NEWMARK

Insights From Our Experts

Agency and Capital Markets Update

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Mitch Clarfield
Executive Vice Chairman



Mitch Clarfield

Bad Moon Rising - Creedence Clearwater Revival (1969)

In last week's Agency and Capital Markets Report we discussed how Trump was continuing to purport sunnier days ahead in the Middle East but that the facts suggested that little progress was being made. On the economic front, the labor report showed a declining unemployment rate, but job growth had stalled, indicating that rain could be in the forecast. Interestingly, rates did not rally on the news, perhaps due to the market's awareness of the massive supply of debt that will need to be absorbed by the market.

This week, the inflation news was much sunnier - July CPI, core CPI and core PPI were lower than June and all were better than forecast. Headline PPI rose slightly from June but was still negative, also beating expectations. Year-over-year levels improved more than expected but remain elevated, though core CPI was 2.48%, the lowest it's been since March 2021. Stickier inflation components also performed well, with shelter below 2% for the 2nd straight month and super core services also approaching 2% on a monthly and T3 basis. This clears the path for the Fed to hold rates a little longer, sending the 2-year down to 4.14% but the 10-year rate only fell by 2 bps. The 2s / 10s spread (or term premium) has widened to 53 bps, indicating rising unease about long term debt issuance by the US and for the AI build-out. This week's $25 billion 30-year Treasury auction brought the highest rate in 25 years with weak demand metrics.

While everyone focused on the inflation data and what it might mean to the Fed (exactly what Warsh does not want), we also saw a material shift in Retail Sales and Consumer Sentiment. Sentiment had been rebounding from a 3-month decline from March through May but gave back some of the recent gains as business expectations slid. Retail sales also decelerated for the 2nd consecutive month as consumers continued to "trade down' in what purchases they made. Coupled with the dismal labor report from last week, we are wondering if we are going to see a Bad Moon Rising.

Newmark's research department released its 2Q26 U.S. Multifamily Capital Markets report last week and they offered up 5 potential economic scenarios for consideration:

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Narrative	Definition	Fed Funds (Upper) in 12 Months	Long-term Fed Funds	10Y Treasury	Credit Spreads (vs. Current)	NMRK Research Probability (NTM)
Inflation Accelerating, Low Growth (Stagflation)	Inflation Rising, >2.5% GDP Growth < 2.0%	4.25% to 5.00%	4.00% to 5.00%	5.00% to 5.50%	Narrower (slightly)	25%
Inflation Stubborn, Low Growth (Decaf Stagflation)	Inflation Stable > 2.5% GDP Growth < 2.0%	3.50% to 4.25%	3.00% to 4.00%	4.25% to 4.75%	Flat	35%
Inflation Stubborn, Growth Moderate (AI Exuberance)	Inflation Stable > 2.5% GDP Growth > 2.0%	3.75% to 4.25%	3.50% to 4.50%	4.25% to 5.00%	Narrower (slightly)	15%
Recession	Inflation <=2.0% Unemployment > 5.5%	0.00%	2.00% to 3.00%	2.75% to 3.75%	Much Wider (esp. if no QE)	20%
Goldilocks	Inflation ~2.0% GDP Growth ~2.0%	2.50% to 3.50%	3.00% to 4.00%	3.50% to 4.25%	Narrower (slightly)	5%

Source: Newmark Research as of 7/14/2026

The outlook hasn't changed much since the last report in May, though the Stagflation and Decaf Stagflation scenarios now total 60% while the AI Exuberance scenario was marked up to a 15% probability, from 10%. The 10-year rate in these 3 scenarios would stay elevated and could head higher, consistent with our projections. The 20% recession outcome would generate much lower rates but, as we have discussed previously, the cost to economy would be greater than the benefit from lower rates. If job creation and retail sales remain anemic going forward, the odds of a recession would increase.

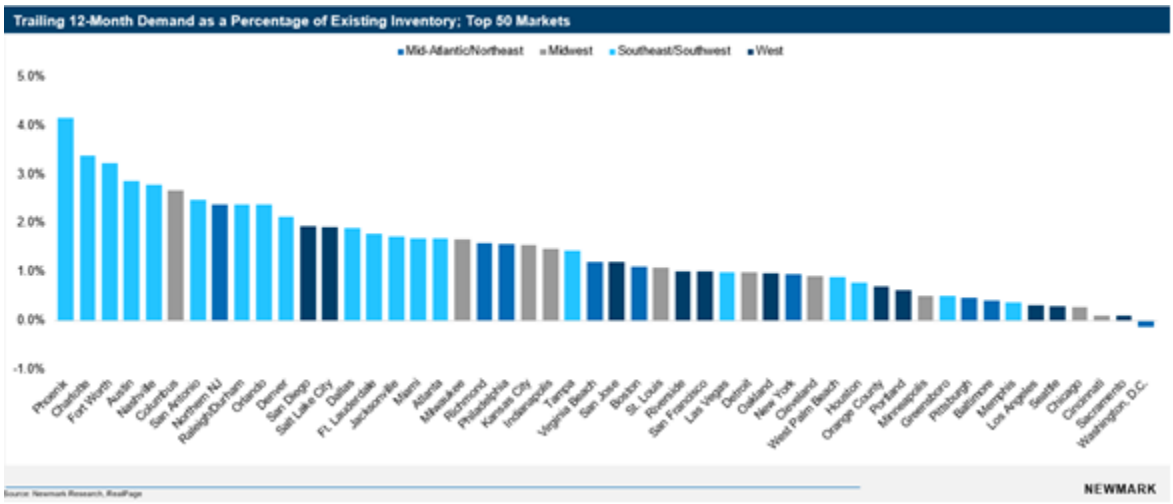
Based on the weightings assigned and projected 10-year rates for each scenario, Newmark arrives at a 4.40% weighted rate. While mathematically true, we look at it differently, as rates will either be at their current levels or higher (75% probability), or they will be much lower (25% probability). We think that you should prepare for both scenarios, as either could occur.

