# Real Estate and Economic Outlook

Lawrence Yun, Ph.D.
Chief Economist
National Association of REALTORS®

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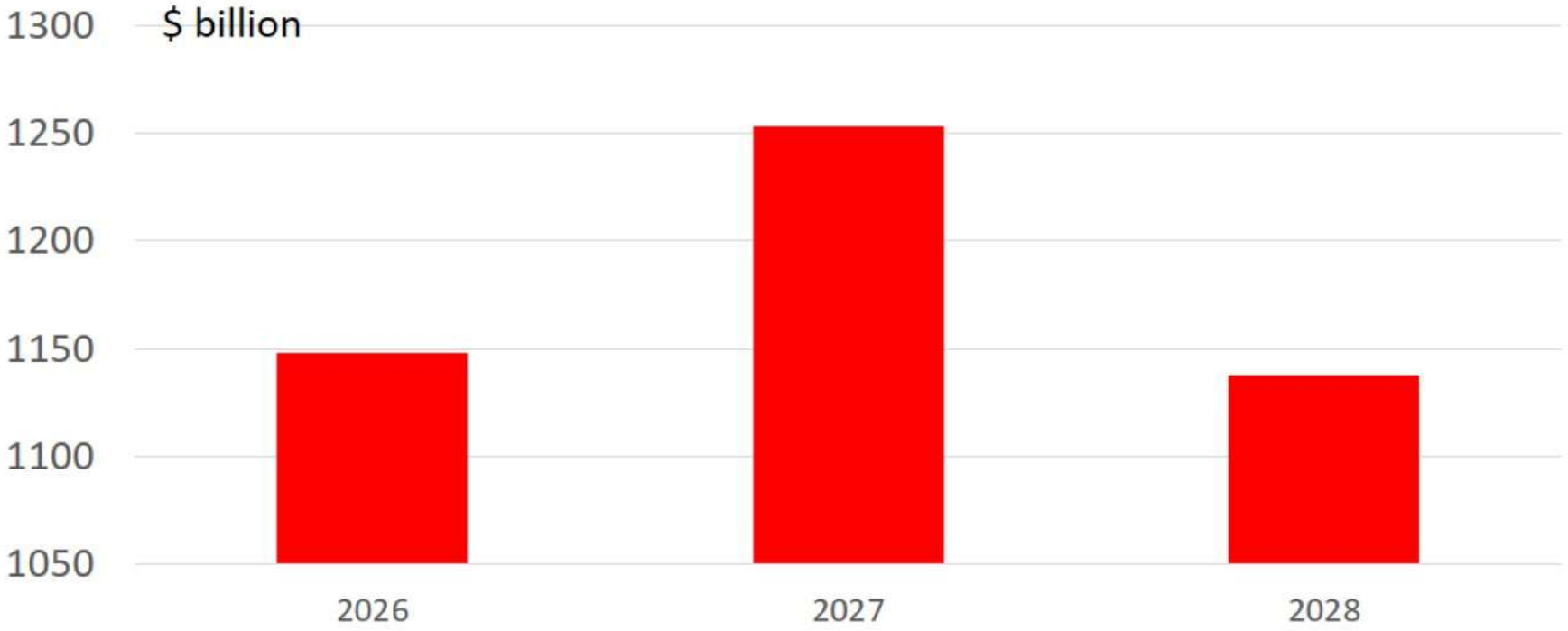
# 30-Yr Treasury Bond Yields ... Highest Since?




Source: Federal Reserve

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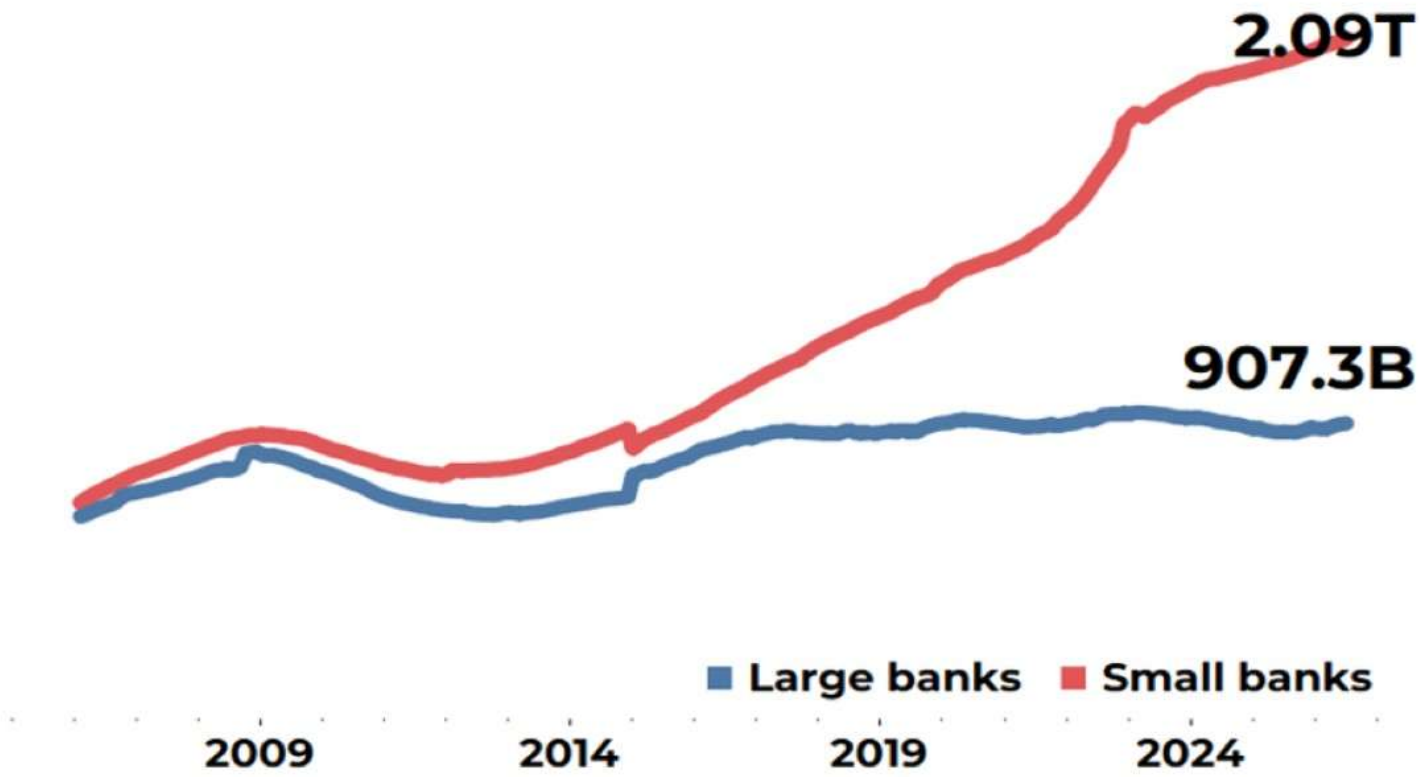
# CRE Loan Requiring Refinancing …
# At Higher Interest Rate and Lower Collateral Value




Source: S&P Global

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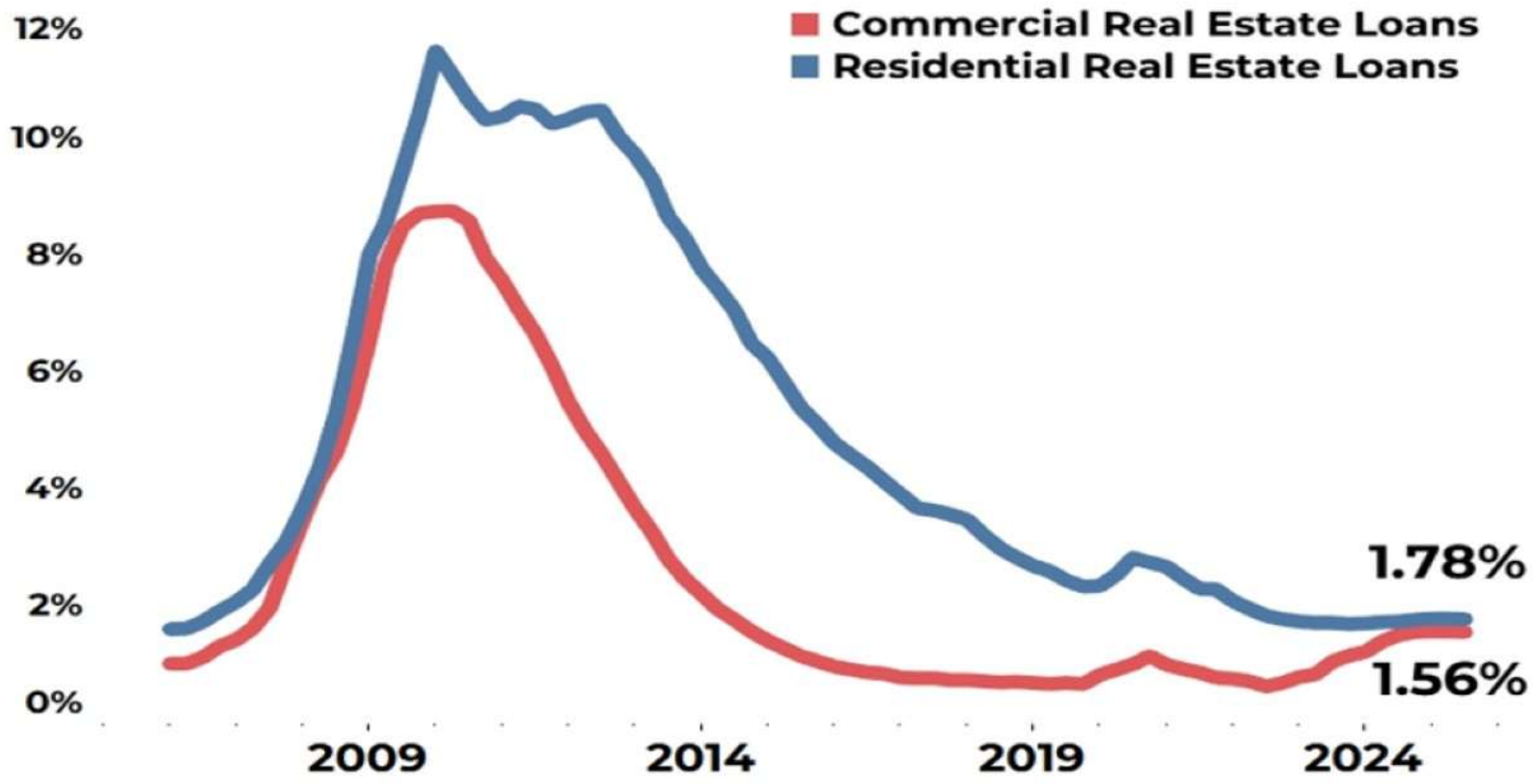
# Commercial RE Loans Dominated by Small Banks (July 2026)




Source: Federal Reserve

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# Commercial Loan Delinquency Rising




Source: Federal Reserve

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# Commercial Property Prices ... Stabilizing




Source: Federal Reserve

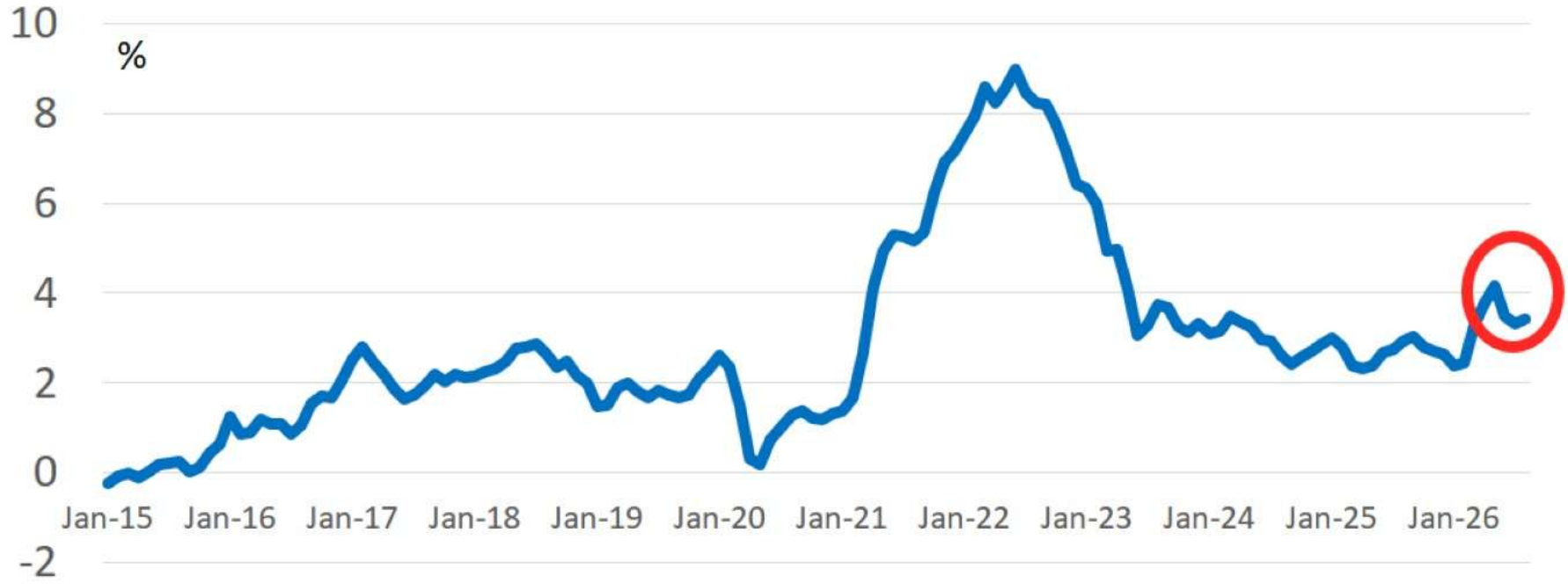
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# Why Higher Long-term Interest Rates?

