



MARKET CONDITIONS UPDATE

Let's face it, commercial real estate is a sound investment, particularly when it's backed by strong credit and/or high rental demand.

But sustained low interest rates and abundance of capital — both debt and equity — aided by tax laws for deferring capital gains, continue to hold down cap rates across a wide spectrum of RE assets.

Apartments are still among the hottest market segments, with quickly expanding inventories.

In addition to new construction, which continues at a brisk pace, adaptive reuses of vacant and underperforming properties are starting to make a real impact, particularly in the region's urban centers. Former schools, office buildings, churches, and industrial properties are being repurposed throughout the market.

This is a good sign for the regional RE market as a whole, as these types of projects are commonly associated with economic

expansion.

Also, cap rates seem to be staying the course, as we've seen no significant shifts in cap rates locally, through sales extractions, and in nationally published surveys.

PwC Investor Survey continues to report cap rates trending stable to downward across all the major asset classes. As always, we've posted some of our recent observations as part of our newsletter. All indications show strong RE markets continue. □

Capitalization Rates

2014-2015 Cap Rates

- **Retail**
5.61% - 9.63%
- **Industrial**
7.37% - 10.66%
- **Apartments ***
6.36% - 8.38%

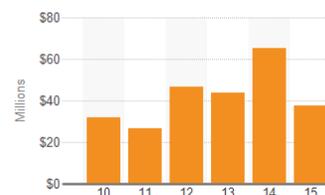
* Apts. continue to be the strongest R.E. segment.

Cap rates are extracted from local sales and may include allocations for mgt. and reserves. All cap rates are historically based and may not reflect future market conditions. Sample size is minimum five sales for each type.

RESEARCH TOOLS AND MARKET STATISTICS

CoStar recently added "Comp Analytics" to its analytics menu. This allows users to take a look at historical sales trends by property type and by market area, and it even breaks down transactions

Sales Volume



by buyer type, e.g., REIT, private, institutional, etc,

The graphic displayed here reports sales volume for retail properties in Albany and Saratoga counties since 2010. The data is lagging slightly, so it appears 2015 is well on its way to 2014 levels. □

CONTACT US

4 Avis Drive
Latham, NY 12110
Phone: 518-785-5996
Fax: 518-785-6428
Email: office@hafval.com
Website: www.hafval.com

Congratulations To James M. O'Neill, MAI:

Jim O'Neill recently was awarded an MAI designation from the Appraisal Institute. MAI is a professional designation awarded to appraisers who complete AI's rigorous graduate-level curriculum, receive credit for 4,500 hours of specialized work, fulfill general demonstration of knowledge requirement and pass a comprehensive exam. Hafner Valuation Group is proud to lead the local industry with three MAI designated appraisers on staff. □

SAMPLE PROPERTIES RECENTLY APPRAISED



Class A Office



Shopping Center



Fast Food Restaurant

RECENT SALES ACTIVITY

1). **Retail:** Recent sales in this segment have included a couple grocery-anchored shopping centers, several strip plazas and net leased free-standing retail. Earlier this year, a local net leased Walgreens asset traded at a cap rate in the mid-5s.

2). **Industrial:** There have been a number of recent warehouse sales, including net leased deals, with very little spread in cap rates between older but well-placed leased assets and newer inventories.

3). **Auto Dealership:** A March 2015 sale on Route 9 raised the bar on recent pricing, at approximately \$210 per sq.ft. Aside from its outstanding location, the sale offers excess land. The buyer's long-range plan is expansion and/or redevelopment.

4). **Multi-Family:** Good quality multi-family assets are still hard to come by. If anything, supply lags demand. One of the last major transactions was Steeplechase in Malta; 234 units which sold over \$152,000 per unit.

5). **Office:** Since late Dec-2014, there have been two significant sales along the Broadway corridor of Albany, totaling 282,026 sq.ft., with pricing from approximately \$20 psf to \$35 psf. Both buildings are being remodeled for large office users.

5). **Land:** 2015 has seen land purchases for multi-family (incl. student housing), residential subdivision, industrial, free-standing retail, and planned unit development. These are just more signs of ongoing market expansions. □

Newsletter Features:

- Market Conditions Update
- Market-Extracted Capitalization Rates
- Research Tools & Market Statistics
- Congratulations To James M. O'Neill, MAI
- Sample Properties Appraised
- Recent Sales Activity

William S. Hafner, MAI
Michael J. Ardman, MAI