

By Rocco Versace and Michael Dean

UK PROPERTY: TRUMP WON – NOW WHAT?

Shortly before the US Presidential Election, Avamore Capital wrote a piece on the potential impact of a [Trump Victory on the UK property market](#). Since the unexpected victory of the Republican Candidate (and the Republicans securing both upper and lower houses of Congress) we have revisited some of the potential outcomes of a Trump Presidency in our previous article, which we look at in a little more detail below:

- Would US markets react poorly to a Trump win?

We stated that prior to the election, whenever Trump's polling numbers were strong, markets (and the dollar) had reacted poorly to his election. The morning the results were announced (November 9th), European markets initially fell 2-3% but recovered their losses within the first hour and then rebounded strongly. Once US markets opened, initially their performance was broadly flat but positive. In the days following the election, US markets have reacted well to Trump, particularly those industries likely to benefit from a Trump Presidency, including Healthcare (due to the likely repeal of Obamacare), defense and the banking sector (Trump/Republican policy likely to reduce regulatory burdens). On the 8th November, the S&P 500 closed at 2,139.56 points and at the time of writing stands around 2,191 points (a near all-time high) and so it is fair to say, that Trump's election has not been badly received by the US markets.

- Would Trump follow through with his protectionist rhetoric?

The President-elect has announced that on the first day he enters office [he will withdraw the US from TTP](#), the Trans-Pacific Trade Partnership. It seems likely that the US-EU TTIP trade deal will also suffer a similar fate, having been in negotiation since 2013. Thus, it follows that there will be some real follow-through in policy by Trump in this regard. It seems likely that the US will be more protectionist although Congress will be more influential about trade than the President, all things being considered.

From an international investment point of view, protectionist stances make the US a less attractive market and may make more money available to more open locations (from an inward investment point of view) such as the UK. It looks like London may have a small,

stabilizing boost (and a series of announcements from IBM, Facebook and Google in recent days will have been helpful too).

Speaking of the UK, it appears that Trump appears minded to put a trade deal in place quite soon after Brexit, which is a positive. The UK does not compete with the US in many areas, making a UK-US trade deal a good fit for both sides, albeit with the US retaining protections for certain industries such as certain types of manufacturing. Nothing yet is certain, but a Trump Presidency may yet prove positive for the UK. Still Theresa May was “the Donald’s” 10th head of state call, indicating where the UK sits in the Trump pecking order. Time for Ambassador Farage? Probably not.

- Would the Federal Reserve hold rates in December as a reaction to Trump’s presidency?

We cannot answer that question given we remain in November. However, significantly it has been confirmed that Janet Yellen will remain as the Chairman of the Federal Reserve until the end of her term, when it was widely anticipated she might step down if Trump was elected (she may not be offered the opportunity to seek an additional term nevertheless). Speaking earlier this month, it appeared that the Federal Reserve will not be knocked off course and Yellen indicated that a December interest rate hike would be likely. This was not entirely expected (based on our previous article) and at the time will have strengthened the dollar (note the chart below – Yellen’s comments were made on November 17).

- Would A Trump Victory Weaken the Dollar?



The above chart, which is the USD/EUR exchange rate over the past month (source: Bloomberg) shows that after a short 2-day rally, the Dollar has weakened against a number of major currencies. However, the exchange rate against Sterling remains approximately at the same level as it was around election day.

- Would a Trump win lead to a Big increase in US buyers?

It appears that at present it is too early to tell whether that will yet materialise. Little anecdotal evidence exists to suggest this is the case and as such we could assume that there has been limited change resulting from Trump's victory. We would welcome feedback from any estate agency professionals who might suggest a surge in enquiries from Americans. Greater data will emerge in the fullness of time.

- Would a Trump victory lead to a mass relocation of liberals to Canada and the rest of the world?

