

# REAL ESTATE: STATE OF THE MARKET

It's been a bumpy ride these past few years for local real estate. From record highs set in Covid to deep valleys we sit in now, navigating the terrain and keeping your balance is a feat that challenges veteran as well as novice agents and agencies.

A quick look at the first half stats from the well-respected Suffolk Vision Inc. shows the march up and down the mountain over the past 5 years. We'll take East Hampton as an example:

FIRST HALF SALES 2019 – 2023 EAST HAMPTON TOWN		
	HOMES SOLD	SALES/MILLIONS
2019	291	\$580M
2020	336	\$750M
2021	551	\$1635M
2022	400	\$1343M
2023	150	\$531M

We all knew things have slowed since Covid but a roughly 50% decline in sales from what we call our last "normal year" 2019 is a real punch in the real estate gut. That said, the most interesting point of this chart is the bottom line. Half as many homes sold this year for almost as much money as 2019!

So, although everyone has taken a huge hit in overall revenue from the last three years, agencies are still earning as much in 2023 as they did in 2019. But since there are less than half as many sales, someone is missing out big time.

Individual agents.

Real estate has always been a scramble. Sometimes polite competition among colleges, sometimes a life-and-death struggle to grab a listing or a client. If that was always the case, I can only imagine what today's scramble for a sale or rental must mean to the sea of agents trying to bring home their tiny slice of the market.

To find out we asked two local agency heads to see how they and their staff are adapting to this tighter real estate market.

## Q: Looking at the most recent numbers is your agency seeing a similar slowdown?

**JD:** There is an industry-wide 'slow-down' nationwide. Looking specifically at MTK, the number of home sales was down 48% for the first 6 months year over year... but the big news is the MHSP (median home sale price) which was down -17%... most markets did not see a decline in prices-- MTK & Amagansett saw drops of 17 & 17.5% respectively.

**SH:** Yes, and I would raise an eyebrow at those agents



Judi Desiderio, CEO of Town and Country Realty

or agencies claiming otherwise. At lower price points we are seeing some buyers feel the pinch of the interest rate environment. And not all of our buyers are mortgage sensitive, but the opportunity cost of that money is a factor. If the number of properties on the market weren't so limited we would see sellers move off price with them. And the interest rate environment of the last three years keeps sellers in their current homes with mortgages at half the percentage rate as offered today. The end result is that prices didn't continue their increases as fast. This isn't unfamiliar ground to those of us brokers that are seasoned since the 1980s. We know the real estate market is always in motion and it is cyclical.

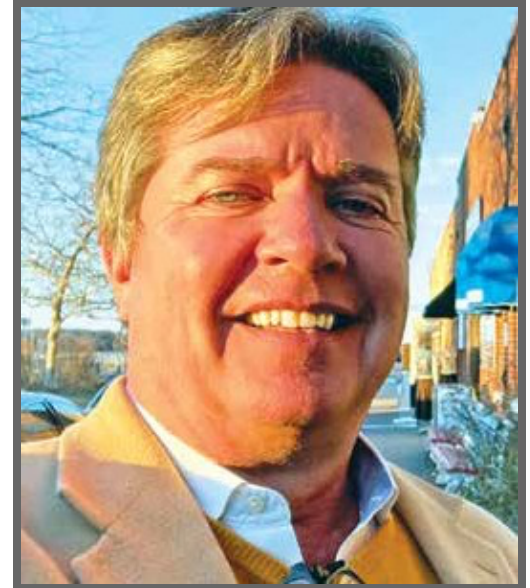
## Q: If not, why? What are you doing to boost your share of a smaller market?

**JD:** T&C Associates are all part of the fabric of each of the communities we do business in-- this enables T&C Associates to hear first about opportunities and therefore position themselves and our clientele in optimal positions for success in each market-- North Fork & South Fork.

