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The Impact of the 2020 US Elections on the Net Lease Market

Dear Clients & Colleagues -

In recent months we've consistently been receiving more questions from friends and clients about how to consider the impact of the looming 2020 US Elections on the Net Lease Market. With Election Day only nine months away, it seems more investors are considering how to prepare and position themselves for the outcome of the presidential and congressional elections. In this Net Takeaways, we explore various considerations around the upcoming elections.

More than ever, the US finds itself in a very polarized political position, with both conservatives and liberals moving to the right and left respectively. While we do not seek to take or espouse any political views in this article, we are of the thought that regardless of who wins the election, the impact of this election will be felt for years to come. As it applies to real estate, Trump's favorable tax policies have partly defined his presidency. The Democratic Nomination remains hotly contested, with no candidate clearly commanding a leading position. Such a contest between a candidate that leans very left and Trump - who many consider to lean very right, would pose a massive ideological divide between the two parties, with agendas and policies that would impact the economic and real estate markets in drastically different fashions.

Looking back on the 2016 election, one lesson was quite clear, the marketplace does not like the uncertainty that comes with the possibility of two very different polar outcomes. The runup to November 2016 saw a substantial slowing of investment sales velocity and great apprehension from investors. While many investors had their preferred candidates, the greater concern was not knowing what outcome to underwrite, and how to invest accordingly.

Applying those lessons forward, how should we think about Election 2020? A great deal of that depends on the outcome of the upcoming Democratic Primaries & Caucuses. With candidates such as former Vice President Biden, Senator Klobuchar, Mayor Bloomberg, and Mayor Buttegieg still very viable, it's possible that a centrist Democrat could still be the ultimate nominee. Such an outcome would likely assuage the jitters of the market by offering less polarity of potential election outcomes.

On the other hand, if some of the more progressive Democratic candidates gain further traction, the market may start to see transactional velocity diminish, as uncertainty about the broader tax and economic landscape mounts. There also exists a possibility that progressive gains could spur a wave of dispositions, as investors rush to sell assets before tax policy could change, impacting elements including real estate tax deductions and 1031 Exchanges.

In either case, 2020 is still in its infancy and the economic and real estate story of the year is yet to be fully written. Along with you, we will be watching closely and welcome the opportunity to discuss it further with you.

Best,

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