We can answer this one simply: no. As has been often the case, many liberals in the arts and media made a great show about leaving the US when [fill in the blank] Republican President might be elected. Yet this failed to materialise. Both Amy Schumer and Mylie Cyrus were mocked on Twitter when both backed down publicly on threats to leave the US after Trump won the election. Comedian Ricky Gervais tweeted: "Canada has just started building a wall" amusingly referring to the mass of liberal celebrities alleged to be moving there and possible Canadian attempts to stop them.



The image shows a screenshot of a tweet from Ricky Gervais (@rickygervais). The tweet text is "Canada has just started building a wall." The tweet has 15,675 retweets and 35,868 likes. It was posted at 9:28 AM on 9 Nov 2016. The interface includes a profile picture of Gervais, a verified badge, a settings gear icon, and a "Follow" button. Below the text, there are icons for retweets, likes, and replies, along with a row of profile pictures of users who interacted with the tweet.

- Will the US look less attractive to foreign investors?

Given the protectionist rhetoric, most probably. Using Mexico as an example, Trump's victory resulted in a fall of 10% in the value of the Mexican Peso. Mexicans will have to look domestically where possible to buy goods and services when they might have previously bought items from the US as the cost of such items has now risen sharply. That means US firms will be able to sell fewer products to their neighbor. The collapse of TTP and TTIP will most likely not be helpful to US businesses looking to expand into other markets. Protectionism is therefore driving uncertainty and investors do not like uncertainty.

- Will the London property market be a winner because of a Trump victory?

Anecdotally at least, there appears to be a renewed optimism from the outcome of the election amongst property professionals. London's "safe haven" status appears to be kicking

in to a degree and driving volumes a little higher (if not prices). Certainly, the Trump win combined with a relatively stable GBPUSD exchange rate since before the vote would appear to be a dream combination for property vendors and agents reliant on international capital to do transactions. However, there remains many barriers to a resurgence in the prime central London property market. Chief among them remains tax, particularly SDLT, CGT and ATED (along with Brexit uncertainty).

Jones Lang LaSalle's [Adam Challis](#), speaking at the AOBP AGM last Thursday did not seem to think there would be any "Trump Bounce" for the PCL market, predicting growth of just 1% over the next 24 months (0% in 2017 and 1% in 2018). Even the more affordable Greater London areas would only see a modest 3% growth in the same period per JLL's premier residential market forecaster.

The Avamore View

The US Presidential Election has left Americans divided. We can only hope that Americans can (sooner rather than later) all accept the result and move on. To quote Gary Vaynerchuk: "if you think Trump or Clinton is going to make a difference to your life, you've already lost." a rationale we can identify with (finally) and hopefully people in the USA will come around to this way of thinking.

The reality is that Trump will not be able to drive the domestic agenda in the US, which will continue to be set by the likes of Paul Ryan and other key Republican figures in Congress. Big business lobbying groups will retain an inordinate amount of influence in Washington and it is hard to see the status quo being changed. Protectionist rhetoric will not be followed up with legislation to match. Looking at Trump's key appointments, they are all largely "male, stale and pale" establishment figures and hardly likely to drive the change promised by Trump to curtail the influence of lobbyists.

Furthermore, Trump does not appear to have the diplomatic skills necessary to be a great statesman. Despite his recent election, he still cannot resist controversial outbursts on social media. There is little chance he will control himself once he is inaugurated either (at least it would look that way for now). This will most likely act as a deterrent for foreign investors looking for places to put money to work in the US (in an international system overflowing with liquidity). Such investors will look for alternatives to the US in the next four years and liquidity, transparency and rule of law will be important factors in their decision making. The UK has all of these attractions, in addition to being highly welcoming of inward investment. However, the UK has its own image to manage on the world stage and to capitalise on any opportunities, must present itself properly.

About Avamore Capital:

Avamore Capital is a special situations lender that provides loans to property traders, property developers, property investors, and other property entrepreneurs. Loan sizes are between £0.5m and

£5m with larger loans possible in conjunction with its partners. Avamore Capital provides a flexible approach, quick feedback and very fast drawdown, subject to due diligence.

We apologise to anyone who might be offended we used a link from the Daily Mail, but sometimes needs must.

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