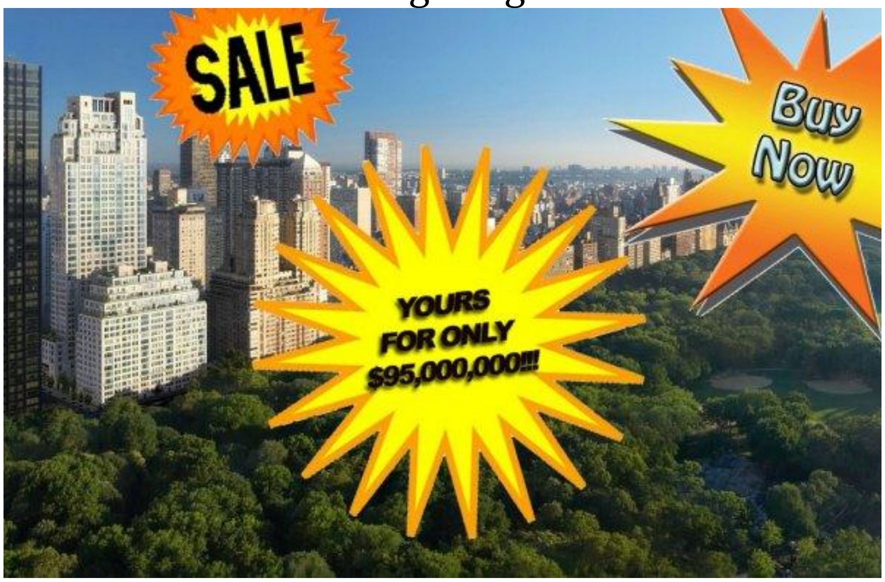
THE NEW YORK OBSERVER
September 17, 2012 | Kim Velsey

Trophies On Display: In Gaga Global New York, the Loudest Listings Bag the Billionaires



If you've got it, flaunt it. That's the new rule of thumb in luxury real estate, anyway. After decades in which secrecy was the better part of high-end sales (the "if you've really got it, you don't need to flaunt it" philosophy favored by buttoned-up Park Avenue types), top brokers are increasingly adopting aggressive PR and marketing strategies that, however scandalous to the old guard, are helping to draw deep-pocketed buyers.

In 2000, insurance mogul Saul Steinberg decided to sell what was arguably the most magnificent apartment in the city: a 34-room triplex penthouse at 740 Park Avenue. Mr. Steinberg had purchased the 20,000-square foot spread from the estate from the estate of John D. Rockefeller Jr. in 1971. Among its many wonders, it had a library with English pine paneling that dated to 1760, a dining room that seated 48 and a two-bedroom governess suite. The exceptional thing, however, was that Mr. Steinberg wanted $40 million for it—a price that caused such a maelstrom of gossip that this salmon-tinted paper even accused him of indiscretion for allegedly "leaking" the incredible asking price to the public.

Gossip notwithstanding, the deal went down in the socially-sanctified, hush-hush manner that the city's top residential real estate deals had always been conducted up to that point. Mr. Steinberg enlisted the help of his former sister-in-law Kathryn Steinberg, a broker at Edward Lee Cave's consummate old-guard brokerage. The apartment never made a formal market debut, nor was it entered into the broker database. Ms. Steinberg just whispered in a few of the right ears and the apartment sold quickly—for $33 million—not quite ask, but still a record high for residential real estate.

A decade later, on the far side of the park, a new record, many times higher, was set in a very different way. When ex-Citibank CEO Sandy Weill decided to unload his 10-room penthouse at 15 Central Park West, he didn't reach out to his dearest friends. Instead, Mr. Weill called (or more likely had his assistant call) T*he Wall Street Journal* to announce that he was listing the apartment for $88 million. The strategy was effective—a little over a month later, a Russian fertilizer tycoon paid the full asking price, setting another record high. Soon, sellers were offering up one tantalizing property after another, there for all the world to drool over. After all, splashing the photos across the dailies, the glossies or the Internet (preferably all three) might catch the eye of another fertilizer king.

