RESEARCH BRIEF

Marcus & Millichap

INCOME AND AFFORDABILITY OUTLOOK

FEBRUARY 2026

Optimistic Commercial Real Estate Outlook Supported by Consumer Balance Sheet Strength

Wage growth outpaces rising prices. Incomes have expanded as earnings consistently exceeded inflation, bolstering individual purchasing power.

- Recent Bureau of Labor Statistics data show that average hourly earnings increased by **3.7 percent** between January 2025 and January 2026.
- During the same period, core CPI rose by **2.5 percent**, indicating that **wage growth exceeded inflation**.
- Wage gains have now outpaced aggregate price increases for the last **32 months**.
- From December 2022 through December 2025, cumulative wage growth totaled **12.4 percent**, compared with a **9.1 percent** increase in CPI.
- Although households continue to feel the impact of elevated price levels, **income growth has remained sufficient to preserve purchasing power**.

Apartment affordability continues to improve. The gap between wage and rent growth has widened, enhancing the financial capacity of many renter households.

- Over the past year, a full-time worker earning approximately **$37 per hour** would have seen their **monthly income rise by roughly $230** following a **3.7 percent wage increase**.
- During that same period, the average U.S. rent rose by only **1.5 percent**, adding about **$28** per month to housing costs.
- While this trend varies across markets and households, wages have outpaced rent growth since the second quarter of 2023, steadily **improving rental affordability nationally**.
- Since mid-2023, average full-time earnings have increased by more than **$700 per month**, while apartment rents have increased by roughly **$66 per month**.
- The combination of **strong income gains** and **elevated multifamily construction** has **eased rent burdens** across many markets.

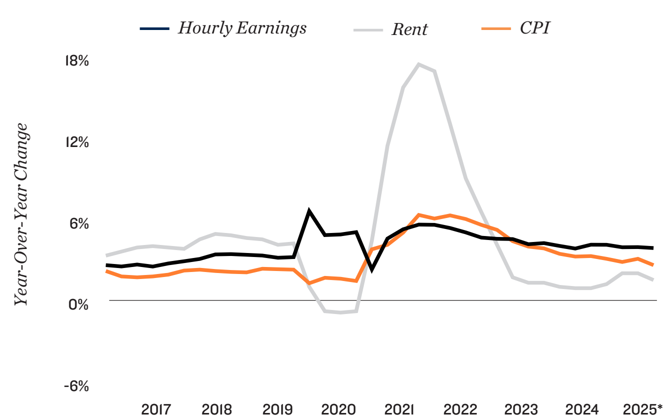
Discretionary income strengthens. Increased consumer spending headroom has led to resilient consumption patterns, in turn supporting demand for commercial real estate space.

- Incomes relative to housing costs have **expanded discretionary spending capacity**.
- Stronger household finances have supported higher levels of **consumption** and **savings activity**.
- While some consumers remain under pressure, overall spending power continues to **underpin economic growth**.
- Sustained consumption trends **reinforce demand** for retail, industrial, and multifamily space.
- A rebound in consumer sentiment would likely accelerate consumption, potentially spurring job creation, housing demand, and broader space needs, **ultimately supporting improved fundamentals across commercial real estate**.

3.7% *Y-O-Y Wage Growth as of January 2026*

2.5% *Y-O-Y Core CPI Inflation as of January 2026*

Wage Growth Outpaces Rent and Inflation



**No data collected for Core CPI, October 2025*

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Federal Reserve Bank of St. Louis; Placer.ai; Real Capital Analytics; CoStar, Inc.