June 2025 – Equities At All-time Highs Despite Continued Economic Uncertainty

Both the S&P 500 and Nasdaq Composite closed at all-time highs to end the second quarter, reflecting investor optimism, even as economic headwinds persist. Markets have been buoyed by solid corporate earnings, a resilient labor market, and growing confidence that the Federal Reserve may pivot toward easing before year-end. The benchmark 10-year Treasury yield ended the month at 4.25%, down 15bps but well within recent trading ranges.

Market Benchmarks

	YE-2024	May-25	Jun-25	1-Month Change Δ	1-Month Change % Δ
Fed Funds	4.33%	4.33%	4.33%	0.00%	0.00%
1-Month SOFR	4.33%	4.32%	4.32%	0.00%	0.00%
10-Yr Treasury	4.57%	4.40%	4.25%	-0.15%	-3.46%
S&P 500	5,881.63	5,911.69	6,197.67	285.98	4.84%
REIT Index[1]	126.31	126.67	126.20	(0.47)	-0.37%
VIX	17.35	18.75	16.60	(2.15)	-11.47%

1. Vanguard Real Estate Index Fund (VGSLX) tracks the MSCI U.S. REIT Index

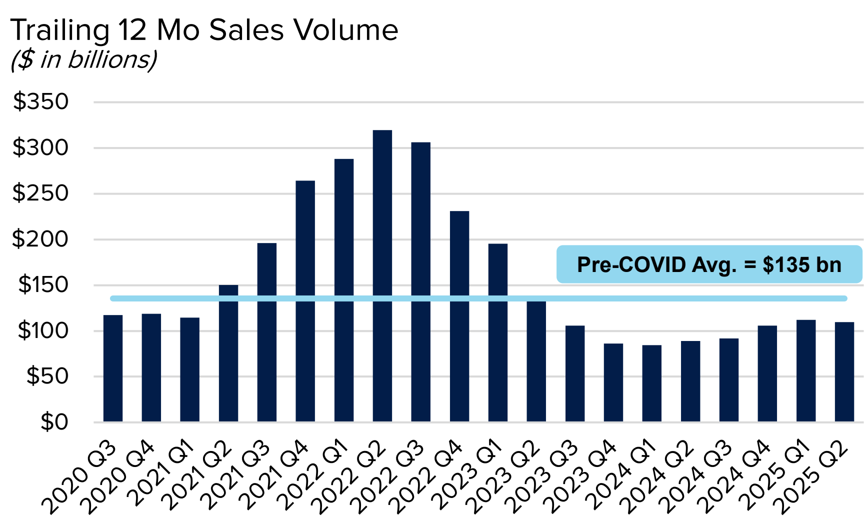
At its June 18th meeting, the Fed held its target range at 4.25–4.50%, while continuing its balance sheet runoff. The updated "dot plot" implies the potential for two rate cuts in late 2025; however, Chair Powell stressed that sustained progress on inflation is required. Markets are also digesting speculation that President Trump may announce Powell's successor as early as September or October—well before his term expires—adding fresh uncertainty around central bank independence and fuelling volatility in Treasury and FX markets.

Fiscal policy is adding another layer of complexity. The Senate is moving forward on Trump's proposed "One Big Beautiful Bill," which is projected to add as much as $3.3 trillion to the deficit. Investors have responded by rotating away from Treasuries and leaning toward European and Asian government debt, as concerns over future U.S. debt growth take hold. In parallel, regulators are advancing proposals to change certain risk metrics, making it easier for banks to hold more Treasuries on their balance sheets. This could provide additional support for the treasury market given elevated future issuance.

H1 Multifamily Market Recap & Outlook

Investment Environment

The first half of 2025 delivered an increasingly constructive backdrop for multifamily investors. While headline fundamentals such as rent growth and vacancy are still stabilizing, the transaction market has clearly turned a corner. Weak assets are working their way through the system, bid-ask spreads are narrowing, and smart capital is stepping in at scale. Transaction volumes have rebounded notably from last year's lows, with $110 billion in 12-month trailing sales volume as of Q2 and a 33% increase since the 2023 trough, led by a string of institutional-scale trades:

