James Lane

— Real Estate —

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JONATHAN MILLER

Jonathan Miller

Real Estate Market Insights Unveiled

By Ty Wenzel

In the labyrinth of real estate market reports catering to the fiercely competitive luxury sector of the East End, Miller Samuel stands as the beacon we invariably turn to. It's the meticulous and fact-driven reports from Miller Samuel that earn trust. With Jonathan Miller at the helm — a maestro of numbers and the firm's proprietor — these reports transcend mere statistics. For years, Miller has unfurled comprehensive narratives, distinctly for the Hamptons and the North Fork, acknowledged not just for accuracy but for their role as reliable forecast tools. Beyond being a compass for real estate market predictions, these reports serve as indispensable guides for buyers and sellers, navigating the complexities of the most significant investment of their lives.

Since its establishment in 1986, Miller Samuel stands as a trusted stalwart in the real estate landscape — a firm offering appraisal services across coveted locations like New York City, Westchester County, Fairfield County, Long Island, the Hamptons, and the North Fork. With over 200 annual market reports, collaboratively crafted with Douglas Elliman Real Estate, Miller Samuel adds a layer of transparency for consumers, financial entities, and real estate professionals alike.

A familiar presence on the media circuit, including notable platforms like Curbed, Bloomberg, the Wall Street Journal, and Crain's, Jonathan Miller's voice is featured prominently amid the tumultuous currents of these times. Our exclusive discussion with Miller revealed the strategies and insights that shape his sought-after work, offering a unique glimpse into the trajectory of the market and the foundations supporting his conclusions.

Thanks for joining us, Jonathan. How did you get started and ultimately become such an important voice in the real estate landscape?

I had about 150 podcast episodes and I interviewed people like the head of Harvard's Joint Center for Housing Studies to a realtor who was a stand-up comedian in Boston on the side. You know, the whole gamut, and so I've always loved the media. Everybody kind of gets into the real estate business by accident. And actually, coming out of college, I worked in inner-city Chicago. I was the food service director of a satellite hospital across the street from Mount Sinai.

How does that turn into what you've built?

My wife and I went to a wedding on Long Island. We stayed in Manhattan and we realized that we loved this and literally quit our jobs, sold our cars in Chicago, and moved. We slept on my parents' one-bedroom rental floor until we got jobs. I got a job as a sales agent on an on-site new development building. My wife did too. I could see all these appraisers coming and going and didn't know anything. There wasn't a multiple listing service (MLS) in Manhattan and sort of got the idea and then we actually raised a bunch of money to start up a brokerage firm and got right to the signing. But none of us wanted to be brokers actually.

So you realized you didn't want to be brokers after you started your brokerage?

We just sort of started working out of our apartments — actually three different apartments. It was my wife and I, my sister and her husband, and my parents and we just worked out of three apartments and then eventually got an office ... then another office. We were raising money and my wife and sister ended up working for two different appraisal companies just to make some money and learn how to be appraisers.

We started the appraisal company and sometime in the late '90s, I was contacted by the New York Times asking about the market. I wasn't writing reports yet and then I got the idea to hire a PR company. All I did was just always be accessible, and tell the truth. In other words, if I knew the answer to the question, I would answer it. If I didn't, I would tell them where to get it. And I was relentless in terms of being always available and understanding what the journalists needed. Then it just mushroomed. I haven't hired PR in 25 years and I get around half a dozen calls a day or emails every single day. I'm always trying to answer the question in the right context. I want the journalist to look smart, I don't want them to look at a number and say, hey, it went up X percent.

As a journalist, thank you.

To me, it's sort of like storytelling on steroids. The bottom line is that I feel like I get extra credit for being neutral and honest.

I follow your reports religiously, and have come to depend on them for an objective look at the markets as they really are.

I'll tell you the moment I knew I had something. In the beginning, before my relationship with Douglas Elliman and doing their reports, but in the very beginning. I knew something was working because the Fed called my office complaining that I didn't have the latest report up. We were only a day late on putting it up on the website and they were complaining — and I said, I feel like I have something here if the Fed is calling me upset about a late report.

Amazing! I'm sure you have interesting moments like during extreme market crashes. That must do your head in.

What happened in '05, I could see that my company was going to be out of business in about three years. The appraisal business... I could see that there was an end and the reason I thought that is because everybody already knew the number. In other words, you know we were the last ones into the party — the selling attorney knew the number, the buyer's attorney knew the number, the bank knew the number, the seller knew the number, the buyer knew the number — everybody but the appraiser.

