INSIGHTS MAGAZINE

2026 Annual Outlook

FEBRUARY 2026

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CUSHMAN & WAKEFIELD | GREYSTONE

2026 Interest Rate Outlook

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Q What's your expectation for the 10-year Treasury yield in 2026?

The 10-year Treasury yield stands at about 4.25% (as of Feb 2nd), down from the 2025 peak of 4.79% (1/14/2025) but off the low end of the 2025 range (3.95% 10/22/2025). 10-year yields have been range bound around 4.10% for 4+ months (average with a range of between 3.95% – 4.19% since 9/4/2025). However, Treasury yields broke out higher in mid-January following higher yields in Japan. Traders and investors sold Japanese government debt as the Japanese government outlined tax cuts and fiscal stimulus.

In addition to the Japanese bond sell off on Tuesday 1/20/2026, Treasuries were under pressure in mid-January with "sell America" sentiment taking hold with President Trump's push to acquire Greenland - Treasury yields moved up to 4.29% and the US dollar traded lower (while gold and precious metals moved to all-time highs). However, yields improved some after President Trump spoke at the World Economic Forum in Davos on Wednesday 1/21/2026 and effectively removed the notion of further tariffs on the EU countries and the idea of the United States taking Greenland by force.

4%
yields require proof:
falling inflation, fading tariff risks, or a cooling job market.

A 10-year yield at around 4.25% is about right for now, somewhat elevated from the recent range but reflects the possibility of reduced appetite for US Treasury securities from foreign investors, as well as the recent fundamental economic data that suggests that the US labor market, a key driver for lower yields, is

stabilizing (recent data including a decline in the unemployment rate to 4.4%, lower job layoffs, and weekly jobless claims remaining subdued.)

For yields to make a sustained move back toward 4% or lower, we will need consistent evidence that inflation is trending towards the Fed's 2% target, reduced concerns about tariff-related price pressures, and/or labor market data that continues to soften.

Rate cuts on ice until mid-2026. Markets don't see action before June.

Fed monetary policy expectations also anchor the outlook for 10-year yields. Current projections from Wall Street forecasters suggest the Fed will deliver one to three quarter-point rate cuts in 2026, pushing the Fed funds rate towards a 3% - 3.5% terminal level. A measured Fed easing cycle should help move the 10-year yields lower, but not dramatically lower without more convincing disinflation. If the bond market believes that the Fed's monetary policy is too accommodating, the longer end of the yield curve could move in the opposite direction driven by concern over inflation reigniting.

Another key factor is the balance of supply and demand for US Treasuries. Heavy issuance to fund persistent fiscal deficits may keep upward pressure on yields, while foreign demand has been uneven — partly due to geopolitical tensions and shifting global capital flows. Absent a major flight to quality event, this supply backdrop limits how far long end rates can move lower.

Q The Fed executed modest rate cuts in 2025 but remained cautious throughout the year. How have the 2025 rate adjustments reshaped market expectations going into 2026?

The 75 basis points in rate cuts in 2025 have shifted market expectations toward a slower and more cautious easing cycle in 2026. Investors now anticipate the Fed remaining on hold through early 2026, with the first additional cut not priced in until mid-year (June).

The Fed has a dual mandate – full employment and price stability (i.e. control inflation). Indeed, the Federal Reserve has been moving short term rates lower incrementally – four quarter-point cuts in 2024 and three quarter-point cuts in 2025 as inflation improved and their focus switched to support the labor market. The most recent rate cuts (0.25% on Sept 17, Oct 29 and Dec 10) were precipitated by a weak non-farm payroll print in August 2025 (just +22K jobs) coupled with a large downward revision to job growth for May and June (totaling -258K adjustment). Additionally, in September 2025, the Bureau of Labor Statistics issued a sobering -911K revision to job growth for the year ending March 31, 2025. In 2025, the unemployment rate moved from 4% in January to 4.5% in November (revised down from 4.6%) and a notch lower to 4.4% in December.

