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He Thought His Home Might Sell for $30 Million. Fifteen Months Later, It's 'The Steal of the Century.'

Price cuts and deep discounts are becoming increasingly common at the high end, as the Covid-era real-estate frenzy cools and more buyers wait it out on the sidelines

By E.B. Solomont Follow *and Katherine Clarke* Follow

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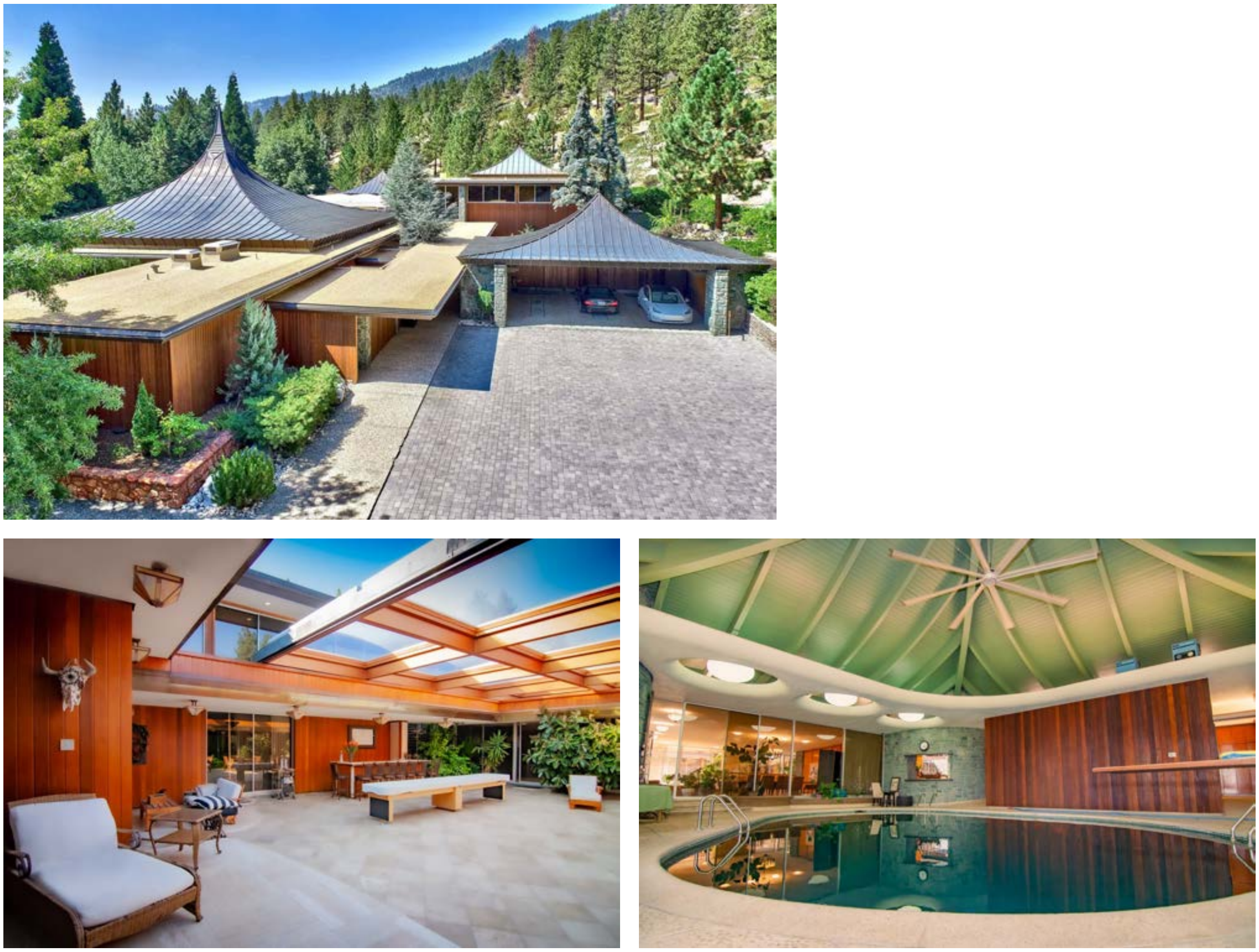
Would someone really pay $30 million for his Nevada ranch? David Clark wasn't sure.

But amid the rollicking luxury market, Mr. Clark said he agreed to list his 25-acre Washoe Valley property for that amount in August 2021. A similar retreat on Lake Tahoe could fetch multiples more, he reasoned. Plus, his land came with a roughly 18,000-square-foot mansion and multiple wells, ponds and outbuildings.

Fifteen months later amid a market correction, however, Mr. Clark, who owns a financial services firm, has slashed the price several times and still has no takers. The ranch is currently asking $11.5 million—a nearly 62% reduction from the original price—and Mr. Clark said he won't go lower.



David Clark's Nevada ranch is listed for $11.5 million, down from $30 million. The 18,000-square-foot mansion has copper roofs.

