



Benchmarks

In a fiscally treacherous market, what are the signs that a buyer is financially fit?

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As this recession grinds along with no end in sight, many co-op boards are finding they have to adapt when it comes to admitting new shareholders. Some boards are opening the front door a bit wider, eager to facilitate apartment sales. Others are making it a bit harder for buyers to squeak through, wary of getting burned like the buildings they've read about in such foreclosure hells as Las Vegas and Miami ...

"Co-op boards used to be the police," says attorney **Adam Leitman Bailey**, a partner at **Adam Leitman Bailey**, a firm that represents more than 100 co-ops in the city. "In the past, banks might give crazy loans, but co-op boards wouldn't accept them. Now the banks are doing their own due diligence – demanding to see a loan applicant's tax returns, for instance – and co-op boards aren't needed to act as police anymore."

The one area where the recession has forced many co-op boards to relent is on price. "I don't see any boards rejecting a deal now because the seller's number is not high enough," says **Bailey**. "They would like to keep a base minimum price – it helps keep up value throughout the building – but that's not happening anymore. They're realizing they have to help sellers get whatever price they can. The glory days are over for a long time. I think we're back to way things were in the early 2000s, before things got crazy."

In the end, the most valuable thing the city's co-ops have going in their favor may be experience. The great wave of conversions from rentals to co-ops began in the 1980s, so many of today's board members and shareholders remember the stock market crash of 1987 and the ensuing recession, which was also a brute.

"Many of these co-ops have been through recessions before," says David Goodman, a senior executive at Tudor Realty Services. "They've seen how you get through it – you just sit tight and pay attention to your shareholders. You're vigilant, but nobody's panicking. They've come down in price, and apartments stay on the market longer in some cases. But desirable apartments are still desirable, and they still get snapped up."