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REAL ESTATE

Home Buyers Are Shopping Again and Finding More Options

Buyers are seizing on the recent reversal in mortgage rates below 7%

By [Nicole Friedman](#) [Follow](#)

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Prospective home buyers at an open house in San Francisco. PHOTO: MICHAELA VATCHEVA/BLOOMBERG NEWS

Falling mortgage rates boosted home-shopping activity in January, luring the first wave of opportunistic buyers back to the market after last year's epic collapse in home sales.

A number of home seekers who paused when borrowing rates marched higher last year have resumed their search, real-estate agents say. Real-estate showings in the week ended Jan. 31 were up 9.9% from the first week of the year, according to ShowingTime, a subsidiary of Zillow Group.

Buyers are seizing on the recent reversal in mortgage rates, which hit a 23-year high of 7.79% in October. The average rate on a 30-year fixed mortgage has fluctuated between 6.6% and 6.7% this year and was at 6.63% last week, according to Freddie Mac.

That recent drop looks poised to bolster sales activity in 2024. Mortgage purchase applications rose in the week ended Jan. 19 to the highest seasonally adjusted level since April, before falling the following week, according to the Mortgage Bankers Association.

The gains to affordability are notable. Since mortgage rates peaked last fall, a home buyer with a \$3,000 monthly budget has gained almost \$40,000 in purchasing power, according to real-estate brokerage Redfin.

Home seekers had also been hoping that more inventory would become available after the holidays. There are signs that is starting to happen. Active listings in January were up from a year earlier while the typical time on market was down, according to Realtor.com.



William and Sarah Reithmeyer had an offer accepted in January on their first home. PHOTO: WILLIAM REITHMEYER

Sarah and William Reithmeyer are part of this year's wave of new buyers. They started looking for their first house in September but decided to pause their search because they saw few listings they were excited about and didn't want to shop during the holiday season. When they resumed in January, "there were tons of new listings coming up," Sarah Reithmeyer said.

After touring 11 homes in one day, the couple had an offer accepted on a three-bedroom home in Chesterfield, Va. The house had been on the market since October, and the seller had lowered the price multiple times.

“We just felt like it was perfect,” she said.

Last year was the worst year for existing-home sales since 1995. Elevated mortgage rates, home prices around record highs and low supply thwarted potential buyers. Home-buying affordability in October fell to the lowest level since 1985, according to the National Association of Realtors.

Home purchases won't return to normal levels, market participants say, unless mortgage rates fall further. A mortgage rate below 6% is a key level to attract more buyers to the market, said Rick Palacios Jr., director of research at John Burns Research & Consulting.

Despite the recent increase in activity, “we're still very far off from a healthy housing market where lots of sales are happening,” said Daryl Fairweather, chief economist at Redfin.

Inventory of homes for sale remains low by historical standards and is keeping a lid on sales activity. Many homeowners either bought homes or refinanced their mortgages when mortgage rates fell to new lows in recent years, and now they are reluctant to give up those low rates by selling their homes and buying different ones.

Although active listings in January rose 7.9% from the same month a year earlier, they were still nearly 40% below typical prepandemic levels, according to Realtor.com. (News Corp, parent of The Wall Street Journal, operates Realtor.com.)

“It's definitely more competitive than it was last year,” said Mike Ferrante, a real-estate agent in Solon, Ohio. “You have buyers re-entering the market and not so many sellers.”

For-sale inventory typically increases in the spring, the busiest season for home sales, which could give buyers more options. Homeowners who wanted to sell last year but decided to wait for mortgage rates to fall might not be willing to wait any longer, Fairweather said.

Home builders, meanwhile, continue to benefit from the shortage of existing homes on the market. Newly built homes made up about one-third of single-family homes for sale in December, up from a historical norm of 10% to 20%.

Many builders are paying to lower buyers' mortgage rates using discount points, which can make newly built homes far more affordable than existing ones. About 62% of builders offered sales incentives in January, including rate buydowns, according to the National Association of Home Builders.

Builders are also pivoting to smaller floor plans to try to keep prices down for buyers.

While existing-home sales slumped last year, sales of newly built homes rose 4.2% to 668,000, according to the Census Bureau.

Home builder PulteGroup's sales picked up in December as mortgage rates declined.

"The strength has really continued into January," said Chief Executive Ryan Marshall on a Jan. 30 earnings call. "We continue to be in a situation where there's low supply. Affordability has definitely gotten better."

Write to Nicole Friedman at nicole.friedman@wsj.com

We Want to Hear From You

Have you bought or sold a home recently or are you in the process of buying or selling one? What was the experience like?*

How have mortgage-interest rates or other costs, such as home insurance and property taxes, influenced your decision to buy or sell? What about the inventory of homes for sale in your area?*

Where did you purchase or sell your home (city, state)?*