

CRAIN'S  
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## Bulk sales of condos spreading

Developers try package deals to lure investors

BY AMANDA FUNG

**AFTER NINE MONTHS** and a total of only four tentative sales at its six-story condominium in Harlem, owner Gaetano Development Group decided the time had come for a radical change of tack. Last month, the company began marketing substantially discounted bundles of some of the 18 unsold units at its Lore Condominium—not to people looking for a home, but to investors looking to make a killing in a depressed market.

"The developer has other jobs to move on to," says Stephen Kliegerman, executive director of development marketing at Halstead Property, who reports that a South American real estate investor is close to buying the first such package. "Bulk sale is a way to move units in a timely fashion, versus selling them one-off."

With thousands of unsold condo units weighing heavily on the market and the backlog mounting every month, more and more developers are following Gaetano's lead. In recent weeks, desperate landlords have put packages of anywhere from four units to entire buildings on the market at more than a dozen Manhattan and Brooklyn projects. Discounts range from 10% to 20% of already depressed listing prices—and those discounts are expected to widen.

### A Florida phenom

**NO BULK SALES** have actually closed here yet, but trends in other states signal that the day will come soon. In Florida, where the market began to come unglued nearly four years ago, bulk sales are now commonplace. So far this year, there have been five big deals there. In one, the Related Group sold 101 units in its New Harbour House development in Bal Harbor for \$27 million—each was about half the price that some units were fetching there two years ago.

In New York, many observers note that landlords will have to come down further on their prices if they expect to make a bulk sale. Pressure is mounting for them to do just that. In Manhattan, the inventory of unsold condos hit 5,469 last month, up 21% from year-earlier levels, according to

appraisal firm Miller Samuel Inc.

In Brooklyn, there were 1,678 units on the market last month, up 4% from November, when Miller Samuel began tracking the borough's inventory. In Williamsburg alone, another 2,000 units are expected to come to market in the next two years, according to David Schorr, director of finance and development at brokerage Aptsandlofts.com.

With the supply of units soaring and available financing shrinking, the time it takes to sell apartments is lengthening. In Manhattan, the average in the first quarter was 178 days—39% longer than the average over the past decade.

"Units can't stay vacant forever," says Ofer Cohen, managing director of TerraCRG, a commercial realty group that is currently working on a dozen bulk-sale projects in Brooklyn. "At some point, something needs to be done."

At The 505 in Hell's Kitchen, a package of four one-bedroom units is being offered for \$2.8 million. That is 10% under the cost of the apartments if purchased individually, according to Mr. Kliegerman.

Investors, though, are still waiting for New York to catch up to other markets like Florida, where prices are down as much as 60% from the peak. The hang-up is that even those developers that are willing to bite the bullet, cut prices and move on must get permission from their lenders first. With more tied up in most projects than what the developers put in, the banks are especially keen to minimize their losses.

"It takes a long time to adjust and reduce prices," says Mr. Cohen.

### Works in progress

**MANY OF THOSE** arduous negotiations between the two sides are under way. Until agreements are actually struck, however, buyers are likely to remain on the sidelines.

"Unless these packages are discounted dramatically, there's no way they can be sold," says Andrew Geringer, managing director in charge of marketing new developments for Prudential Douglas Elliman. He and others note that for bulk buyers, the aim is to purchase at a price that will allow them to rent out their units and generate a return of at least 5%.

So far, Mr. Kliegerman has received 25 inquiries since marketing bundles at six developments in Manhattan and Queens late last month, but only one serious offer—at The Lore. Mr. Cohen has fared somewhat better. He has two contracts out, both for unfinished buildings—a six-unit building in Clinton Hill and a 100-unit building in Williamsburg. ■

### A PLAN FOR UNSOLD UNITS

**TALK ABOUT TURNING** lemons into lemonade, City Council Speaker Christine Quinn thinks she may have a way to cut through the glut of unsold condos. She is pushing to have the city snap up vacant units from developers at bargain-basement, bulk prices and turn them into affordable housing for the middle class.

The scheme could give a big, yet relatively inexpensive boost to Mayor Michael Bloomberg's plan to create and preserve 165,000 affordable-housing units by 2013. However, many wonder whether the city's budget woes will impact the funds available for such an undertaking.