

MarketView

Buffalo Multi-Housing

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Annual 2011 | 2012

Investor Overview

As forecast in the 2010 CBRE|Buffalo MarketView Report, 2011 remained steady with the total number of transactions and the total consideration for those transactions close to the 2010 numbers (as shown below). This continued the trends of the past four years for all types of investment properties, with transactions limited to a smaller pool of qualified buyers, owners reluctant to sell at perceived diminished values unless forced to, and borrowers facing continued stringent lender underwriting.

As the following chart shows, the 2011 average sale price per unit was \$27,813, which represents a significant drop from last year's figure of \$32,030. However, the 2011 figure includes the sale of a 271 unit property in Cheektowaga for \$3.1 million; a reflection of that property's distressed physical condition and significant vacancy rates in recent years. A recalculation of the sale price per unit without that property would have resulted in an average of \$30,839 per unit, which is more in line with averages for the past three years as shown in the 7-Year Transaction Summary below. On balance we see this as a continued positive trend, indicating a history of healthy growth in multi-housing values for Western New York.

Western New York's economic base and continued decline in overall population positions it as a conservative region for real estate investing, development and lending. Other than niche categories such as senior housing, student housing and adaptive reuse of older buildings which continue to be the only growth elements, there has been very little new multi-housing product built in more than a decade. Because of the conservative nature of the Western New York market, few multi-housing properties fall into the category of what lenders would view as "troubled assets" leading to forced sales. With many owners reluctant to sell at less than the perceived value of their properties and a continuation of tight lender requirements, 2012 will likely see transaction volumes similar to the past three years.

7-Year Transaction Summary

	Avg. PPU	# Transactions	# Units	Total Consideration (MM)
2005-2006	\$24,497	342	3,168	\$77.6
2006-2007	\$28,671	400	3,289	\$94.3
2007-2008	\$41,347	252	3,829	\$158.3
2008-2009	\$30,609	287	2,882	\$88.2
2009-2010	\$29,322	129	943	\$27.7
2010-2011	\$32,030	132	1,391	\$44.6
2011-2012	\$27,813	111	1,714	\$47.6

Hot Topics

- Year-over-year increase in number of units sold
- More larger portfolio sales than in two previous years
- More student housing coming online
- Continued strong trend of adaptive reuse of older vacant buildings
- 2012 forecast of transaction volumes similar to prior three years

Sales Transactions

There were 111 multi-housing transactions in 2011, a slight decrease from 2010's total of 132, but the actual number of units sold increased from 1,391 to 1,714. The increase in units sold was due to a few larger portfolio sales occurring, most notably these included: the aforementioned 271 units in Cheektowaga for \$3.1 million; 156 units, also in Cheektowaga, for \$4.5 million; a 130 unit senior housing property in the Town of Tonawanda for \$3,230,000; three City of Buffalo properties including 62 units for \$2,320,000, 72 units for \$2,030,000, and 44 units for \$1,650,000; and, two Amherst portfolios, 38 units for \$2,011,000 and 44 units for \$1,650,000.

City of Buffalo

Area	# Of Properties	# Of Units	Avg. Price Per Unit
1	14	130	\$39,792
2	13	141	\$38,235
3	17	151	\$23,313
Totals	44	422	\$33,375

Erie County

Area	# Of Properties	# Of Units	Avg. Price Per Unit
1. North	8	167	\$26,473
2. Northeast	10	142	\$45,666
3. East	9	487	\$18,961
4. South	14	164	\$33,024
Totals	41	960	\$26,620

Niagara County

Area	# Of Properties	# Of Units	Avg. Price Per Unit
1. City of Niagara Falls	5	99	\$14,904
2. West	4	82	\$23,390
3. City of North Tonawanda	9	42	\$27,476
4. Lockport & All Others	8	109	\$31,468
Totals	26	332	\$24,028

