

Pulse: The Summer 2017 Hamptons Real Estate Roundtable

Brendan J. O'Reilly | August 13, 2017

Q&A THE EAST END ROUNDTABLE



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As summer winds down and the final sales numbers for the first half of 2017 are crunched, The Press asks Hamptons real estate industry experts to offer their insights into the state of the market and the indicators they watch to predict future performance.

In this edition, we check in with several insiders who have offered the benefit of their experience before, and welcome a few new faces.

How does the mood of the Hamptons housing market differ from last summer?

Robert Nelson: Inventory is less at certain price points. Under \$2 million can be difficult. Also, waterfront continues to be in high demand.

Mala Sander: This summer appears to be much more active, I think in part because the market was a bit quiet for six months pre- and post-election.

Paul Brennan: Reluctantly optimistic. The stock market keeps buyers begrudgingly in the game.

Kenneth Smallwood: I think sellers are starting to acknowledge that the market is soft and that home price and condition do matter to sellers. Buyers in this market do not want to feel they are overpaying. If a home is priced too high, it can sit for a year or more unless the price is reduced. If you are selling your home, and you have not received any offers after 60 to 90 days—your home is overpriced.

Philip O'Connell: The mood this summer is much more optimistic than last summer.

Rose Alfano: With so much uncertainty attributed to the election last summer and low inventory, the mood of the market was cloudy at best, with a “wait-and-see” attitude. This summer, the sun came out—and so did the buyers.

Pat Petrillo: I think the buyers this summer seem to be more serious and eager to find the right house.

Judi Desiderio: Vastly! 2016 was a virtual standstill for the Hamptons high end. But, 2017 the “big boyz & girls” are back at the table!

Joseph De Sane: Generally speaking, it feels the market is a little slower/softer than in years past. Rentals were more sporadic this year; as such, certain weekends and/or clusters of time have been busy, as opposed to sustained rental periods.

What price points or regions beat your expectations in 2017? Where were your expectations unmet?

Robert Nelson: Under \$1 million, generally, sells very quickly, as there is little inventory. Sag Harbor and Westhampton Beach especially continue to see vigorous sales.

Paul Brennan: Shelter Island, North Haven and Sag Harbor beat my expectations. Sagaponack's were unmet.

Kenneth Smallwood: As usual, homes priced under \$1 million in desirable neighborhoods sell quickly, providing they have been

well maintained or recently updated.

Philip O'Connell: The regions that beat expectations this year were Westhampton, Hampton Bays and Shinnecock Hills in Southampton, and Clearwater and Lion Head in East Hampton.

Rose Alfano: Waterfront properties and village homes are in high demand. Price points under \$2 million are performing best. Homes lacking those amenities in the mid-price point range, \$2 million to \$4 million, have been quiet this quarter. Higher-priced waterfront properties on Dune Road have done well for us.

Judi Desiderio: Over \$20 million. The number of trades are greater than I had expected.

Joseph De Sane: I would say the high-end luxury has struggled a bit more than expected, while homes in the lower-middle price point have performed quite well. This would apply to most Hamptons regions.

In what price range is inventory scarcest right now?

Robert Nelson: Under \$1.5 million.

Mala Sander: Under \$1 million.

Paul Brennan: \$1 million to \$3 million that is new and exciting.

Kenneth Smallwood: Under \$1 million.

Rose Alfano: Properties under \$1.5 million, priced right, in the Village of Westhampton Beach, within walking distance to Main Street.

Pat Petrillo: Inventory is very limited on the water, especially at the very high end.

Judi Desiderio: Here's the wild card: The high end (over \$10 million) is still weighted in favor of the buyers in negotiations.

Joseph De Sane: Well-priced properties below \$1 million, and starter/primary homes.

Where are developers finding vacant land?

Robert Nelson: Very difficult. Actually, they are going into the dated homes built on good lots and building new. There isn't much vacant buildable land left at a price developers are willing to pay.

Mala Sander: Very little to be had! Teardowns are more where it's at for developers and end users, for that matter.

