US Presidential Election and Real Estate Prices

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The following was partly abstracted from a recent article we had written for the Hong Kong Economic Journal (in Chinese).

Although at the time of writing this piece it was still uncertain as to who would eventually become the next president of the USA, the fact that the race was so (statistically) close, plus potential legal disputes, may spell relatively more **uncertainty** in future policies, decisions or administration. If so, and assuming generally businesses prefer a more "consistent" environment (to better formulate strategies and so on), this may carry a negative impact. Based on published media, we have made a few observations as follows:

a) **Most of the states along the West Coast and in New England voted for the Democrats / Gore** = as a general statement, these states are economically more vibrant and several, e.g. California, Massachusetts etc, have some of the highest average home prices in the USA. We do not know if there is any connection between their economies and their overall political inclination. If one is to **speculate**, it may be perhaps that most people in these states do not wish to disturb the status quo too much by voting for the same party which seemingly had brought them much fortune. We have also looked briefly to see if there were any **"voting traditions"** (or traditional party affiliations) among these states yet there was no clearly identifiable pattern (perhaps a political scientist can enlighten us here). An American whom the author came across suggested that this might be due to the fact that these states accommodate many of the small **minorities** who tend to vote for Democrats, yet the author remained unconvinced as the same states had also voted for the Republicans before. If our speculation is right, then real estate market sentiment in these states may be affected (though perhaps for a very short term and psychological mostly) adversely if the party they voted for does not win the election. This is because it will mean a greater chance for adopting economic policies, real or imagined, which may affect their current well being.

b) **For Asian economies, uncertainty may mean slower USA growth (if not already slowing down) and less appealing investment environment (to non-USA investors)** = collectively, this means the USA will spend or consume less. To some Asian countries dependent on exporting consumer goods to the USA, this may well mean disasters. And it is not easy for them to find an equivalent substitute market. Thus the rest follows, poor exports = poor economic performance = pressures on interest rates, currencies and / or asset prices including real estate.

Real estate investors may wish to contemplate **potential fall-back strategies** in case the above materializes. On a separate note, perhaps investors should also monitor the situation in the Middle East as well.