

A GUIDE TO BUYING A HOME IN NEW YORK CITY



the **H. BECH TEAM**
OPTIMAR INTERNATIONAL REAL ESTATE
optimizing your real estate experience
www.hbech.com

Buying a home in New York City is an exciting moment. And being in a position to make this decision is an accomplishment you should be proud of. The process ahead may seem daunting at first, but rest assured that our team is here to guide you through the unique New York City landscape, and to make every aspect of the process go as smoothly as possible. We leverage our extensive experience in real estate, finance, design and construction project management, as well as our network of best-in-class experts for additional services you need, to find and close on a property that suits you.

We bring our passion for everything real estate and an earnest desire to take great care of our clients to this collaborative effort, always keeping focus on optimizing your experience as we work towards achieving your real estate goals.

And we promise that we will have fun working together along the way!

A Guide to Buying a Home in New York City

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THE DIFFERENT FORMS OF PROPERTY OWNERSHIP

Before you start looking, it is important to understand the different types of ownership available to purchasers of New York City property.

COOPERATIVE

In Manhattan, cooperatives have been the traditional way to own an upscale apartment for nearly a century, and comprise two thirds of all apartments available for purchase. Co-ops are owned by an apartment corporation. When you purchase an apartment in a co-op building, you are buying shares of the corporation that entitle you as a shareholder to a "proprietary lease." Typically the larger your apartment, the more shares of the corporation you own.

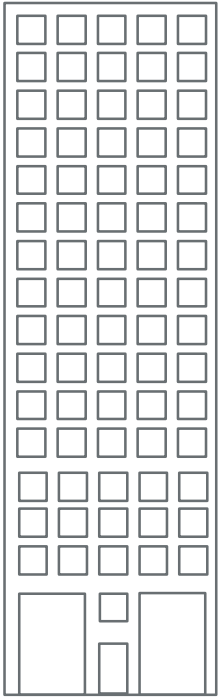
Co-op shareholders pay a monthly maintenance fee to cover building expenses like heat, hot water, insurance, staff salaries, real estate taxes and the mortgage debt of the building. Portions of the fee are tax deductible and shareholders can deduct their portion of the building's real estate taxes on their personal taxes.

Approval to purchase shares of a co-op must be granted by a board of directors, who also have the authority to determine the rules and bylaws of the co-op, including how much of the purchase price may be financed and minimum cash requirements post closing. All prospective purchasers must submit a "board package" containing a purchase application, personal and professional letters of recommendation plus detailed information on income and assets. The board will also require an interview so they can meet you and ask any questions regarding the information you provided. They can approve or deny any applicant without stating a reason.

Purchasing a co-op can be an intricate process, and subletting can be challenging. Each co-op has its own rules and should be considered carefully. I am an expert in this area and am well equipped to help you decide whether a co-op, and which one, is best for you.

THE DIFFERENT FORMS OF PROPERTY OWNERSHIP

CONDOMINIUM



The condominium is the most common form of ownership of multi-dwelling buildings or complexes in the United States. But prior to the turn of this century, they accounted for a small percentage of the NYC market. Since that time, we have seen a consistent increases in the numbers of Condo units, with the share of the market today approaching 40% driven by two new development boom cycles, from 2003-2008, and 2014-present.

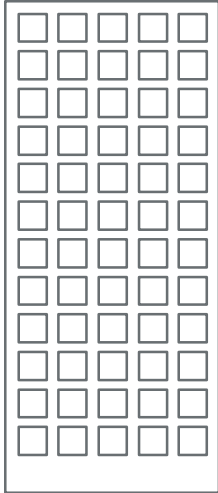
Unlike a co-op, a condominium apartment is real property, and a purchaser is given a deed as if they were buying a house, building or land. The difference between owning a condo and a house is that in addition to owning the apartment, you also own a small percentage of the common elements of the building like the halls, stairwells, basement, amenities, etc.

Another difference is that each individual apartment in a condominium receives a separate tax bill from the city. There is still a monthly common charge similar to the maintenance charges in a co-op, which is paid to the condominium association to pay for such items as staff payroll, building maintenance and supplies, management fees and building repairs. These charges do not include your real estate taxes and are not tax-deductible. While historically, common charges and real estate taxes combined tended to be lower than co-op maintenance fees for comparable properties since there can be no underlying mortgage for a condominium building, the significant purchase price premium for a condo on a per square foot basis has resulted in higher property taxes, and the increased service levels among condos to include extensive amenity offerings has increased their operating expenses.

