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## For buyers of brand new or pre-construction condos, 20 crucial questions

BY BRICK UNDERGROUND | SEPTEMBER 7, 2021 - 12:30PM



If you're thinking of buying in a new development like 130 William, here are some of the questions to consider about details like construction, concessions, and closing costs.

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**When you're buying either a newly built condo or one in the pre-construction phase,** you're inherently taking on some risk with the unknown and untested.

For instance: Will the end result match the marketing materials that initially caught your eye? Will the condo be finished on time? What if there are problems with the construction? Will these become your headaches?

With some homework, you can assess the developer's track record and see how other buildings turned out. Paying close attention to the offering plan (or having your lawyer review it) is another recommended step.

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*[Editor's note: An earlier version of this post was published in September 2020. It is being presented again with updated content for September 2021.]*

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Either way, if you're in the market for new development or a pre-construction condo, (<https://www.brickunderground.com/buy/under-what-circumstances-would-you-buy-a-pre-construction-unit-nyc>) it's more important than ever to know what questions to ask so you can make the most informed decision about your purchase.

## 1. Is the price negotiable?

Over the past six months buyers have shown a renewed interest in brand new condos. In many cases you can't move into a new construction condo immediately and that can work for today's buyers, (<https://www.brickunderground.com/buy/how-investing-nyc-real-estate-opportunities-apartments-co-ops-condos-townhouse-changed-pandemic-coronavirus>) particularly those who want to delay their return to the city. Some buyers are turning to new development because they don't want to contend with the nerve-wracking delays (<https://www.brickunderground.com/buy/advice-for-dealing-delays-condo-coop->

questionnaire-mortgage-contingency-rate-lock-nyc) that have been holding up closings of resale apartments. Yet another factor is that new development might actually offer a (relative) deal. (<https://www.brickunderground.com/buy/whats-the-best-nyc-deal-now-building-neighborhood-condo-co-op-townhouse>) The median sales price for new condos in Manhattan has dropped slightly, according to Douglas Elliman's ([https://www.elliman.com/resources/sites/resources/commonresources/static%20pages/images/corporesources/q2\\_2021/manhattan-q2\\_2021.pdf](https://www.elliman.com/resources/sites/resources/commonresources/static%20pages/images/corporesources/q2_2021/manhattan-q2_2021.pdf)) recent market report.

The data indicates new development sales are picking up speed and that's eating into the number of listings. The number of days on market fell to 88 in the last quarter compared to 174 for the same period last year. However the listing discount was 11.2 percent, up from 8.9 percent year over year.

That's a sign there's still negotiability when it comes to price. Garrett Derderian, director of market intelligence at Serhant, (<https://www.serhant.com/people/38/garrett-derderian>) says some developments with a few sponsor apartments remaining are willing to sell them at a larger discount so they can exit the property. Developments with lots of unsold apartments might also be willing to offer a greater discount.

The best way to ask for a price cut is to come armed with information and comps to use as supporting evidence. The more educated you are, the better your chances of getting a lower bid accepted.

## 2. How about concessions?

Concessions are perks or bonuses developers will give to a buyer. Developers usually try to do anything but lower prices, which would hurt future sales, so they offer inducement instead.

Concessions can save the buyer thousands of dollars and include closing cost rebates, common charges, transfer taxes (<https://www.brickunderground.com/buy/mansion-tax-update-budget-april-2019>), mansion tax ([https://www.brickunderground.com/blog/2012/04/mansion\\_or\\_not\\_you\\_might\\_not\\_escape\\_payin](https://www.brickunderground.com/blog/2012/04/mansion_or_not_you_might_not_escape_payin)), mortgage recording taxes, and free storage or parking spaces.

## 3. What's the developer's track record?

Before you make a deal, find out as much as you can about the developer. Are they involved in any lawsuits? What other buildings have they completed? Have buyers generally been

happy?

