

The Building Is the Decision

Why the apartment sets the price you pay, and the building sets the price you get back

KEVIN MCHALE · 16 OCTOBER 2026

WHAT THIS ISSUE IS FOR

Buyers spend weeks judging an apartment and an afternoon judging the building. The risk sits the other way around.

You can renovate a kitchen, move a wall, or replace every window in your unit. You cannot change the building's mortgage, its reserve fund, its boiler, or its board. Those are shared, they compound, and they arrive in your monthly charges whether you planned for them or not. In Manhattan, the average monthly maintenance on a co-op sold in the second quarter rose 16 percent per square foot from a year earlier.¹ The apartments did not change. The buildings did.

Why this issue is about the building

Issue 01 asked how long you intend to stay. Issue 02 asked what waiting costs. This issue asks the question that sits under both: what are you actually buying into?

In a co-op you buy shares in a corporation that owns the building. In a condominium you own your unit outright but share the costs, the repairs, and the reputation of everything around it. Either way, you are taking on a long position in a building you did not choose for its finances.

The apartment is what you see. The building is what you own.

THE IDEA BEHIND THE TITLE

Monthly charges are not a fee. They are a forecast. They tell you what the building costs to run today. Its financials, its mortgage, its reserves, and its obligations under the law tell you what it will cost to run tomorrow, and that is the number the next buyer will pay for.

What the Listing Leaves Out

Two buyers, one blind spot

Both of these are real patterns I am seeing this season. Both people did their homework on the apartment. Neither had read the building.

The buyer who found the right apartment

She found a classic prewar two bedroom with good light, a fair price, and monthly maintenance below the neighborhood average. The low maintenance was the reason it worked on paper. It was low because the building's underlying mortgage was locked at 3 percent in 2021 and comes due in two years. When it refinances at today's rates, the building's interest cost more than doubles, and every shareholder carries a share of it.^{2,5} The listing was accurate. It simply described the past.

The buyer whose lender said no

He was approved, he had a signed contract, and then his lender declined the building. The issue was not his credit. The building had a deferred facade repair it had not yet funded, and under Fannie Mae's rules a building with unfunded repairs of more than \$10,000 per unit due within the year is ineligible for the loans most lenders sell.^{3,4} He had to find a portfolio lender, at a higher rate, with weeks left on his commitment. The apartment had not changed. His cost of owning it had.

What is actually missing

Neither of them made a careless decision. What was missing was a way to read the building with the same care they gave the floor plan. The apartment comes with photographs, measurements, and comparable sales. The building comes with a financial statement most buyers never open.

A listing describes the apartment as it is today. The building's documents describe what the apartment will cost to own over the years you hold it, and what the next buyer will be willing to pay for it when you leave.

Monthly charges are not a fee.

They are a forecast.

Same Price, Different Building

Two identical apartments, two buildings

Each is 1,000 square feet, costs \$1,500,000, and carries \$2,830 a month in maintenance today, the Manhattan co-op average of \$2.83 per square foot.¹

Monthly charges in two buildings at the same price

Building A has a long fixed mortgage, funded reserves, and its compliance work done. Its charges rise 3 percent a year. Building B has an underlying mortgage that resets, a Local Law 97 gap, and a capital plan it has not funded. Its charges rise 8 percent a year, half the most recent annual increase in the Manhattan average.^{1,5,6}



Growth rates are illustrations, not forecasts. Over ten years, the owner in Building B pays \$102,650 more in monthly charges than the owner in Building A. That is the visible cost. The larger one shows up when you sell.

Your resale price, in year ten

Monthly charges, Building A	\$3,693
Monthly charges, Building B	\$5,657
Difference each month	\$1,965
Mortgage it would carry at 7.40% ²	About \$284,000

Ten years of monthly charges

Building A, rising 3% a year	\$389,313
Building B, rising 8% a year	\$491,964
Share of today's price lost at resale	About 19%
Paid in B over A	\$102,650

How I Read a Building

Four documents, and the order matters

The same discipline as the earlier issues, applied to what you are buying into.

- 1 **The audited financial statements, three years of them.** One year is a snapshot. Three years is a trend. I look for whether the building runs a surplus or a deficit, whether expenses are rising faster than income, and what the auditor's notes say that the summary does not.
- 2 **The underlying mortgage, for co-ops.** The balance, the rate, and the maturity date. A low rate that matures soon is a future increase in your maintenance, already scheduled. A building that refinanced recently, or carries little debt, has already absorbed the cost.⁵
- 3 **The reserve fund and the capital plan.** Reserves are what the building has saved for the repairs it knows are coming. Fannie Mae expects a condominium budget to set aside at least 10 percent for replacement reserves, and it does not accept special assessments in place of that.⁴ Thin reserves and a long list of planned work usually mean an assessment is coming.
- 4 **The board minutes, twelve to twenty-four months.** The minutes are where a building talks to itself. Facade inspections, boiler conversions, insurance renewals, sublet disputes, and the word "assessment" appear here months before they reach a shareholder's bill.

