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Express Sessions: Real Estate Experts Share Views Of Current State Of The Market

Moderated Bill Sutton | February 16, 2021



A host of industry experts offered insight into the state of the East End real estate market and predictions for the upcoming summer rental season during a forum hosted by the Express News Group on Thursday, February 11.

They all offered a familiar refrain that has often been repeated since the rush on rentals last spring at the height of the COVID-19 pandemic and the stellar number of home sales that followed into the summer and fall: What happens next will largely depend on a depleted inventory of both rentals and available homes to purchase.

Many homes that were available to rent in previous years will not be on the rental market this year. Scores of homeowners chose to sell in the burgeoning pandemic market and those homes are now owner occupied. Additionally, many homeowners who typically rent out their houses in the summer have decided to stay in the homes themselves rather than lease them to strangers.

“Maybe it was five, six, seven years ago on the entire East End, we had about 13,000 rental listings,” Judi Desiderio, the president and CEO of Town & Country Real Estate, told the panel. “We’re probably a half tilt now from that. And if you think about the entire East End, that is not a lot of inventory.”

The panel discussion, “The State of East End Real Estate,” was the latest in the Express News Group’s Express Sessions series, and was held virtually, through the Zoom platform. Panelists included Ms. Desiderio, Douglas Elliman associate broker Enzo Morabito, Saunders real estate salesperson Patty Oakley, Sotheby’s associate broker Sharon Stern and Corcoran Regional Senior Vice President Ernie Cervi. The panel was moderated by Express News Group Executive Editor Joseph P. Shaw.

The state of the East End market is strong, largely due to the pandemic, the panelists said, with a seller’s market highlighted by new-to-market homes being snapped up quickly, often following a bidding war over price, as the exodus from large cities continues and the ability to work-from-home makes moving east an easy choice.

The changes in the community’s makeup due to the pandemic have altered the very nature of the Hamptons, Mr. Cervi surmised, perhaps permanently, but at least in the short term.

“We went from being in a resort market to a year-round market that happens to be a resort,” he said. “You have a lot more people living here full time ... And in terms of buyer behavior, it has changed. Our seasonality has become diluted. People are still coming out. They came in March, then Labor Day came, they stayed, and now they’re still coming. That’s a good thing. So I think our seasonality is diluted when you look at the business we’re doing at the time we’re doing it.”

Noting that, according to sales data, the number of homes selling for more than their list price has increased from an average of about 8 percent in recent years to a current average of close to 20 percent, Mr. Shaw asked Mr. Morabito if he was advising homeowners interesting in selling their properties to “aim high” with a listing price.

That wouldn’t be the correct strategy, Mr. Morabito said, noting that setting a price too high could keep the home from selling quickly. Instead, he urges potential clients to, instead, “price correctly.”

“Yes, the market is hot, but if you price correctly, you can almost ensure that there’s going to be a bidding war,” he said. “If you overprice, you’re sitting there. ... You have to price right on the market. Right now if you price right on the market, it’s amazing. You know, it’s almost assured.”

According to the panelists, part of the reason the sales market caught on fire was a direct result of the boom in the rental market in the spring. Because so many people were looking for rentals in the spring as they escaped the city, the cost to rent skyrocketed, prompting many would-be renters to look to buy instead.

“What I’m finding is that rental prices jumped much more quickly than selling,” Ms. Stern said. “Rental prices jumped up very, very quickly. ... So now, all of a sudden, to get an extended season rental, or a longer rental, it costs substantially more on a percentage basis, and people are turning around and saying ... ‘I’m going to buy.’ And it’s just created this tremendous momentum.

“I think that’s part of what’s fueling this bidding war situation where people, they’re jumping in and they’re ready to step up in increments that we hadn’t seen before, because it’s fueled in part by the lack of rental inventory,” she added.

Mr. Morabito speculated that the demand for sales — and a new willingness of homeowners who typically rent out their homes to sell instead — will create a significant lack of rental inventory this summer.

Homeowners are concerned that if they don’t list their rental properties for sale now, they are going to miss this high peak in the sales market, he said. “And yet, they have very, very good rentals.”

His advice is that if they are thinking about selling, they should sell now.

“As the season comes along, there’s not going to be anything,” he said of rental inventory. “We’re turning down rentals right now because the owners are looking at it and saying, ‘I want to sell.’”

Ms. Desiderio agreed that the high turnover of homes in the past year would lead to a dearth of available rentals this year.

“I think all of you have touched upon this,” she said, “and that really reduces the amount of rental inventory. And the truth is, if you buy a house, do you really want to rent it out?”

“The new wave of people that are buying the homes, a lot of them are offended if you say, ‘Well, you can rent it,’” Mr. Morabito added. “They’re not buying it to rent the house. That’s something of the past. They’re buying houses to live in them.”

The demand for rentals is going to be through the roof, Mr. Morabito said.

“A lot of people are trying to sell now to be on the bandwagon of going with this,” he said. “No one knows when this is going to be over or not, but because of that and the lack of inventory, the lack of inventory for rental because people are using them, a lack of inventory because a lot of the buyers don’t want to rent, it’s a whole new wave of people. They wouldn’t even dream of it, you know?”

When asked by Mr. Shaw to look to the future and predict how long the current market trends would continue, Mr. Cervi said it would be difficult to tell because the East End is in uncharted waters.

“We can look over time what has happened, but what just happened has never happened, so it’s really hard to judge,” he said. “I said to someone, if you think we’re going to have another fourth quarter like we had last year, then you’re looking at another pandemic, because it’s just not going to happen. ... And none of us could have predicted how COVID was going to affect our markets. I thought it might’ve gone silent, and it’s took the reverse behavior and it went insane and it went insane so quickly.”

Mr. Morabito said he doesn’t see the trend reversing anytime soon, however — as long as interest rates remain low.

“The main thing, I think, that everybody’s kind of forgetting, which is really, really germane to what we’re doing: The interest rates,” he said. “The financial people that have kept this country going because of the interest rate and keeping them down there, it was brilliant. It was brilliant because otherwise I think we would have had a depression.”

Mr. Cervi agreed that the outlook for the future was strong.

“If you look at our current state of affairs in the world,” he said, “it is the ingredients for a strong market going forward. The low interest rates, you have world peace, so to speak, and we’re faced with the problem of not having the inventory to satisfy this demand. But the outlook for the market is very strong, still.”

Still, Ms. Desiderio said she was looking forward to an evening out of the market.

“The only thing constant is change,” she said. “And this market will change, too. When you asked, do you guys love it when this market’s so crazy and price is going up, I can’t speak for anyone else, but for me, a balanced market is the best market to work in. You don’t have crazy sellers. You don’t have crazy buyers. You have a balanced market. You have a supply and demand that actually is in balance with itself. Now we don’t.”

All of the panelists agreed, however, that for the time being, there was still a tremendous pool of prospective homebuyers looking for a permanent home on the East End.

“The goal of maybe wanting to have a house in the Hamptons as a summer resident became immediate last year, and it’s becoming immediate this year,” Ms. Oakley said.

“The Hamptons is a place people always wanted to be, and now they feel they have to be,” Mr. Cervi added. “It’s different. Those that got caught in the March frenzy that couldn’t find a rental, couldn’t buy a house, they learned a lesson. They don’t ever want to be caught in that situation again.”