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Pittsburgh region's multifamily vacancy rates among lowest nationwide

Penn Towers, West Pointe Apartments sold

Pittsburgh Business Times - by [Ben Semmes](#)

Two Pittsburgh-area apartment buildings have sold for more than \$10 million, as multifamily properties remain one of the only types of commercial real estate to attract buyers amid the downturn.

The Soffer Organization, owner of the **SouthSide Works** mixed-use development, expects to close this week on the \$10.28 million sale of its 241-unit Penn Towers to **Brookview Associates**, an affiliate of St. Louis-based retirement home developer Brookview Group Ltd., said Cynthia Kamin, a broker with Downtown-based **CB Richard Ellis Inc.**, which represented Soffer in the deal.

The property, built in 1971, is Soffer's last major property at Penn Center East in the eastern suburb of Wilkins, and it is the company's only apartment property other than 86 fully leased rental units at the SouthSide Works. Soffer was seeking \$11.2 million for Penn Towers, or \$46,500 per unit.

Jeffrey Ackerman, a broker with CB Richard Ellis who assisted with the deal, said plans call for a multimillion dollar renovation and the marketing of the rentals to seniors.

"We are going to cater to the clientele that is there, that is predominately seniors," said Barry Pessin, president and co-owner of Brentmoor Retirement Communities, a division of Brookview Group Ltd.

Meanwhile, in Robinson Township, an affiliate of Pittsford, N.Y.-based Morgan Management LLC recently closed on the acquisition of the 291-unit West Pointe Apartments for \$11.6 million, or nearly \$40,000 per unit.

Morgan Management acquired the property from a partnership including Stuart Barmen and Robert Stephanovic, the original developers now based in Ohio, and O'Hara-based **Abbott Management Co. Inc.**, which also manages the property.

"We just like the market," said Bob Morgan, whose company bought into the Pittsburgh market last year with the acquisition of the 370-unit Club at North Hills in McCandless. "We think it is a very good, stable market."

Morgan said his company plans to renovate the West Pointe Apartments, but declined to go into specifics.

The company is on the lookout for other investment opportunities in the Pittsburgh area as well, he said.

Pittsburgh-area apartment buildings, which continue to be one of the bright spots in a dismal market for commercial real estate, are a notoriously steady asset class and have shown resilience in the recent downturn.

"It is a very stable property type," said Nick Matt, managing director with Downtown-based commercial mortgage banker Holliday Fenoglio Fowler LP, which helped sell the Club at North Hills property to Morgan Management.

Financing for most other commercial real estate assets — office buildings, hotels, retail — has shrunk considerably since the start of the credit crunch in the summer of 2007.

But Matt said a major reason for apartment properties' strength in the downturn is that **Fannie Mae** and **Freddie Mac**, now fully owned government entities after their takeover last year, continue to lend in the multifamily market.

"You can still obtain maximum non-recourse leverage on apartments through Fannie Mae and Freddie Mac," he said.

Still, in some markets, such as the southern and western parts of the country, developers may have built too many apartment buildings, along with single family homes, and those markets have suffered, Matt said. In other markets, apartment developers have run into trouble where loans were made based on aggressive revenue projections.

That hasn't been the case in Pittsburgh. The multifamily market outperformed ever other major metro area in the nation with a 2.7 percent vacancy rate in the third quarter of 2008, according to a market report from Torto Wheaton Research.

"I believe that our market was so much more stable than other housing markets, because we didn't have the development that other markets did in the boom years," said John Katz, vice president with North Versailles-based **Brandywine Agency**, which owns apartments throughout the Mon Valley. "We don't have too many new (apartment) buildings."

Katz said Pittsburgh rents are more affordable and the region did not experience the condo craze to the same extent as other parts of the country. Many condos that failed to sell have reverted to rentals and are directly competing against existing apartments.



Photo courtesy of CB Richard Ellis

The Penn Towers apartment complex is selling for \$10.2M.

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"We didn't have the condo growth," Katz said. "In other communities that had condo growth, those are now competing with apartments."

Low vacancy

Pittsburgh outperformed every other major metro area in the nation when it came to multifamily vacancy rates in the third quarter of 2008.

Top five markets Vacancy rate (%)

1 Pittsburgh 2.7%

2 San Diego 3.4%

3 Newark, N.J. 3.4%

4 Oakland, Calif. 3.5%

5 Edison, Calif. 3.6%

Bottom five markets Vacancy rate (%)

56 Dayton, Ohio 8.2%

57 Atlanta 8.5%

58 Greensboro, N.C. 8.6%

59 Phoenix 9.8%

60 Jacksonville, Fla. 10.0%

Source: CB Richard Ellis, Torto Wheaton Research

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