



An overview of the 2017 Buffalo apartment market - by Brian Heine

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Multifamily sales totaled \$147 million in the Buffalo area market in 2016, up from \$127 in 2015 and again above the \$100 million dollar level achieved each of the last five years.

The investment market is most active in suburban garden apartment complexes. Private locally based principals were active as both buyers and sellers with prices at all-time high per unit valuations. These older apartment properties comprise the majority of the existing inventory and are often fully occupied with rising rents. From a tenant perspective they are often the best housing available at a given price. Located in dense residential neighborhoods, they are near employment, shopping, entertainment and within desirable suburban school districts. It would be impossible to duplicate them today in the same locations with the same rent structure and consequently they have little competition in their price range. This drives the rent growth that attracts investors. In April of 2017, RENTCafe's survey of the U.S. apartment market reported rents in the Buffalo market increased 9.3% year over year with an average rent of \$932, far in excess of any figure reported in recent years.

In the past year Sinatra and Co. paid \$10 million for the 40-unit Colonial Court Apartments in Orchard Park and the 126-unit Washington Sq. in Hamburg, and \$11 million for the 184-unit Lincoln Sq. in Hamburg. The Tzetzco Cos. purchased the 108-unit Oakridge Estates Apartments in West Seneca for \$6.2 million. Glendale Realty purchased the entire Tonawanda and Amherst apartment portfolio of Pearce and Pearce, a total 318 apartments for \$18.3 million, all low rise suburban properties.

New construction and renovation continues in the Buffalo CBD and surrounding neighborhoods. These new apartments are much more costly to build than an equivalent garden unit and renters will pay extra to live in these neighborhoods if they can afford it. Schneider Development recently completed the Turner Brothers Lofts on Niagara St. The \$11.4 million project of 40 market rate apartments, 32 one-bedroom and eight two-bedroom, filled in little over a month to young millennials who want living space with the newest and best amenities and finishes. Rents range from \$975 to \$1,825 for a location that until recently was considered too far outside the CBD to attract interest. According to the Tenner Center for Housing Innovation, as reported in the Wall Street Journal, Buffalo reported a 4.0% increase in the percentage of population that are young, educated, high income, and living in high-density urban areas. At first look a small increase, and similar to other larger markets, but applied over a large population it is significant evidence that higher-income tenants are moving back into inner city areas. Savarino Companies finished the renovation of 500

Seneca, a former paper box factory, into 97 loft style apartments and some office space at a cost of \$40 million. Most of the apartments were leased to young professionals attracted to the nearby Larkinville neighborhood and the host of tenant amenities included on-site at the building.

New development is moving outside the city core. At Gates Circle in Buffalo, TM Montante Development will build Lancaster Sq., a six story mixed use building with retail on the first floor and 60 apartments on the upper floors, 45 single and studio apartments and 15 two-bedroom apartments, rents will range from \$900 to \$2,000. The cost is \$13 million, a 1970's parking ramp will be renovated for parking. Looking forward, to maintain the momentum and expand the tenant base beyond young single tenants, the question regarding the quality of the Buffalo Public Schools remains the major impediment. Despite many efforts at reform, Buffalo has, as do most large urban areas, a poor school system, and addressing this issue will have the most impact on the long term future of the Buffalo apartment market.

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