

# Economic Update

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MAY 28, 2026

## 1. Q1 GDP: SECOND ESTIMATE

- According to the Bureau of Economic Analysis's (BEA) second estimate for Q1 2026 GDP, US GDP growth was revised down to a 1.6% annualized pace, below the initial 2.0% reading and down from 0.5% growth in Q4 2025.
- The downward revision was driven primarily by weaker consumer spending and lower-than-estimated inventory investment. Consumer spending growth was revised down to 1.4% from 1.6%.
- Final sales to private domestic purchasers, a key measure of underlying demand, were revised slightly lower to 2.4%, suggesting that core domestic activity remained relatively resilient despite softer headline growth.
- Business equipment investment remained a bright spot, surging 17.2% annualized, with AI-related capital spending continuing to support overall economic activity.
- Real gross domestic income (GDI) increased just 0.9%, reinforcing signs of slowing underlying economic momentum entering Q2.

## 2. COMMERCIAL PROPERTY PRICES

- According to the latest MSCI RCA Commercial Property Price Index (CPPI), US commercial property prices increased 1.1% year-over-year in April 2026, while rising 0.2% month-over-month.
- Elevated borrowing costs remain a major constraint on CRE pricing recovery, as expectations for Federal Reserve rate cuts have weakened amid renewed energy inflation linked to risks from the Middle East conflict.
- Office pricing led gains in April. CBD office prices rose 4.1% year-over-year and 0.8% month-over-month, marking the eighth consecutive month of annual appreciation, though values remain 49% below their March 2022 peak.
- Suburban office prices increased 3.1% annually and 0.1% monthly, continuing a recovery trend that began in early 2025, but still sit 15% below peak pricing levels.
- Industrial prices rose 1.9% year-over-year, though annual appreciation has slowed for eight consecutive months from a recent 4.1% peak in August 2025.



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- Apartment prices declined 1.1% annually and 0.4% monthly, leaving multifamily values nearly 20% below their July 2022 peak, as supply pressures continue to weigh on the sector.
- Retail prices fell 2.3% year-over-year, the weakest performance across major property types, though monthly declines continued moderating.

### 3. CRE INVESTOR SENTIMENT FALLS

- According to a recent SitusAMC survey, investor sentiment toward commercial real estate has softened, as slower price recovery and elevated financing costs have continued to weigh on investor conviction.
- The responses suggest that cash positions have become increasingly favored among institutional investors, reflecting a more defensive posture amid tighter capital market conditions and ongoing valuation uncertainty.
- Respondents also indicate that interest rates and constrained liquidity continue to pressure transaction activity, limiting the pace of capital deployment across much of the CRE landscape.
- Investors remain active but highly selective, with capital concentrating in sectors and submarkets viewed as fundamentally resilient or supply-constrained rather than broadly re-entering the market.
- The current environment is reinforcing a “wait-and-see” approach, as many institutions prioritize preservation of flexibility and liquidity over aggressive risk-taking. Market participants increasingly expect the recovery cycle to remain uneven, with stabilization occurring gradually rather than through a rapid rebound in pricing or deal flow.

### 4. FOMC MEETING MINUTES

- According to the latest FOMC minutes, four members dissented to the decision to hold the federal funds rate at 3.50-3.75% at its April 28-29 meeting, the most in a single FOMC meeting since 1992.
- Moreover, a majority of participants said “firming would likely become appropriate” if inflation remains above 2.0%, the strongest collective hawkish signal of the current cycle.
- Rate cuts were deemed appropriate only if disinflation resumes or the US labor market weakens significantly. The Middle East conflict was again cited as a source of additional uncertainty.



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- For commercial real estate operators, the hawkish dissent signals the next move is more likely a hike than a cut, pushing out the refinancing relief window further. Sustained restrictive short-term rates continue to put pressure on floating-rate CRE debt.

## 5. CONSUMER SENTIMENT

- The University of Michigan Consumer Sentiment Index fell to a new historic low of 44.8 in the May final reading, down from the 48.2 preliminary reading earlier in the month.
- Year-ahead inflation expectations rose to 4.8% while the 5-year outlook held at 3.9%. Both inflation expectation measures are well above the Fed's 2.0% target, and persistent de-anchoring of expectations reinforces the case for a sustained hold on interest rates.
- 57% of respondents in the survey cited high prices as directly eroding personal finances. The Expectations sub-index dropped to 44.1, indicating that consumers see conditions getting worse, not improving.
- The record-low consumer sentiment may be a leading indicator of discretionary retail spending. Although the relationship between consumer sentiment and consumer spending levels has weakened in recent years, sentiment of this magnitude typically precedes pullbacks in non-essential categories, with in-store retail the most exposed.

