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# Buyer’s Guide

SUCCESSFUL BUYING IN NEW YORK
SPRING/SUMMER 2024

With the help of this guide, you will learn the nuances associated with property acquisition in the New York Real Estate landscape.

As a buyer, we want to provide you with an advisory level of service that provides a long-term growth to your investment.

A process that showcases a transparent communication resulting in a better understanding on your purchase value, and the neighborhoods you are considering, alongside the characteristics that differentiate your asset providing a long-term growth.

If you are ready to take the next step, we are here to guide you in determining which characteristics best service your needs, which property is the most suitable, and how to negotiate the best terms of your sale.

# 01. Co-Op/Condo

## WHAT'S THE DIFFERENCE, AND WHAT TO PREPARE

The difference primarily centers on ownership. When you purchase a **CO-OP,** you are buying shares of the corporation in that building.

When you purchase a **CONDO,** you are buying real property and receive a deed to that property.

# 1. Co-Op

Co-Ops are owned by an apartment corporation. When you purchase within a co-op building, you are purchasing shares of the corporation that entitle you, as a shareholder, to a 'proprietary lease.' Generally, the larger your apartment, the more shares of the corporation you own.

Co-op shareholders contribute a monthly main-tenance fee to cover the building's expenses. The fee covers such items as heat, hot water, insurance, staff salaries and real estate taxes.

A co-op board of directors has the ability to determine how much of the purchase price may be financed and minimum cash requirements. Subleasing a co-op can be difficult. Each co-op has its own rules and they should be carefully reviewed prior to submitting an application to purchase.

All prospective purchasers must interview with the Board Of Directors. Prior to the interview, prospective purchasers prepare a detailed "Board Package" which usually contains personal and professional letters of recommendation as well as a great deal of personal information concerning income and assets.

## 2. Condo

As opposed to a co-op, a condo apartment is a 'real' property. A buyer receives a deed just as though they were buying a house. Each individual apartment in a condominium receives its own tax bill.

There is a monthly common charge similar to the maintenance charges in a cooperative. Those charges don't include your real estate taxes and are not tax-deductible. Monthly common charges tend to be lower than in co-ops because there is no underlying mortgage for a condo building.

The straightforward nature of buying a condo coupled with the fact that, in some cases, you can finance up to 80% of the purchase price and sublet them indefinitely, make condominiums the number one choice for flexibly and longevity.

## 3. Condop

A condop is a condominium building that has separate commercial and residential units, with the residential units controlled by a co-op corporation.

The separate commercial units are typically sold separately by the developer and can include retail or office space. Closing costs will be similar to that of a co-op and you will be buying into shares of a corporation rather than real property.

| | CO-OP | CONDO |
|---|---|---|
| COST | Generally, more attractive | Generally, more expensive |
| APPROVAL PROCESS | The board interviews all prospective owners, and has the right to approve or reject any applicant | No interviews are required. Application is not as rigorous as the co-op board process |
| FINANCING | Be prepared to put down at least 20% of the purchase price, plus closing costs | Be prepared to put down at least 10% of the purchase price, plus closing costs |
| MONTHLY FEES | Maintenance fees based on the number of shares the tenant owns (typically dictated by apartment size and floor level) | Common charges (services and amenities, shared by condo residents) and property taxes |
| TAX BENEFITS | Shareholders can deduct their portion of the building's real estate taxes & their proportionate share of the interest on the building's mortgage | Real estate taxes are deductible, but common charges are not |
| SUBLETTING | Must be approved by Board of Directors | Typically permitted |
| SELLING | Board will need to approve the new buyer | Can be sold at will |

# 75%

## Co-Op

Co-op buildings are more common in New York City than in other parts of the country. Approximately 75% of available New York City apartments at any given time are co-ops.

Individual tenants do not 'own', their apartments as they would in the case of 'real', property. Rather, co-ops are owned by an apartment corporation and individual unit owners are shareholders: which entitles them to a long- term proprietary lease. Co-ops are traditionally stricter when approving a buyer whose funds are not in the United States.