Paul Brennan: When they can. South of the highway? Difficult. North of the highway in the woods, there is more available.

Kenneth Smallwood: Builders have been buying land north of the highway for the past several years, reducing supply and driving

up land prices. Farrell Building bought land and built three spec homes off Hands Creek Road, priced at \$3.995 million. Because land is scarce in desirable areas such as East Hampton Northwest Woods, you are starting to see builders buy older housing stock, knock them down or add on, and then bringing them to market.

Philip O'Connell: Developers are mostly finding land through their real estate agents, because agents are in-the-know.

Rose Alfano: Since vacant land is scarce in the current inventory, developers are looking for teardowns and homes in need of gut renovations with upside potential.

Pat Petrillo: There is very little vacant land around, so when a desirable parcel comes up, it sells fairly quickly.

Judi Desiderio: They aren't! So they're buying teardowns.

Joseph De Sane: Anywhere that makes sense.

Has the slow rise of the federal funds rate since December 2015 had a perceptible effect on the Hamptons market?

Robert Nelson: Very little. Many transactions are all cash, and the rates are still very low.

Paul Brennan: Not perceptibly.

Kenneth Smallwood: While interest rates are still at historical lows, banks' lending requirements remain tight, narrowing the pool of buyers who can qualify for a second-home mortgage. For second/vacation homes, many lenders require a 20 to 25 percent down payment. So if you are looking to buy a modest Hamptons home costing \$1.5 million to \$2 million, you need to have a minimum of \$357,000 cash to shop. Obviously, if you are an all-cash buyer, regardless of price point, you are in the driver's seat.

Philip O'Connell: It has not had a noticeable effect on the market

Rose Alfano: I do not believe it has—most of my transactions are not subject to financing.

Pat Petrillo: Generally, interest rates don't affect my market.

Judi Desiderio: None at all. Most of our deals are all cash.

Joseph De Sane: I would argue there has been some impact, but relatively small. Rates remain historically low, and cash buyers are still a dominant presence in our luxury market. Any impact in market conditions tends to be a combination of significant factors.

What should homeowners be doing to make their houses more desirable for buyers?

Robert Nelson: Edit and get rid of all the stuff they will be donating or throwing away anyway later when they move. Clean

the house. Carpets, cabinets, closets. Mulch the garden and weed the beds. "It's showtime!"

Mala Sander: 1) Price it right. 2) Tend to any needed repairs. 3) Clean out their stuff! If they are selling, they are going to be moving and will need to purge anyway, so why not do it now. 4) Paint goes a long way. 5) Power-wash and stain decks, patios, etc.

Paul Brennan: Remove clutter.

Kenneth Smallwood: Buyers are very discerning. Sellers, regardless of price point, need to focus on the details. Homes need to have good curb appeal, and the interior needs to be "fresh" and have an open flow.

Philip O'Connell: Simplify the space so it appears streamlined and neutral, allowing potential buyers to better visualize themselves in the home.

Rose Alfano: Most importantly, homeowners need to understand that the buyers of today are extremely savvy. They have access to current market conditions, pricing and statistics—so homeowners need to price their homes correctly, and preferably from the start. Secondly, I would say they need to take note of the home's curb appeal—first impressions are very important. On the inside of the home, "less is more." Remove any clutter and personal pictures, etc., and a fresh coat of white paint can make a huge difference.

Pat Petrillo: Before a house comes on the market, the owner should de-clutter and try to depersonalize it. A house is more appealing to a buyer if they are able to imagine themselves living there. Keeping the house and grounds neat and well cared for gives a buyer confidence that the house is sound. Also, if the house is new construction, it will have an energy efficiency rating, which is required when obtaining the final certificate of occupancy. On most new construction, that rating is very good and will serve to give a buyer additional confidence in judging the integrity of the house.

Judi Desiderio: Hire the right broker who does a full walk-through with you—that broker should be able to give you a punch list of improvements you need to make before launch. Fresh eyes are key. Today's buyers do not want to get their hands dirty.

