Economic Update

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DECEMBER 30, 2025

1. 3RD QUARTER GDP

- Real GDP expanded by a seasonally adjusted annualized rate of 4.3% during the third quarter of 2025, according to the latest estimate from the Bureau of Economic Analysis.
- Growth was well above the 3.3% consensus estimate, propelled by expanded consumer and government spending. Consumer spending grew at a 3.5% annual pace, contributing about 55% of total output for the quarter. Outlays on healthcare, recreation, and non-durable goods drove the increase in consumer spending.
- A shift in trade dynamics was also a key contributor to the faster-than-expected growth in Q3. Exports jumped by an annualized 8.8% rate while imports, which are subtracted from the GDP calculation, declined by 4.7%.
- Government outlays also outpaced estimates, rising at an annualized rate of 2.2%, driven primarily by a 5.8% increase in national defense spending.
- Meanwhile, business investment grew more tepidly, decelerating to 2.8% in Q3 and contributing a drag on overall economic output. AI investment and cap-ex spending on information processing equipment were robust during the period, but high borrowing costs and labor headwinds tempered spending on structures and residential investment.

2. NOVEMBER JOBS REPORT

- According to the latest data from the BLS, nonfarm payrolls were little changed in November, with employers adding just 64,000 jobs. It follows an October decline of 101,000 payrolls.
- The headline unemployment rate rose from 4.4% in September to 4.6% in November. Meanwhile, average hourly earnings rose to $36.86, up 3.5% from November 2024.
- The most notable job increases were in health care (+46,000) and construction (+28,000), while declines were seen in federal government positions (-6,000) and transportation and warehousing (-18,000).
- US employment levels have barely changed since April, while a deeper analysis of the data shows that the number of people employed part-time for economic reasons has increased by 119,000 since September.

3. CPI INFLATION

- According to the Bureau of Labor Statistics, the US Consumer Price Index (CPI) decelerated to 2.7% year-over-year in November from 3.0% in September.
- Due to the recent government shutdown, October data was not calculated. As a result, no month-over-month inflation measurements were made for November.
- Core-CPI, which excludes food and energy components, rose 2.6% year-over-year, its slowest pace since March 2021.
- The shelter index of CPI, which has been a key contributor to the post-pandemic inflation rise, cooled to 3.0% year-over-year in December.
- Food prices also decelerated from 3.1% in September to 2.6% in the latest reading. The “food at home” component rose 1.9% annually while the “food away from home” segment rose 3.7%.
- Meanwhile, energy prices rose sharply from September, climbing from 2.5% year-over-year to 4.2% year-over-year in December.

4. COMMERCIAL PROPERTY PRICES

- According to the latest MSCI-RCA Commercial Property Price Index, US commercial real estate prices were flat month-over-month but are up 1.6% over the previous twelve months through November.
- Overall deal volume during November was down compared to the same month one year ago, however, year-to-date volume has already exceeded 2024’s total.
- Industrial properties have experienced the strongest pace of price growth over both the past month and the previous year, climbing 0.5% from October and 5.1% over the past twelve months.
- Suburban office properties continue their 2025 recovery, rising 0.3% from October and up 2.7% year-over-year. CBD office prices continue to lag the suburban segment, with transaction prices down 0.7% from October and down 1.9% over the past twelve months.
- Retail prices are down 0.1% from October but remain 2.4% above the November 2024 level.
- Apartment properties continue to experience price corrections, falling 0.2% from October and down 1.4% year-over-year.

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5. RETAIL RESILIENCY

- Despite retail sales being flat month over month between September and October of 2025, a deeper analysis of trends suggests the retail market is chugging along with strong momentum, with important implications for property values in the sector.
- Year-over-year sales rose 3.8% in October, while core retail sales, which exclude automobile, gasoline, and food services, are up 4.5%.
- Other signs of underlying strength in the sector include rising household net worth, wages that have outpaced inflation over the past 30 months, and relatively low unemployment.
- As a result of these strong fundamentals, a TD Cowen study suggests holiday sales growth could be up to 5% higher this year than in 2024.

