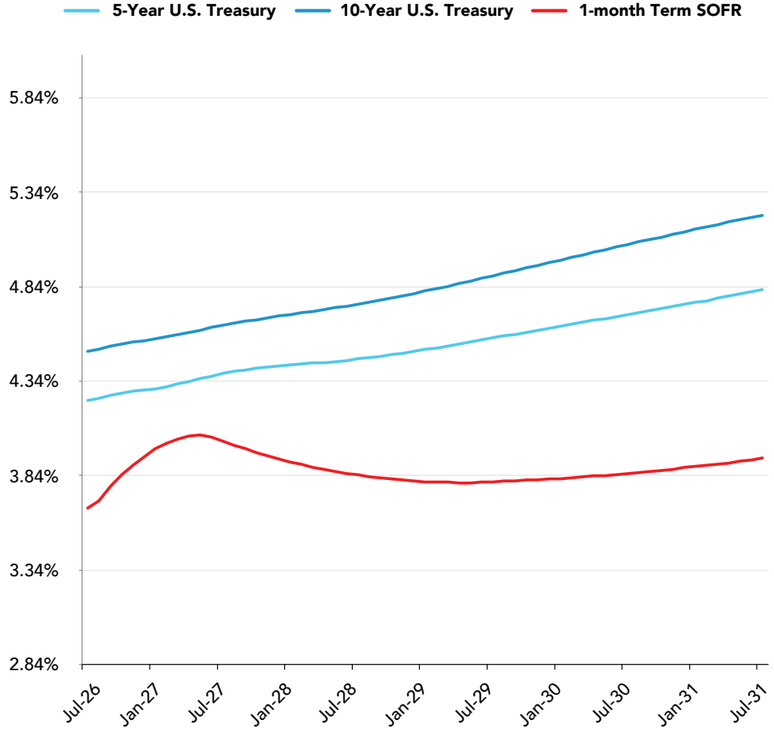
CAPITAL ADVISORY: MARKET SNAPSHOT - Q2 2026

HAWKISH PIVOT: A COOLING WAR, A NEW FED CHAIR, AND STICKIER-THAN-EXPECTED INFLATION

The second quarter picked up right where Q1 left off as the conflict in the Middle East continued to drive headlines. The Federal Reserve held the federal funds rate steady for the third and fourth consecutive meetings in April and June at 3.50% - 3.75%, though sentiment shifted sharply at the June meeting, Kevin Warsh's first as Fed Chair following Jerome Powell's exit on May 15th. Warsh delivered a shorter, sharper policy statement, stripped out the Committee's prior easing bias, and the "dot plot" flipped from penciling in a cut this year to signaling a hike may be needed. The labor market continued to defy the softer tone that closed out Q1 with over 170,000 jobs added in April and May, marking the strongest three-month stretch of hiring in over two years while Q1 2026 GDP was revised up to 2.1% annualized, a sharp acceleration from Q4 2025's 0.5% print. Despite these tailwinds, cracks persisted underneath the surface: Inflation kept climbing as May CPI hit 4.2% year-over-year, its highest level since April 2023, and energy prices up 23.5% annually. Both core CPI (2.9%) and the Fed's preferred core PCE gauge (3.4%) reached cycle highs. Much of this movement can be attributed to rising energy costs stemming from the conflict in Iran. After peaking above $100 a barrel, oil prices fell sharply on a fragile U.S.-Iran ceasefire and a mid-June framework to reopen the Strait of Hormuz, with Brent settling into the high-$70s to low-$90s by quarter's end. The 10-year Treasury yield, which finished Q1 at roughly 4.31%, initially drifted lower on the oil relief before reversing hard after June's hawkish FOMC statement, ending the quarter around 4.42%-4.44%, its highest level in nearly a year. For CRE owners and borrowers, the takeaway is one of persistence rather than relief: higher-for-longer capital costs, tighter refinancing proceeds on debt maturing in the next 12-18 months, and pressure to stress-test deals and engage lenders early.

KEY BENCHMARK RATES - FORWARD CURVES



Source: Chatham Financial

ECONOMIC OUTLOOK: WARSH RESETS THE PATH, AND MARKETS ADJUST

The range of outcomes narrowed this quarter, though not in the direction most borrowers were hoping for. With the Iran conflict cooling and oil retreating from its spring peak, the acute energy-shock scenario that dominated Q1 fears has faded, replaced by a different problem: inflation that isn't cooperating even without a war driving it, and a Fed chair no longer inclined to look past it. Kevin Warsh's first meeting at the helm marked a clear pivot in direction signaling the Fed now sees inflation, not growth, as the dominant risk. That view found support in the data, with hiring accelerating rather than slowing and GDP revised meaningfully higher, giving the Fed cover to prioritize price stability over supporting an economy that, on paper, doesn't need the help. The result is a market bracing for "higher-for-longer" rather than pricing in relief, with futures markets moving further from the rate-cut expectations that persisted through Q1 and the 10-year's climb to its highest level in nearly a year reflecting that shift. The open question is whether resilient growth and strong hiring can coexist with core PCE and CPI at cycle highs without the Fed needing to act more aggressively than a single hold-steady stance, and the next quarter's inflation prints and Warsh's early tenure will likely determine whether this is a brief hawkish overcorrection or the start of a genuinely tighter cycle.

