

The graphic features a large blue letter 'E' on the left. To its right is a bar chart with several bars of varying heights. In the background, there is a city skyline at night with a bright light source. Overlaid on the scene are various data visualization elements: a line graph with a blue line showing fluctuations, a bar chart with orange and blue bars, and several numerical values scattered throughout. The overall color palette is dominated by blues and oranges.

# Economic Update

Aided by investments in AI and increases in exports, consumer spending, and government spending, the U.S. economy grew at an annual rate of 2.0% in 1Q26.<sup>1</sup> Although first quarter economic growth was less than the 2.6% rate forecasters had projected, it was markedly higher than 4Q25's 0.5% growth rate, when the government shutdown led to significant reductions in government spending and investment.<sup>2</sup> The first quarter also concluded with the 10-year Treasury rate at 4.3%, the unemployment rate at 4.3%, and the inflation rate at 3.5% as measured by the Federal Reserve's preferred inflation gauge, the Personal Consumption Expenditures Price Index.<sup>3</sup>

Citing inflation that remains above its 2.0% target, the Federal Reserve declined to lower the federal funds rate at its April meeting and kept the target range at 3.50% to 3.75%. After lowering the rate to its current level last December, the Fed has declined making additional cuts this year. In its post-meeting statement, the Fed acknowledged that "inflation is elevated" and "developments in the Middle East are contributing to a high level of uncertainty about the economic outlook."<sup>4</sup> These factors have complicated the outlook for rate cuts and markets are now expecting the Fed to maintain the current target range for the balance of the year.<sup>5</sup> Prior to its April meeting, the Federal Reserve also released its Beige Book. The Beige Book summarizes economic conditions across the 12 Federal Reserve Districts and includes additional information on commercial real estate.

According to the Beige Book, economic activity grew at a slight-to-modest pace in eight Districts, stayed relatively flat in two districts, and declined in the remaining two districts.<sup>6</sup> Across the Districts, consumer spending was up slightly, although District contacts did report increased price sensitivity and financial strain among lower- and middle-income households, while upper-income households were able to spend more freely. Districts also reported steady-to-slight gains in employment and increasing demand for temporary workers as companies exercised caution in making permanent hires. Additionally, the majority of hiring was driven by replacement needs instead of expansion. Labor availability improved in many sectors, although shortages continued in some healthcare and skilled trade positions. Most Districts also reported that AI did not cause meaningful layoffs during the survey period, but AI-driven productivity gains did allow companies to delay or reduce hiring. Wages rose at a modest-to-moderate pace while prices increased at a higher rate. Districts reported higher prices for energy, fuel, steel, copper, aluminum, technology, insurance, healthcare, shipping, and petroleum-based products. The conflict in the Middle East was cited as a major source of uncertainty and contributed to companies exercising restraint in hiring and capital investment decisions.

In the commercial real estate sector, conditions varied across the country. While some Districts reported slowdowns in construction and soft activity overall, others reported greater activity, particularly around data centers and Class A office space.

In the Northeast, the Boston District reported strong retail leasing, flat-to-minimal increases in office leasing, a small decline in multifamily leasing, and flat leasing for industrial properties. The Mid-Atlantic Districts reported increased office and industrial leasing, except for warehouse space. They also reported slowing construction activity, except for data centers and some healthcare and government projects, while markets in the Richmond District reported greater demand for Class A office space, rising multifamily vacancies, and falling multifamily rents.

