

MBA Forecast Commentary: January 2026

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Key Highlights of the January 2026 MBA Forecast

Macro Outlook

- The economy is growing, but unevenly. The job market is softening, but we are not seeing a big pickup in layoffs. Inflation is increasing, likely as businesses pass tariffs through to consumers, but the impact is relatively modest at this point. In total, there is nothing pushing for further rate cuts currently, and we have moved back our call for the last Fed cut of this rate cycle to mid-year from Q1 in the December forecast.
- Political pressure on the Fed to cut rates more continues, but Congressional support for Chair Powell is strong. We expect a new Fed chair to be nominated shortly, but do not expect a marked change in Fed policy given the dissension within the FOMC regarding how and whether to further adjust the monetary policy stance.
- The government shutdown continues to impact the availability and timeliness of key economic data. Our overall outlook remains quite like prior months, but certainly could be altered as additional data flow in.
- We have marked up our forecast for 2026 GDP growth, as 2025 growth numbers continue to come in stronger than expected. MBA's January forecast includes a stronger estimate of 2025 GDP growth at 2.3 percent, as the third quarter reading from the BEA came in at 4.3 percent. The primary contributors to this growth were consumer spending growth of 3.5 percent and an improvement in the trade balance. Both residential investment and investment in non-residential structures slowed during the quarter, as builders and developers pulled back in the face of elevated inventories and vacancy rates and stagnant rents and home prices. We expect growth to be 1.9 percent in 2026 and stay close to trend through 2028.
- The pace of employment growth slowed in December to 50,000, in line with the average pace of 49,000 for all of 2025. Employment growth was much slower than the roughly 168,000 pace in

2024. The BLS revised employment totals for October and November downwards by 76,000, considerably weaker than initially reported. Private sector job gains in December were concentrated in a few sectors, including hospitality and health care. There was also an increase of 18,000 in local government jobs in December. The diffusion index, a measure of how many sectors saw job growth, was 50.8, the lowest in five months.

- Employers appear to be cautious about adding workers, as the still very slow hiring rate demonstrates in the separately released JOLTS data. Workers are also voluntarily leaving jobs at a slower pace, likely due to declining job prospects elsewhere.
- The unemployment rate declined to 4.4 percent in December. The BLS revised the November rate down to 4.5 percent based on annual adjustments to seasonal factors. Our forecast is for the unemployment rate to drift higher, peaking at 4.6 percent in the first half of 2026 before easing gradually back to the low-4 percent range over the next two years.
- Data on inflation have come in softer than in prior months. Annual growth in headline and core CPI inflation was 2.7 percent and 2.6 percent, respectively. While inflation remained subdued than many forecasters predicted a year ago, there is still significant uncertainty ahead as price increases from higher tariffs might still show up as businesses replenish their inventory and as supply chains continue to evolve as we start 2026.
- Mortgage rates have come down over the past month as the mortgage-to-Treasury spread narrowed. Several factors impact the spread between mortgage rates and Treasury rates, including the level of interest rate volatility and the relative demand/supply balance of the two types of securities. In recent months, rate volatility diminished as the future course of monetary policy grew clearer and financial markets remained relatively calm. The recent announcement that the GSEs will increase their purchases of MBS brought the spread in further, and mortgage rates decreased over the past month to and below 6 percent for a brief period, which prompted significant increases in refinance activity over the past two weeks.
- However, this initial reaction to the announcement regarding MBS purchases may overstate the longer-run impact. Other investors in MBS might see this market move as an opportunity to sell, which would push the spread wider. Surveying a range of market estimates, our view is that spreads might wind up by about 10 basis points tighter than they otherwise would due to these purchases. There is considerable uncertainty as the GSEs have not revealed the size, pace, hedging, and financing strategies of these purchases, and these details matter regarding

the ultimate impact. There is also uncertainty about whether regulators might lift the caps on the GSE mortgage portfolios at some point.

- We continue to expect that mortgage rates will remain in the range of 6 to 6.5 percent in 2026.