TESS HUNT (3)

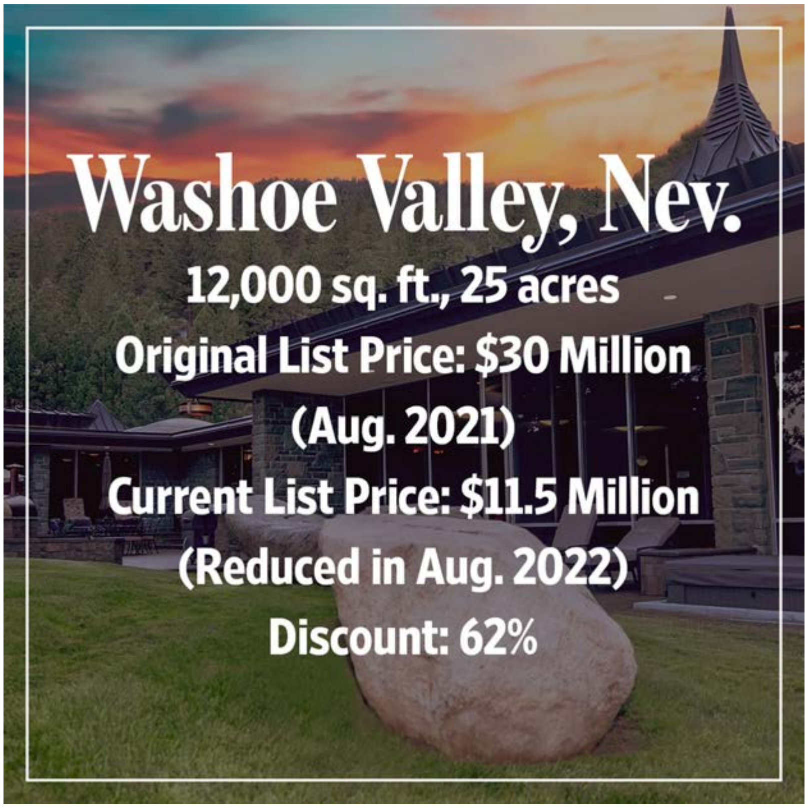


PHOTO: TESS HUNT

"I think we missed the window of opportunity," he said, saying the property is now "the steal of the century."

Aspirational prices for luxury homes around the country are falling back to Earth, as the seemingly unstoppable real-estate frenzy of the last 18 months begins to dissipate. Real-estate agents said buyers spooked by economic uncertainty are suddenly hesitant to overpay and some are sitting on the sidelines waiting to see how things shake out. Having lost the upper hand, some sellers eager to move properties are slashing prices and selling for deep discounts.

A year ago, the luxury real-estate market was like "this huge party with champagne and caviar and everyone was thinking it was never going to end," said Bess Freedman, chief executive of Brown Harris Stevens, a luxury brokerage. "Now, it's like the lights have been turned on. It's a different environment."

Whether it is inflation, stock fluctuations, recession warnings or the war in Ukraine, buyers can start to feel like "there are too many headwinds," Ms. Freedman said. "With sellers who are priced too aspirationally, our agents are encouraging them to bring them down to a place where buyers would make an offer," she said.

Recent data from brokerage Redfin shows an increase in the number of significant price cuts in the luxury market. Among all listings above $10 million between August and October 2022, there was a 28.77% increase in price reductions of at least 20% compared with the same period in 2021.

Price reductions have been ticking up over the past three quarters, said Jonathan Miller, founder of real-estate appraisal firm Miller Samuel. In Manhattan's luxury market, the average price cut during the third quarter of the year was 11.7%, compared with 7.8% in the second quarter and 6.2% in the first, Mr. Miller said.

