



A look at the 2020 Buffalo apartment market - by Brian Heine

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The Buffalo apartment market is seeing large investment from investors outside the area, an occurrence not seen in recent years. Real Estate Investment Trust Welltower of Toledo, Ohio acquired a portfolio of 32 apartment complexes, including four under construction, for \$343 million in a joint venture with Williamsville based Clover Management. Welltower Inc., a national market leader, invests in senior housing, assisted living and memory care apartments. The properties are all independent living senior housing low-rise suburban garden apartment complexes. The typical property is two to three stories, 125 apartments per location, mostly two-bedroom units with a large community area and competitive market pricing; \$1,275 per month for an 825 s/f newly constructed two-bedroom apartment. These are apartments specifically built to address the growing market for aging seniors, not in need of the specialized care of an assisted living facility, but looking for modern apartments customized for their age group; the designs having been refined and construction costs optimized as the properties were built over the last 20 years by Clover. The portfolio also includes some locations outside the Buffalo market, including Pittsburg and Cleveland. The interest by Welltower, in both the product and the market, is an acknowledgement of the success of Clover's business model and represents the largest new investment of outside capital into the Buffalo multifamily market in recent years. Private equity giant The Carlyle Group's US Real Estate Team will fund further expansion into other markets. The industry has been looking for an economical scalable senior housing development model to take across the country.

Gold Wynn Residential USA, part of Wynn Group from Toronto, acquired the Buffalo portfolio of the Kissling Interests; 841 apartments and 85,000 s/f commercial space in 18 properties. Kissling, from New York City, assembled the portfolio over time starting in the 1990s. The Wynn's see more upside here than in their native Toronto and plan extensive remodeling of the apartments, finishing some of the work that Kissling started. The market rate apartments, located mostly within the city of Buffalo, are pre-war urban mid-rise walk up and elevator buildings, and post war townhouses. Tenant interest in properties in these locations, many located in the city's Delaware District north of the central business district, has increased in recent years. The sale is structured with the individual property closings to occur over time. The first closings include 124 townhouses on Sanders Rd. in north Buffalo for \$7 million.

Activity was high in Amherst last year, typically the best apartment market in Western New York, home to the State University of New York at Buffalo University Center, numerous office parks, and new subdivisions. The Garrison Gate Apartments on an infill location in Williamsville, a village within

the town of Amherst with a highly rated school system, sold at a 6.0% cap rate and \$134,000 per unit. The Crossings, a new build townhouse complex near the university, sold for \$215,000 per unit at a 5.7% cap rate. Both transactions were driven by 1031 tax deferred exchanges, the ability of the buyer to shift equity to a more desirable asset and defer the capital gains taxes on the properties sold at the same time. Buyers in Amherst will pay a premium as compared to other towns and submarkets in the Buffalo apartment market. Capitalization rates continue to decline as prices rise, other investments don't produce comparable yields. Potential buyers remain active and there is a wide availability of multifamily financing options from many sources. Other multifamily sales totaled \$186 million in the Buffalo market in 2019, up from the \$173 million in 2018.

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