



For Immediate Release

## 2022 First Quarter Omaha Economic Index®

### Colliers | Nebraska releases update on Omaha's economic health

**Omaha, NE**, July 1, 2022 – The U.S. economy, and specifically inflation, interest rates, and an increasing fear of a recession began to significantly impact markets and consumers in the first quarter of 2022. The biggest concern appears to be inflation, which accelerated to nearly 8 percent annually in the first quarter of 2022, the highest in four decades. That impact has been seen across a variety of everyday goods, seemingly highlighted by the average cost of unleaded gasoline in the U.S., which AAA noted was a record \$4.33 a gallon in March 2022, up 50 percent from a year ago when it was \$2.86 a gallon. The last time we saw gasoline prices this high was at the height of the 2008 financial crisis.

Despite these concerns, the Omaha Economic Index® hit an overall index high of 208.2. That is up 4 percent from the previous quarter and almost 30 percent from the prior year. The first quarter of 2022 marks the sixth quarter in a row with an overall index increase.

However, in looking at the individual drivers of the increase, it becomes clear that improvement in the index is less broad based than in prior quarters and has also measurably slowed.

The best news for Omaha is that the unemployment rate continues to be a low 2.6 percent at the end of first quarter of 2022. While up a tad from the 2.2 percent at the end of 2021, that rate is still well below what economists consider to be full employment levels. Not surprisingly, private hourly wages rose almost 6 percent year-over-year and are up \$1.67 since January 2021.

Commercial real estate sales continue to be strong both in terms of number of deals as well as total volume with \$480 million transacted in the first quarter of 2022. However, it will be interesting to see how the rest of the year unfolds as the Federal Reserve's interest rates hikes began during the first quarter, and the 10-year Treasury Rate remained under 2 percent for much of the first quarter. In other words, the full effects of those continued trends are yet to be felt in the Omaha economy.

Another first quarter 2022 driver of the increase in the Omaha Economic Index® was multi-family activity which had an index high number of permits and strong first quarter units permitted. With construction cost per unit increasing, and financing becoming more expensive, we expect that new multi-family activity may also ease during the remainder of 2022. Rents have had strong increases during the past 12 months, so that has helped multi-family developers and owners, while at the same time increasing the social dialogue regarding housing costs.

Another measure of home costs, the house price index for the Omaha metropolitan area, also hit an index high level of 273.3 and is up 17 percent year-over-year and up almost 3 percent from the

previous quarter. Many cities are starting to see price decreases in the second quarter of 2022 as the increases in mortgage interest rates have reduced the purchasing power of home buyers.

With the hindsight of April and May and most of June's events, it is clear that the Federal Reserve will have to thread a very tight window to guide the U.S economy to a soft landing. The stock market is in true bear territory, and there are a series of future interest rate increases built into the stock market and interest rate market expectations. Colliers Nebraska notes that the Omaha metro is better positioned than most cities to weather economic headwinds, no matter the overall conditions in the U.S. economy.

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