



CELEBRATING
55 YEARS

nerej

Escape from New York - by Laurie Mentz Nichols

June 12, 2020 - Appraisal & Consulting



Laurie Mentz Nichols
Enterprise Appraisals, LLC

Escape from New York. I'm referring to the effect of the coronavirus pandemic on the New York and Connecticut housing markets, lest you think I'm speaking of John Carpenter's 1981 classic sci-fi action movie, "Escape from New York," starring Kurt Russell as the protagonist S.D. Bob "Snake" Plissken. The coronavirus pandemic in the United States was nascent at the end of the first quarter of 2020; it was too early to see how the pandemic affected residential sales. As we near the end of the second quarter, figures are starting to come in which show that overall housing sales across the country have seen a decrease since the coronavirus outbreak, with New York City having the largest decline.

The Federal Reserve Board report "Summary of Commentary on Current Economic Conditions by Federal Reserve District," commonly referred to as the "Beige Book," is based on information provided by each Federal Reserve Bank on its particular district and includes opinion and analysis from economists, bank directors, and other market experts in each district. The report is prepared for the Federal Open Market Committee (FOMC) meetings and is used by economic forecasters to predict whether and how the Fed will act after the FOMC meeting.

There are 12 Federal Reserve Districts, with Connecticut and New York falling under the jurisdiction of the First and Second Districts. The Federal Reserve Bank of Boston (First District) covers New England: Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and all of Connecticut except Fairfield County; and the Federal Reserve Bank of New York (Second District) covers New York, the 12 northern counties of New Jersey, Fairfield County in Connecticut, Puerto Rico, and the U.S. Virgin Islands.

The Beige Book for May 27th, 2020 reported that overall economic activity declined in all twelve Federal Districts, reflecting market disruptions related to the coronavirus pandemic. With home viewing limited to virtual showings, the residential real estate market slowed down in the First and Second Districts. What is interesting is that realtors are reporting an increase in demand for single-family residential sales and rentals located outside of New York City, in Connecticut.

The city's high number of reported coronavirus cases is cited as the cause for the drop in sales volume. Stay-at-home orders and coronavirus mitigation efforts limited the availability of showings, hampering sales. New York's governor Cuomo announced that the second phase of reopening would include real estate services, but no timeline was given. Conversely, Connecticut's governor Lamont's issued an Executive Order which included the real estate industry as "essential" businesses, allowing for the continuation of listings, open houses, appraisals, inspections, and closings during the pandemic.

There has been a decrease of homes which have entered the market as both sellers and buyers are cautious, but with "business as usual" in Connecticut, the residential market has seen a spike of sales and rentals of higher-end single-family homes in Fairfield and Litchfield Counties, and along the shoreline from New Haven to New London. New Yorkers are fleeing the city for the suburbs of

Connecticut at a rapid rate and are even looking at properties outside of the standard commuter area. Some are so desperate to leave, they are paying asking prices, entering into bidding wars, and offering cash deals to snap up the limited housing supply. Currently the increase in sales activity is concentrated in the higher-end market but is expected to eventually trickle down to the starter home market. Connecticut realtors are optimistic with the resiliency of the housing market during the pandemic and with the influx of New Yorkers seeking refuge, they are predicting a strong summer market which could last into the fall.

While NYC isn't the maximum security prison depicted in "Escape from New York", the actions taken to slow the spread of coronavirus and save lives have greatly limited movement and affected daily life. People nervous and concerned for their safety, who moved to Conn. as a temporary measure plan to stay longer, if not permanently. For those transplanted New Yorkers who choose to remain, I offer up Connecticut's state motto: Qui Transtulit Sustinet ("He Who Transplanted Sustains"), and who knows, Snake Plissken may be moving to your neighborhood.

Laurie Mentz Nichols, SRA, AI-RRS, is the president of the CT Chapter of the Appraisal Institute, and owner of Enterprise Appraisals, LLC, West Haven, Conn.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540