

A Presentation of

**BUFFALO NIAGARA
PARTNERSHIP**

OUR REGIONAL CHAMBER OF COMMERCE

DOWNTOWN BUFFALO

Looking
Ahead With A
Clearer View.

Housing market study and other data
help inform critical strategies for
continued revitalization.

with the support
and cooperation of



DOWNTOWN BUFFALO



Elmwood Ave.

Delaware Ave.

Main St.

Niagara St.

190

33

Broadway

William St.

Seneca St.

190

South Park Ave.

LAKE ERIE

— Buffalo Building Reuse Project Area

— Greater Downtown Market Area

BUFFALO

SHAPING THE FUTURE OF DOWNTOWN

INTRODUCTION | The Buffalo Niagara Partnership, with support and cooperation of the City of Buffalo and the Buffalo Urban Development Corporation (BUDC), recently commissioned a downtown residential market study to take a closer look at downtown Buffalo.

The 2018 report provides a snapshot of the downtown housing market and evaluates the effectiveness of economic development programs in the city's revitalization efforts. In particular, this was an assessment of the Buffalo Building Reuse Project (BBRP), a public/private effort launched more than six years ago by the Partnership at the request of Mayor Byron W. Brown, seeking to make downtown Buffalo more competitive for private investment.

The residential study, performed by nationally renowned consulting firm, Real Property Research Group, offers a reality check of the market to assist the public and private sector's efforts to create a more vibrant downtown.

Overall, the study tells the story of a healthy downtown market that has increased in population and is becoming more diverse. But the data also suggests that continuing the revitalization will require enhanced strategies and an updated toolset. This report synthesizes the findings of the market study with other recent reports and critical data regarding downtown Buffalo.

The Buffalo Niagara Partnership and the Buffalo Urban Development Corporation are pleased to share the information that follows with the community. Our aim is to encourage conversation and collaboration in shaping the future of downtown Buffalo.

BBRP – Some Important Background

In 2011, downtown Buffalo was shaken.

HSBC Bank was vacating its downtown office tower, bringing downtown's vacant commercial space to nearly 2.5 million square feet. The tower represented one-third of that total. In a market that absorbs only about 60,000 square feet annually, it would take the city 40 years to fill that space.

The primary focus of BBRP is stimulating residential growth and redevelopment to reduce vacancy in the downtown core. A loan fund for reuse and renovation of previously neglected and underutilized buildings was initially backed by \$3 million in support from the City of Buffalo and Empire State Development.

Through a collaborative effort among the city, the Buffalo Urban Development Corporation, the Partnership and six local banks, an additional \$10 million was secured to invest in the revitalization of downtown.

The BBRP project area is anchored by the central business district, extends north to include the Buffalo Niagara Medical Campus, south to Canalside, west to lower Niagara St. and stretches east to include the African American Heritage Corridor and Larkin District. For the purposes of this study, the consultant also considered a "Greater Downtown Market Area," that extends into surrounding neighborhoods in alignment with US Census tracts.

DEMAND FOR DOWNTOWN HOUSING

Several indicators point to a healthy real estate market in downtown Buffalo.

RENTAL MARKET OVERVIEW

In 2017, downtown produced **262 units**^{7,9}, just under the current demand of **281 units**^{1,9}, annually. This is a significant increase in both production and demand since 2011. Additionally, vacancy within downtown apartments stands at just **4.2%**^{1,9}, well below the industry standard of **5%**⁶ for a healthy rental market. These figures indicate that economic development efforts are effective and the need in the market is being satisfied.

