



Real Estate Buying and Investing in NYC

The Current State of the Market

Current state of the market

- New York City and Brooklyn have been experiencing an uptick in interest, recently, due to the changes in tax reform, taking effect on July 1st.
- If properties are properly priced, there are buyers ready to buy

What we can anticipate over the next 12 months:

- The re-sale market seems to be stabilizing; however, new development, due to an approximately four year absorption rate, might see more decline in prices.
- Many factors of a political and geopolitical nature can influence sales figures.
- Data should reflect differences of location, building details, and layout specifics and rarely drill deep. Presented as a 'one-size-fits- all', data becomes less meaningful; however media attention grabbing and alarming.

The Costs Associated with Purchasing Real Estate

<ul style="list-style-type: none"> • BANK FEES <ul style="list-style-type: none"> • Bank Attorney • UCC-1 Filing Fee 	Varies according to bank and loan product \$800 - \$1,250 \$75 - \$125																		
<ul style="list-style-type: none"> • PURCHASE APPLICATION FEE 	\$800 - \$1,250																		
<ul style="list-style-type: none"> • MANSION TAX 	<table border="1"> <thead> <tr> <th>Consideration</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>\$1,000,000 - \$1,999,999</td> <td>1.00%</td> </tr> <tr> <td>\$2,000,000 - \$2,999,999</td> <td>1.25%</td> </tr> <tr> <td>\$3,000,000 - \$4,999,999</td> <td>1.50%</td> </tr> <tr> <td>\$5,000,000 - \$9,999,999</td> <td>2.25%</td> </tr> <tr> <td>\$10,000,000 - \$14,999,999</td> <td>3.25%</td> </tr> <tr> <td>\$15,000,000 - \$19,999,999</td> <td>3.50%</td> </tr> <tr> <td>\$20,000,000 - \$24,999,999</td> <td>3.75%</td> </tr> <tr> <td>\$25,000,000 or more</td> <td>3.90%</td> </tr> </tbody> </table>	Consideration	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%
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<ul style="list-style-type: none"> • PURCHASER'S ATTORNEY FEE 	\$2,500 - \$3,500																		
<ul style="list-style-type: none"> • MAINTENANCE OR COMMON CHARGE ADJUSTMENT 	Purchaser reimburses Seller for any prepaid maintenance or common charge payments																		
<ul style="list-style-type: none"> • COOPERATIVE APARTMENT PURCHASES ONLY <ul style="list-style-type: none"> • Judgment and Lien Search • Financing/Recognition Agreement Fee 	\$450 \$250 - \$500																		
<ul style="list-style-type: none"> • CONDOMINIUM APARTMENT PURCHASES ONLY <ul style="list-style-type: none"> • Title Insurance • Mortgage Title Insurance • Real Estate Tax Adjustment • New York State Mortgage Recording Tax • Title and Municipal Search Fee • Deed Recording Fee • Mortgage Recording Fee • Unit Owner's POA Recording Fee • Title Closer Attendance Fee 	Approximately \$4 per \$1,000 of purchase price Approximately \$1 per \$1,000 of loan amount Purchaser reimburses Seller for any prepaid real estate taxes 1.80% if mortgage amount is less than \$500,000 1.925% if mortgage amount is \$500,000 or more \$895 \$285 \$250 \$100 \$300																		

The Costs Associated with Purchasing New Development (cont.)

- PURCHASER'S ADDITIONAL CLOSING COSTS

- NEW CONSTRUCTION

- Sponsor's Attorney Fees (negotiable) \$2,500 - \$3,500
 - Sponsor's NYC and NYS Transfer Taxes (negotiable) If paid by Purchaser, transfer taxes are calculated and added to the purchase price (for tax purposes only) and then recalculated based upon the bulked up price
 - Resident Manager's Apartment (if applicable) Calculated based upon Purchaser's percentage of common interest in the building
 - Working Capital Fund Contribution One-time fee equal to 2 months of common charges
-

