

Pulse Real Estate Roundtable: Manhattan Shutdown Is Hamptons' Gain

Moderated Brendan J. O'Reilly | Aug 10, 2020



Coronavirus fears, social distancing measures and the effective shutdown of Manhattan created an unprecedented rush for Hamptons rentals beginning in March — and when the rental inventory became scarce, home purchases took off.

Veteran South Fork real estate professionals say it's been like nothing they've seen before.

At the same time, state mandates prohibited in-person real estate showings for more than two months, requiring brokerages and agents to get creative to serve their clients. And as New Yorkers have discovered that working from home is not only possible but desirable, the Hamptons second-home market is looking more like

a luxury primary home market — perhaps just for the duration of the pandemic, perhaps longer.

To get a picture of 2020 so far and a sense of what's to come, we asked Hamptons real estate professionals — from salespeople to management — to share what they have seen and what their expectations for the industry are going forward.

WHAT WAS SALES ACTIVITY LIKE IN THE BEGINNING OF 2020 BEFORE THE PANDEMIC TOOK HOLD IN NEW YORK?

Judi Desiderio: The first quarter of 2020 — prior to COVID-19 — was much like the previous year. Sales were like a steady drip: not poor, not good.

Gary DePersia: Sales activity had been building as the year started, at all price ranges, in all parts of the Hamptons.

Todd Bourgard: The expectation for 2020 was that it would be a strong year; January and February lived up to that forecast — March was the month of the pivot. Kalen Raynor: Sales were strong going into 2020 prior to the pandemic. 2020 was looking to be a great year in the Hamptons real estate market. Once the pandemic took place, the market went on fire. Sales activity has been through the roof, our agents are seeing multiple-offer bidding wars, tremendous activity and high sales prices.

Aimee Fitzpatrick Martin: Real estate in the Hamptons was off to a good start at the beginning of the year. When COVID paralyzed New York and the world in March, home sales understandably took a bit of a nosedive. Sales activity, however, was replaced by an explosion of rentals that continues to be a very active piece of the market. There was a powerful migration out of Manhattan accelerated by technology and the ability to work from home. As New York started to open up again after the lockdown, sales in the second quarter picked up steam, and now the market is on fire.

Charles Forsman: At the beginning of 2020, there was very little sales activity. Sales activity in the Hamptons is seasonal with the most movement around the summer season and a slow market in the winter months.

Mark Shuster: Sales activity was a steady and healthy market at the beginning of the year, similar to the pace of the previous few years. If properties were appropriately priced, they were selling.

Amelia Doggwiler: We were very busy with sales starting the year 2020. Some bonuses for 2019 were high, so serious buyers who didn't pull the trigger in 2019, expecting 2020 to be a better buyers' market, started to realize that if they wanted to secure a house and maybe still get a little negotiation — and not get into a bidding war — had to act fast. We experienced a lot of houses going into contract in the first quarter of 2020.

Deborah Srb: The market was humming along, but, as we all know, the world came to a grinding halt as of mid-March, and the fallout from that did not show up until Q2 due to actual recording. Some of the lack of data was due to the closings of government offices. If the closings are not recorded then the data simply

doesn't show up. Nonetheless, in all of the Hamptons markets combined, the total home sales volume and median home sales price rose nearly 9 percent each. Furthermore, 13 homes \$10 million and up traded in 2020 first quarter vs. only four in the same period last year. I had two of those myself in the over \$10 million range in Southampton Village alone.

WHERE DOES SALES ACTIVITY STAND NOW?

Judi Desiderio: Off the charts since mid-May. Inventory that sat on the market during the quiet time had bidding wars.

Gary DePersia: Much of the inventory of new construction has been sold or is in contract. Trades of older homes on the market for a while increased rapidly.

Todd Bourgard: The sales activity has exceeded what most of us have ever seen in our careers. There's no signs for a slowdown for homes that are properly priced.

