



DOWNTOWN HOUSING MARKET REPORT

December 2015



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EXECUTIVE SUMMARY

The appetite for downtown living continues to be strong in Rochester. Vacancy rates have dropped since 2014, and developers continue to successfully create new housing products and locations in many of downtown's 13 neighborhoods.

In Rochester, a downtown housing boom has been taking place since around the year 2000. According to RDDC estimates, downtown's population has more than doubled from 3,239 people in 2000 to 6,542 by the end of 2015. According to U.S. census data, from 2000-2010, the overall population of the City of Rochester shrunk by 4.2%. Downtown has become a funnel point for people moving back into the city and helping to stem the overall population (and tax base) loss. Since 2000, a total of 35 downtown buildings have been converted from under-performing commercial uses to trendy lofts and apartments. In addition, a total of nine new residential buildings have been built.

Rochester continues to follow a national trend toward downtown living that is helping to revitalize urban centers across the country. Young professionals, students, and wealthy retirees, attracted by a dense, vibrant and walkable environment, are moving back into downtowns. Seeing market opportunity, real estate developers are repurposing historic building stock to create unique loft spaces with architectural character, unparalleled views, and modern amenities.

DOWNTOWN MARKET

RDDC tracks the downtown housing market annually, which includes the area within the former Inner Loop territory *plus* High Falls, Upper East End, Alexander Park, and one project in Corn Hill (Corn Hill Landing).

The chart below provides the overall market figures for the downtown housing market as of December 2015, including a current estimate of the number of people living downtown. This figure is based upon the vacancy rates reported in RDDC's 2015 Downtown Rental Housing Survey, and using an estimate of 1.8 persons per household.

Housing Type	Number of Units	Percent of Market	2015 Occupancy	Estimated Population
Rental Units	3,581	96.3%	97.7%	6,298
Market-Rate	2,651	71.3%	97.9%	4,672
Subsidized/Affordable	930	25.0%	97.1%	1,625
Owner-Occupied Units *	136	3.7%	100.0%	245
TOTAL	3,717	100.0%		6,542

** (Assumption of full occupancy in owner-occupied units.)*

RDDC surveys the managers of downtown rental housing properties on an annual basis to collect information on vacancy and rental rates, as well as overall market demand. The 2015 Downtown Rental Housing Survey reflects data and vacancy rates collected in December 2015. A total of 74 buildings with 3,247 units participated, which represents a response rate of 91% of the total rental units tracked in the downtown market.

KEY RENTAL MARKET FINDINGS

Rochester's downtown housing market is dominated by rental housing, which comprises 96.3% of all units. Each year, RDDC surveys downtown rental property owners and managers to collect information on vacancy rates, rental rates, and overall market demand. More detailed results of RDDC's December 2015 Downtown Rental Housing Survey are contained in attached tables. Key findings include:

- The **market-rate rental vacancy rate dropped to a remarkably low 2.1%**, a 1.3% decrease from figures reported in 2014, 2.8% below 2013, and well below the 5% vacancy rate that is considered to represent a “healthy” market.
- The **subsidized rental vacancy rate is 2.9%**, a 1.3% decrease since 2014, and 1.1% below 2013.
- The **wide variety of housing options** downtown is reflected in a rent range in 2015 that spans from \$400 - \$2,620 per month, and is nearly as varied even within unit sizes (e.g., one-bedroom units).
- **Property managers reported that market demand remains strong:** Of the 41 property managers responding to this question, 71% reported that vacant units are filled in less than one month, and the remaining 29% reported that it took less than three months to lease vacant units. Of the 39 managers answering the question, 62% believe the demand for downtown rental housing is higher than it was three years ago. Nearly a quarter (24%) of the 74 buildings responding to the question reported having a waiting list.
- According to property managers, **demand for 1-bedroom units remains the strongest**, an opinion that is supported by the low vacancy rates recorded for 1-bedroom units (1.5%).
- Property managers continue to identify **young professionals and students** as the groups with the strongest leasing interest.
- Property managers indicate that the top three **most requested amenities are:** 1) **parking** (off-street/on-site); 2) **laundry** (in-unit and/or on-site); and three almost tied for third place, 3) **pet friendly, fitness center or gym** (on-site or special arrangements), and **WiFi/high speed internet/cable**.

MARKET DEMAND INFORMATION

The responses to the market demand questions in the survey of building owners and managers is summarized in Appendix A.

OWNER-OCCUPIED MARKET SUMMARY

Owner-occupied (“for sale”) housing represents 3.7% of the downtown housing market. New owner-occupied housing has increased slowly since 2000, beginning with Sagamore on East (2005) and continuing more recently with the addition of Capron Street Lofts (2011), North Plymouth Terrace (2012), and Windsor Gate Townhomes (2013). Even with relatively high rents for this region, the growth in downtown rental units continues to outpace that for owner-occupied housing. Therefore, owned units remain a small segment of the overall downtown housing market.

