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## **How the Upper West Side escaped Manhattan's falling property prices**

*Values for the area's co-op buildings are rising — but there can be an arduous vetting process to get one*



*Central Park*

Buying in a Manhattan co-op is one of New York's more nerve-racking property experiences. Unlike modern condo units, where buyers own the apartment itself, residents in a co-op own a share of the building and the right to occupy their apartment. One result is that prospective buyers must be vetted by a resident-composed board.

"You have to disclose personal and financial information at the co-op board interview," says Jonathan Gerst, 35, who works in finance and bought in a co-op on 79th Street in the Upper West Side in 2015. Many boards impose tough limits on the size of mortgages that residents can take, to ensure that they are financially secure, he says; other restrictions cover anything from sub-rental to pet ownership. "It's not for everyone."

Judging by recent price data, Gerst — who recently sold his apartment to move to the Connecticut suburbs — should be grateful he endured the board's prying eyes. Analysis by Core shows that since Manhattan median prices peaked in 2016, those in the Upper West Side, where there is a high concentration of co-op buildings, have grown a further 4 per cent, to \$1.148m. In downtown, the heart of the new condo-building boom, median prices have fallen 10 per cent in that time to \$1.55m.



*A three-bedroom co-op, Dakota building, \$6.75m*



*The Dakota exterior © Shutterstock/OSTILL Franck Camhi*

In the Dakota building, one of the most famous co-ops on the Upper West Side — and the former home of John Lennon and Yoko Ono, among others — Brown Harris Stevens is selling a three-bedroom, park-facing duplex for \$6.75m. The apartment carries a service charge of \$8,950 a month, and co-op requirements mean mortgages cannot exceed 50 per cent LTV. On West 72nd Street, Compass is selling a four-bedroom co-op apartment with a service charge of \$3,400 a month and maximum 75 per cent LTV for \$3.45m. The same agent is selling a four-bedroom co-op apartment on Riverside Drive for \$5.25m, with a service charge of \$4,520 a month and maximum 75 per cent LTV.



Widespread limits on the size of residents' mortgages ensure there are few forced sellers to drag down prices when markets hit hard times. And most co-ops bar investors, preventing owners from letting their homes for more than two out of every five years, excepting rare cases such as owners having to move for work or facing financial hardship, says Brian Lewis, a local agent with Compass. He has lived in the same co-op on the Upper West Side since 2004 — now he shares it with his husband and the couple's two daughters.

"We New Yorkers who happen to live in co-ops love them during recessions and uneasy times when they have protected and shielded us from yahoo investors," he says.



*Two-bedroom apartment next to Central Park, \$3.495m, through Brown Harris Stevens*



*View of New York from this apartment*

However, co-ops have plenty of drawbacks, he notes. When prices are rising, the building's tight rules — such as limiting LTV ratios — may limit owners' financial gains. And many co-op sellers incur a "flip tax", a transfer fee levied by the building, typically between 1 and 3 per cent.

Some co-ops also have a reputation for being tired and poorly maintained compared to the exacting standards of new condo buildings. "In some cases there is greater tolerance for these imperfections because some co-op residents are more reluctant to renovate," says Lewis.

Critics claim the selection process can allow discrimination. Ian Brandt, of Manhattan lawyers Wagner, Berkow & Brandt, is currently in court representing a seller of a Tribeca co-op apartment in her seventies whose two prospective buyers — "one Mexican-American, one Russian-American" — were turned down by her co-op board. Once he has proved the buyers met the board's financial qualifications, the onus is on the board to demonstrate they were not rejected because of where they were from, he says.

Arduous personal and financial checks are one of several reasons that Manhattan co-ops are a dying breed: just six of 297 apartment buildings built in Manhattan since 2010 have been co-ops, according to Core. "Condos are much more popular with modern buyers, thanks to the lack of restrictions around mortgage borrowing, renting and selling," says Garrett Derderian of Core, adding that condos also allow buyers to purchase through a company. "[Co-op] buildings are fighting hard to stay relevant in this golden age of the new development condo," says Lewis.

Gerst concedes that co-ops need to up their game. "Our building just did a gut renovation of communal spaces for example — not exactly 'condo' features but everyone is trying to improve the building," he says. But he and his wife welcomed the fussiness of the co-op rules. "In Manhattan, you don't always know your neighbours — they could be anybody. To know that they have been approved is comforting."

Despite their drawbacks, the period co-op buildings that line the wide avenues of the Upper West Side are sure to be among New York's most appealing homes for years to come.

### Buying guide

- Median co-op sale prices in 2019 on the Upper West Side increased 2 per cent on 2018
- The subway connects 79th St station with Wall St station in 22 minutes

### What you can buy for ...

- \$500,000 A studio apartment in a co-op building on West 82nd Street
- \$1m A two-bedroom apartment in a co-op building on West End Avenue
- \$5m A four-bedroom apartment in a co-op on Riverside Drive