A Market Unrivaled

Q2 2020 MARKET WATCH
In years past, we’ve looked to key economic factors such as unemployment, the stock market, interest rates, and consumer confidence to shed light on the relative health of the real estate market. Before the pandemic began to impact our markets in the middle of March, most of these factors stood near historic highs or lows. They correlated with the healthy quarterly sales growth we’ve been witnessing in recent years while supporting a positive outlook that sales activity would remain robust into the future. Now, of course, some of these factors have turned upside down. While the stock market has made a huge recovery and interest and mortgage rates are lower than ever, unemployment has risen exponentially while consumer confidence in June stood at 98.1 (1985=100) according to the Consumer Confidence Index. That number, ever a benchmark for us in gauging strength in real estate, has not dipped below 120 in many quarters.

In fact, in my 30 years in the real estate industry, I have never seen a market like the one we’re in now.

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<th>INDICATORS</th>
<th>DATES</th>
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<tr>
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<td>02/14/20</td>
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<tr>
<td>Stock Market (Dow)</td>
<td>29.398</td>
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<tr>
<td>Consumer Confidence</td>
<td>132.6</td>
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<td>Mortgage Rate (US 30 year)</td>
<td>3.47%</td>
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<td>Unemployment Rate</td>
<td>3.5%</td>
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And yet, for perhaps the first time ever, low consumer confidence is not a reliable indicator for what’s happening in our marketplaces. In fact, in my 30 years in the real estate industry, I have never seen a market like the one we’re in now. In Westchester County, Connecticut and the Berkshires, Massachusetts, properties are trading at an unprecedented rate. This is due to circumstances that are extraordinarily unique to this moment in time.

Connecticut, notably, has seen an increasing number of people moving out of state in recent years, but this trend seemingly reversed overnight. In the face of both the pandemic and ongoing social unrest, New Yorkers are relocating in droves from the city to the suburbs including Connecticut and our other marketplaces. Buyers are out in record numbers seeking housing in our markets, while listings under contract and property showings are surging over this time last year. The result is perhaps the fastest switch from a buyer’s to a seller’s market we’ve ever experienced—another trend that developed almost overnight.
The density of population in New York versus the suburbs may help to explain what the press has referred to as a “tidal wave” coming out of the city. With 8.4 million residents, New York City has a population of 27,000 people per square mile. These are tight quarters in this era of social distancing. Now compare these figures to Westchester County, where 967,000 people live at a density of 1,900 per square mile, or Fairfield County with 943,000 people at 1,467 per square mile, or Litchfield County with 180,000 people at 206 per square mile. Less populous areas have an understandable allure these days. According to demographic information we pulled from all the deals our company has been involved in during the past two months, the percentage of purchasers from New York City in our markets stands well above historic highs: New Yorkers represent 46% of all buyers in Westchester County, 33% of those in Fairfield County, 31% of those in Litchfield County and the Berkshires, and 9% of those on the Connecticut Shoreline—a region encompassing New Haven, Middlesex and New London counties.
The pandemic effect has led us into a highly unusual market, one where the familiar economic indicators and customary data points we analyze such as property closings don’t tell the whole story. For this report we have departed from our normal format to provide data we believe is the most relevant for depicting the market we are in at the end of the second quarter. For the historical record, we will make available traditional quarterly data for every town and county we service, including year to date and quarter over quarter unit and dollar volume changes, unit changes by price range, median price changes and more. This supplemental information will be provided by July 15 at williampitt.com/market-watch.

But for our main report this quarter, we instead wanted to discuss a data point we don’t typically explore: pending sales. For several weeks of the second quarter much of the economy was effectively paralyzed, and real estate took a significant hit. From April 1 to May 22, a period of just over seven weeks during which we were mostly under orders to stay at home, properties under contract starkly decreased compared to the same time last year. Contracts across Westchester County, encumbered by the greatest restrictions of all our markets for showing houses, were down 55% in unit sales and 52% in dollar volume. In Connecticut, where showings could still occur following strict protocols, unit contracts declined by 19% in Fairfield County, 24% on the Shoreline, and 25% in the Farmington Valley region of Hartford County. Litchfield County fared somewhat better with units down 9%. Note that dollar volume figures for this time frame in Connecticut were not available for us to consult as of this writing. In the Berkshires units were down 10% and volume 9%.
UNDER CONTRACT UNITS

WESTCHESTER COUNTY

Units

FAIRFIELD COUNTY

Units

LITCHFIELD COUNTY

Units
43 Creamery Road, Egremont MA
MLS: 231070
Then came the tidal wave. We’ve experienced an incredible uptick in sales in recent weeks. From May 23 to June 21, the date we used as a cut-off for this report, contracts soared beyond all expectations as restrictions started to lift. Westchester County, which reopened later than our other markets, saw contracts increase by 18% in units and 28% in volume over the same weeks last year, demonstrating that higher priced properties are transacting. In Connecticut, Fairfield County unit contracts were up 35%, Litchfield County saw units increase by 21%, the Shoreline held steady with last year with units up 2%, and Hartford County improved from the prior seven weeks but remained down by 11% in units. The Berkshires witnessed the greatest growth of all with unit contracts increasing by 44% and volume by 95%. Real estate showings have also accelerated at the same pace in the past few weeks.

Sellers who choose this moment to list will likely experience a level of buyer interest unmatched in recent memory.

We believe buyer demand will be unparalleled in the months to come. Yet the supply of inventory is severely limited to meet this demand. Consider the density of population figures given above, and then consider the housing in our markets available to those seeking to escape the city. There are 3.5 million total housing units in New York City, but in Westchester County we have only 377,000, in Fairfield County 375,000, and in Litchfield County 88,000. Across all of these markets, in a typical year with normal demand approximately 21,000 properties will sell. But the demand heading our way now is anything but normal, and the takeaway is that it will simply not be possible to absorb it all. Any inventory we have is already being depleted. We know we need more listings, and that sellers who choose this moment to list will likely experience a level of buyer interest unmatched in recent memory.
The pandemic and social upheaval have fundamentally changed how people view their basic human need of shelter. The close confines of the city are suddenly less appealing.

We don’t think these relocations are temporary either. A recent Stamford Advocate article revealed that 10,000 New Yorkers have changed their address with the US Postal Service to Connecticut since March, a large increase from last year and a move that suggests an intention toward permanence. The pandemic and social upheaval have fundamentally changed how people view their basic human need of shelter. The close confines of the city are suddenly less appealing. There are other factors at play as well, such as uncertainty surrounding future school closures and more flexibility to work from home. The spacious environs of the suburbs are suddenly more attractive.

I hope you find this report informative and invite you to contact one of our sales associates at any time if we can help you with your real estate needs.

Wishing you health and safety.

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