

Upstate

Commentary on the 2015 Hudson Valley apt. market

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Increasing rents and tight vacancy rates are reported across the counties of the Hudson Valley. The 2014 Ulster County Rental Housing Survey reported a 4.37% vacancy rate and average two bedroom monthly apartment rents of \$1,023, up 6.7% since 2011, the last time the survey was conducted. The vacancy is concentrated in two towns meaning the vacancy across the other towns in the county is much lower. Not all counties conduct rental surveys every year but the trends can be considered applicable to all. The average 2015 HUD fair market rent for a two-bedroom apartment in the Hudson Valley, together the counties of Dutchess, Westchester, Rockland, Ulster, Putnam, and Orange, is \$1,340 per month, up 1.7% from 2014. Publicly traded Avalon Bay's 2,000-unit class A Westchester portfolio increased the average monthly rent per s/f across their portfolio to \$2.52 in 2014 from \$2.36 in 2013, a 6.3% increase. Occupancy increased to 96% from 95%. class A units are most prevalent in the Westchester County markets.

With fewer available rental choices tenants in low vacancy markets face limited mobility and exhibit a propensity to stay in place and pay the higher rents. The resulting reduced apartment turnover, rising income, and high occupancy lure more investors. Counties are not responsive to this problem as the village of Woodbury in Orange County recently adopted lower density zoning in areas adjoining neighboring towns with expanding populations that could have accommodated higher density development. Together these factors point to rising values for multifamily investment owners in 2016 but at some point the tenant affordability issue will be constraining; as recently low rising real incomes will have to rise faster to sustain these rent growth figures.

Major sales in the preceding year include Avalon Bay Communities disposition of the 169-unit Crystal Hill Apartments in Pomona in Rockland County for \$33.05 million or \$196,000 per unit. The class A property built in 2001 was 96% occupied at time of sale with asking monthly rents between \$1,880 and \$2,555. Avalon paid \$37.8 million for the complex in 2007 and this is a capital loss but large REIT's reallocate funds as necessary as to where they see the best return. Avalon Bay considers the northern NYC suburbs a core market and is planning to expand its Westchester portfolio with an additional 68 apartments at the Avalon Green in Elmsford costing \$22.1

million and is spending an additional \$6.5 million to rehab another 105 of the existing units. In Mount Kisco in Westchester County 59 apartments at 234 and 280 West St. sold for a combined \$8.3 million or \$141,000 per apartment at a 5.1% cap-rate, the low cap-rate indicative of the demand from investors for existing apartments in Westchester County. These three story walk up garden class B units were built in 1977 and 1980 and consist mostly of one bedroom apartments.

The Ulster Report also found 53.5% of tenants in Ulster County and more than 50% of the tenants in New York State as a whole rent burdened, paying more than 30% of household income for rent. Vacancy rates quoted here are applicable to non-subsidized housing; rates for subsidized units are essen-

tially zero with extensive waiting lists typical. There is huge demand for new units at all price points. Developers in Westchester are proposing several thousand new apartments but these are overwhelmingly aimed at the highest income tenants; quoted monthly rents range up to \$3,000. Ginsburg Development Companies has started construction of the ten story 330-unit River Tides at Greystone in Yonkers along the Hudson River at a projected cost of \$107.5 million or \$325,000 per apartment. The Yonkers IDA provided a partial ten year property tax exemption.

Brian Heine is a licensed real estate broker in New York state.



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