Our biggest concern in a slowing economic environment is household formation and apartment demand. You may recall that last summer, the Q2'25 Multifamily Capital Markets report showed 8 markets that had T12 apartment absorption over 6% of existing inventory and 2 markets (Austin and Charlotte) with absorption in the 9% range. By Q1'26, Phoenix and Charlotte were the only markets with over 4% absorption, with only Austin, Columbus and Fort Worth over 3%. Demand declined by 60% and fell further in the 12 months that ended in June.

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The Q2'26 report shows only Phoenix with absorption above 4%, with Charlotte and Forth Worth being the only other top 50 markets with absorption remaining over 3%. Not much of a change from Q1, but slightly slower than last quarter and much slower than the incredible period of absorption that we saw in the T12 ending June 2025.



The good news is that construction is slowing and, while still outpacing demand, the gap has narrowed and stabilized. Inventory growth ticked up slightly in Q2, but T12 annual inventory growth was the lowest in over 6 years.



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To sum it all up, we constructed a table that compares demand growth and supply growth for the past 4 quarters, so we can compare the two on a market-by-market basis. In Q1, there were 16 markets where demand outpaced additions to supply on a T12 basis. This past quarter, there are just 12, as Fort Lauderdale, Chicago, Atlanta and Philadelphia slipped into negative territory. Interestingly, the gap between supply and demand for all 50 markets remained at -0.31%, the same as in Q1, as supply and demand growth decelerated by -0.15% each. This is well below the +1.20% gradient measured a year ago.

All Markets by Demand Supply Differential

Geography Name	Existing Units	Annual Demand (T12 ending Q2 '26)	Demand as a % of Existing	Annual Supply (T12 ending Q2 '26)	Supply as a % of Existing	Demand over Supply
Oakland	224,611	2202	0.98%	640	0.28%	0.70%
Milwaukee	167,743	2813	1.68%	1,872	1.00%	0.68%
San Jose	190,290	2279	1.20%	1,002	0.53%	0.67%
San Francisco	255,033	2583	1.00%	942	0.37%	0.64%
Virginia Beach	147,252	1786	1.21%	954	0.65%	0.57%
Detroit	285,677	2824	0.99%	1,495	0.52%	0.47%
St. Louis	175,257	1918	1.09%	1,438	0.82%	0.27%
Cleveland	178,715	1630	0.91%	1,481	0.83%	0.08%
Memphis	112,891	416	0.37%	332	0.29%	0.07%
Baltimore	240,604	1006	0.42%	842	0.35%	0.07%
West Palm Beach	132,415	1193	0.90%	1,150	0.87%	0.03%
New York	1,979,840	18904	0.95%	18,574	0.94%	0.02%
Philadelphia	430,604	6808	1.58%	6,920	1.61%	-0.03%
San Diego	337,134	6516	1.93%	6,793	2.01%	-0.08%
Minneapolis	340,335	1723	0.51%	2,083	0.61%	-0.11%
Salt Lake City	141,560	2724	1.92%	2,906	2.05%	-0.13%
Richmond	120,506	1920	1.59%	2,097	1.74%	-0.15%
Riverside	203,781	2058	1.01%	2,365	1.16%	-0.15%
Phoenix	465,235	19332	**4.16%**	20,047	4.31%	-0.15%
San Antonio	248,182	6157	2.48%	6,805	2.66%	-0.18%
Miami	347,396	5856	1.69%	6,521	1.88%	-0.19%
Fort Lauderdale	214,441	3827	1.78%	4,329	2.02%	-0.23%
Orange County	274,800	1932	0.70%	2,579	0.94%	-0.24%
Chicago	770,503	2068	0.27%	3,908	0.51%	-0.24%
Atlanta	599,836	10078	1.68%	11,842	1.97%	-0.29%
Kansas City	191,880	2970	1.55%	3,592	1.87%	-0.32%
Portland	250,287	1555	0.62%	2,466	0.99%	-0.36%
Indianapolis	188,775	2781	1.47%	3,476	1.84%	-0.37%
Northern NJ	596,462	14286	2.39%	16,463	2.76%	-0.37%
Denver	364,323	7772	2.13%	9,201	2.53%	-0.39%
Pittsburgh	153,446	728	0.47%	1,354	0.88%	-0.41%
Fort Worth	251,382	8122	**3.23%**	9,172	3.65%	-0.42%
Los Angeles	1,169,882	3716	0.32%	9,105	0.78%	-0.46%
Columbus	219,896	5898	2.68%	6,964	3.17%	-0.48%
Orlando	297,139	7094	2.39%	8,713	2.93%	-0.54%
Sacramento	163,254	164	0.10%	1,071	0.66%	-0.56%
Nashville	208,436	5806	2.79%	6,968	3.35%	-0.57%
Dallas	751,845	14275	1.90%	18,576	2.47%	-0.57%
Boston	441,937	4896	1.11%	7,424	1.68%	-0.57%
Jacksonville	153,874	2668	1.73%	3,559	2.31%	-0.58%
Austin	353,454	10097	2.86%	12,188	3.45%	-0.59%
Raleigh/Durham	216,536	5174	2.39%	6,471	2.99%	-0.60%
Charlotte	261,346	8868	**3.39%**	10,475	4.01%	-0.61%
Houston	802,484	6265	0.78%	11,542	1.44%	-0.66%
Greensboro	116,060	582	0.50%	1,346	1.16%	-0.66%
Las Vegas	242,995	2431	1.00%	4,056	1.67%	-0.67%
Seattle	391,922	1165	0.30%	3,994	1.02%	-0.72%
Tampa	304,438	4365	1.43%	7,244	2.38%	-0.95%
Washington, DC	707,981	-929	-0.13%	7,698	1.09%	-1.22%
Cincinnati	173,811	177	0.10%	2,460	1.42%	-1.31%
Q2 2026 Totals	17,558,472	231,431	1.32%	285,113	1.62%	-0.31%
Q2 2026 Totals	17,458,919	256,686	1.47%	310,287	1.77%	-0.31%
Q2 2025 Totals	17,291,643	651,332	3.77%	443,932	2.57%	1.20%

