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# Doctors Replace Wall Street Bankers as Go-To Buyers

By CANDACE TAYLOR, Staff Reporter of the Sun | August 28, 2008

When sales launched at East Harlem's Observatory Place, the developer was surprised to discover that instead of the young Wall Street bankers the company had targeted with its advertising and fliers, doctors and nurses from nearby hospitals were flooding in to buy the luxury condominiums.

"We've had absolutely no sales or contracts with people from financial institutions," said Albert Marengo, the chief financial officer at the developer of Observatory Place, Gary Silver Architects. "It was a real surprise to us. Sales have shifted to a different area, and that's the medical profession."

With Wall Street reeling from a downturn in the economy, doctors are replacing bankers as the new go-to buyers for New York City real estate. Medical professionals, who have a reputation for "recession-proof" income, are snatching up pricey penthouses intended to attract hedge funders and snagging fancy office space to house their growing practices.

As the trend continues, more developers and banks are targeting doctors in the hopes of staving off the real estate slowdown.

"Clearly, doctors are being courted by the banks," the president of Corcoran Wexler Health Care Properties, Paul Wexler, said, adding that he has seen an increase of roughly 15% in medial office transactions despite an overall cooling in the office market. "They know this is a good, safe way for them to earn money. It's completely different from other segments of the market."

Mr. Marengo's experience at Observatory Place, where prices average $758 a square foot, is sharply different from the sale of condos four years ago at another one of his projects in the same neighborhood, the Roosevelt Lane Condominium. "We got a good response from the financial area," he said of the 111th Street development. "These guys would put down 50% of the purchase price with a bonus. You didn't see that this year — a lot of them are wary as to whether they're going have a job, let alone a bonus."

This time around, the buyers are doctors and nurses from nearby Mount Sinai Medical Center and other hospitals in Upper Manhattan. "They were the ones who wanted to move and had the money," Mr. Marengo said.

Part of the reason for the surge in buyers from the medical professions is their "recession-proof" reputation, a forensic pathologist who closed last week on a 10th-floor penthouse at Observatory Place, Dr. Irini Scordi-Bello, said. Although she and her husband, a cardiothoracic surgeon, put down 15% on the condo instead of the 10% they'd initially planned, she said, the mortgage process went smoothly.

"We're probably considered desirable buyers because it's hard to find doctors who are out of a job," she said. "People will always be getting sick."

The sales director at Long Island City's The Crescent Club, Avi Voda, said he agreed. A dentist and eye surgeon have bought penthouses in the building, he said: "People need their services no matter what is happening with the market."

Developers are doing their best to take advantage of the trend. The president of Uptown Partners, Lewis Futterman, who is building The Lenox and Fifth on the Park, said marketing efforts for both buildings specifically targeted doctors. The company sent out information to hospital mailing lists, set up a promotional display at Harlem Hospital, and hired a promotional truck to park near Mount Sinai, at 98th Street and Fifth Avenue.

In the past six months, banks also have begun wooing medical professionals looking for office space for their practices, by tailoring loan products specifically for them, Mr. Wexler said.

This includes mortgages with amortization schedules of up to 30 years instead of the usual 15 years, 10-year construction loans rather than the typical five- to seven-year periods, and as much as 100% financing on medical condominiums.

"Banks have really been hit over the head by restrictions on how much they can lend and who they can lend to," Mr. Wexler said. "Doctors are really an attractive group to work with."

His words proved true for Dr. David Rapaport, a plastic surgeon who closed on a new, 2,000-square-foot Fifth Avenue office in mid-July. Bank of America, where Dr. Rapaport received his loan, "had a lot of flexibility," he said. "I got everything I asked for to facilitate the purchase — and then some."

A senior vice president at Bank of America, William Sanchez, said the bank has recently been focusing on attracting medical professionals. "We're placing a lot of resources towards that particular industry," he said.

But while doctors may be bailing out certain developers, especially those within close proximity to hospitals, analysts said the medical professionals do not carry nearly enough financial clout to balance out the losses coming from Wall Street. The city is predicting a drop in bonuses this year of about $10 billion, a decline of more than 30% over last year, and that more than 20,000 jobs will be lost in the financial sector over the next two years.

In July, Manhattan's overall office vacancy rate rose to 7.3% from 5.8% last year, according to Cushman & Wakefield, while the number of co-op and condo sales in Manhattan fell 21.8% in the second quarter of 2008 from the same period last year, according to the appraisal firm Miller Samuel.

"We don't make as much money as people think we do," Dr. Scordi-Bello said. "The salaries of the '70s and '80s are definitely not there."

Moreover, many doctors are cautious buyers, preferring emerging neighborhoods or the suburbs, Mr. Futterman said. "A doctor making $1 million a year tends to be quite a bit more conservative than a Wall Street guy making $1 million a year," he said.

The medical profession "is in a fairly unique position: Their income potential is good and they're not looking at layoffs," Mr. Marengo said. "But are they going to save a down market? No."

Still, some the medical profession is expected to provide some cushion for the real estate industry.

"With things softening on Wall Street, I think doctors will be an even more important part of the buyership," Mr. Futterman said. "But a burst of buying from the medical community is not going to totally compensate for the other losses that may occur.

There's no question that the market over the next year or so is going to be slower than it was last year."