Economic Update

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JULY 31, 2026

1. GDP: Q2 ADVANCED ESTIMATE

- According to the advanced estimate released by the Bureau of Economic Analysis (BEA), real GDP grew at an annualized rate of 1.5% in the second quarter of 2026, down from 2.1% in the first quarter and below the consensus estimate of 2.1%. It is the second consecutive quarter of decelerating growth, following Q4 2025's 0.5% expansion.
- Consumer spending, investment, and exports were the primary contributors to growth in Q2. The deceleration from Q1 reflected a downturn in government spending and slower growth in investment and exports, partially offset by an acceleration in consumer spending. Imports, which subtract from GDP, increased during the quarter.
- The Q2 result marks the third consecutive quarter in which GDP has come in below the 2.0% threshold, which is widely cited as the minimum needed to hold unemployment stable. It adds to evidence of a gradual softening in underlying economic momentum.

2. FED INTEREST RATE DECISION

- The FOMC voted to hold the federal funds rate target range at 3.50%–3.75% for the fifth consecutive meeting, a decision that was largely expected.
- The final vote was 9-2, with the three dissents (Cleveland's Beth Hammack, Minneapolis' Neel Kashkari, and Dallas' Lorie Logan) each preferring an immediate 25-basis-point hike. It was the most dissents at a single meeting since September 2016.
- Fed Chair Kevin Warsh told reporters at his post-meeting press conference that he "asked for a good family fight and got one," framing the division as a feature of deliberate internal debate rather than a failure of consensus. Warsh warned he "will not hesitate" to move against inflation that remains well above the Fed's 2% target, while stopping well short of signaling a September hike.
- Notably, Fed Governor Christopher Waller, who had publicly flagged inflation concerns in the weeks prior, sided with the majority to hold. Some believe that vocal hawks are siding with the majority to keep rates stable until at least September, when policymakers will have the benefit of the July and August CPI reports.

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- CME FedWatch moved the probability of a September hike to 58% following the decision.

3. NMHC QUARTERLY SURVEY OF APARTMENT CONDITIONS

- According to the National Multifamily Housing Council's July 2026 Quarterly Survey of Apartment Market Conditions, the Market Tightness Index rose to 57 from 49 in April, its first reading above 50 after three consecutive quarters of loosening.
- The uptick signals improving vacancy and rent growth on net. Meanwhile, the Sales Volume Index (46), Equity Financing Index (44), and Debt Financing Index (46) all remained below 50, signaling continued pullbacks in deal flow and capital availability.
- NMHC Chief Economist Chris Bruen attributed the tightness improvement to modest job growth in the first half of 2026 and declining new deliveries. San Francisco and the Bay Area are seeing some of the best absorption in five to ten years, while high-supply Sun Belt metros including Austin, Phoenix, and Dallas continue working through oversupply with deep concessions.
- Meanwhile, the median age of a first-time homebuyer has climbed from 30 in 2010 to roughly 40 today, keeping renters in apartments longer and widening the structural demand base for Multifamily Real Estate.
- The Market Tightness Index breaking above 50 for the first time since 2025 is a constructive signal for near-term occupancy and rent growth. However, capital markets conditions suggest transaction activity will remain subdued until financing costs ease.

4. NCREIF PROPERTY INDEX: Q2 2026

- According to the National Council of Real Estate Investment Fiduciaries (NCREIF), its Property Index posted a 1.29% unleveraged total return in Q2 2026, up from 1.24% in Q1 and the fourth consecutive quarterly increase.
- The NCREIF Property Index covers 13,160 US investment-grade properties valued at $943 billion. The result marks the strongest 12-month return period since Q4 2022.
- Senior housing led all sectors at 3.91%, followed by self-storage (1.67%) and residential (1.38%). Office

lagged at 0.70% and now accounts for just 17% of index market value, down from its historical share, as institutional portfolios rebalance toward industrial (33%) and residential (30%).

- • Four consecutive quarters of rising NPI returns signal gradual repricing and recovery in institutional CRE performance, with sector-level divergence increasingly driving portfolio outcomes rather than broad market direction.
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5. SECTION 301 TARIFFS REPLACE SECTION 122

- The 10% global tariff rolled out last year by the White House under Section 122 of the Trade Act of 1974 officially expired on July 24.
- Meanwhile, the USTR's Section 301 forced labor tariffs, which are a two-tier 10% and 12.5% duty on 60 trading partners, took effect simultaneously, covering approximately 99.4% of US imports by value, according to a Tax Foundation analysis.
- The trade-weighted average US tariff edged from 11.0% to 11.2%, a minimal headline shift. However, 65% of covered import value is carved out through exemptions, including all USMCA-qualifying goods from Canada and Mexico. Only 17% of covered import value is expected to pay the full rate.
- Separately, Section 338 proclamations impose 50% tariffs on select Canadian goods, which include dairy, furniture, and alcoholic beverages. The Section 3338 levy becomes effective on August 19, applying even to USMCA-qualifying products.
- For Industrial and Retail Real Estate, the shift to a country-specific tariff structure is likely to sustain near-term inventory front-loading, supporting warehouse demand, while adding complexity to supply chain cost modeling for goods-dependent tenants.

