



THE INDEPENDENT

EVERYTHING EAST END

Covid-19 Meets Hamptons Real Estate Head-On

Ty Wenzel | March 15, 2020

“The Adirondacks are the new Hamptons!” “Nantucket is the new Hamptons!” “Miami is the new Hamptons!” Every year we read about how this is the year that the Hamptons are over, which would be a blessing to many in the community: no more bumper-to-bumper traffic, long lines for literally anything, price gouging, and traffic accidents that plague the region every summer season.

But last week, right on cue, the Wall Street Journal published an article titled, “Despite Its Glitz and Glam, The Hamptons Real-Estate Market is Looking Grim.”

As is “de rigueur” in these pieces, it proclaims areas such as the Hudson Valley, Nantucket, the Caribbean and, our neighbor, the North Fork are where the uber-wealthy are now investing in the form of second homes. It is accurate that in the last 10 years, there was an unequivocal decline in home sales on the East End, however since October 2019, the market is most definitely inching back. What we didn’t realize was that a global pandemic would launch the market back to life with such dramatic vigor.

According to Forbes Magazine, a report from Miller Samuel and Douglas Elliman Real Estate, the average price of a home on the eastern tip of the East End jumped up 5.5 percent in the third quarter from a year earlier, “the first year-over-year gain in seven quarters.” And Corcoran reported that sales increased three percent in the fourth quarter with East Hampton having sold 18 more homes than the year before, making it the highest-selling hamlet with a 21 percent growth. The \$2- to \$3-million price-point grabbed the most with a three percent greater market share. These percentage points aren’t eye-popping, but they show the market is making a determinate recovery. Then the novel coronavirus pandemic happened.

A Very Good Winter

Corcoran’s Susan Breitenbach was ranked the number one Hamptons broker by the Wall Street Journal in 2012, 2013, and 2016. She was ranked #2 broker in the U.S. in 2012 and has been in their “Top 20” agents nationwide every year.

When I mentioned the article to her, she burst out laughing. “This year already I sold a property that broke records,” she said. “It’s been a very good winter. Now with coronavirus, we are doing rentals, site unseen. I had one customer call us and needed to be in that very night. I’m being told that the city is



Susan Breitenbach / Corcoran



Chris Covert / Saunders

closing so people are nervous. Owners are canceling their vacations so the prices to rent their homes are going up.”

Gary DePersia, a fellow Corcoran superstar, echoed the sentiment but was more ambiguous about the effects Covid-19 would have on the industry. “Except for the surge in immediate short term rentals and the continuation of the strong summer rental market, it is too early to tell how Corona will affect our business. Contracts for sale are still being executed and previews by buyers of houses for sale are still going strong.”

“Since November 1, we’ve seen an incredible three-month run — the best the market has looked in three years,” said Chris Covert of Saunders & Associates. “Historically high stock market and low interest rates and sellers got the message. Pricing had to adjust.

When their pricing got realized, deals started happening. With that, obviously things are going through dramatic change.”

When discussing the pandemic, Covert watched how it was playing out from societal shifts to how it was going to affect his business. “There have been signs for weeks but no one took it as literally that something was happening. No one thought it was happening until the last week. When schools shut in the city, the outbreak became a very real thing. I think that put an exclamation on their decision. It’s been insanity for the last week from a real estate point of view. The early rental market is insane, whether it’s a two-week rental and those in place already are being extended. I’ve never seen anything like it.”

“The real estate sales market picked up in the last quarter of 2019 and continued into this year but it is too soon to tell if coronavirus had or will have any impact. Only time will tell,” said Diane Saatchi, a real estate broker with Saunders & Associates, echoing the uncertainty. There are brokers that are optimistic about successful off-season numbers. Douglas Elliman’s Enzo Morabito said, “We did almost \$25 million of business this week, and it’s been a very good winter. It’s a nice break as we are working at home right now in our shorts.”

After sending out a letter to the owners of homes he has for sale, they were overwhelmed with offers to rent their homes. “People coming to the Hamptons want extended season. Spring recess is here. It’s a good shake-up, we’ll all get through it. In times like this, the great brokers have the upper-hand. People are looking



Judi Desiderio / Town & Country Real Estate

for leadership, advice, and security. Every morning I tell my team, we start from zero. The past doesn't matter, we start from zero and go up from there."

