



March 2026 – War Comes for the Market

The S&P 500 fell 5.1% in March, its worst monthly performance since September 2022, as the shock of an unexpected war with Iran dominated all trading activity. The last trading day of the month did see a 3% rally as President Trump signaled openness to a diplomatic resolution and Iran indicated willingness to negotiate. Year-to-date, the index is down 4.6%.

Market Benchmarks

	YE-2025	Feb-26	Mar-26	1-Month Change		Change from YE	
				Δ	% Δ	Δ	% Δ
Fed Funds	3.63%	3.63%	3.63%	0.00%	0.00%	0.00%	0.00%
1-Month SOFR	3.69%	3.67%	3.66%	0.00%	-0.08%	-0.02%	-0.62%
10-Yr Treasury	4.16%	3.95%	4.32%	0.37%	9.32%	0.15%	3.70%
S&P 500	6,845.50	6,878.88	6,528.52	(350.36)	-5.09%	(316.98)	-4.63%
REIT Index ¹	125.39	135.60	123.81	(11.79)	-8.69%	(1.58)	-1.26%
VIX	14.76	19.86	25.25	5.39	27.14%	10.49	71.07%

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

Energy markets were even more volatile than equities as the war effectively closed the Strait of Hormuz, through which ~20% of global oil flows. Oil crossed \$100 per barrel for the first time since 2022 and average gasoline prices in the U.S. topped \$4 a gallon. Gas prices are a direct transmission mechanism from the war to household spending decisions.

The 10-year Treasury reversed February’s rally, rising from 3.95% to 4.32%, tightening financing conditions and driving down yield-sensitive asset prices. Markets entered March expecting two Fed cuts this year and exited pricing a real possibility of a hike.

The Fed met on March 18th and held rates steady at 3.50–3.75%. Updated projections raised the PCE inflation forecast to 2.7% on both headline and core. During the press conference, Chair Powell declined to use the word stagflation but acknowledged the bind plainly: a supply-driven price shock that lifts inflation while employment weakens leaves the central bank with no clean move.

The labor market gave that concern more weight. February non-farm payrolls fell 92,000 and December was revised from positive 48,000 to negative 17,000. The economy has averaged fewer than 5,000 new jobs per month since January 2025. February CPI was 2.4% YoY, but the increase in gas prices won’t be captured until March data is released on April 10. If the conflict is protracted, Goldman Sachs estimates that headline inflation could reach 3.5% by year-end.

An Uneven Impact on Real Estate

Multifamily has historically been among the more insulated real estate sectors during periods of broader market stress. Demand for apartments is anchored by household necessity rather than business cycle conditions. However, the Iran war is creating several immediate considerations for multifamily investors.

The most significant runs through interest rates. The agency financing conditions we described in February have changed. With treasuries up approximately 35bps, all-in rates are now closer to 6% than 5.5%. With cap rates in the range of 5 – 6%, that move immediately shifts some deals from positive to negative leverage. The bid-ask gap that had been closing might retrace, and some activity will pause while both sides recalibrate.

The second pressure is inflationary. Gasoline above \$4 per gallon hits lower-income households harder than higher-income ones, since fuel represents a larger share of their total spending. For workforce housing tenants, this is real budget pressure which could impact collections. However, the sectors that are positively levered to the conflict, energy and defense-adjacent industrials, employ many of the same people who rent B-quality housing in secondary and tertiary markets. For Class A renters, the demand risk is of a different order: job losses in tech and the collapse in equity compensation represent a far more consequential income shock than higher fuel costs, and that demographic was already absorbing both before the war began.



On the supply side, construction is energy-intensive at every stage, from materials transport to equipment operation. A sustained oil shock raises input costs and slows new starts further. In the Heartland markets where Caisson operates, new supply was thinning before the war.

Tighter future supply does not offset financing headwinds in the near term, but it reinforces the fundamental demand case for existing workforce inventory acquired well below replacement cost. We continue to focus on assets where the operational story is intact, the basis is defensible, and the underwriting does not depend on assumptions that the current environment has now put in question.

Retail Capital Rotates into Real Estate and Out of Private Credit

The clearest sign that CRE sentiment was shifting came on March 2, when Blackstone reported that BREIT ended 2025 with net inflows for the first time since September 2022. The fund raised a net \$1 billion, ending three years of net outflows that had been one of the defining features of the post-rate-hike correction for the non-traded REIT channel. That reversal did not happen in isolation.

The same week, Blackstone disclosed that its flagship non-traded private credit fund faced \$1.7 billion in net outflows after redemption requests hit 7.9% of fund value. Ares Management limited redemptions at its \$10.7 billion private credit fund the same month. Goldman Sachs now expects evergreen retail private credit funds to remain in net outflows through 2026 and likely into 2027, citing concentrated software exposure and aggressive underwriting in recent vintages.

The rotation reflects a genuine repricing of relative value. Private credit attracted billions in retail capital due to elevated yields tied to floating rate loans. As the Fed cut rates in 2024 and 2025, that yield moderated. Simultaneously, concerns about AI disruption to software-heavy private credit portfolios introduced uncertainty about underlying credit quality. Real estate enters this phase with valuations that have already reset, a distress cycle that is actively clearing, and an inflation sensitivity that looks more favorable than it did when rates were rising.

Hines published research this month arguing that private credit's multi-year tailwind is moderating and that allocators are beginning to rebalance toward real assets. Global private real estate fundraising rose 13% in 2025 to \$172 billion, the first year-over-year increase since 2021. According to CBRE, 75% of institutional investors plan to buy more assets in 2026 than they did last year.

Capital is rotating back into real estate. The Iran shock complicates the timing and raises the cost of debt, but it also reinforces the hard-asset characteristics that make the sector attractive in an inflationary environment. We remain focused on workforce housing in markets where supply is thinning, the tenant base is employed, and the basis provides a margin of safety the current environment has not eroded.