

Hamptons Real Estate Sales Slid In The First Quarter Of 2018

JD Allen | April 30, 2018

The first quarter of 2018 is in the books, and the newly released statistics measuring the performance of the Hamptons real estate market show that sales activity dipped as the median sales price stagnated and the average sales price rose when compared to the same quarter in 2017

Some South Fork real estate professionals, like Beau Hulse of Coldwell Banker Beau Hulse Realty Group, attributed the slowdown in sales to the cold, blustery winter.

“The nor’easters were tough on the Hamptons,” Mr. Hulse said. “It’s a resort location, not a place for a primary home. We are at the mercy of the stock market—and now the weather, I guess.”



Arming real estate brokers with snow shovels doesn’t really give a new home that warm-fuzzy feeling, Mr. Hulse said.

Most in the industry echoed Mr. Hulse: A general sense of economic uncertainty emerged in the third and fourth quarters of 2017 as President Donald Trump’s federal tax overhaul plan rolled out and the stock market proved to be volatile.

“When we see things like that happen, especially when it comes to tax changes, you always see people just step back and say, ‘Let me wait and see how this is going to affect me,’ and they come back,” said Ernest Cervi, Corcoran Group Real Estate’s regional senior vice president for the East End.

Mr. Cervi said East End real estate is complicated and fluctuates dramatically at the will of Wall Street earnings and bonuses, which drive the second-home market. However, he noted that the sales numbers suggest that buyers on the high end were not as concerned with those mitigating factors as the entry-level, low-end buyer may have been.

“And I think what we are seeing now is that the activity has increased,” Mr. Cervi said. “We’ll see those results in the third and fourth quarter. But those entry-level buyers are coming back now that they understand what the implications of the tax reform are.”

“Real estate statistics are actually a view in the rear-view mirror,” said Judi Desiderio, the CEO and president of Town & Country Real Estate. She noted that the sales that closed in the first quarter—January, February and March—are reflective of sales activity that was initiated in the previous quarter.

The high-end came back into favor, Ms. Desiderio said, because the stock market jumped 25 percent at the close of 2017.

“You couple that with a tax overhaul that favors the corporations. That is the demographic of our buyer on the high-end,” she said. “These guys are keeping more of their money, and making even more money on the stock market last year. So, they diversify and buy real estate to park their money somewhere where they know it’s safe.”

Town & Country saw a 300 percent increase in the number of sales in the \$20 million range. Ms. Desiderio said that affects local commerce—and puts more cash into Peconic Bay Region Community Preservation Fund and municipal coffers.

The real “gold child,” Ms. Desiderio said, was East Hampton Village.

“When you look at \$7.625 [million] as your median home sale price, that tells you a couple of things,” she said. “There weren’t that many trades, and there were a lot of trades on the very high end. You can’t buy anything in the village in the \$500,000 range; it just doesn’t exist.”

According to Town & Country, of 10 sales in East Hampton Village, just two were less than \$1 million while the other eight were more than \$3.5 million.

“That speaks volumes about East Hampton Village,” Ms. Desiderio said. “Its presence; its power.”

In a statement, Brown Harris Stevens of the Hamptons Executive Managing Director Aspasia Comnas said that first quarter numbers show a slow but steady trend toward an improving market.

Brown Harris Stevens’s findings—based on different methodologies than others followed—painted a different picture of the first quarter. Brown Harris Stevens reported that the total number of first quarter sales on the South Fork was 332, compared to 269 in the first quarter last year. That’s an increase of 23.4 percent.

“While some areas showed a dramatic change—such as a 100 percent jump in the number of sales in East Hampton Village this quarter over 2017—we are reminded that the relatively small number of transactions generally in the Hamptons (and in that case 10 sales versus 5) can skew the results,” Ms. Comnas said. “However, the overall improvement for this first quarter is very encouraging.”

Carl Benincasa, Douglas Elliman Regional Vice President of Sales, said uncertain market conditions have made buyers more trepidatious.

“But what an uptick in luxury [home sales] tells you is that there is still a robust buyers’ market,” Mr. Benincasa said. “Perhaps the buyers that are out there are looking for a price reduction.”

He said when the housing stock accumulates, buyers know that prices are bound to drop on higher-ticket homes.

All told, the listing discount—the difference between the asking price and the actual sales price—reported by Douglas Elliman was 12.6 percent, up from 11.9 percent in 2017.

Mr. Benincasa said he expects sales across the board to pick up on the East End as the busy summer months unfold.

Jonathan Miller, the president and CEO of real estate appraisal and consulting firm Miller Samuel Inc., authored the Douglas Elliman first-quarter report.

“There is a sort of story or theme to this market that is a little bit of a wrinkle from the last quarter,” Mr. Miller said.

The overall Hamptons market, from a pricing standpoint, is moving sideways, Mr. Miller said, because the median sales price has remained unchanged. His report found that the median sales price was \$995,000 during the first quarter of 2018, which is unchanged when compared to the same quarter a year ago, and when compared to the fourth quarter of 2017.

He acknowledged the disparity of wealth on the South Fork, and said low-end buyers saw some discounts this quarter. Although, more high-end homes were sold—37 percent more homes sold at or more than \$5 million compared to the same quarter a year ago.

Mr. Miller said luxury-market inventory is rising, and luxury-market sellers want a big cash out.

“The Hamptons have been plagued by a dose of aspirational pricing,” Mr. Miller said.

“Aspirational pricing” is a term Mr. Miller uses to describe when prices are set irrelevant to actual market conditions. And buyers won’t budge on their low-ball offers, only going with what they are comfortable with, Mr. Miller said. Those sellers are forced to either negotiate with the buyer or exit the market. “And we saw that happen a lot at the top of the market this quarter,” he said.

Andrew Saunders, the president of Saunders & Associates, said his agency will wait until mid-May to release a first-quarter report.

“We never release those early,” Mr. Saunders said. “We always wait for approximately four to six weeks after the end of subject reporting period, because that allows time for the deals which close late in the reporting period to actually get recorded, and that typically doesn’t happen for the beginning of the subsequent period. Reports that come out shortly after the reporting period are almost always inaccurate because they are not telling the complete story of the trades that occur.”