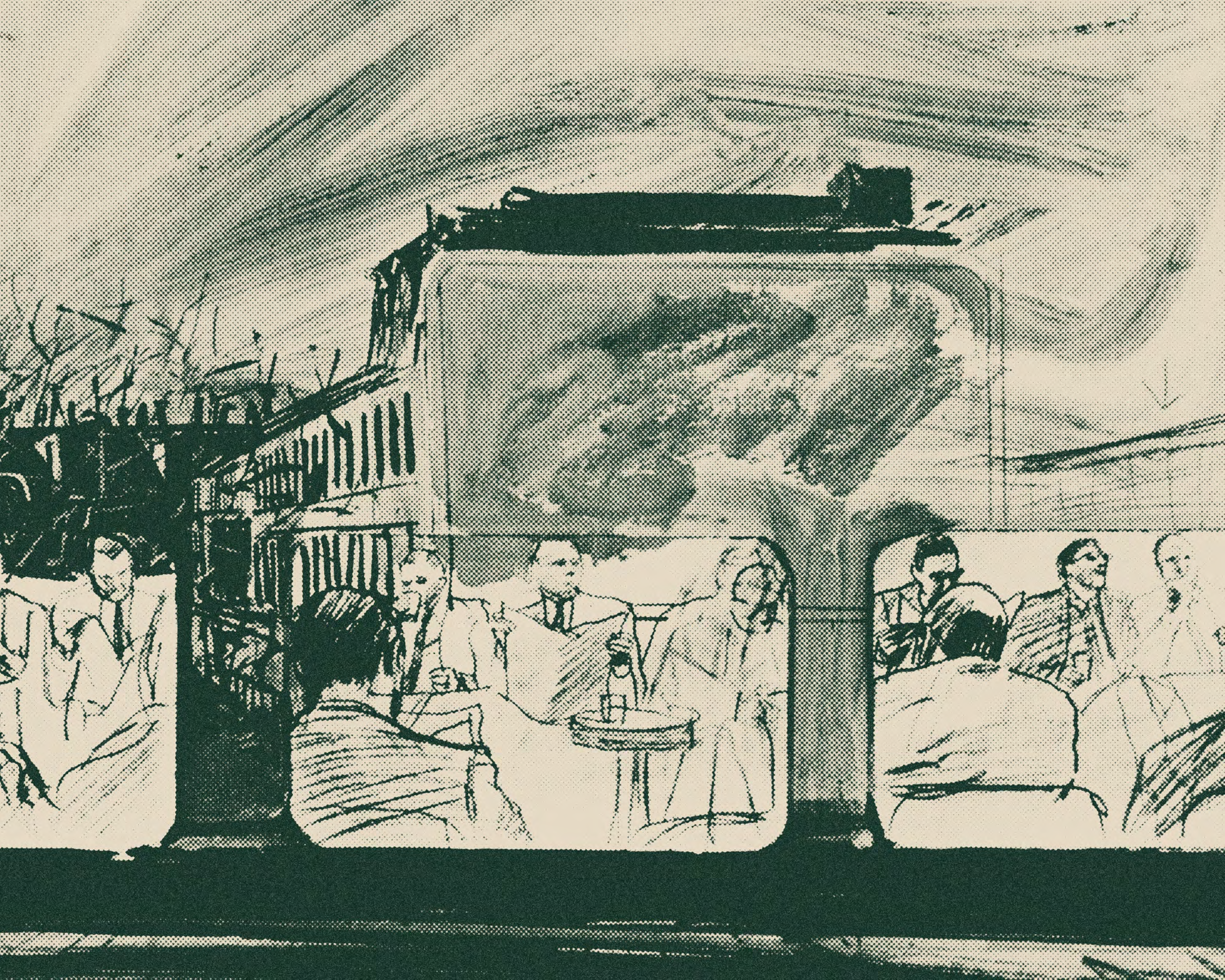
# 25%

## Condo

On average, 25% of available New York City apartments are in condominium buildings.

