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Shifting tides in the Hamptons

Brokers search for signs of life as the resi market falls from pandemic-era highs

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By Sheridan Wall



Compass' Yorgos Tsiiridis, Nest Seekers' Bianca D'Alessio and Compass' Evan Kulman (Photo-illustration by Ilya Hourie/The Real Deal (Photos via Compass, Nest Seekers, Getty Images)

The Hamptons has long held a rep as the quintessential destination for a serene summer getaway, but its residential market has offered little in the way of an oasis for local brokers.

The area enjoyed a pandemic-era boom when buyers and renters flocked to the East End in search of more space, fresh air and an escape from the lockdown. The rush of new residents pushed prices to record-breaking heights.

It's been a long fall for the market, now marred by scarce listings, few renters and delayed new development.

With interest rates on the rise, homeowners are tethered to their years-ago purchases. And the young people who may have scooped them up as short-term rentals are trading \$25 drinks at beachside bars in Montauk for adventures abroad.

Lofty prices continue to linger, but deal volume for home purchases and rentals is down from pandemic highs, ushering in a new era of lackluster activity in the Hamptons and prompting concerns about whether the once-burgeoning destination has lost some of its appeal.

"During the pandemic, we saw activity like we've never seen, ever," said Compass' Evan Kulman, who's sold properties in the Hamptons for more than 20 years.

But now, Kulman said that he considers the market, particularly on the rental side, to be just a modicum of what it was in its heyday.

"I haven't seen a slower market in I'd say at least 10 years, if not longer."

A long fall from a frenzy

In 2020, brokers in the Hamptons sold over \$8.1 billion worth of real estate, almost double the total of the previous year, according to data from Brown Harris Stevens.

That momentum continued into 2021, when buyers snatched up properties in such a frenzy that the number of homes on the market plummeted, driving prices to astronomical levels and sparking bidding wars. The year's top 10 deals in the Hamptons generated over \$600 million in sales, about 35 percent more than the year before.

One Water Mill home — the former estate of Henry Ford II — hit the market in January 2021 for a whopping \$175 million and positioned itself as one of the priciest listings in the country. (The home, at 90 Jule Pond Drive, ultimately sold for just \$105 million, though it still notched the most expensive sale in the Hamptons that year.)

The tide began to turn last year.

Rising mortgage rates prompted would-be sellers to hang on to their pads, with many opting to offer them up as short-term rentals in the summer months with eye-popping price tags. One homeowner told Business Insider that after purchasing an oceanfront mansion for \$16 million in 2021, they listed it for \$1.65 million for just the month of July.



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But the renters didn’t come as expected, not with travel reopening following two years of restrictions and careful health protocols. CNBC found that homeowners were forced to lower their prices by as much as 30 percent to secure renters.

“The assumption that rents would be sustainable at these elevated levels has been proven to be false,” Jonathan Miller, head of the appraisal firm Miller Samuel, told CNBC.

On top of a decline in seasonal rentals, the Hamptons residential market slumped into a period of slow contract signings powered by just a trickle of listings entering the market.

Prices in the Hamptons were still on the upswing in the third quarter of 2022, while the number of sales fell nearly 25 percent from the previous quarter, according to reports by Miller Samuel for Douglas Elliman.

Home sales began to pick up at the start of this year with larger-than-seasonal upticks reported in February and March compared to pre-pandemic levels, though the number of new signed contracts in both months remained lower than in early 2022.

The momentum slowed in April with economic turmoil sparked by the failure of Silicon Valley Bank and the rumored demise of First Republic Bank. The market bounced back in May with a rise in new listings that helped ease the pressure on home sales.

Brokers on the East End say rentals are still sluggish this summer, with overseas travel pulling people from the Island and following a spring wracked by economic turbulence.

“Europe has made a big play back to the table, where a lot of people want to go overseas,” Nest Seekers’ Bianca D’Alessio said. “We’re seeing the spike in that travel. We’re feeling the spike in our international markets for vacation homes for the months of July and August.”

Rental inventory is up 20 percent from last year, and the average nightly price to stay in the Hamptons is down to \$970 from \$1,080 in 2022, according to data from the rental manager StayMarquis.

The platform is seeing more bookings than last year, but many short-term renters and vacationers are opting to stay for shorter periods of time, StayMarquis co-founder Bryan Fedner told *The Real Deal*.

A slate of new development could add to the tight inventory, but many builders are waiting to put homes on the market until they're closer to completion, Compass' Yorgos Tsibiridis said. As land prices rise and bureaucratic regulations interfere with construction, that date is straying further and further.

With its usual guests looking abroad, no certain pipeline and even less-certain economic conditions, brokers and market observers likely have a long wait ahead as they search for signs of life Out East.

Link to Coverage: <https://bit.ly/3D6Udl3>

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