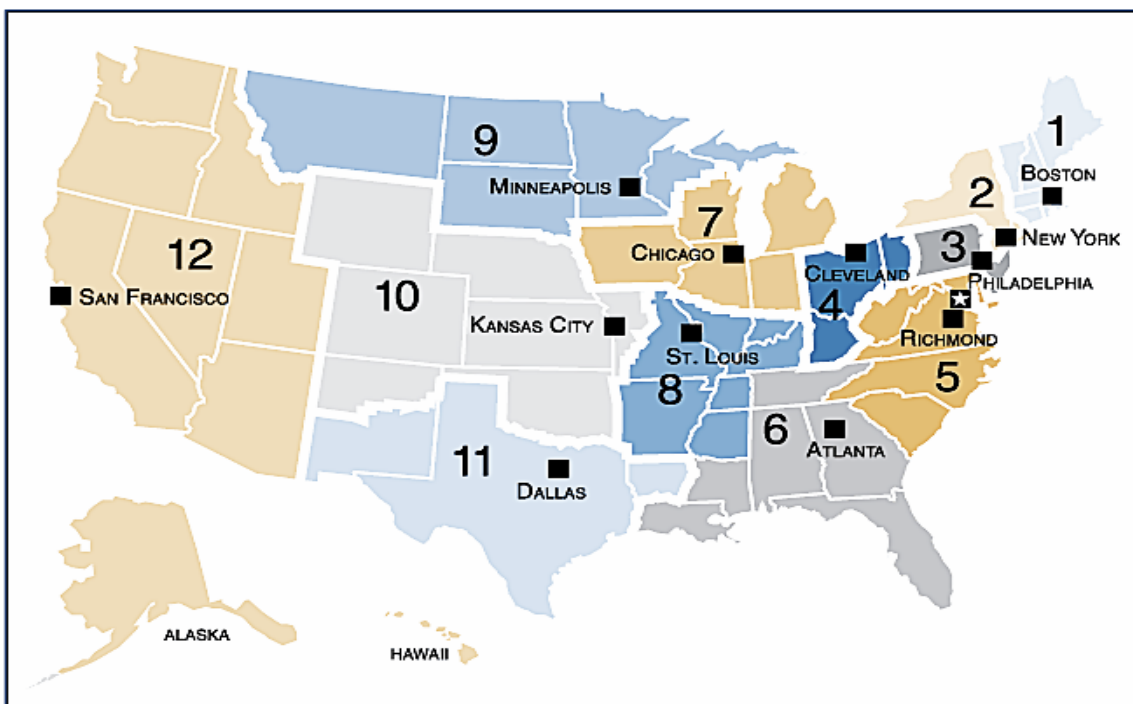
In the Midwest, the Chicago District reported increased construction activity for warehouses and distribution centers, while other Midwest Districts reported strong construction activity for data centers and limited construction activity for multifamily and office properties. Midwest Districts also reported healthy rental demand for multifamily units, a small increase in retail vacancies, and improving office conditions outside of core areas.

In the Southern Districts, data center development projects continued, tenant demand for office space was strongest for Class A properties, and demand grew for multifamily units as broad concessions motivated interested renters to execute leases.

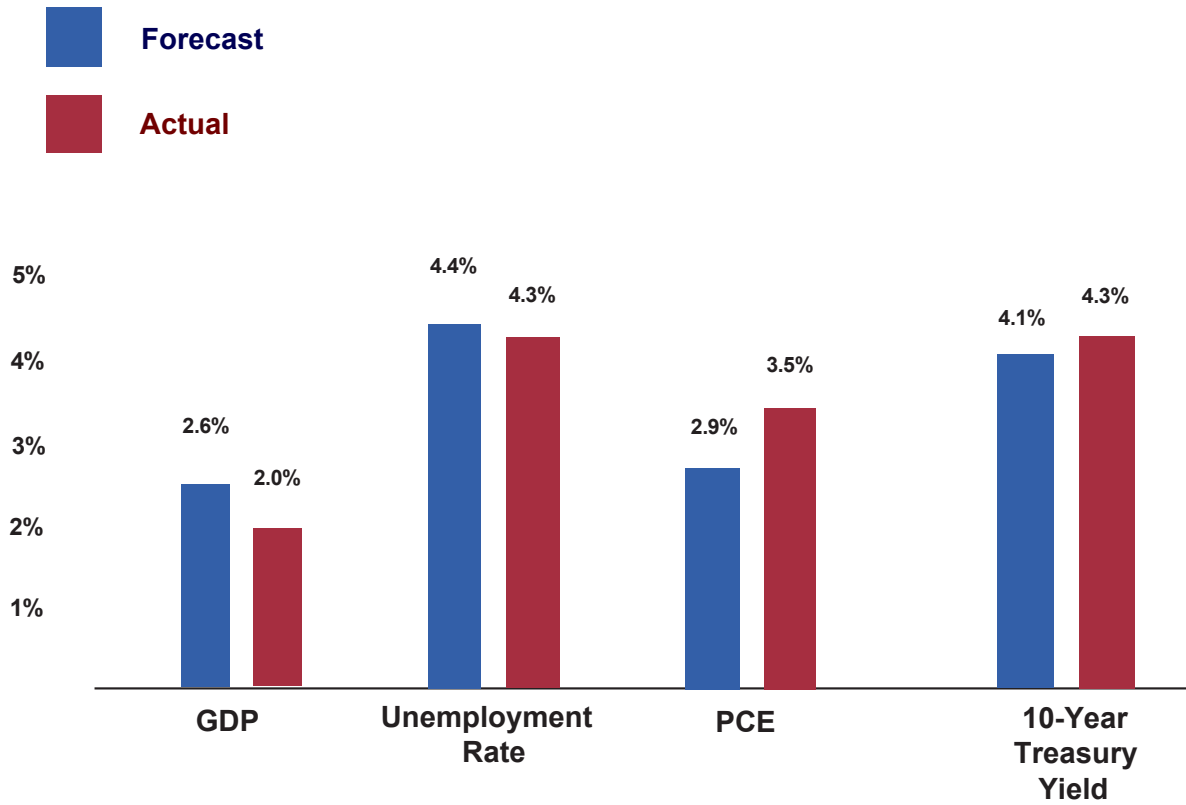
The Western District reported slowing construction activity outside of data center developments, cooling demand for multifamily units, stagnant demand for office space, and steady demand for industrial and retail space.