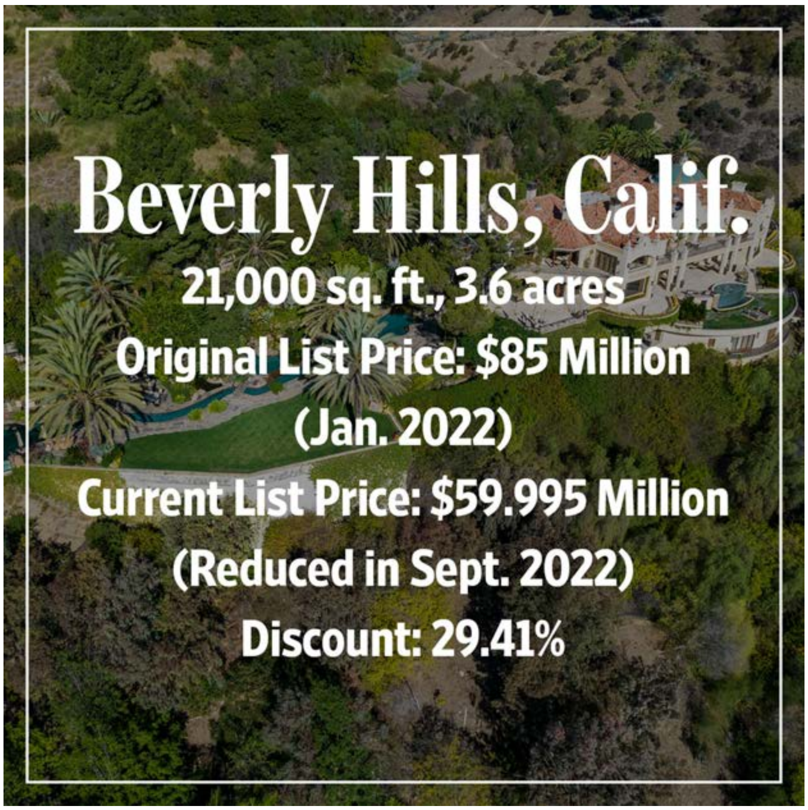
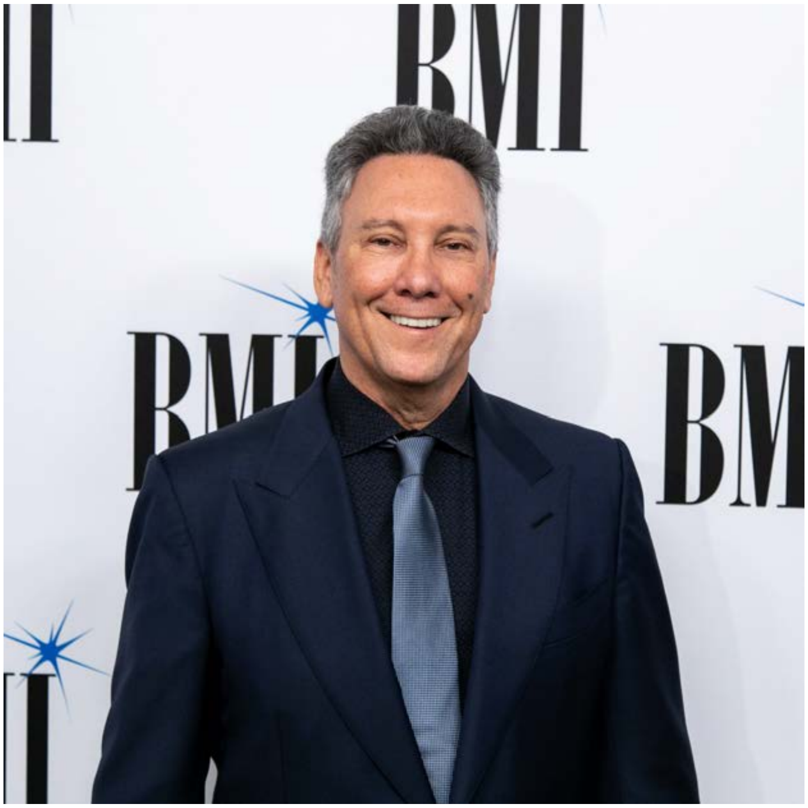


PHOTO: MARC ANGELES



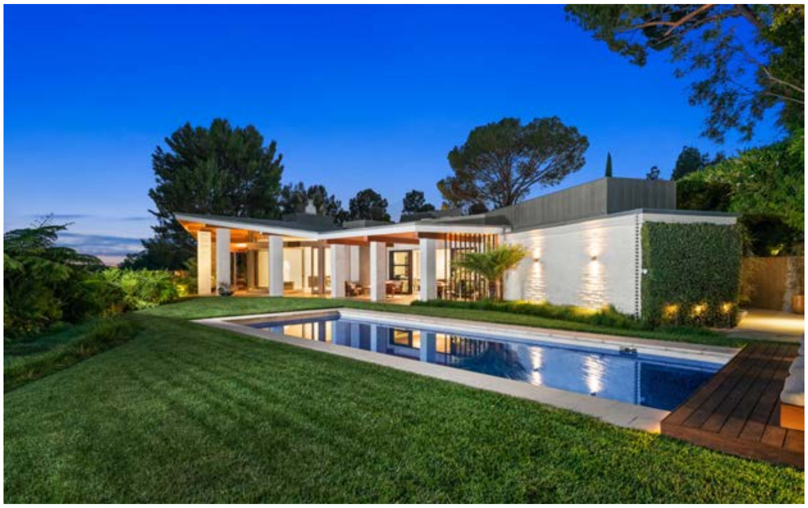
Jeff Franklin in 2019.

PHOTO: JOHN WOLFSOHN/GETTY IMAGES

Jeff Franklin, creator of the television sitcom "Full House," said he recently lowered the price of his Beverly Hills estate by roughly $25 million. First asking $85 million, the roughly 21,000-square-foot, Andalusian-style estate is now listed for $59.995 million, a nearly 30% reduction, he said. Located on about 3.6 acres near Benedict Canyon, Mr. Franklin said he purchased the property from a developer roughly two decades ago when it was only partially constructed and spent millions finishing it. The nine-bedroom estate comes with some unusual amenities, such as a shark tank and a 35-foot waterslide.

