



Economic Update

 **SVN** | RESEARCH

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1. EMERGING TRENDS IN REAL ESTATE

- According to the 2026 Emerging Trends in Real Estate Report by ULI-PwC, some of the industry's key themes heading into next year include the foggy outlook for capital markets, niche asset classes becoming more essential, demographic shifts that will define demand, and the growing influence of artificial intelligence.
- For capital markets, liquidity and sales volume improved in 2025, but expectations for 2026 and beyond vary. Many CRE investors see lower interest rates, abundant debt, and pent-up equity demand as ingredients for short-term capital market expansion, but higher long-term rates and less foreign investment in the longer term.
- Data centers have emerged from a niche asset to an essential property type in 2026, with investors bullish on the growth of cloud computing, enterprise data management, and AI adoption.
- Survey respondents also project that senior housing and other residential subsectors, such as student and manufactured housing, will continue to expand as ageing US demographics create occupancy ripple effects across property types.
- Self-storage has also evolved as more Americans compromise on size and location when deciding where to live, shifting it into a hybrid lifestyle and investment play.
- The report's findings also suggest that the office market will remain bifurcated, as trophy buildings in major markets command record rents while lower-quality properties struggle with high vacancies and depressed valuations.

2. OCTOBER EMPLOYMENT ACTIVITY

- The US private sector added 42,000 jobs in October 2025, while wages rose 4.5% year-over-year, according to the latest ADP National Employment Report.
- In the absence of monthly jobs data from the BLS, the ADP report provides the most current snapshot of national employment trends.
- The October increase marked the first time since July that private employers expanded payrolls. However, hiring remains well below the pace seen earlier this year. Service-providing industries added 33,000



Economic Update



positions, led by trade, transportation, and utilities (+47,000), offsetting losses in professional and business services (-15,000).

- Employers announced 153,074 job cuts in October, up 175% year-over-year and 183% month-over-month. The report notes that industries are recalibrating following the pandemic-era hiring boom, even as AI adoption rises, and consumer spending softens.

3. NATIONAL OFFICE PERFORMANCE

- According to Commercial Café's National Office Report, the national office vacancy rate was 18.6% in September, 80 basis points (bps) lower than one year before.
- The average listing rate in September was \$32.79 per square foot, 0.3% above the September 2024 level. Atlanta (\$36.32), Portland (\$28.85), and Miami (\$56.45) registered the highest listing rates, while Washington, D.C. (+230 bps), Nashville (+220 bps), and the Twin Cities (+190 bps) experienced the largest year-over-year rent increases.
- Manhattan topped the list for year-to-date sales, reaching \$5.5 billion through September. The Bay Area followed with \$4.3 billion in sales, while Washington D.C. ranked third with \$3.2 billion in sales.
- Miami and Manhattan tied for the lowest office vacancy rates in September, each averaging 12.8%.

4. MEDICAL OFFICE BUILDINGS STAND OUT

- An October deep dive by Globe Street suggests that Medical Office Loans continue to stand out for their stability and growth.
- According to Trepp data, CMBS delinquencies in the sector stand at just 6.15% through September, compared to the 11.31% average for conventional office loans.
- The relatively strong performance points to solid fundamentals for the sector. Data from Transwestern shows that medical-office vacancies fell by 20 basis points year-over-year through Q2, compared to a 40-basis-point increase for the traditional office segment.
- Demographic shifts and workforce trends are fueling the relative success of the medical office. According to the Bureau of Labor Statistics, through August, health care-related employment is up from one year



Economic Update



prior, while jobs in conventional office-based sectors, such as professional and business services, have declined.

5. CRE TRANSACTIONS STUCK AT PRE-COVID PACE

- According to a recent Moody's analysis, commercial real estate dealmaking remains relatively sluggish despite a strong start to the fall. Although the dollar volume of CRE transactions is up 5% year-over-year through September, transaction volume remains stuck at pre-COVID levels.
- Transaction data suggest that a flight to quality might be taking shape. The average CRE transaction in September was \$12.7 million, up from \$11.2 million one year ago.
- Further, zooming in on the 50 largest transactions of the third quarter, all exceeded \$73 million, while 29 of those 50 exceeded \$100 million, which was a 35% jump compared to the third quarter of 2024.