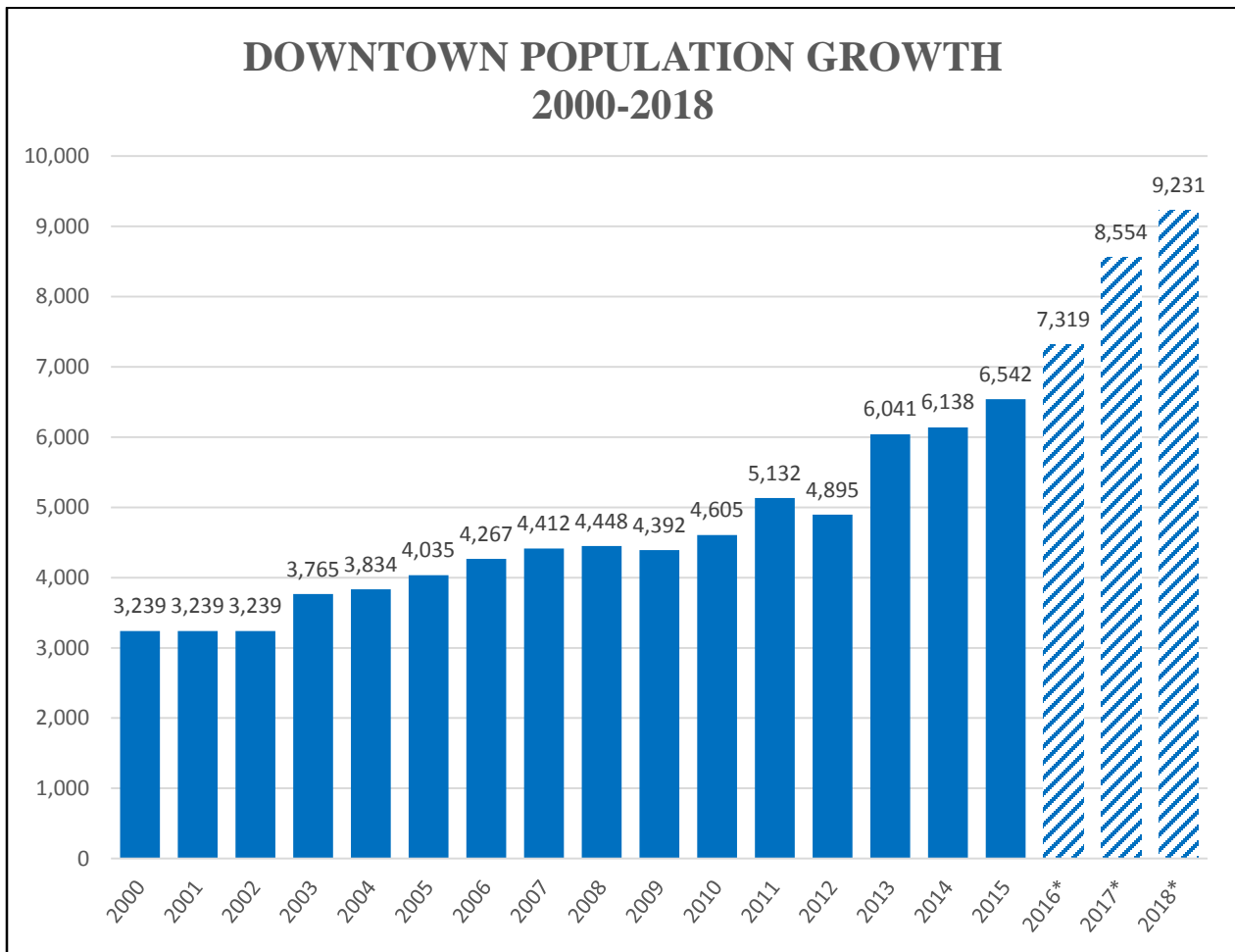
Strong initial sales and property value retention are indications of healthy market demand for owner-occupied units downtown. There is evidence to suggest there may be untapped market demand for more owner-occupied downtown housing options, including the following information points:

- Public demand for downtown owner-occupied housing made an appearance in the results of the City of Rochester’s 2013 Center City Master Plan Survey. When asked about downtown, “What should be the City’s priority focus for downtown, in partnership with the development community?”, “More owner-occupied housing options” came in fourth with 1,157 respondents.
- Developers have reported to RDDC that they receive calls from realtors inquiring about any plans to build condos properties because they have clients asking about for-sale options downtown.
- RDDC has received numerous anecdotal comments and inquiries in a variety of settings about the lack of availability of owner occupied housing downtown. Two recurring themes exist:
 - Some number of individuals interested in a downtown lifestyle are unwilling to rent – not surprising, given the regional culture of home ownership, especially among suburban residents.
 - Continuing complaints regarding the lack of “affordable” owner-occupied and rental options in the downtown market – largely from Millennials and other earlier stage professionals.

