Newsday

Home buyers seeking bargains in the Hamptons

Prices haven't risen as inventory has soared. At the market's current pace it would take 18 months to sell all the homes listed.

Maura McDermott | March 8, 2019

Hamptons home buyers are looking for bargains — and thanks to an abundant supply of listings, they're finding them.

The number of homes for sale in the Hamptons soared to nearly 2,200 at the end of last year, a rise of more than 80 percent compared with a year earlier, due to a slowdown in sales and an increase in new listings, appraisal company Miller Samuel and brokerage Douglas Elliman reported.

With so many properties to choose from, buyers held firm in negotiations, keeping the median Hamptons home price under $1 million — at $995,000 in the fourth quarter, unchanged from a year earlier. By contrast, across the rest of Long Island, the median price increased by 3.9 percent over the same period, to $431,000, while inventory fell by about 7 percent.

In the Hamptons, "it is more a buyers' market than it is a sellers' market," said Judi Desiderio, chief executive of Town & Country Real Estate, based in East Hampton. "There are bargain hunters out there, and they're saying to sellers, 'I have cash and this is what I'm willing to pay.'"

In one measure of how dramatically the market has shifted, at the current pace of sales, it would take 18 months to sell all the homes listed at the end of 2018, up from about 6½ months a year earlier, Miller Samuel figures show. A balanced market has a six- to eight-month supply, brokers say.

Hamptons inventory has hit its highest level since at least 2006, said Jonathan Miller, chief executive of Manhattan-based Miller Samuel, which has been tracking Hamptons data since that year.

The decline in sales, influx of listings and resulting inventory pileup is a "measure of the disconnect between buyers and sellers," Miller said.

Many potential buyers of Hamptons homes have hit the pause button, brokers and other real estate experts said. Sales activity tumbled by nearly 35 percent, year over year, with 360 closed deals in the fourth quarter, the lowest number in five years, Miller Samuel and Douglas Elliman reported.

The Hamptons market is closely linked to the fortunes of Wall Street, since so many financial professionals purchase homes there, Miller said. The stock market's gyrations at the end of the year, plus uncertainty about the economy and the impact of the new $10,000 limit on deductions for state and local taxes on the housing market, as well as interest rates that were gradually rising until last year, have contributed to the slowdown, he said.

The "tremendous amount of volatility in the financial markets at the end of last year... may have given consumers reason to pause" in the last three months of 2018, he said. So far this year, there appears to be an "uptick in activity" as the stock market has become less volatile, but it's possible that prices and sales activity in 2019 could be a little lower than last year, he said.

Many owners of luxury homes believe that "this is a good time to sell, the market is topping out," but they have not adjusted from the dramatic price gains home sellers enjoyed a few years ago to today's more challenging conditions, Miller said. While some are grudgingly agreeing to drop their asking prices, he said, others are holding out for unrealistic numbers.

"The Hamptons is the poster child for aspirational pricing," Miller said. "The demand is there at the right price, and once the seller capitulates to what market conditions actually are now, not what they thought it was three years ago, properties are selling."

It was three years ago that hedge fund manager Scott Bommer sold his oceanfront estate in East Hampton for $110 million. Two years before that, another hedge fund manager, Barry Rosenstein, broke national records when he sold his own oceanfront East Hampton spread for $147 million.

The most recent sales are not quite so eye-popping, and some occurred after considerable price cuts.

Looking at the Hamptons luxury market – the top 10 percent of sales by price – homes fetched a median price of $7.85 million in the last three months of 2018. While that's up more than 36 percent from a year ago, it's still 5 percent lower than at the end of 2015.

Plus, some of the biggest-ticket sales in the quarter occurred after price reductions. In Sagaponack, an eight-bedroom home on 10 acres sold for $16 million, after a nearly $9 million cut from its 2017 asking price. An estate on Further Lane in East Hampton with a heated pool and waterfall, outdoor kitchen and teak rooftop observation deck traded at $13.6 million, down $7.9 million from its 2014 asking price.

