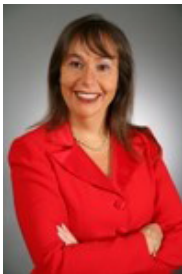


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Sponsor sales: New opportunities to purchase units with no board approval necessary



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Imagine a world in which an Upper West Side doorman coop has units for sale at below market prices and no buyers. Tenants, having been offered discounted “insider” prices, opt instead to remain renters in their rent stabilized units and sponsors of coop conversions are forced to hold on to these units long term. Not to worry. This is not the economic downturn of today; it was a situation that many coop converters faced during the very trying era that started in the mid-1970s.

At that time, conversions of rental apartment buildings to cooperatives were a relatively new concept, and it seemed like a panacea for both the overburdened landlord and the New York City resident who wanted their own bite of the apple but a bargain rates. On the other hand, many tenants in a converted building didn’t foresee the huge appreciation of New York property values over the coming decades. Some had a hard time understanding the coop process, and other simply didn’t have the funds to purchase their units, even at the low prices offered to the current tenants by the coop sponsor. So, many of these people opted not to buy their units, which were rent regulated, and they ended up remaining in occupancy for decades.

Decades later, these tenants finally vacate the apartment, which then can be sold on the market, and these rare finds offer many buyers one amazing benefit: no board approval.

For buyers and brokers alike, sponsor sales are a golden egg. Many coop buyers perceive the review of their purchase application by the board of directors as a nerve-wracking and sometimes arduous process that includes showing their potential new neighbors a complete financial history, often leading to concerns over confidentiality, and having to run the gauntlet of a board interview. Brokers who are able to have an exclusive with the sponsor have the rare opportunity to sell a coop unit almost as though

it were a condo, without the many hours of preparing a board package, the long wait between application and board approval, and subjecting their clients to the hassle of the interview process (which, of course, adds the significant stress and pressure of potentially killing a deal).

Since conversions began several decades ago, we have seen the evolution of coop boards and shareholders from those with a tenant-oriented mindset to sophisticated professionals and managers of their own significant assets. Over the years, most of buildings converted in the ‘70s and ‘80s have seen multiple re-sales and a dramatic asset appreciation.

This makes sponsor units, an area in which Argo Real Estate specializes, all the more enticing today. Often, the buyer of a sponsor unit has the chance to be the first owner of a completely renovated and potentially customized unit, and the choice of buyer is solely at the discretion of the sponsor. The risk of board rejection is eliminated.

Many of these apartments tend to be in desirable prewar or mid-century modern buildings, which for certain buyers is preferable to the newer glass-clad construction. This is especially true when buyers get modern kitchen and bathroom upgrades in a prewar setting—the best of both worlds. In essence, they’re getting a modern apartment, but with such coveted details as hardwood floors, high ceilings, molding and, in most cases, larger room sizes than are typically available in new construction.

As with all real estate transactions, sponsor sales come with their own unique caveats and potential pitfalls. For example, to qualify for an exemption from board approval, the sponsor unit must fall into the category of “unsold share status.” Argo Residential’s brokers, who have more than three decades of experience in sales of these units, can help analyze these issues and properly market this specialized asset type to a targeted audience and achieve maximum value. By presenting these units correctly to the market, we can help realize the price premium justified by the benefits inherent to a sponsor unit’s buyer-certainty, convenience, and similarities to a condo.

