

RENTING 101

TYPES OF RENTAL BUILDINGS IN NEW YORK CITY

In New York City there are three types of buildings in which you can rent an apartment: rental buildings, cooperatives (co-ops) and condominiums. Each of these types of properties has its own rules and regulations. It is important to understand the distinction between them, as this will influence the timing and parameters of your search for a home.

RENTAL BUILDINGS

DEFINITION: The entire building is owned by a landlord and all of the apartments are available for lease.

A rent stabilized building is subject to guidelines for yearly rent increases. Rent stabilization was established in the late 1960s in response to the critical housing shortages and low vacancy rates in New York City. Rent stabilization sets limits on the amount by which owners can raise the rent for renewals of existing leases or vacant apartments. The guidelines for yearly increases are set by the Rent Guidelines Board in July and become effective every October. Tenants in rent stabilized buildings have the right to renew the lease indefinitely and the right to sublease the apartment WITH the landlord's permission, subject to obeying all the terms of the lease.

A non-stabilized rental building is not subject to any specific rent guidelines. The rent is based on a free market system subject to typical supply and demand influences. The terms of the lease are established by the landlord's specifications and requirements. Options for renewal may or may not be included in the lease.

TYPES OF LEASES

Rent stabilized lease or non-stabilized lease.

TYPE/STYLE OF HOUSING

High-Rise Full Service buildings, Pre-War buildings, Elevator buildings, Brownstones, and Walk-ups (rental buildings can be virtually any type of building found in New York City).

APPROVAL PROCESS

One to seven business days after submission of an application.

WHEN TO BEGIN YOUR SEARCH

Not more than four weeks before you would like the date of the lease to begin. Rental apartments are typically not vacant for long, so the window for viewing potential apartments is small. If you begin your search too soon, the apartments you see will likely not be available when you are actually ready to sign a lease.

FUNDS NEEDED

First month's rent, one or two month's rent for a security deposit (which is refunded upon vacating the apartment, assuming that the apartment is returned to the landlord in the same condition in which you received it, and that the terms of the lease were not violated), and funds for a credit check to be conducted. If a broker was used, their fee to the broker is due upon lease signing.

COOPERATIVE BUILDINGS

DEFINITION: A cooperative (also known as a co-op) is a building which is owned by a corporation comprised of the tenant-shareholders of the building. Each tenant-shareholder owns a number of shares in the corporation allocated to his or her apartment, but does not own the apartment itself. The number of shares depends on the apartment size and the floor on which the apartment is located. The tenant-shareholder has the right to occupy the apartment as his or her home by holding a proprietary lease to that apartment.

If you choose to rent a co-op, you are subletting from a tenant-shareholder, who in turn becomes your landlord. Rental prices are established by supply and demand and, as such, can vary widely. Co-op shareholders and their tenants are subject to rules and regulations set forth in the By-Laws of the corporation. Shareholders in a co-op must get permission from the Co-op Board of Directors to rent their apartment. When permission is granted, the lease is subject to any restrictions or qualifications placed on subleasing by the Co-op Board of Directors.

TYPES OF LEASES

A Co-op Sublease Agreement is the type of lease issued. The lease term is usually for one year with the option to renew based upon board approval. In most co-ops, shareholders are not allowed to rent their apartments for more than a two year period.

TYPE/STYLE OF HOUSE

All types: pre-war, post-war, brownstones, etc.

APPROVAL PROCESS

The approval process can take anywhere from four to six weeks, or longer. A "board package" must be submitted to the Managing Agent of the cooperative for review by the Board of Directors. Although the elements of the board package differ from building to building, in most cases, extensive financial information is required, including tax returns, financial statements with a verification, personal and business references, etc. In most co-ops, the Board requires a meeting with prospective tenants. In a cooperative there is a risk that prospective tenants can be denied acceptance.

WHEN TO BEGIN YOUR SEARCH

Since approval can be a lengthy process, you should begin your search about eight weeks before you would like the lease to begin.

FUNDS NEEDED

Fees associated with co-op leasing can range from \$200 to as much as \$1,000 (plus one month's rent and one month security). The fees include the application processing fee, credit check, and move-in and move-out fees (which are usually refundable). The first month's rent and one month security are due, as well. If a broker was used, the brokerage fee is due upon lease signing.

CONDOMINIUMS

DEFINITION: A condominium or "condo," is a building in which the apartment is classified as "real property" and is owned by an individual. You, the tenant, lease the apartment directly from the condo owner. Rents, as with co-ops, can vary widely as they are determined by supply and demand.

TYPES OF LEASES

Condominium Sublease Agreement is the type of lease issued. Since there are *usually* no restrictions concerning how long an owner is allowed to rent, the length of the lease can be negotiated.

