

MarketView

Buffalo Multi-Housing

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Annual 2009 | 2010

Hot Topics

- Lowest sales volume in past five years.
- Average price per unit sold remains steady.
- 2010 volume expected to be similar to 2009.
- Owner “renovate and hold” a growing trend.
- Continuing development of new senior housing.
- Significant student housing growth continues.

Investor Overview

Not unexpectedly, Buffalo’s Multi-Housing Market saw limited activity in 2009. As with all types of investment properties nationally, transactions are still limited by a smaller pool of qualified property buyers, owners reluctant to sell at depressed values and borrowers facing stringent lender underwriting.

Buffalo saw its lowest volume of Multi-Housing sales in the past five years by both number of units and total consideration paid by purchasers. However, the average price per unit sold was only 5% under the last five years price per unit sales average. As the following chart shows, the 2009 average price per unit was \$29,332. This price per unit average represents a 4.2% decrease from last year’s report. The average price per unit for the 2007 – 2008 reporting year was a record \$41,347. This spike was a bit of an anomaly due to a couple of high profile sales.

A perhaps more accurate view of the Buffalo Multi-Housing Market is that [as shown on the following chart] average price per unit sales have increased approximately 19.7% over the five year reporting history of the CB Richard Ellis | Buffalo MarketView Report. This approximately 4% annual growth rate in value would indicate a healthy growth in multi-housing values for the Buffalo Area.

Buffalo has traditionally been a conservative region for real estate investing, development and lending. Because of this conservative nature few multi-housing projects are in the “troubled asset” category. Therefore, it is not expected that there will be many owners forced to sell assets. Until lender criteria start to loosen up and values begin to climb, it is unlikely that transactional volume will increase dramatically. Without these changes, 2010 is expected to be similar to 2009 with limited transactions at or near the five year average price per unit selling prices.

5 Year Transaction Summary

	Avg. PPU	# Transactions	# Units
2005-2006	\$24,497	342	3,168
2006-2007	\$28,671	400	3,289
2007-2008	\$41,347	252	3,829
2008-2009	\$30,609	287	2,882
2009-2010	\$29,322	129	943

Sales Transactions

For 2009 the Buffalo Multi-Housing Market saw the lowest number of multi-family sales transactions in the past five years. Only 129 sales occurred, with a total 943 unit sales. The total value of these sales was \$27,650,000. This total value sales volume is 64% less than the next lowest volume of \$77,600,000 reported in the 2004 – 2005 CB Richard Ellis MarketView Report.

Average price per unit sales were \$29,322 for 2009. This is a drop in value from a 2007 high of \$41,347 [which was considered to be an anomaly due to several high profile sales]. However, it compares closely to a five year average price per unit of \$30,889. As shown below, 43.5% of the unit sales were in Niagara County with an average per unit price of \$27,567. The City of Buffalo saw the highest average per unit price at \$31,034.

The largest 2009 sale was the \$3,960,000 sale of a 66 unit complex on West Ferry Street in Buffalo with a price per unit of \$60,000. The balance of sales were smaller complexes with on average 10 units or less. This may indicate more pressure to sell for smaller investors than well established and larger investors.

City of Buffalo

Area	# Of Properties	# Of Units	Avg. Price Per Unit
1	10	124	\$46,231
2	2	16	\$23,747
3	22	105	\$14,267
Totals	34	245	\$31,034

Erie County

Area	# Of Properties	# Of Units	Avg. Price Per Unit
1. North	9	44	\$34,841
2. Northeast	2	15	\$73,000
3. East	7	50	\$28,465
4. South	19	178	\$26,211
Totals	37	287	\$30,372

Niagara County

Area	# Of Properties	# Of Units	Avg. Price Per Unit
1. City of Niagara Falls	20	128	\$21,656
2. West	9	39	\$45,744
3. City of North Tonawanda	13	62	\$30,105
4. Lockport & All Others	16	182	\$26,966
Totals	58	411	\$27,567

Development Trends Continue

Downtown/Allentown

For several reporting periods the MarketView Multi-Housing Report has noted the increased level of redevelopment of former office, warehouse and retail properties into apartments or condominiums within Buffalo's City limits. This trend is continuing, albeit at a slower pace, as financing allows. These projects include low income rental properties to market rate apartments.

While the scope of this report does not cover condominium projects under its multi-housing sales, the current development of these projects in Buffalo is worth noting. Buffalo condominium development is significant because it brings with it some buyers who are moving away from apartment living, thus decreasing apartment occupancy levels. However, this also attracts some buyers who are moving into the city and helping to provide a critical mass which warrants the development of support retail services for those living in the city, thus aiding further multi housing development.

Two significant condominium projects are the 49 units newly developed by Ellicott Development on Lakefront Boulevard and the 27 units developed by Uniland Development at the Avant Building, a very successful redevelopment of the former Federal Dulski Building on Delaware Avenue.

Another trend worth noting is the redevelopment or "renovate and hold" trend whereby owners are upgrading and holding complexes rather than sell assets at today's lower values. In part the underlying strategy is that rental income from unimproved apartments has basically held at the rate of increase equal to the Consumer Price Index. In order to increase rental income beyond this and thus asset value, the assets need to be upgraded in order to attract better rents.

An example of this is reinvestment is the 133 unit Ambassador apartment complex on North Street in Buffalo. In 2000 the Kissling Interests purchased the property for \$3,725,000 and in 2009 is reported to be spending approximately \$2,500,000 to improve the property.

Senior Housing

Given Buffalo's aging population, senior housing development has continued despite the drag on overall real estate development. This development is at a slower pace than previous years, however the demand for quality senior housing is still driving some new development.

