

Any agent or landlord who's spent time selling tenant-occupied multifamily buildings in upstate New York's Capital Region knows the sinking feeling: weeks into what should be a smooth transaction, the buyer hits pause, then asks for a lower price two weeks before closing. It's not a surprise when it happens, but it's always frustrating — especially when deals have already gone through attorney negotiations and inspections. Why does this happen so often, and what can sellers do to pre-empt it?

Drawing from 11 years of hands-on experience, along with insights from industry leaders like McDonald Real Estate Company and resources from the New York State Association of Realtors (NYSAR), this post cuts through the jargon and highlights the real reasons why buyers pull back or re-negotiate price just before closing. Spoiler: it's rarely just "market softness."

Legal and Regulatory Surprises: The Impact of Good Cause Eviction and Municipal Opt-In

One of the most significant shifts in the New York rental market over recent years is the implementation of Good Cause Eviction laws, alongside a patchwork of municipal opt-in rent regulation ordinances.

Good Cause Eviction (GCE) essentially restricts landlords' ability to evict tenants without a justified reason—a dramatic change impacting how investors value rental property income streams. Buyers who didn't factor these regulations into their underwriting often realize that projected rent increases won't materialize, or the property has less flexibility for future renovation or repositioning.

Couple that with *municipal opt-in realities*: many towns and cities have enacted rent regulation selectively, exempting certain units but applying caps to others. Sellers who rely on blanket statements like "this building is exempt" often misread or oversimplify these exemptions. Buyers digging deeper discover:

- Units classified as exempt are fewer than initially thought due to building age or income qualifications.
- Rent caps tied to local Consumer Price Index (CPI) ceilings limit rent growth more than sellers expect.
- Eviction protections reduce turnover and thus restrict opportunities for rent resets.

These regulatory realities alter risk perceptions and require sellers to be upfront during marketing and disclosure. Unfortunately, many rental owners hesitate or paint with too broad a brush about exemptions, setting themselves up for buyer second-guessing later.

Rent Cap Math and CPI-Based Ceilings: The Numbers Don't Lie

Nothing shuts down a deal faster than a buyer running the numbers on rent caps and CPI increases and realizing projected rents exceed what's legally feasible. Common missteps on the sellers' side include:

- Overstated current rents in the rent roll.
- Failure to accurately incorporate CPI-based increases and their annual limits.
- Ignoring cumulative rental increases allowed over multiple years under local rent legislation.

Sanity-checking rent rolls is non-negotiable. Any agent worth their salt always pulls the math on rent caps with a calculator—not Facebook hearsay. What [realtytimes.com](https://www.realtytimes.com) sellers call "market rents" often aren't market rents at all in a rent-controlled or deregulatory context. If your rent roll doesn't match actual allowable rents under local laws, buyers will catch it during due diligence and recalibrate their offers accordingly.

Case in Point

Unit Stated Rent Max Allowable Rent(with CPI caps) Difference 1A £1,100 £950 £150 2B £1,200 £1,050 £150 3C £1,000 £975 £25

Buyers will adjust their valuations downward not just for missing rent, but also for risk exposure to disputes or GCE complications. That can quickly translate into requests for price reductions close to closing.

Rent Roll Discrepancies and Missing Estoppels: The Due Diligence Landmines

A classic reason for late-stage renegotiation is *rent roll discrepancies*. Here's what often happens:



1. Sellers submit a rent roll that shows rents and deposits.
2. Buyers demand full estoppel certificates to verify tenant agreements, rent amounts, and terms.
3. Some tenants fail to respond, or estoppels reveal lower rents or missing deposits compared to the rent roll.
4. Buyers realize the cash flow isn't what was represented, triggering late-stage pricing adjustments.

Missing or incomplete estoppels are one of my personal "deal killers." They raise red flags and create uncertainty about occupied unit income and liability. Some sellers think "tenant is fine" or "we have verbal agreements" will suffice, but buyers rely on written, signed estoppel affidavits to confirm the rent roll's validity.

This is why:

- You should communicate openly with your property's tenants well in advance to collect the necessary documentation.
- Never assume deposits are fully accounted for—buyers will verify security deposit ledgers carefully.
- Agents should stress the importance of good record keeping to their landlord clients.

Buyer Pool Shifts: Owner-Occupants and Flippers Exit—More Cautious Buyers Remain

The buyer landscape in tenant-occupied multifamily sales has transformed over recent years. Owner-occupant buyers who were once attracted by minor value-adds or cosmetic upgrades have pulled back in many upstate New York markets because rent regulation dampens flexibilities.

At the same time, flippers who relied on conversion or major rehab plans face higher costs and longer timelines due to regulatory compliance and market uncertainty. The buyers left often include:

- Institutional or private investors sharper on rent regulation realities.
- Buyers who prioritise stabilized income streams over quick flips.
- Investors with solid due diligence teams who spot any gaps before committing.

These buyers come prepared to re-assess deals late in the process, armed with lawyers and inspectors who catch issues the seller's side missed. Sellers who thought they had a smooth transaction can suddenly face re-trades.

Practical Tips to Avoid Last-Minute Re-Negotiations

Based on my years of navigating tenant-occupied sales and many legal calls aired during closings, here's what landlords, listing agents, and sellers should keep in mind:

1. **Be precise with rent rolls.** Double-check that rents comply with local rent caps and CPI adjustments. If you're unsure, consult your municipal rent office or a trusted real estate attorney.
2. **Communicate exemptions clearly.**



Understand and document which units truly qualify for exemptions and be transparent about them.

3. **Collect estoppels early.** Engage tenants proactively well before due diligence kicks off. Make it a requirement for showings or offers if necessary.
4. **Maintain deposit records.** Buyers will ask for security deposit ledgers as part of closing, so keep them up-to-date and readily available.
5. **Educate yourself on Good Cause Eviction laws.** These impact valuations and exit strategies markedly.
6. **Price your building appropriately.** Avoid relying solely on single-family home comparables or superficial features like "granite counters." Rent rolls and regulatory realities are king.

Closing Thoughts

Late-stage buyer re-trades on rentals aren't due to buyer bad faith or market "softness." Instead, they reflect a more cautious investor climate shaped by regulatory environments, rent cap maths, tenant rights, and due diligence surprises like missing estoppels and deposit records. Savvy sellers who keep crisp, transparent records and set realistic expectations stand the best chance of closing cleanly at their asking prices.

For more information, NYSAR offers valuable landlord and agent resources at nysar.com, and working with local experts like the team at McDonald Real Estate Company can help navigate today's complexities in tenant-occupied sales.

As a final sanity check—always run those rent cap numbers yourself before believing the hype on social media. I remember a project where I learned this lesson the hard way.. Nothing replaces good old-fashioned arithmetic paired with legal smarts when it comes to multifamily sales.