



The Outsized Power of Cash Buyers in New York City's Housing Market

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INTRODUCTION

Could you produce \$700,000 in cash within a few days? If not, you are among the many families who would have a difficult time competing in New York City's real estate market for a new home. And the challenge of purchasing a home has become even more acute as skyrocketing unemployment caused by the fallout from the COVID-19 crisis will make it that much more difficult for households to come up with much smaller sums for their next rent or mortgage payments.

To say that the local market is daunting for would-be buyers is putting it mildly: The city has the lowest homeownership rate of any major city in the country. High purchase prices, packed open houses, and limited down payment assistance options create barriers to ownership. And, in the last decade, a new trend has emerged: The overpowering rise of cash buyers who can acquire a home with the money already in their pockets.

In contrast, most families, especially those with limited savings and modest (or no) inherited wealth must apply for a mortgage to acquire a home — a time-intensive and expensive process with no guarantee of success.

Cash buyers — individuals or corporations who do not use a mortgage when purchasing a property — have a considerably easier path: By paying the total cost of the home upfront, they circumvent much of the cost, time, and uncertainty of the mortgage financing process and, as a result, can often purchase a home at a lower price.

An analysis of home purchases in New York City today reveals the extent to which cash buyers are outcompeting mortgage-dependent home seekers throughout the city. Whether acquiring single-family homes, condos, or co-ops — and no matter if they are located in the Upper East Side of Manhattan or in Jamaica, Queens — cash buyers command a surprising proportion of the homeownership market: **In the past decade, over 40% of all home, condo, and co-op purchases in the city were made in cash.**

Diminished opportunities to purchase affordably-priced homes means that working- and middle-class families, particularly the city's black and Latinx households, disproportionately remain renters, while higher-income and disproportionately white buyers benefit from accumulating real estate assets.¹ This trend exacerbates the city's racial wealth gap and dictates that families of color will continue to be the most vulnerable to market-driven displacement.

¹ Demos, "The Racial Wealth Gap: Why Policy Matters", 2016.

This analysis focuses on homeownership properties in New York City: 1-4 unit homes, co-ops, and condos. We exclude property transactions from Staten Island, which are not included in New York City's Automated City Register Information System (ACRIS).² We conclude with recommendations for policy changes at the city and state levels that would begin to even the playing field for buyers with financing and introduce more opportunity into the housing market for working families.

In the wake of the coronavirus pandemic, New York's low- and moderate-income families have an even more uncertain path towards homeownership. Thousands of New York's workers face unemployment and income loss, while those employed in essential businesses continue to work while exposed to greater risks of contracting infection. Prospective homebuyers who were in the process of buying a home may now be unable to finish the process as lenders, title agents, and assessors close their offices or transition to working remotely. This may mean that cash buyers have an even greater advantage over families hoping to buy.

A Note about the Coronavirus Pandemic

The research for this report was conducted at the end of 2019, before the world faced the COVID-19 pandemic and before New York City and New York State were placed under shelter-in-place orders. Although the lasting effects of the pandemic and its aftermath are uncertain, the experience of the Great Recession (2007-2009) teaches us that the economic effects are likely to exacerbate existing inequalities across racial and economic lines and to push homeownership even further out of reach for many of New York's working families unless we take proactive steps to create a more fair housing market. When unemployment and foreclosure took off in that past crisis, deep-pocketed investors moved in to snap up tens of thousands of homes, transforming communities and producing immense profits for real estate empires and their investors. While the world scrambles to address the immense challenges posed by the pandemic, it is not too soon to anticipate that opportunistic investors are once again eyeing the housing market. Now is the time to take stock of the obstacles first-time homebuyers face and how we can address structural inequalities that privilege cash buyers.

² Transactions from Staten Island's deed registry system are not searchable in the same way as those in ACRIS, and are not included in the city's Open Data portal. As a result, our analysis focuses on sales in Manhattan, the Bronx, Brooklyn, and Queens.

FINDINGS

1. Cash sales make up around 40% of NYC's home-purchase market.
2. Among buyers, those with cash often pay less than buyers with mortgages.
3. Cash sales are especially concentrated at the bottom of the market: 52% of lower-priced homes were purchased all-cash in 2019.

