

What Trump's Election Can Mean for the Real Estate Market

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Historically, every election year always causes a blip in the real estate market, which is largely driven by consumer confidence subsiding due to the uncertainty of the results of the election. This election exemplified that concept more than any other election I have witnessed. Now with the results of the election behind us, it is time to look forward to analyze how the real estate market may be impacted by Trump's election.

One of the policies that the President-elect emphasized was cutting taxes. He has proposed tax cuts for corporate tax rates, individual income tax rates, as well as capital gains tax rates. President Obama had increased capital gains tax rates from 15 percent to 20 percent and enacted the 3.8 percent medicare tax in 2013. This increase was a cause of concern for many real estate investors after it had been implemented. If any of these taxes were to in fact decrease, it could result in additional liquidity entering our marketplace which could have a tremendous impact for the market.

Interest rates are something that will be monitored closely in 2017. The Federal Reserve is discussing increasing interest rates for the first time in years. The low interest rate environment has helped sustain the real estate market during the years following the recession. The increase in rates is usually dependent on the overall strength of the economy and employment rate. While the increase may be viewed negatively amongst consumers, the increased rate will likely still be at a historic low. Whether an interest rate is 3 percent or 4 percent, it is still substantially below historic levels. The Trump administration's impact on the economy will have an impact on how much rates can be increased over the next year.

One of the biggest driving factors in the recent boom in the real estate market has been the influx of foreign capital that has entered the market. Foreign national investors are more concerned with an administration's impact on the economy rather than on social issues. Investor sentiment from overseas may be favorable of the President-elect given his real estate background, pro-real estate mind set, cutting of taxes and potential positive impact on the economy. Capital from overseas has been heavily scrutinized this year, as was exemplified by the Treasury's initiative to require the identity of foreign nationals acquiring properties using various entities to be disclosed to the Treasury. The purpose of this rule is

to monitor illicit money laundering that has been potentially taking place with some of the investments coming in from overseas. It is wildly speculated that the Treasury's rule has resulted in a slowdown of money coming from overseas. Anonymity has always been something appealing to foreign nationals and there are a number of legitimate reasons for the desire to preserve their anonymity. It will be interesting to see how the President-elect handles this issue if he believes it has had a negative impact on the real estate market.

Trump has also discussed eliminating the Dodd-Frank financial regulations. Deregulating the banks can lead to easier access to credit, which would be helpful to the real estate market. The issue with eliminating Dodd-Frank in its entirety is that it could bring back the predatory lending practices that we saw several of the largest lending institutions in the country partake in prior to the recession. Most people in the real estate profession will agree that Dodd-Frank should be modified as to not place onerous regulations on the bank and free up access to credit, but the President-elect should definitely be wary of eliminating the regulations in their entirety. Although the real estate market has strengthened throughout the country, credit is still quite stringent and underwriting is still quite challenging. Establishing a more balanced set of regulations for the banks can certainly help further strengthen the real estate market.

On the evening of the election, the futures markets had dipped by a fair sum. By morning, the markets were back to even and the market, as well as the dollar, has increased ever since. This is partially indicative of a positive outlook for the upcoming administration and future of the economy. The general health of the economy will be the biggest factor on how a Trump presidency will impact the real estate market, but there are several positive signs that should lead for optimism in our market.

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