



# The Great Hamptons ‘Land Rush’ of 2021

Taylor Vecsey | March 24, 2021



When the COVID-19 pandemic hit, the East End was flooded with people escaping the confines of New York City. Then they decided to stay and bought, bought, bought. What resulted was a lack of turn-key inventory, and now buyers are turning to what land is available to create their own haven out east.

“There’s absolutely a land rush,” says Enzo Morabito of Douglas Elliman. “It’s all across the East End, which is brimming with newly potential knockdowns, and we’re seeing increased activity everywhere, especially on the ocean and in Sag Harbor.”

The activity isn’t with the developers, but rather “end users” who will live in and enjoy the home themselves. Morabito says the reasons are very simple. “The market has really heated up in the past year, and inventory is down,” he says. “So, where the developers have historically set the prices for land, now the end users have figured out that they can buy up land in the location they want and choose where they put their house on it.”

Frank Bodenchak of Sotheby's International Realty agrees. First it was the houses, then "mid-construction" listings and now homes in pre-construction and land are being bought up, he says.

The demand for sales and rentals was spurred on by an increased ability to work from home, plus concerns about the city have increased Hamptons rental and sales demand, he says.

"But inventory has dramatically dwindled, as the NYC pool of buyers is so large relative to availability in the Hamptons," Bodenchak continues. "People are having trouble finding what they want, and are looking at pre-constructions and land. Developers have also been scrambling for land, to replace projects sold in this period."

In the past, there was more inventory from which to choose, Bodenchak says.

"There was also an assumption that if you couldn't find the right house, a better one would come along," he adds. "For two years now, we have been saying that would change. The Hamptons had reached an inflection point, with little, little land left, resulting in fewer future new constructions."

Judi Desiderio, the CEO of Town & Country Real Estate, agrees.

"The COVID kick-up ate away at three years of inventory," she says. "Buyers are finding little to no options in particular locations and price ranges. That opened the door for land and build."

She believes the "land rush" began a few years back and buyers and developers have been buying teardowns because vacant land is so scarce. "As I always say, 'We live on an island,'" she says. "So unlike Aspen or other resort towns, you can't drive an hour outside the villages for more land — you'd be in the ocean or bay."

"The difficulty today is what I call the three 'Ls,'" she continues. "Land is more expensive, labor is more expensive and now lumber and materials are more expensive, due to COVID shutting down manufacturing, forest fires, floods and tariffs."

There are certainly a lot of positives to building your own dream home.

"You have a lot more control when you are starting from scratch and building your own luxury home," Morabito says. "It's the difference between having your own custom suit made or buying it off the rack."

"But it's not always as easy as it looks," Bodenchak says of the building process. "It's important to get expert advice on what a land parcel's potential really is (and its zoning drawbacks). End users often don't know the land planning and design program that optimizes the value of a house and their ability to resell."

That's where an attorney who specializes in land use comes in.

"Land is scarce," says Adam Miller, whose law firm, the Adam Miller Group, specializes in real estate transactions. "I just had someone yesterday willing to pay \$1 million more for land."

Brian DeSesa of the Adam Miller Group, who is known for his focus on land use and serves on the Southampton Town Zoning Board of Appeals, says he counsels clients on, "What can you

renovate, what can you do, what can you build, so they can take that information into their analysis on price and discuss with their brokers the deal points of that.”

He has seen an uptick in people buying land to build their own homes instead of purchasing from a house from a builder. “The cost of land has gone up — that makes more sense as an end-user for a custom home,” he explains. “A million-dollar piece of property, may be — it’s hard to gauge — to an end user that may be a good deal at a million, but to a builder, maybe it’s a \$750K lot. That’s where their profit is otherwise. I think that’s where the switch has come.”

The land cost spike varies.

“In general, land is up across the board by at least 15-percent to 30-percent. In some areas, it has doubled,” says Morabito. “If the spec guys are spending around \$300 to \$500 a square foot, the average range for an end-user will come in around \$400 a square foot to infinity, depending on what they want. In the luxury market, you’re starting at \$1,000, minimum, a square foot.”

Morabito started out as a land developer and has an affinity for this part of real estate. “I’ve always looked at what’s under the house as part of the pricing strategy,” he says. “The most important factor is the location of the land. If the property is on the water, then you need to take the linear feet of the frontage into account and then the square footage of the house and what’s in it. A good broker knows how to crunch those numbers in order to get a fair read on what a property is really worth.”

Morabito pointed to a property his team just put into contract at 11 Meadowlark Lane in Sag Harbor as the perfect example. “We evaluated the property, analyzing what the spec builders were doing, and then priced it accordingly,” he says. “After evaluation, we figured this should be priced at almost double everything else in the neighborhood.” The last asking price was \$2.249 million.

Land varies from \$3 to \$8 million for choice south-of-the-highway parcels, and \$1 to 2.5 million for north of the highway, according to Bodenchak.

“Waterfront is a different animal, and varies from \$3 to \$20 million or even higher,” he says.

Bodenchak further explains that price within the range depends on size, buildability concerns, such as impediments like wetlands or clearing, views, distance from the road and proximity to local attractions, like the ocean beaches.

“On top of that, we see builders charge from \$400/foot to over \$1,000/foot for above-ground space,” he says. “It’s a wide gamut.”

Bodenchak, who works with his wife, Dawn Bodenchak, says they have been selling many pre-construction houses recently. “It’s a segue between buying land and a finished house,” he says. “Buyers get to customize, but are already one year ahead of the game. All the hard decisions — plot plan, external architecture, design program — are worked out, but modifications and customization are still possible.”

He pointed to one property on the market at 105 Heady Creek, which is just being framed and is priced at \$8.75 million. “It’s in the Southampton Village estate section, known for its \$20 to 40

million trophy homes. It's an extraordinary value for a large, new, highly designed house on one acre in this area.

Mala Sander at Corcoran says buyers should purchase knowing, "You're definitely missing a summer," she says. "If your timing is correct, you can get away with just one summer.

They should expect the process to take 18 months, if they have no plans and no permit in place," she says. "If you're working with a developer who has an idea or a design you like it's an easy breezy thing. It can be 12 months."

She pointed to three homes for sale in the Village of Sag Harbor, all with prices that reflect a completed build that can be customized, between \$2.6 and \$3.195 million.

"There are some really great renovation opportunities too," she adds. "It's not a bad idea to get a house in a great location that needs some TLC."

Her listing at 220 Flying Point Road in Water Mill, which could be considered a renovation project or a teardown/redo and was on the market for \$4.85 million, recently went into contract. Located south of the highway on 1.5 acres, the Bauhaus-inspired home could easily be lived in this summer while plans are drawn up for the updates it needs.

As buyers find their way in this challenging market and perhaps embrace the idea of buying land to build on, Desiderio offers this sage advice: "As someone who has built several houses, the process is amazing! I love the smell of sawdust."