



RRA CAPITAL INSIGHTS

WELCOMING THE NEXT PHASE OF THE CRE CYCLE

Q1 '26



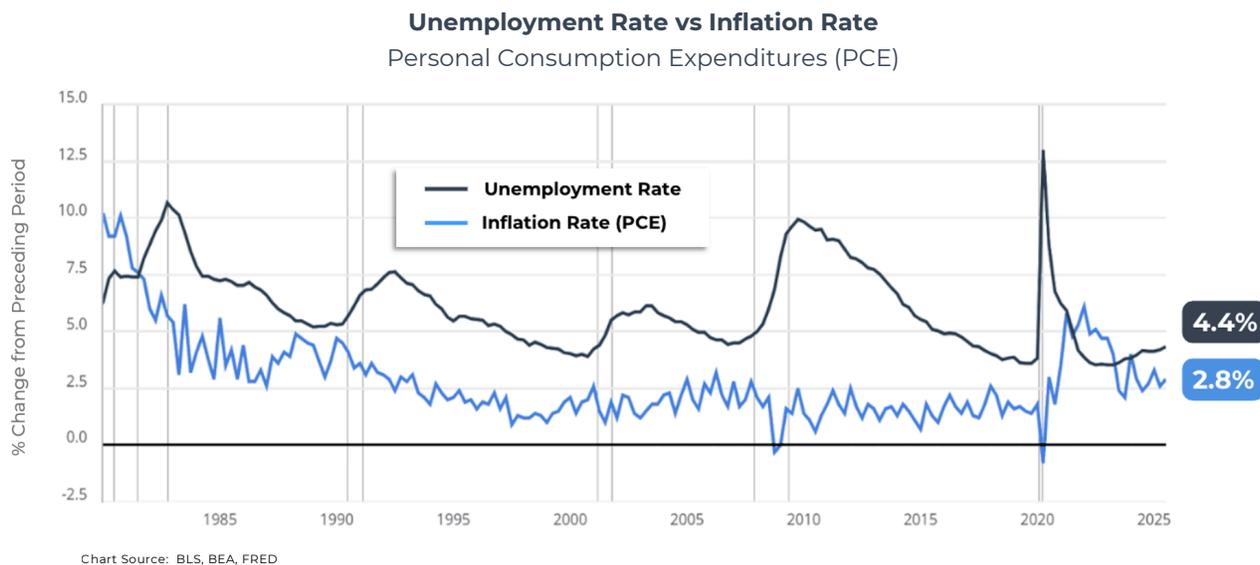
Fed & Policy Independence

With the Fed and policy independence back in the market’s daily vocabulary, **we are treating macro less like a forecast exercise and more like a risk dashboard.** For CRE finance, the question isn’t whether the economy is “good” or “bad,” it is whether rates, liquidity, and labor stay inside a range that supports refinance math and transaction velocity. The **setup right now feels like a cycle reset** with a mix of resilience and friction. Inflation is still sticky, the labor market is cooling but not cracking, and growth is choppy in ways that make the headlines sound more dramatic than the underlying data.

What We’re Watching

Below are some of the **key data points we are watching** as we think about the path of policy, the cost of capital, and what that means for commercial real estate credit.

- Core inflation (PCE) continued at an annual 2.8% rate in December. Above the Fed target; however, still below the historical average of 3.3%.¹ Unemployment has risen gradually since 2023 and stood at 4.4% in December.² While higher, it remains inside of the Natural Rate of Unemployment (NAIRU) of 4% to 5%.³
- The January 2026 Challenger Report generated apocalyptic headlines with the highest January layoff numbers since 2009. However, Challenger only tracks publicly announced layoffs; a small subset of actual activity prone to outlier results.⁴ The December BLS Jolts Report showed the monthly layoff rate little changed from the year prior at 1.1%.⁵



1 - U.S. Bureau of Labor Statistics (BLS), 2 - Federal Reserve Bank of St. Louis, FRED 3 - Federal Reserve Bank of St. Louis, FRED (CBO), 4 - Challenger, Gray & Christmas 5 - U.S. Bureau of Labor Statistics (BLS)