Many buyers feel that Hamptons asking prices became overly ambitious in the last few years, some brokers said. Overall, the median Hamptons home price soared to a post-recession high of $1,030,000 in the second quarter of 2017, up more than 50 percent from a low of $675,000 in early 2009, during the Great Recession, Miller Samuel figures show. Since hitting that post-recession peak, the median home price has wavered between $890,000 and $995,000.

Now, "it's not that sellers are in a bad position, they just have to be a little more realistic," said Beate Moore, a Bridgehampton-based associate broker with Sotheby's International Realty. "Sometimes when people list their home they're so in love with their property and they're somewhat unrealistic. … Right now, my advice to sellers is, price it right at the beginning and it will get much more attention and you achieve a better result, instead of having something sitting there overpriced."

The same "very challenging" conditions hitting the Manhattan luxury market are affecting the Hamptons, Moore said.

A sense of unease is part of the problem, she said: "You turn the news on and you don't walk away with the best of feelings."

The strength of the Hamptons housing market varies widely by price, real estate agents said.

The market remains competitive in the $1 million to $3 million range, which counts as entry-level in most of the Hamptons, brokers said. In the exclusive region's midpriced market — the roughly $5 million to $10 million range — and at its highest reaches, where oceanfront mansions command eight-figure price tags, buyers are still striking deals, but only for properties perceived as a good value, brokers said.

Some mansions currently on the market have seen dramatic price cuts. In East Hampton, a 3-acre spread that includes an 8,000-square-foot home and a 50-foot infinity pool is listed for $26.95 million, down from its original asking price of $45 million in 2013. On Mecox Bay in Water Mill, a seven-bedroom home with a private dock is asking $15.75 million, a $9 million cut from its list price with a different brokerage in 2016.

"If you're looking for a quality home under $1 million or $1.5 million and you see something clean and well cared for, you're not going to be the only buyer vying for that house," Desiderio said. "But if you're looking for an $18 million home … there's a lot of inventory, so you can go shopping. And, honestly, if you have the money, this is like buying a beautiful diamond on sale."

Sellers in the $5 million to $10 million range and up are starting to adjust to the more challenging market — "the smart ones," said Susan Breitenbach, an associate broker with the Corcoran Group in Bridgehampton. "They're seeing there's a lot of inventory, they're seeing things selling, and they want to be one of the ones that sells."

Newly constructed homes priced under $6 million remain scarce, but buyers should not hesitate to submit reasonable offers, even if they are below the asking price, said Raphael Avigdor, an associate broker with Douglas Elliman in Southampton. If they believe prices will drop by 15 percent, Avigdor said in an email, "we can only encourage our buyers to reflect that prediction in their offers and let the market decide."

Even in the roughly $1 million range, there are plenty of homes on the market, though many are overpriced given how much work they require, one Hamptons home buyer said.

Back in 2012, Southampton-based entrepreneur Joseph Demeri bought a three-bedroom home in Southampton for $637,500. He and his fiancée, who have five grown children between them, used the house to do "home swaps" with vacationers from around the world.

"I stayed at a 900-year-old castle in Italy. … They had a drawbridge – what, are you kidding me?" said Demeri, 59, an Old Bethpage native who founded a business that sells retail displays used by major companies throughout the United States and is planning to launch a real estate consulting business.

Demeri, who studied architecture and design in college, did a thorough renovation and sold the house in early 2018 for $1.125 million. Prices went up so quickly from 2012 to 2018, he said, that even if he hadn't renovated the house, "I probably could have sold it for $800,000 without doing a thing."

He started looking for a larger property, but it wasn't easy to find the right one. He viewed thousands of properties online and visited at least 75 in person, he said. Three potential purchases fell through when he and the sellers couldn't come to terms on prices. But when he saw a four-bedroom house on about an acre in Southampton with a porticoed entrance and an open floor plan, he said, "I jumped on it."

Originally listed for $1.395 million, Demeri bought it for $1.275 million. He has spent the past seven months renovating the house, which was built in 1989 and was in generally good condition, but looked "dated" before the renovation, he said.

Today's Hamptons market can be treacherous if buyers don't do careful research, he said. His new home, he said, "was a good purchase if — and only if — you had the money to put into it."