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REDFIN

Redfin Reports Investor Home Purchases Decline Slightly Nationwide, Drop Significantly in Parts of Florida

Investor activity is declining nationwide due to slow homebuying demand, a lackluster rental market, economic uncertainty and elevated interest rates. Investor purchases of condos fell 13% year over year to their lowest level of any fourth quarter since 2012.

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — U.S. real estate investors purchased 47,004 homes in the fourth quarter—the lowest level for that time of year since 2016—according to a new report from Redfin (redfin.com), the technology-powered real estate brokerage. That's down 3.9% from a year earlier, the biggest decline in a year.

There are several reasons investor activity is declining:

- **Slowing housing market.** Investors are buying fewer homes for some of the same reasons other people are buying fewer homes: High home prices and high mortgage rates. Overall pending U.S. home sales fell to their lowest level on record in January, aside from the start of the pandemic.
- **Tepid demand.** Home-price growth has started to slow, inventory has started to rise, and homebuying demand is lackluster. That makes some investors cautious about buying real estate to flip it and try to earn a profit. Rents have also plateaued after a boom in apartment construction, meaning it's less lucrative than it used to be for investors to purchase units to rent out.
- **Economic uncertainty.** Real estate investments are riskier than before, with economic and political uncertainty in the air. Recession nerves, the transition to a new presidential administration, and instability surrounding key economic measures like inflation, tariffs and jobs have made some investors pull back on housing. They may be shifting to other investments that are viewed as more stable, like bonds.
- **Elevated interest rates.** The Fed has kept interest rates high. That means mortgage rates remain high, making it more expensive for investors who are taking out a loan to buy homes. Investors are less sensitive to mortgage rates than regular homebuyers because most investors (65%) pay in cash, but they're still somewhat sensitive because they often take out different types of loans to cover home-flipping costs and other expenses.

Redfin agents in some parts of the country report that investors are quiet because they're not seeing the rate of return that they were two or three years ago. In some cases, investors even worry about having to sell at a loss.

In dollar terms, investors purchased $36.5 billion worth of homes in the fourth quarter. That's up 6.3% year over year, equal to the increase in home-sale prices over that period.

While investor purchases are declining, they're not falling nearly as fast as they were in late 2022 and early 2023. At that time, rapidly rising mortgage rates were stalling homebuying demand, making it more expensive to purchase homes and less appealing to flip them.

Investor Market Share Is Down—But Only Slightly

Investor purchases are also making up a smaller *share* of total home purchases than usual for the end of the year.

Real estate investors purchased 17.1% of U.S. homes that sold in the fourth quarter, the lowest level for that time of year since 2020 and down from 19% a year earlier. Investors lost market share because they pumped the brakes on purchases faster than regular homebuyers.

In December, one in 10 (10%) home listings was from an investor, unchanged from a year earlier.

Florida Investors Are Pulling Back Fastest

Three of the five metros where investor purchases dropped most in the fourth quarter were in Florida. Investor purchases fell 27.5% year over year in Orlando, FL, more than any other major U.S. metro. It's followed by Chicago (-23.3%), Miami (-21.3%), Atlanta (-18.4%) and West Palm Beach, FL (-14.5%).

Investor market share dropped most in Florida, too. Investors purchased 20.7% of homes that sold in Orlando in the fourth quarter, down from 26.6% a year earlier, the biggest drop of any metro. The drop is similar in Jacksonville, FL, where investors bought 21.1% of homes that sold, down from 25.8%. The next-biggest declines were in Atlanta, Riverside, CA and Charlotte, NC.

Investors are retreating from Florida metros because the outlook for earning money from real estate investments is cloudy. Six of the 10 metros that topped Redfin's recent list of buyer's markets are in Florida, with local agents reporting it's not an ideal time to sell. Home prices in coastal Florida—especially condo prices—are dropping amid the increasing frequency and intensity of natural disasters, and soaring HOA fees and insurance costs. And investors looking to sell for a profit would have a lot of competition, with Florida for-sale inventory at a record high.

On the other end of the spectrum, the Bay Area features heavily on the list of places where investor purchases—and investor market share—rose most.

Investors in Seattle bought 33.8% more homes than a year earlier in the fourth quarter, a bigger increase than any other metro. Next come San Jose, CA (21.1%), Oakland, CA (19.4%), San Francisco (19.1%) and Detroit (15.5%). Investor *market share* rose most in Seattle, too; investors bought 11.3% of homes that sold there in the fourth quarter, up from 9% a year earlier. The next-biggest increases were in Oakland, Cleveland, Philadelphia and San Jose.

Investor Purchases of Condos Drop to Lowest Q4 Level in 12 Years

Investors purchased 8,220 condos in the fourth quarter, the lowest level for that time of year since 2012. That's down 13% from a year earlier, a much bigger decline than any other property type.

Investors are buying fewer condos because the condo market has been slowing, particularly in Florida, due partly to the surge in HOA fees caused by worsening natural disasters. In Orlando, investor purchases of condos fell nearly 30% year over year in the fourth quarter. They fell 26.1% year over year in Tampa, and 22.9% in Miami.

Investor purchases of single-family homes fell 1.6% year over year, and purchases of townhouses fell 6.1%. Investors bought 2.9% *more* multi-family properties than a year earlier.

Most investor purchases are single-family homes. Nearly seven in 10 (69.4%) properties investors bought in the fourth quarter were single-family homes, while 17.5% were condos, 7.5% were townhouses and 5.6% were multi-family properties (that's the highest share for multifamily since 2019).

Investor Purchases of Low-Priced Homes Are Holding Up

Investor purchases of expensive homes fell in the fourth quarter, but purchases of more affordable homes held steady. Investors purchased essentially the same number of low-priced homes as a year earlier, but 3.5% fewer high-priced homes and 11.2% fewer mid-priced homes.

Out of all investor purchases, 47.3% were low-priced homes. Three in 10 (29.6%) were high-priced homes, and 23.2% were mid-priced homes.

Relatively affordable homes are appealing to investors for the same reason they're appealing to other homebuyers: They cost less. Still, investor *market share* has fallen for all price tiers, including the most affordable one. Investors purchased 24.2% of low-priced homes that sold in the fourth quarter, down from 26.3% a year earlier. They bought 15.3% of high-priced homes, down from 16.7%, and 11.8% of mid-priced homes, down from 14.2%.

This is based on a Redfin analysis of county-level home purchase records across 39 of the most populous U.S. metropolitan areas going back through 2000. Redfin defines an investor as any institution or business that purchases residential real estate, meaning this report covers both institutional and mom-and-pop investors. This data is seasonal, which is why Redfin compares Q4 2024 to other fourth quarters.

To view the full report, including charts, tables, methodology, and a metro-level summary, please visit: https://www.redfin.com/news/investor-home-purchases-q4-2024

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