Be sure to look up the sponsor (<https://www.brickunderground.com/buy/how-to-research-condo-rental-developer-acris-llc-nyc>)—which is the legal entity building the condo, affiliated with a development firm, or group of developers—as well as the principals of the firm, who

will be listed in the offering plan. Take a look at their past projects. You can also ask for the name of the contractors and subcontractors and get information on who has or will be doing work in the building.

An online search will be useful, however the databases you need to check are not geared toward the consumer and are tricky to use—Brick Underground has a step-by-step guide (<https://www.brickunderground.com/buy/how-to-research-condo-rental-developer-other-projects-nyc>) on how to navigate them.

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**Pro Tip:** To offset the extra closing costs of buying in a new development—and boost your negotiating power against a shrewd professional developer—work with a buyer’s broker that offers a rebate on their commission. If you bring in Prevu ([https://buy.prevu.com/nyc/protips-nyc?utm\\_source=brickunderground&utm\\_medium=protip&utm\\_campaign=new\\_development](https://buy.prevu.com/nyc/protips-nyc?utm_source=brickunderground&utm_medium=protip&utm_campaign=new_development)) as your advocate from the very beginning, you’ll receive a rebate of two-thirds of the commission paid to the buyer’s broker at closing. On a \$1.5 million condo, you’ll pocket up to \$30,000. Click here to learn about Prevu’s Smart Buyer Rebate.

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## 4. What's in the offering plan?

Before a developer can start selling new condos, the offering plan, which describes the

development in detail, must be approved by the New York State Attorney General's Office. This document includes details on all aspects of the development, such as what materials the developers will use for the facade, to how many trees they'll plant on the grounds. The idea is to protect buyers from any surprises and hold the developer accountable. If they don't deliver as promised, purchasers can complain to the attorney general or sue.

The sales office will have a copy of the plan (<https://www.brickunderground.com/buy/why-you-need-read-new-condo-offering-plan-wagner-berkow-NYC>), which is typically several hundred pages long. Your attorney should review it carefully, keeping an eye out for unusual provisions, costs, and other details an inexperienced eye (yours) might miss.

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“There are certain things you should take a look at early on,” says Robert Braverman, a co-op and condo attorney at Braverman Greenspun (<https://www.braverlaw.net/attorneys/robert-j-braverman/>). For example, the offering plan's special risks section, which covers things like reserve-fund requirements and terms for purchasing a super's unit.

You'll also be able to find out if the developer has reserved the right to not sell some of the units, Braverman says, which could mean the building would end up as a hybrid rental/condo.

Slower sales in new condo buildings does mean it's more likely that the sponsor is going to remain in control of the board for the maximum period of time allowed by the offering plan. Braverman says this could be five years or even longer.

“Prospective purchasers should be factoring that into their decision—do they want to live in a residential condominium that is managed and operated by a developer for the foreseeable

future? ... he asks. Getting independent control of the board

(<https://www.brickunderground.com/live/condo-board-transfer-from-sponsor-to-independent>) is an important step in a condo building's structural and financial health.

The offering plan isn't easy to read but Daniel Bekteshi, a portfolio manager at NYC property management firm Maxwell Kates (<https://maxwellkates.com/>), says you'll want to check the plan for the engineer's report. He points out that because it's provided by the sponsor, it's

often difficult to spot latent defects in the building, but your broker and attorney should be able to "identify a quality property versus a property with issues."

Within the offering plan are budgetary reports that lay out the first year's operating utility costs. "Often [the sponsor] will put a bare bones budget in the offering plan to make it look attractive," Bekteshi says. He suggests asking questions about the figures, warning that, in many cases, these numbers are so far off "the common charges go up between 5 and 10 percent after years one and two."

Another consideration is whether or not the building employees are outsourced. Bekteshi says there's a trend in new development to have a live-out super but that can be a problem if the computer based control systems in the building fail. "You want a skilled resident manager in-house for these moments," he says.

## 5. What's the outside date?

If the building isn't completed by its scheduled date, you can usually get your down payment back. That date is called the outside date. It will be laid out in the purchase agreement, but it might be worth asking ahead of time, says Debbie Zolan, an agent at Compass (<https://www.compass.com/agents/nyc/debbie-zolan/>) with new development experience.

