

Big Companies Are Paying Cash for Houses All Over America — Are the Deals Too Good To Be True?



Sean Locke Photography / Shutterstock.com



By Yaël Bizouati-Kennedy
May 8, 2023

Houses-for-cash companies have been increasingly popping up around the country and can be an attractive option for home sellers — but only under certain circumstances, experts say.

First, there are a variety of companies buying properties for cash that operate differently, whether they are franchise cash buyers, iBuyers, house flippers or buy-and-hold investors.

“For companies like iBuyers and franchise cash buyers, they buy in the highest volume, have the most amount of capital, which means that every deal requires a smaller margin than a ‘mom and pop’ house flipper,” said Sebastian Jania, owner of Ontario Property Buyers.

When it comes to house flippers, Jania said they take on the most risk as there can be unforeseen things that come up after closing and they also buy to sell for a profit in the short-term. Finally buy-and-hold investors usually offer more than a house flipper but less than an iBuyer or franchise cash buyer because they are not operating with the same volume and access to capital.

“There is not one that is most beneficial for homeowners. It really depends on what the priority is for the homeowner. Is it a personalized experience that a smaller company may offer, or is it extracting as much money as possible like a company buying in volume can provide?” added Jania.

Benefits for Sellers

For homeowners who don’t want to go the traditional way of selling with a Realtor, these options can be beneficial. For example, if they are in a rush, are in need of liquidity, are not interested in doing renovations or don’t want to go through the hassle of showings.

But whether the deals are too good to be true depends on who you ask.

Ari Rastegar, founder and CEO of the Rastegar Property Company, explained that right now it’s very difficult for a lot of people to sell their home and these options offer great opportunities for people who really need liquidity.

“Is it going to get you top dollar like if you went to the open market through a traditional route, through Realtors? No. But for a lot of people, being able to sell their house, even if they’re getting a little bit less than they normally would at market — which would be a profitable deal for the franchise, cash buyers or iBuyers — that could be very beneficial if people need cash. And right now cash is very much king,” he said.

This sentiment is echoed by many experts.

For example, selling to an iBuyer is a relatively streamlined process: you enter your address on an iBuyer website and fill out a short questionnaire, then around 24 hours later, you’ll receive a cash offer on your property. If you accept, you can typically close in a few days. After that, the iBuyer might renovate the property and sell for a higher price than they bought it for, similar to a house flipper or other investor but at a much larger scale, explained Judy Dutton, Realtor.com executive editor and editor of the First-Time Homebuying 101 e-book.

“iBuyers do not operate everywhere but tend to focus on metropolitan areas where there are many homes for sale. The first and biggest iBuyer, Opendoor, now operates in over 50 U.S. cities,”

she said. “If you need to sell quickly since, for instance, you’ve been hired for a job in a new city, an iBuyer can get the job done in a week’s time.”

As for Opendoor, a spokesperson told us the traditional real estate model doesn’t align with the realities of life for many consumers, as selling a home is often at least a 90-day process full of hassle and uncertainty, and sellers usually endure months of listings, open houses, repairs and negotiations.

“Moving is considered a top stressor in life, right up there with divorce and job change,” said the Opendoor spokesperson. “Customers come to Opendoor because they crave the certainty and convenience of our cash offer that they can’t get anywhere else. Our vision remains the same since day one: to build a digital platform enabling people to buy and sell with the tap of a button.”

Drawbacks for Sellers

However, one potential downside to selling to an iBuyer is that all the speed and convenience often comes at a steep price.

“So if you’ve got time and energy to funnel toward fetching the highest price possible on your property, hiring a real estate agent may be a better bet, particularly in a hot market,” said Dutton.

John Boyd, principal of the corporate site consultancy The Boyd Company, said there has been much activity in this “cash for houses” sector, especially in the residential real estate markets of Texas, the Carolinas, Nevada, Arizona, Tennessee, Virginia and especially Florida in recent years.

Boyd explained that South Florida condo owners are currently facing “frightening escalations” in HOA and homeowners insurance rates brought on by the horrific Surfside Condo collapse and Hurricane Ian.

“As a result, condo owners — many of which are seniors on fixed incomes — have become a hot target market for companies like MarketPro Homebuyers, HomeGo, We Buy Houses, Flyhomes and others that offer cash for homes and what can be viewed as an appealing and timely remedy for the housing dilemma that many South Florida condo owners now facing,” he said. “For those older Floridian’s on a fixed income, selling to a ‘cash for houses’ can help them relocate and live out their final years in a more affordable location.”

Yet, he too believes that the biggest downside to not waiting for a buyer is leaving money on the table.

“Another downside is making a rash decision to sell for the immediate cash and then days or weeks or months later regretting that decision not to hire a Realtor and find a traditional buyer, or perhaps even keeping the property and renting it out,” added Boyd.