

Montauk Goes High-End

Michelle Higgins | June 3, 2016



Not all that long ago, before Montauk became a hot-spot for summer party-seekers, the hamlet on the easternmost tip of Long Island was defined by its laid-back motels, family-run restaurants, wide, empty beaches and a shabby charm that was anything but chic.

But over the last decade, investors have come to see scruffy Montauk in a different light — as a place that cleans up good. And as more residents cash out and new money flows in, the last underdeveloped portion of the East End is becoming more like, well, the developed East End.

Old-time pancake houses and soft-serve ice cream shops along the main drag have been joined by high-end boutiques selling \$300 beach cover-ups and outposts of trendy Manhattan chains like Tacombi, the Mexican taqueria also in NoLIta, Flatiron and the West Village. Formerly rundown motels have been given makeovers, installing poolside DJs and charging as much as \$750 a night on peak weekends. And real estate values have climbed. In the first quarter of 2016, the median sales price jumped 25 percent to \$1.038 million from \$831,000 a year ago, according to a report by the Corcoran Group.

Montauk was once considered a cheaper alternative to the Hamptons, of which it is technically a part, being within the Town of East Hampton. But because it was so rough around the

edges, it seemed in a different league. And being nearly three hours from Manhattan by car, not counting traffic, it was also thought of as off-puttingly remote. But any grumbling about how far it is from the city “kind of went away when it became a really cool place,” said Diane Saatchi, an associate broker at Saunders & Associates. While overall prices in Montauk are still lower than in much of the Hamptons, she added, “they’re going up, and the prime properties are getting taken.”

This season brings another flurry of activity, as a number of commercial and residential properties have gone on the market or are reopening after recently changing hands. Gurney’s Montauk Resort, which has been undergoing an upscale renovation, is adding its next-door neighbor, the former Panoramic View resort, to its oceanfront expanse, selling part of it — 15 oceanfront homes priced from \$4.7 million to \$12 million — as the Residences at Gurney’s.

The prices are a far cry from the \$175- to \$495-a-night rates that the Panoramic charged as recently as 2015 for a studio with a kitchenette, depending on the season.

Gosman’s Dock, a sprawling, nautically themed restaurant and shopping center on Montauk Harbor comprising about 14 acres, is up for sale for \$52.5 million.

And where humble lobster shacks once presided, higher-end restaurants are opening under new management with big investors and fresh new looks. Among them is Duryea’s, a bayside lobster takeout market that was bought by the private equity mogul Marc Rowan for \$6.3 million in 2013. The place swapped plastic tables and chairs for teak furniture and is serving \$28 lobster rolls and \$95 bottles of Paul Goerg Champagne — though you still have to order at a takeout window.

Ciao by the Beach, which Mr. Rowan also purchased, for \$2.7 million last year, received a face-lift and reopened as the Arbor, a Mediterranean-style restaurant with a wall of wine at the entrance.

The Grey Lady, a New England-style restaurant with locations on Manhattan’s Lower East Side and in Aspen, Colo., and Nantucket, Mass., has taken over the space formerly occupied by the Harbor Raw Bar and Lounge. The Shagwong Tavern, an institution that was bought by a partnership including Jon Krasner and Beau Campsey for \$2.6 million last year, has been spiffed up.

“People have a lot of animosity toward all the new business that comes into town,” said Jason Behan, a lifelong resident and another owner of the Shagwong. So the Shagwong’s update was more of “a restoration,” said Mr. Behan, noting that the photographs of local fishermen and barhopping

celebrities including the Rolling Stones are still on the walls, albeit in new frames. And while the menu has been tinkered with — you can now have cornmeal-crusted “buffalo cauliflower bites” — the “classic” burger is still there.

The new establishments say they aim to cater to longtime residents and newcomers alike. But as the days grow warmer and longer, locals are wary, following a particularly chaotic summer last year.

Overcrowding, noise, traffic jams and drunken behavior became such a problem that the town clamped down, issuing noise violations to popular bars, including the Sloppy Tuna downtown; banning parking along the street near the Surf Lodge hotel and restaurant; and creating new hurdles for share houses, among other measures.

“We reacted with a very aggressive enforcement effort, and things calmed down substantially,” said Larry Cantwell, the supervisor for the Town of East Hampton, which includes Montauk. “We’re trying to get back to our roots and the things that have made Montauk great and desirable to live in.”

But maintaining Montauk’s authenticity is becoming trickier as real estate prices continue to climb. Last year, the collection of white-shingle oceanfront cottages that once belonged to Andy Warhol sold to Adam Lindemann, the founder of the gallery Venus Over Manhattan, for \$48.7 million.

Next door, a five-bedroom, four-bath oceanfront estate is now on the market for \$55 million. At the other end of the spectrum, mobile home sites at Montauk Shores Condominium, an oceanfront mobile home park, are selling for close to \$1 million. Last year, one oceanfront trailer closed for \$1.15 million.

And for a starter home in Montauk, the going rate has jumped to \$700,000 from about \$500,000 just a few years ago, said Peter J. Moore, an associate broker at Corcoran.

