# RESEARCH BRIEF

Marcus & Millichap

## GROSS DOMESTIC PRODUCT

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## Recent GDP Estimates Provide Key Insights for Industrial, Multifamily Sectors

**Topline growth in GDP resumed.** Real gross domestic product rose at an annual rate of 3.0 percent in the second quarter, following a 0.5 percent drop in the prior period. Yet the change in GDP was influenced in both quarters by the front-loading of imports ahead of new tariffs. Setting that distortion aside and focusing on consumer spending, final sales to private domestic purchasers increased 1.2 percent — the lowest annual rate since late 2022. Business expenditures also inched up a slight 0.4 percent, mirroring the change in government consumption. Together, these metrics point to an economy that is growing, albeit at a lessening pace.

**New tariffs having a clear impact on trade.** After a 37.9 jump in the first quarter, U.S. imports contracted by an annual rate of 30.3 percent in the second. U.S. exports also fell 1.8 percent in the most recent quarter. Although the volume of trade year to date as of May was above that of the same span in 2024, uncertainty from changing U.S. trade policies is still clearly impacting industrial property performance. Tenants, for example, may be holding off on expansion plans. More industrial space was relinquished than absorbed in the second quarter — the first such occurrence since early 2010. Move-ins are also scheduled to slow through the rest of the year. While this is pushing up vacancy, the coinciding slowdown in development is lessening the net impact. The U.S. rate is set to rise by its smallest margin in three years.

**Multifamily recovery picks up steam.** Residential fixed investment decreased at an annual rate of 4.6 percent last quarter, aligning with other indicators of a slowing housing market. The number of new homes sold was down 6.6 percent year over year as of June; at the same time, existing home sales were about flat. Elevated mortgage rates are continuing to impede single-family ownership, which is in turn bolstering the renter pool. Apartment net absorption hit a four-year high in the second quarter, dropping the national vacancy rate 150 basis points year over year to 4.3 percent. Even if vacancy is often lower in the summer, this still marks a robust recovery from recent, supply-induced headwinds.

## Monetary Policy Outlook

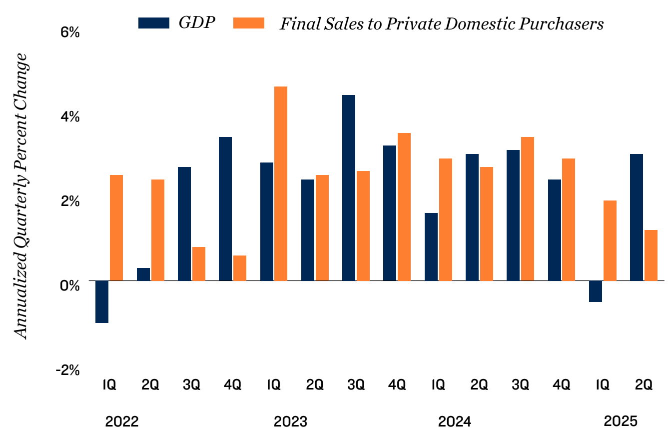
**Fed held firm again at July meeting.** Last quarter's slowdown in consumer spending growth was not enough to prompt the Federal Reserve to change its monetary policy stance. The Federal Open Market Committee opted to leave the overnight lending rate unchanged at a 4.25 percent lower bound during its July meeting. Ongoing job creation, albeit slowing, and a consistently low-4 percent unemployment rate provided support for this consistency.

**Second-half 2025 rate cuts on the table.** Wall Street participants were less bullish the FOMC would reduce rates later this year following the July meeting, with more investors favoring one 25-basis-point cut by December instead of two reductions. Subsequent downward revisions to recent months' employment growth undid this reaction, with financial markets again confident of a September rate cut. While the risk of tariff-driven price increases remains, with PCE inflation up to 2.6 percent year-over-year in June, the Fed may need to address rates if the labor market weakens further.

**3.0%** *Annualized Rate of Change in Real GDP in 2Q 2025*

**1.2%** *Annualized Rate of Change in Final Sales to Private Domestic Purchasers in 2Q 2025*

### Topline GDP Growth Returns in Second Quarter

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