"Sometimes buyers can negotiate a slightly earlier outside date," she says.

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**Pro Tip:** Protect yourself, your investment and future quality of life by working with an experienced real estate lawyer when you're buying a brand new condo. "Your attorney should do extensive due diligence into the developer including any complaints about their prior projects," says New York City real estate attorney Steven Wagner of Wagner Berkow &

Brandt ([https://www.wagnerberkow.com?](https://www.wagnerberkow.com?utm_source=brick_protip_new_condo_crucial_questions)

[utm\\_source=brick\\_protip\\_new\\_condo\\_crucial\\_questions](https://www.wagnerberkow.com?utm_source=brick_protip_new_condo_crucial_questions)). “He or she should also thoroughly review the offering plan and check on financial strength and reputation of the developer to inform you of hidden and not so hidden risks, and then eliminate or mitigate those risks through negotiation.” To schedule a free 15 minute telephone consultation with Steven

Wagner of Wagner Berkow & Brandt, click here ([https://www.wagnerberkow.com/contact?utm\\_source=brick\\_protip\\_new\\_condo\\_crucial\\_questions](https://www.wagnerberkow.com/contact?utm_source=brick_protip_new_condo_crucial_questions)) or call 646-780-7272.

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## 6. Any additional closing costs I should know about?

Sometimes developers will pass on unexpected extra expenses

([https://brickunderground.com/blog/2013/03/12\\_tips\\_for\\_buying\\_new\\_construction\\_with\\_confide](https://brickunderground.com/blog/2013/03/12_tips_for_buying_new_construction_with_confide)) to buyers, including part of the cost of the super's apartment (that tends to come as a surprise to buyers, according to Zolan, and can be well into thousands of dollars). Other potential surprises could be the building's insurance costs for its first year, and attorneys' fees for preparing and filing the offering plan. You want to be aware of these items which will be listed in the offering plan.

You may also be able to negotiate on the deposit for the unit

(<https://www.brickunderground.com/buy/pre-construction-condo-negotiating-deposit>). The amount of leverage you have depends on whether you are an early buyer and what kind of market it is.

## 7. What building extras am I willing to pay for?

In an effort to lure buyers, some developers have packed their projects with over-the-top amenities. You'll want to find out if there are any restrictions to the reopening of gyms and playrooms as a result of the pandemic. If your heart is set on that doggie spa, go for it—just remember you'll be paying for it in the form of monthly common charges, so be sure it's worth it. (<https://www.brickunderground.com/live/overrated-building-amenities-luxury-nyc>)

Adam Rolston, a designer and architect who has worked on projects like The Vanderwater

(<https://thevandewater.com/>) and The Sutton (<https://www.thesuttonnyc.com/>) for Toll Brothers says the amenities in some buildings require high staffing levels that can drive up your monthly costs. “I think that’s an important question to ask—what is the effect of these highly amenitized buildings on the common charges?” he says.

Also, keep in mind that developers tend to lowball the ongoing costs of amenities in their offering plans. Once the first year is up and reality sets in (and building management realizes that they may need more doggie wellness experts), expenses tend to go up, taking common charges with them.

## 8. What does the model apartment look like?

For buildings that are still under construction, developers often create off-site sales offices that feature sample bathrooms, kitchens, and other rooms to give you a sense of finishes, appliances and bathroom fixtures. When the building is closer to being done, they'll often dress up one of the units as a model apartment to show you a version of the finished product.

Bring your A-game when checking out the details

(<https://www.brickunderground.com/buy/what-to-look-for-in-new-construction>). Does the kitchen have soft-closing drawers? Are the hinges on the cabinets substantial? Are the cabinet doors level? Are grout lines even?

But remember it's likely not the same layout as your apartment. Ask the listing agents for specifics on how your kitchen or bathrooms, for example, may differ from the model unit.

## 9. What will the view be like?

A model apartment won't give you a sense of the view but Rolston says the better developments often supplement this by using drone photography to give you an accurate idea of the view from your chosen unit.

