

CRE execs see Trump, interest rates as big risks for 2017

“Offshore capital is saving the core and core-plus markets,” says NGKF’s Kuhn

By [Konrad Putzier](#) | January 10, 2017 05:20PM



From left: Lauren Hochfelder Silverman, Bill Rudin and James Kuhn (Credit: STUDIO SCRIVO)

When the Urban Land Institute’s New York division gathered a year ago to give its outlook for the real estate market in 2016, fears over the Chinese economy and global markets dominated. Now, a year later, the outlook has reversed. Industry leaders now fear instability from within the U.S., and see foreign capital as a stabilizing force.

The key sources of uncertainty: rising interest rates and the next president.

“I think the [offshore capital](#) is saving the core and core-plus markets,” said James Kuhn, president of [Newmark Grubb Knight Frank](#). He argued that the prospect of rising interest rates in the U.S. has been putting upward pressure on record low cap rates on the lowest end, and that prices for trophy properties would be falling more rapidly if it weren’t for foreign investors still buying them up.

[Sign up](#) for China Watch for weekly emails on Chinese real estate investments.

Lauren Hochfelder Silverman, head of the Americas at Morgan Stanley Real Estate Investing, said her company is “looking for places where we can get (net operating income) growth that can outpace what we believe will be several rate hikes in the next couple of years.” She also said she hopes the Federal Reserve “doesn’t get ahead of us” in raising rates too quickly.

Peter Riguardi, [JLL’s](#) tri-state president, was more optimistic than Kuhn, arguing that “the modest increase in rates isn’t scaring anyone” and that cap rates have already corrected upwards. But he said he has noticed a decline in demand for office space.

Interest rates aside, the panelists also pointed to [Donald Trump](#) as another major source of uncertainty.

“My biggest concern, respectfully, is Trump,” Riguardi said, arguing that the actions of an unproven president could unsettle markets.

Bill Rudin, CEO of [Rudin Management Company](#), said it's too early to tell how the new administration will impact the real estate market, but he indicated big changes could be in store.

"We're in a totally different world with the election and tax reform," Rudin said.

Tags: [Bill Rudin](#), [foreign investment](#), [james kuhn](#)



Fly New York to Paris

Round Trip \$338.01

450+ Airlines for 2000+ Destinations.

[CheapOair.com](#)

