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Arlington
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Burke
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Fair Oaks
703-279-1500

Fredericksburg
540-373-1300

Front Royal
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Gainesville
703-468-2020

Kingstowne
703-417-5000

Lake Ridge
703-492-7900

Leesburg
703-840-2000

Manassas
703-393-0333

McLean
703-734-8900

Reston
703-318-9333

Stafford
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Clinton vs. Trump: The Impact on the Real Estate Market

Election fatigue is something many Americans are afflicted with at the moment. With a little over a month to go until we will finally know who will lead our country, for at least the next four years, our nation is wondering how our new President will influence foreign policy, social issues, healthcare, and the economy. As always, MBH Settlement Group has the real estate industry and the agents who make it happen at the forefront of our minds. We thought it would be helpful to investigate the potential impact of the presidential election on the real estate market.

What History Tells Us

Generally, a tight presidential race brings uncertainty, and uncertainty prompts cautious spending habits among consumers. Regardless of which candidate one supports or which party one identifies with, everyone can probably agree that the 2016 presidential election campaign season has been long, has been negative, and depending on the polls you choose to believe, has indications it will be close on November 8th. Consumers are less likely to make big changes in their lives when their financial future is uncertain.

Data collected over the past two decades on the real estate market for presidential election years and the year immediately following shows housing prices increase at a rate 1.5% LESS than in non-election years. While potential buyers should be enticed by the lower prices, the actual sales during the same period also run lower than non-election years. Statistics show they decline by three-tenths of a percent. The uncertainty of the future of the economy makes consumers leery of large investments, and there are few investments larger than real estate.

Historically speaking, the months of November and December in an election year do tend to be busier than in a non-election year in the real estate markets of Washington, DC, suburban Maryland, and Northern Virginia. Presidential campaigns are fraught with discussions on budget cuts and reduced spending. Until the election takes place and a new leader is selected, federal government employees are left to wonder if their job is secure. Once a new Commander in Chief is elected, one can get a clearer picture of what programs and departments may be impacted by campaign promises. Once federal employees think their position is safe, their consumer confidence increases and they can turn their attention to the large purchases, like real estate, that they had been putting off.

Election Year Impacts

Consider the impact a new president has on the job market, the economy, and healthcare. Until the election is over and the public knows who their next leader will be, the financial future for many is uncertain.

Financial experts advise that the greatest impact on an investment portfolio and real estate decisions is the reaction of the individual on the election outcome rather than who actually wins. In contrast to the advice, investors tend to take a greater risk when their party is in power.

We went straight to the candidates' respective web sites to gather information on their proposed policies and

agenda items that may have an impact, directly or indirectly, on the real estate market. This information is not meant to serve as an endorsement of either candidate; rather, a synopsis of their individual policy strategies.

The Candidates

Hillary Clinton (www.hillaryclinton.com)

Secretary Clinton has outlined a \$25 billion housing investment program. It includes:

- Support initiatives to match up to \$10,000 in savings for a down payment for those who earn less than area median income;
- Home ownership counseling as it pertains to finances;
- Increased loan availability for qualified borrowers;
- Clarified lending requirements;
- Construction of affordable rental housing options.

Secretary Clinton's site goes on to state she wants to "provide tax relief to working families" particularly in the areas of child care, healthcare, and college debt. In theory, money not paid out in taxes could be used by families for housing. Additionally, she wants to rework the tax code so everyone, from the wealthiest on down, pays their "fair share" and the federal government would invest the proceeds to create good-paying, American jobs.

Donald Trump (www.donaldjtrump.com)

Mr. Trump has not introduced any housing-specific platforms at the time of the writing, but some of his initiatives, specifically his tax reform proposal, could have an impact on the real estate market. Lowering taxes across the board and simplifying the income tax structure from seven brackets to three, has the ability to be viewed as providing Americans with more disposable income, which could be directed to the purchase of real estate. His web site states his tax reform plan is "structured to benefit working and middle class families."

Mr. Trump's site claims that childcare is a bigger expense to families than housing in many parts of the country. By excluding child care expenses from taxation, one could conclude that the savings could in turn be used for real estate purchases. A family could use the money to buy a first home, upgrade from their current housing situation, or build a new dwelling.

There is no doubt that the election has had, and will continue to have, an impact on the real estate market. Only time will show us which proposed ideas will become policies, and which policies will have the positive benefits for our nation.

Unquestionably, November 8th is an important date in the lives of all citizens of the United States.

See you at the settlement table!

HISTORICALLY SPEAKING, THE MONTHS OF NOVEMBER AND DECEMBER IN AN ELECTION YEAR DO TEND TO BE BUSIER THAN IN A NON-ELECTION YEAR.