

## April 2026 – Markets Look Through the War

The S&P 500 rose 10.4% in April, its strongest month since November 2020 and a near-complete reversal of March's selloff. The Nasdaq Composite closed at a fresh record, the Russell 2000 advanced more than 10%, and the REIT Index climbed nearly 10%. The VIX fell from 25.3 to 16.9. The S&P is now up 5.3% year-to-date.

### Market Benchmarks

|                         | YE-2025  | Mar-26   | Apr-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%    | 3.66%    | 3.65%    | -0.02%         | -0.46%  | -0.04%         | -1.07% |
| 10-Yr Treasury          | 4.16%    | 4.32%    | 4.39%    | 0.08%          | 1.76%   | 0.23%          | 5.52%  |
| S&P 500                 | 6,845.50 | 6,528.52 | 7,208.97 | 680.45         | 10.42%  | 363.47         | 5.31%  |
| REIT Index <sup>1</sup> | 125.39   | 123.81   | 136.15   | 12.34          | 9.97%   | 10.76          | 8.58%  |
| VIX                     | 14.76    | 25.25    | 16.89    | (8.36)         | -33.11% | 2.13           | 14.43% |

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

This rally occurred with the Iran war ongoing, the Strait of Hormuz effectively closed, WTI crude above \$100, and U.S. average gasoline prices at \$4.15 a gallon. Markets re-rated the path through the conflict, not its severity.

Treasuries told a different story. The 10-year Treasury closed April at 4.40%, up 8 basis points from March-end and the highest level in nearly a year. It touched 4.45% intramonth before easing on softer oil and the DOJ's decision to close its investigation into Chair Powell. The Treasury market is signaling a more durable inflation regime. Elevated energy prices keep inflation sticky, and the rate cuts priced at the start of the year are unlikely to materialize.

The Fed confirmed this shift on April 29. The FOMC held at 3.50–3.75% for the third consecutive meeting, but the vote was 8–4, the most dissents at a single meeting since 1992. Chair Powell announced he will remain on the Board of Governors after his term as Chair ends on May 15, citing unresolved investigations as the trigger. Kevin Warsh's nomination cleared the Senate Banking Committee the same day. The committee Powell hands to Warsh is divided along an axis no recent Chair has had to manage.

Q1 GDP printed at 2.0% on April 30, below the 2.3% consensus but a meaningful acceleration from Q4's 0.5%. The composition matters more than the headline. Federal employee compensation snapped back from the late-2025 shutdown, government spending rose 4.4% with federal up 9.3%, and investment was driven by AI data center buildout and inventory front-running ahead of tariff effects. Personal consumption slowed, and real consumer spending on goods declined 0.1% in March. Headline PCE inflation rose to 3.5% YoY and core PCE to 3.2%, its highest reading since November 2023. Growth is holding, but its drivers are temporary. Household demand is tapering.

The labor data tells the same story. March nonfarm payrolls came in at 178,000, the strongest print since December 2024. The household survey, however, showed 64,000 fewer people employed, the labor force contracted by 396,000, and participation fell to 61.9%, its lowest reading since November 2021. Wage growth of 3.5% YoY was the slowest since May 2021. February payrolls were revised down to negative 133,000.

The most consequential structural development came on the last day of the month. The UAE announced it will exit OPEC and OPEC+ effective May 1, ending nearly six decades of membership in the organization. As OPEC's third-largest producer at 3.4 million barrels a day, with stated capacity ambitions of 5 million by 2027, the UAE was one of the cartel's few members able to add supply quickly. The Iran ceasefire may eventually hold and the Strait of Hormuz may reopen. The structural shift in OPEC will outlast both.

## From Positive to Negative Leverage

The Treasury curve has held its post-war level. The 1-year is up roughly 13 basis points from pre-war levels, the 5-year is up 30, and the 10-year is up nearly 50. The market has accepted the higher curve as the new level.

This matters more for multifamily than for any other asset class, because of where the financing actually sits. In a recent live presentation at MIT, posted on the Walker Webcast, Willy Walker disclosed that nearly 60% of Walker &



Dunlop's agency financing volume in 2025 and 2026 was written at the 5-year point of the curve. Borrowers had a reason. The curve was steep coming into 2026, the 5-year was meaningfully cheaper than the 10-year, and a 5-year fixed term gave operators flexibility to sell, refinance, or restructure before locking themselves into 10-year paper. The 5-year was the workhorse for the asset class.

That math has broken. With cap rates in the 5s for stabilized multifamily, the pre-war 5-year Treasury at 3.72% plus a 150 basis point spread produced an all-in rate of 5.22%, leaving a slim positive spread to the asset. The 5-year is now at 4.02%. At the same spread, all-in financing is 5.52%. At 175 basis points, it rises to 5.77%. Meanwhile, cap rates have not moved, and the spread between cap rate and cost of debt has flipped from marginally positive to clearly negative.

There is no relief elsewhere on the curve. The 10-year has moved even more than the 5-year. Floating-rate is harder still, with the front end pinned in place by a Fed that is no longer telegraphing cuts. Every fixed-rate option that mattered for an agency execution in early 2026 is now priced wider.

