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Hard Times on Nantucket

If you've ever wanted to buy a home on this island enclave, now may be the time to start looking.

By BRETT ARENDS



Chris Matthews has a summer home there. So do John and Theresa Kerry, Jack Welch, and Google boss Eric Schmidt. When the boom times rolled, the richest hedge fund managers simply wouldn't buy anywhere else. Nantucket is so upper crust that it makes nearby Martha's Vineyard look positively working class.

But if you have ever wanted to buy a home in this cosseted enclave, now might be the time to start looking. The real-estate crash has even come ashore here. Prices have fallen by about a quarter or more from the peak.

The island has a glut of unsold homes, and even some foreclosures. Hardest hit of all? Vacant land. "The theory that land on Nantucket would always increase in value has been blown out of the water," says local Realtor Kate Ranney Sayle of Denby Real Estate. "Nobody wants to buy it. Right now, you can't give a vacant lot away."

In 2007 the average lot of vacant land sold for \$2.3 million, she says. Today? Try \$395,000. In a crash of this scale, nowhere is spared. So much for all those people during the bubble who insisted "quality" and "high end" property would retain its value. According to the Case-Shiller index, average US home prices have fallen about 27% from their peak in early 2006. Nantucket tracks pretty closely to the trend. How the mighty have fallen.

Just a couple of years ago, at the height of the hedge fund boom, the small island was gripped in a speculative frenzy. The richest hedge fund managers, who made their incredible fortunes just down the coast in Greenwich, Connecticut, bid aggressively for homes and land. A place on Nantucket became the latest trophy for the guys who had everything - including a private jet to fly them to and fro. Nantucket was hardly blue-collar to start with, but many locals complained that the new money was ruining the island. Overpriced bistros and frou-frou shops ran riot. Clam shacks gave way to the sort of restaurants where mashed potato is called "potato foam" and a sauce is an "emulsion." Average sales prices for homes doubled in a few years to \$2.5 million. Land prices quintupled. Back then you couldn't find a home. Now you can't get rid of one.

"At the peak of the market there were about 230 houses for sale," says broker Cynthia Lenhart of Compass Rose Real Estate. "There were lots of buyers and nothing to sell them. Now there are

about 550 houses for sale, and not many buyers." There have even been foreclosures and short-sales, something almost unimaginable until now. Some were properties developed by speculators. But they've also included a prime commercial building on Main Street that was taken over by the bank.

There's a familiar story in most real estate crashes: First the buyers vanish, then inventory piles up, and only then -- normally after a long and painful process of resistance -- do sellers get real and drop prices.

Several Realtors, however, report a slight pickup in interest in recent weeks. There have been a few more visitors stopping by to see what's on the market. Of course it's easy to be skeptical. But mortgage rates are low, economic confidence has improved a little -- and of course the weather makes a weekend trip a slightly cheerier prospect than it was earlier this winter. But whether this turns out to be a false spring for prices is another matter. Nantucket, obviously, is not like other markets. There aren't too many forced sellers. But the laws of supply and demand function even here. So long as there is a big backlog of unsold properties on the market, buyers hold the cards.

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