FINDING 1

Cash sales make up around 40% of NYC's home-purchase market

Our analysis of home sales in the four boroughs we studied reveals that cash sales are a major component of New York City's housing market: 41% of all homes (condos, co-ops, and 1-4 unit properties) sold in the past decade were purchased with cash.

Although present across all home types, cash sales are most common among co-ops. Co-op boards have discretion to set requirements for prospective buyers and often prefer cash buyers over those seeking financing from a lender because of the perceived financial stability of cash buyers and guarantee of a quick closing.

Property Type	% of Sales All Cash in 2019	# Cash Sales in 2019
1-4 Family Homes	24%	4,239
Condos	45%	4,018
Coops	49%	6,264

Cash buyers are most active in Manhattan, where the wealthy have long sought out high-end real estate, either to live in or as a financial safe haven. But cash buyers are also prevalent

What we know (and what we don't know) about cash buyers

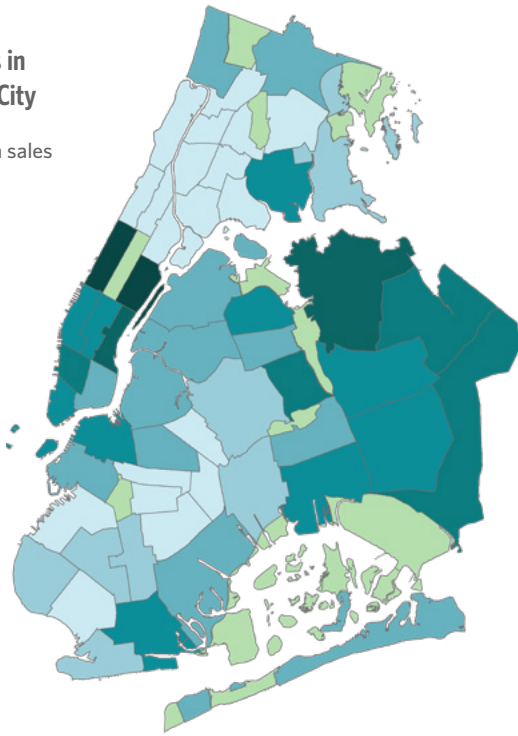
There is not a great deal of information about cash buyers and most existing data is national. It is clear that many cash buyers are from overseas: A 2017 national survey found that 57% of cash buyers are "non-resident foreign buyers" with a permanent residence in another country.⁵ Canadians and Chinese buyers use cash most frequently (75% of purchases and 49% respectively) among nationalities most active in U.S. real estate.⁶ We also know that private equity firms have rushed into the single-family home market, paying cash to create rental empires in cities like Atlanta.⁷

In New York City, real estate buyers often shield their identity behind limited liability corporations, but there is little evidence that large firms are buying thousands of homes like they are in the Sunbelt. Instead, real estate professionals have documented boutique firms buying homes in New York City on behalf of foreign clients, and a review of buyers in this analysis points to international banks and pension-fund backed Real Estate Investment Trusts (REITs).⁸ [We also know that investors have become more active in New York City's homeownership space since the Great Recession](#), doubling their home purchases since the peak of the foreclosure crisis.⁹ And investors often use cash: over 60% of 2018 New York City home purchases by investors in were made in cash.

5 [National Association of Realtors, "All Cash Sales: 23% of Residential Sales in January 2017," March 2, 2017.](#)
6 [National Association of Realtors, Profile of International Transactions in U.S. Residential Real Estate, July 17, 2019.](#)
7 [Ben Casselman and Conor Doughtry, "Want a House Like This? Prepare for a Bidding War with Investors," New York Times, June 20, 2019.](#)
8 [Cate Corcoran, "All Cash Investors Beating Buyers of Townhouses in Brooklyn", Brownstoner, July 30, 2013.](#)
9 [Center for NYC Neighborhoods, Aftermath: Affordable Homeownership 10 Years After the Crisis, Oct. 2018.](#)

Cash Sales in New York City

of all cash sales in 2018



in lower-priced markets: for example, the Bronx has seen the largest increase in cash activity in the past decade. Eastern Queens is also a hub for cash buyer activity.

