MULTI-FAMILY RENTAL MARKET REPORT

CAPITAL REGION, NY
HUDSON VALLEY, NY

Summer / Fall 2002

PREPARED BY

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INTRODUCTION

Sunrise Management and Consulting publishes the only survey of the market rate multi-family rental segment in the Capital Region. For our third effort, the report has been expanded to include four counties in the Hudson Valley. The third survey, in addition to the increase in geographic scope, has added a software package to assist in the analysis of the data collected. The initial survey centered on the nuances of pricing and rental concessions and the second survey added the affects of amenities, utilities and vacancy information. These items will always be keys to understanding a given market segment. As such, this third edition continues to utilize these factors while our ability to manipulate the information in new ways should prove of great benefit to owners, managers and real estate professionals.

The entire database for the third report has been entered utilizing a commercial real estate software package. This program allows us to array and analyze data using many predefined formats. You will notice, for example, that along with our graphs we are now able to include the information in chart form. This has enhanced the ability of our staff to analyze trends that appear in the market.

The initial report displayed all data by the four counties comprising the Capital Region. The second report broke it further into natural marketing segments. While this provided an interesting market analysis, this would become overly complex with the additional counties added for the third report. As such, the third report returns to an analysis by counties within regions and includes a total of eight counties.

The Capital Region portion of the report includes Albany, Rensselaer, Saratoga and Schenectady Counties. The new Hudson Valley portion of the report includes Columbia, Dutchess, Greene and Ulster Counties. The counties of Columbia and Greene provide very limited availability of market rate properties; therefore, separate county analysis for each is not possible although they are included in the database where available.

GENERAL OVERVIEW

Continued job growth has helped support the Capital Region rental market as it continues an unprecedented period on a steady climb of increasing rents. Those properties that are well managed and well maintained continue to produce rents that form the upper portion of the rent structure in the market place. This finding continues to hold true in each of the sub-markets throughout the Capital region.

This current report's findings show that while the overall market continues on its growth curve, the rate of increase in rents has held and in many cases increased in terms of percentage. The continued levels of respective disparity between the well-maintained properties and those that reflect higher levels of deferred maintenance can be seen in the elements of customer service and amenities. While our study continues to mature in terms of the elements being reviewed and considered, the data found a lesser degree of inconsistency therefore providing substantial conclusions from the information contained in the study. We wish to thank those who have continued with their high level of participation, for their cooperation and support which has permitted us to reach this level.

The single-family housing market continues at a very "hot" pace. The number of available listings continues to shrink in comparison to the overall market. Many of the aging "baby boomer" population are giving serious consideration to liquidating out of substantial real estate assets and continue to show a greater level of participation in the rental market.

While the population's attention will focus on those forms of rental property that resemble the format of the type of facilities that the population will desire, these "renters by choice" will direct the elected officials to create a development environment that allows a product to be developed that matches their wants and needs. As this portion of the market continues to swell, we estimate that those products that meet their desires will derive the highest rents long into the future.

EMPLOYMENT

While the employment situation within the area continues to support good news in terms of the lowest levels of unemployment within the state, we continue to see increasing numbers of single family housing starts with a continued low number of multi-family permits being either applied for or issued. The recent announcements of Semitec North and the RPI Biotechnology Facility will provide more private sector high technology jobs within the market place. The government sector continues to provide an excellent foundation for stability and growth into the future. As this technology based employment foundation continues into the future, the recruiting of higher technology focused people into the region will result in a younger working population more focused on the abilities contained within the market area. This will result in the market place being able to hold the youth and brainpower that the region creates through its 16 colleges and universities.

TERMINOLOGY

Unit mix as described in this report is a three-digit format. The format is defined as

Bedroom(s)/bath(s)/den or loft

For example the unit mix stated as 2/1.5/0 describes a 2 bedroom, 11/2 bathroom, no den apartment.

The category titled “units” states the number of each type of floor plan included in the report by region and county.

Capital Region

Albany, Rensselaer, Saratoga, Schenectady Counties

Capital Region

Apartment Properties as of September 2002

Current Rents

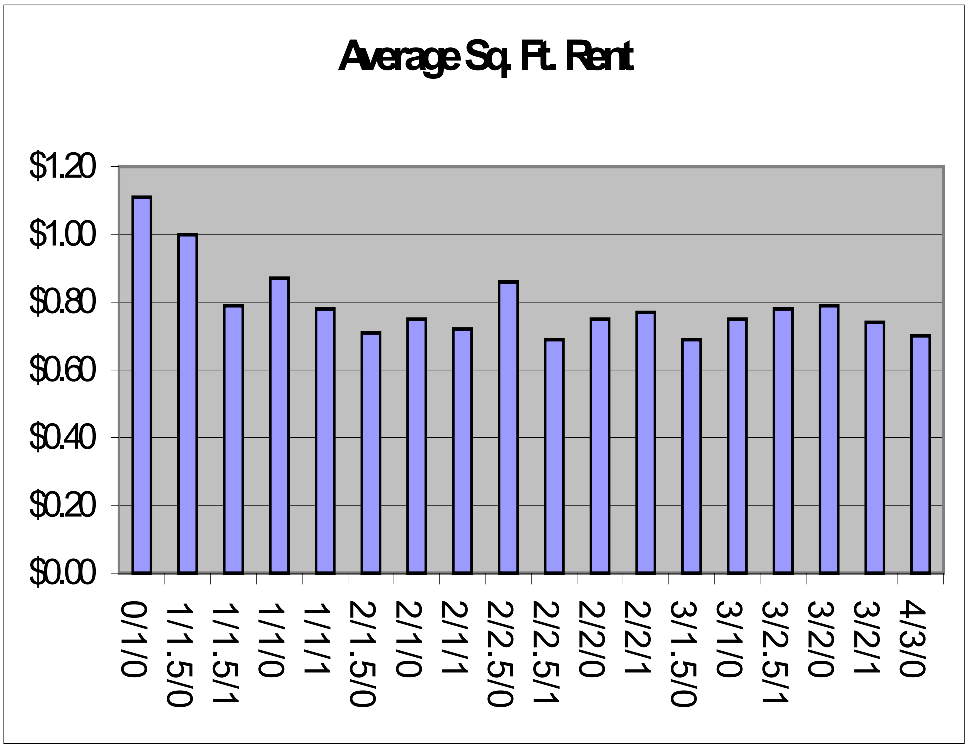
Property Statistics

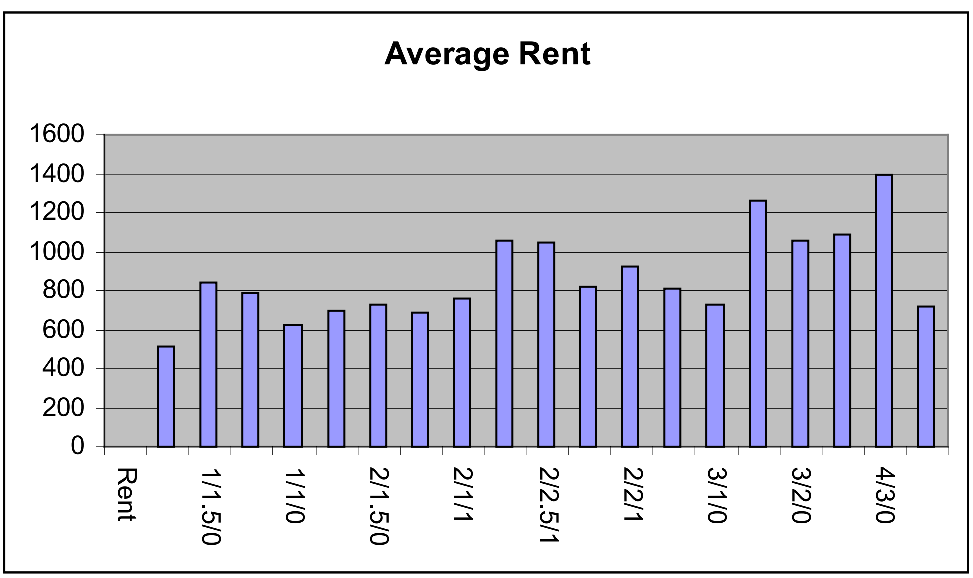
Number of Properties:	**104**
Total Units Inventory:	**21,865**
Average Number of Units Per Property:	**210**
Smallest Property:	**24**
Largest Property:	**952**
Earliest Year Built:	**1941**
Latest Year Built:	**2002**
Average Year Built:	**1973**