When you buy a condo in New York City, you get a deed as if you were buying a house - this categorizes these units as 'real', properties, unlike co-ops.

Condos are the preferred choice for those with assets held outside of the United States or for buyers who are interested in greater ownership flexibility.



# Key Moments

IN YOUR PURCHASING JOURNEY

## 1. Pre-Approval

## 2. Property Search

## 3. Offer Negotiation

Once you're ready to buy, your agent will communicate your offer to either the seller's agent or to the seller directly. The seller may counter your offer, which opens a negotiation process that will eventually lead to a meeting where price, terms and closing date will be agreed upon.

## 4. Contract Review

You'll want to be represented by an attorney that is familiar with NYC real estate during this stage. They should examine the contract of sale and by-laws and financial condition of the building to conclude it's satisfactory before allowing you to sign the contract.

## 5. Sign Contract

At this time, you will usually be required to present a deposit. The contract, plus the deposit, will then be forwarded to the seller for a signature. This money will be held in the seller's attorney's escrow account until closing. It's important to note that until all parties have signed the contract and it has been delivered, the seller can still entertain and accept other offers.

## 6. Loan Application

If financing, you should move forward with your loan application and schedule and appraisal with your financial institution.

## 7. Complete Application

## 8. Board Approval

You will receive these requirements and materials from your agent, which typically include: an application, a financial statement signed by the purchaser or a CPA, all requisite support for your financial statement, two to three years of tax returns, bank statements, letters of personal and financial reference, letters of professional reference, the contract of sale and bank documents (if financing) indicating that your loan is in place. Your Douglas Elliman agent will assist you in this process. In the case of a co- op, if your application meets initial approval, you will be invited to be interviewed by the board or an interviewing committee.

## 9. Bank Supplies Clearance to Close

## 10. Closing Schedule

## 11. Final Closing

## KEY DOCUMENTS TO PREPARE FOR BUYING

Every building is different and will require varying documentation. Below are frequently required documents to have ready and prepared for application submission.

| | |
|---|---|
| PROOF OF ASSETS | TAX RETURNS & W2S<br>Two most recent |
| BANK STATEMENTS<br>Two most recent and consecutive | LETTER OF EMPLOYMENT |

# 02. Three-Four Months

THE AVERAGE TIME-LINE TO BUY, AND TIPS ON HOW TO DO IT

Buying an apartment can be a highly competitive process. Especially in NYC where bidding wars are common.

Being properly prepared to make an offer & sign contracts in a timely manner are key factors to beating out the competition & getting your dream home.

## I. Pre Qualified Mortgage

A 'pre-qualification' on a mortgage will give you an advantage with a seller. A ten minute conversation with a mortgage broker will produce a credit check and verify your income, assets, retirement funds, and liabilities all of the elements necessary to determine your borrowing potential.

A pre-qualification letter may be issued that specifies your borrowing power and price range. Once you submit the required paperwork to the mortgage broker (tax, returns, bank statements, pay stubs, etc.) the pre-qualification status will move up to a pre- approval status.

## II. No Mortgage Contingency

When sellers have a choice of buyers, they are likely to choose the one who offers the most straightforward contract. Acontract that is not consistent on the buyer obtaining financing is particularly attractive concerning income and assets.

## III. Bidding Wars

A bidding war ensues when two or more buyers compete tor the same property. This process sometimes drives the price beyond the seller's original asking price before one buyer emerges victorious. Especially aggressive bidding wars may require sellers to require that each prospective buyer submit a 'highest and best' offer, or that buyers present written, sealed bids. Your broker will help you devise strategies for handling these situations when they occur.

## IV. Financial Statement

When your candidacy is being evaluated, cooperative and condominium boards will scrutinize both your offer and your financial condition. Therefore, during the bidding process you will be asked to submit your financial statement to the seller's broker. You should also be prepared to show supporting documentation for any asset listed on the financial statement.

