



Economic Update

 **SVN** | RESEARCH

OCTOBER 30, 2026

1. Q3 2026 GDP (ADVANCE ESTIMATE)

- Real GDP grew at a 3.4% annualized rate in the third quarter of 2026, according to the Bureau of Economic Analysis' advance estimate. GDP rose 2.2% in Q2 and marked the strongest quarterly growth since late 2025.
- Private inventory investment, led by wholesale trade and manufacturing of nondurable goods, was a key driver of the quarterly acceleration. Equipment investment also rose, reflecting continued buildout of AI-related infrastructure.
- Federal spending contributed positively while net exports were a modest drag, as imports rose and petroleum-related exports fell. Real final sales to private domestic purchasers rose 4.9%, up from 4.6% in Q2, suggesting underlying demand remains solid.
- According to the estimate, PCE prices slowed to 2.1% from 5.0% during the quarter while core PCE eased to 2.5% from 3.3%, the most encouraging quarterly price reading of the cycle, though both figures remain above the Fed's 2% target on an annual basis.

2. FOMC ECONOMIC PROJECTIONS

- The FOMC held the federal funds target range at 3.75% to 4.00% at its October 27-28 meeting, pausing after a 25-basis-point hike at its most recent meeting in September. The decision passed 10 to 2, with Governor Lisa Cook and Cleveland Fed President Beth Hammack dissenting in favor of an additional quarter-point increase.
- The September hike — approved 12 to 0 — brought the target range to its highest level of the cycle, with 16 of 18 participants at that meeting projecting at least one further increase before year-end.
- With no updated Summary of Economic Projections at the October meeting, market attention turns to November and December and whether today's GDP and PCE data shift the committee's tightening calculus. One day following the Fed decision and in the hour following the advance GDP estimate, Federal Funds futures markets project a 77.6% chance of a 25 basis point hike at the December meeting.



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3. RETAIL SALES

- Retail sales ex-autos and gas totaled \$560.8 billion in September, up 0.28% month over month and 4.05% year over year, according to the NRF/CNBC Retail Monitor. September marked the 12th consecutive monthly gain in this core measure.
- Electronics and appliances led the monthly advance, consistent with seasonal back-to-school and early holiday inventory buying. The breadth of the gain suggests that consumer spending held up in nominal terms through September, even as the advance Q3 GDP estimate shows real PCE as essentially flat.
- The divergence between nominal retail sales and flat real spending is the defining tension in the consumer data right now. Adjusted for inflation, consumers are treading water despite headline figures that read as resilient. Retail tenants operating in price-sensitive trade areas are most exposed to that dynamic.

4. INDEPENDENT LANDLORD RENT COLLECTIONS

- The on-time payment rate at independently operated rental units rose 56 basis points (bps) to 83.2% in October, up 68 bps from October 2025, according to Chandan Economics and RentRedi.
- 2-to-4 family properties led the monthly gain, up 97 basis points to 83.9%. Single-family rentals held at 83.1%. Multifamily posted the smallest gain, up 28 basis points to 82.5%, and remains the weakest segment among tracked property types.
- The latest full-payment figure, based on August as the most recently matured month, stood at 95.3%. Late payments were 12.8% of collections in August, down from 13.3% in July but still above prior-cycle norms, a sign that cash flow timing risk for non-institutional landlords remains elevated.
- The improving trend reflects stabilization rather than a full recovery, with weak real wage growth, a low personal saving rate, and persistent inflation flagged as ongoing risks.

5. OCTOBER CONSUMER SENTIMENT

- The University of Michigan's Consumer Sentiment Index came in at 48.0 in the final October reading, slightly below 48.1 in September and the lowest reading in five months.
- The current conditions index fell to 46.7 from 50.9 in September, the sharpest monthly drop in the



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current component in over a year.

- The expectations index improved to 48.8 from 46.3 in September, driven by a 14% gain in year-ahead business conditions assessments. One-year inflation expectations edged up to 4.7% from 4.6%, while long-run inflation expectations rose to 3.5% from 3.4%.
- Sentiment alone does not determine spending outcomes, but a 48.0 reading alongside a 3.8% saving rate and near-zero real PCE growth is the kind of alignment that has historically preceded discretionary pullback.

6. PERSONAL INCOME AND OUTLAYS

- Real personal consumption expenditures rose 0.1% in September, a near-standstill in inflation-adjusted terms, even as nominal PCE rose 0.5% on the month. The gap between nominal and real spending reflects continued erosion of household purchasing power.
- Personal income rose 0.2% (\$54.5 billion) in September, led by gains in compensation and government transfer payments. The personal saving rate held at 3.8% of disposable income, well below the pre-pandemic average, leaving households with limited buffer against further cost pressure.
- Real disposable personal income fell 0.3% in September, reversing a flat August reading, as price increases outpaced nominal income gains. Services led nominal spending growth, adding \$78.1 billion on the month versus \$35.1 billion in goods, even as total inflation-adjusted outlays barely moved.
- Heading into Q4, households lack both the income momentum and the savings cushion to absorb further price pressure.

