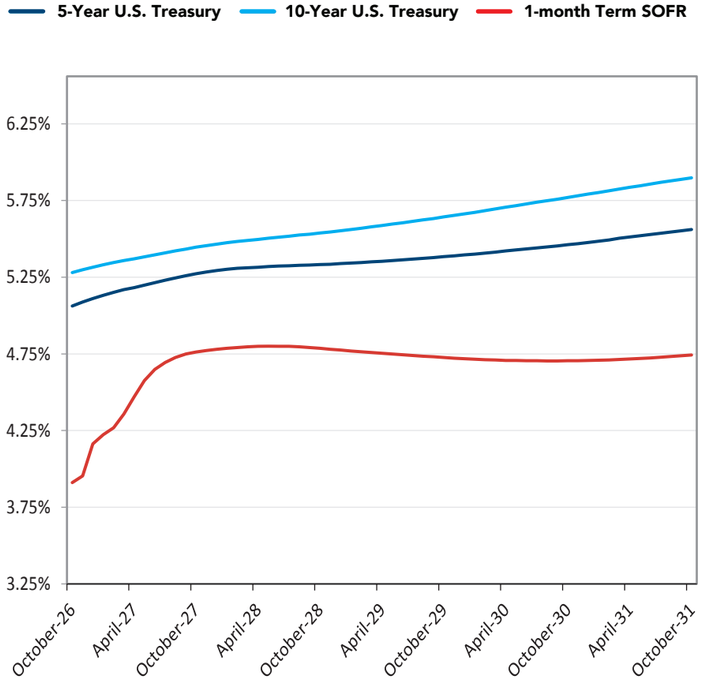
CAPITAL ADVISORY: MARKET SNAPSHOT - Q3 2026

PROMISES MADE, PROMISES KEPT: WARSH LEADS FED'S FIRST HIKE SINCE 2023 AS INFLATION STAYS HIGH

The third quarter of 2026 marked a clear turning point in our nation's economy as the "higher-for-longer" moniker has turned into simply "higher." In September, the Federal Reserve voted 12-0 to raise the target range by a quarter point to 3.75% - 4.00%, the first increase since July 2023. 16 of 18 FOMC participants who submitted projections now expect at least one more hike this year, and the median projection shows the rate holding at ~4.1% through 2027. The reason is simple: inflation. Despite easing from May's 4.2% peak, headline CPI held at 3.4% in August, and the Fed's preferred gauge is no better, with core PCE at 3.0% and headline PCE at 3.4% in July, both well above the 2.0% target. Energy is the main culprit, as gasoline alone rose 3.9% in August. The June ceasefire and Hormuz framework did not hold, and after roughly a month of relative calm following a July flare-up, fighting resumed. Brent averaged just over $100 in September, peaking near $110 mid-month, as fighting resumed and Iran's latest offer to reopen the Strait was rejected. With payrolls rebounding by 162,000 in August and unemployment steady at 4.1%, the labor market gave the Fed cover to act, and Chair Kevin Warsh, who had promised no tolerance for persistently elevated inflation, delivered. The September jobs report, released after quarter-end, was a reminder of how uneven that strength has been, with payrolls up just 29,000 and unemployment ticking up to 4.2%. The 10-year Treasury yield, which ended Q2 around 4.45%, surged to ~5.30% to end the quarter, its highest level since June 2007. For CRE borrowers, the takeaway has moved from persistence to repricing: permanent debt costs have risen significantly in a single quarter, refinancing math on 2026-2027 maturities is tighter, and lenders will be less forgiving on debt yield and coverage. Borrowers are responding by exercising extension options wherever they are available, buying time for rates to settle before locking in permanent debt. Where extensions aren't an option, interest-only periods and prepayment flexibility have become top priority to maintain optionality if rates (ever) come down.

KEY BENCHMARK RATES - FORWARD CURVES



Source: Chatham Financial

ECONOMIC OUTLOOK: ONE HIKE DOWN, HOW MANY TO GO?

Last quarter, the question was whether Kevin Warsh would look past sticky inflation. The September hike answered it, and the debate has shifted from whether the Fed will tighten to how far it will hike. Oil has seen slight relief from September highs as there are *some* growing signs of renewed diplomatic efforts to reopen the Strait of Hormuz, though the probability of reaching a deal is still unclear. Traders and economists alike remain cautious as we've seen momentum build time and again only to hit a screeching halt. Hostilities in the Middle East remain the focus and in order to see notable relief, a durable ceasefire is necessary. Even with some slight relief to oil futures, the Fed's job is not getting easier. Its own projections point to at least one more hike this year, and markets are increasingly pricing in a move as soon as October. The open question is whether the economy can absorb additional hikes on top of elevated energy prices and a 10-year U.S. Treasury yield north of 5% without tipping into something weaker. The economy has held up so far, with Q2 GDP growth revised up to 2.2%, but cracks are showing in the labor market, where September payrolls rose just 29,000 and unemployment ticked up to 4.2%. The September CPI (10/14) and October FOMC meeting (10/28) will go a long way toward answering whether the economy can keep absorbing higher rates.

