

# MULTI-FAMILY RENTAL MARKET REPORT

**CAPITAL REGION, NY**  
(Albany, Schenectady, Saratoga, Rensselaer)

**Fall/Winter 2001-2002**

PREPARED BY



**Sunrise Management and Consulting**

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## INTRODUCTION

Sunrise Management and Consulting published the first ever survey of the multi-family rental market in the Capital Region, which was released in the Spring of 2001, in order to better understand the nuances of the pricing and rental concessions that affect the market. The second survey updates that information as well as adding the important components of amenities, utilities and vacancy information. The second report addresses the affect of amenities and utility costs to the rental pricing. Establishing specific parameters on vacancies (and turnovers) proved far more elusive since owners/managers consider such information proprietary and are generally unwilling to provide specific vacancy data. However, the continued support from the major owners will help us to overcome this concern in future reports.

From a data collection standpoint, the survey has been expanded to include more complexes, and therefore more apartment units in the database. The database includes all of the 25 largest complexes in the Capital Region, many of the mid-range complexes (100-250 units), a representative sample of the smaller (less than 100 units) properties and even those that offer unique (one of a kind) floor plans.

The data collection effort again included "shopping" the properties either in person or by telephone. This effort was greatly enhanced by the cooperation of many property owners and their management staffs who provided information directly on their properties rather than "shopping" them.

## GENERAL OVERVIEW

The Capital Region market continues on a steady climb of increasing rents. Certain elemental trends have been identified, as a result of our Spring 2001 Report, and the report enclosed herein. The trends are reflected in the properties reviewed and the findings as shown.

In general, we find that those properties which are well managed and well maintained continue to produce rents which form the upper level of the rent structure of the market place. This finding holds true throughout each of the sub-markets throughout the Capital Region.

A review of the findings of the report show that while the overall market continues on a steady climb, the rate of the increase in rents has appeared to slow. However, the disparity between those properties which are well maintained and the ones that reflect substantial levels of deferred maintenance and lack elements of customer service and amenities, continue their levels of respective disparity.

Our study continues to mature in terms of the elements being reviewed. The increased level of participation has provided the study with a substantially greater level of reliability. Additional conclusions may be drawn from the information contained in the study, as a result of this high level of participation.

As the demographics of the market continue to change with the aging "baby boomer" population, the concept of liquidating equity out of real estate assets and moving to a more carefree lifestyle will continue. The market's attention will focus on the type of product that more resembles the type of living facilities this portion of the population will be vacating. These "renters by choice" will direct the development community to create a product that matches their wants and needs. This strata of the market will derive the highest rents into the future.

The market area continues to expound good news in terms of very low levels of unemployment, continually increasing number of single-family housing starts, and a relatively low number of new multi-family permits being issued. The Greater Capital Region, for the first time in more than fifty years, is able to confirm that there currently exists more private sector high technology jobs, within the market place, than jobs in the government sector. This fact bodes well for the continued strength of this portion of the Capital Region market. One reason for this dominance of the high technology sector is focused on the fact that the University of Albany in cooperation with Rensselaer Polytechnic Institute (RPI) continues to develop high technology assets which lead to population and job growth. The burgeoning population within

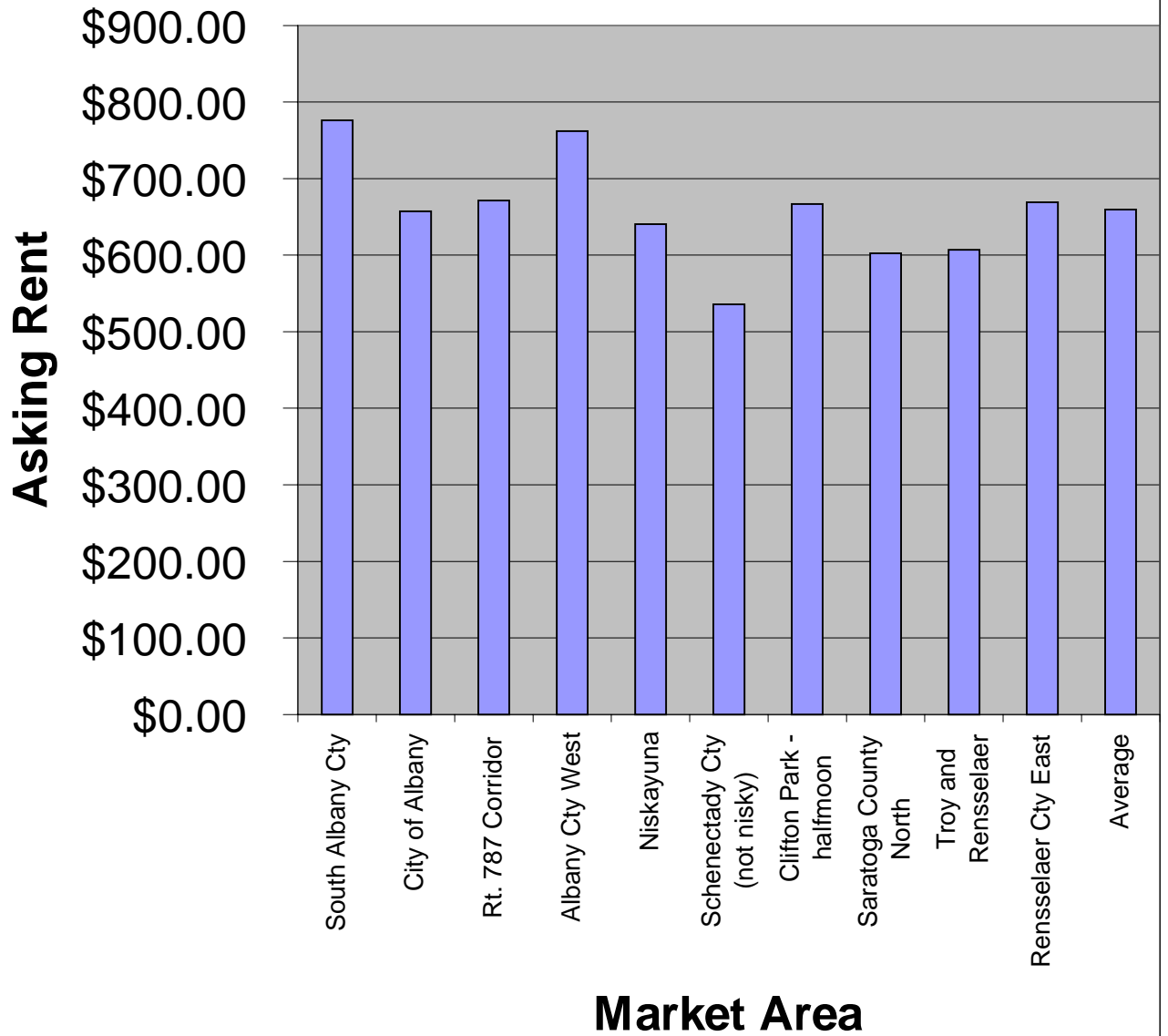
this sector speaks very well for the market place, in that the bulk of the jobs being created are filled by recent (10 years or less) graduates, thereby continuing the support of the market place to hold the youth and brain power that the region currently educates through its sixteen colleges and universities.