It was really like this weird time where the actual value, the number, didn't matter. It was that our industry sort of morphed into being a deal-enabler as opposed to an independent arbiter of valuation. I just felt like no one really cared about the quality of the numbers. I started blogging right around '05.

Great time to start blogging.

It was right in the beginning with Curbed and Brownstoner. And there were all these neighborhood blogs and I'm this appraiser guy. And I just remember sitting, you know, I didn't know what to do. I didn't know how to get the message out that something was odd. But I did say at the time, and this is what brought CNBC to my office, I just said 75 percent of appraisals being written today aren't worth the paper they're written on. And so all my peers that were booming, said that Miller had sour grapes... whatever.

Then three years later we had the Lehman moment and CNBC played that clip from '05 and said here's someone that told us three years ago exactly what was going to happen.

It must have been incredible to finally get the validation for your understanding of the industry.

All of a sudden I was a genius and I never looked back.

I'm sure you get push-back from brokerages when things aren't rosy.

They say things like, "How can you say that? You know, you're so negative." I remember walking down the sidewalk and a realtor saying, "How can you say this? You know you're not supposed to say it out loud."

Were they blindsided or something?

I found that after Lehman, the brokerage community was more negative than the consumer. But prior to the Lehman moment, let's call it '08, everybody including the National Association of Realtors was saying things like, "It's always a great time to buy or great time to sell." And that is patently not true. I think the industry to a certain level has inverted from that kind of presentation even though it's still there and prevalent — but it's nowhere near like it was just 15 years ago. My firm and I became this trusted brand. In the end, it's all about trust.

We've really followed your reports much more deeply since the pandemic. It shaped a lot of real estate dynamics that are ongoing on the East End.

People were buying out there and I called it co-primary homes in the Hamptons. It was like a second primary home. It wasn't equal to what was happening in the city. Who wants to, during a global pandemic, to have a total stranger walk through your house? And so sales, you know, fell 50 to 60 percent in the city.

Coming back to today, are the numbers on the East End at least lining up to 2019, pre-pandemic?

During the pandemic, I always call what happened in the Hamptons and many other markets that boomed this sort of unchecked frenzy. I called it a rocket ship. And so when you compare today against a rocket ship, there's distortion, right? It's like, hey, sales are down, now they're down like 12 to 15 percent depending on the market, but they were down like 40 percent, right? My whole career I've made a big deal out of year-over-year comparisons because that rules out seasonality.

But the problem is a little bit more than a year ago now, the Fed pivoted and the markets still were just massive volume, surging prices, and you're comparing against a different environment. It feels distorted. So I published the year-over-year just like I always do. But one thing I always talk about — I always refer to the comparisons of pre-pandemic — so if we're in the third quarter of '23 and we're comparing to pre-pandemic it would be the last third quarter that occurred before the lockdown. Compared against the third quarter of '19 — and if you do that in the Hamptons — median prices are up 65 percent from pre-pandemic.

But inventory just disappeared, right? Inventory is down almost 60 percent since pre-pandemic. So, if you think about whether it's the Hamptons or anywhere else in the entire country, maybe with the exception of Manhattan to a limited degree, there is an absolute absence of supply nationwide. This is not unique to the Hamptons. This is everywhere.

Douglas Elliman's footprint across the US covers give or take 50 housing markets and it's the same story in every housing market. Inventory has essentially collapsed and yes, it's because rates changed too quickly. Even during the boom times, rates were being held too low for too long and it sort of ramped up and built this huge frenzy just where you know anything that wasn't sort of nailed down was sold. You know normally what happens after a negative external event like a spike in mortgage rates, you have sales slowed down. The next thing that happens is inventory piles to the sky because sales slowed down — and that didn't happen.

The reason it didn't happen is that the sellers that hooked into a 3 or 4 percent thirty-year fixed mortgage in the last four or five years through a refi or purchase means that they have been waiting since the Fed raised rates. I mean they don't raise mortgage rates but they influence other things to happen that cause banks to raise rates. They did it at the steepest descent in like four decades. And so you basically have people that are in their homes saying, "if I leave my house, I leave a four percent mortgage and I have to move into an eight percent mortgage. So I don't get that much more. Even if I get a bigger house, it's a lot more expensive," and so everybody's sort of this waiting game on what the Fed is going to end up doing. And that's the uncertainty that we're all facing.

My first mortgage when I was in the city was 8.7 percent. My mortgage is currently 3.5 percent.

