



DOWNTOWN HOUSING MARKET REPORT

December 2016



ROCHESTER DOWNTOWN DEVELOPMENT CORPORATION

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EXECUTIVE SUMMARY

The appetite for downtown living continues to be strong in Rochester. A healthy apartment market is about 5% vacancy, and downtown market-rate units continue to come in lower. Vacancy rates have remained below a healthy market expectation since 2013, 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 about 7,000 by the end of 2016. According to estimated U.S. census data, from 2010-2016 the overall population of the City of Rochester shrunk by less than 1% – a major improvement over prior decades. 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 49 downtown buildings have been or are being converted from under-performing commercial uses to trendy lofts and apartments. In addition, a total of 11 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 2016 (*whether or not an owner responded to the survey*), and includes a current estimate of the number of people living downtown. This figure is based on the vacancy rates reported in RDDC's 2016 Downtown Rental Housing Survey, and using an estimate of 1.8 persons per household.

HOUSING TYPE	Number of Units	Percent of Market	2016 Occupancy	Estimated Population
Rental Units	3,933	96.5%	94.6%	6,697
Market-Rate	2,937	72.1%	96.7%	5,112
Subsidized/Affordable	996	24.4%	93.4%	1,674
Owner-Occupied Units *	141	3.5%	100.0%	254
TOTAL	4,074	100.0%		6,951

**(Population based on 1.8 persons per occupied unit; assumes all owned units are occupied.)*

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 2016 Downtown Rental Housing Survey reflects data and vacancy rates collected as of December 2016. A total of 63 buildings with 2,584 units participated, which represents a response rate of 65.7% of the total rental units tracked in the downtown market.

Rochester's downtown housing market is dominated by rental housing, which comprises 96.5% of all units. Key findings include:

- The **market-rate rental vacancy rate rose to a very low 3.3% vacancy rate in 2016, from a remarkably low 2.1% the year before.** Both the 2015 and 2016 vacancy rates are well below the 5% rate considered to represent a healthy apartment market.
- The **subsidized rental vacancy rate is 6.6%**, a 3.7% increase since 2015, and 2.4% above 2014. Note that this shift is due entirely to management issues associated with one building.
- The **wide variety of housing options** downtown is reflected in a rent range in 2015 that spans from \$400 - \$3,922 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 property managers responding to this question (many of whom manage multiple downtown properties), 61% reported that vacant units are filled in less than one month, 36% reported that it took less than three months to lease vacant units, and 3% said four to five months (represented a new property on the market). Of the property managers answering the question, 50% believe the demand for downtown rental housing is higher than it was three years ago. Nearly a quarter (24%) of the 63 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 (2.7%).
- Property managers identified **young professionals, downtown employees and students** as the groups with the strongest leasing interest.
- Property managers indicate that the top three **most requested amenities** include: (1) **parking** (off-street and/or on-site); (2) **laundry** (in-unit and/or on-site); and, (3) **WiFi, high speed internet, and cable.**

More detailed results of RDDC's December 2016 Downtown Rental Housing Survey are contained in the Appendix A.

MARKET DEMAND INFORMATION

In the 2016 downtown housing market survey, a series of demand-related questions were posed to property managers and owners. The results are summarized in Appendix B.

OWNER-OCCUPIED MARKET SUMMARY

Owner-occupied (“for sale”) housing represents 3.5% 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.

We continue to report that 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:

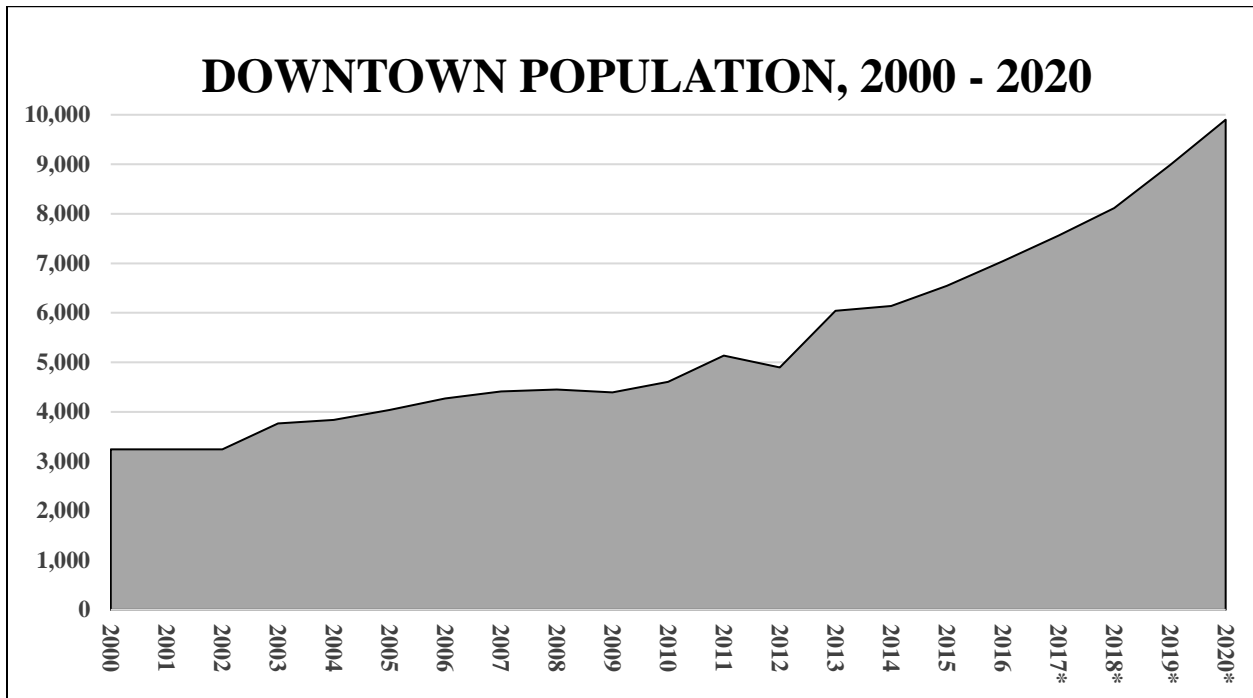
- Public demand for downtown owner-occupied housing made an appearance in the results of the City of Rochester’s 2013 Center City Master Plan Survey. When asked about downtown, “What should be the City’s priority focus for downtown, in partnership with the development community?”, “More owner-occupied 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