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Finally, our research team compiled the units in lease-up and under construction in each market. There are 300,000 units in lease-up and 486,000 under construction or 786,000 units in aggregate. Comparing that to 231,000 units of demand shown over the past 12 months, it will take, on average, 40 months for the lease-up and units under construction to be absorbed. Only Oakland (nothing has been built there in a while), Virgina Beach, Detroit, San Francisco New York and San Antonio are markets that have absorption runways of less than 2 years. Progress is being made by way of a deceleration in construction, but there is still some work to do before the supply-demand dynamic improves sufficiently to support higher levels of rent growth.

The full report is attached for your convenience.

This week's data and analysis is below.

Existing Home Sales	Actual	Forecast	Previous
Existing Home Sales (Jul)	4.06M	4.05M	4.13M
Existing Home Sales (MoM) (Jul)	-1.70%		-1.40%

Source: Investing.com, US Census Bureau, National Association of Realtors, and Newmark

Existing home sales pulled back in July, giving back a portion of June's gain – which had been revised up from an initially reported 4.09M, confirming the June's strength was even more pronounced than we discussed last month. Despite the pullback, sales held a modest YoY increase of 0.7% and remained up 2.4% YTD, even as the average 30-year fixed mortgage rate crept higher to 6.54% from 6.49% in June. NAR Chief Economist Dr. Lawrence Yun stated that home sales have been stable and said, "there's no doubt that the housing market would be thriving if average mortgages rates were to return near 6%".

Median existing home prices eased from last month's all-time high to $434,100, though still marking the 37th consecutive month of YoY price gains. The Housing Affordability Index improved further, to 103.3 from 98.3 a year ago, extending the trend we noted last month of wage growth outpacing home price growth.

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Consumer Price Index	Actual	Forecast	Previous
CPI (MoM) (Jul)	0.074%	0.10%	-0.422%
CPI (YoY) (Jul)	3.365%	3.40%	3.531%
Core CPI (MoM) (Jul)	0.215%	0.20%	-0.017%
Core CPI (YoY) (Jul)	2.478%	2.50%	2.594%
Core CPI Index (Jul)	336.79		336.07
CPI Index, n.s.a. (Jul)	333.92	333.99	333.95
CPI Index, s.a (Jul)	332.81		332.57
CPI, n.s.a (MoM) (Jul)	-0.010%		-0.349%
Real Earnings (MoM) (Jul)	0.000%		0.700%

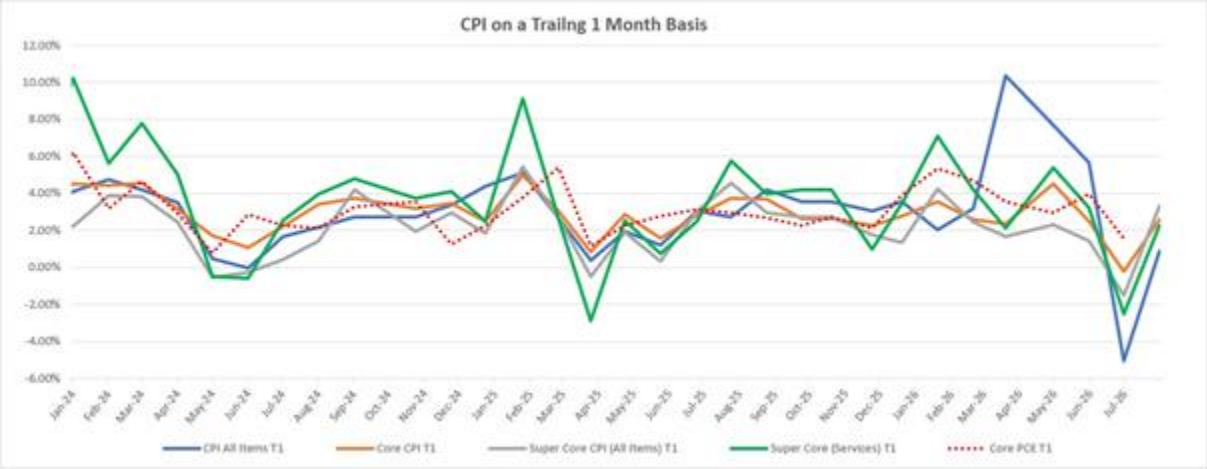
Source: U.S. Bureau of Labor Statistics, Investing.com and Newmark