Unit Mix/Rent Statistics

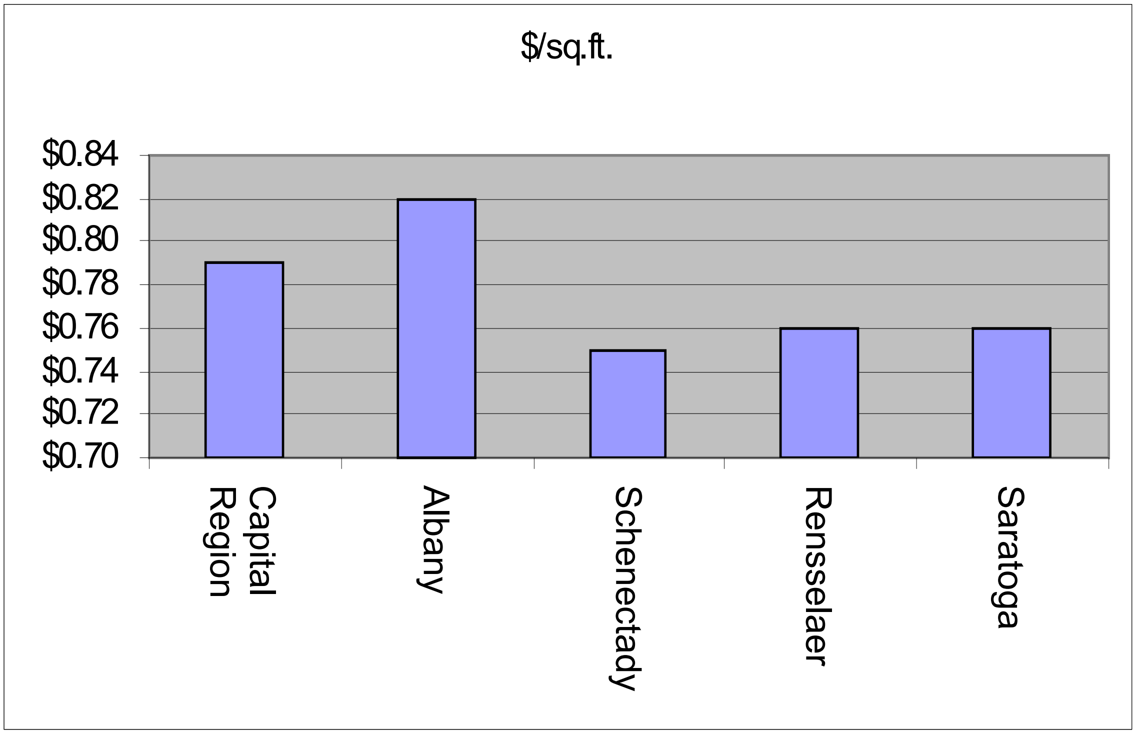
	Units	Average SF	Average Rent	Average Rent/SF
0/1/0	**19**	**465**	**$515**	**$1.11**
1/1.5/0	**5**	**843**	**$845**	**$1.00**
1/1.5/1	**2**	**997**	**$789**	**$0.79**
1/1/0	**118**	**718**	**$624**	**$0.87**
1/1/1	**23**	**888**	**$694**	**$0.78**
2/1.5/0	**29**	**1,022**	**$725**	**$0.71**
2/1/0	**109**	**923**	**$691**	**$0.75**
2/1/1	**7**	**1,051**	**$756**	**$0.72**
2/2.5/0	**3**	**1,234**	**$1,055**	**$0.86**
2/2.5/1	**1**	**1,525**	**$1,050**	**$0.69**
2/2/0	**32**	**1,101**	**$823**	**$0.75**
2/2/1	**12**	**1,200**	**$923**	**$0.77**
3/1.5/0	**3**	**1,174**	**$807**	**$0.69**
3/1/0	**4**	**969**	**$728**	**$0.75**
3/2.5/1	**2**	**1,625**	**$1,265**	**$0.78**
3/2/0	**18**	**1,341**	**$1,055**	**$0.79**
3/2/1	**2**	**1,460**	**$1,083**	**$0.74**
4/3/0	**1**	**2000**	**$1400**	**$0.70**
Totals	**390**	**904**	**$715**	**$.079**

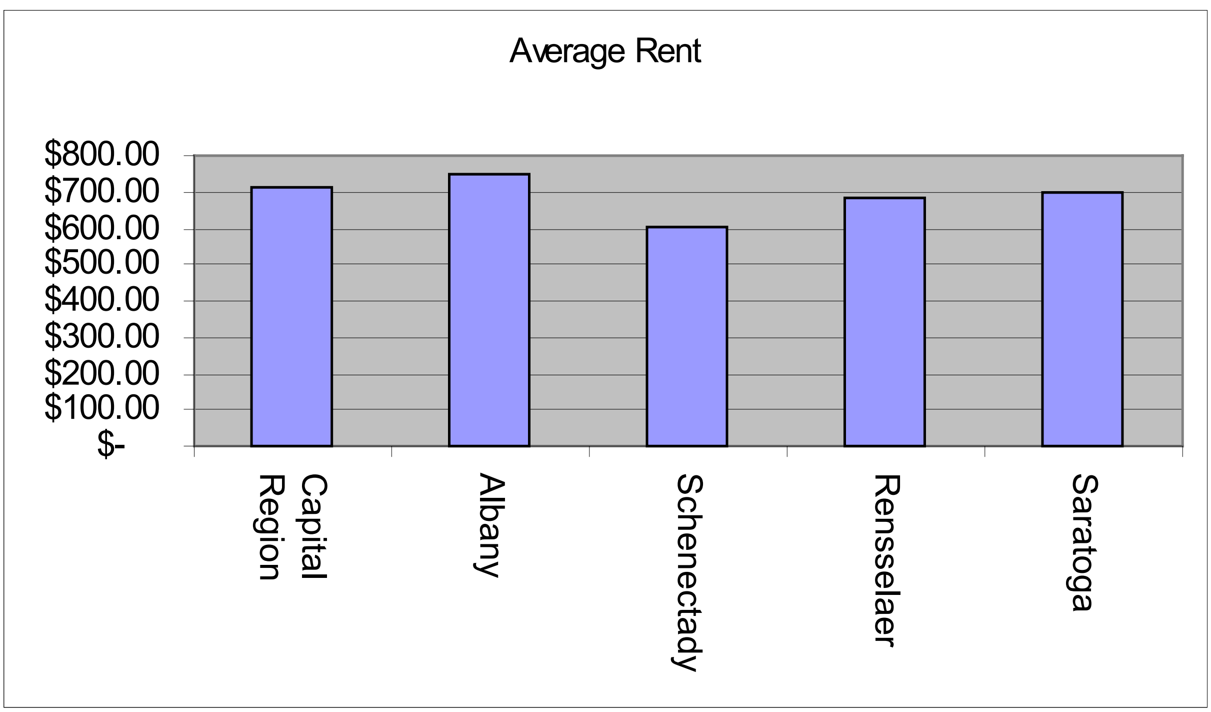
Capital Region





Capital Region





Albany County

Albany County continues as the leader in terms of rates per square foot. This dominance within the market place will continue as a result of being the central point of the Capital Region economic base along with the county that holds the greatest number of properties.

