Economic Update

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1. JANUARY JOBS REPORT

- Total nonfarm payrolls rose by 130,000 in January, far exceeding the Wall Street consensus estimate of just 55,000 payrolls, according to the latest data from the Bureau of Labor Statistics (BLS).
- Health Care again led job gains in January (+82,000), followed by Social Assistance (+42,000) and Construction (+33,000). Federal Government jobs continue to fall (-34,000), while Financial Services jobs also took a dip in January (-22,000).
- The headline unemployment rate fell to 4.3%, while the U-6 rate, which also includes workers who are either part-time for economic reasons, marginally attached to the labor force, or are discouraged from seeking employment, fell 0.4% from December to 8.0%.
- In the hours after the report was released, the probability of a March rate cut fell to just 5.9%, as stronger-than-expected labor data led markets to anticipate a more hawkish policy stance from Fed policymakers.

2. LOGISTICS MANAGERS' INDEX

- Logistics activity accelerated to begin the year as the Logistics Managers Index (LMI) rose from an index level of 54.2 in December to 59.6 in January, its highest level in seven months.
- The growth was primarily driven by a shift toward restocking inventories and a tightening of transportation markets.
- Inventory levels rebounded into expansion after contracting the previous month, but the increase is relatively mild compared to historic patterns of restocking at the start of the year.
- Warehousing capacity dropped while utilization rebounded from a contraction in December, consistent with the uptick in restocking activity.
- Transportation utilization remains tight, leading January to register the fastest increase in transportation prices since April 2022.
- Logistic managers remain optimistic for 2026, expecting all three key metrics within the LMI—inventory, warehousing, and transportation —to remain above 70 over the next 12 months.

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3. JOB OPENINGS AND LABOR TURNOVER

- According to the latest Job Openings and Labor Turnover Survey (JOLTS) report from the BLS, US openings fell to 6.5 million in December 2025, the lowest level of labor market demand since September 2020.
- The total number of job openings is down 386,000 month over month and by nearly 1 million over the past year.
- Hiring totals remain essentially unchanged from November, with 5.3 million hires, representing 3.3% of total employment (hiring rate).
- Layoffs were little changed at 1.8 million, representing 1.1% of total employment. Economists have increasingly described today’s labor market as a “low-hire, low-fire” environment.

4. US RETAIL SALES

- US retail sales were flat in December (0.0%), following a revised 0.6% increase in November and falling short of the consensus expectation of 0.4%.
- Total sales volume was $735.0 billion in December, 2.4% above the level one year prior.
- Gains were strongest for building material and garden equipment dealers (+1.2%), sporting goods, hobby, musical equipment, and bookstores (+0.4%), gas station (-0.3%), food and beverage stores (0.2%, and non-store retailers (0.1%).
- Declines were noted at miscellaneous store retailers (-0.9%), clothing retailers (-0.7%), electronic and appliance stores (-0.4%), motor vehicles and parts dealers (-0.2%), and health stores (-0.2%).
- Retail trade sales remained flat, even with auto dealers and gas stations excluded. Meanwhile, sales excluding food services, auto dealers, building materials stores, and gas stores—all of which are used to calculate GDP— fell 0.1% on the month.

5. SMALL BUSINESS OPTIMISM

- Small business optimism fell slightly in January, according to the latest data from the National Federation of Independent Business. Owners expressed increased caution ahead, driven by a sharp rise in economic

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uncertainty.

- While the index remains above its historical average of 98 (currently 99.3), the report describes owners as adopting a "balanced but cautious" approach to the current environment.
- The net percent of small business owners expecting higher real sales rose 6 points to 16%.
- Meanwhile, a net percent of 60% of owners reported making capital outlays over the last six months, the highest level since November 2023. Still, future spending plans cooled.
- Persistent uncertainty is influencing owners' hesitation. A sub-index measuring uncertainty levels jumped 7 points to 91 in January.
- In what was potentially a leading indicator for the stronger-than-expected January hiring totals, a newly introduced Employment Index from the NFIB came in at 101.6, signaling a balanced labor market.

