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BROKERS WEEKLY

Experts worried about Trump, divided on market softening

By Christian Bautista

As 2016 nears its dissolution, the city's top real estate executives attempt to prophesize about the next 365 days.

The process of prognosticating about the future may now be tougher than most years, with the Trump presidency and interest rate hikes now added to the equation.

However, there seems to be no shortage of willing real estate fortune-tellers, most of whom see modest growth and more difficult times for young homebuyers.

Their views mostly align with the results from the scientific approach of predicting the housing market's future.

According to the National Association of Realtors, the market will slow down in 2017, with home prices dropping 3.9 percent from an estimated 4.9 percent this year. The millennial share of the housing market is also expected to drop to 33 percent, with baby boomers gaining ground at 30 percent.

Meanwhile, a report from real estate listing website Zillow was slightly less pessimistic, with home value gains expected at 3.6 percent, lower than the 4.8 percent projection from this year.

The report also differs from the NAR study on the prospects of the millennial market. Zillow expects more millennials to buy homes, with the gains being driven by younger people of color.

Below is a guide to what to expect in the coming year. These prophecies may be prophetic if 2017 turns out to be as surprising as 2016.

On the next hot neighborhood:

Aleksandra Scepanovic, Managing Director of Ideal Properties Group

"We believe that there will be an increase in buying activity in the neighborhoods (of) Gowanus, Kensington, Prospect Lefferts Gardens, East New York and Sheepshead Bay. It is expected that East New York will continue to be the new Bushwick in 2017, barring of course any dramatic changes in the market. On the rental side, there is a lot inventory in prime Brooklyn neighborhoods, and interest in prime Brooklyn never wanes, so both buyers and tenants are paying attention.

ALEKSANDRA SCEPANOVIC

"In other words, if it's not the fringe areas, with pricing that's climbing ever upward in those areas – the activity will accelerate in prime neighborhoods, Park Slope, Cobble Hill, Williamsburg, etc."

Elizabeth Ann Stribling-Kivlan, President of Stribling and Associates

"In terms of condos, I think Greenwich Village. There continues to be once in a lifetime offerings there and, buyers, who are well educated, know that this is fabulous product that can't be reproduced. And you can't understand the power of Lower Manhattan as it will only rise in popularity as the stores and restaurants such as Augustine on Beekman continue trend in this area."

ELIZABETH ANN STRIBLING-KIVAL

On the condo market:

Zachary Elias, Rental Manager and Associate Broker at DJK Residential

"Billionaires (and the) ultra-wealthy are a finite number of people. Eventually, either prices come down or development slows down. If overdevelopment continues, there could be a stalemate between prices people are willing to pay and can afford and the asking prices for these high end units."

BRIAN LETENDRE

Brian Letendre, Agent at Bohemia Realty

"There's a lot of debate about the market switching to a buyer's market but I don't think the market will shift that far. Perhaps in neighborhoods outside of the city where there's an obscene amount of new development. In the city proper, where the inventory stays low, it will remain a seller's market. It may take longer for the property to sell, but if it's priced properly, it will sell."

On 421a and zoning changes:

Daniel Bernstein, Real Estate Lawyer at Venable New York

"Will 2017 see the renewal of the 421-a property tax exemption and the resumption of NY residential development activities (acquisition of land, closing of financing, commencement of construction)? Most signs say "yes", quite possibly early in 2017, with eligible projects containing more affordable units than the 421-a program from 2015 and prior."

DANIEL BERNSTEIN

"Proposed re-zonings under the MIH program will involve highly specific negotiations between local elected officials, community organizations, and development interests that weigh anticipated benefits to and burdens on stakeholders. Look for new NYC rental projects in MIH areas and elsewhere to utilize ZQA to achieve improved design, more affordable housing including senior housing, and to provide less parking in transit rich areas."

ADAM FRISCH

On the possible effects of the Fed rate hikes:

Adam Frisch, Managing Principal of Sierra Residential

"Fed rates do not actually affect mortgage indices in terms of causing mortgage rates to rise but in the short term they may give some buyers cold feet but once people see that prices are not coming down, they won't deter buyers from making offers. Also, a raise in Fed rates strengthens the dollar and a time when the euro, pound and yen are very weak. Such weakness encourages investment in US currency and stocks, which leads to higher bonuses paid by the banks and therefore larger funds to pay for down payments and higher rents."

Stephen Ruben, Agent at Rutenberg

"It will soften prices, limit the ability to finance and reduce the size of the buying market."

On the Trump effect:

James Wacht, President of Lee & Associates NYC

"Speaker Paul Ryan has proposed eliminating the deduction for the payment of state and local income taxes. This could have a very serious impact on New York since we have a very high local tax burden. Wealthy individuals will have an even stronger reason to leave New York for a more tax friendly jurisdiction such as Texas, Florida and other Sunbelt states. And, to the extent these individuals own or are the chief executives of their companies, they may move their companies with them."

JAMES WACHT

Allen Shayanfekr, Co-Founder and Principal of Sharestates

The new administration will likely lead to higher interest rates, which will compress home and investment property values, as loans are calculated through debt service coverage ratios and a borrower's ability to make their payments… Higher interest rates mean larger monthly payments and in turn, lower loan amount qualifications. If lenders tighten up, it will restrict the buyer market, causing either a plateau in market values or possibility a decrease depending on the margin of increased rates."

ALLEN SHAYANFEKR