

# Economic Update

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JANUARY 30, 2026

## 1. COMMERCIAL PROPERTY PRICES

- According to the latest MSCI-RCA Commercial Property Price Index, U.S. commercial real estate prices fell 0.4% month over month in December but are up 0.2% over the past 12 months. After signs of strength towards the middle of 2025, price growth began to soften again in recent months, with the average price down 0.9% since September.
- Office price trends continue to diverge between its Suburban and Central Business District (CBD) segments. Suburban office prices rose 2.7% in 2025 and, through December, marked their largest annual increase since August 2022. Meanwhile, CBD office prices declined 2.9% in 2025.
- Industrial prices rose 2.0% in 2025, but fell modestly in December, down 0.3% from November. The sector has consistently maintained price resilience throughout 2025, contrasting with the broader CRE market over the same period.
- Transaction-level apartment prices fell by 1.4% over 2025, but the sector posted a 0.1% gain in December. Apartment prices had been showing renewed momentum in recent months after nearly 2 years of annual declines, but the latest reading suggests some softening is underway.
- Retail prices fell 0.5% from November, but values rose 0.2% in 2025.

## 2. NATIONAL INDUSTRIAL PERFORMANCE

- According to Commercial Café's January 2026 Industrial report, in-place industrial rents averaged \$8.87 per square foot nationally at the end of 2025, up 5.4% for the year.
- Transaction volume in the Industrial sector reached its strongest level since 2022, while average sale prices per square foot rose 10% year-over-year.
- Meanwhile, the national vacancy rate began the year at 9.2%, 120 basis points higher than one year ago.
- Industrial vacancies have more than doubled over the past three years, while last year's deliveries hovered at just above 300 million square feet—the slowest year for construction since 2017.
- Nonetheless, the construction pullback is expected to benefit the industrial sector, with Commercial Café projecting vacancies to plateau in the first half of 2026 before falling in the second half.
- Elsewhere, the economic uncertainty caused by ongoing U.S. trade disputes and negotiations is likely to



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continue into this year, with a review of the U.S.-Mexico-Canada trade agreement (USMCA) due in July.

## 3. GDP FINAL ESTIMATE

- The U.S. economy expanded at a faster pace than initially estimated during Q3 of 2025, according to the Bureau of Economic Analysis's final GDP estimate for the quarter.
- Real GDP rose at a 4.4% annualized rate in Q2 2025, slightly above the 4.3% estimate, but remained the strongest quarter for U.S. growth since Q3 2023. The upward revision mainly reflected stronger exports and a smaller drag from inventories.
- Exports surged by 9.6% in Q3 2025, revised up from an initial estimate of 8.8% and rebounding from a 1.8% decline in Q2. Imports, which are subtracted from the GDP calculation, fell 4.4%.
- The impressive Q3 growth was driven primarily by robust consumer spending, up 3.5%— its fastest pace in 2025. Government outlays also rose, up 2.2% compared to -0.1% in Q2.

## 4. PCE INFLATION

- Both headline and core PCE inflation, which is the Federal Reserve's preferred source of price data for the purpose of setting monetary policy, rose 2.8% year-over-year through November 2025, according to data from the Bureau of Economic Analysis.
- The core PCE price index, notably, remains above the Fed's annual 2.0% target, complicating upcoming monetary policy decisions as policymakers contend with a weak labor market amid above-target price pressures. Federal Funds Rate futures suggest a low likelihood of the FOMC easing rates in the near term.
- The headline PCE metric rose 0.5% month-over-month while core-PCE increased 0.2%. Increases in both goods and services prices contributed to the rise.

## 5. U.S. CONSTRUCTION SPENDING

- According to a delayed data release by the Census Bureau, U.S. construction spending rose 0.5% month-over-month in October, following a 0.6% decline in September. Year-over-year, construction spending is down by 1.0%.
- While the final two months of 2025 data are yet to be released, October's data suggests that construction



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spending for the year was subdued relative to 2024. Through the first 10 months of 2025, construction spending totaled \$1.825 trillion, 1.4% below the \$1.851 trillion registered for the same period in 2024.

- Residential construction spending rebounded in October, rising 1.3% following a 1.4% drop in September. However, renovations are likely responsible for much of this increase, as both new single-family (-1.3%) and multifamily (-0.2%) projects declined.
- Nonetheless, residential investment was the primary driver of a 0.6% increase in private-sector spending in October.
- Non-residential construction spending contracted by 0.2% in October, while public spending ticked up by 0.1%.

## 6. DATA CENTER BUCKS CONSTRUCTION TRENDS

- According to analysis by the Wall Street Journal (WSJ), while broader commercial real estate construction trends point to lower growth in 2026, the Data Center sector stands out as a key exception.
- The WSJ estimates that Data Center construction spending will rise by 23% in 2026 as tech firms continue to build out their AI infrastructure.
- The forecast also expects the sector to be less sensitive to financing costs relative to other major segments, which could prove essential as the path of interest rates in 2026 remains highly uncertain.
- The report also notes that data center demand could crowd out other non-residential construction projects as real estate developers contend with labor and cost pressures. The capital pouring into data center projects could enable them soak up qualified labor more quickly, delaying pipelines in other non-residential sectors.

