Roundtable: Hamptons Real Estate Forecasts for Second Half of 2016

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The first half of 2016 witnessed its fair share of uncertainty, whether in international affairs, the financial markets or even the upcoming presidential election. For all their wide-reaching impact, these issues—and others, from pricing to inventory, of course—are also influencing the Hamptons real estate market. Our roundtable of experts and insiders take a look at the developments that have defined the past six months in the market here and also share their insights into what this may portend for the rest of the year.

"The first six months of 2016 were a statistical roller coaster. While markets like Shelter Island hit record numbers, other markets such as Southampton Village took a dive. The high-end home sale market of $10 million and up is off by over 80% year to year. Fortunately, the bulk of the markets remained relatively stable."**—Judi Desiderio, CEO, Town & Country Real Estate**

"To invest in your future home or an income-producing property, you have to be an optimist. Real estate, like all markets, has cycles. Professionals endeavor to buy when markets are challenged and sell when the markets are reaching new highs. The Hamptons has historically been an excellent long-term investment. The first six months of this year, sales volume has been in a decline. Sellers must become more realistic in their pricing in order to attract potential buyers. As a result of the last recession, there was a substantial backlog of demand. Much of that demand has now been satisfied. In addition, there's an oversupply of new construction, which is hanging over the market. With all that said, interest rates are at historical lows and the financial markets are reaching new highs. Sounds like an ideal time to be a 'buyer.'"**—Alan Schnurman, Licensed Associate Real Estate Broker, Saunders & Associates**

"The most surprising trend or development that I've seen in the first half of 2016 is the crossover of high net worth individuals from south of the highway to Sag Harbor Village. What has led this exodus, in part, is the old Bulova watchcase factory with its lofts, bungalows and townhouses. But what is really pointing the way is the charm and quaintness of the village that's lacking in many of the other hamlets. Having a selection of fine restaurants, a classic movie house and theater only adds to its appeal. Many of these movers and shakers are buying not one but as many as three homes to create compounds. As for the rest of the year, I see this as portending an upward trend in the village. As an example, a waterfront home in the Redwood section traded two years ago in the fours. It recently came on the market for $8.5 million."**—John Christopher, Associate Real Estate Broker, Brown Harris Stevens of the Hamptons**

"If you buy a parcel of land or a teardown for $900,000 and build a house for $1.2M, it isn't reasonable to expect $4 million when you list it for sale. Buyers are looking at the same data, and use the same methods to arrive at a reasonable value. Real estate investors use multiple methods of appraisal. Comparable sales is what banks use for mortgages, replacement costs is the second, less depreciation, and the income approach using rental income to get to a return on investment. Some sellers might do well to have their expectations better managed."**—Simon Harrison, Principal Broker, Simon Harrison Real Estate**

"The penchant to live near, or on, the water continues to be a priority for buyers and renters in the Hamptons. While the Hamptons continues to be a desirable destination for first- and second-home buyers, I have seen a significant drop in prices over the last six months. Buyers want newer homes and consider anything pre-owned a 'project' that will require renovations and customization; however, with mortgage rates so low, I expect sales of primary and secondary homes to strengthen in the second half of 2016."**—Lauren Spiegel, Licensed Real Estate Salesperson, Douglas Elliman Real Estate**

"There's definitely a significant amount of inventory accruing at the top end of the market—$3 million and over 'west of the canal' and $5 million and over 'east of the canal.' The absorption rates are bearing out that these homes may continue to sit on the market unless sellers do something to stand out from the pack—and often that means a price adjustment. The second quarter Hamptons market report confirmed that it's becoming more of a buyer's market. The global and financial turmoil as well as the uncertainties about the upcoming election are keeping some luxury buyers staying on the sidelines. That said, historically most sales at the top end occur in the third and fourth quarter."**—Enzo Morabito Licensed Associate Real Estate Broker, Enzo Morabito Real Estate Team, Douglas Elliman Real Estate**

"2016 began to show signs of a weakening in the Hamptons real estate market. Sales and prices have softened at the higher end during the first half, when compared to numbers posted in 2015. One should point out that inventory of existing quality homes which are accurately priced remains low. However, where there's new construction coupled with a prudent value for all parties, sales are robust. This is evident for example in the Estates At Remsenburg, a 23 Acre/19 lot subdivision recently approved, that is 50% sold out pre-construction. Where prices are coming down mostly is on many properties that were on the market for a long time, improperly priced and or with a lack of real exposure—we call that the listed and lost syndrome. Combined with Wall Street uneasiness and an uncertain political and economic climate, sales will continue to be slow for the most part, most notably at the high end, with a possible uptick across the board as the cycle of seasonality and the aforementioned plays its part. Bottom line, the market and pricing is constantly changing in an ever fast-paced world and all parties, clients, customers and the brokerage community need to evolve and be honest with the facts, data and so forth."—Lawrence Citarelli, CEO – L III Group, Principal Broker, First Hampton International RE / Citadom Holdings / L III, LLC

"The trends and results of the first half of the year proved that the Hamptons remain a coveted destination for new construction, remodeling properties and purchasing of summer, and year-round homes in New York's posh playground of choice! But it also revealed that this market needs to be navigated wisely—especially with a volatile election year at hand. This cautious barometer will continue during the balance of this year for all the same obvious reasons. That being said, it's the Hamptons, and the jaw-dropping beauty and miles of magnificent beach are not concerned with who is elected, so the true victor will be those who choose to continue to buy here and enjoy the bragging rights that it comes with!"—Jim Rooney, Principal-FLEXdevelopment/Broker-KP Property Group Inc.