

A polarizing year for the Hamptons

Rama Alherish | June 4, 2019

While the Southamptons falters in retail and real estate buyers, places like Montauk and the East End are sprawling with new eateries and Instagram influencers.

This year the summer Hamptons crowd will find fun new pop-up restaurants and oyster and burger joints in the East End and Montauk. For instance, Sel Rrose will open an Oyster Bar branch in Montauk, a block away from the beach. Circle Burger and Morty's Oyster Stand are also coming to the region.

But in the Southamptons, the and the Little Red, who respectively opened in 1998 and 2011, are gone. Vineyard Vines also closed, and so did a nearby Brooks Brothers. Overall, brokers say that real estate activity in the Hamptons is down. Brokers in the area say that it's because landlords are being less committal, while development and investment opportunities are becoming scarcer.

A Southampton landlord told The Real Deal that, "The politicians are trying to shut everybody down. Getting rid of the share houses has destroyed the Hamptons. Fortunes are made off bridge-and-tunnel people. That's how you make money."

But Hal Zwick, a realtor from Town and Country Real Estate told the news publication that late-comers are to blame.

"Things are happening late this year," Zwick told The Real Deal. "But some years I've done leases as late as May 15 and they've been open for Memorial Day. Sag Harbor is full. Bridgehampton is full. East Hampton is full. So this is a Southampton issue."

Trulia, a real estate app that also records trends and analyzes residential statistics, says that real estate purchasing is down.

Prices have also increased, as prices from the same period rose from \$902 per square foot to \$1,181.

And it doesn't help that Chinese real estate buyers are taking a hit from the US. Tariffs due to the current trade war between the US and China could decrease the amount of real estate bought by the Chinese.

Chinese buying of US residential property hit a record high \$31.7 billion in 2016, according to the National Association of Realtors. Chinese investors have been the biggest purchasers of U.S. residential real estate for six consecutive years. The trade war could press the Chinese

government deepen the dispute and place stricter controls on its citizens moving their money to the US, according to Lawrence Yun, chief economist at the National Association of Realtors. MarketWatch, a financial information website, said China's government has already put pressure on Chinese nationals to reduce their current real estate investments.

And in the Hamptons, Zachary Vichinsky, co-founder of Bespoke Real Estate said Chinese buyers were moving their capital to real estate in the Hamptons in 2015.

"It's not as prevalent as we're seeing in Manhattan by any means, but I think Chinese buyers are exploring more than just the staple markets such as Manhattan, Chicago and South Florida," he told the TheStreet, an American financial news and services website.

Prices in the Hamptons have also generally been up in retail, which is why some restaurants, like Paola's, are getting good deals for opening branches in the Hamptons. The restaurant owner will be paying less than six figures to rent the new space on the East End, which is a bargain, compared to EMP Summer House, a pop-up from Manhattan's Michelin-starred Eleven Madison Park restaurateurs, who are paying \$200,000 a season for their space in the East Hamptons.

The efforts of the many new commercial real estate enterprises at the East Hamptons and Montauk, and the legendary summer retreat that is the Hamptons, are bringing an increase to prices of rent and the number of rentals in Southamptons, as the Trulia graph shows. Regardless of the neighborhood's real estate fritz, the area remains to be an epic beach getaway right to buy it — and spent more than \$1 million renovating the space.

More broadly, Southampton Village Mayor Michael Irving said any fears of retail apocalypse in his town are overblown.

"It's a general trend, and every year, for as long as I can remember, people go, 'Oh my God, all the stores are closed,'" Irving told the website 27 East in January. "And when spring comes, all the stores get filled again."

Still, while brokers may be signing some deals, "turnover is minuscule at best," said BHS' Cerio. "Nobody is making a killing in the commercial market out here," he said.