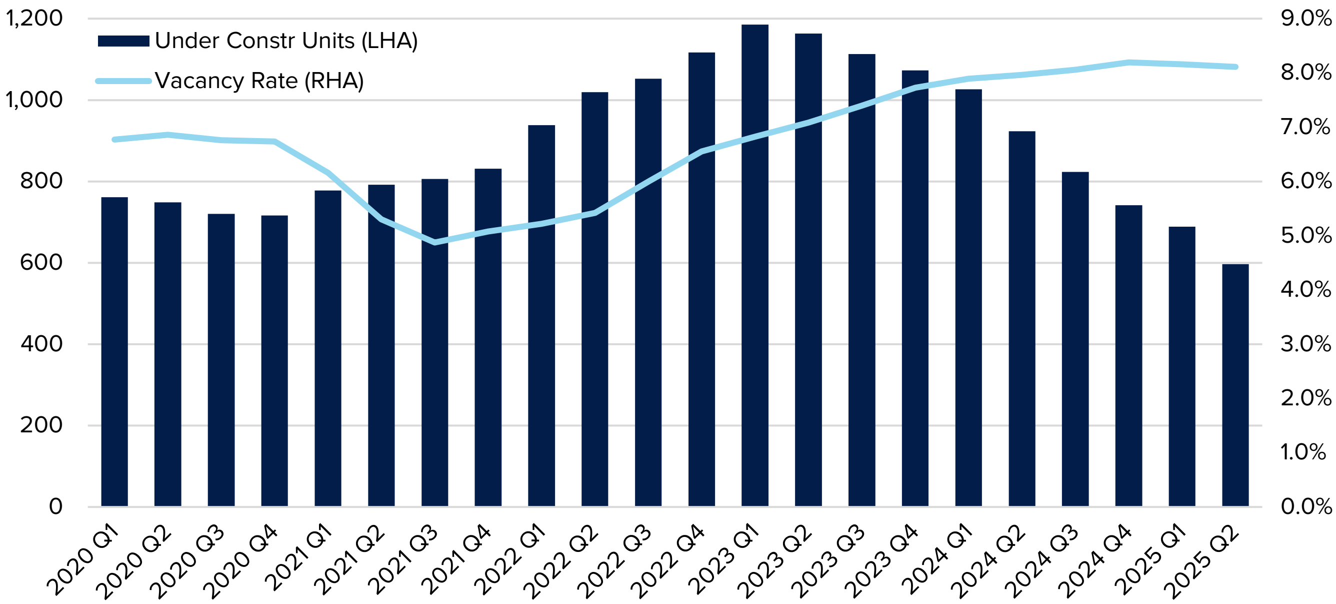


- In June, Equity Residential acquired 2,492 Sun Belt units from Blackstone for $535 million.
- In May, Harbor Group International purchased 3,590 units across four states for $625 million.
- In April, Avalon Bay purchased 1,844 units in Texas for $432 million.