# Purchasing Guide

## A GENERAL TIMELINE OF THE STEPS TO CLOSE ON YOUR NEXT HOME

1–2days

## Speak with a broker

It's beneficial to have an idea of how much you can spend on an apartment before beginning your search. Keep in mind that financial requirements vary from building to building.

1d–3m

## Finding an apartment

Depending on what you are looking for, it could take one day or even one year to find an apartment. If you are serious about an apartment, ask to see the building's financial statement to determine if the building is financially sound.

# 3d–2w

## Negotiation

Everything is negotiable. Inquire about assessments, fixtures, window replacements, air conditioners, floors, appliances, working fireplaces, washers/dryers, furniture if applicable, etc.

# 1–2weeks

## Signing a contract

Generally, in a sales transaction, both the buyer and the seller are represented by a New York City real estate attorney. The seller's attorney draws up the contract for the buyer's attorney and upon receipt, the buyer's attorney performs a 'due diligence' - reading minute details, reviewing financial statements of the buildings, etc. Once all terms are agreed to, the buyer signs the contract and returns it to the seller's attorney along with a 10% deposit. Once the deposit is received, the seller executes the contract. Possible contingencies may include financing, board approval, and closing date. A contract is binding only after both parties have signed it.

# 3—6w

## Applying for mortgage

Mortgage applications cannot be processed without a fully executed contract. If an apartment is being financed, the Board requires a commitment letter to the lender.

# 2—3w

## Complete your application

Cooperative apartment buildings require Board approval before a closing date can take place. In order to review a potential purchaser, the co-op's Board of Directors review extensive information from the buyer in a board package.

# 30m–1h

## Meet with the co-op board

Co-Op Boards typically meet once a month and some Boards do not meet in August. Although a Board interview may be granted, this does not guarantee Board approval.

