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Annual Sunrise Multifamily Summit Provides Insight on Rental Market
An increasingly uncertain market means a challenging time for investors

Albany, NY (May 31, 2019) – Experts in real estate, commercial banking, the economy, and the job market discussed factors that influence the opportunities and challenges for multifamily investors at the annual Sunrise Multifamily Summit held Friday, May 31 at the Century House in Latham.

The event, hosted by the Center for Economic Growth, Hugh Johnson Advisors, SEFCU, Sunrise Management & Consulting, and *Albany Business Review*, also released the results of the 2019 Sunrise Management & Consulting Multifamily Rental Market Report. Though the report surveys data from seven states in the Northeast, the Capital Region panel focused on data and implications for Albany, Schenectady, Rensselaer and Saratoga counties. Sunrise has completed the survey annually since 2001, and it is available for download on the company's website www.sunrisemc.com.

Capital Region business news has continued to be filled with new apartment communities being proposed. Real estate investors, lenders, and developers want to know if the multifamily rental market is still a good investment. The results of the 2019 report – combined with the insight of this panel of experts – shed light on the question, which shows an increasingly uncertain market bringing a challenging time for investors.

The panelists were:

- **Patricia Fusco**, president & CEO, Fusco Personnel, and secretary of the Board of Directors for the Center for Economic Growth (CEG), with more than 25 years of experience owning an award-winning executive search, recruiting, and staffing firm based in Albany
- **Jesse Holland**, president, Sunrise Management & Consulting - a company specializing in multifamily real estate management - and a certified property manager, licensed real estate broker, and multifamily property investor
- **Ed Jennings**, vice president and head of commercial banking, SEFCU, with more than 25 years of Capital Region commercial banking experience and \$2 billion in financing
- **Hugh Johnson**, founder, chairman, and chief investment officer of Hugh Johnson Advisors LLC, and an expert on the U.S. economy and financial markets, also serves as an economic advisor to the NYS Assembly Ways & Means Committee Chairman

Johnson 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. "There are cyclical reasons to believe that the economy is going to slow in 2019, 2020 and 2021."

He also believes that the economy is currently operating at full employment, which should show up in a slowdown in the average monthly changes in payroll employment, the unemployment rate, and consumer spending. "You will see that in the second quarter, gross domestic product numbers will be meaningfully lower than in the first quarter. This will result

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in the average monthly gains in employment being lower, which will result in a lower growth rate of economies that are export destinations for U.S. goods, most notably in Europe and China. If we can get through 2019 and 2020 without an economic contraction or recession, we will be quite fortunate.”

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 Fusco. And there are more people rejoining the workforce, particularly women, former military, and retirees.

“The multifamily rental market is dependent on the job market,” Holland explains. “If employment keeps growing, it can remain a good, stable market.”

Johnson cautions that while employment will likely continue to grow through 2021, it will be extremely slow growth. “Companies are doing a lot more with fewer people – it helps improve their profit margins,” he explained. “It’s becoming a much less labor-intensive economy.”

Meanwhile, the multifamily real estate market faces challenges due to the increased supply in the area, which is having an effect on rent increases, and uncertainties surrounding regulations. “That’s the biggest wild card right now,” Holland said. “If they go too far and try to over-regulate, we are going to see some massive changes.”

Jennings 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.”

While the market was riding high, there was an extensive amount of building, particularly of multifamily rental units, in the Capital Region. But now, applications for building permits have slowed considerably, as well as new building permits, according to Jennings and Holland.

“The current state of the market suggests that those projects have been absorbed and we have reached a saturation point. We can see this in part because rent rates are not increasing at a pace to keep up with inflation,” Holland said.

The 2019 Multifamily Rental Market Report shows that the rate of increase in rental rates has flattened out at small or nearly no change in these Capital Region counties.

- **Rensselaer County** flatlined at 0.00% change compared to 1.90% last year
- **Saratoga County** dropped to 0.74% from 1.49% last year, in steady decline since 2015
- **Albany County** stayed nearly flat at .89% compared to .90% last year
- **Schenectady County**, which peaked more recently than the others, slowed slightly to 3.54% from 3.67% last year

The overall percentage rate of change for the Capital Region is 0.90%, the third lowest of the regions in the Northeast report, with only the North Country of New York and western Connecticut showing lower rates of increase.

So, is multifamily housing still a good investment? Holland, who advises real estate investors, admitted that the next 3-5 years will be difficult. “Going forward, it’s going to be challenging to maintain margins, and projects will become very sensitive to interest rate changes, tax increases, and regulatory changes. It’s going to separate the pros from the amateurs. Real estate is a team sport. Surrounding yourself with professionals or learning the ins and outs yourself is mandatory for success. Trial and error is an expensive way to learn.”

For information on the Sunrise Multifamily Market report, visit <https://www.sunrisemc.com/market-report/>.

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