1. Inflation not subsiding … oil price shock
2. Tight Labor Market
3. Massive Government Borrowing
4. Weaking of the Mighty Dollar
5. AI Investment Boom

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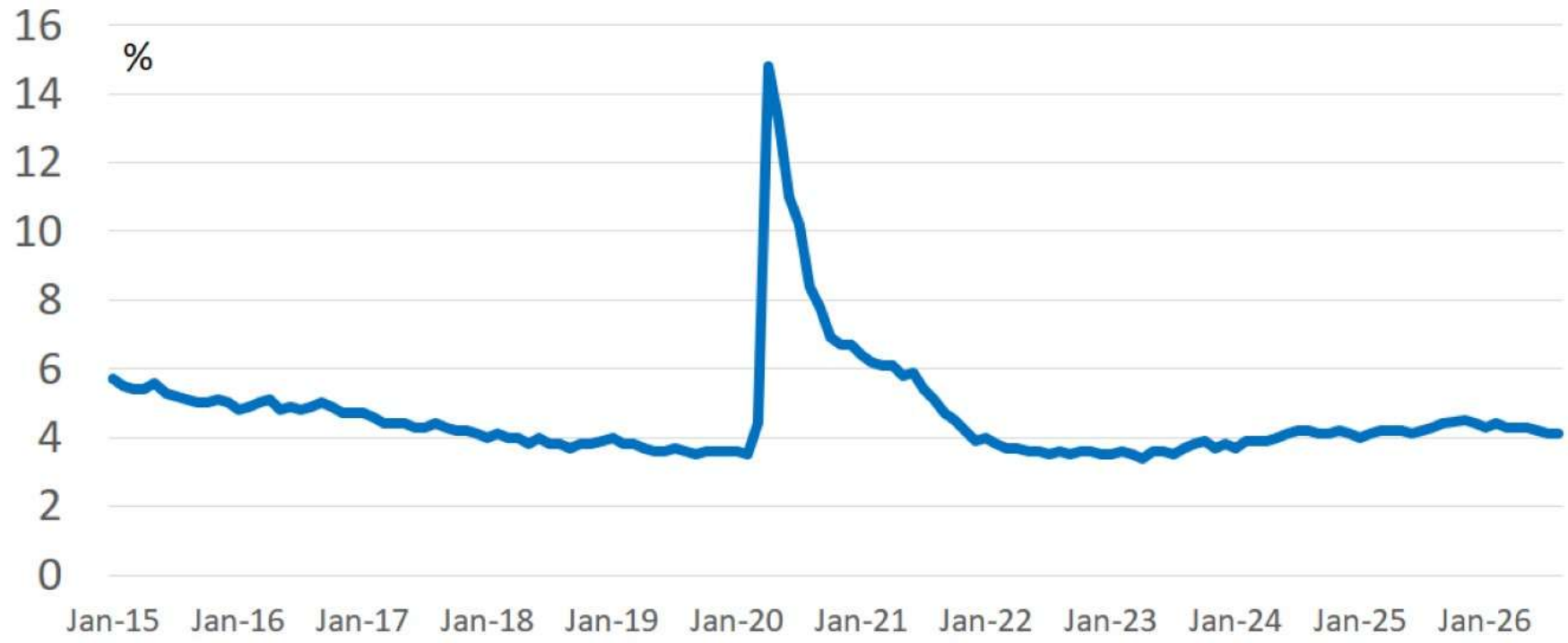
# Consumer Price Inflation 3.4% (red)
# … Above 2% Target




Source: BLS

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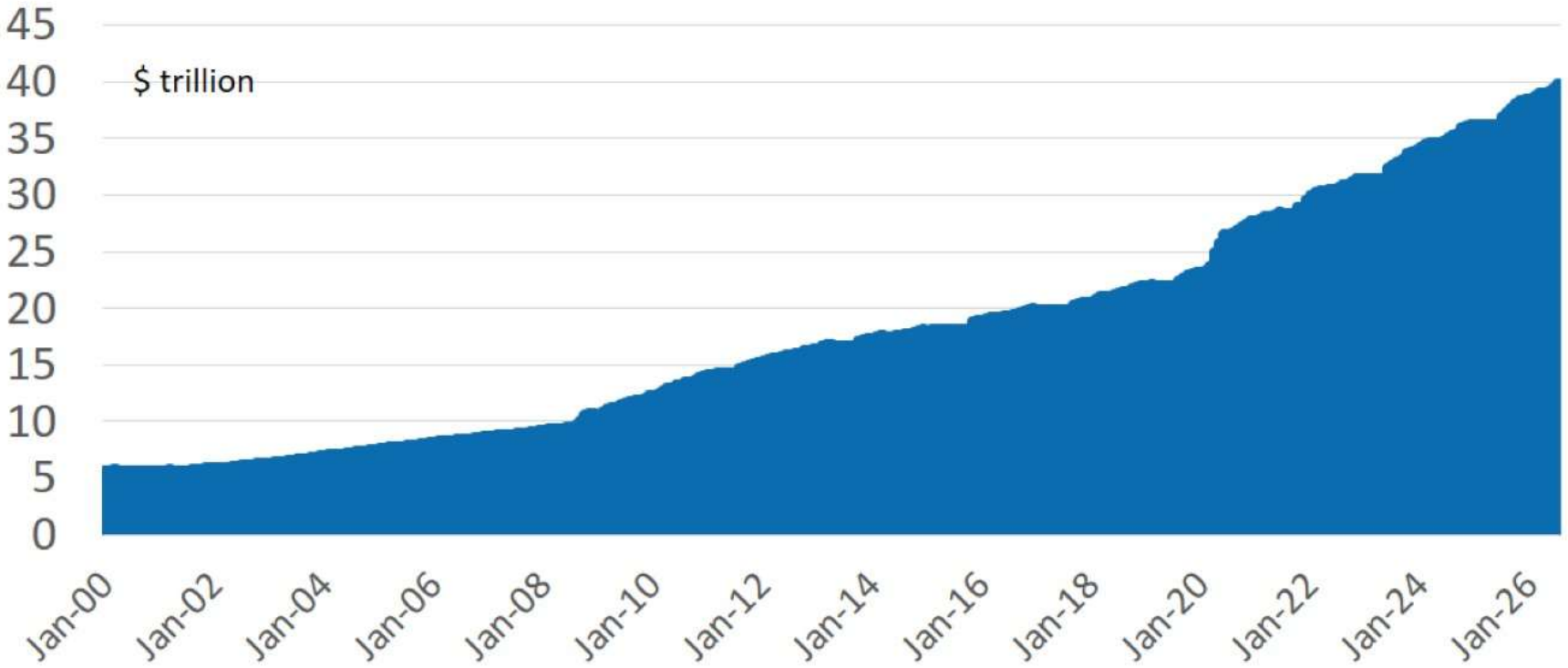
# Low Unemployment Rate of 4.1% as of August




Source: BLS

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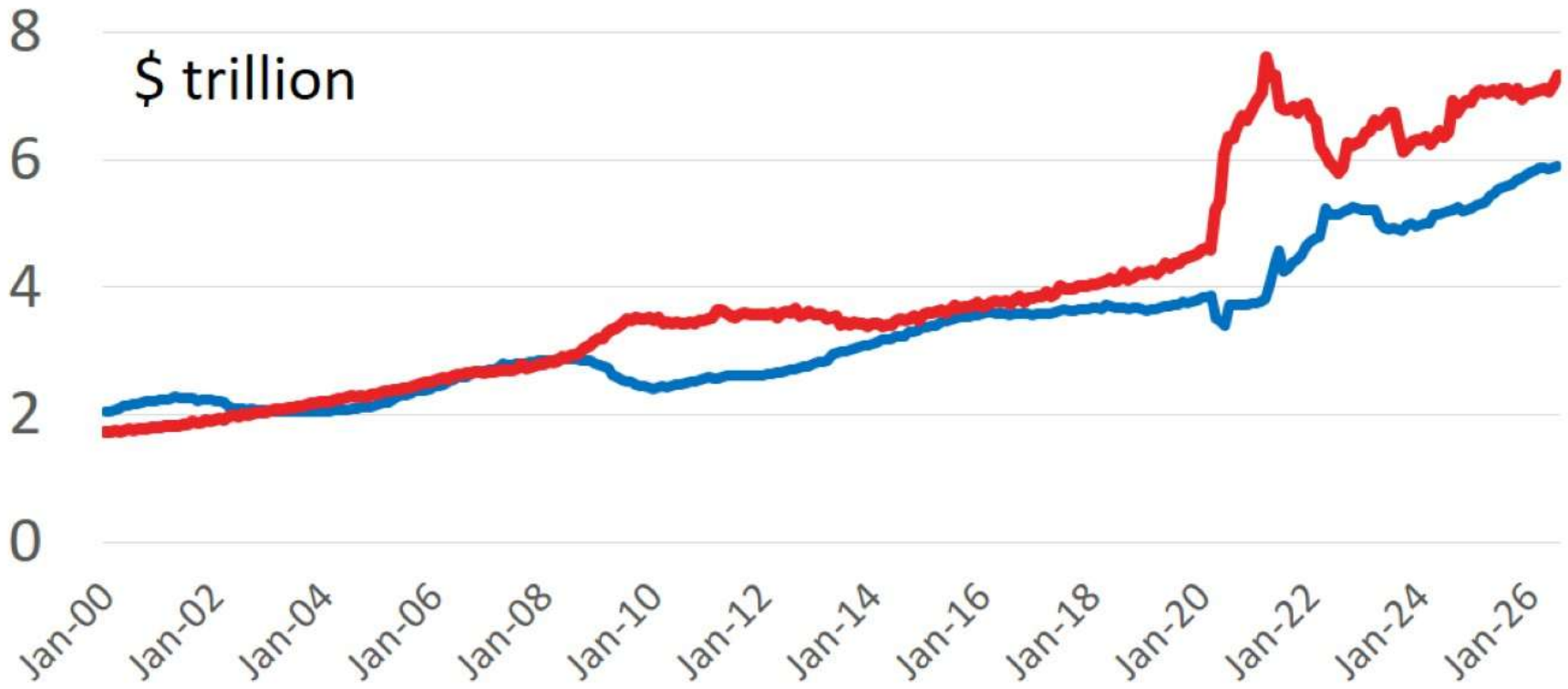
# Federal Government Cumulative Debt




Source: NAR analysis of monthly Treasury statements

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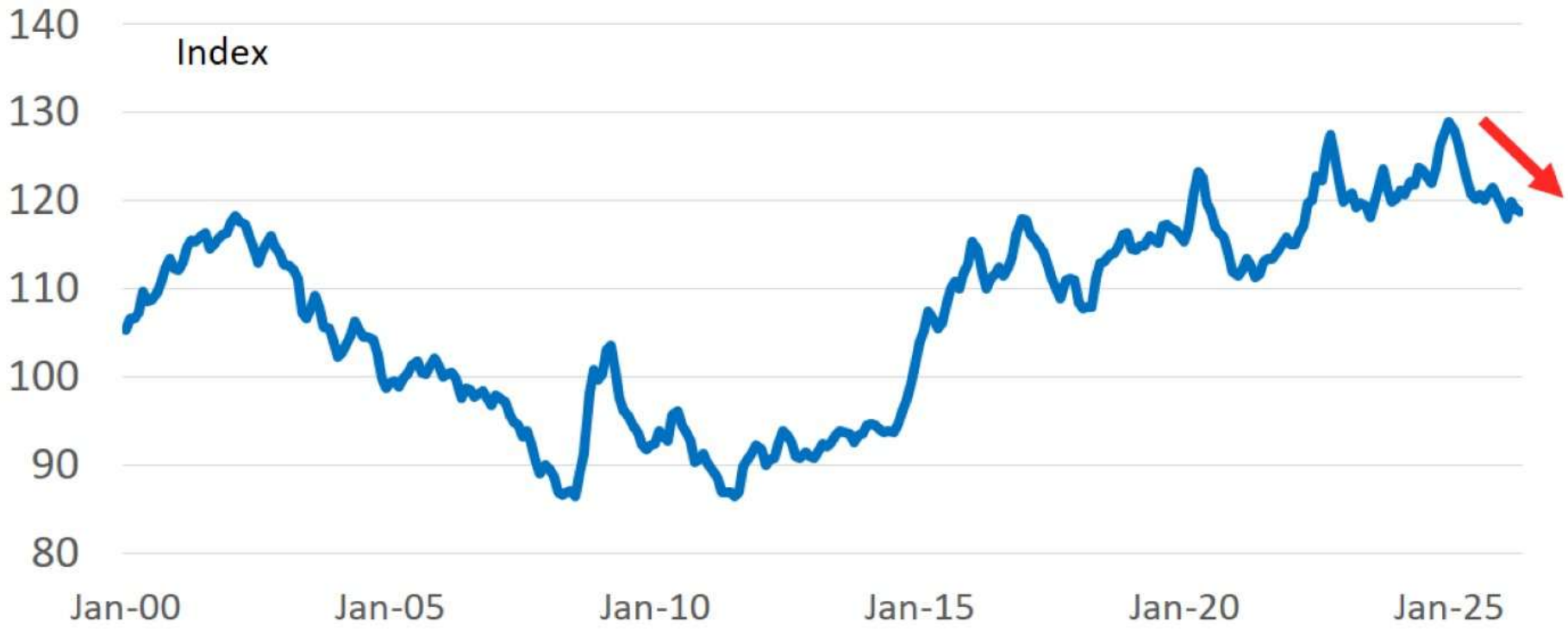
# Federal Government Outlays and Receipts
## (rolling 12-month total)




Source: NAR analysis of monthly Treasury statements

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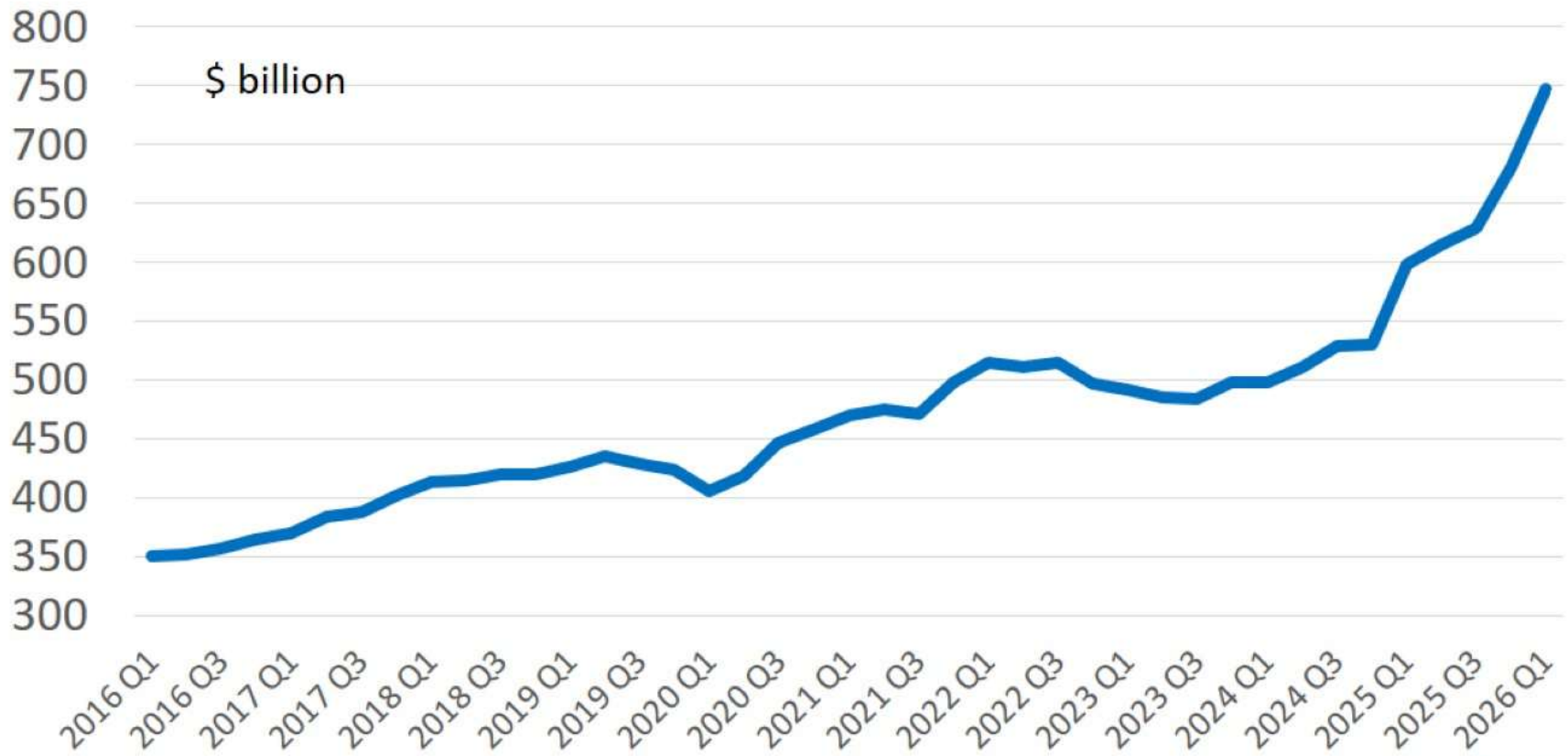
# U.S. Dollar Strength ... Still Strong




Source: Federal Reserve

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# AI-Related Business Investment Spending Boom




