

MBA Forecast Commentary: May 2026

Mike Fratantoni, Joel Kan, and Judie Ricks

Key Highlights of the May 2026 MBA Forecast

Macro Outlook

- The war in Iran and the disruption of oil production and distribution continue to push inflation higher. Higher fuel prices are increasing transportation and travel costs, ultimately affecting the prices of a wide variety of goods and services globally.
- In the US, inflation as measured by the Consumer Price Index (CPI) has accelerated from an annual pace of 2.4 percent in February the last month before the war began to 3.8 percent in April, the most recent data point from the BLS. The increase was largely driven by the jump in energy prices, but other goods categories that are dependent on energy prices for transportation are beginning to see higher prices as well. Transportation services experienced price increases of more than 4 percent over the past two months, the highest rate of increase since February 2025. (There is likely some additional inflationary pressure from the pass through of tariffs imposed last year as well.)
- The longer the war and disruption to oil production and shipping continue, the larger the negative impact on the global economy, as purchasing power for both consumers and businesses is reduced. One notable data point in April's CPI report was that the rate of inflation was higher than wage growth for the month. Consumers are losing purchasing power and this will be reflected in reduced demand.
- We expect CPI inflation will peak above 4 percent and remain elevated for the next year or so. With this higher inflation forecast, Treasury yields and mortgage rates will stay higher for longer. The 10-Year Treasury reached the 4.6 percent mark over the past month, and we expect that it will remain in the 4.5 percent range for the forecast period.
- With higher inflation and a job market that has started to stabilize we expect that the Fed's next

move will be hike. The FOMC will likely hold the Fed funds rate at its current level through this year before hiking rates by a quarter point in mid-2027 to more aggressively push back against inflation.

- Nonfarm payrolls increased by 115,000 jobs in April along with the unemployment rate staying steady at 4.3 percent. The three-month trend averaged 48,000 jobs, including downward revisions to payroll growth for the prior two months. Job growth was concentrated in just a few sectors, including health care, social assistance, retail trade, and transportation.
- Other trends over the past year paint a slightly weaker different picture. The labor force participation rate has declined from 62.6 to 61.8 percent. The labor force, the total number of people either employed or actively looking for work and counted as unemployed, has declined by more than 1 million. And the number of people employed has declined by more than 1.2 million. The U-6 measure, now at 8.2 percent, captures some of this shift in individuals leaving the labor force.
- We expect the unemployment rate will increase somewhat to peak at 4.6 percent in the middle of 2026. The implication is that there is not enough job market weakness to change the direction of Fed policy.
- As longer-term rates rose with the anticipated increase in inflation, and the 10-year Treasury hovering around 4.5 percent, mortgage rates are expected to average close to 6.5 percent this year.

Single-family Outlook

- Our forecast is for single-family housing starts to decrease slightly in 2026. With a 10-month supply of newly built homes for sale, we expect homebuilders will maintain a slower pace of new construction as they try to work through this unsold inventory. New home sales are expected to show a slight pickup in 2026 as this excess inventory is being worked through, although the economic and labor market uncertainty continue to be headwinds for buyers.
- Similarly, while the existing home sales market continues to benefit from increasing for-sale inventory in many markets, the economic uncertainty and slowing job market have caused some potential homebuyers to postpone their decision to buy. We expect around 4.2 million existing homes sold in 2026, up from a little less than 4.1 million sold in 2025.

- The FHFA's house price indexes for the first quarter of 2026 showed that purchase-only transactions saw a 1.7 percent increase from the same quarter a year ago. This follows a 2 percent growth rate in the fourth quarter of 2025, which was upwardly revised slightly. Prices fell in 8 states and in 35 of the largest 100 metro areas in Q1 2026. We expect that home price growth will slow gradually to around 0.8 percent by the end of 2026 as increasing for-sale inventory continues to put some downward pressure on price growth in certain western and southwestern markets.
- Total single-family origination volume is forecast to be a little less than \$2.2 trillion in 2026, up 6 percent from \$2.05 trillion in 2025. We expect purchase originations to total \$1.41 trillion compared to \$1.36 trillion in 2025. We expect refinance originations to increase to \$757 billion from \$694 billion although with rates having moved higher over the month, there is increasing risk to this forecast.
- Contact us if you are interested in our scenario analyses with respect to origination volumes in alternative rate paths relative to our baseline forecast.

