DAILY ROUNDUP

Inflation expectations rise; Data center construction spending climbs; Restaurant performance improves

What you need to know to start your day



U.S. consumers expect rent costs to rise more than 8% in the coming year, according to the Federal Reserve Bank of New York. (Getty Images)

By Lou Hirsh
CoStar News
July 7, 2026 | 2:09 P.M.

Inflation expectations increase

Despite recent easing of gasoline prices, U.S. households are bracing for lingering high overall inflation in the coming year, according to the latest national survey of consumer expectations by the Federal Reserve Bank of New York.

“Respondents were more optimistic about their future household financial situations, while expectations about future credit availability deteriorated slightly,” the regional Fed said in a Tuesday statement regarding its latest monthly survey conducted June 1-30.

Based on median figures, survey respondents expect annual inflation to be at 3.7% as of June 2027, up 0.2 percentage points from May’s year-ahead projection and the highest figure since September 2023. Consumers expect inflation to be at 3.3% in three years’ time, the highest median projection for that time frame since the June 2022 survey.

Households are expecting continued elevated costs in the year ahead in several areas, with medical care anticipated to rise 9.4%, rent to increase 8.3%, college costs to climb 5.7% and food prices to gain 5%. Gas price hikes are expected to be relatively mild at 1.5%, the lowest reading in the survey since August 2022, after recent easing of fuel supply disruptions in the Middle East.

The Labor Department’s latest consumer price index report put annual overall inflation at 4.2% as of May. The latest household year-ahead projection and the actual May rate are both well above the Fed’s target of 2% optimal inflation.

Data center construction spending rises

Data centers are among the few categories posting significant gains in U.S. construction spending amid increasing demand for artificial intelligence technologies, according to an analysis of Commerce Department data by consulting firm KPMG.

The latest government figures showed total spending on residential and nonresidential projects topped $2.2 trillion in May, rising a slim 0.1% from the prior month and falling 1.5% from a year earlier, based on seasonally adjusted annual figures. KPMG noted that data center spending by contrast reached a new monthly high, topping $50 billion to increase 0.6% from the previous month and rise 23% from a year earlier.

U.S. spending on data center projects has now increased 328% since the first large-language AI learning models hit the market in mid-2020. “Data center construction is the physical footprint of an AI capital cycle that is still expanding,” KPMG Senior Economist Yelena Maleyev said in a report this week.

Spending is expected to escalate in coming years, with more than 1,500 U.S. data centers in various stages of development, according to Pew Research Center. Data firm Dodge Construction Network reported construction starts have slowed for categories such as warehouse and residential projects but remained steady in May for data centers and other types of facilities being built for healthcare, manufacturing and utility firms.

Restaurant performance improves

U.S. restaurant operators reported slight improvement in their financial performance, though lackluster customer visits reflected lingering concerns about business conditions, according to the latest tracking by the National Restaurant Association.

Based on several metrics, the trade group's monthly index survey report showed performance posting at 100.1 in May, up just 0.2 points from April but marking the first time in three months that the index rose above 100 to indicate the industry is in expansion mode.

Surveyed operators reported mixed results, with 50% posting higher same-store sales in May while only 29% reported monthly increases in customer traffic. Still, 54% said they planned to make a capital expenditure during the next six months for equipment, expansion or remodeling, the 14th straight month in which a majority reported plans for that spending.

Follow us on Social Media

Have feedback or questions? Email us at news@costar.com

IN THIS ARTICLE

Companies

KPMG LLP
Professional, Scientific, and Technical Services

RELATED ARTICLES

This former pawn shop reflects how properties are tapping growth in global sports events

Maryland investor adds Safeway-anchored shopping center to Seattle holdings

VW recommits across £400 million UK portfolio

Hammerson signs Ireland's first Zara Home at Dundrum Town

Former Macy's in downtown Brooklyn to become entertainment hub