## MARKETING REGIONS

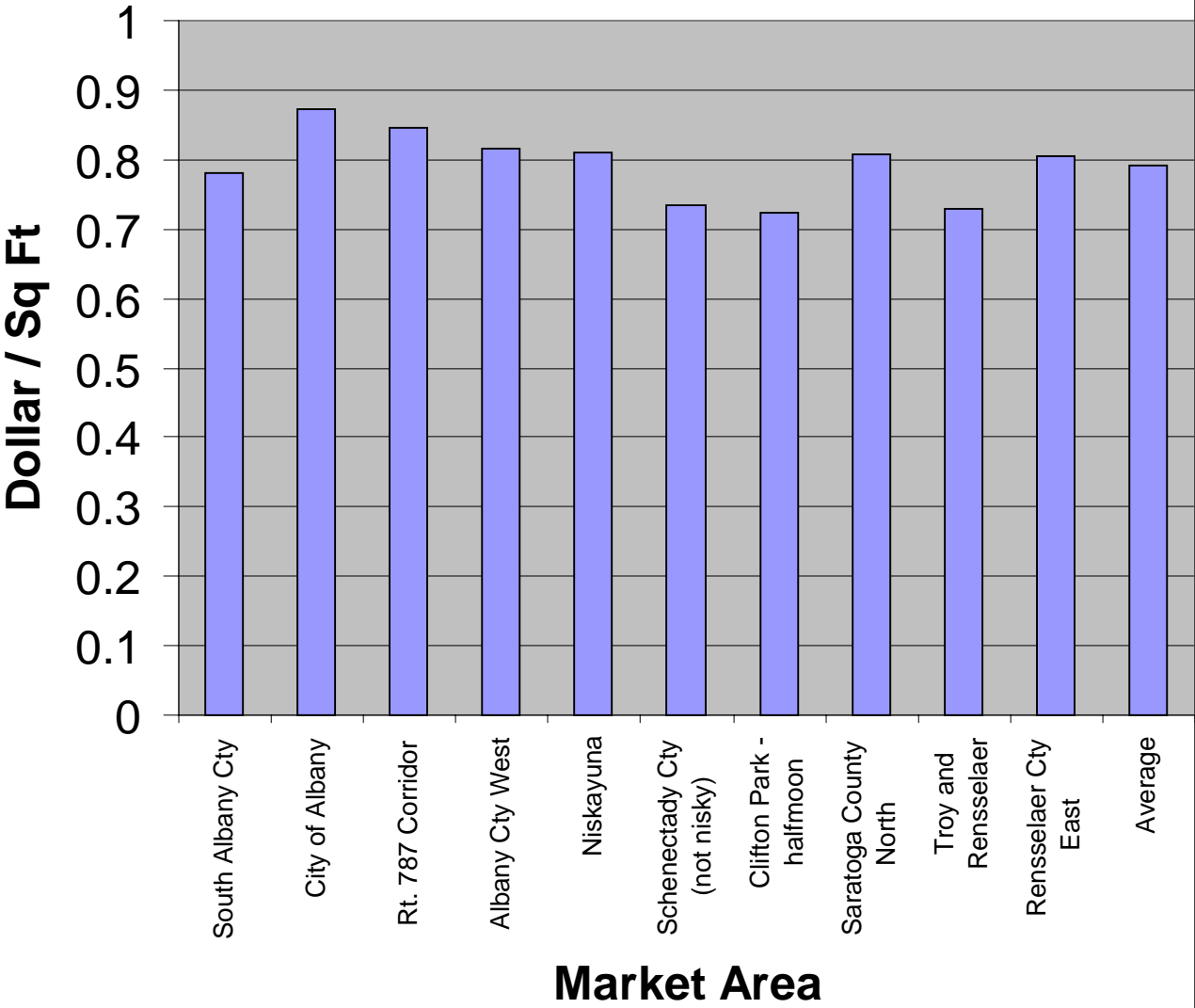
The initial report displayed all data by the four counties comprising the Capital Region. This report provides further broken down into natural marketing areas rather than just by county. We define those areas as follows:

- Southern Albany County – Includes those areas south of the City of Albany including the Towns of Bethlehem, New Scotland and Coeymans.
- City of Albany
- Rte. 787 Corridor – Including Menands, Latham, Watervliet, Loudonville and Cohoes.
- Albany County West – Includes the balance of the Town of Colonie and all of the Town of Guilderland.
- Niskayuna – This area only includes the Town of Niskayuna, County of Schenectady.
- Schenectady County – Includes the balance of the county including the City of Schenectady and the Towns of Rotterdam and Glenville.
- Clifton Park/Halfmoon – This area includes the Towns of Clifton Park and Halfmoon in Saratoga County.
- Saratoga County North – Includes the balance of Saratoga County including the City of Saratoga Springs.
- City of Troy and Rensselaer – Includes the Cities of Troy and Rensselaer only.
- Rensselaer County East – Includes the balance of Rensselaer County with the concentration in the Town of East Greenbush.

# Capital Region Average Rent



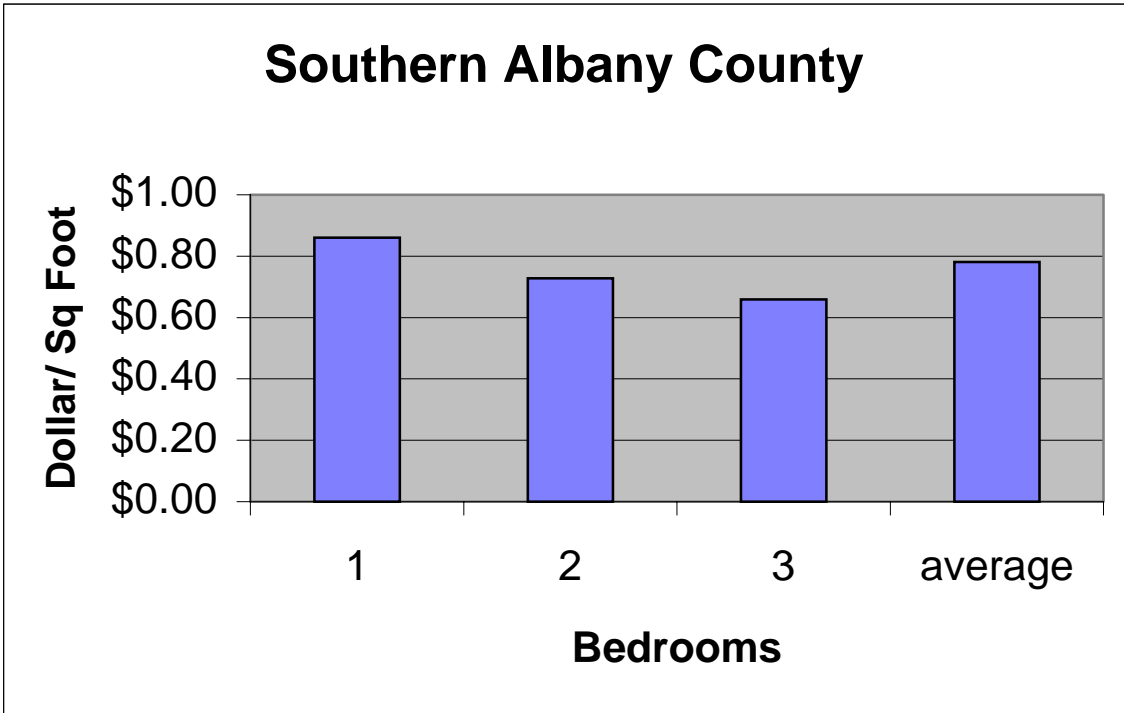
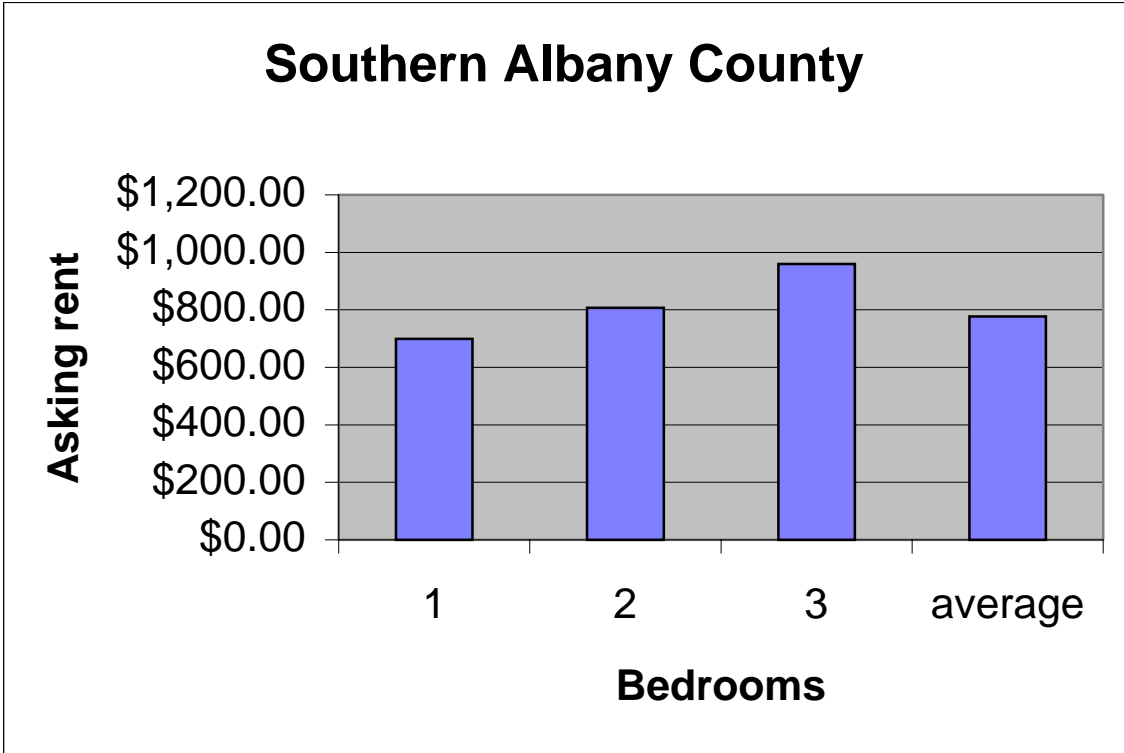
# Capital Region Average Square Foot Rent