Kalen Raynor: Right now, sales activity is off the charts. This market has not been seen in quite some time. There is a tremendous number of buyers looking to live in our communities, and a lack of inventory is causing an unprecedented sellers' market.

Aimee Fitzpatrick Martin: This is an unprecedented and frenetic time in the market. In recent weeks, we've seen the number of homes going into contract in the Hamptons each week skyrocket from an average of 50 homes to 70-plus homes to an unprecedented 83 deals, and 85 percent of them were under \$4 million. The supply-and-demand equation firmly favors the seller. The inventory, especially in the under \$1 million to \$2 million market, is picked over, and there is very little discounting in the market. More and more bidding wars are happening, leaving some buyers frustrated. The best advice I can give a buyer is that if you fall in love with a house and really want it, be decisive and bid full price.

Charles Forsman: Our sales market exploded coming into July. Right now, there is a high density of people renting in the Hamptons who are looking to purchase, and others looking to come out here entirely to buy. With uncertainty surrounding the pandemic, we can expect a continued uptick of interest in the Hamptons for the foreseeable future as people look for ample space, the lifestyle and incredible homes that the Hamptons are known for.

Mark Shuster: Recently, sales activity has been amazing. There's a huge influx of buyers looking for their retreat from the metropolitan area. The consistent conversation with buyers is they've adjusted to working from home, and many express that they now prefer working from home. I suspect the shift to working from home will be with us well into the future. If people don't need to work at their office in the city, and the city's draw of entertainment and dining is limited, they want to be in the Hamptons or upstate. Many buyers are now talking about making the permanent move away from the city.

Amelia Doggwiler: The Hamptons is worldly known as a unique place that bounces back stronger after any crisis, more now than ever. We are experiencing extremely active sales activity not seen in many years. The "peace of mind" factor the Hamptons offers is "priceless" — therefore, we are on fire!

Deborah Srb: It's like night and day. Every broker I speak to is as overwhelmed as the next with trying to find a second primary home in the Hamptons for their buyers. That's what it's become. With interest rates so low, most are keeping their NYC apartments/homes and are opting for a second permanent home, at least until they know how their school and workplace will pan out. Renters have also turned into buyers, with sales activity bringing multiple buyers for single properties happening more often than not.

IN ORDER TO CLOSE A SALE DURING THE SHUTDOWN, WHAT WAS THE MOST DIFFICULT CHALLENGE FOR AGENTS TO OVERCOME?

Judi Desiderio: The beginning of the shutdown was a tsunami of rentals — which tenants are used to renting off photos, sight unseen. It was when we began to see buyers who believed this was not going away too soon, and they wanted to secure a home in the country for their families when the challenges began. Everyone has a different concept of safety. Some sellers did not even want inspections done. Others were cautious but cooperative, while a handful of buyers did buy without ever going inside. The majority required on-site viewings and inspections — therein lies the real challenge. Masks, gloves, no shoes, alcohol wipes and different levels of fear from all sides, buyer/seller/agent.

Gary DePersia: Access to houses was difficult if people were living there. Coordinating inspections and closings was also challenging. But we overcame it through patience and new ways of working.

Todd Bourgard: Real estate is a personal, hands-on business. It was a big adjustment to perform day-to-day tasks remotely and virtually. Although unconventional, it brought out the innate ability of people to work together, find solutions and overcome. It was impressive to see it all come together.

Kalen Raynor: During the shutdown, the most difficult challenge for agents was that they could not physically show the properties directly to a purchaser. However, Daniel Gale Sotheby's International Realty was the first company to launch virtual open houses, giving the buyer a unique opportunity to tour our listings without actually visiting the properties. This led to many success stories of virtual sales for our company.

