

# rma San Diego Chapter

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Fall 2016

## From Your Chapter President

Welcome to our new and returning RMA members. Your San Diego RMA Board has planned an exciting year ahead with a variety of programs, including fun networking events and quality educational offerings. Everyone on the board has worked hard preparing for this coming year. I'd like to mention just a couple of projects that have already been completed to enhance your membership experience.

Thanks to the efforts of Tyler Sporrer, our new Technology Chair, San Diego RMA has developed a new, more functional website where members can go to enroll online for events and classes, and which offers payment options of PayPal or credit card. (Plus we still accept payments the old fashioned way by check). <http://www.sandiegorma.org/>

And thanks to Laura Willman, one of our new Board Members and also Co-Chair of Communications, for helping to put together our RMA Fall newsletter. I hope you take the time to read through it and give us your comments. It is designed for our chapter members. If you have suggestions for future topics, or if you would like to write an article for the newsletter, please let us know. The goal of this newsletter is to provide you with information you can use within your area.

In closing we all look forward to seeing you at our upcoming events. Thanks for your continued support and involvement in your local Risk Management Association!

Lea Zanjani, Former Chapter President

## 2016–2017 RMA San Diego Chapter Officers

<b>President:</b>	<b>Kim Tronerud-Coy</b> Neighborhood National Bank
<b>1<sup>st</sup> Vice President:</b>	<b>Skip Maniscalco</b> Neighborhood National Bank
<b>2<sup>nd</sup> Vice President:</b>	<b>David Stong</b> Citizens Business Bank
<b>Secretary:</b>	<b>Lynne Susman Ballew</b> Ballew Consulting
<b>Treasurer:</b>	<b>Tomas Schmidt</b> Regents Bank

## Previous Events; Affinity Luncheon, 10/5/ 2016

Wanda Allen, a national speaker, coach, author and award winning business owner made a presentation to RMA Members on Follow UP Sales Strategies. In the presentation, Wanda demonstrated the following:



- Why using a system is critical for success
- Follow up systems that don't work
- How the right mindset makes follow up easier
- Surprising sales statistics
- Powerful results of effective follow up
- How Improving follow up skills gets more clients and closes more sales

The event was well attended and enjoyed by all. Thank you Wanda, for an excellent presentation.

## Upcoming Events

### November 9, 2016 – Wednesday

General Membership Meeting # 2; 5:30 PM – 8:30 PM  
Speaker: Alan Nevin – Commercial Real Estate in San Diego  
Sponsor: Seattle Funding Group  
Location: La Jolla Sheraton

### January 12, 2017 - Thursday

General Membership Meeting # 3; 5:30 PM – 8:30 PM  
"ABC Night" sponsored by CalCPA – Networking Event  
Location: TBD

## Education Offerings:

January 19, 2017 – Thursday  
Full Day Education Program #1  
**CRE Lending**  
Location: Farnham Training Room at CB&T

February 16, 2017 – Thursday  
Full Day Education Program #2  
**Construction/Contractor Analysis**  
Location: Farnham Training Room at CB&T

March 3, 2017 – Friday  
Full Day RMA National Education Course:  
**Global Cash Flow I: Foundations in GCF Concepts**  
Location TBD

## Multi-Family Lending Bubble Yet to Burst

Since 2014, the headlines have told us a multi-family bubble is building. There is certainly no lack of data to support the assertion that multifamily construction has been growing in most urban centers. Whether or not the increase in construction has fueled a bubble that is about to burst depends on who you ask. Leasing agents will cite the fact that, to date, vacancy rates are steady to decreasing in most urban markets and rents have continued to climb. However, if you focus on the pipeline for delivery of new buildings in 2016 and 2017, it appears that the test of the sustainability of low vacancy levels and growing rents has only just begun. One source which examines the dynamics of the multi-family markets in 62 MSAs puts 34 of them late in the expansion phase, signaling that increasing vacancy rates and stagnant or decreasing effective rents are on the horizon. Yet, not all multi-family properties are equal. The bulk of new construction consists of luxury urban buildings with high cost to build requiring ever high rents to support the debt. In the meantime, existing multi-family projects in urban neighborhoods and suburbs are becoming more attractive given the lower rents and larger space.