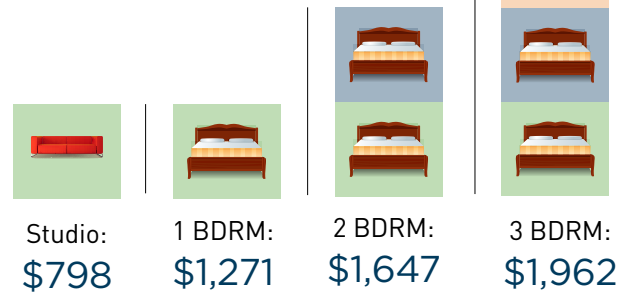


4,684

Total Rental Housing Units^{1,10}

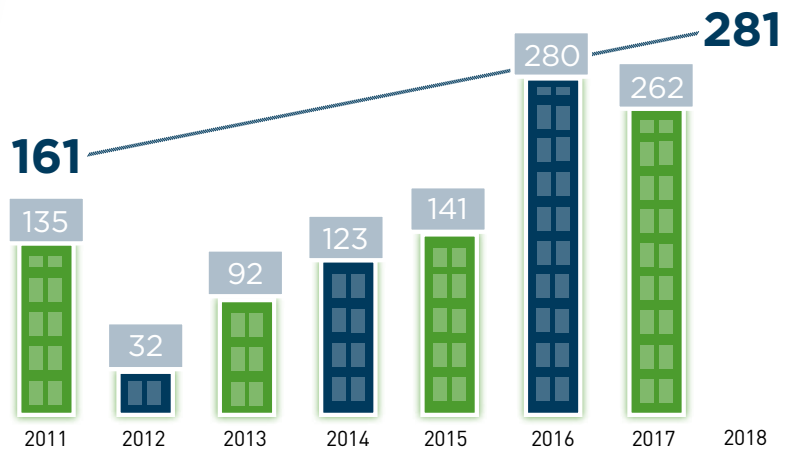
Average Rental Rates^{1,9}

Survey of Newly Redeveloped Properties



Rental Units Constructed^{1,7,9}



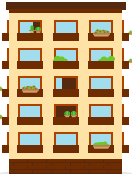
Rental Demand for Market Rate Apartments^{1,9}





FOR-SALE MARKET OVERVIEW^{1,10}

For-sale units are selling well above market which suggests there is room for new development downtown. Higher median sales prices for townhouse and condo units shows a strong demand for this type of development.

	Units Located in Downtown Buffalo	Median Price for Properties Sold in 2017
 <p>Single Family</p>	879	\$225,000
 <p>Townhouse</p>	267	\$455,500
 <p>Condo</p>	443	\$466,000
	1,591 Total Units	51 Total Units Sold in 2017

Due to the limited number of for-sale units in the BBRP Project Area, the study looked at the greater downtown market area.

VACANT COMMERCIAL SPACE

In 2011, vacant commercial space in the BBRP area was growing to 2.4 M sq. ft. This concern was the original impetus to developing the BBRP strategy to introduce new demands into the market. Since 2011, approximately 1.1 M sq. ft. of space has been converted to residential space. Meanwhile, the commercial market has enhanced its competitiveness, constructing an additional 1.8 M sq. ft. of modern office space with features demanded in the market like larger floor plates, shared services and attached or proximate parking. In 2018, commercial vacancy has risen to 3.1 M sq. ft.⁶, however, this is in the context of a growing downtown market with increased demand for commercial and residential space. BBRP strategies outlining the conversion of commercial space to residential has mitigated negative impacts on the market as downtown develops more competitive commercial space.

NEW UNITS, NEW RESIDENTS ^{7,9}



Since 2011

1,065

new rental units have been introduced downtown



In that same time, approximately

1,810

new residents* have made their home in the BBRP Area. Young professionals and empty nesters represent the largest number of these new residents.