What We're Watching, Continued

- Real GDP has been distorted by trade balances but posted 3.8% and 4.3% annualized gains in Q2 and Q3 after a negative reading in Q1.^{6,7} Despite doomsday predictions at the onset of the Global Trade War, the US economy remains resilient.
- The stock market racked up steady gains through the end of the year, with the S&P 500 posting a roughly 2.3–2.7% gain in Q4 2025 amid broader resilience driven by AI enthusiasm and other factors.⁸ Meanwhile, SaaS companies' valuations are meaningfully retreating, as hyper-scalers implement native AI that reduces reliance on SaaS. This is fueling the so-called 'SaaS-apocalypse' narrative.
- Similarly, hyper-scalers' long-term valuations remain heavily reliant on their success amidst cutthroat competition and the larger fear that open-source/open-data models could become as good as (or better than) the proprietary models underpinning a significant portion of the stock market's value and credit behind data centers.
- The January ISM Survey Reports showed expansion in both manufacturing and services. Manufacturing PMI was a net expansion at 52.6%, after 10 straight months of contraction. Services PMI was 53.8%, the 11th straight month of expansion.^{9,10}

This reads as an economy gradually slowing due to tariffs and tighter monetary policy in the first half of the year buoyed by looser monetary policy and fiscal policy in the last quarter of the year. Given rate cuts and the “One Big Beautiful Bill” (OBBB) that were backloaded in the latter half of the year, these likely remain tailwinds in Q1. Inflation remains above target; however, given the administration’s pressure campaign and the Fed’s demonstrated concern for the labor market, policy will likely remain too loose to bring inflation to the 2% target rate.^{11,12}

While there may be hints of deterioration in the labor market, anything substantial will likely draw attention & action from the administration or the Fed. As a result, medium-term economic downside appears capped. Alternatively, the upside driven by administration control of monetary policy could be substantial. The balance of risks supports inflation-driven commodities and assets.

6 - U.S. Bureau of Economic Analysis (BEA) 7 - U.S. Bureau of Economic Analysis (BEA) 8 - S&P Dow Jones Indices 9 - Institute for Supply Management (ISM) 10 - Institute for Supply Management (ISM) 11 - FinancialContent, “Political Crosswinds Batter the Federal Reserve...” 12 - Center for American Progress



Against that backdrop, the real estate tape is stabilizing without re-accelerating. We've moved out of the systemic repricing phase and into a more functional market. Pricing is holding, trades are printing, and dispersion (asset, sponsor, capital stack) is doing more of the work than macro beta. **Pricing: Stabilized, But Still a Reset Basis.** Green Street's CPPI shows the all-property index up 0.2% over the past 12 months (through December 2025).¹³ That's consistent with a market that's stabilized rather than re-inflating. MSCI/RCA's repeat-sales CPPI (data through November 2025) also reflects a slow, sideways tape rather than a melt-up.¹⁴ This "stable-but-not-hot" regime is exactly what keeps the pre-crowded window open.