DEVELOPMENT AND POPULATION GROWTH

RESIDENTIAL POPULATION

RDDC estimates that downtown’s population has more than doubled between 2000 and 2015, increasing from 3,239 residents in 2000 to 6,542 by the end of 2015. It is estimated that the 18 housing projects RDDC is tracking will add nearly 2,700 new residents to the downtown population by 2019.



** (Projected population estimates based on 2016 occupancy rate for all downtown rental units.)*

NEW HOUSING DEVELOPMENT

New residential projects completed in 2015 include the Bevier Building (addition of 15 new units), phase two of the Academy building (4 additional units), and phase one of Woodbury Place (11 of 44 planned new units).

RDDC is tracking a total of 18 residential projects that are planned or under construction as of May 2016, and estimates that these projects will add 1,506 new housing units to downtown’s inventory, and 2,650 new residents to the downtown population over the next three years, bringing the population total to 9,200.

RDDC is tracking \$857 million in downtown development investment in 2016, including a number of significant public and private projects planned and underway in the center of the city. These investments, combined with an expanding residential market and the growing Downtown Innovation Zone, are transforming the center city.

APPENDIX A: Market Demand

A number of questions in RDDC’s annual housing market survey relate to the demand for downtown housing. In 2015, a total of 74 property managers/owners completed one or more of the market demand questions. The following results represent their collective view of the market.

QUESTION: *As of December 2015, is there a waiting list for this building?*
(N = 62)

	Number of Buildings	Percent of Buildings
Yes	18	24.3%
No	44	75.7%

Of the 18 buildings that indicated a waiting list, six provided a number for how many people are currently on a waiting list as of December 2015 – up from 16 buildings in July 2014. The average number on the waiting list was 22 (skewed this year by the popularity of one property), with an overall range between 2 and 100 people.

QUESTION: *Indicate the average length of time it takes to lease a unit downtown:*
(N = 42)

	Number of Respondents	Percent of Respondents
Less than 1 month	29	71%
2- 3 months	12	29%
4-5 months	1	2%
6+ months	0	0.0%

QUESTION: *How would you describe current unit demand downtown?*
(N = 40)

	Number of Respondents	Percent of Respondents
MORE applicants than units available (high demand)	17	43%
FEWER applicants than units available (low demand)	4	10%
EQUAL number of applicants to units available	19	48%

QUESTION: How would you rate rental demand downtown compared to three years ago?
(N = 39)

	Number of Respondents	Percent of Respondents
Higher	24	62%
Lower	4	10%
No change	11	28%

QUESTION: Rate market demand by number of bedrooms (leave blank if not applicable):
(N = 37)

	Number of Respondents	Low Demand	Medium Demand	High Demand
Studio	33	27%	30%	42%
1-Bedroom	37	0%	30%	78%
2-Bedrooms	34	3%	53%	44%
3-Bedrooms	16	56%	44%	0%

QUESTION: Rate the level of leasing interest/demand by the following groups:
(N = 39)

	Number of Respondents	Low Demand	Medium Demand	High Demand
Students	37	22%	35%	43%
Young professionals	39	3%	38%	59%
Empty nesters	35	43%	43%	14%
Families with children	36	86%	14%	0%
Suburban transplants	36	50%	44%	6%
Retired	38	58%	24%	18%

QUESTION: List the 3 most requested/asked about amenities that renters are seeking:
(N = 35)

	Number of Responses	Percent of Responses
Parking (off-street/on-site)	24	69%
Laundry (in-unit/on-site)	16	46%
Pet friendly	8	23%
Fitness center/gym	8	23%
WiFi/high speed i-net/cable	7	20%
Storage	3	9%
Security	2	6%
Outdoor space	1	3%

QUESTION: *Do you believe there is an increasing demand for owner-occupied housing downtown?* (N = 33)

	Number of Respondents	Percent of Respondents
Yes	17	52%
No	16	48%

DOWNTOWN HOUSING MARKET, Rochester NY*December 2015***ALL DATA TABLES**

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<i>* (Assumption of full occupancy in owner-occupied units.)</i>				
UNITS REPORTING	Number of Units	Number of Bldgs. *		
TOTAL RENTAL UNITS REPORTING IN 2015	3,247	74		
Market-Rate	2,317	69		
Subsidized/Affordable	930	8		
<i>* (Three buildings offer both market-rate and subsidized/affordable units.)</i>				
VACANCY RATES	July 2014	December 2015	Change, 2014-15	
RENTAL VACANCY RATES				
Market-Rate	3.4%	2.1%	-1.3%	
Subsidized/Affordable	4.2%	2.9%	-1.3%	
All Rental Units Responding	3.7%	2.3%	-1.4%	