The Costs Associated with Selling Real Estate

<ul style="list-style-type: none"> ● NEW YORK CITY REAL PROPERTY TRANSFER TAX <ul style="list-style-type: none"> ● Residential Transactions ● Commerical/Bulk Sale Rates 	<p>1 % of sales price if sale is \$500,000 or less 1.425% of sale price if sale is greater than \$500.000</p> <p>If two or more unattached units are sold simultaneously to the same buyer, the commercial transfer tax rate applies, i.e . 1.425% of sales price if sale is \$500,000 or less or 2.625% of sales price if greater than \$500.000</p>						
<ul style="list-style-type: none"> ● NEW YORK STATE TRANSFER FEE 	<table border="1"> <thead> <tr> <th>Consideration</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Less than \$3,000,000</td> <td>0.40% of consideration</td> </tr> <tr> <td>\$3,000,000 or more</td> <td>0.65% of consideration</td> </tr> </tbody> </table>	Consideration	Rate	Less than \$3,000,000	0.40% of consideration	\$3,000,000 or more	0.65% of consideration
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<ul style="list-style-type: none"> ● NEW YORK STATE ESTIMATED CAPITAL GAINS TAX 	<p>Non-NYS residents pay 8.82% of estimated gain at closing. A NYS resident, or a non-NYS resident who resided in the property as their principal residence for 2 out of the last 5 years pays the gain tax when filing their annual federal income tax return. All sellers also pay the NYC income tax (up to 3.65% of the gain) with their annual income tax return</p>						
<ul style="list-style-type: none"> ● FEDERAL WITHHOLDING TAX (FIRPTA) 	<p>10% - 15% of purchase price is withheld if Seller is a non-exempt foreign person or entity</p>						
<ul style="list-style-type: none"> ● BROKER'S COMMISSION 	<p>6% of sales price</p>						
<ul style="list-style-type: none"> ● SELLER'S ATTORNEY FEE 	<p>\$2,500 - \$3,500</p>						
<ul style="list-style-type: none"> ● COOPERATIVE APARTMENT SALES ONLY <ul style="list-style-type: none"> ● Flip Tax (if applicable) ● Stock Transfer Tax Stamps ● Transfer Agent Fee or Co-op Attorney's Fee ● New York City Transfer Tax Filing Fee ● Payoff Bank Attorney's Fee ● UCC-3 Filing Fee 	<p>Typically 1% - 3% of purchase price</p> <p>\$05 per share</p> <p>\$500 - \$750</p> <p>\$100</p> <p>\$450 - \$550</p> <p>\$75 - \$125</p>						
<p>CONDOMINIUM APARTMENT SALES ONLY</p> <ul style="list-style-type: none"> ● Application/Waiver Fee ● Satisfaction of Mortgage Recording Fee ● Title Closer Pick-Up Fee for Mortgage Payoff 	<p>\$500 - \$1,000</p> <p>\$110 per mortgage</p> <p>\$250 per mortgage</p>						

Difference Between Coops And Condos



CONDOMINIUMS (Condos)

- A condominium is a form of joint ownership that is established via horizontal property laws in each state
- Condominium owners own fee absolute title to the airspace within their units and shared ownership of common spaces
- Condos have an application and approval process, similar to a coop; with a 30-day right of refusal from the building, meaning that if the Condo Board does not approve the purchaser, it must buy the unit from the seller. (This rarely happens)
- Tend to be newer buildings, post war, new development
- Financing is flexible and each unit is taxed, assessed and liened independently
- Owner is responsible for Principal, Interest, Taxes, Insurance and Homeowner's Association Fees
- Building amenities may include W/D in the unit and building, Gyms, Children's play rooms and Entertainment Lounges, etc.



COOPERATIVE APARTMENTS (COOPS)

- Mainly pre-war buildings, often with original features; however, there are some post-war buildings as well
- Co-op pricing is approximately 20% cheaper than the equivalent apartment in a Condo (comparing bedroom numbers and SF, location, floor level, etc.)
- The Co-ops application process is more detailed than a condo and the Board has the ultimate right to refuse an applicant, without cause or reason; thus, controlling the re-sale of a shareholder's unit
- Co-ops are buildings owned in severalty by a non-profit corporation and shares are divided according to the size of the unit; thus, you are buying shares in a corporation and ownership is held on a proprietary lease for a specific unit
- Property taxes and maintenance fees are paid monthly to the corporation and, based on the number of shares for the individual unit



CONDOPS

- Condops, are Coops with Condo rules; their value does not increase in the same velocity as Condos
- As with Coops, Condop owners purchase shares in a corporation rather than real property
- Many Condops are built on a ground lease (meaning the land is not owned by the shareholders); this results in high monthly charges

