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Co-op vs. Condo: The Differences Are Narrowing

By SUSAN STELLIN

MOST people looking to buy an apartment in [New York City](#) know the basic trade-offs between a co-op and a condominium: the approval process and building rules are usually stricter with a co-op, but co-ops make up a much bigger percentage of the city's housing stock, and they tend to be less expensive than condos.

But once you dig into these differences, the comparison gets more complex. For instance, certain neighborhoods have more condominiums for sale than co-ops. And the tough vetting that co-op shareholders have to endure generally means more financial security for the building, even if it excludes certain buyers who cannot pass muster.

"A lot of people coming into the city immediately think they have to have a condo, and 90 percent of the time that's accurate," said Douglas Heddings, the president of the Heddings Property Group. For those who are on the fence or might be swayed in their preference, here are some factors to consider.

The Inventory

There is no question that there are more co-ops than condos in New York City, but the gap has been narrowing in recent decades.

"In [Manhattan](#), it's about 75 percent co-op versus 25 percent condo," said Jonathan J. Miller, the president of the [Miller Samuel](#) appraisal firm. "In the early 1990s, it was about 80/20, and in the mid-1980s it was 85/15."

That split has been shifting because apartments in new buildings are almost always sold as condominiums, which means that neighborhoods with a bigger concentration of new developments have a greater supply of condos.

According to data gathered by Noah Rosenblatt, the founder of the real estate analytics site [UrbanDigs](#), there were 159 condos for sale in TriBeCa on Oct. 1, versus 28 co-ops. Buyers looking in Battery Park City, too, are going to find the vast majority of the apartments for sale are condos. But on the Upper East Side the situation is reversed: there were 942 co-ops on the market in early October and 370 condos. The style of apartment you desire can also affect your choice.

“There are so few prewar condominiums in the city,” Mr. Heddings said, “that if people are dead set on a prewar apartment, they’re almost always going to have to go co-op.”

The Price Difference

Another factor that varies is the price premium a condo commands, agents and analysts say. If you look at overall market statistics, it can seem that condos cost as much as 40 percent more than co-ops: in the third quarter of 2012, the average price of a condo in Manhattan was \$1.766 million, compared with \$1.216 million for a co-op, according to Mr. Miller.

But if you compare apartments of a similar size, with similar amenities — as he did in a 2006 study conducted with the Furman Center for Real Estate and Urban Policy at New York University — the price difference narrows significantly. “We basically concluded that all things being equal, the value of a condo is about 9 percent more than the value of a co-op,” Mr. Miller said.

Recently built condos can be a few hundred square feet larger than co-op apartments with the same number of bedrooms built decades ago. Buying a condominium also involves additional closing costs.

“You have to get title insurance,” said Ronald H. Gitter, a Manhattan real estate lawyer and the founder of CoopandCondo.com. “There’s also the mortgage recording tax, which in New York City comes out to about 2 percent of the face value of the mortgage. Those costs don’t come into play when you buy a co-op.”

The Approval Process

Some condos now ask buyers to submit an application that includes much of the same information that co-ops require (showing your net worth, liquid assets and annual income, as well as tax returns and brokerage statements that back up these numbers). But in general, co-ops are stricter about their financial requirements.

“The difference is that you can basically provide the condominium with what you’re comfortable providing to them,” said Tim Desmond, a senior vice president of Stribling & Associates. “You really don’t have to disclose everything.”

Another difference is that condos cannot reject potential buyers, although they do have the right of first refusal, which means they can pre-empt the sale by offering to buy the apartment on the same terms. But condo boards seldom have the wherewithal to make those types of purchases, brokers say.

Co-ops also require buyers to come up with a down payment of at least 20 percent of the purchase price, and sometimes 25 to 50 percent. Some particularly exclusive buildings don’t allow financing at all.

These financial requirements can make it difficult for the self-employed to buy a co-op, because their tax deductions often result in lower incomes, and foreign buyers usually don't have the necessary paper trail with banks in the United States.

But that level of scrutiny makes some buyers more comfortable with their neighbors, and has lent stability to the New York City market while subprime mortgages and defaults wreaked havoc elsewhere.

“We haven't seen the same kind of foreclosure activity as the rest of the country because the financial requirements for these buildings are so tough,” Mr. Desmond said. “And they've gotten even tougher since the financial crisis.”

The Rules

Although some condos can be just as strict as co-ops, with rules that dictate whether you can have a dog, install a garbage disposal or play your piano after 10 p.m., co-ops tend to impose more onerous restrictions on whether you can sublet your apartment or use it as a pied-à-terre.

Co-ops that allow renters usually reserve the right to approve them, and often limit the duration of the rental to one or two years, which can create difficulties for shareholders in a more mobile era of job transfers.

Other frustrations can crop up because some of these rules “can change on a whim,” Mr. Heddings said. “If the board decides that now they don't want to allow washers and dryers, you're at the mercy of their decisions.”

On the plus side, Mr. Gitter noted that co-op shareholders are also considered tenants of the co-op, which gives them legal protections under New York City landlord-tenant law that condominium owners don't receive.

For instance, if a shareholder in a co-op violated the city's “warrant of habitability” by neglecting plumbing repairs that cause a flood in a neighbor's apartment, the co-op would have a responsibility to address the situation, similar to the role of a landlord.

“It gives each side a clearer path to resolving the problem,” Mr. Gitter said. “Very often the co-op is not going to have any choice but to get involved.”