

2026 Upstate New York apartment market



Brian Heine

Housing affordability is the top issue across New York state and the country. Construction costs since the end of COVID have increased such that there is little new unsubsidized working or middle-class apartment rental housing being built, either apartments or single-family homes. Reducing the supply and availability of housing choices for tenants and home buyers has driven up the price of the existing market inventory leaving the upstate New York apartment market with its large inventory of already existing mostly class B middle-class apartments in an enviable position. These apartments cannot be reproduced at current construction costs, the locations in towns and neighborhoods are in already built-up areas close to employment, schools, and amenities that lack room for new development, and the competing newer build apartments and houses are priced to higher income levels.

Apartment investments in the upstate New York apartment market are finding buyers in all locations and price ranges. The demand for class B apartments has compressed the difference in rents and prices

between class A and B, lessening the incentive for developers of class A apartments. Multifamily has historically shown a very consistent return on investment with a large market of buyers and sellers and mortgage financing to permit easy entrance and exit to investment properties over the investment life cycle as opposed to the difficulty in starting or buying, financing, and selling a business.

New York state is coming after the real estate industry on two fronts; from both the income and the expense sides. Environmental activist groups are suing the state to restart the currently paused New York State Climate Leadership and Community Protection Act (CLCPA) banning the use and installation of natural gas heating equipment in all new and existing buildings. Governor Hochul has paused the CLCPA in its current form and is asking for a 10-year delay as its deadlines and costs are completely unrealistic. The recent shutdown of the coal and natural gas power plants across the state exposed the inadequacies in the state's power grid making rapid conversion to electric heating impossible. Piped natural gas is the overwhelming heat source used in suburban garden apartments due to its reliability and efficiency in cold winter climates. Electric heat pumps require upgraded building

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insulation and a higher voltage electric service, costs that will have to be recovered through higher rents, and are unreliable in cold weather. Realistically, widespread building electrification will take decades. Expect power shortages and much higher electric bills with the CLCPA.

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New York state including Albany, Rochester, and Binghamton, expect more to follow. The state legislature in Albany now includes a growing number of democratic socialists; recently they have issued an ultimatum to other democrats not to accept campaign donations from the real estate industry or face primary challenges. As rent control expands across the State mortgage lenders will tighten their underwriting standards reducing the amount of funding available complicating the pricing and sale process.

Brian Heine is a licensed real estate broker in New York state, Buffalo, N.Y.



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