

# Economic Update

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SEPTEMBER 11, 2025

## 1. CONSUMER PRICE INDEX

- According to the Bureau of Labor Statistics, the consumer price index rose 0.4% month-over-month and 2.9% year-over-year in August, roughly in line with market estimates.
- While both the monthly and annual CPI rates were higher than in July, the marginal acceleration in inflation pressures is unlikely to dissuade the FOMC from slashing rates at its upcoming meeting.
- Core-CPI prices rose by 0.3% month-over-month and 3.1% year-over-year, unchanged from July.
- Federal Funds futures were slightly more hawkish following the August CPI report. According to the CME Fed Watch Tool, there was a 91.1% probability of a 25-basis point cut and an 8.9% chance of a 50-basis point cut one day before the CPI release.
- In the minutes immediately following the release, the probability of a single cut edged down to 88.1% while the probability of a 50-basis point cut rose slightly to 11.9%.

## 2. AUGUST JOBS REPORT

- US employers added just 22,000 jobs in August, according to the Bureau of Labor Statistics. The unemployment rate ticked up to 4.3%
- August marks the fourth consecutive month of below-triple-digit job growth, as the economy continues to show signs of slowing. As indicated in the Federal Reserve's latest Beige Book survey of private firms, companies have scaled back hiring plans in recent weeks as they assess the medium-term outlook for business conditions.
- Job gains in health care and social assistance continue to trend up, but are being offset by falling employment in the federal government, mining, quarrying, and oil and gas extraction.
- The Federal Funds futures market reacted to the report with a more dovish projection of the size of the September rate cut. Immediately following the release there was a 16.0% chance of a 50-basis-point cut in September, while the likelihood of a 25-basis-point cut shifted down from a 96.4% change to 84.0%.

## 3. JOB OPENINGS AND LABOR TURNOVER

- According to the latest available data from the Bureau of Labor Statistics, US job openings fell by 176k to



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7.8 million in July, the lowest level since September 2024.

- The most significant declines were in health care and social assistance (-181,000), which is significant since it has been the sector leading monthly job growth for much of this year.
- Arts, entertainment, and recreation roles saw the second-largest drop-off in openings (62,000), followed by mining and lodging (-13,000).
- Regionally, openings fell by the most in the South US (-161,000), followed by the Northeast (-101,000) and the Midwest (-27,000).
- Total separations, which include quits, layoffs, discharges, and other separations, were unchanged at 5.3 million in July, while the separate rate held at 3.3% from the month before. Total separations were little changed across all industries.

## 4. LOGISTICS ACTIVITY

- According to the Logistics Managers' Index, US logistics activity —a key barometer for industrial real estate activity —edged higher in August as inventory levels rose.
- Inventory expansion in August led to higher inventory costs, simultaneously pushing warehousing prices higher while warehouse capacity slowed compared to July.
- Meanwhile, there was downward pressure from transportation metrics. There were notable drops in both transportation prices and utilization rates. Transportation capacity rose over this period.
- The August 2025 LMI report notes that while the drop in transportation prices isn't seismic, the fact that transportation capacity is now expanding faster than prices represents a mild negative freight inversion.

## 5. INDUSTRIAL SPACE DEMAND

- According to NAIOP's Q3 2025 Industrial Space Demand report, the market for industrial space continued to slow during the first half of 2025, with just 27 million square feet of space absorbed.
- Demand shrank by 11.3 million in the second quarter, the first negative quarterly reading since 2010.
- NAIOP suggests that the decline was driven by increasing macroeconomic uncertainty caused by the unclear path of tariffs and trade policy, while interest rates remained high.



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- Analysts expect heightened uncertainty to persist throughout the remainder of the year, resulting in reduced leasing activity in the short term. They forecast that net absorption during the second half of 2025 will be nearly flat at a projected 2.8 million square feet.

## 6. CRE PERFORMANCE THROUGH AUGUST


- According to the National Association of Realtors, high borrowing costs and resilient GDP growth were the key factors determining commercial real estate performance through the first half of the year. However, a cooling labor market and a shift in monetary policy could reverse the trend.
- After nearly turning positive in 2025, office absorption was negative again during Q2 2025 and remained there to finish the year through July. The Office vacancy rate remained steady at 14.1% during this period, while landlord concessions kept rent growth to just 0.7%.
- The Multifamily market began to stabilize during the first half of 2025, with net absorption holding steady at 512,000. The Multifamily vacancy rate ticked up to 8.1% as supply continues to outpace demand, though the gap is narrowing.
- Retail properties have softened, with the 12-month net absorption volume falling from 29.4 million square feet one year ago to 10.9 million as of July. Rent growth slowed to 1.8% but remained the strongest among major property sectors. The vacancy rate rose to 4.3%, but it also boasts the lowest among major sectors.
- The Industrial sector has cooled, with a combo of oversupply and weakening demand leading to a 54% year-over-year drop in net absorption to 60.5 million square feet, the lowest in a decade.