KEY BENCHMARK RATES

	CURRENT RANGE
5-YR US TREASURY	5.05% - 5.10%
10-YR US TREASURY	5.25% - 5.30%
FED FUNDS RATE	3.75% - 4.00%

ECONOMIC INDICATORS

	Q3 2026	Q3 2025
UNEMPLOYMENT	▼ 4.2%	4.4%
INFLATION	▲ 3.4%	3.0%
GDP GROWTH*	▼ 2.2%	4.4%

*GDP Growth not yet finalized for Q3 2026, reflects previous quarters growth

source: BLS

WHAT THIS MEANS FOR OUR CAPITAL ADVISORY BUSINESS?

- **Borrower Focus** is on optionality. With the path of rates unclear and long-term fixed-rate debt harder to justify, borrowers are prioritizing extension options, interest-only periods, and prepayment flexibility that let them adjust as the market moves.
- **Community & Regional Banks** continue to be our most dependable source of capital for middle-market assignments, and their flexibility on structure is proving especially valuable as borrowers look for creative solutions.
- **Transitional & Bridge Financing** remains in strong demand. Even after September's hike, short-term SOFR-based capital is still meaningfully cheaper than permanent UST- and FHLB-based debt.
- **Private Credit** funds are still active and stepping in where borrowers aren't willing to lock in permanent debt.

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

CAPITAL ADVISORY: RATES

CURRENT INDEX RATES	
5-Year Treasury	5.06%
7-Year Treasury	5.19%
10-Year Treasury	5.30%
30-Day Avg. SOFR	3.76%
1-month Term SOFR	3.91%
Prime	7.00%

FANNIE MAE - CONVENTIONAL

Term	LTV	DSCR	Spread	Rate
5-Year	80%	1.25x	139-179	6.45%-6.85%
5-Year	65%	1.35x	104-144	6.10%-6.50%
5-Year	55%	1.55x	94-124	6.00%-6.30%
7-Year	80%	1.25x	123-163	6.42%-6.82%
7-Year	65%	1.35x	98-138	6.17%-6.57%
7-Year	55%	1.55x	88-118	6.07%-6.37%
10-Year	80%	1.25x	112-152	6.42%-6.82%
10-Year	65%	1.35x	92-132	6.22%-6.62%
10-Year	55%	1.55x	82-112	6.12%-6.42%

FREDDIE MAC - CONVENTIONAL

Term	LTV	DSCR	Spread	Rate
5-Year	65%	1.25x	140-155	6.46%-6.61%
5-Year	60%	1.30x	135-150	6.41%-6.56%
5-Year	55%	1.35x	125-140	6.31%-6.46%
7-Year	65%	1.25x	133-148	6.52%-6.67%
7-Year	60%	1.30x	128-143	6.47%-6.62%
7-Year	55%	1.35x	118-133	6.37%-6.52%
10-Year	65%	1.25x	115-130	6.45%-6.60%
10-Year	60%	1.30x	110-125	6.40%-6.55%
10-Year	55%	1.35x	100-115	6.30%-6.45%

LIFE COMPANIES

			Spread		Rate	
Term	Amort	LTV	Commercial	Multifamily	Commercial	Multifamily
5-Year	25-30	55%-65%	180-220	175-215	6.86%-7.26%	6.81%-7.21%
10-Year	25-30	50%-60%	150-190	140-180	6.80%-7.20%	6.70%-7.10%
10-Year	25-30	60%-65%	180-220	170-210	7.10%-7.50%	7.00%-7.40%
15-20 Year	Fully	60%-70%	160-200	150-190	6.90%-7.30%	6.80%-7.20%

COMMERCIAL BANKS

			Spread	Rate
Term	Amort	LTV	Commercial	Multifamily
Commercial	25	60%-70%	175-215	6.81%-7.21%
Multifamily	30	65%-75%	160-200	6.66%-7.06%

PRIVATE CREDIT

			Spread		Rate	
Term	Amort	LTV	Commercial	Multifamily	Commercial	Multifamily
1-3 Years	I/O	65%-75%	325-475	275-425	7.16%-8.66%	6.66%-8.16%

CMBS

			Spread		Rate	
Term	Amort	LTV	Commercial	Multifamily	Commercial	Multifamily
5-Year	I/O	60%-70%	235-275	190-220	7.41%-7.81%	6.96%-7.26%
10-Year	I/O	60%-70%	220-260	180-210	7.50%-7.90%	7.10%-7.40%

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