


Economic Update

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AUGUST 14, 2025

1. CPI INFLATION

- The Consumer Price Index (CPI) rose 0.2% month-over-month and 2.7% year-over-year in July. It marked the third consecutive month that prices accelerated on an annual basis, following three consecutive decreases to begin the year.
- Price pressures rose for items such as used cars and trucks, transportation services, and new vehicles, but fell for gasoline, fuel oil, and shelter. Food prices were relatively unchanged.
- Core-CPI prices, which strip out food and energy and more closely resemble what the Fed considers for monetary policy decisions, were even higher, clocking in at 0.3% month-over-month and 3.1% year-over-year.
- Reemerging core-CPI price pressures, which saw their sharpest rise in six months, add to the notion that tariffs and US trade actions made during the spring are beginning to show their effects on consumer prices.
- Despite the uptick, inflation came in slower than many feared, causing futures markets to raise the probability of a September rate cut from 85.9% one day before CPI was released to 94.2% following the report.

2. FOMC'S JULY INTEREST RATE DECISION

- The FOMC held the federal funds rate unchanged at its July policy meeting, a widely expected decision despite some signs of division about the ideal timing of a potential cut.
- Fed Chair Jerome Powell expressed the majority view on the committee that inflation remained modestly above target, and that while job growth has slowed compared to one year ago, so has labor supply— leaving the labor market relatively balanced, which is reflected in the relatively low headline unemployment numbers.
- Nonetheless, Powell's remarks came days before a lackluster US jobs report that showed only 75,000 new payrolls were added in July and massive downward revisions for May and June.



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- Many officials on the committee continue to note the uncertainty around tariffs and their potentially inflationary effects as a reason to leave rates moderately restrictive. However, while CPI data confirms that these pressures exist, emerging risks to the labor market have significantly increased the likelihood that officials will move forward with a September rate cut.

3. JULY JOBS REPORT

- The US added just 73,000 jobs in July, while May and June saw a combined revision of -258,000, the most significant two-month downward revision since the 2020 onset of the pandemic.
- After the revisions, May's job growth was revised down to +19,000 from the original +144,000, while June's payrolls were revised to +14,000 from an initially estimated +147,000.
- Employment trended upward in health care and social assistance, while federal government payrolls continued to decline. The unemployment rate ticked up to 4.2% while labor force participation was unchanged.
- Hiring has dropped across most age groups in recent months, but job postings for entry-level positions are especially weak. July saw the largest increase in the unemployment level among new entrants on record (+275,000) and rose to its highest level since January 2015.

4. THE GEOGRAPHY OF MULTIFAMILY GROWTH

- A recent briefing from Chandan Economics shows that since 2013, apartment household growth in semi-urban communities has outpaced that in both urban and suburban zip codes.
- Between 2013 and 2023, the number of semi-urban multifamily households rose by 25.5% compared to 23.7% in central city districts. Suburban multifamily households grew by a more modest 15.0%.
- While suburban apartment household growth trailed other geographies, it still outpaced total US household growth over the same period, which was just 13.5%.
- Semi-urban multifamily has emerged as one of the sector's primary growth engines, with room for new construction and a cost structure that remains more favorable than dense downtown areas.



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5. GDP

- Real US GDP rose by a seasonally adjusted annualized rate (SAAR) of 3.0% in the second quarter of 2025, following a 0.5% decline during the first quarter.
- Second quarter growth was primarily driven by a decrease in imports and an increase in consumer spending, which was partly offset by declines in exports and investment.
- Though growth came in higher than the first quarter, imports fell by a sharp SAAR of 30.5%, led by a decline in goods imports such as medicinal, dental, and pharmaceutical goods.
- Further, a significant part of the increase in consumer spending was expenditures on non-discretionary services such as health care services. In contrast, an alternative final sales measure that sums consumer spending and gross fixed investment increased by 1.2% compared to 1.9% in the first quarter.

6. LOGISTICS ACTIVITY


- Logistics activity dropped in July, indicating a broader slowdown in the sector as the effects of a new trade normal begin to settle in.
- A deceleration in inventory cost growth primarily drove the decline, as inventory levels expanded at a slower rate than in the spring, leading to a shift in warehousing capacity back into expansion.
- According to the researchers for the Logistics Managers' Index, each of these shifts was driven by changes in activity by upstream firms or smaller retailers (less than 1,000 employees)
- Downstream and larger firms are reporting falling inventories, increased capacity, and lower price expansion.
- Transportation utilization rose in July while transport capacity and prices remained fairly consistent as freight activity gradually recovers.

7. INDUSTRIAL SUPPLY CLOSE TO PRE-2020 LEVELS

- According to a recent analysis by Commercial Café, the volume of industrial space being built is nearly equal to pre-pandemic levels, though with a different composition.
- 341.8 million square feet of industrial space is currently under construction nationally, while 146.6 million



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square feet has been completed so far this year.

- E-commerce and omnichannel retail continue to be the primary force driving post-pandemic industrial development, but over-development has pushed up the national vacancy rate.
- The average industrial vacancy rose 50 basis points in July to 9.0%. The vacancy rate is up 290 basis points year-over-year.
- Orange County, CA, charts the highest average in-place rent per square foot, while Dallas-Fort Worth and Houston each doubled their year-over-year pipelines, signaling a new expansion boom in the 'Texas Triangle'.

8. COMMERCIAL PROPERTY PRICES

- Commercial property prices were mostly unchanged from June, according to MSCI-RCA's Commercial Property Price Index; however, prices fell 0.7% year-over-year. The annual rate of decline has slowed substantially over the past two years.
- Retail properties continue to be the leading sector for price growth on an annual basis, climbing 3.5% year-over-year but flat from May.
- Industrial prices climbed 1.6% year-over-year and gained 0.3% from May. Monthly rates in the industrial sector have risen over the past three months.
- Apartment prices posted a 0.1% annual increase in June but were flat on a month-over-month basis.
- Office was the only major property type in June to post a year-over-year decline, falling 1.9% while dropping 0.2% from May.

9. CONSTRUCTION SPENDING

- According to the Census Bureau, US construction spending fell by 0.4% between May and June to a seasonally adjusted annualized rate of \$2.13 billion—extending monthly declines that began last November.
- Construction spending has fallen this year as restrictive borrowing rates increasingly limit new real estate demand and curb credit activity for new projects.

The header image features a dark, semi-transparent overlay on a background of a modern office interior. A woman is visible in the background, looking out a window. The text 'Economic Update' is prominently displayed in white and orange.

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- Residential construction plummeted by 0.7% in June to an annualized rate of \$952 billion, while non-residential construction ticked lower by 0.1% to an annualized rate of \$1.2 trillion.

10. BUILDER SENTIMENT

- Builder confidence in the single-family home market edged higher in July, according to the NAHB/Wells Fargo Housing Market Index.
- Current sales conditions rose marginally, while sales expectations for the next six months saw a higher boost. Reported traffic of prospective buyers fell slightly from June.
- 38% of builders reported cutting prices in July, the highest share since NAHB began tracking the figure on a monthly basis in 2022, following a previous record high in June. The share of builders cutting sales prices has gradually climbed over the past several months
- The average sales price reduction was 5% in July, on par with cuts seen since last November.

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SUMMARY OF SOURCES

- (1) <https://www.chandan.com/post/real-impact>
- (3) <https://www.bls.gov/news.release/empsit.nr0.htm>
- (4) <https://www.chandan.com/post/the-geography-of-multifamily-s-growth-urban-vs-suburban-and-everything-in-between>
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