

## Rental market didn't meet the hype

Million-dollar pads sit empty as more people choose to buy in the Hamptons

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By Elaine Pofeldt



The interior of the Sandcastle Estate.

After all the hype around record rental pricing in the Hamptons at the beginning of the season, some property owners who were hoping to bring in the big bucks for their mansions were disappointed. In fact, with a growing number of people choosing to purchase a summer home this year, several rentals hit the discount bin.

“This year is what I would call the perfect storm in a bad way for rentals,” said Judy Desiderio, president and broker at Town & Country Real Estate on the East End. “Sales and rentals are always inversely related. Right now the sales are off the charts. We haven’t been this busy since before the crash,” she said.

In a typical year, Desiderio usually handles more than 500 rentals. She said that number was down 23 percent this year.

The bulk of the downward price pressure is affecting less expensive properties where the asking rental price ranges from \$50,000 to \$150,000 for July through Labor Day. In those cases, rental prices are being discounted by 20 to 25 percent.

“If it hasn’t been updated and the furniture is the same as the last eight to 10 years, they are going to discount it,” Desiderio said. “Because there is so much inventory right now, the tenant knows instantly if the house is tired and reacts to that.”

Desiderio estimates the average rental price of the 13,000 houses in her firm’s database is in the \$70,000 to \$100,000 price range for two months.

But many rentals are going for much lower. Among an estimated 8,000 rentals listed for Memorial Day through Labor Day, the median asking price was \$45,000, according to a report released in late April by Convergenx, a global brokerage.

The cost of renting differs greatly if the house is north or south of Route 27. South of the highway, on the ocean side, prices start at \$200,000 and go up to \$1 million. On the north side, someone willing to spend \$100,000 for two months would likely get a four- or five-bedroom house with a swimming pool.

However, there is less price pressure for rentals that go for \$500,000 and up. Brokers say that owners of more expensive properties will simply choose not to rent if they don’t get their asking price. “If you are looking at that million-dollar listing, they are going to rent it at that number and not discount it,” said Desiderio. “How many homeowners are going to part with their beautiful oceanfront mansion?”

Indeed, the Sandcastle Estate, on 11.5 acres in Bridgehampton at 612 Halsey Lane, was still listed for \$1 million a month for July and August on Hamptons Real Estate Online, as of mid-June. And an eight-bedroom oceanfront mansion on Two Mile Hollow Road in East Hampton was going for \$1.6 million for the summer season; however, with no takers so far, its owners are willing to negotiate. Meanwhile, a brand new seven-bedroom manse built by prominent development company REEC, at 379 Ocean Road in Bridgehampton, is still available for the month of July for \$300,000, according to Sotheby’s International Realty broker Harald Grant.

Those properties may not find renters this summer, as more people rush to buy. Real estate executives say the flurry of sales stems from buyers who now feel confident that the economy will remain strong and are worried interest rates may creep up. The biggest growth in the sales market is in the \$1 million to \$5 million range, says Jonathan Miller, president and CEO of Miller Samuel Inc., whose real estate appraisal firm provides market reports for brokerage Douglas Elliman.

A recent report done by the firm found that the average Hamptons sales price rose from \$1.70 million in the first quarter of 2014 to \$1.76 million in the first quarter of 2015.

In some communities, the number of sales was already ticking up in the first quarter. A Town & Country report said East Hampton saw a 4 percent increase year over year, and East Hampton Village saw a 14 percent increase.

“The rental market is weaker this year because the buyers that last year would have been on the fence this year are just buying,” said Miller.