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Move toward condo format may save co-ops

Cooperative apartments are, for most people, a terrible way to own real estate, as noted in the July 29 "Residential Report."

Co-ops violate three basic rules of real estate: Keep it simple, control your destiny, and don't rely on other people's promises.

When buyers have a choice, they prefer the simplicity and independence of condominiums. They are often willing to pay more for them, even after adjusting for differences in monthly carrying costs. That is the main reason why new buildings are structured as condos rather than co-ops.

A few co-op buildings have recognized the marketplace, and are changing their transfer restrictions

to conform to those of condos. If the co-op board wants to reject a bona fide purchaser or subtenant, the building must buy or rent the apartment on the same terms the outsider offered.

A requirement to "approve or match" any transaction eliminates frivolous, autocratic or malicious disapprovals, yet has had no apparent adverse impact on condos or the few co-ops that have adopted it.

Such a requirement would, however, have a very adverse impact on the power and importance of co-op boards. Hence it is unlikely to be proposed anytime soon, at least by most boards.

Co-op apartment owners and the real estate community should start to think about a larger issue: whether to try to convert existing co-op buildings into condos.

If the marketplace attaches more value to the same apartment as a condo than as a coop, then co-op owners can make money, and lenders can make new loans, by converting buildings to condos, if costs and difficulties can be overcome.

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