

U.S. Elections 2024

Talking Points



U.S. 2024 Elections (Background):

- The U.S. Presidential election will be held on Tuesday, November 5, 2024. The Presidential election will take place at the same time as elections for the U.S. Senate, House, gubernatorial, and state legislatures.
- Congress consists of the House of Representatives, where all 435 seats are up for election, and the Senate, where 34 seats are being contested.
- It is very difficult to predict election results, and there is considerable uncertainty around the potential outcome. That said, the conventional wisdom among forecasters is that the two most likely scenarios are:
 1. Harris and divided Congress. Democratic-controlled House, Republican-controlled Senate.
 2. Trump Presidency and unified Republican control.

Impact on Property

- Historically, there is not a strong correlation between Presidential election years and the performance of CRE, whether that be fundamentals or capital markets. Moreover, historic trends have proven that CRE can perform well under various political scenarios (see chart which features annual CRE transaction volumes, distinguished by White House and Congressional controlling party).
- Even as we narrow-in and evaluate the time periods immediately ahead of an election (like the period we're in now), conditions and sentiment may feel uneasy, but historic transaction activity data show that there is also very little (if any) correlation between U.S. elections and deal velocity during the quarter in which the election takes place. Likewise, there is little correlation or impact on the CRE fundamentals during the quarter in which the election takes place.
- The state of economy, interest rates, supply/demand dynamics, return on capital relative to other asset classes and many other factors are all important in gauging how property will perform in any given quarter, year and going forward. We tend to focus more on the macroeconomic, financial market and the fundamentals backdrop to explain CRE performance because it can take upwards of one to two years for fiscal (i.e. spending or taxation) policies to form following an election. Such fiscal policy can then take even more time to impact the economy, CRE fundamentals or capital markets. Further, in a divided Congress, changes to fiscal policy tend to be more constrained. When a sweep scenario has happened, we typically have seen one (or a few at most) major legislation(s) get passed before the midterm election cycle picks up.

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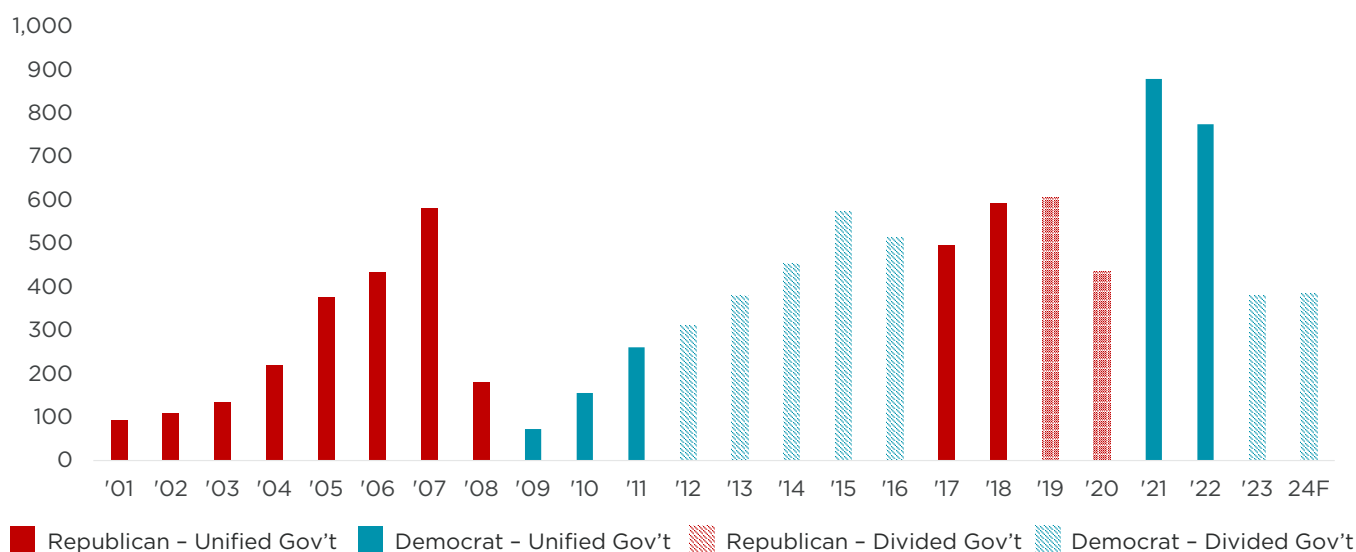
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- One segment of policy that is driven more by the executive branch (than Congress) is that around trade, tariffs and foreign policy. While each campaign has floated different possibilities around these topics, the reality is that actual policy outcomes could deviate greatly from current stated positions or ideas.
- Given the lagged impact of elections on macroeconomic conditions, it is typically imprudent to fundamentally change one's real estate strategy because of upcoming elections. Investment managers and property managers are trusted by institutional capital sources to remain fiduciaries of capital and property, which implies that they are expected to keep focus on the long-term and not isolated periods, election or otherwise.
- Cushman & Wakefield does not attempt to predict the ways in which a President or Presidential candidates may influence tax or spending policies or pass laws through executive order, nor do we attempt to predict how Congress might amend existing laws or modify legislative proposals being considered. Therefore, our baseline view on the property sector generally follows current laws.
- We are monitoring and modeling the various election scenarios. Once the results are determined, we will release a report sharing our view on the first 100 days of the New Administration and Congress and implications for property.

U.S. Elections: Weak Correlation to Property

Sales volume, \$bils.



Source: Real Capital Analytics, Cushman & Wakefield Research