

Asset Management

Donald Trump's stunning victory and its impact on the hospitality industry

by *David Eisen* | Nov 9, 2016 10:49am



Credit: Gage Skidmore

Donald J. Trump. President-elect Donald J. Trump. That title is a tough pill to swallow for some, but by blasting through the 270-electoral-vote threshold, America has spoken: Trump is the next president of the United States.

That this day would ever come seemed improbable at one point in time, but Trump successfully tapped into the frustrations of many Americans disillusioned by the politics of President Obama and the status quo that Secretary Hillary Clinton represented. This victory for Trump was in many ways a referendum on President Obama, and Hillary Clinton, unfortunately for her, was caught in the jet stream.

Now, what does it all mean?

One thing is sure, global markets were unprepared. As television and media rolled out win over win for Trump, global markets clammed up. **U.S. stock markets plunged** with futures on the Dow Jones Industrial Average falling 506 points, or roughly 4 percent, a reaction to Trump's anti-free trade views. Earlier this year, Trump told *The New York Times* that he would float the idea of a **45-percent tax on all imports from China**, a move to bring back manufacturing to the U.S. If his idea is put into law, then enjoy \$1,000 iPhones, folks.

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Before Clinton conceded the election to Trump, apprehension of a Trump presidency was felt globally. It was evident in the **HOTEL MANAGEMENT** Europe, where stocks in London plunged 2 percent, after futures indicated losses as high as 4 percent. The Hang Seng Index in Hong Kong fell 2.7 percent, the South Korean Kospi dropped 2.5 percent and the Japanese Nikkei 225 was down 5.1 percent.

But the sun did come up, and after a skittish start, markets bounced back. **The Dow perked up** and was trading near the flat line in morning trading. The S&P's 500 stock index, down 5 percent overnight, was down 0.2 percent in early trading. The NASDAQ composite dropped 0.4 percent.



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That, then, is the state of things as we move closer to January when Trump will officially become President Trump. The question for the hospitality industry is: How will this impact global investment? An American living in Hong Kong, who works at a prominent global bank, told us he continues to field questions from the Asian investment community about what a Trump presidency means near- and short-term.

Ken Wilson, managing director and co-chairman of asset manager CHMWarnick, discussed the nonplussed state of many U.S. voters. "They automatically think the worst," he said.

On the other hand, investors, in the near-term, shouldn't have as much anxiety. "The U.S. is still the place to put money into for safety and accessibility," Wilson said. "Markets have now normalized. If the bets were against the future, why has it already stabilized?"

Still, there is a cloud of uncertainty, Wilson admitted. "Internationally, there's more concern under a Trump presidency—concern of the unknown because he is verbally incendiary even when he doesn't try to be," he said. "That's his style, but the election is not going to change the way investment is flowing in and out of the country. When he impacts policy and regulations, that's when we will see both benefits and detriments."

As die-hard Democrat **James Carville pointed out**, Trump's win is a potential death knell for Obamacare and Dodd-Frank. "Our goal as an



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asset manager is to maintain the value of our assets and offset anything negative," Wilson said. "The things we have to watch out for are things like Obamacare. Our industry has millions of employees and a lot of them using the system. I don't think our costs will go higher with that change. Maybe lower."



Immigration reform was a lightning rod during the campaign with huge impacts on the hospitality industry. "We are an industry that relies on the immigrant population," Wilson said. "It is well known there are illegal immigrants that have been here that have worked here, are we going to deport them? Whatever happens, we'll see some impact and have to offset it."

Then there are trade agreements—and the notion that a Trump presidency is an end to free trade. As mentioned, his trade policy talk toward China has been sharp. But trade is vital to the hospitality industry, especially its affect on the supply chain and procurement.

"We renovate our hotels on an ongoing basis and a significant amount of goods and FF&E come from outside the U.S.," Wilson said. Anything you levy on those goods will work its way into supply-chain costs. Costs are going to go up if we levy taxes on goods coming in from China and any increases will impact the cost of our renovations and construction."

Republicans are known for tax relief, which ultimately could help the travel industry, Wilson pointed out. "If you believe in tax relief and that's the Republican platform, it boosts spending and travel. We are the immediate beneficiaries," he said.

Property Week also **took a stab** on the Trump outcome, quoting Mike Prew, an equity analyst at Jefferies, who said: "Pro-growth means fiscal loosening in the world's largest economy, and the bi-products will impact the UK real estate industry and REIT sector. U.S. inflation rates are expected to increase, and U.S. real interest rates are expected to turn negative."

The U.S. should remain an attractive place for foreign investment, maintained Liam Bailey, head of research at Knight Frank, who said "the U.S. will remain the critical global source and destination for property investment flows.

"However, rather like the Brexit vote in the UK, the surprise of last night's result will be likely to be replaced by a more considered view of the implications of the new presidency.

"It is important to remember that almost alone of all developed economies the U.S. has largely shaken off the impact of the global financial crisis and has led the way to improved economic growth.

"The business environment in the US and innovation in business services and technology providers based in the US have helped to drive property market demand globally—it is an incredibly strong platform to build from."



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Elisabeth Troni, head of EMEA research at Gurnman & Wakefield, told Property Week that the “shock outcome” would not have a big impact on



commercial property, and urged the sector to take a “longer view of the potential implications.”

“At a global level the focus remains on trade, and the fear for the global growth outlook will likely focus on the growing threat of protectionism.”

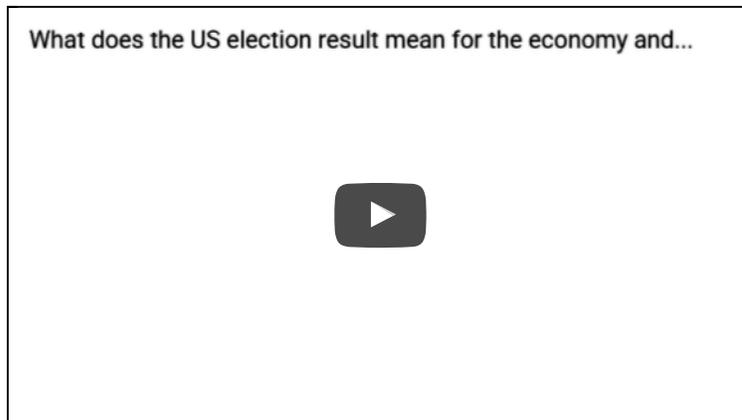
Paul Ashworth, chief North American economist for London-based Capital Economics, held court during a webcast in the wake of the U.S. election entitled “What does the U.S. election results mean for the economy and the markets?”

Ashworth described the result as shocking and added that Trump's “fiscal plan is vague and doesn't add up,” and includes items like as much as \$9 trillion in tax cuts over the next decade.

There is also the idea that Trump's campaign posture may be different that his presidential one—that much of what he said he may not mean. Ashworth pointed to Trump's acceptance speech, which touched on trade relations, an area Trump historically has been tough on. The words in his speech were different: “We will seek common ground, not hostility, partnership, not conflict.”

“There was stronger rhetoric during his campaign,” Ashworth noted. “Trump is a populist. And when populists become less popular, they go back to the strident rhetoric that got them elected.”

You can watch the webcast in its entirety below.



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