

LOOKING AHEAD TO 2017: BAY AREA FOREIGN INVESTMENT AND 'THE TRUMP EFFECT'

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The election of Donald Trump and the recent slowdown in the San Francisco Bay Area real estate market has done little to keep away Asian investors.



During a recent event hosted by the **Association of Asian American Bankers** and **Nixon Peabody** in San Francisco, several real estate experts discussed the commercial and residential real estate trends to watch for next year, Asian and foreign investment and what panelists called “The Trump Effect.”

Panelists (above) included Nixon Peabody partner **Jinjian Huang**, **Moss Adams** partner and CPA **Lillian Chen**, Pacific Union International CEO **Mark McLaughlin**, Nixon Peabody director of global strategies and event moderator **David A. Kaufman**, SVN QAV & Associates managing director **Catherine House** and First National Bank of Northern California executive development director **Stuart Keirle**.



San Francisco Bay Area will remain a stronghold for foreign buyers next year, panelists said. Compared to the US, which totals **15% foreign buyers** in real estate, San Francisco boasts **23% in foreign buyers**, SVN QAV & Associates managing director Catherine House said.



Nixon Peabody partner **Jinjian Huang** (above) said the Bay Area is attractive to Asian investors because it has a “vibrant economy.” Not only are Asian investors looking for opportunities here, but many companies are also looking to tap into Asian markets.

“A lot of Asian companies are attracted to **the innovation and entrepreneurship culture** of the Bay Area,” Jin said. “Some countries like China encourage domestic companies to have a similar culture.”

He said companies have been **bringing back aspects of the Silicon Valley culture** to areas like Shenzhen and Beijing.

Chinese investors also **hold a lot of capital** and San Francisco is among their top choices for investment. Many Chinese investors are getting nervous that China's government might put restrictions on outbound money in the near future, which is contributing to current investment trends, he said.

Jin said he doesn't anticipate the recent election results will impact investment into the Bay Area, and believes such investment will continue to increase over the next few years.



Nixon Peabody director of global strategies **David Kaufman** (above), who also moderated the event, said he has traveled throughout China, and he's noticed many liked President-elect Donald Trump because he's a businessman and there is **a lot of optimism in China** about US-China relations going forward.



Moss Adams partner and CPA **Lillian Chen** (above) said one of President-elect Trump's top priorities is tax reform and, with a Republican-controlled House and Senate, the "dream of tax reform will become a reality."

Real estate will greatly benefit from tax reform, she said. Corporate tax rates could **decline from a high of 35% to 15%**. Individual rates could drop from **39.6% to 33%**. There have also been talks about a **repatriation tax of 10%** against companies that parked money offshore to try to encourage companies to bring back those profits and invest domestically.

Lillian said she doesn't expect the **1031 exchange** program to go away despite some **recent rumors**. It's a popular technique to defer tax on gain not just in real estate, but other businesses and there will likely be a pushback from various industries.



First National Bank of Northern California executive development director **Stuart Keirle** (above) said after three years of saying interest rates won't go up, they will finally start heading upwards next year. He said recent activity in

the bond market could be a precursor to raising interest rates, but the **massive cash loads from Asian markets** could temper interest rates.

Stuart said President-elect Trump will likely get **rid of regulations on the banking industry**, which will help make banks more efficient. He said **he doesn't expect significant inflation** since “customers are more savvy and we can go on four or five websites to find the best price.”

See Also: [Large Leases Becoming The Norm In Silicon Valley](#)