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# Real Estate Pros Take the Pulse of the Real Estate Market at Express Sessions


Brendan J. O’Reilly| February 21, 2024

A lack of inventory, particularly a dearth of affordable homes, dominated the conversation last week during "Taking the Pulse of East End Real Estate," a Express Sessions panel held at Page at 63 Main in Sag Harbor.

The low inventory of houses for sale and year-round rentals has persisted since the onset of the COVID-19 pandemic ate up most of what was available, and panelists agreed that it has become extraordinarily challenging, if not impossible, for local working families to keep their kids on the East End.

That challenge and possible solutions became a recurring theme as the panelists and members of the real estate community in the audience shared their experiences and concerns.

The Federal Reserve's interest rate hikes to curb inflation and a general sense of uncertainty due to global conflict and a presidential election year also were among the headwinds cited.

"The overwhelming credit card debt that people have, and all of the bad news … I think that hurts the perception in real estate," said panelist Scott Strough, an associate broker with Compass. However, he added that the beauty of the East End sustains it through ups and downs.

"We have beautiful natural resources here. It's our anchor. It's our driver," he said, noting the Hamptons' "world-class beaches" and pointing to the harbor in Sag Harbor Village. "Last year, there were $2 billion in boats anchored out in the summer."

Lawrence Ingolia, an associate broker with Sotheby's International Realty, expects a strong market in 2024. "The market out here, it's doing very well," he said. "We're seeing a cycle like we used to see before COVID. It's a little bit more predictable." He noted that buyers are savvy, smarter than ever and "know exactly what they're looking for."

Likewise, Dana Trotter, the managing partner of The Agency Hamptons, is “incredibly optimistic” about the first and second quarters of 2024.

“We’re seeing tons of new listings right now, which is great for our market. If things are priced well, if it’s compelling, it’s still selling very quickly,” she said.

Trotter said she wants to make the most of the first half of the year, because it is a presidential election year, which she said would be distracting. “Nobody really wants to make a big move when there’s a lot of uncertainty,” she said.

## Rentals Have Changed

J.B. D’Santos, an associate broker with Brown Harris Stevens, observed that the behavior of Hamptons summer renters has changed.

He said it used to be the case that right after Thanksgiving, renters would come out to look and, by February, summer rentals would be booked. “Then, with advancements in technology, that was kicked back, and now people are not in a hurry,” he said. “But the market has changed, in that before there was a certain urgency — people coming out and securing a place. Now they wait for the last minute.”

D’Santos said after a good year for rentals in 2023, he expects even more this year, because there is “no inventory” for sales in the price range of $5 million to $7 million.

“2024 will be an excellent year for rentals and sales,” he said.

## Low Inventory Leads to Upward Pressure on Prices

Patrick Galway, the senior executive sales manager of Town & Country Real Estate, noted that the median sales price in the Hamptons since 2007 and 2008 had hovered around $1 million — then, since 2019 and 2020, it's jumped considerably, now reaching just under $1.8 million.

"Unless we find more inventory somewhere, we're going to continue at that pace," Galway said. "We have fewer sales that are happening now, but I think a lot of that has to do with the lack of inventory."

Trotter pointed out how unusual it is to need more inventory. "We always had a surplus of inventory, and so it was not uncommon for a house to be on the market for nine months or a year," she said. "And when COVID hit, all of that inventory got scooped up. So we started from zero basis, and now we're kind of building it up again."

She added that pricing homes is difficult for brokers right now, because sellers still want to put "really lofty numbers" on their properties. In some cases, there are comparable sales that support those prices, she said, "but there's just not the same kind of demand."

As for rebuilding the inventory, she said that now there are six or eight new listings coming on the market daily. "That's a lot."

**Interest Rates Hold Back Inventory**

After the Fed rate was cut to zero in 2021 to stimulate the economy, homebuyers benefited from historically low mortgage rates, and many existing homeowners refinanced at those rates. Now, even if those homeowners would like to move, they are reluctant to give up those rates.

“People who secured homes when interest rates were 2 or 3 percent wonder why they should sell and move elsewhere with a rate of 6 or 7 percent,” Ingolia said, pointing out that the situation holds back new inventory.

“It’s free money,” D’Santos added.

Today, the average 30-year fixed-rate mortgage is around 7 percent, give or take, and barring another nationwide shutdown or severe recession, it is not expected to drop back into the 3s.

“People do realize that that was a false sense of reality,” Trotter said of the ultra-low rates seen during the height of the pandemic. “The rates never should have been that low. I think once rates come down in the 5s again, people will start to trade. Even 5 is incredibly historically low.”

But regardless of how rates move, Trotter still expects sales. “People are always going to need to either downsize or upsize,” she said. “They had a third child, so now they don’t fit in a four-bedroom house anymore. They need five or six. So we’re always going to see that kind of trade.”

She also sees homes for sale that belonged to locals who are leaving the state.

“A lot of the inventory we’re seeing now are people that have been in this community for a long time, and now they’re downsizing and they’re moving to the Carolinas or Florida or wherever they’re moving to, and they’re selling their homes for what’s a lot of money for them to retire on,” she said.

**High Prices Exclude Locals**

"I don't know how many local families are going out there and dropping $1.8 million to make sure that their son, their daughter are staying here — in not just Sag Harbor, but on the East End of Long Island," Strough said, referencing the median home price on the South Fork.