6. NATIONAL INDUSTRIAL PERFORMANCE

- According to the latest CommercialEdge National Industrial Report, the average rent on Industrial properties rose by just 1 cent from October but is up 5.7% year-over-year to $8.76 per square foot as of November 2025.
- The national vacancy rate stands at 9.75%, rising 220 basis points over the past twelve months as new supply has outpaced demand throughout 2025.
- Sales volume has reached $68.4 billion year-to-date, and 2025 is poised to be the strongest year for transactions (in dollar-value terms) since 2022.
- As of the end of November, there were 382.7 million square feet of industrial space under construction across the United States. Year-to-date completions total 265.7 million square feet.
- Regionally, the Midwest remains the most affordable region for sector investment, led by Cleveland, which has the lowest nationwide rate among major markets at $56 per square foot.
- Dallas-Fort Worth leads the way in year-to-date sales volume at roughly $5.6 billion. Meanwhile, markets in Southern California, such as Los Angeles and the Inland Empire, experienced stagnating or declining prices in 2025.

7. OFFICE MARKET STABILIZATION

- The US Office market has shown signs of stabilization in 2025, as construction activity slowed to historic lows, allowing for some modest price gains and expanding utilization rates.
- Just over 12 million square feet of office development has been started through November, roughly on par with last year. Planned developments or those in process amount to 1.7% of total stock, down from 3.0% in 2024.
- The restrained development pipeline has coincided with a modest reduction in office vacancy, which has fallen to 18.5% through November. Among the top 25 markets, 16 saw vacancy rates decline in 2025.
- Physical occupancy remains flat, but some major markets, like Manhattan, have seen occupancy recover even as their supply pipeline grows.
- Further, for the first time since 2022, the average national asking price per square foot rose, signaling a critical inflection point for the sector.
- Growth in coworking remains an essential driver of sector expansion. According to Yardi Matrix, 22 million square feet of coworking space opened in 2025, a 16% increase over last year.

8. NATIONAL RENT COLLECTIONS

- On-time rental payments in independently operated apartment units rose by 73 basis points (bps) in December to 83.7%, according to the latest national rent collections data from Chandan Economics-Rent Redi.
- While on-time rent collections remain well below post-pandemic highs, they have been trending positively since August. However, measured on a year-over-year basis, on-time rates have declined for 29 consecutive months.
- Late payments have been the primary driver of underperformance in the mom-and-pop rental sector this year, with the rate remaining above 10% throughout 2025.
- Despite weaker on-time performance, full-payment rates have remained resilient in 2025, averaging 96.0% for the year — outperforming the 2024 average.
- Western states continue to post the strongest on-time payment rates nationally, led by South Dakota,

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Utah, and Alaska, while New Hampshire remains a top-performing East Coast standout.

- 2–4-family rental properties once again led all property types in December, posting the highest on-time payment rate at 84.2%.

9. HOMEBUILDER SENTIMENT

- Homebuilder sentiment ticked up slightly in December but remained in contraction, according to the latest measure of the NAHB/Wells Fargo Housing Market Index.
- The index, where a reading below 50 indicates that more builders view conditions as poor than good, rose from 38 to 39 during the month.
- The current sales conditions portion of the index increased by 1 point to 42, while the index of future sales expectations rose by 1 point to 52.
- Notably, future expectations have registered above the breakeven threshold (50) for three consecutive months. However, prospective buyer traffic was unchanged at 26.
- The share of builders offering sales incentives reached 67% in December, its highest level during the post-pandemic period. 40% of builders lowered prices at sale, with the average reduction being 5%.
- Cost headwinds, including high material and labor prices, alongside regulatory and economic headwinds, continue to afflict homebuilder activity.

10. EXISTING HOME SALES

- According to the National Association of Realtors (NAR), existing home sales rose in November for the third consecutive month, rising 0.5% in October to a seasonally adjusted annual rate of 4.13 million. It's the highest sales pace in nine months.
- The median sale price rose 1.2% year-over-year to $409,200 in November, marking the 29th consecutive month of annual price gains.
- Meanwhile, housing inventory fell 5.9% from October to 1.43 million units. The total months' supply of existing inventory is down from 4.4 months in October to 4.2 months in the latest reading.
- The average number of days that homes stayed on the market rose from 34 days in October to 36 in November.

- According to the report, sales were bolstered during the month by lower mortgage rates, but first-time buyers accounted for a smaller share of sales—down to 30% in November from 32% the previous month.

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SUMMARY OF SOURCES

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