MARKETS & ECONOMY

Summer slump sees buyers back out of deals at record rates

Rising home prices and mortgage rates, and sticker shock from surprise housing costs, pushed buyers to cancel 56K home-purchase agreements in June, according to Redfin



BY MARIAN MCPHERSON

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Rising home prices and stubborn mortgage rates are leading a growing number of homebuyers to abandon their home purchasing plans, according to a Redfin report published Tuesday.

In June, median home prices increased 4 percent year over year to an all-time high of $442,525 as 30-year mortgage rate averages hovered just under 7 percent. Those conditions led homebuyers to cancel 56,000 home-purchase agreements — or 14.6 percent of the pending sales for the month.

Florida bore the brunt of the rise in home-purchase cancellations, with more than a fourth of for-sale inventory in Orlando (20.8 percent), Jacksonville (20.5 percent) and Tampa (20.5 percent) falling out of contract in June. Homebuyers in Las Vegas (20.2 percent) and San Antonio (19.9 percent) were also skittish, with roughly 20 percent of contracts kicking the can at the peak of the summer homebuying season.

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Redfin Premier agents Rafael Corrales and Julie Zubiate said affordability concerns are the primary culprit, with insurance, property taxes and homeowners association fees giving homebuyers serious sticker shock.

"Buyers often back out during the inspection period because they find something they don't like, but affordability is really the underlying issue," he said. "I don't want my buyers to be surprised by all of the expenses that come with owning a home in Florida, so I advise them to proactively research the hefty costs of insurance, property taxes and HOA fees, in addition to the cost of their mortgage payment."

Meanwhile, Zubiate said Bay Area buyers have become increasingly picky — a 180 from the pre-pandemic and peak-pandemic trends when homebuyers entered bidding wars for fixer-uppers and even half-burnt lots.



Julie Zubiate

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Although homebuyers' worries got the best of them in June, the report said home purchase cancellations could soon improve as homesellers face longer list-to-sell timelines. Nearly 20 percent of homes (19.8 percent) experienced a price cut in June — the highest rate for the month since 2017.

"Some sellers are reducing their prices because their homes are sitting on the market and getting stale — the result of an ongoing affordability crisis impacting buyers," the report read. "The typical home that sold in June spent 32 days on the market, the longest of any June since 2020. That's up three days from a year earlier — the biggest annual increase since last summer."

Email Marian McPherson

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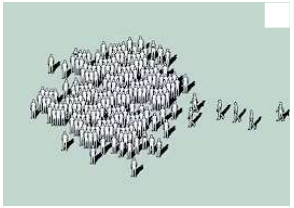
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