RDDC is tracking \$852 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.

New residential projects completed in 2016 include: 1 Woodbury Boulevard (addition of 11 units), Tower280 (181 units), Hive @ 155 (89 units), North Plymouth Terrace, Phase Two (4 units), and Charlotte Square, Phase One (72 units).

RDDC estimates that downtown’s population has more than doubled between 2000 and 2016, increasing from 3,239 residents in 2000 to 7,040 by the end of 2016. A total of 20 residential projects are planned or under construction as of December 2016, bringing the population total to 9,900.



(NOTE: Projected population estimates are based on the average market-rate occupancy over four years between 2013 and 2016 for rental units in the pipeline, 100% occupancy for owner-occupied units, and an assumption of 1.8 people per unit.)

Rochester, New York

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ATTACHMENT A: Base Data Tables

HOUSING TYPE	Number of Units	Percent of Market	2016 Occupancy	Estimated Population *
All Rental Units	3,933	96.5%		
Market-Rate	2,937	72.1%	96.7%	5,112
Subsidized/Affordable	996	24.4%	93.4%	1,674
All Owner-Occupied Units *	141	3.5%	100.0%	254
TOTAL	4,074	100.0%		7,040

* (Population based on 1.8 persons per occupied unit; assumes all owned units are occupied.)

YEAR	MARKET-RATE		AFFORDABLE/ SUBSIDIZED	
	# Units	% Vacant	# Units	% Vacant
2016 *	2,937	3.3%	996	6.6%
2015 *	2,651	2.1%	930	2.9%
2014 *	2,485	3.4%	913	4.2%
2013 *	2,487	4.9%	897	4.0%
2012 **	1,898	7.2%	899	6.8%

* (December data)

** (August data)

UNITS REPORTING	Number of Units	Number of Bldgs. *
ALL RENTAL UNITS REPORTING IN 2016	2,584	63
Market-Rate	2,516	59
Subsidized/Affordable	822	8

* (Six buildings reporting offer both market-rate and subsidized/affordable units, but only three are considered "predominantly subsidized" for our vacancy calculations.)

(DOWNTOWN HOUSING MARKET, All Data Tables, December 2016, page two)

VACANCY RATES	December 2015	December 2016	Change, 2015-16	
RENTAL VACANCY RATES				
Market-Rate	2.1%	3.3%	+1.2%	
Subsidized/Affordable	2.9%	6.6%	+3.7%	
All Rental Units Responding	2.3%	5.4%	+3.1%	
MARKET RATE UNITS	Total Units Reporting	Number Vacant	Vacancy Rate	Rent Range
ALL RENTAL UNITS	2,584			
MARKET RATE ONLY *	2,516	84	3.3%	\$400-3,922
BY NEIGHBORHOOD:				
Alexander Park	527	8	1.5%	\$400-2,000
Cascade District	91	2	2.2%	\$950-2,300
Convention & Hotel District	0	--	--	--
Corn Hill (<i>river portion only</i>)	127	1	0.8%	\$875-2,000
East End/Upper East End	538	15	2.8%	\$560-2,780
Four Corners	38	1	2.6%	\$750-2,500
Grove Place	223	0	0.0%	\$495-1,800
High Falls	18	0	0.0%	\$540-2,200
Manhattan Square	250	7	2.8%	\$503-1,080
Midtown District	306	14	4.6%	\$600-3,922
St. Joseph's Park	12	0	0.0%	\$600-1,195
St. Paul Quarter	349	36	10.3%	\$685-2,250
Washington Square	37	0	0.0%	\$850-2,495
BY UNIT SIZE:				
Studio	615	26	4.2%	\$400-2,500
1-Bedroom	1,311	35	2.7%	\$550-2,365
2-Bedroom	612	22	3.6%	\$600 - 3,922
3-bedroom	55	1	1.8%	\$1,026 - 2,780