“The numbers are crazy in Montauk,” said Anthony Berardi, 59, a high-end residential builder from northern New Jersey who has vacationed in the hamlet for the last three decades. After renting for many years, in 2007 he and his wife, Janet, bought a vacant parcel of land at 165 Soundview Drive for \$916,000 and built a 5,500-square-foot shingle-style vacation house. In 2013, with a plan to buy a more desirable lot nearby, the Berardis sold the house for \$3.625 million.

“I didn’t do it as an investment, but it worked out real well,” Mr. Berardi said, noting that the house is now back on the market with a new pool for \$5.85 million.

With the proceeds of the sale, the Berardis purchased a larger lot for \$1.45 million in 2014 and built a 6,500-square-foot house with a west-facing wall of windows that takes full advantage of panoramic views of Block Island Sound. Mr. Moore of Corcoran, who sold the first Berardi house,

estimated the new one could sell for nearly \$8 million, though the family has no plans to list it. “I want to enjoy this house,” said Mr. Berardi, noting his adult children visit most weekends in the summer. “Our plan is to raise the grandkids out there.”

Yet the changing nature of Montauk has turned off other longtime vacationers. Ken Friedman, an owner of the Spotted Pig restaurant in Manhattan, had been renting a summer house in downtown Montauk for nearly a decade. But over the last few years, the low-key atmosphere that drew him there gave way to mobbed surfing beaches and blaring music. As someone whose livelihood is from bars and restaurants, Mr. Friedman said, he is not one to complain about people having a good time, “but it got to the point that it was just impossible, with bands playing Journey covers until 2 in the morning.”

For about three years, he searched for a place to buy outside the party zone, but was disappointed with what his \$2 million budget would buy. “You should be able to buy something really amazing for \$2 million,” Mr. Friedman said, adding that the places he saw in Montauk for that amount tended to be fixer-uppers nowhere near the water, or “tiny one-bedrooms with a view of another house.”

Last month, he left the hamlet for a waterfront four-bedroom in Greenport on the North Fork of Long Island, finding a laid-back vibe that reminds him of Montauk’s earlier days. The house, which cost about \$2 million, “would have been \$4.5 million in Montauk,” he said. As for his old summer haunt, he said, “It’s part of the Hamptons now.”

But even as Montauk’s real estate market has begun to more closely resemble those of its more upscale counterparts to the west, one important aspect still sets it apart from much of the Hamptons. Roughly 70 percent of its wind-swept dunes, wetlands and forests are preserved and protected — a factor that limits real estate inventory while driving desirability.

“If you take a bird’s-eye view of Montauk, it’s a pit of land in the ocean, and you’re never going to get any more of it,” said Judi A. Desiderio, the chief executive of Town & Country Real Estate. As a result, teardowns are becoming more prevalent, and vacant lots are being snapped up as land grows ever scarcer and more expensive.

Developable waterfront property is the rarest of all, which is why Lloyd Goldman of BLDG Management and George Filopoulos of Metrovest Equities paid \$63.9 million in December for the former Panoramic View to create the Residences at Gurney’s. The 117-room hotel, which was at the center of a Ponzi scheme scandal and was seized through civil forfeiture, is perched on a bluff overlooking the ocean, with some cottages practically on the beach — which would not be allowed under current zoning.

“Even on a calm day, you can hear the ocean. That’s how close you are,” said Mr. Filopoulos, whose family vacationed at the Royal Atlantic Beach Resort in Montauk when he was a child. The new residences at the Panoramic will be quite a change from the accommodations of his youth. The homes, which range in size from 2,000-square-foot two-bedroom apartments to 5,000-square-foot cottages, will offer access to the amenities of Gurney’s next door, including the spa, beach cabanas, “beach nannies” a.k.a. babysitters, and room service.

While the increasingly upscale nature of Montauk has been a boon for businesses and real estate values, it has also brought challenges for the locals.

In December, Cheryl Williams, 38, a front desk manager at the Royal Atlantic, moved 45 miles away to Riverhead, N.Y., in search of a reasonable rent. She had been living nearby in employee housing, but she had become engaged, and she and her fiancé each have two children, which made it difficult to find a home in Montauk that they could afford. Now, she gets up as early as 4 a.m. to beat the “trade parade” of morning traffic filled with contractors heading east.

“If there is no traffic, it’s like an hour and 20 minutes,” said Ms. Williams, who pays \$2,500 a month for the rental in Riverhead. “With a family, it was the closest I could get a place to live.”

Business owners say the seasonal lodging crunch is becoming only worse. Dave Rutkowski, who owns John’s Drive-In, an ice cream and hamburger joint, called in a favor of a room from a friend after finding out one of his employees was sharing a bedroom with seven other people.

“They’re doing whatever it takes,” he said of the seasonal workers.

Mr. Rowan, the owner of Duryea’s and the Arbor, purchased the Neptune motel and other properties for the purpose of putting up about half of his 80 workers. “We just thought it was smarter for us to go out and purchase some housing,” said Steven R. Jauffrineau, the managing director of the restaurant group.

The move, he said, not only helped attract experienced workers from Miami and New York, but was also a good real estate investment. “Montauk,” he said, “is still undervalued in comparison to the rest of the Hamptons.”

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