He reported dealing with five or six local families right now looking for a starter home in Noyac or North Sea outside of Sag Harbor. "Starting houses, they're $1.2 million, $1.3 million," he said. "Good luck, because you have another half million dollars at least in work that needs to be done to bring it up to speed."

The alternative is a rental option, but he said a one-bedroom in Sag Harbor is $5,000 to $6,000 per month — "if you can find it." Even a whisper of a $6,000 per month one-bedroom leads to calls of "We'll take it," sight-unseen, he reported.

"All of us in this room, as people in real estate, I think we are really in a challenged arena right now," Strough said. "We're in a spot right now, where I haven't seen it throughout my career this troublesome to keep the next generation here. And I hate to say that, because I'm a very optimistic guy."

Trotter said the local community has changed in that the year-round people are not necessarily the locals. The year-round population includes remote workers who transplanted to the East End during COVID, just as many people moved east from the city after 9/11.

"I was in real estate after 9/11, and we saw a huge surge of people move out here after 9/11," Trotter recalled. "A lot of those people at that point couldn't work remote, so the husbands or wives would go back into the city during the week, but they kept their family out here because they didn't feel safe in the city at that point. COVID completely turned that upside down and dialed it up by 9,000."

Now those people can work remotely, enjoy more square footage, spend time outside and not worry about sharing public transport.

### Unaffordability Spreading

The western reaches of the Hamptons, such as East Quogue and Westhampton, have been popular places for teachers in East Hampton to buy homes in, Galway said. “Now those places get more expensive, and they’re branching out to East and Center Moriches.”

The branching out continues to Riverhead, and now Flanders, which had the most affordable housing historically, and has had multiple bidding wars in recent weeks, according to Galway.

Strough added that Hampton Bays and North Sea, once considered more affordable for a local family, also have seen higher prices, including a 680-square-foot home in North Sea that just traded for $900,000.

Panelist Enzo Morabito, an associate broker with Douglas Elliman, said for a while there was a wave of people going west of the Shinnecock Canal for affordable housing, but now hamlets like Hampton Bays and East Quogue are going “through the roof.”

He’s also noticing a “‘mass migration’ to Riverhead,” he said. He pointed out that a condo can be found in Riverhead for $400,000 to $600,000 with two to three bedrooms.

“I think that might be our affordable housing,” he said.

**Affordable Housing Solutions**

D'Santos lauded a new affordable housing strategy in which the homebuyer only purchases the house while the town retains ownership of the land it sits on. The land belongs to the taxpayers, and the house must be resold to a low-income family, he said.

This prevents someone from buying an affordable home, living in it long enough to satisfy any time-limited covenants, then selling it for a windfall and taking that home out of the affordable housing stock.

He called for enabling more accessory dwelling units, known as ADUs, to be built on single-family properties. He also suggested second- and third-story apartments above new commercial development.

From the audience, Hal Zwick, a agent with Compass who specializes in commercial real estate, noted that on the rare occasion that vacant land becomes available, it is usually zoned for 2-acre or larger home lots. He suggested zoning modifications to allow for lots that are just a third of an acre, with 2,000- or 2,300-square-foot homes with backyards, that would be more affordable to the local community.

Chris Nuzzi, the regional director for title insurance company Advantage Title and a former Southampton Town councilman, said elected officials should consider not taking state and federal money for affordable housing. State and federal grants for affordable housing tend to come with requirements that the housing be open to all citizens who are income eligible, regardless of whether they already reside in or work in the area where the affordable housing is being built.

"When you take that, you eliminate the idea of helping those who are here in the community now," Nuzzi said. "… Think about not taking state and federal financing or allowing it with these projects, because if we're talking about helping people who are here, who have been here, that's one way to do it."

Southampton and East Hampton towns are now better poised to eschew state and federal money, because in 2022 voters in both towns approved referendums to institute a 0.5 percent tax on real estate sales to fund affordable housing initiatives. The new Community Housing Fund tax is in addition to the 2 percent Community Preservation Fund tax that is designed to support open space preservation and water quality protection.

Adam Miller, the principal of the real estate law firm Adam Miller Group, as well as a member of the East Hampton Town Community Housing Advisory Board, said the half percent CHF tax is not enough. He suggested that it should be the CPF that gets a half-percent and the CHF that gets 2 percent.

“You have 2 percent going to preservation, you have a half percent going to housing. The preservation, in my opinion, we should be done with,” Miller said. “This place is probably 40 to 45 percent preserved forever, and I moved out here for that reason — because it’s gorgeous. But I feel like the law’s been in place since 1998 … and enough is enough for the preservation, in my opinion, because you can only preserve so much until you lose your community.”

He was critical of the East Hampton Town Board’s decision to preserve the land where the nightclub Star Room sat in Wainscott. Developers had eyed the property, which also previously was home to the nightclub The Swamp, for a car wash.

The town purchased and preserved the land for $2.1 million in 2018, with $300,000 coming from the Friends of Georgica Pond Foundation and the remaining $1.8 million coming from CPF.

“There are certain things that I realize have to be preserved, but on a highway, to make it a park, I mean, I don’t know, that to me is a great example of a poor legislative decision,” Miller said.