



Economic Update

 **SVN** | RESEARCH

DECEMBER 11, 2025

1. FED INTEREST RATE DECISION

- The FOMC cut the benchmark Federal Funds rate by 25 basis points at their December policy meeting. It was the committee's third consecutive rate cut, widely expected by markets.
- The decision was made along a 9-3 vote, the most divided the FOMC has been on a vote in over six years. The dissenting votes came from both directions: two members preferred no change in rates, while one advocated a larger 50-basis-point cut.
- Fed Chair Jerome Powell again pointed to the cooling labor market as the reason for the cut, but hinted at a potential pause in cuts ahead, claiming that the committee was now "well positioned to wait and see how the economy evolves" before making further moves.
- Separately, the Fed announced it would resume purchasing \$40 billion in Treasury bills to ensure there are ample reserves in the financial system. It would be the Fed's first such purchase since its last round of Quantitative Easing (QE) ended in June 2022.
- However, unlike QE, which aims to stimulate the economy by purchasing short- and long-term bonds and mortgage-backed securities (MBS), the current action is a smaller, more focused effort to stabilize short-term funding markets.

2. FOMC ECONOMIC PROJECTIONS

- In the Summary of Economic Projections that accompanied the December FOMC meeting, officials raised their forecast for 2026 economic growth while lowering their inflation projection. However, it showed a slight uptick in the projected 2026 unemployment rate.
- Compared to their September projections, the FOMC, on average, forecasts GDP growth of 2.3% from 1.8%.
- The committee's core-PCE inflation forecast for 2026 was lowered to 2.4%, down from 2.6% but still above the 2.0% target level.
- Meanwhile, the new projections showed an average unemployment rate forecast of 4.5% compared to 4.4% in September.



Economic Update



- The employment forecast suggests officials expect levels to remain relatively stable despite expected headwinds; however, more than two-thirds of FOMC members see the risks to unemployment as weighted to the upside.

3. BLACK FRIDAY SPENDING

- US Black Friday retail sales were up 4.1% year-over-year in 2025, according to an analysis by Mastercard Economics. Their analysis measures both in-store and online retail sales across all payment types, but is not adjusted for inflation.
- E-commerce sales grew 10.4% over 2024's level, while in-store sales grew at a more modest 1.7% pace.
- More consumers are reportedly taking advantage of promotions and shopping earlier in the holiday season compared to last year. Spending on apparel was particularly robust (+5.7%), with in-store sales (+5.4%) up almost just as much as online sales (+6.1%) over the past year. Jewelry sales are up 2.7%.
- Meanwhile, restaurant sales rose 4.5% as dining out has become an increasingly popular part of holiday activities.

4. NATIONAL RENT COLLECTIONS

- On-time rental payments and independently operated rental units ticked up 65 basis points to 83.7% in November, according to the latest Chandan Economics-RentRedi Rent Collections Report.
- While on-time collections remain well below post-pandemic highs, a positive inflection in September suggests a rebound is already underway. The on-time payment rate has now risen for three consecutive months, while the pace of year-over-year declines is moderating.
- Late payments have been the primary driver of underperformance in the mom-and-pop rental sector. The three-month moving average of late payments in independently operated rentals has risen consistently since mid-2024, climbing from a low of 8.4% to a high of 13.2% in August 2025.
- Among the three tracked property types, 2-4-unit rentals led the way in November 2025, posting an on-time payment rate of 84.4%. Single-family rentals (SFR) followed at 83.7%, while multifamily properties trailed with an average on-time collection rate of 82.5%.



Economic Update



- Western states continue to hold the highest on-time payment rates in the country, led by South Dakota, Utah, Alaska, Montana, and Wyoming.

5. LOGISTICS ACTIVITY

- Logistics activity slowed to the most tepid monthly growth rate since June 2024, according to the November update to the Logistics Managers Index (LMI). The LMI is a key leading indicator for Industrial real estate activity.
- The LMI was down 1.7 points from October to 55.7. An index level above 50 indicated expanding logistics activity. While activity remains expansionary, it has slowed significantly in recent months and is most acutely affecting warehousing activity.
- Warehousing utilization contracted for the first time in the index's nine-year history as the extensive inventories that wholesalers accumulated during the first nine months of the year are gradually drawn down. Consequently, warehousing capacity rose.
- Transportation markets continue to trend upward, with capacity falling and prices increasing.