0.25%

rate cut expected in 2026

The Fed's dot plot signals just a single 25-bp move in 2026.

Meanwhile, Core PCE, the Fed's preferred inflation index, averaged 2.80% for the first ten months of 2025 (2.61% - 2.97% range), with the most recent readings delayed due to the government shutdown in October. Core PCE remains stubbornly above the Fed's 2% target with the possibility of inflation reigniting with the pass-through of tariffs and additional federal deficit spending with the one big, beautiful bill.

The Fed Funds rate is currently 3.64% (target range 3.50% - 3.75%) and considered slightly restrictive or at the high-end of neutral. At this juncture, it's likely the Fed holds rates steady until June or July to see how the employment market and inflation evolve from here. The yield curve implies that the next rate cut will not occur until June, notably after Kevin Warsh, Trump's nominee for the new Fed Chair, is in place.

Q The Fed's current dot plot suggests another gradual easing cycle in 2026. How credible is this path, and what market indicators will matter most in determining whether the Fed can follow it?

I'm expecting two or three quarter-point rate cuts later this year particularly after Kevin Warsh, the new Fed Chair is in place in May. The Fed's dot plot from the last FOMC meeting (December 18, 2025) forecasts only one quarter-point rate cut in 2026, reflecting a committee that is cautious, divided, and data-dependent. Notably, there was a wide dispersion of Fed officials' individual projections composing the median dot (forecasts ranged from 2.9% to 3.6%). The dispersion underscores that the dot plot is not a strong policy commitment but rather a baseline that could shift quickly with economic data and/or the transition to a new Fed Chair.

This past Friday (1/30) President Trump announced that Kevin Warsh will be nominated as the next Fed Chairman when Jerome Powell's term ends in May. The markets are now going to want to hear from Warsh. Of course, Warsh will be leaning towards lower interest rates (at least initially), a requisite for his nomination by Trump. Interestingly, however, Warsh has a history as a Fed governor (2006 – 2011) during the financial crisis in 2008 - 2010. Warsh was considered an inflation hawk, warning about inflation risks prior to the financial crisis and opposing the Fed's second round of quantitative easing in late 2010.

Geopolitics move rates fast, reshaping trade, supply chains, and capital flows overnight.

Whether the Fed will follow stable and gradual easing trajectory will depend primarily on key macro-economic indicators, particularly those tied to the labor market and inflation. Payroll growth, unemployment trends, and wage

pressures will determine whether the Fed sees sufficient weakness to justify additional cuts. On the inflation side, core PCE, services inflation, and measures of inflation expectations will be the critical signals.

Q In 2026, fiscal expansion, trade realignment, and geopolitical instability continue to put pressure on rates. Which of these forces pose the greatest challenge to rate stability, and why?

Government fiscal expansion, trade realignment, and geopolitical events can all exert instability and upward pressure on interest rates; however, geopolitical instability poses the greatest challenge to interest rates because it can introduce structural change at any moment that can reset investment flows, supply chains and trade.

Government fiscal expansion and deficit spending are inflationary and increase the supply of Treasury securities; both impact interest rates somewhat slowly with lead time as legislation for fiscal spending needs to work its way through Congress. Trade realignment is also disruptive to the economy but tends to be sector specific with only a non-direct gradual impact on interest rates.

Geopolitical events can have an impact on multilateral cooperation, global stability and business, consumer and investor behavior. The U.S. reciprocal country specific tariff policy introduced last April is a clear example: sharply higher tariffs increased import costs, disrupted supply chains, triggered retaliation from trading partners, and added inflationary pressure — all of which translated into higher yields and greater rate volatility. The tariff environment also reduced foreign demand for U.S. Treasuries, putting additional upward pressure on interest rates through supply-and-demand effects.

