

For little guy, auction is his ticket out of game

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By Megan McKee, Globe Correspondent | November 8, 2009

Bob Rinaldi is convinced that his 24-unit luxury condominium complex in Natick would have been a smashing success if only his timing had been right.

His 20 South development, featuring condos with sustainable bamboo floors and abundant natural light, sits within spitting distance of downtown Natick's train station, shops and restaurants.

Instead, his project sits stagnant on the market. Eighteen months after its completion, only 10 units have been sold, with one more under agreement.

On Nov. 19, the rest are set to go to auction. But Rinaldi's property is not in foreclosure. Instead he's taking a chance on a concept that may signal distress to many but is gaining acceptance as a legitimate way to determine worth in an uncertain market.

"It's a total marketing strategy," said Rinaldi, who quit his job in high tech seven years ago to ride the real estate boom, only to see it go bust. "Things just kind of plod along. They're stale in this market. They need an injection. This is my injection."

Of the units that have sold, five were classified as affordable and sold with income restrictions for \$168,000, steeply discounted from the high \$500,000s that the market-rate units fetched.

When bidders assemble in the complex's show unit, auction paddles in hand, they'll take part in a sales tactic that has been gaining in popularity on the heels of auctions last month at the Nouvelle at Natick complex and Bryant Back Bay in Boston. Every unit put on the block was sold, raising more than \$40 million for their developers in less than three hours.

Nationwide, the total raised from live auctions for residential real estate has grown from \$11.5 million in 2003 to \$17.1 million last year, according to the National Auctioneers Association.

Jon Gollinger, with Accelerated Marketing Partners LLC in Boston, is the auctioneer who ran the Nouvelle and Bryant Back Bay sales events. He said auctions are the only way that buyers can learn with any certainty how much property is worth.

"In this phase of the real estate cycle, it's not even that they are a good thing," he said. "They're an essential thing."

For Rinaldi, 47, of Dover, the auction will signal his exit from his brief career as a full-time developer.

In 2002, Rinaldi was a new father who had grown tired of the frenetic pace and frequent travel required of his job as an EMC Corp. sales executive.

"I was in the industry for 18 or 20 years and my wife and I, as hobbies, had always developed properties," said Rinaldi.

He quit his job and started RFR Enterprises. His first project, a small development with a mix of retail and residential space in downtown Needham, was successful, he said, and his lifestyle improved.

"I stopped traveling. I was home every night," he said.

Bolstered by his experiences, Rinaldi started on 20 South in 2006. He applied to build under a Natick zoning bylaw that allows developers a higher density of construction and provides a streamlined permitting process if they designate 15 percent of a project's units as affordable.

He knocked down the auto body shop on the lot behind Natick's police and fire station, and built his three-story complex from the ground up, overseeing all of the design's elements.

He said he was sure that his concept of high-end, one-level living would be a slam dunk with empty-nesters staring down retirement.

But in the intervening three years, the economy crashed and the housing market plummeted. Though Rinaldi sold a few units early this year, interest waned. He then faced a choice: Either relentlessly cut prices, wait for the market to rebound, or try a different route. He chose different.

Rinaldi had heard about auctions from a business associate and thought the approach was worth pursuing, especially with the auction of the Natick Collection's luxury condos garnering so much press. "What I wanted to do was ride on the coattails of the auction," he said.

He hired Flynn/Boston Realty Advisors LLC, a seven-month-old partnership between a long-established company in bank foreclosures, Daniel J. Flynn & Co. Inc., and a real estate auctioneer, Jeremy Freid.

Freid, 35, who said he learned the ropes of high-end real estate marketing in Chicago, said the Northeast is the only area of the country where the idea of auctions hasn't completely caught on, though that's changing.

"People are just tired of waiting for the conventional way to market," he said. In August, he saw a 6,100-square-foot "trophy home," as he put it, in Weston sell at auction for \$1.86 million, down from its previous \$2.3 million asking price.

Freid said that instead of showing distress, auctions show buyers that developers will allow the market to dictate prices. During bidding, he said, the true market value of a property is determined, and it can be anywhere from a fraction of its original asking price to well above it.

Before an auction, "everybody is trying to figure out the fair market value and no one knows," said Freid.

Rinaldi, who would not disclose the project's total cost, said he knows he'll probably take a hit on the selling prices for the remaining condos, but the payoff in immediate sales would be worth it. Minimum bids had not been set last week.

"Do I think there will be a reduction in selling price? Yes I do. Do I get the volume? Yes I do," he said. "I'll let the market dictate whether I make money."

Arthur Hittner, who bought his third-floor unit for \$584,000, said he's just happy that Rinaldi will be able to recoup some of his money. He called Rinaldi a "class act," citing the developer's personal attention throughout the building process, and his call to every resident notifying them of the auction.

Hittner and neighbor Jean Ryan, who bought her condo for \$550,000, said they aren't worried about their property values. They both feel the condos were a good value for what they paid, especially since their units were completely customized.

Jon Treon, who owns a real estate company in Natick, said he thinks the auction is a good move, even if Rinaldi doesn't get top dollar. "If you're having a hard time moving units, I think it's a very good marketing decision," he said.

He also thinks the auction at 20 South will be a positive step for the Natick real estate market, since a lower supply will ramp up demand for other properties.

"It will be good to get them off the list," Treon said.

Rinaldi said he is back in high tech, as a global account manager for an EMC affiliate.

Though he and his wife now have three children between the ages 4 and 8, Rinaldi said, he doesn't mind the travel and fast pace of corporate sales. Developing, he said, turned out to be too boring and too slow. Still, he said, he has no regrets.

"I guess I'm proud of myself that I tried it. I learned a lot."

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