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Feel free to contact the undersigned in confidence if you have an interest in joining an elite group of professionals who know how to transact business under any market conditions.

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Multi-Family Sellers Get Low-Balled

Apartment buyers are increasingly bidding far below sellers' expectations in a deliberate strategy that portends continued weakness in the multi-family market.

The number of low-ball offers on apartment properties has crept up in recent months, market players say. In some cases, the bid-ask gap simply reflects the difference in valuations between buyer and seller. But in a growing number of instances, underbidding is the buyer's intent.

"In some cases, [a low bidder] is hoping the higher bids will collapse on top of him, and he'll be the last man standing," a prominent New York fund operator said.

The low-ball strategy is being driven, in part, by the credit-market meltdown. Winning bidders increasingly have been unable to close deals due to the lack of available financing. This is forcing sellers to turn to runner-up bidders with lower offers.

One example: apartment operator **J.I. Kislak**. The Miami Lakes, Fla., firm initially was outbid for a Florida property last year. But three months later, after deals with several higher bidders fell through, the seller went back to Kislak to reopen negotiations, said chief executive **Tom Bartelmo**. However, Bartelmo said his firm doesn't have a strategy of deliberately low-balling sellers.

In some cases, a low-ball bid represents a bet that conditions will get measurably worse for either the seller or the lender. With distressed or foreclosed assets in particular, a bid considered too low today may look attractive in six months — especially if the noteholder is among the growing number of banks in danger of failing. Once a bank fails, the **FDIC** may look favorably on a bid deemed insultingly low by the bank's loan officer. Even banks that aren't in trouble are beginning to hire workout specialists to deal with defaulting loans and bad assets, and the outside consultants may be more realistic about what the troubled assets are worth.

"You don't know who you might be talking to in six months," said one multi-family player. "You just want to get the bid in the file."

Jay Ballard, a senior director with **Cushman & Wakefield's** multi-family operation in Florida, said extremely low bids are becoming the norm for assets offered by the FDIC, such as the raft of foreclosed properties from failed thrift **IndyMac**. Ballard said just about every listing he has handled in the past three months has attracted offers from players that are saturating the market with low bids.

"I guess [the bidders] think that if it was worth \$1 before, it's worth 50 cents today," he said. ♦

Correction

A Dec. 17 article, "Liquid Pitches Big Secondary-Market Fund," incorrectly said that **Liquid Realty Partners** was co-founded in 2002 by chief executive **Scott Landress** and investment chief **Jeff Giller**. Landress founded the company in 2001. Giller joined in 2005. ♦