

Weighing Buying A Condo Against Buying A Coop

By: Jill Urban

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This week's NY1 Real Estate report breaks down the bucks when it comes to buying a condo versus buying a coop. NY1's Jill Urban filed the following report.

When looking to purchase an apartment, most buyers first look by neighborhood, apartment type and price. But during that initial search, many don't consider the costs involved in buying a coop versus a condo, and many first time buyers often are not aware of the out-of-pocket expenses for each.

"When you begin your search, it's really important to think about, 'Are you looking for condominiums or you are looking for coops?' Because they are very, very different animals, and they're very different requirements," says Kathy Braddock, co-founder of Rutenberg Realty.

Braddock helped lay out the financial differences for buyers. First, condos generally cost more than coops.

"If you took the same apartment in the same place, a condominium would cost between 20 to 30 percent more than a coop, and the reason being, it's the ease of purchase," Braddock says.

"Anyone, basically, can buy a condominium, assuming you can afford it. It can be a corporation, a parent for a child. The only person who can buy a co-op is the person who is going to be living in it."

Also, with a condo, you can expect to pay more at the closing table. Since it's real property, you'll have to pay title insurance, which is roughly 1.9 percent of the price. If you are financing, you'll also have to pay a mortgage recording tax.

These costs are not incurred when closing on a coop. But in a coop, even though you're generally paying less for the same type of unit, you'll most likely have to put more money down and show more post-closing liquidity.

"When you're buying a condominium, whatever the bank says you need to put down is fine," Braddock says. "In a coop, it doesn't matter what the bank says. It's absolutely what the co-op board requires. So some coop boards want 50 percent down, they 25 percent down, plus what they require you to have after they close. Some coops want you to have five times liquid. Some want you to have one times liquid."

On a month-to-month basis, the common charges and taxes in a condo are often similar to the maintenance fees in a coop. The only exception would be in new developments, where there may still be a tax abatement, which will make for lower monthly costs for a limited time.

So as you start your search, make sure you crunch those numbers carefully and understand where you will be a better fit financially.