



Economic Update

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OCTOBER 30, 2025

1. CPI INFLATION

- According to a delayed release of the Bureau of Labor Statistics' September Consumer Price Index Report, prices rose 0.3% month-over-month, a softer pace than most analysts had expected.
- However, consumer prices rose 3.0% year over year, a slight uptick from August.
- Core-CPI inflation increased 0.2% from August, below market expectations of 0.3%. Annual core prices also eased by 10 basis points to 3.0%.
- Meanwhile, Shelter costs rose just 0.2% over the month, its smallest monthly increase in January 2021.
- Food prices moderated slightly, declining from a 3.2% annual increase in August to 3.1% in September. Energy prices were relatively stable at 2.8% despite a sharp uptick in gasoline prices during the month.
- Tariffs were linked to price increases in some core goods, such as appliances and apparel, but the impact remains relatively moderate.

2. FED INTEREST RATE DECISION

- The FOMC slashed its benchmark Federal Funds Rate by 25 basis points (bps) at its October 29th meeting, its second consecutive cut as the committee responds to a cooling labor market and downside risks to employment. The cut was largely expected.
- The decision was not unanimous, with a few members believing the committee should pause until more data comes in.
- Fed Chair Jerome Powell cautioned that a December rate cut is not a foregone conclusion, given that policymakers are operating in a "data fog" due to the government shutdown, which has created uncertainty about the appropriate path of policy.
- Inflation remains "somewhat elevated", but tariffs have not filtered into prices as quickly as some expected.
- Most policymakers expect tariffs to have a one-time price increase and not lead to spiraling inflation, but some worry that they could still unanchor inflation expectations, which could in turn lead to self-fulfilling effects.
- On the labor market side, Jerome Powell reiterated his view that, because labor supply has shrunk (lower immigration and lower labor force participation), the Fed's rate cuts will have only a limited impact on



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payroll growth. Still, he believes that some loosening will help keep labor demand from deteriorating further, justifying, in his view, the Fed's recent cuts.

3. COMMERCIAL PROPERTY PRICES

- Commercial property prices rose by 0.7% month-over-month and 2.6% year-over-year in September, according to the latest data from MSCI-RCA.
- Investor sentiment broke more optimistic on average during Q3 as investment activity grew at a double-digit pace relative to one year ago. Deal activity has increased for six consecutive quarters.
- The Office sector led both monthly and annual increases, rising 1.4% and 7.1%, respectively. CBD Office prices grew 5.1% year-over-year compared to 4.5% for Suburban Office. Q3 2025 marked the first time since early 2022 that annual CBD price growth outpaced suburban office price growth.
- Apartment prices declined 0.3% from August and 0.8% year over year. The latest time apartment prices rose was at the end of 2022, and they are now 20% below their July 2022 peak.
- Retail prices grew 0.4% on the month and 5.5% year-over-year. Retail property prices have now increased for 17 consecutive months.
- Industrial property prices also rose 0.4% month-over-month, while rising 4.0% year-over-year. The Industrial index is 14% above its March 2022 level.

4. CRE TRANSACTIONS RISE

- According to LightBox's CRE Transaction Tracker, the commercial real estate market posted its strongest month in 2025 during September, reaching \$27 billion in transaction volume.
- Transaction volume increases were across asset types and geographies, but Multifamily, Retail, and Office Assets accounted for 64% of all closings. Industrial accounted for 17% of September deals, benefiting from stable demand in logistics-heavy markets.
- Mid-cap and nine-figure portfolio deals surged. Nine-figure deals were up 23% from August, while mid-cap transactions (\$50-\$100M) rose 18%, its highest monthly increase of 2025.
- 70% of assets tracked sold above their prior purchase prices, but sharp markdowns persist for older or



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underperforming offices.

5. GOVERNMENT SHUTDOWN SLOWS CRE PROJECTS

- According to CREA United, the National Association of Realtors, and other outlets, the government shutdown is having marginal but notable effects on real estate, including delayed government approvals, cancelled contracts, limited data availability, and market volatility.
- Previous shutdowns suggest that the most immediate impact on CRE is the delay of projects tied to federally backed financing. However, the current month-long shutdown has covered a time period that would typically include closings and loan-related verifications, likely causing delays.
- The last time a shutdown covered the end of a calendar month (December 2018), real estate businesses felt the impact in the form of tax transcripts that couldn't be pulled, unfilled flood certifications, and delayed closings.