Much like Mr. Clark, Mr. Franklin said that he had originally put an "aggressive" price tag on his property on the advice of his agents, but, when the market wasn't responding, he felt they "needed to bring it down to earth a little more." Mr. Franklin, who has already relocated to Miami and is therefore eager to sell the property, said he opted for a significant price drop to dramatically increase the potential pool of buyers for the property.

"I wanted to make sure the house was priced as competitively as possible," he said, noting that he has had a few "serious buyers" come through the property but none of them have made a good offer. "There's still buyers out there but not as many," he said.



A Beverly Hills home that was owned by Sue Gross, ex-wife of retired billionaire bond king Bill Gross, recently sold for $23.25 million following price cuts.

PHOTO: MARC ANGELES

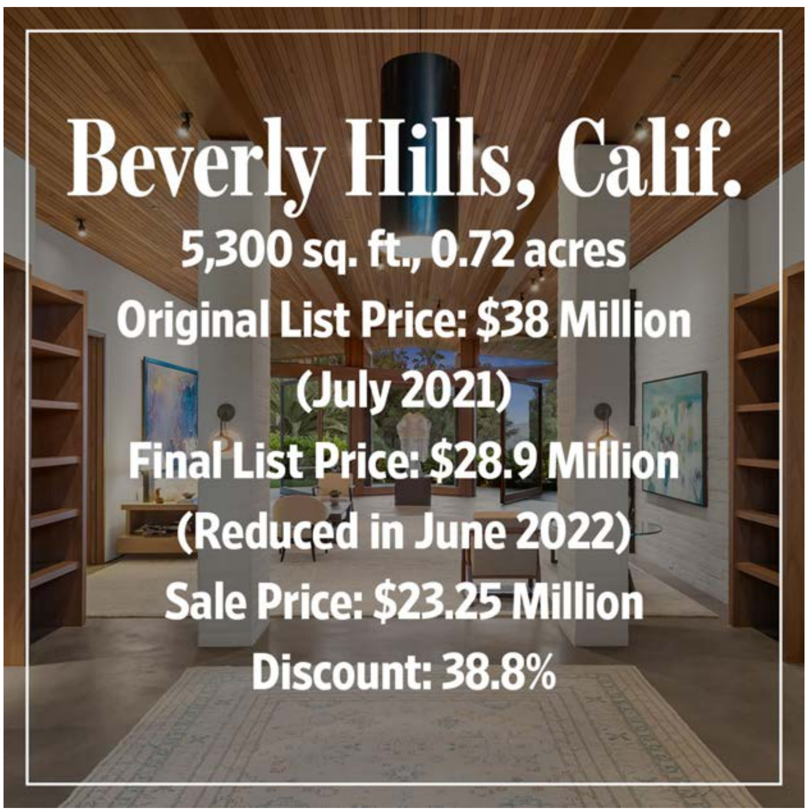
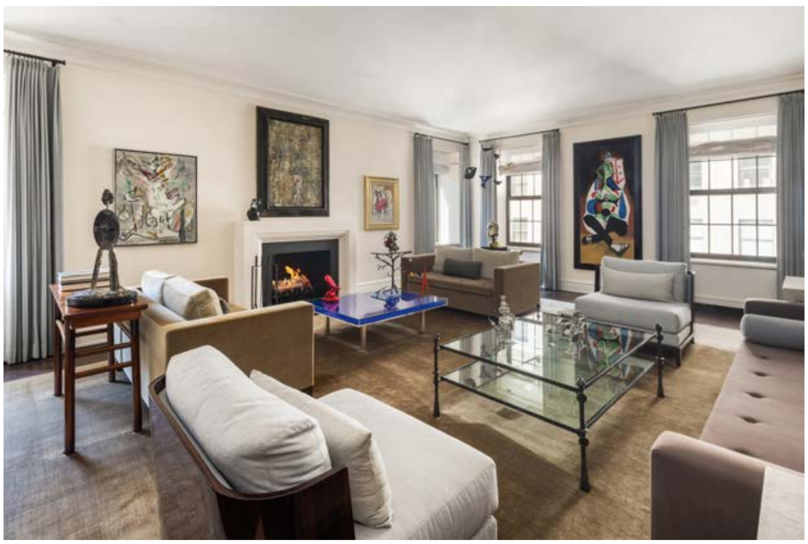


PHOTO: MARC ANGELES

Josh Altman of Douglas Elliman, one of his agents, said the price was appropriate for the market at that time and because the property was so unique. "The mentality of the buyer in this market now is different," he said. "They want a deal."

