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New York's Wealthiest Cut Losses as Manhattan Real Estate Falters

Luxury homeowners struggle to accept the new reality of home prices falling after a decadelong property boom

By Candace Taylor and Katherine Clarke

When actor Brian Kerwin decided to sell his longtime Manhattan home—an 1880s Romanesque townhouse he and his late wife had carefully restored—he was hoping it would go for about $12 million, based on similar sales in the neighborhood. When he and his agent, Kim Mogul Wright of Douglas Elliman Real Estate, agreed on a price tag of $8.5 million, he thought there would be "five takers within a week," said Mr. Kerwin, 69, who has appeared in movies such as "The Help" and "27 Dresses."

So he was shocked when the Upper West Side listing got "absolutely zero interest." Finally, after a year on the market and several price cuts, the redbrick house is now in contract for about $5.5 million.

Accepting that the home would sell for far less than he had imagined was a gradual—and emotional—process, said Mr. Kerwin, who bought the house for less than $1 million in the early 1990s and raised his children there. "It's like hitchhiking; after standing there for 10 hours you'll take anything," he said.

Mr. Kerwin is one of many Manhattan homeowners struggling to accept the puzzling new reality of the New York City real-estate market, as prices slide after a decadelong boom.

This year has brought into sharp focus all the pressures on the market. The slowdown began at the time of a stock market rally and record-low New York City unemployment—factors that typically accompany strong real-estate sales in the city. For that reason, many owners are reluctant to accept lower prices, even as buyers determinedly seek bargains.

New York is facing the convergence of several large economic forces: oversupply of new construction condos, a drop in international buyers as some countries impose capital controls, tax law that makes it harder to deduct high state and local taxes, as well as rising interest rates. There is also a shift in taste from uptown to downtown.

As Lee J. Stahl of the design/build firm the Renovated Home put it: "It's a crazy Bermuda Triangle of forces that have lined up against people trying to sell and buy these properties." The Upper East Side luxury co-op market in particular is "a train wreck," said Mr. Stahl, who often works with agents listing properties in need of renovation.

In August, for example, financier Ramesh Singh sold his sprawling Park Avenue duplex for $13.75 million—far less than the $20.365 million he paid in 2008, according to public records.

That's a far different scenario from 2016, when New York City real-estate prices climbed to new heights as moneyed buyers from all over the world stashed cash in ultraluxury megatowers.

Just two years ago, "the units sold themselves," said agent Ann Cutbill Lenane of Douglas Elliman Real Estate. "We were like Vanna White pointing at the letters and they magically turned over."

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