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# The price is right

Selling below market has its benefits

By ADAM BONISLAWSKI

**E**VEN in a hot market, Alchemy Properties' Lion's Head building in Chelsea stood out as something of a surprise. Upon going to market last spring, the project drew several hundred brokers to its open house and sold its 66 units in less than two months.

As Alchemy president Ken Horn admits, "The Lion's Head building was an anomaly. It went really fast. It just happened to be the right product, the right time and the right day."

Perhaps. But there was also another factor that no doubt helped these units move — Alchemy's policy of pricing its properties below the market price.

"When we started buying properties to develop back in the late '90s, we embraced the philosophy of trying to offer the best properties on the market, but trying to sell them at 5 to 7 percent below market value," Horn says.

Lion's Head units went on sale with studios starting at \$500,000, one-bedrooms at \$770,000, two-bedrooms at \$950,000 and three-bedrooms at \$1,750,000.

Horn is now trying out the same method in downtown Brooklyn with a new development

at 199 State St. called Lookout Hill. With studios starting at \$470,000, one-bedrooms at \$625,000, two-bedrooms at \$815,000 and three-bedrooms at \$995,000, the building's units are going for roughly \$650 per square foot — about \$50 per square foot below market.

Horn and Alchemy aren't doing this as some grand charitable gesture, though. It's just a matter of limiting the company's risk. Horn might not make quite as much money selling this way, but he's also less likely to be left holding unwanted inventory.

"There's an enormous amount of risk in the development process," he says, "buying it, financing it, building it, selling it. To sell out units at a little bit below market and take that risk off the table is something we're prepared to do."

The key to making it work, Horn notes, is finding property at the right price.

"We try not to overpay," he says. "And by doing that we don't have to stretch the pricing on the back end.



From top: Ken Horn at The Sutton, one of his new buildings; Lion's Head attracted a packed house.



Top: N.Y. Post: Jim Alcorn; N.Y. Post: Tamara Beckwith

Unlike being in a position where one potentially overpays for an asset and then has to get very high prices in order to do well on the investment, we like to look at it the opposite way — that we bought correctly, and because we bought hopefully a little below market, we can sell below market as well."

Finding the right properties for this approach takes a little looking.

"We look anywhere in the New York metropolitan area," Horn says. "What we do is we like to buy properties that we can either get off market or get a pre-emptive

look at. On any given day we probably look at 20 to 25 deals that come in to us."

It doesn't hurt that Alchemy's buildings tend to be mid-sized, 60,000- to 100,000-square-foot affairs, helping the company avoid competing for properties with larger developers.

"You can't be overly aggressive in your bidding. When you buy you have to take into account that construction costs may go up, that you don't know what the market is going to look like when you start selling," Horn says.