After years of playing things close to the vest, New York's most affluent home sellers were showing some leg. Just as the Parises and Tinsleys of the world had supplanted Brookes and Nans—at least in the public's imagination—a studied showiness is supplanting the established customs of white shoe brokerages where brokers lived and died by their Rolodexes. Throughout the spring and summer, brokers and sellers welcomed reporters from *The New York Times* and *The Wall Street Journal* to wander through their gleaming lairs. *The Times* wrote about Christopher M. Jeffries's magnificent duplex at the Ritz Carlton, listed for $77.5 million. *The Journal* gushed about Howard Marks's $50 million spread, also at the Ritz. Next came the granddaddy of them all—a $100 million listing at CitySpire for the octagonally shaped quadroplex penthouse, which was featured in both *The Times* and a CNN segment. In mid-August, not one but two $95 million listings appeared back to back, at 15 CPW and the Ritz, in *The Journal* and *The Times,* respectively. The new trophy condos were, it seemed, always ready for their close-up.

As were the brokers. Few trends reveal the changing nature of luxury marketing more than the rise of real estate reality T.V. shows like *Selling New York* and *Million Dollar Listing,* where the brokers are the stars and the properties supporting players. None embody this more than Prudential Douglas Elliman broker Fredrik Eklund, who stars in *Million Dollar Listing*. A preternaturally handsome Swede and former gay porn star, Mr. Eklund and his broker partner John Gomes (Mr. Gomes was a former star of *Selling New York*) have racked up a staggering sales record by being, as they put it on their website "at the vanguard of the new guard." Naturally, they were happy to meet with us at the Douglas Elliman offices one muggy August afternoon.

"My job is to have as many wealthy buyers as possible in the world come to my website," Mr. Eklund said, claiming that when *Million Dollar Listing* was airing, he had hundreds of thousands of clicks on his company bio. "The industry has changed. The old guard was always in back of the listing. The new guard, we put ourselves in front."

"We're selling ourselves as much as our properties," piped in Mr. Gomes. "We have google alerts on ourselves, we have google alerts on our properties. Our objective is to be in the paper or on TV every day."

”It really helps,” said Mr. Eklund.

“It really does,” echoed Mr. Gomes.

“The old guard did their business from their Rolodexes. But no one today really knows everyone with money, no one knows everything,” Mr. Eklund opined.

“It’s a global marketplace, there’s no limit to the boundaries when we go globally,” said Mr. Gomes. “We realize that we’re alienating ourselves from some clients who don’t want to be anywhere near the press. But honestly, those clients get the best of both worlds, because we can offer them complete discretion, but they still get all the traffic to their listings.”

“It’s why the phones won’t stop ringing,” Mr. Gomes said, gesturing at Mr. Eklund. “It’s why people stop him on the streets.” He pointed beyond the glass doors to a slightly chubby broker in nondescript business clothes at one of the shared standing terminals. “That wouldn’t happen to that guy.”

They both laughed, but life was not all fun and games. Mr. Gomes had to dash to a meeting. And dash he did, smart phone in one hand, lunch in the other—slipping into the backseat of a flame-blue Porsche that zipped into traffic as soon as he pulled the door shut.

Real estate marketing is nothing new, but the spotlight has long been shunned in the upper echelons of Manhattan real estate—River House, the snootiest of old New York co-ops, is famous for forbidding the use of its name in advertising. Luxury brokerages were as famed for their discretion as for their ability to sell an apartment (indeed, the two were often one and the same). And that was when discretion meant a way of life rather than honoring a client’s non-disclosure agreement.

“I was always taught that the spouting whale gets harpooned,” remarked A. Laurance Kaiser, the proprietor of Upper East Side boutique brokerage Key-Ventures, Inc. “My clients do not like publicity. The people that I deal with are repulsed by the whole thing.”

“Prices are tremendously high,” Mr. Kaiser added. “But properties are not in the same hands they once were. And some of those hands are not as manicured as others.”

New York has always been an international city, but co-ops have made no secret of their preference for buyers who make Manhattan their primary address, and for those who will not draw unwanted—or really any—attention to their buildings. Listings specifically note when a co-op is *pied-a-terre* friendly; the assumption, of course, is that it’s not. Moreover, the strict financial disclosure requirements, letters of recommendation and interview requirements mean that acceptance to the top co-ops is virtually impossible for those without a New York pedigree. In the past, people who couldn’t pass muster with a co-op board—including the former president Richard Nixon—had little recourse but to buy a townhouse or rent.

As a result, many brokers even made it a point of pride to eschew advertising. “I don’t want people we don’t know asking us to help them, because we don’t know where we can put them,” Edward Cave told Steven Gaines, when he interviewed Mr. Cave for the book *The Sky’s the Limit.* “I have sold only two apartments in 20 years through advertising.”

How did he sell apartments? He and the brokers who worked for him knew people, of course. At least they knew the right people. Of the 25 people at his firm, Mr. Cave noted that practically all of them were either married to, related to or went to school with *all* of the firm’s clients.