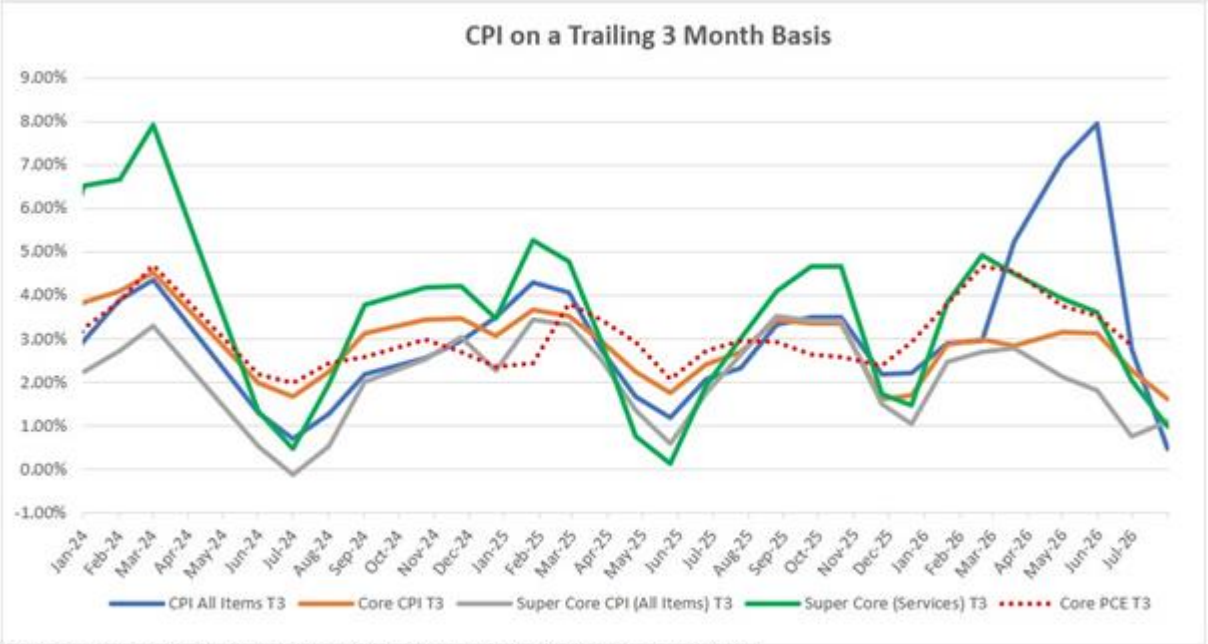
Headline CPI rose slightly in July, landing in line with expectations, and the annual rate eased again - the second straight month of deceleration from the 4.25% pace we saw as recently as May. Unlike June, when energy did all the work, this month's modest increase was almost entirely a shelter story. The BLS attributed roughly two-thirds of the monthly all-items gain to that single category. More notably, the energy reversal we flagged as a risk last month - due to the unwinding of ceasefire and the resulting oil price rebound could show up as a drag on the index - hasn't worked its way into the numbers yet as energy fell again in July by -1.5% and gasoline prices dropped 2.1% on the month. The index for energy increased 14.7% over the past twelve months, in large part to the index for gasoline rising 24.6% over the same period.

Core CPI slowed as expected for a second consecutive month in July, and the annual rate decelerated to 2.5%, matching the slowest annual pace since March 2021. On a T3 SAA basis, core CPI decelerated further to 1.63%, down from June's 2.27% pace. It's worth noting April's shutdown-related rent catch-up, which had propped up that figure, has now rolled entirely out of the three-month window, so this read is a cleaner signal than last month's calculation.