“You should ask for that and if it’s not available, ask for a hard hat tour,” he says. Hard hat tours allow you to physically stand in the spot where your apartment will be and look out at the view.



“There’s nothing like standing in the space, even if it is a raw concrete space and looking at the view,” he says.

## 10. Does the design fit my lifestyle?

If you rarely cook, a small kitchen with limited cabinet space may be just the kind of sleek, space-saving layout you're after. But for the gourmet family of five, you may want to make sure you have small conveniences like a place to put a pull-out trash can or enough drawers.

Standard new construction has concrete ceilings so it’s often difficult to change the overhead lighting. If it’s something you feel strongly about it might involve installing a dropped ceiling. (<https://www.brickunderground.com/improve/how-to-install-overhead-lighting-in-a-nyc-apartment-with-concrete-ceilings-renovation>)

Rolston says one small detail he loves to include in his designs is to have a light switch right near the entrance, so when you walk into the apartment you can easily adjust the lighting, for example, turning on a lamp in the corner from the main switch by the door.

## 11. If the development comes with a tax break, when does it expire?

Some new condo buildings benefit from a 421-a tax abatement, (<https://www.brickunderground.com/buy/luxury-condos-with-421a-tax-abatement>) and for the buyer, this means a lower monthly property tax bill. It's usually easy to find out whether this kind of perk is being offered. It will be described in the marketing materials, and the sales manager won't hesitate to let you know about it.

The real question to ask is how much you'll be paying in taxes down the road. These tax breaks are only in place for a finite period of time—often 10, 15, or 25 years—and gradually phase out. (In Manhattan, 10-year abatements are more common.) Depending on how long you plan to stay, they can also affect the resale value of the place. Another thing important to note: tax abatements don't go into effect until the first closing.

The 421-a program has now expired, and the newly enacted version only extends the tax break to a few condo buildings, so the pool of buildings with tax breaks available is drying up

(<https://www.brickunderground.com/buy/luxury-condos-with-421a-tax-abatement>).

## 12. Can I get a mortgage?

It's not impossible to get a loan when (<https://www.brickunderground.com/buy/timeline-for-buying-new-development-2019>) buying in a new development, but it can be a bit trickier than one for an existing apartment. Banks are wary of lending to buyers in under-construction buildings because of Fannie Mae guidelines. They often won't issue mortgages unless the building meets certain minimums for owner-occupied units, among other requirements.

"Some financial institutions cannot do new condominium financing until the building has two years of financials with the homeowners paying common charges and is 51 percent sold," says Brittney Baldwin, vice president and loan officer at National Cooperative Bank (<https://www.ncb.coop/>) (FYI, a Brick Underground sponsor).

Luckily, New York City developers deal with this all the time, usually by teaming up with a preferred lender who lines up mortgages until the building meets Fannie Mae's specifications, and stays on afterward. On average, mortgage rates for new developments aren't any higher than for existing apartments.

If you buy when the building is only 25 percent sold, your rate will reflect that risk and typically be slightly higher than if you buy when it's 50 percent sold. However, usually, you'd also get a lower price on your apartment, and you could refinance down the road.

As for getting approved, it can often be quicker and more straightforward than getting a loan for an existing apartment because the bank has already approved the building. To see if you qualify, get in touch with the preferred lender directly.

## 13. When can I move in?

In a new development, it could be 12 to 18 months before the building is ready to close and you can move in. While the sponsor can give you a target date, even the most experienced developer who runs on schedule can hit delays which are out of their control.

If you expect to close on the target closing date, you may be disappointed, so don't find yourself moving out of your old place before the new place is done. You could also try to negotiate a drop dead date by which you'd be entitled to cancel your contract and get your money back if the unit isn't ready. Be sure to stay in touch with the listing agent and check in

money back if the unit isn't ready. Be sure to stay in touch with the listing agent and check in on the status. You'll also be notified when you are 30 days away from closing.