## 7. LUMBER PRICES FALL

- On September 1st, Lumber prices fell to a 52-week low of \$526.50 per thousand board feet, according to a Globe Street analysis of data from Markets Insider.
- Lumber prices are important barometer for the health of both housing construction and the broader US economy. A steep decline in lumber prices typically indicates a slowdown in homebuilding.
- The Wall Street Journal also reports that lumber futures have tumbled 24% after hitting a three-year high in early August.



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- The slump is partly a residual impact of the supply glut from earlier this year, when worries about how tariffs could impact Canadian wood imports pulled forward lumber demand and drove up production.
- However, it is essential to note that prices have been highly volatile throughout 2025. After lumber prices initially jumped in response to the threat of higher tariffs at the start of this year, they then tumbled when the Administration backed off these threats. However, they jumped again in May as the White House began investigating wood imports over national security concerns.

## 8. APARTMENTS RENTS FALL

- According to Apartment List's latest rent tracking data, the national median US rent dipped by 0.2% in August to \$1,400, the first month-over-month decline since January.
- Seasonally, rent growth tends to decline in the fall as leasing activity decreases. Nonetheless, rents are down 0.9% compared to the same time last year.
- Year-over-year rent performance has fallen for four consecutive months and now stands at its lowest level since December 2023.
- The national Multifamily vacancy rate sits at 7.1%. While the multifamily construction surge of the past few years has peaked, a significant supply of new units continues to hit the market, with vacancies expected to remain high.
- Units are now taking an average of 29 days to get leased after being listed, 1 day longer than July's reading but down from a high of 37 days in January.

## 9. SMALL MULTIFAMILY INVESTMENT TRENDS

- According to the Q3 2025 Small Multifamily Investment Trends Report by Arbor Reality Trust in conjunction with Chandan Economics, valuations in the sub-sector rose on a year-over-year basis for the first time since 2023 while cap rates remained stable.
- Based on Arbor's Small Multifamily Price Index, Valuations rose 2.6% year-over-year through Q2, its first positive annual growth rate in eight consecutive quarters.
- Prices rose 0.3% quarter-over-quarter, driven by higher average rents. Meanwhile, operating expense

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ratios decreased, which also contributed to a boost in net income. Cap rates remained stable.

- Lending volume has climbed from its 2023 lows and is on track to exceed its 2024 levels this year.
- Through the year's midway point, new originations with balances between \$1 million and \$9 million (including loans for apartment building sales and refinancing) are on pace to total \$59.2 billion this year, which would be 4.3% above last year's volume.

## 10. HOME PURCHASING POWER RISES

- According to a recent analysis by Redfin, many US homebuyers experienced a sharp rise in purchasing power at the beginning of September, as mortgage rates fell following a weak August jobs report.
- The daily average mortgage rate dropped to 6.29% on September 5th, its lowest level in 11 months. As a result, a homebuyer with a \$3,000 monthly budget gained \$7,500 in purchasing power over the previous week, when the average rate was roughly 6.5%.
- Although the analysis examines a recent week-over-week uptick in purchasing power, a longer look back to June 5th, when the average rate was 6.9%, reveals that someone with the same \$3,000 budget has since gained \$22,000 in purchasing power.
- The developing trend suggests anticipation of lower interest rates ahead, as the economy shows signs of slowing, which could help people entering the purchase market. Still, even as rates fall, how purchase activity develops still heavily depends on how lending conditions develop.

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## SUMMARY OF SOURCES

- (1) <https://www.bls.gov/news.release/cpi.nr0.htm>
- (2) <https://www.bls.gov/news.release/empsit.a.htm>
- (3) <https://www.bls.gov/news.release/jolts.htm>
- (4) <https://www.the-lmi.com/august-2025-logistics-managers-index.html>
- (5) <https://www.naiop.org/research-and-publications/research-reports/reports/industrial-space-demand-forecast-third-quarter-2025/>
- (6) <https://www.nar.realtor/research-and-statistics/research-reports/august-2025-commercial-real-estate-market-insights>
- (7) <https://www.globest.com/2025/09/09/lumber-prices-sink-to-lowest-level-in-a-year-as-demand-weakens/>
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- (10) <https://www.redfin.com/news/purchasing-power-improves-rates-drop/>