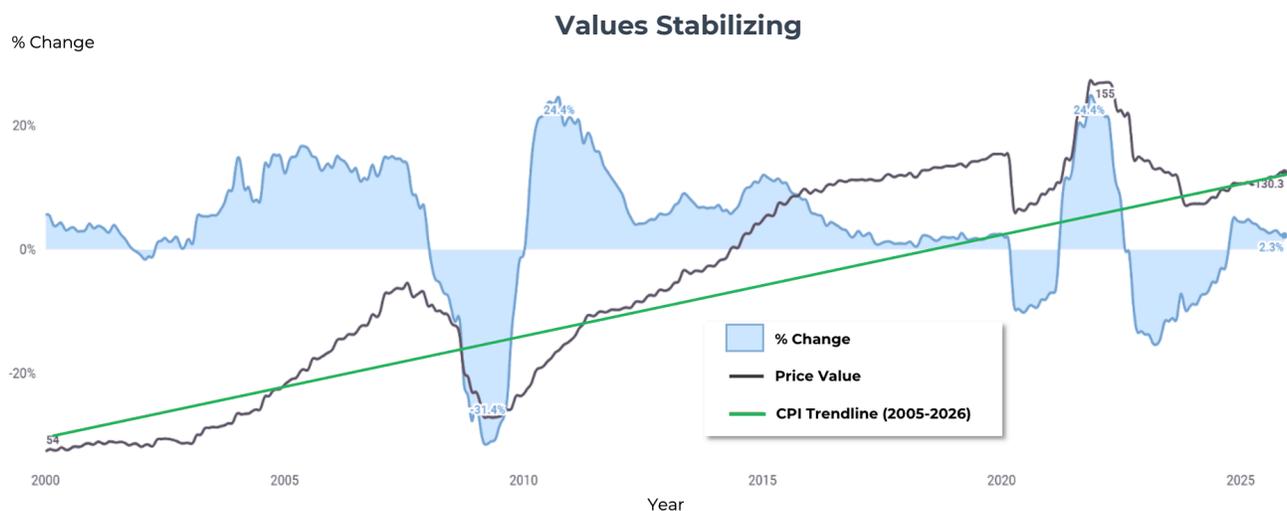


Chart Source: Green Street – All Property CPPI weights: retail (20%), apartment (15%), health care (15%), industrial (12.5%), lodging (7.5%), data center (5%), net lease (5%), self storage (5%), manufactured home park (2.5%). Retail is mall (50%) & strip retail (50%).

While up 0.2% on the year, commercial values retreated -0.9% in Q4 with none of the individual property types recording gains during the quarter. Retail was the worst affected, with a -1.3% valuation decline in Q4. Multifamily and CBD office were the only two asset classes to decline YoY (-1.3% & -2.9%, respectively).

Multifamily continues to be in a multi-year contraction with the last quarter of positive YoY price growth in 2022, although declines have slowed. Office saw a dramatic 2.8% YoY increase in values, masking CBD office's -2.9% decline on the year. Industrial also continued to perform well with a 2.0% increase in values YoY.

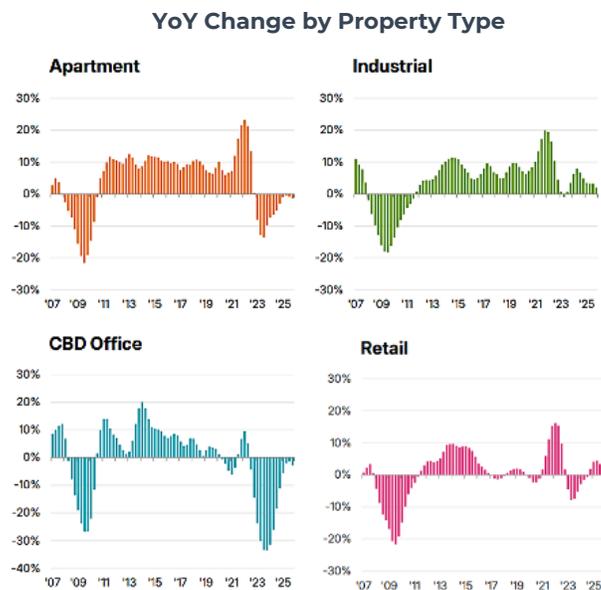


Chart Source: CoStar

¹³ - Green Street, Commercial Property Price Index®, January 7, 2026 release ¹⁴ - MSCI / Real Capital Analytics, RCA Commercial Property Price Indexes (RCA CPPI) U.S.



Net absorption was positive for all major property types in Q4. Notably, Q4 saw a major rebound in industrial leasing with 66.5MM-sf of space absorbed for the quarter, the highest since 2022.¹⁵ Likewise, office recorded its second consecutive quarter of positive absorption since 2021. Retail & office saw a declining vacancy rate in the 4th quarter. Meanwhile, industrial and multifamily had higher vacancy rates due to a continuous pipeline of new deliveries.¹⁵

Although positive, annual rent growth was the slowest in a decade for all major property types except office. In fact, 2025 multifamily rent growth was 0.4% YoY, the slowest since 2009.¹⁵ Additionally, hospitality revenue per available room (RevPAR) declined -0.3% in 2025, the first negative year (outside of COVID) since 2009.¹⁵ While Q4's positive absorption gives reason for optimism, all major property types appear to be finding their footing in the current environment without substantial positive or negative momentum. RRA's strategy continues to focus on finding quality sponsors and value-add business plans that can create property level momentum in any environment.