Nationally, 20% or 28% (depending on the source) of single-family home and condo sales were bought with cash in 2018,³ compared to 39% for New York City. Why are cash sales so prevalent here? For one, New York City has become a primary global real estate and finance hub, making it a highly desired parking spot for capital from all over the world. Investing in New York City real estate is perceived as a safe bet, and because New York State law protects the anonymity of individuals buying through limited liability companies, celebrities and money launderers alike are able to buy homes incognito.⁴

With [a slowdown in the luxury real estate market](#) and the flow of international money into New York City housing, the percentage of cash sales has decreased slightly from a peak in 2015 when 44.6% of home purchases were done in cash. Nevertheless, cash buyers make up well over a third of the market, far outpacing most American cities.

³ 28%: [Attom Data Solutions, "Top 20 Metros in 2018 Where Cash is King", Feb. 1, 2019.](#) and 20%: National Association of Realtors Research Group, "Realtors Confidence Index Survey", December 2019.

⁴ [Louise Story and Stephanie Saul, "Stream of Foreign Wealth Flows to Elite Real Estate," New York Times, February 7, 2015.](#)

Cash vs. Mortgage Financing in NYC

Almost all New York City homebuyers use one of two methods to finance the purchase of their house or apartment: they pay the full purchase price in cash or they obtain a mortgage loan to complement an upfront cash down payment.

Buying with a mortgage

Relatively few New Yorkers are lucky enough to be able to buy a home without a mortgage loan. Even buying with a mortgage loan is an immense challenge: on average, [it takes a typical New York City family 18 years of saving](#) to afford a 20% down payment on a home in the boroughs. However, cash is just one of several hurdles. For a family to use a mortgage to buy a home they must:

- Have sufficient cash on hand to cover the down payment, which can be as low as 3% percent or well over 20% of the purchase price, as required by some cooperative buildings;
- Have sufficient credit and submit substantial documentation demonstrating their ability to afford ongoing mortgage, tax, and insurance costs;
- Wait for the lender to obtain an appraisal to ensure the sales price accurately reflects the home's value;
- Undergo a home inspection if the homebuyer is taking out an FHA mortgage; and
- Pay a mortgage recording tax of roughly 2% of their mortgage value in addition to property transfer taxes and other closing costs.

Some of these hurdles are particularly in doubt now, with so much about our economy and financial institutions in a state of uncertainty. Families who are fortunate to have continued employment may still face long-term economic uncertainty. Those with more stable income may be unable to secure an appraisal or a loan closing.

Buying with cash

By paying the total cost of the home up front, cash buyers avoid the lengthy and expensive requirements for the mortgage approval, appraisal, and inspection processes. They also avoid paying the Mortgage Recording Tax¹⁰ and benefit from being able to approach a seller with the certainty that they can pay their bid price often at a lower price than those who need mortgages.

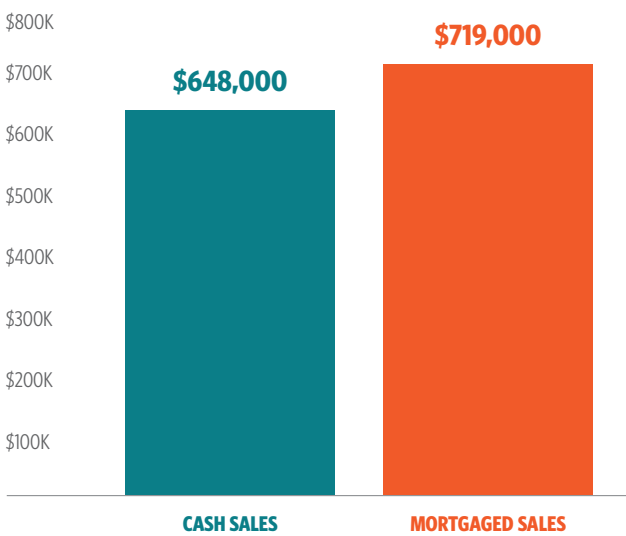
¹⁰ The Mortgage Recording Tax is a tax owed by homebuyers who use financing to buy a home. See recommendations for more details.