Up 10.6%

from 2010 – 2017

The downtown population ^{1,10} is

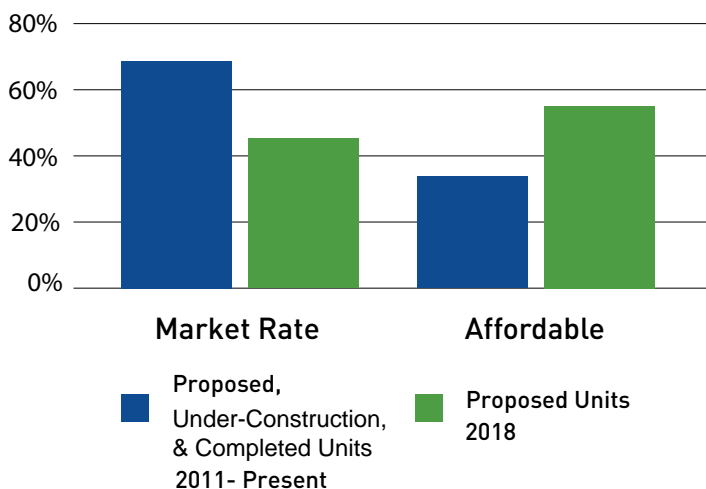
6,875

**This population growth represents a projection based upon 1.7 residents per unit developed.*

DIVERSIFYING RENTAL PRODUCTS IN DOWNTOWN

Developers are building more affordable units than market-rate. Since 2011 nearly one third of units proposed, under construction and completed are affordable. Additionally, more than 50% of the proposed units to be developed in downtown are also affordable.

Change in Rental Housing Unit Mix ^{7,10}



IMPACT OF ADAPTIVE REUSE DEVELOPMENT

A look at zip code 14203

Zip code 14203 is a sample highlight of the changing demographics of downtown Buffalo. As identified by the Erie County Industrial Development Agency (ECIDA) Adaptive Reuse Report, this zip code features the highest concentration of completed adaptive reuse projects and illustrates the benefits of this type of development.

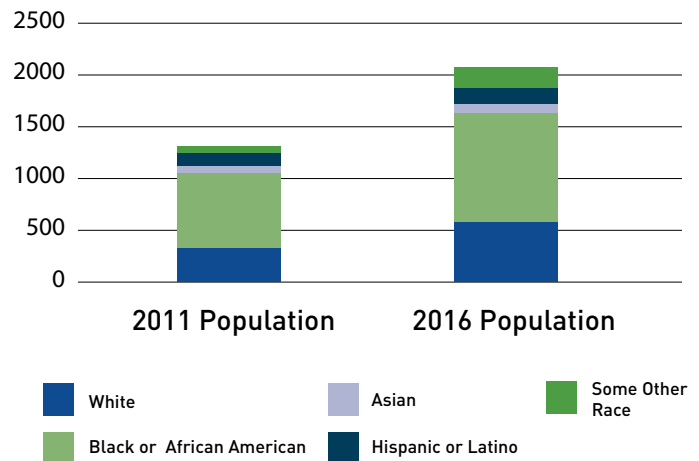
The US Census data used in the ECIDA Adaptive Reuse Report shows that while new wealth has been added to the area, affordable living opportunities have been maintained. This new wealth provides needed support for downtown amenities, retail services and the continued vibrancy of the area.

The data shows:

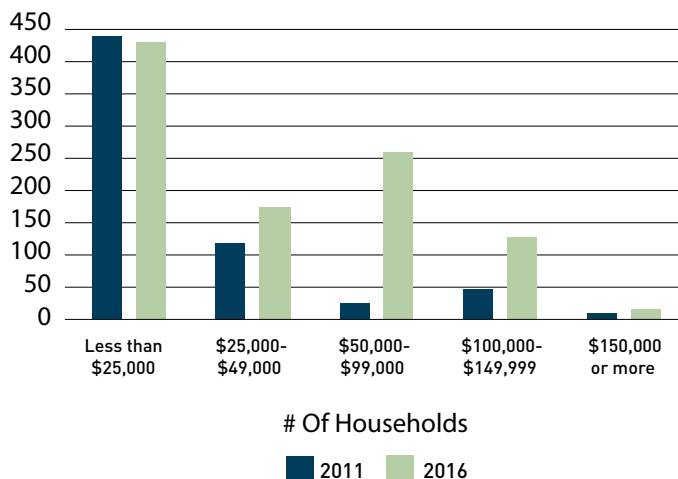
- Population among all races has increased
- Incomes have risen, creating a healthier distribution of wealth
- Strongest population growth is from the middle class
- Residents at all income levels continue to find places to live in 14203

