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## Luxury Real Estate Vultures

**A FORTRESS VETERAN SEES OPPORTUNITY IN DISTRESSED ESTATES.**

**W**HEN AN EX-managing director of hedge fund Fortress teams up with Sotheby's in a real estate venture, you know something funny is going on in the luxury residential market.

But that's basically what happened last month when George Graham, formerly of Fortress's Drawbridge Special Opportunities Fund, joined a real estate auction house that works closely with Sotheby's International Realty and other firms to sell off luxury homes.

Graham is CEO of Concierge Auctions, founded in 2006 by a well-connected broker in South Florida. The company is looking to make hay from an uptick in luxury real estate auctions.

"There is a pipeline of multimillion-dollar properties that are underwater," says Graham. "In most of these areas the homes aren't selling. There's a multiyear supply." Concierge's pitch to a seller is simple: Your house won't sell on the open market for years. You may not get the price you want with an auction, but it's better to have an exit than to be stuck with the carrying costs on, say, a \$20 million home—or worse, enter foreclosure. (As Concierge's website puts it, "The times

have changed. Change with them.")

But the real focus for Concierge is on the other half of the equation: the lenders, who in this segment of the market are increasingly looking for an exit too. Since the costs to the bank when a luxury home goes into foreclosure are so much higher than on a regular home, lenders are open to negotiating short sales, in which the bank accepts less than the amount of the mortgage. With home sales stalled, an auction is the fastest way to a price. "You get market value without dragging out the process," says Graham, who sees a "wave" of high-end mortgages headed for default.

**MORE LENDERS  
COULD WANT  
A FAST EXIT  
FROM HIGH-END  
PROPERTIES.**

Concierge is hoping Graham's relationships with lenders from his years at Fortress and, before that, investment bank Salomon Bros., will generate business from banks looking for an out. (Concierge takes a cut of the final sale.)

In July the company auctioned off a Boca Raton, Fla., mansion owned by the head of private equity firm Royal Palm Capital Partners. The property was on the market for three years, cut from \$24.9 million to \$21.9 million. The final price won't be revealed until the deal closes, but it probably won't cover the mortgage, said to be \$12.5 million. Either way it's money for the bank—and Concierge Auctions. —Katie Benner