MANSION GLOBAL

Agents Face the Return of The Bold Buyer

Gone are the days when sellers were in the driver's seat. Now, it's the buyers who are in control, and they are looking for deals.

BY KATY MCLAUGHLIN | ORIGINALLY PUBLISHED ON MARCH 6, 2019 | THE WALL STREET JOURNAL

ILLUSTRATION: INGO FAST

In roaring luxury markets from Manhattan to San Francisco over the past few years, buyers were a piteous bunch.

Got a million dollars to spend?

That's nice.

Want to make an offer?

Get in line.

Then, in the last quarter of 2018, statistics began to paint a picture of a slowing market: Redfin says there were nearly 4% fewer transactions nationwide for homes costing $2 million and up compared with the previous year.

In Manhattan, closed sales declined by 3.3% and median prices fell by 5.8%, while in Los Angeles, transactions dropped 5.2%, according to a report for Douglas Elliman prepared by appraisal company Miller Samuel.

Real-estate agents say their job for years has been to patch up beaten-and-bruised home shoppers and send them back out for battle, armed with more cash.

Now agents' tasks include bracing themselves to communicate outrageously low-ball offers to sellers. Here's how the new normal is playing out in a couple of markets:

Jim Kinney

Baird & Warner, Chicago

Since Jan. 1, our market is off 20% in sales volume and number of transactions compared to the year before. In the lower end of the market three years ago, anything under $800,000 would get 20 offers. No more.

A lot of our sellers are in denial. I had a seller the other day say to me, "It's OK, I can wait for the market to turn around."

He's 89.

A client had a condo in downtown Chicago that they could have gotten out of at $1.785 million two years ago, because that's what I sold one across the hall for, to the first person who walked into it.

But I had this condo on the market this fall at $1.595 million with no hope in sight. Then we had a buyer come in, relocating from the East Coast. They came in at a crazy low price, $1 million. My seller said, "Let's try to find a deal." The buyer finally agreed to $1.15 million, but with all the furniture—and he wanted the piano, a baby grand with satinwood inlay. The seller said no.

So guess who bought a piano? I paid the seller $4,500 for it and I gave it to the buyer. I just closed on the deal.

Robert Dankner

Prime Manhattan Residential,

New York

The correction from aspirational pricing was a necessary step in the normal course of any market. But buyers started pounding their chests a bit as prices started to correct. The expectations are too extreme. This fall, I had a buyer who made absurd offers. For a $10.5 million downtown condo, they offered $8 million. I argued with them and said, "This person wants to sell, but is not going to at a price that is just stupid." The client said, "Do it anyway." We didn't even get a response. Then they made an offer on another property, offering $2 million less than the asking price. The seller responded by coming down just

$50,000. I told my clients, "That's a ridiculous counter, but you gave a ridiculous offer."

I ended up firing the clients. I said, "I can't help, because you're looking for something that doesn't exist." But they eventually came back to me, and now they're in contract. They got something for around $12 million, down from the asking in the high $12 millions, that had been price-reduced from $14 million. They ended up getting a very good value.

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