Development Trends Continue

Student Housing

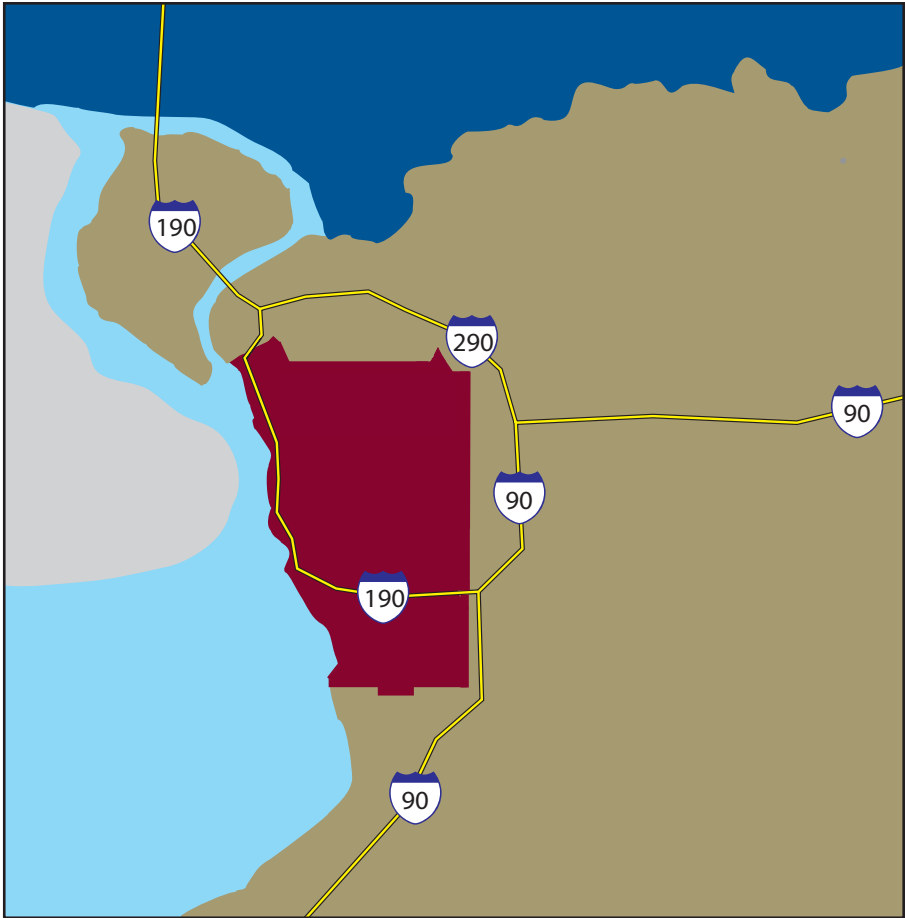
A new student housing complex is being built on Rensch Road in Amherst, across Sweet Home Road from SUNY at Buffalo's north campus, and is slated to be ready for occupancy for the fall 2012 semester. The site had been the subject of contentious debate and litigation on zoning and land use involving the University, the Town of Amherst, and the private developer, American Campus Communities (ACC). The Texas-based ACC prevailed and is bringing more than 150 units online which will house more than 600 students.

Adaptive Reuse

The transformation of old buildings that are adapted to market-rate apartments has been a strong continuing trend over the past decade. Currently there are several notable projects, representing nearly 300 rental units that are just now in the final stages of completion and initial occupancy, or are in progress and expected to become available in 2012. Six of the projects are in the City of Buffalo, the largest of which is the 87 unit Bethune Lofts on Main Street, close to the SUNY Buffalo south campus. Others include: the former Lutheran Home on Delaware Avenue (49 units); the former Spaghetti Warehouse building (38 units); the former Lafayette Avenue Presbyterian Church (16 units); and the former Lake Hotel on West Huron Street (8 units). Another development on West Utica Street, in Elmwood Village, involved the creation of 18 units of brand-new construction on two residential parcels where older buildings were demolished.

On Sweeney Street, North Tonawanda, across from the Erie Canal, Kissling Interests has Remington Lofts, with 80 units coming on-line, and commercial space amenities catering to the property's residents as well as the general public. The 167,000 square foot complex, which has a storied history as a manufacturing facility dating back to 1885, was for many years owned and occupied by the Remington Rand Company.

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 (2010 | 2011) to mid-2011. 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

CBRE | Buffalo would like to thank the many apartment property owners and representatives of Western New York municipalities who cooperated in the preparation of the Buffalo Multi-Housing MarketView. We acknowledge that without their participation, this report would not be possible.