

Pulse: The East End Real Estate Roundtable

Staff Writer | February 19, 2018



THE EAST END ROUNDTABLE



Judi Desiderio
Founder and CEO
Town & Country
Real Estate



Todd Bourgard
Executive Manager
Of Sales
Douglas Elliman



Gary DePersia
Licensed Associate
Real Estate Broker
The Corcoran Group



John Vitello
Licensed Real Estate
Salesperson
Brown Harris
Stevens



Rose Alfano
Licensed
Sales Associate
Daniel Gale
Sotheby's



Joseph De Sane
Senior Managing
Director of Sales
Compass



John Wines
Licensed Associate
Real Estate Broker
Saunders &
Associates



Thomas Stoebe
Broker/Owner
Stoebe & Shustar
Real Estate Group



Geoff Gifkins
Hamptons
Regional Manager
Nest Seekers
International



Pat Petrillo
Senior Global Advisor
Sotheby's
International Realty

The Press recently asked Hamptons real estate experts to share insights and to analyze the year that was, while looking forward to what 2018 will bring. Last year was marked by tight inventory, which is just one factor that weighs heavily as a new year begins. Between the time when questions were circulated and when the article is being published, the Dow Jones Industrial Average experienced its biggest one-day drop in history—down 1,175 points at the close on February 5—signaling that the long bull market may be ending. But the stock market and real estate market always pack surprises.

When it comes to Hamptons real estate, what will 2017 be remembered for?

Judi Desiderio: 2017 was a solid performer with a palpable pullback on the high end.

Todd Bourgard: Of course, the record-breaking sales are always memorable and admirable—but when I think of 2017 [in] real estate, I think of the sheer quantity of transactions in all price points and ZIP codes. The numbers are impressive.

Gary DePersia: Every buyer has their own definition of what the Hamptons means to them. Yet, one common denominator is new, new, new. Move-in ready is king so buyers can enjoy their time here from the start.

John Vitello: Last year will be remembered because the Hamptons real estate market continued to have very heavy demand.

Rose M. Alfano: A shaky start, limited inventory, but ultimately an active market.

Joseph De Sane: While there was a good deal of uncertainty throughout, I believe 2017 will be looked back on as a year that ended on a high note. It wasn't a record-breaking year, but the market closed very strong—prices held, sales were up and inventory down.

John Wines: Finishing strong. Sales

transactions, dollar volume and median prices were all up in the final quarter of 2017.

Thomas Stoebe: 2017 was a banner year and will be remembered for setting records in many of the local towns.

Geoff Gifkins: We had a great year, and a very strong final quarter. There were many notable high-end transfers, but it was still a buyers' market. It shall be remembered as "The Year of The Luxury Buyer."

Pat Petrillo: Because 2016 was relatively quiet, 2017 activity was a very pleasant surprise. Revenues in our Southampton office were up 50 percent in 2017 over 2016.

In what ways did 2017 defy your expectations?

Judi Desiderio: Actually, I had predicted that the high end would continue its 2016 pullback.

Gary DePersia: The sluggish sales of new construction off the water, over \$10 million, which puzzled most Hamptons observers. At year's end, however, we saw a few of these go, and I am already seeing improved movement in this market sector.

John Vitello: Over the course of my career at BHS, I have always tried to increase my

volume and raise my own personal bar. My expectations are always personal and, once again in 2017, I was able to increase my sales volume.

Rose M. Alfano: Considering our low inventory issues, it was a phenomenal year. My best in the business in over 15 years!

Joseph De Sane: There was much more stability than I had anticipated, which was reflected in the overall market performance, as well as ongoing new construction/development efforts.

John Wines: Historically, Hamptons real estate has closely mirrored the U.S. stock market. In 2017, however, there was more of a disconnect. Despite soaring stock prices adding many trillions of dollars in market value to U.S. and global equities, Hamptons real estate enjoyed only modest growth in the number of sales and total volume.

Thomas Stoebe: With the low amount of inventory, many serious buyers are still waiting for that "perfect" home. There is a lot of money left out on the streets until buyers find their ideal home.

