

REAL ESTATE: STATE OF THE MARKET



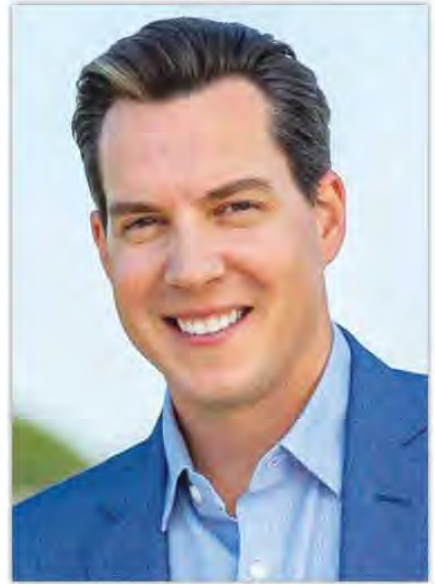
JUDI DESADERIO

The CEO of Town and Country Real Estate has more than three decades' of experience navigating the sometimes-treacherous waters of East End real estate. Overseeing seven North and South Fork offices and managing over 100 full-time agents has only sharpened her skills. Crunching numbers is also one of Judi's favorite pastimes. That's why her quarterly market reports are bibles for anyone who wants to know the true pulse of local real estate. Call her at 631-324-8080



SIMON HARRISON

With 39 years' experience Simon is one of the most active independent brokers in the East End. He and his Sag Harbor based team are active and fully connected to the real estate pulse selling houses, land, waterfront and new construction throughout the Hamptons. His specialty is finding those hidden gems others tend to overlook. Whether it is a cutting edge contemporary or an iconic historic home they will match you with your dream home. Call him at 917-822-6652



BRENDAN CONNOLLY

With over a decade's experience Brendan works with clients to maximize their investments and diversify their portfolios through real estate. Highly respected by developers and builders his background in investment sales and development as well as commercial real estate in New York City informs his Hamptons real estate practice. Brendan is based out of the Saunders & Associates' Southampton Village office. Call him at 631-537-5454

If you are a student of the local real estate market, like me, you know we've seen a big pullback from the frantic panic buying days of the early Covid days. Literally a once-in-a-century events 2020 and 2021 will go down as astronomically stellar years for this bedrock local industry. And as everyone knows, what goes up has just got to come down. 2022 proved that.

Here's a quick look at how activity from 2022 as compiled by the pros at Town and Country Real Estate compares to the previous year:

	2022	2021	CHANGE
HOMES SOLD	1558	2330	-33%
TOTAL REVENUE	\$6018M	\$7741M	-22%

Drastic a drop as that may be the fourth quarter numbers demonstrate how the slowdown accelerated as the year moved to conclusion:

	2022	2021	CHANGE
HOMES SOLD	224	421	-47%
TOTAL REVENUE	\$936M	\$1549M	-40%

You'll note although the number of homes sold dropped dramatically the revenue produced stayed somewhat more robust. That's because at the very lowest end of the market, homes under \$1M have literally dried up. In all of 2021 there were 486 homes under a million sold for a 21% overall share of all homes sold. In 2022 that number dropped to 238 representing 15% of total sales.

With no inventory being created at that end of the market the inevitable result is higher priced homes competing for fewer buyers. Fewer buyers because in a 95% second home market the higher the price the deeper the pockets required to buy. And at a time when the Wall Street money machine is stuck in neutral the pipeline of newly minted millionaires who are capable of buying a second home for over \$1 million has also slowed from a torrent to a quiet stream.

You will note that the very upper end of this market did not slow anywhere near as much as the overall:

	\$5-10M	\$10-20M	\$20+M	TOTAL
2022	192	77	30	299
2021	230	81	34	345

Given these conditions, what's the forecast for real estate over these next 12 months? For that we turn to those in the know, experienced agents and brokers who go toe-to-toe every day making deals.

Q: With spring at hand how are sales?

JD: As of the last week in January, buyer traffic has greatly increased while November and December were ghastly. Now, we have bidding wars for the under \$2M sector. As prices increased from \$8M and up inventory has also picked up.

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SH: Normalized certainly; fewer buyers and less competitive bidding for far less inventory makes for more challenging market conditions. House & land sales in my office are down a third, but those of us that have decades of experience we can just call it normalized.

