


# BROKERS WEEKLY



# GOING, GOING, GONE

## Auctioneers making in-roads in New York City

By ROLAND LI

In May, an auction was held at One Hanson Place, a condo conversion that was formerly the Williamsburg Savings Bank.

After years on the market, most of the 179 units had been sold by the Corcoran Group and Stribling & Associates. The building's sponsor, Canyon-Johnson, a California fund, was ready to move on. It was far from a distressed sale — the remaining six units were prime apartments, near the building's clock tower crown.

During the marketing phase, Canyon-Johnson committed to selling two units, regardless of price. As the response increased, they raised it to three, and finally four during the auction. In the end, all six units sold, ranging in price from \$1.5 million to \$2.8 million, and allowing the sponsor to move to another project, unburdened by straggling single units still lingering on the market.

While the prices were down from the initial condo plan, filed during the boom, they weren't far from the current market, and the developer was very pleased, said Misha Haghani of Paramount Realty USA, which organized the auction.

In February, Sheldon Good & Company, one of the country's largest real estate auctioneers, sold 45 condos in

two hours, spread amongst the New Amsterdam in Washington Heights and the East River Tower in Long Island City.

For the New Amsterdam, sales ranged from \$211,000 for a one-bedroom unit to \$503,000 for the penthouse and parking space. East River Tower's prices ranged from \$333,000 for a one-bedroom to \$601,500 for a two-bedroom. Prices were lower than the initial ask, but the benefits extended beyond prices, auctioneers said.

"Auctions compress the time frame, creating a sense of urgency," said John Cuticelli, CEO of Sheldon Good & Co. and Racebrook, its parent company. "Everything we do leads to crescendos."

These recent auctions are some of the few voluntary auctions in the city since the recession — the bulk has been foreclosure auctions, forced by the courts.

Despite a torrent of auctions throughout the country, New York — and Manhattan in particular — has stood as a broker-driven city, where such auctions are rare. But recent activity suggests that there may be a place for auctions, and perhaps even room to grow.

Sheldon Good & Co. recently moved its headquarters from Chicago to New York, a sign of Cuticelli's Manhattan roots, but perhaps also a signal of more local auctions. (Cuticelli acquired Sheldon Good & Co. in 2009, after it filed for

Chapter 11 bankruptcy.)

Auctioneers already see the marketing process as a crucial component for the success of the auction and, they say, not dissimilar from traditional brokerage.

At Paramount Realty, the five-person team spends eight weeks of planning and four weeks of marketing, culminating in a 20-minute auction. Marketing can include print and internet advertising, broker outreach and signs.

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— MISHA HAGHANI, PARAMOUNT REALTY USA

The cost varies depending on project, but Haghani said residential condo auctions can cost around \$100,000 to \$150,000 to market — an amount that is close to traditional marketing on a cost-per-unit basis, said Haghani of Paramount, which has closed on almost \$30 million of property in auctions, since forming in 2009.

At M127, a 12-unit condo on Madison Avenue, sponsor Cardinal Investments had sold three of nine units during the peak, eventually turning to Paramount to auction the rest

Continued on Page D5

Canyon-Johnson was happy with the near-market prices auctioneers Paramount Realty USA got for the last handful of apartments at One Hanson Place.



# Going, going, gone

Continued from Page D1

The final six units were auctioned for a combined \$8.5 million. Paramount also auctioned a townhouse at 3 East 10th Street, a 12-unit building with four rent-stabilized units, for \$6.634 million.

In perhaps a telling trend, both the sponsors for One Hanson and M127 were California funds, rather than New York institutions. "They're much more comfortable and much more used to using auctioning as a method of selling real estate," said Haghani of Paramount.

Auctioneers credit the format to create buzz, perhaps leading to subsequent sales. "The biggest benefit of running an auction program is that it creates exposure," said Haghani. In that sense, he said, an auction is comparable to marketing tools like an increased brokerage commission or a party for prospective buyers.

"The auction has a unique ability and, frankly, a more compelling reason to get people in," he said.

Sheldon Good & Co. perform a vigorous analysis of the local market, graphing average family sizes, income, price points and unit types, in order to prepare a plan for the sponsor.

"People don't drop out of the sky to buy real estate," said Cuticelli. "We've quantified it."

After establishing a marketing website, Sheldon Good & Co. tracks referrals

through web traffic analytics, measuring the success of particular advertising methods. Their February auction was well-attended, attracting hundreds of people, and the bidders were pre-qualified.

Both Sheldon Good & Co. and Paramount attribute part of their success to their real estate backgrounds, rather than experience with auctions. Haghani formed Paramount with Scott Burman, a partner of the Engel Burman Group, a Long Island developer, after the two met at New York University's Stern School of Business. Previously, Haghani worked in corporate and real estate law at Milbank, Tweed, Hadley & McCloy LLP, where he represented lenders and the Rockefellers, and also spent time at Sheldon Good & Co. Cuticelli has experience in brokerage, development and banking.

Aside from the two companies, there are few players in New York condo auctions. The website Bid on the City offers online auctions with streamed video and audio and broker splits, but doesn't work directly with developers. It recently opened a Florida branch.

Psychologically, Cuticelli said, the auction model sets a pricing floor, rather than ceiling. Bidders see value in the properties

and are excited by the chance for deals, in contrast to an overpriced apartment — or entire building — languishing on the market for months, only to finally see its price reduced.

But some brokers remain skeptical that condo auctions will catch on, citing the lack of inventory in Manhattan, and prices already creeping up again.

"I don't see a lot of other auction situations happening," said Stephen Kliegerman, president of Halstead Property Development Marketing. "I don't think it really gets the seller the best price."

He added that there remains a stigma regarding auctions, because of their association with foreclosures.

"The biggest challenge is the perception," agrees Haghani. "It will never replace brokerage wholly. But it definitely will continue to grow. It's a strategy. It makes sense in different situations," he added, and noted that Paramount offers broker commissions for closed auction sales.

Paramount has a mix of auctions upcoming, including development sites in Coney Island and Sheepshead Bay, a stalled condo in Crown Heights and Manhattan, and a vacant residential building in Manhattan. It

is in talks with various developers about other residential buildings in the five boroughs, said Haghani.

Meanwhile, Sheldon Good & Co. has dozens of scheduled auctions across the United States, including a Manhattan hotel, although no Manhattan condos are currently planned.

Although brokers remain a dominant force in the city, auctioneers remain optimistic. "I think we're on the right side of a great trend," said Haghani.



SCOTT BURMAN

MISHA HAGHANI