Geoff Gifkins: The fourth quarter defied our expectation; up until then, the state of the real estate market had been consistent and

steady.

Pat Petrillo: I think the uncertainty preceding the presidential election in 2016 contributed to the very quiet year end. So it was a great relief to have such a successful 2017.

What is the general mood of the housing market as 2018 begins?

Judi Desiderio: It's 180 degrees from January 2017! Last year at this time, there was much uncertainty about a new president, and the stock market was coming off an emotional 2016. 2018 has new life we have not seen in a while. The drivers are: 1. Dow closed out the year up 25 percent. 2. New tax code gave corporations a big tax cut, with additional advantages. 3. The overall economy is on an upward trajectory. 4. Ten thousand "baby boomers" retire every day.

Todd Bourgard: The atmosphere is positive and healthy. With low inventory in some of the markets, even the typically harder-to-move properties are getting their fair share of attention. That gives an overall good feeling to any on-the-fence seller who might have a more desirable property by comparison, and it helps them to take the leap to list and sell.

Gary DePersia: Optimistic. Both the sale and rental markets are very active as we conclude January and head into February, with buyers and renters coming out, often in bad weather, with new sale deals happening and rentals being snapped up, including the very high end, which lagged in 2017.

John Vitello: It is early in the new year, but if we look at the first quarter as a barometer, sales thus far are very robust. I believe we will have another year of strong sales in the luxury real estate market.

Rose M. Alfano: It started off a bit quiet, which is commonplace for the holidays, but things are heating up, and it looks and feels like it's going to be another great year for real estate in The Hamptons.

Joseph De Sane: 2018 is off to a good start! Existing inventory is moving, and conversations around new inventory and positioning properties for the early spring market have begun.

John Wines: Overall, the outlook for the housing market in 2018 appears to be quite good. The labor market is strong, mortgage rates remain low, economic growth picked up last year, and the Tax Cut and Jobs Act may further boost Gross Domestic Product for the near future.

Thomas Stoebe: Positive vibes are all around

us! Agents are excited for another banner year. January has already proven to be an exceptional month, and we anticipate that to flow into the selling season.

Geoff Gifkins: Internet traffic is up over 300 percent, and buyers are out looking. Rentals are already seeing a high demand rate. This will be a great year for real estate.

Pat Petrillo: I feel optimistic, as do most of my colleagues, going forward in 2018.

At what price points will the federal tax law changes concerning mortgage interest and property tax deductions be felt in 2018?

Judi Desiderio: Long Island, New Jersey, Connecticut and California will feel the effects of SALT the worst—the average primary residence under \$1 million.

Gary DePersia: So far, I have not heard one buyer talk about the new tax law.

John Vitello: I think it is too early to know how the new tax laws will affect luxury real estate. One thing I have observed over the years is that property in The Hamptons is always a good investment. Historically, real estate prices always appreciate.

Rose M. Alfano: I really do not see this having much effect on the market here in The Hamptons

Joseph De Sane: Clearly, those with new mortgage balances over \$750,000, as any amount above would not be eligible for a reduction on mortgage interest. I suspect the overall impact will be small in our Hamptons market, however, as there is still such a tremendous upside to first and second-home ownership and increasing values. As one of our incredible agents recently posted, "The best time to buy a Hamptons house is ALWAYS five years ago!"

John Wines: It's very possible that the federal tax law changes may not be felt much in the Hamptons real estate market. Although the new tax law did reduce the mortgage interest deduction and placed a cap on RET and SALT, it also lowered tax rates. What's more, the Hamptons real estate market benefits from a lot of cash buyers and relatively low property taxes.

Thomas Stoebe: The federal tax changes are unlikely to influence the higher-end home buyers. People with medium to lower incomes are already shying away from homes with high property taxes.

Geoff Gifkins: At the lower end and with first-home buyers. Most of our clients are high-

net-worth individuals, second-home owners, and were already exempt from many of these deductions. However, the end result will be the overall tax deductions will offset the lowered mortgage, real estate tax and SALT reductions level.

Will the new tax law benefit the Hamptons real estate market?