Déjà Vu: Post-9/11 Market

What jumped out to many in the industry was the distinct sense of déjà vu. CEO and president of Town & Country Real Estate, Judi Desiderio, said the flow to the Hamptons very much resembles the post 9/11 market. "Many buyers who were taking the slow road to closing have now put the purchase on the fast track. Of course, rentals have spiked and they are more long-term, from several months to a full year. Handshakes have given way to elbow bumps and open houses have given way to private viewings with hand sanitizer or alcohol wipes on hand. The good news is that our sales market has been on a strong forward momentum since December 2019."

"We are seeing a similarity to post 9/11. The villages are packed with people right now as they come here to avoid masses of people," Compass broker, Jack Pearson, explained. "City folks want to be out in the Hamptons to feel our space and fresh air. With less density and independence, they seem to be here now indefinitely, particularly when their children can take classes remotely with all the closings. This again will be further defined by the evolution of the situation."

Covert added, "We are seeing two forms of panic. So many of our buyers are second home investments and these people are tied to the finance industry. When you have a dual panic with a health scare and a market that goes down, you have a double-sided hit. This feels more like 9/11 in slow motion — to make lemonade out of lemons, and that episode became a significant point in real estate in the Hamptons. This will have a similar effect."

Others found disparities to the implosion of people coming out east during the market recovery. "This is very different from 9/11 in a few ways," explained Saatchi. "It is happening in connection with vacation times and happening at the same time as a major disruption in financial markets. The increase in our local population may also present practical challenges. Shops, restaurants, and services are supplied and staffed for the off-season population. Because of limited testing, we do not know if there are cases of coronavirus here or if those coming out may be infected."

Less Open Houses, But Lower Rates

The pandemic has also presented some distinct challenges that may require brokers to have a lot of face-time with their clients (sellers) and customers (buyers). "It's something that has definitely made us think twice about our daily actions," John Brady of Saunders explained. "As to the open houses, agents are still doing them but it's to their own discretion. I, personally, have decided to stay away from them until we really know what we're dealing with. We're still doing business as usual and have decided to take a remote approach to it so I am now presenting over the phone or via zoom to sellers that want to put their homes on the market. I think 2020 will be a great year and I won't allow it to take away from my goal of another 50 homes sold this year. Assess, adapt, and overcome!"



Sarah Minardi / Saunders

One of the most successful Saunders brokers, Terry Cohen, explained her process and what she has observed around her. "Three days ago, in about 40 hours, a large majority of our rentals were snapped up. Durations range from a week through Labor Day. We are personally taking extra precaution as a company as a whole. Personally, I'm practicing social distancing, washing my hands frequently, and disinfecting my home, car, and computer. I'm still doing showings but at a distance and I'm wearing gloves. I'm minimizing open houses. On the plus side, the beaches are full of smiling families, doing cartwheels and playing with their dogs."

Sarah Minardi, also a Saunders associate broker, elaborated, “It’s incredible and life-changing what we are seeing in our industry. Open houses are being cancelled in favor of dedicated, ‘by appointment only’ showings with sellers asking that their listing agents be the only people to open any doors, cabinets, etc. — limiting contact with any and all surfaces. Hand sanitizer and wipes are being handed out to potential buyers and tenants before and after showings, and there are those sellers who are not allowing any showings at all during this uncertain period.” she said.

“The ankle bump has become the new way of greeting, if not a safe six-foot distance with a nod of the head versus the instinctual hand shake. As far as buyers, they are coming out in droves to finally pounce on a purchase — with rates at all-time lows for financing — where their money can go into something tangible. Instead of riding along in the car with their agent, they’re following in their own car — social distancing. Those looking to get out of New York City and Westchester are calling to rent for late winter and early spring. Some landlords are forgiving utilities and service payments to help out those tenants.”

Colleague and salesperson Romaine Gordon has not seen too many changes in her open houses. “So far, they’ve been busier than ever! No one is shaking hands and everyone is keeping their distance but people are still showing up.”