## 6. INDEPENDENT LANDLORD RENTAL PERFORMANCE

- According to the latest data from Chandan Economics-Rent Redi, on-time payments in independently operated rental units rose to 84.5% in May.
- The collection rate now sits 223 basis points above the September 2025 low, reinforcing the broader recovery trend that has taken hold since late 2025.
- Year over year, on-time collections remained 48 basis points (bps) below the May 2025 level, extending the streak of annual declines to 34 consecutive months. However, the pace of deterioration has eased meaningfully.
- The forecast full-payment rate for May rose to 97.1%, the highest level since May 2025, pointing to continued strength in overall payment resolution.



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- Late-payment pressure remains elevated, with forecasts suggesting only modest spring improvement, indicating that renter financial strain has eased more slowly than on-time collection trends alone would suggest.
- State-level performance remained uneven, with Western and Mountain states continuing to lead the country and several markets posting on-time payment rates above 90%.

## 7. MOVING EXPECTATIONS FALL TO NEW LOWS

- According to the New York Fed's SCE Housing survey, just 21.7% of Americans expect to move within the next three years, marking a new series low for moving expectations.
- Moving expectations declined across both renters and homeowners in the past year, with the pullback spanning nearly every major demographic category, including age, income, and education groups.
- Renters continue to report substantially higher expected mobility than homeowners, though renters' moving expectations have also fallen sharply from previous years.
- The decline in expected mobility reinforces the growing "stay-put" dynamic across the housing market, as elevated housing costs and affordability pressures discourage household relocation.
- Higher mortgage rates and worsening affordability in the for-sale market continue to constrain homeowner mobility, while elevated asking rents and moving costs are increasingly limiting renter movement as well.
- Reduced moving expectations could contribute to lower apartment turnover and slower leasing velocity ahead, particularly in markets that rely heavily on in-migration and household formation.

## 8. THE GEOGRAPHY OF YOUNG FAMILY RENTERS

- According to a recent Chandan Economics analysis, renter households with young children are increasingly concentrated in lower-cost metros and suburban markets where housing remains comparatively affordable.
- Midwest and Southern metros continue attracting larger shares of renter households with children.
- High-cost coastal metros, particularly in parts of California and the Northeast, have seen weaker concentrations of young renting families as affordability pressures increasingly price out early-stage households.



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- Markets with higher shares of renters with young children generally feature younger overall populations, higher birth rates, and labor markets oriented toward lower-wage industries.
- Elevated mortgage rates and constrained affordability for homebuyers are also extending the time many young families remain renters.
- Overall, affordability is increasingly reshaping the geography of family formation, migration patterns, and long-term renter demand across US housing markets.

## 9. EXISTING HOME SALES

- According to the National Association of Realtors, existing-home sales edged up 0.2% month-over-month in April to a seasonally adjusted annual rate of 4.02 million. Existing home sales remain well below the pre-pandemic range of 5-6 million.
- The median sales price was \$417,800 in April, up 0.9% year-over-year, the smallest annual gain in several months and a signal of price growth deceleration.
- Inventory rose 5.8% month over month to 1.47 million units, up 1.4% year over year, and currently stands at 4.4 months' supply. Supply is gradually loosening but remains well below the balanced-market benchmark of 5 to 6 months.
- The persistent affordability constraint in the for-sale market continues to redirect demand into rental housing across price points, sustaining multifamily fundamentals even as new supply delivers.

## 10. RETAIL SALES

- Total retail and food services sales reached \$757.1 billion in April, up 0.5% from March and 4.9% year-over-year, according to the latest Census Bureau data.
- Gasoline station sales rose 2.8% month over month and 20.9% year over year, reflecting continued energy price inflation that is absorbing a growing share of household budgets.
- Non-store (e-commerce) retailers led all subcategories, rising 1.1% month over month and 11.1% year over year. Food services and drinking places grew by 2.7% year over year.
- Headline retail growth looks solid, but the gasoline component is distorting the topline. Strip out energy,

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and real discretionary spending is under pressure — a persistent headwind for in-store retail formats.

## SUMMARY OF SOURCES

- (1) <http://bea.gov/news/2026/gdp-second-estimate-and-corporate-profits-1st-quarter-2026>
- (2) [https://info.msci.com/l/36252/2026-05-20/y69sk9/36252/1779291341vrPoVaOU/2605\\_RCACPPI\\_US\\_MSCI.pdf](https://info.msci.com/l/36252/2026-05-20/y69sk9/36252/1779291341vrPoVaOU/2605_RCACPPI_US_MSCI.pdf)
- (3) <https://www.situsamc.com/news/situsamc-releases-valtrends-report-recovery-interrupted-continued-uncertainty-slows-cre>
- (4) <https://www.federalreserve.gov/monetarypolicy/fomcminutes20260429.htm>
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- (8) <https://www.chandan.com/post/where-young-families-rent-a-geography-of-affordability>
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- (10) [https://www.census.gov/retail/marts/www/marts\\_current.pdf](https://www.census.gov/retail/marts/www/marts_current.pdf)