

Exploring The East End Commercial Real Estate Market: The Hamptons Versus The North Fork

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Since the East End's commercial real estate market is intriguing to many, I met with Hal Zwick, a well-known and respected **Town & Country** real estate agent who brokers commercial real estate on both the South Fork and North Fork, for insights into this market.

Do you devote your efforts exclusively to commercial real estate?

HZ: Yes. I get about a half dozen residential listings each year from commercial customers, but I refer them to other people in our office. I don't want to be distracted from responsibilities with my commercial transactions, nor do I know the residential market as well as my colleagues who work in residential. Often, I will receive an inquiry from someone for a commercial property, and because I know the market so well, I may sell them something completely different that better suits their needs and resources. That is also true of agents who specialize in the residential market.

The common practice with residential is for brokers to co-broke their listings with other brokers. How do you handle that?

HZ: I co-broke my listings with other brokers unless directed by the owner or landlord not to. This is especially true when they do not want the local community to know. For instance, they will say, you can co-broke the listing outside the Hamptons but not within. They want confidentiality, which is their prerogative. However, three quarters of my listings are co-brokered.

How much of your renters and buyers are from outside the area?

HZ: More and more. About three quarters are from outside the area. It's not local mom and pops. Most of the time restaurant tenants and purchases are from outside the area. When the Soundview in Greenport on the North Fork recently sold, I had that listing for two years, and a lot of local people were interested in it, but we sold it to someone outside the area.

How do you reach out to prospective buyers and landlords outside the community?

HZ: Town and Country and I spend a lot of money on advertising and promotion, both within and outside the community.

What other North Fork businesses are you involved in?

HZ: I brokered O'Mally's restaurant in Southold, and I have the listing on North Fork Table and Inn, also in Southold, as well as **the Lobster Roll** in Riverhead. The North Fork is ripe for commercial transactions.

How would you compare the North Fork and South Fork markets?

HZ: The North Fork will never be developed like the South Fork. The Town of Southold is very careful from a zoning perspective what is developed. For instance, I have had calls from people who want to develop hotel condos. The zoning won't allow it. What I think will be happening over the next ten years is a lot of the hotel owners will begin to retire, while at the same time the interest in the North Fork will continue to grow, and the town officials are going to work to maintain the ambiance of the North Fork. Those who want to do business on the North Fork recognize that they have to plan projects that are more "low key." They have to appeal to the apple pickers rather than the Wall Street crowd. The season on the North Fork is longer than the South Fork because of the apple picking, the pumpkin picking, the Christmas festivals and the vineyards and, it's easier to get to than the South Fork.

How would you compare the commercial markets of the towns and villages on the South Fork to each other?

HZ: Westhampton and Quogue are easier to get to than the towns father east, especially East Hampton and Montauk. The business community is going to see more demand, especially in Westhampton Beach, and prices are about a third



of East Hampton. What has happened in Southampton, is that because of lack of space and higher rental prices in East Hampton, a lot of businesses of greater diversity have moved in to Southampton generating an increase in foot traffic. Also, Southampton has more of a variety of smaller stores which are in demand. Just to give you a frame of reference, 1,000 to 1,500 square feet as opposed to 2,000 to 2,500 in East Hampton at a higher cost per square foot. By the way, restaurants are valued on the basis of the number of tables that can fit into a space rather than square footage. There is a great demand for Hampton Road in Southampton since **Citarella** and **Starbucks** went there. In Sag Harbor, there is nothing available. **The dock, Bay Street Theater**, the movie house, the variety of stores and restaurants, have made Sag Harbor a "go-to" place. Also, the businesses have benefited from the development of condos.

It sounds as though the commercial markets on the East End are going through a transition. You have identified the towns and villages of increasing demand as opposed, for instance, to East Hampton. Can you speak to that?

HZ: I had brokered a deal in East Hampton that fell apart before we went to contract. Why? The CFO of the corporation, a large retailer, said, "I can pay \$200,000 to \$250,000 for three months in East Hampton, or the same price for nine months in Manhasset. It doesn't make sense to do this deal." What it comes down to is a matter of economics. More space, high rent, shorter season.

How long is the typical lease?

HZ: Landlords want five years with an option to renew and annual increases, for a highly qualified tenant, three years.

What are "pop-up" stores?

HZ: They were common during the recession but not anymore. They were seasonal rentals. Landlords no longer want to get involved in those. But even when they were common, a landlord wanted at least a one year rental to guarantee income through the winter.

A lot of the commercial space in the Hamptons is occupied by real estate brokers. Are they a tenant of choice for landlords?

HZ: Landlords would prefer retailers, but real estate brokers are good tenants. They pay the rent and don't cause any problems. In fact, I brokered the space that Compass now occupies in Bridgehampton and Southampton.

Do you see any demand for new types of commercial uses?

HZ: Yes. There is an increasing demand for commercial-industrial space from landscapers, pool companies, contractors, and storage space for cars and trucks. I am actively seeking such spaces for people who have contacted me.