Source: Department of Commerce using constant 2017 dollars

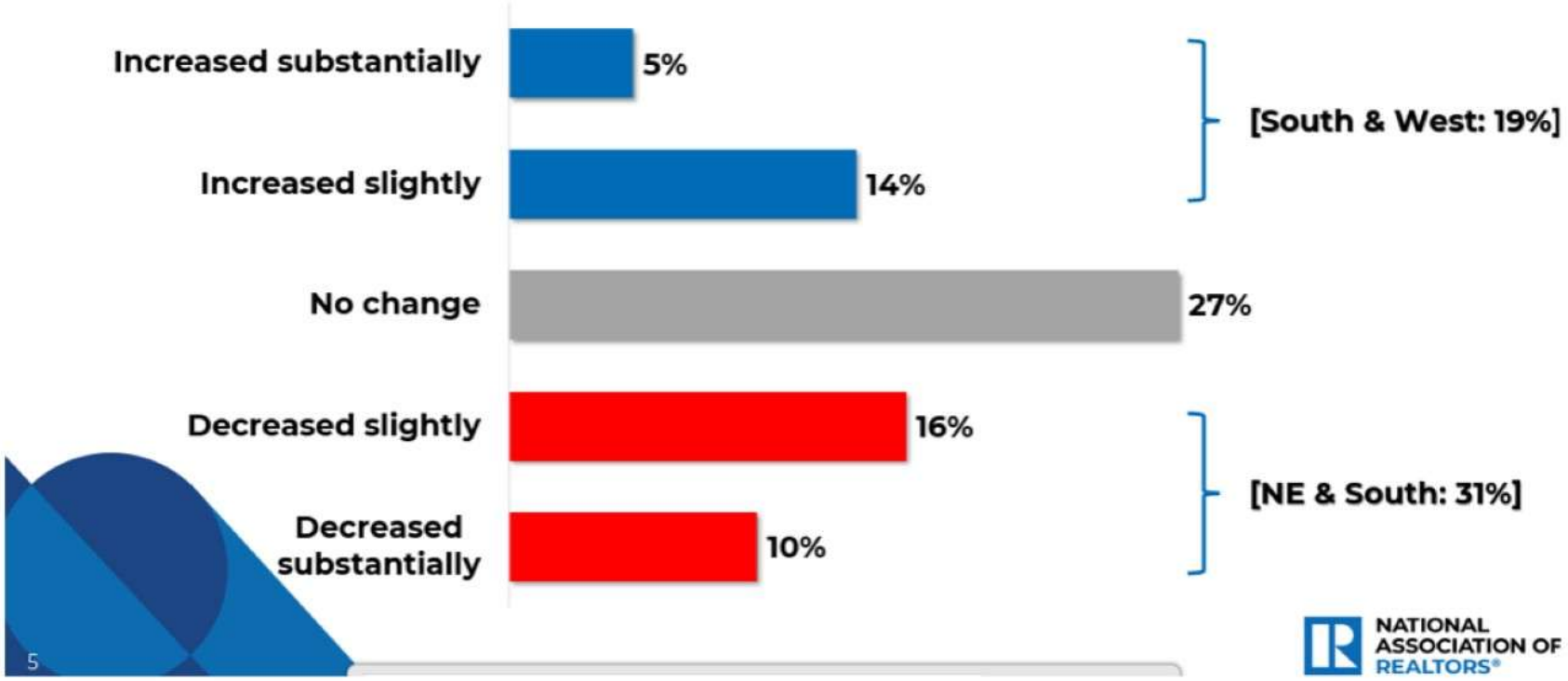
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# AI needs Data Centers ...
# No Negative Impact on Real Estate Prices

| | TIER 1<br>No Physical DCs<br>(0 Facilities) | TIER 2<br>Low<br>(1-2 Facilities) | TIER 3<br>Medium<br>(3-9 Facilities) | TIER 4<br>High<br>(10+ Facilities) |
|---|---|---|---|---|
| Median 2024 Home Price | $174,600 | $298,800 | $390,300 | $431,750 |
| 2014-2024 Appreciation | +64.1% | +72.5% | +98.3% | +95.0% |

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# Perceived Lower Residential Demand Near Data Centers

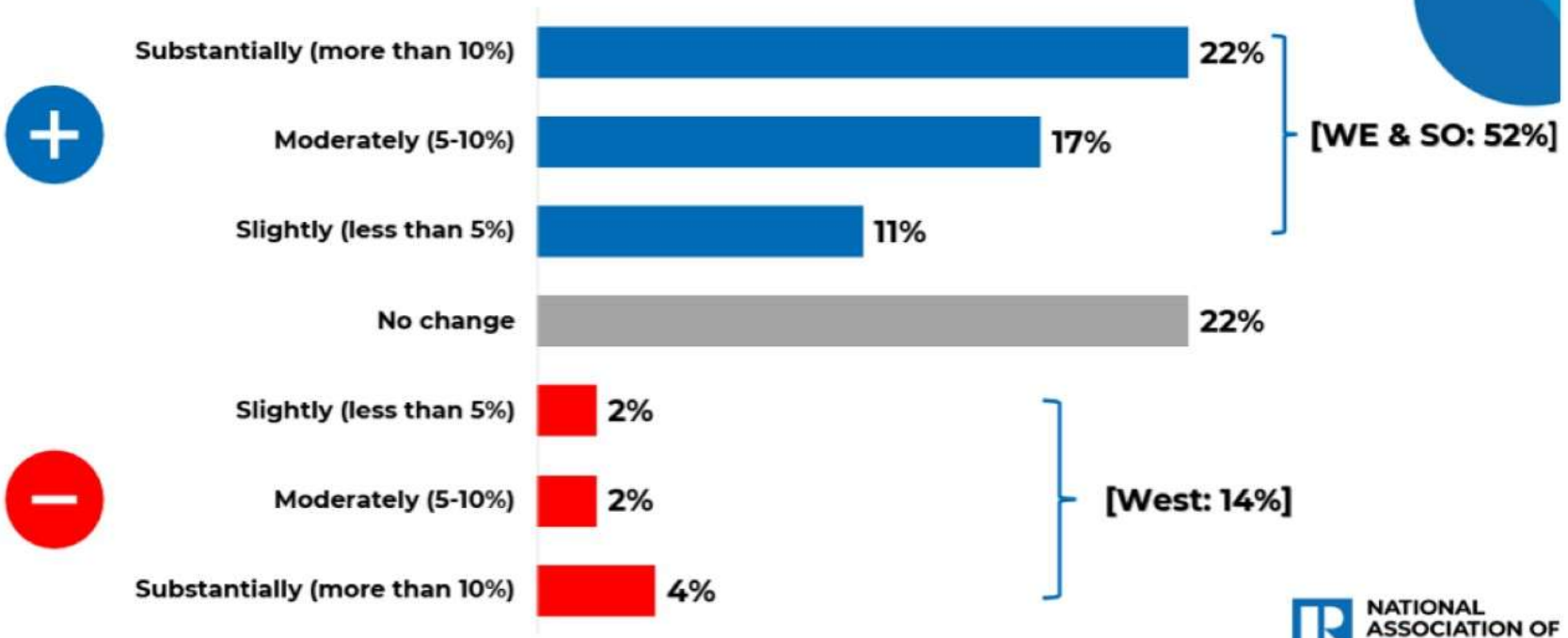





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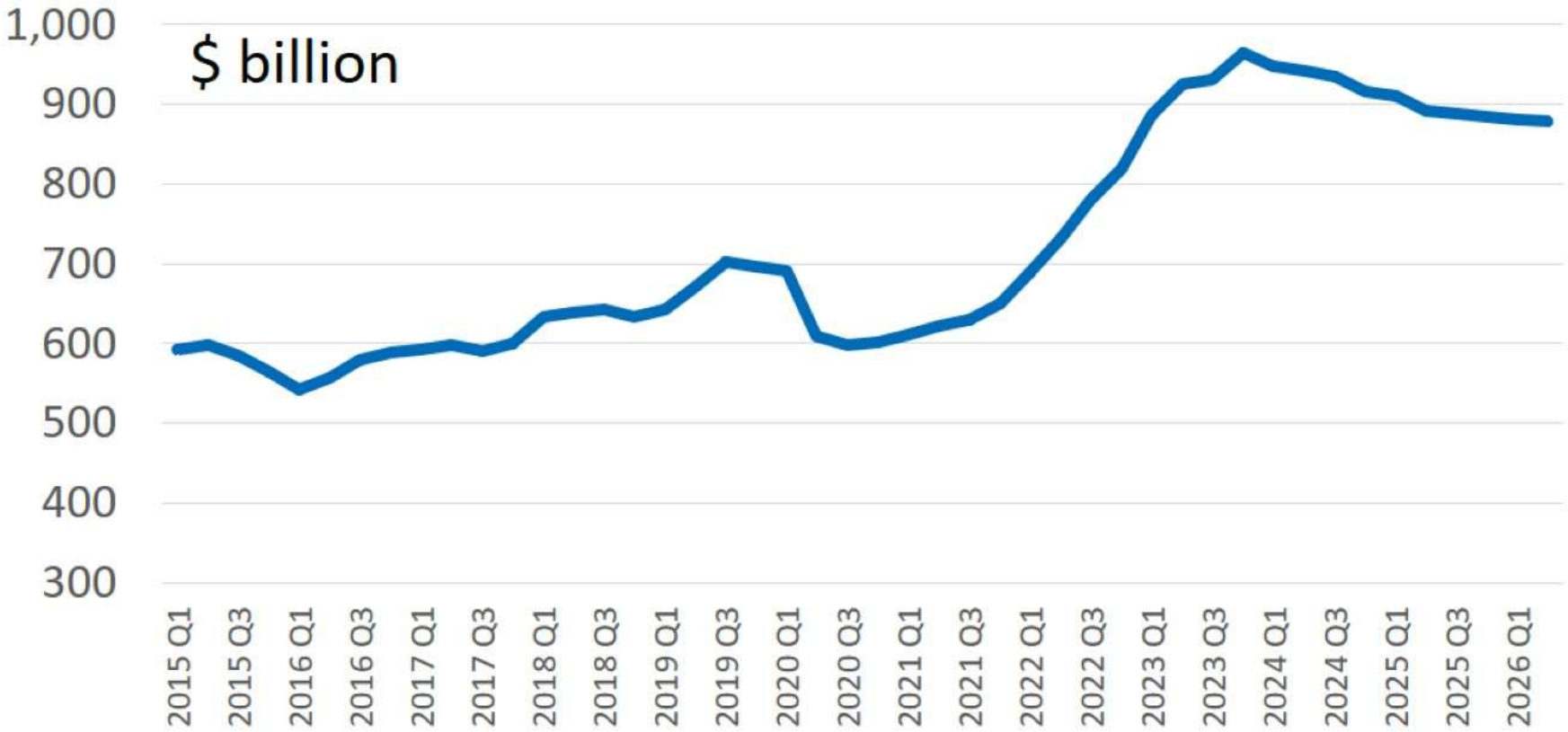
# Perceived Higher Commercial Values Near Data Centers






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# Commercial Real Estate Structure Spending (non-residential structure investment)




Source: Department of Commerce using constant 2017 dollars

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# Where commercial real estate demand is the highest, according to new data

PUBLISHED THU, AUG 20 2026•8:15 AM EDT | UPDATED THU, AUG 20 2026•10:21 AM EDT



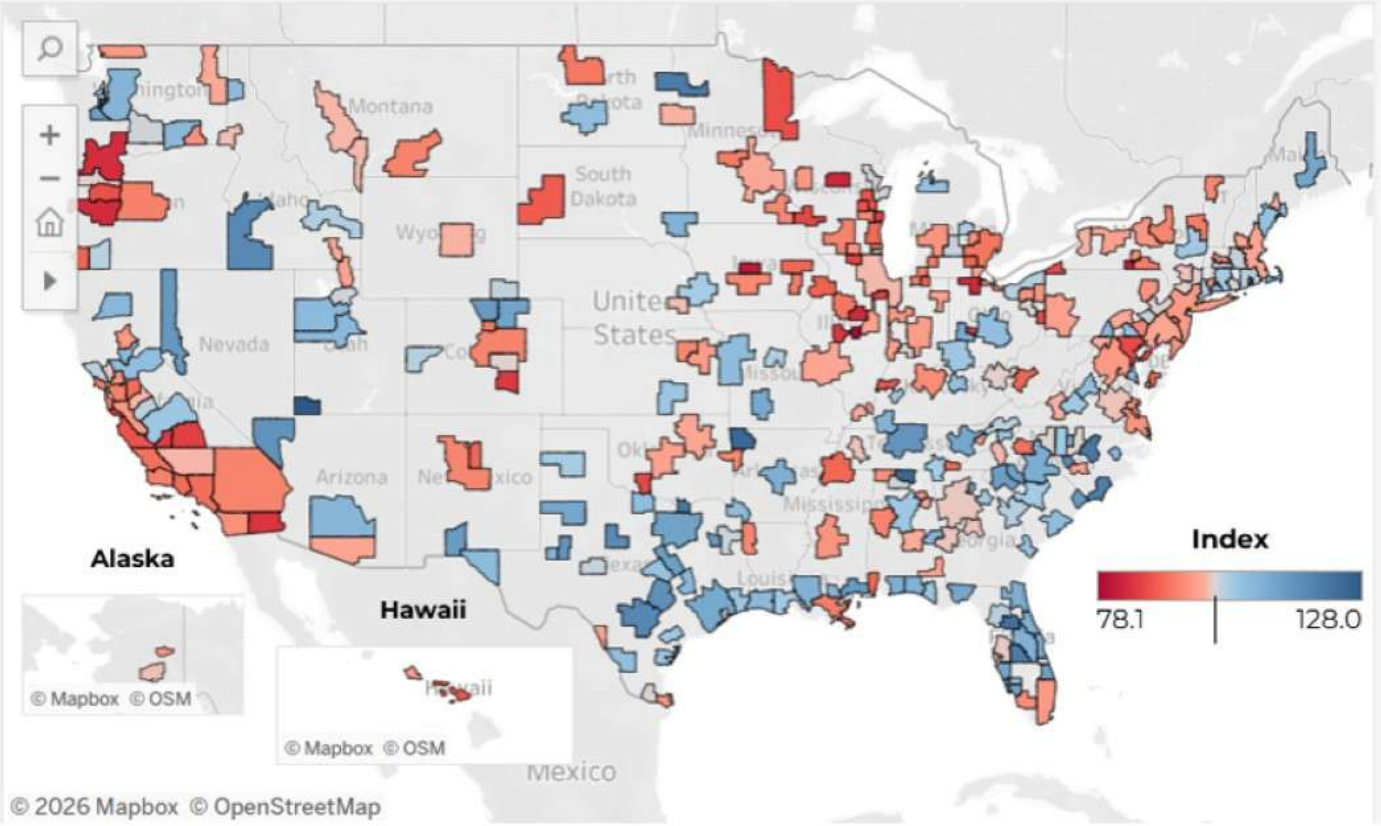
**Diana Olick**
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@DIANAOLICKCNBC
@DIANAOLICK

SHARE

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# CRE DEMAND INDEX-Q2 2026

**Click on a metro area**

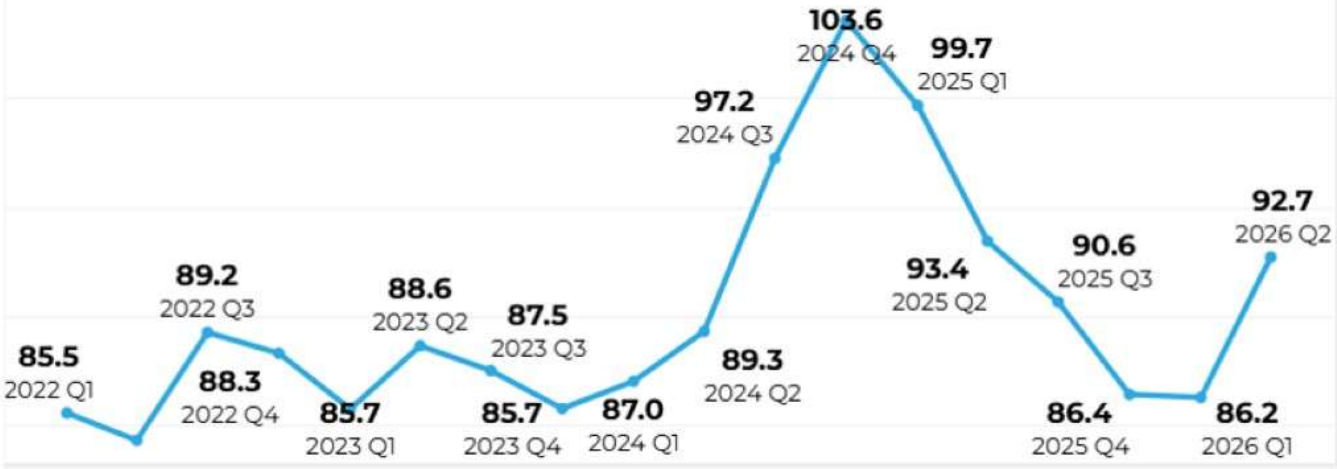



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# New Orleans-Metairie, LA

| Index | 1-year change | Rank | Strongest Driver |
|---|---|---|---|
| **92.7** | **-0.7** | **249** | **Office** |
| 100=average metro | vs Q2 2025 | | |

