

Who Would Be Best for CRE as President?

CRE pros say policies aren't clear and the big question will be Congress.

By [Erik Sherman](#) | November 05, 2024 at 05:53 AM

It's election day. Time to cast your ballot — only, for whom? GlobeSt.com asked some CRE experts whether Kamala Harris or Donald Trump would be best for the industry. Their answer? It's not completely clear.

Opinions focused on various topics, such as interest and cap rates, real estate-specific policies, taxes and tariffs, immigration policy, deficits, and labor. All play directly or closely to CRE.

Interest rates are the purview of the Federal Reserve. Presidents typically push for lower rates at some point during their tenure, particularly if they're running for reelection because lower rates make people feel good. The issue will become more complex because of fiscal policy.

"Both candidates have proposed policies that in isolation would increase the deficits and increase the issuance of Treasury securities from already elevated levels," Ali Meli, founder, chief investment officer, and managing partner of Monachil Capital Partners told GlobeSt.com.

"Given how much supply of new debt is hitting the market, the question is where the buyer base would come from. Moves in the 10-year yields will be significant drivers of real estate valuations and cap rates. We expect higher long-term government yields to put downward pressure on valuations."

Meli also thinks that, given the makeup of the Fed, they would likely be hawkish during a Trump presidency and dovish in a Harris one.

Taxes seem a big difference. "The Trump 2017 tax cuts affect the inheritance tax," Raul Gastesi, co-founder and partner of Gastesi Lopez & Mestre, said to GlobeSt.com. He noted that for the inheritance tax, the applicable exclusion amount is \$14 million per individual and \$28 million per married couple. "Those Trump tax cuts are set to expire in 2025. The Applicable Exclusion Amount is thereafter slated to be reduced to approximately \$6 million per individual and \$12 million per married couple, a reduction of more than 50%."

"Vice President Harris has stated that she seeks repeal of the Trump tax cuts," he adds. "As a result, if the Trump tax cut is repealed, a lot more estates will need to sell assets such as real estate, which many times includes commercial real estate, to be able to pay and fund the estate tax due. The estate tax is due within 14 months of death. The estate tax is steep. It's between 42% and 46%. So, a Harris presidency could negatively affect the price of commercial real estate because more real estate will need to be sold in an expedited fashion. If Trump gets elected, he pledges to keep the tax cuts in place."

"A lot of the businesspeople I've spoken to are under the assumption that Trump winning will be better for them from a tax perspective because that's what he's been stating on the campaign trail," says J.C. de Ona, Southeast

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Florida division president at Centennial Bank. "Also, being that Trump is a real estate guy, they believe the real estate environment, development environment would be better under his regime."

He adds, "It could be a lot of nothing. I think people forget how important the House and the Senate are. Obviously, the focus is on the presidential race and that's kind of where everybody is at and they think that leads to what transpires later on, which could be the case." Or might not be.

Patrick Murphy, chief investment officer at Coastal Construction, understands the complexity well. He was a two-term House Democrat for Florida's District 18, who lost a senatorial bid in 2016. He thinks the chance of any large legislative agenda will be slim. Choices have sometimes unpredictable consequences. Trump wants heavy tariffs, for example. "That would be [a] potential shock to the construction industry," Murphy says.

But then, a Democratic "focus on workers' rights, higher wages, and unions, ... which could potentially raise costs as well," Murphy says.

Those who want to make the best choice may have a difficult choice. That may be the biggest issue. "The dynamics of what is to come depending on who gets elected are so complex it's almost impossible to determine which candidate will be better or worse for the housing market," said David Lynd of The Lynd Company. Or any other part of CRE.

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