- **56% increase in population**
- **Increase in the population of each racial cohort**

Change in Racial Composition ^{3,4,11}



Change in Income Distribution ^{3,4,11}



- **The number of households at the lowest income level has remained stable**
- **There has been growth in households at every other income level**

STRATEGIES FOR CONTINUED SUCCESS

What is driving success in downtown Buffalo?

The Buffalo Niagara Medical Campus has been the biggest driver, bringing 8,000 additional jobs to the BBRP area. Canalside and the 500 and 600 blocks of Main Street are great examples of the leveraging ability of infrastructure investments on real estate development.

Perhaps more important has been the aligning of economic development efforts, critical programs and incentive tools. These include:

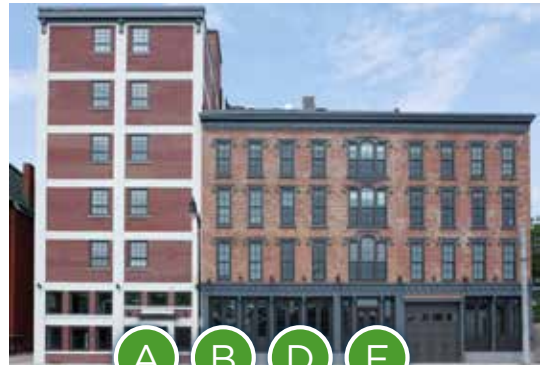
- A** ECIDA Adaptive Reuse Program
- B** NYS & Federal Historic Tax Credits
- C** NYS Brownfield Cleanup Program
- D** City of Buffalo 485-A Tax Abatement Program
- E** BBRP Loan Program
- F** NYS Better Buffalo Fund

One thing we know for sure, ongoing public private partnerships are more important than ever to keep up the momentum in Buffalo. Together, they make development work downtown.

Apartments at the HUB



Turner Lofts



The Alexandre



Apts at the Lafayette





LOOKING AHEAD

There is much to look forward to in downtown Buffalo:

- Population and demand are up
- 1,400 residential units are projected over the next 5 years
- For sale units continue to sell above market
- Diversity is increasing
- Waterfront and public space investments continue

There are also concerns on the horizon:

- Potential loss of alignment among agencies and programs would be detrimental to future growth
- Reduction/elimination of incentives will slow progress, including:
 - Devaluation of state & federal tax credits
 - Potential changes to the ECIDA Adaptive Reuse program
- Impact of changing financial realities given stagnant rents for market-rate apartments and potential future property reassessments
- Lack of a cohesive neighborhood downtown
- Insufficient incentives for infill development – See Parking Lots in Downtown Buffalo Map on page 11

THE NOW & THE NEXT

The downtown residential housing study and related data presented in this report serve as an important catalyst for discussing the future of downtown Buffalo. Taken all together, the data indicates:

Downtown is healthy, but we need to continue to support the market.

- We need to identify new strategies, initiatives and projects to drive growth
- Major new public projects and economic development anchors should be considered and designed in the context of stimulating a revitalized market
- We need to continue facilitating investment at all price points

Align economic development program with incentive tools.

