

HOME SALES SEE HIGHEST CANCELLATION RATE SINCE 2020

According to data from Redfin, rising and shifting mortgage rates are forcing buyers to cancel home purchases at the highest rate since 2020. The slowdown in the housing market is allowing more time for buyers to bargain hunt for better rates and prices.

SOURCE: Valuation Review <https://bit.ly/3QzqpCo>



SEPTEMBER 2022 — The data suggests approximately 60,000 home-purchase agreements fell through in June, equal to 14.9 percent of homes that went under contract that month. This is the highest cancellation rate since March and April 2020, when the housing market slowed down at the start of the pandemic.

“The slowdown in housing-market competition is giving homebuyers room to negotiate, which is one reason more of them are backing out of deals,” Redfin Deputy Chief Economist Taylor Marr said. “Buyers are increasingly keeping rather than waiving inspection and appraisal contingencies. That gives them the flexibility to call the deal off if issues arise during the homebuying process.”

Recent rate hikes by the Federal Reserve have led to a sudden slowdown of the housing market. The average 30-year fixed mortgage rate have seen a few substantial declines in the past few weeks but remains above 5 percent.

“Rising mortgage rates are also forcing some buyers to cancel home purchases,” Marr continued. “If rates were at 5 percent when you made an offer but reached 5.8 percent by the time the deal was set to close, you may no longer be able to afford that home or you may no longer qualify for a loan.”

“When mortgage rates shot up to almost 6 percent in June, we saw a number of buyers back out of deals,” said Lindsay Garcia, a Redfin real estate agent in Miami. “Some had to bow out because they could no longer get a loan due to the jump in rates. Buyers are also more skittish than usual due to economic uncertainty.”