A more recent example is the January 3rd US military operation involving Venezuelan President Maduro. The market's initial response has been muted, largely because the operation did not disrupt crude oil supplies, and a meaningful increase in production is unlikely without substantial infrastructure investment. Additional comments from the Trump administration regarding possible further measures in Venezuela, Greenland and elsewhere have also contributed to uncertainty, raising questions about potential diplomatic and economic implications

> The Fed Chair isn't the Fed. Any push to cut rates is checked by the full FOMC.

with allies and international trading partners. These developments will be important to monitor given their ability to affect global financial conditions, capital flows, and broader market sentiment.

Q Are there plausible scenarios in which the Fed is forced to reverse course and tighten again in 2026 — despite current expectations for easing?

The base case for the Federal Reserve is to continue gradual easing in 2026 with inflation moving towards the Fed's 2% target. New leadership at the Fed could introduce political pressure to further lower interest rates but it's important to keep in mind that Fed policy is made by the full FOMC, not just the Chair; any bias toward accommodation would be moderated by the broader committee.

However, there are several conditions that could still require the Fed to reverse course and tighten policy. The most direct trigger would be a pickup in inflation, whether driven by tariff pass through, supply chain disruptions, or another supply side shock (like we had during the covid pandemic). University of Michigan survey (Jan 2025 preliminary) shows consumer inflation expectations at 4.2% for 2026. Core PCE, the Fed's preferred inflation gauge) stood at 2.8% as of September 2025 (delayed due to the government shutdown in October). If inflation were to accelerate meaningfully, the Fed could feel compelled to tighten policy.

Another possible trigger would be if financial conditions get too loose. If the stock market and other asset prices keep climbing, credit spreads tighten further, or corporate borrowings accelerate, the Fed could decide to hike rates again to keep the economy from overheating. Geopolitical developments present another risk; any event that disrupts supply chains or pushes commodity prices higher could feed into inflation, requiring a more restrictive monetary policy.

While these scenarios are entirely plausible and worth considering, they are more likely to keep the Fed on hold than to push it into an outright tightening cycle. In other words, if inflation or financial conditions surprise to the upside, the Fed's first response would likely be to pause rather than immediately resume rate hikes. ■

ABOUT SERAFINO TOBIA

Serafino is Greystone's director of trading in Agency CMBS (Fannie Mae DUS) and GNMA/FHA securities, interest rate caps and also directs Greystone's proprietary portfolio investments in these types of securities, FHA-insured mortgages, and tax-exempt municipal bonds. He previously traded bonds and muni derivatives at Lehman Brothers and at other NY banks/securities firms. Serafino holds a B.A. in Economics from Brandeis University and an M.B.A. in Finance from NYU's Stern School of Business.

Multifamily Outlook 2026

SAM TENENBAUM
Head of Multifamily Insights, Cushman & Wakefield

RESILIENT APARTMENT DEMAND ANCHORED THE 2025 MARKET

Apartment demand eased in the fourth quarter, reflecting the typical year-end slowdown rather than a deterioration in renter fundamentals. Net absorption remained firmly positive, underscoring resilient renter household formation despite a softer labor market backdrop. A generational surge in new deliveries expanded choices and improved affordability, while persistent affordability constraints in the for-sale market kept renters in place longer. As a result, 2025 apartment demand totaled roughly 355,000 units, marking the third-highest annual absorption in the past 25 years.

355K

units absorbed

2025 marked the third-highest year for apartment demand in the past 25 years.

