



Cap Rates—Part III

In Parts I & II, we discussed recent market dynamics that have made interpreting cap rates difficult for appraisers and real estate investors.

In this segment, we would like to point to some signs that market conditions might now be stabilizing.

For example, examination of national surveys, such as Korpacz and Realty-Rates.com, reveals that cap rates currently demonstrate a pattern of downward movement across many property

classifications. In some instances, surveyed cap rates have dropped more than 100 basis points since 2009.

It is believed that the local real estate market has begun to stabilize as well; however, our state gov't-based economy has always been slow to react to major economic shifts, thereby, effectively lagging national trends.

Evidence suggests this pattern is being broken by our growing technology and manufacturing sec-

tors that have already created pockets of notable expansion throughout the community.

While the region continues to experience negative job growth due to state government layoffs, the long term prognosis is favorable as major projects come online and peripheral development takes shape.

Overall, these forces should continue to have a stabilizing effect on cap rates and, thus, property valuations. □

Capitalization Rates

2009-2010 Cap Rates

- **Industrial**
7.42% - 12.98%
- **Office**
7.99% - 13.52%
- **Apartments ***
6.10% - 10.63%

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

Cap rates are extracted from actual sales and may include allocations for mgt and reserves. All cap rates are historically based and may not reflect market dynamics discussed in this newsletter.

HVG ADDS CoSTAR AND THE SITE TO DO BUSINESS

Hafner Valuation Group last year added CoStar and The Site To Do Business to its valuation tools. Both services are industry-leading providers of commercial real estate information and analytics.

These sites afford us access to hundreds of reports ranging from simple radius demographics to comprehensive analyses of market trends and forecasting. Both sites are now staples in our

everyday appraisal work and help us to not only elevate the quality of our appraisal reporting but expedite assignments for delivery to our clients. *(Professional, accurate, timely & cost effective.)* □

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Appraiser Staff Update

We'd like to congratulate Michael Colino for being awarded the SRA designation by the Appraisal Institute. The SRA designation signifies someone who is highly trained in residential real property valuation. Mike has been with Hafner Valuation Group for over 10 years, primarily performing commercial appraisal assignments under his NYS General R.E. Appraiser certification. □

SAMPLE PROPERTIES RECENTLY APPRAISED



Corporate Headquarters



Albany CBD Bldg



Auto Dealership

ADD THESE RECENT SALES TO YOUR DATABASE

1). **Bowling Centers:** There were two recent sales of 16-lane centers, both somewhat distressed. One is the former Arterial Lanes in Johnstown (sold Apr-2010 for \$12,437 per lane) and the other is Burnt Hills Lanes (sold Oct-2010 for \$10,875 per lane). Neither center sold with an operating business, although both maintained the previous name and signage, and both sold with older, but serviceable equipment, e.g., AMF pinsetters, wood lanes, etc. Each bldg is traditional block construction w/barrel roof.

2). **Auto Dealership:** Nissan of Saratoga sold May 2010 for \$5.0 million, or roughly \$155 psf. The 32,200+/- sq.ft. facility was fully remodeled as a conversion in 2006. The sale included about five acres of excess land.

3). **Retail:** Feb-2011 sale of a net-leased national chain retail store. The sale price of \$160 psf was driven by the economics of the lease, with 2+ years remaining on the initial term, plus (2) 5-year renewal options. The tenant is publicly-traded with a BBB- S&P credit rating.

4). **Office:** 13 Century Hill Drive is a small general office building purchased in May 2010 for medical office conversion. Circa 1988, the 8,200+/- sq.ft. building sold for \$103.66 psf.

5). **Land:** 1828 Altamont Ave in Rotterdam is the site of the former Edgewood restaurant. At 1.23 acres in size, it was purchased in Dec-2010 for \$569,106 per acre. Pioneer Bank bought the site for future development of a bank branch. The high unit price is indicative of a recent trend for commercial sites. □

Newsletter Features:

- Understanding Cap Rates–Part III
- Market-Extracted Capitalization Rates
- Appraiser Staff Update
- Sample Properties Appraised
- Recent Sales

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