There have been suspensions of open houses for some, so buyers and renters need to check with the brokerage to make sure. According to Elliman’s Yorgos Tsibiridis, “Open houses have been suspended. In certain houses that owners live full time and are in danger group, showings also have been suspended. There is a massive demand for short-term rentals from two weeks to six months. Will have to see the effect of the virus and if this would trigger people moving from the city permanently.”



Yorgos Tsibiridis / Douglas Elliman



Alan Schnurman / Saunders

Massive Influx Of Humans

Some power brokers were more contemplative this week. Alan Schnurman of Saunders & Associates said, “We have become fearful. We’re dealing with emotions that most of us have never encountered before. Stock market gyrations, bonds heading to zero interest. What will be next? My phone has not stopped with families that are desperate to depart from the city. Their children’s private schools have closed and the density of New York is overwhelming for them. One, two, or three-month rentals is what they are desirous of. The dilemmas are Costco or King Kullen — the story is the same. Food, water, paper goods — it has become a frenzy.”

When asked how she would summarize what the market means to the region, Minardi continued, “This place is a necessity for those who are able and wanting a separate peace, a sense of normalcy, and open space. The Hamptons has always been about ‘wanting’ to be here, not ‘needing.’ A second home is not a necessity. However, there is now a very serious feeling of ‘need over want.’”

While agents and brokers all were very optimistic about how positive the outlook for the market was looking for 2020, many were worried about the reality of what this massive influx of humans, and potentially sick humans, to the hamlets means to the community.

Covert observed packed restaurants, lines at Starbucks, no one truly practicing social distancing, a practice that decreases the spread of the virus. He wants to know what the liabilities are if a renter brings the virus into a landlord’s home or if an out-of-towner gets the virus from a sick home. “It’s chaos and nobody is asking these questions. What if a renter says that the broker put me into a sick house? The influx is going to overload our system. There are legal and ethical implications that we aren’t talking about.”



Romaine Gordon / Saunders

Fake Rental Websites On Internet

Covert is disturbed by what he sees in his daily rounds and is concerned that the local systems will be overloaded for a region currently set up for the off-season population. “I was at the beach and it was packed. It looked like Memorial Day weekend but people in parkas. It was surreal.” He continued to explain that social distancing is just not happening and that every restaurant he drove by was packed to the brim. “At Starbucks, I saw a steady parade of people going in, hugging and baristas touching the cup lids and people are putting that to their mouths. We are not taking the recommendations of the CDC seriously.”



John Brady / Saunders

Covert was also fraught with the eye-opening realization that a slew of fake rental websites and/or listings were hitting the internet. “A homeowner told us that someone rang his doorbell and when he answered it, the person declared he was their tenant. His home was not on the market for rent and they learned that it was listed on a website. From what I am told, the websites are having people wire money site unseen.”

For those looking to rent in the Hamptons, he explained, they need to go through a reputable broker/agent with one of the many brokerages here. They are in constant contact with the landlords and will confirm with them if their house is indeed

available for occupancy. With many homeowners unable to leave for their winter breaks, and with social distancing and travel restrictions now in place throughout the nation, the supply is limited and is about to dry up or be prohibitively expensive.

Patty Oakley, a fellow Saunders salesperson said, “It seems as if the sudden fear of the coronavirus has thrown Southampton Village into a whirlwind with locals as well as visitors not knowing what to do first: search for hand sanitizer, shop for food and water, take a breather. Suddenly they are wondering if they should go out for lunch and dinner, set up appointments to search for homes to rent and homes to purchase! Over the last couple of days we have had several inquiries from customers looking to temporarily re-locate their families to Southampton, and hopeful that they are leaving the virus behind.”



Patty Oakley / Saunders

In the end, the exodus of New York City to the Hamptons is about how precious life is. It can feel apocalyptic, similar to what the region went through post 9/11, but we survived it with aplomb. Terry Cohen explained, “I see a sense of relief to being in the Hamptons. Everyone should enjoy walks and all athletics outside, breathe fresh air, and enjoy some family time that in this world is hard to find. I have a few people wishing they would have pulled the trigger on buying a home last quarter instead of scrambling to find a suitable rental. We have a lot of safe options for enjoyment in the Hamptons and with the weather breaking soon you can open your pools. When my kids were young a shovel and a bucket was the greatest babysitter for hours at the beach.”

“Enjoy all, but please be mindful of CDC protocols to keep us all safe.”