



Economic Update

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OCTOBER 15, 2026

1. CPI INFLATION

- The Consumer Price Index (CPI) rose 0.6% in September, according to data released on October 14th by the Bureau of Labor Statistics. It was the largest monthly gain of 2026. Meanwhile, consumer prices rose 3.7% year over year, above the 3.6% consensus estimate and up from 3.4% in August.
- Energy drove the headline. Gasoline surged 9.1% during the month and accounted for more than half of the monthly increase.
- Core CPI held at 0.3% month over month and rose to 2.6% annually, while the shelter index accelerated to 0.4% on the month; OER rose 0.3%, and rent of primary residence rose 0.2%.
- Markets repriced Fed expectations sharply on the release, with the probability of a 25 basis point hike at the October 28th FOMC meeting jumping from 22.1% to 43.7%, according to CME FedWatch.
- Meanwhile, the probability of two hikes by December rose from 18.7% to 39.3%. The 10-year Treasury yield moved 3 basis points higher to 5.25% on the print.
- Against a 10-year at 5.25%, the path of long-term yields into year-end will shape 2027 apartment investment activity more than any single Fed decision.

2. SEPTEMBER JOBS REPORT

- The US economy added 29,000 nonfarm payroll jobs in September, according to the Bureau of Labor Statistics (BLS). It was the weakest monthly gain of 2026.
- Healthcare led with +17,000 payrolls, construction added 11,000, and leisure and hospitality contributed 10,000. Government shed 17,000 jobs and professional and business services fell by 9,000.
- August's total was revised down to 133,000 from 162,000, and July moved from +21,000 to -10,000, a net downward revision of 60,000 across the two months.
- The unemployment rate held at 4.2%, with the labor force participation rate at 61.8%, essentially unchanged from August.
- Average hourly earnings rose just 0.1% during the month to \$37.81, putting the 12-month average wage growth at 3.0%, barely above headline PCE inflation.
- The combination of a weak headline, downward revisions, and cooling wage growth points to a labor



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market that is softening in ways the payroll number alone does not fully capture.

3. FOMC MINUTES

- Minutes from the Fed's September meeting, where officials voted unanimously to raise the Federal Funds rate target range by 25 basis points, reveal that participants judged inflation risks as skewed to the upside, with core services and core goods prices remaining elevated.
- Several members noted that more than five years of above-target inflation risked affecting wage and price-setting expectations.
- Most meeting participants indicated that another rate increase by year-end would likely be appropriate, and several framed the higher rate path as either insurance against persistent inflation or as necessary based on their central outlooks. A few participants viewed the current policy rate as not restrictive or only mildly restrictive.

4. CRE TRANSACTION VOLUME

- Individual asset sales in Commercial Real Estate are up 12% year-to-date through August compared to the same period of 2025, according to MSCI Real Assets. At the same time, entity-level transaction volume reached \$119 billion year-to-date (YTD).
- August individual asset sales came in 28% below August 2025 on a monthly basis, even as entity-level sales reached \$70 billion during the month, driven largely by large-portfolio and merger activity.
- On a full-year trajectory, 2026 is on pace to be the second-most-active year on record for CRE transaction volume, trailing only the 2021-2022 peak cycle.
- The gap between strong YTD growth and a weak August monthly figure suggests deal flow was front-loaded in 2026, with the pace of individual asset closings likely to moderate in Q4.

5. CMBS LOAN PERFORMANCE

- The overall 30-plus-day delinquency rate for KBRA-rated U.S. private-label CMBS rose 9 basis points to 7.7% in September, according to KBRA. There was a total of \$25.8 billion in delinquent loan balance across a rated universe of \$335.3 billion in non-fully defeased loans.



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- Office carried a distress rate of 17.6%, down 14 basis points (bps), while Multifamily distress rose 40 bps, driven by two loans that returned to delinquency in September.
- Retail showed relative improvement, with its distress rate falling 52 basis points to 9.6%, the largest decline among major property types in the month.
- The divergence between a stabilizing Retail distress rate and rising Multifamily delinquencies reflects opposing dynamics, where there are improving servicer workouts on legacy retail loans versus supply-driven pressure on apartment credit in overbuilt markets.

