

## DO ELECTIONS REALLY IMPACT OUR REAL ESTATE MARKET?

32,000 jobs. Theoretically, that is how many are up for grabs in this town in our quadrennial election cycle, and that much potential turnover has to have an impact on the real estate market, doesn't it?

Let's take a look at the Executive Branch. Regardless of the outcome, there will be a change in the occupant of the White House, and there are roughly 3,000 presidentially appointed jobs. Let's assume the every one of those jobs changes and a considerable number of lower level staff positions change along with them. That could be as many as 8,000 jobs. The reality of Washington's political job market is that many who will fill those jobs already live here. People cycle in and out of public sector jobs with considerable frequency. But let's be generous and estimate that half of those 8,000 jobs will be filled by people who relocate to the metro area. Let's also assume that half of those will buy homes sometime in their first year here. Although our experience tells us that is a dramatic overestimate, that would be 2,000 home sales.

There are 24,000 jobs on Capitol Hill, but close to 9,000 are considered "non-partisan" and generally do not change with election cycles. So, the "political" staff on The Hill numbers about 15,000. But even with 435 House and 33 or 34 Senate seats on the line each election cycle, there is usually not an enormous amount of turnover. In 2014, 95% of the members of the House running for re-election won. 41 members retired – and their party kept the seat in each and every case. There was a significant change in the Senate, however, with a net change of 9 seats. 2010 saw the biggest party change in recent memory with a 15% change in the House and a 16% change in the Senate. So, if we take an extreme example and assume we have another major "change" election like 2010 with a 15% turnover in Congress and also assume that there was a 100% turnover in the staff of those newly-elected members, that would translate to 2,250 jobs changing hands. Most staff jobs on Capitol Hill pay less than \$50,000 per year, and many newly elected officials look for rental housing or even live out of their offices. As is true with the Executive Branch positions, some of the people who will fill the new Congressional staff positions already live in the Washington area. But we'll apply the same logic – let's assume that half of the new hires come from out of town and half of those buy a home sometime in their first year in town. That would be about 560 home sales.

How much impact would 2,500 additional home sales have on our market? There were slightly more than 50,000 home sales in the immediate DC metro area last year, so that would be a 5% increase. But as the table shows, there is no historical correlation between home sales and election results. On the heels of the major changes in the makeup of Congress in 2010, the number of sales in the immediate DC area fell almost 5% the following year. The election of 2008 brought a change in the White House and a change of 29 seats in Congress.

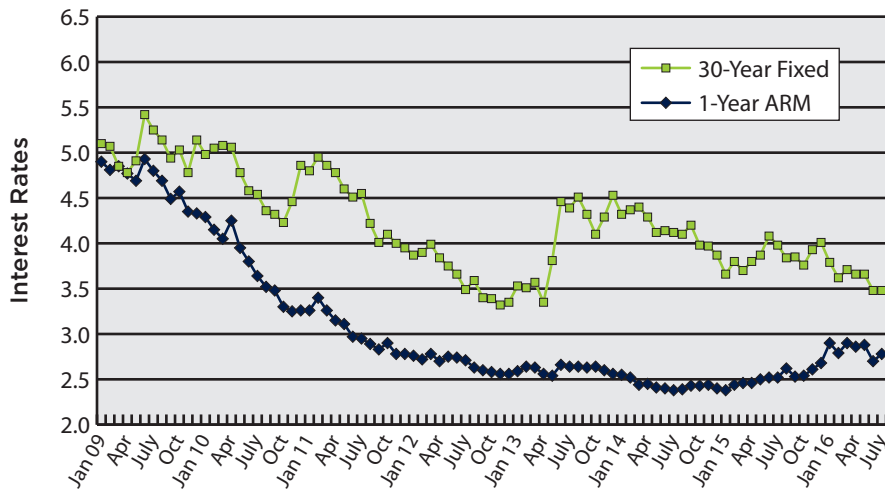
Election Year	Change in House Seats	Change in Senate Seats	Change in White House	Change in Sales Following Year
2000	2	4	Yes	▲ 7.2%
2002	4	2	N/A	▲ 6.9%
2004	3	4	No	▼ 5.3%
2006	31	5	N/A	▼ 21.1%
2008	21	8	Yes	▲ 18.3%
2010	63	6	N/A	▼ 4.8%
2012	8	2	No	▲ 9.1%
2014	13	9	N/A	▲ 9.4%

There was an increase of almost 20% in the number of sales in 2009 compared to 2008 – so on the surface one might be tempted to say these elections had a major impact on the region's real estate market. However, in February of 2009 Congress passed and the new President signed into law the first round of the Homebuyer's Tax Credit, and the number of sales jumped nationally, too.

