

Multi-family housing developments on the rise both locally and nationally

Increase desire for urban lifestyle driving trend

By PATRICK HARNEY

In Rochester and across the country, developers and investors are consistently reaping strong returns on multi-family residential and mixed-use buildings.

According to a report by the National Multi-Housing Council, apartment buildings dominate property returns, based on a number of factors. Through analysis of economic and real estate market conditions, the white paper, written by professors Mark J. Eppli and Charles C. Tu, found a considerable increase in commercial real estate asset prices. While this has led to asset bubble concerns from some equity investors and bank regulators, the authors found equally unexpected returns with the rise in rates.

"Since the Great Recession, property income has grown solidly as well, particularly for apartment properties, providing partial justification for the rise in property values," the report states.

Apartments and other multi-family living facilities can be seen as a solid investment for property owners, with increases in overall property returns across the United States, according to a report by the National Multi-Housing Council. The report shows apartment buildings consistently outgrew other real estate holdings in terms of financial returns.

Through analysis of economic and real estate market conditions, the white paper, written by professors Mark J. Eppli and Charles C. Tu, found a notable increase in commercial real estate asset prices.

According to Heidi Zimmer-Meyer, president of the Rochester Downtown Development Corp., the downtown real estate market, while not high-growth, nevertheless is a "stable market, growing and solid."

According to the RDDC, some 7,200 people are currently living in downtown Rochester, with another 3,000 estimated to follow. With 21 total housing projects in the pipeline, according to Zimmer-Meyer, it is likely that housing will match the estimates for downtown population.

Market rate units occupy 72 percent of the downtown Rochester market, with the occupancy rate at 96.7 percent, according to the RDDC. Subsidized and affordable units, while sharing less of the market at 24.4 percent, have a 93.4 percent occupancy rate. Owner-occupied units, such as condominiums and townhouses, total 141 units, and are currently at 3.5 percent of the market. The RDDC considers these buildings to be 100 percent occupied, with units typically on the market for only a month or less before getting bought or leased.

The higher-cost rental units, with rents typically ranging from \$2,365 to \$3,922 for studios to two-bedroom, are the first to go. The reason for such units getting leased quickly is the result of several factors, according to Zimmer-Meyer.

"I think part of it is people are paying a premium for a certain kind of lifestyle," she says, with unique views of the area from a high-rise complex and the ability to create communities being two of the main selling points, along with a general desire to live in a, "walkable environment you can't replicate anywhere else."

Another reason for the surge in apartment development is the unique nature of the buildings, many of which either fall into the historic renovation category or get converted from existing office space.

For Pat Tobin, market executive for S&T Bank's Western New York branch, the increase of viable tenants can be

traced to more businesses opening up offices downtown, with "some really good momentum" arising from this particular trend. Given the lack of open spaces for new development, many of the older buildings get converted to apartments to meet this demand.

"I think, probably the thing that gives me the most encouragement is that there's really nothing that is cookie-cutter," Tobin says.

"There's a lot of uniqueness to what's being provided to the market by developers, and I think that's really positive in the sense that there's not just these huge projects being done. Every urban market

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a (computer aided design) file that tells it where it should be every moment.”

Peter Muench, vice president of pre-construction at LeChase Construction LLC, said drones, or unmanned aircraft, are being used to communicate with earth-moving equipment for site work. Drones are flown above the site and map out the landscape below, relaying that information to machinery on the ground.

Drones can be used to scan existing earth conditions and get quick calculations of earth stockpiles, Muench said, noting the technology is now being used on more than 60 percent of jobs.

“We can actually go through and scan the entire site with a drone, and it’ll tell us in about an hour or two how much material we have to move out of there or bring in,” Muench said, noting it provides highly accurate information in less time and with less manpower.

Information can be relayed back to the company’s offices as well, Muench said, allowing estimators to develop more accurate pricing for future jobs. He said the technology “really drives efficiency out on the site,” and can make a company more competitive bidding future work.

Drones are also being used to inspect multi-story structures, which Muench said provides a safer alternative to having workers examine the outside of the upper stories of a building. Witt said drones inspect roofs and provide price estimates for roofing projects. In the past, an individual would have to drive to a jobsite and climb up to the roof to take photos of the existing roof and various measurements.

“Now that same guy just goes over, sets up in the parking lot and a drone automatically goes up and flies over the whole roof of the building,” Witt said. “And that takes place over the course of probably 30 minutes... it’s really an amazing technology.”

LeChase is also using drones to communicate with clients, providing the company with an easy, cost-effective way to make time-lapse videos of construction and allowing clients to understand the day-to-day operations on a jobsite from their offices.

“It’s very helpful for weekly updates for owners and getting good footage of an entire site from good vantage points that you can’t get from a regular photographer,” said Jennifer Miglioratti, director of corporate communications.

Building information modeling, or BIM, is another technology that’s heavily used in construction to provide models of future and existing buildings. It pinpoints the location of pipes and electrical, heating and cooling systems in a structure.

Though not prevalent yet, some companies are taking BIM a step further and tying it in with augmented reality, or AR, Miglioratti said. LeChase is currently exploring AR, she said, calling it “the next step where you’re wearing that technology and can actually look around as if you’re inside of (a building).”

Muench said there are a lot of technologies that come and go. For that reason, LeChase — a company that has been around for nearly 75 years — is cautious about bringing something new to market that may not prove itself in the future.

Matthew Reitz is a Rochester-area freelance writer.

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is going to offer that, because they’re utilizing historic buildings.”

Aside from the overall value and diversity of the new apartment buildings downtown, the trend of more people choosing to live in apartments is also relatively new.

Given the difficulty in purchasing a new home, more people now choose to live in an apartment instead, providing a unique opportunity for those investing in apartments.

“For someone who’s an investor, who wants to buy properties and rent them out, it’s a great opportunity, because you have the highest quality of renters that’s been out there in probably the last decade,” says Nick Castronova, director of real estate operations for Oxford Capital

Mortgage.

The demand for apartment living doesn’t just exist downtown. Rochester’s suburbs, too, are seeing more development of apartment and mixed-use buildings.

Stephanie Benson, partner and chief operating officer at Edgemere Development, points to at least three new developments going up in Henrietta, Farmington and Greece, with an additional renovation of mixed-use property in Holley.

“It just really comes down to what are the needs of that community? And does the building lend itself to creating that space?” says Benson.

While some raise concerns of a housing bubble, many local experts don’t see any such evidence yet, given how the rate of demand has matched the rate of occupancy.

According to Alexandria Sebastian, regional manager of new development for Morgan Management, “we’re seeing a lot of success,” in filling up apartments.

“With more and more companies in Rochester,” along with an increase in employees, “they’re all looking for housing,” says Sebastian.

Patrick Harney is a Rochester-area freelance writer.



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