Joseph De Sane: In my time as an agent, and now as a manager, I would always suggest to savvy sellers to make the home feel as much like visiting a luxury hotel as possible. De-personalize and keep it clean. Allow room for the would-be buyer to imagine themselves in the house.

Are there amenities that no high-end buyers asked about five years ago that are now must-haves?

Robert Nelson: Smart homes and lots of light; major windows in modern glass homes.

Mala Sander: Outdoor living spaces are a must, including outdoor kitchens, fireplaces, large covered patios, and fire pits

Paul Brennan: Subterranean habitats.

Kenneth Smallwood: Fully finished lower levels with 10-foot ceilings are must for the higher-end buyer.

Philip O'Connell: Must-have high-end amenities now include outdoor kitchens, fireplaces and gathering spaces.

Rose Alfano: I think that smart technology is very important to the high-end buyer. Being able to remotely control heating, air conditioning, cameras, etc., from smartphones and laptops is a must. Finished lower levels are important as well—buyers are looking for media rooms, playrooms, wine cellars and gyms—basically, taking full advantage of the footprint of the home.

Pat Petrillo: I feel the home theater might fall into that category, especially in the high end. Conversely, I feel tennis courts are less popular and much less important than they used to be.

Judi Desiderio: Outdoor living spaces. Living rooms, full kitchens, etc., and modern amenities.

Joseph De Sane: I would say movie theaters—not to be confused with home theaters—putting greens, and an eye on eco-friendly luxury, to name a few.

Are most listing prices seen right now aspirational or on target?

Robert Nelson: It depends, and there are still sellers who set the price vs. going with the agent's recommended price. There are still listings that don't seem to be in line with the comparable sales and other actives.

Mala Sander: People who want to sell are on target with their pricing.

Paul Brennan: Aspirational. The sales that you see transferring are sellers who read the market and understood that prices in most markets are not appreciating.

Kenneth Smallwood: Aspirational pricing is on the wane. You see many listings in the \$10 million-to-\$70 million range slashing their asking prices.

Philip O'Connell: The asking prices are, for the most part, aspirational.

Rose Alfano: In my opinion, most asking prices can be tweaked a bit.

Pat Petrillo: I think prices, for the most part, are on target, and actual selling prices, for the most part, seem to be within fair market value. There is always the occasional surprise sales price—meaning that a property sold for above or below what

you expected—but that does not happen too often

Judi Desiderio: This is specific to the market and the price range: Certain segments of the market are way off—crazy listing prices, sometimes driven by brokers, sometimes misguided sellers. Other markets and price ranges are right on target.

Joseph De Sane: When we see markets struggle at all, or even soften, corrective pricing/price adjustments follow shortly behind. While the market still requires pricing adjustments, and likely always will for some properties, I see prices being more on target.

Is Montauk still as popular as it's been the past couple of years?

Robert Nelson: For the right buyer, looking for the Montauk experience.

Paul Brennan: Yes, Montauk is still popular, but it is beginning to mature.

Kenneth Smallwood: I believe Montauk is still very popular. However, home prices have risen significantly over the past three to five years, making it more challenging to buy a home in the most desirable neighborhoods.

Philip O'Connell: From a real estate perspective, it does not appear to be as popular as it has been the past several years, based on activity levels.

Rose Alfano: Honestly, I love Montauk. Being a full-time Westhampton resident, I love to head out to Montauk for a week midsummer and relax. But the last time I spent some time there, it was overcrowded and it truly had a different vibe. That was two summers ago—and I have not spent a week there since. Time to try again?

Pat Petrillo: Montauk is still very popular.

Judi Desiderio: Yes, and will always be. It truly is the tip of the island—surrounded on three sides by the big blue. They ain't making any more of that!

Joseph De Sane: I would say yes, with less drama.

What neighborhoods are heating up?

Robert Nelson: The villages continue to be in great demand.

Mala Sander: Sag Harbor seems to be increasing in popularity each year. Amagansett, too, with its laid-back lifestyle and great proximity to ocean beaches, surfing and easy access to Montauk.

Paul Brennan: Neighborhoods will come and go in relation to their perceived value. I still believe parts of North Sea are undervalued and beautiful.

