

## Residential Buyer Beware: When Hiring an Attorney, Focus Should be on Services Offered and Comfort Level – Not Lowest Fee

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Ten years ago, the average legal fee I charged on a \$1-2 million residential condominium or cooperative apartment purchase/sale transaction was \$3,000.00. Hard to believe but here we are 10 years later and the average legal fee charged remains relatively unchanged. Factoring in inflation, today's legal fees are actually less. In arguably the most complex residential market in the country, it is a bit surprising that the legal fees remain unchanged.

Over that time period in the New York City luxury real estate market, just about every other vendor involved in residential transactions has seen an uptick in their charges. This is mainly due to the fact that brokerage commissions, title insurance premiums, and loan origination fees are tied to increased purchase prices and loan amounts.

Long ago, I realized that if a prospective client's first inquiry is "How much do you charge?" then that client would usually not retain our services. As a business model, we strive to neither be the least nor most expensive when it comes to legal fees. Instead, we do our best to remain within the industry average price range while, at the same time, focusing on the services provided and level of attention the client will receive.

Over the years, many firms such as ours have remained a constant presence in this field but others have come and gone. I have been witness to everything from lawyers placing advertisements in mail boxes offering legal fees of \$795 to others offering discounted pricing or "sales" during certain slower times of the year. When it comes to price shopping for residential real estate attorneys, the prospective client is often under the flawed impression that each real estate attorney offers the same service and same accessibility. It should go without saying that the law firm offering to handle transactions for \$795 will not and cannot offer the same level of service as the firm charging \$3,000 and above.

As a practicing real estate attorney in one of the most expensive markets in the world, I am quite sensitive to the fees that clients are asked to pay in connection with a transaction. For starters, a purchaser is expected to pay a 1 percent New York State mansion tax on a one bedroom condominium purchase of \$1 million. We can all agree that a one bedroom apartment is not a mansion and yet



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that fee has to be paid. In a typical new development condominium purchase in Manhattan, a purchaser can expect to incur charges/fees amounting to 4-5 percent of the overall purchase price. Oftentimes, a purchaser's invoices can exceed six figures.

Generally speaking, we real estate attorneys obtain clients via real estate agents or previous/former clients. But, most do come from agent referrals. The protocol is for a real estate agent to refer three real estate attorneys to their clients, whether it be on the purchase or the sale side. The prospective client then begins reaching out to the recommended attorneys. At this point, I believe that the most important question a prospective client can ask is "So, can you tell me about the process and what you and your firm can do for me?" Given the speed in which the New York City residential market moves, these initial discussions

are crucial. Purchasers and sellers are often under pressure to find and select an attorney quickly, as nothing can happen until that moment.

It is at that very moment that some purchasers or sellers simply call three attorneys, pick the cheapest, and move on. However, the prospective client who has been through the process before or is more familiar with it will want a better understanding of what services the firm provides. This is where the experienced residential attorneys will distinguish themselves from less expensive competition that may not be offering a full range of services. For example, if a prospective purchaser doesn't hear the words "due diligence" and a description of what that entails within the first five minutes of a conversation with an attorney candidate, then that purchaser should proceed with caution. One of the most important roles of a residential attorney in a purchase transaction is to conduct thorough due diligence, including a review of the building's financials, offering plan and amendments, and board minutes. Together with contract negotiation, this is where a purchaser's attorney distinguishes him or herself from the competition.

There are many reasons as to why legal fees in this area have remained unchanged—some obvious and some not so obvious. But, the focus should always be on the service, amount of people accessible to the client, and ensuring that the client has an overall pleasant and streamlined experience. In this attorney's opinion, the fee should never be the sole deciding factor.