

SUMMER TRANSITIONS IN REAL ESTATE

August 1st Market Report by Penelope Moore



The days toward the end of July and in the beginning of August represent a transition during the summertime when July rentals end and tenants vacate, houses are inspected cleaned and prepped for incoming August tenants and sellers evaluate how the home sales are progressing.

During the same time frame in 2018, there was the same scurrying that comes with July to August activity, however the highest sale negotiated and closed in 2018, unbeknownst to all, had already occurred; On 7/13/18 142G North Ferry Road, a 3,700 sq. ft. creek front with pool and dock, sold and closed for \$2.05M. A short while later on 9/27/18, 56 Westmoreland Drive, which had been negotiated and over a year prior had already been put into contract, sold and closed for \$2.43M, making it technically the highest sale in 2018. Properties sold in 2018 were 58% less than the total properties sold in 2017 on Shelter Island.

So far in 2019, there have been four transactions sold and closed that have been higher than the two top sales in 2018. What reasons have customers, some of whom have been in the market for over five years, given for sitting on the sidelines last year? In December 2017, the Federal tax reform, "SALT" was made into law and many home shoppers wanted to see how they would be affected after one full cycle.

The most recent publicized sale recently was on 7/19/19, 175 North Ram Island Drive, a 5.2 acre 7,987 sq. ft. bay front which had originally been listed on 8/30/14 for \$14.25M, was last listed for \$6.95M, was assessed by the Town in March 2019 for \$6.99M, and sold for \$4.25M. There are similar threads to 29 Winthrop Road, a 1.71 acre 9,230 sq. ft. harbor front which had originally been listed 11/9/13 for \$8.99M, was last listed for \$4.9M, was assessed by the Town in March 2019 for \$7.259M, and sold on 3/14/19 for \$4M. Each was an unusually large home in terms of square footage and each was sited in a unique setting: the bay front property was a high, bluff top setting without access to the shoreline, and the harbor front property was on a narrow lot, set close to the road. As one client commented recently, it was "more about atypical houses on atypical lots," adding that the Town's assessments "which are supposed to be based on the last three years of comparable sales seem to reflect the prices that the houses were listed for and not a trend in the market."

With interest rates continuing to be at historically low levels, many customers have come back into the market. A buyer who is currently in contract on a transaction is getting an interest rate of 2.87% on a 30 year conventional mortgage.

Activity in all price ranges from vacant land starting in the high \$300Ks, homes in the low \$600Ks and high end properties has been steady. Those have been accompanied with more than a handful of multiple offers and pending sales on listings that have been on the market for more than 2 years. The activity experienced in July was unusually brisk, so home sellers are optimistic about August prospects.

On the rental front, the Town of Shelter Island passed a Rental Regulation that affects every property offered for rent. Written about extensively in the media with arguments for and against the new law, all of the details were announced in fine print in the Legal Section of the back pages of the local paper, with owners given a grace period ending on July 24th to obtain a rental permit number. Our agency complied with the law and removed rentals from our website that do not have a corresponding rental regulation number. Many landlords who have completed their summer rentals for 2019 are putting on hold applying for a permit, in many cases, adding that they hope that the Town Board elections in November bring new personnel with new perspective.

Gov. Andrew Cuomo in June 2019 passed The Housing Stability and Tenant Protection Act of 2019 which went into affect on July 14, 2019. According to local attorney, Andrew M. Lieb, Esq, "landlords are capped on security deposits and [prepaid rent] at a cumulative total of one month's worth of rent... So, as a result of this cap, landlords will be forced to bill their tenants monthly and collect rent on a monthly basis because they can no longer collect prepaid rent. In compliance with the new law, rent will be due when use and occupancy occurs rather than in advance as the industry traditionally operated on the East End...Landlords faced with this increased risk are going to need to adjust the industry or risk going out of business. In adjusting the industry, tenants should expect that landlords will pass their increased risk, in whole or in part, to their tenants in the form of increases in rent."

With so many transitions occurring all at one time, the rest of the summer promises to be filled with excitement!

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