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COVERING THE ENTIRE STATE OF NEW YORK

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The multifamily investment market continues to grow in Upstate NY

A few months ago I reported a growing sound of hoof beats as the herd of apartment buyers searching upstate N.Y. had taken on a more national profile. Today I can say with certainty our market place has now arrived as a serious and viable investment alternative for investors large and small throughout the country. Let me recap with a few market observations I made in my last article.



First, the stock market has continued to fall since spring 2000, money has been running to other investments like CDs, money markets, and bonds. Today over two years later the stock market has still not regained enough confidence to reverse the trend and send capital streaming back into stocks and equity funds. Furthermore, the complex and ever changing political events since 911 keep this traditionally strong and steady investment vehicle a tenuous place for conservative investors. In addition there has been Enron, Worldcom, ImClone and

many experts believe we will see more of these corporate scandals continually knocking the stock market off balance even as it tries to regain it's footing.

Second, the afore mentioned safe havens like bank CDs and money markets are now paying returns as low as 1-2% interest. It is no surprise that there is a growing exodus of capital leaving these instruments and searching for an alternative investment type.

Third, due to the combination effect of one and two there is a tremendous amount of money in flux looking for a home that will make investors feel like their equity is safer than stocks while returning more than bank deposits.

Answering this prayer is real estate. In the realm of commercial real estate, multifamily or apartment investments are currently among the top picks from large REITs right down to small individual investors. Office buildings, retail centers, and warehouse properties may experience long term vacancies during economic downturns like we have experienced these past couple years. Apartments are another mat-

ter. With the exception of a few markets that have experienced some apartment overbuilding followed by employment drops in tech related industries, most markets enjoy high occupancies, rising rents, and surging market values due to the resulting investor demand for them. Bottom line, stores and offices may close but people all need to live somewhere so apartment vacancies are nearly always short lived compared to other commercial real estate.

I trust this explanation of economic cause and effect during the past two years will give you some idea of the reasons why apartments have been such a hot commodity. What may not be as obvious is why the upstate N.Y. market place has recently taken off. I wish I could say that rapid immigration to the area has caused rents to rise sharply or our tax and utility burdens suddenly plunged. In reality all this capital chasing apartments in the higher profile market places like Dallas, New York, San Francisco, Chicago etc has driven their prices to levels so high that investor's capitalization rates are as low as 5-6% in some markets while most can not come close to a 10% cap

rate. Although the rents in our market places show steady and modest rental increases at best, the obtainable cap rates upstate begin at about 9% and can go upwards of 12-13% depending upon several factors including location, age, and condition. The attractive numbers investors are now finding in our prices and cap rates compared to the national norm are just simply too great to be ignored.

The recent New York Times article about the DestiNY USA mall tourism and entertainment complex has also officially made known to the country what was heretofore a little known fact outside of upstate New York. Thus far virtually none of the dozens of investors contacting me weekly about our listings posted on Internet websites have even heard of this incredible project to be built in Syracuse over the next four years. The cat is now out of the bag and perhaps the rapid immigration I spoke to above may become a reality sooner than we all thought.

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