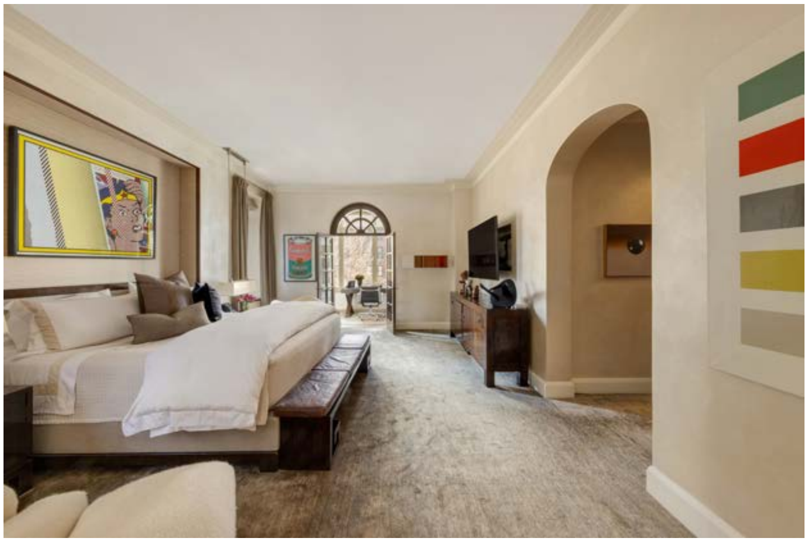
In June, Sue Gross, ex-wife of retired billionaire bond king Bill Gross, reduced the asking price on her Beverly Hills estate to $28.9 million, a significant reduction from the $38 million she asked when first listing the property in July 2021. (It was also less than the $35 million she paid in 2018 to purchase the property from Ellen DeGeneres and her wife, Portia de Rossi, records show.) The property, which is located above Sunset Boulevard, is Midcentury Modern in style and spans about 5,300 square feet with four bedrooms. The price cut appeared to do the trick; the property sold for $23.25 million, a roughly 39% reduction compared with the original asking price, five months later. Ms. Gross couldn't be reached for comment.

In New York, real-estate investor and prominent art collector Edward Minskoff also recently slashed the price of his apartment, a co-op at 730 Park Avenue on the Upper East Side. The property asked $17.7 million when it first listed in May but the price has been reduced three times, most recently to $12.5 million, StreetEasy shows. Still, he will likely make a sizable profit over the $210,000 he paid for the unit in the 1980s. Mr. Minskoff didn't respond to a request for comment.



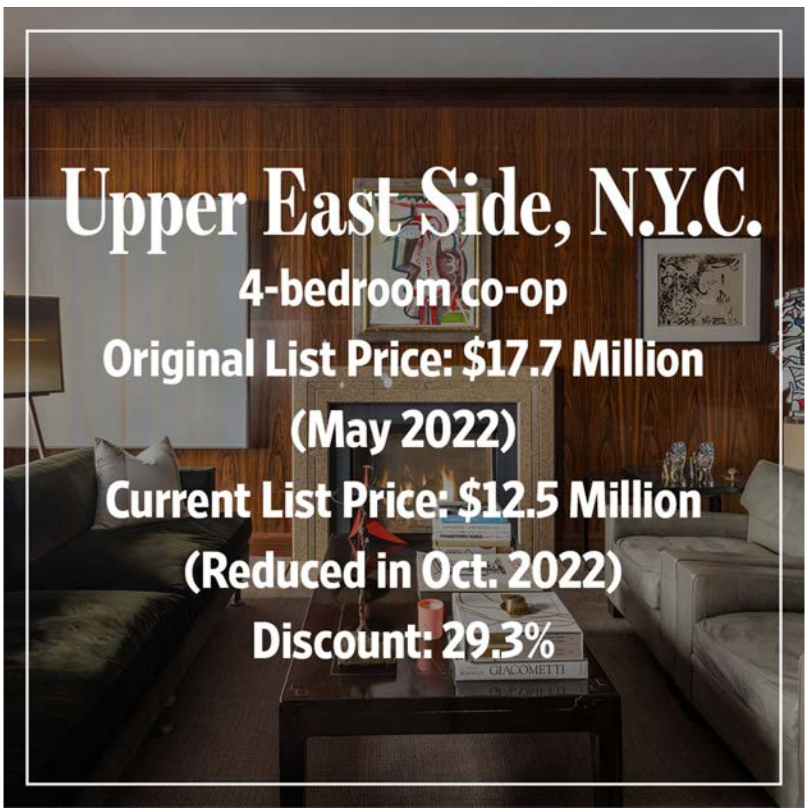
Real-estate investor and art collector Edward Minskoff recently reduced the price of his New York apartment to $12.5 million.

PHOTO: DOUGLAS ELLIMAN



The unit is located in a storied New York co-op at 730 Park Avenue.

