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Buying an apartment for your adult child? 6 things to keep in mind



With median rent hovering around \$4,000 in Manhattan, many parents who can afford to do so decide that buying a New York apartment for their adult child is a better option than helping to pay their rent.

Parents ask themselves (not completely tongue in cheek), "Why would I want to be extorted this way?" says Frances Katzen, a broker at Douglas Eilliman.

"It's becoming a more typical state of affairs rather than the privilege it was viewed as earlier," says Dean Roberts, a longtime co-op and condo attorney at Norris McLaughlin in Manhattan.

It's also more challenging than a typical purchase. Read on for tips on what to expect and how to prepare, and read Brick Underground's step-by-step guide to buying an apartment in New York City.

Set clear expectations before you begin

Before you do anything, make sure you and your offspring get clear on some key points. Will your child contribute to the down payment? Who will pay for carrying charges, utilities, and repairs? Will there be roommates, and if so, how will they be selected, and will you have any say in the matter? When mom or dad comes to town, can you crash there? Leave as few gray areas as possible.

Get agreement on the 'must haves'

Knowing what you and your child definitely need versus what would be nice to have will help you focus your search. Things to consider include what you each want in a neighborhood, access to transit to get to school or job, as well as security issues (for example, is a doorman building a must have)?

Give some thought to amenities as well. What's essential: A gym? A washer/dryer? An outdoor space of some kind? Be realistic about what will actually get used, because you will be paying for it.

Be aware that not all co-ops allow parents to buy for their children

One of the first things you'll notice when looking at NYC real estate is that co-ops are typically significantly cheaper than condos. However, the rules for co-ops tend to be stricter and often allow only the primary owner to live there.

Look at a listing ahead of time and see if it says explicitly allows parents buying for kids. (Many listings will specify this.) If not, don't assume it's not permitted, but make sure before moving ahead so you don't waste your time.

While there's no hard and fast rule when it comes to which kinds of co-ops are more likely to allow parents buying for kids, the high-end buildings on Park and Fifth avenues and Central Park West are generally less open to it than buildings with not-so-fancy addresses, or smaller co-ops.

"There can be an inherent resentment among board members and tenants who went out, got jobs, and paid for their apartments and now these kids are coming in," Roberts says. "As a result, and wrongfully or not, owners whose parents bought their apartments are often viewed as privileged and there's a real worry that 'the guy's not paying [payments], he's young, he's new to the city and he's going to be throwing all night parties and disrupting our way of life,'" Roberts says.

But often the policy is just about an abundance of caution on the part of co-op boards—entities that tend to be very risk-averse. (Potential buyers aren't just future neighbors, they're fellow shareholders, so there's very real economic self-preservation at play.)

If you do find a co-op that will allow parents to buy for children, Abra Nicolle Nowitz, an agent at the Corcoran Group, suggests that parents consider co-purchasing with their child rather than simply buying the apartment for them outright, or acting as guarantors (depending on what the building's rules permit).

"Co-purchasing may strengthen the co-op package as it could reassure the board that the responsibility is shared between both parent and child," she says. However, some buildings don't allow co-purchasing.

"I recently had a closing where the parents wanted to buy with the adult child with all of them as owners. But the co-op didn't allow it," says Adam Stone, an attorney at The Stone Law Firm. "The co-op wanted only the adult child to be the owner since he was the only one living there. The co-op preferred to have the parents as guarantors instead. I was surprised by this. From a co-op/landlord's point of view, I thought it would be cleaner to have all of them on the stock and lease.

"The main point is to see what the building prefers or requires so it can be addressed in the very beginning, and everyone agrees early on that this is the right buyer for this apartment," he says.

Co-ops often have restrictions on foreign buyers, so if you're not from the U.S., it's likely you'll have to go the condo route. Not only are condos more flexible when it comes to board approval of new tenants, they also often don't require an in-person interview, which can be a real benefit if you are overseas.

Be upfront with the board

Regardless of whether it's a co-op or condominium, you need to be upfront with the board about what your intentions are from the start. Also, let them know if you and other family members plan to stay there for an extended period of time or whether your child plans to have roommates.

Keep in mind that you risk more than just angering your neighbors if you're not honest about how the apartment will be used and who will live there. Consequences can include a fine or being sued for misrepresenting yourself to the board and for non-compliance with the house rules of a co-op or condo.

Find a real estate agent experienced with parents buying for their children

One way to avoid potential problems is to work with a great broker who has lots of experience selling apartments to parents for their kids. You want someone who is very knowledgeable about which buildings will allow this type of purchase.

"If a co-op or condo board has a set policy against such purchases, the board will most likely not change their mind about it, even though I have seen that change happen on occasion," says **Barbara Fox, president of Fox Residential**, who bought an apartment for her niece.

"A good broker should research a board's requirements and know ahead of time how to avoid a problem," Fox says.

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