

North Fork Real Estate Roundtable: How is the North Fork Real Estate Market Doing This Summer?



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Nestled in Cedar Beach, a private bay front community - at the end of the Hog Neck peninsula in Southold is found the perfect North Fork weekend retreat or year-round residence. Listed with Nick Planamento of Town & Country Real Estate for \$1.599M. (Courtesy Photo)

In our last article, we posted the opinions of five real estate brokers with respect to the Hamptons market. In this article, we share the views of three North Fork brokers regarding the North Fork market.

The North Fork is considered to run from Aquebogue east to Orient Point. To gain perspectives for that expanse of real estate, I interviewed three experienced real estate brokers: Thomas Scalia, Broker/Owner of Century 21 Albertson, the only Century 21 in the Peconic Bay Region with offices in Jamesport, Southold, and Greenport; Nicolas Planamento, Associate Broker, Town & Country Real Estate with two offices on the North Fork and six in the Hamptons; and John Nickles, Broker/Owner, Lewis & Nickles Real Estate, Southold, one of oldest and highly respected family-owned real estate firms on the North Fork.

How many agents do you have working under your supervision in your three offices?

Tom Scalia: We have twenty-six agents, twelve Associate Brokers and fourteen Sales Agents. Sally Heitel is the Manager of our Greenport office. How would you compare the North Fork market prior to 2008, from 2008 until today, how do you see it going in the days ahead, and is it the same across all price points and locations?

Tom Scalia: My market areas are Riverhead Town and Southold Town, so we go farther west than what is typically considered the North Fork. From 2008 the median prices are down by about 15%, but the number of sales are less. Since the first of 2014, the higher end of the market has been doing better which pushes the median up. I use median prices because in a small market place, one big sale or small sales skews the numbers if you use averages.

What do you consider the higher end of the market?

Tom Scalia: \$750 thousand and up, capped by about \$2 to \$2.5 million.

Before 2008 what was the turnaround time from contract to closing compared to after the crash, and what is it now?

Tom Scalia: Before the crash eighty to ninety days was typical, after the crash, one hundred twenty days, and while it has gotten better, it's still very slow. Although where lenders were requiring 20% down, now you can get a loan with 10% down.

Why is that?

Tom Scalia: Lenders are being much more careful about the paper work because of new federal regulations regarding mortgages. It slows down the process. I think it's an overreaction to the mortgage crisis. We will have to find a balance.

What is the percentage of cash buyers as compared to financed?

Tom Scalia: Fifty, fifty, most of the cash buyers being older people buying in the Town of Southold as compared to Riverhead.

Do you see a need for affordable housing?

Tom Scalia: The lack of affordable housing on Long Island is a tremendous problem. There has been a mass exodus of young people including our area and their parents are following them. The grandchildren are there and the cost of living is lower.

Would the exemption from payment of the "Peconic Tax" for qualified first-time homebuyers be a help?

Tom Scalia: Yes, how much of a help remains to be seen.

Where do you see the North Fork market going?

Tom Scalia: The North Fork was not affected by foreclosures, so properties have pretty much retained their values. The media attention given us by the New York Times and others, the wineries, micro-breweries, and farm stands, are all driving demand for second homes. Even the eastern portions of Riverhead are becoming attractive to second-home buyers. There continues to be a shortage of year-round rentals. Summer rentals are up. I'm hopeful that in the future, we will see neither a seller's market nor a buyer's market, but a steadily increasing market. That's a healthy market. I would like to recruit new agents we can train, preferably local people looking to start a new career.

What do you offer that would attract new agents?

Tom Scalia: A brand name, support and training, including a very successful mentoring program, a rewards program, and the opportunity to work among an experienced and professional staff.

Nick Planamento: I think the signs that the market was over inflated go back to 2006 - 2007, when modest homes were trading at ridiculous prices driven by easy lending and leveraging of assets. Now, the pendulum has completely swung in the opposite direction. A borrower has to have impeccable credit in order to qualify for a loan.

Do you think this is likely to continue, avoiding the practices which led to the crash?

Nick Planamento: I wish I could say yes, but I'm not sure. People have short-term memories, and I can envision where re-leveraging could cause problems. When I talk with sellers and buyers, I am very honest with them and I tend to be very cautious.

You don't only do business on the North Fork, but you are also a resident who has participated in local government, civic and non-profit activities. From your perspectives, has the market improved across all price levels and areas of the North Fork?

Nick Planamento: I think we have achieved a new norm. It is neither a seller's market nor a buyer's market, and it's unpredictable where it is going. It's a transitional market. Our market consists of micro-brokers, and you need to be a specialist in all of them. It doesn't allow for generalizations about the market. Second home-ownership that looks for investment opportunities is different from primary-home ownership, and one has to be very careful when purchasing for investment opportunities, such as renting or flipping. Buying real estate is a long-term process.

How would you determine market value?

Nick Planamento: You can only do it by comparing similar properties and locations. You may have to go outside zip codes to find comparable properties, and compare bay front to bay front, creek front to creek front, for instance. You have to know the nuances of all of the hamlets.

Do you find that sellers have become more realistic in their pricing?

Nick Planamento: No, I do not. I think they have become less realistic. I have a fiduciary responsibility to my client to give them my best, professional advice on pricing. Sometimes the sellers won't accept that and will engage a broker who suggests a price higher than I would.

How do you see the breakdown between cash buyers and those who need financing?

Nick Planamento: What I have experienced is that the younger buyers are cash buyers, whether they have good paying jobs, inherited wealth or other access to assets. As you move further west, more purchases are dependent upon financing.

But if a house doesn't appraise at the agreed upon price, isn't it likely to kill the deal?