PHOTO: DOUGLAS ELLIMAN



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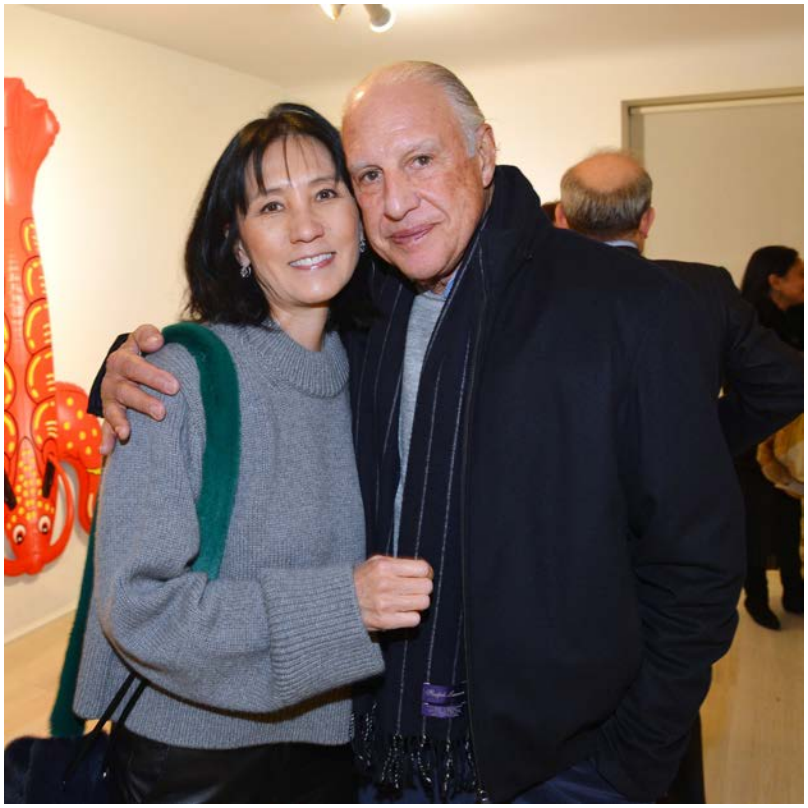


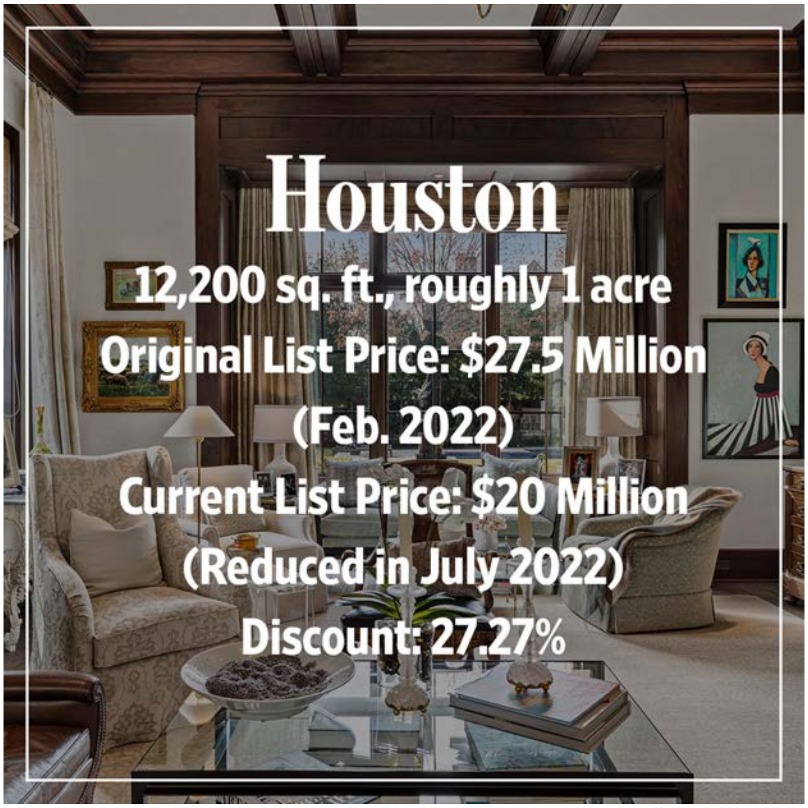
Edward Minskoff with his wife, Julie Minskoff, in 2019.
PHOTO: PATRICK MCMULLAN/GETTY IMAGES

Some markets are more vulnerable to the slowdown, given how suddenly and sharply they rose during Covid. In Houston, for instance, trial lawyer Tony Buzbee listed his roughly 12,200-square-foot home for $27.5 million in February, seeking to capitalize on the market frenzy there. He said he was motivated by heightened demand and lack of inventory in the market. "A lot of people were the same way," he said. "We were all going to make a lot of money."

Within a few months, "reality set in," coinciding with a market slowdown, and Mr. Buzbee reduced the price to $25.5 million. It is now asking $20 million—nearly $7 million more than he spent in 2013, when he said he paid just over $13 million for the home. Since last year, the buyer pool has thinned, he said. "Let's be honest. Houston is not Miami. You don't have people willing to plunk down $20 million unless they have a reason to be in Houston."