TYPE/STYLE OF HOUSING

Usually high-rise full service buildings; very rarely pre-wars. Condos are a relatively new phenomenon to New York City and as a result, tend to be more recent construction. However, some condos are old light-industrial loft buildings which have been converted to residential housing.

APPROVAL PROCESS

An approval process is usually required, but it is not as difficult as the co-op process. A board meeting may or may not be required. The length of time for approval varies from building to building, but it is usually shorter than the co-op approval process.

WHEN TO BEGIN YOUR SEARCH

Four to six weeks prior to desired lease date.

FUNDS NEEDED

The first month's rent, one month rent for a security deposit, and application fees. Move-in and move-out fees are also necessary, and they can vary. If a broker was used, the brokerage fee is due upon lease signing.

BUILDING TERMS

BROWNSTONES OR TOWNHOUSES

These are typically four to six story buildings built in the 1800s to early 1900s. They are either single family houses or have been converted into multiple apartments. As a single family home, a townhouse or brownstone offers renters privacy and the ability to rent without navigating the cooperative board process. The term “brownstone” refers to the type of material used as facing on the front of the structure. Some apartments in townhouses can have grand living spaces and will therefore be quite expensive. Generally, these buildings afford more charm with features such as gardens, fireplaces, beautiful floors and ornamental wood mouldings. These buildings typically do not have doormen.

PRE-WAR BUILDINGS

Pre-war buildings are those built before World War II. These buildings are usually 10 to 20 stories, provide spacious apartment lay-outs, gracious architectural amenities with features such as large rooms, fireplaces, hardwood parquet floors and high ceilings. These can be doorman or non-doorman buildings. Modern amenities tend to be lacking -- a few might have fitness centers, but that is more the exception than the rule.

POST-WAR BUILDINGS

Post-war buildings were built between the late 1940s and 1970s. They are generally high-rise and are constructed of white, red or brown brick. Most will have doormen. Post-war apartments may actually afford more living space than their pre-war counterparts in studio, one and two bedroom sizes. They have ample closets, a live-in superintendent and laundry facilities.

HIGH-RISE FULL SERVICE BUILDINGS

These are generally associated with new construction or are apartment buildings that were built starting in the 1980s. They are typically 20 to 40 (or more) story condominium or rental buildings with doorman and concierge services. Other amenities often include health clubs and swimming pools, valet services and parking garages.

ELEVATOR BUILDINGS

This description is usually reserved for a non-doorman building that is 6 to 20 stories tall. There is usually an intercom security system, and some may have video security. These buildings could fall into either the pre-war or the post-war category.

LOFT BUILDINGS

Loft buildings were previously built for commercial or manufacturing purposes and are now used for residential living spaces, or are newly constructed as loft buildings. The spaces typically offer higher ceilings (9-20 feet), open spaces and original details such as supporting columns, tin ceilings, etc. They are usually found in Greenwich Village, Soho, Tribeca, Chelsea, Flatiron, Nolita, and lower Manhattan, and often do not have the services of a doorman building.

WALK-UP BUILDINGS

This is the least expensive type of housing and the quality can vary widely. Usually these are four to five story buildings with no elevator, hence the term “walk-up.” They lack the charm and elegance of traditional brownstones and townhouses.

LET'S RENT AN APARTMENT

Find the apartment that feels right for you! All your friends will have an opinion and so will the guy standing on the street corner. Ask yourself, "What are MY needs?" Things you must consider when looking for your next home include location, neighborhood, price, space, light, convenience and amenities.

One of the most important pieces of information you need to know is that Manhattan has no Multiple Listing Service. Unlike the rest of the country, brokers don't share a common database of available property listings which makes finding the right rental unit a sometimes grueling and confusing exercise. Having an agent who is well connected in the brokerage community will go a long way toward finding the right apartment, and their fee is mitigated by finding you the perfect home you couldn't have found on your own.

The average newcomer to New York moves about five times in a period of 10 years so you are not making a decision that you will live with for the rest of your life. Focus on your immediate priorities and aspire to the rest. Here are some important considerations when renting an apartment in New York City:

AFFORDABILITY

As a guideline, expect to pay at least 25% of your gross annual salary for rent.

FINANCIAL ELIGIBILITY

To qualify for tenancy, most landlords require that you annually earn 40 to 50 times the amount of the monthly rent. Remember to take into consideration outstanding loans and credit card debt. Landlords are rigid in New York City and cooperative buildings can be even more demanding. If you do not meet the Landlord's or Co-op Board's requirements you may need a lease guarantor.

LEASE GUARANTORS

If your salary level and total financial profile do not meet the landlord's requirements you will need a co-signer, or guarantor, to guarantee the lease. Landlords prefer a guarantor to be a family member who lives and owns property in New York, New Jersey or Connecticut. The guarantor must earn ample income - landlords may require that guarantors annually earn 80 to 100 times the monthly rent. Extensive financial documentation may be required and paperwork can be cumbersome so prepare your potential guarantor in advance. Employers will seldom guarantee leases on behalf of employees.

