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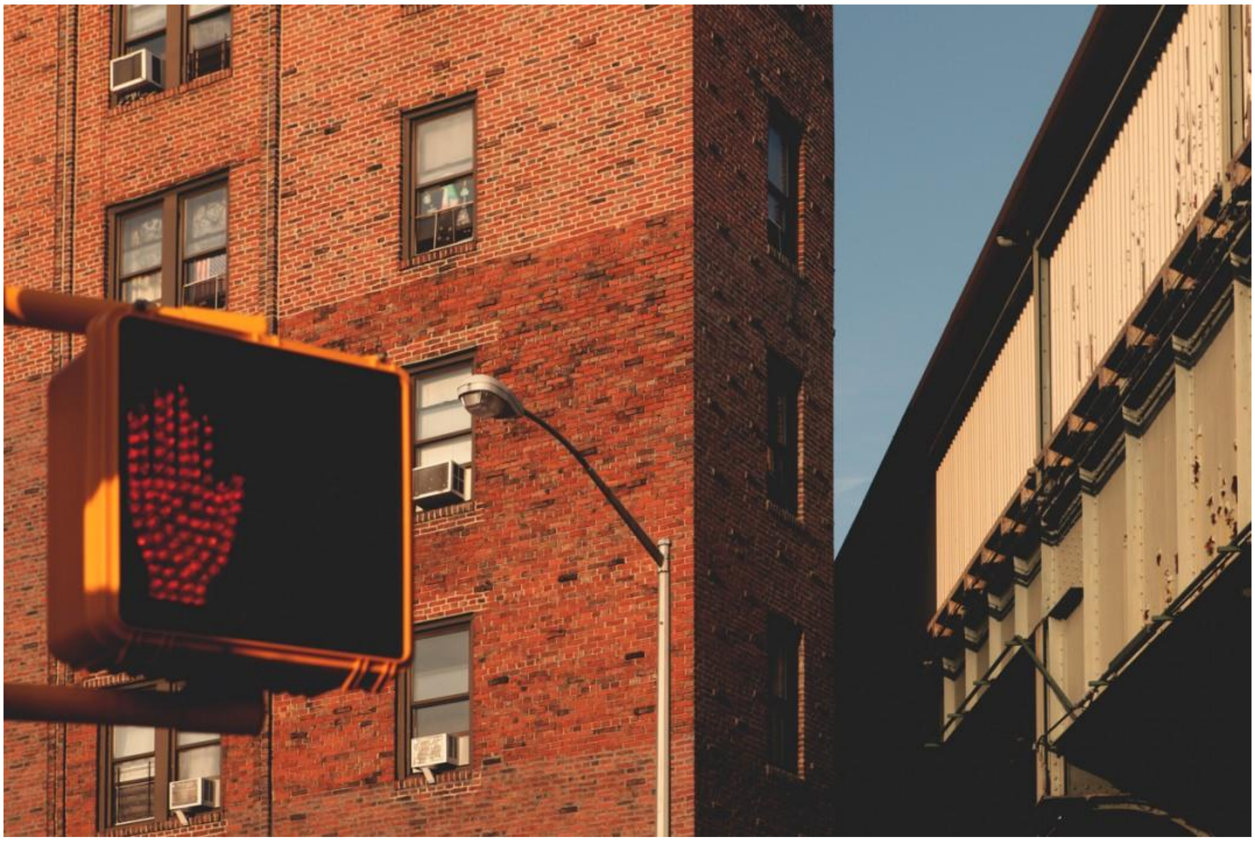
How can a millennial without a trust fund afford to buy in NYC?



While one does occasionally hear stories of New Yorkers under the age of 35 who've managed to buy their own apartments, the backstory usually involves an enviably massive Wall Street salary, or a sizeable cash gift from family members, mentioned offhand as if it were some insignificant detail. (We've all read and heard those stories before.)

Not to knock anyone who's getting help—would *you* say no if your parents offered tens of thousands of dollars for a down payment?—but for the majority of young would-be buyers, that kind of influx of extra cash simply isn't in the cards. And with the median salary of a New York State millennial clocking in at $25,000, per 2016 data, bridging the gap can feel close to impossible.

Below, some practical advice for the aspiring buyer, none of which involves the magical conjuring of $50,000:

Finagling a smaller down payment

Given that many buildings expect you to pay 20 percent of an apartment's cost up front, coming up with the down payment is far and away the biggest obstacle standing between most millennials and home ownership. And it bears out: Since 2004 alone, home ownership rates among Americans under 35 have dropped by 21 percent, as the *Daily Beast* reported. Especially considering that a huge portion of Americans in this age range have less than $1,000 socked away in savings. "That's the differential between the renter and the buyer: the down payment," says Miller Samuel appraiser Jonathan Miller. "Millennials have been subjected to static wage growth until very recently."

While monthly mortgage and building costs often aren't much different than what you'd be paying in rent, there's unfortunately no getting around the fact that if you want to become a home owner, you'll have to start saving aggressively. "It's really about figuring out the down payment, and if you're not getting big bonuses, it will take a few years of active saving," says Ashlie Roberson of Triplemint (a Brick partner). In these cases, says Roberson, she advises clients to track their spending and identify places to cut down, using services like Mint or other savings-oriented apps (we've got options here).

