

## Chopping millions off prices

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For the last few years, price seemed almost an afterthought in New York's real estate market, as penthouses and brownstones speedily sold for record-high figures. But since the collapse of Lehman Brothers and the ensuing stock market crash, price cuts have emerged as the single most important factor in home sales.

As Halstead Property executive vice president Brian Lewis put it, "properties that are not really keenly priced are utterly ignored by the buyers."

But with so few sales having closed since September and the stock market wildly fluctuating, finding the right price is a tall task. "It's just a moving target," said Kathy Braddock, the co-founder of Charles Rutenberg Realty. "Nobody has ever seen a market like this."

Nonetheless, a number of New York's top brokers are beginning to crack the code, shepherding deals into contract despite the uncertain market conditions. To do this, they're fearlessly hacking millions of dollars off listing prices, soothing sellers' frayed nerves, and choosing buyers carefully to ensure deals actually make it to the closing table. This month, *The Real Deal* talked to some of the city's fiercest "closer brokers" to find out how they do it.

Paula Del Nunzio, a senior vice president at Brown Harris Stevens and the company's top producer in 2008, famously set the record for the most expensive New York residence ever sold in 2006 with the 50-foot-wide Harkness Mansion on the Upper East Side, which went for \$53 million. She is now in the running to break her own record with the 15-bedroom Sloane Mansion, which went on the market for \$64 million in February 2008. Del Nunzio is selling the 19,300-square-foot home for an investment group managed by the banker Joseph Ingrassia.

Still, last month, Del Nunzio slashed Sloane's price by \$10 million.

"A strong price reduction says, 'Take me first, these sellers are serious,'" she said. "It sends a signal to all the buyers."

Another one of her listings, a five-floor brownstone at 42 West 12th Street, went into contract Jan. 30 after a \$2 million price chop in October that took it from \$19.95 million

to \$17.95 million.

Del Nunzio said pricing townhouses is not an exact science even in the best of times because there are so few of them to begin with. "It's very hard to find other comparables with the same width, the same façade," she said.

Jed Garfield, managing partner at boutique real estate firm Leslie J. Garfield & Co., emphasized that one very large price cut is better than several smaller ones, because an attention-grabbing cut can re-energize a listing that's been sitting for a while.

"You're better off hacking off the whole leg rather than doing the toes and then the ankle," said Garfield, who recently slashed \$4.1 million off the price of a townhouse at 18 East 82nd Street, taking it from \$26 to \$21.9 million. The 26-foot-wide, five-story mansion has been on the market since January 2008.

"Brokers in New York, unless there's something significant to look at, they're not even going to open your e-mail," said Garfield, who is known for his sale of the Duke Mansion at 1009 Fifth Avenue for \$40 million in 2006.

For new properties coming on the market, pricing has been "very, very challenging in the last three months," he said. "It does seem as though it's probably 20 to 25 percent off where we were six months ago."

But Garfield is a firm believer in the power of the market to find equilibrium. "I think the market is a pretty efficient place," he said. "Any time I've had a contract out recently at a cheap number, it's gotten bid up."

Garfield cited one of his listings — a six-bedroom home on 93rd Street between Park and Madison that was on the market for nearly \$9 million. An offer came in at \$6 million and the owner accepted it, but "within a day we had a couple different offers and another million dollars on the table," he said. The listing is now going for \$7 million, he said.

Of course, the art of pricing is more complicated than simply making big cuts. Half the battle is persuading sellers, who are often hesitant to price their properties too low, said Tamir Shemesh, a managing director at Prudential Douglas Elliman who heads one of the mega-brokerage's highest-ranked sales groups.

Convincing the seller to price appropriately can mean the difference between a speedy sale and an apartment that lingers indefinitely, said Shemesh.

