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INDUSTRY: COMMERCIAL REAL ESTATE

Multifamily rental buildings are hot

North Jersey brokers do a brisk trade

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Multifamily housing is proving to be one of Bergen County's most lucrative areas of commercial real estate for investors, and few companies have outpaced the momentum of Gebroe-Hammer Associates' sales.

Since the start of the year, Gebroe-Hammer, a commercial real estate brokerage based in Livingston, has brokered more than \$45 million in transactions in Hackensack, Teaneck, Bogota and Palisades Park.

Demand for rental housing has only increased in the wake of the subprime crisis, but the supply is lacking in North Jersey. New rental properties are among the most difficult types of housing to build in the region, because of a lack of space and high construction costs, said Greg Pine, vice president of Gebroe-Hammer.

The vacancy rate for multifamily buildings in North Jersey is 3.5 percent compared with 16 percent for the office market, according to data from the real estate services firm Marcus & Millichap. Monthly apartment rents are expected to rise 4 percent this year to an average of \$1,500. Rents have risen a total of 14 percent since 2004.

It is that combination of high demand, tight vacancies and steadily rising rents that has many investors scrambling to acquire multifamily units as soon as they're placed on the market.

Some buyers were willing to pay a premium. Parkview Commons, a Class A building at 333 Willow St. in Teaneck, sold for \$266,000 a unit, or roughly \$10 million.



Parkview Commons in Teaneck, above, sold for \$266,000 a unit, or roughly \$10 million. Two other recent sales are 222 Elleen Terrace in Hackensack, top right, and Catherine Gardens in Little Ferry; it fetched \$4.5 million.

Recent Bergen County sales

The following properties were sold in recent months in deals brokered by Gebroe-Hammer Associates:

- 230 Polifly Road, Hackensack
24-unit apartment building
- 222 Elleen Terrace, Hackensack
32-unit apartment building
- 403 Prospect Ave., Hackensack
Two-building, 38-unit apartment complex
- 7 Amsterdam Ave., Teaneck
Three-story mixed-use building (19 apartments)
- 10 Henry Ave., Palisades Park
Four-story building with 42 apartments
- Riverside Terrace, 114-138 River Road, Bogota
Two-building, 24-unit apartment complex
- Grand Imperial, 345 Prospect Ave., Hackensack
Two-building, 74-unit apartment complex
- The Imperial, 390 Prospect Ave., Hackensack
51-unit apartment building
- Parkview Commons, 333 Willow St., Teaneck
38-unit apartment building

Source: Gebroe-Hammer Associates

According to data from real estate information compiler CoStar Group, this is one of the highest per-unit prices ever commanded by a Bergen County apartment building.

"There's an industry undersupply of product, still," said Ken Uranowitz, managing director of Gebroe-Hammer. "That's creating these high values. Despite what is said on business TV, radio and newspapers – that real estate is in

a meltdown – that's really only related to the residential market. Office buildings might feel a stronger gust of wind from subprime. But with apartments, people need a place to live. That will always be first and foremost."

Gebroe-Hammer declined to identify the buyers and sellers involved in the recent transactions and did not disclose how much it earned in broker fees.

"These are big-time buyers, but

not REITs [real estate investment trusts]," Pine said. "These are private families who are sitting on capital. At these closings, there's no bank involved. It's just a matter of someone writing an \$8 million check or a \$15 million check."

Primarily because of its proximity to New York City, Bergen County has stood as an attractive market for investors looking for the steady cash flows that fully occupied rental properties provide,

Uranowitz said. Nearly all of the buildings sold in the deals brokered by Gebroe-Hammer were either fully occupied or less than 2 percent vacant, he said.

The lack of new construction of multifamily units and the increased demand for rental properties are coaxing more owners to sell their buildings, Pine said. For example, before it was recently sold to an undisclosed buyer, the 32-unit apartment building at 222 Elleen Terrace in Hackensack was held by the seller's family for 50 years.

In another example last week, Woodbridge-based Kislak Co. brokered the \$4.5 million sale of Catherine Gardens, a 41-unit apartment complex in Little Ferry.



According to Kislak Vice President Rosanne MacCarone, the complex was managed by its former owner for 22 years before the all-cash sale. The company declined to identify the buyer and the seller of the complex.

"The buyer based his decision [to buy] on the immaculate condition of the property, a stable professional neighborhood and the location of the property," Kislak Sales Associate Robert Squires said in a written statement. "The buyer realizes there will be appreciable gains in his investment."

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