Over 100 new senior housing units are being constructed by Young Development in two separate West Seneca locations. Clover Management is also developing a former elementary school site in the Town of Tonawanda. Senior housing development has also taken place within the Buffalo City limits with last year's opening of 63 units at the former YMCA at 245 North Street.

Student Housing

The State University of New York at Buffalo [UB] is actively working on their UB 2020 plan. As this plan continues to unfold and transform the North, South, and Downtown campuses, it brings with it increased enrollment. With more students coming from outside the Western New York area, housing on or near all campuses will be an integral part of the University's growth objectives. A 600 student project is currently underway on the North campus and is slated for completion for fall 2011. It will blend residential, academic, and recreational facilities. The project is also expected to qualify for a Leadership in Energy and Environmental Design (LEED) gold standard, demonstrating UB's vision of its future buildings.

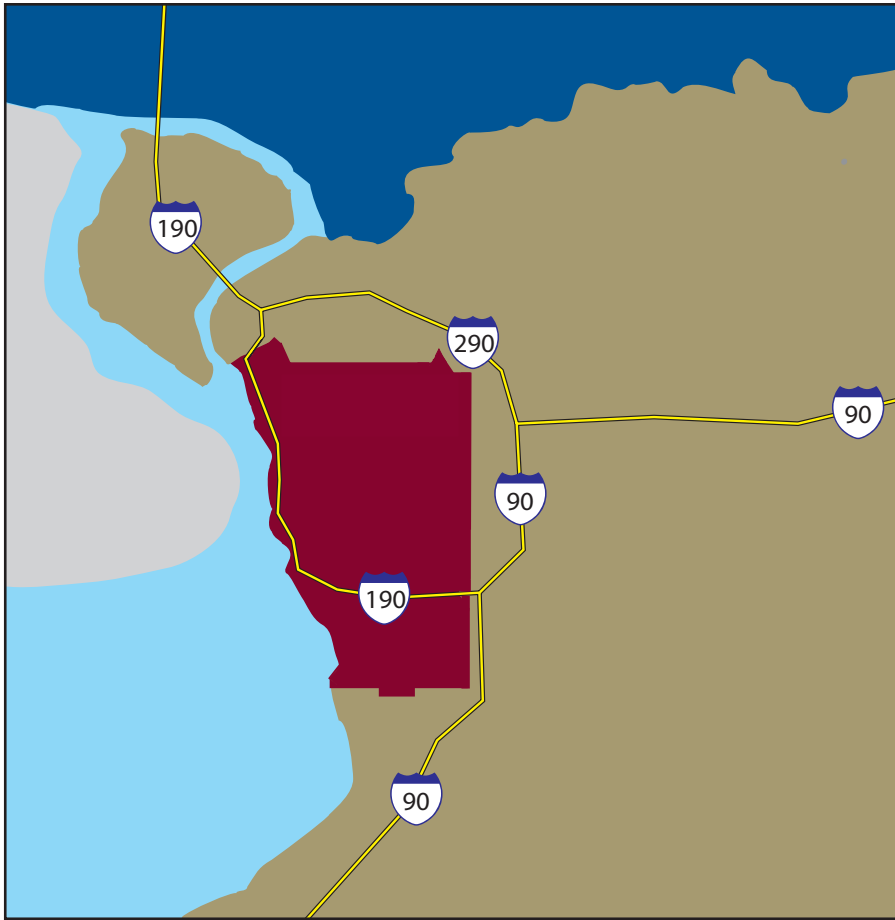
Buffalo State has also begun construction this year of a 507 student apartment-style dormitory on the site of a former parking lot on the northwest side of its campus. A new, not-for-profit corporation, the BSCF Housing Corporation, was formed to expedite the financing and construction process. The new residence hall is intended to reduce crowding in existing dorms and eliminate the need to house students at local hotels which became the custom in recent years.

Private development of student housing is also taking place. Chason Affinity Companies continues the transformation of their Collegiate Village in the northwest section of Cheektowaga. This location was chosen due to its close proximity to the Kensington Expressway in order to service students from UB and Buffalo State College, as well as Canisius College, Daemen College, Medaille College and others. At its inception, in the Fall of 2008, the complex housed 140 students. Today it houses 450. Collegiate Village is expected to continue this growth over the next several years as the absorption trends continue.

Another private development taking shape is the transformation of the former Alling & Cory warehouse on N. Division St. into housing for 88 students plus a ground floor convenience store. The project is owned by a private investor group headed by Architect Jake Schneider and is intended to attract students at the Downtown Campus of nearby Erie Community College.

MarketView Buffalo

Submarket Map



- City of Buffalo - Area 1**
Allentown and areas to the north generally bound by Richmond Avenue, Delaware Park, Forest Lawn and Main Street.
- City of Buffalo - Area 2**
Generally bound by Scajaquada Expressway, Elmwood Avenue, Kenmore Avenue and Main Street.
- Erie County - Area 1**
Kenmore, Town of Tonawanda, City of Tonawanda and Grand Island.
- Erie County - Area 2**
Amherst, Williamsville, Clarence and points east.
- Erie County - Area 3**
Cheektowaga, Depew, Lancaster and points east.
- Erie County - Area 4**
Lackawanna, West Seneca, Elma and balance of county to the south.
- Niagara County - Area 2**
Town of Niagara, Wheatfield, Lewiston (town and village), Town of Porter and Youngstown.

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Methodology

Sales transaction information for multi-housing properties in all municipalities in Erie and Niagara counties were tallied for the period coinciding with end dates from our previous annual report (2008 | 2009) to mid-2009. The end date of results varies by a few months among the different municipalities because of the timing of their own tax record updates, and availability thereof to proprietary tax databases to which CB Richard Ellis subscribes. To be considered as part of our database, any transaction must be designated "arms length" and include four or more living units.

Acknowledgements

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