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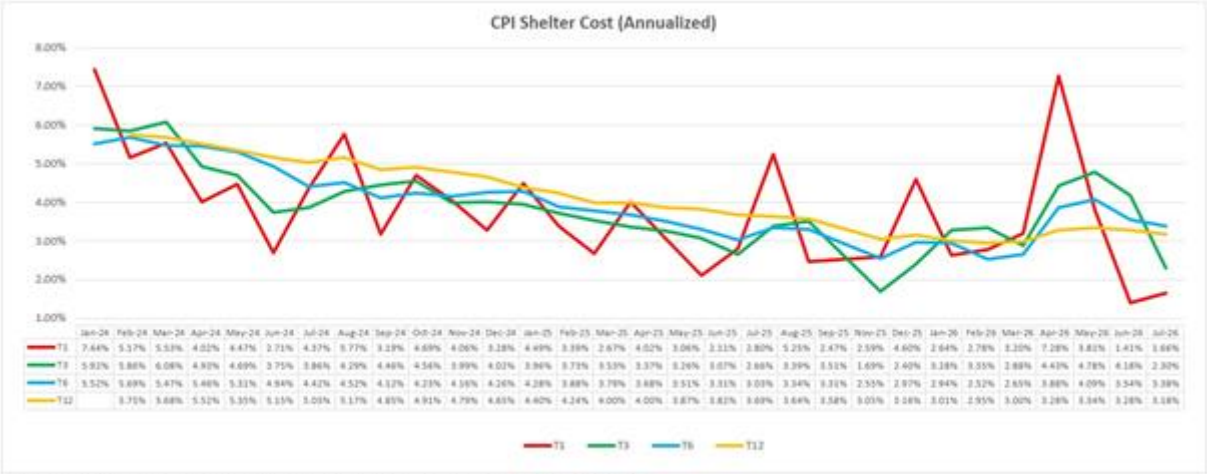


Source: Bureau of Labor Statistics, Bureau of Economic Analysis and Newmark

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A more revealing signal came from core services, the stickier part of the inflation calculus. The Bloomberg Super Core services index extended its cooling in July, rising just 0.189%, a 2.27% annualized pace. The T3 fell to 0.99%, down from 2.04% in June, now the fifth straight month of deceleration and a sharp move downward from the 3.6%-4.9% range that prevailed from February through May. The T6 eased as well to 2.47% from 3.28%, while the T12 decelerated for a 2nd consecutive month to 2.91%, still elevated relative to target but close to the lows seen this past December to February. The Super Core readings are reflected by the green line in the charts above.



Source: U.S. Bureau of Labor Statistics, Investing.com and Newmark

Shelter itself stayed tame for a second straight month, up just 0.1%, but the composition shifted underneath the surface. Owners' equivalent rent and rent of primary residence both reaccelerated slightly to roughly 0.26% on the month, while lodging away from home fell 2.8% over the month as hotel demand cooled with the World Cup crowds gone. On a trailing basis, shelter is still decelerating. T3 SAA fell to 2.3%, down from the high-3%/low-4% pace running from March - June. The fact that Rent and Owners' equivalent rent ticked back up, even modestly, is a reminder that this month's "relief" in this category was mostly a travel-lodging story rather than a genuine turn in the primary housing costs.

Put together, the July CPI report is more supportive of a Fed hold in September rather than a hike as CME's FedWatch tool lowered the probability of a 25bps rate increase at September's meeting to 32.5%. Headline and core both cooled further, the feared energy reversal did not materialize, and supercore continued its decelerating trend.

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Producer Price Index	Actual	Forecast	Previous
PPI (MoM) (Jul)	-0.028%	0.20%	-0.112%
PPI (YoY) (Jul)	4.689%	4.90%	5.566%
Core PPI (MoM) (Jul)	0.243%	0.30%	0.393%
Core PPI (YoY) (Jul)	4.158%	4.20%	4.752%
PPI ex. Food/Energy/Transport (MoM) (Jul)	0.350%		0.108%
PPI ex. Food/Energy/Transport (YoY) (Jul)	4.657%		5.013%

Source: U.S. Bureau of Labor Statistics, Investing.com and Newmark

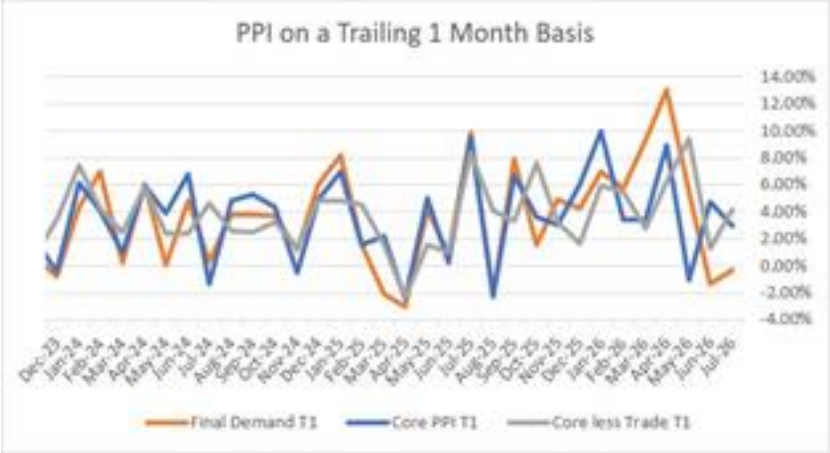
Thursday's July PPI report showed pipeline inflation stalling out at the headline level for a second straight month, even as the details revealed a firming undercurrent beneath the energy-driven softness. Headline PPI was essentially flat, slipping to a -0.34% seasonally adjusted annualized (SAA) pace in July from an adjusted -1.35% SAA in June - a sharp reversal from April's 13.08% SAA spike. On a year-over-year (unadjusted) basis, final demand cooled to 4.69% from 5.57% in June. Core PPI (excluding food and energy) was again firmer than the headline figure, rising at a 2.91% (SAA) pace, while the year-over-year level fell materially, but in line with projections. The core measure, excluding food, energy and trade services, reaccelerated to a 4.20% SAA pace from 1.30% in June and also fell on a year-over-year basis.

