

How Do Hamptons Real Estate Brokers See The Market In 2016?



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Its seaside location is a strong allure for buyers looking to purchase in the Hamptons. (Photo: Nicole Barylski)

The presidential election, the Federal Reserve's recent increase in interest rates, and how the economy will develop are factors that are likely to affect the real estate market. I solicited real estate brokers doing business in the Hamptons for their views on what next year's market will look like.

"Value and lifestyle are going to be the buzz words in 2016. It can be a tear down on a spectacular stretch of oceanfront, or a beautifully appointed new home with all the bells and whistles," said Judi Desiderio, Chief Executive Officer, Town & Country Real Estate. "Millenniums are entering our market, looking for a place to 'reboot' yet get back to the city, so hamlets west of the canal are becoming increasingly popular. Aging baby boomers are looking for places to gather with friends and family during their downtime." But it's buyers who fall in the middle to watch. "Those in between have the greatest purchasing power, they drive the \$8 to \$18 million price range," noted Desiderio. "Their reaction to the stock market dictates their decisions, and real estate is an investment vehicle to most. The elite over \$25 million buyer is driven by gains in the stock market which they diversify with art and luxury real estate." As for the past few years, she notes "mid 2014 and 2015 benefited from the 30 percent gains of 2013." But Desiderio doubts that will happen again. "I don't expect the same number of sales over \$25 million that we have seen in the past 18 months."

"The real estate market on the East End will mirror your 401K," said Paul Brennan, Associate Broker, Douglas Elliman Real Estate. "I see rising interest rates and a volatile stock market with a downward trend." Brennan notes that "at this point in time, supply is great and demand is waning. New construction at good value is the only thing that's in demand."

"In East Hampton Town, the wild card for 2016 is the impact of the recently enacted Rental Registry Law," noted Joseph Kazickas, Managing Broker, Rosehip Partners Real Estate. "It might create conditions that could compel owners to sell their investment properties. The fact that rentals cannot be advertised without a rental registration number will cause hundreds of properties to be removed from websites." Kazickas believes the new law could cause a rise in properties on the market. "Many

homeowners depend upon rental income to maintain their investment properties," added Kazickas. "The potential loss of income and penalties for violating the law could cause these homeowners to throw in the towel and sell their properties, which is not good for the East Hampton market." Other game changers, he notes, are foreign exchange rates and the market's stability. "The strength of the dollar in currency markets, the overall direction of equity markets, the profitability of the financial sector, and finally, the speed and magnitude of the Fed's tightening, which will have a significant impact on mortgage rates," explained Kazickas. "In all likelihood, I see a net negative for real estate."

"I think there is a dichotomy in the current market place," shared Anthony DeVivio, Managing Director, Hamptons Halstead Property. "The very high and high end are a buyer's market. The lower end is solidly a seller's market." A trend which he thinks will continue into 2016. "While we are experiencing a pause in transactions, (2015 will be measurably below 2014), I do not believe this market is finished with growth," said DeVivio. "I believe we will continue to see downward price adjustments on the high end, and continued strength and slightly higher pricing on the low end. I also anticipate a slightly higher rate of transactions."

"I think a lot of my colleagues would agree that 2015 was a stellar year," noted John Christopher, Associate Broker, Brown Harris Stevens, Sag Harbor. "Although unit sales were less than the year before, median prices rose. There was extreme activity in the below million dollar market, and the high end was robust." Since 2016 is an election year, he's not sure if that trend will continue in the New Year. "People become anxious and hesitant about the future," explained Christopher. "You see it play out in the stock and bond markets, and the real estate market is not immune to these conditions." One thing Christopher is certain about, buyers will continue the search for that bargain buy. "Although we live in a microcosm compared to the rest of the country, people are virtually the same. We won't see buyers snapping up properties like before unless they are extremely well priced," noted Christopher. "Certain cache' homes and areas will continue to thrive but other areas will ratchet back because buyers will be more hesitant than in the past."