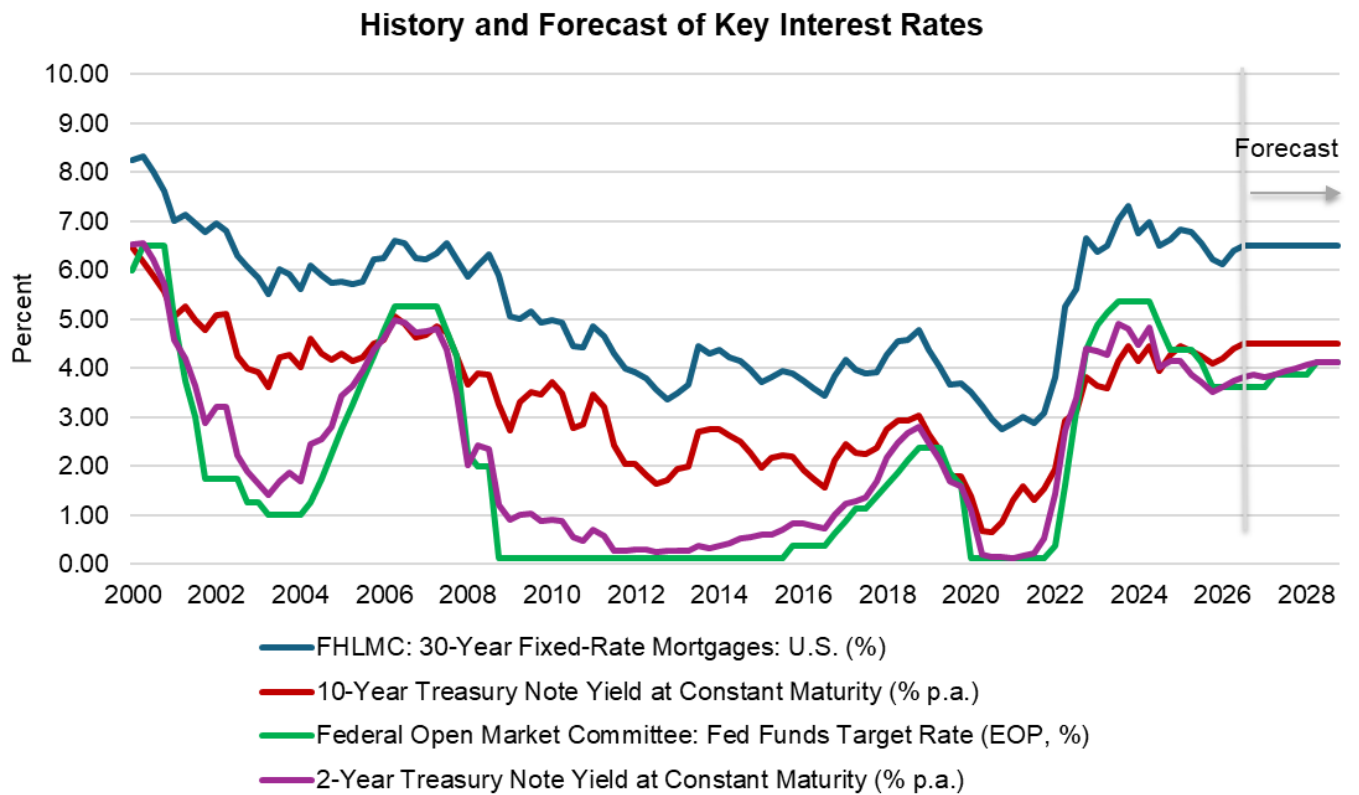
CREF Outlook

- Changes to the forecast this month reflect the changing macro outlook and the upward revisions to our estimates of originations for 2025. In May, our commercial real estate originations forecast increased for 2026 to \$833 billion. This is an increase of 18 percent relative to 2025. Originations are estimated to increase into 2027 to \$879 billion then come back down slightly to \$854 billion in 2028.
- Commercial real estate has seen stability in cap rates and net operating income. At the same time, property prices increased slightly, continuing an upward trend over the last roughly eight quarters. We have also heard about improvements in the property acquisition market with the bid-ask spread narrowing.
- In contrast, the multifamily market has shown weakening fundamentals. Net operating income continues to trend downward while cap rates and property prices remained flat over the last roughly eight quarters.
- Taken together, this suggests that the increases in commercial originations volumes are driven by non-multifamily originations. We continue to hear about office acquisitions and the growth in lending for data centers, which could serve as some of the drivers of future growth.

- The rate environment further suggests that new originations and property sales will play a bigger role, and refinances will play a smaller role, in the expected growth in commercial origination volumes in 2026 compared to 2025.

