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Residential Real Estate

Homebuyers are backing out of deals at record rates. Here's why and what it means for the housing market.



Image: mphillips007 via Getty Images

It's no longer 2021 — and that's causing some sellers to make a critical mistake in the housing market.

MPHILLIPS007 VIA GETTY IMAGES



By [Joanne Drilling](#) – National Data Reporter, The Business Journals
Oct 29, 2025 **Updated** Oct 29, 2025 10:53pm PDT

Story Highlights

- Home purchase cancellations hit record 15.1% in August.
- Sun Belt metros experience highest cancellation rates.
- Buyers cite inspection issues and financing problems for cancellations.

Residential real estate purchase agreements are being canceled at record rates – upwards of 20% in some major metro areas – as sellers struggle to maintain the upper hand and buyers suffer from cold feet.

That's according to [an analysis of MLS pending sales data](#) in 50 large metro areas by real estate analytics firm [Redfin](#).

Nationally, about 56,000 home-purchase agreements were canceled in August, which translates to 15.1% of homes that went under contract during the month.

That's the highest rate of cancellations in August since Redfin started tracking the metric in 2017. In August 2024, the rate was 14.3%.

The increase represents another obstacle for an evolving housing market already challenged by [affordability issues](#), [increasing insurance premiums](#) and overall economic uncertainty.

Redfin noted in its analysis that a survey of agents revealed buyers often back out due to problems discovered during inspection, issues with their own sales or failure to finance.

The national picture

Faced with high prices, high mortgage rates and lingering economic uncertainty, it's no wonder buyers are skittish and selective. One in six sellers (16.7%) [dropped their asking price in August](#) – the highest rate since 2012, according to Redfin – and homes are selling for 3.8% less than their original asking price nationally.

Many home shoppers, convinced the market [has shifted in their favor](#), aren't bashful about asking for repairs, price reductions and other concessions.

Redfin and MLS data reveals there were [roughly 500,000 more sellers than buyers in the market](#) in August, empowering such negotiations.

“I worked with a seller who received 78 repair requests from a buyer following the inspection, and that was after the seller lowered their \$375,000 asking price by \$25,000 because the house needed some improvements,” said Dawn Liedtke, a Redfin agent in Tampa, Florida, in a statement. “The buyer came back and said they would handle the repairs if the seller was willing to lower the price by another \$100,000. The deal didn’t work out.”

Conversely, many sellers are operating like it’s 2021, assuming their home will sell for top dollar in an “as is” condition.

People who purchased homes during the pandemic may be struggling with a bit of buyer’s remorse, finding the frenzied market of several years ago has made a sharp reversal.

Of 443 agents Redfin surveyed, 70.4% said inspection or repair issues were to blame for broken contracts. Failed financing (27.8%), a buyer’s own selling struggle (21%), buyers’ overall financial struggles (14.9%), a better offer on another home (12.9%), and a lack of overall economic confidence (12.2%) were also cited as obstacles.

The research echoes findings from a recent survey of hundreds of agents by real estate tech venture Homelight, which found that [62% of agents said more deals are falling through compared to a year ago](#).

Hotspots for broken contracts

Some Southern metros are feeling the most heat of cancellations, according to Redfin's data. In Atlanta, 1,532 home-purchase agreements were canceled in August, equal to 21% of homes under contract that month and the highest percentage among the metro areas analyzed.

Florida communities also have been hit hard. Jacksonville (20.5%), Orlando (20.2%) and Tampa (19.4%) all recorded high cancellation rates in August. Pockets of Florida also are plagued by [rising insurance premiums tied to environmental risks](#), saddling even longtime owners with significant cost burdens.

Both Texas and Florida have been on a development tear in recent years, part of a recent construction boom, [giving homebuyers plenty of selection](#).

Cancellation rates are also rising in metro areas that have relatively low rates of canceled contracts.

In Nassau County, New York, 4.5% of contracts fell through in August, up from 3.7% last year.

Similarly, in San Francisco, where rents have now [surpassed pre-pandemic levels](#), the cancelation rate for home purchases increased to 5.9%, up from 3.6%.

In nearby San Jose, cancellations rose from 1.6% last August to 6.9% this year, a 5.3 percentage-point increase that ranks as the largest year-over-year increase among all metros monitored.