

## National Mortgage News

# All-cash purchases hit an 8-year high, as seller profits surge

Newly released sales data shows the extent to which buying trends in the hot housing market have [impacted affordability](#), while seller profits surge.

The sales of homes paid for entirely in cash hit an eight-year high in the second quarter, according to [real estate data provider Attom](#), in its latest U.S. home sales report. Approximately 35.4% of all single-family homes and condo units sold between April and June were cash purchases, the most since the first quarter of 2014. In comparison, all-cash transactions during the first-quarter this year made up 34.6% of volume, and one year ago, 31%.

“Cash buyers have continued to account for a higher percentage of home sales than usual, probably due in part to homeowners selling properties in high cost states and using the proceeds to buy a home with cash in lower cost areas,” said Rick Sharga, executive vice president of market intelligence at Attom.

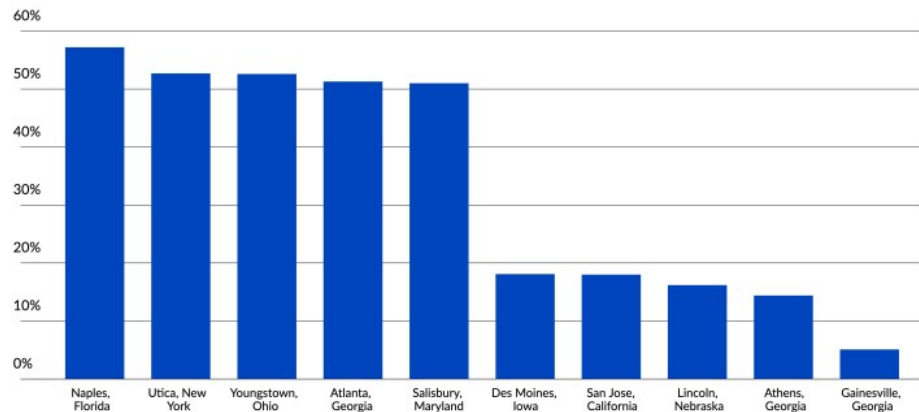
“With mortgage rates almost doubling over the past year and the cost of financing soaring, cash buyers will be in an even stronger position of competitive advantage for the foreseeable future,” he said.

Among metropolitan markets with sufficient data available regarding the transactions, Naples, Florida, led the U.S. in the share of all-cash home purchases relative to total sales in the second quarter at 57.2%, followed by Utica, New York, with 52.7%, Youngstown, Ohio at 52.6%, Atlanta with 51.3% and Salisbury, Maryland, with 51%.

Though all-cash purchases have increased over the past few years, shrinking demand, due in part to rate pressures, have impacted startups that popped up to assist [customers competing against all-cash](#) buyers. In the past several

weeks, startups operating such programs, including UpEquity, Orchard and FlyHomes, all announced staff reductions.

**Share of all-cash home purchases in Q2**



Source: Attom

A consequence of the growth in all-cash transactions has been the diminishing supply of more affordable homes, leaving many first-time and lower-income buyers, who usually receive support from government-backed programs, out of the market.

The share of purchases from borrowers with Federal Housing Administration-insured loans in the second quarter made up the smallest portion of the market since late 2007, according to Attom’s research. FHA borrowers accounted for only 6.7% of single-family purchase volume or one in 15, declining from 7.3% the prior quarter and 7.9% year over year.

“FHA borrowers — and borrowers with VA loans — have been at a significant disadvantage in a housing market characterized by historically short sales cycles and near-record levels of cash buyers,” Sharga said.

But if homes stay on the market longer, as some [data suggests](#) they are, it could level the playing field, Sharga said. “We could see the volume of homes purchased by FHA and VA borrowers climb back up to more normal levels.”

Even as home prices began to show [signs of softening](#) demand in the second quarter, sellers also saw the largest profit-margin gains in over a decade, according to Attom’s report. That’s fueled, in part, by consumers worried

about [missing out](#) on a home. Margins on median-priced properties across the country surged by 55.5%, reversing direction from the first quarter this year, when they declined for the first time since 2019 to 48.3%. Profit margins in the second quarter last year were 42.9%.

On an annual basis, Florida dominated the top of the list in profit-margin growth among large markets of 1 million or more. Orlando sellers saw margins increase from 36.4% to 67.6% based on the median home price. Tampa's profit margins grew from 47.4% to 76.3%, while Miami home sellers' gains increased from 38.9% to 66.8% annually.

Also, home prices in the second quarter hit or tied all-time highs in 168 out of 183 areas in the report, including New York, Los Angeles and Chicago.

"While price growth may slow down as higher mortgage rates dampen demand from prospective homebuyers, home sellers should continue to profit from the record \$27 trillion in homeowner equity in today's market," Sharga said.