

StarTribune

Business

March 15, 2011

Skyscape: Going, Going, Gone

By Jim Buchta

In an unusual condo auction, nearly 90 bidders signed up to purchase 27 units in a high-rise on the edge of downtown Minneapolis.



Craig Olson, a spotter with Velocity Marketing Services of Boston, pointed out a bid to auctioneer Ken Cullum, at the podium, during the auction of Skyscape condos. Many people who already own units in the building worried the auction could depress their property values.

In just 75 minutes, buyers snapped up almost all the remaining condos in a Minneapolis high-rise during an unusual auction Tuesday.

The prices were so low -- up to 45 percent off the last asking price -- that buyers outnumbered units for sale in Skyscape, a glassy high-rise condominium tower on the edge of downtown Minneapolis.

"There were a lot of happy campers," said Sue Hawkes, president of Velocity Marketing Services, which arranged the sale of 27 empty units in a "close-out auction."

Nearly 90 bidders and more than 100 observers attended the auction in a Graves 601 Hotel ballroom. Buyers spent more than \$6.5 million to purchase all but one of the original 26 units up for auction. Demand was so great for certain floor plans, however, that the company decided to sell additional units not on the original sale list, Hawkes said.

With property values plummeting and inventories of unsold homes piling up, real estate auctions have become a popular way for lenders to unload properties that have gone through foreclosure. This situation was different. The Skyscape units are new, and sales of condos in the building have been relatively steady since a partnership controlled by Twin Cities-based Opportunity Advisors acquired nearly 30 percent of the building's 248 units early last year.

Many existing Skyscape homeowners were furious about what the auction might do to the value of their units.

"It's already a struggling market, and this will by no means make it better," said Andrew Branham, a Skyscape resident who didn't go to the auction, but said he will closely monitor how the sales affect values.

The partnership that owned the units saw the auction as an opportunity to liquidate the investment.

Most bidders planned to live in the units, according to several participants. One fear when the auction was announced was that bottom-feeding investors would buy the units for deeply discounted prices and rent them out.

Fritz Kroll, a downtown sales agent for Edina Realty, said he had worried that all the units might not sell, further depressing condo prices.

"I absolutely consider that a vote of confidence for the market," he said. "I think some people got good deals, and I think some people paid market prices."

'A good deal'

Kroll said he was representing a buyer who "got their first choice and I think they got a good deal."

The last asking price on the units ranged from \$259,900 to \$799,900. On Tuesday, those units sold for \$185,000 to \$650,000.

On average, the units sold for about \$220 to \$260 per square foot.

After 18 of the units sold, the auctioneer called off the live auction and asked people who were still interested in buying to put their names on a list. One by one they were called to a table where units were offered for prices based on the auction sales.

Brian Little, a Skyscape condo owner who attended the auction as an observer, said the mood at the auction was upbeat.

Before the auction, Little was among the homeowners who feared it would diminish the value of their investments. Though he's still concerned about the auction's effects on the broader market, units with a view and floor plan like his fetched prices comparable to what he paid 15 months ago.

Nonetheless, he watched other units sell at big discounts and knows of neighbors with comparable units who will be frustrated.

"I didn't feel I lost a significant amount of value," he said. "Others didn't do so well."