KEY BENCHMARK RATES

	CURRENT RANGE
5-YR US TREASURY	4.20% - 4.25%
10-YR US TREASURY	4.45% - 4.50%
FED FUNDS RATE	3.50% - 3.75%

ECONOMIC INDICATORS

	Q2 2026	Q2 2025
UNEMPLOYMENT	▲ 4.2%	4.1%
INFLATION	▲ 4.2%	2.7%
GDP GROWTH*	▼ 2.1%	3.8%

*GDP Growth not yet finalized for Q2 2026, reflects previous quarters growth

source: BLS

WHAT THIS MEANS FOR OUR CAPITAL ADVISORY BUSINESS?

- **Community & Regional Banks** remain the most reliable source of capital for middle market financing assignments.
- **Transitional & Bridge Financing** demand remains elevated, with short-term and transitional (SOFR-based) capital lower cost relative to permanent (UST- and FHLB-based) debt.
- **Private Credit** funds remain active and are increasingly filling the gap left by borrowers unwilling to lock in permanent debt at current rate levels.
- **Borrower Focus** continues to be on flexibility and structures that allow them to move with the market, as long-term fixed-rate debt becomes less attractive amid uncertainty over where rates will settle.

WE ARE OPEN FOR BUSINESS – ACTIVELY FINDING OUTLIER CAPITAL SOURCES FOR OUR MIDDLE-MARKET CLIENTS!

CAPITAL ADVISORY: RATES

CURRENT INDEX RATES	
5-Year Treasury	4.21%
7-Year Treasury	4.34%
10-Year Treasury	4.48%
30-Day Avg. SOFR	3.63%
1-month Term SOFR	3.67%
Prime	6.75%

FANNIE MAE - CONVENTIONAL

Term	LTV	DSCR	Spread	Rate
5-Year	80%	1.25x	139-179	5.60%-6.00%
5-Year	65%	1.35x	104-144	5.25%-5.65%
5-Year	55%	1.55x	94-124	5.19%-5.49%
7-Year	80%	1.25x	123-163	5.57%-5.97%
7-Year	65%	1.35x	98-138	5.32%-5.72%
7-Year	55%	1.55x	88-118	5.22%-5.52%
10-Year	80%	1.25x	110-150	5.58%-5.98%
10-Year	65%	1.35x	90-130	5.38%-5.78%
10-Year	55%	1.55x	80-110	5.28%-5.58%

FREDDIE MAC - CONVENTIONAL

Term	LTV	DSCR	Spread	Rate
5-Year	65%	1.25x	140-155	5.61%-5.76%
5-Year	60%	1.30x	135-150	5.56%-5.71%
5-Year	55%	1.35x	125-140	5.46%-5.61%
7-Year	65%	1.25x	133-148	5.67%-5.82%
7-Year	60%	1.30x	128-143	5.62%-5.77%
7-Year	55%	1.35x	118-133	5.52%-5.67%
10-Year	65%	1.25x	115-130	5.63%-5.78%
10-Year	60%	1.30x	110-125	5.58%-5.73%
10-Year	55%	1.35x	100-115	5.48%-5.63%

LIFE COMPANIES

			Spread		Rate	
Term	Amort	LTV	Commercial	Multifamily	Commercial	Multifamily
5-Year	25-30	55%-65%	180-220	180-220	6.00%-6.40%	6.00%-6.40%
10-Year	25-30	50%-60%	150-190	140-180	5.95%-6.35%	5.85%-6.25%
10-Year	25-30	60%-65%	180-220	170-210	6.25%-6.65%	6.15%-6.55%
15-20 Year	Fully	60%-70%	160-200	150-190	6.05%-6.45%	5.95%-6.35%

COMMERCIAL BANKS

			Spread	Rate
Term	Amort	LTV	Commercial	Multifamily
Commercial	25	60%-70%	180-220	6.00%-6.40%
Multifamily	30	65%-75%	170-210	5.90%-6.30%

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%	260-310	200-220	6.80%-7.30%	6.20%-6.40%
10-Year	I/O	65%-75%	230-280	180-200	6.75%-7.25%	6.25%-6.45%

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