Single-family Outlook

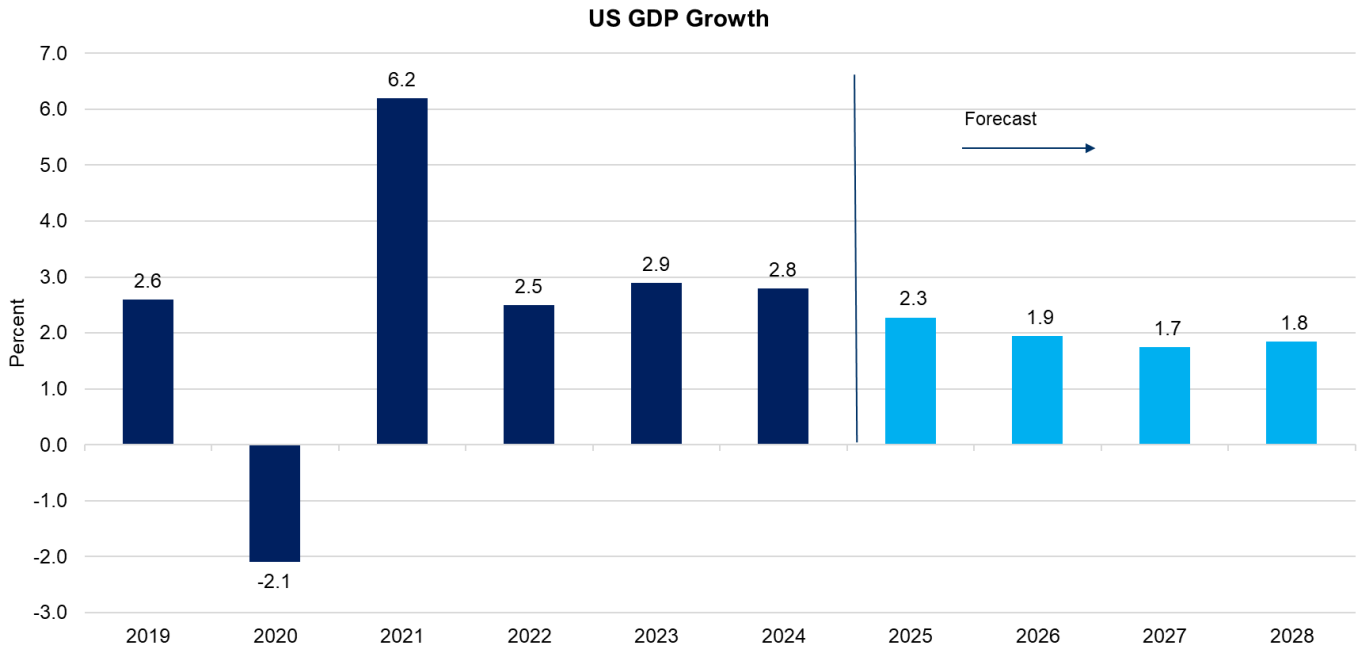
- Housing inventory continues to grow in many markets around the country. This increased supply has helped to support more purchase transactions as home buyers have more options to choose from, but home price growth continues to moderate, with outright home price declines in a growing number of markets. The most recent release from the FHFA showed that two of nine Census divisions showed annual price declines, with another two divisions with price changes of close to zero. The national annualized change was 1.7 percent over the 12-month period through October 2025.
- We forecast that home prices will continue to slow at the national level over the forecast horizon, dropping below one percent over the next two years. Effectively, home prices are likely to stagnate over the forecast horizon.
- The NAR reported existing home sales for December 2025 increased to an annualized sales pace of 4.35 million, a sizeable pick-up from 4.14 million the month before. We forecast that the pace of existing home sales will be between 4.3 million and 4.5 million in 2026, as increasing for-sale inventory and slightly improved affordability conditions support home sales.
- New home sales data from the Census Bureau continue to be delayed due to the government shutdown, with data only available through October 2025. MBA's BAS continues to provide a reliable indicator of new home sales activity in the interim.
- We expect total single-family origination volume to total \$2.2 trillion in 2026, up from \$2.05 trillion in 2025. We expect purchase originations to total \$1.44 trillion compared to \$1.36 trillion in 2025, as home sales gradually increase. Gradual growth in for-sale inventory and improving affordability conditions will support existing home sales. We expect refinance originations to increase to \$760 billion from \$694 billion as brief spells of refinance activity emerge during the year with rate volatility.
- Contact us if you are interested in our scenario analyses with respect to origination volumes in alternative rate paths relative to our baseline forecast.