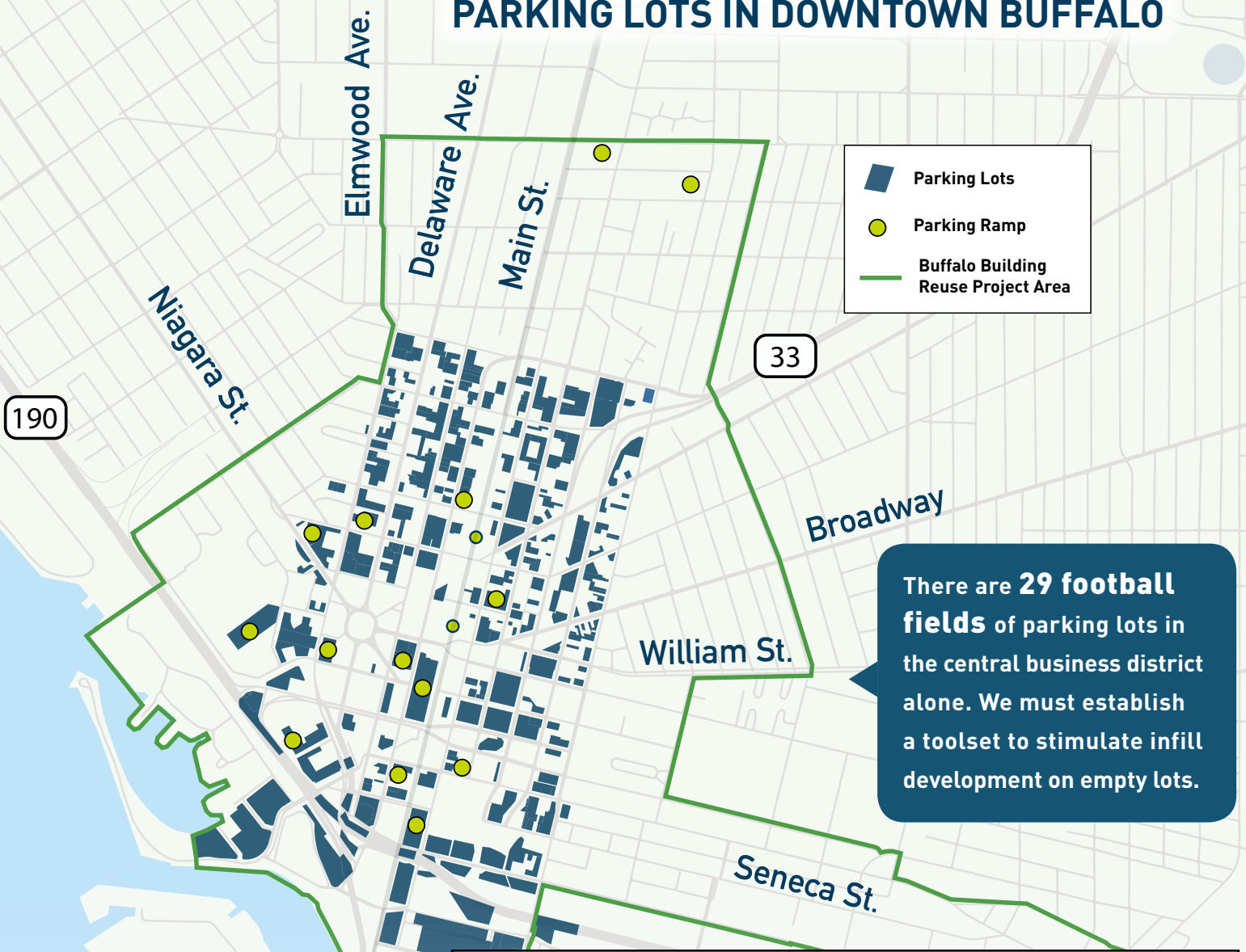
- Most all downtown residential development requires a mix of incentive programs to be economically viable in the local market
- New incentives are necessary to support evolving development priorities in downtown

Update BBRP strategies to respond to the changing new demand market.