Aimee Fitzpatrick Martin: In phase one of the shutdown, the governor's executive order issued guidance that "real estate services shall be conducted remotely for all transactions." Well, real estate is not a remote business. It was a strange time. We couldn't be present for in-person showings, home inspections, final walk-throughs or closings. Real estate offices closed, brokers were working from home and photography for new listings was limited. Despite that, Saunders didn't miss a beat, and I was busier than ever.

Charles Forsman: There were many challenges we faced getting to the closing of a sale during the pandemic. First of all, many sellers rented their homes coming into the summer as the pandemic accelerated demand and drove up prices, making it challenging from a logistical and inventory perspective. For instance, early on, we were not allowed to show properties, and later on, when we were, the tenants in the house made it extremely difficult to show. The challenges ranged from showing properties virtually to extended amounts of time the attorneys needed for proper due diligence, and so on.

Mark Shuster: What we were and weren't permitted to do as agents seemed to be a moving target. Essential/not essential, activities permitted/not permitted. We learned to adjust like everyone else.

Amelia Doggwiler: Just keeping the deal alive under the circumstances was very challenging. We had to deal with several delays due to the pandemic's

consequences, and the fact that so much was done virtually proved challenging. We had to reinvent how we do business.

Deborah Srb: This pandemic has created a lot of anxiety, emotional distress and uncertainty as there is still so much that is unknown about the virus and its impact on everyone's lives, so just offering the support needed has been the most essential component to getting a deal to close. There certainly is more work involved from wearing the proper PPE, complying with state-mandated protocols, disclosures that need to be issued and signed — but that's just work. Emotional support has been the most challenging and important part!

AFTER THE LONG ISLAND REAL ESTATE INDUSTRY WAS ALLOWED TO "REOPEN" IN JUNE, IS THE WAY YOU CONDUCT BUSINESS MOSTLY BACK TO NORMAL?

Judi Desiderio: Not by a long stretch! Open houses are one party at a time, showings are distant, covered and cautious — even pens have to be wiped down before and after the two COVID disclosures are signed, as well as the Fair Housing and agency disclosures — totaling four.

Gary DePersia: Only if you consider wearing masks and gloves, and signing health and other disclosures, to be normal. Often tenants in houses also for sale resisted showing the homes they had rented even though there were solid show clauses.

Todd Bourgard: Not entirely. Many precautions are being taken. For example, there is much care and emphasis on limiting the amount of people in home at one time. Gone are the days of jam-packed open houses, at least for now.

Kalen Raynor: Since being able to reopen, I would not say business is back to normal. In one way, yes, we are able to have buyers view properties again, but many precautions are now taking place between sellers, agents and buyers. We at Daniel Gale Sotheby's International Realty put our customers' and clients' safety as our top priority. Masks must be worn, social distance must be adhered to, and thorough cleaning is done in between showings to lessen the chances of any person contracting the COVID virus. On top of that, virtual showings and 3D tours have become even more important than ever.

Aimee Fitzpatrick Martin: It's great having our offices open again. While we're able to show houses again, we

do have continuing safety restrictions. Masks are mandatory to enter a house, and I also offer gloves, booties and hand sanitizer. Only one party is allowed in a house at a time. In addition to the New York State disclosure form, we have a sign-in sheet that asks if a prospective buyer has been exposed to COVID, had COVID, is experiencing COVID symptoms, or been to any of the states that meet the criteria for required quarantine. As if that wasn't enough, there's also a COVID form that says by agreeing to enter the property, all parties acknowledge there is an assumption of exposure to COVID-19. With my clipboard of forms, I feel like I work in a doctor's office!

Charles Forsman: I think our industry will be forever changed by this epidemic. We had to adapt and find new ways to sell a property. At Compass, however, we have the infrastructure that allowed us to adapt quickly. For instance, our team sold a house during this time completely virtual, sight unseen — at least physically unseen.

Mark Shuster: Things have normalized now for the most part. What's changed is that inventory is low and there are considerably more buyers than there were prior to the pandemic. The market is very strong for sellers.

