



COLUMBUS INTERNATIONAL

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BUYERS' GUIDE TO U.S. REAL ESTATE

New York City is comprised mainly of cooperative (co-ops) and condominium (condos) apartments with a smaller selection of private homes, which we call townhouses or brownstones. Most important is understanding the differences between the types of apartments you will find in Manhattan.

COOPERATIVE (CO-OP):

In Manhattan, cooperatives have been the traditional way to own an upscale apartment for nearly a century, and comprise two thirds of all apartments available for purchase. Co-ops are owned by an apartment corporation. When you purchase an apartment in a co-op building, you are buying shares of the corporation that entitle you as a shareholder to a "proprietary lease." Typically, the larger your apartment, the more shares of the corporation you own.

- Co-op shareholders also pay a monthly maintenance fee to cover building expenses like heat, hot water, insurance, staff salaries, real estate taxes and the mortgage debt of the building. Portions of the fee are tax deductible; and shareholders can deduct their portion of the building's real estate taxes.
- Approval to purchase shares of a co-op must be granted by a board of directors, who also have the authority to determine how much of the purchase price may be financed and minimum cash requirements. All prospective purchasers must submit a "board package" containing a purchase application, personal and professional letters of recommendation plus detailed information on income and assets. The board will also require an interview, so they can meet you and ask any questions regarding the information you provided. They can approve or deny any applicant as they choose. Purchasing a co-op can be intricate, and subletting can be difficult. Each co-op has its own rules and should be considered carefully.

CONDOMINIUM (CONDO):

Unlike a co-op, a condominium apartment is real property, and a purchaser is given a deed as if they were buying a house. The difference between owning a condo and a house is that in addition to owning the apartment, you also own a small percentage of the common elements of the building like the halls, stairways, basement, etc.

- Each individual apartment in a condominium receives a separate tax bill from the city. There is still a monthly common charge similar to the maintenance charges in a co-op,

which is paid to the condominium association to pay for such items as payroll, building maintenance and supplies, management fees, and building repairs. These charges do not include your real estate taxes and are not tax-deductible. They also tend to be lower than in co-ops because there is no underlying mortgage for a condominium building.

- The straight-forward nature of buying a condo plus the fact that in some cases you can finance up to 90% of the purchase price and sublet your apartment at will makes this form of ownership a top choice for flexibility, especially among investors, foreign buyers and parents purchasing for their children.

TOWNHOUSE:

The Townhouse is a type of medium-density housing in cities, usually but not necessarily terraced (row housing) or semi-detached. A modern town house is often one with a small footprint on multiple floors. The term originally referred to the city residence of a member of the nobility, as opposed to their country seat. The name "townhouse" or "townhomes" was later used to describe non-uniform units in suburban areas that are designed to mimic detached or semi-detached homes. Today, the name townhouse is used to describe units mimicking a detached home that are attached in a multi-unit complex. The distinction between dwellings called "apartments" and those called "townhouses" is that townhouses usually consist of multiple floors and have their own outside door as opposed to having only one level and an interior hallway access. They can also be "stacked" and such townhouses have multiple units vertically (typically two), normally each with its own private entrance from the street or at least from the outside.

Owning a townhouse provides the owner with a "fee simple" ownership of real property. There are single-family and multi-family townhouses which can be lived in or rented out at will. In either case, the owner is responsible for payment of all real estate taxes, maintenance and repairs of the property. The sale of the property may be conveyed to any party without prior approval by anyone other than the homeowner.

STEP BY STEP GUIDE TO PURCHASE:

The steps to purchasing a co-op or a condominium in Manhattan are very similar. Let us assume that you have found the property on which you wish to place an offer and that you have spoken to a bank or mortgage broker (if financing) to determine a comfortable financing price level.

1. Offers are made orally in New York City. When you have found the right property, a bid or offer will be placed through your agent. They will convey your offer to either the seller's agent or to the seller directly.
2. The seller may "counter" your offer. This will begin a negotiation process that will eventually lead to a "meeting of the minds," at which point price, terms, and closing date have been agreed upon.
3. A real estate attorney is required in all property transactions in New York City. Contact an attorney familiar with real estate in Manhattan to represent you. The seller's attorney will begin preparation of a contract of sale, and during that time your attorney will begin to

examine the financial condition of the building in which you wish to purchase. Your real estate agent can assist you in finding experienced attorneys.

4. After your lawyer concludes that the financial condition is satisfactory, that the by-laws of the building are acceptable to you, and that the contract of sale is also acceptable, your attorney will allow you to sign the contract. At that time, you will usually be required to present a deposit of 10% of the purchase price. The contract plus the deposit will then be forwarded to the seller for signature. This money will be held in the seller's attorney's escrow account until closing. It is 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.
5. If financing, you should move forward with your loan application. Your real estate agent can assist you in finding a mortgage broker. It is advised that you pre-qualify for a mortgage with a brokerage firm prior to beginning your housing search.
6. You will, by now, have received from your real estate agent the board requirements and application materials. The application materials can be similar for a cooperative and condominium. However, the actual process is quite different. You will need to complete all of the required materials which typically include: an application, a financial statement signed by a CPA, all requisite support for your financial statement, three years of tax returns, bank statements, letters of personal and financial reference, letters of professional reference, the contract of sale, bank documents (if financing) indicating that your loan is in place, etc.
7. When your "package" is finished, we will review it, and then, assuming it is complete, we will forward it to the managing agent for review. Upon determination that it is in order and that credit checks were acceptable, it will be forwarded to the Board of Directors. No applications will be accepted by a Managing Agent unless they are complete.
8. In the case of a cooperative, if your application meets initial approval, you will be invited to be interviewed by the Board or by an interviewing committee. This is a serious matter and not to be taken lightly. It should be treated as a business meeting.
9. After approval by the Board, you are ready to begin planning for a closing!

In the case of a condominium, there is generally no formal interview. Your application will be reviewed, and if all required materials are included and in order, an approval is typically granted. The entire process can move quickly in a condominium, and assuming a loan can be secured in a timely fashion, one can move from contract to closing in about 60 days. However, the cooperative process is more involved, and 60 to 90 plus days is not unusual.