

sp

buffalo spotlight

2007 Buffalo area apartment market report: Prices have steadily increased in recent years

bh Brian Heine



Licensed
real estate
broker

Investment grade apartment complex sales in all of Erie and Niagara Counties totaled more than 4,000 units in 2006 lifted by REIT Home Properties sale of its entire upstate N.Y. portfolio in December including all 1,644 of its apartments in the Buffalo market. As activity in this market has increased, measured by the number of apartment units sold per year, the average apartment sale price has risen accordingly. Cap

rates for professionally managed investment grade properties remain in the 8% range, indicative of the strong demand from investors.

The average per unit sale price in the Buffalo suburbs, generally low rise brick garden complexes and the majority of the local inventory, increased in 2006 to \$45,000 (\$38,500 without the Home Properties sale) versus \$37,000 in 2005. Major sales included the four year old 84-unit Brookhaven at \$90,000 per unit and a 7.8% cap rate, the 272 unit Maplewood Estates Apartments in the town of Hamburg at \$7.95 million with occupancy reported at sale to be 94%, and the 234 unit Lancer Court in Depew for \$8.6 million. Apartment prices were near unchanged in suburban Niagara County at an average \$30,500 com-

pared to the previous year.

The Sidway, a 67-unit six story mid-rise loft apartment conversion

in the last few years to reach the investment market for resale and the first evidence that redeveloping

s/f. As a whole average apartment sales in the city of Buffalo, a market predominately of pre WW II multi-

Occupancy remains strong, typically vacancy rates of 5% or less.

Rent rates continue their reliable yearly increase, albeit small compared to other areas of the country. Home Properties reported 2.7% vacancy in its suburban portfolio at sale and average monthly rent of \$1.03 per s/f with 2% rent growth over the previous year. Weakness remains in some class A complexes in the outer suburbs of Buffalo which continue to experience higher than normal vacancy rates, the primary cause continues to be upper income tenants purchasing single family homes.

in downtown Buffalo renovated in 2003, led the city market with a per unit sale price of \$117,000 at a near 7% cap rate and 98% occupancy at sale. This is the first of the downtown loft apartment projects completed

a part of downtown with no existing residential rental market makes economic sense. Downtown loft apartments have succeeded in attracting qualified tenants at the highest rent levels in the market, over \$1.25 per

story buildings, rose to \$31,000 per unit in 2006 (exclusive of the Sidway sale) compared to \$25,000 in 2005.

Occupancy remains strong, typically vacancy rates of 5% or less. Rent rates continue their reliable yearly increase, albeit small compared to other areas of the country. Home Properties reported 2.7% vacancy in its suburban portfolio at sale and average monthly rent of \$1.03 per s/f with 2% rent growth over the previous year. Weakness remains in some class A complexes in the outer suburbs of Buffalo which continue to experience higher than normal vacancy rates, the primary cause continues to be upper income tenants purchasing single family homes.

No major apartment developments opened in 2006. The Amherst submarket is the location of most of the new developments in recent years and two large student housing complexes have been proposed adjacent to the State University of New York North Campus. GMH Communities plans a \$50 million project on 23 acres totaling 226 units and American Campus Communities plans 200 more apartments near its existing 270 unit complex. Amherst's major sale in 2006 was builder Herman Allespach's 40 year old portfolio, sold for \$65,000 per unit.

After prices stagnated in the 1990s prices in the Buffalo apartment market have steadily increased in recent years. Long term private owners have been replaced by more aggressive local property development firms assembling larger portfolios and newcomers from outside the area. These new owners have embarked on extensive capital improvement projects and tenant retention programs and are successfully achieving the necessary rent increases and occupancy levels to justify the all-time record prices they're paying. This trend holds as long as buyers continue to outnumber sellers and the financial markets aggressively fund multi-family purchases.

Brian Heine is a licensed real estate broker, Buffalo, N.Y.

FOR SALE

Concord Apartments, Cheektowaga, New York
12 two bedroom apartments with separate utilities

Brick construction with parking garages

\$570,000

Brian Heine
Exclusive Broker

(716) 884- 4437
b.heine@verizon.net

