

RESEARCH BRIEF

INFLATION

SEPTEMBER 2026

Marcus & Millichap

Limited Inflation Progress Tempers CRE Momentum

High energy costs keep headline inflation sticky. The Consumer Price Index increased 3.4 percent year-over-year and 0.4 percent month-over-month in August. Core CPI, which excludes food and energy, rose 2.4 percent annually and 0.3 percent monthly. Both monthly readings were the highest since May, reflecting renewed energy and other price pressures amid hostilities in the Persian Gulf. Gasoline accounted for more than one-third of the overall monthly increase, while higher airline fares also contributed to core services inflation. Additionally, Brent crude recently surpassed \$100 per barrel again, and the national average diesel price exceeded \$6 per gallon in September for the first time in history.

Economic uncertainty remains pronounced. Alongside persistently high fuel prices, elevated and frequently evolving tariffs could raise costs further for imported consumer goods, construction materials, and business equipment, adding to near-term inflation risks. These price pressures, together with substantial federal borrowing needs, are pushing long-term interest rates higher. The 10-year Treasury yield briefly reached 5 percent on Sept. 14, a level touched in 2023 but otherwise unseen since 2007. Sustained inflation concerns and greater competition for investor capital could keep long-term yields elevated, adding uncertainty for businesses, consumers, and commercial real estate investors.

Elevated borrowing costs could slow transactions. With long-term interest rates unlikely to provide substantial near-term relief, commercial real estate borrowers may continue to face challenging financing conditions. Going forward, higher debt costs could prolong refinancing hurdles, reduce buyer leverage, and keep buyers and sellers apart on pricing, thereby limiting future growth in transaction activity. Development has become less feasible, constraining future supply and potentially benefiting existing properties once near-term economic headwinds subside.

Fuel and transportation costs weigh on industrial tenants. The energy index increased 2.1 percent in August after declining during the prior two months, while transportation services rose 0.5 percent, the largest monthly increase since March. Higher fuel and freight expenses could pressure distribution and logistics tenants, particularly those operating truck-intensive networks. Net absorption in the first half of the year has about kept pace with new supply, sustaining vacancy of 7.8 percent in June, unchanged since September 2025 but still a more-than-decade high. Construction activity is now tapering, however, which should ease supply pressure and provide some protection against further vacancy expansion over the medium term.

Key Takeaways

- August CPI showed that inflation remained sticky, with higher gasoline prices driving more than one-third of the 0.4 percent monthly increase.
- Growing federal funding needs and inflation risks, including those tied to shifting trade policies, could keep long-term yields above previous norms.
- Costly debt could keep buyers and sellers apart on pricing. However, lender liquidity remains strong for now, supporting transaction activity.
- Industrial supply pressure should ease as development slows, helping existing properties offset potentially softer tenant demand and rising distribution expenses.

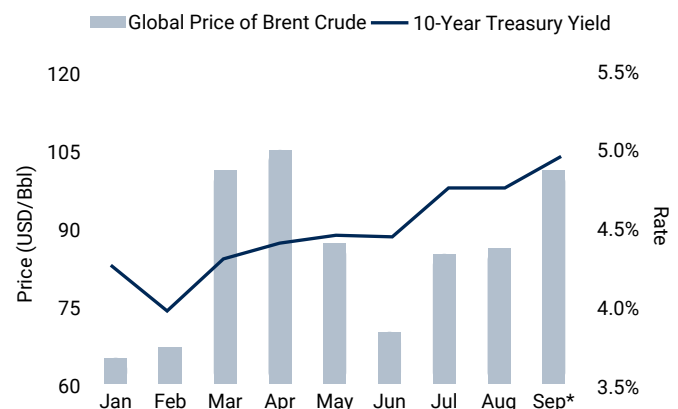
3.4%

Increase in Headline CPI
Year-Over-Year

2.4%

Increase in Core CPI
Year-Over-Year

OIL PRICES AND BOND YIELDS TREND HIGHER



*As of Sept. 14, 2026

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Federal Reserve; AAA