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Suffolk posts highest median price for pending home sales in a decade, but not all segments are hot. (Depositphotos)

## Suffolk home prices soar, but high-end market lags

By: Bernadette Starzee ☉ June 24, 2019

The median price of pending home sales in Suffolk County is north of the \$400,000 mark for the first time in more than a decade. The median rose to \$405,000 in May, up 3.8 percent from the \$380,000 median price for homes contracted for sale in May 2018, according to the Multiple Listing Service of Long Island. The highest-ever median price for pending sales in Suffolk was \$420,000 in June 2007.

Nassau's median price for pending sales slipped to \$530,000 in May, down from \$545,000 a year ago, but still higher than the \$510,000 posted for May 2017.

But while many segments of the residential market are strong, others are not doing as well.

"Suffolk's median consistently hovers in the \$300,000s, but I have noticed that houses that were in the upper \$300,000s have crossed that barrier and are now in the \$400,000 range," said Barbara Leogrande, a licensed associate broker who is based in the Sayville office of Douglas Elliman Real Estate.

Low interest rates are driving the market, Leogrande said. Rates have fallen since the start of the year.

"We saw rates creep up last year. Buyers are very intuitive, and they know when the rates drop to take that leap," she said. "They realize their purchasing power is greater. Prices can be higher, and the cost to the buyer is the same. If the rate goes up, sellers have to make a correction down, so the buyer's costs will be equalized."

The lower end of the market has been strong, helping to push up median prices.



Barbara Leogrande: 'Sellers are watching the prices go up and are trying to take advantage of that. But they make a critical error by overpricing their homes. About a third of the inventory in my marketplace is overpriced and is just sitting.'



"If you take an entry-level home and price it at fair market value, it opens up to a very deep buyer pool, which therefore drives the price up," Leogrande said. "Many buyers can afford a \$385,000 home, so you may get a multiple offer situation, where the person who has the best price and terms gets the home. This brings prices up."

As rates continue to be low, "money is very inexpensive to borrow, and we have this whole generation of new buyers who are looking for their first home, and baby boomers who are downsizing and looking at the same inventory as the first-time home buyers, causing the lower end of the market to be extremely busy," said Deborah Hauser, chief operating officer of Cold Spring Harbor-based Daniel Gale Sotheby's International Realty.



Deborah Hauser: Interest rates are very low and downsizing baby boomers are competing with first-time home buyers, making the low end of the market very busy.

Homes in Suffolk are generally more affordable than Nassau, and as prices go up, "you're going to see more people giving up conveniences to be able to afford the home they like," said Joe Moshe, broker/owner of Plainview-based Charles Rutenberg Realty. "And that's why you're seeing the prices increase out there. The demand for homes in Suffolk is greater among buyers in the marketplace, and with the low interest rates, people can afford to buy and don't want to miss the opportunity to get in while the rates are still low."

In addition to higher home prices than Suffolk, Nassau tends to have higher real estate taxes, helping to push some buyers east, Moshe added.

But while the lower end of the market is hot, it's less so as the price points go up.

In the middle price ranges, which vary by area, homes are selling, but they have to be priced right.

"If the product matches the price, it sells almost immediately," Leogrande said. "We have an influx of inventory in our area because sellers are watching the prices go up and are trying to take advantage of that. But they make a critical error by overpricing their homes. I would say about a third of the inventory in my marketplace is overpriced and is just sitting."

Inventory has increased over the last year. There were 13,261 homes in Nassau and Suffolk listed for sale with the Multiple Listing Service of Long Island at the end of May, an increase of 7.7 percent from the 12,314 homes listed for sale at the end of May 2018.

Inventory has gone up much more quickly in Nassau than in Suffolk. There were 6,258 Nassau homes listed for sale with MLSLI at the end of last month, climbing 14.5 percent from the 5,466 Nassau homes listed for sale at the end of May 2018.

There were 7,003 Suffolk homes listed for sale with MLSLI at the end of last month, up 2.3 percent from the 6,848 Suffolk homes listed for sale at the end of May 2018.

"If it's a \$1 million home and it's worth it, it will sell for full price or more," Leogrande said. "If it's an \$850,000 home and you are asking \$1 million it will not sell, and the seller will probably wind up getting less than they would have if they priced it right in the first place."

Today's consumer is very well informed. "Before they even call me about the home, they have already Googled it, driven by it and maybe even pulled town surveys," Leogrande said. "But of course nothing quite can take the place of getting in the home. I always say it's about chemistry."

The market for higher-priced homes and, more specifically, higher-taxed homes has been slowed by the SALT (state and local taxes) deduction cap of \$10,000, which was introduced with the Tax Cuts and Jobs Act of 2017, but whose full ramifications are being felt this year for the first time.

"The SALT deduction is definitely a hot topic," Leogrande said. "It took a while for buyers to catch on, but homes with annual real estate taxes in the \$20,000 to \$30,000 range are feeling it."

Homes with taxes in the teens or those above \$30,000 or so have been less impacted, Moshe said.

"When you have taxes of \$13,000 or \$15,000, you're still losing money with the SALT cap, but it's not substantial enough to make a difference of whether or not you're going to buy a home," he said. "But when you get up to \$20,000, you're losing a lot of money with the deduction cap. However, for homes with taxes of \$30,000 or \$40,000, generally people are in an income bracket that they're going to buy what they want to buy; the cost is secondary."

Generally speaking, the market for homes in seven figures has been slow, Moshe said.

"It's a matter of supply and demand," he said. "The demand for the higher price range is not there, and inventory is sitting. It's a buyer's market at that level."

Buyers who in the past might have moved up to a larger home haven't been able to do so, as salaries have been increasing at a slow pace, Hauser said.

"Many people have not been able to get the equity to grow to the next level," she said.

Moshe is also seeing more buyers stay put rather than move up.

"People who bought their homes for \$500,000 or \$600,000, and the next step is a \$900,000 or \$1 million home – we're seeing them do more renovations or expansions to their existing house rather than buying a more expensive home with higher taxes," Moshe said.

Real estate in communities with a railroad station, a walkable downtown and a community feeling are more in demand than those without, Hauser said.

In her area of the South Shore of Suffolk County, Leogrande said, "we have charming downtowns, good proximity to major transportation, phenomenal school districts, and a lot of lifestyle attributes such as beaches and parks," she said. "We have a lot of young families moving in that would like to provide their children with an excellent education and lifestyle. Amenities, externals and convenience all play huge parts in the decision-making process."



Joseph Moshe: Demand is soft for homes in the \$2 million to \$3 million range.

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