The new multi-family development that has occurred within the county has shown substantial strength in terms of rents per square foot and amenities for which the public is willing to pay. While satisfying the “rent by choice” market, we see a product mix that is more reflective of the apartment home with “no maintenance headaches”. Rents within the county continue to support previous data found in that substantial increases continue in the one bedroom, two-bedroom/2 ½ bath and three bedroom/2 ½ bath categories.

Albany County

Apartment Properties as of September 2002

Current Rents

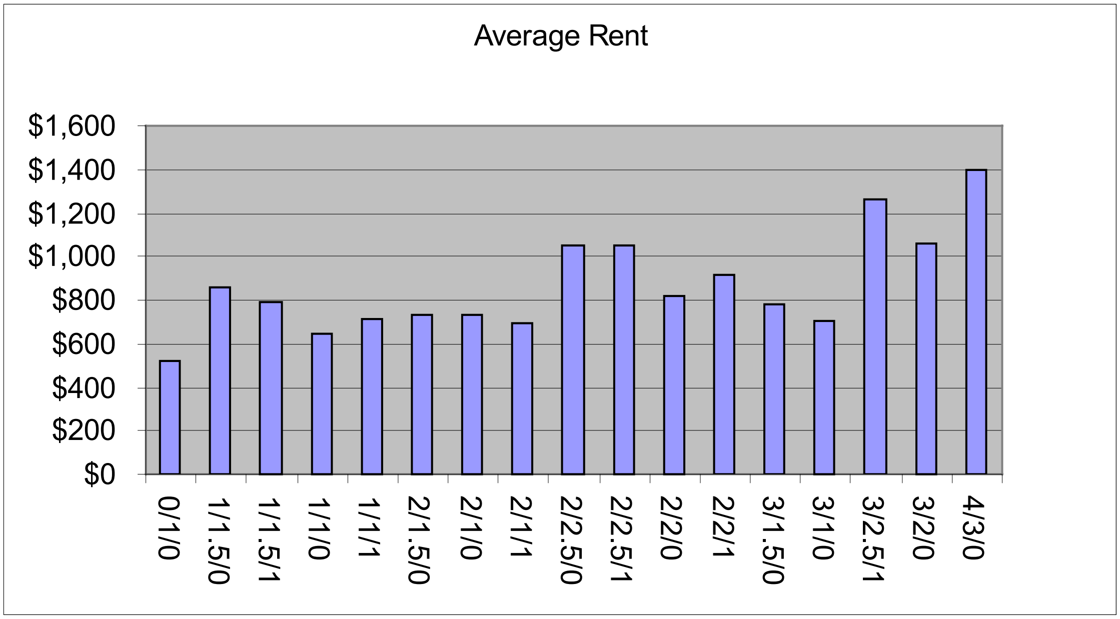
Property Statistics

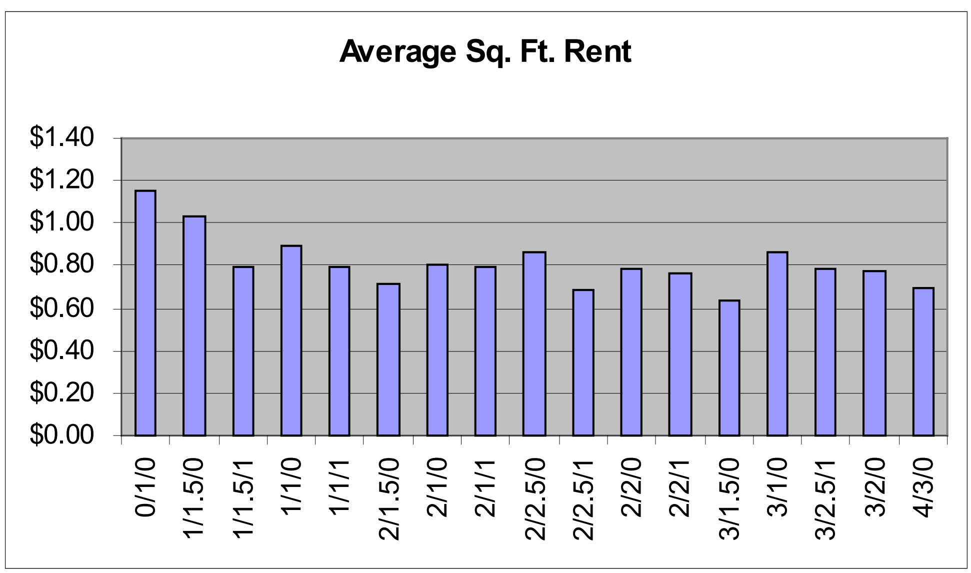
Number of Properties:	**53**
Total Units Inventory:	**11,284**
Average Number of Units Per Property:	**213**
Smallest Property:	**24**
Largest Property:	**654**
Earliest Year Built:	**1941**
Latest Year Built:	**2002**
Average Year Built:	**1971**

Unit Mix/Rent Statistics

	Units	Average SF	Average Rent	Rent/SF
0/1/0	**11**	**454**	**$521**	**$1.15**
1/1.5/0	**4**	**834**	**$856**	**$1.03**
1/1.5/1	**2**	**997**	**$789**	**$0.79**
1/1/0	**61**	**726**	**646**	**$0.89**
1/1/1	**15**	**904**	**$717**	**$0.79**
2/1.5/0	**9**	**1,019**	**$729**	**$0.71**
2/1/0	**51**	**914**	**$735**	**$0.80**
2/1/1	**2**	**875**	**$693**	**$0.79**
2/2.5/0	**3**	**1,234**	**$1,055**	**$0.86**
2/2.5/1	**1**	**1,525**	**$1,050**	**$0.69**
2/2/0	**23**	**1,052**	**$823**	**$0.78**
2/2/1	**8**	**1,202**	**$912**	**$0.76**
3/1.5/0	**2**	**1,230**	**$785**	**$0.64**
3/1/0	**2**	**824**	**$705**	**$0.86**
3/2.5/1	**2**	**1,625**	**$1,265**	**$0.78**
3/2/0	**13**	**1,387**	**$1,062**	**$0.77**
4/3/0	**1**	**2,000**	**$1,400**	**$0.70**
Totals	**210**	**915**	**$750**	**$0.82**

Albany County





RENSSELAR COUNTY

The continued strength of the employment market between Rensselaer and Albany Counties continues to assist and support the expansion and development of the housing market. With the retention of a higher number of college graduates within the region, this portion of the market will tend more to favor rental housing. As they become higher earners they will seek to improve their living quarters, thereby supporting the market. This is very true of the elements found in Rensselaer County as rents within the county continue to rise. In general, the local government is very proactive towards development and is encouraging a diverse range of commerce and industry to its environs, thereby creating opportunity for the housing market. While the use of financial incentives will provide a higher quality product to the market, we expect this area to see continued growth and expansion, especially in the format of a product focused on the senior active adult market.

