



THE 9 MOST COMMON MISTAKES BUYERS MAKE WHEN TRYING TO PURCHASE A TOWNHOUSE

After years of working both sides of real estate deals, Dexter Guerrieri and the Vandenberg Team know what it takes to win – and lose – a townhouse. Avoid these nine mistakes during the townhouse buying process so you can purchase the house of your dreams.

1. **Hiring the wrong attorney.** Townhouse purchases, especially those with tenants, are very different from apartments and require a specific expertise. To move with necessary speed and confidence, you need an attorney who personally handles townhouse transactions on a regular basis. **Your purchase can easily be derailed by your attorney**, so think twice before hiring a relative or friend who works for free, a non-NYC based attorney, or the “best” real estate attorney in the city.
2. **Choosing the wrong bank or mortgage broker.** Start with the premise that everybody will tell you they can help you with the easiest application and lowest rate, no problem. Then skip a beat and acknowledge that the bank must be comfortable with a commercial jumbo mortgage (it’s not residential and it’s a higher rate). **If the building you plan to live in has more than four units, based on the current Certificate of Occupancy, then your choices will be narrowed down to half a dozen banks.** They should be approached directly, or by a mortgage broker who regularly does a large volume of business with that bank. We do recommend banks and mortgage brokers, to whom we send many millions of dollars of business each year, but they must continually pass our simple test: if they ever say they can provide a particular mortgage, and then they fail to do so, we will never recommend them again.
3. **Not getting pre-qualified by a bank.** In addition to choosing the right bank, it is important to know how much you can actually borrow. We suggest that you meet with your bank (or mortgage broker) of choice and provide a sample feature sheet on a property similar to the one you hope to



buy. If you do so, a bank can review your finances and pre-approve your loan. Then, when you find a home you wish to buy, they can tell you how much they will loan on that particular building in a matter of days rather than weeks.

Such a pre-approval will help you be more confident in your bidding, resulting in a better chance of being the winning bidder. Conversely, not investing the initial time in obtaining a pre-approval can result in many fruitless negotiations. Also note that certain banks have commercial loans that can later convert to the lower rates of residential loans after you meet certain criteria.

4. **Being unaware of renovation costs.** Most buildings need work, even if it's just a new kitchen or bath. So, how can you knowledgeably bid without knowing your other cash costs? Will your criteria result in a \$50, \$100 or \$150 thousand dollar kitchen? For a complete renovation, do your tastes and savings allow for \$100 or \$400 per square foot or something in between? Have you looked at the quality of finished work in a townhouse where the renovations cost \$220,000 per floor? Note that you can get renovation money from your bank as part of your initial purchase mortgage.
5. **Selecting the wrong real estate broker.** Your broker should be an expert in townhouses. Many frustrated buyers come to Vandenberg only after spending many months of unnecessary strain working with a non-townhouse agent. Encyclopedic knowledge of the product, introductions to other reliable professionals needed for your purchase, and tried-and-true negotiating skills can only be provided by a broker who spends the bulk of his or her time specializing in townhouse sales.
6. **Not researching comparable recent sales.** Too many buyers end up winging it when they decide the value of a townhouse in today's market. You must learn exactly what other properties have sold for and how their location, condition, square footage and configuration compare to the property you wish to buy. And you must be aware of the big picture of the overall trend of the



neighborhood. We have sold townhouses for record prices where the buyers were confident that they were paying the correct amount, even though it may have appeared to be on the high side at the time. It is not unusual for such buyers to come forward many years later and insist that their purchase was the best business decision they ever made.

7. **Employing an improper bidding strategy.** You must know the market value. Townhouses could be priced far above the market, below the market, or some level above or below the true market value. Since there is always a shortage of product when it comes to townhouses, sellers can fluctuate wildly in their asking prices. And sometimes their listing agent may not have the expertise to guide them appropriately.

When it comes to properly pricing a property, all brokers are not equal to the task, and so it is understandable that many buyers feel the need to outsmart or second-guess their own broker. Perhaps most buyers need to lose out on the bidding for two or three townhouses before they are successful, but it's nerve-racking and causes many a family dispute. Imagine yourself instead, armed with the knowledge of the real value of the townhouse, your financial capabilities, and a sense of the competition. Visualize bidding the correct price to conclude the negotiations in one day for an underpriced listing or three months for one that is priced far above the market.

8. **Being surprised by the closing costs.** Closing costs vary greatly for one to three unit buildings, compared to four units and up. Often buyers are caught unaware by the mortgage recording fees. Also, there can be points charged by lenders which are paid up front, or blended in with the principal of the mortgage for a slightly higher interest rate. Insurance premiums may also be more than those of the current owner.
9. **Not understanding NYC rent regulations.** Rent Stabilization, Rent Control, and SRO status (Single Room Occupancy room without a full kitchen or bath) can affect value, and they can impact your use of the apartment, even if it is delivered vacant. If you buy a building with tenants,



you should know how an Owner Occupancy Proceeding can be used to evict tenants, how to use Major Capital Improvements or apartment combinations to deregulate an apartment, and the practical applications as these legal guidelines intersect with the real world of lawsuits and negotiated buyouts.

When you're ready to make a deal, Dexter Guerrieri and the Vandenberg Team will help you shorten the learning curve. Call us today, come to our office, and sit down with us. We are sure you will find that it is worth the effort to buy your dream townhouse.

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