Unsurprisingly, energy again drove the headline print. Final demand for goods fell -0.7% in July, the second consecutive monthly decline (June fell -1.4%), on a -3.1% drop in final demand energy prices. More than half of the final demand for goods decline traced to a 5.7% slide in gasoline, alongside declines in diesel, jet fuel and other energy products, while food prices fell 0.9%. Partially offsetting the goods weakness, final demand for services rose 0.2% and construction prices jumped 2.2%.

On a trailing 3-month (T3) basis, which smooths monthly energy swings and better captures the underlying inflation trend, Final Demand T3 PPI tumbled to 1.25% SAA in July from 5.74% in June — its softest trailing pace since June 2025. T3 Core PPI eased similarly, to 2.19% SAA from 4.21%, while T3 core less trade — the cleanest underlying signal — fell modestly to 5.00% SAA from 5.67% in June, remaining well above both the headline and core print.

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Retail Sales	Actual	Forecast	Previous
Retail Sales (MoM) (Jul)	-0.60%	0.10%	0.20%
Retail Sales (YoY) (Jul)	5.01%		6.75%
Core Retail Sales (MoM) (Jul)	-0.30%	0.20%	-0.20%
Retail Control (MoM) (Jul)	-0.40%	0.30%	0.40%
Retail Sales Ex Gas/Autos (MoM) (Jul)	-0.20%		0.40%
Retail Inventories Ex Auto (Jun)	-0.40%		0.70%
Business Inventories (MoM) (Jun)	0.00%	0.20%	0.40%

Source: Investing.com, US Census Bureau and Newmark

U.S. retail and food services sales fell to $763.6B in July, the first decline in 6 months and marking the steepest drop since May 2025, with June revised up to $768.1B and total May-July sales running 6.3% above a year earlier. Gasoline station receipts declined again, falling 0.9% MoM, though they remain 16.2% higher than year-ago levels. Core retail sales (excluding autos and auto parts) dropped 0.3% MoM, the second straight decline after a series of increases since May 2025. Core sales excluding gasoline are up 4.2% YOY, down from 5.8% in June.

Discretionary spending was mixed and receipts at food services and drinking places—a commonly watched gauge of household finances— ticked up just 0.05 MoM (0.55% SAA), furthering the sentiment that consumers are weary of economic conditions and are dining out less often. The biggest decline in all categories was a 2.2% decrease in online sales, which is likely attributed to various online shopping deals that occurred in June such as Amazon Prime days.

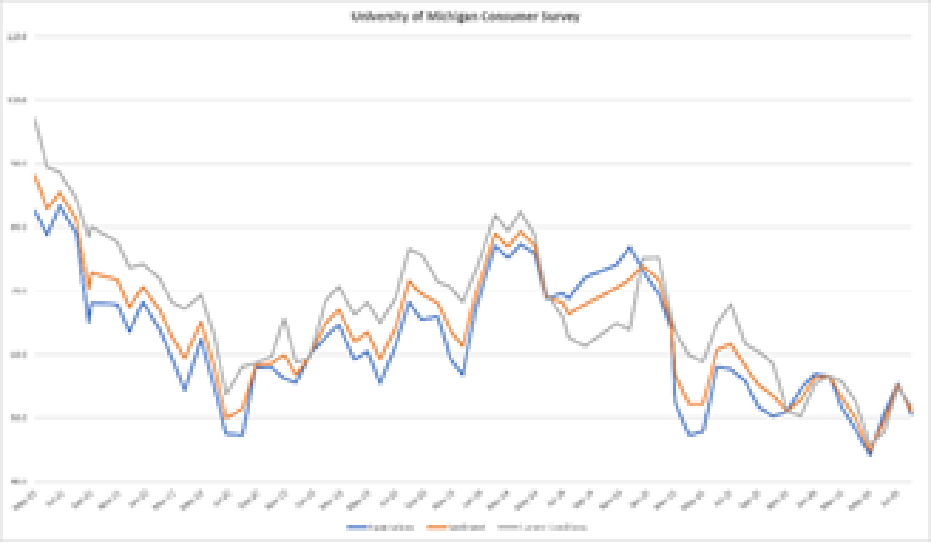
University of Michigan Survey of Consumers	Actual	Forecast	Previous
Michigan Consumer Expectations (Aug)	50.6	55.2	55.4
Michigan Consumer Sentiment (Aug)	51	54.7	55.2
Michigan Current Conditions (Aug)	51.8	55	54.8
Michigan 1-Year Inflation Expectations (Aug)	4.30%		4.20%
Michigan 5-Year Inflation Expectations (Aug)	3.30%		3.30%

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Preliminary August University of Michigan Survey results showed consumer sentiment tanking 7.6% after two consecutive months of improvement. Sentiment decreased across group by income, age, and political affiliation, though it dropped the most with Republicans, older consumers, lower income consumers, and those without a college degree. Sentiment, expectations (-8.7%), and current conditions (-5.5%) all fell as expected business conditions dropped 11% in the short run and 17% over the long run, even while views of personal finances saw only minor declines.

