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## Top 10 Tips for Buying an Investment Property in New York City

By Amy Zimmer



Apartments That Might Make for Good Investments

MANHATTAN — Buying a piece of New York City as an investment isn't just for real estate moguls. You could be a landlord in Manhattan for under \$500,000, according to brokers.

Small-scale investors — from foreign buyers looking to park their money somewhere safe, to locals skittish about stocks but looking for a decent return — are entering the New York real estate market in increasing numbers, brokers said.

"A whole lot of people who never looked at apartments as investments are beginning to look," said Jeff Schleider, founder of Miron Properties.

"Real estate is an investment in your children's or grandchildren's future," he added. "Traditionally people looked at developing generational wealth only for big shots, but it works just as well for one or two apartments. It's not just for buying a building."

To make the most from a rental income, it's all about having cash flow, experts said, stressing the importance of apartments with low common charges and buildings with no upcoming assessments.

"You make your profit on the price," said Citi Habitats' Alex Karalanian, who has built a network of investors from France.

He gave a snapshot of the possibilities: A one-bedroom in East Midtown recently purchased for \$450,000 is being rented furnished for \$2,800 a month, Karalanian said. A \$1.85 million Chelsea condo loft was on the market to rent for \$8,150, and a Central Park South one-bedroom that sold for roughly \$1 million was renting for \$3,500.

Here are some expert tips on buying an investment property:

### **1. Understand your time frame**

The first thing Daniel Hedaya, president of Platinum Properties, asks "small scale" investors is whether they plan to hold on to a property for a decade or if they plan to flip it.

For those interested in a quick flip, renovating a fixer-upper — that is priced at less than market value — might make sense, he said. For those looking for something that will appreciate over time, it helps to choose neighborhoods on the upswing.

### **2. Find the right neighborhood**

Brokers often steer investors to neighborhoods where growth is anticipated.

Hedaya likes the odds of Hell's Kitchen, with the development of Hudson Yards underway, and the eastern pockets of the Upper East Side, which will be more transit-accessible once the Second Avenue Subway opens, which is slated for 2016.

### **3. Look at sales vs. rental returns**

It's important to compare sale prices versus rents in a neighborhood, brokers said, which is why many are bullish on the Financial District. Many also like Midtown East: the mid-40s to the 59th Street Bridge, from First to Third avenues.

"In some markets, property values have gone up higher than rental values," Karalanian said, noting that a property in Harlem that could sell for \$900,000 might rent for \$3,500, whereas in Midtown East an apartment that might sell for \$500,000 could rent for \$3,000.

But, he added, Harlem was a good market for investors, with Columbia's expansion in the works and people being priced out below 96th Street.

There are great deals beyond Manhattan, too.

"We have a lot of people looking in Bushwick or Bed-Stuy, where you can get an 8 or 9 percent return," Schleider said.

### **4. A multi-family house versus an apartment?**

There may be more upkeep involved in owning a multi-family house than just one apartment in a full-service building.

Either way, brokers said, buyers often need someone to manage their property.

"You can buy a building in Bushwick for \$700,000 and get a higher return than buying a condo for \$700,000," Schleider said, "but for that apartment there isn't a whole lot to do."

Plus, he said, if you have a small building and the boiler goes out, it's a lot more expensive than if you have one apartment in a 500-unit building with a broken boiler.

## **5. Condos vs. co-ops**

Most brokers advise investors to look at condos — which make up roughly a quarter of the market — because of more flexible rules on renting out apartments.

"Condominiums allow the greatest flexibility and allow the investors to sleep at night knowing they can rent it or sell it with greater ease, and quicker than a co-op," said Vik Kukar, of [Rutenberg Realty](#).

But there are also "condops" — condos with units controlled by a co-op corporation — and co-ops with flexible boards.

"People think co-ops are impossible, but there are some liberal co-ops," Schleider said. "There are some co-ops in the East Village or the Upper East Side where you can buy [investment properties] if you only have \$400,000 or \$500,000."

## **6. Size matters: Go for small bedrooms**

When you're buying an apartment, you're paying per square foot, whether it's one bedroom or five. Renters, on the other hand, pay a premium for the number of bedrooms, regardless of their size, brokers said.

"You should look for smallest square footage for bedrooms: a small two-bedroom or three-bedroom or a one-bedroom in a doorman building that can be converted into a two-bedroom," Schleider said.

## **7. What if there's a tenant in place?**

You'll have an income immediately, but it's important to understand whether the tenant is paying rent comparable for the area.

"If you have a tenant in place don't assume that's a good deal," Schleider said.

## **8. Look for tax abatements**

Schleider looks for buildings with abatements — where taxes were reduced for a certain period of time as an incentive to spur development.

"By the time taxes kick in in 15 to 20 years," Schleider said, "the market will have increased dramatically, and in 15 years you'll have paid off a good chunk of your loan."

## **9. Make sure the apartment is in good condition**

If an apartment isn't clean and up-to-date, you'll have to factor into the price the costs of renovations and vacancy.

"If you don't have nice finishes, you'll have to renovate, otherwise you'll be at disadvantage," Karalanian said. "Everyone is looking for 'clean and fresh.'"

## **10. Ask your lawyer to review the building**

A buyer's lawyer should scrutinize a building's financials closely.

"I always suggest my clients ask detailed questions of the lawyer as to what exactly makes the building financially sound in his/her opinion," Kukar said.



Brokers say that apartments near cultural attractions make good investments. This five-bedroom loft at 114 Liberty St., listed by Platinum Properties, for \$7.79 million, is near the World Trade Center.





This five-bedroom loft at 114 Liberty St. in the Financial District, listed by Platinum Properties, for \$7.79 million. Photo Credit: Platinum Properties



This five-bedroom loft at 114 Liberty St., listed for \$7.79 million by Platinum Properties, is next to the World Trade Center. Photo Credit: Platinum Properties



This studio in The Sheffield, at 322 W. 57th St. in Clinton, is listed for \$1.05 million by Platinum Properties.

Photo Credit: Platinum Properties



This studio at 322 W. 57th St, listed for \$1.05 million, would make a good investment, Platinum Properties' Daniel Hedaya said. Photo Credit: Platinum Properties

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