

November 9, 2016

Trump Presidency Unlikely to Thwart Foreign Investment in U.S. Real Estate, Experts Say

Some foreign buyers might take a wait-and-see approach in the short term

BY FANG BLOCK

ORIGINALLY PUBLISHED ON NOVEMBER 09, 2016



Investors around the world will continue to cast a vote of confidence in the U.S. real estate properties in the long run.

ANTHONY WALLACE / GETTY IMAGES

As the implications of Donald Trump's presidency are being assessed, foreign investors will likely take a wait-and-see attitude in the near future, but will continue to cast a vote of confidence in U.S. real estate properties in the long run, experts say.

U.S. residential properties, as an asset class, has been favored among the world's richest, thanks largely to the country's relatively healthy economic fundamentals and business environment. The outcome of the presidential election will "hardly at all" have an impact on the luxury real estate market, said Liam Bailey, head of residential research at Knight Frank, a London-based global real estate consultancy.

"The shock of the result will be replaced by a more nuanced appraisal of the strengths of the U.S. markets – there is so much demand for the U.S. luxury market domestically and internationally, mainly due to the significant outperformance of the U.S. economy compared to just about every other developed world economy," Mr. Bailey told Mansion Global.

Nela Richardson, chief economist at the national brokerage [Redfin](#), said change in immigration policy could potentially impede the market.

"The luxury housing market in the U.S. depends a great deal on foreign investment from buyers not just in China, but across the globe. Any notion that their investment in high-end U.S. housing may be put at risk by an aggressive clamp down on immigration may also lead to some contraction in this sector of the market," Richardson said. However, the key is still uncertainty. "When it comes to the Trump administration's effect on luxury housing, and indeed the real estate market in general, we are in a wait-and-see scenario," she added.

Canadians, for a long time, have been one of the largest foreign purchasers in the U.S. and "that will not change," said Phil Soper, chief executive of Royal LePage, Canada's largest real estate brokerage. "However, some people will take a wait-and-see attitude; they are concerned that racial and community tensions could boil over."

International homebuyers acquired 214,885 properties – worth \$102.6 billion – in the U.S. from April 2015 to March 2016, according to the National Association of Realtors. In terms of dollars spent, China was the main source of foreign activity for the second year in a row, followed by Canada, India, the U.K. and Mexico.

Weakening Dollar a Boon to Asian Investors

In the short term, most investors will make their decisions based on currency movements, said Megan Walters, head of research at global real estate consultancy JLL.

“In the current climate, currency movements might be sufficient to prompt some international investors to execute deals before the market gets more expensive; however there may also be a period of pause,” she said.

“If the fall in the U.S. dollar is sufficient, Asia Pacific investors may see U.S. real estate as cheap and in turn drive volumes,” she continued.

Chinese investors are expected to continue their shopping sprees, according to a survey of more than 500 Chinese investors by Juwai.com, an international Chinese real estate website.

The survey, conducted during the month of October, showed that about 40% of the respondents believe that Chinese investment would increase under either candidate, and another quarter believe there will be no change.

Mixed Reactions among South Americans

How South Americans, who traditionally choose Florida as their top destination for buying, will react to a Trump presidency is uncertain.

Mr. Trump has vowed to build a wall along the Mexican-U.S. border, which is an unwelcoming message to most South Americans, said Craig Studnicky, co-founder and principal at ISG World, a real estate sales and marketing firm based in Miami.

On the other side, some South Americans do see Mr. Trump as a business genius with abundant experience in real estate development. “It doesn’t matter who is the U.S. president, the U.S. residential market will continue to draw South American investors,” said Mr. Studnicky.

Jack McCabe, chief executive at McCabe Research & Consulting in Florida, is more cautious about the future of luxury properties. “With the negative rhetoric and seemingly racist comments against Mexico, Hispanics and those of Arabic nationality from President-elect Trump, it’s my opinion foreign buyers will look for more profitable returns in friendlier countries and international corporations,” he said.

According to Mr. McCabe, luxury condominium sales have dropped 24% year-over-year in South Florida, including 10 consecutive months of double-digit declines. Over 70 percent of luxury sales in South Florida since 2011 have been to foreign investors and hedge funds.