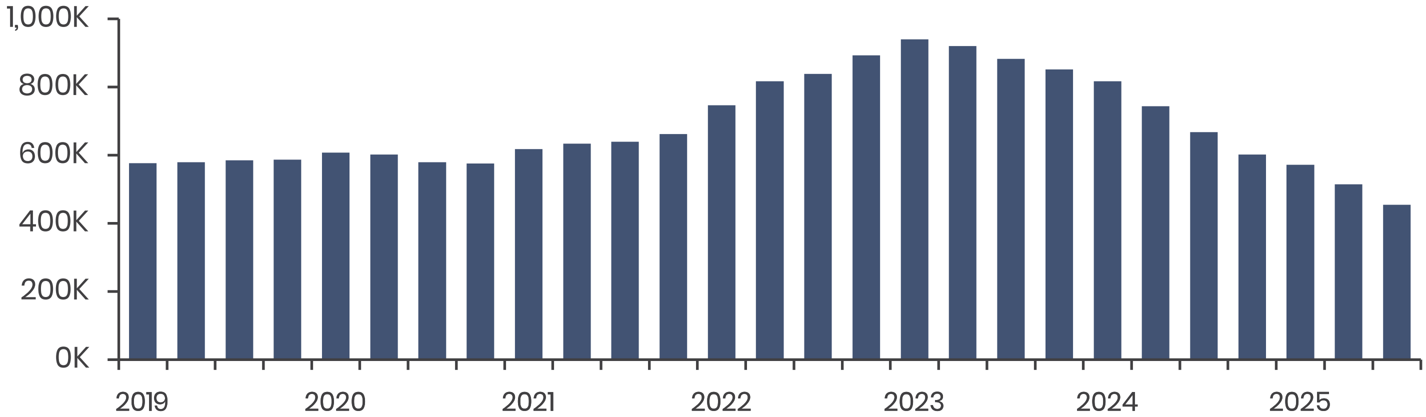
KEY TAKEAWAYS

1 Apartment demand remained strong in 2025. Net absorption exhibited a seasonally-driven slowdown in the final quarter of 2025 but still marked the third-best fourth quarter on record. Full-year absorption totaled 355,000 units, making 2025 the third-strongest year for apartment demand in the past 25 years.

2 Supply largely kept pace with demand. The U.S. delivered 400,000 new apartment units, a 26% decline from the prior year, yet enough to keep vacancy elevated at 9.3%, the highest level on record. The construction pipeline has since tapered materially, now about 50% below the cycle peak. This sharp pullback in new construction points to stabilizing apartment fundamentals heading into 2026.

3 Rent growth slowed sharply. National asking rent growth rose just 1.1% year-over-year (YOY), the weakest annual gain since the pandemic. Concessions remain elevated, particularly in submarkets digesting the last of the supply wave, as owners focused on maintaining leasing velocity.

UNITS UNDER CONSTRUCTION



Source: Cushman & Wakefield Research

Beyond seasonality, the deceleration in fourth-quarter demand also reflects a sharp slowdown in new construction. Apartment absorption remains closely correlated with the pace of deliveries, a relationship that is especially evident in the strongest-performing markets in 2025. On a percentage basis, many top absorption markets continued to post elevated vacancy rates, highlighting the degree to which demand has been driven by new inventory. Of the top 10 markets for percentage increase in demand, only Boise had a single-digit vacancy rate. Huntsville (8.8%), Sarasota (8.7%) and Charleston (7.9%) led in percentage demand growth, followed by Austin (7.8%) and Charlotte (7.4%). On a nominal basis, New York led with nearly 27,000 units absorbed, followed by Dallas/Ft Worth (25,000), Austin (20,000), Atlanta (19,000) and Phoenix (15,000).

