Hamptons Market Meltdown Could Signal Doom for Real Estate ETFs

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According to just-released data, real estate values in New York's ultra-exclusive Hamptons area plunged more than 50% from their highs, signaling potential downside for many popular real estate ETFs.

If you're unfamiliar, the Hamptons — located on the eastern tip of Long Island — have long been a posh summer retreat for New York City's elite. The rich and famous who have owned homes in the Hamptons over the years include Howard Stern, Calvin Klein, Jennifer Lopez, Jimmy Buffett, Richard Gere, and many more.

Well if the latest data is any indicator, some these celebs may soon be sitting on sizable real estate losses. Reuters just reported a massive crash in multiple markets in the Hamptons:

> Total sales volume in East Hampton fell 53 percent from a year ago to $44.7 million as the median sale price fell 54 percent to $2.38 million, according to realtor Town & Country Real Estate.
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> In Southampton, total sales fell 48 percent from the second quarter of 2015 to $45.3 million, with the median sale price falling 21 percent to $1.65 million, data showed.

While some markets were hit worse than others, the overall picture is clearly bearish:

> In the 12 submarkets that make up the Hamptons, sales volume slipped 18 percent from a year ago, with the median price falling to $999,000 from $1.1 million, Town & Country data showed.

For ETF investors, these developments could be an ominous sign for ETFs like the Vanguard REIT Index Fund (**NYSE:VNQ**). The most popular real estate ETF, which boasts more than $35 billion in assets under management, tracks the MSCI US REIT Index. That index includes all of the largest and most widely-held real estate investment trusts (REITs) in the United States, and can be highly sensitive to residential real estate price trends.

The VNQ, which has risen 13.1% year-to-date, fell $0.16 (-0.18%) in Tuesday morning trading to $90.19.