Kenneth Smallwood: In East Hampton, water-access

communities are seeing high-demand. These neighborhoods offer community facilities, including beach access, marinas, and outdoor picnic or play facilities. Clearwater Beach, Lion Head, Maidstone and Oyster Shores are some examples.

Rose Alfano: Customers and clients seem more willing to consider north of the highway for price, especially in Quogue. As previously stated, waterfront properties and village properties with close proximity to Main Street and our private beaches are always in high demand.

Pat Petrillo: I think the amount of traffic I'm seeing on the north-of-the-highway roads is indicative of increased interest in those areas

Judi Desiderio: The villages will always be in great demand.

Joseph De Sane: Anywhere buyers can find value have become more popular. If those values happen to be in areas in or near the villages or water, even better.

Where did families tend to rent for the summer? And singles?

Robert Nelson: Rentals continued to be strong in the villages and everywhere if it is beautifully furnished and renovated recently or new construction.

Paul Brennan: Families: all depends upon income level. Singles: Montauk and Amagansett.

Rose Alfano: Renters are definitely seeking shorter-term rentals. Waterfront rentals tend to rent first, and then village rentals. With that said, it has been a very quiet rental season.

Pat Petrillo: Families tend to rent where it's most convenient, reaching the activities for their children, i.e. camps, art/music/athletic programs, etc.

Judi Desiderio: All over! Unfortunately, websites like Airbnb are bringing in renters on a daily basis—the infrastructure wasn't designed to accommodate such heightened use. But that's a whole other conversation.

What is the impact of Airbnb and similar vacation rental websites on the Hamptons market, both sales and rentals?

Robert Nelson: They seem to cater to short term. Some towns do not allow short term.

Paul Brennan: It's had a negative impact

Kenneth Smallwood: Airbnb and similar sites continue to fragment the market, making it easier for renters to go anywhere in the world for their vacation.

Philip O'Connell: The sites have had some impact on rentals, but they have not had an impact on sales. The educated buyers and sellers recognize the value of representation by a real estate

professional.

Rose Alfano: I think Airbnb and all of the other vacation-by-owner rental websites have definitely impacted the rental market here in the Hamptons. I do not see it having any impact on sales at this time.

Pat Petrillo: I have not encountered any loss of business because of these rental sites. I think having a broker gives a landlord comfort and a professional to turn to for advice if there are any issues.

Joseph De Sane: Summer vacation websites have definitely had some impact on the rental market, but largely for short-term rentals. Deals are tough to make without the help and guidance of experienced, licensed real estate agents/brokers—this applies to both sales and rentals.

Has the traditional summer rental market—for a Memorial Day-to-Labor Day term—all but disappeared?

Robert Nelson: Not at the highest end and the lowest end. In the middle, the tenants seem to want a few weeks or a month.

Mala Sander: People have increasingly busy lives and schedules. That makes a three-month commitment increasingly rare. I do see many July-to-Labor Day and monthly rentals. I don't deal in short-term rentals, so I'm not sure what's happening there.

Paul Brennan: It's on the endangered species list.

Kenneth Smallwood: It is, my opinion—Memorial Day-to-Labor Day rental requests in the Hamptons continues to decline. Tenants who used to rent for the summer now only want one, two months, and those who use to rent for two months are now requesting only one month. June is also more in demand, because it's usually the most affordable month to rent during the summer.

Philip O'Connell: The Memorial Day-to-Labor Day rental has become less common. The trend now is toward two-week rentals.

Rose Alfano: It has not disappeared completely. Only time will tell, but it has certainly dwindled.

Pat Petrillo: For the last several years, the rental market has seen a big increase in monthly or even two-week rentals; however, there are still many tenants interested in the season.

Judi Desiderio: Surprisingly, it seems to be returning, as our visitors realize they need more time out east. But I doubt it will ever get to the dominance it was 20 years ago—it used to be the rule!

Joseph De Sane: I think the Memorial Day-to-Labor Day market has become a much smaller component of the rental market. But for the renter desiring that timeframe and the very best

properties available, they will secure those rentals early in the season.