

REAL ESTATE WEEKLY

October 16, 2015

Boutique Brokerages Are Not Just Thinking Big, They Are Working Big

In the battle between the big guys and the little guys, the little guys are finally getting some swings in. In New York City, where large real estate brokerages are routinely closing unprecedented multi-million dollar deals, a contingent of smaller boutique players are successfully appropriating their share of the action.

These firms, most of which are purposefully diminutive compared to larger firms such as Douglas Elliman and Corcoran, promise personal service, the type that's styled after a concierge rather than a learned adviser.

"In a larger firm, there's more bureaucracy, more red tape. I think there's just a level of caring (that attracts) developers to take these to more boutique firms," said Jordan Sachs, the president of boutique real estate brokerage Bold New York.

Sachs's firm recently upset the balance of the universe after becoming the exclusive leasing agency for Sky, the Moinian Group's 71-story rental building in the western end of Hell's Kitchen.

The account put Bold New York in charge of leasing apartments in the largest single tower residential building in New York based on the number of units.

Sachs pointed out that that his firm got the job in spite of running a small operation (the company currently has just 50 agents and eight employees), indicating the growing appeal of boutique firms to major developers.

"I think that, first of all, it's 2015 and technology and resources to compete in the marketplace have really leveled out... Now, playing in the same arena is much easier," Sachs said.

"The access to markets is completely equal. You no longer have to spend \$100,000 over a weekend for print advertisement in The New York Times to reach the market place, today; there is no longer the cost that prohibits boutiques from reaching the same size audience and marketplace.

"The barrier of entry has been completely eliminated, now we can target our audiences in ways that were not affordable to boutique firms five to ten years ago."

The bulging muscle of boutique firms coincides with a drastic jump in the number of players in the city's real estate business.

According to data from the Department of State last June, there are 13,532 real estate brokers working in New York City. This represents the highest number of professionals peddling the city's commercial, residential and retail spaces in the last 15 years.

The figures also exhibit the appeal that the real estate profession has regained over the years. During the height of the 2008 downturn, about 200 names vanished from the city's list of brokers.

The situation is now very different. With limited spots available in the top firms, the surplus of talent has spilled over to smaller brokerages, most of which specialize in certain neighborhoods or property types. For instance, some of the most well-known boutique brokerages, such as Dolly Lenz Real Estate and the Modlin Group, specialize on luxury properties, with their number of listings per year barely breaching double digits.

Meanwhile, real estate firm Tabak is Tribeca, as its name suggests, sells and leases properties exclusively in Tribeca in Manhattan.

Despite having just 11 agents, townhouse specialists Leslie J. Garfield last year listed \$126 million worth of real estate.

Just last week, Mercedes/Berk, whose nine agents last year listed nearly \$40 million worth of exclusive homes, according to rankings by The Real Deal, this week merged with European-based brand Engel & Völkers.

Led by Noel Berk and Elizabeth Mercedes Berk, the Mercedes/Berk team has been providing brokerage services to buyers and sellers for 25 years.

The alliance will expand Engel & Völkers New York City to 55 agents.

The Mercedes/Berk team will operate from 783 Madison Avenue, effectively growing Engel & Völkers' New York City footprint while supplementing the firm's local market expertise and listing portfolio.

"Well-known in the industry for serving exclusive clientele, particularly on the Upper East and West Sides, the Mercedes/Berk team is responsible for over \$310 million in sales over the last two years at Manhattan's most iconic properties, such as 15 Central Park West and 432 Park Avenue," said Anthony Hitt, CEO of Engel & Völkers North America.

"With the focus on international buyers and sellers in New York City, the team's experience and innate knowledge of the City's luxury marketplace will seamlessly combine with Engel & Völkers' global network and white glove level of service to best serve Manhattan's premier real estate needs."

Engel & Völkers launched its New York City brokerage in 2014, opening its first shop at 430 Park Avenue in early November. In April of 2015, an independent ranking named the shop the #4 boutique brokerage in the city.

The level of specialization inherent in boutique firms has caught the attention of the city's major developers. Recently, this attraction has gone beyond collaboration.

Last October, Related Companies, the developer behind Time Warner Center and the Hudson Yards — the largest development currently underway in the US — bought a 50 percent stake in boutique residential brokerage CORE.

"We have built so many for-sale buildings, and we still manage every single one of them," Jeff Blau, the chief executive of Related, told the New York Times when the deal was first announced. "But when it comes time for someone to move out, we can't service them. This deal will allow us to keep our relationship with our original customers, many of whom become repeat buyers."

The sale price for the transaction was not announced. Before the acquisition, CORE, which was the subject of the HGTV reality series Selling New York, had closed on deals in properties such as One Museum Mile and the Walker Tower in Chelsea.

The acquisition allows Related to direct people leaving their properties to an affiliated brokerage partner. The company's in-house team continues to handle its rentals.

"In a crowded marketplace, all developers, big and small, are looking to create a project that shares every advantage in the market place. Working with a smaller firm who will put their very best work and concepts into a project that may be one of few that they are working on is an attractive proposition," said Tim Crowley, the director of new development at CORE.

There may be more interactions between large developers and boutique firms. However, Crowley thinks that the stream of deals may trickle gradually rather than swell as a deluge.

"It is a business proposition that makes sense for two reasons; the development firm has an infinite pipeline (which Related does) and the brokerage firm is financially sound and stand-alone profitable (which CORE is)," he said.

"I imagine it will happen again, but unlikely to be a trend. It will probably happen with a year over year frequency, similar to getting snow in May."