FINDING 2

Among buyers, those with cash often pay less

A comparison of the sale prices of homes that went to cash buyers against those that went to buyers using mortgage financing reveals a substantial difference: Cash buyers tend to pay less — even when controlling for neighborhood, sales price, and property type.

Median Sale Price for 2019 Sales, By Purchase Type



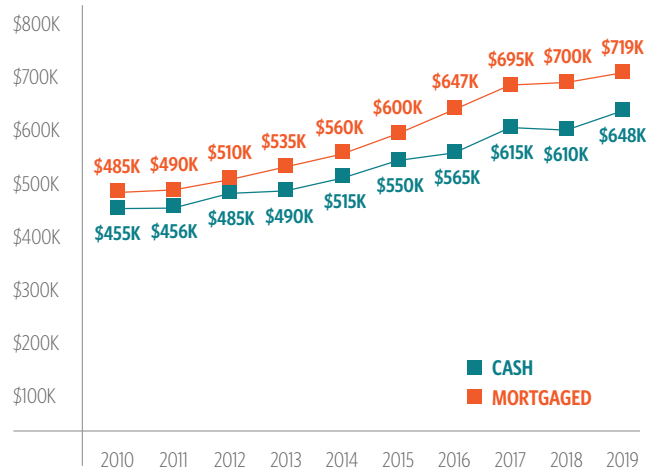
The price difference is particularly large for lower-priced sales and sales outside of Manhattan. In northern Queens neighborhoods — from Astoria in the west, across Elmhurst and Flushing, to Hillcrest and Bayside — the price difference is particularly large, with the median cash sales going for \$300,000 to \$500,000 less than mortgaged home purchases.

This price difference has been increasing since 2010 (the starting point for our data). As home prices increase across the board, the all-cash discount has grown larger.

Why the discount? Cash buyers often outcompete buyers with mortgage financing through their ability to close quickly without waiting on loan approval. For a seller, there is a risk that financing will fall through, causing delays and perhaps preventing the seller from buying another home with the proceeds from the sale.¹¹

Finally, cash buyers present a simple and quick transaction for which some sellers are willing to forgo higher bids.¹² In other cases, cash buyers have an advantage because they can bypass the mortgage underwriting process: homes in severe disrepair can be deemed to be not mortgage-worthy by lenders. In these cases, a cash purchase may be the only option.

Comparing Median Sales Prices Over Time



¹¹ Corcoran. "Buying a Condo in NYC? 3 great reasons to pay all cash instead of getting a mortgage." Brick Underground, May 14, 2019.

¹² Tidwell, A., Jauregui, A., Sah, V. et al. "Cash and Distressed House Sales Price Discounts: Dual Sample Selection Spatial Interdependence Approaches." Journal of Real Estate Finance and Economics (2018) 56: 101.

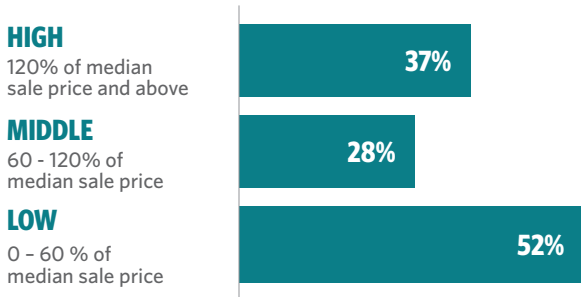
FINDING 3

Cash sales are especially concentrated at the bottom of the market

It is common to associate cash sales with international buyers and luxury condos, so it is unsurprising that in 2019, 66% of all sales above 100% of the median sales price (about \$7 million) were bought with cash. However, there are also thousands of more modestly priced homes bought with cash each year.

While more high-priced homes were bought all-cash in 2019 (5,636) than lower-priced homes (4,620), a larger share of lower-priced homes were bought with cash (see chart below).¹³ Fifty-two percent of all “low-priced” homes — sales below \$420,000 — were bought with cash.

