

REAL ESTATE

What city real estate markets can expect in 2017

Experts weigh in with predictions on what to expect in a shifting urban market

BY **PATRICK SISSON** | JAN 3, 2017, 3:55PM EST

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After some collective year-end reminiscing about a tumultuous and unpredictable 2016, it almost seems quaint making prognostications about 2017, a year expected to be just a volatile and surprising. But with so many potential changes in the economy

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and policy in play, the urban real estate market could be in for some noteworthy shifts. Curbed asked industry experts to consult their Magic 8-Balls and garner a few predictions for what urban renters and buyers in the US will contend with over the following year.



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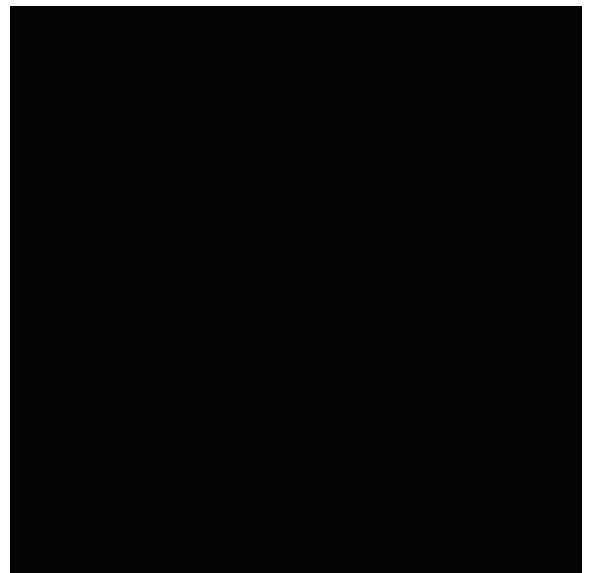
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Boon for first-time buyers

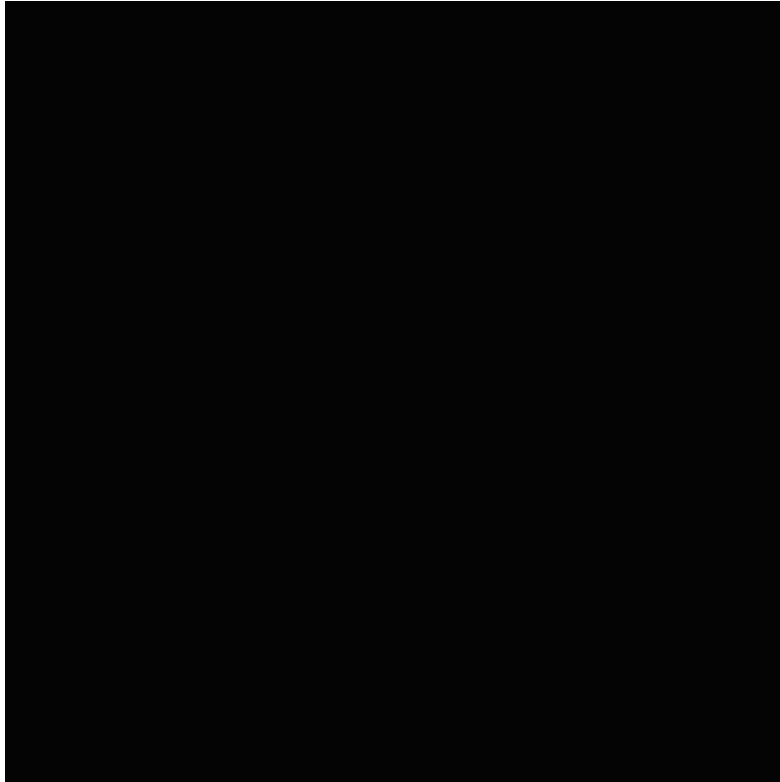
First-time homebuyers—burdened by debt, rising home prices, and difficulty getting mortgages—have struggled recently to buy homes in recent years. According to Colby Sambrotto, President and CEO of **USRealty.com**, banks will be loosening their lending terms in 2017, which means mortgages will be easier to come by, helping to propel young buyers. This is one of the



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reasons many experts, including the National Association of Realtors and Fannie Mae and Freddie Mac, predicts an increase in home sales this year (an uptick predicted at 3 to 11 percent, respectively).



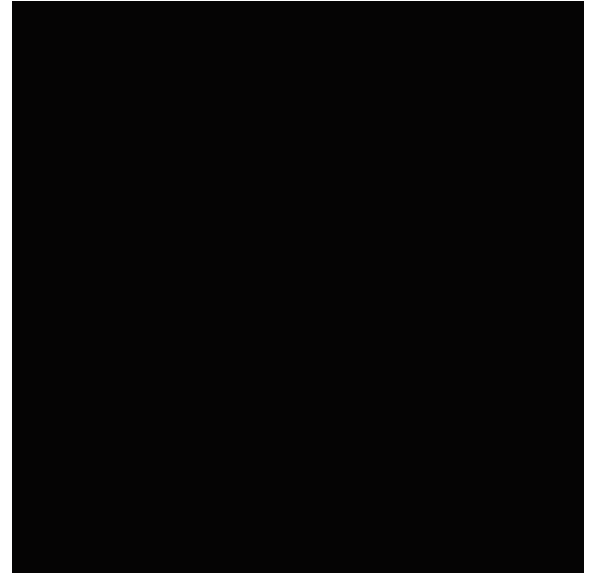
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Better prices for upscale rentals

In dense urban markets, a recent glut of new projects means that 2017 may be the year of relative deals for high-end apartments, according to a [Wall Street Journal article](#).