PRICING

Most people wonder how apartment prices are determined. NYC has a law governing apartments with rents that are under \$2,000 a month in buildings with six or more units built between February 1947 and January 1974. These units are considered "Rent Stabilized" which means that when a new tenant moves in, the rent can only increase by a specific percentage. If the landlord makes certain renovations, the rent can escalate at a higher percentage. If you are lucky enough to be renting a rent stabilized apartment your landlord must continue to offer you a renewal. Rent Stabilization is the reason that you often hear people bragging that they are living in a two bedroom apartment and pay \$1,200 (below the base cost of most studios). It is also the reason that many New Yorkers simply can't afford to leave their apartments.

SO, HOW CAN YOU GET A DEAL? Unfortunately, it's not easy. It is important to cast your net as far as possible and in many different directions. Just like when you are looking for a job, networking is a crucial element to your plan of action.

TO USE AN AGENT OR NOT

The first decision you need to make is whether or not you want to use a real estate agent to help you find your apartment. When you secure your home through a real estate agent the average brokerage fee is 15% of the first year's rent, and depending on market conditions, that fee is typically paid by YOU. Do the math: if you are paying \$1,200 a month for your apartment and are responsible for the broker's fee, you will owe the agent \$2,160! That is a lot of money. You might ask yourself "Could I have gotten that unit without a real estate agent?" Sometimes it's not possible to get certain apartments without an agent. Also ask yourself how long you plan to be in your apartment. The cost of a commission might be amortized over a long period of time, making it more palatable. How much longer will it take you to find an apartment without an agent? Does that time come with a cost factor? Do you have to spend more money in a hotel or take time off from work? Your time costs money. By trying to save the fee, you may miss out on many apartments and actually cost yourself money.

A good broker will perform feats of magic in trying to find you the home you want, getting you approved by a difficult landlord or Co-op Board, negotiating the best financial terms, preparing the lease and processing all of the paperwork accurately and quickly. If you don't have a positive feeling about your broker, move on!

NO FEE HIGH-RISES WITH DOORMEN

The majority of high-rise apartment buildings are owned by a handful of landlords. They have leasing agents on the premises who do not charge a fee for their service IF you view their apartments WITHOUT a real estate agent. You should identify these buildings before you begin working with a real estate agent. You should also instruct your agent NOT to show you no-fee buildings if your plan is to try to find them on your own. However, you should know these apartments come with a price premium.

Never try to rent an apartment behind the agent's back. In other words, if an agent shows you a unit in a no-fee building (or in any building, for that matter) and you choose to rent it, you are obligated to work through that agent. The real estate community is small, and the on-site leasing agent will call your real estate agent if you try to rent without them. So, if you are interested in high-rises, you may well be able to save the commission by going it alone. Many of these buildings are advertised in the New York Times Sunday Real Estate Section (check the paper daily). Their advertisements will say "NO FEE." Be clear and honest with your real estate agent at the outset.

Before you sign a lease on an apartment, stand outside the building early in the morning and in the evening when tenants are going to and from work. Don't be shy! Ask them if they like the building, if there are any problems you should know about and if the landlord and super are responsive. Even ask if they have a bug problem. It is better to find out these answers before you move in. Also, when you tour an apartment, turn on the water to check the pressure and to make sure the apartment has hot water!

NON-DOORMAN CHARM

It is harder to find the non-doorman, charming rent stabilized apartments without an agent. Many of these buildings are owned by small landlords who own one, or a few, small buildings. The landlords usually have developed a relationship with one real estate agent whom they have grown to trust over the years. Whenever a unit becomes available, the landlord has this agent rent it out. There will always be a fee attached to those units.

Doorman versus no doorman? Doormen can do the following:

Get you a taxi in the cold and snow.

Be there late at night when you come in.

Handle all deliveries. That means you do not have to be home when a delivery arrives such as the dry cleaning or UPS packages, food, wine, etc.

Handle installation such as cable, phone, etc.

For a "good-will" fee your building staff may even do personal chores, such as walking your dog.

Without a doorman you will have to be sure that you, or someone you know, is available at home to accept your deliveries.

HIGHER-END RENTAL UNITS

If you are planning to spend in excess of \$5,000 per month, you may be seeing a fair amount of exclusive listings. The more professional and service-oriented brokers "co-broke" these listings meaning that brokers share their listings to expose the property to the largest number of potential tenants. They will split the commission if an apartment rents with the broker who produced the customer or tenant. At the very least, you should make sure that your broker(s) is willing to co-broke in order to show you the widest range of apartments in the neighborhoods that fit your needs. If you feel a particular broker is not showing you enough apartments, ask them whether they are just showing you their own exclusives or if they are showing you listings from other brokers as well.