Rensselaer County

Apartment Properties as of September 2002

Current Rents

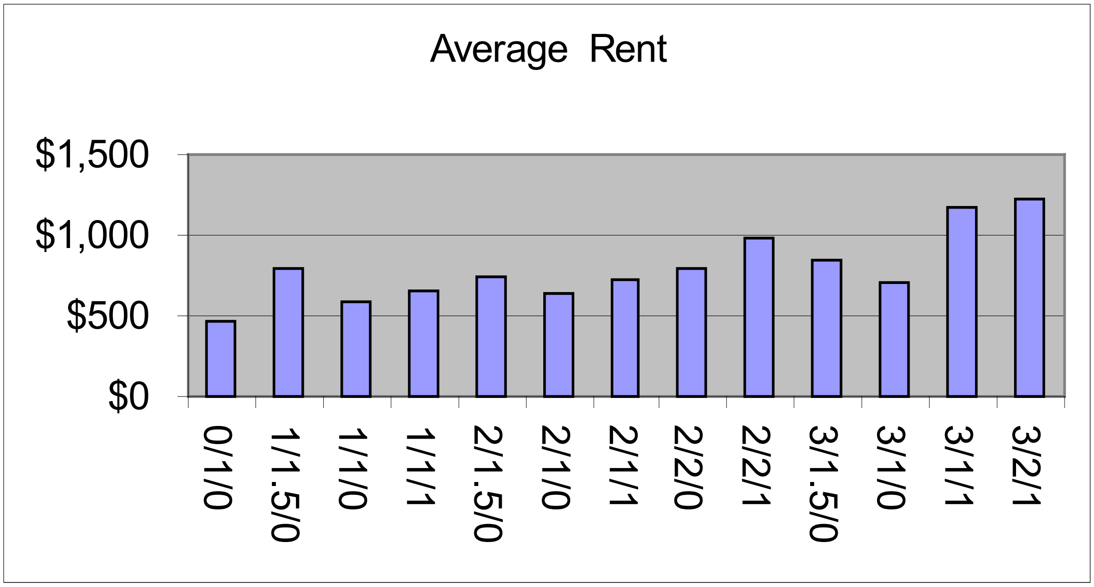
Property Statistics

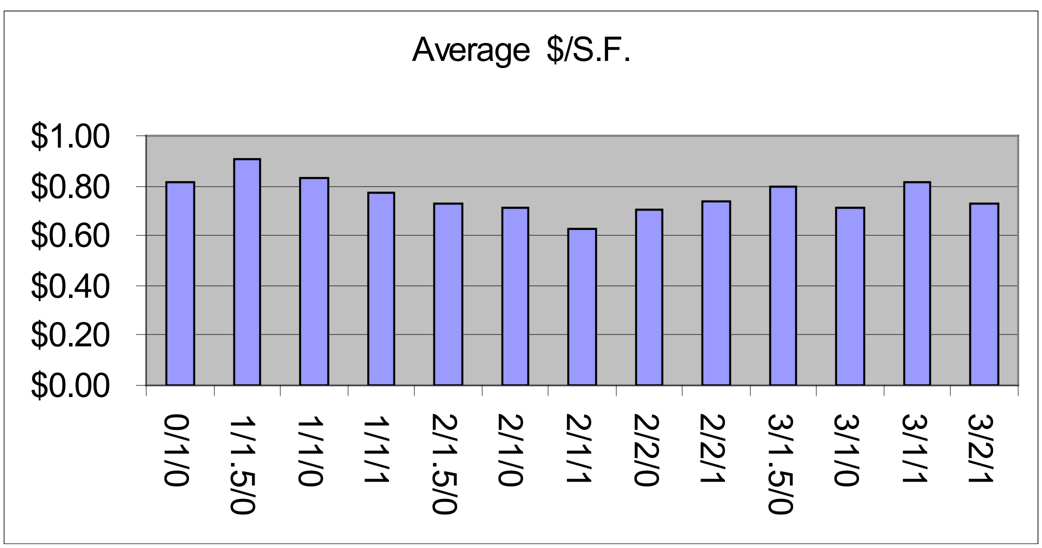
Number of Properties:	**15**
Total Units Inventory:	**2,723**
Average Number of Units Per Property:	**182**
Smallest Property:	**48**
Largest Property:	**456**
Earliest Year Built:	**1972**
Latest Year Built:	**2001**
Average Year Built:	**1980**

Unit Mix/Rent Statistics

	Units	Average S.F.	Average Rent	Average $/S.F.
0/1/0	**2**	**578**	**$470**	**$0.81**
1/1.5/0	**1**	**880**	**$800**	**$0.91**
1/1/0	**19**	**701**	**$583**	**$0.83**
1/1/1	**6**	**854**	**$658**	**$0.77**
2/1.5/0	**5**	**1,016**	**$742**	**$0.73**
2/1/0	**12**	**908**	**$646**	**$0.71**
2/1/1	**2**	**1,151**	**$730**	**$0.63**
2/2/0	**5**	**1,140**	**$795**	**$0.70**
2/2/1	**2**	**1,325**	**$983**	**$0.74**
3/1.5/0	**1**	**1,061**	**$850**	**$0.80**
3/1/0	**1**	**1,000**	**$710**	**$0.71**
3/2/0	**1**	**1,460**	**$1,180**	**$0.81**
3/2/1	**1**	**1,680**	**$1,220**	**$0.73**
Totals	**58**	**902**	**$682**	**$0.76**

RENSSELAR COUNTY





SARATOGA COUNTY

While continuing to perform at unprecedented levels, the southern portion of the market shows substantial support. The fact that this market is more family focused and more suburban in nature, we find those larger units of either two bedroom/two bath and three bedroom/two bath units will continue to bring rents that are disproportionately higher to others within the market.

Development within this region, at present, appears to be stalled, but we expect to see some higher end products will be delivered to the market within the next six to twelve months. We believe that the product group, since it has been seen with the City of Saratoga Springs, will continue to support the "rent by choice" and the higher density occupancy format. This in turn will place greater emphasis on design and amenities to support the changing lifestyle and demands on this market place. All indications are that this county will continue with a high level of occupancy and sustain growth.

