

PAY UP OR MOVE

Condo conversions dropping steep insider discounts

By ANNE BECKER

When it comes to supporting a building's change from rental to condo, don't try preaching to the soon-to-be-converted.

With low interest rates driving a hot sales market, many owners of rental buildings are trying to cash in by converting to condos — and scoring sweet deals.

But tenants living in soon-to-be converted buildings often feel shortchanged. The benefit of being an insider doesn't carry much weight, either, in this pistol-hot market.

"Any time change occurs, it's an upsetting situation, even if it's for the better," said Matthew Chook, sales manager at Devon Condominium, a 205-unit apartment building in Murray Hill, where many tenants are objecting to the building's current rental to condo conversion.

In January 2002, Devon, formerly known as Mayfair North, was purchased for conversion by Property Markets Group, which has converted at least five other buildings in the last three years.

Since then, tenants have formed an association to represent fair market renters in the building who they say were illegally spooked out of their apartments, and to negotiate for purchasing tenants a better insiders' discount than the five percent initially offered to them.

Insiders aren't privy to fabulous discounts these days — partly because landlords don't need them to buy in order to convert a building.

Since the 1990s, luxury deregulation laws have allowed landlords to attempt to vacate apartments occupied by those who typically have little incentive to buy. Landlords can raise rents of rent-stabilized tenants if they meet certain rent and income criteria, according to Michael Beckman, a real estate attorney at Beckman, Leiberman and Barandes, LLP.

This is a far cry from the '70s and '80s, when 25- to 50-percent insiders' discounts were de rigueur, according to Scott Durkin, COO of the Cor-

Aversion to conversion



A hot housing market has diluted discounts for renters in buildings converting to co-ops and condos. These days, 25% to 50% insider discounts are few and far between.

coran Group. One friend of Durkin nabbed an eight-room Park Avenue apartment for just \$80,000 with an insider discount back in 1978.

"In the old days, when the city was broke and it was hard to get people to invest in real estate, your insider prices were phenomenal," Durkin said. "Now you're always going to have a large percentage of unhappy tenants who have to leave. After 25 years, the bell has rung and it's time to go."

But the sales market is so hot right now that landlords have no trouble selling apartments to outsiders — without any discount.

At Midtown West's Worldwide Plaza, where 200 rental

units are being converted to condos, there was no need to offer insiders more than an initial 10 percent discount. In just four months, 150 units were sold, said Douglas Elliman broker Michael Shvo.

"The only reason we'd give a discount is to sell, and we sold so many units so fast that they said, 'Hell, we're gonna raise the prices,'" Shvo said.

Whatever the discount, the prevailing sentiment for tenants in converting buildings is often complete confusion.

"It's hard to communicate in a building with 205 apartments," said Tammy Bieber, a rent-stabilized tenant of six years at Mayfair North.

"None of us knew anything

about this and, as tenants, you're a step behind when this first happens."

So, for now, in this Murray Hill building the battle continues.

Elliott Joseph, a managing director of PMG, says he expected fair-market renters to purchase first and rent-stabilized tenants to negotiate individual deals after the first closing.

"Initially, there's fear and distrust of the sponsor. But very quickly the tenants see improvements in the building and aren't dissatisfied with the conversion process," he said.

In 12 weeks, 37 of Devon's units have been sold, said Chook.