

A Flash In The Pan Or The New Normal?: Hamptons Real Estate Pros Examine Lasting Effects Of The Pandemic

Moderated Joseph P. Shaw | June 16, 2021



Jane Babcock



Ernest Cervi



Patrick M. Galway



Vincent Horcasitas



Enzo Morabito



Ginger Thoerner



Yorgos Tsibiridis

The COVID-19 pandemic has permanently changed the nature of the Hamptons real estate market and the relationship that second-home owners have to the community, but to what degree remains to be seen.

A panel of South Fork real estate professionals convened virtually on Thursday, June 10, for “A Flash in the Pan or The New Normal?: The Lasting Effects of the Pandemic on the Hamptons Market,” to separate the COVID-sparked changes that are here to stay from those that will revert to the way things were prepandemic. The event was the last session of the Getting Real with East End Real Estate series hosted by the Express News Group and moderated by its executive editor, Joseph P. Shaw.

“After decades of this region being solely a seasonal resort community, we’ve seen just an avalanche of people who have moved out here and have gotten a taste of full-time, year-round living on the South Fork,” Mr. Shaw said. “So the question is, is there going to be any going back to the way things used to be, or is this the way things will be moving forward?”

The panelists agreed that the frenzy for Hamptons homes amid the pandemic has subsided, but the limited inventory means houses continue to sell fast and prices are not going down.

Enzo Morabito of Douglas Elliman said there is a slowdown and the market is moving back into a phase of normalcy. "It's not over by any stretch of the imagination, and I think the lack of inventory is keeping it afloat," he added.

As evidence of a return to normal, he pointed to the activity in New York: "I don't know if you've been to Manhattan lately, but it looks like Manhattan," he said.

Jane Babcock of Brown Harris Stevens noted that the Hamptons market is experiencing record-low mortgage rates, all-time high prices and historically low inventory. "I've never seen an inventory shortage like this," she said. "It's given some buyers a reason to pause, and they're just not ready to get into the housing market. And with the rollout of the vaccines and travel opening up, I think the pressure is easing."

"We still have a great want for housing," Patrick Galway of Town & Country Real Estate said. "So until that changes, I don't see the pricing dropping off."

On the commercial side of real estate, he said that in the past few seasons villages had mostly pop-up stores, but now they are almost 100 percent occupied with retail stores that are here to stay.

"There's so many people now," he said. "They've invested here — they're not just going to walk away. And until we get more housing inventory, you know, I think we're gonna stay on this path for quite a few more months ahead."

Ginger Thoerner of Sotheby's International Realty said people came to the South Fork for fear of the pandemic, but decided to stay for lifestyle reasons.

"Going forward, I think a lot is still in flux," she said. "A lot of companies haven't decided whether or not they're going to allow full-time remote working. You've got financial services companies that are requiring people to come back, but on the other end of the spectrum, you've got tech companies that are willing to let people work remotely indefinitely."

Schools returning to in-person learning in New York City will also be telling, she added, noting that some parents have already enrolled their children on the East End because they plan to stay.

Those who do go back to live in the city will still be spending more time at the South Fork houses that they purchased or rented, she predicted.

"I don't see us returning to the old paradigm where people came out just for a short period of time, then they traveled to Europe and rented their house," she said. "I think they're going to make use of what they have. And I think the demand is still strong, even if not frenzied."

Vincent Horcasitas of Saunders & Associates said he sees evidence of a continuing strong market in the demand for new construction and \$2 million homes. New houses now sell while still under construction, and that did not used to be the case, he said, and he takes it as a sign of the strength of the market.

Yorgos Tsibiridis of Compass said that while New York City is reopening he anticipates demand in the Hamptons will continue because people realize that they need to have an alternative outside of the city in case something happens again.

Recalling a conversation with a New York City broker, Mr. Tsibiridis said he learned that many New Yorkers ended up in small towns all over the Tri-State during the pandemic and found that there is nothing to do in those towns. "That's why they really want to move back into the city," he said. But he added that the Hamptons, with its restaurants and other offerings, plus a great school system and a number of private schools that came here, does not have that problem.

The publicity that the Hamptons market received over the past year also attracted buyers from outside of the usual zone of New York City and Connecticut, he added. “The pool of buyers is expanding a little more.”

Ernie Cervi of The Corcoran Group said that the Hamptons and Miami are similar markets right now, with an inventory shortage and houses selling the day after they are listed.

“It’s safe to say that we went from a part-time resort market to a year-round market that just happens to be a resort, and I think people have latched onto that feeling and are planning to stay here,” he said.

People’s idea of how they work and live has changed, Mr. Cervi said. “What seems to be more important to people now is how they live, rather than how they work, and I think we all saw that we can work from home and be successful, and even happier.”

He agreed with Mr. Morabito’s observation that New York City feels like normal, and he noted that a Corcoran deal at Central Park Tower for \$150 million recently speaks to how confident people are that “New York can be New York again.”

Still, he believes that commercial real estate on the South Fork is going to make out well. “Companies now realize they don’t have to be in the city to run their business,” he said. “They can be in a place where their employees are, where it might be less expensive to run a business.”

