

MARKET AT HISTORICALLY HIGH LEVELS

HAMPTONS PROPERTY VALUES CONTINUE TO INCREASE AS 2021 UNFOLDS

BY ADRIANNA NAVA

As the 2020 season drew to a close, Hamptons' buyers, sellers and agents were all eager to learn where the market would head in 2021. Last year felt like, and statistically was, a rollercoaster, and 2021 promised to be a head start toward social and economic normalcy.

Would 2020's buyers pack their bags and head home in 2021?

Listing supply decreased 18% through Q1 2021. Though early March saw a small injection of new listings, week to week throughout the quarter new listings were mostly in steady decline, while the number of properties going into contract continued to exceed the activity of recent pre-Covid years. Going into April, there was a 121% increase in new listings week to week, but it remains to be seen whether this second injection of inventory will continue long enough, or be enough, to satisfy buyer appetites. In the first quarter, it wasn't.

Utilizing available data, Hamptons Market Data examined properties that closed in Q1 2021 and had previously traded within the last 5 years. We then pulled out the properties that had little to no improvements beyond certain aesthetics such as refreshed paint, stain, fixtures or plantings, made between the previous purchase and closing this



18 Glover Street, Sag Harbor - Sold: \$3.25M
The Cee Jack Team of Compass

year. We calculated by how much on average these property values have improved.

Of properties that closed in Q1 2021, in all areas and price points, those that had been purchased within the last 5 years as new construction, or a renovated product and resold in Q1 2021, performed best. These properties averaged a 65% increase from the date of last purchase and didn't have much,

if anything, done to them between purchase and sale. Data also show that, for short term gains, sellers who purchased in the first half of 2017 had the highest average increase in property value at 58%.

The most improved property value sale was the property at

18 Glover Street, Sag Harbor, with an 86% increase from when it was last sold in January of 2017. The home was represented by the Cee Jack Team of Compass. "We put the listing up as a Coming Soon and received a showing request and full price offer within 24 hours. The house never officially went on the market," said Cee Scott Brown.

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Brown also represented the seller as a buyer when the home was purchased in January 2017, acknowledging that at the time of purchase, his client was getting a good deal at \$1.75M. "It looks like a lot was done since then, but it was mostly paint and design," Brown explained. "The home was new in 2008," he continued.

"The outside is where we were able to make the greatest impact," said John Bjornen of Bjornen Design, who redesigned the home prior to its most recent sale.

"The house was in great condition, but the orange hue of the pre-dipped shingles challenged the curb appeal. Staining the shingles a rich gray took it out of the suburbs and put it back into Sag Harbor's historic district. Most importantly, we kept the color palette consistent from the outside through the interiors of the house," Bjornen continued. "We did replace the fireplaces and installed marble and stucco facades," he confessed, "but I didn't touch the bathrooms or kitchen and we didn't reconfigure any rooms. It was a bit more than just paint, but we didn't need to renovate."

With renovated properties coming in at an average increase of 115% in property value, and new construction showing a 255% price improvement average, without knowing and factoring for the investment amounts made to develop the properties, it is difficult to determine whether investors did any better than the average homeowner transacting in the recent market.

"It's not just land that has increased, the cost of building has also gone up," said Thomas Cavallo of Douglas Elliman. His recent sale of 428 Edge of Woods Road in Water Mill, a new construction project by Bittencourt Development and Design in partnership with Cavallo Building, previously traded



428 Edge of Woods Road, Water Mill - Sold: \$5.825M
Thomas Cavallo of Douglas Elliman

as land value for \$1.215M in June 2019.

"Lumber especially has hit historic highs. The higher list prices for new construction are coming from the increase in costs to build," he continued. "When we listed [428 Edge of Woods] in July 2020, it didn't even have the sheetrock up yet. By the time we were in contract in December, the house was 90% done, we had a choice of bids, and the winning buyer was able to pick some of the last touches to the home," Cavallo explained. The home closed 2% above the list price for \$5.825M.

Though investment returns are not possible to calculate, with certainty, tangible wealth has been invested in the Hamptons over the last year and, as a result, the percent increases in property values are continuing as 2021 unfolds.

"My builder clients are working on custom builds right now because they can't chase the land bids.

Vacant Land					
Property value increase for land that sold in Q1 2021 and previously traded within the last 5 years.					
	Previous Sale Date	Previous Sale Price	Recent Sale Date	Recent Sale Price	Percent Increase
228 Springs Fireplace Road, East Hampton	4/11/2019	\$400K	2/1/2021	\$500K	+25%
24 Handy Lane, Amagansett	2/2/2018	\$778K	2/14/2021	\$1.2M	+54%
9 Morgan Hill Way, Bridgehampton	5/24/2018	\$14.95M	1/21/2021	\$17.999M	+20%

End users have been in the market and they're paying more. This in turn will lead to less new construction inventory coming to market for 2022," said James Peyton of The Corcoran Group.

"Prices overall are about 5-10% higher than they

were in January, but the negotiations have definitely changed," shared Peyton.

"Working with a lot of buyers right now, we've put in so many offers on properties between \$2-10M and we come within 3-5% on the price and then

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stalemate," Peyton explained, attributing some of the cause to sellers not having anywhere to go in many parts of the market. "It's one thing when you have \$5-10M to turn into something else in this market, but what else are you going to buy for \$4-5M...and that's better than what you already have?" Peyton posited. He believes more inventory will be available in the late summer or early fall as sellers begin to have more options for travel next season.

The market has started to come to equilibrium in 2021, and statistics show it has softened from late summer/early fall of 2020, but market activity is still at historically high levels. Buyers should expect to



7 Sulky Circle, East Hampton - In Contract
James Peyton of The Corcoran Group

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continue to pay incrementally more than the best prices on the last recorded comparable trades, simply for the lack of adequate supply in many parts of the market.

More listings coming on the market may also not immediately translate into softening prices. The type of listing still matters when it comes to value percent increases, perhaps more so now than in 2020.

“When we listed 12 Deer Trail Road in Southampton at the end of summer, we didn’t get as many showings as I had thought we would,” said Jennifer Wisner of Brown Harris Stevens. The seller was a builder who used high quality finishes and lived in the home after it was completed in 2018. “Buyers had been gravitating toward Southampton Village in 2020 and I think the location in Southampton North was a bit of a turnoff,” Wisner continued.

“But as buyers have spent more time here this winter, they are seeing the value of a peaceful setting and no longer mind being a little farther out from town,” Wisner explained while expressing her belief that this trend will continue, especially as people return to NYC where it’s loud and congested. “The home also offered a lot of square footage and, with 4 bedrooms, it was the right amount of space for a lot of today’s buyers,” she continued. The property was last purchased for \$460K as land in 2017 and went into contract at the end of March with a last asking price of \$2.825M.

Overall, the market through the rest of the year will depend on the degree to which the economy and

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stock market will continue to improve, both giving an added boost to buyers’ disposable income versus the post-Covid need to buy a home away from the City. Continued depletion of listing supply would sustain increases in pricing, especially for homes that are well located to villages, nature access, or have updated aesthetics or amenities.

Conditions and timing are everything in real estate. The timing now looks good for both sellers and buyers. Sellers can realize extraordinary gains and buyers who purchase now, in part as an inflation hedge, may very likely be ahead of even higher percentage increases. While still early days, there is no strong evidence that market participants are packing their bags.

Adrianna Nava is the Founder and President of HamptonsMarketData.com. She is a real estate investment strategist who specializes in the Hamptons market.



12 Deer Trail Road, Southampton - SOLD: \$2.825M
Jennifer Wisner of Brown Harris Stevens