CREF Outlook

- CREF origination activity picked up smartly in 2025, and we expect further growth in 2026. The pace of origination activity increased throughout the year, starting slowly in Q1, but saw significant growth in Q2 and Q3 that we expect continued into Q4.
- Our current estimates sit at \$634 billion in total commercial originations for 2025. We forecast \$805 billion of originations in 2026. For multifamily, we estimate \$331 billion of originations in 2025 and \$399 billion in 2026. The growth in originations is likely driven by a combination of increased refinances from maturing loans and increased acquisitions.
- CRE market fundamentals are relatively soft, with net operating income declining for commercial space, and especially for the multifamily sector. Cap rates also compressed in 2025, and we expect that compression to continue in the near-term in 2026 and potentially into 2027.
- Vacancies also increased in 2025 with office and multifamily driving the increase. Property values last year stabilized for most sectors except for industrial, which has seen more rapid price growth.
- We also have kept an eye on commercial delinquencies. Delinquencies have increased throughout 2025 although overall levels remain low. The growth in delinquencies has been most pronounced in the CMBS market with a 6.59 percent delinquency rate (90+ DPD) at the end of Q3. Delinquent office and multifamily loans within CMBS pools have driven increases in CMBS delinquencies. Multifamily delinquencies also have increased across capital sources, notably for the GSEs and regional banks.