There are also plenty of options out there for negotiating a lower down payment, especially as the city's real estate market slows down. In condos in particular, you're much more likely to be able to buy with just 10 percent down. "With condos, as long as you have a commitment letter from the bank, they don't look that much at the down payment," says Ace Watanasuparp of Citizens Bank. "It may disadvantage you with the seller if there's a bidding war, but with the market changing, you'll start to see sellers more amenable to lower down payments, and that's a plus for Millennials."

There are also programs such as SONYMA loans that are designed to help first-time buyers by letting them buy with as little as three percent down. "If you're buying something under $625,000, Fannie Mae allows you to borrow as much as 95 percent of the total price," says Watanasuparp. And again, with the city's market slowing down, you'll find buildings that are more amenable to accepting this model of financing, though you'll still face some pushback, and, as we've written previously, are more likely to make it work in condos, which don't usually have the same kind of minimum down payment requirements as co-ops.

But do keep in mind that a lower down payment will translate to higher monthly payments, and in the long run, shelling out more in interest. "Your montly payment is definitely going to be higher, because you're borrowing a lot more," Watanasuparp explains. "But it's a way to get into the home ownership conversation and from there, continually build equity into the apartment."

"Most of my buyers, I really urge them to work on the down payment to get to 10 percent or 20 percent, because in the long run, it lowers your monthlies and there's less that you have to pay back," says Roberson.

Expanding the search

To an extent, this one's a bit of a no-brainer. Pretty much all but the wealthiest New Yorkers have to compromise a bit—and count on a longer commute—when finding a neighborhood that's realistic for our budgets.

But for younger buyers, this can also mean facing the reality that your beloved neighborhood where you've been renting may not have much housing stock for sale in your price range. "A lot of times, clients are renting in one neighborhood, and might dream of buying a one-bedroom apartment at a certain price point there, but it just doesn't exist," says Win Brown of CORE NYC. "So they start exploring other options."

For instance, Brown says, a lot of younger buyers from north Brooklyn have been picking up and heading for Queens, where there's plentiful co-op inventory at reasonable prices. "I've listed a lot of $300,000 one-bedrooms in Queens, where there's a lot of co-op inventory," he tells us. "And that inventory just doesn't exist in north Brooklyn. You have some boutique condos and income restricted co-ops, but they're hard to find."

These buyers are also heading toward south Brooklyn spots like Bay Ridge, as well as uptown into the Bronx, where Riverdale is particularly awash in well-priced prewar co-ops. "I think most of what millennials will be looking at will be co-ops, because the prices are lower, and so many have monthly maintenance charges that are well below $1,000/month," says Roberson.

However, you might find well-priced condos in areas like Upper Manhattan or Astoria, notes Jana Angelakis of Citi Habitats. And you should also keep an eye out for condo buildings with enticing tax abatements, which will make your monthly costs much lower for a number of years, and therefore might bring the prices within reach.

The bottom line here: Besides a longer commute, if owning is a priority, you may have to square yourself to leaving a neighborhood that's trendy but rental-heavy for something that's a little more staid and established. The neighborhoods with tons of prewar co-op buildings are where you're likely to find your bargains.

Looking for long-term investment

Though it can be tempting to try to own by any means necessary, everyone we spoke with emphasized the importance of making your first apartment a savvy investment so that you can expect a solid return. And though there's more to owning a home than a pure return-on-investment calculation, for all the effort you'll be putting in, it's worth it to scope out options that are the most likely to put your money to work.

"A lot of younger buyers I talk to want to be flexible and nimble," says Watanasuparp. "They want home ownership, but they want to be in a place where they can re-sell quickly if they need to. So they think about what *other* young buyers are looking for if they want to re-sell."

Your resale potential can be influenced by factors like neighborhood, proximity to the train, and whether or not the building has an elevator. "I always have this conversation with buyers, that there should be an upside—you're not buying to basically *not* make money down the road," says Angelakis. "If you buy a walk-up, that will limit your pool of buyers when it comes time to re-sell, but if you get something in an elevator building, then anybody can buy it. The elevator is important, and something I really have to remind first-time buyers about."

Another major factor is the building's sublet policy. A building that allows sublets will work in your favor if you get a job out of town or move in with a significant other, and once again, says Angelakis, will make your pad more appealing to other buyers when it comes time to eventually sell.

Depending on your tolerance for fixer-uppers, this could be another way to up your potential investment without stretching your budget to buy a more expensive apartment. "I'm working with a woman now who bought an apartment on East 15th Street for $450,000 in 2012, and now is going to be able to sell it for around $890,000," says Roberson. This is in part a result of dramatic market appreciation in 2013 and 2014, and also due to some small cosmetic upgrades she made to the apartment while living there (think a few thousand dollars here and there for improvements, rather than a pricey, full renovation).

"You don't want to be living in a construction zone forever, but little things can make a huge difference in quality of life and also sales price," says Roberson. "For instance, she put in a new backsplash, and it made a big difference in the kitchen."

It might take some extra TLC (or a longer search), but it's worth it to find an apartment that's as likely as possible to appreciate in value. After all, for most buyers, that's the end game of climbing onto the so-called property ladder: to start small, in hopes of being able to buy something bigger—and more expensive—down the road.