



July 2025 – Equities Continue Upward While the Fed Holds Steady

Equity markets posted another strong month in July. The S&P 500 gained 2.8%, extending its three-month rally to nearly 14%. This places it among the strongest three-month stretches of the past decade. The index notched multiple record highs during the month, contributed by strong earnings from mega-cap tech firms, resilient consumer data, and optimism around global trade de-escalation.

However, performance remains highly valuation-sensitive, and sector divergence has grown more pronounced. With late summer seasonality ahead, a note of caution is warranted.

Market Benchmarks

	YE-2024	Jun-25	Jul-25	1-Month Change	
				Δ	% Δ
Fed Funds	4.33%	4.33%	4.33%	0.00%	0.00%
1-Month SOFR	4.33%	4.32%	4.35%	0.03%	0.69%
10-Yr Treasury	4.57%	4.25%	4.37%	0.13%	2.97%
S&P 500	5,881.63	6,197.67	6,339.39	141.72	2.29%
REIT Index ¹	126.31	126.20	126.33	0.13	0.10%
VIX	17.35	16.60	16.72	0.12	0.72%

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

Even as equities surged, underlying economic signals remained mixed. On July 30, the Fed held the federal funds rate steady for a fifth consecutive meeting. What stood out was the 9 – 2 split vote, with Governors Michelle Bowman and Christopher Waller favoring an immediate rate cut. **Public dissent at the Fed is uncommon.** Some market participants interpreted the split as early positioning ahead of the White House's decision on whether to reappoint Chair Powell.

June PCE came in modestly above expectations. The headline PCE rose 0.3% MoM and 2.6% YoY. Core PCE rose to 2.8%, up from 2.6% in May. Economists attributed part of the increase in part to delayed tariff-related inflation. The data complicated the rate outlook, pushing market expectations for a September rate cut below 50%.

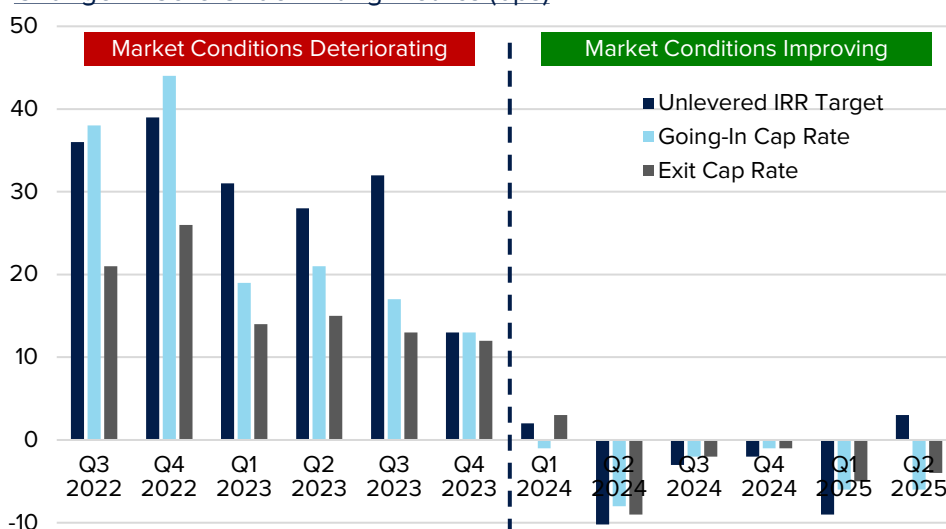
In bond markets, the 10-year Treasury yield ended July at 4.37%, after a notable rise of approximately 13 basis points during the month. Meanwhile, rate futures shifted lower on easing expectations for a September rate cut, and the U.S. dollar firmed, applying modest tightening pressure to broader financial conditions. Overall, July reinforced the widening gap between strong asset price performance and monetary policy inertia. For multifamily investors, that divergence remains a key variable to monitor.

Multifamily Underwriting Metrics Continue to Improve

Multifamily underwriting conditions continued to improve slightly in Q2 2025, as reported by CBRE Research. Cap rate assumptions compressed modestly across both core and value-add strategies and rent growth expectations trended upward—signaling a tentative but meaningful shift in investor sentiment.

As shown to the right, we can see a clear division in market sentiment starting in Q1 2024. Although transaction

Change in Core Underwriting Metrics (bps)





volumes remain muted, improving sentiment is always the first step in a market recovery.

Some notable statistics from CBRE's survey include:

- Core going-in cap rates fell by 6 bps to 4.75% and exit cap rates declined 4 bps to 4.96%.
- Value-add going-in cap rates compressed by 8 bps to 5.20%, with exit rates down 2 bps to 5.38%.
- Core unlevered IRRs rose slightly to 7.70%, boosted by a 100-bp increase in Denver's target.
- Value-add IRRs compressed modestly to 9.58%, down 2 bps quarter-over-quarter.
- Three-year forward rent growth assumptions edged higher to 2.8% for core and 3.3% for value-add, consistent with a modest rebound in market rent fundamentals following the absorption of new supply in many metros.

Tribute to Wesley LePatner: Industry Luminary Lost Too Soon

The real estate and investment community was struck by tragedy on July 28, 2025, when Wesley LePatner, a senior Blackstone real estate executive was killed in a mass shooting in Midtown Manhattan. LePatner was widely regarded as one of the most brilliant and successful women in real estate and was praised for her leadership, mentorship, and philanthropic dedication. Her life was cut short by a senseless act of violence that has left an irreplaceable void across the industry.

In her nearly two-decade career, LePatner helped shape Blackstone's real estate strategy and culture. She was known for her integrity, clarity of thought, and unwavering commitment to doing right by her teams and the communities she impacted. Our thoughts are with her family, colleagues, and all those mourning her loss.