

REAL ESTATE

The New Price of Luxury: \$40 Million

How a once unthinkable sum became a standard asking price for high-end real estate.

By **CANDACE TAYLOR**

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Jeff Keil paid \$2.3 million in 1991 for his townhouse on the Brooklyn Heights Promenade in New York. When he put the roughly 17,500-square-foot house on the market a few months ago, he listed it for \$40 million.

“It sounds unbelievable,” he said on a recent afternoon, while taking in breezes and views of Manhattan from the porch. He added: “I wish everything I did brought that return.”

Up until a few years ago, homes priced at \$40 million or more were almost nonexistent. Not anymore—with the country’s most expensive homes priced well above \$100 million, listings and sales at the \$40 million mark have popped up across the country. “We’ve had this creation of a new market category unlike anything that’s ever been seen before,” said Jonathan Miller of Manhattan-based Miller Samuel Real Estate Appraisers. “Five or 10 years ago, a \$40 million sale or listing was an outlier. And today it’s almost commonplace.”

Over the past year, there were more than 300 homes for sale across the country priced from \$35 million to \$49 million—an increase of 24% from the prior year, according to data from real-estate website Trulia.

And these prices aren’t just wishful thinking. In the past five quarters, Mr. Miller said at least 37 homes have sold between \$30 million and \$49.9 million in New York, Miami and Los Angeles. That is up from 14 that sold in those markets during the corresponding period in the boom years of 2007 and 2008.

These super-luxury home sales are being fueled by a number of factors, Mr. Miller said, including the creation of global wealth since the economic downturn, demand from

overseas and domestic buyers looking to park their money in hard assets and the high price of land in prime locations, which forces builders to price their properties higher. It is also common for big-ticket listings and sales to generate a copycat effect, prompting other sellers to put their homes on the market for similarly ambitious prices, he said.

A few weeks ago, Beverly Hills real-estate agent Branden Williams relisted a five-bedroom house in the Hollywood Hills. The house, which had been on the market with another agent for about a year, was asking \$35 million. Mr. Williams raised its price to \$38 million. "All the prices around us have gone up so much in the last year," reasoned Mr. Williams, of Hilton & Hyland, who is co-listing the property with his wife, Rayni, also of Hilton & Hyland, and Ben Bacal, of Rodeo Realty Fine Estates.

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measures about 13,000 square feet. Owner Sean Sassounian, founder of SAS Textiles, bought the site about six years ago for about \$4.5 million. He said he started building the house about four years ago with plans to live in it, but when he and his wife ended up having three children in rapid succession, they decided to move instead to the flats of Beverly Hills to be closer to their schools. The newly completed house has three full kitchens, a gym, a theater, an elevator, an infinity-edge pool with city views, a massage room and a subterranean garage that fits about eight cars.

Despite the bevy of new decamillion-dollar listings and the headlines that accompany them, it can still take months or years to sell a home at this price.

"The vast majority of homes over \$5 million don't fly off the shelves the way people want you to believe they do," said real-estate agent Leonard Steinberg of Compass, who is co-listing a Tribeca townhouse. Originally listed in October for \$48 million, it is now priced

at \$46 million.

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1 of 27

While there are more buyers willing and able to pay for homes in the \$40 million range than there used to be, they still tend to be particular. “People take their time at this price level,” Mr. Steinberg added. In June of last year he listed a Soho penthouse for \$37.5 million, which had previously been on the market with another agent for \$42 million. The apartment went into contract last month, although Mr. Steinberg said he couldn’t disclose the seller or sale price. According to public records, the unit is owned by the singer Jon Bon Jovi, who purchased it in 2007 for \$24 million.

Last fall, Alan Wilzig, 50, listed his 7,200-square-foot Tribeca townhouse for \$43.5 million. Mr. Wilzig purchased the house as raw space in 2005 for about \$3.35 million, and said he spent more than \$1 million on the renovation, adding features like a 550-gallon, built-in fish tank and a \$200,000 staircase with alligator-skin handrails. His office has an orange accent wall in a nod to his semiprofessional race-car driving team, and he turned the garage into a man cave with a racing simulator and a display case for his trophies.

Last summer, his wife and two children decided they wanted to relocate to the family’s

country home upstate, so they decided to put the six-bedroom home on the market. Mr. Wilzig, the former chairman and CEO of the Trust Co. of New Jersey, said he had assumed that his home would trade in “the low 30s.” But when he saw apartments in the neighborhood selling for more than \$30 million, he reasoned that his house, with a garage and 60-foot-long roof deck, should fetch more.

But now that it has been on the market for a while, he said he is planning to reduce the price to somewhere in the \$30s in response to feedback from brokers.

To snag a \$40 million-purchaser, it helps if the home comes fully furnished, agents said, since these buyers often have other homes and don’t want to spend time picking out furniture. Mr. Sassounian’s Hollywood Hills house is not just fully furnished, but is stocked with wine in the wine cellar and even toothbrushes in the bathrooms.

For his 18.6-acre estate in Atlanta, Ga., which is listed for \$48 million, J.K. MacDonald is throwing in art and antiques he found traveling the globe including a Picasso watercolor, a three-panel poster by Toulouse-Lautrec and a mosaic from the floor of a Roman villa dating back to 450 AD. Furnishing the house “took 25 years and a lot of due diligence and a lot of traveling,” Mr. MacDonald said.

The founder of a travel-incentives company called Media Marketing Services, Mr. MacDonald bought the house, known as Chestnut Hall, in 1987 for a then-record \$3.7 million and extensively renovated it, expanding the home to its current size of about 14,500 square feet, plus a guesthouse and pool house. There is a wine cellar and fitness center, and the 77,000-gallon pool is one of the largest in Atlanta, he said. For children, there is a playground and a trampoline, and a “little baseball field” with a pitching mound and batting area. There is also a children’s playroom with a stage, he said, and its own kitchen equipped with a snow-cone machine.

As is often the case, selling the house is taking time: It has been on the market about a year so far. “However long it takes is fine with me,” Mr. MacDonald said. “I want the right person.”

With a \$40 million listing, agents stand to earn commissions in the hundreds of thousands of dollars. Agents pointed out they often invest their own money into marketing expenses, pre-screen potential buyers for financial wherewithal, and even get restaurant reservations for clients. “When you have a very high-end property,” Mr. Steinberg said, “you have to go the extra mile.”

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