REAL ESTATE WEEKLY

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Experts worried about Trump, divided on market softening

As 2016 nears its dissolution, the city's top real estate executives attempt to prophesies 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 possible effects of the Fed rate hikes:

Adam Frisch, Managing Principal of Sierra Residential

ADAM FRISCH

"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."

(EXCERPT)