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# Redfin Reports Investor Home Purchases Post Biggest Increase in Two Years

*Investors bought 1 of every 6 U.S. homes that sold—purchasing $43 billion worth of properties—and 1 of every 4 low-priced homes that sold*

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — Investor purchases of U.S. homes rose 3.4% year over year in the second quarter—the largest increase since the second quarter of 2022. That is according to a new report from Redfin (redfin.com), the technology-powered real estate brokerage.

Investors purchased $43 billion worth of homes in the second quarter, up 13.7% from a year earlier—also the biggest gain in two years.

Investor activity in the housing market is stabilizing following several years of dramatic ups and downs. Investor home purchases more than doubled during the pandemic homebuying boom in 2021, and then plunged nearly 50% last year as declining rents and home values ate into potential profits.

“One reason real estate investors are coming out of hibernation is to take advantage of robust demand from renters,” said Redfin Senior Economist Sheharyar Bokhari. “Elevated home prices and mortgage rates have pushed homeownership out of reach for a lot of Americans, which is fueling demand for rentals. Investors, many of whom can afford to pay in cash to avoid the sting of high mortgage rates, are cashing in on that demand.”

Mortgage rates did drop to the lowest level in over a year last week after a weaker-than-expected jobs report stoked recession fears, which helped homebuyers gain tens of thousands of dollars of purchasing power. Still, homeownership remains out of reach for many Americans.

While renter demand is strong, rents have been sluggish because a lot of new apartments have been hitting the market following a construction boom during the pandemic. That means property owners have been competing for tenants and have had less room to boost prices. But apartment construction is starting to slow, which could cause rents to rebound in the coming years—another factor that may be bringing investors off of the sidelines.

Investor purchases were near a low point in the second quarter of 2023—another reason they’re now rising on a year-over-year basis. They appear to be inching back toward pre-pandemic levels.

**Investors Bought 1 in 6 U.S. Homes that Sold in the Second Quarter**

Investors purchased 16.8% of U.S. homes that sold in the second quarter—the highest second-quarter share on record aside from 2022. That’s down from an all-time high of 20.8%

hit during the pandemic but up from 16% a year earlier.

Investors have seen their market share inch up because they've come off the sidelines faster than individual buyers. While investor home purchases rose 3.4% in the second quarter, overall U.S. home purchases fell 1.9% as elevated mortgage rates and prices deterred buyers. Investors are less sensitive to mortgage rate fluctuations than regular buyers because most of them (69%) pay in cash, though they're still somewhat sensitive because they often take out different loans to cover home flipping and other expenses.

**Other data highlights: June 2024**

- The typical home sold by an investor in June went for 58% more ($190,404) than the investor bought it for. That's down from 62.1% a year earlier, but is still higher than pre-pandemic levels.
- 5% of homes sold by investors sold for a loss, down from 5.8% a year earlier and below pre-pandemic levels.

**Investor Home Purchases Are Up Almost 30% in San Jose and Las Vegas, Down Over 15% in Fort Lauderdale**

In both San Jose, CA and Las Vegas, investor home purchases rose 27% year over year in the second quarter—the biggest jump among the metros Redfin analyzed. Next came three more California metros: Sacramento (18.9%), Los Angeles (17.9%) and San Francisco (17.8%).

San Jose also saw the largest gain in overall home purchases, which rose 15.2% year over year in the second quarter. San Francisco came in second place. The Bay Area's housing market has been bouncing back after slowing substantially during the pandemic, and investors have reaped hefty gains over the last year.

The typical San Francisco home sold by an investor in June went for $685,500 more than the investor bought it for, up 50.7% from a year earlier. That's the biggest increase among the metros Redfin analyzed. Next came San Jose, where the median capital gain rose 48.3% to $808,500.

Craig Pellegrini, a Redfin Premier real estate agent in San Jose, said about one-quarter of buyers he speaks to are investors. Roughly half are institutional investors and the other half are mom-and-pop investors, he said.