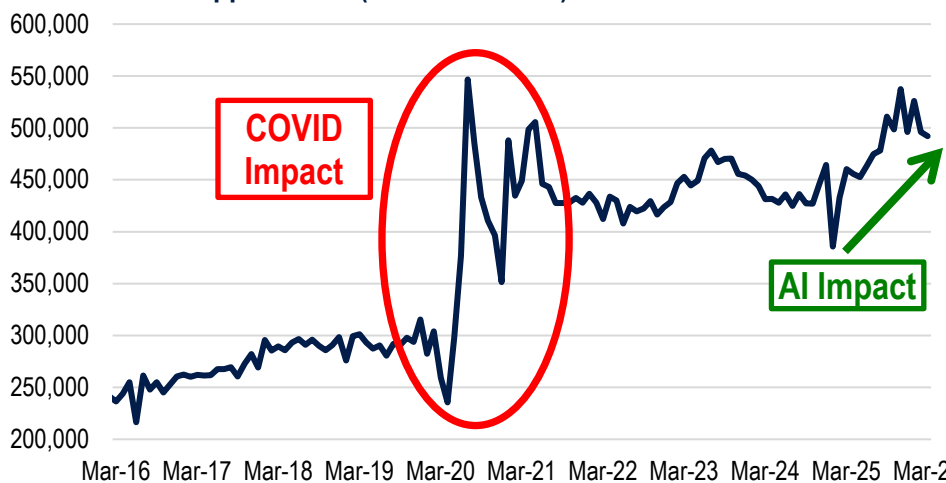
The transaction impact follows. Buyers built bids around financing that no longer exists. Sellers' expectations remain anchored to prior rate assumptions. The bid-ask gap widens, and transactions stall. Roughly \$162 billion of multifamily debt matures in 2026. Much of it cannot be refinanced at a rate that preserves original equity. Term default risk, already elevated in the Trepp data, will continue to dominate as cash flow erodes before maturities arrive.

For Caisson, the implication is the same as it has been, now with sharper edges. Workforce multifamily acquired at a defensible basis, with debt sized to current rates rather than anticipated cuts, remains the trade that works. The 5-year is the relevant benchmark, and current pricing must clear at that level. We continue to underwrite to today's cost of capital, not to where the curve may be in 12-18 months.

## AI's Second-Order Effects on Labor

We wrote in February about AI's first wave of operational impact, when Block, Amazon, Salesforce, and others announced layoffs explicitly tied to AI deployment. The consensus view has since converged; large language models automate white-collar tasks, professional employment compresses, and the pipeline of young workers entering law firms, banks, and consultancies shrinks.

New Business Applications (Census Bureau)



The Dallas Fed put empirical weight on the concern in a January study finding that workers ages 22 to 25 in the most AI-exposed occupations have experienced a 13% decline in employment since 2022. That work is real, and we are not dismissing it. **It captures only the first-order effect**, and the second- and third-order effects starting to surface in the data complicate the picture in ways that matter for our positioning.

The first complication is the Jevons employment effect, named for the 19th-century economist who observed that more efficient steam engines drove *higher* coal consumption. As efficiency increases, consumption expands. When the cost of an input falls, the addressable market grows. Apollo's Torsten Slok recently applied the framework to professional work: when AI lowers the cost of legal memos, financial models, and consulting decks, the demand that surfaces is the demand that previously did not pencil. Smaller companies that could not afford counsel can now



afford counsel. Industries that could not justify a strategy review now can. The result is more total firms and more total workers in those fields, not fewer.

The second complication is where displaced workers are actually going. New US business applications are running at the highest level in recorded history, with the strongest growth concentrated in sectors with the highest AI adoption rates. Census Bureau data suggests recent graduates and mid-career professionals are starting companies rather than waiting for the white-collar hiring market to return, and AI has collapsed the cost of doing so. Youth unemployment, which the doomer scenario projected would rise sharply, has declined. A material share of the workers counted as missing from AI-exposed occupations is now self-employed.

The third complication operates at the individual level. AI is a force multiplier on judgment and direction, not a substitute for them. Gains accrue to those who can frame the right problem, evaluate output critically, and iterate. They do not accrue evenly. As one data point, and not a generalization, Caisson's own output over the last eighteen months is roughly three times prior levels on a time investment up approximately 20%. AI tools account for most of that increase, and the gain has required more self-direction, not less. The same tools available to everyone produce materially different outcomes in different hands.

None of this resolves where AI's labor market impact ultimately settles. It does challenge the framing of AI as a clean Class A demand shock, with a generation of young professionals failing to launch and high-end urban demand collapsing. That view misses most of what is occurring.

The more likely outcome is a redistribution. Some categories of work expand, others compress, and a meaningful share of activity shifts to firms that did not exist a few years ago. Workforce multifamily is positioned for the redistribution. It serves the broad middle of the labor force across industries and geographies, rather than a concentrated white-collar cohort in a handful of markets. That has been our positioning, and the data emerging now reinforces it.