(DOWNTOWN HOUSING MARKET, All Data Tables, December 2016, page three)

SUBSIDIZED & AFFORDABLE UNITS	Total Units Reporting	Number Vacant	Vacancy Rate
TOTAL UNITS (in predominantly subsidized and affordable buildings)	822	54	6.6%
BY NEIGHBORHOOD:			
Manhattan Square	326	49	15.0%
St. Paul Quarter	526	5	1.0%
DOWNTOWN HOUSING, 2000 - 2019			
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
Parry	2008	6	
250south	2008	3	
96 Liberty Pole Way	2008	9	
Daily Record	2009	2	

(DOWNTOWN HOUSING MARKET, All Data Tables, December 2016, page five)

HOUSING UNDER DEVELOPMENT	Anticipated Completion	TOTAL UNITS	
		Residential Conversions	New Construction
UNDER CONSTRUCTION			
Sibley Building	2017	176	
The Metropolitan *	2017	125	
Alliance Building	2017	130	
Columbus Building	2017	54	
Hiram Sibley Building	2017	21	
88 Elm	2017	36	
Woodbury Place	2017	26	
Center Lofts at High Falls	2017	5	
North Plymouth Terr., Phases 3 & 4 *	2017	10	6
350-360 State Street	2017	5	
342-350 East Avenue	2017	14	
Charlotte Square, Phase 2 *	2018		10
PLANNED/ANNOUNCED			
Alexander Park	2017 - '18		400
Inner Loop, Parcels 4 & 5			201
103 Court Street Apartments	2017 - '18		119
Inner Loop, Parcel 2			117
Cox	2017	70	
Inner Loop, Parcel 1			49
Mills @ High Falls, Phase III	2018 - '19	14	
Terminal Building	2018	57	
Sub-Totals	2017 - '19	743	902
TOTAL, All Units in Development		1,645	
* (Some or all of the units are planned as owner-occupied units.)			
(RDDC - December 2016)			

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APPENDIX B: Market Demand Questions

A number of questions in RDDC’s annual housing market survey related to the demand for downtown housing. In 2016, property managers representing 63 property managers/owners completed one or more of the market demand questions, representing one or more residential buildings. The following results represented their collective view of the market.

QUESTION: As of December 2016, is there a waiting list for this building?
(N = 63 buildings)

	Number of Buildings	Percent of Buildings
Yes	16	25%
No	47	75%

Of the 16 building contacts that indicated a waiting list, 13 provided a number for how many people are currently on a waiting list as of December 2016. Two buildings have more than 100 people on their waiting lists, and the remaining 11 recorded between 1 and 20 names.

QUESTION: Indicate the average length of time it takes to lease a unit downtown:
(N = 36 property managers)

	Number of Respondents	Percent of Respondents
Less than 1 month	22	61%
2- 3 months	13	36%
4-5 months	1	3%
6+ months	0	0%

QUESTION: How would you describe current unit demand downtown?
(N = 35 property managers)

	Number of Respondents	Percent of Respondents
MORE applicants than units available (high demand)	8	23%
FEWER applicants than units available (low demand)	7	20%
EQUAL number of applicants to units available	20	57%

QUESTION: How would you rate rental demand downtown compared to three years ago?
(N = 34 property managers)

	Number of Respondents	Percent of Respondents
Higher	17	50%
Lower	8	23%
No change	9	26%

QUESTION: Rate market demand by number of bedrooms (leave blank if not applicable):
(N = 32 property managers)

	Number of Respondents	Low Demand	Medium Demand	High Demand
Studio	28	7%	36%	57%
1-Bedroom	32	3%	25%	72%
2-Bedrooms	28	7%	57%	36%
3-Bedrooms	21	62%	29%	10%

QUESTION: Rate the level of leasing interest/demand by the following groups:
(N = 34 property managers)

	Number of Respondents	Low Demand	Medium Demand	High Demand
Students	32	22%	40%	38%
Young professionals	34	6%	24%	71%
Empty nesters	30	47%	37%	17%
Mid-career professionals	31	19%	52%	29%
Retired	30	43%	50%	7%
Families with children	25	84%	12%	4%
Downtown employees	32	9%	34%	56%
Suburban transplants	26	35%	62%	4%

QUESTION: List the 3 most requested/asked about amenities that renters are seeking:
(N = 31 property managers)

	Number of Responses	Percent of Responses
Parking (off-street/on-site)	26	84%
Laundry (in-unit/on-site)	11	35%
WiFi/high speed internet/cable	10	32%
Fitness center/gym	6	19%
Pet friendly	5	16%
Security	5	16%