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REAL ESTATE

Clinton better than Trump for home value growth: survey

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Austin, TX home for sale via Zillow

By FORREST CARDAMENIS

Home values will end 2016 up 4 percent year-over-year, according to realty experts participating in Zillow's Home Price Expectations Survey.

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The 4 percent number is slightly higher than the 3.7 percent that was predicted at the survey's prior conduction, a result of a more stabilized United States stock market and rebounding oil prices, among other factors. Further into the future, however, the U.S. president could play a large role in shaping the housing market's future.

"Overall the panelists viewed Secretary Clinton as slightly positive for the outlook for housing finance reform, and Mr. Trump as negative," said Aaron Terrazas, senior economist at Zillow. "Some respondents were hopeful about Secretary Clinton's proposals to continue federal government support to the GSEs while others worried that her plans place too strong an emphasis on homeownership which could lead to unsustainable credit policies.

"Although Mr. Trump is well known as a real estate developer and, presumably, understands housing issues very will from his decades of experience in the real estate sector, he has not taken a clear stance on housing finance reform or the appropriate role that the federal government should or should not play in housing markets," he said.

Presidential homes
More than 100 housing experts were asked specifically about the impact Senator Ted Cruz (R-Texas), Governor John Kasich (R-Ohio), Senator Bernie Sanders (D-Vermont) and frontrunners Secretary Hillary Clinton and businessman Donald Trump would have on the housing market if elected.

The survey was conducted just prior to Mr. Cruz and Mr. Kasich suspending their campaigns.

While either candidate could emerge as the nominee through a brokered convention if Mr. Trump does not secure enough delegates to officially earn the Republican presidential nomination, such an occurrence is extremely unlikely with no other campaigns running.

San Diego, CA home via Zillow

However, respondents viewed Mr. Kasich most favorably in terms of his impact on home values through 2020. Those surveyed also viewed Ms. Clinton favorably, with the remaining three candidates receiving negative notices.

In particular, Mr. Sanders, who remains in the race but is unlikely to secure the nomination, and Mr. Trump are both viewed unfavorably, with Mr. Sanders' democratic socialism prioritizing wealth redistribution over growth and Mr. Trump's unpredictability unnerving projectionists.

Forty-five percent said that a Trump presidency would necessitate adjusting expectations either "very negatively" or "somewhat negatively," compared to just 16 percent who expressed positivity. With Ms. Clinton, the numbers are almost reversed, with 16 percent predicting a negative impact and one-third expressing positive expectations.

Los Angeles home for sale via Zillow

In the same survey, two-thirds of experts said that low interest rates are not related to unsustainable growth in home values. Through 2020, the housing market is projected to grow at only 1.7 percent, markedly slower than the 4 percent figure for 2016.

After the U.S. emerged from the Great Recession, home prices began to accelerate, but have recently slowed again, a natural tempering effect as buyers and sellers recalibrate expectations and prices reach higher base values. Recently, however, luxury real estate's growth has slowed significantly, and has even fallen.

Scottsdale, AZ home for sale; estimated at $11.5 mil via Zillow

The good news for the housing market, however, is that Ms. Clinton is currently the favorite to win the presidency and has maintained a commanding lead over Mr. Trump in polls. That lead has shrunk or has been overtaken in some recent polls, but pundits agree that Ms. Clinton would see her numbers increase in a head-to-head match-up without Mr. Sanders in the picture.

Real estate slow down

Despite the optimistic outlook, the luxury housing market is in a slump, with prices falling 1.1 percent in the first quarter of 2016 compared to the year-ago period, according to a report from Redfin released earlier this month.

Aside from a positive blip in 2015's fourth quarter, the market has been slowing since the third quarter of 2014, so the drop is not terribly surprising. With prices falling, buyers are taking advantage, and several cities are proving themselves as viable luxury hubs for the future (see story).

From a more global perspective, luxury real estate is continuing to grow, but the warning signs are present.

Global prime residential real estate continued its steady climb in the first quarter of 2016, according to a recent report by Knight Frank.

The index increased 3.6 percent, within the 3-4 percent window observed every quarter since late 2014. However, this is a result of a handful of booming markets rather than stable growth across the board, meaning the 3.6 percent number obscures the fall of some markets (see story).

"House prices, like any asset, are constantly moving up and down," Mr. Terrazas said. "In any given month a fraction of the American housing stock is gaining in value and a fraction is losing value even as the aggregate metrics move in one direction or the other. For many families, their home is their most important asset but as long as they can afford their monthly mortgage payment and do not experience prolonged periods of negative equity, month-to-month fluctuations matter very little."

"With respect to GDP and employment, new construction actually is much more important for the economy than existing home sales," he said. "Home values have generally trended upward for much of recent history (the Recession aside) independent of the pace of growth of the overall economy. Think of the 2001 Recession when home values continued to climb nationally through the 9-month recession (of course, they did decline in some regional markets such as San Jose, CA)."

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