Amelia Doggwiler: Not really. Now we can do showings following all established protocols and signing all COVID-19 disclosures. Also, most of the houses for sale are rented now. It is very difficult for a buyer to make an offer on a house they haven't seen. The few open houses we have are now required to be "by appointment," and only one party is allowed in the house at a time. This is not only more time-consuming but also it shortens the potential showing time of the house to all potential buyers. Doing a tour while not being able to have your buyers in the car with you is also very challenging, especially for the new buyer who does not know the Hamptons well. We have a lot of those buyers lately. It always helps to explain areas and facts when you have your buyers in your car while on tour. We, the real estate brokers, are working 24/7 to try to accomplish it all against these circumstances.

Deborah Srb: Definitely not. The Sotheby's International Realty offices are open, but we are all mostly still working remotely — from home or our cars — and the protocols required to show houses are very strict. I have a box in the trunk of my car with gloves, masks and booties, and other boxes of work files and plans. Ensuring the safety of homeowners, buyers and/or

tenants comes first, and it's critical that everyone is comfortable before we enter a home.

HOW HAS THE INVENTORY OF RENTALS, OR THE LACK THEREOF, INFLUENCED HOME SALES THIS YEAR?

Judi Desiderio: We are at over 90 percent capacity. Owners choosing to use their homes for extended periods and tenants staying in anything else that is available. Inventory of homes for sale is now at one of the lowest levels seen in years. I imagine there will be more inventory coming on the market in the fall when a segment of landlords decide to cash in their chips and sell. Builders are trying to do their part in replacing new product, but their costs have increased on everything from land to materials and labor — so the end product will come in at a higher price than current sales.

Gary DePersia: There could have been some buyers who were on the fence between buying and renting. The cost of rentals and low inventory might have pushed them over the edge to buy.

Todd Bourgard: Once our rental inventory was depleted, there was a huge demand for home purchases. We are continuing to see the influx of buyers opting for purchases versus rentals.

Kalen Raynor: Once the COVID pandemic hit, the influx in tenants looking to rent in the Hamptons was unprecedented. What we have seen is tenants paying high rental amounts to find a home and then realizing it is time to purchase while they are here. Owning a second home in the Hamptons was once considered a luxury, but we are finding now that a Hamptons home is now a necessity. This has 100 percent increased home sales and sales prices since the pandemic hit.

Aimee Fitzpatrick Martin: I think renters who came out in March and April saw that the Hamptons is not only a summer destination. COVID showed many people and businesses that working from home for some industries was possible. Families enjoyed having more green space for their kids to run around and beaches to explore. Many renters started to look for houses to buy. Think about it: With the average rental price being \$78,000 every year, a renter could put that same \$78,000 into the purchase of a home. With mortgage rates still historically low, that would equate to roughly a \$1.875 million house.

Charles Forsman: In mid-March, our rental business took off beyond its normal pace, with people looking for

more space. As a result, the "best of" rental inventory did not last long, and now it has almost completely vanished.

Mark Shuster: There's been a tremendous demand for rentals. In the recent past, renting was for a shorter period of time compared to years back, when most rentals were for the full Memorial Day to Labor Day season. Renters now want the full season plus the fall and winter. Since those opportunities are limited, I believe more and more people are purchasing so that they have a reliable getaway.

Amelia Doggwiler: As soon the pandemic started the avalanche of people trying to leave the city and settle for at least the first two months (April/May), demand was incredibly high. The inventory of rentals for these months is normally shorter; thus, owners started to realize they could get good money for their properties, and we started seeing more and more houses coming onto the market for rent. Not enough to match the high demand. We still have a lack of inventory for rentals — most of the Hamptons is rented already! We are experiencing very high rental prices, and this trend definitely is helping the sales market. Why pay so much for a rental if you can use that money to buy a house? And with mortgage rates historically low, owning a house in the Hamptons always proves to be a great real estate investment. Now more than ever, I believe the Hamptons will be sold out!

