

SCENE

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War and Peace: How to get the property and avoid a bidding war

by Michael Ewing



Williamsburg Townhomes listed by MNS (photo by Rich Caplan)

Real estate is a rough market in New York. Inventory moves quickly, and buyers and renters are expected to bring the whole package to the table with few stipulations and hesitations. In a tight market, prospective tenants must be willing to navigate the co-op and condo market, gather the required documents and position themselves to avoid—or engage to win—bidding wars.

Application Basics

The real estate market is known for its fast pace and near-impulse purchases. A delay in gathering the necessary documentation makes you vulnerable to having your desired apartment snatched by another tenant. It is highly recommended to come to the table prepared.

For renting, tenants are encouraged to have sufficient liquidity to pay the first month's rent and security deposit. Tax returns, bank statements and employment verification should be gathered before the search begins. Most landlords also stipulate that a tenant earns 40 times the monthly rent in a year. If that level is unmet, tenants can pull in a guarantor who makes 80 to 100 times the monthly rent to back the deal.

Apartment sales, however, are a beast of another nature. The city is divided between co-ops and condominiums with the former known for having a difficult process. Condominiums are fairly straightforward and have increased in popularity over the years—especially downtown, as new developments are constructed.

Similar paperwork is required for co-op and condo sales, though the requirements are often stricter than apartment rentals. TOWN's Anna Zarro emphasizes that the important part is for "the information to be current and to clearly demonstrate income, employment and level of risk." Some buildings look for specific debt-to-income ratios and consider substantial liquid assets. "It is best to have a preapproval letter from a lender," adds **Ariel Tavivian, co-founder of the Tavivian Sporn Team at Douglas Elliman.**

References are often required as well.

"Remember, references should tell the story behind the numbers in your board package," notes Matthew Tully, a salesperson at Miron Properties.

Dealing with the Co-op Board

Co-op buildings have historically held a large market share in the Manhattan real estate market. In basic terms, co-ops are buildings where a corporation owns the building and prospective buyers purchase a share in the building, entitling them to live in a specific unit. A co-op board operates the building and sets the bylaws and maintenance fees for the shareholders. The board also holds the power to screen and accept or reject prospective buyers.

Buildings along Park, Madison and Fifth Avenues, Central Park West, Upper West Side and Sutton Place on the Upper East Side are known for a strict co-op configuration, Lawrence Rich of Douglas Elliman notes. Stories of 740 Park Avenue, where prospective buyers are believed to require liquid assets to the tune of nine figures, showcase the extreme conservatism and exclusivity of co-op boards. Barbra Streisand and Barbara Walters are among the many who have been rejected by 740 Park's board.

"The timeframe for approval is generally longer and the process is more involved than when pursuing a condo," says Zarro. "There are many questions to ask and details to be concerned about for resale and/or renovation purposes."

Though, not all buildings are as strict as 740 Park. Most set forth a policy requiring >70 25 to 50 percent as a down payment, and then enough in liquid assets to carry the mortgage and maintenance fees for a few years for financial security.

"Prospective buyers should be prepared to have a co-op interview and understand that their application is subject to board approval," says Lenny Inzirillo, head of leasing at Strata at Mercedes House. "This sometimes can be a lengthy process."

Not Always Man's Best Friend

“Some landlords allow dogs. Some don’t,” says Harold Kobner, a broker at Argo Residential. “Some want an application for the dog.” Several buildings place a restriction on the weight of the dog and require documentation to prove its age and growth. “Every lab is 25 pounds at one point in its life,” Kobner adds, pointing out that trying to get in with a puppy might not work out.

Bidding Wars

Bidding wars are heating up as the market continues to remain tight and at record low inventory levels. “The city is constantly recording more than 1,000 contract signings per month, as opposed to the low 400s [following 2008],” says Takk Yamaguchi of TOWN. “It’s no wonder buyers must step up their game in order to be considered ‘serious competition.’”

“This is an extremely sensitive subject in today’s market,” notes Tully. “For renters, as inventory is so limited, lowball offers are not generally heard, let alone considered. I urge them to make one solid offer and not to aim for an exhausting back-and-forth at \$25 to \$50 per month increments.”

“For buyers, after having done your homework, make a strong offer that represents what the property is worth to you,” Tully continues. “In hotter, more in-demand areas, I have been seeing buyers offer as much as 10 percent above asking price for the right properties to beat out the pack.”

“For sellers, if you see a number of offers coming in within a short period of time, as a courtesy to the buyers and to avoid the carnage of a bidding war, tell your agent to opt for a best and final offer format,” advises Tully.

Kobner plays on the semantics of bidding wars and requests buyers to submit a “highest and best offer.” The “highest and best offer” is considered to be the path of least resistance. He recalls a recent deal in which three offers came for an apartment, varying in down payments, mortgage contingencies and pied-à-terre intentions. The seller cautiously avoided the pied-à-terre in fear of a lengthy board approval process. “They took the best offer, which isn’t always the highest, and it was the offer with no mortgage contingency,” concludes Kobner.

“Ultimately, the seller would like a non-contingent offer as it is the least complicated getting an appraisal to come—especially in an inflated seller’s market such as this,” adds Frances Katzen of Douglas Elliman.