In '96, when we bought our first house in Connecticut, our rate was 8.25 percent, down from 12 percent. But what's a little different here is normally when rates spike, you have this increase in inventory, so then prices soften, but prices aren't really softening and you know it's sort of in aggregate they're rising despite the mortgage rates.

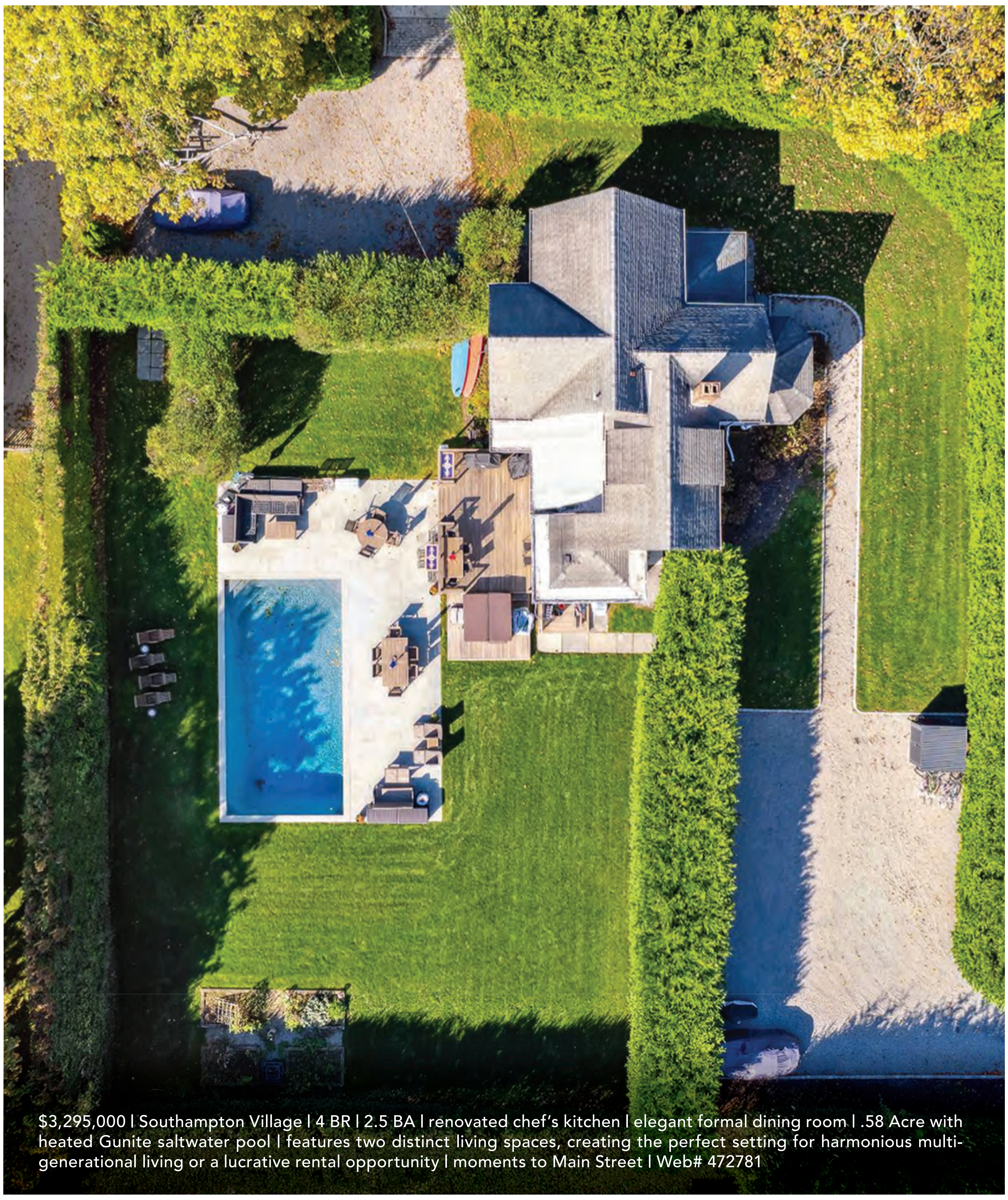
Do you have any predictions from your studies?

Economists think that the Fed is actually going to start cutting rates in the second half of next year a little bit. So if you look at that scenario, we go from 7.75 percent to 6.25 percent. We're not going to four. Think of that as a historic anomaly, not as the base or the benchmark. That was just a gift.

Tell us about your relationship with Douglas Elliman.

