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Test Driving Condos Before Buying



By Lucy Cohen Blatter

When Sanjay Gupta was shopping for apartments on Riverside Boulevard last year, he was concerned that the neighborhood adjacent to the Hudson River might feel isolated, lacking in conveniences like supermarkets and transportation. So Mr. Gupta and his wife chose to rent in the Aldyn, a hybrid condo-rental building, in an effort to try out the area before buying.

After seven months, the Gup-tas were sold on both neighborhood and building and decided to buy a condo on a higher floor. They broke their lease without penalty and received a refund on part of their final month's rent.

"We already had a relationship going with the management so they made the transition to buying easier for us," Mr. Gupta said. "We knew exactly what to expect with the apartment, plus we knew the staff and the property manager."

The idea of test-driving an apartment before buying in a condo building has never been widespread and the offers are rarely publicly marketed. But the tryouts appeal to some would-be buyers who are not quite ready to pull the trigger or want to sample a neighborhood without the financial risks of purchasing.

"Right now the market is strong enough that people feel they can get renters and buyers. In a weaker market, they might say, 'Why don't you rent now and we'll talk later,'" says Beth Fisher, a senior managing director at Corcoran Sunshine, which handles sales and rentals at the Aldyn.

Uncommon as they may be, Ms. Fisher says test-drive deals still do happen.

"People appreciate the oppor-



tunity to try out a location and the specifics of a building," she says.

Test-drive arrangements can take several different forms. Some in the market like the Gup-tas will try out a rental in a hybrid building and then purchase a condo; others will rent an apartment from the building sponsor and buy the same unit. In still other cases, tenants rent from individual condo owners and end up buying either the same place or a different apartment in the building.

Unlike rent-to-own programs, none of the rental money in these "test drive" situations is deducted from the eventual purchase price. Often with test-drive arrangements, the renters

end up purchasing a different unit than the one they leased.

Asher Abehsera, managing director of residential properties at Two Trees Management, is in the process of selling two sponsor-owned rental units at his 70 Washington condo building in Dumbo to their renters.

"There's no active program to sell our rental units and we don't advertise them," Mr. Abehsera says. "The tenants have been asking for years to buy them, and we finally agreed."

And he understands why they ask. "Residential real estate is a really emotional process, and this eliminates the uncertainty for people...it becomes just a matter of paperwork since they've lived in the building."

But there can be downsides for developers, warns Stephen Kliegerman, Halstead's executive director of development marketing.

"It's a good idea for an emerging marketplace. But for a developer, it's also risky, because if it doesn't go well, the building gets tainted. It's seen as a building that failed to entice people," he says.

There are also maintenance issues for developers when renters leave a unit without buying and there also can be tax issues. "You have to make sure you're not locking yourself into something you didn't think of," Mr. Kliegerman says.

Jennifer Garland Ross, a renter-turned-owner at One

Brooklyn Bridge Park, above left. Right, Beth Fisher of Corcoran Sunshine, which handles sales and rentals at the Aldyn, above, says some buyers appreciate tryouts.

Brooklyn Bridge Park, was already hooked on the building's Brooklyn Heights locale when she opted to rent from an individual owner. Her reasons for pushing off the buying process were purely financial.

"I own my own art appraisal and advisory firm, and with the economy being what it was, I was really nervous about putting all of my savings down," says Ms. Ross, who rented for just over two years before buying. "Renting was a great way to see if I could manage the costs—which were about twice as my former rental—and bide my time," she says.

'You get to know the pros and cons, which is especially important in a new development...'

Ms. Ross closed on a one-bedroom condo for \$965,000 in July. "In some ways, I wish I had bought two years ago, because I know my landlord paid about \$200,000 less than I'm paying now for a smaller apartment,



but I was too nervous."

The director of sales at One Brooklyn Bridge Park, Penelope Stipanovich, says at least two renters have gone on to buy their units from the sponsor since 2007, and there are likely even more who have rented from individual owners and later bought apartments, like Ms. Ross. The building stopped offering sponsor rentals in 2009.

Though she got no special treatment or a deal price as a current resident, Ms. Ross says familiarity with the building was an advantage.

"You get to know the pros and cons, which is especially important in a new development, because there are going to be issues that come up when the sponsors are out," she said. "I also know all the guys who work here and a couple of them even helped me move. I think there's more of a sense of security."

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