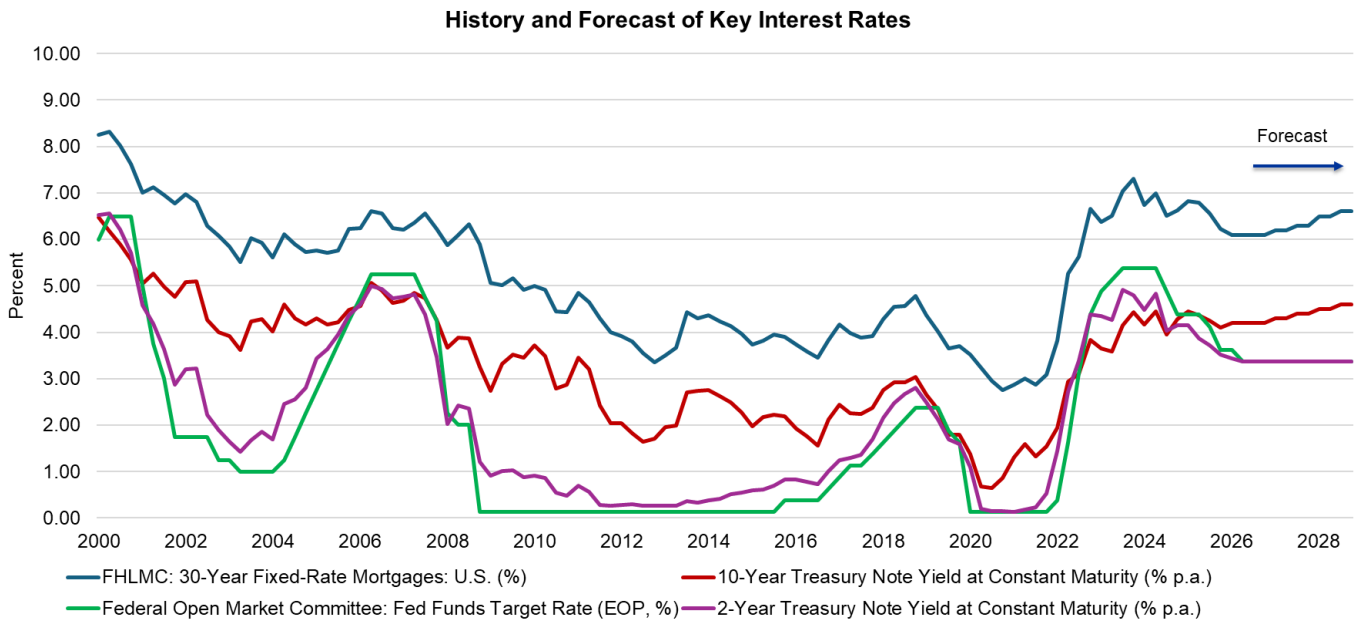
Forecast and Outlook Details

Slower Growth Expected in 2025 and 2026.



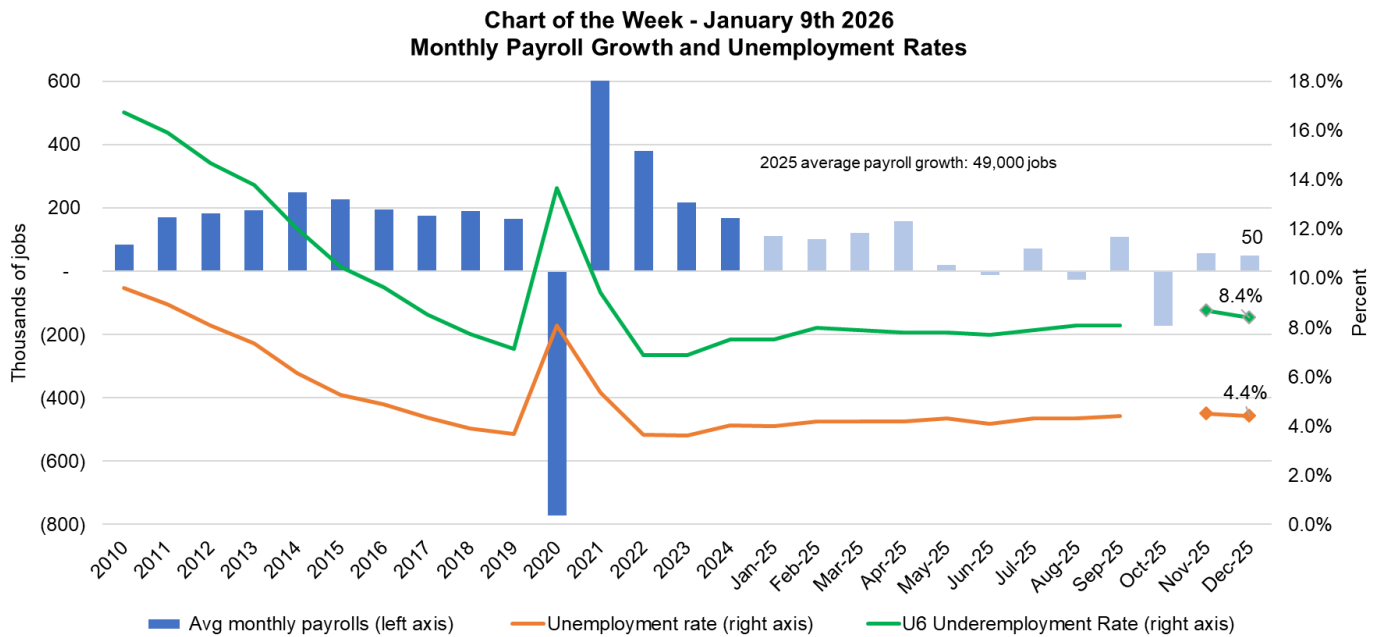
Source: Bureau of Economic Analysis, MBA Forecast

