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Romer Debbas, LLP launches on January 1, 2011

On January 1, 2011, **Michael J. Romer, Esq.** and **Pierre E. Debbas, Esq.** came together to form Romer Debbas, LLP, a boutique law firm specializing in the areas of real estate, banking/private banking, co-op/condo representation and general corporate law.

Interest of Foreign Investors in U.S. & Manhattan Real Estate Remains Strong

By: Michael J. Romer, Esq.

Commercial and high end residential real estate in New York City, particularly Manhattan, have long been an attractive acquisition for the foreign investor. Simply put, the foreign investor has always been a player in the New York City real estate market. This is due to numerous factors including, but not limited to, the following:

a) Traditionally high rate of return (i.e. price appreciation) associated with owning New York City real estate over extended periods of time;
b) New York City being the financial and cultural capital of the world;
c) Popular second home location; and
d) Especially of late, the weakened U.S. dollar.

However, at the height of the New York real estate market last decade, statistics indicated that the foreign investor was beginning to lose confidence. At that time, prices had escalated to a point where many became pessimistic regarding the potential for future appreciation.

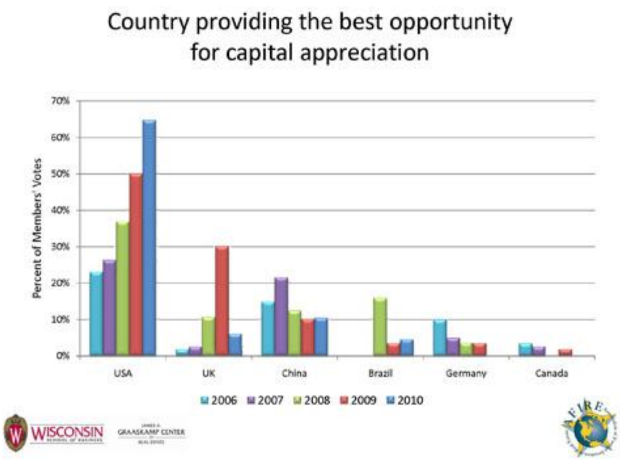
If the recent Association of Foreign Investors in Real Estate (AFIRE) Survey referenced herein and market activity are to be believed, it seems evident that such lost confidence has been restored.

AFIRE Survey Ranks U.S. Real Estate as Most Desired Amongst Foreign Investors.

Earlier this year, AFIRE released the results of its annual survey focusing on trends in international real estate investment. According to the AFIRE, those surveyed are said to hold more than $627 billion of real estate globally, including $265 billion in the United States.

When asked which country provided the best opportunity for capital appreciation related to real estate investments, an astounding 65% of those surveyed answered the United States. In addition, 72% stated that they planned to increase amount of U.S. investments in 2011. The United States clearly distanced itself from runner-up China which received only 10% of the vote. Rounding out the top five were the United Kingdom (which dropped from 30% in 2009 down to 6% in 2010), Brazil and Germany.

For the United States, this was a 15% improvement from the prior year (2009). More importantly, this result was a drastic increase over the mere 26% of the vote received in 2006 during a time when the U.S real estate market was at its peak. The chart below (courtesy of AFIRE) clearly indicates that confidence of foreign investors in U.S. real estate continues to rise.



(2011 AFIRE Annual Survey. http://www.afire.org)

AFIRE Survey Ranks New York City as Top Global City for Real Estate Investment

When it came to establishing the top global city for real estate investment, New York City finished first with 23% of the vote, followed closely by Washington D.C. For sake of comparison, in 2009, New York City finished behind London (the clear 2009 favorite) globally and Washington, D.C. nationally. It is clear that the New York and Washington D.C. market are the targeted areas for the non U.S. investor. The chart below (courtesy of AFIRE) depicts the complete results for this particular survey.

(2011 AFIRE Annual Survey. http://www.afire.org)

Condominium over Cooperative Continues to be the Trend for the Foreign Investor

It has been widely held for some time that the foreign investor should be steered to the condominium unit as opposed to the cooperative unit. Legally speaking, the difference is quite simple: a condominium unit is a separate parcel of real property (transferred via deed) while a cooperative unit amounts to shares of stock (i.e. personal property) in an apartment corporation. Practically speaking, the procedure to purchase a cooperative unit is much more complex and intrusive. A prospective purchaser of a cooperative unit needs to understand that their private financial information is no longer private. A thorough and detailed application must be made to the cooperative board inclusive of all necessary financial information (i.e. financial statements, bank statements, evidence of income) that a particular board may require. For those not familiar with the New York City real estate market, this can be a foreign and often daunting experience.

Traditionally, applications made to condominium boards are much less intrusive and require less private information. However, over the last few years, it seems that condominium applications are becoming more onerous and sadly more intrusive. Simply put, cooperative and condominium boards have an interest in knowing who is purchasing in their buildings.

