

# Fourth Quarter South Fork Home Sales Decline; Inventory Balloons

JD Allen | January 29, 2019

In every quarter of 2018, the number of single-family home sales on the South Fork decreased compared to the same quarter in 2017.

In the towns of Southampton and East Hampton and the village therein, there were 499 fourth-quarter sales reported by the Long Island Real Estate Report as of January 25. That's down from 615 in the fourth quarter of 2017 and 598 in the fourth quarter of 2016. However, some sales that closed in 2018 are still working their way through the Suffolk County clerk's office. By the time the last outstanding sales are recorded—sometime in March—the fourth-quarter count could increase by about 10 percent.

In light of depressed sales numbers overall, real estate agents are looking for a silver lining. Average sales price has

been bolstered by an increased number of transactions above \$5 million in the fourth quarter, up about 9 percent year-over-year, and median sales price held steady around \$985,000, according to the Long Island Real Estate Report—both signs that sellers are able to make deals in an ever-fluctuating economy. Plus, purchases under \$2 million continue to make up the lion's share of sales.

However, what is striking to marketwatchers is the number of total homes on the market: 2,197. That means listing inventory has nearly doubled since the fourth quarter of 2017, up about 82 percent. From the third quarter to fourth quarter of 2018, inventory increased about 51 percent. Plus, inventory on the high-end ballooned nearly 62 percent.

The inventory glut, especially on the high-end, has and will continue to have a lasting effect on the Hamptons market, said Jonathan Miller, the president of real estate appraisal firm Miller Samuel.

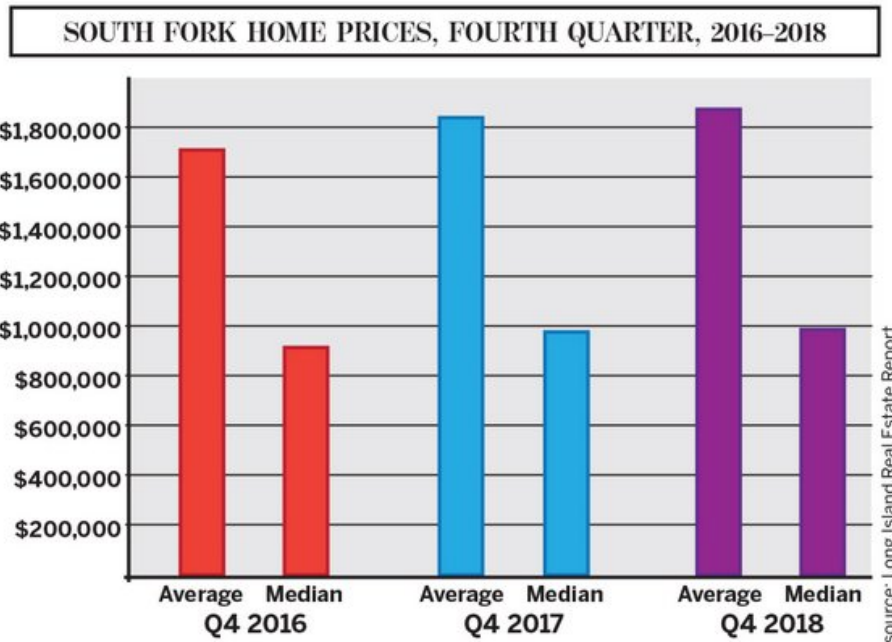
"There is a noticeable pause," Mr. Miller said. "The pace of the market has slowed substantially."

The Hamptons real estate market is experiencing the largest year-to-year decline in sales since the impact of the financial crisis was felt in 2009, he contends. Listing inventory is at the highest level ever recorded by Miller Samuel, which has compiled quarterly reports for Douglas Elliman using data from the Long Island Real Estate Report since 2006. Yet, sales on the high-end made up the largest share of total sales in three years, which Mr. Miller said is due to market anxiety on the low-end because of rising interest rates.

Declining sales leads to even higher inventory, Mr. Miller added, which in turn will create significant price reductions and more competition to make sales among brokerages.

"If you are a buyer, this is not so grim," said Carl Benincasa, a Douglas Elliman regional vice president of sales. "The more inventory you have, the more competition you have as a seller, the more the buyer is in control. What this spells is a strong buyer's market going into the year."

Typically, a strong buyer's market means sellers will have to meet the buyer on a closing price. Mr. Benincasa said



prices might drop slightly, which would increase the total number of sales in the early part of 2019.

The challenge for real estate agents is connecting buyers with desirable homes, which are few and far between, said Rylan Jacka, a senior global real estate advisor and associate broker for Sotheby's International Realty. That can push the price of "trophy-like sales" up, he said.

"If you are looking for a house on the pond in Georgica, there is not many," Mr. Jacka said. "If you are looking for a house in Amagansett, there is nothing. If you are looking for a nice modern house with ocean views in Montauk, there is nothing. If you are looking for a house in Sag Harbor, you missed it—there was a lot during the summer and were all sold throughout the fall. If you look at everything that's on the market from Southampton to Montauk, sure there are a lot of homes. But if you are a broker who is working with a buyer who is looking for something on the upper end, there are slim pickings."

East Hampton Village in particular had a strong quarter—the average price increased 48 percent year-over-year as the number of sales over \$5 million doubled, according to the Corcoran Report.

In Montauk, the average price rose 29 percent due to more sales over \$5 million during an overall depression in sales. The largest average price drops—due to more sales under \$2 million and fewer sales above \$4 million—were seen in Quogue Village as well as Water Mill, at 33 and 38 percent respectively.

However, East Hampton's decline in the number of sales accounted for almost half of the overall Hamptons decline in the fourth quarter. Ernest Cervi, Corcoran's East End executive managing director, said he attributes declines in the fourth quarter to a disconnect between buyers and sellers.

"When a property's price is repositioned, it is more likely to get more attention and sell," Mr. Cervi said. "The buyers were not there and chose to go to other locations. ... The inventory on the higher end has increased across the board. People who are willing to buy in East Hampton for over \$5 million are willing to buy in Montauk instead."

Looking forward in 2019, marketwatchers have an optimistic tone.

"You can't really judge the market out here based on one quarter," Brown Harris Stevens Executive Managing Director Cia Comnas said. "Sales out here tend to cluster, and there is no rhyme or reason to why they cluster in any particular way. But one factor is certainly tax implications. There is usually a rush to close things by the end of the tax year, and also a delay of closings into the next year deliberately."

The market is inching in the right direction, according to Ms. Comnas. "Because if you look at the results from the prior years, they are not too significantly different," she said.

Judi Desiderio, the CEO of Town & Country Real Estate, said the Hamptons real estate market is still generating a significant amount of money. Due to an increased median sales price, Town & Country reports the South Fork is seeing the highest fourth quarter home sales dollar volume in three years, up 15 percent driven by more sales over \$5 million and record number of sales over \$10 million in Southampton Village, Sagaponack, the Westhampton area, Amagansett and East Hampton Village.

"What we are recognizing in the fourth quarter is that this demographic has taken money out of the stock market and went shopping," Ms. Desiderio said. "Every day you are seeing brokers lowering the prices to their listings. They are getting bargains."