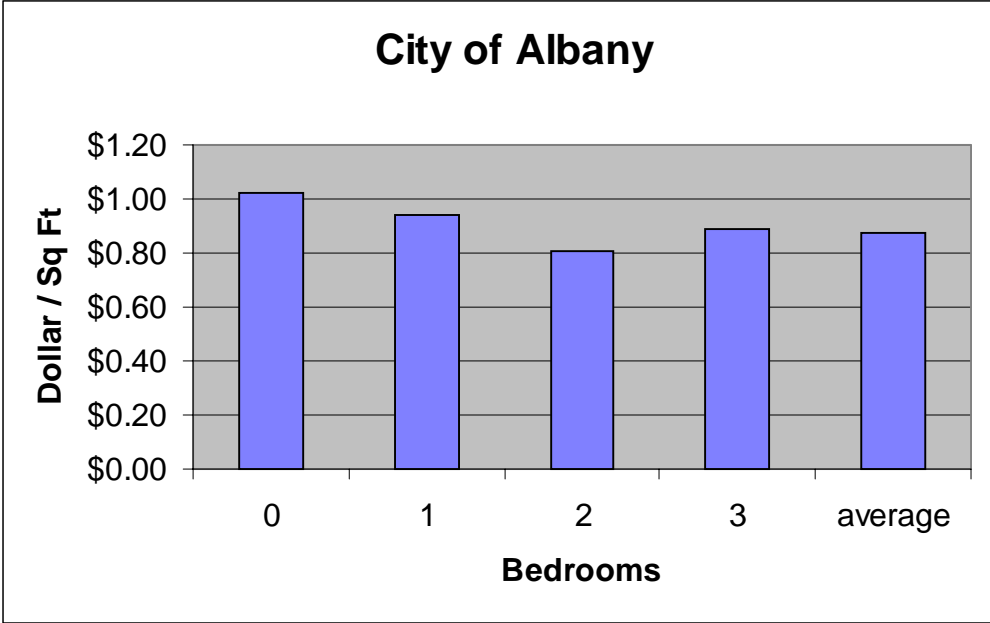
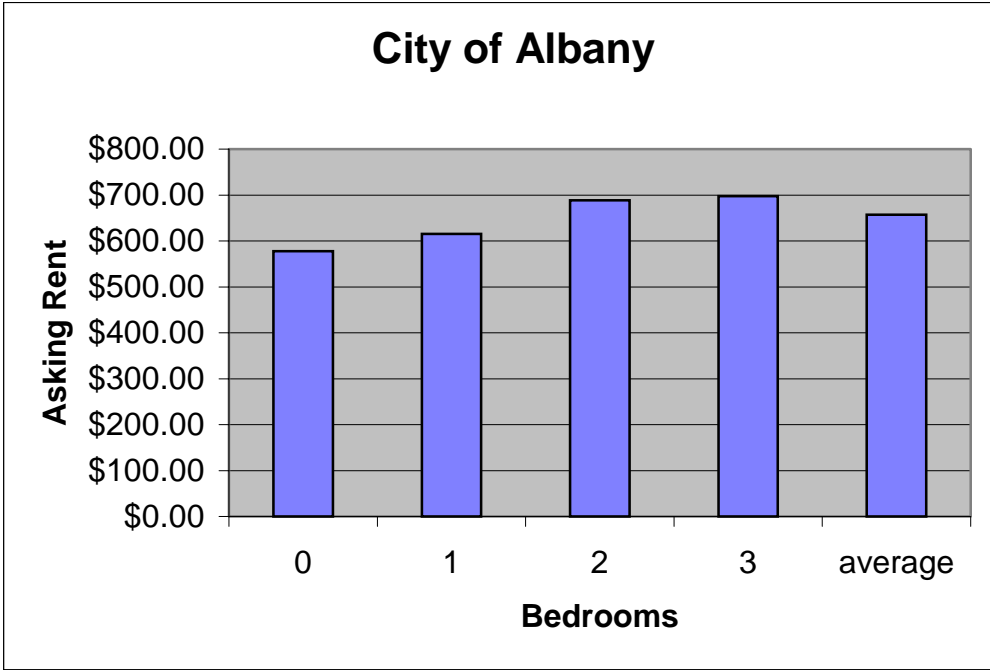


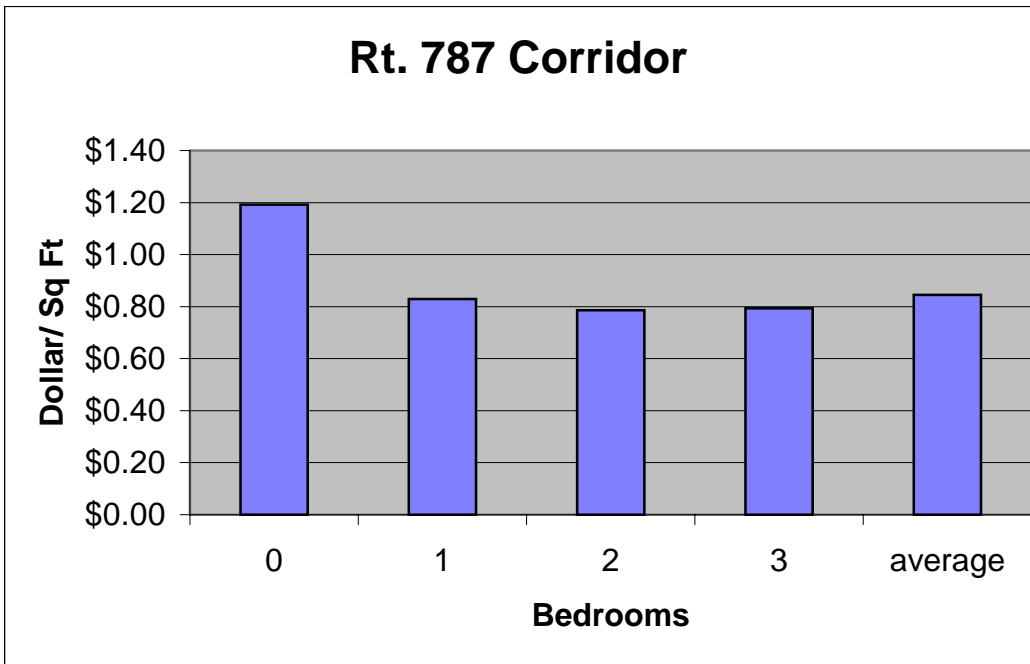
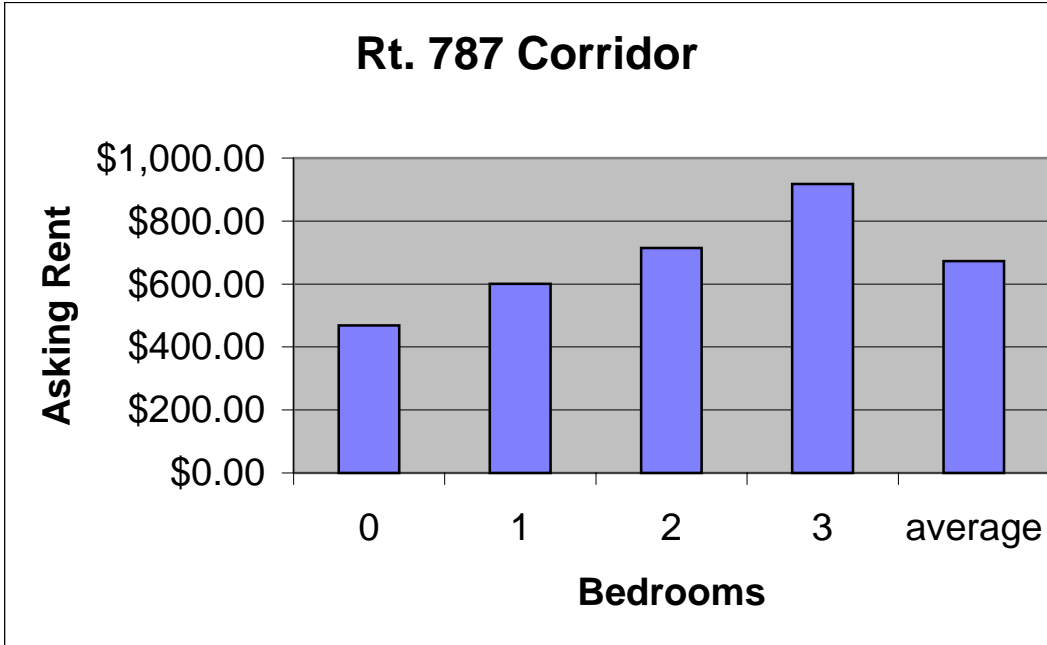
## ALBANY COUNTY