## 14. What kind of retail will the building have?

Mixed-use buildings, which combine residential apartments with offices, hotels, stores or restaurants, are common in New York City. It's worthwhile to ask what your developer has planned for any space in the building set aside for commercial use so you don't get stuck with something noisy, stinky, or otherwise unpleasant.

In some cases, a building will prohibit less-desirable establishments from opening up. In other cases, the developer could use the space for a gym or grocery store, which may feel like another amenity. But it's possible you'd get stuck with a fast-food restaurant or a loud nightclub.

With so many retailers in a tight spot due to the pandemic, it's also important to consider whether the building's finances are dependent on its ground-floor retail.

(<https://www.brickunderground.com/live/retail-apocalypse-affect-on-buyers-renters>) If it's a small percentage (the usual seems to be 10-15 percent), then there's less to be concerned about, since most of the building's costs will be covered by common charges.

## 15. Who are the neighbors?

What's the noise going to be like? Take a look around the building. Are there empty lots? "If there are, there will likely be construction, and you need to think about how that will affect your quality of life and, also, your resale value," Braverman says.

In neighborhoods that are gentrifying, this may be even more of an issue. Do your homework and walk around the project at different times to get a feel for the area, what's happening, who's there, and what businesses might be moving in.

Ask the sales office staff as many questions as possible about the neighbors. Who lives next door? Is it the owner of the house or a renter? What about things like dry cleaners and supermarkets? Are they close by?

## 16. What's the source of heat and air conditioning?

Ventilation systems are getting increased scrutiny as a result of the coronavirus but some systems have aesthetic or practical drawbacks you should be aware of

(<https://www.brickunderground.com/live/how-to-keep-cool-in-NYC-apartments-air-conditioning>).

On the lower end of the scale there are PTAC units. While some of these can be attractive and even efficient, others can be noisy, so make sure you turn them on to see how you feel about the noise level. They also stick out into the room so you want to make sure you account for that when you are planning where your furniture goes.

Heat pump units inside the wall are typically quieter and more efficient, and their placement can permit larger windows. In super-luxury buildings, you may have even better systems, true central air systems, with very sleek vents and possibly humidity control to protect your artwork.

Similarly, if forced hot air is something you don't like and you prefer radiators, be sure to ask about it.

## 17. What about soundproofing?

This can be a little bit trickier to check in an empty building, and impossible in one that's not yet completed, so ask what kind of soundproofing is being installed. Also inquire about the plan for sound reduction between the apartments. If you're buying in a completed building, if there's an empty apartment above, have someone walk around there and see if you can hear anything.

You can also ask about how many panes of glass the windows will have—triple-pane windows provide some of the best soundproofing qualities

(<https://www.brickunderground.com/improve/best-ideas-for-soundproofing-nyc-apartments>)  
—making sure noise on the outside stays outside.

## 18. What's the experience of residents so far?

If people have already started moving in, their input can be invaluable. However, the coronavirus complicates your ability to visit the building and speak to residents. You really

want to ask someone who's actually lived through a rainstorm, used the facilities, turned on the shower and used the garbage disposal.

You can ask the super if owners have been complaining about anything in particular. Certain red flags might indicate structural issues, including leaks through the heating/cooling systems and windows, ventilation problems, and mechanical noises or pumping sounds.

## 19. Can I rent out my place?

Some developers prohibit renting out a unit for up to a year after closing. Others limit the use of amenities to owners only. If you may want to find a tenant down the road, double-check the building's policy.

You might want to do some research into whether there are restrictions or fees aimed at discouraging owners from renting out their apartments for brief periods on Airbnb or similar platforms (<https://www.brickunderground.com/rent/airbnb-special-enforcement-violations-midtown-111218>). Find out if there are any limitations on short-term rentals.

## 20. Are there any special restrictions?

Some buildings will specify that you can't sell your apartment within a certain amount of time, because they want to discourage flippers who may end up competing with the sponsor for unsold units. Ask the listing agents if any rules like this are in effect.

*—Earlier versions of this article contained reporting and writing by Emily Myers, Lucy Cohen Blatter and Mimi O'Connor.*

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