1. CPI INFLATION

- According to the Bureau of Labor Statistics (BLS), the Consumer Price Index (CPI) rose 0.5% on a seasonally adjusted basis in May, following a 0.6% increase in April.
- Over the past 12 months, headline inflation is up 4.2%, up from 3.8% for the 12 months ending April and the highest annual rate since April 2023.
- Energy led all increases, rising 3.9% during the month and accounting for more than 60% of the monthly increase in headline CPI.
- The Gasoline index rose 7.0% month-over-month and is now up 40.5% over the past 12 months. Overall energy prices are up 23.5% over the past 12 months
- Core-CPI rose just 0.20% in May, decelerating from 0.4% in April and matching January and February's pace. On an annual basis, core CPI rose 2.9%, up 10 basis points from April's 2.8%.
- Services less energy services rose 0.3% for the month, while shelter and owners' equivalent rent each rose 0.3%. Rent of primary residence came in at 0.4%.
- For CRE, the sustained energy shock combined with sticky shelter costs reinforces the higher-for-longer rate environment that continues to weigh on transaction volume and cap rate compression across major property types.

2. MAY EMPLOYMENT REPORT

- US employers added 172,000 new payrolls in May, well above the Wall Street consensus estimate of 80,000 to 88,000, according to the latest BLS data.
- The unemployment rate held steady at 4.3% while the labor force participation rate was unchanged at 61.8%.
- Leisure and hospitality led job gains in May (+70,000), driven primarily by food services and drinking places (+48,000). Local government added 55,000 positions and health care contributed 35,000, in line with its average monthly gain of 38,000 over the prior 12 months.
- Employment in financial activities declined by 22,000 in May and is down 107,000 since a recent peak in May 2025. Job losses were concentrated in insurance carriers and related activities (-11,000) and

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commercial banking (-3,000). Construction, manufacturing, and professional and business services showed little change over the month.

- Average hourly earnings rose 0.3% month-over-month to $37.53 and are up 3.4% year-over-year. Real average hourly earnings decreased 0.1% in May, as nominal wage growth continues to lag headline inflation.
- Revisions to prior months were significant. March was revised up 29,000 to 214,000 and April was revised up 64,000 to 179,000, adding a combined 93,000 more jobs than previously reported.

3. JOB OPENINGS AND LABOR TURNOVER

- According to the latest Job Openings and Labor Turnover Survey (JOLTS) from the BLS, job openings surged 731,000 to 7.6 million in April, the highest level since May 2024. The job openings rate rose 0.4 percentage points to 4.6%.
- Nearly all of the monthly increase in openings was concentrated in professional and business services (+668,000). Meanwhile, financial activities saw the sharpest decline, down 134,000 from March.
- Total hires fell to 5.1 million in April, while quits held at 3.0 million. The quits rate slipped to 1.9% while total layoffs and discharges were unchanged at 1.7 million.
- The job openings-to-unemployed ratio rose to 1.03 in April. Available positions now modestly exceed the number of unemployed workers for the first time since early 2024.
- Still, the divergence between rising job postings and falling hires reinforces a low-hire, low-fire dynamic that has persisted throughout 2025 and into 2026.

4. SMALL BUSINESS OPTIMISM

- According to the National Federation of Independent Business (NFIB), Small Business Optimism fell 0.6 points in May to and index level of 95.3, remaining below its 52-year historical average of 98.0 for the third consecutive month.
- The Uncertainty Index ticked up 3 points from April to 91, well above its historical average of 68. NFIB Chief Economist Bill Dunkelberg cited unpredictable fuel price hikes as a growing challenge for small businesses, which have less pricing power to pass energy costs on to customers than larger firms.

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- 6 of the 10 index components deteriorated in May. The Small Business Employment Index registered 100.3, slightly above its historical average of 100; however, still below the 2025 full-year average of 101.2.
- The share of small business owners who report unfilled job openings fell 5 percentage points to 29% in May, the lowest reading since May 2020 and consistent with softening hiring activity noted prior to the May Jobs report.

5. CONSTRUCTION SPENDING

- According to the US Census Bureau, total construction spending rose 0.4% month-over-month in April, the latest month of available data, to a seasonally adjusted annual rate of $2,172.4 billion.
- Construction spending is up 0.9% year-over-year, however, this masks a deepening divergence across sectors.
- Private residential construction rose 0.8% to $909.9 billion in April, while private nonresidential construction edged down 0.2% to $729.8 billion.
- Private nonresidential construction has now fallen approximately 8% from its December 2023 peak, driven in part by the ongoing wind-down of CHIPS Act manufacturing megaprojects.
- Data center construction spending reached $50.7 billion (seasonally adjusted) in April, a 27% year-over-year increase and, for the first time, became the largest single segment within private office construction, surpassing general office.
- For CRE, the data underscores a construction market increasingly bifurcated between AI-driven digital infrastructure and a broader nonresidential sector under pressure from elevated borrowing costs.

6. LOGISTICS MANAGERS INDEX

- The Logistics Managers Index (LMI), a key leading indicator for Industrial Real Estate demand, decelerated slightly in May to 69.5, down 0.4 points from April's reading of 69.9. A reading above 50.0 indicates expanding logistics activity.
- Despite the modest slowdown, May's growth remains the second fastest rate of expansion since March 2022.

