

# THE NEW YORK OBSERVER

## Landlords Wave Carrot of Upfront Broker Commissions

By Dana Rubinstein

On the afternoon of April 28, an email bearing the tantalizing subject line “ONE AND A HALF COMMISSION PAID ON SIGNING” went ping in the mailboxes of real estate brokers across the city.

A link inside the email took readers to a Web page where the words “1040 Avenue of the Americas” hung from a pretty blue sky with fluffy white clouds, Zen-like music playing on repeat in the background.

Underlying message: Come join us in broker heaven, where you, hardworking broker, will never again have to chase after your hard-won commissions! The head **Newmark Knight Frank** broker representing landlord Skyline Developers wouldn’t comment for this article, but this heavenly offer did not occur in a vacuum.

On May 5, a **Studley** broker sent out an email with a subject line as mouthwatering as a juicy T-bone steak to the average real estate closer: “DOUBLE COMMISSION - Way Below Market Sublease/437 Madison Avenue/5,066 RSF - 23,470 RSF.”

The Rockefeller Brothers Fund is trying to unload said luxuriant space in the William Kaufman Organization–owned tower, with its private bathroom and shower, 40 windowed offices, “grand reception area” and panoramic views of Central Park and Rockefeller Gardens. A Studley broker representing the fund did not respond to a request for comment.

These sweeteners are yet another manifestation of a market where office space is overabundant, deals are scarce and brokers, who work on commission, are ravenous. In the same vein, landlords are highlighting the practice of paying full commission on lease signing, rather than, say, over the course of six months.

“When a landlord is reaching out for customers to keep their buildings filled, I think they’re more sensitive to doing things like that,” said **Michael Dubin**, the president of **Savitt Partners Leasing & Management**.

Mr. Dubin, for one, recently ran ads boasting “100% Commissions Paid on Signing” for space at 11 West 19th Street and 218 West 40th Street, both owned by Block Buildings LLC.

“We’re reacting to the market,” Mr. Dubin said. “We took over the leasing and management of these buildings the beginning of January. And when we evaluated the market, what we have available in the buildings, what we can do to keep our buildings occupied, and what we can do to keep our brokerage community happy and interested in bringing us opportunities, this was kind of an easy decision for us.”

“That’s really come to the forefront now: brokers worried if they’re going to get paid,” said **Fred Posniak**, senior vice president of **W&H Properties**, which owns the Empire State Building, among others, and which has long paid commissions on signing. “Duplication is your greatest compliment.”

Offering full commission—or double commission!—on signing also sends the message that the landlord can actually afford to pay commissions, a nagging concern given the number of New York landlords in financial distress.

“Anybody that has buildings underwater that is going back to the bank probably won’t pay his commissions,” said one retail broker. “Let’s say a broker goes out there and makes a deal and he gets paid when the tenant takes occupancy. The owner of the building knows that he’s losing the building. He hands the building back to the bank. The bank doesn’t have any obligation to pay the fee and he pay won’t pay the fee. You can lien the building, which is the only thing the broker can do.

“If the building gets sold for less than the mortgage, there’s no excess capital.”