

# Economic Update

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FEBRUARY 26, 2026

## 1. COMMERCIAL PROPERTY PRICES

- According to MSCI-RCA, commercial property prices edged higher in January, rising 0.3% year over year. However, price momentum has weakened in recent months, with the annualized monthly pace of decline reaching -1.3%.
- The industrial index led all property types in January, rising 3.7% year-over-year and now up 50% from April 2020.
- Apartment prices moderated, falling 0.1% from a year earlier, but their monthly pace rose by an annualized rate of 5.6% during the month. The 0.5% month-over-month increase in apartment prices from December to January was the strongest since July 2022.
- Retail prices fell 0.5% month-over-month and 1.3% from one year ago. Still, the Retail index remains 12% above its April 2020 level, making it the second-best performing sector since the onset of the COVID-19 pandemic.
- Office sector prices continue to bifurcate, with suburban office prices up 1.9% year-over-year, compared with a 1.3% decline in CBD office prices.

## 2. Q4 2025 GDP

- According to the recently released advanced estimate from the U.S. Bureau of Economic Analysis, the U.S. economy grew at a 1.4% annualized rate in the fourth quarter of 2024, a significant deceleration from the 4.4% growth recorded in the third quarter.
- The slowdown was primarily driven by a historically long 43-day government shutdown that dominated swings in economic activity during the quarter. Government spending was a significant drag on GDP, falling at an annualized rate of 0.9%.
- Consumer spending remained the key engine of growth, but slowed to just 1.6% during the quarter, down from an annualized rate of 2.3% in Q3.
- An increase in AI infrastructure spending propelled a rise in private business investment, which rose to an annualized 0.66% from just 0.03% in Q3 and a sharp decline in Q2.
- Exports declined, while imports, which are subtracted from GDP, also declined.



# Economic Update



## 3. CPI INFLATION

- According to the latest data from the Bureau of Labor Statistics, the consumer price index (CPI) rose 0.2% month-over-month in January and 2.4% year-over-year.
- It was a sharper-than-expected cooling of prices and is at its lowest rate since May. However, the deceleration also reflects base effects, as higher readings from a year ago begin to drop out of the annual calculation.
- Prices eased in energy, down 0.1% year over year, following a 2.3% increase in December. Inflation also slowed for food, down from 3.1% in December to 2.9%, and Shelter, down from 3.2% to 3.0%.
- Core inflation decelerated to 2.5% year-over-year but ticked up month over month, rising from 0.2% in December to 0.3% in January.

## 4. INDEPENDENT LANDLORD RENTAL PERFORMANCE REPORT

- In February 2026, on-time rental payments in independently operated units rose to 83.7%, extending the rebound from last fall's trough.
- Measured year-over-year, on-time payment rates remain below prior-year levels, down 167 basis points from February 2025 and marking the 31st consecutive month of annual declines. However, the magnitude of those declines continues to narrow.
- Forecast full-payment rates strengthened to 95.8%, signaling improving overall income realization despite elevated late-payment activity.
- Late payments — the primary driver of underperformance in the mom-and-pop sector — remain above the 10% threshold. However, the three-month moving average has continued to trend lower in recent months.
- Western and Mountain states continue to post the strongest on-time payment rates nationally, with South Dakota, New Hampshire, Utah, and Alaska among the top performers.

## 5. PROPOSED BAN ON INSTITUTIONAL HOMEBUYING

- The White House recently announced that it is exploring a ban on “large institutional” investors from



# Economic Update

 **SVN** | RESEARCH

buying more single-family homes, ordering federal agencies such as HUD, the VA, and FHFA to issue guidance on the matter within 60 days.

- A key aspect of the proposal is that, within 60 days, Fannie Mae and Freddie Mac would no longer be permitted to approve, insure, guarantee, or securitize single-family home purchases by “large institutional investors”.
- However, the administration says that it will define “large institutional investors” more clearly and that build-to-rent transactions would be exempt from any ban.
- Notably, there is no proposal to mandate that large investors liquidate their existing holdings.
- Many experts question whether such a ban could have a meaningful impact on housing affordability on a national level, as Individual investors remain the largest ownership cohort by a wide margin.

