

TRANSCRIPT: The Brick Underground Podcast: Renovation questions for NYC buyers

Emily Myers [Host]: [MUSIC] This is the Brick Underground Podcast. I'm Emily Myers, bringing you everything you need to know about New York city real estate co-ops, condos renting, buying, selling. We're aiming to cover it all. And if you're not familiar with our website, head to brick,underground.com. We provide lots of advice, explainers and analysis on the New York city real estate landscape.

In this episode, we are going to talk about some of the issues that might arise primarily if you want to renovate your coop or condo in New York city. Obviously a vast subject area, so our focus is really for anyone who's looking to buy but knows they are going to want to renovate their apartment before they move in or shortly afterwards. What are the issues to keep in mind In a dense city like this, buildings have lots of rules designed to minimize the impact of your renovation project on your neighbor and these rules can create some annoying obstacles. They can add delays and they can even limit what you can do. I'm joined by Vickey Barron, a broker with Compass who has put together a full day course for brokers to help them educate buyers on some of the issues they'll face if they plan to renovate. Vickey. Hi.

Vickey Barron [GUEST]: Hello.

Emily Myers: So Vicky, one question that does come up quite often is whether or not it's possible to get preapproval from a board to do renovation work before you commit to a purchase. What advice do you have for buyers in this situation?

Vickey Barron: Well, right now is a buyer's market, however that is easier said than done. So the best thing one can do is to really get ahold of the alteration agreement in that building. Understand what the lay of the land is for that building and dealing with an alteration agreement is as complex, if not more, than a board package. So the course we put together really helps agents understand that process so they can better educate the buyer.

Emily Myers: So just to zero in on alteration agreements. Obviously co-ops and condos both have them and these are contracts that spell out the boards requirements for your apartment renovation. So you will agree to how long it takes, how much you'll use the elevator, what kind of precautions you'll take around dust and noise and of course the fees that you will have to agree to. if you extend, if your time is extended for the renovation. What more should buyers know about these agreements?

Vickey Barron: One that is very important. In fact, an agent before you even get a listing and a building should really ask this question. If you believe that that apartment being sold is going to need renovation, I. E. if it's an estate sale hasn't been touched in 40 years and anyone moving in is going to clearly renovate. The first question I'll ask an owner is, let me see the alteration agreement. What are the limitations on timing? There are some buildings that will only permit

one renovation at a time and there may be three people in front of you. So that means you may not begin that renovation for three or four years. That is valuable information when you're pricing that apartment and clearly valuable information for the buyer because if they plan to move in in the next six months and have a renovation close to being completed, that is never happening.

Emily Myers: How frequent are those kinds of wait lists then?

Vickey Barron: I would say they're, they're pretty frequent and, and they're becoming more frequent because in the last five years it's kind of become in style to upgrade, if you will. So there are buildings that really come together and say, you know, this is, this can be problematic for our shareholders or the other owners in the building and we want to put some sort of limitation on it. So you're not seeing boards being perhaps more generous towards, towards buyers in these situations and saying, well, perhaps we can make some exceptions and, um, you know, and do to encourage a purchase as a rule. No, you would think they would, but, but they're not. Um, uh, not as of now. Hopefully they will in the future. But it's still something that I, I really caution people to look into.

Emily Myers: So what else do you think are some of the most important issues buyers should know about renovating?

Vickey Barron: First of all, let's start from the very beginning. A lot of it is what can be done. And there's just vocabulary that I try to share in the course that I put together at Revny], which is, you know, whether it's wet over dry or a bearing wall, and it's, it sounds so simple, but you know, a lot of people don't understand even what that is. So you'll all hear agents come in with a buyer and say, Oh well you can just knock that wall down. It'd be nice to have an open kitchen. Well, no, you can't walk knock that wall down and there's piping behind there that or beam and they don't, they need to really understand and I, and you can't just add a bathroom to the corner, you know, move the sink.