Demand: Improving in Key Categories, even if Vacancy Optics Remain Noisy. Cushman & Wakefield notes office demand turned positive in the second half of 2025, with national net absorption +2.5msf over the final six months of the year and vacancy expansion slowing.¹⁶ Non-CBD office remains the best office performer in this new cycle due the post-COVID flight to the suburbs.

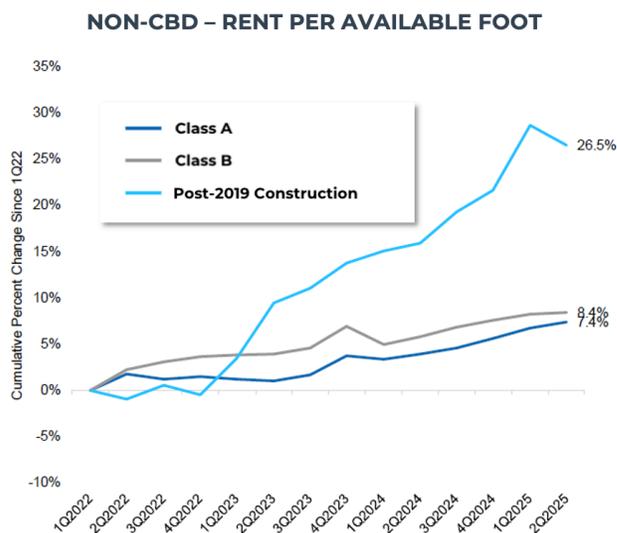
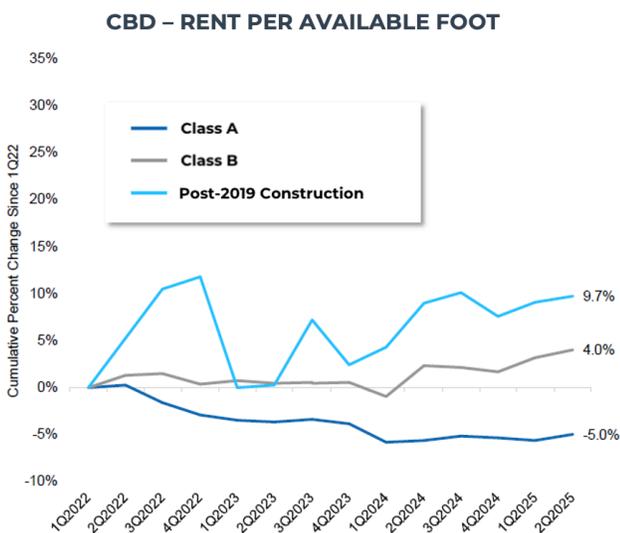


Chart Source: CoStar, Newmark Research as of 7/25/25. *Office buildings over 20,000sf, 5-star CoStar Rating, Excludes owner-occupied. **Gross Asking Rent x (1-Total Availability Rate)

15 - S&P Dow Jones Indices 16 - Cushman & Wakefield — U.S. Industrial MarketBeat Q4 2025



Industrial demand also improved, with C&W reporting Q4 net absorption of 54.5msf and stronger second-half momentum.¹⁷ (Deliveries can still mask demand in headline vacancy numbers, especially multifamily, so we're staying disciplined on submarket supply math.) Fortunately, new supply across all property types remains very restrained. According to JLL, **construction material prices increased 4.2% on average in 2025**, below the anticipated increase of 8% from current tariff policy. Uncertainty around tariffs and existing goods stockpiles slowed the pace of increases. However, if current policy remains in-place, prices may increase further to anticipated levels.¹⁸

Transactions: Thawing Where Capital Wants to Be. Altus reports Q3 2025 U.S. CRE dollar volume of \$150.6B, up 25% YoY and 24% QoQ, with multifamily spend +51% YoY.¹⁹ That's not anecdote, it's meaningful re-engagement in the parts of the market where underwriting is easiest to defend.