6. NATIONAL RENT PERFORMANCE

- According to the latest national rent collections data from Chandan Economics/Rent Redi, on-time rental payments in independently operated units edged lower in July to 83.2%, down from June's revised estimate of 83.4%.

- The downtick is consistent with normal early-summer seasonal softening. Year-over-year, on-time collections were up 53 basis points from July 2025, extending the streak of annual improvement that began in June.
- The forecast full-payment rate for July came in at 95.4%, modestly below recent months but broadly stable. The most recent observed late-payment reading was 11.8% in May, down from the post-pandemic high of 13.5% in January and February, though still above the sub-10% range historically associated with stable operating conditions.
- Alaska (92.9%), Colorado (91.7%), Utah (91.0%), New Hampshire (90.9%), and Wyoming (90.8%) posted the strongest on-time payment rates; Mississippi (68.1%), Delaware (73.6%), West Virginia (76.4%), Tennessee (77.6%), and Georgia (78.1%) the weakest.

7. CMBS MATURITY WALL

- According to an analysis by Trepp, $76.6 billion in hard CMBS maturities are scheduled in 2026, with 39% concentrated in the fourth quarter.
- Retail loans lead July's cohort at $1.18 billion (46% of the month's balance), followed by Office at $840 million (33% of the month's balance). Notably, 68.4% of the July office maturity balance is already in special servicing.
- Trepp identifies debt yield as the clearest leading indicator of refinancing outcomes. Loans that paid off on time in 2024 and 2025 carried average debt yields of 13% to 14%, while those that failed to refinance averaged closer to 9%.
- Of the $76.6 billion in 2026 hard maturities, 36% carry debt yields at or below the 8% threshold lenders cite as the floor for clean refinancing.
- The back-loaded Q4 maturity concentration means the most consequential test of refinancing conditions lies ahead. With rates still elevated and Office valuations well below peak underwriting levels, Q3's resolution rate will be a key indicator of broader CMBS market health heading into 2027.

8. MULTIFAMILY RENT GROWTH

- According to a recent analysis by Chandan Economics of Zillow's Observed Rent Index, national multifamily rents rose 1.4% year-over-year in June, the strongest annual reading of 2026.
- Rents are up from 1.2% in May, while annualized month-over-month growth accelerated to 2.8%, the fastest monthly pace since March 2023.
- San Francisco led all markets at 8.5% annual rent growth, followed by Urban Honolulu (6.4%), Akron (6.2%), San Jose (6.2%), and Toledo (5.5%).
- A broader share of US metros recorded rising rents in June, with gains becoming more widely distributed beyond prior leaders. High-supply Sun Belt markets continued to lag.
- Accelerating rent growth alongside declining new construction starts suggests the supply-driven correction in Multifamily may be approaching its floor in a growing number of markets.

9. RETAIL SALES

- According to the US Census Bureau, retail and food services sales rose 0.2% month-over-month in June to $768.6 billion, a sharp deceleration from May's revised gain of 1.0% and below the consensus estimate of 0.4%.
- Year-over-year, retail sales are up 6.7%, and the April-through-June period is up 6.4% from a year ago.
- Gasoline stations were the largest monthly drag, falling 5.3%, which is consistent with the energy price decline in the June CPI.
- Excluding autos and gasoline, sales rose 0.4% month-over-month and 5.7% year-over-year, pointing to more stable underlying consumer demand. The retail control group, used in GDP calculations, rose 0.3%.
- For Retail Real Estate, the energy-driven softness in June sales is unlikely to reflect a durable shift in consumer behavior, though the deceleration in core spending warrants monitoring as household budgets remain under pressure.

10. CONSUMER CONFIDENCE

- According to the Conference Board's July 2026 Consumer Confidence Report, the Consumer Confidence Index moderated slightly, continuing what Chief Economist Dana Peterson described as "a general downward sloping trajectory since late 2021."
- Net expectations for business conditions dipped 1.5 percentage points to -3.3%, while household income expectations softened modestly.
- Write-in responses continued to skew pessimistic, with elevated prices, borrowing costs, and geopolitical uncertainty among the most frequently cited concerns. Higher-income groups were generally more optimistic, while consumers under 35 maintained the highest confidence on a six-month moving average basis.
- A continued downward drift in consumer confidence alongside decelerating retail sales reinforces a cautious near-term outlook for discretionary spending and household formation activity in both Retail and Multifamily Real Estate.

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SUMMARY OF SOURCES

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