At a macro level, April's Beige Book reported moderate economic and price growth across the 12 Districts, along with growing uncertainty affecting workforce recruiting and capital spending decisions. For commercial real estate, the Beige Book reported healthy activity around data center development and higher-quality office space, and increased concessions contributing to demand for multifamily units.

### Federal Reserve Districts

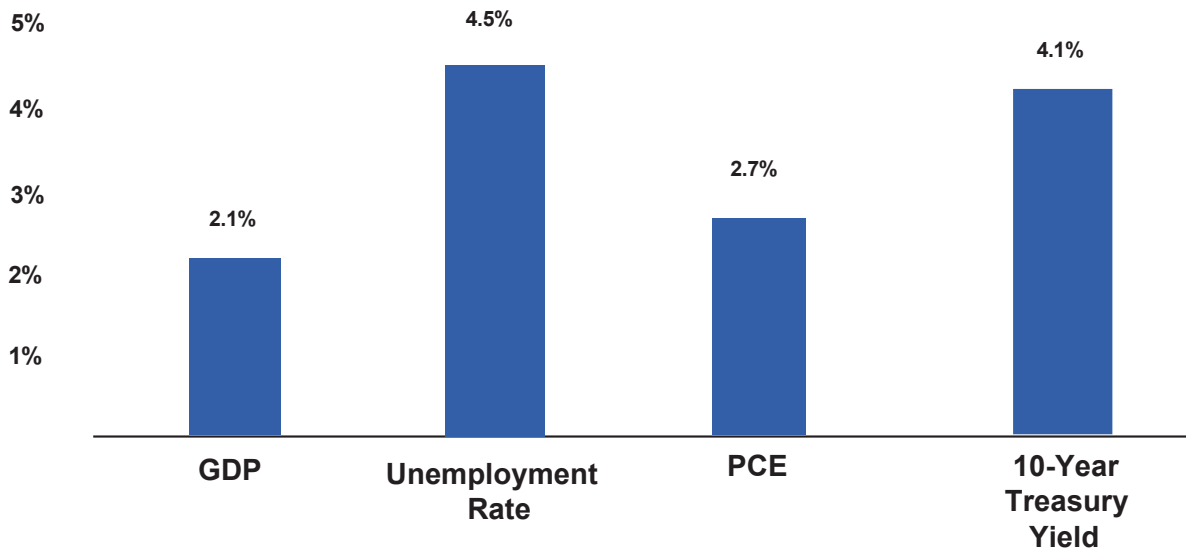


### 1Q26 Economic Indicators



Source: U.S. Bureau of Economic Analysis; Federal Reserve Bank of Philadelphia. (2026, March). Survey of professional forecasters: First Quarter 2026.

### 2Q26 Economic Forecast



Source: Federal Reserve Bank of Philadelphia. (2026, March). Survey of professional forecasters: First Quarter 2026.



# Endnotes

1. U.S. Bureau of Economic Analysis
2. Federal Reserve Bank of Philadelphia. (2026, March). Survey of professional forecasters: First quarter 2026.
3. MarketWatch (10-Year U.S. Treasury yield), accessed May 1, 2026; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis
4. Federal Reserve, FOMC Statement, April 2, 2026.
5. CME Group FedWatch Tool (accessed May 1, 2026)
6. Board of Governors of the Federal Reserve System. (2026, April). Summary of commentary on current economic conditions (Beige Book).

# Disclosures

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