

A Hot First Quarter

By Debra Scott | May 1, 2014 - 12:45pm

Neither snow nor cold nor the gloom of early nightfall this winter stayed Hamptons real estate agents from completion of their daily rounds.

All that trekking over ice-slick driveways seems to have paid off. Total sales volume across the South Fork for this year's first quarter was \$641 million, higher than it has been in seven years, since the boom of 2007, when it reached nearly \$1 billion. Volume was more than four times what it was in 2009 and almost double the number in 2011.

Sales soared 52 percent from last year to 528 transactions, according to Douglas Elliman Real Estate's first-quarter report. The Elliman report is compiled by an outside party, the Miller Samuel appraisal company.

If the weather hadn't been so inhospitable, the numbers for the past quarter "would have been one for the record books," Patrick McLoughlin, an agent with Elliman, said.

A report in Bloomberg News attributed the rise to "stock-market gains and fatter Wall Street bonuses," which certainly seem to have played a part.

"Over all, the financial markets had a very strong year in 2013," said Debra Reece, a broker with Sotheby's International Realty. "Wall Street is a driver of the Hamptons real estate market." Her company saw many financial whizzes out here making investments or first-time purchases or trading up. "We saw a lot of activity in the very high end — \$25 million plus."

Things weren't so bad in the high-ish end either, with 27 properties selling for \$5 million or more, up from eight last year. In both total volume and total units, the most significant gains were concentrated in price ranges from \$3 million to over \$10 million, according to the Long Island Real Estate Report.

According to Town and Country's first-quarter report, the local market with the largest sales volume was "the Big Kahuna," Southampton Village, "where the total home sales volume exploded nearly 1,000%!" over the same period in 2013. On the other hand, the total sales volume for "the East Hamptonrea," including Wainscott but excluding East Hampton Village, was down 25 percent.

But wait a minute. Do we really get an accurate picture comparing this year's first quarter to the same time last year? Last year's first quarter was notoriously slow, seeing that it followed an artificially high final quarter in 2012. That time span, when real estate lawyers' offices were open even on New Year's Eve to accommodate buyers rushing to close before a coming change in tax laws, certainly had an impact on first-quarter sales last year.

"Many closings were pushed forward to close in 2012 that otherwise would have closed in [2013's] first quarter," said Ms. Reece — a fact that clearly skewed comparisons.

Comparing only first quarters with their prior equivalents can be misleading, according to Anthony DeVivio, the managing director of Halstead Properties in the Hamptons, who recommends also looking at preceding third and fourth quarters. While the average sales price this quarter on the South Fork was up a whopping 40 percent from last year's first quarter, it was only up 8 percent compared to October, November, and December of last year, according to the Elliman report.

Ms. Reece defended the usual apple-to-apple quarter comparisons. "A comparable sales analysis [comparing same time frames] will typically take into account anything that's cyclical or seasonal in nature." Yet, even taking that one-time tax anomaly into account, Ms. Reece iterated that "the first quarter of 2014 was still extremely strong." About 30 more houses sold during this quarter than last fall's. Sotheby's had not released its first-quarter report by press time.

Inventory also increased — up 8 percent from last year's fourth quarter and 18 percent from its first quarter, the Elliman report said — with sellers inundating a healthy market with listings. But the length of time those listings were on the market fell nominally.

Despite a slew of first-quarter reports, as usual we won't be able to see many of those sales for several more weeks. Mr. DeVivio said that Halstead refuses to publish its results for at least 60 days after the quarter's end, when he's confident the significant data is in. With other firms rushing to print their reports, they are compromising accuracy, he believes. "This is not a marketing piece; it's a research piece," he said. "We want to make sure it's as accurate as possible."

Having said that, he agrees with the reports out so far. When all is said and done, "there is no doubt that [this year's] first quarter will show a dramatic increase over last year's."

As the buds on trees begin to explode and more prospects feel the urge to repair to the country, second-quarter sales will surely give a clearer picture of the current market status.