



## **An architect's opinion on the economic pulse in the New York City real estate market - William Gati**

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My name is Bill Gati. I'm an architect. I've done a lot of work in the New York City area since 1987. Quite a while and I have a unique perspective on the economic cycles of architecture, construction and real estate development, and for one thing, I know that our industry is very, very cyclical and very dependent upon the economy and government regulations. What I would say at this point is last year was incredibly busy for me: lots of work and lots of projects. This year, I'm finishing our work from last year with a few projects that have started or picked up.

Also, I have the unique perspective of being a stock trader and investor, and I've noticed, the stock market did really well last year, and this year it's going sideways or downwards, since the presidential, State of the Union address, in fact, right up to that point, everything was fine. The day after seemed like the market did not respond well or it might be coincidental. And then, the other thing is on a local level, New York City is dealing with issues like a housing shortage, demands for low- and medium-priced housing and also regulation from the government, providing for homeless shelters and even Ryker's Island being dismantled and brought into local areas. So what I've noticed is that when things like that happen, the quality of life issues are affected.

People start thinking of moving elsewhere, to surrounding cities, to suburbs and sometimes even out of the country. When that happens, the price of real estate goes down because of supply and demand; construction goes down and so forth and so on. So now you're compounding all this with foreign investors, mostly Chinese, mostly from Asia. And I believe the impact of the tariffs on China and other federal policy from the White House may have a detrimental effect on foreign investment and people coming into this country wanting to settle down and buy housing. And having a pulse on the market is extremely important in terms of evaluating the potentiality of building at a moderate pace, getting funding at a fair rate and ultimately selling housing units at market or above market value. When you have government interference in specifying the specific portion of the building that has to be a low income: and even building homeless shelters in prime areas, that's going to affect the resale value and the price of real estate. That being said, architects like myself are basically prisoners of the economy, but more importantly, we are the harbingers of bad news when it comes to the economy changing and I'm slowing down because our lack of work is one of the first signs of economic slowdown. And I always tell my friends, family and professional colleagues that I have a formula to establish the health of the economy: new projects inquiry versus people looking for work. And lately, I'm starting to see more of an influx of architects looking for work and less initial inquiries for architectural services. As a result, my work has considerably slowed down in 2018. I still have a lot of work which I started the last couple of years, to finish. I also find that people are gun shy when

it comes to developing projects when the economy is weak because they're afraid they're going to lose their money and go bankrupt. When the economy is healthy and vibrant, people are buying housing units and there's more of a desire to take risks and to go out and develop projects. So that being said, when you meet a client, one of the first questions I have is what is your budget for the project and what's your timeframe? Very often, the client will say, I have a general idea but I'm not positive, we'd like to get started on such and such a date. That's all great. And then, of course, we think about the legal feasibility study of the project, considering zoning and building code and such and then we start developing the project for the client. So at that point, whether or not the client has the funds to continue and to complete their project is predicated on their confidence in the economy. Not so much—do you have money? People usually have money if they are developers and builders.

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