

Presidential Elections and Economic Impact: Separating Myths from Reality for Small Businesses & Real Estate

Election years often stir anxiety among small businesses and real estate markets, with fears of slowed sales and economic uncertainty. However, experts and data show that elections have less impact than commonly believed, with real economic factors like interest rates, inflation, and seasonality driving business activity far more than political cycles.



Real Estate: Minimal Disruption Despite Election Jitters

Contrary to popular belief, presidential elections do not significantly dampen the housing market. Historical data shows that new and existing home sales experience smaller declines during election years than in non-election years. Seasonal trends and borrowing costs are far more critical in influencing real estate activity.

Edward Coulson, a real estate economist at the University of California, Irvine, explains that colder months naturally reduce home buying, and rising interest rates make mortgages less attractive, regardless of election timing. However, some markets, like Washington, D.C., see an election boost due to political transitions and new staff moving into the area. Nationwide, sales tend to grow modestly the year before, during, and after elections.



Interest Rates and Economic Fundamentals Take Center Stage

While political messaging can create anxiety, real economic conditions ultimately guide consumer behavior. The Federal Reserve's recent rate cuts, for example, aim to reduce borrowing costs and stimulate spending, which benefits both small businesses and home buyers. Holly Wade from the National Federation of Independent Business emphasizes that lower rates provide a welcome opportunity for businesses seeking affordable financing to grow.

Even in challenging times, small businesses have shown remarkable resilience, surviving not only election cycles but also more serious disruptions like the COVID-19 pandemic. Experts encourage business owners to focus on economic fundamentals—rather than election noise—when planning for the future.

Conclusion

Though elections may generate uncertainty, their actual impact on small businesses and real estate is limited. Businesses and markets are more influenced by broader economic trends such as interest rates and employment shifts. By staying focused on fundamentals, both small business owners and homeowners can navigate election years confidently, capitalizing on opportunities that arise amidst the political landscape.



Small Businesses: Resilient Despite Uncertainty

For small businesses, elections do not inherently hurt sales. While political uncertainty can make both consumers and owners cautious, most experts agree that factors like employment levels and inflation have a greater influence on business outcomes. According to Frank Fossen, an economist at the University of Nevada, Reno, the election's regularity prevents any major disruption: "It's very regular, it's not coming as a surprise."

Alternative financing options also gain popularity during election years as some small business owners seek non-traditional funding to bypass tighter lending conditions. Businesses in swing states and those selling political merchandise may even benefit from heightened political activity. Additionally, some individuals may feel motivated to start new businesses, seeking financial independence amid uncertainty.