Judi Desiderio: Yes. The demographic of our buyer is a business/corporation owner—they just got a tax break! The high end should get a nice bump up in sales activity.

Gary DePersia: Too early to tell.

John Vitello: I think it is too early to know how the new tax law will impact the luxury real estate market. That said, time and again, the Hamptons real estate market has appreciated and almost always exceeded buyers' expectations.

Rose M. Alfano: It depends on who you are speaking to. Some think it will benefit the market, based on the trickle-down effect of the tax savings for large corporations. And then there is the other side of the coin ...

Joseph De Sane: That remains to be seen. I think the items on the forefront of the law may create some short-term financial burden. But I'm optimistic there could be some longer-term benefits to ownership and overall property values.

John Wines: If the new tax law increases the pace of economic growth, and Wall Street does well, then the Hamptons real estate market should benefit accordingly.

Geoff Gifkins: We don't see any negative impact on the Hamptons market, because high-net-worth buyers will benefit from the tax reform. ... They'll be able to reinvest in new construction, property acquisitions and improvements if they so wish and gain a lot more for their investments in the end.

Pat Petrillo: I don't know—but you can be assured most customers are in the know and have it figured out or soon will have.

With many analysts expecting the stock market to trend upward in 2018, will investors still be putting their cash into Hamptons real estate?

Judi Desiderio: Great question! That will probably be answered by their age and risk tolerance.

Todd Bourgard: Absolutely! Much of the Hamptons housing market is driven by the stock market.

Gary DePersia: We are seeing it already. Buyers coming out much stronger in the opening months of 2018 than they did this time last year.

John Vitello: Savvy investors diversify their portfolios—and real estate is a key portfolio component.

Rose M. Alfano: Yes, I believe they will. We are already seeing Wall Street clients take some money off the stock table and start to diversify into hard assets, especially homes that they can enjoy.

Joseph De Sane: I hope so. I expect so. Real estate remains one of the most stable longer-term investments one could make and, for the stock-heavy investor, certainly worthy of diversification.

John Wines: Yes, absolutely. History has shown that the Hamptons is not only a great summer playground for the wealthy but also a solid long-term investment. Furthermore, if investors believe the stock market is overpriced then Hamptons real estate may be viewed as a safe alternative investment.

Thomas Stoebe: Without a doubt! With the market booming and huge bonuses on Wall Street, investors are jumping at the opportunity to purchase.

Geoff Gifkins: The Hamptons has always been a desired investment market, and 2018 continues this trend. Expect a resurgence of commercial properties and new ventures coming to the Hamptons. This upswing of incoming new businesses will only continue and will help grow the state of the market.

Pat Petrillo: Yes, I believe the roaring success of the stock market makes most buyers confident and leaves them happy and excited to purchase a second home.

What's one price point where you wish you had more inventory available?

Judi Desiderio: Under \$1 million and new homes in each village hamlet.

Todd Bourgard: In my territory, which is the area west of the canal, the \$500,000-to-\$750,000 range is a sweet spot for Hampton Bays, where you get a lot of bang for that buck in comparison to our closest neighbor to the east. For Westhampton Beach and Quogue, we can't keep the \$750,000-to-\$1,250,000 product on the shelf.

Gary DePersia: New construction between \$3 million to \$4 million.

John Vitello: \$2 million.

Rose M. Alfano: \$1.5 million and under.

Joseph De Sane: Under a million.

John Wines: Under \$1 million. The demand for entry-level properties on the East End far exceeds the current supply. In many markets, such as the popular villages of Sag Harbor and Southampton, the inventory of good, quality real estate under \$1 million is almost non-existent.

Thomas Stoebe: The \$700,000-to-\$1.5 million range has been as hot as it gets. Unfortunately, we do not have enough inventory to support the influx of buyers.

Geoff Gifkins: Quality inventory in the \$1.5 million-to-\$3 million range, in all markets.

Pat Petrillo: Waterfront of all price ranges.

Will condos be as hot in 2018 as they were in 2017?

Judi Desiderio: Only new ones.