As an example of obstacles encountered by the foreign investor in a co-op transaction, we recently represented a wealthy purchaser from abroad who submitted a timely and thorough board application. After reviewing the application, this particular board was concerned about the purchaser being a non U.S. citizen and required that the purchaser post a two (2) year maintenance escrow which would be held by the corporation (or managing agent) *for the duration of the purchaser's ownership*. Although this particular building is the exception not the norm (such escrows are generally held for anywhere between 1-5 years), it serves as a valuable warning to the foreign investor seeking to purchase a cooperative unit. For reasons such as this, the condominium remains the preferred choice for the foreign investor.

Financing is Available to the Foreign Investor

Although not every lending institution will lend to non-U.S. purchasers, there are still a significant amount of those that will – at competitive interest rates. Although it is often tempting for the foreign investor to purchase a property "all cash", there are opportunities to consider on the financing side. However, the "all cash" transaction remains the cleanest and quickest method to close a deal. In addition to representing the foreign investors directly, our office represents numerous lending institutions that will provide financing for the right non U.S. investor.

Condo Unit at The Plaza Sells for Astounding $48 million and Sets New York City Record

In late March, a single condominium unit at The Plaza sold for a record setting $48 million. This 6,000 square foot apartment (combination of three individual apartments) was purchased by Russian composer, Igor Krutoy.

This acquisition is yet another example of a renewed interest and growing confidence in New York real estate amongst foreign investors.

Lender Representation – New Clients

Romer Debbas LLP is pleased to welcome the following clients to its active banking practice:

Bank of America Home Loans
US Trust / Bank of America Private Wealth Mgmt
Banco Popular
Charles Schwab
Citimortgage, Inc.
Citi Private Bank
First Republic Bank
Key Bank
Merrill Lynch Home Loans
Merrill Lynch Wealth Management
MetLife Home Loans
M&T Bank
Signature Bank
Sovereign Bank
TD Bank, N.A.
TD Wealth Management
Wells Fargo Home Mortgage

Co-op/Condo/HOA Representation

In addition to handling a wide array of real estate transactions, Romer Debbas LLP represents numerous co-op and condominium boards in New York City.

Transactions of Interest

Romer Debbas recently represented the purchaser of a $7,650,000.00 townhouse on the upper west side. We negotiated the contract of sale to acquire the property as well as the AIA (American Institute of Architects) agreements necessary to renovate same. In addition to representing the purchaser, we also represented the private bank which financed the acquisition and future renovation of the property with a $7,000,000.00 construction loan. From retainer to closing, this matter was wrapped up in a mere 60 days. This transaction is a great example of the firm's diverse real estate practice. This transaction was handled by both **Michael J. Romer, Esq.** and **Pierre E. Debbas, Esq.**

We recently represented a seller of a townhouse in upper Manhattan who had owned the property for close to 30 years. Over the course of our client's ownership, they had refinanced the property several times. When we entered into contract, the title report revealed two mortgages, our client's primary mortgage and a mortgage of record from 1985 which our client had paid-off. The satisfaction of mortgage was never recorded and, to make matters more difficult, the bank which had issued to mortgage in 1985 filed for bankruptcy in 1990. Our client then refinanced the property in 2005 and the title company held an escrow in the sum equivalent to the original principal amount of the mortgage. The escrow would not be released until our client was able to procure a satisfaction of mortgage. Our client was unable to do this prior to retaining our firm. We had to make an application to the FDIC, which assumed the paper of the bankrupted institution, and demonstrate that our client had fully satisfied this mortgage. The FDIC approved our application and we were able to convey free and clear title and obtain a full refund of the escrow that the title company had been holding for several years. This transaction was handled by **Pierre E. Debbas, Esq.**

Romer Debbas recently represented a seller of a cooperative unit in the West Village in connection with a deal where the purchaser walked away from the deal one hour before the board interview and refused to close. The reason provided was that the board took too long to interview the purchaser. This resulted in an interesting but heated debate concerning two key provisions in the contract of sale for residential co-ops, namely: a) the purchaser's obligation to apply in good faith & attend any required interviews (Par. 6.2.1 and 6.2.2); and b) the opt out clause if the board fails to act within thirty (30) days of the proposed closing date (Par. 6.3). Driving home the argument that a prospective purchaser's decision to cancel one hour before the board interview is clearly bad faith, we were able to negotiate a fair and reasonable settlement whereby our client (the seller) was able to retain a significant amount of the down payment as damages. This settlement also enabled our client to enter into a new contract with another interested party. This replacement deal is expected to close shortly. This matter was handled by **Michael J. Romer, Esq**.

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