The picture becomes even more confused when you examine the drivers behind increased multi-family absorption nationwide. Most sources cite millennials' desire for urban living with short commutes and lack of the responsibilities of home ownership as a primary force. But the ability of millennials to pay an ever larger portion of their salary in rent is questionable. Employment statistics tell a story of growth on the surface, but reports of decreases in labor participation rates and under-employment belie the statistics.

Without employment growth, the sustainability of multi-family absorption rates is suspect, as is the ability to maintain current rent levels. Finally, there is no consensus on when the pendulum will begin to swing from rent to buy. As renters with strong incomes are able to save for a down payment and mortgage rates remain low—with the threat of increases around the corner—will the pool of renters begin to flock to home ownership just as the bulge in the new multi-family construction pipeline hits the market?

One thing that is clear about the multi-family market is the need for lenders (and developers and investors) to be disciplined and maintain sound underwriting standards. Understanding the underlying economic and demographic drivers in the MSA and the submarket where a property is located and the pipeline of new projects, both rental and for-sale, is even more critical in this stage of the cycle. Lenders must be cautious not to over-leverage projects by underwriting to trended rents and abnormally low vacancies. Underwriting must focus on sustainable NOI and amortizing debt service coverage rather than a low loan to value that can be attributed to a low cap rate. Loan structures need to include leasing and debt service covenants that track to a normalized absorption projection, supported by interest and operating reserves that are in sync with those assumptions.

Multi-family bubble? Yes, some sectors of the market are a cause for concern. Continue to make new multi-family loans? Yes and no; some sectors of the market display strong demand dynamics at a relative value that support multi-family investment, but it is challenging to make new construction work in many markets.

From the Credit Risk Council 2016 Industry Insights

## Credit Risk Certification (CRC)

### Why CRC?

In today's rapidly changing financial services industry, you need practical, day-to-day knowledge that will help you excel in your profession. You need the latest skills—skills that are current and complete. And you need the demonstrated ability to serve a diverse base of clients. Plus, you need all of your knowledge, skills, and abilities to be validated by a respected organization like RMA.

For more information, visit <http://www.rmahq.org/crc>.

## RMA Annual Risk Management Conference

Don't forget to register for this year's Annual Risk Management Conference on November 13-16, 2016 in Dallas, TX. For more information and to register, please visit our website at <http://landing.rmahq.org/maconf2016>.

## Credit Risk Management Audio Conference Series

**November 8, 2016:** Small Business Lending Challenges

**Time:** All audio conferences will be held at 1:00 p.m. Eastern Time (10:00 a.m. Pacific Time).

### Fees\*

**RMA Associate members:** \$120 for each audio conference (per phone line).

**RMA Professional members:** \$130 for each audio conference (per phone line).

**Nonmembers at RMA member institutions:** \$130 for each audio conference (per phone line).

**Nonmembers:** \$180 for each audio conference (per phone line).

\*Additional listeners cost \$0.

Visit [www.rmahq.org](http://www.rmahq.org) for the complete list of upcoming Credit Risk Management, Enterprise Risk Management (ERM), Operational Risk, and Regulatory Audio Conferences.

## Volunteer Opportunities:

Our chapter presents opportunities for individuals to get involved. Chapters rely on the talents of volunteers to stage many of their programs, conduct membership development efforts, and promote the ideals of the Association. To find out more about how you can get involved in our chapter, call Kim Tronerud-Coy, 619-789-4413, or email Kim at [kcroy@mynnb.com](mailto:kcroy@mynnb.com).

**JOIN. ENGAGE. LEAD.**