REAL ESTATE WEEKLY

Taking the leap: A first-timer jumps into the buying game in New York City

By Dan Orlando
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In 1985, at the age of 22, my parents began both their marriage and their first mortgage. Their North Jersey, single-family starter home included a welcoming front lawn, a paved driveway, and a full backyard.

In 2013, at the age of 24, I viewed my rented 800 s/f duplex in Hoboken as a palace. My family's spacious 4,800 s/f home where I was welcome to live rent-free? That was a purgatory. I was eager for the "privilege" of spending $13,000 a year to be close to both my job and the action of New York.

Dan Orlando

Owning property may be a piece of the American Dream, but it was a piece that was to be saved for later.

I understood the importance of building equity, of one day seeing the wages I poured into housing costs returned in net gains from a sale, or perhaps eventually from a tenant of my own. I knew that renting an apartment meant waving goodbye to a hefty sum of money each month. Money my bank account would never be reunited with.

But in New York's sellers haven, would a home this close to Manhattan be obtainable for a 20-something on a mid-level salary?

"I think whether you're a millennial or not, it is really smart at this point to be able to purchase and the reason for it is that the rents are pretty high," said **Esther Muller**, (a broker of over 30 years) and a co-founder of the Academy for Continuing Education. "The numbers make sense."

Muller referenced FHA loans which allow borrowers, including younger ones with mediocre credit, to put down as little as 3.5 percent on a desired home. She also pointed out that money spent on a mortgage instead of on rent is largely tax deductible.

EstherMuller
photo by Howard Wechsler

"If you wanted to rent a studio in Manhattan it will cost you a minimum of $2,000 a month, and that's conservative," **said Muller**. "It is so upsetting when I see young people paying $2,000 for studios. It's a lot of money when you can have options."

Working with a theoretical $300,000 studio, which is a realistic option in the outer boroughs or on the Jersey side of the Hudson, **Muller** explained it this way:
"Let's just say the number is $300,000. You'd need to put down at least 20 percent. A young person might need to ask themselves how they're going to get $60,000."

Muller suggested that millennials partner with friends or a trusted relative who can loan them the funding necessary to come up with a down payment on a starter home in the most “prime location in the world.

“Maybe a member of your family has $60,000,” she said. “Maybe a friend, or maybe three friends have it. You can take a loan from them and say ‘look, in five years from now, we’re partners. I’ll sell it.’

“That studio may not exactly have the view that you want, and it might not have the kitchen that you want. So what? Who cares? You hardly ever stay in your apartment. It’s a great place to park any money you can and (start towards) the American dream.

“Young people too many times are so entitled that they don’t think. They want to start with luxury.”

It sort of hits home. At 26, I am officially in the market myself and I will be remaining a resident of Hoboken. I personally plan on buying a place that I can see myself in for the next decade while I save up for a down payment on a more “permanent” residence for myself and perhaps a family.

When I was hunting for my current rental, the focus was on short-term, a year at a time. Compromises were easier to make because they were temporary.

For what I’ll soon be paying in a mortgage, I could be renting a luxurious unit with excellent views, a gym and perhaps a parking spot.

While I know that in time I’ll be grateful for the compromises that I make now while shopping for a property, it can be tough for my generation to focus on what will be best for us in our mid-30’s if our current situation isn’t ideal.

“There’s no rule of thought for everyone. It’s very specific to each person,” said TOWN broker Stephen Ferrara. “My role is really to help understand the short and long term goals.”

After carefully listening to my specific plans, Ferrara agreed with my decision to buy, but advised that I don’t plant myself in a home that I’ll outgrow far before it’s the right time to potentially cash out.

“With interest rates the way they are, if you have the money to make the down payment and you qualify for financing, I think it’s an absolute no brainer to purchase, particularly because of the high rents in Manhattan,” he said. “Everyone wants to own a piece of the Big Apple. A lot of people aspire to own property here.

“Having said that, there needs to be compromise,” he added, agreeing with Muller.
Ferrara noted that many buyers are watching the market continue to climb and are perhaps buying earlier than they had planned in order to own a property before they are potentially priced out of the area.

Rushed decisions — especially those made by rookie buyers who are just starting to make a living — can lead to mixed results.

If a buyer had initially planned to save up a larger down payment in the coming year or two, they can find themselves settling on a more modestly priced, basic property that will require several years of seasoning before it will be beneficial to sell.

Ferrara warned that “renting may still make sense” in situations like this one, especially if a buyer does not feel comfortable living in the home for an extended amount of time.
That warning also hit home.

In a perfect world, I could wait one more year to buy a condo. Assuming that mortgage rates stay competitive and the market in Hoboken doesn't exceed expectations, I could probably afford a home that had an amenity or two more that I liked in the spring of 2016.

My lease will be up at the end of April. My room-mate of two years will be moving in with his fiancé, which makes renewing my lease an even less attractive option.

Moving twice in a year's time — to an interim rental and then to a purchased home — will not only be inconvenient, it will cost me close to $20,000 in rent and fees.

So I've made the decision. I will be becoming a homeowner at the age of 26, about three or four years before I had originally planned.

After nearly a year of covering it, I look forward to officially joining the area's real estate market.