

In Hamptons Real Estate, A Sunny Winter Gives Way To An Anxious Spring

Maura McDermott | March 13, 2020



Patrick Galway of Town & Country Real Estate

Hamptons real estate brokers say the virtually snow-free winter has been keeping them busy with showings all season, and they're hoping that leads to plenty of home sales this spring despite concerns about coronavirus and the stock market's plunge.

Sales increased in January and February compared with a year earlier, as home sellers dropped prices and bargain-seeking buyers closed deals, brokers said. The median closed sale price was \$906,250 in the fourth quarter, about 9% lower than a year earlier, and the number of sales increased year-over-year by 11%, the most recent report from the brokerage Douglas Elliman and the appraisal company Miller Samuel shows.

Luxury homes — that is, the top 10% of sales by price — sold for a median of \$6.8 million, down more than 13% from a year earlier, the report shows.

“We’ve bridged the gap; we’ve seen homeowners come down to market value, and that’s all our buyers want, they want to pay market value,” said Todd Bourgard, a manager and associate broker with Douglas Elliman, based in Westhampton Beach and Bridgehampton. Plus, he said, “the fact that we don’t have two feet of snow on the ground helps our cause out here a great deal. ... Three years ago I was driving around with a snow shovel in the trunk and trying to give people a path to the door.”

It is likely too soon to say what impact the coronavirus and the stock market sell-off will have on the Hamptons home sales market, brokers said.

Several brokers said concerns about the virus could prompt some vacationers to stay close to home this summer instead of booking flights abroad.

For those who have been considering buying a vacation home in the Hamptons, "now they have a little bit more of a sense of urgency," said Susan Breitenbach, an associate broker with the Corcoran Group in Bridgehampton. "People are not so much thinking Europe right now ... they don't want to go to St. Tropez." The Trump administration on Wednesday announced a 30-day ban on foreign nationals traveling to the United States from 26 European countries.

Patrick M. Galway, a manager and associate broker with Town & Country Real Estate in Westhampton Beach, said it's difficult to predict how the virus could affect the market. "It's so new ... I think most people are a little shocked right now," he said.



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But, he said, it certainly could lead to a rise in summer rentals if vacationers decide to stay close to home.

Some renters are booking Hamptons homes from now through Labor Day, instead of taking shorter terms, said Judi Desiderio, president and chief executive of East Hampton-based Town & Country.

A boom in rentals could bode well for the sales market, since many Hamptons renters end up "falling in love" with the area and eventually buying a home, said Greg Baker, a real estate agent with Saunders & Associates in East Hampton who is selling an investment home he recently renovated in Sag Harbor.

Diane Saatchi, an associate broker with Saunders, noted that the Hamptons and Manhattan housing markets have successfully weathered other crises, including fears about illnesses such as SARS, and even the Sept. 11 terrorist attacks. "Looking at these past crises, they all seem to blow over," she said.

Saatchi said even with the stock market taking a significant hit, "I don't think there'd be much effect in real estate."

Not everyone was confident about the coming spring, traditionally the busiest selling season.

"We started off the year on an optimistic note," said Jonathan Miller, president and chief executive of Miller Samuel. But, he said, the virus' potential impact "places doubt on whether this is going to be a strong spring market, and in fact it's looking like there's a high probability that it will be weaker than last year."

Between the presidential election, tax changes, concerns about international trade and other economic factors, "We're in this phenomenon right now that I'm dubbing peak uncertainty. ... We have this whole basket of uncertainties, and now we have the virus, which is very difficult for consumers to process, because it's not a singular event. This could be three months, it could be six months, it could be a year, it could be longer, we don't know."

He added, "We just don't have a handle on where this goes and how deep it goes. All I wish is I owned stock in Purell."

Gov. Andrew M. Cuomo has asked state officials to reassess their budget estimates for the fiscal year that starts April 1, in light of the potential impact of the virus. Earlier this month, state officials had announced they would collect \$700 million in additional tax revenues due to stronger-than-expected Wall Street bonuses. Those bonuses, based on the previous year's performance, fund many Hamptons home purchases, brokers said.

In addition to the possibility that the virus and resulting stock market woes could delay spring sales, Miller said his research on Manhattan housing trends in presidential election years shows that sales tend to slow starting in June, then decline even further from September until the election, at which point "a release of pent-up demand" leads to a spike in sales from November through February.

For now, the luxury market is likely to feel the strongest effects of buyers' uncertainty, Miller said.

"The starter market, the entry level to the Hamptons —I don't think there's going to be much in the way of price cuts," he said. "As you move higher in price, that's where you see more exposure to the downside, which would be fewer sales and weaker price trends."

The Hamptons entry-level market starts at about \$1 million, Desiderio said. "When you get under that, mostly you have to put in some sweat equity," she said. For many buyers, she added, "time is such a valued commodity that they don't want to come out east and work on their house."

Indeed, the trends vary widely by price range and community. In the Village of East Hampton, the median sale price fell by nearly 28% year-over-year, to \$3.5 million in the fourth quarter of 2019, a Town & Country report shows. By contrast, in Hampton Bays the median price rose by 9% over the same period, to \$521,000, Town & Country reported.

For all the unanswered questions about the possible impact of the virus, the Hamptons sales market showed more strength at the end of last year than it had for about two years.

In the last three months of 2019, the Hamptons had its first annual increase in home sales in two years, with 400 homes changing hands, compared with 360 a year earlier, the Miller Samuel report shows. The jump in sales was driven by sellers' increasing willingness to drop their prices to levels buyers are willing to pay, along with the strong economy and the stock market's surge at the end of 2019, brokers said.

Near-record-low interest rates also helped lift the Hamptons market late last year, brokers said.

Taking all those factors together, "It was kind of like the perfect storm, but in a good way," Desiderio said.

The very top of the market performed especially well, with the top 10 home sales by price all exceeding \$20 million in 2019, including a modern mansion on the beach in Bridgehampton that closed for \$39.25 million, Town & Country reported. All 10 homes sold for discounts off their listing price, with the steepest price cut on a Water Mill estate that closed for just under \$21 million, down from its original price of \$75 million a decade ago, Town & Country reported.

Overall, the South Fork remains a buyers' market. There were slightly more than 1,900 homes listed for sale in the Hamptons at the end of last year, down about 13% compared with a year before, the Miller Samuel report shows. Buyers still had the advantage over sellers, with a 14-month supply at the current pace of sales. A balanced market has a six- to eight-month supply, brokers say.

It helps that home prices have fallen over the last few years, Breitenbach said. "I hear from the \$1 million buyer or the \$30 million buyer, the same thing," she said. "They want to get a deal. They're all very analytical. They're all very knowledgeable. Not a lot of emotional shopping going on. It's value-oriented."