



New home in North Woods, East Hampton.

Courtesy of Saunders & Associates

## Hamptons Real Estate Market May Be Down, But It's Never Out

by Kelly Bryant | April 26, 2019

A bastion of wealth and luxury, the Hamptons have long been a place where high-net-worth individuals and their families flock for a respite from New York City's hustle and bustle. A piece of real estate in one of the Hamptons' exclusive hamlets can feel like a trophy; a tangible sign of one's success. While the well-heeled composition of Long Island's East End communities still rings true, the soft state of the area's real estate market should pique the interest of homebuyers.

"The market is in a holding period," says Martha Gundersen, an associate broker with Brown Harris Stevens in East Hampton. "It is a great time to buy. Mortgage rates are historically low, prices are down, inventory is high and the economy is strong."

Despite these stars aligning for buyers, local brokers say fewer folks are flexing their purchasing power than they were after the mortgage crisis in 2008.

In the last three months of 2018, home sales across the Hamptons were down 14%, real estate brokerage firm Saunders & Associates reports. Some areas felt the impact of price drops more than others. The median home price was down 8% in Southampton and 16% in Sag Harbor, whereas towns like Montauk saw a bump with their median home price increasing by 13% last year.

"This is a very emotional market," says Judi Desiderio, president and CEO of Town & Country Real Estate in East Hampton. "Each hamlet in the Hamptons has its own audience and its own price point — two dynamics influencing our market dramatically."

She points to retiring Baby Boomers looking for property in the East End, wanting a place for holidays to gather their families without completely unplugging from New York City.

"When you're looking at a second or third home and it costs \$10 million or more, you're usually someone in the financial world," she says. While these buyers may want to take advantage of the strong first quarter experienced on Wall Street in 2019, they may also still be feeling the sting of the poor fourth quarter in 2018. "These are affecting people's decisions," Desiderio says.

### PROMISING SALES

But don't cry for sellers just yet. There were still impressive sales in 2018, like an East Hampton oceanfront estate sitting on more than six acres that went for \$40 million. A four-bedroom single family home in Southampton sold for \$32 million. Those numbers are hardly shabby.

These sales fall in line with the way Evan Chadakoff, managing partner at Icculus Capital, a New York-based real estate fund, views the current outlook. He doesn't see the Hamptons as a soft market in the same way other real estate professionals might, particularly when trading luxury properties with

asking prices upwards of \$10 million.

"The Hamptons market is still very strong fundamentally, from a supply-demand perspective. While there are other factors at play, that will continue to be the true determinant," Chadakoff says. "Any softness being seen right now is mostly perception, coming from broader market conditions, not reality."

By his account, home buyers with knowledge that the broader U.S. real estate market is soft come to the Hamptons expecting to pay less. But with the truly coveted oceanfront properties still somewhat rare, they're finding there's a limited supply in that category — and heavy price tags on those properties hold steady.

"I think a lot of people were waiting to see what would happen with the new real estate taxes to decide what they should buy," Chadakoff says, referring to the recently revised 1% tax on statewide sales of homes of \$1 million or more. The update targets New York City properties, rising incrementally on home prices upwards of \$2 million. "Now there's this pent-up demand. I think we'll see a strong quarter, and the year will end up evening out similar to last year."

Gundersen echoes that sentiment in the sense that she's seeing buyers seeking more trophy properties than they were in the past couple of years. "I think everything is cyclical," she says. "The recession lasted longer than past recessions and the recovery has lasted longer as well."

### BIDS ENCOURAGED

Despite a bit of trepidation from buyers — and some sellers chomping at unrealistic dollar signs with aspirational asking prices — Saunders & Associates broker Ed Bruehl is confident there are plenty of deals to be made benefiting both parties.

"I'm always encouraging bids," he says. "If I'm going to show you 10 houses and two or three of them might work — bid on them. See if you can get a counteroffer. Brokers are only as good as the seller's last counter. If all I know is the last asking price, I really have no more color than the buyer doing online research."

Bruehl notes one reason buyers from New York City may be reticent to test the waters with offers is because real estate culture is different outside the boroughs.