9.3%

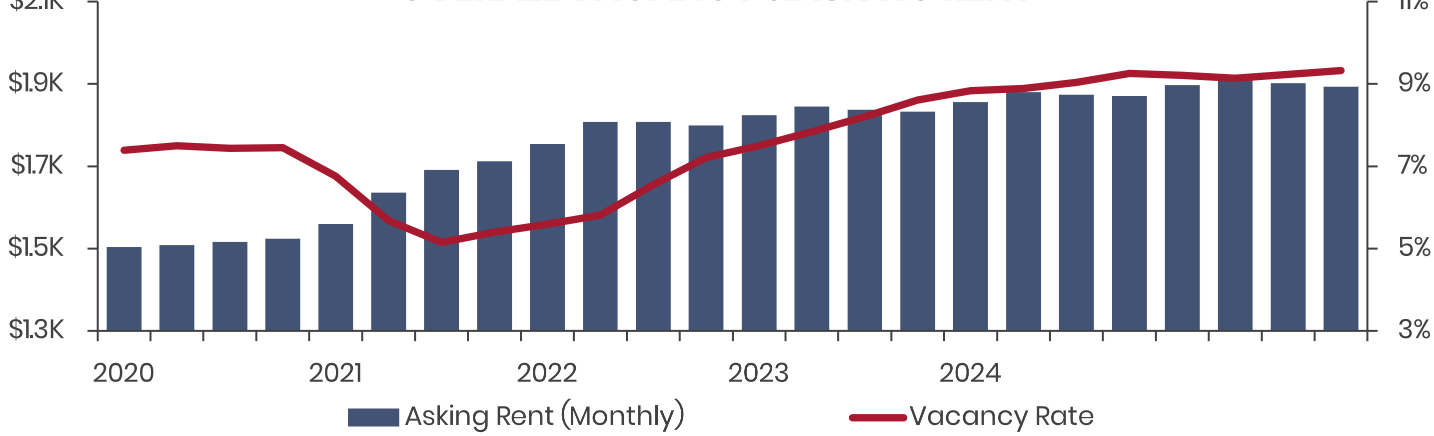
vacancy at year-end

National vacancy rose in the second half of 2025 as new supply intensified competition.

VACANCY TICKED BACK UP IN THE SECOND HALF

National vacancy trended higher through the second half of 2025, ending the year at 9.3%, unchanged from a year earlier but 20 basis points (bps) above midyear levels. Stabilized vacancy, which excludes apartment buildings that haven't had time to lease up, continued to rise as new deliveries offered aggressive concessions to capture traffic, especially in highly competitive

OVERALL VACANCY & ASKING RENT



Source: Cushman & Wakefield Research

submarkets. These incentives proved effective at the top of the market: Class A vacancy inflected earlier in the year and fell bps from its recent peak, reaching its lowest level since late 2023. In contrast, Class B and C occupancy softened as renters traded up to newer product.

1.1%

rent growth

Annual rent gains in 2025 ranked among the weakest since the pandemic.

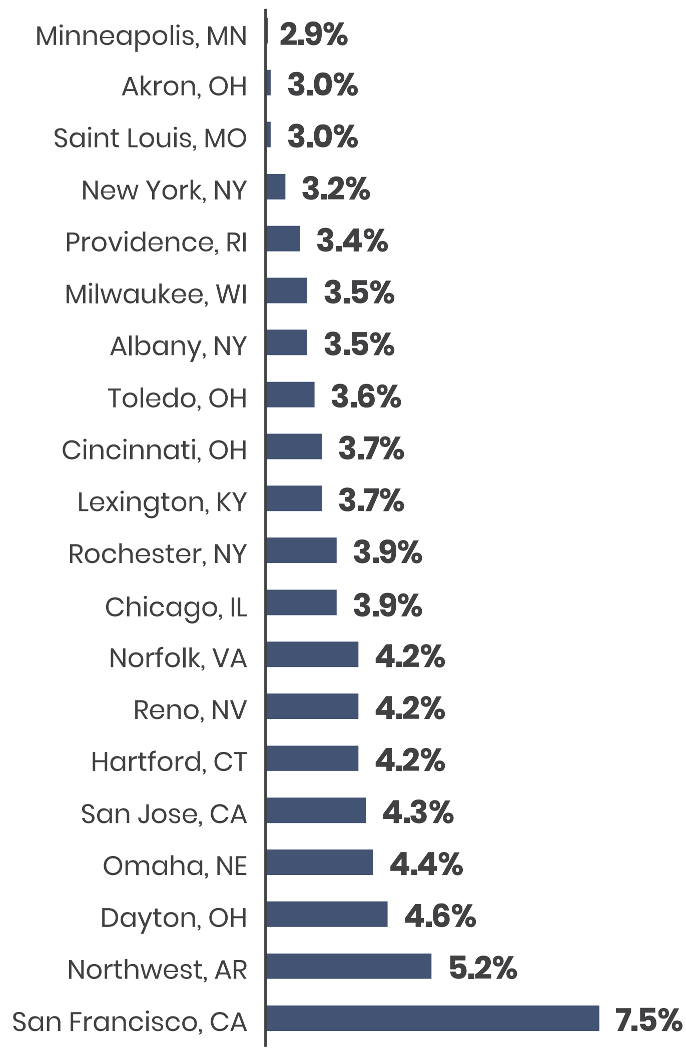
Regionally, vacancy expanded modestly across all regions except the Sunbelt, which posted a 10-bps YOY decline, a notable reversal after several years of outsized supply-side pressure. Improvement was most evident in former construction hotspots where pipelines have thinned. Boise and Charleston led with vacancy declines of 350 bps and 260 bps, respectively, followed by Spokane (220 bps). Austin, Jacksonville and Greenville each posted declines of roughly 170 bps over the past year. As construction activity has receded in these markets, robust demand has begun to absorb excess vacancy, moving conditions closer to equilibrium.