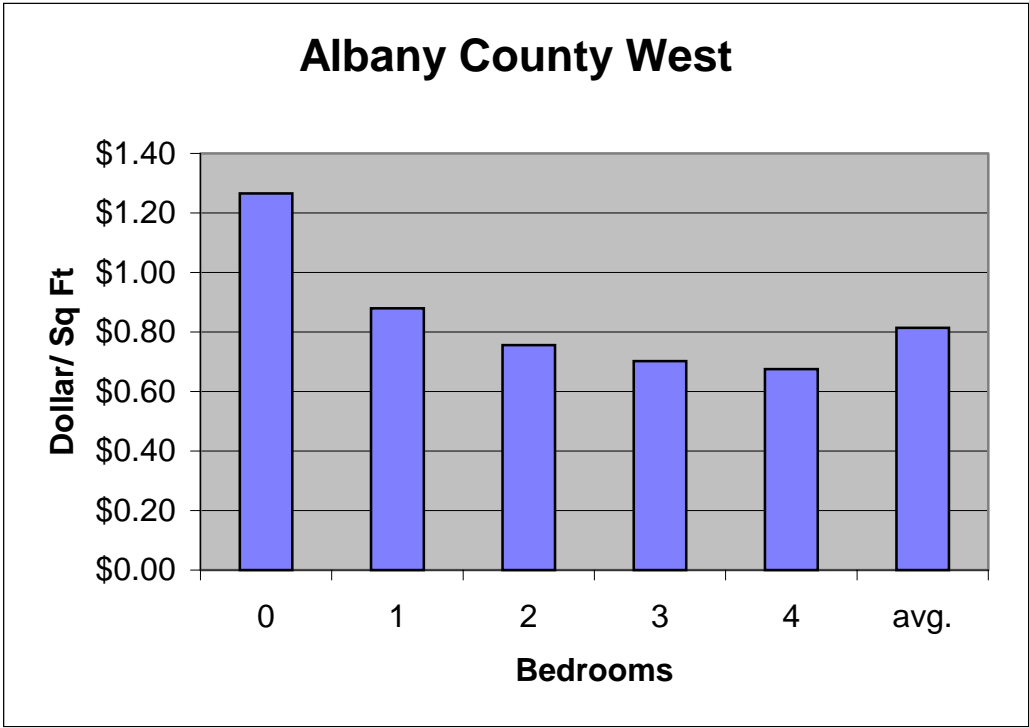
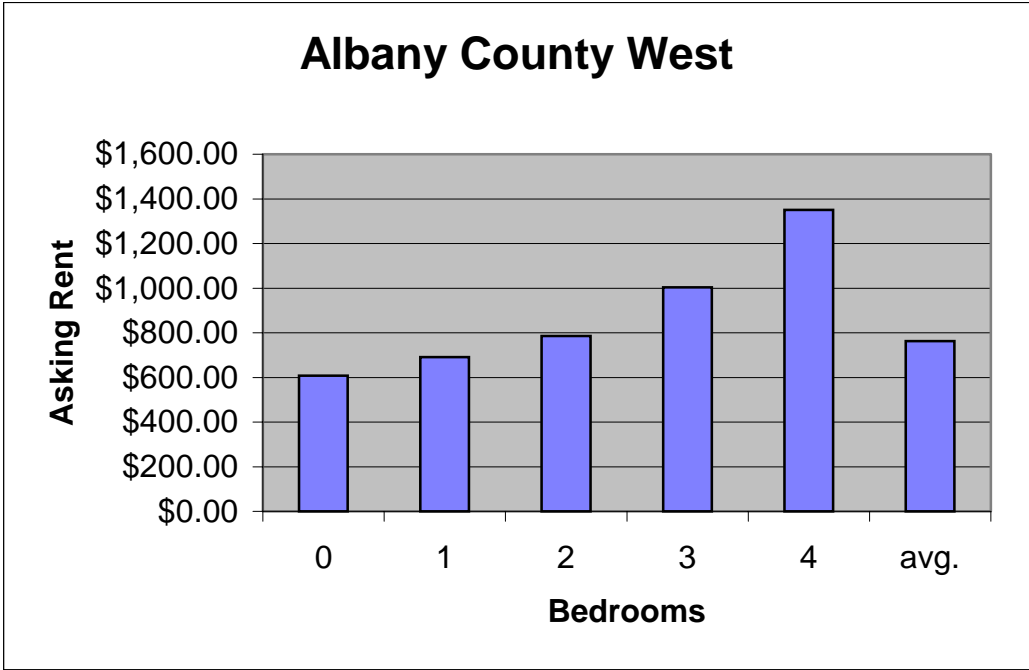
The strongest of the four counties within the showing, Albany County has remained a continuous leader, in terms of rents, throughout the region. This dominance within the market place continues as a result of being the central point of the Capital Region economic base.

Of significant importance is the fact that some new multi-family development has occurred within the County, which begins to address the requirements of an emerging market. That market, known as "renters by choice", has finally started to be fulfilled with the development of a product which is more reflective of an apartment home. This product features two to three bedrooms with at least two full bathrooms, direct access garage facilities, individualized refuse removal and individual entrances. The departure from the typical breezeway style construction will, in the long-term, bode well for those projects which can be modified to provide this feature. Those newly built facilities which establish these amenities as a focal point, will continue to see rent increases which, based upon the information contained in the study, will out pace the typical older styled units in the market.







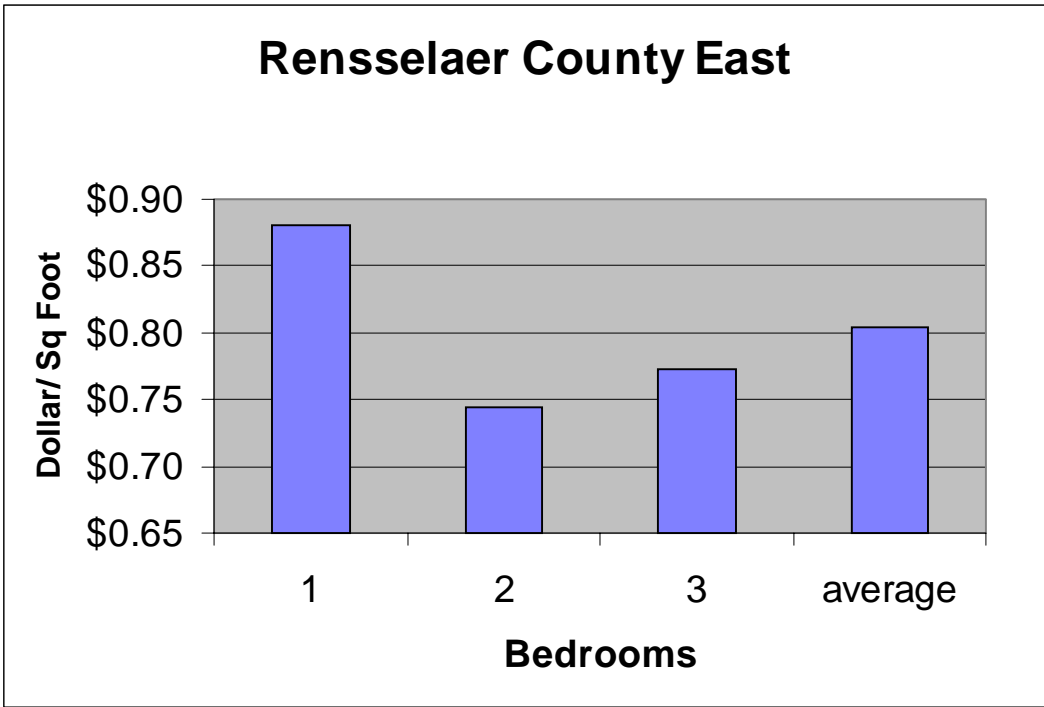
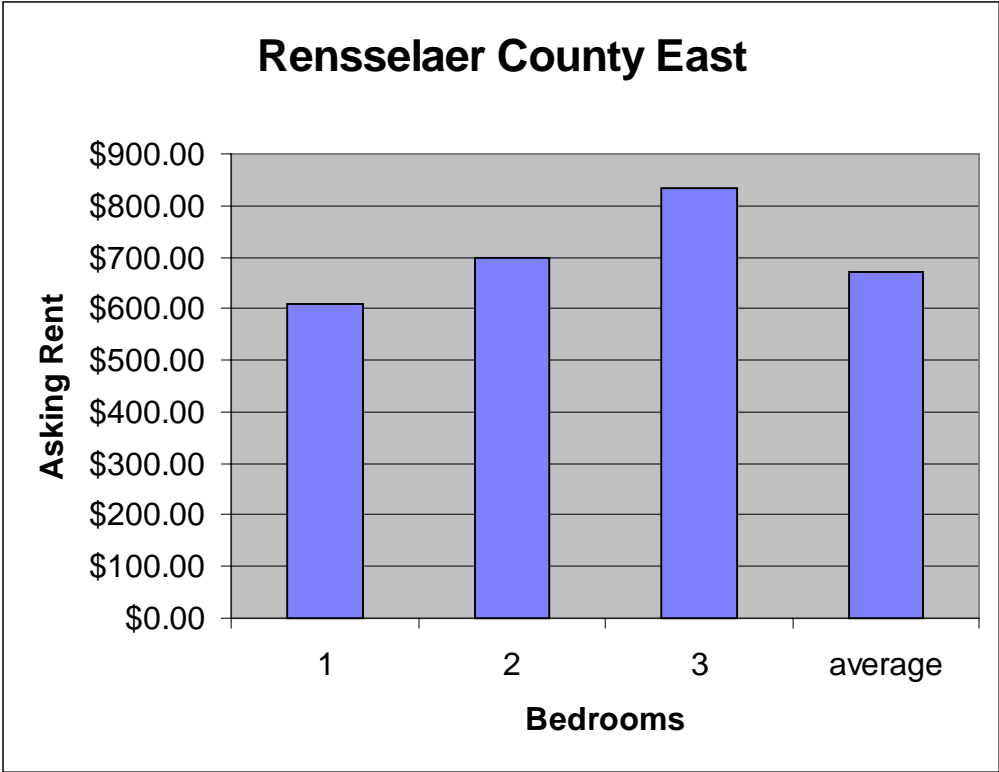


