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US property: the rise of Manhattan-style condos in the Hamptons

By David Kaufman

New York's increasing influence on the area is being felt in the latest trend for upmarket condominium projects



The beach at East Hampton, on Long Island, where one investor recently paid \$60m for an estate

Much like Malibu or Palm Beach, the Long Island cluster known as the Hamptons is a semiurban resort destination whose scenic beauty is eclipsed only by its stratospheric prices for residential real estate.

Located 100 miles from Manhattan at the eastern tip of Long Island, the Hamptons encompass a clutch of Atlantic-front towns and hamlets – including West Hampton, Hampton Bays, Southampton, Bridgehampton, East Hampton and Sag Harbor – that have hosted America's wealthiest and highest-profile families for nearly a century. In the 1920s, Jacqueline Kennedy spent much of her childhood in East Hampton; today, celebrities such as Jerry Seinfeld, Martha Stewart and Calvin Klein all maintain estates in the Hamptons.

Before the arrival of the rich and famous, the area consisted mostly of unremarkable farmland and potato fields. Now this community of sprawling seafront mansions and tidy shingle-roofed

bungalows is increasingly mirroring Manhattan as an investment destination for the international new-moneyed elite.

As in New York City, house prices are not only rising but are beginning to reach (if not eclipse) pre-recession levels. According to July's report from real estate brokers Douglas-Elliman, the average Hamptons sales price surged 39.2 per cent in the second quarter of this year to nearly \$1.7m. At the same time, the number of actual sales rose by 94.5 per cent – making it the busiest spring quarter since 2006 – as availability shrank by 13 per cent.

Meanwhile, at the market's uppermost end, average sale prices in the tiny community of Sagaponack reached \$11m, Douglas-Elliman says, placing it among the costliest areas in the entire US. Pricier still is the \$60m that investor Steve Cohen paid for a seven-acre 10,000 sq ft estate in East Hampton early this year – one of the highest figures ever recorded in Long Island. Even rental deals hit new records this year as some half-dozen summer listings topped the \$1m mark for the three-month season.

“The Hamptons is currently witnessing the most activity since the collapse of Lehman Brothers in 2008,” says report author Jonathan Miller, president of Miller Samuel Real Estate Appraisers in New York. “Previously”, he adds, “the Hamptons stood as a secondary market, far more vulnerable to economic conditions. With Wall Street now doing so well, the Hamptons and Manhattan markets are now joined at the hip.”



Beyond the price spikes, New York City's increasing influence is also being felt in the Hamptons' latest real estate trend: upmarket condominium developments. Indeed, while the highest prices are still commanded by detached mansions with Atlantic-front acreage, new-build/full-service “Manhattan-styled” projects are now entering the market. Though they may lack the grandeur – and bragging rights – of conventional Hamptons estates, they appeal to an audience eager to avoid the hassle or expense of maintaining a major second home.

“Considering the lack of new Hamptons construction, there is clearly a market for this type of housing,” says John McHugh of Sotheby's International Realty in Southampton; “particularly empty-nesters or older buyers looking to ‘downsize’ from a larger Hamptons residence.”

A trio of new projects has already been built, or is nearing completion, across the region. In Southampton, there is Bishop's Pond, where 77 lofts and town houses are priced from \$840,000 to \$3m, along with Pond Crossing, a 16-townhouse development priced from roughly \$950,000 to \$1.3m. Further west, the Dunes at Westhampton Beach includes 39 three-bedroom town houses from \$560,000.

“We've signed nearly 40 contracts since March, with the first residents moving in by autumn,” says Bishop's Pond developer Steven Todd. “We have many Manhattan buyers, but also folks from northern New Jersey and other parts of the Hamptons.”

Meanwhile, two higher-priced developments are scheduled for completion next summer. In Bridgehampton, Manhattan-based Continental Ventures has recently broken ground on Old Barn Lane, which includes 30 single-family homes priced from about \$3m. **And at the trend's highest end is Sag Harbor's Watchcase, a former Bulova watch factory being converted into 64 loft-style residences priced from \$1m to \$11m.**

Dating back to 1881, the red-brick building will retain period details such as its 14ft ceilings, exposed pine beams, granite vaults and some 20,000 repurposed bricks. When finished, Watchcase will include 14 penthouses with private terraces and outdoor kitchens, 17 new-build town houses and bungalows, and a "leisure" complex with an outdoor swimming pool and fitness centre set on top of a large car park. So far, 60 per cent of the project has sold, according to sales agent Corcoran Sunshine Marketing Group, including a number to Europe-based buyers.



"Along with the building's history, much of Watchcase's appeal is Sag Harbor itself, which is a true year-round village," says Craig Wood, chief executive of Cape Advisors, which is developing the project. Manhattan-based buyer Nina Kaminer, for instance, bought a property at Watchcase even before the sales centre opened precisely because of its location. "We are city people and love the idea of town life," says Kaminer, a public relations executive who has owned a holiday home in nearby North Haven for 15 years. "I love the old factories in Soho and Tribeca and always thought this building would make for incredible loft conversions."

Like Bishop's Pond and Pond Crossing, Watchcase was initially planned before the 2008 financial crisis, only to be pulled from the market. Five years later, a rebound on Wall Street, along with increased interest from Russian, European and South American buyers has boosted confidence in the condo-concept's viability. Nonetheless, with Hamptons condominium projects still relatively new, the model's long-term potential is yet to be determined.

Even developers such as Wood concede that despite their Manhattan-styling, condos in the area are unlikely to ever reach Manhattan-sized demand. "The Hamptons will never turn into New York," he says. "We believe in the viability of full-service, architecturally significant projects. But the market certainly won't sustain 50 new buildings."

Buying guide

- The high-end condominium market is still fairly small and competitive, with average prices rising 32.7 per cent in the second quarter of 2013
- Parts of the Hamptons were badly damaged by Hurricane Sandy last year, particularly Sag Harbor

What you can buy for . . .

\$500,000 A three-bedroom, “starter” home at the Dunes

\$1m A four-bedroom townhouse at Bishop’s Pond

\$5m A two-bedroom penthouse at **the Watchcase Factory**

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