(DOWNTOWN HOUSING MARKET, All Data Tables, December 2015, page two)

MARKET RATE UNITS	Total Units Surveyed	Number Vacant	Vacancy Rate	Rent Range
ALL RENTAL UNITS	3,247			
MARKET RATE ONLY *	2,317	48	2.1%	\$400-2,620
NEIGHBORHOOD:				
Alexander Park	502	6	1.2%	\$400-1,290
Cascade District	106	4	3.8%	\$975-2,300
Convention & Hotel District	0	--	--	--
Corn Hill <i>(river portion only)</i>	127	2	1.6%	\$875-2,000
East End/Upper East End	803	12	1.5%	\$425-2,620
Four Corners	53	3	5.7%	\$500-2,500
Grove Place	115	2	1.7%	\$475-1,860
High Falls	106	1	0.9%	\$540-1,995
Manhattan Square	250	0	0.0%	\$503-1,080
Midtown District	0	--	--	--
St. Joseph's Park	35	3	8.6%	\$455-950
St. Paul Quarter	371	23	6.2%	\$685-2,200
Washington Square *	25	1	4.0%	\$1,315-2,350
UNIT SIZE:				
Studio	685	30	4.4%	\$400-2,075
1-Bedroom	1,599	47	2.9%	\$500-2,585
2-Bedroom	643	32	5.0%	\$625-2,620
3-bedroom	59	2	3.4%	\$855-2,500
* (Only one of two market rate housing projects in Washington Square reported rents.)				
SUBSIDIZED/AFFORDABLE UNITS	Total Units Surveyed	Number Vacant	Vacancy Rate	
SUBSID./AFFORDABLE TOTAL	930	27	2.9%	
NEIGHBORHOOD:				
Alexander Park	1	0	0.0%	
East End	16	1	6.3%	
High Falls	77	1	1.3%	
Manhattan Square	326	19	5.8%	
St. Paul Quarter	510	6	1.2%	

(DOWNTOWN HOUSING MARKET, All Data Tables, December 2015, page three)

BUILDING AMENITIES	Number of Buildings	Percent of Buildings		
Shared Laundry Rooms	51	64%		
Pet Friendly	47	59%		
Dishwasher	40	50%		
Air Conditioning	36	45%		
Storage Space	28	35%		
Laundry in Unit	27	34%		
High Speed Internet	26	33%		
On-Site Parking	24	30%		
Balconies/patios	22	28%		
Common Space	19	25%		
Cable/Satellite	19	24%		
Fitness Center	14	18%		
TOTAL BUILDINGS	80	100%		

DOWNTOWN HOUSING, 2000 - 2018

DOWNTOWN BUILDING	YEAR COMPLETED	TOTAL UNITS		
		Residential Conversions	New Construction	
Knowlton	2000	14		
200 East Avenue (Chevy Place)	2000		77	
East End Lofts	2001	17		
Gauss	2005	3		
Grove Place Townhomes	2005		9	
Michaels/Stern	2005	45		
Medical Arts	2005-06	40		
Sagamore	2005-06		23	
104 Platt St.	2006	2		
Searle	2006	3		
116 St. Paul St.	2006	6		
Halo Lofts	2006	12		
Riverview Lofts	2006	36		
Temple Building	2006	40		
Corn Hill Landing	2006		127	
State Street	2006-7	5		
Cascade Center	2007	4		
Buckingham Commons	2007	36		
Cox	2007	10		
Union Lafayette	2008		4	

(DOWNTOWN HOUSING MARKET, All Data Tables, December 2015, page five)

HOUSING UNDER DEVELOPMENT	ANTICIPATED COMPLETION	TOTAL UNITS	
		Residential Conversions	New Construction
Woodbury Place	2015 & '16	33	
350 State Street	2015 & '16	3	
Tower280	2016	181	
50 Chestnut Street	2016	60	
Hiram Sibley Building	2016	21	
88 Elm	2016	36	
Hive @ 155	2016	89	
The Centers at High Falls	2016	5	
North Plymouth Terrace	2016		14
Sibley Square	2016 & '17	168	
The Metropolitan	2016 & '17	125	
Alliance Building	2016 & '17	130	
Charlotte Square	2016 & '17		86
Cox	2016 or '17	70	
River Edge Apartments	2017		123
Alexander Park	2017 & '18		300
Mills @ High Falls, Phase III		14	
Terminal Building		71	
TOTAL IN DEVELOPMENT	2016 - 2018	1,006	523