CRE Sentiment Index Suggests Recession Will Be Shallow and Short

Two-thirds said that inflation will increase at mid-year.

By Paul Bergeron

Volatility has dominated the RCLCO Current Real Estate Market Sentiment Index (RMI) lately – with distress reaching 2020 COVID-19 levels – but respondents to its most recent survey suggest that the real estate market may have hit its low or will in the coming months.

Measured on a 100-point scale, the index has decreased 26.9 points over the past six months, and more notably has dropped 80.6 points since the most recent peak, landing on a low of 8.5 at 2022's year end.

The majority of respondents (90%) anticipate that the looming recession was "likely to be of shallow depth and of moderate duration" and 46% predict that "inflation will begin to decrease, while only 36% anticipate that it will increase." Two-thirds said that inflation will increase at mid-year.

In a release, RCLCO said that these gauges put the index "solidly into a period of real estate market distress/recession and is in-line with the level experienced in the first months of the pandemic."

For-Sale Housing in Worst Shape

For-sale housing is performing worst among asset classes and multifamily is beginning to hit the downturn part of its cycle.

"Survey respondents expect every major real estate food group to be in some stage of downturn," according to the release, "even the heretofore favored industrial asset class."

Participants backed up their negativity by also expressing that their companies have slowed hiring (28%) or instituted a hiring freeze (16%), with only a small share hiring at higher levels (5%).