

The 2026 Election Outlook: Risks and Opportunities for CRE and Multifamily Finance

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Midterm elections, divided government, and a crowded CRE policy agenda: What the 2026 electoral map means for the issues that matter most to commercial real estate finance.

Midterm elections are historically unkind to the party that holds the White House, and 2026 appears unlikely to break that pattern. With President Trump's approval ratings under pressure and generic congressional ballots tilting toward Democrats, the prospect of a change in congressional control in one or both chambers is drawing serious attention from industry participants who track the legislative and regulatory environment. For the CRE and multifamily finance community, the stakes are real: a range of priority issues, from bank capital rules to tax policy to GSE reform, could see their trajectory shift significantly depending on November's outcome.

That said, the political picture is more complicated than a simple wave-or-no-wave binary. District-level competitiveness, ongoing redistricting, and the unusual ideological composition of both parties mean that even a Democratic majority would not necessarily produce uniform outcomes across the CRE policy agenda. Some of the greatest risks for the industry may come from unexpected bipartisan convergence rather than straightforward partisan opposition.

Election Math: A Complicated Map

The House

The House is widely considered the more likely chamber to flip. Republicans entered 2025 with one of the narrowest majorities in modern history—220 seats to Democrats' 215—meaning Democrats need a net gain of just three seats to reclaim the majority. Historical precedent is instructive: the president's party has lost between nine and sixty-three House seats in each of the last four midterm elections, suggesting even a modest political headwind could be sufficient.

The countervailing factor is structural. Fewer House districts are genuinely competitive than in prior cycles, and fewer exhibit a party mismatch between presidential and congressional results. Partisan redistricting in California, Missouri, Ohio, North Carolina, Texas, and Virginia adds further complexity. Current assessments suggest a modest net benefit for Democrats from those changes.

The Senate

The Senate, by contrast, initially appeared to be a strong map for Republicans, who hold a 53-47 advantage and are defending numerous seats in states President Trump carried comfortably. Only about one-third of Senate seats are up in any election. Democrats must achieve a net gain of four seats to break a 50-50 tie, since Vice President Vance would cast the deciding vote in a deadlocked chamber.

Despite those starting conditions, several Senate races have moved into competitive territory. A combination of retirements, recruiting success by Democrats, and the broader political environment has put Republican-held seats in Alaska, Maine, North Carolina, and Ohio in play. Democrats simultaneously face genuine exposure in Georgia and Michigan, both states Trump carried in 2024. The net result is a Senate outcome that analysts now treat as a genuine toss-up, with meaningful probability on both a sustained Republican majority and a Democratic flip.

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What Divided Government Means for Legislation

The conventional expectation in a divided government scenario is gridlock with stalled nominees, blocked legislation, and a greater executive emphasis on regulatory and administrative action. That baseline is largely accurate, but it does not tell the whole story.

On nominations, a Democratic Senate majority would be in a position to block executive branch and judicial appointees, including financial regulators should vacancies arise at the Federal Reserve, OCC, FDIC, and FHFA. Even a Republican majority with a tighter margin could create confirmation difficulties for nominees seen as controversial within the caucus. Regulatory leadership vacancies can slow or pause ongoing deregulatory workstreams, a dynamic the industry experienced at various points during the first Trump administration.

The more significant procedural constraint involves budget reconciliation. Reconciliation allows tax and spending legislation to pass the Senate on a simple majority vote, bypassing the 60-vote threshold ordinarily required for cloture. It has been the vehicle for landmark legislation across both parties—including the Tax Cuts and Jobs Act, the Inflation Reduction Act, the American Rescue Plan, and the One Big Beautiful Bill. Without a party trifecta, reconciliation is unavailable to the administration's party, and major tax and spending changes become substantially harder to enact.

Gridlock is not uniformly negative for industry. If a divided Congress prevents expansion of regulatory burdens through legislation, that may be preferable to the alternative. The tradeoff is that constructive legislative priorities, including permanent program reauthorizations, tax code improvements, and targeted reforms face the same obstacles. Must-pass vehicles, including government funding bills, defense authorizations, and debt ceiling legislation, become the primary legislative lanes where deal-making remains feasible.

The 2026 TRIA reauthorization, for example, is a candidate for exactly this kind of bipartisan, must-pass action regardless of which party controls which chamber. History offers some precedent: even during the divided government of Trump's first term, Congress enacted multiple COVID relief packages and a seven-year TRIA reauthorization with bipartisan support.

A less-discussed dynamic is worth monitoring: **the growing overlap between GOP populists and progressive Democrats on certain financial policy issues.** Both wings have shown skepticism toward large financial institutions, institutional investors in residential markets, and certain capital markets practices. Bipartisan coalitions of this kind tend to be unpredictable and can move quickly. The Section 901 institutional SFR provisions in H.R. 6644 are one example; carried interest taxation is another perennial candidate. Industry participants should not assume that a divided Congress is uniformly protective.

CRE and Multifamily Policy: Issue-by-Issue Outlook

Banking and Capital Markets Regulation

Regulatory actions on bank capital, including the Basel III Endgame rulemaking, risk-weight frameworks for CRE exposures, and targeted SEC actions affecting CMBS securitization are administrative in nature and will continue regardless of congressional composition. Congress does have mechanisms to repeal rules through the Congressional Review Act, but a presidential veto of any rollback of his own regulators' actions makes that pathway largely theoretical. The more meaningful variable is nominees: a Democratic Senate that slows or blocks financial regulatory appointments could interrupt the pace of deregulatory action, particularly if vacancies occur at critical agencies.

