

How to make a successful lowball offer on an NYC apartment in today's buyer's market



Cash is still king, but the offer needs to be backed up with post-closing liquidity, a clean financial statement and employment, according to one broker.

Now that the pace of apartment sales in <https://www.brickunderground.com/buy/manhattan-apartment-sales-slow-negotiate-affordable-2018>)Manhattan <https://www.brickunderground.com/buy/manhattan-apartment-sales-slow-negotiate-affordable-2018>) has swung towards a buyer's market, sellers can expect some lowball offers coming their way.

Manhattan buyers, unnerved by changes to federal tax law and an uptick in mortgage interest rates, have hit the brakes, according to market observers. The number of sales in the borough in the first quarter of 2018 dropped 25 percent below the same period a year ago, to a level of decline not seen since the early days of the Great Recession nine years ago, according to a recent (<http://www.elliman.com/reports-and-guides/reports>)report (<https://www.elliman.com/reports-and-guides/reports>) from Douglas Elliman (<http://www.elliman.com/reports-and-guides/reports>). Prices have dropped as well: the Manhattan median home sale price slipped 2 percent to \$1,077,500 in the beginning of this year, compared to the same period in 2017.

All of that translates into a hard turn away from a seller's market, but there's more that goes into a low offer than just lopping off 15 percent of the asking price.

We asked brokers their strategies for increasing the chances that your lowball offer turns into a successful deal. As usual in New York real estate, it requires doing your homework. One broker says that knowing how long the apartment you want has been on the market, whether it needs work, and what is going on the surrounding neighborhood are all factors that can work in your favor. Another broker says you're much more likely to succeed with a low offer if your board package is top-shelf.

And another says—against the usual wisdom—that prices for comparable recent sales are not necessarily helpful, since they're from yesterday's market.

Here are some more rules for taking the low road.

Present your reasoning and don't be insulting

"Generally speaking, sellers are slower to react to market changes and shifts than buyers. Sellers can be working on lagging data, but buyers are out there seeing homes quickly go into contract and possibly losing out on them, and seeing price drops.

"Still, one never wants to insult a potential suitor, so for any initial offer, especially one that might be perceived as too low, I think it's very important to present the reasoning as to why he/she is bidding at that number. Maybe there is new up-to-date market information that the buyer is seeing and can share with the seller, or maybe they are weighing the comparable sales differently, or possibly seeing the market trending in a different direction. (Though that's not to say, of course, that the buyer can't keep something in his/her back pocket.) And depending on your bidding strategy, it may not hurt to let the seller know that 'Hey, this is an *initial* offer and reflective of where we'd like to start the negotiations. We don't expect to trade here.' Or maybe you do. It depends on the specifics of the situation."—Christopher Kromer, broker, Halstead (<https://www.halstead.com/real-estate-agent/christopher-kromer>)

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"When I work with clients, we very rarely put in an offer at full asking price. We usually come in lower. So if you're talking about super lowball offers, it makes sense if the property has been on the market a long time, especially high-end properties priced \$1-\$4 million. If we're looking at a property that has been on the market anywhere from 100 days to a full year, we're coming in with a reasonable lower offer. There are other factors to look for to make a successful lowball offer, such as if a property needs to be gut-renovated or if there are macroeconomic issues impacting a neighborhood—infrastructure projects, for example, the L train shutting down."—**Jordana Kava, broker, Blooming Sky** (<https://www.bloomingsky.com/about>)

You need a complete co-op package, and cash is still king (with caveats)

"It is about packaging the offer and whether or not you have the desirability to pass a co-op board. A complete co-op package will show the sellers you are not only desirable and financially sound and but that you have professionals in place to expedite the deal quickly and on time. A complete package would also need to include a concise and detailed offer letter with contact details for your NYC real estate attorney, mortgage bank/broker, if financing, and buyer's agent. A detailed offer letter and complete package puts you in the driver's seat... and shows the seller you are a prepared buyer.

"In general, cash is king, however the cash needs to be backed up with post-closing liquidity, a clean financial statement and employment. A board looks for stable income even in case of a cash buyer. A co-op board doesn't care you're paying cash. They care that you're fiscally disciplined and can show up to two years of post-closing liquidity plus stable employment in worst case scenario. In short, a cash buyer of a co-op would still need to show up to two years of maintenance in liquid assets and have the qualifications to pass the board. Debt-to-income ratios should also not exceed 30 percent max.

"In the case of a condo, cash coupled with a year of post-closing liquidity, little debt and stable employment will get it done. Cash alleviates the risk of a mortgage contingency for the seller but by itself does not guarantee board approval."—**Gea Elika, principal broker, Elika Real Estate** (<https://www.elikarealestate.com/>)

Condo prices are 'very frothy'

"For any condo offers I'm dealing with, after learning what the most recent comps have been selling for in the building or area to gauge how well it's priced, based on that I suggest an easy 10-15 percent below that to start. This is especially true for condos, which have been gobbled up and bid up price-wise over the last eight-to-nine-plus years. Condo prices are very frothy... Condo prices will go down over next 24-36 months, I believe, especially in parts of Brooklyn and the newer high-end condos. Co-ops will be fine—they always are—but condos are over saturated. That's affecting rentals as well because there are

lots of new rental buildings, plus lots of investors who have bought condos over last many years who are renting them out as well."—**Steve Merlesena, principal broker, Green Line Realty** (<http://www.greenlinerealtynyc.com/>)

"This is often one of the first questions that buyers ask their agents. My opinion is that there is no magic answer or strict numerical guidelines. It depends primarily on the value of the property, which is largely based on closed market comps, current market conditions and the particular attributes of the property in question, including but not limited to location, size, layout, condition, amenities, monthly charges (maintenance, common charges, and property taxes) and quality of exposure and views.

"There have been times when my clients have been successful paying much less than the asking price and times when I have advised my clients to submit their initial offer above the asking price. Listing history of the property may also play a role. A significant discount may be more appropriate for a listing that has been sitting on the market for a long period of time without any pricing adjustments than it would be for a listing that is new to the market. It is also generally helpful to know if there have been or are other outstanding offers on the subject property and if so, if any offers are at or above the asking price."—**Steven Kalachman, NYC Real Estate Buyers Broker** (<http://www.nycrealestatebuyersbroker.com/index.html>)

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