

How Will Trump's Presidency Impact My Real Estate Portfolio?

By Jeff Tarae

It's inauguration week here in Washington D.C. and regardless of your political affiliation, many have come to the realization of what is about to take place here in America. Therefore, it's an appropriate time to evaluate and forecast the potential impacts within your respective industries under a Trump Administration. A real estate executive in the White House? Why would the commercial real estate industry be concerned?

Some immediate impacts I'm watching closely:

Short-Term Volatility in the CMBS Markets – uncertainty in Trump's economic policies and plans can negatively impact these markets.

A Near-Term Pullback on New Construction – volatility in financial markets can present challenges when attempting to secure construction financing.

Renewed Foreign Money Rush – This sounds good but might mask true valuations due to investor's willingness to purchase at lower yields as they look to place capital in the US market.

What does this mean for the greater DC Metro region?

Newmark Grubb Knight Frank Market Research leaders, Greg Leisch and Sandy Paul have written on the topic over the recent weeks. Below is an excerpt from their 2016 Q4 DC Regional report.

New Administration's Impact on Office Market Is Likely to be Modest

"November's election results remain foremost on the minds of Washington area residents and investors, given the city's status as the nation's capital. Various market observers have weighed in, and the consensus appears to be that the Trump Administration will potentially have a materially positive impact on Washington's commercial real estate market. However, there is reason to believe that the impact will be more moderate. Mr. Trump ran on a platform of increased infrastructure spending, which could boost local construction employment and possibly benefit Metrorail, but he is likely to face opposition from fiscal conservatives in the House of Representatives.

Various other elements of Mr. Trump's proposed policy agenda could impact specific area industries. His plans to reform healthcare and taxes might spur growth in lobbying firms within the District, and analysts suggest Mr. Trump's policies on health insurance and pharmaceuticals are positives for these industries—a boon for the substantial biomedical tenant base in Suburban Maryland. Meanwhile, increased defense spending may benefit the large number of contractors in Northern Virginia.

Mr. Trump's platform also called for the shrinking of domestic programs and their related agencies. If these initiatives are passed by Congress, they could offset potential local gains from infrastructure and defense spending. Therefore, the upcoming change in administration is not likely to have a material

impact on demand for commercial space in Washington. One notable exception would be if foreign investors were to no longer see Washington as a safe haven for capital and thus reduce their investment in this market. Nevertheless, the relative strength of the U.S. economy compared with others around the globe will likely keep foreign investment dollars flowing into Washington.”

We all agree there are a lot of unknowns going into this new administration and many people are worried and anxious. Others are looking forward to new financial opportunities. Like every change, there will be adjustments. There will be upsides and there will be downsides. I will closely monitor economic shifts and trends over the next four years enabling my #CRE clients to make informed and strategic decisions when evaluating new or existing investments for their portfolio.