

albany spotlight



2009 Hudson Valley apartment market report: Investors continue to focus on multifamily sector

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Investment in the Hudson Valley Apartment market remained active through 2009. Investors continue to focus on the multifamily sector as opposed to other segments of the commercial real estate investment market. Apartments do well in recessions, and it's widely accepted within the real estate investment community that apartment rental real estate provides the least risk alternative to other investment classes. With uncertainties in the credit market and unfavorable capital gains legislation pending in the new congress constraining the market, sellers are offering few attractive investment grade properties. Demand remains for those properties that become available, although fewer sales mean fewer buyers with 1031 tax deferred exchange funds to finance future transactions and drive prices higher. Buyers will have to provide more equity and those buyers reliant on maximum leverage and financial engineering have disappeared from the business.

The peak year may have passed and evidence exists that cap rates increased over the last two years; three sales made by REIT Home Properties serve as an illustration. In January of 2008 the 140-unit Carriage Hill Apartments in Goshen were sold for \$15.1 million (\$109,000 per apartment) at a 6.7% cap rate. Six properties in Westchester County totaling 324 units were sold for \$36.4 million (\$112,000 per apartment) at the end of 2008 at a cap rate of 7.3%. In the third sale two complexes, Lakeshore Villas and Sunset Gardens, totaling 369 units were sold in the first quarter of 2009 for \$27.9 million (\$76,000 per apartment) at an 8.2% cap rate. The three sales in total completed Home Properties exit from the Hudson Valley market. REITs continue to be net sellers in the region; Denver based AIMCO sold the 1,179 unit Hudson Harbour and Chelsea Ridge Apartments in Dutchess County for a combined \$102,000 (\$85,000 per apartment) in the fourth quarter of 2009. AIMCO bought the properties for a total \$78.5 million in 2000 and 2007.

Rent growth slowed through 2008 into 2009. Sunrise Management & Consulting in Albany in its biannual Fall 2008 Multifamily Rental Market Report reports that rents declined slightly in the Hudson Valley area. Looking at the published reports of another major public company active in the region; REIT Avalon Bay's 1,358 unit class A portfolio in

Westchester County increased occupancy to 97% at the end of 2008 from 96% a year ago as average rent

cancy rates below 5% are indicative of a tight rental market predictive of future increases.

expand its Sutton Hill community in Middletown in Orange County with 112 new luxury apartments in ten gar-

to \$3,975/month and average around \$2.50 per s/f per month. Historically product at this price level has been readily absorbed.

The Hudson Valley south from Albany to Westchester County experienced an impressive population increase of 75,000 from 2001 to 2008. Population growth is the major driver of economic activity and combined with the corresponding employment gains will push occupancy rates and pressure rents. These counties have some of the most expensive single family home prices in the country, new apartment construction is time consuming and difficult, and the supply/demand equation should continue to favor landlords and property sellers.

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fell 0.9%. This trend should only be temporary as Westchester Residential Opportunities a non profit housing agency in White Plains advises that apartment rents increased 46% from 1996 through 2007 and reported va-

With the disappearance of construction financing many new development projects have been stalled or cancelled. Those moving forward include Value Companies of Clifton N.J., which has been approved to

den style buildings. The apartments will range from 773 to 1,234 s/f and an additional \$3 million will be used to renovate the existing 276 units. Avalon Bay recently finished another 407 units in White Plains, rents range up

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