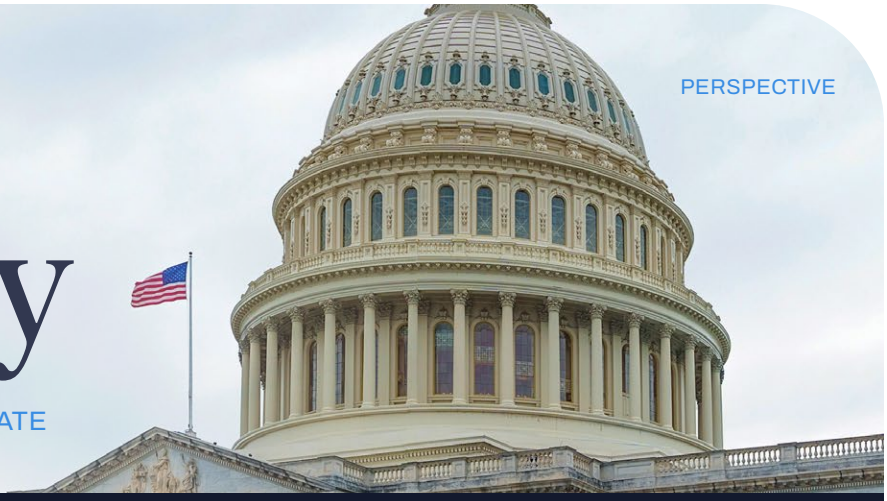
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PERSPECTIVE

THE Takeaway

2026 MIDTERM ELECTIONS
IMPLICATIONS FOR COMMERCIAL REAL ESTATE



The 2026 midterms shifted the balance of power in Washington, but it is unlikely the change in party will result in wholesale shifts in policy. **Here's our take on what's ahead.**

Inflation

Potentially lower. An end to the Middle East war could ease oil prices. Divided government historically constrains spending, decreasing deficits.

Tariffs

Little change expected. Bipartisan support for selective tariffs should sustain onshoring of higher-value manufacturing.

Interest Rates

Stable. If oil prices come down, the Fed would have room to keep rates stable or cut sooner.

Immigration

Potentially higher. Bipartisan reform may become more likely, as immigration remains a voter concern.

Real Estate Fundamentals

Broadly stable. AI-led business investment should continue leading the current cycle, while immigration reform could support housing demand, employment and GDP growth.

Real Estate Pricing

Cap rates may stabilize or compress. Dependent on inflation and interest rates.

The U.S. midterms were a resounding "no" vote on the current war in the Middle East, much like the 2006 midterms were on the Iraq War. However, as in 2006, a shift in congressional control is unlikely to produce sweeping policy changes.

The new Congress could defund the war or otherwise force a withdrawal, allowing oil prices to retreat to prewar levels and easing inflation. **The latest inflation reading was 3.7%, with 1.3% attributed to energy prices. Excluding that contribution, inflation would have been just 2.4%, a more manageable level in the current environment of 3.4% GDP growth.** This could give the Fed room to hold rates in the near term and potentially cut in 2027.

Momentum for the steep tariffs proposed over the past 18 months has likely diminished, but bipartisan support for tariffs remains stronger than it was before Trump's second term. But here's the punchline: **Even with lesser tariffs, the momentum behind onshoring and supply chain resilience is here to stay.**

For real estate, onshoring supports continued development of production and distribution facilities, along with associated job growth. **Markets best positioned to benefit will be those that continue to attract businesses and domestic migration, through business-friendly policies, reliable and competitively priced electricity, predictable regulatory environments and relatively affordable housing.**

Just as the recent midterms reflected voter concerns about the war, the previous presidential election was influenced in part by dissatisfaction with the Biden administration's handling of immigration and border security. Given those political dynamics, a return to Biden-era immigration policies appears unlikely. Instead, **this election may create an opportunity for bipartisan immigration reform. We may see policies that expand access to labor, benefiting the states that have historically attracted immigrant workers** – notably Texas, Florida, New York, California, Arizona, Tennessee and Illinois.

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We own the outcome.

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