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The State of East End Real Estate

Our experts discuss trends affecting the market out East

moderated by Andrew M. Lieb *photographed by Daniel Gonzalez*

Hamptons real estate was electric in 2014. With our distinguished panel of pros, Andrew M. Lieb, Esq., our moderator, helps to bring you home to the Hamptons. In 2014, there was the highest price ever paid for a home in the United States, at \$147 million. We watched the Hamptons on TV with *Royal Pains*; *Revenge*; *Kourtney and Khloe Take the Hamptons*; and *The Affair*. We ate the Hamptons with Dan's Taste of Summer. Now, we get an inside scoop of buying in the Hamptons from the brokers who make the market. This is Hamptons real estate.

AVENUE: How did the real estate industry fare during the past year?

JUDI: They were records (for single purchase) but not statistical records, such as in the 2nd quarter of 2007 when nearly a billion dollars traded hands in just three months. In the second quarter of 2007, a billion dollars traded hands in the Hamptons—that was the record! But this was one of the best years we've had, and especially since the crash.

AVENUE: After a great year in 2014, with the economy up and mortgage rates remaining at record lows, how do you project the Hamptons real estate market for 2015?

CHRISTINE: It looks to be very good. My Wall Street clients are telling me that bonuses are going to be very good—hopefully, that translates into a great rental season and sales.

GEOFF: We are expecting another record year for 2015. Primarily, the Hamptons is a second-home luxury market—when the economy and stock markets are strong, consumers will spend on luxury items.

JUDI: I have always said that our Hamptons markets are umbilically connected to the stock market. The Wall Street to Main Street Jitney comes barreling East with great force whenever the stock market does well. 2013 was a banner year for the stock market, so I expected 2014 to be a great year, and it was. And therefore 2015 will not be as fast and furious. But barring an unexpected downturn or catastrophic event, 2015 should continue with a healthy ascent. Another sizable contributing factor is aging baby boomers like myself, looking to invest in vacation and investment properties.

AVENUE: It's clear that Wall Street impacts the Hamptons real estate market, but is Hamptons real estate an indulgence to buy with your Wall Street earnings or, instead, part of your diversified asset portfolio, or both?

THERESA: Hamptons real estate is Hamptons real estate. It is known across the globe as a place to visit and to invest. Every year, we all think the prices can't get higher, but they keep getting higher. I was born and raised out here and have seen the dramatic changes—in terms of investment, those changes are for the better; Partly because the municipalities restrict building and preserve the land, and partly because of the beauty and cache of the Hamptons which continues to attract people from Hollywood to Wall Street and everywhere in-between.

PAUL: 2015 will mirror the stock market. If profits continue then Hamptons real estate will benefit. I think we also have to keep an eye on the market in the city. If buyers perceive the real estate market is slowing down in the city, a similar perception will float down the LIE.

VICKY: People have been trading up—from homes in the \$1 million to \$2 million range to homes in the \$2 million to \$5 million range. We haven't seen that in a while. People are feeling more confident. I've also been seeing a lot of renovations in my area. When the stock market gets shaky, my customers tend to panic a little at first. But then they realize that the safer place to park their money is the real estate market. With the high-end market, even when the stock market is fluctuating, I feel it doesn't affect the market in the high end part because people are still spending the money; they have the money; they're buying. I have more showings on my \$14 million listings than I do on my \$2 million listings.

CODY: The data and current market momentum indicate that 2015 will be another stellar year for Hamptons real estate, especially on the super high end and special properties. Of course the financial markets have a significant correlation to luxury purchases; however, in both upswings and downturns the Hamptons has historically remained a great place to invest in a tangible asset that you can enjoy!

ANTHONY: Well, we're having a record year in terms of business. Our business, our sweet spot, is basically \$2 to \$5 million. We do sprinkle in a \$10, a \$15 and a \$20 million purchase.

AVENUE: When you say the sweet spot is \$2 to \$5 million, who is someone that's buying a \$2 to \$5 million place out in the Hamptons today?

ANTHONY: We're seeing young couples, with or without children, with a lot of money, who are purchasing for the first time. And that seems to be the price range they seem to feel comfortable with. First-time purchasers are coming in, mostly Wall Streeters, a lot of people from the entertainment business, attorneys who are coming in and looking.

AVENUE: Are they all buying Hamptons real estate for their own use, or are they instead looking to rent out their properties, at least part of the time? Stated otherwise, what is the relationship between the sales market and the rental market that you are experiencing in the Hamptons?

ALICE: Our market report found that the rental market was down slightly in 2014 in number of high-end rentals. However, the market was up in dollars. Many past rental customers had bought properties in 2013 and 2014.

PAUL: When sales are up, rentals are down, and the reverse is true as well—a function of supply and demand. Why rent when money is as inexpensive as it is currently? 2015 will be a decent rental season—the wonderful houses in great locations will always rent.

GEOFF: As the economy continues to rebound we will see more customers enter the market. As sales increased we lost many good rentals, but there is still a lot to choose from, and I would strongly suggest renters start looking early for the 2015 season.

CODY: The best rentals go immediately, and they often recur year after year. Thus the best inventory is typically gone before you know it. We saw a lot of long-term renters turn into buyers in 2014.

CHRISTINE: A lot of our renters turn out to be buyers at some point.

ROUNDTABLE PARTICIPANTS



ALICE BELL, *Real Estate Associate Broker, Senior Vice President/Brokerage Manager, Sotheby's International Realty, Inc.*

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Theresa Quigley



Anthony Devivio



Christine Saar



The Summer 2015 rental season should be great—but that doesn't mean that we are doing all of the rentals. Clients are now looking to VRBO, Airbnb, et cetera, as a way to find a rental.

