FINANCIAL TIMES
Property Listings

United States

Prime property predictions for 2020: the Americas

US cities face slowdown as Canada recovers; politics play on Latin markets and sunny times come to Caribbean

14 HOURS AGO

Property prices in the Caribbean island of St Barths are predicted to grow in 2020

By FT Residential

In the second of our series of property predictions for 2020, industry experts assess the prospects for residential markets in the Americas.

Paul Tostevin, director, Savills world research

As we predicted last year, the US residential market continued to rise in 2019. Cities such as Minneapolis led the way (rising 5.5 per cent between January and September according to the S&P/Case-Shiller home price index), fuelled by buoyant job markets and more affordable housing than the major US gateway cities. We expect to see growth continue in 2020, led by the smaller metros, but at a slower pace as affordability is squeezed (in spite of rate cuts by the US Federal Reserve).

Performance in Los Angeles, Miami and New York, the US's most international cities, was muted as they grappled with high supply in their prime markets. New York, also adjusting to higher rates of mansion tax, saw prime sales slip in 2019. We expect the slowdown to continue into 2020, though high levels of inventory pose a buying opportunity for some.

Demand for prime leisure property has meant the US's most sought-after ski resorts, Jackson Hole, Aspen and Vail, have constrained supply and this will sustain high prices into 2020.

After almost a decade of sustained growth, Canada's residential markets cooled in 2019. Activity and prices are likely to rise again in 2020, however. Buyers in Vancouver and Toronto appear to be adjusting to higher taxes and affordability criteria designed to cool speculation.

Susan Wachter, professor of real estate and finance at the Wharton School of Pennsylvania university

As predicted, last year saw the beginning of a price pullback moderating previous years' record prime property price gains in North America's first tier-cities. This move is set to deepen, with prime markets, including San Francisco and Washington, likely to see steep, in some cases, double-digit price declines in 2020.

Fundamental demand and supply is at play. Would-be buyers are hesitating in the face of lower than peak prices and geopolitical uncertainty. Most importantly, the pipeline of construction-starts for high-end properties across the US is driving price expectations lower. State and local tax, and mortgage interest deduction limits, are hitting high-tax, high-income states.

In mid-markets in the US, supply is still scarce. Buyers are taking advantage of last year's decline in mortgage rates to buy housing that is now more affordable but there will be no interest rate-driven rebound in demand for luxury housing. There are exceptions to this narrative of excess supply and increased uncertainty. The prime real estate sales activity in second-tier markets such as Phoenix, Arizona, will continue to exhibit strong price gains given limited increases in supply.

Dan Conn, chief executive, Christie's International Real Estate

One of the strongest performing markets in Canada is Montreal, whose economy grew by 3 per cent in 2019, according to the Conference Board of Canada. Along with a booming economy, Montreal's luxury housing market is experiencing high demand and low supply, driving prices higher and reducing the time that properties spend on the market.

Demand for downtown condos is particularly high, with investors buying multiple presale condo units at perceived discount prices compared with other Canadian markets. This will probably continue this year as Montreal lures foreign buyers of luxury property away from Vancouver and Toronto, which have both imposed stamp duties on this group.

Toronto market conditions have stabilised after declines in transaction volume and average sales price, with the luxury sector seeing steeper falls than the broader housing market. Overall sales are likely to remain below those of recent peak years because of policy changes, including the B20 stress test which took effect in 2018. This limited access to financing by requiring homebuyers to put a 20 per cent downpayment on uninsured mortgages.

Chris Dietz, executive vice-president, global operations, Leading Real Estate Companies of the World

Political turmoil and currency devaluation across South America have dented demand, although Uruguay could improve in 2020 on the back of confidence in its new government, with investment coming locally and from Argentina. Paraguay's economic and real estate growth could also be fuelled by its healthy export market.

In Ecuador, political unrest may affect Quito and other cities but its coastal market is likely to continue to attract foreign investment. Recent protests in Chile could result in a price drop this year, despite its stable economy, while Colombia is seeing increased foreign investment, especially in Cartagena and Medellín, partly thanks to reduced crime.

I expect modest growth in Brazil, especially in São Paulo, with its weak but improving economy. An offshore oil reserve discovered near Guyana's coast in 2017 may drive further investment from overseas.

I do not expect significant change in Bolivia, Suriname and Venezuela. The same is true in Panama, where there is an oversupply of property and pricing has gone down by about a quarter in the past three years. This drop will create buying opportunities but the absorption rate is slow, so it will take several years for the market to get back to where it was.

Penny Mosgrove, chief executive, Quintessentially Estates

This year will see further migration to Miami from New York, where property taxes have increased. This will be good for the Caribbean, where governments hope to attract investment by offering incentives for companies and families to move south. The market has also benefited from a global focus on health and wellbeing: people now look for a lifestyle not the big-city rat race.

Prices in the Bahamas and Barbados, where the currency is pegged to the US dollar, are not far off 2008 levels, which make them an attractive investment in 2020. The new Barbados government is restricting debt and investing in technology and healthcare, while a reduction in corporate tax to 2.5 per cent for the B$20m-B$30m ($10m-$15m) band will further entice foreign investment. The Bahamas is still recovering from Hurricane Dorian and offers good value for money with first class facilities and some of the best beaches in the world.

St Barths achieved some of the highest values in the Caribbean in 2019 and we expect it to go from strength to strength in 2020. Supply is limited and its enormous popularity means values will climb further. Rental demand is consistent and net yields can be in the region of 5-6 per cent, in our clients' experience, with low tax on purchases.

People now work from holiday homes for part of the year. This trend, combined with improving connectivity, education, health and facilities, means 2020 looks sunny for the Caribbean market.