So you really need to understand what you can do in a particular apartment. The other thing I suggest is there, if the building allows a renovation, they may have, um, real strict timelines. Like you can have workers in there from nine o'clock to four o'clock and they won't allow, you know, through the summer or you know, you have to really understand and have a plan to help those buyers make educated decisions.

Emily Myers: You mentioned wet over dry and that is something that a lot of our readers are interested in. Perhaps you can just define that concept and explain why it's there.

Vickey Barron: So wet over dry, usually there's a line of apartments. For an example in a building you'll have an a line line C line and all the plumbing is stacked in a similar location and the kitchens are all kind of where the water is and it's called, you know, wet over wet.

So if you move that kitchen, because it'd be nicer to have an open kitchen facing the living room. Now you're going to be moving that kitchen over the person below you's bedroom or living room and that's called wet over dry. And most buildings will not permit wet over dry. Some do. And so you have to ask the question, does this building permit what over dry and easy cheat-sheet for the readers if they're on whatever application they are looking at real estate, which they are. Um, you can look at other apartments that have sold in the building and you can see if renovations have been done in, if someone added a bathroom over a dry area or you can see that they really done some maneuvering as far as where the bathrooms kitchens are located, then that's a good sign that the building's probably flexible in allowing that to happen.

Emily Myers: So where are people getting that information from?

Vickey Barron: If they're on the Compass ones website looking at a building, they can pull up everything that has been sold in that building and they can look at the other unit. If it's a J line and they say, Oh, well this is five J and 10, Jay move their kitchen. Well that's a good,

Emily Myers: Okay.

Vickey Barron: Right.

Emily Myers: So just more broadly, at other sites—you're looking at floor layouts that might be above the apartment you're interested in, if you can see that it's got a different layout, you can intuit that perhaps there is some flexibility on wet over dry or renovations.

Vickey Barron: Correct.

Emily Myers: Interesting.

Vickey Barron: Same with like washer and dryer, adding a washer and dryer and so forth. You, you can figure that out.

Emily Myers: Yeah, because adding a washer and dryer is affected by the wet over dry rules in some cases isn't it?

Vickey Barron: Correct. And piping, here's another one that that I just showed something yesterday and the agent said you can add a washer and dryer if you take the dishwasher out. So really the owner has to decide, which was interesting because personally I never take my

dishwasher out to add the washer and dryer since there's one in the building. But they said, I don't mind doing dishes by hand and I want the washer and dryer in the apartment. So they're going to opt to remove the dishwasher and add a washer and dryer. And the reason for that for the readers is that there some of these older buildings you have limitation on the pipes so you can't have many appliances using that same pipe for drainage and some buildings will, that's their compromise.

Emily Myers: Yeah. So I guess it's important to remember that boards aren't just being tricky. They are also in a part doing this to make sure that when there is a leak they can quickly identify where the problem is coming from.

Vickey Barron: Yes. Another tip for renovations that I see a lot now is a lot of buildings are putting, if you're going to do new wood floors, they have a policy that you must put a sound bearing product underneath that wood floor and that's something someone should be aware of because there is cost to that. I think it's a great idea if all of them had it, but some people will think, oh, they're getting a price for the wood floor, but they're not understanding. And I had one owner that was not told that she paid the money for a new wood floor and then guess what they did? She had to rip that up and put that sound board under that wood floor.

Emily Myers: So this is soundboard for a sort of insulation against noise rather than anything to do with wet over dry.

Vickey Barron: Correct.

Emily Myers: Interesting. We actually have a column at Brick Underground all about co-op board interviews, which is obviously a big part of a buyer's application. And one of the questions we often hear is that buyers are nervous about raising the issue of renovations. Are buyers right to be worried? We have one interviewee who was buying a one bedroom, she had a family with young children. She wanted to turn it into a two bedroom, but she was very anxious about raising this as an issue at her co-op board interview. Was she right to be worried?