**SH:** Our success lies in referrals and repeat business, but we remain grateful for invitations to speak on the subject in a public forum, so thank you Kirby. This added press helps new market players find us brokers that are seasoned in many different markets as opposed to those that are just let loose & lost outside of a pandemic market. We never left the basics of this business, so we don't need to go back to it, and there is no substitute for hard work, and integrity doesn't become more important, it still remains vital to our business.

## Q: There are a number of boutique firms entering the market: Sehart, the Agency, how do they affect and already crowded market?

**JD:** I believe there are 4 or 5 new Brokerages that have opened up recently... while the Brokerage names are



Simon Harrison, Owner/Broker of Simon Harrison Real Estate

new the agents inside these new companies are not new. So, I don't see the number of licensees increasing -- just their associations changing. In a market such as this -- ebb vs flow-- I believe tenure in the business is of utmost importance

**SH:** It only feels crowded when I'm not doing any business, so I'm not affected. I'm working with brokers at new firms the same way I worked with them at their prior firms, but if they have branches in other states are they boutiques or franchises I can't tell. Agents move around, and it's still hard to think someone new would come into the area and make a dent on the front lines where we live for decades. It's incredible how many number one agents there are. How is that even possible?

## Q: What should an agent expect from their broker?

**JD:** Agents find greater success when they align themselves with a Broker that provides them with the tools and support which they require. At T&C we pride ourselves on having and retaining the highest quality Managers, Directors, Administrators and Marketing staff.

**SH:** An Entrepreneur at our firm is defined by leaving everything better than they found it, and that includes all the market participants winning, including the clean water environment that defines The Hamptons. To that end I'm there for them personally when they are in need. Management, including me, helping them with pricing, we have available help with negotiations, systems functionality & marketing. We don't have training programs, and I don't bill my agents and brokers for company expenses either. An agent or broker at our firm can reasonably expect access to all of our tools to make a decent business. It is a business largely for independent entrepreneurs.

## Q: What should an agency expect from an agent?

**JD:** Clear communication as to commitment level, expectations, and goals.

**SH:** Integrity in all their dealings, on and off the field of

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business, and I don't expect anyone to work at my pace. Interestingly, beyond that, the business in The Hamptons is like a self-cleaning oven and just showing up is half of it. Those that bring grit, a good work ethic and a sense of humor have regular repeat business.

## Q: What should a seller expect from their agent/agency?

**JD:** Honesty and commitment – pricing is key in markets such as this. But the critical component, especially now, is negotiation skills.

**SH:** Integrity in all their dealings, on and off the field of business, is also a minimum. They could reasonably expect proper pricing guidance; effective marketing strategies; and availability for prospective buyers and their brokers is vital. This isn't a 40 hour a week thing, we get

calls from people leaving NYC at 5:30 AM or planning at midnight to see THEIR house the next day. This is part of the business, and it also includes snowstorms.

## Q: What do you expect from the balance of this year?

**JD:** The remainder of 2023 is not in clear view at this time. As I've always said, when the stock market does well, East End Real Estate does well. There have been sizable gains for many who invest in the markets... those gains should find their way out East. BUT all the noise about a pending potential recession / correction / recalibration in the market and businesses who are facing spikes in interest rates/ unsettled workplace attendance and productivity.. not to mention an agonizing ongoing war that destroys & disrupts ... that's a lot of negative

factors to process while deciding if it's time to buy a summer home. this year?

**SH:** This is a slowing market, and volume will remain off the 3-year norm, but in line with the past ten years. There are opportunities in every market for buyers and for sellers. Always. At SimonTheBroker we take our great years and our regular successes and spend the housewarming gift money on clean water advocacy through The Sag Harbor Oyster Club initiatives. Zero-harvest shellfish farming, public education on water use, fertilizer & pesticides and even the restoration of finfish populations. Our pandemic project was to formalize as a New York State 501(c)3 and we expect that to be in place & tax deductible this year. Our buyers & sellers actually prefer this over champagne love, because it adds significant value to their real estate, and fits our mission model to leave everything better than we found it. ■

## THE COMMERCIAL SIDE OF LIFE

**M**uch as we focus on residential real estate, commercial sales are a large part of this overall market. A specialty few agents try and tackle, one of the very best in this complicated field is Compass's Hal Zwick. Here is his view of that market.