## 6. FEAR AND GREED INDEX

- According to the Q4 2025 Fear and Greed Index from John Burns Real Estate Consulting and CRE Daily, investor sentiment strengthened to end the year and signals modest expansion across the CRE landscape.
- The index rose to 58, its highest reading of the year, as credit conditions improved while expectations for 2026 remained mixed.
- The gauge for capital access improved for the first time in the index’s history; however, sales expectations fell across every sector except retail as interest rates and regulatory pressure weighed on sentiment amid existing economic uncertainty.
- 73% of Multifamily investors and 54% of office investors expect more distressed deals over the next six months. However, Office has exited contraction territory for the first time in the index’s tracking of the metric.

## 7. RACIAL INEQUITIES IN U.S. HOUSING

- According to the Chandan Economics 2026 Special Report on Racial Inequities in U.S. Housing, the renter poverty rate sits at 20.6% through 2024 (latest data available), down from a pandemic peak of 22.0%. However, its impact continues to vary significantly by race.



# Economic Update

 | RESEARCH

- Racial disparities in homeownership remain wide and have narrowed only modestly over time. White households remain the only group with an average homeownership rate above the national mean of 64.3%.
- While racial gaps in economic mobility have gradually improved in recent decades, income-based disparities have widened and increasingly define young adults' access to upward mobility and homeownership.
- The share of young adults (ages 18-35) who are homeowners has declined significantly over the past two decades. As of 2024, 31.7% of U.S. households headed by an adult aged 18 to 35 own their home, down from 38.3% in 2004.
- White, Multi-racial, and Black seniors are more likely to have retirement income than Native American, Asian, or Hispanic seniors. Differences in lifetime earnings, access to retirement savings, and housing wealth contribute to these gaps.

## 8. FOMC MEETING MINUTES

- Recently released minutes from the Federal Reserve's January policy meeting suggest the committee is shifting towards a "neutral" policy stance while grappling with the implications of persistent inflation risks and the emerging impact of artificial intelligence.
- Almost all participants favored keeping the Fed Funds rate unchanged, while Governors Waller and Miran dissented, preferring a 25-basis-point cut. The dissenting officials cited a cooling labor market as justification for a reduction.
- Most officials indicate they believe that after 75 basis points of easing in 2025, the current rate is neutral, allowing them to remain data-dependent in the near term rather than telegraph future decisions.
- For the first time, policymakers explicitly discussed the potential risks and benefits of artificial intelligence, with some optimistic that AI-driven productivity gains could lower inflation. At the same time, others warned of financial risks posed by the sector's high asset valuations.

## 9. U.S. CONSUMER SENTIMENT

- According to the latest data from the University of Michigan, consumer sentiment inched up in February,



# Economic Update

 **SVN** | RESEARCH

climbing to an index reading of 65.6, a six-month high.

- Despite the uptick, sentiment remains historically weak, 12.5% below its February 2025 level.
- The current conditions index rose 2.2% from January to 56.6. Meanwhile, the index of future expectations fell 0.7% from January.
- One notable change in this month's report was a sharp drop in inflation expectations. Consumers' one-year outlook for inflation fell from 4.0% in January to 3.4%, the lowest reading in more than a year. However, the five-year outlook remained unchanged from the previous month at 3.3%.

## 10. NEW HOME SALES

- According to the latest data from the U.S. Census Bureau, sales of new single-family homes in December were at a seasonally adjusted annualized rate of 745,000, 1.7% below the revised November rate but 3.8% above the December 2024 level.
- The median sales price for a newly built single-family home was \$414,400, 4.2% above the November level but 2.0% below the December 2024 median price.
- There were an estimated 427,000 new houses for sale at the end of December, down 2.7% from November. At the current sales pace, inventory represents a 7.6-month supply.
- An estimated 679,000 newly built homes were sold throughout the United States in 2025, roughly 1.1% below the 2024 total.

# Economic Update



## SUMMARY OF SOURCES

- (1) [https://info.msci.com/l/36252/2026-02-25/y5t98n/36252/1772052826SNsJTjzN/2602\\_RCACPPI\\_US.pdf](https://info.msci.com/l/36252/2026-02-25/y5t98n/36252/1772052826SNsJTjzN/2602_RCACPPI_US.pdf)
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