6. LOGISTICS ACTIVITY

- Logistics sector growth was unchanged in October compared to the month before, according to the latest Logistics Managers' Index. At 57.4, the current reading indicates a low but steady rate of industry expansion—a reading above 50 indicates that logistics activity is expanding nationwide.
- Expanding transportation activity is driving growth in the sector, offsetting some of the downward pressure from declining inventory and weaker warehousing demand.
- Transportation utilization increased during October, rising 7.3 index points to 57.3. Transportation prices rose 7.5 points to 61.7. Inventory levels contracted slightly on the month (49.5) while warehousing utilization slowed (56.5).
- Taken together, logistics trends suggest that inventories are dropping as holiday sales kick off, easing warehousing demand while increasing transportation utilization.

7. INSURANCE COVERAGE AMONG RENTERS

- A recent analysis by Chandan Economics shows that renters are nearly three times as likely to be uninsured as homeowners (11.7% versus 4.4%) and are more reliant on public plans.
- Just under half of renters (48.8%) have private insurance, while nearly one in three (29%) rely exclusively



Economic Update



on public coverage.

- Within the rental market, coverage outcomes vary meaningfully by property type. Single-family renters show the weakest coverage profile—49.2% private and the highest uninsured rate (12.8%). Roughly 16% of single-family renters with private insurance receive a subsidy, compared to an average of 18% among all renters.
- Multifamily renters are the most securely insured, with 51.2% covered by private insurance, while just 9.8% are uninsured.
- With ACA subsidies in legislative play, potential disruption would have a disproportionate impact on renters, particularly those in small buildings and single-family homes, potentially raising delinquency risk and softening leasing velocity.

8. 2026 APARTMENT RENT FORECAST

- According to a recent RealPage analysis, average market-rate effective rents are projected to climb to 2.3% nationally over the next year, a rebound from a 0.7% decline in the year ending in October 2025.
- The analysis points to a broad-based increase in apartment rents, with 11 of the nation's 50 largest markets expected to see rent gains of 3% or higher.
- Miami (+3.8%), Seattle (+3.7%), Fort Lauderdale (+3.5%), and Los Angeles (+3.2%) topped the list of metros expected to lead the resurgence in growth.
- Several midwestern and coastal cities, including Cincinnati, Columbus, and San Francisco, are also poised for upticks in growth. Each of these three markets is expected to grow by 3.1% annually over the next year.

9. SMALL BUSINESS OPTIMISM

- According to the National Federation for Independent Businesses, small business optimism slipped in October but remains well above its 52-year average.
- Sales and profit expectations fell, with a net 13% of business owners reporting lower sales over the past three months, while a net 25% report negative profit trends.
- Labor shortages remain the top concern affecting small businesses. 32% of owners report having unfilled



Economic Update



job openings, while 27% cite labor quality as their most pressing problem —the highest share since 2021.

- Price pressures moderated from the month prior but continue to affect over one in five small businesses. 21% of firms raised their prices in October, with 30% planning to increase them in the coming months.

10. CONSUMER SENTIMENT

- According to the University of Michigan's preliminary November Consumer Sentiment Index, the index fell 6% from 53.6 in October to 50.3 in the latest reading.
- The decline in sentiment was led by a 17% drop in current personal finances and an 11% decline in year-ahead expectations for business conditions.
- The analysis notes that the federal government shutdown likely contributed to the decline in sentiment, and preliminary findings were made before the shutdown ended.
- Sentiment weakened across most age and income groups, although households with large stock holdings experienced a bump in confidence.
- Short-term inflation expectations edged higher from 4.6% in October to 4.7% while long-run expectations eased from 3.9% last month to 3.6%

Economic Update



SUMMARY OF SOURCES

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