Key Rates Expected to Settle at Higher Level



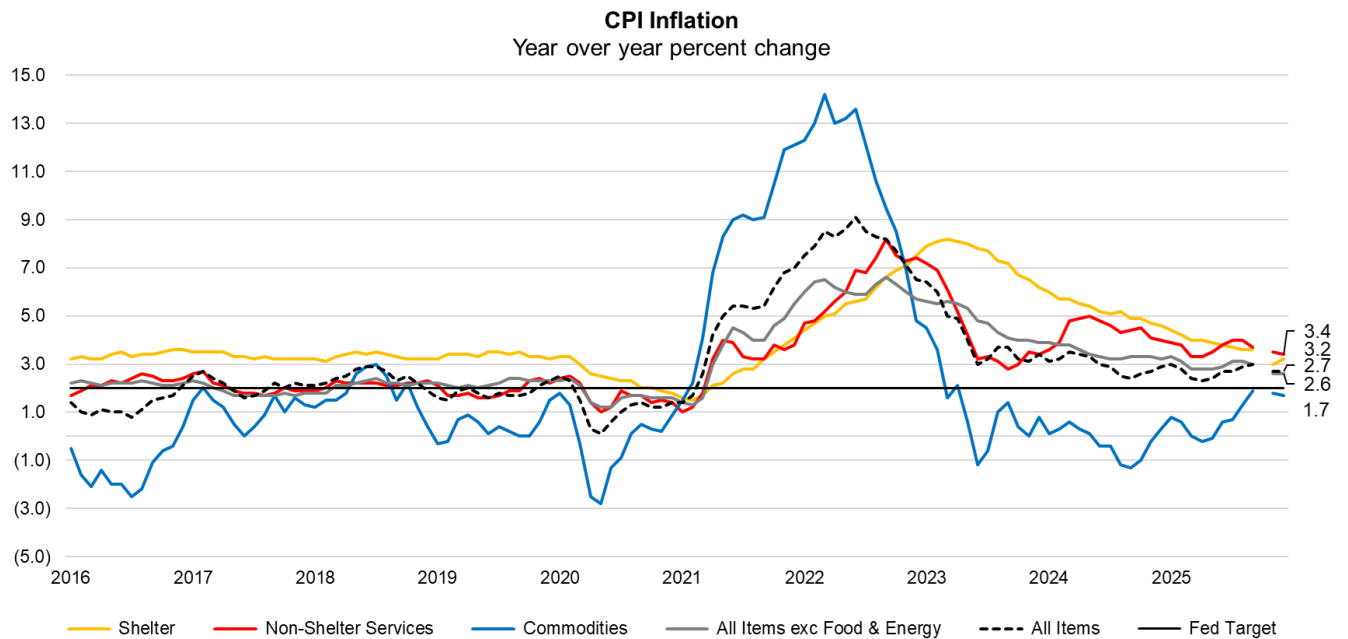
Source: Federal Reserve, Freddie Mac, MBA Forecast