The straightforward nature of buying a condo, plus the fact that in some cases you can finance up to 90 or even 95% of the purchase price and sublet your apartment at will, makes this form of ownership a top choice for flexibility, especially among investors, foreign buyers and parents purchasing for their children.

THE DIFFERENT FORMS OF PROPERTY OWNERSHIP

COND-OP



A cond-op is a residential cooperative where the ground floor (typically commercial units) is converted into a separate condominium that's either owned by an outside investor or the original building sponsor. So while the residential units are a co-op, the commercial units are owned as a condominium by an entity other than the co-op.

The co-op does not receive the benefit of the income from these units. People often refer to cooperatives that operate under condominium rules as cond-ops, though this is inaccurate.

TOWNHOUSE



Owning a townhouse provides the owner with a "fee simple" ownership of real property. There are single-family and multi-family townhouses which can be lived in or rented out at will. In either case, the owner is responsible for payment of all real estate taxes, maintenance and repairs of the property. The sale of the property may be conveyed to any party without prior approval by anyone other than the homeowner.

TIMELINE OF THE PURCHASE PROCESS

Now that you're ready to start your search, here is a general timeline of events. The first step is the search. This is a collaborative process where we both can use websites and apps to find properties with the potential to suit your needs and desires in a home. All property visits are coordinated by the Agent, so if anything grabs your attention bring it to mine and I schedule appointments for us. Should you attend public open houses, it is important to indicate that you are represented by me on sign-in sheets.

Once you decide a property is of greater interest, I will conduct a thorough analysis to: value the property; consider factors that will affect value over time;, and that obtains all important data points to ensure that it meets your needs,

Based on this analysis, we put together an offer, and over the next few days we negotiate till we come to terms. In most cases, once an offer is accepted, it takes 30–120 days to complete the closing process (60-90 is most common). Co-op transactions typically take 2-4 weeks longer than sales of Condos or Townhouses, due to the Board Approval process. Transactions with Financing typically take 2-4 weeks longer to close due to the mortgage underwriting process to get from pre-approval to loan commitment.

STEP	DURATION
Complete REBNY Financial Statement, Obtain Preapproval	2-3 days
Search for the Right Property	<i>Varies, 1-3 mo. Typical</i>
Prepare the offer	1 day
Negotiate the offer and acceptance	2-5 days
Negotiate and sign Contract of Sale Attorney conducts due diligence, reads Board minutes, etc Submit 10% Escrow Deposit to Seller's Attorney	2-5 days
Complete Loan application, Submit requisite documents Lender coordinates appraisal Loan underwriting, approval and commitment letter	2-4 weeks
Co-op board package and interview/condo application	4-6 weeks
Bank and attorney prep closing	1-2 weeks
Final walk through	<i>Day of closing</i>
Transaction closing	3 hours

GET PREPARED WITH YOUR FINANCES & FINANCING PLANS



Having a clear overview of your finances, and learning about the variety of financing options available to you, is essential at the start of this process. Knowing what you can afford before you start looking for a home will save time and streamline the buying process.

Your Financial Overview: REBNY Financial Statement

The first step in the process is the completion of a financial statement. We used the industry standard Real Estate Board of New York Financial Statement for Co-ops and Condos, or the REBNY. In this document you will compile the value of your assets, liabilities, sources of income and your fixed expenses for debts and other obligations. Putting this document together accurately and completely is essential as we all need to understand how your finances align with the financial requirements for properties we see, and it is included along with every offer we make to provide context to the seller when considering your purchase offer.

Mortgages: Lender Referrals

We connect our Buyers with Private Mortgage Bankers who have worked with dozens of our clients over the years, and who are consistently praised for their knowledge, efficiency and high levels of customer service. By working with someone we know and trust, you can rest assured that this often challenging and angst ridden part of the process will be handled on an abbreviated timeline with the utmost of professionalism. And if an issue does arise, chances are we have dealt with something similar in the past and as a team we have solved it on behalf of the buyer. We have a 100% mortgage commitment rate among our clients, and 100% closing rate for deals we have brought to contract.

Your agent and mortgage banker can answer your questions about the loan process, the variety of loan products available, and help determine the price range for your purchase that makes sense in the context of your overall financial situation.