Percentage of 2019 Home Sales Bought with Cash



Only 22% of all home sales in 2019 were priced below \$420,000, so the fact that over half of those sales were picked up by cash buyers, rather than low- and moderate-income mortgage borrowers who can't afford more, speaks to the degree to which cash buyers are eating into New York City's affordable housing stock.

¹³ “Low” priced sales include all sales up to 60% of that year’s median home sale price; “Middle” covers sales between 60% and 120% of that year’s median home sale price; “High” covers all sales above 120% of that year’s median home sale price. The median home price in 2018 was \$680,000, so low-priced homes in that year were below \$408k, while high prices began at \$816k.

Who loses when cash buyers win?

The impact on lower-income families has significant implications for the demographics of homeownership in New York City.



Young Homebuyers

Since few young adults have substantial assets, cash competition is contributing to the well-documented shortage of millennial homebuyers: A 2019 national study found that while 12% of buyers surveyed used cash and no mortgage, that was only true for 3% of buyers below the age of 38.¹⁴

Furthermore, [the significant portion of millennials who freelance](#) are particularly vulnerable to income loss during the economic fallout of the COVID-19 virus.



Black and Brown Homebuyers

Decades of discriminatory housing policies and unequal opportunities to build assets have created a massive racial wealth gap: Nationally, the median white family in the U.S. has \$14 of net worth for every \$1 of a typical black family, and \$7 for every \$1 owned by the typical Latinx family.¹⁵ Fewer assets for black and brown New Yorkers means a much lower likelihood of buying with cash.¹⁶

¹⁴ [National Association of Realtors, “2019 Home Buyers and Sellers Generational Trends Report”, April 2019.](#)

¹⁵ [US Census, Wealth, Asset Ownership, and Debt of Households Detailed Tables.](#) The same phenomenon is true in NYC where 45% of non-white households are in asset poverty, compared to 23% of white households according to an analysis by Prosperity Now.

¹⁶ The discrepancy in cash-on-hand available for a home purchase is evident in down payment trends: while the median downpayment for white NYC buyers in 2018 was \$200k, it was only \$28k for black buyers, and \$64k for Latinx buyers. Source: 2018 Home Mortgage Disclosure Act Data for originated home purchase loans.



Neighborhood Profile: Queens Census Tract 262

Median income: \$71,000
 % Non-Hispanic Black: 80%
 Median Home Value: \$405,000

CASE STUDY

What do cash sales mean for affordability and access to homeownership?

A look at home sales in a particular census tract in Jamaica, Queens can help us understand how cash buyers impact the market. Census tract 262 is in a lowrise section of South Jamaica, populated by one- and two- family homes. Its population is predominantly African American, with more than 80% of residents identifying as black. However, black homebuyers did not have much success in buying homes there in 2018. Instead, black families looking to buy were outcompeted and, in particular, beaten out by cash buyers.

Buyers in Queens Census Tract 262 in 2018

Nineteen homes were sold in 2018.

Black applicants

All other applicants



2 out of 6 non-black mortgage applicants were approved and bought homes

Unapproved applicants failed to buy after withdrawing applications in the face of competition from cash buyers.

6 out of 7 non-black mortgage applicants were approved and bought homes



11 homes bought with cash

Median price of cash sales: **\$375,000**

Median price of mortgaged sales: **\$510,000**



Legend

- Cash home purchase
- Mortgaged purchase
- Qns Census Tract 62

RECOMMENDATIONS

This report illuminates both the scale of cash purchases in New York City and how those purchases constrain opportunities for New Yorkers to become homeowners. In a market where cash buyers account for a majority of the lower-priced home sales, and where they tend to buy at lower prices than people who use mortgages, typical New York City families who require a mortgage find themselves at a disadvantage.