REGARDING DOGS

Good news: dogs may be the best way to meet people in New York City. Bad news: not all buildings allow them. It is becoming more and more difficult to find buildings which allow dogs. Some buildings will allow dogs, while some have weight restrictions (typically 25 pounds and under). Many buildings simply say "no" to all pets - even fish! If you have more than one dog, or multiple pets, finding a home for you and your pets will be difficult.

INTERNATIONALS

If you pay taxes outside of the United States, your eligibility to rent an apartment is evaluated differently. Many people who are relocating to NYC are surprised that even though their credentials are strong, they still do not meet the strict requirements set by most landlords. You may be required to pay additional security if you do not have U.S. citizenship and if you pay taxes outside the U.S., or do not have a U.S. credit history. Additional security could be as much as **TWO** to **TWELVE** months rent in advance, depending on how hot the market is and the landlord.

THE RENTAL PROCESS

We've tried to make this as straight-forward as possible. The financial information contained here is extremely important and could make the difference between getting what you want, and not. It is going to seem cumbersome and too involved, but if you read and remember this information, you'll be ahead of the game! Assume that the following list allows for **NO EXCEPTIONS!**

1. Determine your budget and decide how much you can spend per month on rent. Electricity and gas costs are quite reasonable. Heat and hot water are included in most apartments, but ask to make sure.

2. Organize and prepare the following:

- Letter of employment and salary verification (include start date if not yet employed)
- Bank account numbers (checking and savings) and credit card numbers
- Names, addresses and phone numbers of previous landlords
- Names, addresses and phone numbers of accountant and attorney, if applicable
- Names, addresses and phone numbers of personal and business references
- Tax returns
- Pay stubs
- Expected bonus (verification from employer)
- Additional sources of income with verification
- Personal identification with photograph (driver's license or passport)

3. If relocating from outside New York City, prepare the necessary funds before coming to New York. Landlords will NOT accept personal or out-of state checks. They require **CERTIFIED** funds.

- Additionally, anyone renting or relocating must:
- Try to establish a New York bank account before you begin your search. If this is not possible, bring the necessary funds with you.
- Bring enough traveler's checks to cover the cost of two month's rent (which must be converted into **CERTIFIED CHECKS**). This comprises the first month's rent and one month's security.
- Bring funds to cover the broker's fees (if applicable). Most often in New York City, brokerage fees are paid by you, the tenant.
- Bring funds to cover a Credit Check: \$50-100, which can be paid by personal check.
- Bring funds to cover possible move in/move out fees.
- Be prepared to have a guarantor's signature, if necessary.

These fees are due **UPON SIGNING OF THE LEASE.**

Remember, the apartment is not yours until the lease is countersigned by the landlord. Every so often, we see situations in which the renter thinks that the apartment is theirs, only to find out that for some reason the landlord decided to rent it to someone else.

4. When you have made your apartment selection you will be asked to fill out a rental application and one or more miscellaneous documents. You or your agent will have negotiated the price and lease terms. Upon acceptance, a credit report will be conducted and your references will be checked. The application usually requires the name, address, and phone number of the applicant and applicant's employer; a letter of job acceptance or employment verification on company letterhead, signed by someone in Human Resources, stating salary, guaranteed bonus, title, start date/hire date and housing allowance (if applicable); and information from the applicant's banker, accountant, previous landlord and guarantor (if necessary).

5. Leases will be signed and checks presented. **The apartment is not yours until all parties have signed.**

6. Approval will be granted! There are instances where people are not approved, however. To avoid this, be completely honest and open during the lease preparation. If you have a blemish on your credit report, let someone know. If you know that you are going to have problems qualifying financially, then take steps in advance to get a guarantor. Don't ever, ever lie about who will live in the apartment. If a landlord finds out that you've rented it in your name and you've said you're going to be the only person living there, but suddenly three other friends have moved in, the landlord has the right to terminate your lease! In fact, don't lie about anything unless you want to possibly be evicted or risk rejection of your application. Co-ops are trickier because renting in a co-op can be just like purchasing one: even if the owner of the apartment you are renting likes and trusts you, you are dependent on a group of strangers (the Board) deciding whether or not they want you as a neighbor. "Turndowns" are not uncommon.

7. Pencil in your move-in dates **BUT DO NOT** plan a move until you have received official permission from the building's managing agent (or responsible party). Many make the mistake of having the moving van sitting outside, only to be told by the doorman or super that they have no information about you or your move. Once you have received official permission, move in!

8. After you lease your apartment, think seriously about taking out a home renter's insurance policy. They tend to be very reasonable and can provide peace of mind.