Los Angeles-area real-estate agent Jade Mills of Coldwell Banker Realty said she sees some of the major price cuts as being long overdue. Some homes were overpriced long before the market dip as sellers became overly aggressive with their pricing amid the Covid-induced real-estate boom, she said. "The sellers became so arrogant, in a way, about their house being amazing and they wanted more and more money," she said.

In reality, the dynamics of many of these luxury markets are still healthy, with limited inventory and demand from buyers, Ms. Mills said. The problem, she said, is that "the buyers all think that the market is going down much faster than it is" and are expecting that sellers will negotiate more than they are willing to do. That is leading to a "standoff" and a reduction in deal flow.



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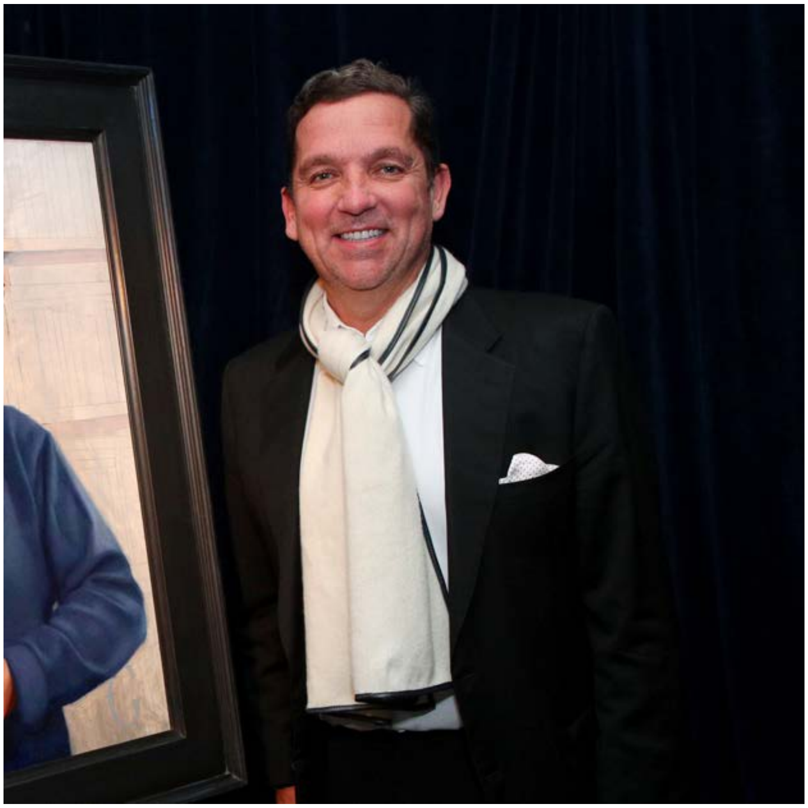


Tony Buzbee in 2019

PHOTO: ASTRID STAWIARZ/GETTY IMAGES FOR THE DENALI FOUNDATION

In Aspen, for instance, where there was a real-estate feeding frenzy during the pandemic, the number of sales in October dropped 51% compared with the prior year, reflecting a shift in the market, according to Tim Estin of Aspen Snowmass Sotheby's International Realty, who publishes a monthly market snapshot. Pending sales were down 60% year-over-year.

Aspen agent Riley Warwick of Douglas Elliman said that his buyers are trying to reconcile higher prices at a time when their stock portfolios are down. "Whether they've got the money or not is not the question—it's more the psychological," he said. In that environment, buyers are unwilling to overpay.

He said he recently toured an off-market property asking $40 million with a client, who was "ready, willing and able" to spend that amount for the right home. "That property was probably worth more like $30 million," Mr. Riley said. He said they made an offer, but didn't reach a deal.

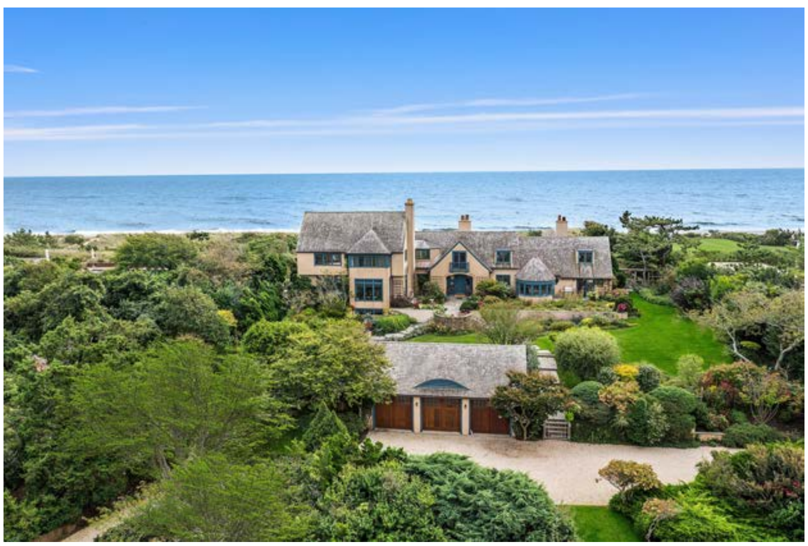
"My biggest challenge is finding a great product," he said, "and then finding a realistic seller who is not high off the last two years' run up."