Because homeownership is a critical aspect of neighborhood stability and for addressing the racial wealth gap as well as supporting economic mobility, we recommend implementing the following strategies for leveling the playing field in the housing market and helping buyers from the city's working-and middle-classes compete with investors and all-cash buyers:

Reform the Mortgage Recording Tax (MRT)

While all property buyers in New York City pay the Real Property Transfer Tax (RPTT), only those who use a mortgage must pay the Mortgage Recording Tax (MRT). As demonstrated by the Office of the New York City Comptroller, the MRT is effectively a regressive tax on homebuyers unable to buy with cash, adding a massive expense that wealthier buyers can avoid or minimize.¹⁷ By adding about \$10,000 in closing expenses for the purchase

of the median New York City home in 2018, the MRT could price out many homebuyers seeking to purchase homes on the market who may have already exhausted their savings on their down payment and other closing costs.

There is also an important racial dimension to the impact of the MRT. Fueled by generations of discrimination, the racial wealth gap affects how much savings families of different backgrounds can put towards a down payment. Black buyers in New York City are much more likely to rely on low down payment mortgages like those offered by the Federal Housing Administration.¹⁸ A low down payment means a larger mortgage and a higher MRT payment, so black buyers are disproportionately affected by the MRT.

There is more than one way to address the MRT. The Office of the New York City Comptroller has proposed eliminating the MRT altogether and offsetting the revenue loss with a more progressive RPTT structure that increases taxes on multi-million dollar home purchases. A more modest approach would eliminate the MRT only for condos and small homes.¹⁹ This would reduce the disadvantage faced by homebuyers requiring mortgages under the current system without affecting the MRT revenue generated from mortgages on multi-family buildings and nonresidential buildings.

¹⁷ "NYC for All: The Housing We Need," New York City Comptroller Scott Stringer, November 29, 2018.

¹⁸ 43% of all home purchase loans to Black borrowers were FHA mortgages in 2018, compared to 26% for Latinx borrowers, 4% for Asian borrowers and 2% for White borrowers. Source: 2018 Home Mortgage Disclosure Act data.

¹⁹ The Mortgage Recording Tax is not applied to co-op financing.

Expand down payment assistance for homebuyers

A lack of savings to cover the down payment for a home is frequently cited as the biggest barrier to homeownership throughout the US, and this is especially the case in New York City, where a 20% down payment on the median home price of \$680,000 would require \$136,000 in cash.²⁰

Down payment assistance — loans or grants that homeowners can put towards their home purchase down payment — helps buyers broaden their price range in the face of competition from cash buyers. Expanding down payment resources in New York would better equip low- and moderate-income families to compete with investors in the market and succeed in buying a home. Below are three ways down payment assistance programs could better fit the needs of prospective homebuyers in New York City:

- **Increase down payment assistance amounts:** The City of New York has taken a step in the right direction by increasing the maximum loan amount of its [HomeFirst down payment assistance](#) program from \$15,000 to \$40,000. Nevertheless, counseling agencies that provide homebuyer assistance report that many of their clients with HomeFirst assistance are outbid when they try to buy homes. To be effective, down payment assistance has to keep up with home prices. That's the case in Houston, which also offers buyers up to \$40,000 in assistance despite their median home price of \$250,000 being nearly three times less than New York City's. San Francisco offers as much as \$375,000 to help its first-time homebuyers keep up with the market. To do the same, City and State resources should be expanded to give LMI buyers at least \$100,000 in assistance.

- **Broaden eligibility:** The City's HomeFirst down payment assistance program is only available to families earning up to 80% of New York City's Area Median Income (AMI), or \$77,000 for a family of three. However, many prospective homebuyers with slightly higher incomes would also benefit from down payment assistance. Increasing eligibility to families earning up to \$115,000 for a family of three (120% of AMI) would expand affordability to families that may be ready for homeownership but lack sufficient savings for the upfront costs of buying a home.²¹
- **Get creative:** The substantial subsidies required to allow homebuyers to compete in the New York City market can go further if we look beyond the forgivable loan model — a loan that essentially becomes a grant if a buyer remains in their home for a set period of time, often 10 years — employed by HomeFirst and the State's Down Payment Assistance Loan (DPAL) program.
 - **Washington D.C.** offers homebuyers up to \$80,000 in assistance as a deferred, 0% interest loan that is due on resale or refinancing of the home.
 - **Austin** offers its buyers \$40,000 in assistance with a shared appreciation loan in which the amount due back to the city corresponds to how much the property's value grows over time, allowing the program to help future homeowners.
 - **San Francisco's** shared appreciation program provides loans as high as \$375,000.
 - **Another strategy** is to direct higher down payment amounts or preferential loan terms to groups of prospective homebuyers that are particularly critical to the economic and social life of a city, like teachers and public servants. Similar assistance can also be used to address histories of racial inequity in homeownership by targeting longtime residents of formerly redlined neighborhoods.