RENT GROWTH REGISTERED ONE OF THE WEAKEST FIGURES IN RECENT HISTORY

Rent growth slowed sharply in 2025 as an elevated (for now) supply pipeline continued to pressure rent growth. National asking rents increased just 1.1% YOY, roughly 100 bps below the prior year and the weakest annual performance since the pandemic. Flatlining fundamentals dampened owner sentiment, though similar conditions were evident in late 2024 when vacancy also trended higher. What changed in 2025 was less about the availability of units and more about the perceived durability of renter demand, as cooling labor market conditions tempered owner confidence.

Rent growth pressures were most pronounced in the Sunbelt and West, where annual gains were limited to 0.1% and 0.5%, respectively, amid elevated competition from deliveries. Performance, however, varied meaningfully within regions. The Bay Area continued its recovery, buoyed by AI driven investment and improving leasing fundamentals. San Francisco again led the nation in rent growth, with rents rising 7.5% YOY, while San Jose recorded growth above 4%.

LARGEST YOY RENT GROWTH



Source: Cushman & Wakefield Research

Greystone Ranks as #1 Overall HUD Multifamily and Healthcare Lender

GREYSTONE'S TOTAL MULTIFAMILY AND HEALTHCARE LOAN FIRM COMMITMENT VOLUME TOTALED $2.6B

Greystone announced it ranked #1* based on dollar volume of multifamily and healthcare Firm Commitments issued by the U.S. Department of Housing and Urban Development (HUD) for the agency's 2025 fiscal year ending September 30, 2025. During this period, Greystone originated and obtained Firm Commitments for multifamily and healthcare facility HUD-insured loans totaling $2.6 billion, representing 12% of total firm commitments issued by HUD.

Greystone received firm commitments for 40 multifamily properties totaling $1.1 billion and 83 healthcare properties totaling $1.5 billion during HUD's most recent fiscal year.

"This ranking reflects more than volume. In the past year, Greystone has increasingly been engaged by borrowers who previously relied on other lenders — often after initial executions fell short. In multiple cases, Greystone delivered meaningfully higher proceeds, navigated complex approvals, and achieved outcomes where prior efforts stalled, despite challenging interest rate conditions" said Mordecai Rosenberg, Head of Greystone's FHA lending group. ■

*Based upon combined firm commitments received by Greystone Funding Company LLC and Greystone Servicing Company LLC and excludes risk sharing and hospital loans.

Seniors Housing & Care Sector Highlights

ZACH BOWYER
Head of Living Sectors, Valuation & Advisory, Cushman & Wakefield

PROPERTY MARKETS FUNDAMENTALS

U.S. senior living property market fundamentals continue to trend in a positive direction, posting 20 straight quarters of stabilized occupancy growth and reaching 90% in the fourth quarter of 2025, the highest level since 2017. After peaking at 6.1% in 2023, annual rent growth has averaged 4.7% year-over-year. Rent growth did decline to 4.5% in Q4 2025, a dip that is likely seasonal as the sector emerges from the winter months.