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- Inventory levels slowed while Warehousing Capacity shifted from contraction into mild expansion, rising 5.0 points, suggesting that some slack is returning to the storage market even as utilization and prices remain elevated.
- Despite of inventory levels, inventory costs surged 9.4 points to 84.1. It was the highest reading for inventory costs since May 2022, driven by elevated fuel costs tied to the Iran conflict and ongoing tariff pass-through.
- Transportation Prices continued to expand, rising 1.0 point to a record high expansion of 96.0 and is the fastest-growing component in the index. Transportation Capacity remained in contraction, though the rate of decline slowed 3.3 points.
- LMI researchers note that while conditions remain at multi-year highs, moderating inventory growth introduces uncertainty about whether current expansion will translate into durable leasing demand or reflects temporary front-loading ahead of potential supply disruptions.

7. WHOLESALE AND RETAIL INVENTORIES

- According to the latest data from the US Census Bureau, wholesale inventories rose 0.5% month-over-month in April to a seasonally adjusted end-of-month level of $938.6 billion, a new nominal high.
- Inventories are up 3.4% year-over-year, accelerating from a recent low of 1.0% growth in January as wholesalers rebuild stocks. The March estimate was also revised upward to 1.5% from an initial reading of 1.3%.
- Meanwhile, retail inventories rose 0.7% month-over-month to $827.3 billion and are up 3.0% year-over-year, rising in tandem with the wholesale build.
- The parallel accumulation across both channels likely reflects a mix of front-loading ahead of potential supply disruptions tied to the Iran conflict and lingering tariff uncertainty.
- For Industrial Real Estate, a sustained inventory rebuild is a constructive demand signal for warehouse and distribution space, though its durability hinges on whether end-demand justifies the build.

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8. MANUFACTURING: EXPECTATION VS. REALITY

- According to a recent analysis by GlobeSt, a widening gap has emerged between announced factory investment and actual spending.
- Monthly manufacturing construction outlays peaked at $240.1 million (seasonally adjusted annualized rate in August 2024 before falling to $185.7 million (SAAR) by April 2026, a 22.7% decline, according to US Census Bureau data compiled by the Federal Reserve Bank of St. Louis.
- The retreat stands in contrast to the $900 billion in factory construction announcements made by 84 manufacturers in recent years, as per Financial Times reporting cited in the analysis.
- Meanwhile, manufacturing output has held near pre-pandemic levels, reaching an index reading of 98.7 in April 2026 against a 2017 base of 100.
- The manufacturing output trend suggests that firms are sustaining production through automation, overseas capacity, and inventory buildups rather than new domestic facilities.
- S&P Global chief business economist Chris Williamson cautioned that recent output growth "is stock building because they're worried about supply shortages," adding it is "more worrying than it is encouraging" for the underlying health of the manufacturing sector.

9. COMMERCIAL MORTGAGE DELINQUENCIES

- According to the Mortgage Bankers Association's (MBA) latest CRE Finance Loan Performance Survey, commercial mortgage delinquency rates were mixed across capital sources during the first quarter of 2026.
- CMBS posted the highest delinquency rate and largest quarterly increase of any capital source.
- The CMBS delinquency rate reached 7.28% in Q1. Life company portfolios held the lowest delinquency rate at 0.38%, while banks and thrifts registered 1.24%, each reflecting greater lender selectivity and shorter duration exposure relative to CMBS.
- The overall commercial mortgage delinquency rate across all capital sources rose to 4.02% in Q1, up from 3.86% in Q4 2025. The largest increases were concentrated in Multifamily, Office, and Health Care properties.

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- CMBS stress reflects continued pressure from higher borrowing costs and refinancing challenges, with loans coming due finding it difficult to refinance at current balances and rates.
- Industrial was the only property type to see a decline in short-term delinquency over the quarter.
- The divergence in performance across capital sources underscores the importance of capital stack position in assessing CRE credit risk heading into the second half of 2026.

10. THE K-SHAPED AFFORDABILITY CRISIS

- According to a recent analysis by Chandan Economics, renter affordability constraints have deepened over the past decade and a half but the burden has not fallen evenly across income groups, producing a K-shaped divergence in cost pressures.
- Low-income renters, defined as households earning less than $30,000 in 2010 dollars, spent 57.6% of their gross income on rent in 2024, up from 53.0% in 2010, with 84.9% now classified as cost-burdened.
- Middle-income renters saw their cost-burdened share climb from 31.6% to 40.5% over the same period, while rent-to-income ratios climbed from 24.6% to 27.1%.
- High-income renters, by contrast, remain largely insulated, with a rent-to-income ratio rising modestly from 15.1% to just 16.6%.
- Post-GFC credit tightening pushed high-income households into rentals, and this cohort grew by 60.7% between 2010 and 2019. The impact has raised market-clearing rents across the rent distribution while intensifying cost pressures further down the income ladder. The dynamic has important implications for Multifamily Real Estate demand and affordable housing policy.

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SUMMARY OF SOURCES

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