

# House flipping increases while profit margins drop



According to ATTOM's second-quarter 2021 U.S. Home Flipping Report, **79,733 single-family homes and condos were flipped, representing 4.9 percent of all home sales.** That's up from 3.5 percent in the first quarter, the first increase in more than a year. But it was down from 6.8 percent a year ago. As the flipping rate rose, profit margins dipped to a 10-year low, according to the report.

The gross profit on the typical home flip rose in the second quarter to \$67,000, up 2.4 percent from \$65,400 in the first quarter and 3.1 percent from \$65,000 year-over-year.

However, that typical gross-flipping profit of \$67,000 translated into a 33.5 percent return on investment (ROI) compared with the original acquisition price. That's down from 37.2 percent in the first quarter and from 40.6 percent a year ago, to its lowest point since the first quarter of 2011.

**The median price of homes flipped in the second quarter soared to an all-time high of \$267,000, up 10.6 percent from \$241,400 in the first quarter and 18.7 percent from \$225,000 year-over-year.** But those price run-ups failed to surpass increases that investors were absorbing – 13.6 percent quarterly and 25 percent annually – when they bought the homes that they sold in the second quarter. That gap led to profit margins dropping.

“Home flipping rebounded during the second quarter. But profits sure didn't, as the typical home flip around the country netted the smallest return on investment in a decade,” ATTOM Chief Product Officer Todd Teta said in a release. “However, it's not like home flipping has become a losing proposition. A 33 percent profit on a short-term investment remained pretty decent, even after renovation and holding expenses. But with a few more periods like the second quarter of this year, investors may need to reframe how they look at these deals.”

Home flips increased from the first to second quarter in 144 of the 182 metro areas ATTOM analyzed (79 percent). Among those metro areas, the largest flipping rates were in Savannah, Ga. (9.5 percent of all home sales); Fort Wayne, Ind. (9.3 percent); Canton, Ohio (9 percent); Ogden, Utah (8.9 percent) and Indianapolis (8.9).

The smallest home-flipping rates in the second quarter were in San Jose, Calif. (1.8 percent); Rochester, N.Y. (1.9 percent); Albany, N.Y. (2.1 percent); Bakersfield, Calif. (2.1 percent) and Wilmington, N.C. (2.2 percent).

Metro areas with the largest ROI on home flips in the second quarter were Oklahoma City (196.4 percent); Fargo, N.D. (185.7 percent); Pittsburgh (154.2 percent); Omaha, Neb. (135 percent) and York, Pa. (115.1 percent).

Metros with the smallest profit margins on home flips were Gulfport, Miss. (7.8 percent loss); Corpus Christi, Texas (0.7 percent return); College Station, Texas (1.2 percent return); Longview, Texas (7.1 percent return) and Daphne-Fairhope, Ala. (8.5 percent return).