"San Jose has a lot of overseas investors buying sight-unseen, and a lot of home flippers who are purchasing dilapidated homes, putting some lipstick on them, and selling them for a profit," Pellegrini said. "I'm also seeing parents buy second homes that they plan to rent out for a while and then pass on to their kids, some of whom just graduated college and can't afford to buy themselves."

Pellegrini continued: "There are a lot of folks with tech money who bought homes here in the early 2000s, built a ton of equity, and are now taking on a side hustle as a real estate investor. But there are also folks who are renting in neighborhoods like Mountain View and Los Altos, and then buying investment properties in San Jose—which has lower home prices—to build equity."

Investor home purchases fell fastest in Fort Lauderdale, FL (-15.9%), Providence, RI (-12.4%), New Brunswick, NJ (-11.9%), Miami (-11.3%) and Chicago (-11.1%).

“Even though rents are high here, the insurance rates and property taxes are also high, making it difficult for the numbers to make sense for investors,” said Bob Benson, a Redfin Premier real estate agent in Fort Lauderdale.

**Single-Family Home Purchases Are Driving the Increase in Investor Activity**

Investor purchases of single-family homes rose 6.7% year over year in the second quarter, the biggest increase in two years. Meanwhile, investor purchases of multifamily properties (2-4 units), condos/co-ops and townhouses fell a respective 5%, 3.3% and 1.9%.

Single-family homes represented 69.4% of investor purchases in the second quarter—the highest percentage since mid-2022. Meanwhile, condos/co-ops represented 19.4%, townhouses made up 6.5% and multifamily properties made up 4.7%—all lower than a year earlier.

Investors have also gained market share in the single-family segment; 16.4% of U.S. single-family homes that sold in the first quarter were purchased by investors, up from 15.2% a year earlier. The share of condos/co-ops bought by investors also ticked up slightly, to 17.2%. The share of multifamily properties fell slightly to 30.7% and the share of townhouses was unchanged at 15.1%. Investors have a relatively large market share in the multifamily segment because those buildings are typically too expensive/not feasible for regular homebuyers, and apartments offer the potential for large returns from rental income.

**Investors Bought One-Quarter of America’s Most Affordable Homes**

About 1 in 4 (24.1%) of low-priced U.S. homes that sold in the second quarter were bought by investors, up from 22.7% a year earlier. Meanwhile, 14.7% of high-priced homes and 12.1% of mid-priced homes that sold were purchased by investors.

Low-priced homes represented 45.2% of investor purchases, while high-priced homes made up 30.9% and mid-priced homes accounted for 23.9%.

**Other Metro-Level Highlights**

**Where investors bought the highest/lowest share of homes that sold: Q2 2024**

- **Highest share:** In Miami, investors bought 28.5% of homes that sold. Next came San Diego (23.7%), Anaheim, CA (23.3%), Las Vegas (22.3%) and Los Angeles (22.2%).
- **Lowest share:** Providence, RI (8.5%), Washington, D.C. (8.7%), Warren, MI (9.2%), Montgomery County, PA (9.5%), Seattle (9.7%).

**Where the share of homes bought by investors increased/decreased most from a year earlier: Q2 2024**

- **Biggest increases:** In Las Vegas, investors bought 22.3% of homes that sold, up 4.2 percentage points from a year earlier. Next came Los Angeles (+3.3 ppts), Sacramento (+3.2 ppts), Oakland, CA (+2.9 ppts) and Phoenix (+2.8 ppts).
- **Biggest decreases:** Miami (-2.3 ppts), Cincinnati (-1.6 ppts), Cleveland (-1 ppt),

Seattle (-1 ppt), Philadelphia (-0.9 ppts).

To view the full report, including charts, methodology and additional metro-level data, please visit: https://www.redfin.com/news/investor-home-purchases-q2-2024

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