CRE Sales Volume Recorded During Quarter

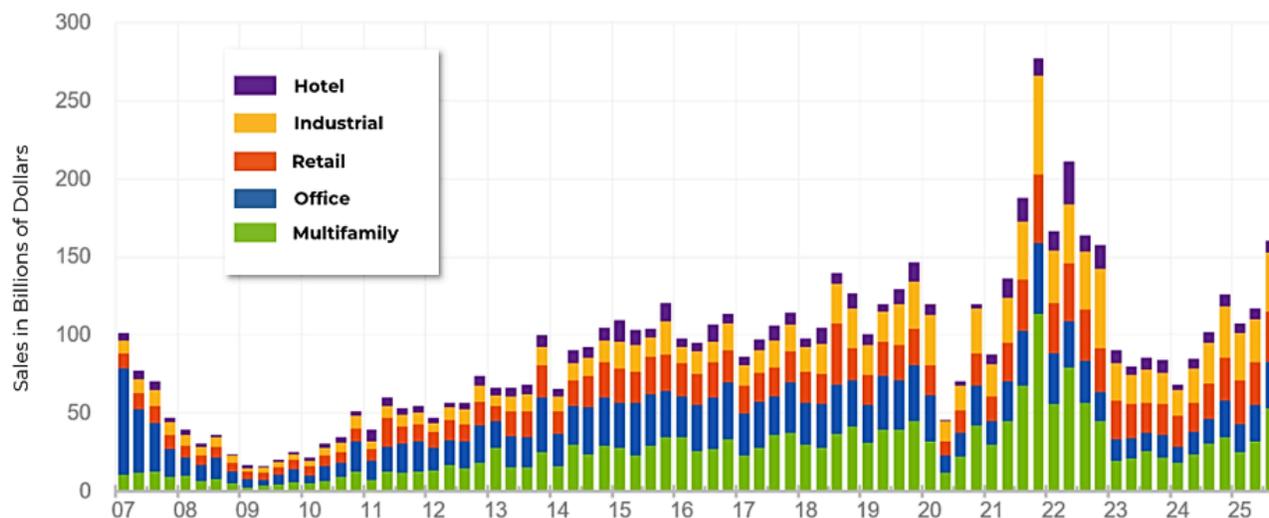


Chart Source: CoStar

CBRE's Lending Momentum Index nearly doubled in 2025, to levels on par with 2018. Newmark reports CRE debt origination +43% YoY and notes cap rates stabilized across most sectors.²⁰ On the securitized side, Trepp reports private-label CMBS issuance up ~21% in 2025 to \$125.6B, the most active year since the GFC.²¹ Additionally, alternative lenders accounted for 40% of non-agency loans tracked by CBRE in Q4. Debt funds drove the increase in alternative lending with an 112% increase YoY.

This increased lending activity has coincided with credit spreads declining across the board; Bank of America's US Corporate BBB Index spread declined to just 101 bps in 2025.²² Nonetheless, cap rate spreads are meaningfully more attractive than the corporate spreads, particularly as corporate spreads compress, but cap rate spreads expand.

17 - Cushman & Wakefield — U.S. Industrial MarketBeat Q4 2025 18 - JLL, "2026 U.S. Construction Perspective" 19 - Altus Group, Q3 2025 U.S. Investment & Transactions Quarterly 20 - Newmark, 4Q25 U.S. Capital Markets Conditions & Trends 21 - Trepp, "Private-Label CMBS, \$125.6B."



