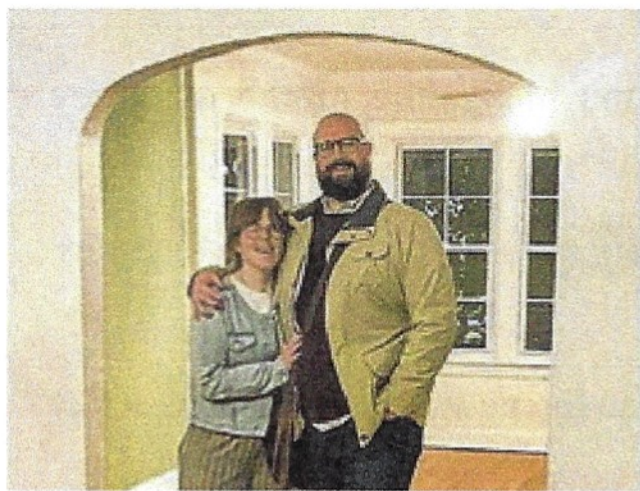


WSJ Print Edition



Lulu Luttmer-Mohs and Bryan Luttmer bought a house in Chicago only because they were expecting their second child. COURTNEY FUNKHOUSER

Home Buyers Sit Out During a Confusing Time

BY NICOLE FRIEDMAN

It is an odd and confusing season for home buyers.

Mortgage rates are causing whiplash, falling to a two-year low in the late summer and then rebounding, making it more expensive to buy a home.

The number of homes for sale is going up, but prices are still hovering near record highs. And with new rules around commissions in effect after the industry's historic legal settlement, buyers are trying to figure out how to negotiate with their real-estate agents, or whether they are better off navigating the home buying-process on their own.

With this much uncertainty hanging over the market, many would-be buyers are sitting out. Sales of previously owned homes are on track for their worst year since 1995.

Home-buying activity usually slows down in the fall, as families don't want to move during the school year and shoppers postpone their home searches during the holidays. It can be a good time for buyers to find bargains.

Home sales could pick up again next year. Mortgage rates currently stand near 7%, but they could fall if the Federal Reserve continues to cut short-term rates.

The number of homes for sale has risen in recent months, giving buyers more options after a long stretch of low supply. Some sellers who were waiting for lower mortgage rates have decided they can't keep waiting, real-estate agents say.

The number of homes for sale remains below normal levels in much of the U.S., but a continued rise in supply could keep a lid on price growth.

"Together with lower mortgage rates next year, as many are forecasting, a slowdown in price increases could mean markedly improving conditions for buyers in 2025," said Robert Frick, corporate economist at Navy

Federal Credit Union.

For now, confusion about new rules for how real-estate agents get paid has compounded the general hesitation that buyers and sellers have about getting into this market.

Bryan Luttmer and Lulu Luttmer-Mohs, who sold a condo and bought a house in Chicago this month, said they wouldn't have entered the market this year if they weren't expecting their second child.

"I thought it was a bad time," Luttmer said. "There was a lot of economic anxiety around the election, the rates and just the fact that it's hard to buy a house and it costs a lot of money."

Still, early evidence suggests that agent commissions are starting to decline since the new rules went into effect over the summer following a landmark legal settlement.

A survey of about 1,300 agents conducted in September and October by real-estate media company RISMedia found that the average amount paid to agents representing buyers was 2.28% of the home's sale price between mid-August and early October, compared with 2.65% over the past year. Fees for agents representing sellers fell to 2.69% from 2.98%.

"I feel like we're marching toward lower fees," said Wendy Herst, a real-estate agent in Scottsdale, Ariz. "The main reason is the conversation with the buyer or the seller, where these people are now savvy. They believe fees should be less."

Most buyers who choose to work with real-estate agents now have to sign agreements that specify how much the agent will be paid. Sellers aren't required to cover the cost of the buyer's agent, but in most cases they still are, surveys show.

"We definitely have seen an uptick in the unrepresented buyer situation," said Melanie Everett, owner of a real-estate brokerage in Chicago.

Mark and Amanda Schocke decided not to use an agent to help them find a bigger home in northwest Indiana. At their budget of \$750,000, a 2.5% commission would be more than \$18,000.

"I thought, man, that's substantial," said Mark Schocke, an attorney.

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