



## November 2025 – Late Month Rally Recovers Monthly Losses

A Thanksgiving week rally helped markets recover from a month of weak performance driven by uncertainty over a multitude of factors including the labor market, Fed policy, and fears of an AI bubble. The S&P 500 closed at \$6,849.09, up 0.13% from October, but this masked a mid-month drop of 4.4% as investors unwound speculative positions. Bitcoin fell after setting new highs in early fall, at one point down nearly 30% from peak levels— raising broader questions about risk appetite.

### Market Benchmarks

	YE-2024	Oct-25	Nov-25	1-Month Change	
				Δ	% Δ
Fed Funds	4.38%	3.88%	3.88%	0.00%	0.00%
1-Month SOFR	4.33%	4.00%	3.87%	-0.13%	-3.17%
10-Yr Treasury	4.57%	4.10%	4.02%	-0.08%	-2.05%
S&P 500	5,881.63	6,840.20	6,849.09	8.89	0.13%
REIT Index <sup>1</sup>	126.31	126.34	129.41	3.07	2.43%
VIX	17.35	17.44	16.35	(1.09)	-6.25%

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

Treasury yields eased though the back half of the month. The 10-year yield ended at 4.02%, as markets reassessed the likelihood of rate cuts following weeks of data distortion caused by the 43-day federal government shutdown, the longest in history. The shutdown delayed key releases—labor revisions, inflation updates, and consumer spending data—leaving investors flying partially blind. By late November, JPMorgan reversed its prior stance and called for a December cut, echoing swaps markets that priced the odds at 80%, up from less than 30% the week before Thanksgiving.

Consumer data told a similarly mixed story. Early in the month, the University of Michigan’s Consumer Sentiment Index fell to 50.3, near an all-time low. Black Friday sales rose 4.1% vs. 3.4% growth last year, but the figures are not inflation-adjusted, suggesting unit volumes were flat at best. In-store sales grew just 1.7%, while online spending rose 10.4%. Retailers reported strong traffic but smaller average baskets as shoppers pointed to higher prices and fewer deep promotions.

Labor data reinforced the tension. Challenger, Gray & Christmas reported 153,074 job cuts, almost triple last year’s total and the highest October figure since 2003. Technology, logistics, and media led the reductions, with notable announcements from Amazon, Target, UPS and Paramount. Companies frequently cited AI-driven efficiencies, tariff pressures, and a pullback in discretionary corporate spending. Year-to-date cuts now exceed 1 million jobs, while new-hiring plans sit at their weakest levels since 2011.



### 2026 PwC/ULI Emerging Trends in Real Estate

Each year, the Urban Land Institute (ULI), in partnership with PwC, publishes its Emerging Trends in Real Estate report—one of the most respected forward-looking assessments of property fundamentals, capital flows and demographic forces shaping the U.S. real estate landscape. The 2026 edition reflects a market in transition.

As it relates to rental housing, after two years defined by elevated supply, softening demand, and persistent capital-market challenges, the sector is moving closer to a cyclical bottom, with 2026 poised to deliver the first steps toward stabilization. Several key themes stand out.

#### *Slow Recovery, Stable Foundation*

The near-term multifamily outlook is characterized as low growth but stable. Rent growth remains weak heading into 2026, but long-run demand drivers—housing shortages, demographic shifts, and affordability constraints in single-family—support a constructive medium-term view. While 2025 was widely expected to mark the beginning of a recovery, momentum is now more likely to emerge in early-to-mid-2026.



## *Supply Reset and the Shrinking Pipeline*

Apartment starts have fallen more than 40% since 2023 as higher financing costs and tighter bank standards suppress new construction. National completions are expected to fall more than 55% in 2026. Still, deliveries remain elevated in the Sun Belt and Mountain West—Austin, Nashville, Orlando, Phoenix, Miami, and Denver—where 2026 additions represent 4–5% of existing stock. In contrast, Northeast and Midwest markets show the sharpest pullback in supply, supporting more durable rent growth.

## *Demand Headwinds: Labor, Immigration & Affordability Pressures*

Labor-market cooling and a significant reduction in immigration represent two major headwinds for household formation. Immigration accounted for 83% of U.S. population growth between 2020–2024; recent policy changes meaningfully reduce that contribution. Rising doubling-up rates, affordability pressures, and declining real income growth further constrain near-term leasing.

## *Affordability as the Primary Performance Driver*

Affordability remains the dominant driver of multifamily performance. Markets with moderate rents and manageable supply—Chicago, Philadelphia, Detroit, Kansas City, Columbus, and Minneapolis—are forecast to outperform. “Fringe markets” such as Lakeland (Tampa), Killeen (Austin), Colorado Springs (Denver), and Ocala (Orlando) continue to capture households priced out of primary metros.

## *Capital Markets: Thin Spreads, Selective Capital*

Multifamily remains a top institutional target, but capital conditions are tight. Stabilized cap rates generally range from 4.5% to 5.0%, with value-add assets near 6%. Spreads to Treasuries remain compressed, limiting deal flow. Investors are increasingly focused on cash-flow durability, lighter CapEx requirements, and markets with visible supply moderation. The disconnect between public and private values persists, as evidenced by significant NAV discounts in public REITs.

## *Policy Tailwinds: A Major Housing Supply Push*

One of the largest waves of pro-housing legislation in decades is now underway. More than 400 pro-housing bills were introduced in 2025 at the state and local level, with over 100 enacted. Federal initiatives include a permanent 12% increase in 9% LIHTC allocations, expanded 4% eligibility, adaptive-reuse incentives, and Opportunity Zone extensions. These policies collectively form a multi-year structural tailwind for multifamily and affordable housing development.

## *Best-Bet Subsectors for 2026*

Based on investment-prospects scoring:

1. **Senior Housing** – Top performer as boomers enter their 80s.
2. **Workforce / Moderate-Income Housing** – Strong structural tailwinds.
3. **Single-Family Rentals** – Supported by constrained homeownership affordability.
4. **Student Housing** – Operational strength but demographic and visa headwinds.
5. **Luxury Apartments** – Lowest-rated subsector amid oversupply in Sun Belt metros.

## *Outlook for 2026: Slow, Uneven Recovery*

The outlook for 2026 is the beginning of a slow and uneven recovery—a shift away from the intense supply challenges of 2023–2025 and toward a more balanced environment. For multifamily investors, the themes are clear: prioritize affordability, seek markets with shrinking pipelines, focus on cash-flow durability, and prepare for fundamentals to improve gradually as the construction wave is absorbed.



## Caisson's Take

Across both November's economic data and ULI's 2026 outlook, the themes align closely with Caisson's long-standing approach. The strongest performance is expected in precisely the areas where we've concentrated our strategy: **workforce and moderate-income housing in markets where affordability remains a competitive advantage and new supply is finally retreating**. The national recovery may be slow, but the structural drivers behind our investment thesis have only grown more convincing. The ULI report highlights the same trends we have seen in our markets: shrinking development pipelines, affordability as the central performance indicator, and durable demand for need-based housing. As fundamentals begin to normalize in 2026, we believe our geographic focus and subsector specialization place Caisson in the right position to capture the next phase of the cycle.