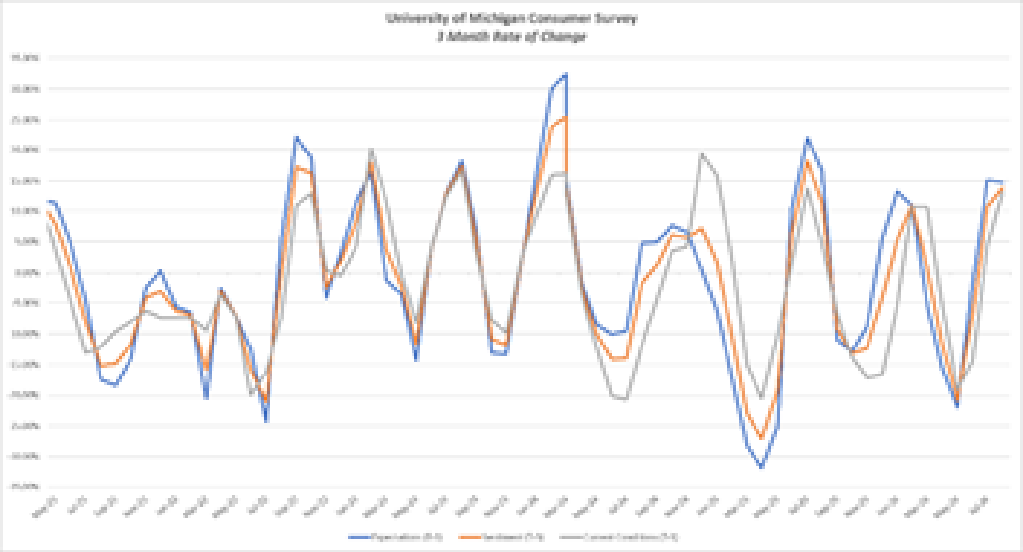
Year-ahead inflation expectations increased for the first time in four months, rising to 4.3% from 4.2% in July and remaining well above pre-conflict levels and the pre-pandemic range. Long-run inflation expectations held at 3.3% for the third consecutive month staying above the 2.8% to 3.2% corridor that prevailed through 2024.



Source: Investing.com, University of Michigan – Survey of Consumers and Newmark

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*Continued – **Bad Moon Rising** – Creedence Clearwater Revival (1969)*



Source: Investing.com, University of Michigan – Survey of Consumers and Newmark

Other Economic News	Actual	Forecast	Previous
CB Employment Trends Index (Jul)	107.71		106.74
10-Year Note Auction	4.68%		4.58%
Atlanta Fed GDPNow (Q3)	4.30%	5.80%	5.80%

Monday's Conference Board Employment Trends Index for July rose to 107.71 from an upwardly revised 106.74 in June, even as non-farm payrolls fell 23,000 in July which Conference Board ascribed to seasonal noise (education layoffs, post-World Cup hospitality normalization) rather than real deterioration. Gains were led by small firms reporting they can't fill positions (up 4 points to 36%, a June 2025 high) and falling claims for unemployment insurance. The index remains just 0.6% above its year-ago level, pointing to modest but positive underlying job growth.

The $42 billion 10-year Treasury auction cleared Wednesday at 4.683%. Demand held up as the bid-to-cover ratio was 2.53 and indirect bidders - primarily foreign buyers and central banks - absorbed 76.3% of the offering.

The Atlanta Fed's GDPNow model gave back much of its recent strength, with the Q3 estimate sliding to 4.3% Friday from 5.8% a week earlier and 6.2% in early August. The drop was traced mainly to consumer spending (PCE nowcast down to 2.5% from 4.1%) and business investment (down to 15.2% from 17.9%).

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*Continued – **Bad Moon Rising** – Creedence Clearwater Revival (1969)*

The week's data showed inflation continuing to cool, with headline and core CPI easing, while PPI decelerated sharply as well pointing to further disinflation working through the pipeline. That softness, combined with weaker retail sales (-0.6% MoM), and a sharp drop in Michigan consumer sentiment, indicates that the economy has downshifted, taking pressure off inflation but also contributing to the contraction in employment growth, consumer sentiment and personal expenditures. Housing added a mixed note as existing home sales pulled back in July, though prices and affordability continued to gradually improve. One wrinkle is that Michigan's year-ahead inflation expectations rose to 4.3%, the first increase in four months, which is interesting as hard inflation data keeps decelerating.

This coming week's data docket is light compared to the past two weeks. Aside from the FOMC minutes from the July 28 and 29 meeting, we will get the Flash PMI series from S&P Global and July housing starts. Note that the Fed's next meeting is September 15 and 16 and we will get the August PCE (Aug 26), the employment series (Sept 2-4) and August CPI and PPI (Sept 10 and 11) – all before the FOMC meets, so the commentary from Fed members is less relevant until all the data are revealed (and is less relevant to longer dated debt yields which are more important to our industry and the economy as a whole. With positive movement on the inflation front and deteriorating job growth, the upcoming data give us a much better picture of whether we are seeing more noise in the data delivery function or the start of important labor, spending and inflation trends. Let's hope that El Nino remains purely a weather-related phenomenon and doesn't spread to the economy… Stay Tuned!