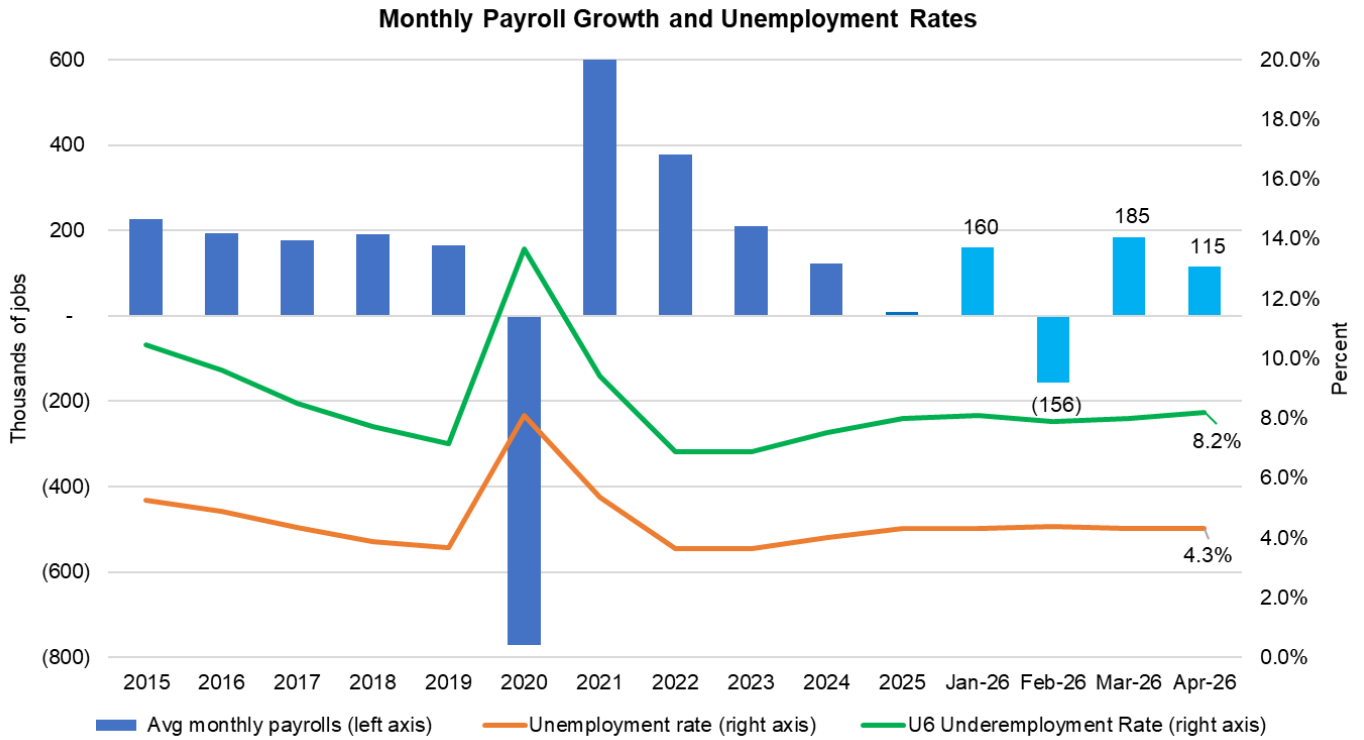
Forecast and Outlook Details

Key Rates Expected to Settle at Higher Level



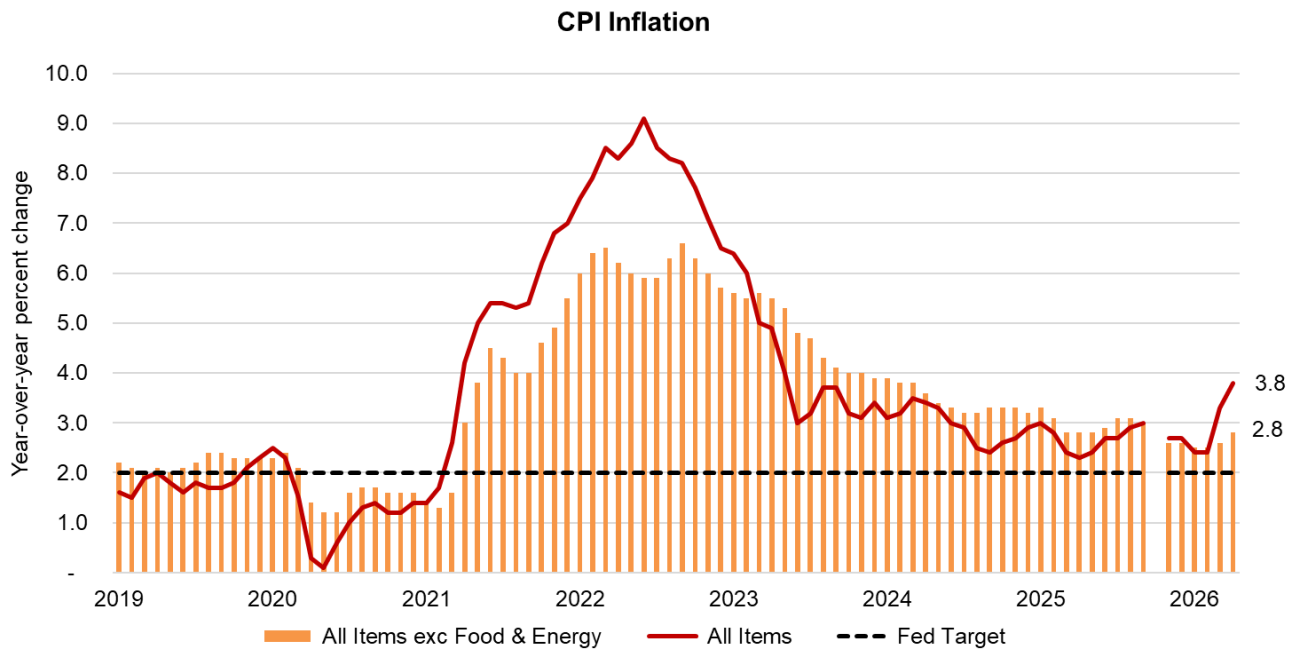
Source: Federal Reserve, Freddie Mac, MBA Forecast