> Senior living occupancy hit a post-2017 high in Q4 2025.

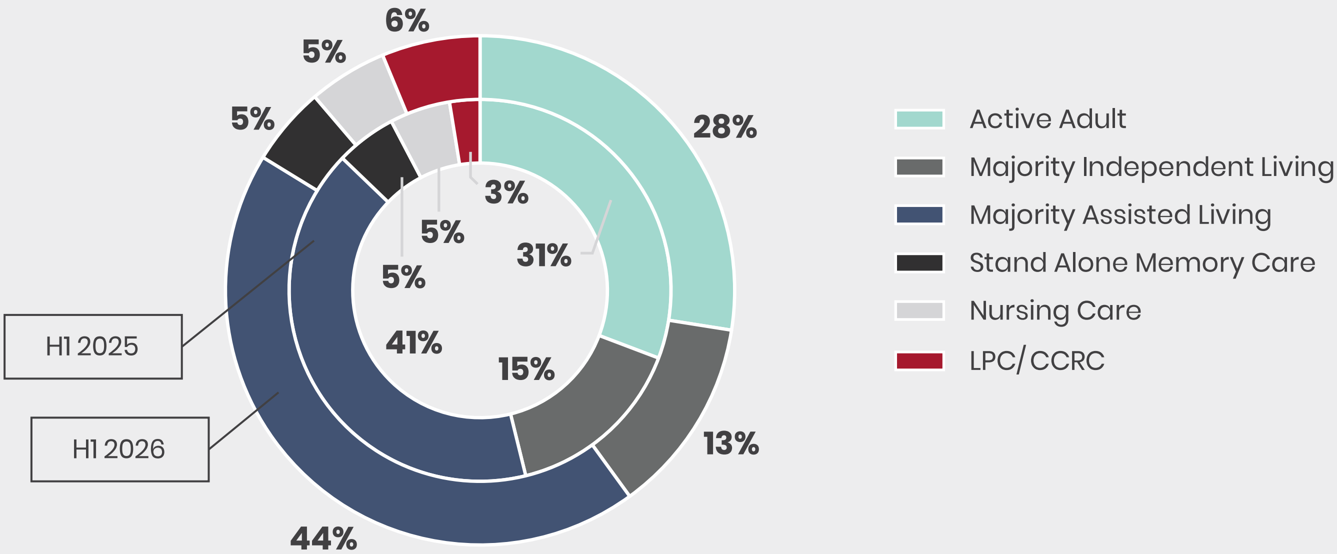
Supply and demand dynamics remain highly favorable. Net absorption outpaced supply growth by 4.8 to 1 in 2025, as the number of units under construction reached the lowest level since 2012 at 2.3% of inventory, with construction starts remaining near historic lows.

Operating margins were further bolstered in 2025 through platform consolidation, technology adoption, and a slight softening in labor markets, although specialized labor remains a top concern facing the sector.

Affordability remains broadly unsolved, though new design trends are emerging. With the number of middle-income seniors projected to double by 2029, over half of this segment will not have adequate finances to afford conventional senior living and care. At the same time, Active Adult communities continue to gain momentum, achieving favorable rent growth indications consistent with conventional senior living, stabilized occupancy of 95.7%, and operating expenses and debt underwriting that are more in line with conventional multifamily.

> Annual demand exceeds 70K units, but fewer than 6K were delivered in 2025.

GREATEST SEGMENT FOR INVESTMENT OPPORTUNITY



Source: Cushman & Wakefield Research

Secular tailwinds are stronger than ever. To meet market demand at peak levels, supply must increase by roughly 70,000 units per year between now and 2036. With fewer than 6,000 units delivered in 2025, the sector is facing a massive shortfall in housing and care for the senior population.

CAPITAL MARKETS & VALUATIONS OUTLOOK

Senior living valuations experienced a significant recovery in 2025, rising more than 10% year-over-year as capitalization rates compressed by 25 to 50 basis points. The return of capital, coupled with an increase in debt liquidity, helped drive a highly competitive investment market for the sector, signaling a swift shift from a buyer's market to a seller's market.

