



CADEY O'LEARY COLLECTION
BRINGING YOU HOME

Penthouse 702, The Orchard Private Residences



Don't Take the Bait: Economic Headwinds and Real Estate

The U.S. economy shrank in the spring for the second consecutive quarter. Our gross domestic product also retreated. Inflation is raging, and interest rates remain volatile and are climbing higher. Three-quarters of global CEOs say we are in a recession or will be in the next 12-18 months, according to a new survey published in **The Wall Street Journal**.

As consumers, we have been living these realities every time we fill up our cars, purchase a plane ticket or simply buy groceries. The Federal Reserve's response to inflation has resulted in the steepest increases in interest rates since the 1980s. An intentional move to slow skyrocketing prices, particularly in housing.

The move is working. Market activity is felt before data are recorded. The housing slowdown is underway. Days on market are increasing. Inventory is building. Price reductions are occurring. The MLS, our database of all residential listings for sale, does not measure price-reduction activity. If it did, there would be a marked increase in the past 30 days across all price points and property types.

Perspective on The Shift

The shift has stripped sellers' dominance in negotiations, granting buyers an opportunity to approach their searches more deliberately, at times even pausing to enjoy summertime activity and travel. The market is normalizing. Buyers and sellers are transacting. Deals are getting done.

It was not long ago when all headlines touted record-breaking growth in home prices. May recorded the 13th consecutive month of double-digit gains in the Chicago area. Home prices across Chicagoland were up 25.6 percent in May from two years prior. By comparison, in the two years prior to 2020, home values rose by just 2.9 percent. Inconsequential gains are more typical in Chicago which ranks near or at the bottom of the price-growth index of major U.S. cities.

The unprecedented stretch has produced a boon in home equity. CoreLogic analysis shows U.S. homeowners with mortgages (62% of all properties) have seen their equity increase by a total of over \$3.8 trillion since the first quarter of 2021, a gain of 32.2 percent year over year. An extraordinary and unsustainable trajectory.

Also worth noting, in the past five recessions, mortgage rates have fallen an average of 1.8 percentage points from the peak seen during a recession to the trough. And home prices have risen 3.5 percent to 6 percent in four of our last six recessions.

Over the coming weeks, home sales and prices will continue to soften. Headlines will grow more hyperbolic. Expect it, avoid the click and carry on.

As always, I am delighted to discuss any of your real estate questions or needs.

All my best,

Cadey



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