Housing Costs Lead Inflation Uptick, Consumer Spending Rises, Office Attendance Holds Steady

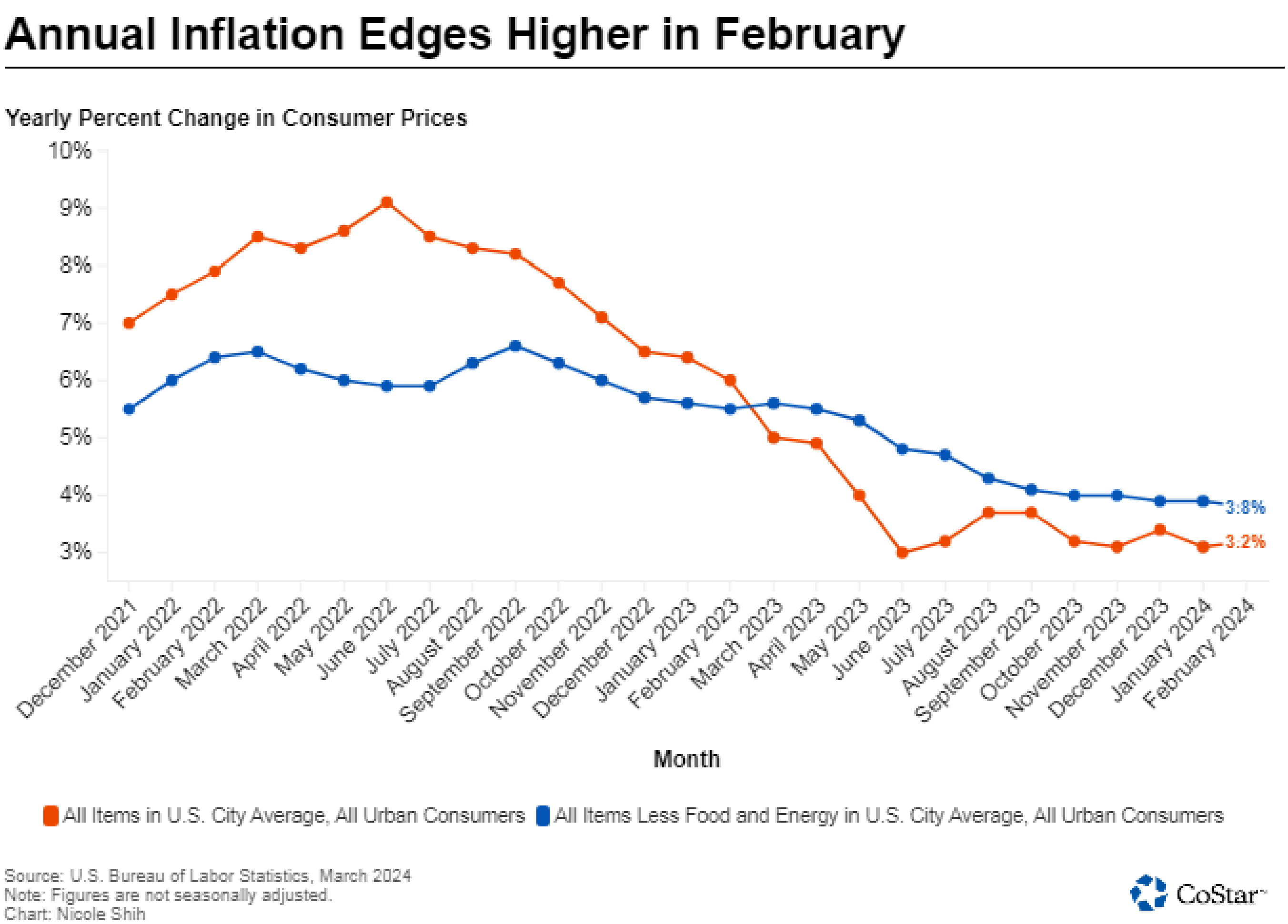
By Lou Hirsh

Housing Costs Lead Inflation Uptick

Lingering high costs for rent and other shelter-related expenses played a large role in February's rise in annual inflation to 3.2% from the prior month's 3.1%, according to the latest Labor Department data.

The government said shelter and gasoline costs accounted for 60% of February's 0.4% monthly rise in consumer price. The shelter category posted increases of 0.5% from the previous month and 5.7% from February 2023.

Annual inflation has come down considerably from highs around 9% in mid-2022. Consumer price index movements matter to real estate investors and lenders because the Federal Reserve has tied future cuts to its key borrowing rate to its ongoing efforts to bring inflation down to around 2%.



