Market Insight

The Glass *IS* Half FULL!

IT'S TIME THE MEDIA STOPS THE GLOOM AND DOOM CAMPAIGN.

Drawing parallels between today's environment and that of the Great Depression borders on irresponsible journalism and is incorrect. During that time in history, 25% of all Americans were unemployed. We are nowhere near such a catastrophe. We have learned and grown so much since then, having instituted safety nets such as the Federal Reserve, which was born at that time to avoid a similar collapse.

Much more was born at that time as well, as it was a time of great OPPORTUNITY. Back in the 30's some very smart, entrepreneurial contrarians launched companies the likes of Fischer-Price, Allstate, Tyson, Lego, Toyota, Warner Bros, Sheraton, Polaroid, Volkswagen, Sara Lee, and The Ritz Carlton, to name a few.

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The only legitimate parallel that exists between that time and today might be the fertile grounds for OPPORTUNITY. We are seeing such forward thinkers emerge ahead of the next wave.

For instance, The Real Deal March issue reports on three investors and their quest for faltering assets in "Delving Into Distress". These seasoned professionals are not having a problem raising billions of dollars to buy up real estate deals. Also, according to CNBC March 17, "Housing Stats Post a Surprise Rebound, Up 22%". Additionally, we've seen foreign investors emerge in search of prime real estate at discounted prices.

Yet the media insists on sensationalizing, and at times steering the reader to see the glass half EMPTY. Then again, drama sells newspapers. Take for example, the WSJ article of February 20, "The Hamptons Half-Price Sale", quoting an agent's claim that a $25M house now listed at $13M was not over-priced in 2006 but simply caught in a bad market. Offers were made in 2006-07 in the mid-teens, just where the house should have been priced from the beginning. The current demise of the sale of that particular house is due to the bankruptcy issue!

The same article quotes another real estate broker who claims to have customers offering 50-70% off the asking price, but the article does not disclose whether any of these offers resulted in a sale.

The New York Times March 11 issue printed "A Cold Season in the Hamptons", again spinning a negative tone. But closer scrutiny of the first paragraph tells the REAL story about East End real estate. It reads: A Southampton home sold for $460,000 in 2001, then for $850,000 in 2003, then again (after renovations) for $1.65M in 2006, and now is now listed at $2.2M. The writer admits "almost five times the property's market value at the beginning of the decade". In my words, "nearly doubling in value each two year trade — WOW — wish my 401K performed half that well. Today, in this long overdue correctional market, it will likely trade close to its 2006 price. That is equivalent to a stock holding its' value in a down market – I'll take that return any day. Wouldn't you? I keep saying, "I wish all my money was in East End dirt."

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The simple truth is real estate in our specialized area is experiencing a correction. During the past 10 years, we enjoyed double-digit annual appreciation. Such a rate of appreciation could not be sustained indefinitely without some correction. More importantly, real estate is meant to be a long-term investment –it is not a stock or commodity to be traded at whim. Long term, East End real estate has proven historically to out-perform most other investment vehicles. And it's tangible – it's a haven for family and friends, it's a place to make memories. The fact that we've enjoyed exponential growth on our investments is just a bonus. Everyone wishes they could own a piece of paradise… aren't we fortunate that we do!

Judi A. Desiderio - CEO, President

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