

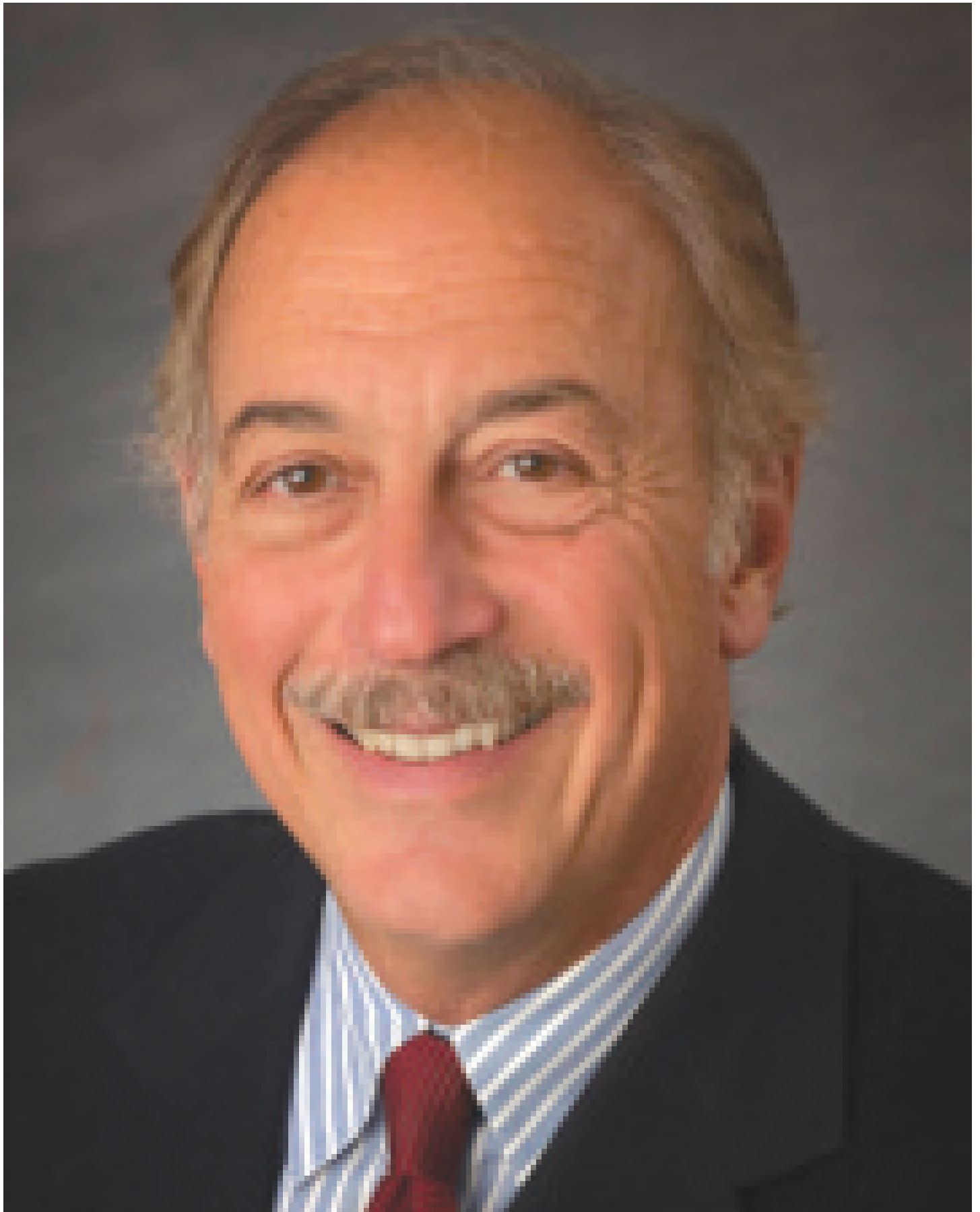


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Now we know...or not? - by Daniel Calano

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Finally, the election is over, and the going-forward consequences of a new administration, good or bad, are known. Last month I wrote about what was likely, once the President, and his officials, staff, advisors, et al, entered office, and how his actions would impact real estate.

My predictions, from what I read and watched, were as follows, now with current observances:

- Reducing regulations and thus accelerating business enterprise. Right on! And this may actually filter down from federal to state, and even to local regs. Particularly in housing, all levels of regulations may soften. Business and the economy can more easily flourish. On a potentially negative side, loosening environmental regs may be extremely detrimental, thus, fostering aggressive push-back.
- Tax cuts: Existing ones will not sunset, and new ones should stimulate small business enterprise. This is a Trump priority. The downside is trillions more of deficit economy, so growth is critical to balance cuts.
- Tariffs on imported foreign products. Also a Trump priority, but not as aggressive as originally threatened. Started out with most countries and high percentages in order to pay down national deficit and debt. Current plans are modest, with tariff percentages in 15% range rather than 25-50%, and thus far only on Canada and Mexico (to dampen drug trafficking and illegal entries) with China higher to push back on threats to US security. Tariffs are also seen to be inflationary, now less likely based on history. If they do cause U.S. inflation, the fed and banks may ironically increase borrowing rates. Not good.
- Trimming the fat from government, already fully in action. A whole new "Efficiency Department" is under way, with the ultimate efficiency chief being Elon Musk. While very constructive, this appointment may have issues, as Musk is both wealthy and company prolific, and conflicts of interest could easily be implied/incurred.
- Home basing US manufacturing, already in action with plants being built, particularly in tech, especially for computer chips, and related energy projects to feed new business and construction. This should be very stimulative!
- Ending wars in Middle East, Ukraine, etc. We'll see... But we will probably slow/stop funding and sending US troops. If not, Trump has already suggested dire consequences to Putin for Russia. These types of actions could go either way, constructive or very dangerous, but Trump is an excellent negotiator. Let's hope.
- Lowering interest rates for lending and funding all promises. Well known at this point, the fed only influences short-term rates, not long term needed for most of his pledges. This is key and not clearly understood. Especially in real estate, lower rates are critical to housing, manufacturing, etc. Lowering long-term rates is thought to be potentially inflationary, and could backfire on all. Bottom

line: lower long-term rates are key to most goals, especially ours!

- Returning immigrants to their homeland. Way too early, complicated, and difficult to get right. One thing for sure is that immigrant labor is critical to growth...all over the world.

Now we know! Well, we don't actually know. The salient fact is that President Trump and his team have been at work well before he entered the oval office. He is backing up his pledges, as if he had complete control. And, actually he has, almost. His team is very early, working with a favorable Congress. He is also a rarity, as a president who has been in office before, then voted out, then being re-elected, having both time to observe, reflect and act decisively and quickly. So far, much of his commitment and activity has been favorable to business, and thus real estate. But it is also nuanced, complicated, and as I have said here, still not guaranteed by any means. Many actions can be modified, negotiated and/or stymied. What there is so far, and this is not a political statement, is a good start. Work with it!!

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