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Hamptons Home Prices Jump as Wall Street Gains Fuel Sales

By Oshrat Carmiel October 23, 2014

A vacation house in New York's Hamptons is getting more expensive as Wall Street bonuses and stock-market gains fuel a jump in luxury-home sales.

The median sale price of a Hamptons home rose 13 percent in the third quarter from a year earlier to \$865,000, appraiser Miller Samuel Inc. and brokerage Douglas Elliman Real Estate said today in a report. Purchases surged 31 percent to 701. Thirty-nine homes sold for \$5 million or more, a 70 percent jump and the second-most in quarterly records dating to 2006.

Hamptons buyers, largely employed in New York's financial industry, completed purchases following the best year for Wall Street bonuses since the financial crisis. After sales of primary residences in Manhattan and Brooklyn reached records in 2013, home seekers turned their attention to vacation properties, said Jonathan Miller, president of Miller Samuel. The Hamptons, a group of villages and hamlets on the eastern end of Long Island, is traditionally a second-home market.

"The city boomed in 2013," Miller, a Bloomberg View contributor, said in an interview. "Record transactions almost every quarter. That probably triggered step two, which was buying a second home this year."

Wall Street employees got an average bonus of \$164,530 last year, the most since 2007 and the third-highest on record, according to a March estimate by New York State Comptroller Thomas DiNapoli. The Standard & Poor's 500 Index jumped 30 percent in 2013, the type of gain that spurs investors to "take some money out and buy hard assets," said Judi Desiderio, president of Town & Country Real Estate.

'Buckle In'

"When the stock market was up 30 percent in December, I said at our holiday party, 'Everybody buckle in,'" Desiderio said in an interview.

The dollar value of Hamptons homes that changed hands in the third quarter more than doubled from a year earlier to \$758.3 million, according to a Town & Country report. That's the highest since the market peak in the second quarter of 2007, when sales topped \$1 billion.

There were 11 purchases of at least \$10 million, compared with two a year earlier, Desiderio said.

Whether the momentum continues through the next several quarters depends on "what happens on Wall Street for the rest of the year," she said.

"The over-\$8 million market is umbilically connected to the Street," she said.

Most Expensive

Luxury sales, the top 10 percent of the market, rose 19 percent in the Hamptons from last year's third quarter, New York-based Miller Samuel and Douglas Elliman said. The median price of the 62 deals in the category was \$6.5 million, a 46 percent jump.

The third-quarter tallies don't include the East Hampton oceanfront home that Barry Rosenstein, founder of hedge-fund firm Jana Partners LLC, agreed to buy for \$147 million in what would be the most expensive U.S. deal ever when completed. The purchase is tied up in litigation after the parent company of Corcoran Group sued the sellers, claiming they cut the brokerage out of the deal and an \$8.8 million commission.

The biggest transaction that closed in the quarter was the \$37.7 million purchase of 16 Gin Lane in Southampton, according to Miller. The seller of the 10,000-square-foot (929-square-meter), seven-bedroom beachfront property cut the asking price to \$48 million from an initial \$98 million, according to listings website Streeteasy.com.

Market Void

Demand in the area encouraged developer Jane Gol to raise prices at Barn & Vine, a 37-home community under construction in Bridgehampton, before opening the sales office in July, she said. Properties at the site, each of which has six bedrooms and comes with a concierge service for tasks such as filling the refrigerator and mowing the lawn, now range from \$2.75 million to \$4.5 million.

The project fills a void in the market for homes priced at that level, said John Gomes, part of the team at Douglas Elliman that's marketing the Barn & Vine homes.

Gol is building eight houses at the site on speculation, meaning without committed buyers. Seven properties at the 50-acre (20-hectare) development are under contract, including a few that started out on spec, said Gol, president of Continental Pinewood Development Partners.

"We feel very confident" that the others will be sold, she said.

Land prices also climbed in the third quarter, according to Corcoran Group, which released its own report on the Hamptons today. Parcels traded for a median of \$710,000, up 2 percent from a year earlier. The dollar value of all land purchases jumped 92 percent to \$198 million, the brokerage said.

In the village of East Hampton, the median price of homes that sold in the quarter more than doubled to \$3.45 million, Corcoran said. In the Bridgehampton and Sagaponack areas, the median rose 27 percent to \$2.6 million.

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