

Annual Sunrise Multifamily Summit Provides Insight on Rental Market

New regulations and an uncertain market mean a challenging time for investors.

EXPERTS IN REAL ESTATE, COMMERCIAL BANKING, the economy, and the job market discussed current factors influencing multifamily housing investments at the Sunrise Multifamily Summit on May 31.

The results of the 2019 Sunrise Management & Consulting Rental Market Report and the insight of the panel of experts, combined with recently-passed legislation, shows an increasingly uncertain market bringing a challenging time for investors.

Hugh Johnson, founder, chairman, and chief investment officer of Hugh Johnson Advisors LLC, studies the national economy and shared his forecast. "This is now the longest bull market since 1890, and it's about to become the longest economic recovery – but trees don't grow to the sky," he said to 200 real estate, banking, and other professionals at the Summit. "There are cyclical reasons to believe that the economy is going to slow in 2019, 2020 and 2021."

The current employment picture is slightly more encouraging. "The need for employees is being felt all over the place – especially in the fields of IT and health care," said Patricia Fusco, president & CEO of Fusco Personnel and secretary of the board of directors for the Center for Economic Growth. And there are more people rejoining the workforce, particularly women, former military, and retirees.

"The multifamily rental market is dependent on the job market," explains Jesse Holland, president of Sunrise Management & Consulting. "If employment keeps growing, it can remain a good, stable market."

However, the multifamily real estate market faces challenges due to the increased supply in the area, which is affecting rent increases.

"We've pretty much eliminated an increase in the average rent per square foot in apartments," said Holland.

Ed Jennings, vice president and head of commercial banking at SEFCU, adds that underwriting methodologies have already changed due to the market slow-down. "I can't name an institution that's making greater than 10-year loans right now," he said. "That's because nobody knows what is going to happen."

Holland is also concerned about the effects of the newly-introduced statewide protections for tenants in apartment buildings. "The regulations, which were signed into law after the Summit, have created significant changes to the operations of multifamily

housing. Mandated rules around security deposits, late fees, and increased eviction times for those who don't pay will cause greater collection losses and force landlords to tighten their credit standards about who to accept as a tenant. Unfortunately, the Legislature has made it harder for the very tenants they were trying to protect."

Part of the new legislation allows municipalities across New York to have the option of regulating rent increases in qualified buildings. Johnson recounted the effects of the Nixon administration's enactment of price controls in the early 1970s, noting that when the controls were removed, the country faced the highest inflation in history. "Whenever you try to interfere with open market forces," he said, "it causes significant distortions in the pricing mechanisms."

Tenant advocates have claimed additional protections are needed from the eviction process. Holland disagrees. "All a real estate investor wants is tenants who pay their rent on time, take care of their apartment, and are courteous to their neighbors," he said. "We only evict as a last resort,

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and a Judge hears every eviction. It is an expensive and time-consuming process with strict rules."

Holland adds that his goal is for everyone to have a good home. "Preventing homelessness and helping those who are struggling is why the Sunrise Multifamily Summit has raised money to benefit the Homeless and Travelers Aid Society," he said. "We support the organization's mission to reduce, combat, and prevent homelessness within the Capital Region and beyond."

Summit attendee and real estate developer Paul Amedore, vice president of the Amedore Group, said, "The Sunrise Summit gave me tremendous insight into the economic, lending, regulatory and industry-specific issues and opportunities. I'll be there next year."

To download the Sunrise Multifamily Rental Market Report, visit www.sunrisemc.com.

