# 5 Things To Do Before You Invest In New York City Real Estate

## New York City is one of the most stable real estate markets in the world because it is both highly transparent and under-leveraged.

As a result, it's a hot location for people looking to invest in property who don't necessarily plan to live there.

"Everyone has access to the same inventory," Wei Min Tan, a Manhattan condominium buyer's broker for real estate firm Rutenberg Realty NY, explained to Business Insider. "In a lot of countries the market is not so open and only one broker may have access to those listings. Here, everyone has the same access."

And in order to buy, you must be a good fit financially. "To own property in NYC, you have to be financially responsible," Jarrod Randolph, founder of JGR Property Group, told us. "And when I say responsible, it's more than just having the money in the bank."

Both Wei Min Tan and Jarrod Randolph specialize in crunching the numbers for their high net-worth clientele to help them make the most informed investments in Manhattan real estate.

And while they both represent some very wealthy foreign buyers, their advice holds true for everyone investing in New York City residential properties. Here are five things you should know before you invest.

### 1. Condo Vs. Co-op

The biggest question buyers face is co-op versus condominium.

"The majority of property in NYC is cooperative," Randolph said. "A very simplistic breakdown is that on the island of Manhattan, there are 847,000 residential units. Only 22.7% are privately held. That's roughly 192,000 units — that's it. Of that 192,000, two-thirds (or 128,000 units) are cooperative. And the other 64,000 are condominiums and townhouses."

Because there are more co-ops, they are usually significantly cheaper (by as much as 30% to 40%). But cost isn't everything. The approval process and rules for a co-op are much more strict than for a condo, requiring proof of net worth, liquid assets, tax returns, and brokerage statements, not to mention a down payment of at least 20% of the purchase price.

"With condos, there's a lower barrier to entry, and they're not as stringent," Randolph said. "They also have the flexibility — you can rent to whoever you want, you can sell without issue. It's an easier format for ownership."

Of course, stringent requirements aren't necessarily a negative. Strict entry rules generally mean your neighbors will be financially secure.

The major downside with co-ops is that they can be hard to rent out. "A condo may be more expensive, but a condo let's you rent it out whenever you want and it doesn't require board approval," Tan told us.

If you're going to buy a condo, your best bet is to invest in a new development. "It appreciates disproportionately higher to the rest of the market," Randolph explained. "There's no barrier to entry, plus the business economics are more stable, appliances are warranted, and it's usually higher quality."

But buyers have to act fast to get a new condo. Of the 64,000 condos in Manhattan, Randolph told us only about 10% of that marketplace is considered "new development" (property built in the last 5 years).

## 2. Know Your Neighborhood

Location is important, but don't worry too much about neighborhoods, especially if you're investing in Manhattan properties where many zip codes are considered prestigious.

This is especially important for foreign buyers who plan to rent their properties out. "Most of my foreign buyers only know a few locations," Tan said. "They know Times Square, Fifth Avenue, Central Park, and Wall Street. But just because an apartment is in Times Square doesn't mean it's going to be desirable to tenants."

So instead of focusing solely on a "hip" neighborhood, know what's in walking distance. "One of the key components you want to look at are the auxiliary services around the development: the proximity to the subway, where the closest nail salon or dry cleaners is located, where's the grocery store, and so on," Randolph said. "Your retail landscape and transportation options are what make up a neighborhood."

## 3. Research The Building And Developer

If you're buying a condo, it's important to research the building's developer and have a good understanding of their past. "You want to know that the developer has some kind of track record," Randolph advised. "Work with a broker and do your own research. Know their past products, how they've performed, and that will tell you if you're buying into a quality product."

If you're buying a co-op, find out everything you can about the cooperative board and have a good understanding of what future changes could be made to the building. Knowing whether the co-op rules might change to no longer allow pets or if there are plans to completely redo the lobby (requiring you to pay a large monthly assessment) could sway your desire to live in the building.

## 4. Know Your Best Price

Your "best price" doesn't mean the best deal, because there's really no such thing as a "good deal" in New York City real estate.

Instead, it's about knowing *why* you're investing. Ultra-net worth individuals may be buying $20 million+ condos as pied-à-terres that they can use whenever they're in the city. "They're buying them because they're hedging bets against the marketplace," Randolph explained. "Within the next 3-5 years, they're hoping the condo will be worth 1.5x more than what they purchased it for."

Those buyers may leave their apartments empty for months at a time. The vast majority of investors, however, are buying condos and apartments to rent out and turn a profit, which has a vastly different price point.

“For renting purposes, the price is up to $3.5 million, and that can be for a 2-bedroom or a 1-bedroom,” Tan says. “A cheap price gets you cheap rent, and a higher price point gets higher rent. The very expensive apartments have difficulty getting rented since it’s rare for someone to want to spend $15,000 renting a one bedroom, and your average 1-bedroom is often around $4,000.”

Randolph agreed. “The best investment if you’re looking to buy something to rent out would be a 2-bedroom apartment in the $2 million to $5 million price range,” he said. “Two to three bedrooms rent at higher rates per square foot because you can have multiple tenants in the apartment.”

## 5. See It For Yourself

“I always advise my clients that if its your first time investing in the city, you need to go and see the apartment,” Randolph said.

If you can, get a feel for the neighborhood, make sure there are no hidden downsides to the apartment, and check out the building.

But if coming to see the apartment is not a possibility, get a trusted broker to tour the place for you. “90% of my clients go and see [the place],” Randolph said. “But there are some clients where I send them the floor plan and tell them about the area and they’re all for it.”

Tan also stresses seeing the apartment, but notes that technology has rendered it almost unnecessary for foreign buyers. “Some of my clients only come here to close, and some of them don’t even come here at all,” he said. “It’s not like in the olden days where there was no Skype or FaceTime and they had to go and touch the apartment.”