## Index since 2022

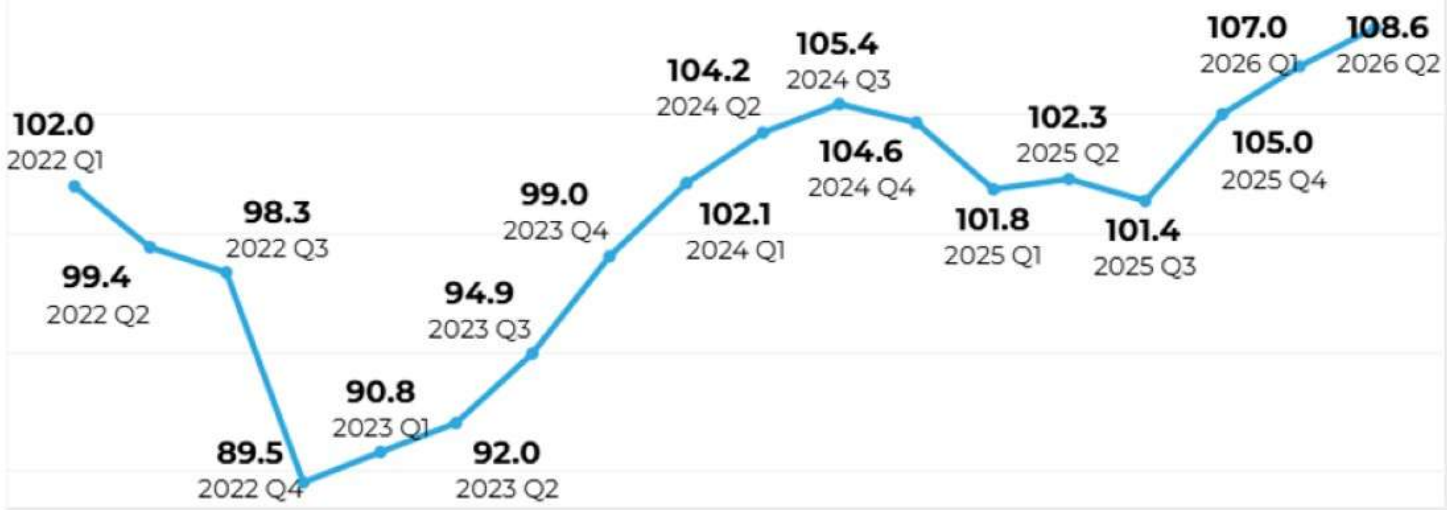



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# Baton Rouge, LA

| Index | 1-year change | Rank | Strongest Driver |
|---|---|---|---|
| **108.6** | **6.4** | **51** | **Industrial** |
| 100=average metro | vs Q2 2025 | | |

## Index since 2022

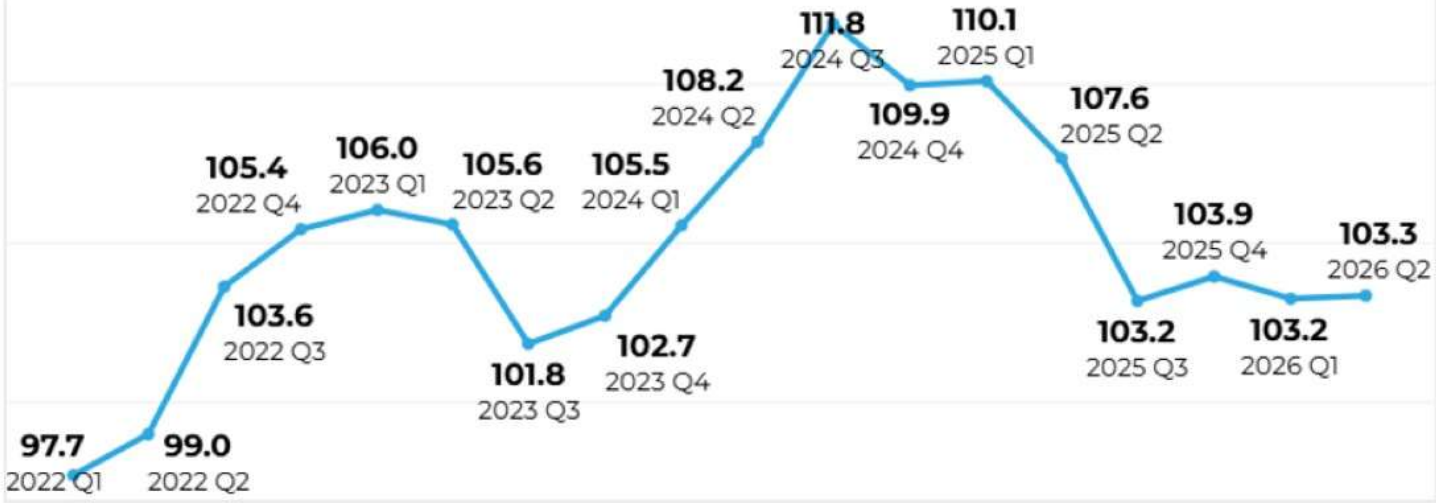



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# Lafayette, LA

| Index | 1-year change | Rank | Strongest Driver |
|---|---|---|---|
| **103.3** | **-4.3** | **103** | **Office** |
| 100=average metro | vs Q2 2025 | | |

## Index since 2022

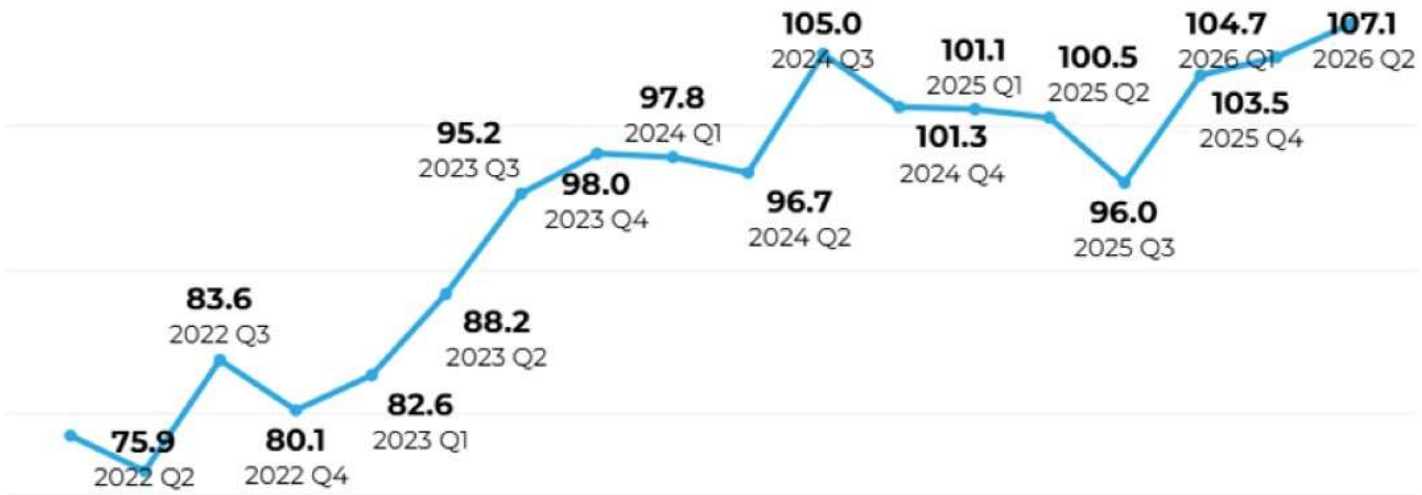



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# Lake Charles, LA

| Index | 1-year change | Rank | Strongest Driver |
|---|---|---|---|
| **107.1** | **6.5** | **64** | **Retail** |
| 100=average metro | vs Q2 2025 | | |

## Index since 2022

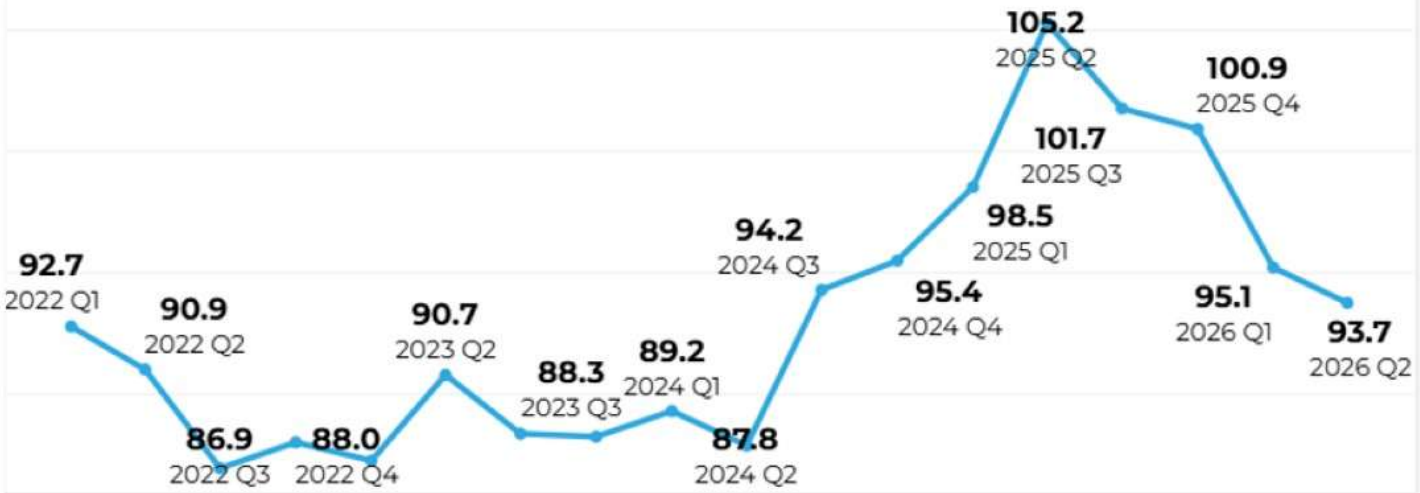



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# Shreveport-Bossier City, LA

| Index | 1-year change | Rank | Strongest Driver |
|---|---|---|---|
| **93.7** | **-11.5** | **234** | **Industrial** |
| 100=average metro | vs Q2 2025 | | |