For buyers

Read the building before you fall for the apartment. A slightly higher maintenance in a building with a recent refinance, funded reserves, and its energy work complete can be the cheaper apartment over any hold longer than a few years. A low maintenance in a building that has deferred everything is often a price you will pay later, with interest.

For sellers

Buyers, their attorneys, and their lenders are reading buildings more closely than they were five years ago. If your building has done the work, say so, with documents, before the first showing. If it has not, price for what an informed buyer will find, because they will find it. A well run building is a selling point only when you can prove it.

Before You Make an Offer

Five questions to ask about the building

If the answers are clear, the building is probably well run. If they are hard to get, that is an answer too.

- 1 When does the building's mortgage mature, and at what rate is it carried today?
- 2 How large are the reserves, and what capital work is planned in the next five years?
- 3 Has the building filed its Local Law 97 report, and what will 2030 require of it?
- 4 Is there a current or planned assessment, and what is it for?
- 5 Will a mainstream lender finance this building, and has one done so recently?

What that sounds like in the room

It sounds like me asking for the financial statements before the second showing, not after the accepted offer. It sounds like telling a buyer that the apartment she loves is in a building I would want her to pass on, and showing her why on one page. It sounds like telling a seller that his board's last three years of decisions are now part of his listing.

You are not only choosing where to live. You are choosing who you will share every major cost with for as long as you stay.

What I Am Watching

The line I am watching

Local Law 97's second compliance period. From 2030, emissions limits for covered buildings tighten as the city moves toward a 40 percent cut in building emissions from 2005 levels.⁷ Penalties run up to \$268 for every metric ton over the limit, every year.⁶ A building over 25,000 square feet that meets today's limit may not meet 2030's without capital work. The buildings planning for it now will look very different in five years from the buildings that are not.

The caveat

The exhibit isolates monthly charges. It does not include property taxes paid separately by condominium owners, tax deductions available to co-op shareholders, flip taxes, or the effect of rates moving in either direction. Real buildings rarely grow their charges at a steady rate, and a building with higher charges today may simply be one that has already paid for its future.

If you are weighing something now

Send me the address of the building you are considering, and its financials if you have them. I will send back a written read: the questions I would ask, the numbers that concern me, and my honest view of whether the building supports the price. Sometimes the building is excellent and the apartment is the problem. No pitch follows.

TO RECEIVE THE NEXT ISSUE

The Decision Gap arrives every two weeks. If this issue reached you second hand, the next one can come directly, at kevinmchale.nyc@insight. One email every two weeks, nothing else on the list, and one click removes you.

Method

The exhibit assumes two 1,000 square foot apartments at \$1,500,000 each, consistent with the price used in Issues 01 and 02, each starting at \$2,830 a month in maintenance. Charges compound annually at 3 percent and 8 percent. The resale effect converts the year ten monthly difference into the 30 year fixed rate mortgage it would carry at 7.40 percent, holding rates constant for illustration. All rates current as of 15 October 2026.

Method and Sources

Sources

1. **Brick Underground on Miller Samuel.** Manhattan second quarter 2026: co-op maintenance \$2.83 per square foot, up 16 percent; condo charges plus taxes \$3.37.
<https://www.brickunderground.com/sell/manhattan-co-op-condo-sales-market-report-nyc-second-quarter-2026>
2. **Freddie Mac.** Primary Mortgage Market Survey, 30 year average 7.40 percent, 15 October 2026.
<https://www.freddiemac.com/pmms>
3. **Fannie Mae Selling Guide.** B4-2.1-03, Ineligible Projects: critical repairs and special assessments.
<https://selling-guide.fanniemae.com/sel/b4-2.1-03/ineligible-projects>
4. **Fannie Mae.** Project Standards FAQs: 10 percent budget reserve allocation.
<https://singlefamily.fanniemae.com/media/5511/display>
5. **The Cooperator.** The Cost of Local Law Compliance: underlying mortgages refinancing at higher rates.
<https://cooperatornews.com/article/the-cost-of-local-law-compliance-2>
6. **Local Law 97 of 2019.** Penalty of \$268 per metric ton over the limit; compliance periods 2024 to 2029 and 2030 to 2034.
https://www.nyc.gov/assets/buildings/local_laws/ll97of2019.pdf
7. **NYC Department of Buildings.** Greenhouse gas emission reporting: covered buildings and the 2030 target.
<https://www.nyc.gov/site/buildings/codes/REMOVE-greenhouse-gas-emission-reporting.page>

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