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HOMES

The Race to the \$100 Million Spec House

Developers aim for new highs—and high prices—for speculatively built homes

By CANDACE JACKSON

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When Shelly and Avi Osadon set out to build their dream house on a hillside lot in Beverly Hills, Calif., they commissioned a custom chandelier with 25 handblown glass balls for the entryway. They installed \$5,000 “hands-free” toilets with heated seats in most of the home’s 10 bathrooms. They even bought \$350 electric toothbrushes custom designed by “dentist to the stars” Jon Marashi.

Now all the Osadons need to do is find someone who wants to buy their dream—ideally for their \$35 million asking price.

More developers and investors are racing to build increasingly lavish homes on spec. Built on prime lots with master suites larger than most homes and spas and entertainment spaces comparable with those in hotels, many of these homes are also attempting to break new price records.

In Hillsboro Beach, Fla., north of Fort Lauderdale, a yet-to-be-built 30,000-square-foot estate with subterranean parking for 20 cars is seeking \$45 million. That is nearly triple the cost of the most expensive sale in the town to date, a property nearby that sold for \$17 million last year. Another home, listed for \$36 million in Golden Beach, Fla., north of Miami, has a 5,000-square-foot spa and five kitchens. And in Los Angeles, a \$55 million spec home with expansive city views includes an air-conditioned “auto gallery” with a spinning turntable and room for 15 cars.



A pair of neighboring spec homes are going to a 'bidder's choice' sale with Concierge Auctions on March 26th. (The winning bidder will get to choose which home to purchase, and the other goes back on the market.)

PHOTO: CONCIERGE AUCTIONS

"Everybody wants new," says Carmen D'Angelo, the listing agent for the Hillsboro Beach home. "If I had five or six more of these, I'd sell six more."

Real-estate agents say the surge reflects an ultraluxury housing market that is at an all-time high, fed in part by overseas buyers and house hunters looking to invest in trophy properties.

"These are people who are going to buy these homes to park money," says Jeff Hyland, of Beverly Hills-based Hilton & Hyland. One of his agents is working with a developer who is building a 90,000-square-foot spec home, and Mr. Hyland has another developing six 2-acre lots, each of which will feature a 40,000-square-foot spec home. When they are completed in about three years, the 40,000-square-foot homes will be priced around \$100 million.

In October, handbag mogul Bruce Makowsky listed a Beverly Hills spec home for \$85 million. The home, which included a wine cellar stocked with Dom Pérignon and a \$200,000 "candy bar" stocked with sweets, received several offers before selling in December for \$70 million, a local record. The buyer was Markus "Notch" Persson, the 35-year-old developer of the computer game Minecraft. (Messrs. Makowsky and Persson didn't respond to requests for comment.)

In 2010, developer Mohamed Hadid sold a spec mansion in the Los Angeles area for \$50 million. In 2013, he sold a 48,000-square-foot property for \$32.75 million, the most expensive sale in Los Angeles that year. Now Mr. Hadid is working on a 30,000-square-foot contemporary sculptural-style mansion in Bel Air that has curved concrete, marble and glass walls, and views spanning to the ocean.

His property, known as Strada Vecchia, will have an IMAX movie theater that he says will be the largest ever installed in a home, a 7,000-square-foot master suite and a kitchen with a sushi bar. On a recent tour of the partially constructed home, he explained that the outdoor circular entryway, decorated with a large sculpture he designed, will be surrounded by water.

Inside America's Priciest Spec Homes »

These over-the-top homes in Los Angeles and Florida have bedrooms the size of most houses, elaborate finishes and mega-mansion prices.



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Designers, builders and developers Shelly and Avi Osadon spent the past 20 years building and designing homes for clients and distributing high-end homebuilding materials and fixtures. They

Building a home that stands out, he says, means wowing buyers with amenities and design elements they didn't know they wanted. "That's the art of being ahead of the competition," he says, estimating that there are at least 20 contemporary-style homes in the \$30 million-and-up price range under construction in the Los Angeles area. Mr. Hadid declines to say what he's spending on the home, but says the listing price will likely be in the \$200 million range when the house is completed next year.