## Index since 2022

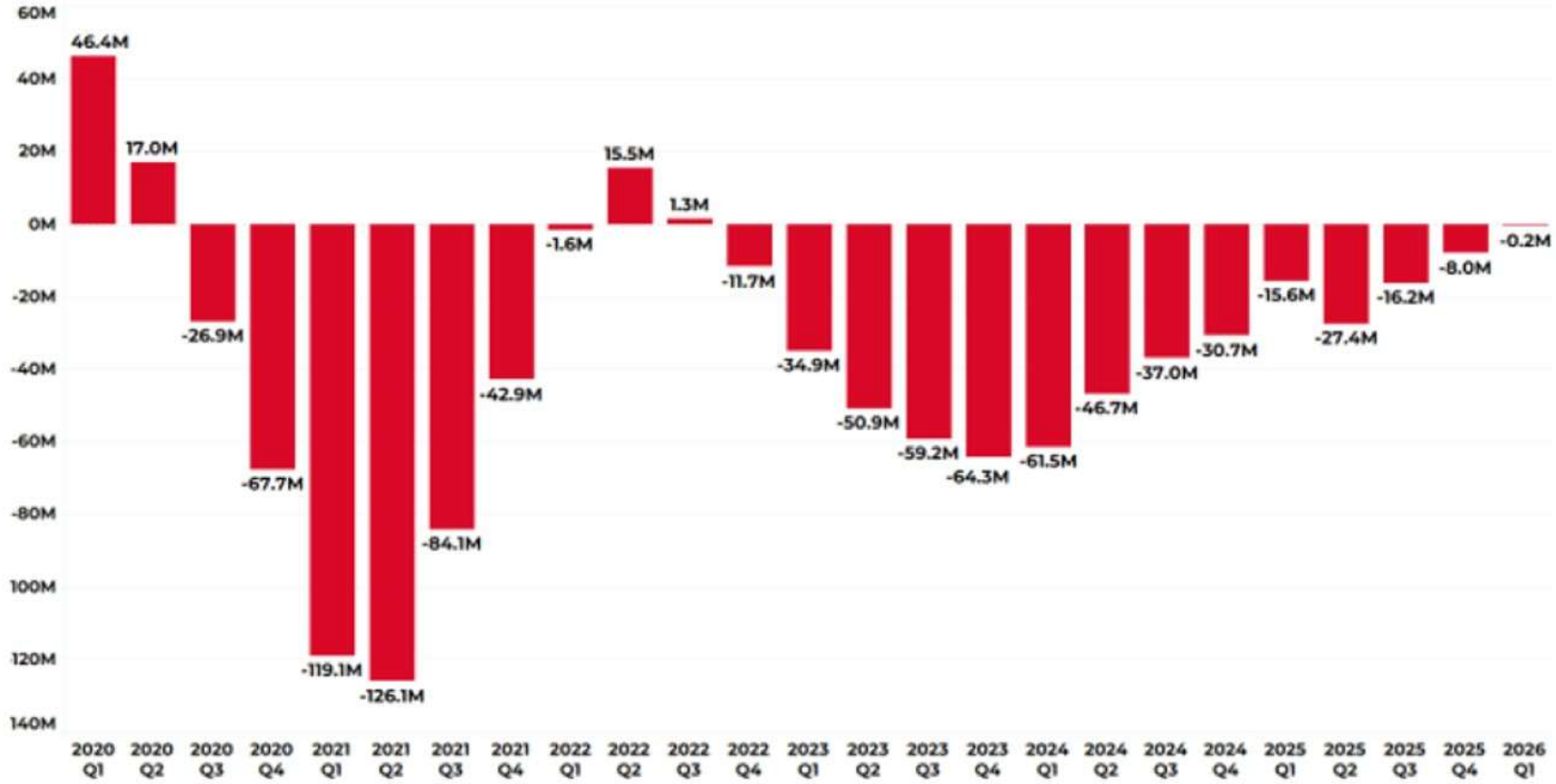



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# Office

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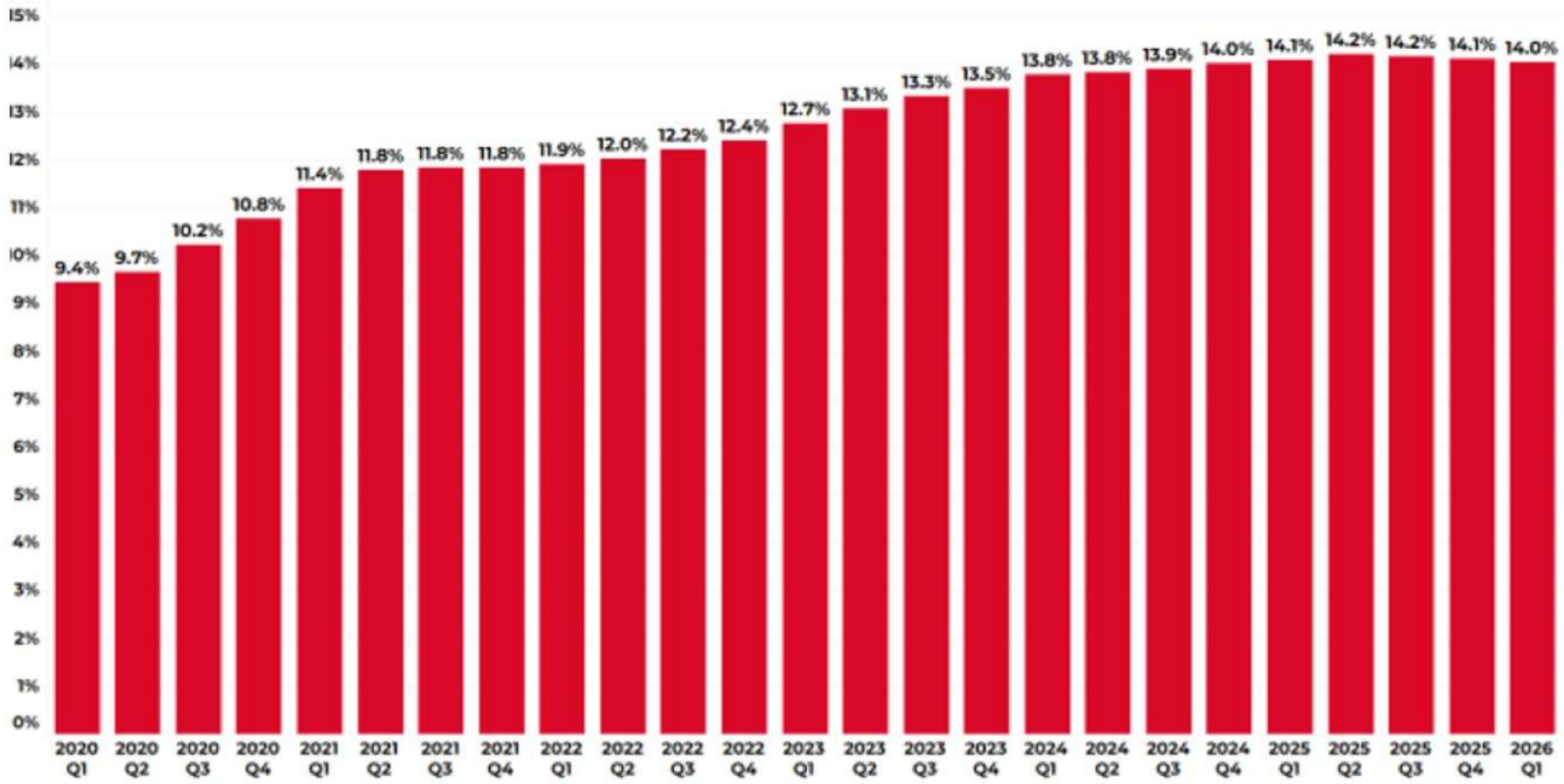
# Office Net Absorption in past 12 months … Not yet Positive




Source: NAR analysis of CoStar data

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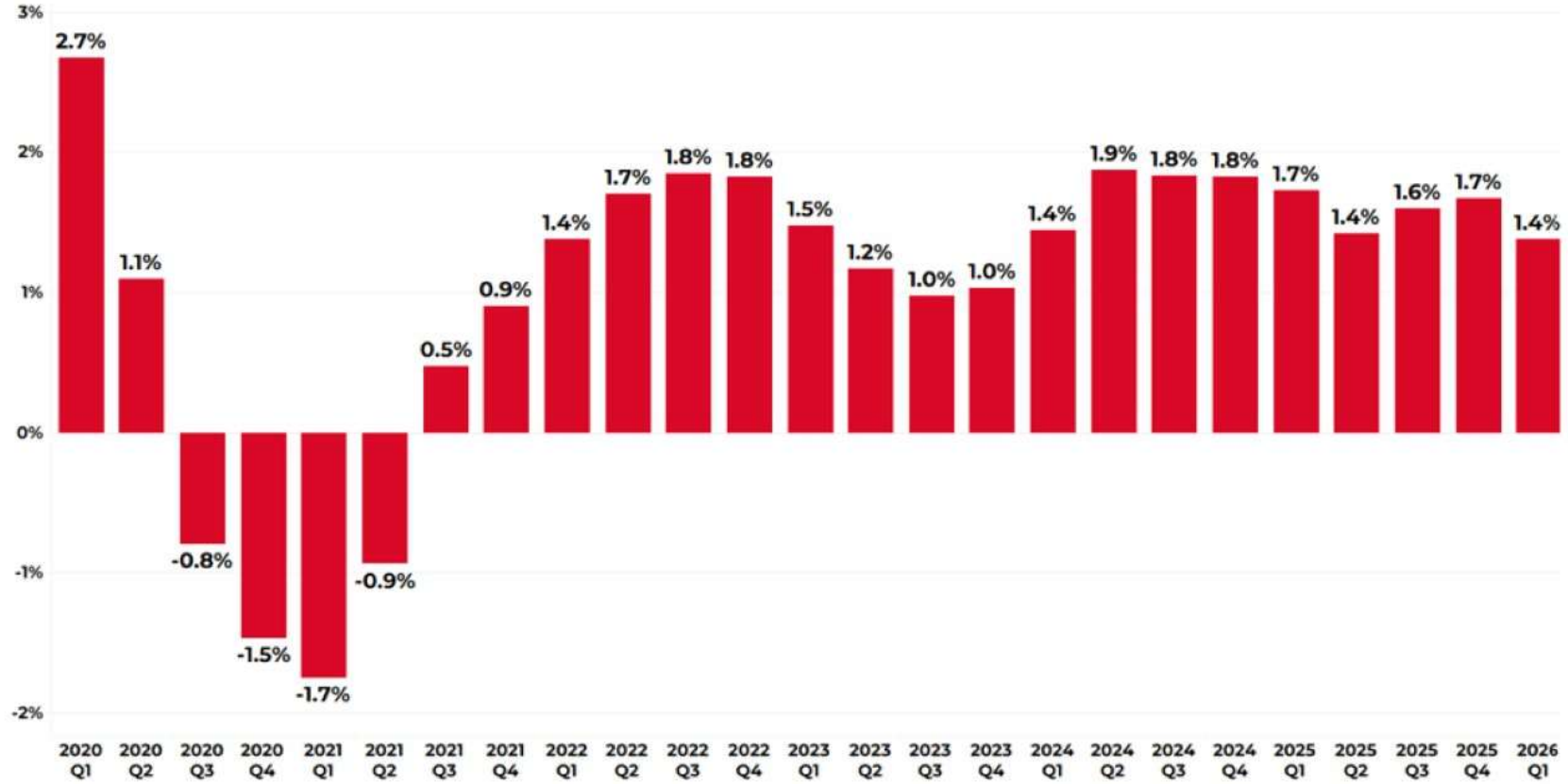
# Office Vacancy No Longer Rising ... Conversion




Source: NAR Analysis of CoStar data

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# Office Rent Growth 1.4%, below CPI and below Operation Cost



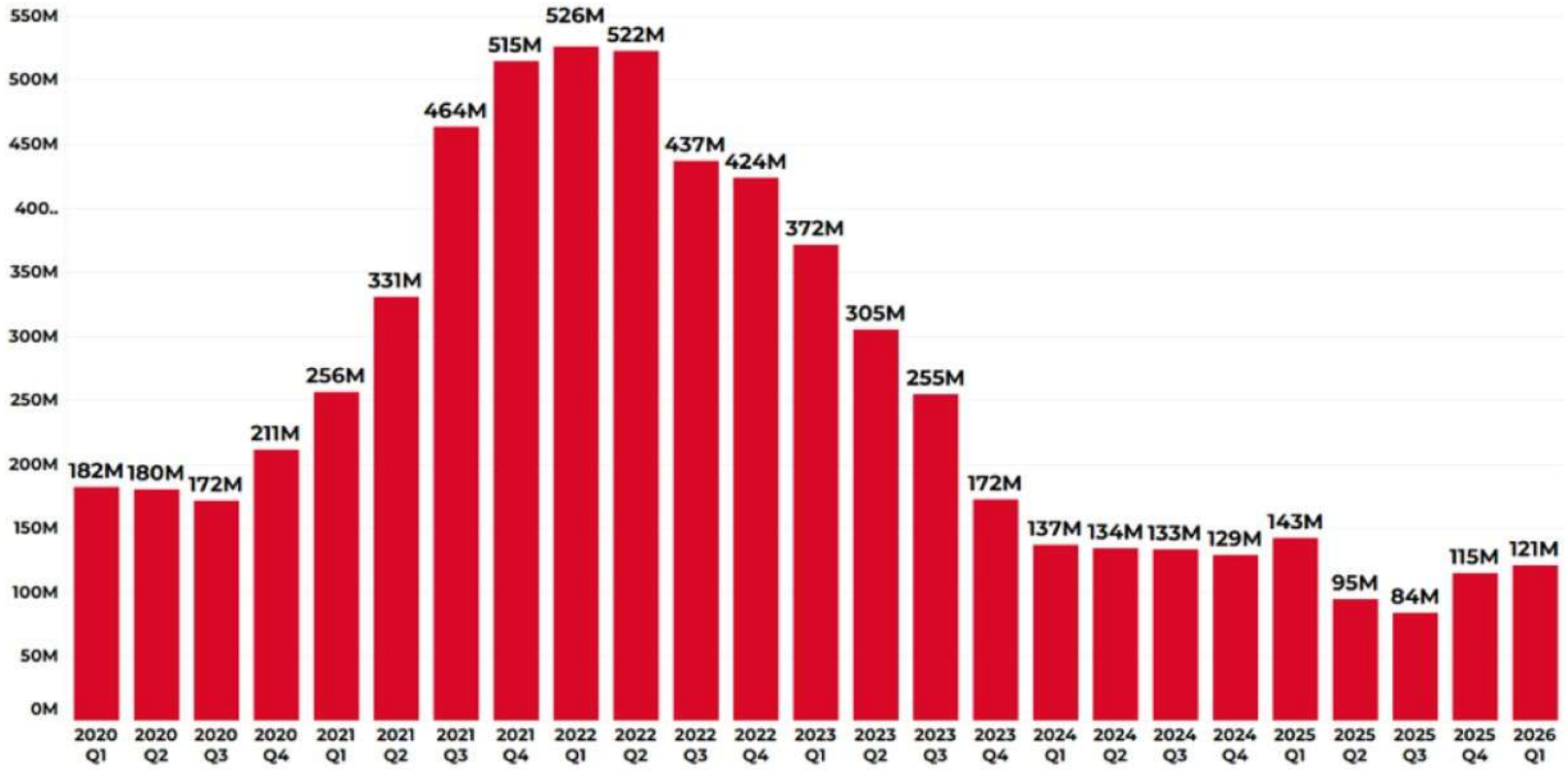

Source: NAR analysis of CoStar data

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# Industrial

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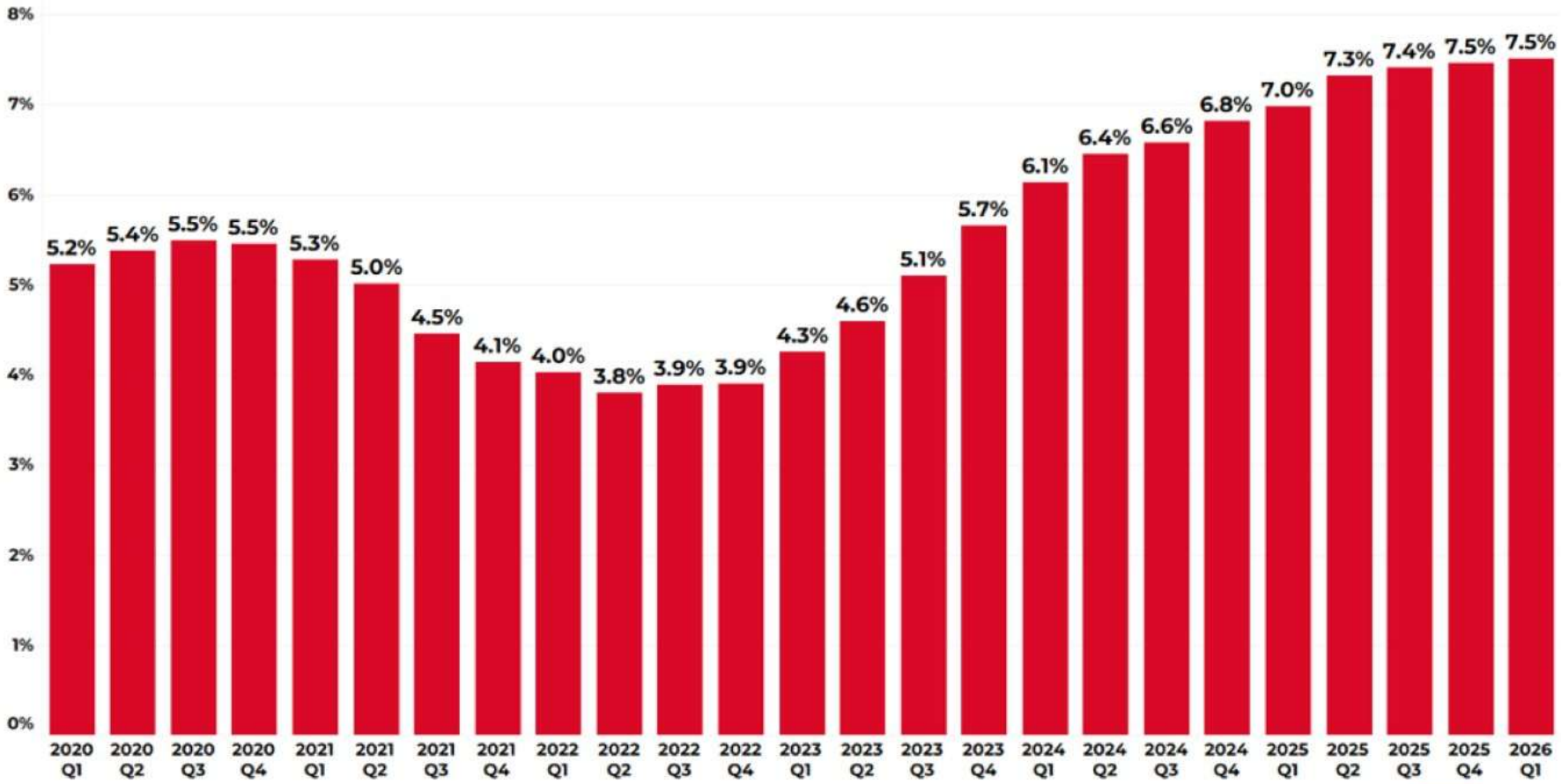
# Industrial Space Net Absorption ... Net Positive




Source: NAR analysis of CoStar data

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# Industrial Vacancy Rate ... Cyclical Peak