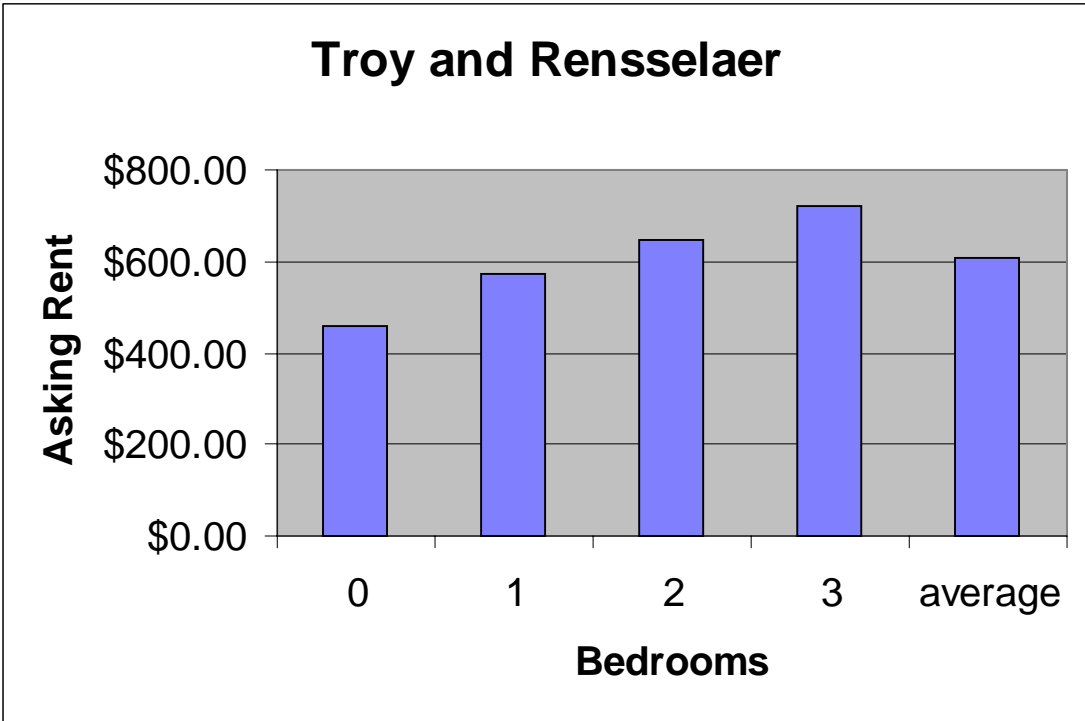
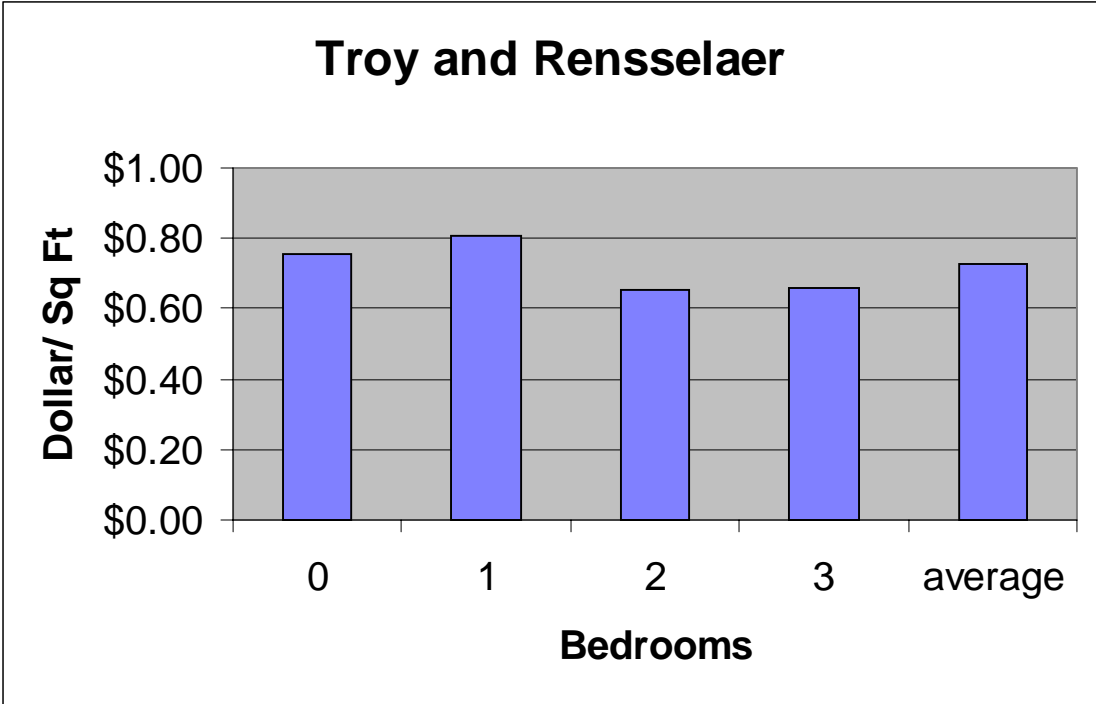
## **RENSSELAER COUNTY**

As noted in the previous section on Albany County, the cooperative effort between RPI and the University of Albany coupled with a recent \$360,000,000 endowment to RPI has led to substantial expansion and development of the school's facilities. Their current program will expand the teaching, research and development capabilities of RPI by nearly 100%, at the end of their ten-year plan. The presence of this ever expanding engineering and high technology based school will continue to provide the region with a substantial number of highly trained and qualified residents which will be employed within the high technology field, and the bio-technology field currently supported by this major expansion of the university's offerings.

Rental trends in the area continue to rise. Spurred on by the high tech job growth and that within the biotechnology field, this market shows signs of stability and growth into the future. Those properties that are catering to this emerging market continue to present rent increase potential well into the future.

The local government is very pro-active towards development and is welcoming a diverse range of commerce and industry to its environs. Through the use of financial incentives, this area should continue to see considerable growth and expansion.