Some sellers who've slashed prices have been rewarded. In October, former U.S. Ambassador Bruce S. Gelb sold a New York City apartment for $17.5 million, six years after listing the Fifth

Avenue co-op for $65 million. Mr. Gelb, who purchased the home several decades ago for an unknown amount, couldn't be reached for comment.

Likewise, Miami Dolphins owner and real-estate developer Stephen Ross sold his Manhattan home, a penthouse at the complex formerly known as Time Warner Center, for $40 million, far less than the $75 million he asked for in June 2019. During that time, the price was cut several times and was represented by several different real-estate agents.

And in East Hampton, N.Y., art and antique dealers Barbara and Lloyd Macklowe recently went into contract to sell their waterfront home after a roughly $20 million price adjustment. The couple paid $3.45 million for the 1.5-acre property, between Georgica Pond and the Atlantic Ocean, in 1992, records show. Listed for $60 million in October 2021, it has a roughly 6,100-square-foot house and 170 feet of ocean frontage. The Macklowes couldn't be reached for comment.



The Hamptons home of art gallery founders Barbara and Lloyd Macklowe recently went into contract. The last asking price was $39.5 million, down from $60 million.

PHOTO: DOUGLAS ELLIMAN

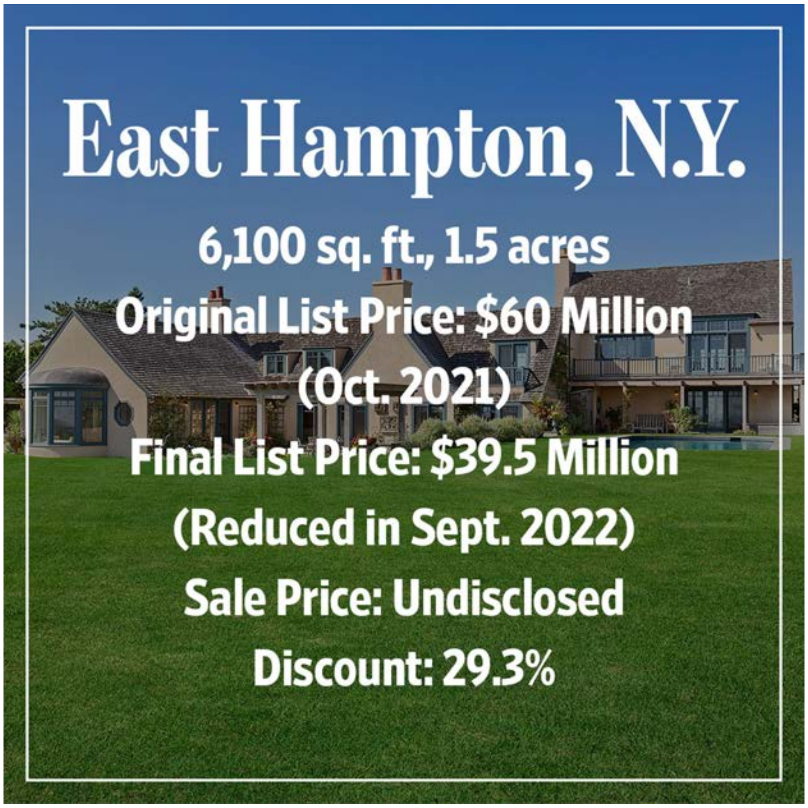


PHOTO: DOUGLAS ELLIMAN

Mr. Miller, the appraiser, said although sellers are capitulating to market conditions, "there are no fire sales." Certain markets—such as Miami, Palm Beach and Malibu, Calif.—seem insulated from the market slowdown impacting the rest of the country, thanks to limited inventory. Suzanne Frisbie of the Corcoran Group said scarcity is the "big driver" of ultraluxury real-estate values in Palm Beach, where there is a limited number of homes and even fewer on the water. "There's only so much of it," she said. In 2012, the median residential price was $2.4 million. So far in 2022, the median price is $11.8 million, she said.

Some sellers who have slashed the price of their properties say they are not willing to chase the market down much further. Many of the wealthiest sellers can afford to hold on to their homes until demand shifts back up.

Mr. Clark, the seller in Nevada, said he expected his property—which has a greenhouse, three wells and a geothermal heat pump—to appeal to Covid-conscious buyers who wanted a safe, self-contained place to live during the worst part of the pandemic. The Clarks purchased the bank-owned property for $4 million in 2009, records show. Mr. Clark said he invested $7 million into upgrades, including a $1 million geothermal system. He estimated it would cost north of $40 million to replace the main residence, built in the late 1960s, which has a 3,800-square-foot atrium with a glass roof that opens and an indoor pool.