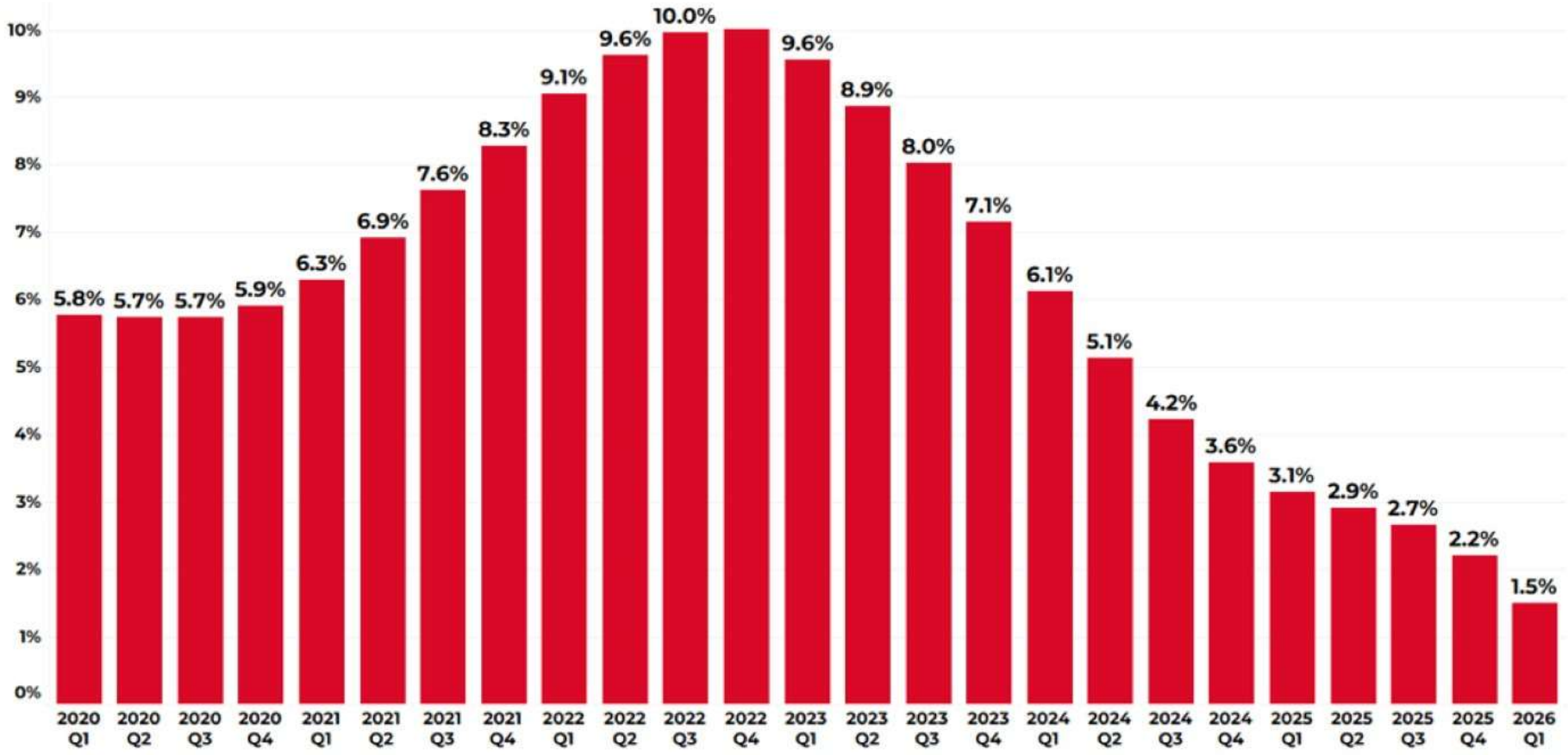



Source: NAR Analysis of CoStar data

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# Rents Softly Rising

## Industrial barely positive




Source: NAR analysis of CoStar data

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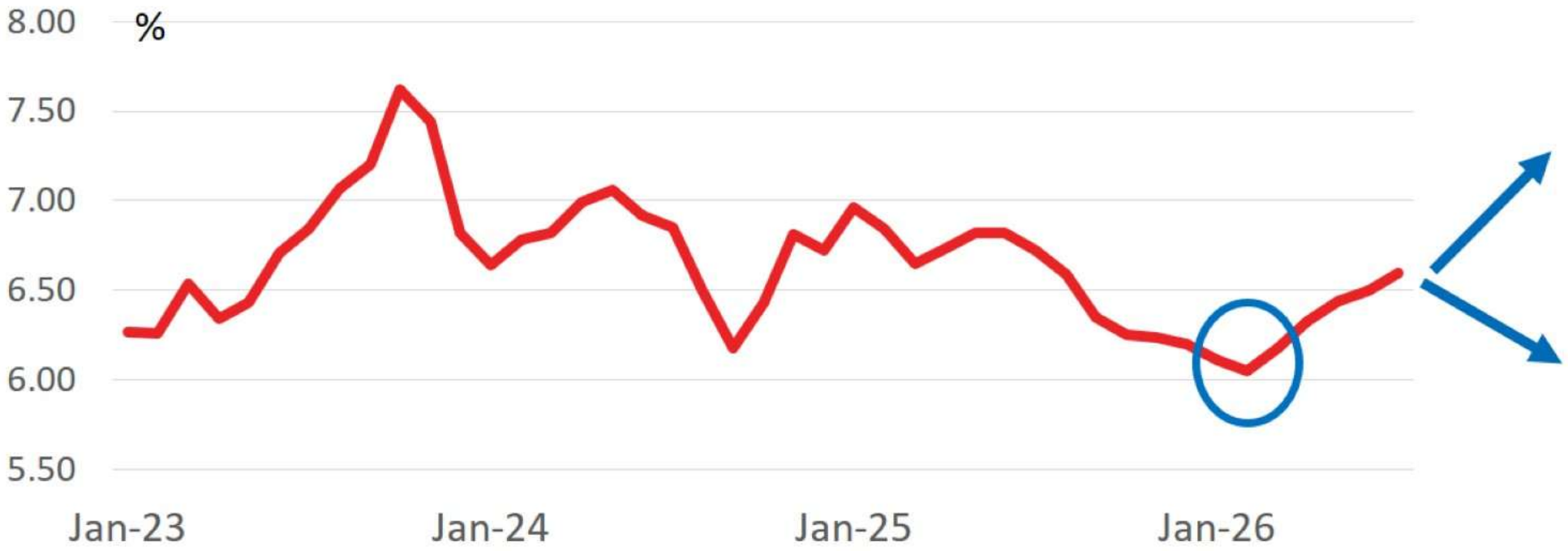
# Economy and What to Expect

1. Uncertain Mortgage Rates
2. K-Shaped Economy
3. Soft Job Additions
4. Local Market Variations

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# Mortgage Rate Outlook?

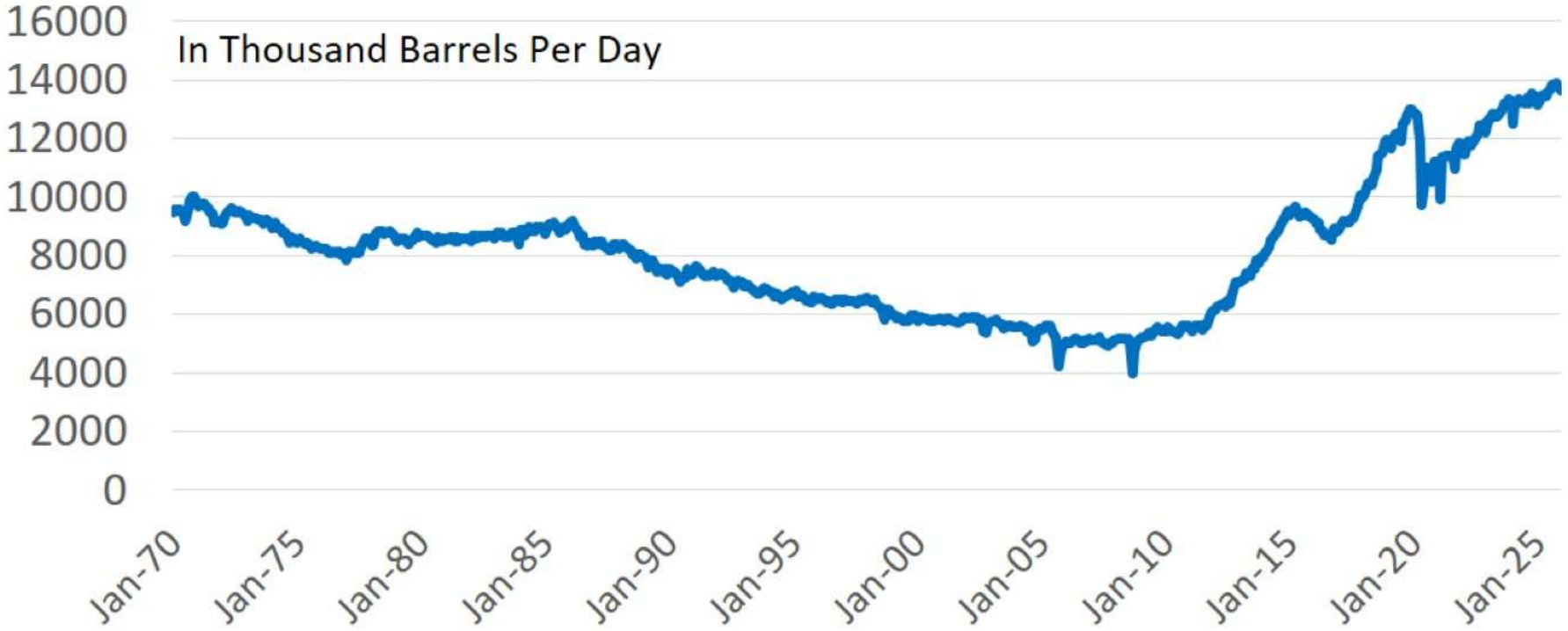
## ... lowest in 4 years back before the oil price shock




Source: Feddie Mac

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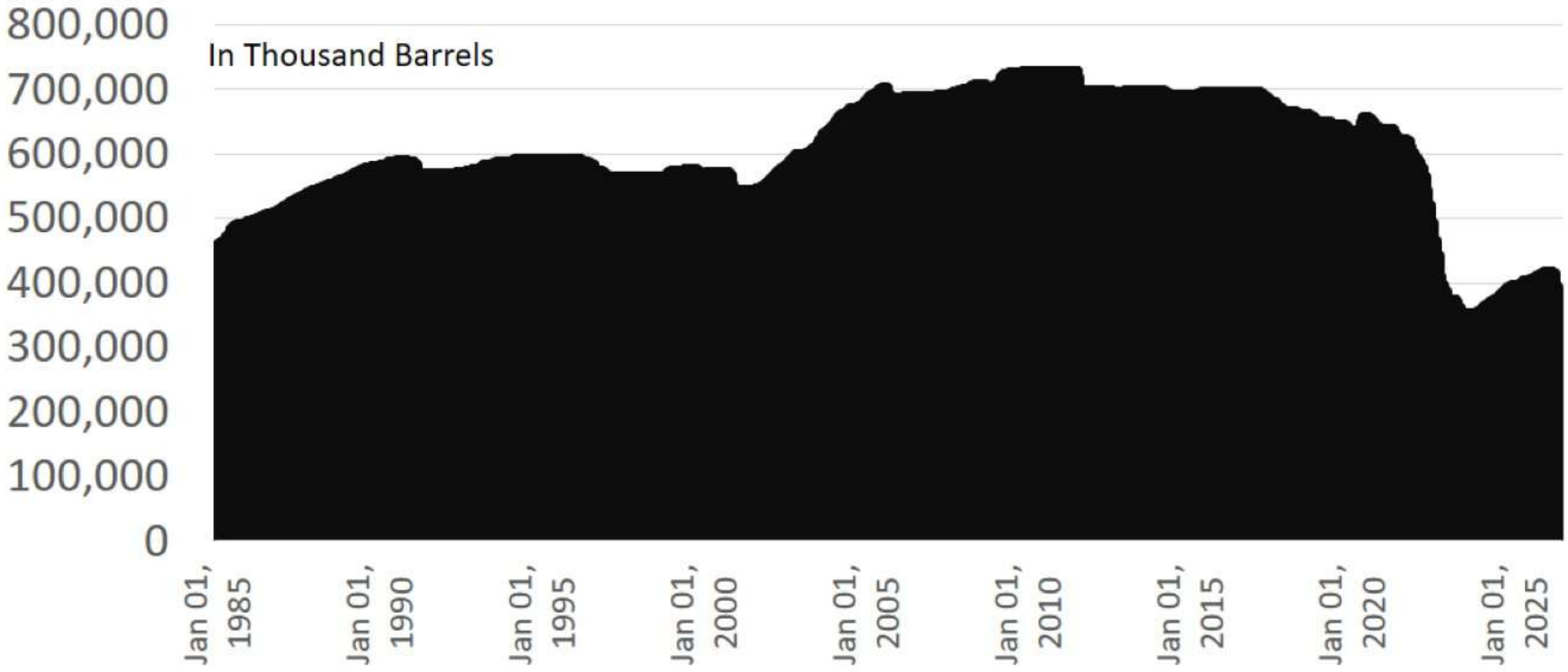
# Massive Oil Production in U.S.




Source: U.S. Energy Information Administration

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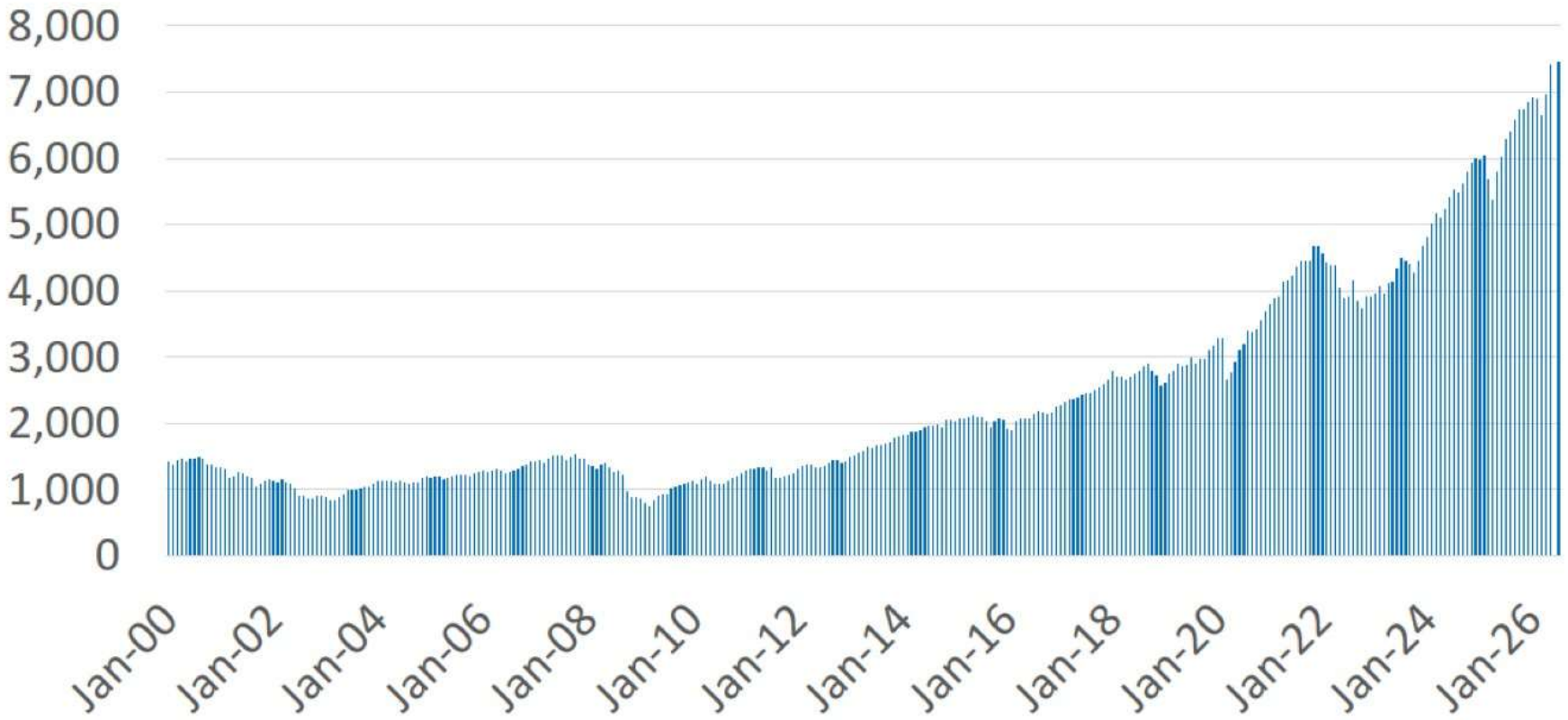
# But Very Low Strategic Petroleum Reserve