Shemesh recently represented a seller of a one-bedroom condo at 139 Wooster Street who wanted to price the apartment higher, but agreed to list it at \$2.2 million. The result: a mini-bidding war — no small feat in the current market. Shemesh said the seller received several offers, including one for the full asking price. After the buyer signed the contract, Shemesh received another offer for \$125,000 over ask. The seller was torn, but Shemesh advised him to stay with the first buyer.

"Since the market is very challenging now, we didn't want to lose the existing deal that was signed by the buyer in case buyer number two changes his mind," Shemesh said. The seller then convinced the first buyer to increase the purchase price by \$62,500 so the contract was signed at \$1,537 per square foot, up from the asking price of \$1,495 per square foot.

Shemesh also recently represented the seller of a studio at 200 East 36th Street, which had been listed with another broker, but didn't sell. The apartment went on the market in August at \$439,000 and was reduced to \$380,000. Shemesh took over on Dec. 30, pricing it at \$335,000. The apartment has since gone into contract at the full asking price. "When I met with the seller, I told him if he wants to sell, he has to price accordingly," Shemesh said.

Kirk Henckels, an executive vice president at Stribling & Associates, said it's crucial to price competitively out of the gate.

"It's important to be slightly ahead of the market," said Henckels, who recently took over the listing for the late Brooke Astor's apartment at the Rosario Candela-designed 778 Park Avenue from Corcoran's Leighton Candler. "Otherwise, you end up chasing it."

Candler had originally priced the 15-room spread at \$46 million when it went on the market in May, then dropped the price to \$34 million in November. Henckels listed it at \$29 million early last month.

Henckels said his strategy for pricing in the current market is simple. "What I tell people to do is determine what the real value was in the summer, before the calamity, the real value, not the asking price," he said. "Then knock 25 percent off."

While it may seem natural to sellers to price higher and gradually reduce if there are no bites, that can be the "kiss of death," he said. "You're better off doing it up front," he said. "At first is when you have all your energy."

If a property wasn't priced right originally, he recommends a large catch-up cut. "Price cuts need to be decisive," he said. "You can't be wussy about it."

Last month, Henckels dropped the price on a listing at 3 East 94th Street from \$27.5 million to \$23.7 million. Like other high-profile brokers, he said, the main problem is "getting the sellers to listen."

Deanna Kory, a senior vice president at Corcoran, agreed. "The problem is: How ridiculous is ridiculous?" she said. Many sellers, she noted, "don't have the nerve" for the necessary price cuts, which sometimes need to be up to 30 percent off of where prices were six months ago. With very few recent comparable sales, there's little data to show sellers what prices properties are trading for, she said. "We don't have the data in some cases to be able to back it up," Kory said.

When data is available, it's much easier. Kory listed a two-bedroom, two-bath co-op at 50 Riverside Drive for \$1.795 million in December and watched it go into contract at the asking price a month later. "We were really able to pinpoint it because there had been some sales in that category," she said.

She sold another apartment in just two weeks after the owner instructed her that his top priority was to sell quickly. The apartment, a three-bedroom co-op at 2166 Broadway, went on the market at \$1.15 million and went into contract for \$1.1 million. "They didn't want to mess around," she said. "When people have given us that instruction, we've been successful."

That's why brokers must be picky about which listings they choose, said Halstead's Lewis, who appears on HGTV's television show "My Home Is Worth What?" as the New York pricing expert. Lewis closed a deal for a three-bedroom apartment at 230 West 56th Street the week that Lehman Brothers collapsed. The seller had received several offers on the listing, priced at \$4.65 million. The buyer paid \$4.25 million, all in cash.

Three weeks later, Lewis generated a mini-bidding war when he put a prewar, one-bedroom condo on East 89th Street, which needed a gut renovation, on the market for a "very provocative" \$499,000, he said.

"I don't take listings, even in the boom times, that I think are far too exotically priced," said Lewis, who's earned the nickname "the Closer" from some of his clients. "When I'm meeting with the sellers, I really want to hear the motivating factor for their business decision to sell. This is not the time to dabble at selling, or test the market."