The administration's parallel effort to reduce federal spending through DOGE-era agency cuts has already affected staffing and operational capacity at HUD, FHA, and Ginnie Mae. These agencies play a central role in multifamily finance. FHA and Ginnie Mae together backstop a substantial share of affordable and workforce housing production. Capacity constraints at these agencies, independent of any congressional action, represent an ongoing operational risk for multifamily lenders and developers. A Democratic Congress would likely use appropriations and oversight authority to scrutinize and potentially reverse some of those reductions, though the administration has been unafraid to defy Congress on attempts to undue executive actions.

TRIA Reauthorization

CREFC and a broad coalition of industry stakeholders are seeking a clean reauthorization of the Terrorism Risk Insurance Act ahead of its 2027 expiration. The political dynamics here are relatively favorable regardless of which party controls Congress. TRIA has historically attracted bipartisan support, and a Democratic majority would be no less likely to prioritize reauthorization. The greater risk is that TRIA becomes entangled in broader legislative negotiations or government funding disputes, where must-pass bills can attract unrelated policy riders. The industry's interest is in keeping reauthorization clean and moving it before the 2026 election cycle fully consumes legislative bandwidth.

Tax Policy

The 2025 One Big Beautiful Bill made several key investment incentives permanent, reducing but not eliminating fiscal cliff risk going forward. The more significant tax vulnerabilities for CRE exist at the intersection of expiring provisions and a divided Congress willing to use fiscal pressure points as negotiating leverage.

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Several tax provisions important to real estate investment have been targets in Democratic fiscal proposals in recent years: the carried interest treatment for fund managers, like-kind exchange rules under Section 1031, and opportunity zone benefits. None of these was eliminated in the 2025 legislation, and a divided Congress makes near-term statutory changes less likely but it also makes them available as bargaining chips in any grand fiscal negotiation. The industry should monitor any scenario in which a debt ceiling or government funding impasse creates pressure for a revenue package, as these provisions tend to resurface in those contexts.

On the other side of the ledger, Democratic majorities have historically been more willing to expand housing-related tax credit programs. The Low-Income Housing Tax Credit has maintained bipartisan support, and a boost was included in the 2025 Republican reconciliation bill. A Democratic majority might advance middle-income housing tax credit proposals or expanded conversion tax credits with greater urgency. Progressive skepticism toward public-private partnerships, however, could complicate some of those arrangements even within a Democratic majority.

Housing Policy and Institutional SFR

Housing affordability and supply have emerged as genuinely bipartisan concerns this Congress, though the preferred policy mechanisms diverge significantly by party. The White House's push to limit large institutional investors from purchasing single-family homes to rentrepresents one area where a Republican administration and progressive Democrats may find common cause, as noted in CREFC's prior analysis of that provision. A Democratic Congress would not necessarily be more protective of institutional SFR investment than a Republican one.

Democratic majorities historically favor increased federal spending on housing supply such as assistance programs, and infrastructure grant but also well as greater regulatory requirements on lenders and servicers. Congressional oversight of fair lending, appraisal bias, and community reinvestment could intensify under Democratic committee leadership, adding compliance considerations for CRE lenders with residential exposure.

GSE Reform and Conservatorship

Administrative efforts to release Fannie Mae and Freddie Mac from federal conservatorship are likely to continue regardless of the election outcome, as they are within the executive branch's discretion. Legislative action on comprehensive GSE reform is never easy to accomplish given the complexity of the mortgage finance market and becomes even less likely in a divided Congress.

A Democratic Congress theoretically could use hearings and legislation to advance their own vision of GSE reform, including expanded affordable housing mandates, changes to guarantee fee structures, or new capital requirements. The GSE question in a divided government could reframe the terms of the debate in ways that affect CRE lending conditions and secondary market access.

Government Spending and Shutdown Risk

Shutdown risk is elevated regardless of who controls Congress. The current Republican majority has already encountered sustained difficulty passing government funding legislation, and a divided Congress would intensify those dynamics. Both parties may calculate that shutdown standoffs serve their political interests, creating episodes of policy uncertainty that complicate long-term investment planning. The debt ceiling was raised in reconciliation by \$5 trillion and is expected to hold to 2027. If left unresolved before a power shift, the issue could become a particularly high-stakes negotiation in a divided government scenario. For the CRE finance community, which depends on stable credit markets, extended government funding disruptions could pose macro and operational risks.

Conclusion: Positioning for Uncertainty

Six months is a long time in politics, and the 2026 electoral landscape will continue to evolve as candidate fields solidify, redistricting litigation resolves, and the administration's policy record becomes the central campaign question. What the current environment already makes clear is that CRE and multifamily finance interests are not neatly served by any single electoral outcome.

A sustained Republican trifecta offers the clearest path to continued deregulatory action and a favorable tax environment, but carries the risk of populist legislative initiatives that could impose significant compliance costs on the broader industry. A Democratic Congress introduces pressure on certain tax provisions and expands oversight activity, but it may also produce constructive outcomes on housing supply and TRIA reauthorization. Divided government most likely produces gridlock on the biggest structural questions, while concentrating the policy action in regulatory agencies and must-pass legislative vehicles.

For industry participants, the practical implication is to engage across all of these scenarios rather than to bet on a single outcome. The issues that matter most to CRE finance—capital rules, tax treatment, GSE policy, TRIA, housing supply—are all live regardless of November's result. The question is which levers are available in which configuration.