Saratoga County

Apartment Properties as of September 2002

Current Rents

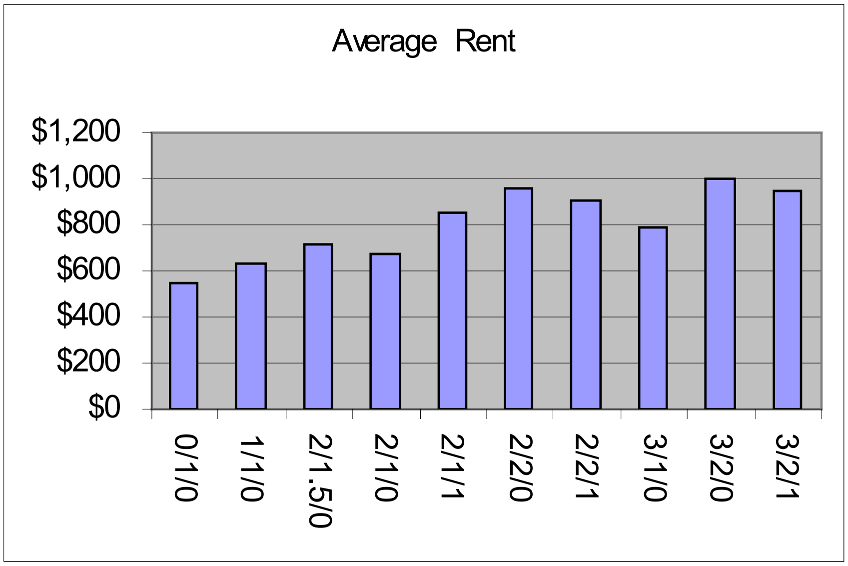
Property Statistics

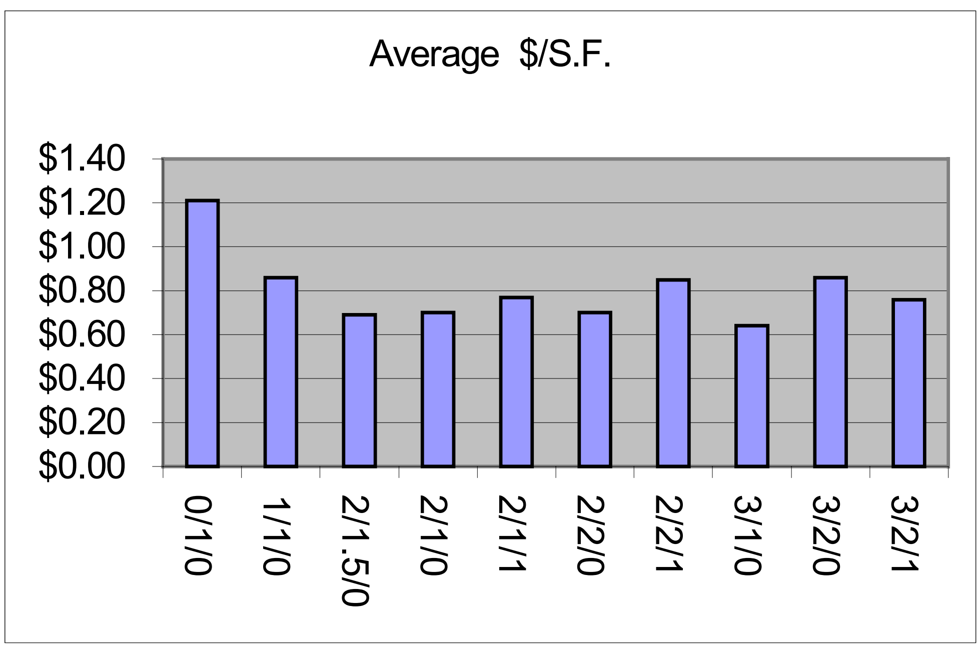
Number of Properties:	**27**
Total Units Inventory:	**6,106**
Average Number of Units Per Property:	**226**
Smallest Property:	**44**
Largest Property:	**952**
Earliest Year Built:	**1971**
Latest Year Built:	**1997**
Average Year Built:	**1979**

Unit Mix/Rent Statistics

	Units	Average S.F.	Average Rent	Average $/S.F.
0/1/0	**4**	**450**	**$546**	**$1.21**
1/1/0	**25**	**741**	**$636**	**$0.86**
2/1.5/0	**13**	**1,038**	**$715**	**$0.69**
2/1/0	**35**	**955**	**$669**	**$0.70**
2/1/1	**2**	**1,102**	**$848**	**$0.77**
2/2/0	**2**	**1,375**	**$960**	**$0.70**
2/2/1	**2**	**1,068**	**$908**	**$0.85**
3/1/0	**1**	**1,228**	**$790**	**$0.64**
3/2/0	**4**	**1,163**	**$999**	**$0.86**
3/2/1	**1**	**1,239**	**$945**	**$0.76**
Totals	**89**	**915**	**$696**	**$0.76**

SARATOGA COUNTY





SCHENECTADY COUNTY

This portion of the market lags behind the region as a whole but also shows the greatest percentage of increase. We see annualized increases in the rents here of greater than 5% while offering some of the best education opportunities within the region. While alternative higher density formats have come on-line in recent months, the fact that they were primarily for purchase, as opposed to rental has proven to the market place that this form of housing continues to show strong levels of demand. The higher density condominium projects have begun to provide an alternative to the market place from the single-family free standing suburban home. This does support the contention that the higher density levels needed by the newer projects can be supported and marketed to the aging “baby boomer” market and their alternative lifestyle.

Schenectady County

Apartment Properties as of September 2002

Current Rents

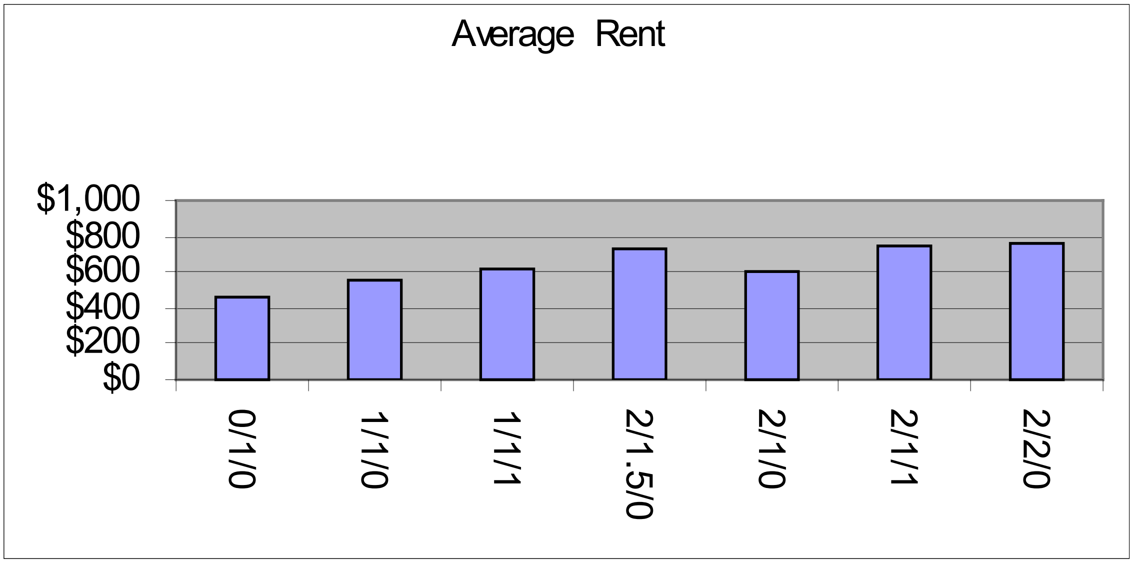
Property Statistics

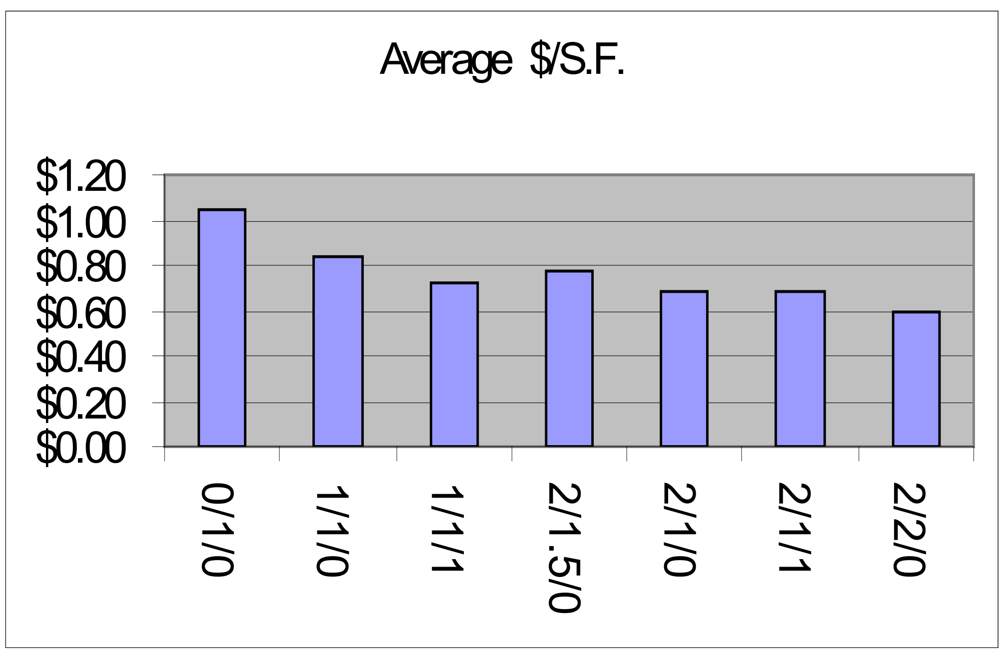
Number of Properties:	**9**
Total Units Inventory:	**1,752**
Average Number of Units Per Property:	**195**
Smallest Property:	**82**
Largest Property:	**440**
Earliest Year Built:	**1950**
Latest Year Built:	**1985**
Average Year Built:	**1969**

Unit Mix/Rent Statistics

	Units	Average SF	Average Rent	Average Rent/SF
0/1/0	**2**	**442**	**$463**	**$1.05**
1/1/0	**13**	**666**	**$562**	**$0.84**
1/1/1	**2**	**868**	**$625**	**$0.72**
2/1.5/0	**2**	**950**	**$735**	**$0.77**
2/1/0	**11**	**882**	**$602**	**$0.68**
2/1/1	**1**	**1,100**	**$750**	**$0.68**
2/2/0	**2**	**1,288**	**$765**	**$0.59**
Totals	**33**	**804**	**$602**	**$0.75**