Ben Bacal, one of the listing agents on the Beverly Hills home that sold in December for \$70 million, says most developers at the top end of the market hope to make at least a 50% to 60% return on their investment to make the risk worthwhile. With land prices at an all-time high in prime areas, that can mean spending upward of \$20 million just for a vacant lot or a teardown—and then two to four years of carrying costs while dealing with permitting and construction. Despite the obstacles, Mr. Hadid says many new developers have “jumped on that wagon.”

So far, demand is holding up. “No one is worried about it until the music stops,” says Mr. Bacal. “And it hasn’t stopped yet.”

Mr. and Mrs. Osadon, the builders and designers of the \$35 million Beverly Hills home, are new to spec building, although they spent 20 years building and designing lavish homes for clients and distributing high-end home-building materials and fixtures.

Their home, with expansive city and ocean views, has a minimalist, somewhat masculine palette and giant walls of glass that open to the outdoors. The flooring continues into the outdoor living areas and is made up of 5-by-10-foot engineered stone slabs, which Ms. Osadon says have never been used previously in a residential home because of the difficulty of installation. A glass, wood and steel staircase was built with hidden bolts to look unadorned. The Osadons say the staircase cost several hundred thousand dollars, compared with \$30,000 to \$40,000 for a more typical high-end staircase.

The Osadons say they spent less than \$10 million for the property in 2010. To get approval to build, they paid to widen the road leading up to the property and other homes before starting construction. Ms. Osadon says she doesn’t know how much they spent to build the home, and declined to give an estimate. Construction took nearly two years, and the purchase price includes the custom furniture, artwork and linens. The home is listed by the Agency and Coldwell Banker Previews International.

“When you’re building a home like this, there is no budget,” says Ms. Osadon.

“Well, there was a budget, but we quickly abandoned it,” her husband adds. Spending more on details like custom-designed wall coverings for the home’s elevator could help the home stand out from the competition, they say. According to Trulia the average listing price for similar homes in the area is \$22 million.

In 2012, a spec home in Indian Creek Village, Fla., sold for \$47 million. Setting a record for a single-family home sale in Miami-Dade County, it is also credited by many real-estate agents and developers for igniting the current spec building craze in South Florida. The co-developers, including Miami-based Shlomy Alexander, paid about \$10.3 million for the lot and spent roughly \$15 million to build the home.

Mr. Alexander and his son, real-estate agent Oren Alexander, took the profits from that sale and purchased a Bal Harbour waterfront lot for \$5.5 million in 2012. They are building another spec home there: a 13,500-square-foot home with a 2,500-square-foot master suite. Designed by architect Chad Oppenheim, whose clients include director Michael Bay, the home will be primarily glass, travertine Romano and Belgian oak. The front gate will have a license-plate recognition system that can let the owner in, and an infinity pool will have a 70-foot-long fish-tank glass wall. The home is scheduled to be completed in about two months, says Oren Alexander.

Not all spec homes are clear success stories. Brook Lenfest, an investor and co-developer of two high-end homes built side by side in Vero Beach, Fla., decided to bring both of his spec homes to a “bidder’s choice” sale with Concierge Auctions on March 26th. (The winning bidder will get to choose which home to purchase, and the other goes back on the market.) One, a 15,400-square-foot home on 2 acres, was originally listed for \$17.9 million; the other, a 16,120-square-foot home, also on 2 acres, asked \$18.75 million.

The two homes were built simultaneously to save some money on building costs, says Mr. Lenfest. Though he declined to disclose what he spent to build the homes, he said between construction, taxes and carrying costs his investment has been “significant.” “The auction is definitely a gamble because there is no reserve,” says Mr. Lenfest, who has no debt on the properties and is also building a 755-room hotel in Philadelphia. “But it’s time for the market to speak and say what they’re worth. And it’s time for me to accept that.”

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