Inventory Is Key

“Inventory seems to be a key word when we’re talking about this,” Mr. Shaw said, “and the limited inventory seems to have a lot to do with what has driven the frenzy in the last year or so.”

He questioned whether the inventory will stay limited in the region into the future because there is very little land available to be developed.

Speaking to that point, Ms. Babcock said that builders can’t keep up with demand, and at the same time, the increased cost of lumber will be passed on to the consumers.

Mr. Tsibiridis noted that in the Hamptons market — unless a house is very aggressively priced — it typically takes six months, a year, or even two years to sell, but in the past year all those homes sold instead of lingering on the market. Today, the inventory remains tight, and that means that houses will sell fast even if the demand is lower than last year, he explained.

Another source of inventory was existing Hamptons homeowners selling their houses so they can upgrade, but they are realizing that they are priced out of the market, he said. “They don’t put their houses on the market, and it’s kind of like a vicious cycle.”

A New Floor?

Mr. Shaw asked whether the new price points seen in the last year are the new floor that the market will build on, or if values will slip back.

Mr. Cervi said this cycle will end, and prices could decrease.

“No one has that crystal ball, but if I were to take an educated guess, I would say that when the inventory increases and the buyers decrease, the prices will come down,” he said.

“It’s going to adjust,” Mr. Morabito agreed.

Mr. Horcasitas noted that the Hamptons had 12 consecutive quarters of a downward market prior to the first quarter of 2020. “I don’t think we’re going down, I think we’re going up,” he said.

Ms. Thoerner pointed to a house that was put on the market with some cosmetic upgrades six months after it last changed hands. It was listed for 25 percent more than it had recently sold for, and it received an offer over the asking price within two days.

“The frenzied pace of the market from last year, the sort of hysteria — I have to find a place for my family and find it now and I’m not going to ask about the comps — has tempered a bit, but I do think the demand is there,” she said. Mr. Galway said he sees no thought given to prices going down, and if anything, they are going up. The outskirts of villages and different neighborhoods will go up, too.

“I don’t see that changing anytime soon unless we get a whole bunch of inventory in — but that’s not going to happen,” he said. “I think this path is going to stay for a while; I don’t see it going backward. These people aren’t going to decide to leave the area, and they’re not going to sell their houses that they just bought for less money. So I would suggest to buyers that better to buy now because I think in the future we’re still going see them up, and up from where they are today, because there is no inventory.”

Ms. Babcook said she hasn’t seen a market like this since 2006, when people would say, “Just put it on the market, and see what we can get.”

No Tumbleweed Tuesday

This past September, the Hamptons didn’t empty out after Labor Day. The summer crowd stayed through fall and even through winter. That could largely be the case this coming fall, even as Manhattan offices expect to recall employees for at least a few days a week.

“I don’t think Tumbleweed Tuesday is going to be what it was,” Mr. Cervi said. “Nothing’s going to be what it was. ... This is the new normal.”

“As far as how many of them are going to stay, I don’t know, but a lot of people invested a tremendous amount of money into our market, and I can’t see that backtracking,” Mr. Galway said.

Ms. Thoerner said recent homebuyers are taking a wait-and-see approach, and she expects a hybrid living situation, with city homes and Hamptons homes both being treated as primary homes.

“I don’t think after you’ve gone through the emotional and investment side of purchasing a home that — unless you absolutely have to because of circumstances — you’re going to sell that home because more options have opened up to you because of vaccinations and so on,” she said.

People are still hesitant about traveling, she noted. “They did go away right after they got a vaccine on their vaccinations to the sun,” she said, but traveling abroad will not happen right away.

When European travel does resume, she doesn’t think it will lead to the recent homebuyers immediately selling.

Will Rentals Come Back?

Mr. Cervi said there are still too many restrictions on entering Europe, so even the vaccinated will wait to go until testing is no longer required. If those restrictions are relaxed next summer, that will change, he said, and it will mean that the rental inventory will increase.

Ms. Thoerner said landlords will have to get real about pricing and can't expect the rates they got in 2020. "The prices for rentals have spiraled out of control," she said.

She also expects short-term rentals will return. "We had a climate where people were renting for shorter periods of time before the pandemic, and then that all got flipped on its ear," she said.

Mr. Cervi said short-term rentals are good for the market because they grow the buyer pool. He also dubbed 2021 "The Year of the Rental Permit." Municipalities are checking for permits to ensure landlords are in compliance, and even sanctioning agents in some cases, according to Mr. Cervi.

"The brokers, it's their duty to inform the landlords of what they are risking if they don't get a rental permit," Ms. Thoerner said.

Workers Priced Out

"Workers can't afford to live here anymore," Ms. Babcock said, a sentiment that was shared by other panelists. "If they haven't inherited their family home, I find it nearly impossible for a working teacher or start-up plumber to try to buy something here," she said, and even in Hampton Bays, there is nothing to be found for \$600,000 or \$700,000. There is only so far west that workers on the East End are willing to go while still commuting here, she pointed out.

Mr. Morabito said this has been talked about for 50 years, since he first came out here, and nothing will change that.

Ms. Galway said East Hampton workers are moving to East Moriches, Riverhead, the North Fork and as far west as William Floyd Parkway.