

More Condos Are Going Up In Fluctuating Market

JD Allen | August 13, 2018

Construction on the Southampton Pointe condominium complex at the intersection of County Road 39 and Tuckahoe Lane is finished, according to the Corcoran Group, which is representing 35 of Melville-based developer Fairfield Properties' 50 units.

Ernest Cervi, Corcoran's East End executive managing director, said the sales have picked up in recent weeks.

"That target market is for first-time homebuyers and people who want to downscale. It was a little slow to start because it took a while for the plan to really become effective," he said. "I think we will see even more condo sales in the third and fourth quarter."

That's the hope of many developers and brokers on the South Fork, as hundreds of millions of dollars have been invested in the past 10 years to build condominium complexes for zero-maintenance, turnkey, luxury living for aging baby boomers who want to downsize, or millennials looking to buy their first home—that is, if they can afford it.

"There is a large population with residences on the East End who would love to be able to put their key in the door and walk away, the same way they do at their Florida estates," said Judi Desiderio, the CEO of Town & Country Real Estate.

"There is a market for condos, but you have to hit the sweet spot. You have to hit the right price, you have to hit the right expenses, you have to hit the right amenities, and you have to have the right concierge. There is a huge demand for it."

The problem: Condos go through spikes in selling, with high highs and low lows.

"I felt like condos was all we could talk about for years," said Carl Benincasa, a Douglas Elliman regional vice president of sales. "Condo fever—I don't sense it in the air anymore. I think condos are a strong option and will continue to thrive in the Hamptons. But as prices have come down, perhaps the larger homes remain more attractive."

When Southampton Town officials approved the Southampton Pointe complex in 2012 as part of a planned development district, or PDD, the price discussed for the condos was between \$300,000 and \$400,000. Now, Mary Slattery, the exclusive listing

agent for Southampton Pointe, said they are going for the current fair market price—many over \$1.25 million.

As part of the PDD, Southampton Pointe includes 15 community-benefit units, which are specifically reserved for people who work in Southampton, including schoolteachers, hospital workers, police officers and municipal employees. The units may be applied for based on income and job requirements through an initiative with the Long Island Housing Partnership.

"They don't use the term 'affordable' anymore—the name for them is 'community-benefit' units. The term 'affordable' has a bad connotation," Ms. Slattery said. "Full-time homeowners who actually work in the community are a stabilizing influence on the community as a whole."

Diana Weir, the director of housing and community development for Southampton Town, said the housing partnership is now putting together application packages to be distributed for the lottery process. A date for the housing lottery has not been set yet. Once applications are received, a date will be set—potentially in a month, she noted.

Ms. Weir said of the 15 community-benefit units, 10 two-bedroom condos will be available for households that make 80 percent of the area median income, or AMI, and five are available for households at 130 percent of AMI. The AMI is set by region—in this case, Nassau and Suffolk counties—by the U.S. Department of Housing and Urban Development.

For instance, 80 percent of AMI for a four-person household is \$93,350. The maximum sales price that family would pay is \$233,375, while the same-sized, income-eligible household, which makes 130 percent of area median income, or \$151,700, would pay \$350,135 max.

"I don't know where else you can get a two-bedroom in the Hamptons for \$350,000 even," Ms. Weir said. "Condos are always less expensive, because there is density. If you are looking to buy a three-bedroom house on a half acre, you are going to pay for it—like at the two houses we just sold in Tuckahoe Woods—upward of \$750,000."

The two-bedroom units are sprinkled throughout the community, and not located in just one area. The

difference is that they are not furnished with the same top-shelf appliances that the other 35, fair-market units are appointed with.

Those luxury two- and three-bedroom units feature Bosch, Wolf and Sub-Zero appliances and high-end finishes. On the lower end, the condos have a spacious, open 1,200-square-foot floor plan. The larger units have closer to 2,000 square feet by comparison.

Ms. Slattery said luxury units have been on the market for about a year, during a time when the complex was not yet completed. Now that the construction dust has settled, and considerable price reductions have occurred for 16 select units priced under \$1 million, she said several units are under contract—with the first closings anticipated for early October.

“It is a lifestyle choice,” Ms. Slattery said. “Most of our potential buyers are second- and third-home owners. They come for the weekend or vacation primarily. And they don’t want the maintenance of a single-family home. They want the convenience of turnkey. They want to come out and they want everything to be new, clean and finished. They don’t have to do anything. The landscaping, the clubhouse and the pool—it’s all taken care of.”

Over the past decade, the building frenzy around condo development produced Watchcase in Sag Harbor; Bishops Pond in Southampton; The Hampton Boathouses and rehabilitation of the Canoe Place Inn, a project on the Shinnecock Canal announced in July, which adds 37 three-bedroom, luxury townhouses to the property; and Southampton Pointe, to name just a few.

“There is still a strong condo market,” Mr. Benincasa said. “Over [the first quarter] of 2017, you have seen that 2018 has a relatively strong condo market. I think that trend that we saw last year—people trading size for location and convenience—is still a real thing. I think as you see people retiring, you see buyers looking for a home that is less demanding, like a condo.”

As far as which option—developing condos or developing mega-mansion investments—could benefit the community more, Ms. Desiderio of Town & Country said condos could be beneficial to municipalities in the long term. “The hamlets should embrace it, because that population does not exhaust the schools, and doesn’t exhaust the code enforcement. They are usually just retirees who might have their families with them.”

This has been true for long-established condo complexes in Southampton and East Hampton towns that have been all but sold out for years. And because condos don’t appreciate the way single-family residences do, Ms. Desiderio said, “people don’t go chasing them.”

On the other hand, there are condos that have struggled to sell because of overpricing—asking potential buyers to sign contracts for more than \$3 million and put down more than 20 percent before the walls were even up.

That’s what happened in 2012, when what is now a

three-story, 19-unit luxury condominium building called Harbor Edge at 21 West Water Street in Sag Harbor was nearing completion—and the owners, East End Development, filed for Chapter 11 bankruptcy. The complex is now open for business under a new investor, Longview Ultra, offering waterfront property.

In 2013, Corcoran brokered the first 20 units of the Watchcase condos in Sag Harbor from a trailer on the construction site. Two years later, developer Cape Advisors poured more than \$40 million into renovating the late-19th century factory complex into luxurious, multimillion-dollar penthouses, bungalows and townhouses.

“There have been nine units that we have re-sold, and there are currently five units as re-sales on the market,” said listing agent Cee Scott Brown. “In most instances, either the apartment was purchased as an investment or major life changes mandated the sale.”

Bespoke had taken on listings for about a year, but now Sotheby’s International Realty boasts representing Watchcase. There was a considerable price reduction for the unsold units.

Ms. Slattery was also the listing agent for the Bishops Pond condos, which were sold largely before any buildings were even erected.

“We were working out of a construction trailer,” she said. “Bishops Pond was wildly successful, because it was the first new condo development in Southampton since probably the early ‘90s. ... This is a new kind of living for people coming out to the Hamptons.”

The gradual build-up in interest in Bishops Pond made it an easy sell, Ms. Slattery said. Manhattanites who were used to living in a condo in the city saw the floor plans and jumped for it. And Ms. Slattery said it’s a similar process now with Southampton Pointe.

“They are used to buying off a floor plan, and buying off square footage, and buying off that price,” she said. “It makes more sense than for the person out here who is coming from a house to a condo—it’s a different shift.”