SCHENECTADY COUNTY





Hudson Valley Region

Columbia, Greene, Dutchess, Ulster Counties

Hudson Valley

Apartment Properties as of September 2002

Current Rents

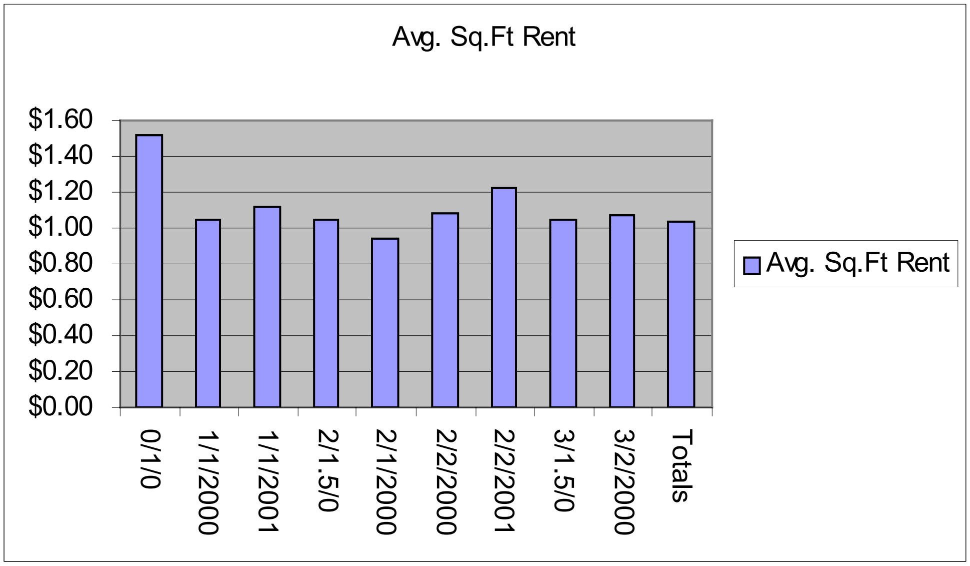
Property Statistics

Number of Properties:	**31**
Total Units Inventory:	**7,130**
Average Number of Units Per Property:	**230**
Smallest Property:	**82**
Largest Property:	**835**
Earliest Year Built:	**1970**
Latest Year Built:	**2000**
Average Year Built:	**1984**

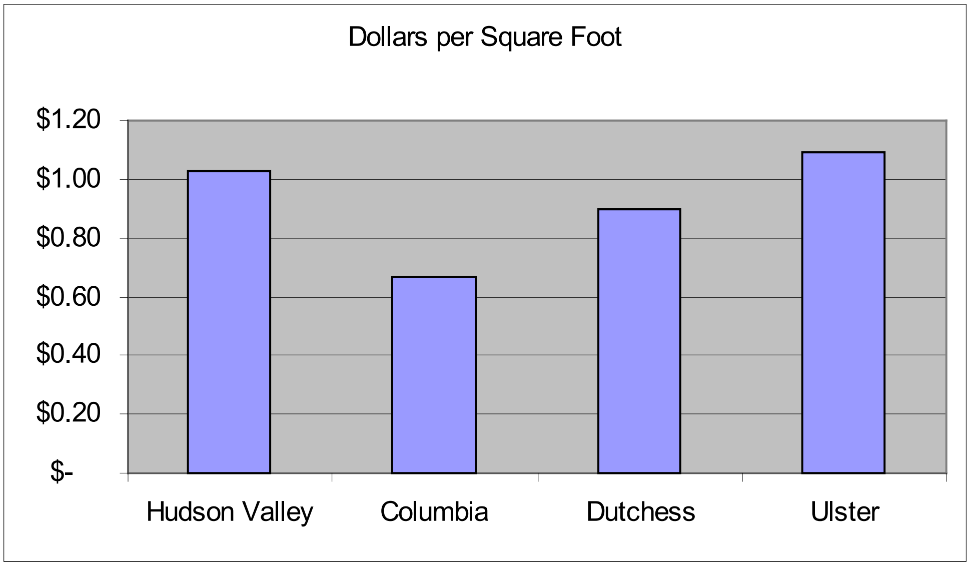
Unit Mix/Rent Statistics

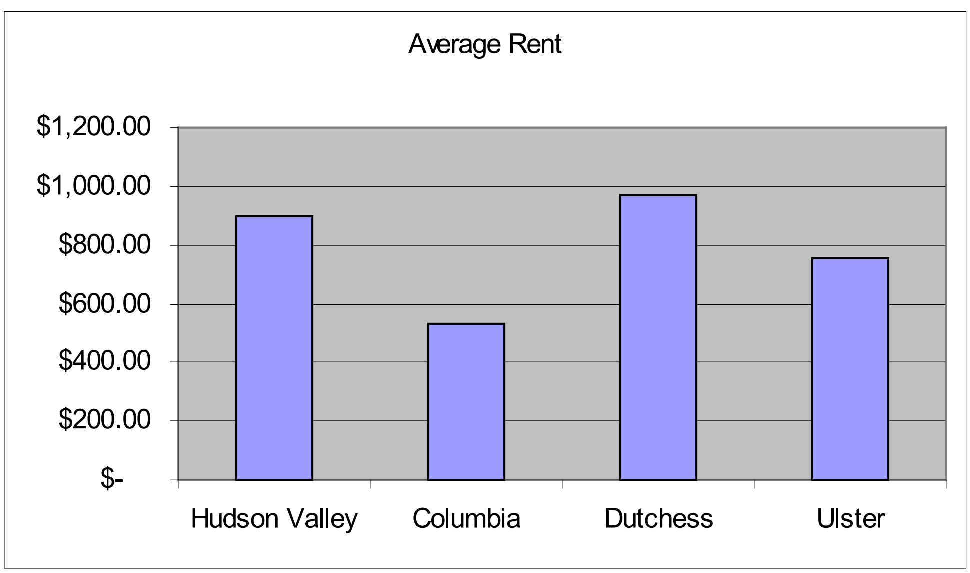
	Average SF	Average	Average
0/1/0	**408**	**$618**	**$1.52**
1/1/0	**748**	**$787**	**$1.05**
1/1/1	**928**	**$1,037**	**$1.12**
2/1.5/0	**975**	**$1,025**	**$1.05**
2/1/0	**954**	**$896**	**$0.94**
2/2/0	**1,025**	**$1,103**	**$1.08**
2/2/1	**1,362**	**$1,666**	**$1.22**
3/1.5/0	**1,175**	**$1,230**	**$1.05**
3/2/0	**1,269**	**$1,359**	**$1.07**
Totals	**870**	**$898**	**$1.03**

Hudson Valley Region



Hudson Valley Region





DUTCHESS COUNTY

The review of this market contained 5,672 units with rents exceeding the one dollar per square foot level but with higher operating expenses, specifically in the real estate tax area, which was expected. This market also continues at a reasonably strong level due to the continued strong employment levels and a lack of available alternatives.

This market also displays substantial differences between the southern and northern portions. The northern area appears similar to that seen in the Capital region while the southern area relates more to the Metropolitan New York area in rents and the types of units and amenities provided.

