

A CHECKLIST for Finding and Buying Your New York City Apartment

I've been helping a client with the New York City apartment search process. For all major purchases there are many important steps to consider, and this is not an exception. I decided to create a checklist for her to the complexity of the process and ensure some key steps were followed. There are no short cuts to get the best value apartment for the best place. You need to be patient, practical, do your homework and have a team of trusted advisors to work with. The following items to consider are not in any particular order.

1. Get a Realtor

Your realtor is the first person in your team and will be able to help educate you on the market, provide referrals to trusted professional i.e., attorney, mortgage representative, inspectors, etc. An experienced NYC realtor is needed if you want your buying process to go as smoothly as possible. They will eliminate guesswork, help you with price comparisons of similar properties and help guide you through the whole process. The more you get to know your realtor the better they can serve you in finding that ideal apartment at the best price.

2. Know what is most important to you

Know your "must haves" and "nice to have". Think of every detail you are looking for in your apartment, from the kind of flooring to the amount of natural light, storage, street noise, and even availability of the garbage chute. Every single amenity matters and may determine the need for alteration, or renovation.

- Neighborhood
- Size needs
- Lighting
- Heat and AC
- Outdoor spaces
- Building age – prewar / post war
- Noise and outdoor neon lights
- Proximity to transportation
- Building amenities
- Bike space
- Garbage chute and recycling
- Storage
- Gym
- Common spaces
- Laundry facilities
- Nearest Trader Joe's, and
- Theaters, Restaurants, and Parks

3. Know the neighborhood and transportation

If you already live in NYC, you understand the importance of knowing what your neighborhood has to offer. NYC residents build a strong connection with their neighborhood. If you are moving neighborhoods, you need to take your time and walk the neighborhood, midweek and the weekend.

How you will get to work, visit friends and generally move around the city is a key part of NYC life. Knowing your options and transport alternatives is important, will you need to change subway lines, or use the bus to get places?

4. Set and keep to your budget

Determine the highest price you are willing to pay for your apartment. This will be your home for at least the next 6-10 years. It's an investment worth making when you find an apartment that has everything you're looking for. Know your total monthly costs - taxes (when will tax abatements end?), maintenance charges, these monthly costs including your mortgage should be manageable portion of your income.

5. Remember the "6 Year Rule"

This is a general rule for all residential purchases. Buying and selling an apartment is an expensive transaction and to recover transaction costs you best hold your property for at least six years.

6. It's just business, it's not personal

Don't take rejection personally. Your buying experience should not be adversarial, remember everyone involved is working towards the same goal and everyone except the two most important parties, the buyer and the owner, are doing this day-in and day-out. There are many parties involved in your purchase - sellers, buyers, agents, loan officers, attorneys, appraisers, co-op board, etc. Your broker will be very helpful in getting you through the process.

7. Be patient

It's worth viewing a property that you like more than once and continuing with your search until "The Fat Lady Sings". The process generally will take 3-4 months from the accepted offer to close under the best of circumstances. Just like anything in life, things can change or fall through without warning. It only takes one party of all the parties involved to slow the process down. Be patient knowing that the entire process takes time.

8. Mortgage prequalification and the bank appraisal

It is best to sort everything out with your bank ahead of time and be able to make a confident offer. If you are like most people and not a cash buyer, you should have a preapproval letter from your lender. Your offer will need be accompanied with paperwork that supports your ability to funds the purchase.

After you sign a contract, your lender will arrange for an appraisal of the property value. If the bank has agreed to lend you 80% of the purchase price, then it will be based on the appraised property value. Appraisers typically have their own recent sales comparisons (comps) and only

when there's a lack of comps does the appraiser allow agents to provide comps. However, before you make an offer, your agent should have already educated you on the recent comps.

