

Overview of the 2016 Hudson Valley apartment market



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The counties of the Hudson Valley continue to show a tight rental market for tenants. The average 2016 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 \$1,390 per month, up 2.0% from 2015. The 2014 Dutchess County Rental Housing Survey (latest year available) reported a 2.3% vacancy rate for market rate apartment complexes and average two bedroom monthly apartment rents of \$1,336, up from \$1,325 in 2013. The vacancy rate is the lowest since it has been since

2003. *The Poughkeepsie Journal*, in Dutchess County, reported rentals in short supply but plenty of homes to buy as new mortgage qualification

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and down payment requirements prevent existing tenants from buying single family homes. The 2015 Ulster County Rental Housing Survey reported a 2.92% vacancy rate down from 4.37% in 2014 and average two

bedroom monthly apartment rents of \$959 down 6.3% since 2014. Vacancy rates below 5% are indicative of a tight rental market. REIT AvalonBay's 2,000-unit class A Westchester portfolio, apartments that are targeted toward the most affluent renter, increased the average monthly rent per s/f across their portfolio to \$2.63 in 2015 from \$2.52 in 2014, a 4.2% increase, with occupancy was reported as 94%.

Major recent apartment complex sales in Dutchess County demonstrate investor interest in the region. Mountain Brook in Poughkeepsie, a 288-unit garden apartment complex, sold for \$23.9 million or \$83,000 per unit in early 2016 at a 5% cap rate. The 17 two-story buildings on 18 acres were built in 1965 with a 864 s/f two-bedroom renting for \$1,218. Hudson Row, also in Poughkeepsie, a 96-unit two-story duplex unit apartment complex sold for \$13.4 million or \$139,000 per unit in 2015 with 97% occupancy at sale, a 1,173 s/f two-bedroom, 1 1/2 bath duplex rents for \$1,685. In Fishkill, the 360-unit Village at Merrit Park sold for \$65 million or \$181,000 per unit in late 2015. The two-story garden apartment complex was built in 2000, a 990 s/f two-bedroom rents for up to \$1,940.

In White Plains, Westchester County developer LCOR has started the \$250 million 55 Bank St., a high rise apartment complex including a 16-story 288-unit Phase I and a 16-story 273-unit Phase II. Incentives were provided by the Westchester County IDA and the city of White Plains created the Bank Street Redevelopment Area, 20% workforce designated housing will be included in the form of 112 affordable apartments with reduced rents. Workforce housing set asides are targeted at providing housing for teachers, policeman, and other employees whose services are essential to the area and who otherwise may be priced out of high rent markets.

A new development favors the high income tenant: The Riverside at Harbors-at-Haverstraw opened in Rockland County in 2015, the 106 unit resort-style rental apartment complex cost \$34.7 million. The 621 to 1,546 s/f apartments rent for \$1,795 to \$3,595 monthly.

New apartments are absorbed as soon as they are built as tenant demand shows no sign of abating. Adding up the costs for a new development including the regulations, community opposition, and municipal reviews and changes it's difficult to budget for anything but the class A luxury development to cover costs and make a profit. There's too much risk and no incentive to build apartments that are affordable to rent. Acquisitions can be just as troublesome with few availabilities and high prices. Long-term investors will continue to do well in the Hudson Valley multifamily market.



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