

# StarTribune

## Business

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### [A New Condo For Half Price?](#)

By Jim Buchta



*The Skyscape Condominiums, at 929 Portland Av. S. in Minneapolis, offer a big-city high-rise experience that's unusual for the Twin Cities.*



*Kitchen-living room area*

Tired of waiting for sales, investors are auctioning off units at steep discounts.

As developer Paul Dincin navigated through stacks of drywall and rolls of carpeting in a 27-story condo building in downtown Minneapolis just before the project opened in 2007, he was confident that his sleek steel and glass tower with 248 units would be a sellout.

Instead, he bumped smack into the recession.

A year ago, the Chicago developer sold the remaining 72 units to a local investment group. Now, despite steady sales over the past year, in a highly unusual move, Skyscape Opportunity LLC is putting the last 26 units up for auction.

The starting bids? Less than half the list price. Minimum bids start at \$125,000 for bidders who want to score a one-bedroom condo on the 22nd floor. They top out at \$450,000 for a three-bedroom-plus-den penthouse unit with views of downtown Minneapolis.

Real estate auctions themselves aren't unusual. Lenders and developers often use them as an efficient way to unload huge blocks of distressed properties at wholesale prices. But none of these units is in foreclosure. And existing owners in the building risk seeing their condo values plummet even further.

The group is billing the auction as a "closeout sale." They argue it could actually help existing owners by selling out the building before prices fall further, and they're also hoping to prove that there's some pent-up demand in the downtown condo market.

"In the short term it sucks, but in the long term it will be a good thing," said Joe Grunnet, head of Downtown Resource Group, which is the project's broker.

Skyscape, at 929 Portland Av. S., was a big hit when it hit the market, especially among young professionals who want to live downtown. The building offers a big-city high-rise experience that's relatively unusual in the Twin Cities. Initially, the building sold well, but sales started to slow even as new residents unpacked and moved in.

Chris Kennelly, a project manager for the investors who bought unsold units a year ago, said since then they've beefed up the common areas and added amenities to some of the units. During 2010 they closed 42 deals at an average sale price of \$250 per square foot.

Those sales told investors that there was enough demand that the timing might be good to sell all the units at once, eliminating expensive marketing, debt service and costs with carrying the units.

"For us, all this is all about accelerating the sales pace," Kennelly said. "Our goal is to bring the building to full occupancy, and obviously the quicker we can do that the better."

### **Hurting neighbors**

Tony Rochel, a member of the Skyscape board, said that he knows that many of his neighbors will be hurt by what happens next month. He and his wife are hurting, too. She bought the unit at pre-construction prices before they got married and got a deal, but still they've lost nearly 10 percent of what they paid. Luckily, he has no plans to sell. On the bright side, though, he sees the auction as an opportunity to fill up the building with people who want to live there but haven't had any incentive to buy.

"Everyone is afraid of getting in and having prices go down," he said. "A lot of people will see the auction as an opportunity to get the lowest price that we'll see in the foreseeable future."

Indeed, Skyscape's units are among a rapidly dwindling number of new unsold condos still downtown. Since the downturn, there's been no new construction. Grunnet said that there have been 290 closed condo sales throughout downtown Minneapolis during the past six months with an average sale price of \$254,000, or \$195 per square foot.

The Skyscape units are priced at 40 percent or more below the most recent list price, and they will be sold only if that minimum, which has already been set, is met, said Sue Hawkes, CEO of Velocity Marketing Services, a Boston marketing company that is conducting the auction.

She said that in other auctions she's done across the country, most of the units sell, and most for more than the minimum bid. She acknowledges that the approach can be unsettling for current owners in the building because of what it means for the value of their property.

Fritz Kroll, a sales agent for Edina Realty in downtown Minneapolis who has marketed hundreds of downtown condos, says that such auctions can be somewhat risky if the prices aren't low enough that all units sell.

"If they don't sell out, they will be selling units that potential buyers will think couldn't even sell at an auction," he said.

Mary Bujold, president of Maxfield Research, says that during condo closeout auctions in the late 1980s and early '90s, most units sold. And while there isn't "significant" pent-up demand for condos, she's optimistic that these units will sell and for more than the minimum bid.

"If they don't all sell, then it's just a confirmation of what the demand is out there," she said.

The auction will be March 14 at the Graves 601 Hotel in Minneapolis.