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Overview of the 2019 Buffalo apartment market - by Brian Heine

June 04, 2019 - Upstate New York

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In recent years large institutional developers and investors have constructed student housing complexes surrounding the State University of NY at Buffalo, (SUNY) north campus in Amherst and the Buffalo State College in the city of Buffalo as the higher education industry looks to get out of the housing business and let private investors absorb the construction and operating costs and provide the more up to date residences needed to attract students that today have many higher education choices. Existing on-campus dormitories built in past decades don't have the individual bedroom suites and modern in-unit kitchens present in new construction.

SUNY Buffalo, with a larger north campus in Amherst and a smaller south campus in the city of Buffalo at the border with Amherst enrolled 31,503 students for the fall 2018 term as compared to 30,648 for the fall 2017 term. This 855 increase in enrollment is part of a program initiated in 2015 to increase the overall enrollment by 2,000 students over five years, and the driving force behind the large scale expansion in the local student housing market to meet this new real demand. The university, the largest within the state system, draws an increasing share of its student body from downstate as the percentage of students from Western New York declines, contributing to the increase in the off campus purpose built student housing inventory.

China based real estate private equity fund OC Ventures paid \$48.75 million, \$254,000 per unit or \$76,000 per bed for Twenty 91 North, a 192 unit 640-bed student housing complex near the SUNY Buffalo north campus in Amherst. The property cost \$36 million to build in 2016. Leases per bedroom start at \$860 per month for a two-bedroom suite and \$760 per month for a four-bedroom suite. Rents per s/f for student housing apartments are in the \$2.00 to \$2.50 per s/f, per month range here, the highest in the multifamily market, and easily underwrites the cost of new construction. OC Ventures Upstate New York student housing acquisition strategy focusses on assets that will benefit from the enrollment growth at major SUNY research campuses aided by the Excelsior Scholarship. New York state's Excelsior Scholarship program provides certain residents with free tuition for full-time study at its state universities.

DF Fusion of Provo, Utah, has started construction of 321 student apartments at 2929-39 Main St. near the SUNY Buffalo south campus in north Buffalo. Cost is \$31 million; this is the first off campus

privately developed student housing complex to be built in Buffalo near the south campus, an older urban area interspersed with existing single family homes in the surrounding neighborhoods repurposed as off-campus housing for students.

The Monarch 716, a 176-unit, 592 bed student housing complex in ten buildings in north Buffalo catering to the Buffalo State College Campus went into foreclosure in 2018 as the developers, unable to sell or refinance the property, could not pay the \$44 million in debt incurred in the construction. The complex opened in 2017, a multi-building suburban styled garden apartment complex property design unsuited for a formerly industrial urban in-fill location, and was unable to attract students from neighboring Buffalo State College and other colleges and attempts to fill the property with market tenants fell short.

Multifamily sales in the Buffalo market totaled \$173 million in 2018 substantially greater than the \$117 million in 2017. Investors are most interested in existing brick garden apartments in suburban towns and paying top prices for those complexes with remodeled apartments and without deferred maintenance. There's little evidence of increasing capitalization rates. In 2018, the 40-unit Islebrook Apartments on Grand Island sold at a 7.7% cap rate and the 20 unit Winchester Village in West Seneca sold at a 7.2% cap rate.

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