Todd Bourgard: Hotter! With the huge demand for maintenance-free, turnkey, luxury living, the condo lifestyle is exactly what today's buyer is looking for. From millennials to baby boomers, the progression into condo living is one of ease and comfort. A clear indicator of this need is evident with the tremendous interest we have on the new Hampton Boathouse project on the Shinnecock Canal, featuring 37 luxury townhouses. An early spring groundbreaking and launch of this much-anticipated endeavor is a welcome addition to the canal's landscape.

Gary DePersia: There is still room for that sector of the market to grow. As baby boomers age and want less complicated Hamptons options, condos fill that niche where owners can simply lock the door at the end of the weekend and not worry about the maintenance that comes with homeownership.

John Vitello: I do think the condo market will remain strong. Many buyers like the ease and amenities that condo living affords.

Rose M. Alfano: We do not have an abundance of condos/co-ops west of the canal and, at significantly lower prices than residential homes, condos/co-ops priced right always do well.

Joseph De Sane: I think so. They typically have a more accessible price point and work well for the worry-free home buyer.

John Wines: There are plenty of buyers on the East End looking to downsize and/or simplify. The biggest issue is always the availability of product that offers the right combination of price and amenities. The market is very efficient: If a condo on the market in 2018 has enough features and is properly priced, it should sell.

Thomas Stoebe: Absolutely! Condos allow for two things: zero maintenance, and a buyer can purchase in an area where they may not have been able to afford a single-family home.

Geoff Gifkins: Yes, high quality or luxury condos, with all the amenities that make life easier and more practical, and in desirable locations. There are a number of very high-end projects launching later this year to meet the continued demand.

Lately, what reason are most people giving for their decisions to sell their homes?

Judi Desiderio: Too broad a stroke to be precise ... but in general—"lifestyle change."

Todd Bourgard: In this climate, sellers are ready to reap the benefits and get the greatest return on their investment.

Gary DePersia: The reasons remain the same: Deciding to be somewhere else in the Hamptons. Moving up to something better. Moving full time to another area of the country and will no longer have use for their homes. Or what I call "generational sales," where older sellers decide to take money off the table or are preparing to settle their estates. They are deciding to sell due to the many commitments their growing children now have on weekends, preventing them from using their houses as often as they once did.

John Vitello: I have seen many instances where people are selling their initial real estate investments to reinvest those assets in larger Hamptons properties.

Rose M. Alfano: Most of the time, sellers are not leaving the area—their needs and wants just change, whether it's wanting to be on the water, downsizing, or even wanting more space.

Joseph De Sane: I think that's always based on a number of reasons, mostly personal timing. Empty-nesters, consolidation, retirement, investment focus, etc.

John Wines: Although some sellers solely want to capitalize on their appreciated real estate holdings, many people are selling their homes to have less maintenance worries and

lower costs. This trend, which is especially prevalent among the baby boomer generation right now, has been a driving force behind the recent success of condo projects on the South Fork.

Thomas Stoebe: Buyers who are planning to remain local are tending to upgrade to a bigger home or move to the location that they couldn't afford with their first purchase, such as buying on the water or custom building in their ideal location.

Geoff Gifkins: Most are downsizing, some simply don't use the property as much as they once did, and others are simply cashing out to move on to the next project, remaining in the Hamptons. So it's all good.

Pat Petrillo: Reasons for selling here in Southampton have been consistent over the years. Right now, several of my clients are either looking for a smaller property or a larger property. Or waterfront or a village location. Very few actually leave the area.

With the U.S. Open coming to Shinnecock Hills Golf Club in 2018, how will the rental market be affected?

Judi Desiderio: It doesn't—other than short term.

Todd Bourgard: The interest became apparent last season, with many, many inquiries for those specific dates. There will certainly be a spike in available rentals, as homeowners will try to capitalize on this notable event.

Gary DePersia: There will be a flurry for short-term June rentals—but it won't be a huge factor in the market.

John Vitello: Clearly, hosting the 2018 U.S. Open will increase demand for summer rentals in the Hamptons. We are already seeing an uptick in demand.