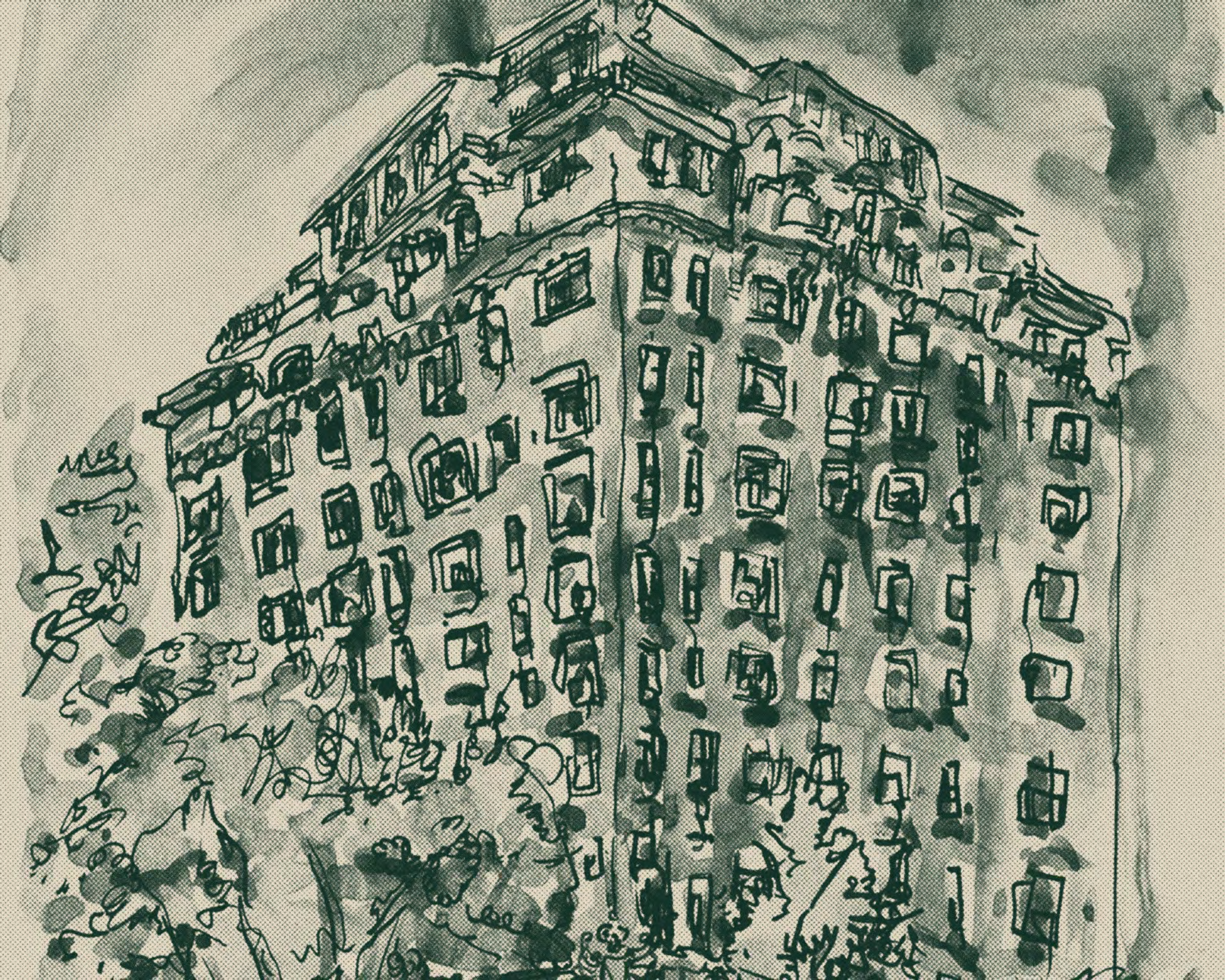
# 2–3w

## Receive approval

After the Board interview, the managing agent will generally alert the seller's broker whether a potential purchaser has been approved by the Board.

# Schedule a closing

The managing agents generally set the closing date and the buyer's and seller's lawyers will coordinate with the appropriate banks for the available dates and times.



# 03. Closing Costs

TIPS FOR BUYING IN TODAY'S MARKET

# CONDO

TYPICAL ESTIMATED CLOSING COSTS: **CONDOMINIUM APARTMENTS**

| MORTGAGE CLOSING COSTS | |
|---|---|
| Buyer's Attorney | Consult your attorney |
| Bank Fees | \$750 - \$1,000 |
| Application Fee | \$350 - \$650 |
| Processing Fee | \$330 - \$500 |
| Appraisal Fee | \$500 - \$2,000 |
| Credit Report Fee | \$45 - \$100+ |
| Bank Attorney | \$650 - \$750 |
| Tax Escrow | 2 - 6 months |
| Recording Fees | Approx. \$250 - \$750 |
| Fee Title Insurance | Variable by transaction |
| Mortgage Title Insurance | Variable by transaction |
| Municipal Search | \$350 - \$500 |
| Mansion Tax | Please refer to chart on next page |
| Nassau And Suffolk Counties Mortgage Tax | 1.05% |

PECONIC BAY TAX (Towns Of Southampton, East Hampton, Riverhead, Southold and Shelter Island Only)

| | |
|---|---|
| A. Exclusions | (i) purchase price less than $250k on improved property; and (ii) purchase price less than $100k on un-improved property |
| B. Residential | 1-3 family dwelling less than $1M and all other properties = 2.40% |
| C. Residential | 1-3 family dwelling $1M+ = 3.40% |

## ADDITIONAL REAL ESTATE EXPENSES

| | |
|---|---|
| Common Charges Adjustment | Pro-rated for the month of closing |
| Real Estate Tax Adjustment | Pro-rated depending on when the tax is collected |
| Misc. Condo Charges | Vary by building |
| Short Term Interest | Equal to interest for balance of month in which you close |

## NEW DEVELOPMENT

| | |
|---|---|
| RMU (Resident Managers Unit) Contributions | Price subject to each project |