Operating Environment

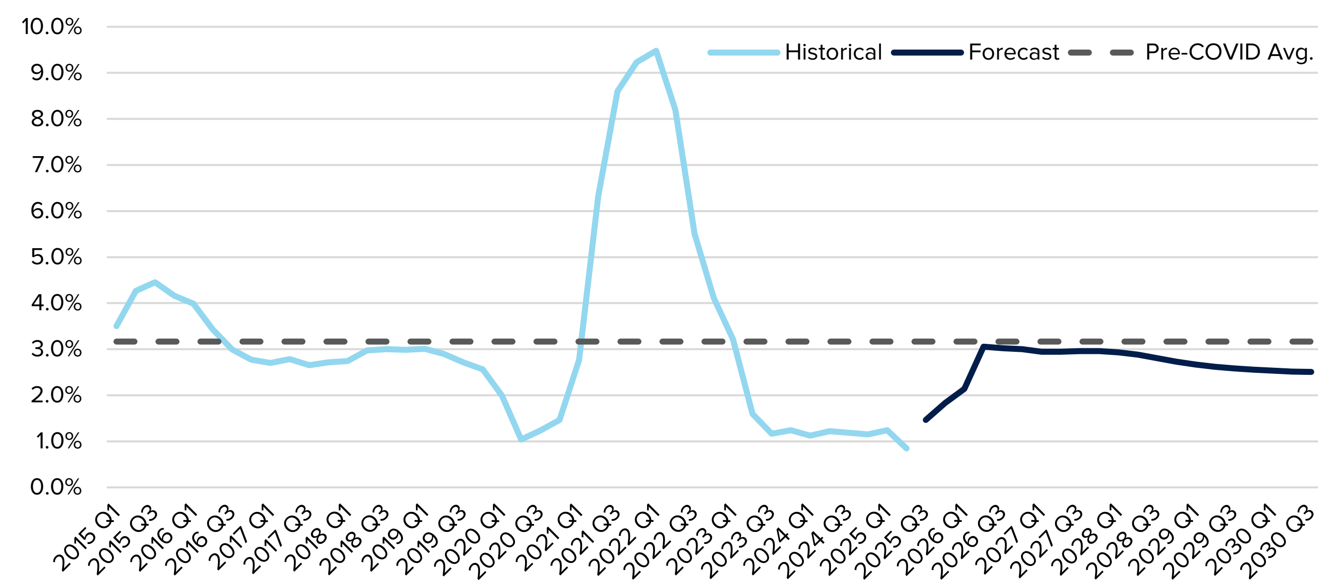
The operating environment continues to be a story of regional variances based on supply and demand. However, as new supply declines, overall market statistics are stabilizing. Recent CoStar data shows that vacancy peaked in Q1 at 8.2% and began to trend modestly lower into Q2, landing at an estimated 8.1% as of quarter-end. This reflects stabilizing demand, and a material drop in new supply although many of the deliveries from the last 12 months are still in lease-up. Net absorption for the trailing 12 months reached approximately 531,000 units, continuing to chip away at excess supply and strengthening market confidence.

New Supply vs. Vacancy



According to Yardi Matrix, rent growth from March through May averaged just 0.2% per month, roughly half the seasonal norm and pointing to a muted summer leasing season. The softness is especially evident in high-supply metros, though even traditional strongholds in the Mid-west and Northeast are showing more tempered gains.

Long-term Rent Groth Trends & Forcast



Looking Forward

Forecasts suggest moderate tailwinds:

- Yardi projects rent growth to decelerate further to 1.2% in 2026, before reaccelerating to a longer-term range of 3–4% as supply-demand dynamics stabilize.
- Transaction volumes are expected to rise modestly as pricing gaps narrow and cost of capital stabilizes.
- Cap rates may compress marginally in H2 if Fed signals remain dovish and the credit environment improves.
- CoStar forecasts national vacancy to fall toward 7.5% by year-end, with tighter occupancy to support broad-based rent recovery heading into 2026.

Spotlight on Affordability

Harvard's Joint Center for Housing Studies ("JCHS"), the nation's foremost authority on housing affordability, released an updated comprehensive State of the Nation's Housing report in June that offers a detailed view of the pressure points shaping today's rental housing landscape.

Affordability pressures have reached historic levels, creating both a structural demand for rentals and a sense of public policy urgency. While the situation is most acute among renters earning less than $30,000, the implications for multifamily investors are most relevant in the moderate-income brackets. According to the JCHS, 70% of renters earning $30,000 – 45,000 and 45% of those earning $45,000 – 75,000 are now spending more than 30% of income on rent, highlighting affordability strain squarely within the workforce housing demographic.

This pressure is further evidenced by declines in residual income. While the median for renters earning under $30,000 has fallen to just $250 per month, even households earning up to $75,000 have seen their discretionary income eroded. These affordability challenges are contributing to elevated demand for quality rental housing and are reshaping the contours of rent tolerance, upgrade behavior, and lease retention among middle-income renters. This affordability chasm has helped drive the addition of nearly 850,000 new renter households in 2024 alone.

These dynamics have several implications:

- Rental demand is likely to remain robust, especially in middle-income and workforce segments.
- Policy and private capital are aligning on affordability solutions, from LIHTC expansion to modular construction and public-private partnerships.
- Operational strategy increasingly hinges on pricing discipline, resident retention, and cost containment amid elevated expense growth.

The affordability crisis is now a defining force in multifamily investing, sustaining strong, though uneven, rental demand and prompting innovation across development and operations.

At Caisson, we continue to maintain a robust pipeline of opportunities across multiple markets, with several transactions in advanced stages of underwriting and negotiation. Please don't hesitate to reach out if you'd like to discuss our current deal flow or investment strategy in more detail.