I see the bad moon a-risin'
I see trouble on the way
I see earthquakes and lightnin'
I see bad times today
Don't go around tonight
Well it's bound to take your life
There's a bad moon on the rise
I hear hurricanes a-blowin'
I know the end is comin' soon
I fear rivers over flowin'
I hear the voice of rage and ruin

Please remember that the views expressed herein are ours alone and do not necessarily reflect the views of Newmark, Cantor Fitzgerald, or anyone else, for that matter

Note – due to summer travel and vacation schedules, we will not be publishing this report until Labor Day – enjoy the rest of your summer!

Continued…

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Insights From Our Experts

Agency and Capital Markets Update

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Executive Vice Chairman

Chris Moritz
Executive Managing Director



Ramsey Daya



Chris Moritz

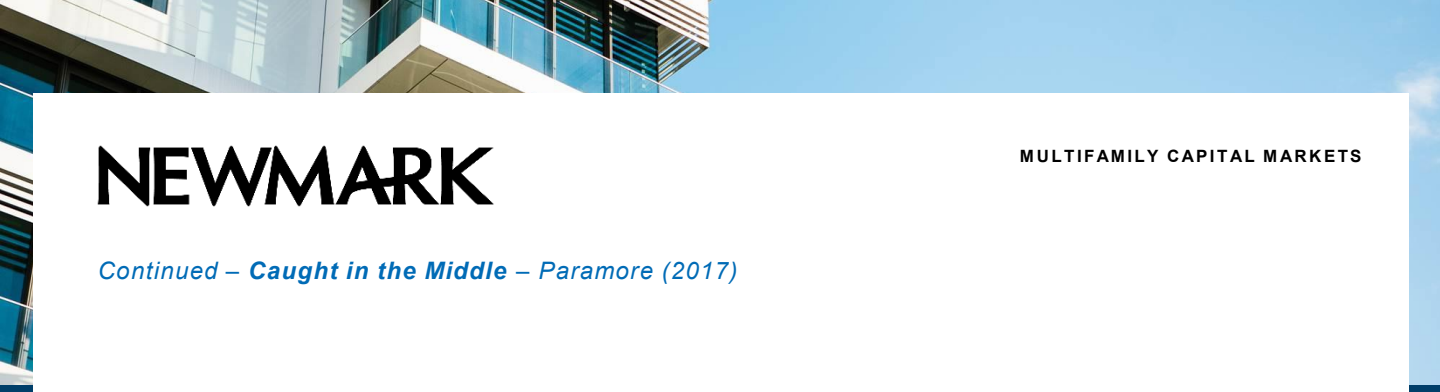
Caught in the Middle – Paramore (2017)

The past two weeks brought a batch of economic data that leaves the market with a genuinely mixed picture heading into the fall. Equity markets have continued to climb, with the S&P 500 setting fresh records above 7,800 and the Dow hitting new highs, but underneath that strength sits a widening gap between what the Fed is expected to do and what the bond market is actually pricing for long-term borrowing costs. That gap, and the tension it creates, is the story we should be watching most closely.

The July CPI report, released last week, showed headline inflation at 3.4% year-over-year and core inflation at 2.5%. Both still above the Fed's 2% target but soft enough to reinforce expectations for policy easing. Markets are now pricing roughly a 33% probability of a 25-basis point increase at the September 16 FOMC meeting, a significant decline from just a week earlier. On its face, that's a constructive signal for a market that has recently been expecting a rapid increase in short-term rates.

That tinge of optimism sits uneasily next to deteriorating labor and consumer data. The July unemployment rate was flat at 4.1%, despite a loss of 23,000 jobs and downward revisions to May and June employment, all while wage growth has cooled. Friday’s retail sales report added more evidence to the fact that consumers have pulled back on retail spending, while recent bank earnings show that more households are falling behind on auto and mortgage payments. For CRE, this matters on the demand side: retail tenant sales, multifamily rent collections, and overall consumer-driven leasing assumptions all warrant a more conservative lens than they did earlier this year.

Continued…



*Continued – **Caught in the Middle** – Paramore (2017)*

Perhaps the most direct read-through for financing costs came from the bond market itself. The Treasury's August 13th auction of 30-year bonds priced at a high yield of 5.216% — the highest level since 2001 — on notably weaker demand, with the bid-to-cover ratio falling to 2.39 and primary dealers left absorbing more of the issuance than their 12-month average. In short, even as the Fed appears poised to take their foot off the pedal on short-term rates, buyers of long-duration debt are demanding more yield, not less.

A curve that steepens rather than declines uniformly would carry real consequences for CRE. Short-term rate cuts can ease the cost of floating-rate debt and bridge financing, but if long-end yields remain elevated on inflation persistence and heavy Treasury supply, permanent financing may not benefit nearly as much. The practical takeaway: don't assume a Fed slowing, or pausing, rate hikes will automatically translate into cheaper 10- and 30-year money and continue underwriting with a cautious eye on consumer-driven NOI into 2027.



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