6. SMALL BUSINESS OPTIMISM

- According to the National Federation of Independent Businesses (NFIB), small business optimism rose by 0.8 points in November to an index score of 99. While the score is above the historical 50-year average, optimism remains relatively lukewarm.
- The month-over-month improvement was driven by a rise in the share of owners who expect business conditions to improve over the next six months, up four index points from October.
- However, business owners note several challenges that appear to be tempering their near-term optimism. Inflation remains a core issue, cited by 26% of all respondents, while 38% report having job openings that they cannot fill with qualified labor.
- Expectations for future sales volume fell slightly, as owners were concerned about the sustainability of consumer spending.



Economic Update



7. BEIGE BOOK

- According to the Federal Reserve's latest Beige Book, published on November 26th, overall economic activity was little changed compared to the previous six-week period across most bank districts.
- Employment growth declined slightly over the period, with about half of the districts reporting weaker labor demand.
- There was an uptick in layoffs, but more firms are using hiring freezes or replacement-only hiring than layoffs. Meanwhile, several employers report adjusting hours worked to accommodate higher or lower expected business volume rather than shift employee headcounts.
- Wages grew at a relatively modest rate, but some sectors, such as manufacturing, construction, and health care, experienced greater wage pressures due to tighter labor supply.
- Price increases were moderate, but cost pressures were widespread in manufacturing and retail. Some Districts noted rising costs for insurance, utilities, technology, and health care.

8. JOB OPENINGS AND LABOR TURNOVER

- Total job openings were roughly unchanged at 7.7 million between September and October, according to recently published data from the Bureau of Labor Statistics. The job openings rate held steady at 4.6%.
- Due to the government shutdown, the September JOLTS estimates are based on partial data self-reported by businesses and released alongside the October data.
- Both hires and total separations were little changed at 5.1 million. Within separations, both quits (2.9 million) and layoffs and discharges (1.9 million) were also little changed.

9. SENIOR HOUSING SELLOFF

- A recent CRE Daily article examines the implications of Blackstone's exit from the Senior Housing market, following steep losses amid reported operational and market setbacks.
- The exit will force the firm to incur losses of over \$600 million from its \$1.8 billion senior housing portfolio. The report notes that many properties were sold at over 70% below purchase price as rising



Economic Update



costs and pandemic-related challenges impact returns.

- Demographic shifts have made senior housing an attractive niche asset in recent years. Still, its labor and service-intensive nature means that the sector is exposed to specific challenges that may be atypical of other real estate assets.
- As senior housing blends elements of healthcare, hospitality, and housing, it was susceptible to some of the pandemic-driven challenges in those service areas.
- Occupancy rates have tumbled while operating costs are up. Meanwhile, as interest rates rose, loan payments on these properties soared, exposing operators like Blackstone to compressed margins,
- Blackstone's downsizing began in 2022, and the trend is indicative primarily of post-pandemic challenges that have squeezed returns for existing investors. Looking forward, senior housing fundamentals remain sound thanks to ageing demographics and rising demand.

10. WHERE HOUSING POLICY HEADS NEXT

- As detailed in a recent Chandan Economics deep dive, several legislative developments in Washington may impact housing policy as today's economic headwinds create space for otherwise difficult political compromises.
- One of the most momentous developments in recent weeks has been a bipartisan push to include housing-related provisions of the bipartisan "ROAD to Housing Act in Congress's must-pass defense bill.
- Several provisions aim to boost housing supply, including grants for local zoning reform, an expanded federal definition of manufactured housing, and streamlined environmental reviews for small-scale housing developments.
- The House has pushed back on defense bill inclusions, but key members of the House Financial Services Committee are indicating a willingness to advance separate housing-related legislation. Meanwhile, some of the ROAD to Housing provisions appear to have White House backing.
- Meanwhile, the Administration has been evaluating the viability of an IPO for Fannie and Freddie, with a decision potentially coming by late 2025 or early 2026.
- Furthermore, the success or failure of year-end housing policy negotiations will likely sway political positions over HUD funding in January.

Economic Update



SUMMARY OF SOURCES

- (1) <https://www.federalreserve.gov/newsevents/pressreleases/monetary20251210a.htm>
- (2) <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20251210.pdf>
- (3) <https://www.mastercard.com/global/en/news-and-trends/press/2025/november/mastercard-spendingpulse--us-black-friday-retail-sales-up--4-1--.html>
- (4) <https://www.chandan.com/post/independent-landlord-rental-performance-report-november-2025>
- (5) <https://www.the-lmi.com/>
- (6) https://www.nfib.com/news/monthly_report/sbet/
- (7) <https://www.federalreserve.gov/monetarypolicy/beigebook202511-summary.htm>
- (8) <https://www.bls.gov/news.release/jolts.nr0.htm>
- (9) <https://www.credaily.com/briefs/senior-housing-selloff-marks-1-8b-loss-for-blackstone/>
- (10) <https://www.chandan.com/post/where-housing-policy-heads-next>