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## 10 YEARS LATER

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OUR YEAR-LONG LOOK AT WHAT'S CHANGED IN U.S. LUXURY REAL ESTATE SINCE THE 2008 RECESSION.

# It's An *Off-Market* World



**The practice is not new, but the frequency and acceptance of pocket listings has grown.**

**O**ff market ... private listing ... coming soon. These phrases in high-priced markets characterize properties offered for sale, but not publicly listed in the traditional manner in the MLS. The way these listings are perceived has changed significantly in the last 10 years.

Even after the advent of formalized platforms such as the MLS, the most expensive properties were often closely held, giving rise to the term

"hip-pocket" listing. Traditionally, in the industry, pocket listings have evoked concern that unscrupulous agents would keep them in house and pocket the entire commission.

Post recession, the number of pocket listings seemed to increase exponentially; most in the industry remained skeptical. Today, the terms "off-market" or "private" listing are often used instead of pocket, and, in a number of places, it is

becoming an acceptable — some would even say savvy — marketing strategy.

"Now I've noticed it's really changed and it's a lot more accepted," says Patrick Ryan, senior vice president and managing broker, Related Realty, Chicago.

"It's certainly become a very big part of our market, and it's not something we're necessarily driving. We're being led by what the sellers want,"

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**By Camilla McLaughlin**

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price." "It also defies logic," says Hurwitz. "The more qualified buyers who can find a property, the more likely a sale. If a property is not visible to agents with a qualified buyer, they aren't going to know about it and will sell something else they can find."

"I also hear a variety of opinions. Some sellers like the idea of avoiding showings, open houses, etc. (for privacy and convenience) if they can get a price they're happy with without listing on the open market. The opposing argument tends to be that not offering it on the open market isn't working in the best interest of the customer if there could be better terms/conditions in a wider pool of prospective buyers," says Simms.

Even those who express concern about this approach recognize there are situations in which not being on public platforms is a strategic move. Hurwitz has used pocked listings on rare occasions for celebrity clients who wish to remain as anonymous as possible.

"Sometimes certain types of clients are not really comfortable having lots of people come see a property," says agent Jennifer Ames with Coldwell Banker Residential Brokerage in Chicago. In instances like this, Ames says she will do a marketing campaign directly to agents who work in this price bracket. Invitation-only previews of big, exclusive properties are a traditional avenue to publicize properties.

Luxury properties often take significantly longer to sell than those priced close to the median. According to research from Concierge Auctions, average days on market for the highest-priced properties in top markets hovers around 522 days, ranging from 55 days in San Francisco to 1,062 in Nashville.

Once a home is listed on the MLS the clock begins ticking on the number of days on market. "The way the market works in the U.S., if you go on the market everything has to become public. Not just the price and the address, but the days on market. The longer a property is on the market, the more detrimental it becomes for the property," explains Harris.

Being on the MLS opens the door to inclusion on public platforms including Zillow, Trulia and many others. Along with days on market, changes in photography, prices, and broker representation are all tracked. "We've started to realize more and more with the Internet, you want to have all your ducks in a row before going on the MLS," says Ryan.

"Coming soon" has become an official category incorporated into a growing number of MLS systems. "We see a lot of 'coming soon' strategy

as opposed to off-market in Florida," says Simms. "I believe that the off-market approach is more appropriate for properties that are particularly expensive and/or unique, which would likely end up having a tremendous number of days on the market if listed traditionally.

Initially offering a property off market is considered an effective method to test a price. "If you are trying to get a very aggressive number for your house, you may want to start off market to test the price," says Harris. Agents also use this strategy when an owner has a much higher price in mind than the market will likely accept.

"It's a way to test the market without going on record," says Ames. Another circumstance that could call for an interval of off-market strategy, she says, is a situation where owners don't actually plan to move for months, but still want to give the property exposure.

In the pre-Internet era, agents relied on phone calls to agents who worked in similar price brackets. But, "you could only call so many people and network so much," shares Ryan. Today, robust CRM systems give agents a laser focus on most-likely buyers. Additionally, national brands and affiliate groups promote networking among agents both nationally and internationally.

More formalized networks and platforms such as thepls.com are a way for agents to keep track of what's available. For example, in Los Angeles, agents might receive hundreds of emails a week regarding off-market properties. "The PLS is essentially a place where agents can put information, so it can be searched when another agent needs it. That was really the motivation behind it," says Dyson.

Tried and true methods to ensure those who work in luxury are aware of new listings, both off-market and publicly listed, remain the most important marketing tools, particularly for well connected agents.

Will the penchant for private listings continue if markets cool? While blockchain reduce reliance on the MLS? Both questions point to variables that could affect the off-market trend in the future. **UH**

## 'The Market Maker'

"Market maker" is the way Robert Dankner characterizes what he does. Dankner, president of Prime Manhattan Residential, takes off-market to the next level by finding and creating opportunities for buyers and sellers in tight markets in New York City.

"There are a lot of people looking for the same thing that doesn't exist, which is why they're all creating things for themselves," he says referring to the boom in renovations.

Dankner sees market potential others often overlook and is equally skilled at bringing clients — buyers and/or sellers — together, crafting a deal advantageous to both. "In my world, off-market is something that not everybody can do. In addition to obviously being extremely well

connected, you have to have a memory like a computer because as things arise on both sides of the equation, you have to be able to mix and match very quickly to see what can be put together. It's just a matter of having the resources and tools to know where and how to hunt. There's no algorithm, no smoking gun. It's just a matter of understanding every nook and cranny from the standpoint of things that used to be on the market or understanding through connections who, what, why and where somebody might be willing to part with something under the right conditions."



Robert Dankner

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