Vickey Barron: Yes. So that's a tricky one because at the end of the day, if they're buying that apartment and that is what they're going to be doing, if you don't disclose it, then that's a bit problematic because you could be told no later on if that would make a difference of you buying it or not then I'm all about disclosure. It's probably better to disclose, but there's a way to disclose. The reason they're fearful of it is you don't know who's sitting in that room. And if the board president is sitting there and they live directly above you or below you and you're going to be jack hammering out in a pre-war building, you know a lot of the walls and doing a major renovation, their insecurity and fear is that person's not going to want to go through that and am I going to get rejected? And I'll never know why. And maybe that's why. So I shouldn't

say anything. But if you're going to do that kind of renovation, I think it's better disclose and take, take the chance. And you can reach out to board members ahead of time. And again, if it's an apartment that it's clear that it needs a renovation, then people on the board are going to expect a renovation to be done.

Emily Myers: And actually in the example I just gave, they were a family of four moving into a one bedroom. It was probably quite obvious that they were going to make some changes. Whether that was a temporary wall or something more substantial. So with regard to renovation issues, what sort of language do you recommend and there projects that would definitely make a board instantly nervous?

Vickey Barron: Look, most people understand everyone renovates and what makes me laugh, even in the suburbs with houses, you know, when I was in my young twenties I bought houses and started renovating. And the neighbors never like it because it's noise, it's dust and, it's, it's being disturbed. But the truth is when it's their turn, they want the same courtesy. So I think when you're going in the language, you know, I like to be respectful and I tell my buyers go in and ask questions in a very respectful way.

So if you're in that board interview, ask the question, you know, help me better understand the lay of the land with the co op and, and what is your alteration agreement look like? Obviously 5J is an estate sale and there's going to be some renovation needed. Can you help me understand your process and get them talking. And that's a much better way than walking in very aggressive saying, I'm going to be ripping these walls out. I'm going to add a bathroom, I'm going to do this and that and talking at them instead of with them and understanding that they've been living there and there's some rules that you need to understand.

Emily Myers: We'll be right back.

Jennifer White Karp [promo]: [MUSIC] I'm Jennifer White Karp, Managing Editor at Brick Underground. The National Association of Real Estate Editors has awarded a gold for best website and if you head to

brickunderground.com you can find out why. We have neighborhood guides, market reports, articles to help you prepare for your coop board interview or tackle a landlord issue. We have content on everything from renovations to how to win the affordable housing lottery. See you there.

Emily Myers: A reminder, we're talking to Vickey Baron, a broker with Compass about renovations to your New York city apartment. Vicky, a word on permits. How do you advise a buyer to navigate that process?

Vickey Barron: Here's a tip I'm going to give you want to get the permits. There's some people that you can maybe try to get away without getting permits for certain things that you really should have a permit for. And guess what will happen and this is to all the readers, all the listeners tuned in right now when it's time to sell that apartment, that is going to come back to haunt you because there is language in the contract that you're going to have to sign.

And if you sign it saying that you did what you're supposed to do when you did not, you could be liable. So it's better to spend the time and check off the boxes and do things properly because when it's your turn to sell, you're going to be sorry.

Emily Myers: Yeah. Obviously we've talked broadly about renovations and about co-ops and condos. Is there any difference that you see between a prewar and a post-war? Perhaps you can just quickly sort of explain what they are and tell me if there are any differences.

Vickey Barron: So when you're looking to renovate it, look taking down a postwar apartment, something that was built in the 1950s and sixties and seventies and after is much easier to take down than a pre-war apartment built in the 1920s that you actually have block and lock and brick and the walls are much thicker and there's plaster.