The Purchase Process



- Contact a real estate professional when you are ready to purchase a property
- If financing, meet with a mortgage broker or lender to discuss finances, the loan process and most importantly, get PRE-APPROVED for a Mortgage. Do not wait until the last minute, when you have found a home you like
- Have a LOCAL NYC real estate attorney selected to represent you on your purchase
- Select an insurance company, such as HomeServices Insurance Company; as you will be required to have homeowner's insurance, if you are financing your home
- Begin learning the market by looking at properties with your real estate agent, who will schedule tours to preview properties and guide you through the process by answering ALL your questions; from setting parameters, based on your budget and life-style
- When you have found a property that suits your needs, it is time to consider making an offer
- Your agent will provide you with comparable properties and help you determine an offer price, negotiate with the seller, under your instructions, and guide you through the entire process
- When a 'meeting of the minds' and agreement has been reached, you will provide your attorney information to your agent and your agent will prepare the initial contract terms, for your attorney's review, i.e. agreed upon purchase price, approximate closing date, financing (if applicable), etc. This is called a Transaction Sheet.

Attorney Review Period

Due diligence



- For Coops - Review of board minutes, building financials, offering plan and other documents
- For Condos - Review of Title and lien search
- Negotiation of contract of sale as a result of possible due diligence findings. For example, an assessment that was not listed on the original property show sheet
- Coordination with banking institution, loan commitment letters (Aztech Form)
- Prepare for closing; attendance at closing and execution of all closing documents
- Post closing file delivery

Next Steps in the Sales Process Prior to the Closing

- Once due diligence is completed (between 7-10 days), you sign the contract and pass it back to the seller.
- When the contract has been counter-signed by the seller and returned to the buyer, the deal is then 'In Contract'. Note - In NYS, the seller reserves the right to continue to look at other offers, until a fully-executed contract has been counter-signed and delivered to all parties. Thus, the period of due diligence should be kept to a minimum, without jeopardizing its process.
- Once the contract has been signed, your agent will meet with you and prepare you for the application process; which consists of gathering of information, such as financial information, tax returns, bank statements, letters of recommendation from friends (not family) and professional supporters, etc. Your agent then will complete the Board Application package and review with you for final approval, prior to submission to the board.
- The Purchase Application and Board Package should be completed within 2 weeks; unless an extension of time has been requested by your attorney, to the seller.
- Your agent will forward the Board Package to the building's Management Company for review.
- Once the Building's Management Company accepts the Board Package it is forwarded to the Board.
- Condo - Board reviews the Board package, issues a waiver, the walk through is scheduled, the new owners are welcomed into the building. The Closing is scheduled with buyers and sellers attorneys principals and agents.
- Coops - The buyers will meet the Board, and if accepted and approved ,they schedule a walk through. The Closing is attended by buyers and sellers attorneys, the bank attorney, if financing, bank representatives and principals.

What are the challenges a foreigner may experience buying real estate?



- A foreign citizen can purchase property in the US
- Co-ops require full disclosure of assets and prefer that said assets be held in US banks and require established US credit
- Credit can be established by securing a credit card, which can be paid off every month, partially or in full
- Subleasing is heavily restricted, as well as Pied-A-Terre's
- Immigration status

How can these difficulties be minimized?



- Establish US Credit with US bank accounts
- Maintaining a high Fico Score (Credit Score)
- Paying utility bills, i.e phone bills, ConEd, etc
- Purchasing a condo vs. a Coop
- Purchasing under a Trust, a domestic LLC or a foreign Corporation

Where are the 'Hotspots' in NYC?

- Hudson Yards: could be termed a 'hotspot', but for opportunistic purchasing potential
- Murray Hill: is becoming popular with young buyers looking for an opportunity
- Yorkville: not a hotspot but could have investment opportunity
- Harlem: including East Harlem: could have good growth potential
- Bushwick: some say is already expensive
- Redhook: lacks infrastructure, no subway, there are investment deals
- Greenpoint: could be an opportunity for the right young buyer
- The Bronx SoBro, South Bronx: potential but could take longer than you think

MARKET ANALYSIS

17 Orchard Street Apt 7 Condominium



Purchased in 2011 for \$1,272,812

Sold in 2019 for \$2,200,000

Investment gain over 8 years: \$927,188

Return on Investment 72.85%

Annualized ROI 7.14%

Investment length 7.94 years

Rent: \$7,500/monthly or \$90,000 annually

RE taxes, cc's: \$1,065, \$1,194 = \$2258/m; \$27,096

Annual \$62,904 net income

Estimated CAP 3

Berkshire Hathaway HomeServices New York Properties 1st Quarter Report 2019

Call Suzun Bennet with your real estate questions
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You need a TEAM if you intend to purchase property:
an agent, an attorney and a mortgage broker