AVENUE: So, the sharing economy is impacting the real estate rental industry in the Hamptons. How do these websites impact landlords and tenants? Are there risks?

ANTHONY: I think, to Christine's point, there's going to be continued pressure on the rental market. Airbnb, VRBO—they're cutting into it. There are risks for the people that use it. We've had a number of cases where people will go onto websites, whether it be Halstead or Saunders or Brown Harris. They have the technology savvy to lift pictures. They know the address of the house. They put it on VRBO as if they own the house. And they put an advertisement on VRBO: house for rent. It's a house that they don't own.

THERESA: I know of people who have arrived with lease in hand and money paid, and it turns out there is no property available. The more that happens, the more the homeowners and tenants will understand the risk of contracting on blind faith and the more they will turn to a company which, at the bare minimum, can ensure that the lease is valid and the money properly paid. In this way, I see the phenomenon as a boon to the real estate industry; why work with a stranger online rather than with a licensed real estate agent?

JUDI: What blows my mind is somebody is going to turn the keys over to their \$2 million house to a stranger who emailed them.

AVENUE: That is scary. Perhaps that is why brokers are licensed in the first place, to protect the public. Shifting topics, but still dealing with trends, there seems to be a trend that the Hamptons' market is growing west of the Shinnecock Canal. In fact, the *New York Times* recently called this area "The Hamptons-in-Waiting;" what are your thoughts?

VICKY: West of the Canal tends to attract a younger demographic—young families. They like the convenience and the fact that they don't have to travel as much. It also attracts people who have roots in the area. Westhampton is a great shopping street; they have some of the original stores, which is nice; there really are no pop-up stores, so you do have the same merchants who have been in the area a long time, which is great!

JUDI: Westhampton Beach, Quogue, Remsenburg and the surrounding markets are of great interest to a certain demographic—people in their twenties, thirties, successful, and interested in getting in and out of the Hamptons quickly and easily. They save one to two hours during prime-time traffic.

PAUL: West of the Canal is being rediscovered again due to the perceived values and its proximity to the city. Why add another hour plus to your drive when you can exit off Sunrise Highway and be in Hampton Bays, Quogue or Westhampton Beach with far less agita?

GEOFF: There is a definite trend for convenience and lifestyle properties, many are opting for the shorter drive from the city, and they can also buy more with their money. Montauk has experienced record sales this year simply because it is a location and community like no other.

AVENUE: You mentioned Montauk: which other areas are like no other? Where should I park my money in the Hamptons?

JUDI: Right now, I think the best buy out there is the estate area of East Hampton. Because no matter when you look at history—and the future—the estate areas of East Hampton and Southampton always realize those magic numbers, the 147.

ALICE: Southampton, north of the highway, in the \$3 million to \$4.5 million price range. Customers are beginning to realize the value of going slightly north of the highway, which offers more acreage, yet is still close to town and close enough to the beaches.



PAUL: The areas that are yet overlooked are North Sea in Southampton and parts of East Marion on the North Fork. Both of these areas are ripe for rediscovery. Another area that exploded, which I can't understand, is North Haven . . .

JUDI: Well, everything's cyclical, and North Haven was beat up for, what, the last nine years? It got to a point where no one wanted to go there because of the deer, because of this, because of that. Now, all of a sudden, if you're spending \$2.5 to \$3 million dollars and you're getting an *ahhh* house, you go up to North Haven for \$2.5 and \$3 million and you get a beautiful house.

AVENUE: Beyond location, what about architectural features—what's in?

THERESA: The most compelling houses are the really modern structures. And I don't mean 1970s modern; the new modern house is open, with glass and views and built in tune with the environment—à la Frank Lloyd Wright. It is also green, and people are very conscious of that.

ANTHONY: Right now they're building barn-style houses that take on a very modern look. They're building homes from the exterior that look more traditional, but once you go inside, it has the clean lines, the very high ceilings. And it's taking on a very, very modern look. Anecdotally, there are more antiques dealers that are closing shop than ever before. Because that whole style of the 1880s cottage filled with the antiques and the old furniture, is completely out of vogue right now. The other side of it is, new is king.

PAUL: Everything now must be new, new, new! That's what goes off the shelf.

AVENUE: Great, but when does new become old?

JUDI: The moment you hang curtains.

AVENUE: Ha-ha. I guess the only feature that doesn't get old is a waterfront location.

CODY: Having sold a significant amount of waterfront, both on and off the ocean, I can confidently say that there is no hotter segment of our market. For special waterfront property, there is certainly much more demand than supply right now. With the record-breaking statistics happening across the board, the waterfront trades bring a new market perspective to the Hamptons as a whole.

ALICE: These properties accrue in value much more than almost all others. As each year passes, fewer waterfront properties become available.

GEOFF: Many waterfront properties are cost prohibitive for many between Southampton and East Hampton, and there are stunning properties available in Westhampton and the North Fork for a fraction of the price. Waterfront and water view properties will always be in demand; they are generally held longer and inventory is always low.

PAUL: Waterfront is and will continue to be the backbone of the real estate industry. The water, be it ocean or bay, is the primary attraction to and for the Hamptons. To own a parcel of oceanfront or waterfront is as close to heaven that anyone of us will get. It's the blue-chip stock of real estate.

AVENUE: Thank you to our panel. With the New Year right around the corner, it's time to contact these brokers to make your purchase or secure a rental before the 2015 summer season. ♦

Andrew M. Lieb, Esq., MPH, is the Managing Attorney of Lieb at Law, P.C., and is a contributing writer for Behind the Hedges: Inside Hamptons Real Estate and Dan's Papers.