Those walls take a lot more time and money to take down. Then, you know, a drywall, yeah, I mean a drywall, you could, some of them you can put your fists through and you, you know, you could take it down yourself to where the pre-war is a lot more complicated to get that down. So if you're going to say, Oh, I'm going to just do a little opening in the kitchen. So I get some light in the kitchen, pretty easy to do on a postwar apartment with dry wall. It's not as easy to do in a pre-war. And that's why some of the buildings, um, and the coops and there are some condos that are pre-war as well. Um, they're a little more sensitive and they want to make sure that you have the proper insurance and the right people taking that wall down.

Emily Myers: Yeah. There are a couple of other, sort of more administrative issues. Well one is Certificate of Insurance, isn't it? Perhaps explain what that is.

Vickey Barron: Yes. You want a certificate of insurance. First of all, you need the proper insurance, you need the permits and you need them all to be signed off. So I have seen sellers where they don't know the electrical was never signed off and that's still open. When you go to, you know, to look it up, it shows it's never closed. Well if that guy's retired and gone to Guam, you good luck finding him. Now you have to hire a new electrician to come in and do inspect it and get that signed off. So you have to make sure when you open also permits that you close those permits and get the sign offs.

Emily Myers: And if those are not closed off, it's obviously something that will come up during the title search and it could jeopardize the sale.

Vickey Barron: Yes.

Emily Myers: Is that what happens?

Vickey Barron: Yes. Yeah. And if there are violations, you have to get those taken care of also because that's going to come up. And, um, I'm in the middle of dealing with that right now with, with a homeowner. And the poor homeowner wasn't even aware that she had some of the violations, but they're on her plate now. She has to deal with them and it takes time and it takes money. So you have to pay attention to all of them.

Emily Myers: One more term that perhaps we should discuss is certificate of occupancy. Is that something that comes up, uh, when you all perhaps dealing with a townhouse, a certificate of occupancy is obviously the document that lays out a building's legal use and occupancy. So it'll say how many residences are allowed at a particular address. Um, and we've seen certainly in some of us, such as we've seen perhaps a townhouse that shouldn't be split into two, but is split two and that causes problems. And in fact, it can even result in a renter not paying their rent.

Vickey Barron: That is correct. So if you have a townhouse and you're purchasing that townhouse and it has three tenants in it, and the occupancy is for two tenants, that means that third tenant is in there illegally. So if you're signing a contract, you're basically taking that burden on and that you're 100% correct and that tenant has rights that could be very costly to the new buyers. So it's buyers beware you have to really do your homework. And also I feel bad. There are some owners that aren't even aware that something's being done that is, is not by code. And that's where agents can help bring it to their attention. And there was a house I had in the West Village many years ago and I said to the owner, you know, I cannot represent this because I cannot put online that it's a three family house when the certificate of occupancy basically says it's two families. So you need to remove a tenant and we need to market this as a two family.

Emily Myers: So just bringing it back to the current market, obviously word is, it's a buyer's market. What's your advice to sellers if they are thinking, should they sell or renovate? How do you navigate that process and that decision process?

Vickey Barron: Well, I get a lot of phone calls. People asking should I spend the money putting, doing a new kitchen or a bathroom or renovating? And I'm a firm believer that people, there are very few people that can walk into a space when it's at disarray or not looking good and see the potential and the beauty in it. Most people will walk in and they don't even understand why they're relating to one property over another, but it just feels good.

They walk in and, and they'll pick that place because it felt good because it was fresh and it was up to date. So I am a firm believer in spending the time and money and getting the, bringing it

up to par because you're in competition, you have a lot of competition with new development out there. And if your place is worn and tired, it's whatever money you're going to spend, chances are you'll get that back. And even if you sold it for the same price, the differences. You're selling it versus it's sitting there.

Emily Myers: Yeah. What about those people who don't necessarily want to sell in the current market and perhaps see an avenue to either renovating or somehow increasing the square footage of their apartment? Would you, would you sort of steer them to hold onto that property a bit longer and see where the market goes?

Vickey Barron: Yes. So the people that are just listing, cause they're not really interested, they're just testing the water. I wish they really would not because if you're not really selling, that just works against us with the numbers because it appears there are so many places on the market when in reality a chunk of those people aren't really ever going to sell. So I would recommend wait. If you don't have to sell. Now, wait.