GET PREPARED WITH YOUR FINANCES & FINANCING PLANS



After we connect you with one or more mortgage bankers, you will provide them with your REBNY Financial Statement and other information so they may determine your eligibility for mortgage financing

As we begin the process, the banker will provide you endorsements as follows:

PRE-QUALIFIED



Based on the information you provide during your initial conversation with the mortgage banker, you are potentially qualified for a stated loan amount, assuming full and accurate disclosure.

PRE-APPROVED



You will next provide your mortgage broker with information for a detailed background and financial check (including tax returns, credit check & income history). You'll then get a letter from the lender stating the amount the lending institution would loan you. This commitment is valid for about 60 days. As a note, most sellers require buyers to provide a pre-approval letter with an offer letter.

In the post 2008 period, there are many additional regulations aimed at protecting the lender and the general population. These affect eligibility for particular types of financing. Your Banker can walk you through potential hurdles and come up with alternatives as appropriate to your situation.

CLOSING COSTS: COOPERATIVES

COSTS FOR THE PURCHASER	
Cooperative Application Fee	\$500-\$1,000
Judgment and Lien Search	\$250-\$350
Recognition Agreement Fee	\$150-\$250
Maintenance Adjustment	<i>Pro-rated for the month of closing</i>
BANK FEES (ONLY APPLICABLE IF PURCHASER IS OBTAINING A LOAN)	
Includes items such as discount points, appraisal fee, origination fee, credit report fee, document preparation fee, courier fee, application fee	<i>Variable depending on lender and loan product</i>
Bank Attorney Fee	\$700-\$950
UCC-1 Filing Fee	\$75-\$125
GENERAL	
Move-In Deposit (refundable)	\$500-\$1,000
Move-In Fee (non-refundable)	\$250-\$1,000
Purchase Application Fee	\$500- \$1,000
Mansion Tax	<i>1% of purchase price if > \$1,000,000</i>
Purchaser's Attorney Fee	<i>Consult your attorney</i>
NEW CONSTRUCTION	
Sponsor Attorney's Fee	<i>Consult your attorney</i>
Sponsor's NYC and NYSTransfer Taxes	<i>Calculated and added to the purchase price (to arrive at the tax) and then recalculated based upon the grossed- up price (may trigger Mansion Tax)</i>
Working Capital Fund Contribution	<i>1-2 months of maintenance</i>

CLOSING COSTS: CONDOMINIUMS & TOWNHOUSES

COSTS FOR THE PURCHASER	
Title Insurance - Owner's Policy	Approximately \$4 per \$1,000 of insurance (fee regulated by statute) plus various search and recording fees totaling an additional \$1,000
Title Insurance - Mortgage	Only applies if the purchaser is obtaining financing; variable depending on loan amount
Real Estate Tax and Common Charge Adjustment	Not really a 'closing cost'. Purchaser reimburses seller for the portion of the common charges and / or real estate taxes that the seller has pre-paid.
New York State Mortgage Recording Tax	1.80% if mortgage amount is < \$500,000; 1.925% if mortgage amount is > \$500,000
Title Closer Gratuity	\$250
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NEW CONSTRUCTION	
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Sponsor's NYC and NY Transfer Taxes	Calculated and added to the purchase price (to arrive at the tax) and then recalculated based upon the grossed-up price (may trigger Mansion Tax)
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RECENT BUYER CLIENT REVIEWS

INITIAL ASSUMPTION	
After-tax rate of return on investments	
Assumed taxable income	
Marginal tax rate	
Estimated annual appreciation of home	
Down payment on home	
Estimated closing costs	
Estimated purchase price of home	
Monthly rent	
COST OF RENTING	
Annual rent	
Renter's annual insurance premium	
Total annual cost of renting	
COST OF BUYING	
Mortgage loan amount	
Annual interest rate	
Term of mortgage (years)	
Monthly mortgage payment	
Annual mortgage payment	
Property taxes	
Homeowner's insurance	
Maintenance	
Opportunity cost of buying	
Total cost of buying	
LESS ADJUSTMENTS:	
Principal reduction in mortgage	
Tax savings of interest deductions	
Tax savings of property tax	
Total adjustments	
Annual after-tax cost of home ownership	
LESS:	
Estimated annual appreciation in value of home	
Net annual cost of home ownership	

We are in an advisory business, and our goal is to be the trusted advisor you turn to for guidance on any aspect of real estate. To achieve this, we take a friendly, collaborative approach, lending you our experience, knowledge, perspective, network and skills to achieve your objectives.

