

Upstate

2016 New York Upstate apartment market

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With the recent improvements in the care and treatment of elderly patients with dementia and Alzheimer's disease combined with an increasing aging population the demand for senior housing apartments purposed for memory care is increasing from investors, and developers see profit in new construction even in mature markets like Upstate New York.

The combined 183-unit Emeritus at Landing Brockport in Monroe County (Rochester) and Emeritus at Landing Queensbury in Warren County (north of Albany) sold for a combined \$48 million to Brookdale Senior Living. The properties share the senior housing classifications of assisted living and memory care and these two are generally found combined together in the same specialized facility. Brookdale is a national operator of senior housing apartments.

Demand is nationwide and the average senior housing development costs \$30 million. In Buffalo, construction has started on the \$41 million Canterbury Woods Gates Circle, a 53-unit independent living

apartment complex with six assisted living units. Forming part of the \$150 million Millard Fillmore Hospital site redevelopment, developer TM Montante subdivided 1.4 acres for the project and sold them for \$4.8 million to the nonprofit Episcopal Church for Canterbury Woods. Apartments will range from 800 s/f one-bedroom apartments to 2,200 s/f penthouses with terraces. Unique for this development, rather than a monthly rent, a one-time entrance fee is charged for the term of the tenants stay, from \$350,000 to \$850,000. The remaining portion of the 6.7 acre site will be developed into 500 multifamily units.

More traditional senior housing developments include Montabaur Heights, a three-story frame suburban garden apartment complex with 111 independent senior apartments 65+ in Clarence in suburban Buffalo. Apartments range from 747 s/ft to 964 s/f with monthly rents of \$2,450 to \$3,400. The United Group has completed the \$23 million 148-unit senior independent living 55+ Glenmont Abbey Village in Glenmont near Utica. The four story frame buildings include one and two-bedroom apartments renting from \$1,270 to \$2,065. These are high-end, luxury rental complexes, targeted at retiring empty nesters, a growing population, able to pay the highest rents in the market.

For market rate investors prices continue to rise and bankers are especially active in multifamily lending. *The Sunrise Management 2015 Multifamily Rental Market Report* shows rent rates maintained steady or grew throughout Upstate New York. The largest increases occurred in the Albany and Buffalo markets, at 5.4% and 6.95%. Rent increases directly increase NOI and are the primary drivers of higher values. Morgan Communities bought the 267 unit Grecian Garden Apartments in Rochester for \$11.5 million in 2014 and arranged maximum leverage cash-out refinancing for \$12.8 million less than two years later. A tremendous return in the upstate market. Venture Properties Group paid \$96,000 per unit for the Park Square Apartments in the Buffalo suburb of Orchard Park. Investing up to \$30,000 per apartment in renovations the monthly rents for the two-bedroom townhouses have been raised from \$1,275 to \$1,825; this additional cash invested yield high returns as the capitalized value of the additional cash flow created far exceeds the renovations costs. This value add investment model is very popular with 1970s vintage suburban garden apartments.

Pricing yields an average 8% return; the 36 unit McGeordan



FOR SALE

Islebrook Apartments, Grand Island, NY

40 unit suburban brick garden apartment complex

Newer roofs, furnaces, remodeled kitchens and bathrooms

\$3,750,000

Apartments in Wellsville in Allegany County south of Rochester with three all brick buildings, two and three-bedroom apartments, with management in place and fully occupied at sale sold at an 8.9% cap rate. This quality of investment and rate of return together are unavailable in many more popular markets. Supply remains tight but the data shows investment opportunities exist in the Upstate New York Apartment market.

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CONTINUED ON PAGE 12