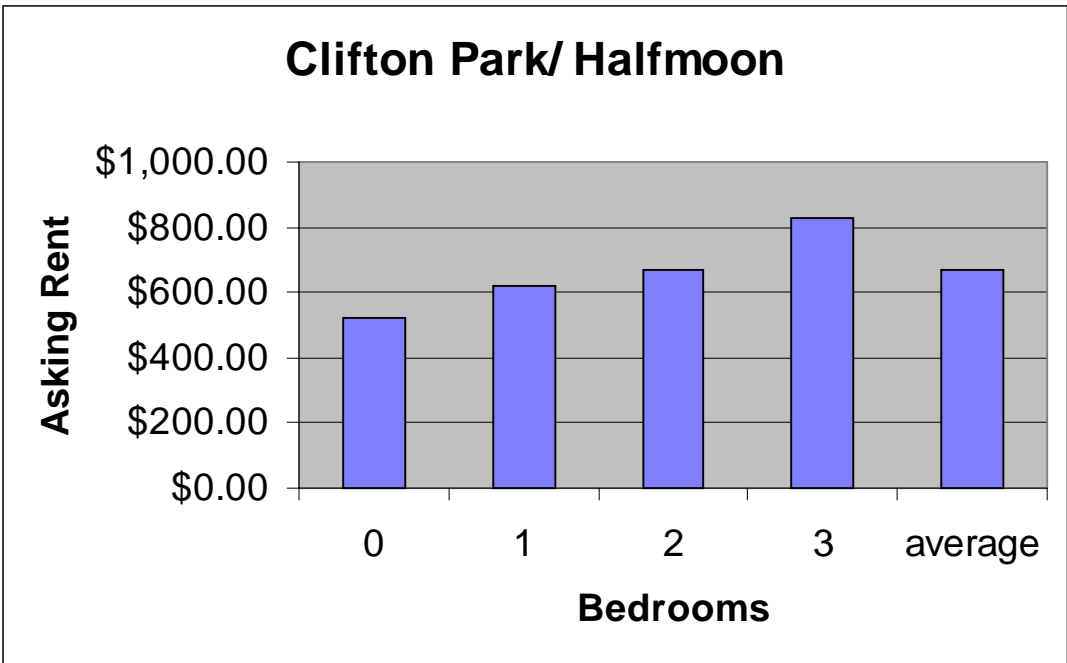
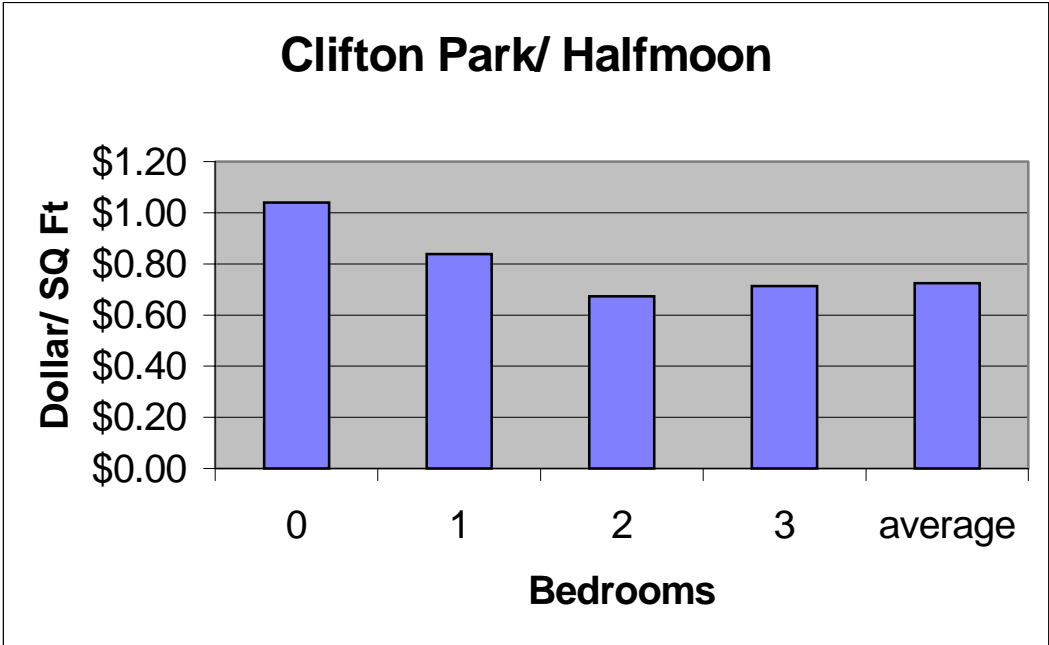
## SARATOGA COUNTY

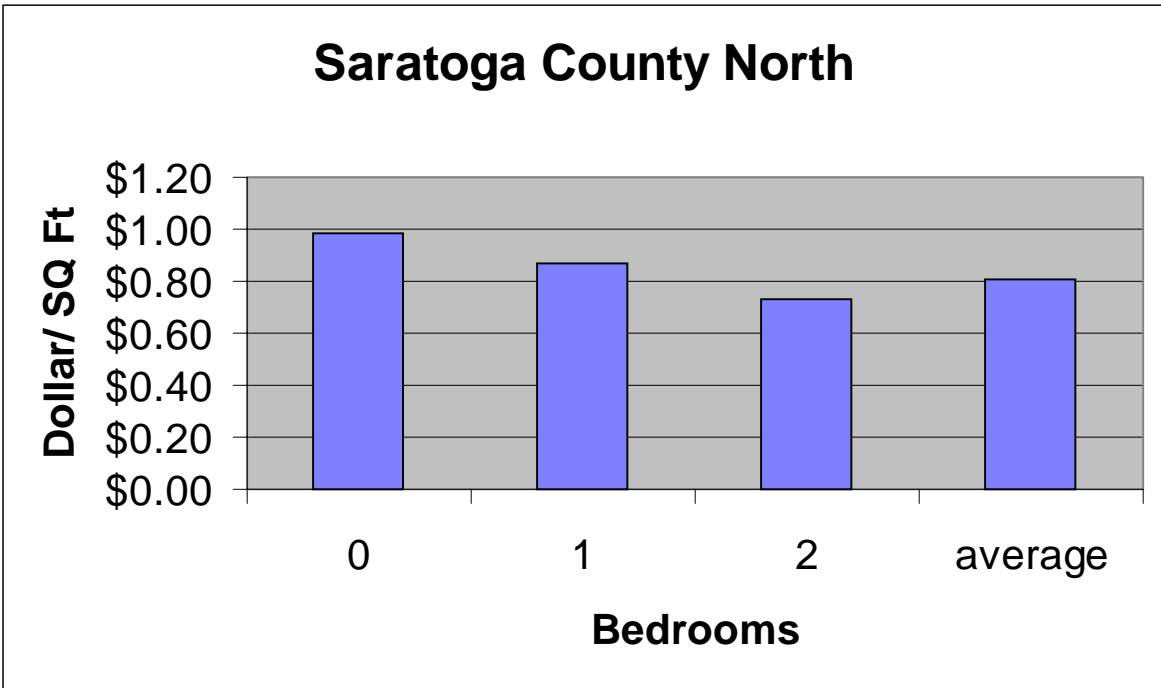
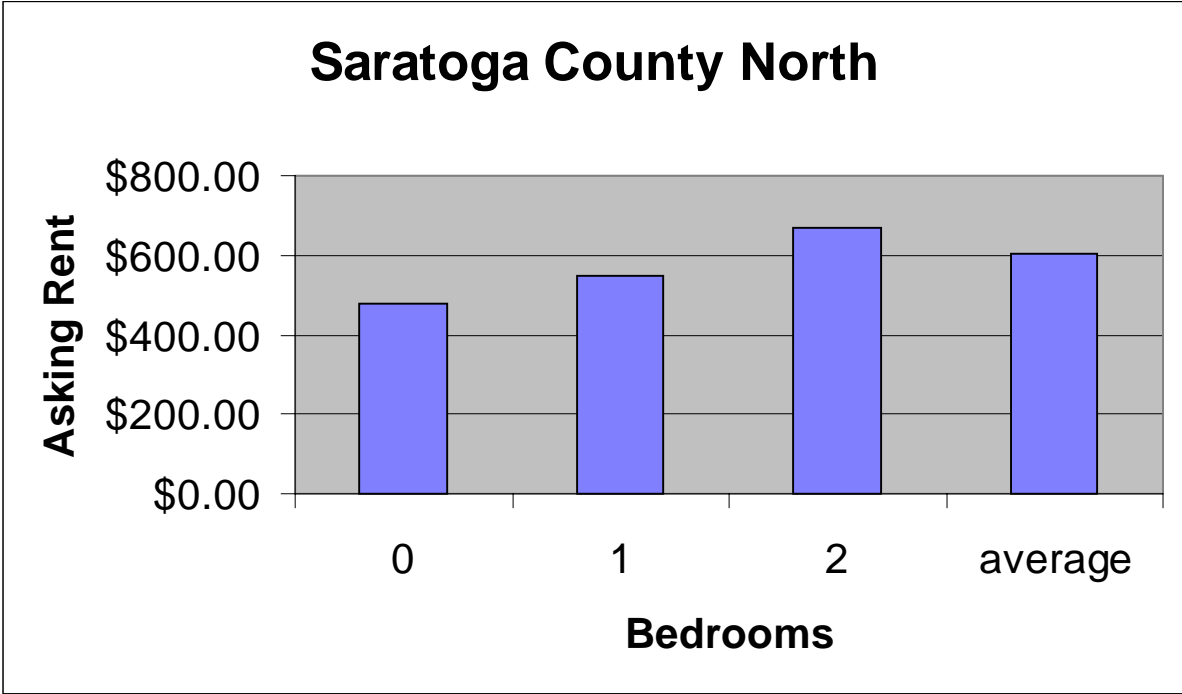
Still an adolescent, when compared to the Tri-Cities of Albany Schenectady and Troy, this market is performing to unexpected levels.

