

Busy spring expected in East End real estate market

Originally published: March 21, 2014 3:48 PM

Updated: March 21, 2014 7:37 PM

By MAURA MCDERMOTT maura.mcdermott@newsday.com



An oceanfront home being built by Fred G. Lappe General Contracting Inc. in Bridgehampton on March 20, 2014. (Credit: Gordon M. Grant)

The East End real estate market is getting a boost from Wall Street's good fortunes, and from affluent baby boomers seeking outsized homes where they can entertain their children and grandchildren.

Throughout the Hamptons and the North Fork more than 2,600 homes changed hands last year -- a 70 percent increase compared to the doldrums of 2009, the brokerage Douglas Elliman and the appraiser Miller Samuel reported.

It was the busiest year since 2005, when the market boomed with 3,170 sales, according to Miller Samuel. Now that a brutal winter is finally loosening its grip, buyers are coming out in force, brokers said.

DATA: LI employment | Top companies, salaries | LI economic indicators | Salary comparison

READ: Blog: LI business | Column: Help wanted

SEARCH: Top banks | Executive compensation | Top companies

It's adding up to the prospect of a busy spring for real estate agents, buyers and sellers.

"The number-one driver is the fact that people are parting with cash," said Judi Desiderio of Town & Country Real Estate in East Hampton. "There's just more people in the market and more people spending money."

The East End market's strength has benefits that go beyond the Hamptons. It also adds tax revenues and jobs to Suffolk County. Homeowners in the five East End towns will pay \$792 million in property taxes this year, up 64 percent from a decade ago, according to the Suffolk County Legislature's Budget Review Office.

And home building provides an economic boost. Throughout Long Island, the construction industry employed roughly 65,000 people last year, up nearly 7 percent from two years before, according to the state Department of Labor. The East End market has not returned to the heady days of the housing boom, to be sure.

Last year's median sales price of \$699,500 remains 19 percent below the market's high of \$860,000, in 2007, Miller Samuel reported. However, a select group of pricey properties did find buyers. In the Hamptons, 41 homes sold for \$10 million or more last year, an increase of 24 percent compared to 2012, Town & Country Real Estate reported.

The demand for high-end properties is so strong that builders are constructing luxurious new residences, whether "on spec" or as custom projects. The Town of Southampton issued 200 new-home building permits last year, more than double the 96 issued in 2009, said Michael Benincasa, chief building inspector.

"Within the last year or so it started picking up," said Southampton-based builder Fred Lappe.

And the surge of buyers is spilling over into places once seen as modest by Hamptons standards, such as those north of Montauk Highway and in the Sag Harbor vicinity.

Wall Street bonus factor

The demand for East End homes is driven largely by Wall Street money. Financial firms paid out \$26.7 billion in bonuses last year, for an average of \$164,530 per worker, 15 percent higher than last year and the most generous since 2007, state Comptroller Thomas DiNapoli reported this month.

"The Hamptons and Wall Street are joined at the hip," said Jonathan Miller, chief executive of Manhattan-based Miller Samuel.

Nearly 75 percent of Hamptons buyers come from New York City, and most seem to work in finance, Desiderio said. With the stock market up roughly 30 percent last year, many withdrew their gains and bought hard assets such as real estate, she said.

Michael Davis, a prominent builder on the East End, said buyers prefer new homes for their open layouts, spacious lower levels -- East End builders shun the word "basement" -- and amenities such as gyms, theaters, massage rooms and golf-swing rooms, as well as energy efficiency and remote-monitoring technology, Davis said.

One family's 20-acre Bridgehampton estate, now under construction on former farmland, will include a 16,000-square-foot, 10-bedroom main residence with two adjoining kitchens (one for the chef, naturally) along with indoor and outdoor pools, a tennis court, carriage house and three additional homes, Davis said. The property was purchased last year for \$25 million, public records show.

"It's just a recovery in confidence as far as the economy is concerned," Davis said. "We tend to be about a year behind what's happening in the city, and the market in the city has been pretty hot for a while now."

The increasing competition for the most in-demand homes is leading buyers and brokers to take a second look at areas formerly seen as second-tier.

A decade or so ago, Sag Harbor and nearby North Haven and Noyack were known as sleepy communities where writers and artists could rent or buy a modest cottage. Back then, they were "the un-Hamptons," said Dottie Herman, chief executive of Douglas Elliman, based in Manhattan.

No more. In recent years, spacious, modern new homes have been selling for once-unthinkable prices, brokers said. In the Sag Harbor area, eight homes sold for \$3.5 million or more last year, compared to two such homes sold in 2012, according to a Town & Country report. One of last year's sales exceeded \$10 million, the brokerage reported.

North of Montauk Highway

Similarly, developers have built sprawling mansions on expansive properties north of Montauk Highway -- areas that tend to fetch lower prices because they are farther from the ocean.

"You can build a compound there and pay less than half of what you'd pay south of the highway," Herman said. "It just means you have to drive a little bit to go to the beach."

For some baby boomers buying a spacious East End home is a guaranteed way to attract visits from young relatives, Herman said. In the Town of Southampton, for instance, 19.3 percent of residents were 65 or older in 2012, a rise of 3 percentage points since 2000, according to U.S. Census data.

"What's a better lure than a house in the Hamptons?" Herman said. "So they're building homes that will accommodate their kids and their grandkids."

The fact that the market has been gaining strength for a few years means that when buyers seek mortgages, lenders can find comparable sales to justify the agreed-upon prices, said Cia Comnas, an executive managing director with Brown Harris Stevens in Bridgehampton.

"The appraisals are coming in now," she said. "For a while it was difficult to find a comp."

Lending still tight

Even so, buyers seeking mortgages still face tight lending standards. For vacation homes, some lenders demand up to 50 percent down payments for certain buyers, or a co-signer, Desiderio said.

"The prices are still low, interest rates are still low and people have jobs," Desiderio said. "Now all we need is the banks to cooperate."

Most buyers of vacation homes will need to make down payments of 25 percent to 30 percent, compared with 10 percent to 20 percent for primary residences, said Shawn Cassidy, area sales manager for Wells Fargo Home Mortgage in Melville.

However, buyers might need to demonstrate they will have a sufficient cash reserve after buying the home, Cassidy said.

With more competition for the most in-demand homes, the number of pre-approvals made so far this year for East End buyers is nearly double the number for the same period last year, Cassidy said. "They're coming to us saying, 'I need to do this to give myself an edge over other buyers,'" he said.