



Mid-Atlantic BOMA Conference & Rochester market outlook - by Macikowski and Levin

June 05, 2018 - Upstate New York

Amanda Macikowski,
NorthMarq Capital

Sean Levin,
NorthMarq Capital

What was a takeaway from the 2018 Building Owners and Managers Association International (BOMA) Middle Atlantic conference?

The biggest take-away we saw from the conference and the Upstate New York market as a whole is

the adaptive repurposing of the historic buildings in each city. Being a part of the Rust Belt, there are several factories that have sat vacant for years in cities that are seeing a demand for apartments. We are seeing developers use the strong bones of these properties to create mixed-use retail/office/apartments. The high demand for creative office space has been a driver for developers to keep the historic look and feel of these buildings.

Over the past several years in Upstate New York, there have been longer winters that have started to drive up utilities and maintenance costs. Developers and property managers are now having to adjust for these increased expenses in their projections with existing properties as well as deciding the feasibility for future projects.

Describe the refurbished property you visited during the Middle Atlantic BOMA conference.

We toured the New Era Capital World Headquarters, which is now located in the old Federal Reserve Building in Downtown Buffalo. The most interesting part of the tour was seeing how they turned the old vaults into creative office space and fitting/show rooms for the hats and apparel they sell. Like many repurposed projects/historic tax credit projects, the cost to rehab them is usually more expensive than other rehab projects.

For example, they had budgeted \$85,000 to cut an opening into the wall for a server room and it turned out it cost them \$85,000 to cut through only an inch of cement. The building was developed to not be tampered with for security reasons, which created a lot of obstacles during the conversion. We see this a lot of times with the rules and regulations of keeping the historical preservation of buildings with HTC.

What affect has a lower unemployment and higher graduating millennial retention had on your market?

According to Ana Liss, president of the Rochester Greater Enterprise, "Our workforce figures are down and, by and large, our unemployment rate is much lower than it has been in recent years, owing most likely to a combination of frictional and structural unemployment (more jobs than there are available, skilled workers; workers searching for a "just right" opportunity; and some industrial automation)." Most recently, we have seen several tech companies move to Rochester from larger cities and other countries. Between LiveTiles, Datto, and CloudCheckr, there will be more than 800 jobs added to the area over the next two to three years. All of this portends positive future signs for the Rochester MSA /Upstate New York market.

What opportunities/challenges arise from this trend?

Millennials have a strong desire to know the story behind what they are purchasing/spending their money on. Repurposing these tired, vacant buildings allows them to tell a story and brings life back to the properties. It's driving people back to downtown areas from suburbia. In Buffalo and Rochester, we are seeing the people coming to downtown but still lacking the retail to keep them downtown.

What is making Rochester more appealing for millennials?

Upstate New York as a whole provides millennials with a lower cost of living than major cities. The combination of lower cost of living with the unique features that are traditionally seen in big cities starting to pop up in Upstate New York are main drivers for compelling college students and recent grads to choose these cities. Upstate New York cities are now providing millennials the social aspects seen in major cities. From live music to micro-breweries to a vast array of festivals, these social draws are paramount to millennials. As mentioned above, there is a desire to have a creative office with a work-life balance. Upstate New York cities provide a generation that is changing the industry norm, the work-life balance that they desire.

Amanda Macikowski is vice president and Sean Levin is an investment analyst at NorthMarq Capital's Upstate New York office, Rochester, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540