We've been consulting with them since '94... They were really interested in getting us to expand our coverage outside of Manhattan so we expanded to Long Island, the Hamptons, and the North Fork then began Florida, Boston, California, and other parts of the country.

To learn more about Miller Samuel, visit millersamuel.com.



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Real Estate Confab

What Are Incentives For End-Of-Year Buyers?

By Ty Wenzel

End-of-year home-buying has, in legend, had benefits that we do not have a lot of knowledge about within the general public. We asked the experts what their thoughts were on the topic and if there were any extra incentives for end-of-year buyers.

Janet Hummel, Town & Country Real Estate

I think just owning property on the East End is incentive enough. Real Estate has always been a hedge against inflation. Over the years, real estate on the East End has outperformed the stock market. How many times have you said, "I should have bought that property a few years ago" because you see how much the property has appreciated. It can also be a tax write-off for many owners. I have buyers who are looking for rental properties because they need the tax write-off. How great is it that you have a home people want to vacation in?

Deirdre Jowers, The Corcoran Group

The end of the year is a great time to buy on the East End. Inventory is still low but any home that was on the market all summer may now have a seller who is more flexible on their price. They know if they don't make a deal soon, they may be carrying their home into the spring. If a buyer is also looking to sell a current real estate holding, they may have the tax benefit of a 1031 exchange to defer capital gains, by identifying a new purchase within 45 days of selling their property. An end-of-year purchase is also perfect timing for a property to be improved, renovated, and prepped — regardless if a buyer plans to use their new house or list it for the next rental season. Homes that are listed by January/February have a higher chance of getting rented than ones coming to the market late, like in April or May. My advice for today's buyers is to follow your gut instinct. If you find a place that feels like a good fit, don't get wrapped up in a game trying to acquire it. Make a strong offer and secure it as soon as you can, as there is still a pent-up demand in the market and another offer could come in while you dally in negotiations. I've seen this happen too many times! Just go for it!

Vincent Horcasitas, Saunders & Associates

There isn't really a tax benefit to buying before the year is over, however buying this time of year allows you a lot of time to prepare for the summer and to also enjoy the property in the wintertime, which is a magical time of year in the Hamptons. You have all of the holidays and all of the events that go on in the different towns and villages, they all do such a great job at making this a special place even in the off-season, and it just gets better and better every year.

Kelsey O'Connor, SERHANT

End-of-year buyers can take advantage of a few incentives and strategies but ultimately, we are currently witnessing price improvements in the market. This is a valuable opportunity to secure a home at an affordable price point before the interest rates decrease and home prices rise again. It's crucial to remember that while homebuyers can renegotiate their rate after the transaction, they are unable to renegotiate their purchase price. For those who are ready and well-prepared, the end of the year is a favorable time of year for homebuyers for this reason. My advice is to advantage of the current price reductions and be prepared to act when the right opportunity arises. There is less competition and sellers are open to negotiations.

Gene Stilwell, Town & Country Real Estate

Incentives for buyers is an interesting question. For some buyers, the tax benefits can be very good depending on their personal situation. For example: If you sold a property and are looking to defer the capital gains with a 1031-like exchange. In addition, real estate is a tangible asset and with the continuing fluctuating markets, having a tangible asset that you can use or rent is comforting — and over time always appreciates. It's also important to keep in mind that our inventory is still on the low side and therefore I always say that if a certain property checks all the boxes and it's a home you feel you will regret NOT buying… then make your move. This is not a dress rehearsal!

Jennifer Wilson, Saunders & Associates

I would tell any buyer to work with a local experienced agent, especially now. There is a lot changing in the towns regarding maximum building square footage, and other town codes. A buyer should have a local, knowledgeable agent who acts as a resource for their clients from start to finish.

Angela Chmielewski, The Corcoran Group

People should look to buy homes around the end of the year so they can be prepped and ready for the summer season. It's nice to have the extra time to personalize and make their new home special. My best advice to this season's buyers is to make an offer! You never know how flexible someone is until you do. This time of year, things start to get quiet, and sellers might be more motivated to get a deal done.

Denise Wilder, Douglas Elliman

There are several reasons why I believe it's a good time for buyers to be looking and making offers between now and the new year. First, we are finally seeing more inventory coming on. We are seeing price reductions as some sellers are realizing the market is shifting and they don't relish carrying the property through the winter. There are also fewer buyers looking at this time of year, so there is less competition than in the summer and new year. Buying now will also give the new homeowners plenty of time to do the projects they desire before the mad crush happens next year. Hiring contractors is much easier as they aren't as busy in the winter months.

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