Spread Over 10-Year US Treasury²²

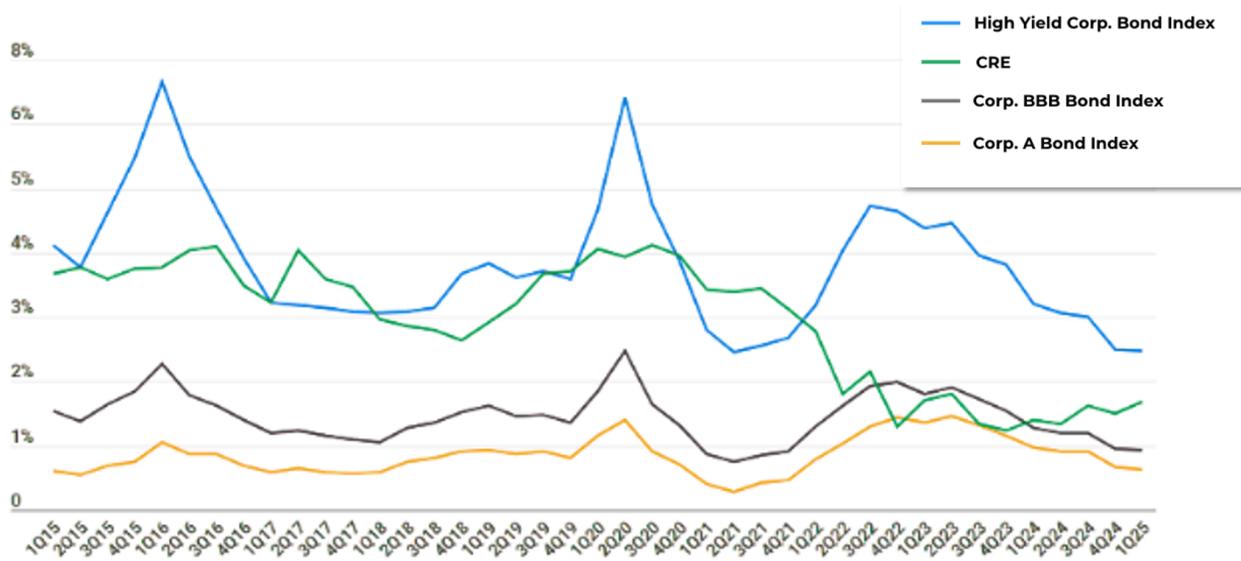


Chart Source: GreenStreet CPPI

With market yields on 10-year US Treasuries remaining elevated, relief for borrowers comes mostly from lenders shifting to risk-on. Given the amount of spread compression, however, additional relief will likely need to come from a lower risk-free rate.

As a result, **we are continuing to monitor debt markets as the most likely source of any major shift in CRE values in 2026.** However, as cap rates stabilize, or even potentially slightly compress, transaction activity is expected to grow over the next 12 to 18 months.

Market Cap Rates by Property Type

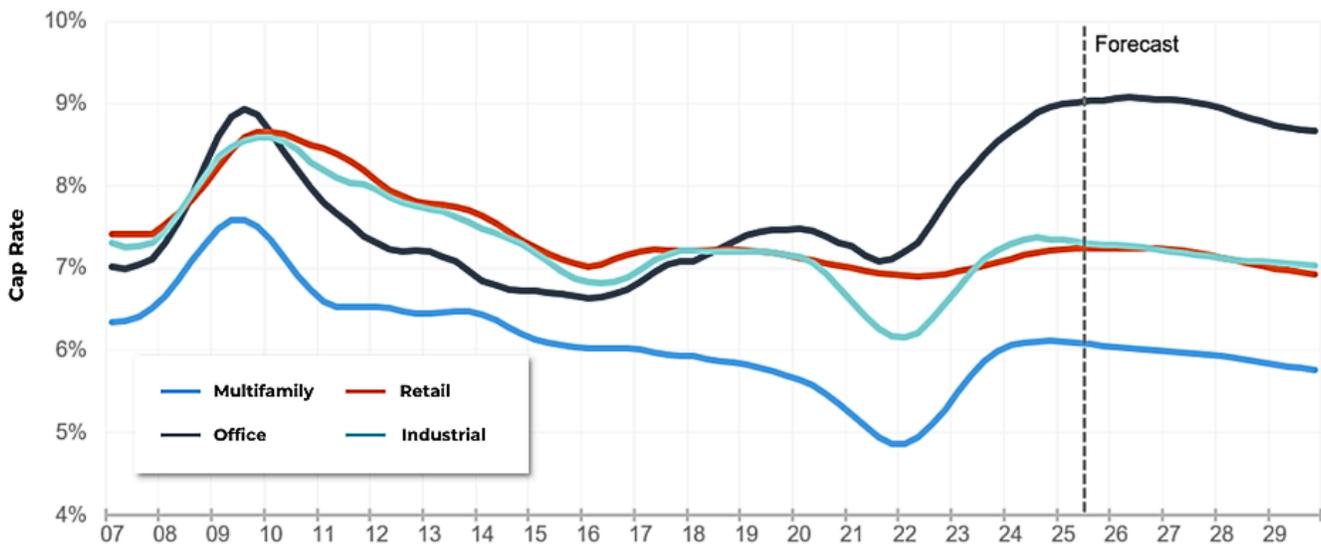


Chart Source: CoStar

22 - Green Street Commercial Property Price Index 23 - NCREIF, NPI Press Release for Q4 2025



