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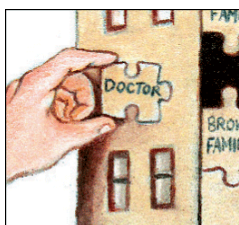
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Purchasing power changes hands

August 01, 2010 12:00PM

By Candace Taylor



In last month's much-anticipated season premier of "Mad Men," leading man Don Draper settles into a dark Greenwich Village apartment after a divorce from his wife, who remains ensconced with the children in their spacious Westchester home. The TV series, set in the 1960s, recalls a time when Manhattan was considered the province of young, single people, while families belonged in the suburbs -- a time when being a working New York parent meant an hour-long commute on the Metro-North.

The episode highlights how much attitudes have changed for families and all kinds of city dwellers, from 20-somethings to longtime renters, since the "Mad Men" era.

In the past decade alone, more and more parents have chosen to raise their children in the city rather than moving to the suburbs. And recent real estate price drops, combined with record-low interest rates, have only accelerated that trend.

Meanwhile, current post-recession conditions have presented an unprecedented opportunity for other buyers who could never before afford homes in New York City.

Today's purchasers are less likely to work in finance than in the recent past, and more likely to live in the homes they're buying rather than using them as investments. Many first-time buyers are younger than those in the mid-2000s. Some of the new buyers -- most notably occupants of rent-stabilized apartments -- were, until recently, considered lost to the real estate industry.

Today's lower real estate prices have the potential to "make for a much more vibrant population," said Ingrid Gould Ellen, co-director of New York University's Furman Center for Real Estate and Urban Policy. "It's unsustainable to have a city that is simply a playground for the super wealthy."

This month, *The Real Deal* examined the impact of these new buyers on the real estate industry and zeroed in on how brokers and developers have recalibrated their methods to attract them. Brokers had to do almost nothing to sell units during the boom; now, they are coming up with creative strategies, from recruiting doctor clients to sponsoring kids' soccer teams.

Many real estate developers have been caught off guard by the sudden shift to more price-conscious buyers. But they are speedily altering unit sizes and floor plans in upcoming projects, and those already on the market, to meet purchasers' changing demands.

Meanwhile, families' increased buying power is having a more pronounced effect on some neighborhoods than on others. One area that's seen a surprisingly rapid demographic shift is post-industrial Long Island City, which was popular mostly with young professionals during the boom years. With falling prices in the neighborhood's new residential towers, the area has seen a baby boom, with families relocating there from Manhattan or trading up to larger apartments in the neighborhood.

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Despite the recent increase in affordability, experts emphasized, New York City is still one of the most expensive cities in the world. And while Manhattan has a large amount of subsidized housing for lower-income residents, it's still difficult for the middle class to find a real estate foothold on the island, said Constantine Kontokosta, a professor at NYU's Schack Institute of Real Estate.

"There's been a huge divide between the very wealthy and the lower-income groups," he said. "The middle class has just been pushed out for various pricing reasons."

While today's real estate prices have dropped, they haven't fallen enough to result in "a massive reversal of that," he said.

After all, he noted, "we're still talking about condos selling for \$1,000 a foot."

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Anonymous

Regardless of the above stats, NYC is now very much "all corporate all the time." It lost its status as 'capital of the world' after 9-11 and now is just a shadow of its former status. The obese baby boomers all stayed in the suburbs. This commercial tv show is pure fantasy imo, nothing more.

Comment #1 Posted By: Anonymous 08/03/10

Anonymous

Really? I think it's actually pretty accurate. I'm mid-30's, and staying in the city with 2 kids. I've got quite a few friends in the same situation. I see more folks staying as they're having kids and finding 3 bedroom+ apartments. Of course, we're not obese baby boomers, but I'm not sure how that figures into it...

Comment #2 Posted By: Anonymous 08/04/10

Anonymous

#2 wait until they get older and BIGGER. Also, the article is talking about buyers not renters. Lets not forget about the public school systems in NYC, terrible. Another ridiculous cost if you want private schools.

Comment #3 Posted By: Anonymous 08/04/10

Anonymous

I'm sick of all of this talk about how prices have fallen so much and NYC has gotten so affordable to people like teachers and firemen. Are you kidding me?? In my oppinion prices have fallen all of 10% for most of NYC, all the way down to what they were in late 2007. As apposed to the peak in early 2008. Puh-Leez! A 2BR condo in a descent part of Queens or Brooklyn still cost about \$500k-\$600k. What teacher or fireman can afford that??

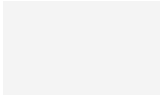
Comment #4 Posted By: Anonymous 08/04/10

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