Nick Planamento: Yes, absolutely. Unless the seller is willing to come down in price or the buyer is willing to come up with more money down, which sometimes does happen. I do suggest to my seller/clients that it might be in their interests to get an appraisal and perhaps an engineer's report before putting the house on the market.

How would you layer the North Fork market as far as value is concerned, recognizing that over generalization can be misleading?

Nick Planamento: I would put bay front first, creek front next, and then sound front. Boaters prefer creek front especially if it has access to Peconic Bay. For sunsets, the sound is the place to be, although then you are subject to high bluffs, salt spray and high wind. But bay front is the priciest.

How is the rental market?

Nick Planamento: There is high demand and low inventory of year round rentals. Bay front seasonal rentals are also in demand. The trend seems to be towards short-term rentals which are harder to do. There are only a few motels on the North Fork as well as bed and breakfasts.

What are your thoughts on the need for affordable housing?

Nick Planamento: I was recently appointed to the Suffolk County Planning Commission as the Town of Southold's representative, and I would be in favor of the Town developing more hotel space.

What about action to create more affordable housing?

Nick Planamento: I think it is more an employment problem that a housing problem. We just don't have the types of jobs that pay enough to buy a house on the North Fork. Sellers are entitled to market value for their homes, and buyers who can't pay those prices should seek and colonize communities that are less expensive and raise property values in those communities. Even those in our communities who live below the median are better off than people in other communities, like Georgia. A lot of first time buyers have strong demands. I would suggest that they take more dated homes and fix them up and increase their value. But a lot of first time buyers who were brought up in more expensive homes don't want to do that.

How do you feel about exempting qualified first-time buyers from the Peconic Tax?

Nick Planamento: While I think that the funds derived from the tax are important to preserve our open space, assuming that the loss would be negligible, I would be for it.

John Nickles brings a unique perspective to the North Fork real estate market. His mother started the business in 1934. His office has been at its Main Road location in Southold since 1959. He was born and raised in Southold. His wife, Kathleen, and his son, John, are in the business with him. He is one of the few "Mom and Pop" brokerage firms left on the East End of Long Island. Upon graduation from college, he was employed by CBS television and resided on the West Side of Manhattan. He worked on the three ticker tape parades for the astronauts. Also, he is a past president of HANFA and currently serves as a state director of NYSAR.

John Nickles: We started to see the slow-down in the market in 2005. In 2008, after Lehman Brothers crashed, the balloon burst. It was a very scary time. We didn't understand what was happening with mortgages and all we could do was standby and watch.

Relative to what was happening elsewhere, the North Fork didn't suffer a large number of foreclosures.

John Nickles: That's true. Our market was not as overleveraged as some other markets. From the end of 2007, we started to see the market decline about 17%, from a median price of \$525,000 to \$450,000 to \$470,000, which is about where it is now. We didn't have the "spec building" which saturated the market, and we didn't have a lot of those no money down adjustable rate mortgages. New York State was forty eighth in foreclosures.

How long did a sale take to complete before and after the crash, and how about now?

John Nickles: If the house is priced right, whatever the market, it takes about 140 days or less, at about 10% of asking price. The number of sales this year is about the same as last year. The big difference is that dollar volume is up by about 5%. In my opinion, we are still in the recovery stage.

What do you attribute the turn around to and is it sustainable?

John Nickles: For one thing, interest rates have been kept low. Everybody says there is going to be rampant inflation, so it's a good time to buy. Interest rates are likely to stay below the rate of inflation. The fact that you can deduct interest rates on mortgages is very attractive to buyers. Quite a few people in the upper income category can afford to buy a second home out here. Is it sustainable? Nothing is sustainable. Given what goes on nationally and internationally, I don't know. We will have to evaluate it on a year to year basis to see where our country is going. This year, when we saw that the inventory of available homes go down, we knew that prices were going to go up, which they have.

What percentage of your deals are cash as opposed to finance?

John Nickles: I would say about 50-50.

Have sellers become more reasonable in pricing their homes, and have buyers become more realistic about the prices they're willing to pay?

John Nickles: Not really. We're still a second-home market, so sellers don't have to sell, and buyers don't have to buy, for the most part.

How has the internet affected your method for doing business?

John Nickles: When I first started in this business, I use to spend a great deal of time educating the buyer. I use to drive them all over the North Fork, explaining how one community was different from another, bay front, creek front, the Sound. Now they know all that before they start searching the internet six months before they even meet a broker. They know the niche they are interested in because they have been focusing on it on the internet, whether through my website, other broker's websites, or Trulia and Zillow. They drive by the houses.

Does it help you that they have done all this research?

John Nickles: Yes, because they are better informed about areas, prices, and more ready to buy. They realize what each area has to offer and which are likely to suit their needs at prices they can afford. Second home buyers, for instance, are less concerned about school districts and more concerned about proximity to water.

What do you consider to be the high end of the market?

John Nickles: I would say between two and three million. People come through the North Fork have told me we have the best combination of country and seashore, and the best exposure to Peconic Bay on Long Island. We have preserved nearly 60% of our land, yet we still have the wine industry, nurseries, and farm stands which attract visitors to the North Fork.

I think you told me that you were the father of the Farm Preservation Program.

John Nickles: Yes. We started that in 1983. But of course, preservation pushes up the prices of remaining properties which makes housing less affordable to young families.

How do we make housing affordable to young families?

John Nickles: The best answer is the creation of more jobs. Not the flipping hamburger kind of jobs but jobs that pay well.

Are you in favor of exempting qualified first-time buyers from payment of the Peconic Tax.

John Nickles: Yes, I would. The tax has been in effect since 2000 and much of the land has been preserved. So for practical and moral reasons, I would be in favor of it.