6. SENIOR LOAN OFFICER OPINION SURVEY

- According to the Federal Reserve's latest Senior Loan Officer Opinion Survey (SLOOS) on Bank Lending Practices, released in January, banks reported stronger demand for Commercial and Industrial (C&I) loans to large and middle-market firms during Q4 2025, while demand from small firms was basically unchanged.
- Modest net shares of banks reported tightening standards on C&I loans to firms of all sizes during Q4, while a moderate net share of banks reported lower costs of credit lines and narrower spreads on loans to large and middle-market firms.
- Among institutions that eased C&I loan standards or terms, all cited more aggressive competition from other lenders as a key reason for doing so. A significant share of these lenders cited a more favorable outlook and increased liquidity in the secondary market for such loans.
- The most frequently cited reasons for stronger demand were increased customer financing needs for mergers or acquisitions, inventory, or investment in plant or equipment.
- A moderate net share of banks reported a higher likelihood of approving C&I loans to firms benefiting from AI, while a major net share of banks reported being less likely to approve such loans to firms adversely affected by AI.

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7. CMBS DELINQUENCIES

- According to recent data from Trepp, the CMBS delinquency rate rose to 7.47% in January, up 17 basis points from December.
- The uptick was primarily fueled by a $1.6 billion net increase in delinquent loans, with the office market hitting a new record high.
- Office delinquencies rose 103 basis points in January to 12.34%, the highest level ever. Multifamily delinquencies had the second-highest increase but rose just 30 basis points to 6.94%.
- The Retail delinquency rate rose 12 basis points to 7.04%, its sixth consecutive increase since the beginning of 2025.
- Meanwhile, Lodging and Industrial rates fell. Lodging experienced a massive decline in delinquencies, down 105 basis points to 5.56%, its lowest level since March 2024. Industrial delinquencies, which remain the lowest of all sectors, fell 18 basis points to 0.62%.

8. NATIONAL FORECLOSURE ACTIVITY

- According to ATTOM, national foreclosure activity rose significantly in 2025, with a total of 367,000 foreclosure filings made, a 14% rise from 2024.
- The trend has continued into 2026, with 40,534 filings made nationwide in January. January's pace of filings is 32% above its January 2025 level and is the 11th consecutive month of year-over-year increases.
- Florida, Delaware, and South Carolina posted the worst foreclosure rates in the nation in 2025, while Texas, Florida, and California recorded the highest number of starts.
- Despite the increase, levels remain well below historical peaks..

9. NATIONAL OFFICE DEMAND

- According to a VTS summary of 2025 Office Demand, the 2025 office market saw a modest annual increase in demand, largely driven by a significant rise in tech demand across several key US markets.
- The VTS Office Demand Index (VODI) ended 2025 at a level of 66, a 6.0% year-over-year increase.
- Although demand faced seasonal and cyclical headwinds during Q4, dropping 8.0% from Q3, demand

over the past 12 months has consistently tracked roughly two-thirds of its pre-pandemic pace.

- San Francisco and Seattle finished the year with a near-50 % year-over-year increase in their local VODI metric, tied to their dominant tech-sector positions.
- Markets like Chicago and Washington D.C. also saw strong gains from the uptick in space demand from tech, while New York held steady.

10. US NET MIGRATION COLLAPSES

- US Census Bureau data shows that between July 1, 2024, and July 1, 2025, the US added 1.8 million people, its slowest population expansion since the early part of the COVID-19 pandemic.
- While births and deaths remained relatively steady, net international migration fell from 2.7 to 1.7 million over the latest 12-month period, driving the decline.
- For real estate markets, this translates into a cooling of the national demand backdrop. However, while the slowdown in net migration is broad, it’s not uniform.
- Every state except Montana and West Virginia saw its population growth slow or fall during the year. Yet, the Midwest posted its third-straight year of solid gains, reversing declines that the region experienced in the early 2020s. Ohio and Michigan drove this shift.
- Smaller and mid-sized states continue to dominate growth on a percentage basis. South Carolina led the nation with a 1.5% population increase, followed by Idaho at 1.4%, and North Carolina at 1.3%. Meanwhile, Texas grew 1.2% and Utah expanded by 1.0%.

SUMMARY OF SOURCES

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