6. CONSUMER CONFIDENCE

- The Conference Board's Consumer Confidence Index fell to 81.9 in September, down 6.7 points from August. The reading came in well below the 89.2 consensus forecast.
- The Present Situation Index weakened as consumers assessed current business and labor market conditions less favorably. At the same time, the forward-looking Expectations Index declined sharply, reflecting increased pessimism about income and employment prospects over the next six months.
- The September reading is the lowest level the index has reached this year, as cumulative inflation and labor market softness weigh on household sentiment.
- The Expectations Index decline in particular tends to lead consumer spending decisions by several months, which is a signal worth watching against the Retail and Multifamily leasing outlook heading into Q4.

7. PERSONAL INCOME AND OUTLAYS

- Personal income rose 0.2% in August, according to the Bureau of Economic Analysis, a deceleration from the prior month as wage growth softened alongside broader labor market conditions.
- Personal spending rose 0.9% in current-dollar terms in August, but real PCE growth came in at just 0.6%, with the difference absorbed by rising prices rather than increased purchasing power.
- Disposable personal income grew 0.3% in nominal terms, and adjusted for inflation, it was essentially flat. The trend is keeping household budgets under pressure heading into the fall spending season.



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- Consumers are spending more in dollar terms but getting less for it, which is the same pressure squeezing Retail tenant sales performance.

8. DATA CENTER INVESTMENT SURPASSES RESIDENTIAL CONSTRUCTION

- US investment in intellectual property equipment, which includes data centers and AI infrastructure, surpassed residential real estate investment for the first time on record in Q2 2026, according to data from the Bureau of Economic Analysis analyzed by Morgan Lewis.
- IP equipment investment reached approximately \$752 billion in Q2 2026 on an annualized basis, edging above residential investment of approximately \$748 billion, as data center buildout accelerates across Northern Virginia, Texas, and the Midwest.
- The crossing of these two investment streams reflects a structural reallocation in the US economy, where residential investment is down roughly 18% from its 2021 peak, while IP equipment investment has surged approximately 51% over the same period.
- The reallocation is actively reshaping demand for Industrial land, power infrastructure, and data center-adjacent logistics properties.

9. HOUSING STARTS AND BUILDING PERMITS

- Total housing starts came in at a seasonally adjusted annual rate of 1,275,000 units in August, according to the US Census Bureau and the US Department of Housing and Urban Development. The total represents a decline of 2.6% month-over-month and 1.2% year-over-year.
- Single-family housing starts bucked the overall trend, rising 7.6% month over month to an annualized rate of 918,000, while Multifamily starts fell sharply as financing conditions and elevated land costs continue to constrain new development.
- Building permits totaled a seasonally adjusted annualized rate of 1,394,000 units, down 2.7% month over month but up 3.5% year over year.
- Continued softness in Multifamily starts is a positive supply signal for apartment fundamentals, as fewer



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completions in 2027 would tighten vacancy and support rent recovery in markets currently absorbing the peak of the new-construction wave.

10. MULTIFAMILY RENT GROWTH

- National Multifamily rent growth accelerated to 2.2% year over year in August, according to Chandan Economics' analysis of the Zillow Observed Rent Index. Rents are up from 1.9% in July and 1.5% in June, the third consecutive monthly improvement.
- Rent breadth strengthened alongside the headline, with 74.6% of the 100 largest US metros posting month-over-month gains, the highest share since March 2023.
- Meanwhile, 91.1% of metros recorded positive year-over-year growth, up from 89.1% in July.
- Coastal markets led performance. San Francisco posted 11.7% year-over-year rent growth, followed by San Jose (8.0%) and Virginia Beach (7.3%). Sun Belt markets continued to lag, with North Port (-2.6%), San Antonio (-2.5%), and Cape Coral (-2.1%) posting the steepest annual declines.
- The breadth and acceleration together signal a stabilizing national rental market, though the Sun Belt correction remains concentrated in metros that absorbed the heaviest 2021-2023 supply wave.

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SUMMARY OF SOURCES

- (1) <https://www.bls.gov/news.release/cpi.nr0.htm>
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