## 7. NATIONAL RENT COLLECTIONS

- According to Chandan Economics-Rent Redi national rent collections data, 83.3% of independently operated rental homes paid rent on time and in full in January, 20 basis points (bps) above December's revised estimate of 83.5%.
- Measured year-over-year, on-time payment rates remain materially lower than a year ago, marking the



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30th consecutive month of annual declines. However, month-over-month trends in on-time rates began to stabilize in mid-2025.

- Late payments have been the primary driver of underperformance, remaining above 10% throughout 2025. The three-month moving average of late payments to independent landlords climbed from a low of 8.4% in May 2024 to a post-pandemic high of 13.4% in September 2025.
- However, the late payment share in November 2025, the latest month for which a full estimate is available, fell to 12.8%. Chandan Economics' projects further improvement in the months ahead, with the forecast late-payment rates for December and January sitting at 12.5% and 11.2%, respectively.
- Despite the relatively soft on-time performance, full-payment rates have remained resilient, with 2025 averaging approximately 96.0%, outperforming the 2024 average.

## 8. CONSUMER CONFIDENCE

- According to the Conference Board's latest Consumer Confidence Report, sentiment fell sharply in January, from an index reading of 94.2 in December to 84.5 in the latest print.
- Both the present situation and expectations index collapsed in January. The former, which measures consumers' assessment of the current business and labor climate, fell 9.9 points to 113.7.
- The expectations index, which gauges consumers' near-term outlook, fell 9.5 points to 65.1. A reading below 80 is historically consistent with an upcoming recession.
- One of the top concerns for consumers remains inflation, with affordability constraints for the costs of food, groceries, and gas frequently cited in responses.
- Elsewhere, the gap between those saying jobs are "plentiful" and "hard to get" fell from 8.4 to 3.1, the highest "hard to get" reading since 2021.
- Notably, declines in consumer confidence are observed across all age and income groups, with the sharpest drops among households earning less than \$15,000 and those earning over \$50,000.
- An important caveat to the worsening sentiment is that spending by upper-income households continues to outpace what sentiment trends would suggest. February's consumption activity will reveal whether the sharp drop in sentiment has translated into meaningful changes in consumption.

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## 9. HOMEBUILDER SENTIMENT

- Homebuilder sentiment fell in January and registered its 21st consecutive month below the 50-point contraction/expansion threshold, according to the latest measure of the NAHB/Wells Fargo Housing Market Index (HMI)
- All three sub-indices of the HMI contracted in January, with the current sales conditions index declining by one point to 41, while the index measuring sales expectations over the next six months fell by three points to 49.
- The index measuring the traffic of prospective buyers contracted three points to 23.
- 40% of builders reported cutting sales prices in January, unchanged from December. However, it is the first time since May 2020 that the share of builders cutting prices sat at 40% or lower for three consecutive months.
- The average price reduction in January was 6%, up from 5% in December.

## 10. PENDING HOME SALES

- According to the latest data from the National Association of Realtors (NAR), U.S. pending home sales fell sharply in December, with the index down 9.3% to a five-month low of 71.8.
- The decline was attributed to a lack of available homes for sale, with inventory reaching its lowest level of 2025 in December. Pending home sales are down 3.0% year-over-year.
- All regions of the country experienced month-over-month declines, with the sharpest occurring in the Midwest, falling 14.9% from November. The West region experienced the second-worst month-over-month decline, down 13.3%. The index for the Northeast and South regions fell by 11.0% and 4.0%, respectively.
- Consumers report preferring to see more inventory before committing to a purchase. The sudden decline occurred despite declining mortgage rates and has dampened the short-term outlook for the housing sector.

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## SUMMARY OF SOURCES

- (1) [https://info.msci.com/l/36252/2026-01-21/y5m9w1/36252/1769040530fr7aZCOo/2601\\_RCACPPI\\_US.pdf](https://info.msci.com/l/36252/2026-01-21/y5m9w1/36252/1769040530fr7aZCOo/2601_RCACPPI_US.pdf)
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- (4) <https://www.bea.gov/news/2026/personal-income-and-outlays-october-and-november-2025>
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- (6) <https://www.wsj.com/real-estate/commercial-builders-are-losing-their-appetite-to-build-anything-but-data-centers-945c594f>
- (7) <https://www.chandan.com/post/independent-landlord-rental-performance-report-january-2026>
- (8) <https://www.conference-board.org/podcasts/c-suite-perspectives/The-State-of-the-Economy-for-January-2026#:~:text=Consumer%20confidence%20has%20plummeted.,market%20also%20rose%20in%20January.>
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