Deborah Srb: It's case by case and really depends on the individual homeowner. Some capitalized on the demand and either rented at phenomenal prices or opted to sell if compelled by the offer. Others couldn't be motivated by any price because of the refuge it offered themselves during this difficult time with perhaps nowhere else to go.

ARE BUYERS LOOKING FOR HOMES THEY WANT TO KEEP FOR SOME TIME, OR JUST A PLACE TO HAVE UNTIL THE PANDEMIC PASSES?

Judi Desiderio: Buyers are very forward-thinking at this time — looking long term.

Gary DePersia: Most purchases, although possibly spurred by the pandemic, I believe are for the long term and not just as temporary shelter.

Todd Bourgard: The general consensus has been that the recent purchases will be long term and primary, year-round residences.

Kalen Raynor: In my personal opinion, buyers are looking for homes they can keep for some time. They are looking for options such as home offices so that their new way of business can be done now out here full time.

Aimee Fitzpatrick Martin: Buyers are viewing a Hamptons home as a family refuge, a place to escape to and feel safe and cocooned. With more and more people working from home, I believe buyers will view their home in the Hamptons not just as a secondary home but just as important as their Manhattan residence.

Charles Forsman: Everyone is different, but in my experience most buyers are looking to have a home for the long term. It seems that many people have realized much of their business can be done remotely or with split time between the city and the Hamptons.

Mark Shuster: I believe that buyers will hold their new homes well beyond the pandemic. Many that I speak with already had a desire to buy in the Hamptons. The pandemic's impact made them realize another benefit to having a second home for family and extended family.

Amelia Doggwiler: I think some buyers are testing the waters to see if they can make the Hamptons a year-round home or they made that decision already. I believe buyers are buying mostly because it represents a great investment, a good place to own and diversify your assets. Buyers also want to secure a property before it gets more expensive with inventory going down. Definitely the pandemic has a lot to do with the buying demand we are experiencing as well. Either way, the Hamptons makes you feel like you are in paradise, especially if you compare it with so many other places in the world, and that is "the priceless factor" to own here.

Deborah Srb: It really comes down to one's mindset and what their family dynamic is. No one really knows how long this is going to go on, so, minimally, buyers are looking for an instant and temporary solution. Those with children are waiting to see what happens with schools. Those who feel that even though this pandemic has a life span another could crop up at any time with what we are learning, so finding a home for long term is a priority.

WHAT AMENITIES HAVE RECENTLY BECOME MUST-HAVES FOR HOMEBUYERS?

Judi Desiderio: Separate rooms — no longer one big great room. Buyers need separate rooms to work remotely from home, as well as having spaces for the rest of their family — kids, parents, guests, etc.

Gary DePersia: Gates, especially automatic gates, seem to be important as buyers strive to limit easy access to their properties. Turn-key, move-in ready has been popular for some time, but new construction has been even more sought after this year.

Todd Bourgard: Now more than ever, people are looking for resort-like amenities: tennis, pools, sports courts and home gyms. Also big on the list are home offices — a quiet place where work can be done remotely and efficiently.

Kalen Raynor: Top amenities that we have noticed are home offices, outdoor living space and locations that offer an easy commute to Manhattan if the need arises to go back and forth.

Aimee Fitzpatrick Martin: As you'd expect, home offices are growing in must-have amenities. Home gyms and finished basements or bonus spaces are also on the list. Pools continue to be important, and sometimes tennis courts.

Charles Forsman: Compass national data shows that consumer searches for homes with pools have tripled since mid-March, and that matches what we are seeing in the Hamptons. Let's be honest: If you are looking at properties all day in the heat, walking into a nice cool house with a pool in the backyard sets a property apart from the alternative.

Mark Shuster: Buyers are willing to pay a premium for fully renovated homes and new construction. Most people don't have the time or desire to contract that work themselves. When they spend their time on the East End, they typically want to relax, not tackle a project.