The southern portion (Clifton Park and Halfmoon) continues on sound foundations with lower priced product being recently introduced. This has not affected the market negatively, and has bolstered the diversity of the market, and its level of appeal to a large range of tenants.

Continued growth appears stymied at present, but this will provide for a continued strong market with rents rising as demand continues to build. Added to this product base are some higher end products that are delivering as this report is published. This product group is first being seen in Saratoga Springs, but the success and pull of this market will show support for more higher end product, and that which is developed for the "rent by choice" market.

This market and these customers will now place greater emphasis on design and amenities to support their changing lifestyle.



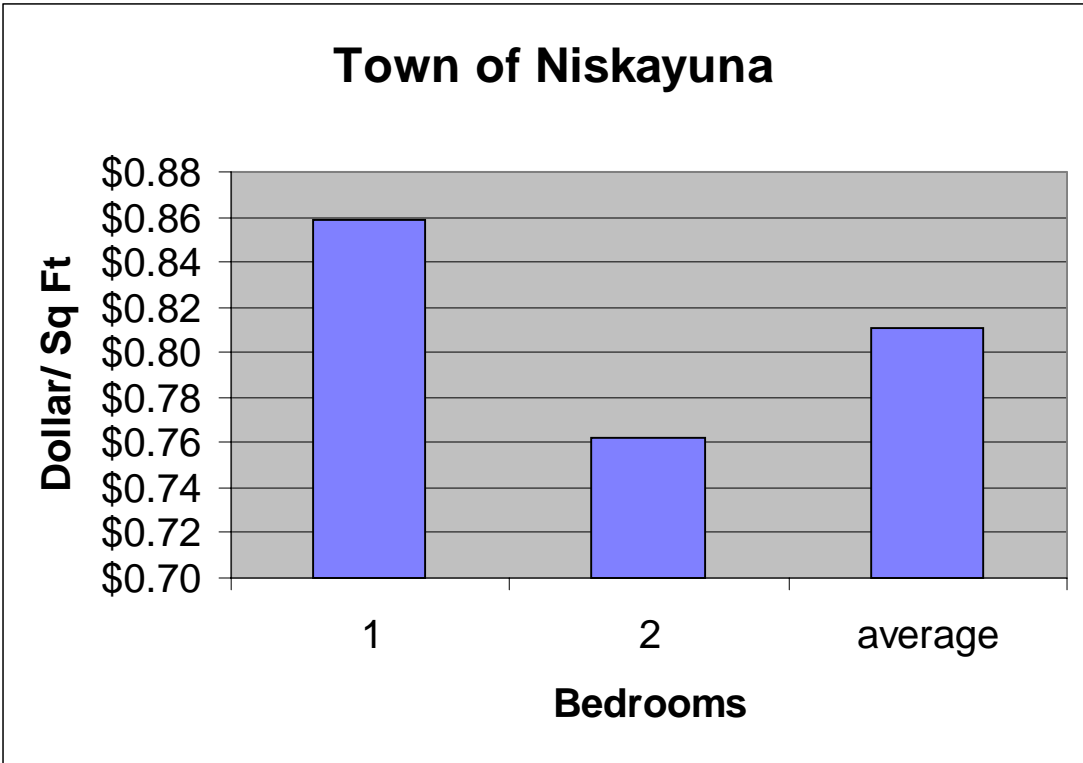
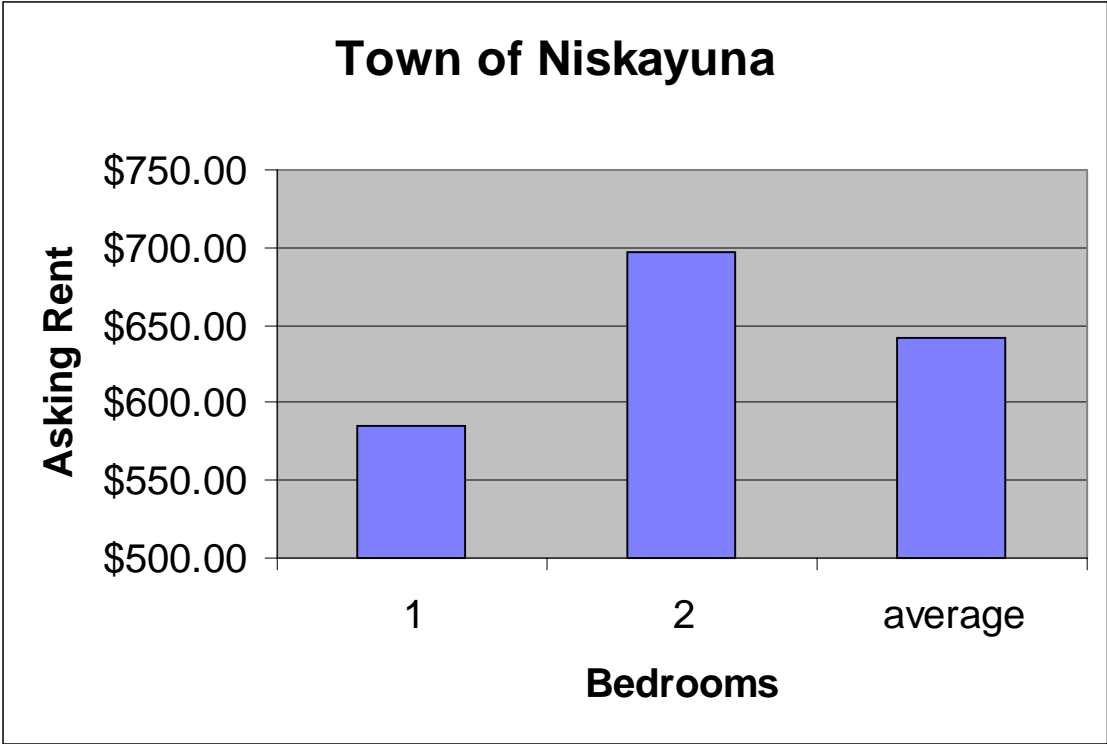


## SCHENECTADY COUNTY

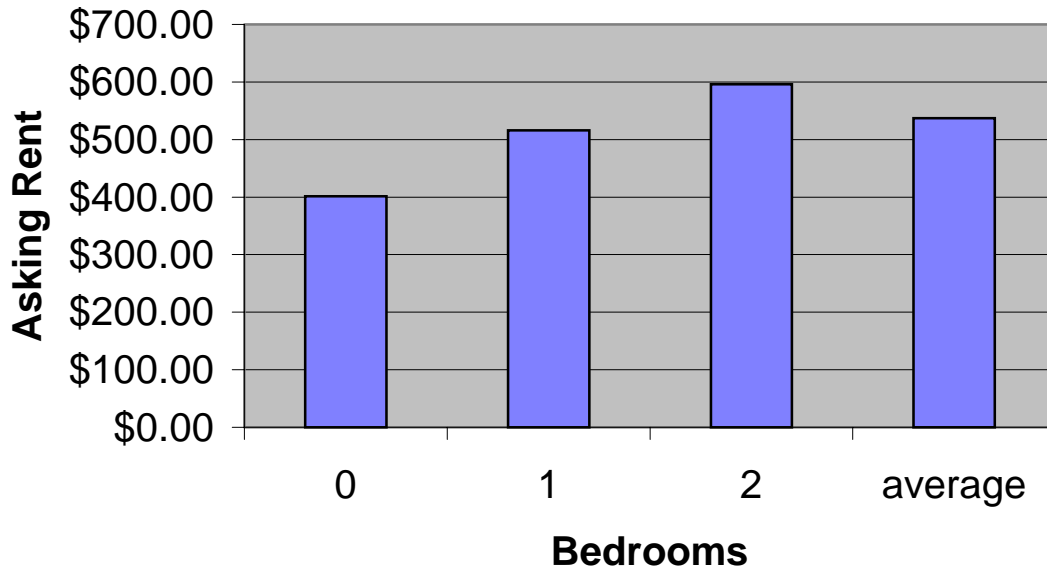
This portion of the market continues to lag behind the market as a whole. The bargains continue in this locale, with certain suburban areas offering some of the best education opportunities within the region. Unlike homeowners, this rental market can reap the benefit of this locational amenity at a most competitive cost.

Our review of this sub-market shows signs of improvement based on the obstacles to entry in most of the suburban markets. The more urban portions lie in wait for the impact of the new MVP headquarters and the opening of NYS DOT Region One office. The impact to the housing market has not yet been felt, but all signs point to improving occupancy levels coupled with increasing rents.

