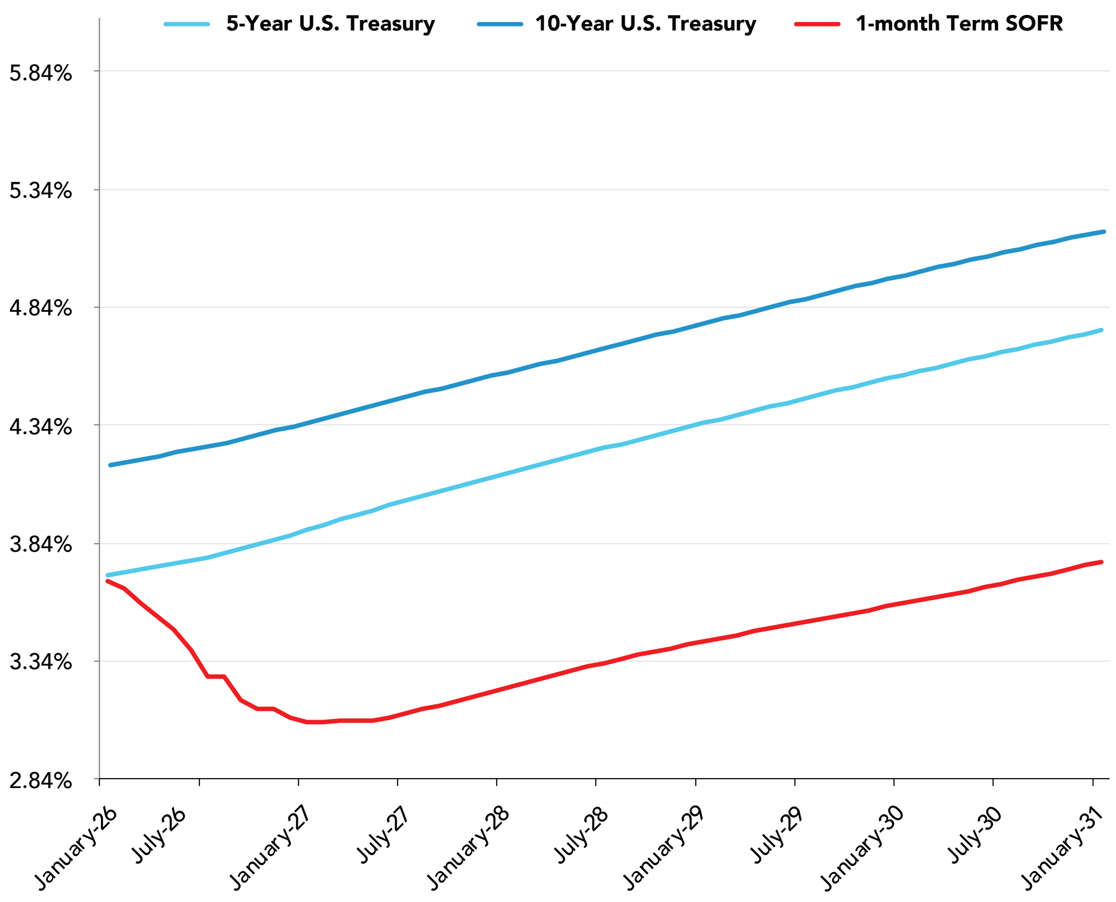
CAPITAL ADVISORY: MARKET SNAPSHOT - JAN 2026

TRENDING: CAUTIOUS MOMENTUM AS RATES EASE AND GROWTH CONTINUES

As we start 2026, a high level of uncertainty continues regarding the path forward for interest rates with conflicting macroeconomic dynamics. The Fed cut rates twice in Q4 (50 bps total), reaching a Fed Funds target range of 3.50% - 3.75%. While labor market data in Q4 was impacted by reporting disruptions, available figures through November show a materially softer employment picture than earlier forecasts. October experienced an unexpected contraction in payrolls tied largely to federal government workforce reductions, while November saw a modest rebound with ~64,000 jobs added versus expectations near 50,000. Forecasts for December point to continued slow hiring. The lack of job creation has pushed unemployment to 4.6% as of November, up 60 bps from the 4.0% unemployment rate in January. Though the official U.S. Bureau of Economic Analysis (BEA) has not yet released their final report, preliminary estimates suggest the U.S. economy continued to grow in Q4 2025, albeit at a subdued rate somewhere between 1.1% - 2.1% of annualized real GDP growth. These estimates point to continued moderate expansion at year end. While markets are increasingly pricing in potential rate cuts in 2026, the underlying economic data presents a more nuanced picture. Employment has softened, inflation is moderate yet still uneven, and GDP growth is steady but below trend. These mixed signals suggest that monetary policy may not perfectly align with current economic fundamentals, highlighting the need for cautious optimism as we enter the new year. Following the Fed's rate cuts, lending activity accelerated across the hospitality, industrial, and office sectors, each on track to exceed 2024 origination levels. Multifamily lending remains below 2024 levels, while retail activity has been relatively stable. Lower interest rates have helped drive increased issuance across other sectors and supported growth relative to 1H 2025.

