

LET'S TALK INTEREST RATES



QUOGUE | WEB# 878040



\$15,000,000 MONTAUK | WEB# 895960



\$6,495,000 MONTAUK | WEB# 895310 \$4,695,000

When I began my real estate career interest rates were nearly 18%. Yep, 18%. We mastered negotiating owner financing terms. As rates 'normalized', the consensus was 'as long as they remain under 10%, we're good!'

Maybe that's why I'm not phased by the current rates, or where I believe they're headed. Part of the problem today is that we're coming off artificially low-interest rates. 2% - really?

Cheap money is like giving a kid a table full of all kinds of candy and letting them gorge on it. They start to think it's normal. Then, as all good parents do when you realize this is unhealthy, you take it away.

That's exactly what the Feds did -- fast and furious. Now, the kids are crying and it's time for the dentist. Pain, Pain, Pain!

What compounded the problem was the "growth at all costs" companies. Companies that promised the moon, borrowed, hyperinflated projections, and just woke up to a new reality. Additionally, the US also propped up the economy during the worst pandemic in a century.

Everything comes at a cost. There's no free lunch. If you couple artificially low-interest rates, huge investment gains, and panic buying you find yourself, like the kid crying at an empty table with no candy. Eventually, the kid realizes they must stop crying, dust themselves off and move forward. After all, they can't just sit there and stare at the table crying, they need to go out and learn and grow and move on to the next adventure. This too shall pass.

While interest rates may increase to 7% or higher, this country has learned how to do what it must do, with the least amount of pain to its subjects. Sometimes overshoot in one direction or another, but I can honestly say 18% interest rates are only in the rearview mirror.

Back to business!

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