Newsday

‘Brexit’ Long Island risks include Wall Street, consumers

Ken Schachter and Victor Ocasio | June 24, 2016

Traders work on the floor of the New York Stock Exchange on June 24, 2016 in New York City following news that the United Kingdom voted to leave the European Union. The Dow Jones industrial average quickly fell more than 600 points on the news. Photo Credit: Getty Images / Spencer Platt

Long Island might suffer a glancing blow from Britain’s vote to exit the European Union if jobs shrink in the financial service industry or consumers cut back on spending after seeing stock markets in turmoil, local economists and analysts said Friday.

Several analysts said the Island's economy remains in good shape. And its commercial real estate market could benefit from foreign investors seeking a safe haven.

Most Popular

John A. Rizzo, chief economist of the Long Island Association, said the economic effects on the United States and Long Island probably "will be fairly minimal overall."

Nevertheless, he said that downturns on Wall Street can flow onto Main Street. "It's all about the financial markets getting spooked and spilling into the real economy," he said. "The stock market goes down. People feel less wealthy" and cut back on spending.

One risk from the market turmoil following Britain's exit vote — popularly referred to as "Brexit" — is that some hedge funds that borrowed at low interest rates could get squeezed in coming days because of sharp stock declines in the value of their investments, said Mitchell Goldberg, president of ClientFirst Strategy Inc., a brokerage in Melville. The Dow Jones industrial average fell 610 points Friday.

Should the hedge funds run into trouble, major banks could "be on the hook" for the losses, he said.

Banks could tighten lending, hurting the economy, and Long Island's Wall Street workers could be hit with layoffs.

However, Britain's exit could benefit Long Island's commercial real estate, because the New York City area is seen as a "safe harbor" by many international investors, said David Pennetta, a Melville-based executive director for Cushman & Wakefield.

In addition, affluent real estate buyers in the Hamptons could hit the "pause" button, keeping money on the sidelines, said Judi Desiderio, chief executive of East Hampton-based Town & Country Real Estate.

The financial turmoil is leading some Long Island investors to re-evaluate their strategies, managers said.

Craig Ferrantino, president of Melville-based financial planning firm Craig James Financial Services, called the downturn "a clarion call to investors to take a look at their risk-reward tolerance" and adjust their investments.

"This could be a threat to people who are very near to retirement or in retirement," he said.

David H. Schwartz, chief executive of FCE Group, a Great Neck-based wealth management firm, said his firm urged investors to stay the course.

“Whatever your portfolio was designed to do you should not change it,” Schwartz said. “Daily developments should not affect it.”

The financial turmoil was a gift for at least one group. U.S. travelers will find vacation in Britain less expensive after the pound fell sharply against the dollar.