

ATTOM: HOME FLIPPING REMAINS ELEVATED NATIONWIDE, INVESTOR PROFITS IMPROVE

AUG 2023 — The latest portion was down from 9.4 percent in the first quarter of 2022. However, it was still up from 8 percent in the fourth quarter of last year, hitting the second-highest level this century.

The report also revealed that while flipping activity rose, mixed trends emerged for raw profits and profit margins. Profits and investment returns both increased slightly from the fourth quarter of 2022 to the first quarter of this year. But both also remained near low points over the past decade, reflecting ongoing financial struggles for home flippers. The quarterly gain in the typical profit margin of 22 percent represented a modest reversal of fortune for investors following three years of nearly continuous declines that began well before a slowdown in the broader U.S. housing market last year, according to ATTO.

“Home-flipping investors across the U.S. may have finally halted the decline,” Rob Barber, CEO of ATTOM, said in a release. “In the first quarter, profit margins showed a slight upward turn after an extended slump, while interest in flipped homes continued to rise among buyers. However, investors shouldn’t assume they’re out of the woods just yet. Home-flipping carrying costs can easily erase a 22 percent return on gross profits, and it’s possible that the recent gain is merely a temporary blip. Nevertheless, the first-quarter trends offer some hope for investors indicating that brighter times may lie ahead.”

Among flips nationwide, the gross profit on typical transactions increased to \$56,000. That remained down 20 percent from \$70,000 a year ago and still stood at one of the lowest points since the U.S. housing market began recovering in 2012 from the Great Recession that struck in the late 2000s. Nevertheless, the total profit of typical flips nationwide was up 4.7 percent from \$53,500 in the fourth quarter of 2022, according to ATTOM.

Typical profit margins, meanwhile, also ticked up during the first few months of this year, after falling in eight of the prior nine quarters.

The typical gross flipping profit of \$56,000 translated into a 22.5 percent return on investment compared with the original acquisition price. While the typical margin remained down from 26.9 percent in the first quarter of 2022 – and was still less than half of the 51.5 percent level recorded in the middle of 2020 – it inched up from 21.7 percent in the fourth quarter of last year.

Profits and profit margins turned around a bit in the first quarter as median resale prices on flipped homes went up slightly faster than they were rising when investors were buying homes.

Specifically, the typical resale price on flipped homes increased 1.7 percent quarter-over-quarter, from \$300,000 to \$305,000. That was better than the 1 percent increase in the median price that recent home flippers were commonly seeing when they originally bought their properties.

Specifically, the typical resale price on flipped homes increased 1.7 percent quarter-over-quarter, from \$300,000 to \$305,000. That was better than the 1 percent increase in the median price that recent home flippers were commonly seeing when they originally bought their properties.

The recent profit turnaround – modest as it was – continued an unusual pattern of home-flipping fortunes running counter to the broader U.S. housing market. For the prior three years, investment returns were mostly dropping. That was happening despite prices and profits for traditional sellers soaring during an extended, decade-long boom period for the overall market, ATTOM said.

Investor woes continued last year as the market surge stalled amid rising mortgage rates, high consumer price inflation, a faltering stock market and economic uncertainty. Home values have dropped throughout the country since the second quarter of last year, with the national median price down 7 percent. But flipping profits started to reverse course early this year, even as prices continued to dip in most of the country.

Home flips as a portion of all home sales increased from the fourth quarter to the first quarter 128 of the 172 metro statistical areas analyzed (74 percent). The increases were mostly by less than two percentage points. Metro areas were included if they had a population of 200,000 or more and at least 50 home flips in the first quarter of 2023.

SOURCE: The Title Report
<https://tinyurl.com/yexbafta>



Corporate Office
6345 Balboa Blvd, Bldg 4/ Ste 285
Encino, CA 91316

El Segundo Office
300 N. Pacific Coast Hwy #1075
El Segundo, CA 90245

Orange County Office
2200 W. Orangewood Ave #140
Orange, CA 92868

WWW.PROVIDENTTITLE.COM
OFFICE 1.800.794.8094
CS DEPT 1.800.794.0223