Emily Myers: Yeah. We have quite a lot of coverage on our site about uh, combining apartments. Are you seeing quite a lot of any of that? Do you ever see perhaps two apartments being sort of marketed together as a, as a, as a potential, a larger unit.

Vickey Barron: Yes. To both of those. So there is an opportunity if they lay out well. Not all apartments warrant and compliment one another for uh, uh, a combination and I cannot stress enough for the readers if you're contemplating buying the apartment to the left or the right of you to do that combination or above or below, really sit with someone ahead of time to make sure that that is not going to feel disjointed because sometimes they're actually more valuable separated and they don't warrant coming together,

And it is a huge problem when I get called out and they'll say, Oh, I bought the neighbor's apartment and this is what we're doing, or this is what we've done. And I'm walking in there saying, I need a compass. I don't know if I'm going left or right and it's disjointed and they should have never joined them. So really get some advice to know that that's going to warrant a nice combination.

Emily Myers: Yeah, I'm sort of hearing that, um, smaller apartments and you know, perhaps one bedrooms are selling faster than sort of larger apartments at the point at this point as well. So, so for the current market, a smaller apartment is going to perhaps sell.

Vickey Barron: Correct. And then some people will think, well, you know, it's cost effective. Also the maintenance, when you do a combination, sometimes you have to look at the building as a whole.

I always say you have to peel back the onion and really study to understand the value of one unit. You have to understand that whole building. You have to understand that whole block and the location. So when you're looking at an apartment, if you, if the maintenance is going to become so high by doing that combination and it's not going to be such a wow apartment, it's just fulfilling your needs because you need an extra room. Okay, that's great. And that's filling your need today. But when you call your agent to sell that apartment, it's not going to, you know, for every hundred dollars you spend in a monthly fee, there's an equation. I, we say it's like 15, 20,000 in borrowed money, interest rates are coming down so that may change. I'll have to go back to the calculator, but you get the point, it has real value.

So if those monthly's become too high and the apartment is just adding an extra room, you just shot yourself in the foot as far as value when it's time to sell that apartment.

Emily Myers: So you mentioned interest rates, obviously they've gone down again. Where is that leading us?

Vickey Barron: Well, I have a buyer this morning on my way to you. This buyer this morning said I just got approved for an interest only and you know they can get 2.2% he said, I want to sign a contract today and I want to close, I want to buy something. They just want to buy something because they're old enough and been around long enough that this is just almost free money. So if someone's looking to purchase, the prices have come down. Obviously it's a buyer's market. The interest rates have come down and there's a lot to choose from.

So I always say, if you're not buying in this market, then you're not buying. And that's okay. Maybe the new trend is everyone's just going to rent, but if you're not, if you can't buy in this market with these interest rates, I'm not sure when you're going to be buying.

Emily Myers: Wow. So what do you think it'll look like down the road? What's your projection?

Vickey Barron: : I think interest rates are not going up anytime soon. And I do see buyers out there. I think the prices have come where they need to be and there are buyers out there buying. So I've already seen this part. I mean last week was a little crazy with the market and you know our health issues at hand. So, and then we have the election around the corner, so all those things come into play. But I do feel that there are people out there making a decision [MUSIC] that they're going to live somewhere and interest rates certainly are in their favor. I'm seeing it.

Emily Myers: Thank you so much for joining us. Vickey.

Vickey Barron: You are welcome and thank you for having me and thank you for continuing to educate all of us.

Emily Myers: That's Vickey Barron, a broker with Compass and thank you again. That's it for the podcast this week. Thank you for listening. We'd love your feedback. You can contact us via our website, brickunderground.com and leave us a rating or review at Apple or wherever you get your podcasts. This show was produced by myself and Jenny Falcon. Teri Rogers is the show's Executive Producer.