Dutchess County

Apartment Properties as of September 2002

Current Rents

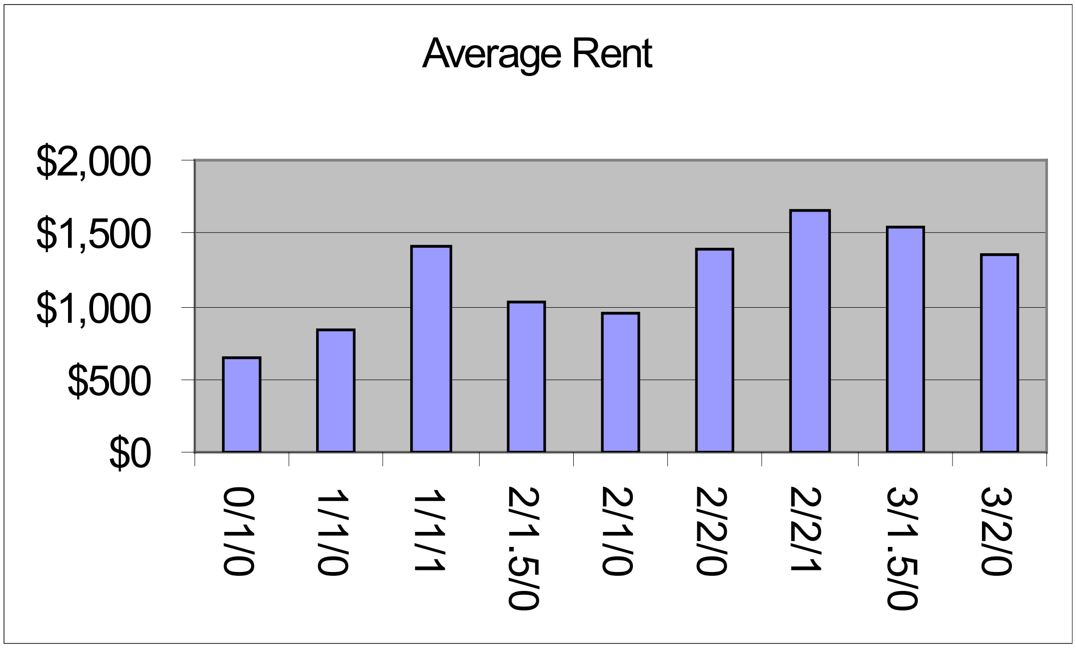
Property Statistics

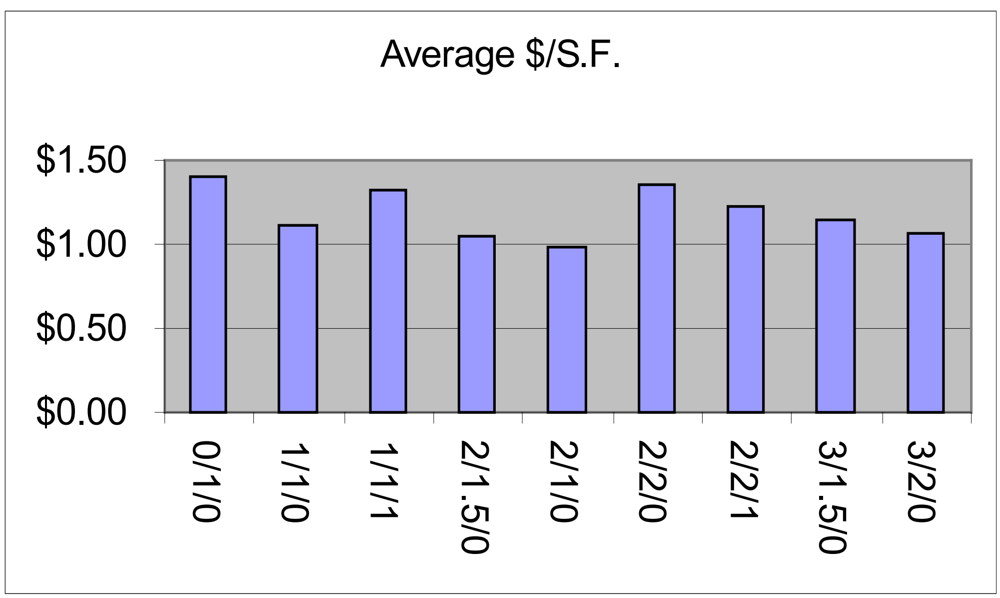
Number of Properties:	**22**
Total Units Inventory:	**5,672**
Average Number of Units Per Property:	**258**
Smallest Property:	**100**
Largest Property:	**835**
Earliest Year Built:	**1990**
Latest Year Built:	**2000**
Average Year Built:	**1995**

Unit Mix/Rent Statistics

	Units	Average SF	Average Rent	Average Rent/SF
0/1/0	**5**	**460**	**$649**	**$1.41**
1/1/0	**25**	**759**	**$845**	**$1.11**
1/1/1	**1**	**1,073**	**$1,412**	**$1.32**
2/1.5/0	**1**	**975**	**$1,025**	**$1.05**
2/1/0	**23**	**969**	**$961**	**$0.99**
2/2/0	**3**	**1,016**	**$1,387**	**$1.36**
2/2/1	**1**	**1,362**	**$1,666**	**$1.22**
3/1.5/0	**1**	**1,350**	**$1,550**	**$1.15**
3/2/0	**5**	**1,269**	**$1,359**	**$1.07**
Totals	**65**	**888**	**$970**	**$1.09**

DUTCHESS COUNTY





ULSTER COUNTY

The initial review included some 1,376 units and we find in this respect that this market also continues on a relatively strong basis with rents that exceed the Capital region area on a square foot basis. While the area has limited availability and the bulk of the product consists of 30-year old design, we find that this market continues to remain strong since the Capital Region market in terms of being within a reasonable commuting distance impacts it.

