



Relative stable real estate environment in most sectors of Upstate New York warrants a grade of C+

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The "so called" worst recession since the Great Depression did not have a devastating effect on our region's real estate. This especially applies to Upstate New York and western New England. However, there are challenges. Residential brokers across the northeast have indicated that there has been substantial activity not to the levels of 2008 and 2007 but the \$8,000 tax credit incentive almost normalized the number of sales and kept values at relatively stable levels. This was most predominant in Upstate New York and western New England due to a lower priced market. Downstate New York and eastern New England had less favorable outcomes because of much higher price ranges.

The Syracuse region was listed in Forbes magazine as one of the 25 strongest housing markets in the U.S. Through the end of November, there was only a -6% reduction in number of sales. In the Albany area, although the median housing prices fell -5% to \$182,500, sales activity was up 36% for the month of November from the previous year. In the Binghamton area the median price midway through 2009 was 7% above 2007 levels. For Monroe County not including the city of Rochester the number of sales was up by approximately 3.75% and the median price (\$131,000) was down by less than -1%. For properties within the city of Rochester the number of sales was down -7.37%. However, this could be partially related to the three-year-old lead paint legislation. However, the median price (\$65,000) increased during 2009 over the year before by 14.04%. This is probably skewed by the huge disparity between high income neighborhoods and low income neighborhood price ranges.

Commercial real brokers and investors have a less optimistic outlook than their residential counterparts. Retail, office, and industrial leasing has been relatively weak. Downward adjustments are being made to sale and rental comparables as high as -8% for sales before the mid fall of 2008. This is generally for Upstate New York and western New England properties. The ranges are higher in eastern New England and Downstate New York. Midway through 2009 the Albany region had office vacancy of 11.6% and industrial vacancy of 10.5% which represented a significant increase from a year earlier.. The office market in Albany depends substantially on government tenants which comprises over 30% of the market. Some cutbacks and consolidation in government employees has reduced space demands.

However, in eastern New England the impact of the economy is more severe. As an example in Quincy, Mass., a 21 year old class A office building sold for \$8.9 million in 2009. The previous sale was \$16.3 million with 76% occupancy in 1997 when the building was only 8-9 years old. The Boston office market in 2009 had a negative 3 million s/f absorption with 20% vacancy, and 7.7% unemployment. Statewide Massachusetts' unemployment was 9.6%. Office rental rates in the Boston market were down by 37% from a peak of \$83 per s/f. New York City had an office vacancy

rate of 11.5% at the end of 2009.with average rents of \$40-45 after peaking at an average of \$60 per s/f a few years earlier.

The Albany region lost 7,600 private sector jobs from November 2008-09 with an increase in overall unemployment to 6.7% from 5.3% a year earlier; Buffalo/Niagara Falls increased to 8% from 6.3%; Syracuse increased to 7.8% from 6.1%; Rochester increased to 7.6% from 5.9%; and New York City increased to 9.9% from 6.6%. As a benchmark the New York State unemployment rate increased to 8.4% from 6.1% a year earlier and the U.S. unemployment rate increased to 9.4% from 6.5% from a year earlier. These unemployment estimates were based upon the U.S. Department of Labor. These unemployment levels show that Upstate New York has fared relatively well compared to New York City and the U.S. This would explain in part the relative stable real estate environment in most sectors of the overall region which would warrant a passing grade of C+.

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