Job Market Showing Signs of Weakening



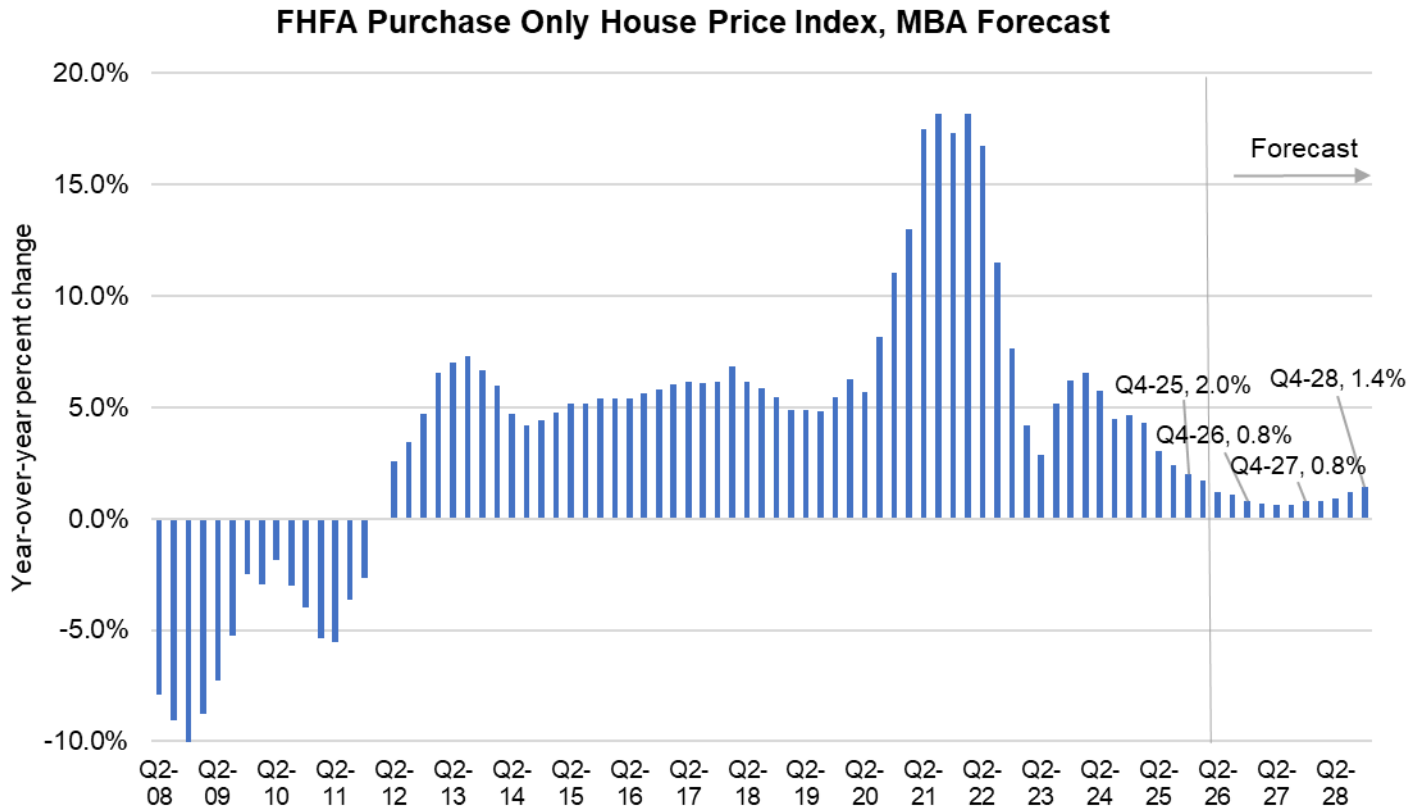
Source: Bureau of Labor Statistics

Signs of Reacceleration in Inflation Emerging



Source: Bureau of Labor Statistics

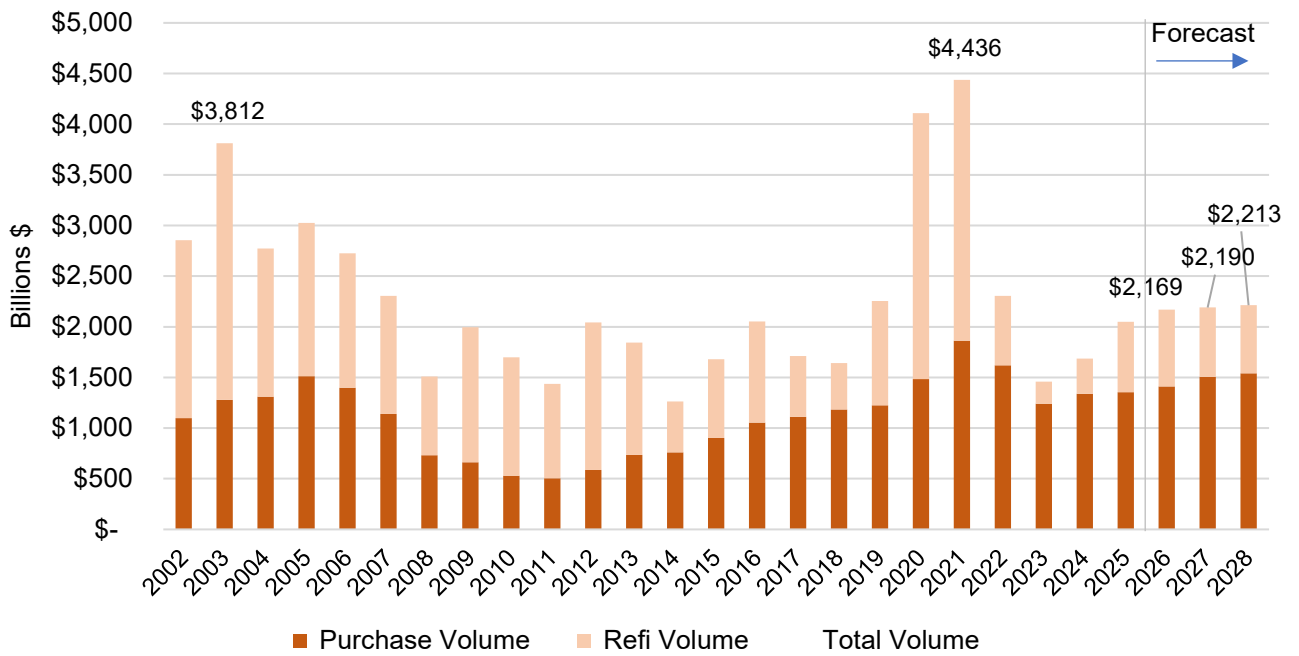
Home Price Growth Expected to Slow



Source: Federal Housing Finance Agency, MBA Forecast

Originations Dollars and Units Expected to Increase Through 2028

Annual Origination Dollar Volume



Annual Origination Loan Counts



Source: MBA Forecast

MBA Commercial and Multifamily Real Estate Forecast

May 18, 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	706.0	832.7	879.3	854.4
Multifamily	487.0	480.1	246.2	288.7	413.1	399.4	423.7	437.4
Percent Change YOY (%)								
All Property Types	45.0%	-8.4%	-47.4%	16.2%	41.7%	18.0%	5.6%	-2.8%
Multifamily	35.4%	-1.4%	-48.7%	17.3%	43.1%	-3.3%	6.1%	3.2%

Notes:
The model accounts for macroeconomic, housing market, and commercial real estate indicators.

Source: MBA CREF Forecast