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Cash buyers are kings in weak home-sales market

By Julie Schmit, USA TODAY

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Cash buyers are snapping up homes in markets nationwide, betting that deals won't get much better.

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By Bill Sikes, AP

Lower home prices entice cash buyers.

Last month, all-cash buyers accounted for 30% of existing home sales, up from 25% in May 2010, and 12% two years ago, says the [National Association of Realtors](#).

Cash buyers, who are mostly investors, accounted for at least 30% of existing-home sales for the fifth-straight month, the association says. They hit 35% of buyers in March.

The cash buyers are enticed by low prices and potential rental income, economists say. But while their activity has helped curb price drops, price increases have yet to follow.

In May, the median price of an existing single-family home fell 4.5% to \$166,700 from a year ago, the association reported Tuesday. Volume also dropped. Existing home sales in the month — including single family, condos and townhouses — were down 15% from the previous May, when a federal tax credit boosted sales.

Without cash buyers, "We would be in much worse shape than we are," says [Jim Gillespie](#), CEO of Coldwell Banker Real Estate. "They recognize that this is the smartest time to buy," because U.S. home prices are 33% below their 2006 peak. Cash buyers are especially prevalent in markets where prices have fallen the most, often areas hard hit by foreclosures.

In Las Vegas, the foreclosure capitol of the U.S. for the past four years, cash buyers accounted for 49% of first-quarter sales vs. 20% in the first quarter of 1997, says data from real estate site Zillow.com. In that area, home prices are almost 60% off their 2006 peak.

In the Miami-Fort Lauderdale area, 63% of first-quarter buyers paid in cash, vs. 39%

in 1997's first quarter, Zillow says.

Phoenix is also seeing more cash buyers, 44% in the first quarter up from 25% in the same 1997 period, Zillow data show.

The big numbers are "positive news," says [Stan Humphries](#), Zillow chief economist. "These are people who're ... getting back into the market because they see good value."

Cash buyers often get better deals because sellers know their offers won't fall through for lack of financing, says Walt Danley, president of the luxury real estate firm The Walt Danley Group in Arizona. A discount of up to 5% is typical, he says.

While Danley sees many foreign buyers paying cash, investors looking for rentals are also big cash buyers.

Given low prices, they can buy homes, rent them and be immediately cash-flow positive, says Paul Dales, an economist for Capital Economics.

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