to a lot of affluent buyers. But Long Island, NY—which includes the Hamptons—is home to the highest share of cash buyers, with two-thirds (66.5%) of home purchases made in cash in July. Next come West Palm Beach (56.4%), Jacksonville (45.5%), Milwaukee (45.3%) and Fort Lauderdale (43.3%).

A trio of expensive West Coast markets have the lowest share of all-cash purchases, partly because high prices make it more challenging to pay in cash: Oakland, CA (15.1%), San

Jose, CA (16%) and Seattle (16.7%). Washington, D.C. (17.5%) and Pittsburgh (17.8%) round out the bottom five.

FHA loans are somewhat more popular than they were at the height of the market, but less prevalent than before the pandemic

Even though all-cash purchases are at an eight-year high, most home purchases use loans. Conventional loans are by far the most common type, followed by Federal Housing Administration (FHA) and Veterans Affairs (VA) loans.

More than eight in 10 (81.3%) of home sales that used a mortgage in July took out a conventional loan, down slightly from 81.9% a year earlier and down from the record high of 83.8% set in April.

Roughly 12% of home sales that used a mortgage in July took out an FHA loan, flat from a year earlier but up from the all-time low of 10.4% in the spring. And 6.8% used a VA loan, up slightly from 6.2% a year earlier but up from the record low of 5.4% in spring 2021.

“The spike in interest rates is pricing some buyers out of the market, but it’s also helping some buyers get *into* the market because there’s less competition,” said Tampa Redfin agent Eric Auciello. “A lot of buyers who were repeatedly outbid earlier this year are having their offers accepted, including those using FHA loans, those with smaller down payments and ones that include inspection and financing contingencies. In 2021, hardly any buyers used FHA loans. The story is completely different now, as low down payments are no longer an automatic deal breaker for sellers.”

But FHA loans are still much less prevalent than they were pre-pandemic; about 17% of mortgaged purchases used them in 2019. That’s partly because even though the market has cooled and FHA buyers are less likely to face competition, homes are still quite expensive: The typical U.S. home that sold in July cost about 8% more than a year earlier. That means a lot of the people who would use an FHA loan—lower-income, first-time homebuyers—are priced out of the market.

VA purchases are about as popular as before the pandemic; roughly 7% of mortgaged purchases used them in 2019.

To read the full report, including charts, methodology and additional metro-level data, visit: <https://www.redfin.com/news/all-cash-home-purchases-fha-loans-july-2022>

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