But in the last decade, a seismic shift has occurred in the world of New York’s ultra luxurious real estate, a shift that is intimately tied to the rise of a class of super-luxury condos like those in the Time Warner Center, 15 CPW, One57, the Ritz Carlton and the Plaza. Condos have long drawn wealthy foreigners, but these full-service amenity-laden buildings offered trophies as gleaming as those in the top co-ops. And given the larger pool of eager buyers, they soon started selling for as much as, and sometimes more.

The landscape of wealth is also shifting. “Foreigners traditionally bought in London and the South of France,” said Kirk Henckels, the executive VP at Stribling. “But now the U.S. has become the attractive place to park money, particularly with all the financial troubles in Europe. We sort of have a perfect storm of good properties and foreign buyers, and price is no object.”

Foreign buyers have lots of money and they wanted to spend it on a magnificent apartment, but they do not necessarily have the inclination, or the social connections, to land in Manhattan’s best co-ops. As one broker noted, the co-op market may not be open to these individuals, but very big sales in mega condos are helping to raise prices for all trophy properties. (The Courtney Sale Ross apartment, which spent years on the market as a whisper listing, finally set a co-op record when it sold this spring for $52.5 million.) And as it happens, the global elite often find the bright glare of the spotlight helpful rather than gauche.

“Public relations are enormously important,” Mr. Henckels said. “Having a good story behind a property plays an important role. Foreign publications are picking them up and that’s where a lot of buyers are coming from.”

CORE broker Emily Beare, who has a $95 million listing at 15 CPW, noted that in many ways advertising and publicity have helped to make the building one of the most successful in the world. “It educated the world on the building,” she said. “We know that New York is a place where people want to invest. So how do you reach out to them?”

The looming specter of wealth taxes in countries like France and the economic uncertainty across the continent makes New York real estate particularly attractive right now, according to Stijn Van Nieuwerburg, the director of the Center for Real Estate Finance Research at NYU’s business school.

“Real estate is becoming an appealing investment and New York is emerging as a leader in the global marketplace,” Mr. Van Nieuwerburg said. “It’s tied to the emerging upper and middle classes in places like India and China. Those countries still lack a lot of financial stability, but you have people with money to invest. Global marketing is key to reaching a lot of those buyers.”

Many brokers pointed out that when it comes to publicity, the Internet has changed everything. As soon as a listing goes online, it’s there for the world to see anyway, so why not try to control the message? Property transfers, including co-ops, can now be found online and both buyers and looky-loos can peruse detailed histories and photo galleries on StreetEasy.

“When we first started we were met with a lot of resistance from brokers who were angry that we were showing price changes and time on the market,” said Sofia Song, the vice president of research at StreetEasy. “The real estate industry in New York used to be so opaque, especially because we don’t have an MLS,” she added, referring to a multiple listing service.

But these days, Ms. Song said that brokers will often call if they cut the prices on their listings and don’t see it reflected on the site immediately.

Brokers emphasized, however, that while trophy condos may have embraced a new existence in the public eye, co-op deals are still conducted in the same way they always have been. A prime example is the multi-floor co-op at 2 East 70th Street that belonged to the estate of the late private equity billionaire Teddy Fortsmann. When it came on the market in March, it had no online photos, no public listing and no entry in the broker database.

“With a property of that stature, we thought less was more, and that frankly, a big PR campaign and intense marketing would be sort of gilding the lily,” said Meredyth Smith, who co-brokered the sale with her Sotheby’s colleague Serena Boardman. The property sold almost immediately, for $4 million above the $36 million ask.

Word, as it always does, did get out—the *New York Post* featured a gossipy item on both the listing and the contract—the key distinction was that neither Ms. Smith nor Ms. Boardman returned the *Post’s* calls and they certainly didn’t invite the newspaper in for a tour.

Ms. Smith likened top co-op sales to a very successful IPO, with a first round of very quiet showings for a small number of potential buyers.

“With co-ops there is the feeling that too much drum beating can be counterproductive,” she said. “For the very sophisticated buyer who is the target audience for these apartments, their point of entry into the market is not through advertising, but through word of mouth. They’re in the inner circle already.”

And regardless of whether a trophy hunting billionaire is looking to land an apartment in the most exclusive co-op or the shiniest new condo tower rising on the horizon, advertising can only do so much.

“Publicity gets people to the properties, but it has to be a good product,” said Douglas Elliman’s CEO and President Dottie Herman.“The publicity alone wouldn’t do it if the property was in Hoboken.”