Rose M. Alfano: I think it will be an extraordinary boost for the rental properties close to the event, and there will be property owners who have not had their homes in the rental pool in the past jumping in.

Joseph De Sane: Certainly, the shorter-term rental market will see an increase, but I suspect it will encourage the rental market in general and the desire to want to spend time in the Hamptons. Hopefully, that creates an opportunity for visitors/first-time renters to consider longer season rentals and buying opportunities.

John Wines: The event will draw large crowds, and Southampton Town is allowing

some temporary rental law relief, but landlords often have outsized expectations for the U.S. Open week. June typically has the lowest demand of the summer season, so the U.S. Open should help boost rentals during the month. General assessments for the whole of the 2018 Hamptons rental season, however, should not change much.

Thomas Stoebe: The rental market had definitely seen a spike this year. The prices are increasing and the inventory is growing.

Geoff Gifkins: Certainly, more rentals came to the market for that period, and customers started searching well before the end of last year. It has definitely put a spotlight on the Hamptons, and it will be good for business all around. We expect a higher peak in rentals demand through the 2018 season.

Pat Petrillo: There will be an increased demand for rentals in June, which ordinarily is not a high-demand month.

Has interest in the Hamptons changed at all among international buyers and renters?

Judi Desiderio: They are less than 1 percent of our buyers, and the dollar exchange rate is the driver on rentals there.

Gary DePersia: Seems to be more interest in renting than buying so far, but each year we see a number of sales to the foreign buyer.

John Vitello: The international customer base continues to remain very strong year after year for both sales and rentals.

Rose M. Alfano: Over the years, there has been a steady influx of international buyers entering the Hamptons market, both buying and renting.

Joseph De Sane: Perhaps interest has been a little softer than usual over the past couple of years, but with the U.S. dollar weakening a bit and some foreign currencies becoming stronger, I suspect that may change in the coming years. Outside of that, desirability remains strong.

John Wines: The Hamptons has long been attractive to international buyers and renters, and today is certainly no different. With that said, the number of transactions involving individuals from abroad is only a small share of the total market. The most actively engaged prospects for East End real estate continue to originate from within the tri-state area.

Geoff Gifkins: There is more interest in international buyers since our network is globally focused. We, at Nest Seekers

International, are growing stronger in our showcasing and exposing the Hamptons outside the United States. The synergy between these high-end markets—London, Singapore, New York City, Los Angeles and Miami—has boosted business in all these markets for us, as many of our clients have properties in these areas. This year, we will open offices in Vancouver, Madrid, New Zealand, Australia and San Francisco.

Besides pool and tennis, what's one amenity that every high-end home for sale must have?

Judi Desiderio: Killer kitchens, outdoor living spaces and lots of fireplaces.

Todd Bourgard: High-tech everything! Technology means convenience, and convenience is the ultimate luxury.

Gary DePersia: Finished lower levels, with such amenities as recreational rooms, home theaters, wine cellars, staff suites, gyms, additional laundry facilities.

John Vitello: Most buyers seek very large transitional entertaining spaces that incorporate a seamless flow between indoor and outdoor areas.

Rose M. Alfano: I do not think there is just one amenity; buyers are looking for master bedroom suites on the main level, finished lower levels, smart homes, and that must-have "beachy" Hamptons feel. They are also paying more attention to the outdoor living space, looking for cabanas, outdoor kitchens and entertainment space.

Joseph De Sane: High-end contemporary features, and rooftop amenities, such as putting greens and observatories.

John Wines: Great entertaining spaces. Most buyers in the Hamptons want a place that offers the opportunity to comfortably host gatherings of friends and family, especially during the summer season.

Thomas Stoebe: A first-floor master or en suite is a must-have for today's buyers. It not only increases the resale value in the future, it has proven to be a must-have!

Geoff Gifkins: Turnkey solutions are still a priority, especially for second-home buyers. Pool and pool house are essential for most, with outdoor dining and stunning landscaping.

Pat Petrillo: In a large estate, home buyers expect to see an elevator, gym and a theater. If I had to choose one, I'd say a theater seems to impress and excite many buyers.