### Q: Unlike residential real estate, there are no year-to-year comparisons for commercial activity. How have the last 2-3 years been?

**HAL:** 2021 and 2022 were record-setting years for commercial activity in the East End and our group. Sales of buildings and complexes continued to grow during the Covid and post-Covid era. Most notably has been activity for motels and resorts, retail buildings, restaurant/take-out sites, and commercial trade entities.

New groups from NYC and the entire Northeast, South Florida, and California have been seeking to make inroads in our area. There have been bidding wars on some properties, raising the values significantly. Leasing activity has also seen a dramatic increase in demand, mainly from first-time entries to the Hamptons.

We have executed approximately 35 transactions year to date, including: The Mill Shopping Center in Watermill, El Verano Mexican Restaurant in Southampton, Westlake Marina in Montauk, a twenty-acre commercial site in Quogue, to leases for Loewe and Aviator Nation.

We expected a downturn in 2023, but that did not happen. The commercial category and our specific business have been robust. The Hospitality and Food & Beverage and Retail Leasing categories have continued to see record growth. Commercial/Industrial units are still in great demand as well.

The only downside is the cost of money. We

have witnessed lower offers with interest rates rising, especially on investment properties. Most sellers will hold out until rates decrease rather than sell for less.

### Q: Who are the buyers in this market?

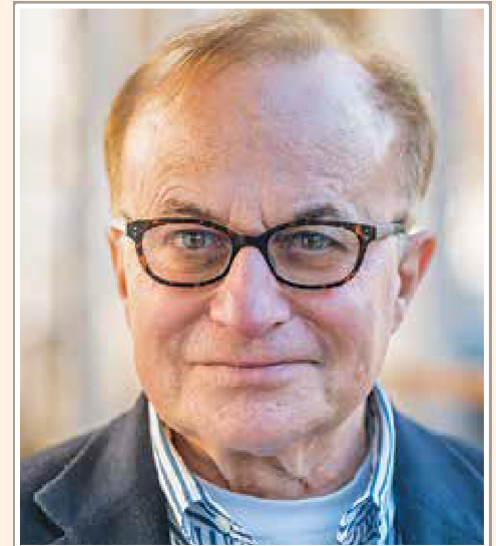
**HAL:** There is a new breed of buyers over the last few years. A younger, more aggressive group of investors and developers have entered the marketplace. Some come in and seek parcels that they can buy, build up and sell at a major profit within a few years. There are also the groups who want to come in and purchase multiple entities in their particular category - whether it's hotels, restaurants or leased investment properties.

### Q: How do you/seller price their properties?

**HAL:** Several factors go into pricing strategy. Comps are only one factor. Within any category -- the exact location, the condition of the site, how much CAPERX is required, lease rates and terms if appropriate and short-term upside. Occasionally, sellers will tell us "what they need" based on the number of partners involved, taxes to be paid, funds required for retirement, etc.

### Q: How much due diligence do you furnish for a property?

**HAL:** Our group attempts to anticipate a buyer's requested information. Environmental & Engineer inspections are standard for commercial properties - we encourage buyers to conduct these studies to provide the findings upfront. Zoning analysis is very important for commercial sites. We at Compass often commission zoning studies to provide extended information concerning the sites' current and future development opportunities.



### Q: What should an agency expect from an agent?

**HAL:** Agents (sales associates) are independent contractors. We generally pitch our listings and need to represent ourselves and brokerages with respect, integrity, and obviously contribute to the bottom line.

### Q: What do you expect from the balance of this year and next?

**HAL:** Two key factors will impact activity. The season's final business results, which will become apparent in September, and the economy, most notably, interest rates, which hopefully will begin to reduce in the first half of 2024. Overall, we are receiving more than expected calls and listings to sell which is encouraging.

We have also received an increasing number of "off-market" listings in all categories. We can handle these based on our extensive client portfolio and relationships developed over the years. We expect these to continue.