Many buildings in expensive markets such as New York and L.A. are offering months of free rent to lure prospective tenants, and an

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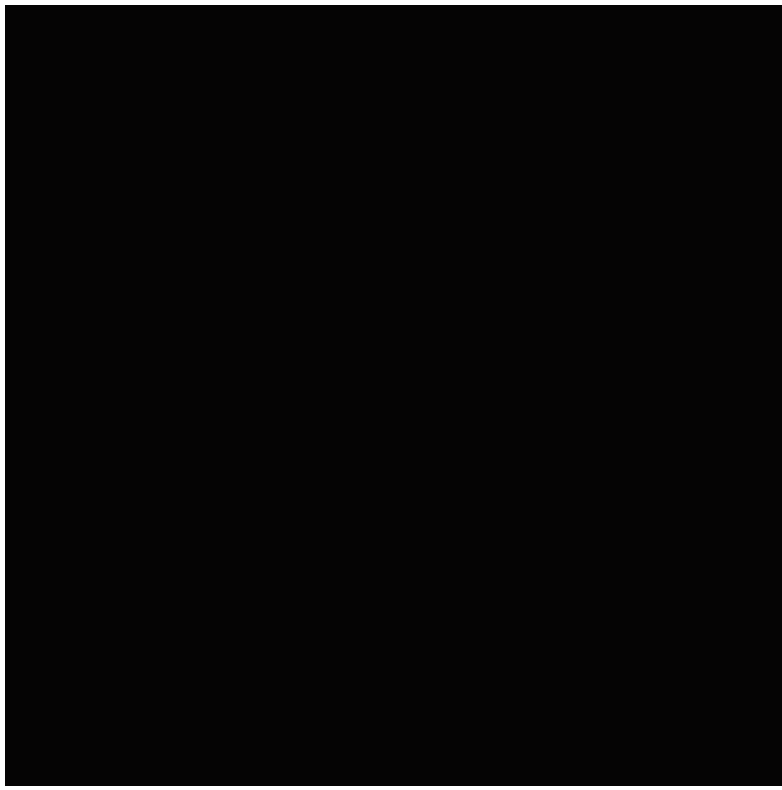
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oversupply has flattened rental prices in many markets. The 378,000 new apartments expected to be completed across the country this year is nearly 35% more than the 20-year average, according to Axiometrics Inc., a real estate analyst.

A higher interest rate yields moderate impact on mortgage market

In December, the Federal Reserve Board raised interest rates for the second time since 2006. According to [Redfin Chief Economist Nela Richardson](#), mortgage rates should increase, but no higher than 4.3 percent on a 30-year fixed rate, a rate still below historical averages (check out our [handy explainer](#) to decode mortgage terminology). It should make a small, but not significant, impact on those looking to buy a home. Richardson sees other changes in the mortgage market—government-backed mortgage giants Fannie and Freddie [increasing their loan limit](#), the introduction of new mortgage products with lower down payments, and potentially lower fees from the Federal Housing Authority—as benefits to new homeowners.



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Construction industry labor shortages continue to impede new developments

The development boom that's changing downtowns across the country—and adding new units in hyper-competitive markets—has also led to an acute shortage of qualified construction workers, which is starting to weigh heavily on future projects and planning. As of April 2016, there were over 200,000 unfilled job openings in building construction, according to the Bureau of

Labor Statistics Job Openings and Labor Turnover Survey (JOLTS).

“There isn’t much capacity left in the construction industry,” says Julian Anderson, President of Rider Levett Bucknall, North America, a property and construction firm.

“There’s a big labor shortage, and construction unemployment is down to 4 percent. It’s so nuts in LA and San Francisco, it’s gotten to the point where it’s probably turning off development.” Anderson says that proposals to deport undocumented immigrants, who make up a sizable portion of the construction workforce in some markets, may severely exacerbate the issue.

Potential impact of a “Trump effect”

Perhaps the number one question mark in the real estate world is our incoming developer-in-chief. Numerous analysts have tried to decipher Trump’s specific policies, but the consensus on his broader policy proposals (mainly in regards to **taxes** and **regulations**), suggest lower taxes and much less regulatory oversight.

According to Anderson, Trump’s plans may lead to potential homebuyers having more money in their pockets and an easier time accessing mortgages, which could help first-

time buyers. He also sees the President-elect's policies having impact on commercial real estate. Fortunes look good for the defense and pharmaceutical industry, and anybody selling or renting space to these companies, he says, while the commercial hospital and healthcare industry could be hurt by Republicans' plans to rescind Obamacare.

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BY [JENNY XIE](#) | [@CANONIND](#)

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TRANSPORTATION

Ford announces

details of \$4.5 billion investment in electric vehicles

BY **PATRICK SISSON**

The U.S. automaker unveiled plans for new hybrid and electric models, as well as a wireless vehicle charging station.

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