BC: The market is very active, and I am busier than ever. Currently, I am representing over \$65M in exclusive listings and have put more than \$30M in contract year to date. I am actively working with many buyers at all price points, and currently have six deals I am negotiating. On average we are seeing around 20 listings go into contract each week.

Q: What kind of buyers are you seeing?

JD: Mostly those who stayed on the sidelines the past 7+ months. Buyers who were hoping and waiting for prices to come down, pent-up demand. Buyers who want to own it in time to enjoy summer.

SH: Buyers that want a place to live or vacation, buyers that want an investment in something solid, and buyers that sit and watch when there's a buying frenzy like we had during much of the pandemic. The free market is fascinating that way, and fully functional for those that understand it.

BC: Buyers are savvy, especially in this tight market. The typical buyer is eager to identify and close on their Hamptons home in time for the rapidly approaching Summer season.

Q: What kind of home sells best?

JD: Those that are well-priced and immaculate. New construction remains the gold ring.

SH: Homes that are priced well. Brand new homes certainly, but also the wreck on a nice parcel. Waterfront homes of all kinds, and we like village homes as well. It is rare to find a modest home on a great village parcel, with frontage or a dock. That is the rare three carat home in the Hamptons that appeals to the most buyers/investors.

BC: New construction homes are highly sought after, at every price point. Properties that are move-in ready attract the highest amount of interest. Homes that sell the fastest are equipped with amenities focused on wellness and entertaining. With many buyers still able to work remotely home offices have become a necessity.

Q: What price point is moving best?

JD: With the median home sale on the rise let's say \$2.5M and under.

SH: In Sag Harbor anything under a million is usually in play right out of the gate. Even small, old, tired gets love as it's often land value anyway. Anything with substance under \$2M on decent parcels or near the village, and waterfronts under \$5M.

BC: There has been significant activity in the mid-market range below, 4M. Recently, I was involved in three sealed-bids, where there were more than 12 offers on each property — ultimately driving the purchase price well above the initial offering.

Q: How are buyers coping with increased prices?

JD: Going to the closing table kicking and screaming but realizing that if prices haven't dropped by now, the likelihood is slim they will. But, if this is a long-term investment, short-term savings don't mean that much.

SH: By design, the fed raised interest rates to slow or stop prices going up by double digits, and buyers are calmer now because it's working. The interest rate hikes have gone up in lockstep with rental pricing, which supports real valuations.

BC: This low inventory market has kept the pressure on potential buyers to compete for the best properties. The median price in the Hamptons is now over \$1.7M. So, it is all about finding value and not so much the purchase price. When advising buyers on their purchase

it's about being diligent and being prepared so we can move quickly. When a deal is priced right, you can't hesitate, you need to expect there are multiple buyers interested in the same property.

Q: How are sellers coping with slower sales?

JD: They realize this is the time to reposition and improve their product.

SH: Many were confused by pandemic market conditions, and this normalization is as much comforting as it is at a more measured pace. The Hamptons are less interest rate sensitive than other US markets, it is treated like a solid asset, a gold land bank that has sound rental dividends.

BC: Compared to previous record-setting years with \$10.2B in 2021 and \$6.2B in 2022, we are on track for 2023 to be another robust year in Hamptons Real Estate. Properties that are priced competitively sell quickly no matter the price point. Now is a great time to sell.

Q: What essential skills does an agent need in these tougher times?

JD: Negotiation skills! And those are the last to develop in a newer salesperson. That's why seasoned professionals do well in all markets, especially challenging ones like these.

SH: The stock answer is grit; the real answer is experience but Yogi Berra would say that's only the half of it. If an agent has the integrity and the work ethic, an agent can help a lot of people with their real estate goals, as long as they're available for the third half.

BC: Community and strong networking are critical to navigating the market and finding success in Hamptons Real Estate. You hear it all the time, because it is true. It's all about relationships! My favorite quote lately is, "the harder I work, the luckier I get". ■

MOVING FAST!!!

Much as sales have slowed over the past year, when you have a product the public wants contracts flow quickly. That has the case with the rapidly rising townhouses at **WATERMILL CROSSING**. These luxury, 3-4-bedroom units are barely framed yet have already sold half their 20 unit yield in just the past eight months.

Priced from \$2.095 - 2.895M they offer all the amenities of a single-family home without any upkeep or worry. If you'd like to grab one before they are gone contact Saundra's Ed Bruehl 646-752-1233 or Jennifer Wilson 631-219-2771.