- Resources are limited, investments and tools should be focused around geographies that can achieve critical mass and represent an opportunity to complete a neighborhood, driving new demand
- Establish a toolset to stimulate infill development on empty lots - See Parking Lots in Downtown Buffalo Map on page 11
- Continue implementation of Public Realm Master Plan and develop additional strategies for public/private funding of Infrastructure projects - See Downtown Buffalo Priority Investment Areas Map on page 11



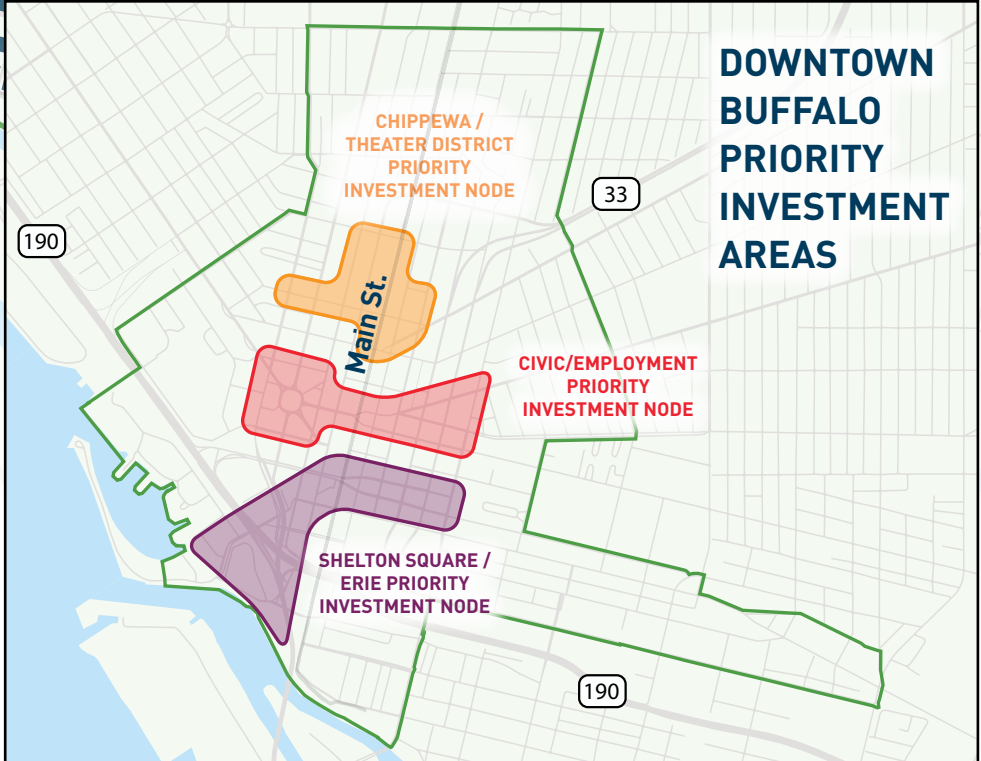
PARKING LOTS IN DOWNTOWN BUFFALO



- Parking Lots
- Parking Ramp
- Buffalo Building Reuse Project Area

There are **29 football fields** of parking lots in the central business district alone. We must establish a toolset to stimulate infill development on empty lots.

LAKE ERIE



Sources:

1. *2018 Downtown Buffalo Residential Market Demand Study, Real Property Research Group*
2. *2011 Update of Residential Market Potential in the Downtown Market Area, Zimmerman Volk*
3. *US Census, 2016 American Community Survey*
4. *Erie County Industrial Development Agency – Adaptive Reuse Program 2008-2016, Redevelopment Resources*
5. *J.R. Militello Realty, Inc. Downtown Buffalo Office Market Overview, 2018*
6. *National Association of Realtors, www.nar.realtor/newsroom/all-commercial-real-estate-sectors-continue-to-improve-multifamily-strong*
7. *City of Buffalo Project Database 2018*
8. *Downtown Buffalo Infrastructure and Public Realm Master Plan*

Geographies:

9. *Buffalo Building Reuse Project Area*
10. *Greater Downtown Market Area*
11. *Zip Code 14203*



For more information on this report, the downtown market study and other economic development data, contact:

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