6. ATLANTA FED GDP NOW

- According to the Atlanta Fed's latest GDPNow forecast, Q3 2025 real GDP growth is estimated at 3.9%, which would be significantly higher than the consensus forecast.
- The nowcast projects that real consumer spending rose 3.3% in Q3, while private investment grew by 4.4%. The nowcast for real government spending is 1.5%, while net export growth is estimated at 0.57%. Residential investment growth fell by 4.4%, which is slightly more positive than in Q2.
- With the government shutdown preventing the release of the Q3 2025 GDP data, which was expected on October 30th, the GDPNow tracker provides a proxy for observing growth trends.
- Importantly, as a nowcast, GDPNow is a running, real-time estimate of economic growth based on incoming data. Other forecasts, such as the Blue-Chip Consensus, show a much lower estimate of Q3 2025 of around 2.5%.

7. NATIONAL RENT COLLECTIONS

- According to the Chandan Economics-RentRedi October 2025 Independent Landlord Rental Performance Report, on-time payments in independently operated rental units rose by 99 basis points (bps) to 83.5%



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in October.

- Rent collections continue to improve from an August 2025 low of 82.4%. After drops of roughly 300 bps in July and August, the gap narrowed in September and October, suggesting a slow but steady recovery may be underway.
- Although on-time payment rates have improved month over month, they remain significantly lower than a year ago — down 223 bps. On-time collections have now declined year over year for 27 consecutive months.
- Late payments — the primary driver of underperformance in the mom-and-pop sector — have remained above 10% for most of 2025.

8. HOUSEHOLD MOVES HIT POST-PANDEMIC HIGH

- According to a Chandan Economics analysis of recently released US Census Bureau data, household moves hit a post-pandemic high in 2024, totaling approximately 12.3 million.
- The volume of relocations was 12.1% above 2023's total, making it the most significant annual increase in the 21st century. Further, it is the first time that the number of moves has increased in consecutive years since 2010.
- Housing-related reasons — including (a) wanting new or better housing, (b) wanting a better neighborhood, (c) wanting cheaper housing, (d) transitioning to homeownership, or (e) some other non-distress reasons — accounted for 4.68 million moves over the past year.
- The most significant absolute increase is attributed to family/household formation reasons — including (a) establishing one's own household, (b) a change in marital status, (c) moving in with an unmarried partner, or (d) another family reason.
- Retirement-motivated moves saw a large relative increase — up 57.8% year over year. Large swings in retirement-motivated moves have been common since about 2018.

9. EXISTING HOME SALES

- According to the National Association of Realtors, US existing home sales rose 1.5% month-over-month



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to an annualized rate of 4.06 million in September, its highest level in seven months and up from 4.0 million in August.

- The uptick was driven by lower mortgage rates and improving housing affordability.
- Single-family homes rose 1.7% from August to a seasonally adjusted annual rate of 3.69 million. Sales of condominiums and co-ops were unchanged at 370,000 total units.
- Regionally, sales increased month over month in the Northeast (2.1%), South (1.6%), and West (5.5%), but fell in the Midwest (-2.1%).
- Total housing inventory rose 1.3% to 1.55 million, representing 4.6 months' supply of unsold inventory.

10. CONSUMER CONFIDENCE

- The Conference Board's Consumer Confidence Index (CCI) declined slightly in October but fell to a six-month low, primarily driven by growing anxiety about job availability and business conditions.
- Still, consumer perception of current conditions improved, with the Present Situation Index rising in the month. However, expectations for the next six months worsened significantly and have remained under the recession threshold (index level of 80) since February 2025.
- Inflation remains consumers' top concern, even as the number of survey mentions of tariffs declined. Meanwhile, consumers are increasingly more pessimistic about the job market.
- Results suggest a hit to holiday spending this year, as consumers anticipate spending less on both gifts and non-gift items.

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SUMMARY OF SOURCES

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- (5) <https://creaunited.com/the-effect-of-a-government-shutdown-on-the-commercial-real-estate-industry/#:~:text=Additionally%2C%20a%20shutdown%20of%20the,loans%2C%20dampening%20demand%20for%20CRE.>
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