# CO-OP

## TYPICAL ESTIMATED CLOSING COSTS: CO-OPERATIVE APARTMENTS

| | |
|---|---|
| **MORTGAGE CLOSING COSTS** | |
| Buyer's Attorney | Consult your attorney |
| Bank Fees | $550 - $1,000 |
| Application Fee | $350 - $650 |
| Processing Fee | $330 - $500 |
| Appraisal Fee | $500 - $2,000 |
| Credit Report Fee | $45 - $100+ |
| Bank Attorney | $650 - $750 |
| Lien Search | $350 - $450 |
| UCC-1 Filing Fee | $20 - $40 |
| Mansion Tax | Please refer to chart below |
| **ADDITIONAL REAL ESTATE EXPENSES** | |
| Miscellaneous Co-op Charges | Varies by building |
| Recognition Agreement Fee | Approx. $250 |
| Maintenance Adjustment | Pro-rated for the month of closing |
| Short-Term Interest | Equal to interest for balance of month in which you close |
| **NEW DEVELOPMENT** | |
| RMU (Resident Managers Unit) Contributions | Price subject to each project |

## NEW YORK STATE MANSION TAX

Mansion Tax (starting at 1% of purchase price) is paid by the purchaser on transactions that are 100% residential and the purchase price is $1M or more. In the five boroughs of New York City, the rate increases based on the sales price as follows:

| PROPERTY PRICE | TAX RATE |
|---|---|
| $1,000,000 - $1,999,999 | 1.00% |
| $2,000,000 - $2,999.999 | 1.25% |
| $3,000,000 - $4,999,999 | 1.50% |
| $5,000,000 - $9,999,999 | 2.25% |
| $10,000,000 - $14,999,999 | 3.25% |
| $15,000,000 - $19,999,999 | 3.50% |
| $20,000,000 - $24,999,999 | 3.75% |
| $25,000,000 or more | 3.90% |
| **PAYMENT DUE DATE** | 15 days after date of transfer |

# RESIDENTIAL TRANSFER

| SALES PRICE | PROPERTY TYPE | NYC TRANSFER TAX RATE | NYS TRANSFER TAX RATE | TOTAL |
|---|---|---|---|---|
| $500K or Less | Condos, Coops & 1-3 Family Houses | 1% | 0.4% | 1.4% |
| $500,001 - $3MM | Condos, Coops & 1-3 Family Houses | 1.425% | 0.4% | 1.825% |
| $3MM or Above | Condos, Coops & 1-3 Family Houses | 1.425% | 0.65% | 2.075% |
| **PAYMENT DUE DATE** | 30 days after date of transfer | 15 days after date of transfer | --- | 15 days after date of transfer |

# 04. Terms

## Appraisal

Process of determining a property's market value.

## Closing Costs

Expenses over and above the price of the property, paid at the closing.

## Common Charges

Monthly charges paid by condo owners that cover the cost of shared building amenities.

## Contract of Sale

A legal agreement between a buyer and seller that outlines the terms of purchase or transfer for a property.

## Co-Op Board

A group of residents elected to represent all shareholders within a co-op building. The board determines the rules of the building, addresses building issues and reviews new buyer applications.

## Final Walk-Through

A property inspection that takes place a few days before closing so that the buyer can ensure the space's condition is true to what is specified in the contract.

## In Contract

An offer has been made and accepted on a property. The buyer has paid a deposit and both seller and buyer have signed the offer. The listing is no longer available on the market unless the deal falls through.

## Maintenance Fee

Monthly charges paid by co-op owners to cover operating expenses of the building, including taxes, insurance, etc.

## Mortgage

Loan that a bank or lender gives you to buy a house. A mortgage payment is made up of principal, interest, taxes and insurance.

## Pre-Approved

Written statement from your bank or lender confirming that you are approved for a specific loan amount.

## Pre-Qualified

An estimate of the loan amount you will likely be pre-approved for.

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NEVER 000

NEW YORK

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