

Auction Method May Be Coming Off the Block In Boston

Luxury Condo Auctions Falling Out Of Favor As Economy Improves

By Scott Van Voorhis

Banker & Tradesman Columnist

03/22/10

Contributed photos



Nouvelle at Natick (left) and Boston's FP3.

The luxury condo auction, recently toasted as the wave of the future for downtown Boston, may be losing steam amid signs of a turnaround in high-end sales.

Just a few months ago it appeared as if a number of new, and mostly empty, downtown high-rises would finally fold their cards and start auctioning their multimillion-dollar units.

But a funny thing happened on the way to the Great Downtown Condo Auction – sales and prices of deluxe condos have started to take off again in 2010 after a dismal 2009.

There are 65 pending sales of condos listed at \$800,000 and higher in the downtown market so far in 2010, up dramatically from last year, according to John Ford, head of Ford Realty and a top downtown broker.

Undaunted, auction boosters contend they still have the solution to lackluster sales – and in fact they may have some helpful insights when it comes to some struggling downtown projects.

But it's increasingly clear that they no longer have market momentum on their side anymore.

"It's a hot air balloon that is coming down," contends Ford, a skeptic of the condo auction process.

Motivated To Hang On



Scott VanVoorhis

Auction boosters appeared to be riding high as 2009 drew to a close.

The high-stakes sales cleared out unsold units at the 1850, a trendy South End condo building, while helping the Bryant, a deluxe, and until recently nearly empty, new Back Bay condo residence, sell nearly half its units.

But it has been relatively downhill since.

In a tough public relations blow, a much-touted auction of a \$4.9 million newly built townhouse at 20 Brimmer St. in Beacon Hill ended in fiasco when an estimated 30 people showed up, not a one willing to offer the minimum bid price.

Now you can add to the bad press (for the auctioneers, anyway) a downtown luxury market that appears to be kicking into high gear again after nearly freezing over in early 2009.

Banks are warming to outsized jumbo loans once again, while financial executives are back to hauling in big bonuses.

For starters, there's the 65 pending sales of condos \$800,000 and above so far this year, up at least 25 percent over 2009. More than half are for units listed at \$1 million and up, Ford said.

Ford, citing MLS numbers, said closed luxury condo sales are also up significantly, with 75 sales worth \$800,000 and up so far this year, compared to 35 during the first 10 weeks of 2009. Even after you subtract out roughly 30 sales that closed in early 2010 after the opening of the new W Boston and Clarendon last year, you are still left with a significant increase.

The result is some downtown developers, who just a few months ago may have been feeling increasingly desperate, now have the motivation to hang on for a few more months.

A 'PrimeTime' Strategy

Still, even with the market improving, a new downtown market report from Littleton's PrimeTime Communities raises legitimate questions about the stay-the-course approach (while the numbers in its report seem solid, it must be noted that PrimeTime has a dog in this fight, having helped craft an auction strategy for the previously struggling Nouvelle condo tower at the Natick mall).

Some prominent new downtown towers have succeeded in selling only a handful of units, despite as many as five years of intensive sales efforts, the firm's latest report finds.

New downtown condo projects that stuck to traditional sales methods succeeded in selling, on average, just one condo every two months, according to PrimeTime.

Registry of Deeds records show the 45 Province St. tower near Downtown Crossing has managed to drum up buyers for just 16 of its 137 units since it kicked off its sales campaign two years ago. That's about one sale every two or three months, PrimeTime reports.

The W Boston began marketing its condos in the fall of 2008, and has sold just 11 of 122 – or about one condo every two months, according to the Registry of Deeds. (PrimeTime figures have at least another 13 under agreement.)

An old-timer at this point, Battery Wharf kicked off its sales campaign more than five years ago, and now has more than half of its 103 units sold. But that long-haul sales drive slowed last year, falling to the standard one-condo-every-60-days sales rate, PrimeTime contends.

“They may be able to sit there and do one sale per month,” said Thomas Skahen, a co-founder and partner at PrimeTime. “But most developers can't survive on that with the debt load they carry.”

And while a rising market may help, it may not be enough to clear out the hundreds of unsold units still on the market in the next year or two without a dramatic boost in the pace of sales, one that borders on the unrealistic, Skahen contends.

A doubling of the current pace is feasible, but a tripling is a stretch, contends Skahen.

“Sales are going to trend up but they are not going to triple,” he said.

Skahen and PrimeTime clearly have some good points – I wouldn't rule out another downtown condo auction at some point down the line, especially if luxury sales dip again.

But you can forget about the idea that the condo auction craze will take the downtown luxury condo market by storm.

Thanks to a timely rebound in sales of seven-figure condos, it is an idea whose short time in the limelight appears to have already come and gone.