

### COVER STORY

## Tricks of the Trade

Published 06.03.09

By JOHN MAJESKI

In its first billed event, Bid on the City just sold a modest four properties. But the newly founded company expects to capture 10% of the area real estate market in due time.

"It's ambitious, but we're ambitious people," said Albert Feinstein, who co-founded the company with Vlad Sapozhnikov, both executives at the real estate firm, New York Business Group.

The auction company requires sellers to sign an exclusive 30-day listing agreement. The property then goes to auction, with potential buyers placing bids from a personal computer or in person at Bid on the City's offices on Fifth Avenue.

This \$3 million venture was conceived well before New York City real estate took its present dive, but the service was rolled out at perhaps the most ideal time: When worried sellers are willing to give untraditional methods a shot.

"There are definitely auctions now where there weren't a year or two ago," said Derrick Gross, business analyst at the property listings Web site [streeteasy.com](http://streeteasy.com). "It's a good idea. It's a way to differentiate yourself."

Non-traditional selling techniques and marketing methods currently being tested are not limited to auctions, though.

In Palm Beach, Florida, a savvy Realtor is offering one buyer a \$1 million coupon to use towards the purchase of an oceanfront condo there.

Rusty Gulden has been running an advertisement in the Palm Beach News. "FREE \$1,000,000 with this coupon. Offer expires May 31, 2009," the ad reads.

The coupon can be used towards the purchase of a 2,000 sf unit at the Sun & Surf Condominium at 100 Sunrise Blvd. Listed at \$3.7 million, it's \$2.7 million with the coupon.



*continued*

# **BROKERS WEEKLY**

*continued from previous page*

Two years ago, a Maryland couple decided to raffle their home after traditional selling methods failed. The couple sold tickets at \$80 a pop and netted over \$600,000 (including \$225,000 profit) for the 2,700 sf farmhouse and sparked a trend that has seen firms specializing in home raffles sprout all over the Internet.

Take USA.HomeRaffle.com. The concept involves selling your home to a non-profit organization so it can raffle it off as a main prize. Sellers usually have to sign a contingency contract that says the non-profit will buy the house once they have sold a set number of tickets.

On the day of the raffle, someone gets a new home for the price of a raffle ticket, the seller gets the full appraised value of his home and the non-profit pockets the profits. Everybody's happy.

While raffles and coupons haven't quite taken off in the tri-state market, many developers are thinking outside the box when it comes to tempting buyers.

Hudson Hill Condominiums, 462 West 58th Street, recently advertised a "facade completion blowout" where officials announced they are slashing prices up to 29% for the next 25 buyers. The Alchemy Properties development consists of 67 luxury units in a 10-story building. "Who knows if they will raise the prices after the 25 (buyers), but it creates a sense of urgency," Gross said.

At Andre Balazs' William Beaver House in the, financial district, a number of units are being marketed as rentals. Gross said such actions can upset existing owners ill the building, but at the same time it can be an opportunity to fill up a building and generate cash flow for ownership.

Gross has also seen a spike in the number of rent-to-own situations being pitched by developers. Northside Piers, the 30-story development in Williamsburg, announced such a program in the fall while Latitude in the Riverdale section of the Bronx is also hawking rent-to-own. Gross said it is no surprise the market is seeing such strategies to lure buyers, so many of whom are hesitant to sign a contract or are having trouble securing appropriate financing.

"The volume of sales is still pretty low," Gross said. "There's a lot of inventory. There are a lot of rentals coining onto the markets. Developers are going to do something different if they want to move their units. It's a great idea to try these different ways to sell."

Davida Katherine Maron, a broker associate for Century 21 NY Metro, said another non-traditional trick some developers are taking is selling units in bulk. Problem is, she said, there seems to be the same impasse between buyers and sellers when it comes to price. One recent experience was with an out-of-country referral.

"Somehow, some of these foreign investors think we're having a fire sale here," she explained. "The Canadian agent was actually indignant when I gave her pricing for a four-unit package. She expected to pay much less for 're-possessioned' property. I then explained to her that these are not re-possessioned units but units sold in bulk by the developers. Anyhow, no fire sale, no deal."

Maron knows of a seller looking to unload bulk units in New Jersey, yet she has doubts the price tag will be palatable to an investor once homeowners' fees and taxes are figured into the equation.

"The most you can get here is \$1,700 a month in rent," she said. "It's not a win situation."

*continued*

# **BROKERS WEEKLY**

*continued from previous page*

Maron said both buyers and sellers need to get more realistic to make deals happen. Auctions may be more appealing.

“From what I hear, it’s probably a better way to go,” she said. “There’s something enticing about it for buyers.”

Bid on the City, of course, is hoping Maron is correct. Of the properties listed at the company’s first auction, bidding prices started anywhere from 25-52% of the unit. Final bids were anywhere from 2% (a 1-bedroom unit at 555 West 23rd street) to 57% (a studio unit at 555 West 23rd Street) more than the starting price.

“The great thing is, all were marketed as all cash,” Sapozhnikov said.

Bid on the City, which takes 3% of the sale from both the buyer and the sellers, has not used hidden reserve bids, but will begin experimenting with them in the future. Feinstein said when potential buyers show up in person, it is a silent affair, with participants providing bids with an electronic “tablet” so as not to disadvantage online bidders.

Sapozhnikov said bidding lasted no more than 10 minutes per property. Each unit was offered up by an investor, but he said there is no limit to the type of customer Bid on the City can assist.

The necessary technology was developed by propertyshark.com. Plans are already in the works to expand outside of New York City - and the United States.

“Absolutely,” Feinstein said. “We’re talking to people internationally, talking to representatives in Eastern Europe, and doing the same in Miami and California.”

No worries from the pair about their concept being duplicated and their business stolen. “Every single day we operate we have to improve and instill new technologies,” Feinstein said.