7. RETAIL CRE MARKET

- National retail vacancy fell 10 basis points to 4.3% in the third quarter, remaining near record lows, according to market data reported by CRE Daily.
- Net absorption reached 10.5 million square feet in Q3, the strongest quarterly demand figure since 2023, led by general retail (5.4 million SF), shopping centers (3.0 million SF), and malls (1.9 million SF).
- Q3 leasing totaled 38.4 million square feet, as 7.6 million square feet was delivered to market. The under-



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construction pipeline stands at 58.1 million square feet, with Dallas-Fort Worth (7.2 million SF), Houston (5.1 million SF), and Austin (3.2 million SF) accounting for the largest shares. Constrained financing and elevated construction costs continue to limit speculative development nationally.

- Average asking rent reached \$26.20 per square foot, up 0.7% from Q2. Mall vacancy dropped 30 basis points to 8.2% while shopping center vacancy eased to 5.4%. National foot traffic rose approximately 1.9% year over year in Q3, down from 2.2% in Q2.
- Tight vacancy and positive absorption tell one story while flat real consumer spending and a 48.0 sentiment reading tell another. Retail fundamentals remain structurally sound at the property level, but the macro environment heading into Q4 and the 2026 holiday season carries more demand-side risk than the supply picture alone would suggest.

8. NMHC OCTOBER APARTMENT MARKET SURVEY

- All four indexes in the NMHC October Quarterly Survey of Apartment Market Conditions came in below the neutral threshold of 50, with financing conditions and transaction activity seeing the sharpest deterioration.
- The Debt Financing Index fell from 46 in July to 10 in October, its lowest reading since October 2023, with 81% of respondents saying it was a worse time to borrow and just 2% reporting improvement. The Equity Financing Index dropped from 44 to 17, with 66% reporting less availability and 1% reporting more.
- The Sales Volume Index dropped from 46 to 22, extending a reversal from April's reading of 52. Some 61% of respondents reported fewer transactions than three months prior, while just 4% reported more. The survey measures the direction and breadth of reported changes, not dollar volume.
- The Market Tightness Index — which captures vacancy and rent growth conditions — fell from 57 to 47. Most respondents (53%) reported no change in rental conditions, while 26% reported looser markets and 21% reported tighter ones. The survey covered 130 senior executives and was conducted October 1 to 15, 2026.



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9. LOGISTICS MANAGERS' INDEX

- The Logistics Managers' Index rose 3.6 points to 70.2 in September, the second-highest reading in four and a half years, according to the monthly LMI report released October 6. The index combines inventory, warehousing, and transportation conditions and is a key leading indicator for Industrial CRE demand.
- Transportation prices climbed to 92.7 as capacity tightened to 34.4, the tenth consecutive monthly contraction, while utilization rose to 66.1 as available supply shrank faster than demand.
- Warehouse capacity contracted sharply, falling 14.2 points to 39.3, the fastest monthly decline since March 2022. Inventory levels rose 6.1 points to 58.9 as inventory costs climbed to 79.9, pushing aggregate logistics costs to their highest level since April 2022.
- Tightening warehouse capacity and rising logistics costs are a direct demand signal for Industrial CRE; conditions at this level have historically preceded increased leasing activity for distribution and fulfillment space.

10. MULTIFAMILY RENT GROWTH

- Office 12-month net absorption reached 17.4 million square feet during the third quarter, up from 15.5 million square feet in Q2, according to NAR's October 2026 Commercial Real Estate Market Insights report.
- The sequential improvement reflects continued flight-to-quality, as tenants trade up in space while reducing overall footprint.
- Industrial 12-month absorption was led by Dallas-Fort Worth (36.78 million SF), Phoenix (22.90 million SF), and Houston (19.38 million SF). NAR notes that Industrial demand more than doubled year over year, a reacceleration driven by logistics network buildout, nearshoring-related distribution investment, and continued data center development.
- Multifamily absorption was led by Dallas-Fort Worth (31,158 units), New York (27,473 units), and Phoenix (22,526 units) over the trailing 12 months. NAR describes Multifamily vacancy as declining with rent growth gradually strengthening nationally, consistent with a market absorbing the 2024-2025 delivery wave and beginning to tighten.



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- Hospitality average daily rates reached \$165 in 2026, up from \$131 in 2019, while RevPAR rose to \$104 from \$87 over the same period. NAR notes occupancy remains below pre-pandemic levels, meaning the rate gains are driving revenue recovery more than demand recovery. The gap between rate growth and occupancy recovery points to a bifurcated hotel market where pricing power is concentrated in upper-tier and leisure-oriented properties.

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SUMMARY OF SOURCES

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- (6) <https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026>
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