Momentum in a Sideways Market. The opportunity set is still being manufactured by the balance sheet, not a broad tailwind. Real Capital Analytics highlights that 2026 alone accounts for more than \$930B of scheduled CRE loan maturities, creating a concentrated refinancing and recapitalization problem.²⁴

That maturity wall is the pipeline: refinance gaps, negotiated extensions with economics, and transitional plans that need time and execution while liquidity improves. Because the market is “finding its footing” without a broad speculative bid, our focus stays on property-level outcomes and sponsor execution rather than relying on market multiple expansion. In this environment, stable collateral values plus re-opening debt channels are a good recipe for bridge credit, especially while the maturity wall keeps borrowers in the market for flexible capital.^{24, 25}

Finally, the macro “independence premium” still matters at the long end. Policy credibility and perceived independence get priced into term premium and the dollar, hence why the independence debate tends to show up in long-duration discount rates.^{26,27}

Net/Net: The Market Looks Post-Reset & Functional, But Not Crowded. We’re leaning into quality sponsors who can create their own momentum while the broader tape remains sideways.

Why We Like This Entry Point

Commercial real estate values continue to reset, and we are underwriting with a disciplined, defensive posture. A measured return of lending activity should support transaction volume and price discovery, which may ultimately establish a floor for pressured sectors such as office and multifamily, creating opportunity for savvy buyers.

That said, we are not relying on a market recovery to protect returns. Every new investment is evaluated with an emphasis on durable cash flow, demonstrated leasing traction, and a conservative basis. The past three years have imposed a necessary repricing across commercial real estate, yet declines have remained orderly rather than disorderly.

RRA has operated through a global pandemic, rapid interest rate increases, a regional banking crisis, and significant tariff shifts. Our strategy has been built for that environment. It has preserved capital in weaker markets, supported consistent income generation, and produced benchmark outperformance. We continue to generate alpha while maintaining a high level of service to borrowers and brokers, resulting in repeat relationships and sustained deal flow.

²⁴ - Realty Capital Analytics — “The 2026 Maturity Wall...” ²⁵ - Newmark, 4Q25 U.S. Capital Markets Conditions & Trends ²⁶ - Center for American Progress ²⁷ - Federal Reserve History, “Treasury–Federal Reserve Accord”



Disclaimer

The contents of this communication: (i) do not constitute an offer of securities or a solicitation of an offer to buy securities, and (ii) may not be relied upon in making an investment decision related to any investment offering by RRA Capital Management, LLC (together with its affiliates, "RRA Capital" or "RRA"), or any affiliate or partner thereof.

You should always consult a tax professional prior to investing. Investment offerings and investment decisions may only be made on the basis of a confidential private placement memorandum issued by RRA Capital, or one of its partner/issuers.

RRA is not providing any legal, investment, accounting, regulatory or tax advice. As such, this communication should not be used as a substitute for consultation with professional legal, investment, accounting, regulatory, tax, or other competent advisors. Information contained herein has been compiled by RRA and other sources which are deemed reliable, but is subject to change. Notwithstanding, RRA has not independently verified any of the information set forth in this communication. Recipient must verify this information independently.

Any reproduction of this information, in whole or in part, is prohibited without the prior written approval of RRA. The information set forth herein includes estimates, projections, and significant elements of subjective judgement and analysis that RRA Capital believed to be reasonable when made. No representations are made as to the accuracy of such estimates or whether such projections will be realized.

RRA, its affiliates, employees and representatives expressly disclaim all liability relating to or resulting from the use of this communication for any purpose or any errors therein or omissions therefrom.



www.rracapital.com

602-714-5111

info@rracapital.com

5050 N. 40th Street, Suite 340, Phoenix, AZ 85018

370 Lexington Avenue, Suite 1802, New York, NY 10017