"New York City buyers are taught



Elegance in East Hampton, Courtesy of Brown Harris Stevens (top); Bridgehampton South in horse country, Courtesy of Town & Country Real Estate (bottom).

that if you're not within 5% of the asking price, don't bid," he says. "In the city, it's priced to perfection with multiple bidders. The seller gets to choose the best buyer. As a result, over the last several decades my buyers, who are usually looking for a second home, come here and think they have to be within 1% to 5% of the ask. I don't think it has helped the market in general because in a buyers' market the buyers need to bring bids."

This isn't the only way in which the Hamptons market is a bit of a unicorn. Here the rental demand among summer revelers is strong. Just two months of rent on a classic four-bedroom house with a pool can generate a substantial annual income for a property that has been held by the owner for years.

Bruehl explains this profoundly skews the urgency on the sellers' side of the market. "They'll say they are better off holding the home as an investment property and buying another one," he says. "It's a buyers' market, but my sellers are never desperate in the Hamptons."

### PATIENCE PAYS OFF

The profile of house hunters in the East End has largely remained the same — buyers with successful careers who want a weekend escape. However, thanks to greater transparency in the marketplace, today's buyers are savvier than ever before, bringing a more knowledgeable approach to the house-buying experience straight out of the gate.

"I love selling a home where you have a buyer who understands what they are buying, has a look to the future and a vision for what they see in that house," says Gundersen, who points to a recent closing on a small home in a stellar location in Watermill South.

"The buyer is lovely, has a vision to make the home beautiful and live in it indefinitely. I cannot wait to see what he does," she says.

While Gundersen's buyers are value-driven, they've also been patient, waiting for years as the market has adjusted to make the best offers at deep discounts. In this sense, patience isn't just a virtue, it's a money-making asset.

"With the new transparent market, buyers know a lot about a property," Bruehl says. "They have easy access to when it sold, when it was purchased and the cost to build it. The buyer is so ridiculously educated now. They go into every single transaction aware of everything. The more informed the buyer is about a property and the market, the quicker you wrap up a deal."

### FORGING AHEAD

While the East End market might not be ablaze with sales right now, burgeoning trends make the outlook promising. In fact, if buyers are looking for the next desirable locale, Chadakoff has one word — Quogue.

"The value of real estate in what's considered 'west of the canal,' in places like Quogue, is increasing," he says. "Houses on the ocean used to max out around \$10 million, but now some are selling for close to \$20 million or more. People love that Quogue is a bit more relaxed and vacation-like than further east, plus it's only 90 minutes from New York City."

Gundersen notices buyers returning to an increased desire for A-plus locations. A previous trend saw them purchasing new luxury construction north of Old Montauk Highway. Now that these houses are three or more years old and haven't appreciated, she sees some sellers breaking even on those properties and snapping up discounted homes south of the highway instead.

### POSITIVE OUTLOOKS

For Bruehl, he's optimistic seeing more year-round activity in the area than ever before, meaning buyers are using their second homes well beyond Labor Day. Retailers on Main Street in Southampton Village that used to board up their stores as kids went back to school now remain open, no longer tied strictly to the summer season.

"You can't tell if someone is a local or has a place in the city and a place out here and has become a local in both," he says. "People are here and they're not leaving. I can't say it's their primary home, but they aren't just using it for the summer."

Ultimately brokers agree that regardless of a soft market, the Hamptons never go out of fashion. The quintessential small-town charm paired with beautifully maintained public beaches and impeccable restaurants will continue to make the hamlets and villages a mecca for city slickers in search of a nostalgic, yet opulent, escape.

"It might be soft now because of some headwinds, like tax issues, but the market isn't dead by any means," Bruehl says. "There are still builders doing really good work, and there are still buyers buying beautiful houses. My landscapers are as busy as ever, and my survey guys are still doing surveys. We're not dying. It doesn't ever tank out here. It just holds steady."

Kelly Bryant is a freelance writer in Los Angeles specializing in real estate and lifestyle topics.

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