As we have discussed many times, there are other significant factors at play in the real estate market. Individuals do not make a decision to purchase a home in a vacuum. Just moving to the area to take a new job – even a new job on the Hill or in the Executive Branch – does not cause an individual to ignore overall market conditions or their personal circumstances. Also remember, that while there may be new occupants of these jobs, these are not "new" jobs like those we see created when a company moves to the area. National elections may make a big difference when it comes to policy, but not to the local real estate market.

## 30-YEAR FIXED AND 1-YEAR ADJUSTABLE RATES

Month-End Mortgage Rates - January 2009-Current

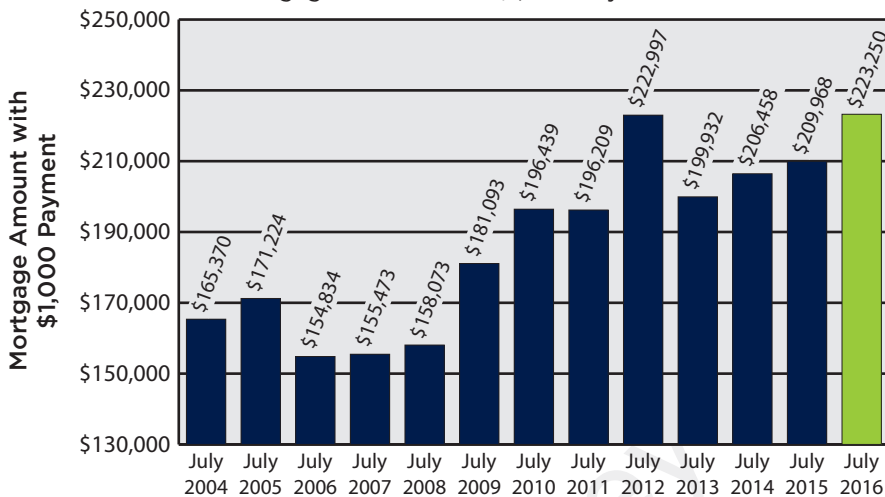


## MORTGAGE RATES

- 30-year fixed interest rates at the end of July averaged **3.48%**, compared to 3.98% at the end of July 2015.
- One-year adjustable rate mortgages were 2.78% at the end of July 2016, which is up from 2.52% at the end of July 2015.

## BUYING POWER

Mortgage Amount with \$1,000 Payment

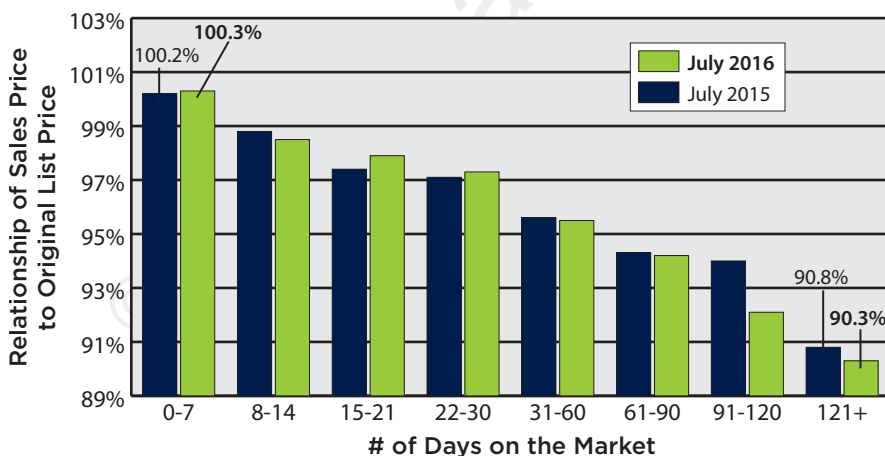


## BUYING POWER

- A \$1,000 principal and interest payment supported a loan of **\$223,250** at the end of July, which is **\$13,282 more** than July 2015 and **\$57,880 more** than July 2004.
- Just after the market's peak in July 2006, it would have taken a monthly PI payment of \$3,068 to purchase a median-priced home. Today's lower rates have had a dramatic impact – now it takes a payment of \$2,292 to buy a median-priced home. **That's a 25.3% decrease.**

## RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON THE MARKET

Northern Virginia - July 2015 vs. July 2016 - Resale Properties Sold



## RELATIONSHIP OF SALES PRICE TO ORIGINAL PRICE vs. DAYS ON MARKET

- As we have noted in this space for **years**, initial pricing strategy is critical to sellers' success.
- Homes settling in July 2016 that received contracts their first week on the market sold, on average, **0.3% above original list price**. Those that took 4 months or longer to sell sold for **9.7% below original list price**.



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