

Profit margin on flipping homes at 17-year low

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LOS ANGELES>> It pays less and less to buy and flip a home these days.

From April through June, the typical home flipped by an investor resulted in a 25.1% return on investment, before expenses. That's the lowest profit margin for such transactions since 2008, according to an analysis by Attom, a real estate data company.

Gross profits — the difference between what an investor paid for a property and what it sold for — fell 13.6% in the second quarter from a year earlier to \$65,300, the firm said. Attom's analysis defines a flipped home as a property that sells within 12 months of the last time it sold.

Home flippers buy a home, typically with cash, then pay for any repairs or upgrades needed to spruce up the property before putting it back on the market.

The shrinking profitability for home flipping is largely the result of home prices, which continue to climb nationally, albeit at a slower pace, driving up acquisition costs for investors.

"We're seeing very low profit margins from home flipping because of the historically high cost of homes," said Rob Barber, Attom's CEO. "The initial buy-in for properties that are ideal for flipping ... keeps going up."

The median price of a home flipped in the second quarter was bought by an investor for \$259,700, a record high according to data going back to 2000, according to Attom.

The median sales price of flipped homes was \$325,000, unchanged from the first quarter, the firm said.

A chronic shortage of homes on the market and heightened competition for lower-priced properties are also helping drive up investors' acquisition costs.

Home-flipping profits have declined for more than a decade as home prices rose along with the housing market's recovery from the housing crash in the late 2000s.

Consider, in fall 2012, the typical flipped home netted a 62.9% return on investment before expenses, Attom said.

Even as home flipping has become less profitable, such transactions remain widespread.

Some 78,621 single-family homes and condos were flipped in the April-June quarter, accounting for 7.4% of all home sales during the quarter — a slight decline from both the first quarter and the second quarter of 2024, according to Attom.

The U.S. housing market has been in a sales slump since early 2022, when mortgage rates began to climb from pandemic-era lows. Sales of previously occupied U.S. homes sank last year to their lowest level in nearly 30 years. Sales have remained sluggish this year as mortgage rates, until recently, remained elevated.

As home sales have slowed, properties are taking longer to sell. That has led to a sharply higher inventory of homes on the market, benefiting investors and other home shoppers who can afford to bypass current mortgage rates by paying in cash or tapping home equity gains.

With many aspiring homeowners priced out of the market, real estate investors are taking up a bigger share of U.S. home sales overall. Some 33% of all homes sold in the second quarter were bought by investors — the highest share in at least five years, according to a report by real estate data provider BatchData.

From 2020 to 2023, the share of homes bought by investors averaged 18.5%. All told, investors bought 345,752 homes in the April-June quarter, an increase of 15% from the first quarter, but a 12% decline from the same period last year, the firm said. Even so, investor-owned homes account for about 20% of the nation's 86 million single-family homes.

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