Source: U.S. Energy Information Administration

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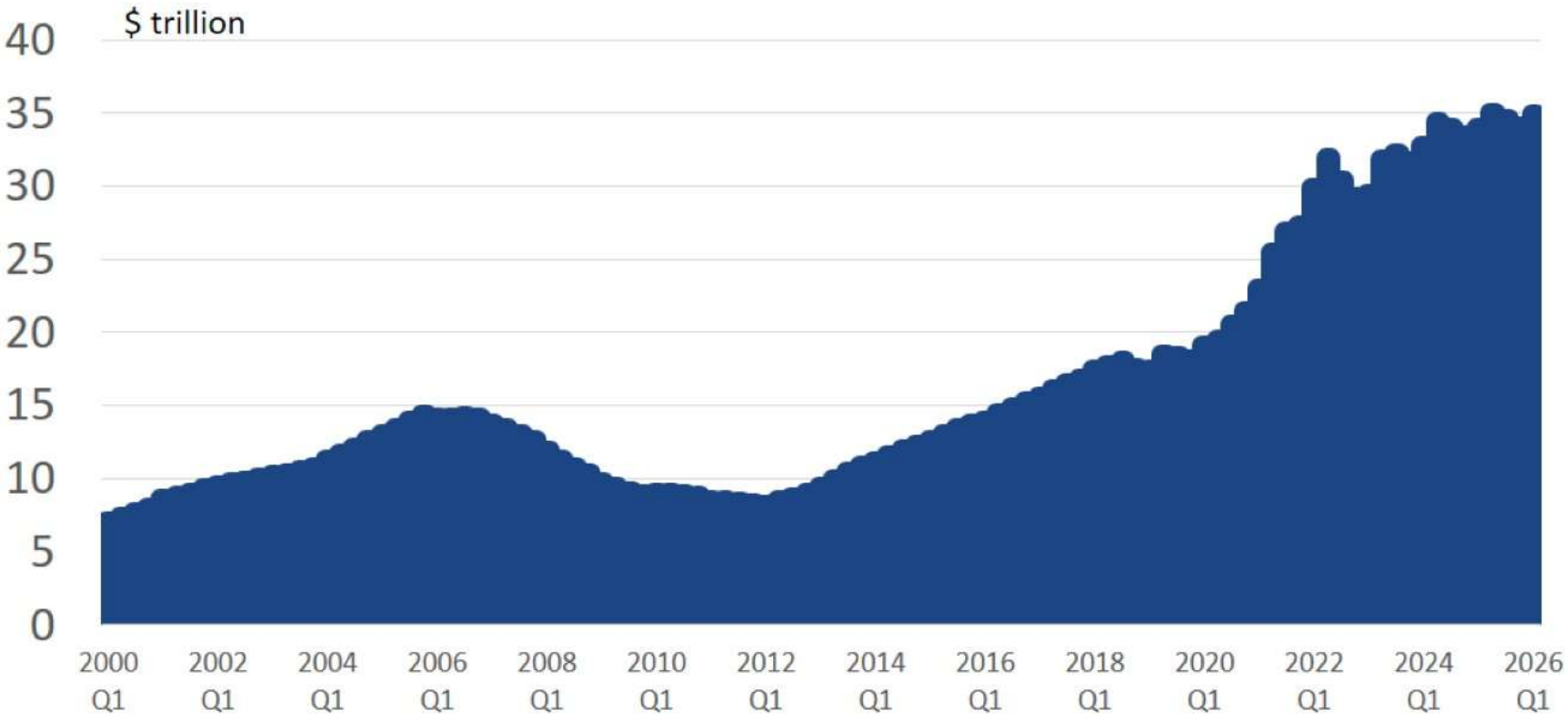
# Stock Market Boom … S&P 500 Index




Source: Standard & Poor's

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# Homeowners' Real Estate Net Worth at $35 trillion
## (Valuation minus Mortgage Debt)




Source: Federal Reserve

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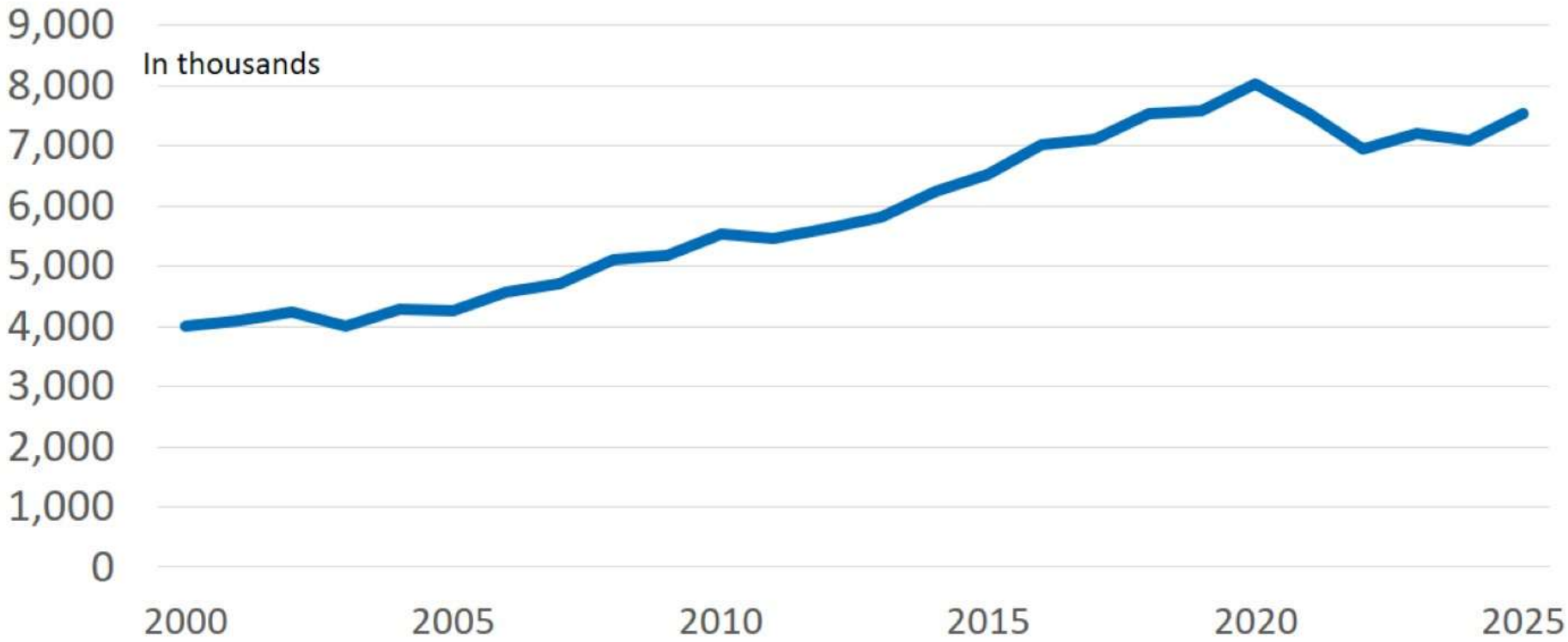
# Consumer Sentiment: K-Shaped Economy (Overall Index)




Source: University of Michigan

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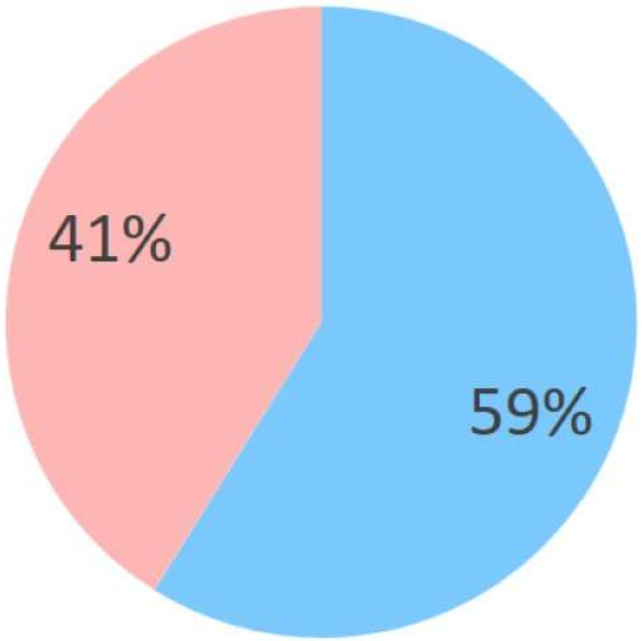
# Young Adults Living at Home (age 25-34)




Source: Census

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# Mostly Young Adults Males Living at Home (age 25-34)




Source: Census

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# Falling Labor Force Participation Rate

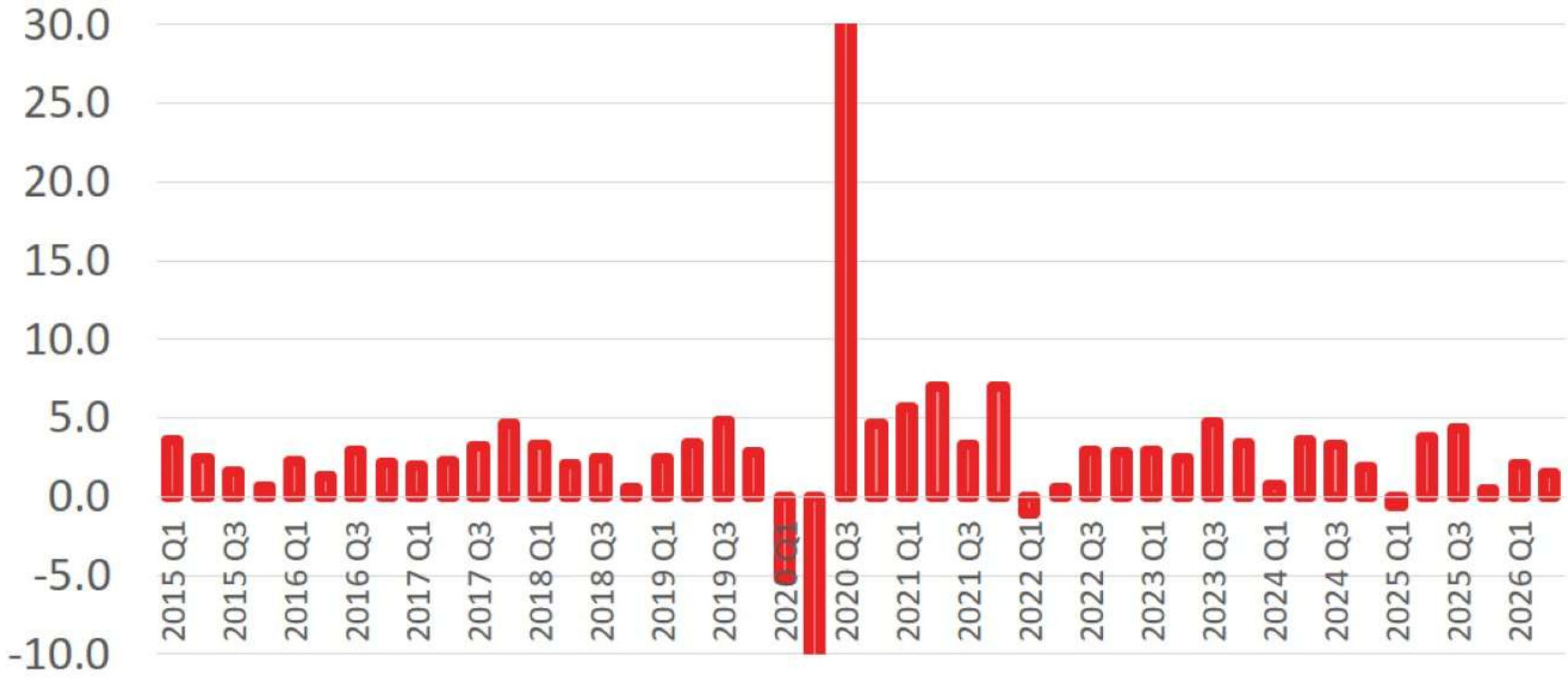
## Where is the Work Spirit?




Source: BLS

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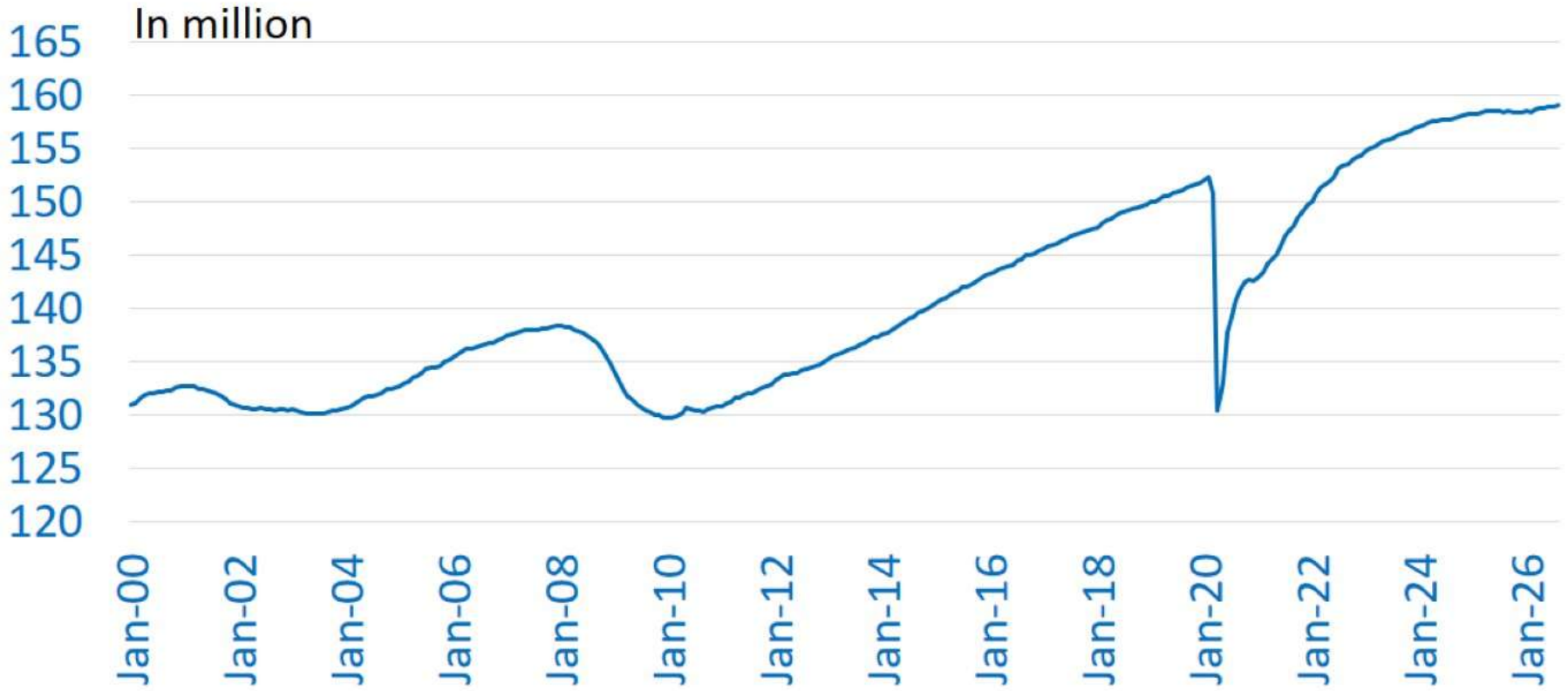
# GDP Annualized Growth Rate 1.5% in Q2 … Not in Recession … Q3 to be above 3%




