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Luxury Developers Bet Big on Ultramodern

Luxury developers are pouring money into homes that push the design envelope

By STEFANOS CHEN

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Building multimillion-dollar homes on spec—with no buyer on the horizon—has always been a gamble. Now the stakes are even higher, as developers break from traditional home design and erect contemporary glass-and-steel houses with bold flourishes.

Spectacular Designs

In Los Angeles, this nearly finished 15,250-square-foot Richard Neutra-inspired home in Holmby Hills is listed for \$50 million, and the developer has similar projects expected to range in price from \$35 million to \$60 million. *Tim Street Porter*

A Modern Spec On Sale



\$16.5 Million

Miami Beach, Fla., Seven bedrooms, 8½ bathrooms

Located on one of Miami's Sunset Islands, this 'Brazilian tropical'-style home has 13,500 square feet of indoor and outdoor space, with an inner courtyard at its center.
Agent: Esther Percal, EWM Realtors

In a Miami neighborhood full of Mediterranean mansions, a crew of workers is putting the finishing touches on a seven bedroom, 7½-bath concrete home, which is listed for \$9.8 million. Part of the home's living area rises 24 feet to the ceiling. The few doors in the voluminous space are 12-feet tall. A 20-by-20-foot concrete wall is embedded with an 8-inch-deep relief of a massive oak tree. The project is the brainchild of Dennis Day, an accountant from the Netherlands who has never before built in the U.S. He bought the property for \$1.5 million in 2010, but wouldn't disclose the construction cost.

In Los Angeles, a nearly finished 15,250-square-foot Richard Neutra-inspired home in Holmby Hills is listed for \$50 million, and the developer has similar projects expected to range in price from \$35 million to \$60 million. In Aspen, Colo., an 8,126-square-foot "mountain modern" home is listed for \$13.9 million, while a 14,000-square-foot spec house that recently broke ground will list for \$36 million, the developer says. Even in New York's Hamptons, an area known for traditional design, "transitional" modern homes with open floor plans and expanses of glass are listing with \$20 million price tags.

"After five years of being in the doldrums, all of a sudden luxury spec is starting to catch fire," says Peter Zalewski, a housing analyst in Miami and principal at Condo Vultures.

This time around, however, the currently accepted formula for high-end residential developments includes open floor plans, multipurpose rooms and high-tech gadgets like remote home automation—all of which are amenable to modern layouts. Some traditional styles have taken a hit among high-end buyers, who regard them as shopworn and common, veterans say. Add to that an infusion of foreign buyers with more adventurous tastes and the fact that modern homes are typically faster to build, and suddenly the high-concept house looks like the safer bet.

Because they are often unusual in relation to their neighbors, contemporary homes are also more difficult to appraise in relation to other homes, giving sellers more latitude in setting the price, says Michael Lea, a professor at the Corky McMillin Center for Real Estate at San Diego State University. People "buying those multimillion-dollar homes probably aren't buying them for appreciation reasons—they're buying them to make a statement."

In Los Angeles, developer Alessandro Cajrati Crivelli is finishing the 15,250-square-foot "contemporary villa" in Holmby Hills with 20-foot ceilings at its peak. Mr. Crivelli, who has worked with [Giorgio Armani](#) and Tom Ford on large commercial projects, said the home was built with a modern art collector in mind, so it offers ample display space and museum-like volume. The list price—\$50 million—is reasonable, he says, considering the clientele. "When you pay \$44 million for a Barnett Newman, \$50 million is frankly irrelevant," Mr. Crivelli says, referring to the contemporary artist.

Some developers, particularly those in markets heavily tilted toward traditional design, are fusing the two styles together. In Aspen, the incumbent style is "Aspen overdone," a mix of heavy timber and stone, says architect Rich Carr. "It became almost commoditized." Instead, a spec project Mr. Carr is working on merged an 1800s Victorian-style house with a modern addition that has a flat roof and an accordion glass wall to create a three-level, 5,500-square-foot home. It will be completed in early 2014, but has already sold to a U.S.-based buyer. Mr. Carr wouldn't disclose the sale price, but he says it listed for between \$10 million and \$15 million.

Aspen-based developer Bob Bowden says mostly traditional homes are taking cues from modern architecture. He describes his 8,126-square-foot, \$13.9 million project as "Brazilian modern in the mountains," with lighter tones, minimal lines and expansive glass panels. Another home, which won't be completed until spring of 2015, will measure 14,000 square feet and include eight bedrooms and 11 baths, an outdoor kitchen and cabana spaces.

Modern or no, developing luxury homes is a high-risk activity. Builders are looking for a 20% to 50% return on their investment, says Mr. Zalewski, the housing analyst, and those margins can quickly shrink if the property isn't built in the most desirable locations, where buyers compete for limited land. Some developers use short-term construction loans with adjustable interest rates that make timing the sale even more important. In some cases, developers of luxury homes can face carrying costs exceeding \$50,000 a month for a single project.

And sometimes a modern design can be too ahead of the curve. Built in 2011, one 18,750-square-foot "mountain modern" home in Aspen with a 30-foot-tall waterfall, two elevators and a bowling alley is still looking for a buyer. Listing agent Joshua Saslove notes that the home has been rented a number of times and now that he is seeing a bigger appetite for modern design, he plans to raise the home's asking price to \$45 million, up from its last price of \$39.75 million.

Another critical factor spurring developers is the current shortage of available ultraluxury homes—a shortage that can vanish as these spec homes are completed and go on the market. Credit is still tight for developers, which raises the barrier of entry for new builders, and, for the time being, is staving off fears of another bubble.

So the building continues. Cody Vichinsky, an agent with Corcoran Group Real Estate in Bridgehampton, N.Y., says the gambrel rooflines and traditional facades are still popular in the Hamptons, "but you walk inside and you feel like you're in a W Hotel."

An 8,000-square-foot spec home in Sagaponack, N.Y., listed for just under \$23 million, remixes the classic Hamptons style with a central staircase with oak treads and polished chrome balustrades enclosed in a glass tower visible from the exterior. There is a 24-foot-tall great room and a Zen rock garden off the walkout basement. "The buyers I sell to, they want things that other people don't have," says the developer, Jay Bialsky, and incorporating modernist design elements is one way he's providing it.

As for why a buyer would spend this kind of money (sales are typically all-cash) on a spec home, developers say it comes down to time and convenience. Permitting and planning can be a long and arduous task, and in many cases, these are the buyers' second, third or even fourth homes. These projects offer a happy medium, builders say. "It's a custom home that happens to be a spec," Mr. Bowden says, insisting that there is an end user in mind throughout the process—he just hasn't met the person yet.