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Why The Blue Wave Won't Make a Big Splash in the Housing Market

Seismic shifts in housing are unlikely after the Democrats take over Washington, though Florida homeowners scored a big tax break



Gubernatorial candidate Rob Sand arrives to the stage after Democrats flip the state's Senate seat and governorship.

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The U.S. midterm election results are in and they couldn't be bluer. Democrats won a sizable majority in the House and Senate; they dominated the competition for governorships and they flipped down-ballot races in some of the reddest states in the union.

And yet, at a macro level, the immediate effect on financial and housing markets is more likely tied to the Iran war than shifting politics, said Realtor.com economist Joel Berner.

"From a high-level federal perspective, the big thing that's affecting the housing market is the war in Iran and that probably [won't see] any major changes right now," he said.

And that could remain true once Congress is seated in January. "I think it's going to be pretty hamstrung by an executive branch that isn't going to want to work with them," Berner said. "So we're going to see more of the same."

The bluing of Texas and other red states is also unlikely to inspire many ultra-high-net-worth individuals to move who weren't already planning on it, said Matthew Fleissig, CEO of wealth adviser Pathstone. For one, most people have roots in the places they live and have already made the calculations on what it takes to live there. "You say to yourself 'I understand it's going to cost me $2 million to live in New York, but I get to live in New York City,'" he said.

Second, shifting tax environments are an expected part of the game for clients like his, whose families are worth more than $100 million on average—it's why financial inventiveness exists. "This is still America and we are entrepreneurs," Fleissig said. "Tell us who the political leader is—and we're going to find the investments that make money in that economy."

Things are more nuanced when looking at individual ballot measures, with voters diverging on issues like taxation, housing and affordability. California's headline-grabbing "billionaire tax" was easily defeated but its permanent income tax raise was approved. Floridians approved property tax relief on primary homes while Wyoming rejected a similar measure and Massachusetts residents were evenly split on a measure to build starter homes. The one area of consensus was data centers—voters opposed them on 40 of 41 available measures.



James Talarico supporters cheer the Senate candidate's historic win in Texas.

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In terms of housing specific measures, plenty of eyes were on Florida's Amendment 3, which will raise the current homestead exemption five-fold by 2028, along with other provisions that provide tax relief to homeowners. The amendment, which was backed by outgoing Republican Gov. Ron Desantis, will increase the state's tax exemption on the assessed value of primary homes from $50,000 to $150,000 in 2027 and then $250,000 in 2028. It passed with slightly more than the required 60% margin.

Proponents say the exemption will help housing affordability, with Florida homeowners squeezed by soaring prices as well as the costs of homeownership, including insurance, HOA fees and property taxes. "The cost of staying in a home has become as important as the cost of buying it," said Frances Katzen, a Douglas Elliman agent based in New York City. "I think Florida's vote reflects that pressure."

Meanwhile, opponents say it will gut local government coffers to the tune of $5 billion while offering minimal relief in the face of broader affordability issues. "This was a clear power grab," said Neil Schiller, a land use lawyer at Government Law Group in Florida.

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"Over the years, the legislature has done what they can to take that power away from the local government, and given it to themselves."

The exemption only applies to homeowners who are Florida residents as of next year, which has led some non-Floridians to hurry up the process of joining the Sunshine State polity, according to real estate brokers.

That said, the tax change is unlikely to affect more affluent home buyers where the savings will be negligible, and who will be weighing many other factors besides. "On a high-value primary residence, I don't think it makes much of an impact," said tax attorney Ken Rios at Kaufman Rossin.

In fact, if municipalities are forced to make up for lost revenue in the form of other taxes on non-primary homes or raised millage rates, it could be a net loss, Rios said. "The net effect is going to be county specific."

Regardless of whether it benefits affluent homeowners, it doesn't change the changing calculus that led many to consider Florida to begin with, said Katzen, who is based in New York.

"If people are moving because they are sick and tired of the costs of living in New York, I think Florida is giving them a rude awakening," she said.

Other housing measures that came before voters have similar complexity, and show that ultimately, housing can be a local matter. In Massachusetts, a rather narrow measure to increase affordability by lowering the minimum lot size for single-family housing was in a dead heat as of late Wednesday. Blue urban areas tended to vote in favor while affluent exurban areas were against the proposal.

Of course, the national results might have emboldened Democrats to take more extreme stances on issues like taxation, especially as they approach 2028.

Back to the macro level, there's already been indication that mortgage rates are pulling back after reaching an almost three-year high of 7.4% a few weeks back, as volatility in the market settles—though it's unlikely to return to the early 2026 lows before the Iran conflict began.

"We might see mortgage rates stabilize right around the high six, low seven range," Berner said. "It doesn't look like there's a ton of upward pressure on mortgage rates in the here and now."

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