KEY BENCHMARK RATES - FORWARD CURVES



Source: Chatham Financial

ECONOMIC OUTLOOK: EASING RATES, ELEVATED RISK FOR LEGACY DEBT

Looking ahead to 2026, economists anticipate continued slowing growth and lower wage growth, with projections for weaker consumer spending and slightly higher unemployment. Political decision-making will play a key role for commercial real estate, credit markets and capital allocation. Fiscal priorities, regulatory frameworks, and trade policy are all subject to change, and the markets have reacted accordingly by pricing in a wider range of potential outcomes. Government spending, taxation, and budget negotiations may materially affect growth expectations. At the same time, political developments may influence monetary policy indirectly. While the Federal Reserve remains data-driven and independent, President Trump will be appointing a new Federal Reserve Chair as Jerome Powell's term ends in May 2026. Market participants broadly expect the Federal Reserve to continue easing monetary policy, providing incremental relief to borrowing costs and improving capital markets liquidity. Even under a lower-rate scenario, refinancing risk remains elevated as office and multifamily loans account for most maturities in the coming years. Many of these loans originated in materially lower interest rate environments, and current debt yields and valuation resets are likely to necessitate meaningful equity infusions to refinance, or alternatively, asset sales at depressed valuations. While rate cuts may stabilize transaction activity, they are unlikely to fully offset the structural challenges facing legacy office and multifamily debt, particularly for assets with weaker fundamentals.

KEY BENCHMARK RATES

%	CURRENT RANGE
5-YR US TREASURY	3.70% - 3.75%
10-YR US TREASURY	4.15% - 4.20%
FED FUNDS RATE	3.50% - 3.75%

source: BLS

ECONOMIC INDICATORS

%	Q4 2025	Q4 2024
UNEMPLOYMENT	▲ 4.6%	4.2%
INFLATION	▲ 2.9%	2.5%
GDP GROWTH	▼ 1.9%	2.3%

source: BLS

CAPITAL ADVISORY: RATES

CURRENT INDEX RATES	
5-Year Treasury	3.72%
7-Year Treasury	3.94%
10-Year Treasury	4.18%
30-Day Avg. SOFR	3.77%
1-month Term SOFR	3.68%
Prime	6.75%

FANNIE MAE - CONVENTIONAL

Term	LTV	DSCR	Spread	Rate
5-Year	80%	1.25x	150-190	5.22%-5.62%
5-Year	65%	1.35x	115-155	4.87%-5.27%
5-Year	55%	1.55x	105-135	4.77%-5.07%
7-Year	80%	1.25x	133-173	5.27%-5.67%
7-Year	65%	1.35x	108-148	5.02%-5.42%
7-Year	55%	1.55x	098-128	4.92%-5.22%
10-Year	80%	1.25x	120-160	5.38%-5.78%
10-Year	65%	1.35x	100-140	5.18%-5.58%
10-Year	55%	1.55x	090-120	5.08%-5.38%

FREDDIE MAC - CONVENTIONAL

Term	LTV	DSCR	Spread	Rate
5-Year	65%	1.25x	140-155	5.12%-5.27%
5-Year	60%	1.30x	135-150	5.07%-5.22%
5-Year	55%	1.35x	125-140	4.97%-5.12%
7-Year	65%	1.25x	133-148	5.27%-5.42%
7-Year	60%	1.30x	128-143	5.22%-5.37%
7-Year	55%	1.35x	118-133	5.12%-5.27%
10-Year	65%	1.25x	115-130	5.33%-5.48
10-Year	60%	1.30x	110-125	5.28%-5.43%
10-Year	55%	1.35x	100-115	5.18%-5.33%

LIFE COMPANIES

			Spread		Rate	
Term	Amort	LTV	Commercial	Multifamily	Commercial	Multifamily
5-Year	25-30	55%-65%	180-220	180-220	5.50%-5.90%	5.50%-5.90%
10-Year	25-30	50%-60%	150-190	140-180	5.70%-6.10%	5.60%-6.00%
10-Year	25-30	60%-65%	180-220	170-210	6.00%-6.40%	5.90%-6.30%
15-Year	25-30	55%-65%	180-220	170-210	6.30%-6.70%	6.20%-6.60%
15-20 Year	Fully	60%-70%	160-200	150-190	6.40%-6.80%	6.30%-6.70%

COMMERCIAL BANKS

			Spread	Rate
Term	Amort	LTV	Commercial	Multifamily
Commercial	25	60%-70%	190-230	5.60%-6.00%
Multifamily	30	65%-75%	170-210	5.40%-5.80%

PRIVATE CREDIT

			Spread		Rate	
Term	Amort	LTV	Commercial	Multifamily	Commercial	Multifamily
1-3 Years	I/O	65%-75%	350-500	275-400	7.20%-8.70%	6.45%-7.70%

CMBS

			Spread		Rate	
Term	Amort	LTV	Commercial	Multifamily	Commercial	Multifamily
5-Year	I/O	65%-75%	280-330	200-220	6.50%-7.00%	5.80%-6.00%
10-Year	I/O	65%-75%	260-310	180-200	6.80%-7.30%	6.00%-6.20%

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