²⁰ "Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability", Urban Institute, September 2018.

²¹ Since the program is funded by the federal HOME program, which imposes stringent restrictions on who can use funds and what properties they can be used for, local government officials should seek more flexible funding sources for this important initiative.

CONCLUSION

In our analysis, we found that cash buyers have consistently commanded around 40% of the market for homeownership units in New York City. We were alarmed to find that cash buyers pay less for homes than buyers that depend on mortgage financing and that, in 2019, cash buyers bought more than 52% of homes selling for less than \$420,000.

By leveraging their advantages, cash buyers shrink the marketplace for low- and moderate-income families hoping to become homeowners who are forced to save for years to cobble together down payments, sufficient incomes, and credit scores to put them in position to buy a home.

However, more research is needed to more fully understand how cash buying in New York City affects the market. Staten Island's deed registry is maintained by the Office of the Richmond County Clerk and its transactions cannot be analyzed using the same methods as the Automated City Register Information System (ACRIS), which includes transactions in the four other boroughs. Bringing Staten Island into ACRIS would provide a critical view into the borough's housing market and the extent to which cash buyers are operating there.

Additionally, companies throughout the United States are testing new strategies to beat cash buyers by purchasing homes with cash on behalf

of homebuyers that can then take the time necessary to secure financing. This model holds promise but also raises questions that we would like to see explored: Could it work in an expensive market like New York City? What consumer protections does the end buyer have? Will the products contribute to home price inflation?

Finally, to truly measure the impact of cash on a neighborhood, we need information on what happens after a cash purchase. For instance, how many of these homes are rented out and at what rents? How many purchases are followed by an eviction of renters? How many are flipped to another buyer?

This information will help develop a full picture of the impediments to low- and moderate-income homeownership presented by cash buyers and guide efforts to create a more inclusive and fair housing landscape for New Yorkers. We will also need to analyze how the fallout from the pandemic shapes homeownership in New York City.

METHODOLOGY

The raw data for this analysis is derived from the NYC deed registry — the Automated City Register Information System (ACRIS) for the years 2010-2019. Data for Staten Island (Richmond County) are not included in the analysis, as they are not included in ACRIS, and data from Richmond County's system is not easily extractable.

Our universe of sales is restricted to arm's length transactions of residential properties. Arm's length home sales are defined as transactions where the sale price is determined by the market. We excluded sales of less than \$100,000, which are frequently transfers between business partners or family. We also excluded sales from government entities. Additionally, we limited our analysis to transactions of individual properties, as opposed to transactions where multiple properties were sold together. In those cases it is difficult to determine an individual property sales price or mortgage value.

Cash sales are defined as deed transfers of 1-4 unit homes or condos not accompanied by a mortgage filing or, for cooperative units, not accompanied

by property tax filings that indicate a share loan (a mortgage for a co-op apartment).

This analysis captures a diverse variety of cash sales. Many are by LLCs or other investors. Others are by individual buyers. A small number of cash sales are by banks obtaining homes through foreclosure auctions. Another small set of purchases are by housing cooperative boards purchasing units in their building. While they differ from each other to a degree, these sales are all instances where the purchaser did not use financing, and in doing so separate themselves from the tens of thousands of potential homebuyers who must take out a mortgage.

It is possible that in some cases, a buyer who took out a personal loan to finance their purchase would be counted as a cash buyer in this study because their loan is not registered with a lien against the property in ACRIS. However, this scenario would be extremely rare, given the high interest rates and short repayment periods of personal loans compared to mortgages.