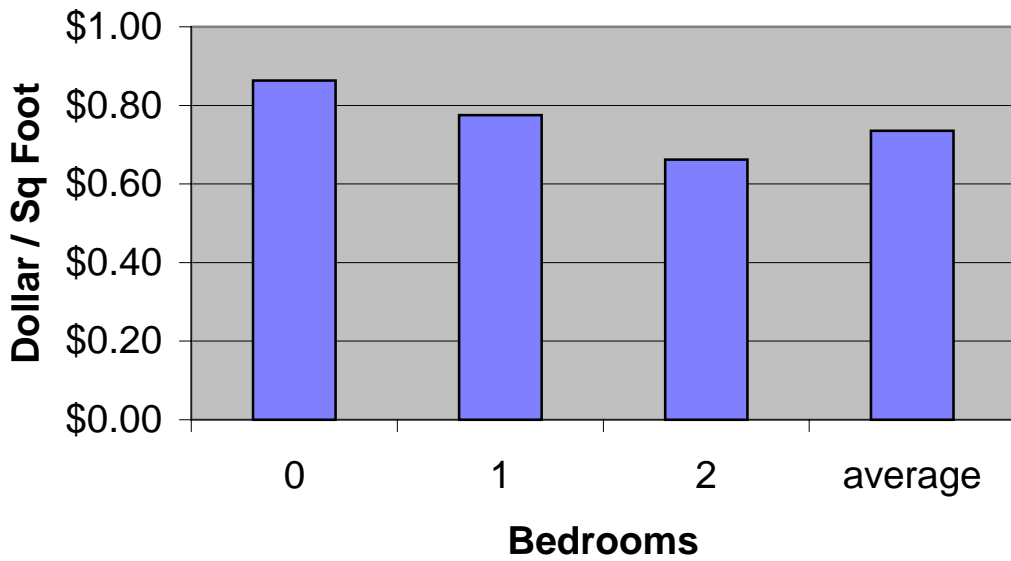
Of concern is a lack of new product being proposed in the immediate area that will offer a product to the "rent by choice" market. The offering of this product class will insure the continued high occupancy levels as the baby boomer market seeks alternative lifestyles. By providing a full range of product, the attractiveness of an area for long-term occupancy increases, and housing alternatives will continue to provide above average returns to both owners and renters.



### Schenectady County (excluding Niskayuna)



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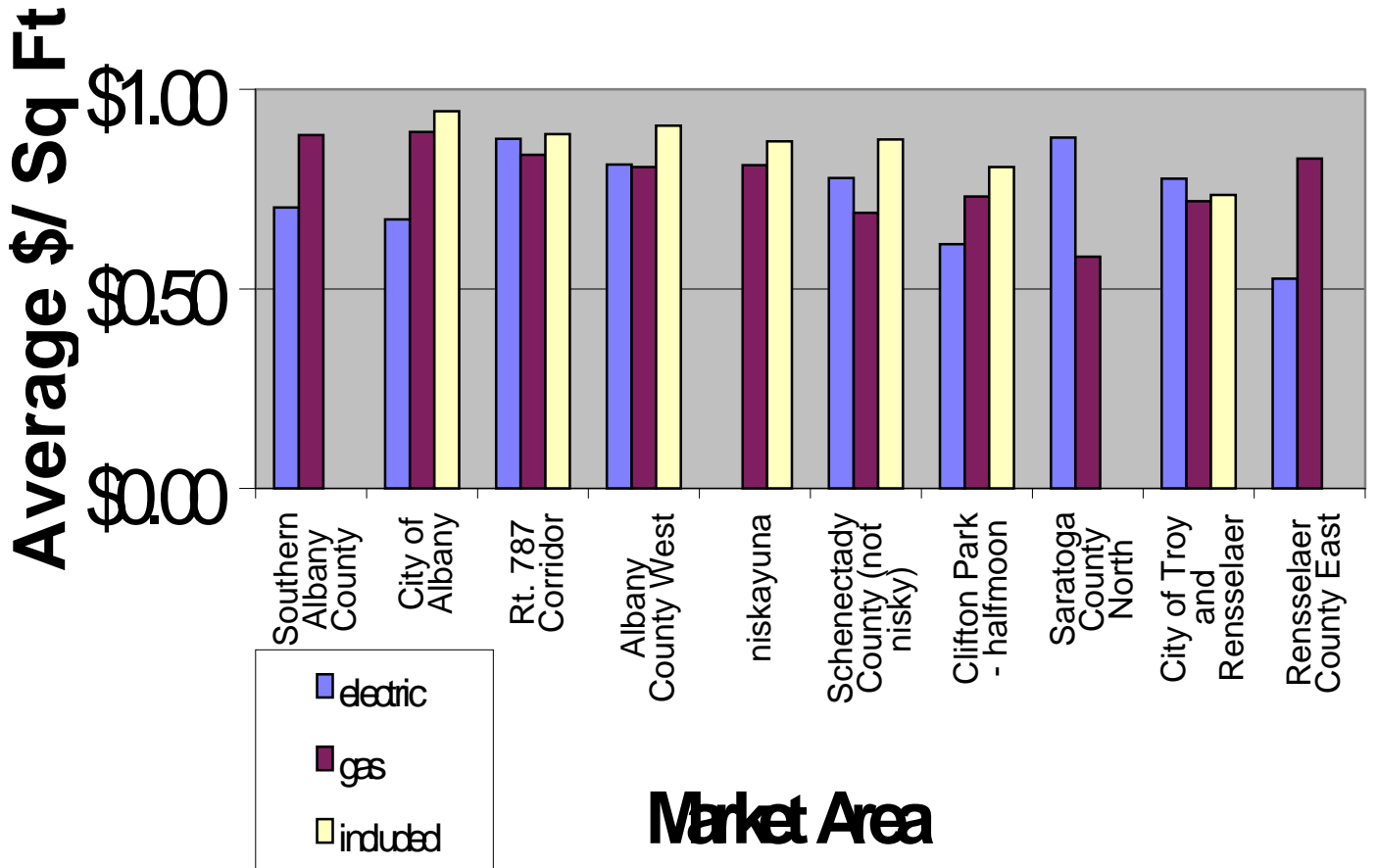
## HEATING

The current report also ascertained the types of heating sources utilized in multi-family buildings and who pays for the consumption of apartment unit utilities. The graph on heating differential visualizes this information in an interesting relationship to average rent per square foot. Often, the decision to include heat in the rent is based on the source of the heat and whether it can be individually metered.

As can be seen, the value of the commodity is not returned to the owner, in terms of rent, when compared to those properties with separate utility billing.

Heating sources are almost always based on the age of the apartment building. For example, units built in the 60's and 70's will usually have electric heating. More recent construction will usually be gas fired forced air combination systems. It is based almost exclusively on the economies and availability of the fuel source at the time of construction.

# Heating Differential



## AMENITIES

The data collection phase for this report included the determination of the availability of certain types of amenities. These included the availability of swimming pools, clubhouses, fitness centers, business centers and other types of sports facilities. The survey also included information about the availability of washers and dryers within the apartment unit or at least water and electric hook-ups for washers and dryers. Finally, it was determined that some complexes have started to provide some form of high-speed Internet access to their customers.

Generally, the availability of such amenities depends on the age and location of the property. The decision to include amenities and perhaps even more important, which amenities to include, is a complex decision related to ascertainable rents and the ability of that rent structure to support the cost of the amenities. It is further complicated by the size of the apartment units, the competition, the location and the customer base. Individualized analysis of which type of amenities to include is available through the consulting services of **SUNRISE MANAGEMENT AND CONSULTING**.

## CONCLUSION

Faced with a continuing strong market we will begin to see new product developed which will capture the "rent by choice" market and the more sophisticated occupant. Design and product continue to occur while this portion of the market migrates to its alternative lifestyle.

As this occurs, more and more emphasis will be placed on amenities. Those properties that are more customer friendly, more service focused and deliver the product in a format desired by the greatest market segment (baby boomers) will prove most profitable.

While the focus of management must be directed to asset enhancement, the investment and reallocation of capital will best be served by recognition of the market trends. The deployment of capital, equity and assets (people, property, and improvements) will be enhanced by focusing on the greatest market segments, the customer, our tenants

## CREDITS

As with the original report, a survey instrument was developed to collect the information (both updated and the new elements). The collection of data was greatly enhanced by the participation of many of the largest property managers who completed the survey instrument for each of their owned/managed properties. We are indebted to them for the quality of information provided and time saved.

The staff of **SUNRISE MANAGEMENT AND CONSULTING** again spent numerous hours organizing, collecting and analyzing the data as well as creating the graphic presentations. Specific mention is made to Jesse Holland, Richard Dolins and Keith Flores. Howard Carr, President of The Howard Group, again developed the market analysis included in this report and Meredith Poole, also of The Howard Group, provided substantial administrative assistance.