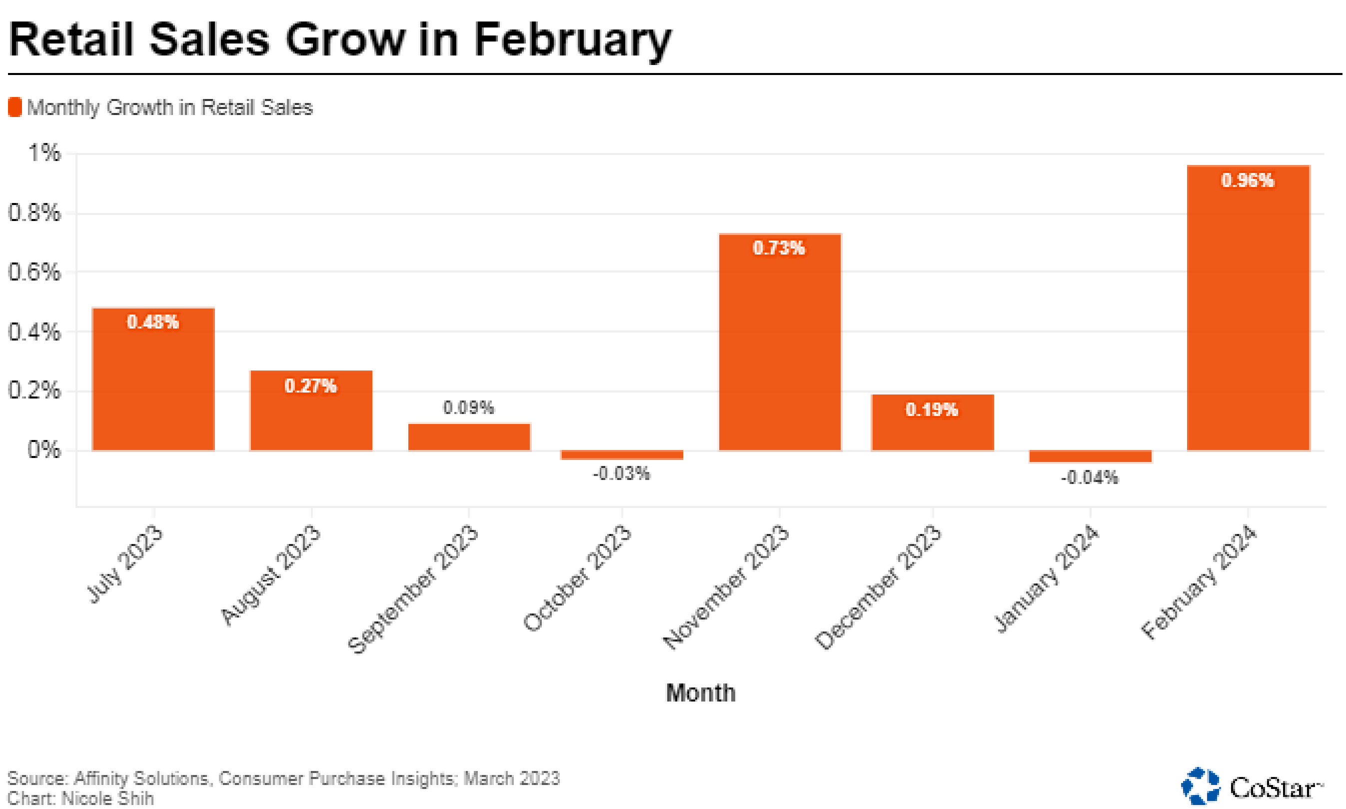
“The heavyweight component of housing/shelter decelerated to 5.7%, thereby keeping the overall CPI above the 2% target, though many unofficial private-sector data have been implying much lower rent growth,” National Association of Realtors Chief Economist Lawrence Yun said in a statement Tuesday from the trade group.

The Fed’s next rate-setting meeting is scheduled for March 19-20, and Yun predicted the central bank will make at least three rate cuts later this year. “However, with anticipated further easing in inflation, especially as rents in the official measurement are showing calming patterns, five to eight rounds of rate cuts by the end of next year will help lower mortgage rates,” Yun said, cautioning that rates even then are unlikely to move much below 6% from current levels around 7%.

The government said other consumer costs rising at comparatively high rates during February included airline fares, motor vehicle insurance, apparel and recreation, while expenses in the personal care category decreased for the month. Year-over-year numbers showed energy costs declining 1.9% while food costs rose 2.2%, continuing a trend of slowing growth during the past few months.

Consumer Spending Rises

Consumers continued spending in February amid mixed economic signals as retail sales increased about 1.1% from the previous month and beat the year-earlier tally by 6.3%, according to the latest monitor report by the National Retail Federation and business news outlet CNBC.



“While the future direction of interest rates and inflation remains uncertain, it’s clear that a strong job market and increases in real wages are continuing to support spending,” CEO Matthew Shay said Tuesday in a statement from the retail trade group.

Based on anonymous credit and debit card purchase data compiled by consulting firm Affinity Solutions, the report showed February sales gains were led by categories including sporting goods and hobby stores, up about 2.3% for the month and rising about 13.7% from a year earlier; and health and personal care stores were up about 1% for the month and increased 11.2% for the year.

Researchers said sales rose in eight of nine tracked retail categories on a year-over-year basis, with the lone exception being furniture and home furnishing stores, down about 1.6% from February 2023. The report said February’s total core retail sales — excluding restaurant, auto and gasoline sales — rose about 1% for the month and increased 6.7% from a year earlier.

The NRF-CNBC retail monitor is released ahead of official Commerce Department retail spending data coming later this month and based on household surveys by the Census Bureau.

Office Attendance Holds Steady

Average big-city office attendance averaged 52.5% of pre-pandemic levels for the week ended March 6, unchanged from the prior week but staying close to the peak 53% reached in late January in Kastle Systems’ tracking.

The security technology firm’s 10-city “Back to Work Barometer,” based on anonymous keycard data from clients’ office properties, showed Austin, Texas, posting at 67.4% of pre-pandemic office use, just shy of its peak of 68.1% in the first week of March 2023.

Austin was followed in the latest barometer by Houston at 61.4%, Dallas at 59.5%, Chicago at 56% and New York at 51.3%.

The latest monthly tracking by analytics firm Placer.ai, based on anonymized mobile application location data, also showed office foot traffic at about 1,000 U.S. commercial office buildings lingering well below pre-pandemic levels. But researchers said attendance in the midweek Tuesday-Thursday period preferred by most workers was up 27% from 2022 as of January.