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2016 Ends On A Down Note For Hamptons Real Estate Market

Brendan J. O'Reilly | January 30, 2017

The quarterly Hamptons real estate market reports issued by some of the large East End brokerages always differ, as each firm uses different geographies and methodologies as it compiles statistics. But there is a fact they all agree on: The fourth quarter of 2016 paled in comparison to the two previous fourth quarters.Comparing Q4 of 2015 to Q4 of 2016 shows that average and median prices dipped, home sales were down—especially at the high end of the market—and total sales volume in dollars took a beating. But the extent to which the Hamptons market faltered may be exaggerated by how exceptionally well it had performed in 2014 and 2015. Those banner years are hard to duplicate.

Corcoran Group's measurement of Q4 notes the number of home sales on the South Fork dropped from 574 to 435, a 24-percent slip from a year prior. While the average sales price was fairly steady—a 1-percent decrease from $2.17 million to $2.15 million—the median price dropped from $1.12 million to $995,000, an 11-percent slip. Those factors combined show that overall sales volume, in dollars, was down a whopping 25 percent, from $1.25 billion to $935 million.

Town & Country Real Estate includes in its quarterly report only single-family residences—no condos, no vacant land, no commercial property, and no transfer of partial interest in a property.

"I filter all the statistics so that they are pure, so these are strictly single-family residences," said Judi Desiderio, the CEO of Town & Country.

The statistics show that the number of home sales fell 25 percent, from 387 to 289, and total home sales volume in dollars was down 42 percent, from $934 million to $545 million.

Ms. Desiderio noted a severe dip in sales at the top of the high-end market: "$10 million and up went from 14 [transactions] to five, and therein lies most of your difference."

One stark statistic she pointed to was the decline of total home sales volume in East Hampton Village, down 81 percent, from $120.6 million to $22.65 million. "To have total home sales volume of $22.6 million is very weak," Ms. Desiderio said. "It's anemic." She attributed East Hampton Village's steep fall to both a lack of inventory and a lack of demand.

Bridgehampton, Water Mill and Sagaponack did not fare well either. The Q4 sales volume for the area was $304.7 million in 2015, but just $91.7 million in the same quarter of 2016. That's a 70-percent difference. The number of transactions dipped by 56 percent, from 55 to 24.

"East Hampton Village and Bridgehampton, they both dropped like a stone," Ms. Desiderio said.

She offered a few reasons why these areas did poorly. "Every now and then in the marketplace, you have what I call a 'still.' Who is the demographic of the buyer of the Village of East Hampton? It's not the 20-somethings or the 30-somethings. They're not buying here," she said. "The segment of the market that would be buying, they may have already bought. And it's retired baby boomers and older."

The 2016 presidential election was another factor, according to Ms. Desiderio, and it affected the entire East End market. "I think everyone was so hyper-focused on the election," she said, noting that there was a reduction in traffic flow in all eight Town & Country offices on the North and South Forks. But, post-election, traffic picked up again, and agents were booking more appointments with potential buyers.

"We were very, very busy with appointments," Ms. Desiderio said. "This January, in many of my offices, we had bidding wars."

Bidding wars in January are not common, she noted, adding that they were happening in all price ranges and locations. She attributed the activity to pent-up demand: "People sat on the sidelines until the election was over, then they came out."

Buyers were open about their reasons for holding off until December or January before they started looking. "We did have people—and it didn't matter what side of the aisle there were on—they all said, 'We just needed to see what would happen,'" Ms. Desiderio recalled.

Which presidential candidate they favored wasn't a factor, she said. "It didn't matter who, they just wanted a result. Sometimes, uncertainty really weighs on buyers, because we're selling a luxury item."

Pat Ammirati, the president of the Long Island Real Estate Report, warned that numbers for the most recent quarter are not yet complete, because it will be several more weeks before all of the deeds and transfers from October to December 2016 are recorded by Suffolk County. "The numbers tend to fill in later," he said.

That being said, it is still clear that 2016 did not perform anywhere near as well as 2014 or 2015.

"Why specifically are we seeing this slowdown in sales? Why are we seeing activity drop at the high-end?" asked Jonathan Miller, the president and CEO of Miller Samuel Inc., a Manhattan real estate appraisal and consulting firm. He offered an explanation: "Sales activity in the prior several years was not normal. Activity levels in '14 and '15 were much higher than the historical norms. That mirrored what happened in the city, especially in Manhattan—the Hamptons and Manhattan are joined at the hip by Wall Street."

The level of activity the Hamptons saw in the most recent fourth quarter is much more sustainable, and still well above average, according to Mr. Miller.

"After the financial crisis, meaning post-2008, for the first several years sales activity was very low, and at some point in '13 and leading into '14 and '15, there was a release of pent-up demand—people that had been holding back," he said.

That explosion in demand basically ended in 2015, he added. "We're simply comparing current conditions against that."

The prices and sales volume in the fourth quarter of 2016 were still above the 10-year average, he pointed out. "This is more sustainable over the long term."

Mr. Miller is the author of the Elliman Report, which includes both single-family homes and condos. He found that the median sales price in the Hamptons market fell 7 percent in the fourth quarter, year over year. The average sales price dropped 30 percent, and the number of closed sales was down by 15 percent. In the luxury market specifically, the average sale price fell 43 percent, from $12.3 million to $7.1 million.

Mr. Miller said it is particularly noteworthy that sales activity above $5 million was down 40 percent, year over year, in Q4 of 2016. However, he noted that Q4 of 2015 had the most sales over $5 million that he had ever recorded, going back to 2006.

"The 40.3 percent represents a drop from an all-time record," he said.