Ulster County

Apartment Properties as of September 2002

Current Rents

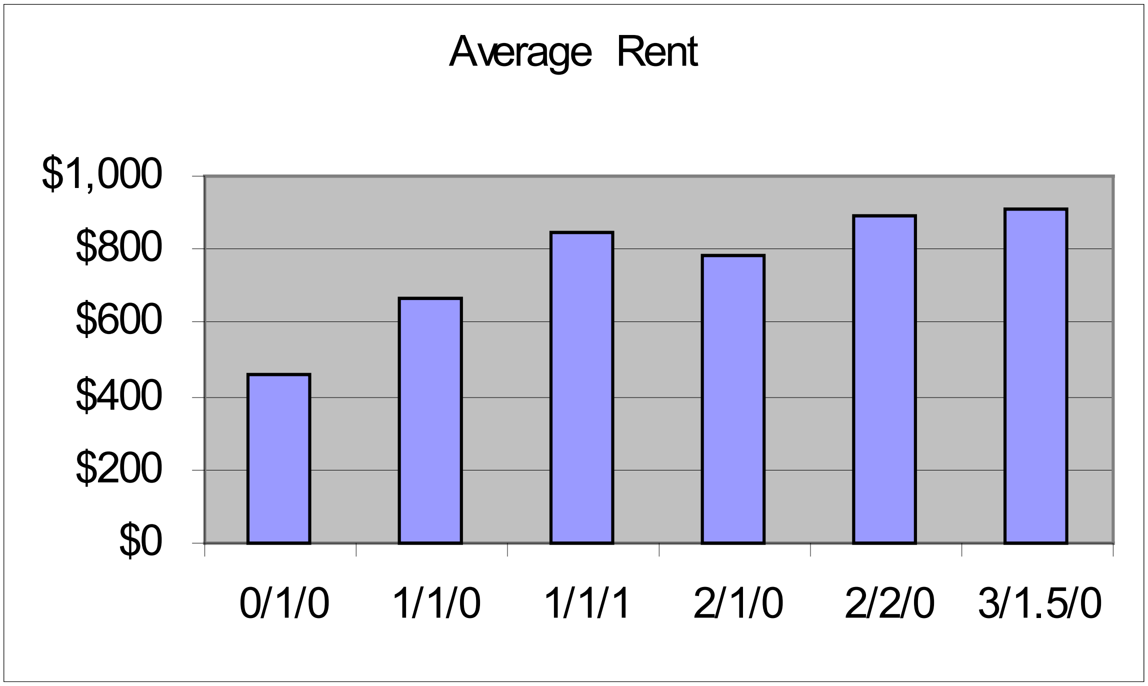
Property Statistics

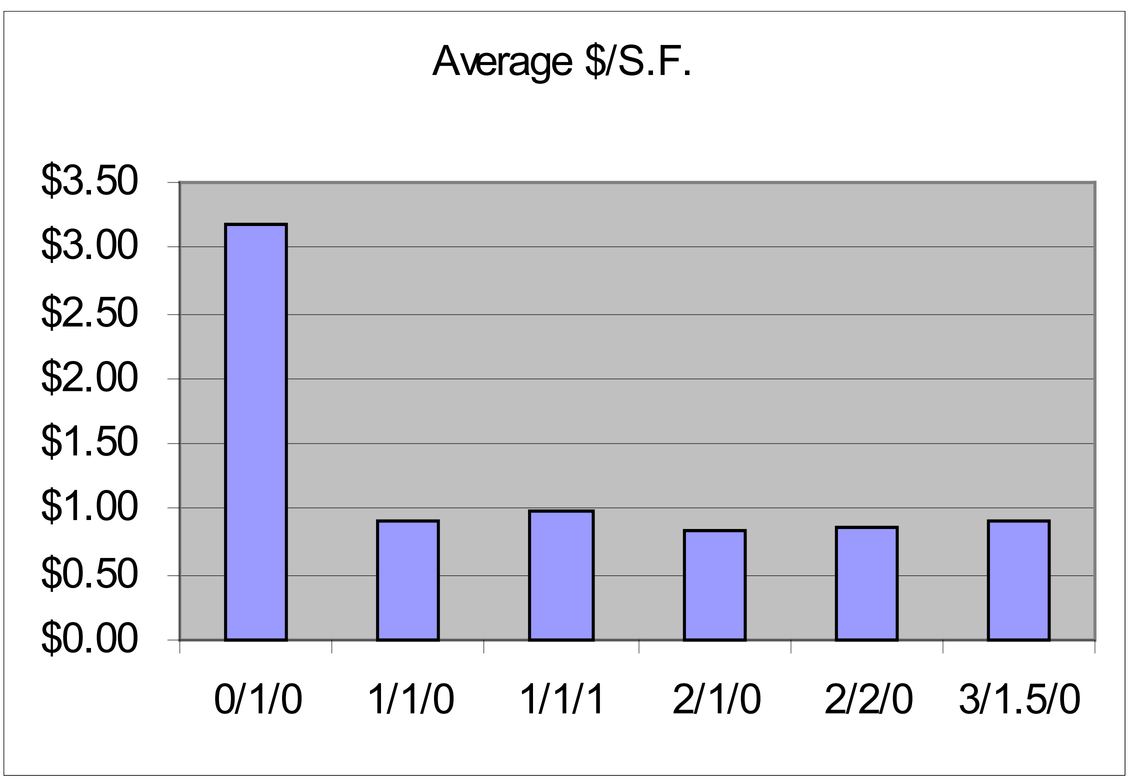
Number of Properties:	**8**
Total Units Inventory:	**1,376**
Average Number of Units Per Property:	**172**
Smallest Property:	**100**
Largest Property:	**268**
Earliest Year Built:	**1970**
Latest Year Built:	**1976**
Average Year Built:	**1973**

Unit Mix/Rent Statistics

	Units	Average SF	Average Rent	Average Rent/SF
0/1/0	**1**	**145**	**$460**	**$3.17**
1/1/0	**10**	**741**	**$671**	**$0.90**
1/1/1	**2**	**855**	**$850**	**$0.99**
2/1/0	**7**	**918**	**$784**	**$0.85**
2/2/0	**4**	**1,031**	**$890**	**$0.86**
3/1.5/0	**1**	**1,000**	**$909**	**$0.91**
Totals	**25**	**833**	**$753**	**$0.90**

Ulster County





HISTORICAL AGE OF PROPERTIES

As we travel throughout the region it seemed apparent that the stock of market rate multi-family housing was aging, that minimal new construction was being undertaken and that much of the stock was very similar in appearance.

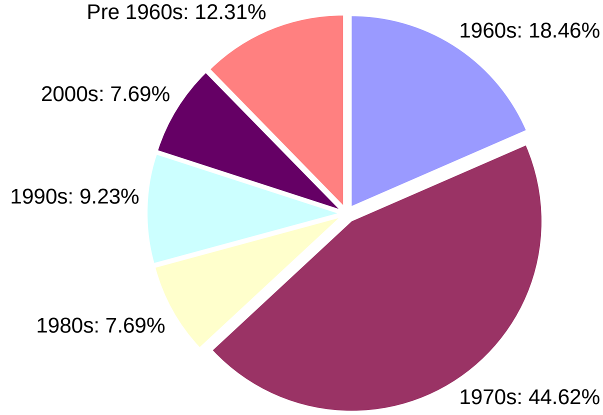
Where available, we obtained tax or other information on when a property was built. The chart and graph on the next page verify what we saw in the field was valid.

- The average age of the market rate multi-family housing stock is nearly 30 years old.
- Over 70% of the stock was designed and built in the 1960's and 1970's. As such, substantial portions of the available housing units do not provide for the type of apartment living that people are looking for.
- Only 17% of the available apartment units represent design and construction of relatively current trends in apartment living (1990's and 2000's).

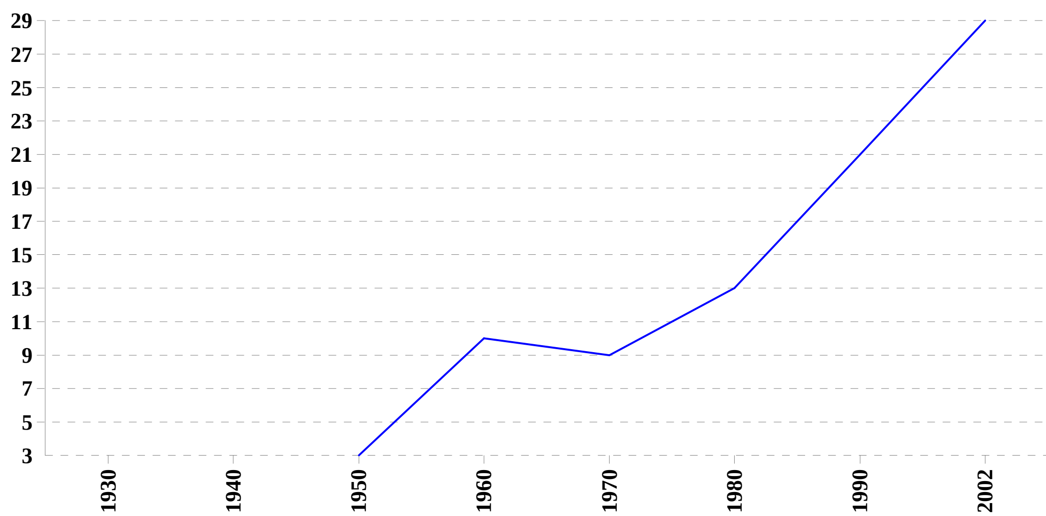
It would seem apparent that opportunities exist in the market rate multi-family rental market segment of the housing industry. Given the current economic conditions, it is not apparent whether developers will attempt to take advantage of the opportunities that exist.

Age Statistics

Age of Properties by Decade



Historical Average Age of Properties



METHODOLOGY AND CREDITS

The third rental market report added four counties in the Hudson Valley. These properties were visited onsite or contacted via telephone. In either case, a survey instrument was utilized to collect the same type of information collected for reports one and two. Most previous participants had also updated current rental data.
Several participants had also updated square footage information, perhaps as a result of heightened interest from the information provided in our previous reports. In addition, it seems apparent to us that owners and managers have been utilizing the trends/market information garnered in these reports as they restructure market rents for their multi-family rental communities.

The staff of **SUNRISE MANAGEMENT AND CONSULTING** is responsible for the collection, analysis and presentation of the data assembled for this report. Assistance was provided by owners/managers of local apartment communities. Howard Carr, President, THE HOWARD GROUP, again interpreted the data in terms of market conditions.

The following people participated in this report:

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