QUALITY & CARE. Our advice, and the services we provide, are always of the highest quality. We are by nature detail oriented and perfectionists who can manage multiple projects and consider the big picture simultaneously. And we deliver this with a genuine, natural desire to care for the clients and customers who have granted us the privilege of helping them with the purchase, sale or rental of property. We do not take for granted the efforts and sacrifices that have enabled you to be in this position, and know that our work affects some of the most important personal and financial decisions that you will ever make in your life.

UNIQUELY ANALYTICAL PERSPECTIVE. Market knowledge and strong industry relationships borne from two-decades of experience in New York City residential and commercial real estate, provide the foundation of our ability to competently advise you through the process. And while others in this industry possess similar strengths, we differentiate ourselves with a Uniquely Analytical Perspective that is based on a decade of professional experience as a Research Analyst, where we helped to manage hundreds of billions in investments, and an education in economics and business. Through this we help you to consider the financial planning and investment implications of your real estate decisions in ways others can not.

VISUALIZE SPACE DIFFERENTLY. And when this analytical approach combines with a life-long passion for architecture and design, as well as direct experience in carpentry and construction project management, it enables us to visualize space differently, which serves to broaden the set of suitable properties, making the search process more efficient and to consistently find hidden opportunities for value creation.

A BEST IN-CLASS NETWORK WITH ALL THE RESOURCES YOU NEED. Recognizing that achieving the goals desired from real estate transactions requires collaborating with other professionals who have specific roles required of the process, we have gathered a truly best-in-class network of experts. From bankers and attorneys who help us to get the target property, to the movers, architects, designers, contractors and others who provide the expertise to make that property into the home that suits your needs and goals. We have worked with these experts over the past four to five years, across dozens of transactions, and have an excellent track record of client satisfaction.

APPRECIATION. We are excited by the opportunity that you have granted us to assist you in this process. We promise to provide the highest quality of service derived from our substantial experience & unique perspectives. We look forward to taking care of you and your dreams as we work together in the coming months.



SOREN BECH

Principal, *the* H. BECH TEAM
Senior Vice President, Optimar Capital

By pairing more than a decade of experience in the real estate industry with professional expertise in wealth and investment management, Soren Bech provides clients with a uniquely analytical perspective. His collaborative approach encompasses guidance on finding or selling a home, as well as on the in-depth financial planning and investment considerations that are an essential, and often overlooked, part of the decision process. He helps clients understand how what is often the most significant investment of their life affects their overall financial plan.

Soren has sold dozens of condominiums, co-op apartments and buildings across Manhattan, in Brooklyn, the Hamptons and in Westchester County, representing both buyers and sellers. Soren has also represented landlords, tenants or both in over 150 rental transactions. His listings Set Records Repeatedly, with each exclusive selling at a record price vs. other comparable sales in the same building. This is done quickly, with average days on market just over a month, and typically with multiple offers above asking. This is due to an unusual level of detail in listing presentation, with all properties beautifully staged, strategically renovated and professionally photographed.

Soren's 15-plus years of experience in investment research and analysis includes completing detailed financial modeling and valuation of investments for both private and institutional clients, covering stocks, bonds, and real estate. He has worked in Asset Management at Lazard Frères, Lehman Brothers, and Morgan Stanley, and as a consultant to investors to analyze investments in real estate and to manage their holdings. As a university professor, Soren has taught courses on financial markets and wealth management. Soren takes joy in not only assisting his clients with a sales or rental transaction but also helping them understand the process and the real estate market.

Complementing this is his construction and design know-how, acquired over many years from building furniture and managing renovation projects on behalf of friends, family and, more recently, his clients. At the most fundamental level, Soren employs this to help his clients visualize what is possible with each apartment or building, whether buying or renting, and to help sellers with staging and strategic renovations that position their properties to secure the full market value.

By combining these skills with a casual, friendly and personable approach, Soren leverages his comprehensive knowledge of New York City neighborhoods and buildings, and a carefully chosen team of partners, including thoroughly vetted property inspectors, appraisers, mortgage bankers, attorneys, architects, engineers and contractors, to optimize the process for his clients, while ensuring that each can achieve his or her goals.

Soren earned an M.B.A. in Finance from Columbia Business School, where he completed the highly competitive Value Investing program and a B.A. in Economics and Politics from Yale University. A resident of Midtown West, Soren likes to balance the energy and excitement of NYC with time in the Hamptons and Miami alongside his family and friends. Soren loves to entertain and is a classic car aficionado who can often be seen driving around town in his vintage Mercedes SL.