Source: Department of Commerce

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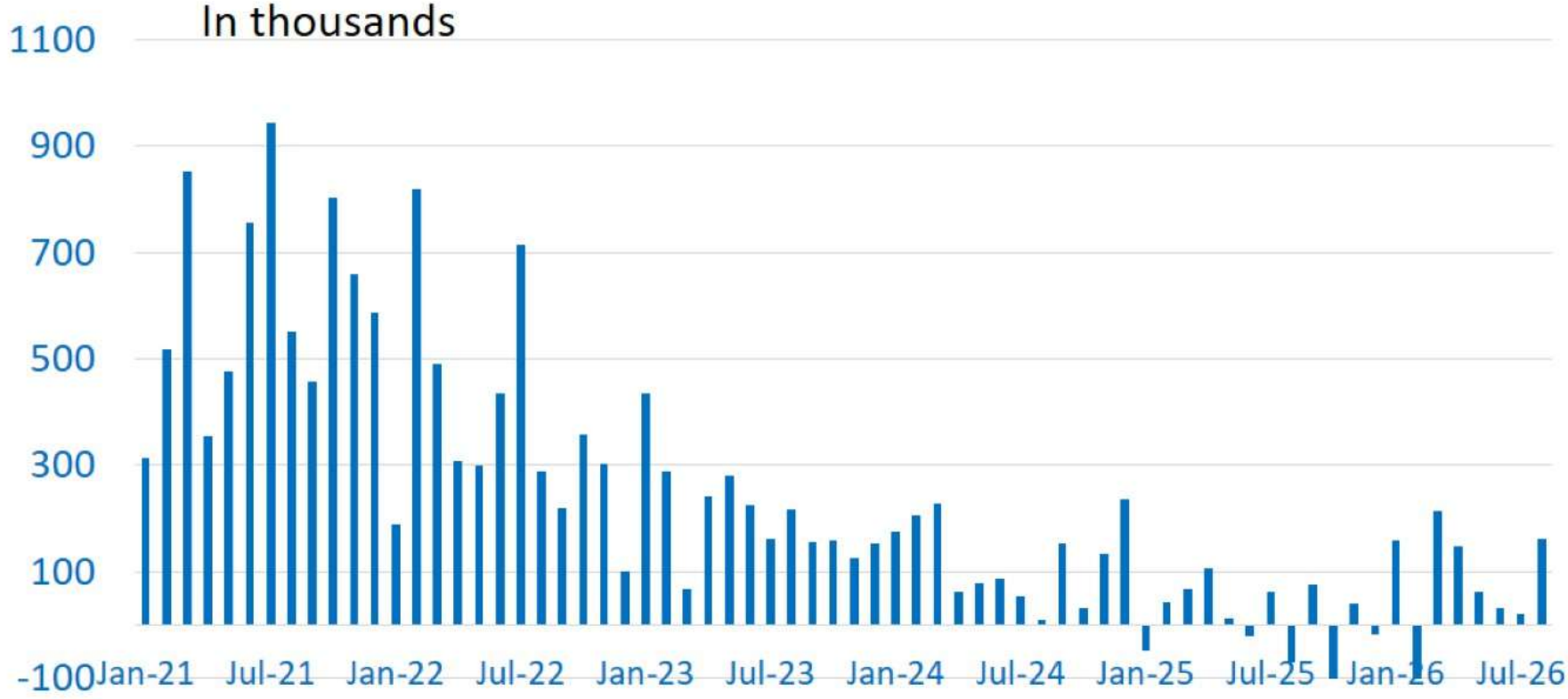
# Total Payroll Jobs to August 2026




Source: BLS

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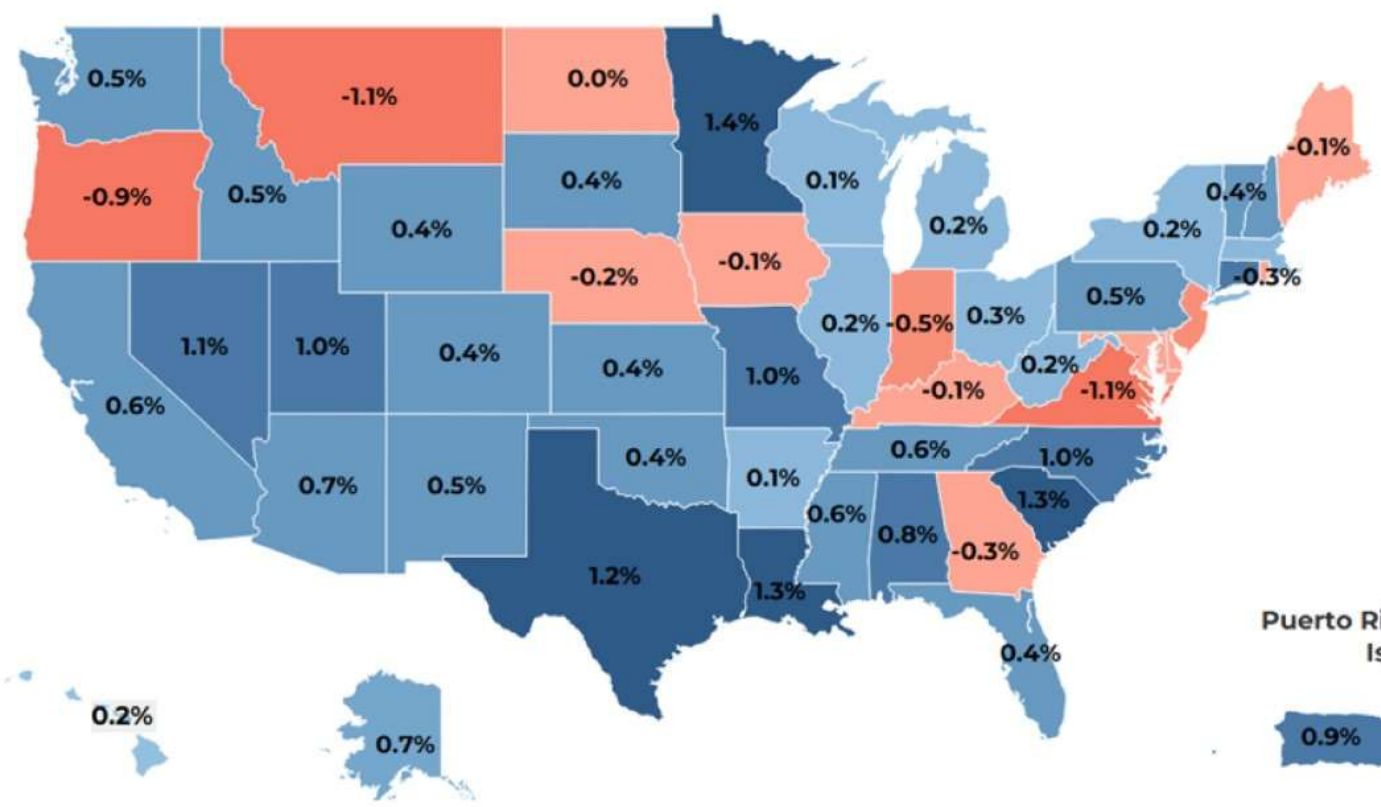
# Net New Jobs Per Month
## +162,000 in August; +643,000 year-to-date




Source: BLS

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# One–year Payroll Job Gain
## (% change July 2025 to July 2026)

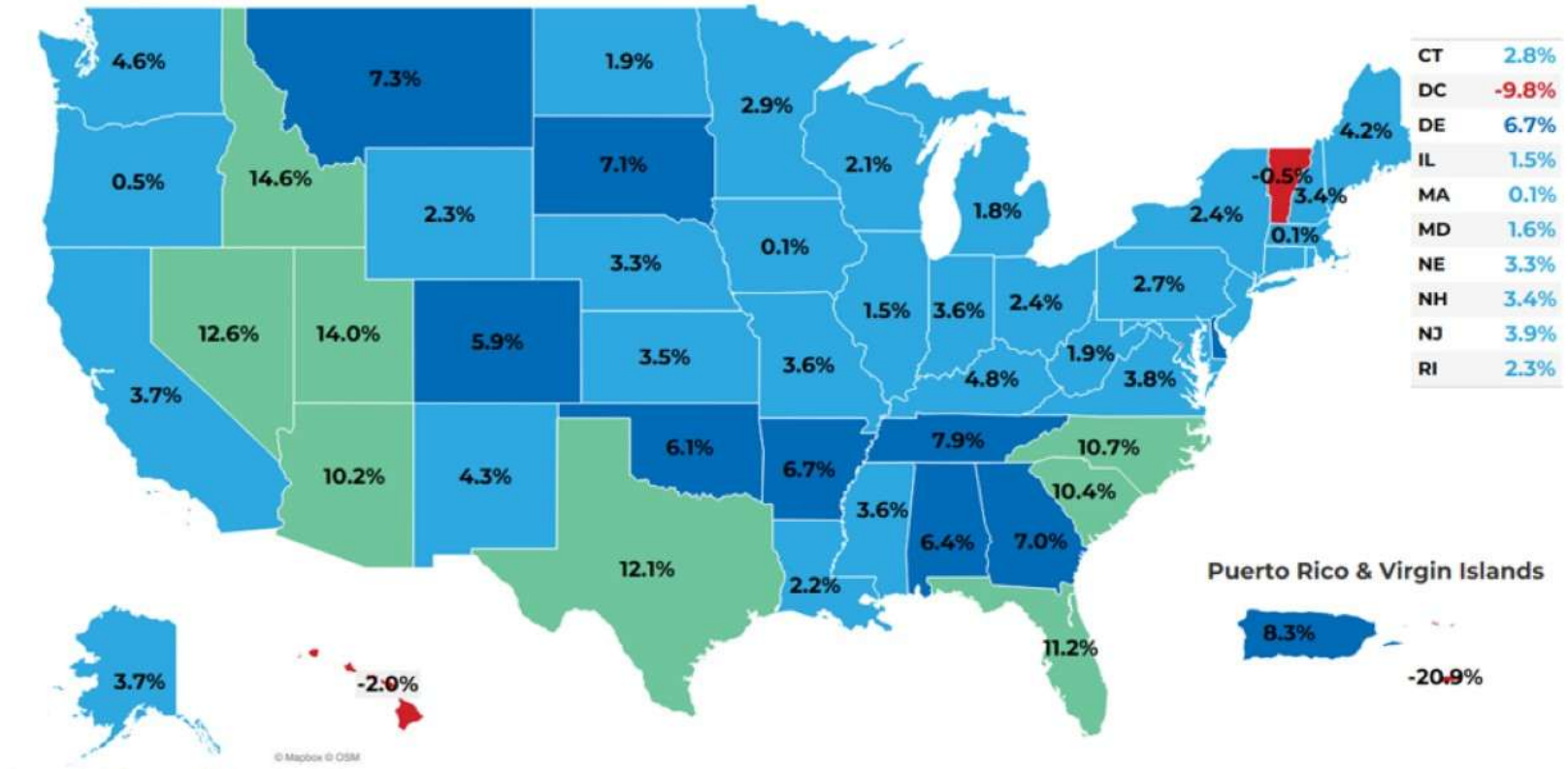



| | |
|---|---|
| CT | 0.8% |
| DC | -4.2% |
| DE | -0.2% |
| IL | 0.2% |
| MA | 0.2% |
| MD | 0.0% |
| NE | -0.2% |
| NH | 0.5% |
| NJ | -0.4% |
| RI | -0.3% |

Source: NAR Analysis of BLS data

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# Job Gains Since Pre-COVID
## (% change from March 2020 to July 2026)




| | |
|---|---|
| CT | 2.8% |
| DC | -9.8% |
| DE | 6.7% |
| IL | 1.5% |
| MA | 0.1% |
| MD | 1.6% |
| NE | 3.3% |
| NH | 3.4% |
| NJ | 3.9% |
| RI | 2.3% |

Source: U.S. Bureau of Labor Statistics

Source: NAR Analysis of BLS data

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# Payroll Jobs in New Orleans




Source: BLS

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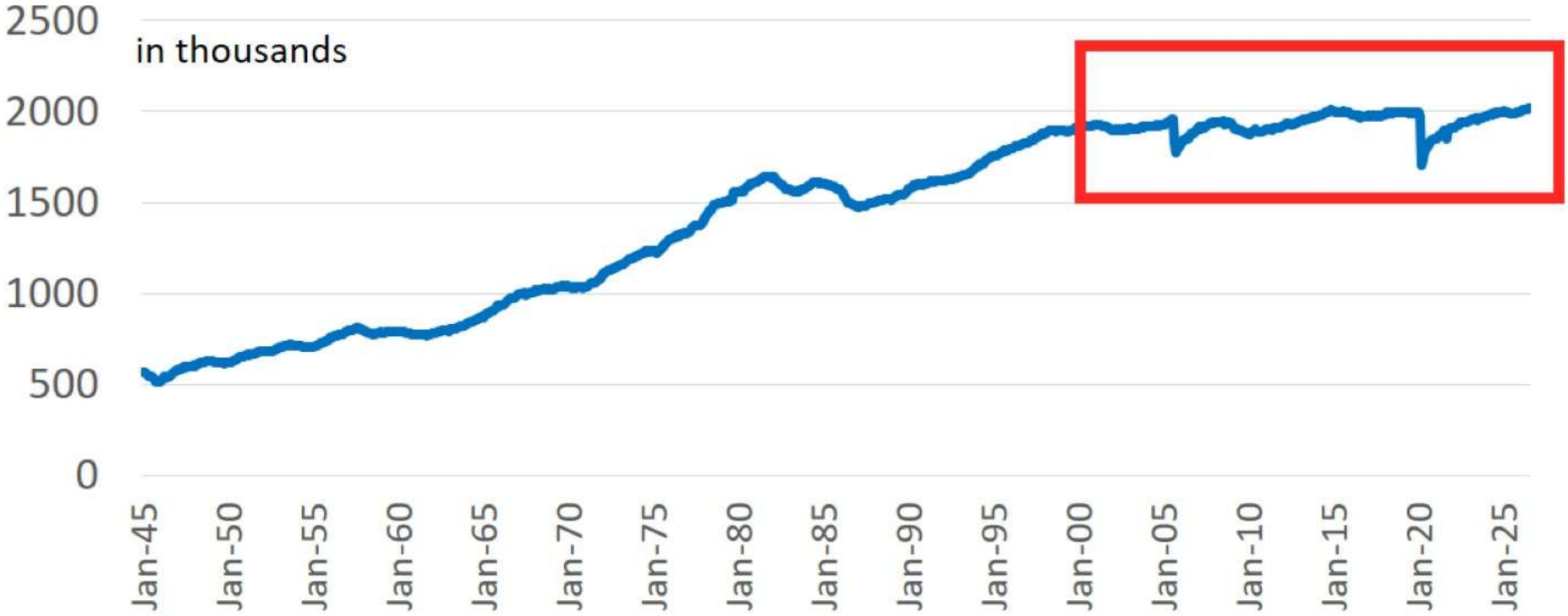
# Payroll Jobs in Baton Rouge
# 70% growth from 1990




Source: BLS

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# Payroll Jobs in Louisiana from 1945




Source: BLS

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# Residential Market Forecast – No Recession

| | 2025 | 2026 |
|---|---|---|
| Existing-Home Sales | +0% | +0% to +2% |
| New Home Sales | -2% | -5% |
| Median Home Price | +3% | +2% |
| Mortgage Rate | 6.7% | 6.8% |
| Job Gains | 0.2 million | 0.4 million |
| Unemployment Rate | 4.3% | 4.3% |

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# Mortgage Rates Drop in 2027 ! ?

1. AI Boom Craze boost Worker Productivity …
   Lowers inflation pressure … Lower Interest Rates

2. AI Boom Craze turns out to be a Bubble …
   Stock Market Crash … Lower Interest Rates

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# We Want YOUR Feedback

- Email us questions for Ask the Economist videos
- Suggestions for new research
- Questions NAR Research should tackle

- We want to hear from you!

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