Job Market Showing Signs of Weakening



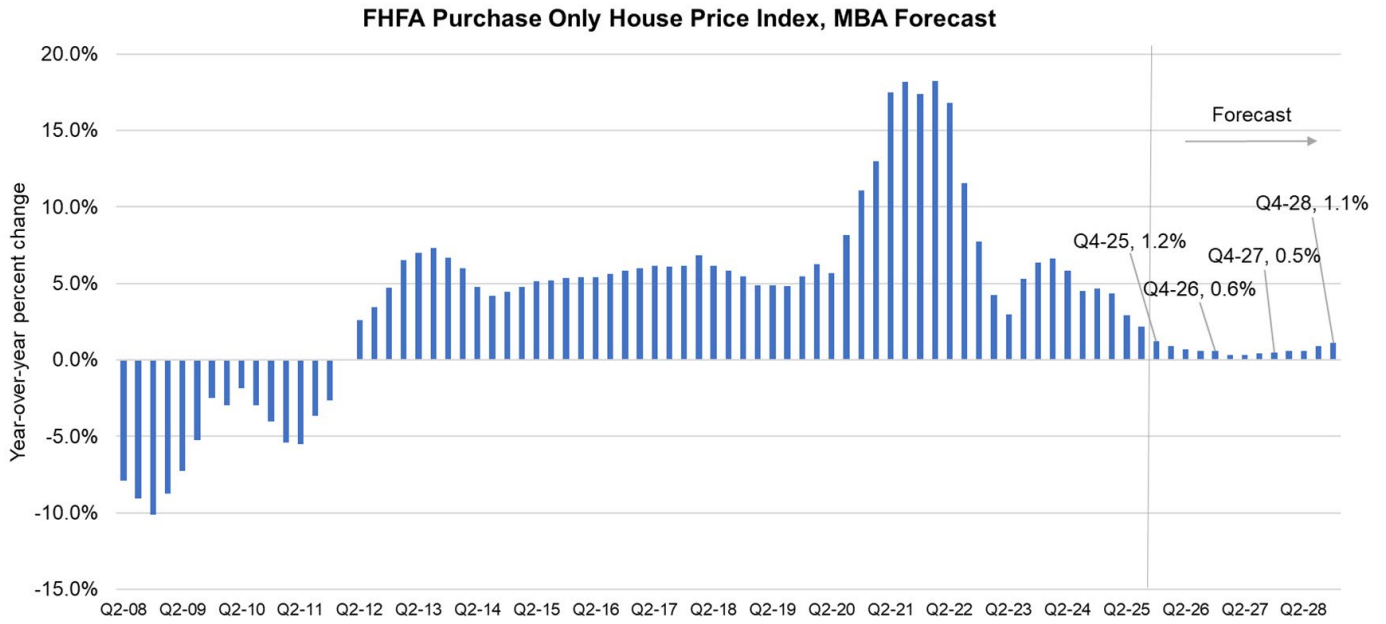
Source: Bureau of Labor Statistics

Signs of Reacceleration in Inflation Emerging



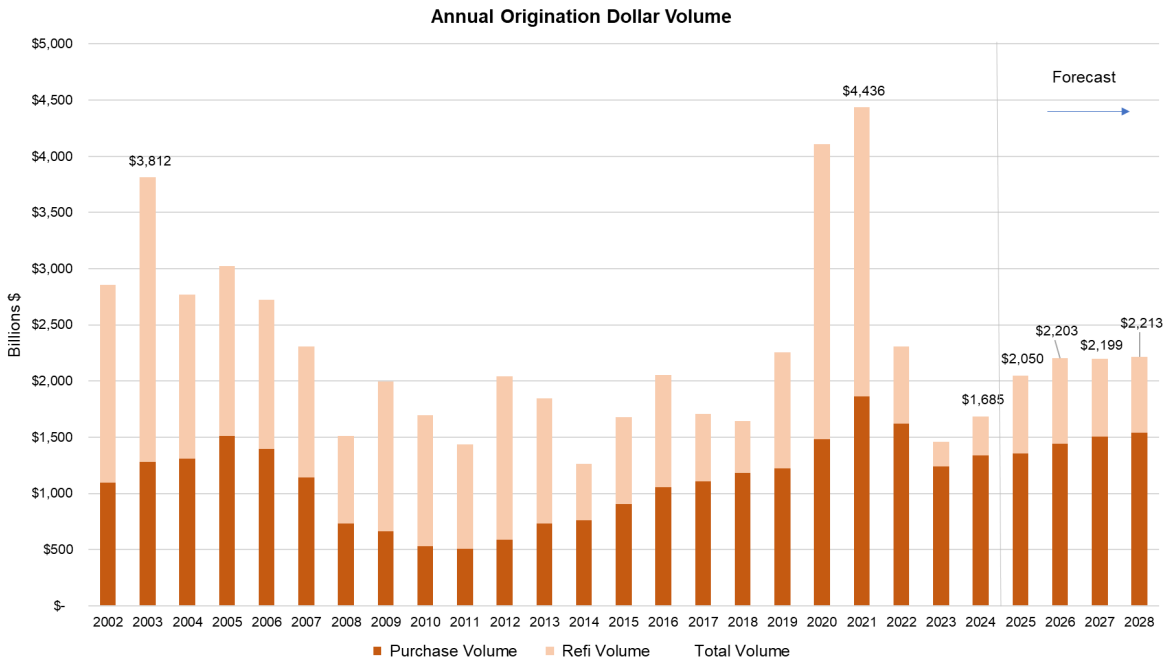
Source: Bureau of Labor Statistics

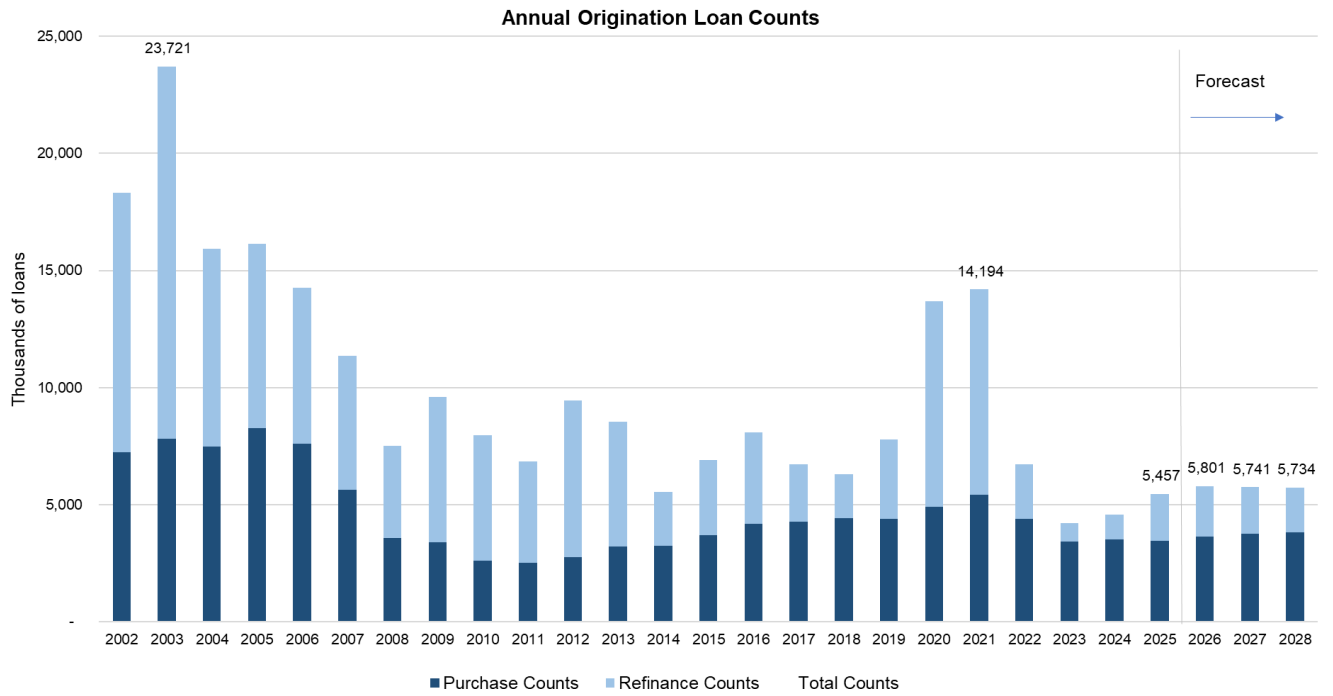
Home Price Growth Expected to Slow



Source: Federal Housing Finance Agency, MBA Forecast

Originations Dollars and Units Expected to Increase Through 2028





Source: MBA Forecast

MBA Commercial and Multifamily Real Estate Forecast

January 22, 2026

	2021	2022	2023	2024	2025	2026	2027	2028
Total CRE Mortgage Lending (\$ Billions)								
All Property Types	890.6	815.6	428.7	498.0	633.7	805.4	743.0	713.8
Multifamily	487.0	480.1	246.2	289.0	330.6	399.2	387.8	393.9
Percent Change YOY (%)								
All Property Types	45.0%	-8.4%	-47.4%	16.2%	27.2%	27.1%	-7.7%	-3.9%
Multifamily	35.4%	-1.4%	-48.7%	17.4%	14.4%	20.8%	-2.8%	1.6%

Source: MBA CREF Forecast