9. Closing costs

You will need more liquidity than just the 20% down-payment. You best assume your ready liquidity needs will be 20-25% of the total purchase price in order to make your down payment and cover all closing costs. It could be more for a co-op so understand your total cost. Most co-ops often require approximately 24 months liquid assets left over after the down payment & closing costs with a debt-to-income ratio of approximately 25% up to 29%.

10. Attending an open house

You will be seeing a lot of properties so it will be easy to forget what you saw, where it was and how you felt about the apartment. Take notes, pictures and even a video. Also take pictures of building amenities and look around the other floors, common areas and the basement. If you don't like the place don't waste your time and move on.

11. It's a team Effort

Buying real estate is a time-sensitive transaction. Having an experienced agent, attorney, and mortgage representative will keep a buyer on the right track to close in a timely fashion with the least amount of stress, uncertainty, and cost. Your real estate agent, attorney and mortgage representative your team and your real estate agent should be in touch with you and all parties during the process to ensure all parties are doing their part to get you to the closing.

12. You will Need an attorney

You will need an attorney experienced in NYC co-op and condo real estate. Once you have an accepted offer, the seller's agent will type a transaction sheet to present to your attorney and the seller's attorney in order to start the process. Your attorney will perform due diligence before the contract is signed (title search, liens, etc.) and they will also negotiate the contract terms on your behalf with the seller's attorney.

13. Know the differences between a Co-op and a Condo

A condo is real property, meaning you own the space between those walls. When purchasing a co-op, you're buying shares in a corporation and the building is managed by a co-op board. A co-op board will have set rules such as minimum financing and house rules, so it is a good idea to get an understanding of their rules and requirements. This is a reason why co-ops tend to come at a lower price point. When applying to purchase a co-op, the board will require extensive financial information and supporting documentation such as - bank and investment account statements, pay stubs, and tax filings. Condos are in buildings that usually boasting many amenities like a gym, pool, spa, common areas both indoor and outdoor, golf range, lounges,

dog runs and children's' playgrounds. Condos and coops can look the same and now many condos require a full purchase application similar to a coop. The difference is a condo only has the option for "right of first refusal". The condo will either waive the right of first refusal or the condo rejects the applicant and must purchase the unit for the same contract terms. This happens rarely as the condo association is not interested in purchasing. When purchasing a coop, the purchase application is reviewed by the board and a board interview is granted before the board approves or rejects the purchaser.

14. Get an inspection

If you are buying a brownstone, townhouse, or home be sure to have it inspected and paid for by you. Inspectors have extensive experience, standard procedures, checklists and know where to look, all to minimize your chance of an expensive surprise.

15. The Final Walk-through

Always do a walk-through before the closing to ensure the apartment is in the condition it was in when signed the contract. You are looking for the big-ticket items and ensuring they completed works they agreed to as part of the settlement.

16. Planning to renovations

As I mentioned above when buying a co-op, you're buying shares in a building, and the co-op board will need to approve your renovation plans. Understand what their requirements are, and the time and cost impacts you may face in meeting these requirements.

17. Your taxes and estate planning

Will the property and state income taxes exceed \$10,000pa? If so, you will not be able to deduct any amount over \$10,000. Will the mortgage debt exceed \$750,000? If so, you will not be able to deduct the interest on the debt exceeding \$750,000. Do you plan on making improvements to the property? Track the cost of improvements, as they can be added to the cost basis, reducing the capital gains tax when you sell your property.

Should the home be owned by one spouse or owned by a trust? If so, consider the following: Trusts can avoid probate, which may be especially important for properties that are in a different state than residency. Some states allow a Transfer on Death (TOD) deed.

Will this purchase require you to update your estate plan? Is this home purchase a result of an employment change? If so, you may be eligible for relocation assistance from your employer.

18. Other considerations

Will your need for life insurance and disability insurance considering a new mortgage?

A mortgage comes with the need a good emergency fund, at least six months, and more the older you are.

Will you need to review your home and auto policy? There may be cost savings by bundling with one insurance company.

Will you need an umbrella policy or need to increase the limits if one is already owned?