

Realtors Hunt for Homes Amid Low-Inventory



By Kimberly Miller

High-demand buyers keep moving to Fla., seeking luxury homes with specific features, leaving RE pros to find and persuade homeowners to sell their properties.

PALM BEACH COUNTY, Fla. – Talbot Sutter’s high-rolling client was flying in from Canada with \$10 million-plus in his pocket and very specific housing demands – waterfront in Admirals Cove with easy golf access and bedrooms for four kids, all going to the private Benjamin School.

Just three homes on the market fit the bill. Sutter knew his client would hate them all.

“I was in the office beating my head against the wall,” said Sutter, whose buyer founded a professional sports team and was frustrated after losing out on two previous homes. “I never thought in 10 years of doing this I would not be able to find a buyer with this huge budget a home.”

With a dearth of housing inventory, Realtors are increasingly hunting down and persuading homeowners to sell their properties if it fits a clients' desires. The so-called off-market sales, and related pocket listings, have become a norm in a pandemic-defined market where anything goes but normal.

For a week, Sutter's team at Sutter and Nugent made cold calls to more than 300 owners of waterfront estates coaxing and tempting and cajoling and getting mostly nowhere.

"Finally, this guy said, 'Oh, it's funny you called me, I was thinking of listing,'" Sutter said. "With a little luck and skill, the stars aligned and we closed for \$10.7 million."

Solicitations to owners of medium-priced homes, especially those that aren't homesteaded and where a landlord may be looking for motivation to ditch a rental, have always been common when housing inventory is low.

And now pocket listings, where a Realtor has a contract with a seller, but doesn't advertise the home on the multiple listing service, or MLS, have increased post-pandemic. Sometimes pocket-listing sellers don't want neighbors to know they're considering a move, or just don't want the tumult that an open house brings in today's competitive market.

Off market sales, where a Realtor must find the right house and then tempt a homeowner to sell to a specific buyer, also weren't as common, especially in super high-end sales, until more recently.

In May, homes selling for \$1 million or more in Palm Beach County were under contract at a median of just 12 days. That's a timeframe 40% quicker than May 2021.

"There is still a huge demand, without question," said **Bonnie Heatzig**, executive director of luxury sales at Douglas Elliman in South Florida.

Heatzig recently hunted down a seller for a client who was looking to buy in a gated community on the Intracoastal waterway in Boca Raton. He didn't want any fixed bridges between the house and the ocean because he planned to have a boat and wanted an obstruction-free ride to the Atlantic.

"It can be a tough conversation with a potential seller because everybody needs a place to go and in the absence of having a second home, it becomes a very difficult decision for a homeowner to sell," **Heatzig** said. "It's not an easy task."

Sutter has a New York client with \$30 million to spend but he wants a lap pool that is no deeper than 5 feet so he can stand up between laps. Some people want southern exposures. Others want to face the southeast to catch the sea breeze. Or they want a 180-foot-deep lot in a non-historic community with a ranch-style house they can tear down. Or they want a brand new fully furnished home they can move into that day.

"Normally, you can get 85% of what you want in a home," said Jeff Lichtenstein, president of Echo Fine Properties. "Today, I have to slap people around and say what you want doesn't exist. Maybe you're going to get 50% of what you want."

Lichtenstein said pocket listings and off-market sales won't always get a seller the highest offer because it's a targeted deal without competitive bids. But if the seller doesn't want the hassle of a traditional sale and the buyer hits the sweet spot on price, it can make sense.

Number of luxury home sales drop. Is it a sign of the times?

Economist Sheharyar Bokhari, with the national real estate firm Redfin, said buyers taking out jumbo loans are being hit hard by the interest rate hikes and the first sign of that is falling sale numbers in the high-end market.

Also, with less competition from buyers with mortgages, cash buyers don't have to bid as high, theoretically, which means lower sale prices.

In Palm Beach County, the number of luxury homes sold in the highest 5% price range dropped 33% in the three months ending April 30, according to Redfin.

But the sale price of the top 5%, which was a median of \$2.6 million, was still up 21.4% compared to the same time period in 2021.

"I think the stock market problem is still going to affect you in Florida," Bokhari said. "The migration to Florida is probably going to continue compared to other east coast cities, but what the super luxury folks decide to do is yet to be seen."

Bokhari noted that economists generally thought interest rates wouldn't hit 5% until the end of the year. On Friday, the national average for a 30-year fixed mortgage was 5.78% according to Freddie Mac. That's up from 3.22% in the first week of January.

Sales drop and off market listings a bigger share of deals

Realtor Daniel Ekerold said he's seen housing inventory inch up in the past couple of months, but he's still working just as hard on off market listings.

In the past year, he estimated that 65% of his sales were off market.

"That's people giving me their parameters and me going out and looking and trying to find something that will make sense from the seller's point of view," said Ekerold, who in the past year sold 43 properties in the popular West Palm Beach community south of Southern Boulevard dubbed SoSo.

In the early days of the post-pandemic buying spree, Ekerold said he had a lot of Palm Beach refugees – people who sold their homes on the island for big bucks but didn't realize they were already priced out of Palm Beach and there was little to buy just across the bridge in West Palm Beach.

"It's still a race to the inventory," **Heatzig** said. "I continue to get calls from the northeast from people who are looking to buy new construction, single-family on the water, second or third homes, everything."