Amelia Doggwiler: An open layout of space, family/entertaining room/kitchen, a big private master bedroom, room for office if possible, pool or room for pool.

Deborah Srb: Backyard amenities like outdoor kitchens, outdoor fireplaces and fire pits, large patios, yards large enough for kids to throw a ball, pools, tennis courts, yoga studios, even putting greens are becoming

desirable. Anything that brings you outdoors into the privacy of your backyard where you can play and exercise is in high demand for obvious reasons.

WHAT HAS WORKING IN REAL ESTATE DURING THE PANDEMIC TAUGHT YOU ABOUT THIS PROFESSION AND THIS INDUSTRY?

Judi A. Desiderio: The entire working population is recalibrating needs and wants: How much space is needed? What does that space look like? What technology do they need at home? What are the needs of our client base? It is a time to tick 'n' check.

Gary DePersia: Where there is a will there is a way. Although extreme, the pandemic accelerated impetus for Hamptons real estate. Even when challenged to access houses, brokers both sides, buyers and renters, sometimes across different brokerages, worked together to make it work. Being in this business also reinforces what I have known since I first started here the '90s. We live and work in a special place. The Hamptons will always be the Hamptons.

Todd Bourgard: It is one of the industries that is truly essential. People need shelter, no matter what is going on in the world. These unprecedented times have proven that the benefit of a professional's guidance is an invaluable resource.

Kalen Raynor: Working during the pandemic has taught me that Realtors are resilient. Immediately, we were thrown into a situation where we did not know what lay ahead. Personally, it was a time to help sharpen my agents' skills, encouraging them to earn designations, brushing agents up on social media, working their contact management systems and leading my team into the unknown. It is imperative to have true leadership during this time with constant rules and regulations always changing. This pandemic has also shown just how much an agent is needed for guidance for a homebuyer and seller in this market. I am proud to lead such a fantastic group of agents in our Daniel Gale Sotheby's International Realty Westhampton Beach office and I am honored to be backed by such an outstanding company.

Aimee Fitzpatrick Martin: Real estate has always been a 24/7 business. The pandemic showed me that you must be resourceful, creative and adapt to whatever changes are necessary.

Charles Forsman: The future of the industry is tech-oriented. At Compass, we have tools to work completely remote, and there are new tech-solutions released on a regular basis that move the possibilities of this industry forward. Most recently, a new tool called Compass Lens was introduced. It is an AI-powered tool that provides homeowners with a vision of what their homes would look like with cosmetic makeovers to maximize the value of their homes.

Mark Shuster: Always pay close attention to the ever-changing market, adjust accordingly and keep your customers and clients well-informed. During uncertain times in real estate, people need a reliable and knowledgeable resource.

Amelia Doggwiler: More than ever, having the experience and being an expert in this business is essential during the pandemic. Having a positive attitude and the patience to listen to your buyers and sellers, landlords and tenants; answering all their questions and requests in a difficult time. It feels wonderful to always go the extra mile. Mixing knowledge with trust and honesty is what clients and customers appreciate the most.

Deborah Srb: We have learned that we have to be very flexible in this business to survive. The standards have changed. We have to do open houses via the internet and social media became the new norm. The use of technology, video tours, Matterport property tours, PPE, and social distancing have become essential and appear to be here to stay for the foreseeable future. But at the end of the day, what I've really learned is that we truly are in this all together and we all are looking for comfort and safety. There has been so much fear and anxiety surrounding us from what we hear on the news every day, so if I can show a client or a customer that I am as concerned about their health as I am about my own, we are essentially a team trying to find the best solution. It's been nerve-wracking and exhilarating at the same time to be in the position to help people find a new happy place for themselves and their loved ones. But it's why I do what I do. Handing over the keys to a grateful and happy buyer or tenant makes it all worthwhile.