10%+

valuation surge flipped senior living to a seller's market in 2025.

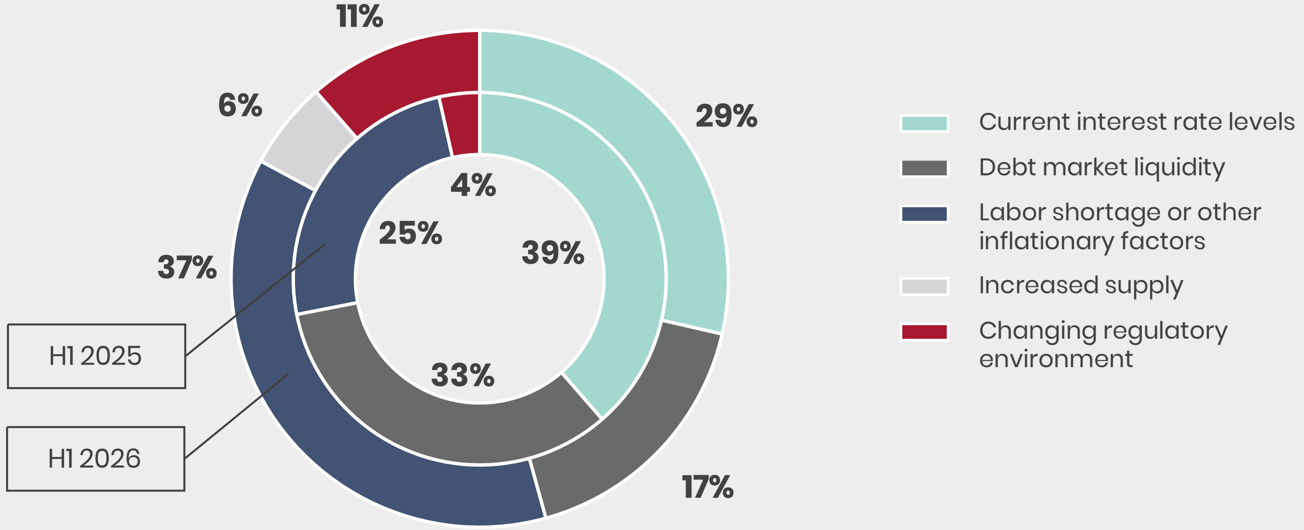
Transaction activity accelerated meaningfully toward year-end, with volume surging more than 50% in the fourth quarter of 2025 compared to the prior quarter and up 30% year-over-year. While the majority of investment activity in 2025 was driven by REITs, renewed optimism is bringing institutional investors back to the table. Globally, commercial real estate fundraising totaled $164.4 billion in 2025, with $115 billion targeting North America, and allocations increasingly weighted toward alternative real estate sectors.

50%+

surge in Q4 2025 transactions signaled renewed investor confidence.

As certainty returns to capital markets, debt market liquidity improves, and supply growth remains constrained, market participants are increasingly focused on operational challenges. Labor continues to dominate the conversation, identified as the greatest risk to senior living

GREATEST RISK TO VALUATIONS OVER NEXT 12 MONTHS



Source: Cushman & Wakefield Research

valuations in 2026 by 37% of survey participants, as operators work tirelessly to address ongoing labor shortages.

Concerns over loan maturities have eased, with distressed loans declining to 1.85% of total volume by the end of 2025. Resolution activity is expected to remain elevated, however, with increased payoff risk particularly concentrated in older assets where prior extensions, modifications, and forbearance options have already been exhausted.

Investor sentiment around pricing has strengthened notably. Among the more than 75 senior living and care professionals who participated in Cushman & Wakefield's investor survey, 71% expect capitalization rates to decrease through 2026, a sharp shift from the 33% of respondents who anticipated cap rate compression at the start of 2025. Compared to other property types, senior living capitalization rates have tracked more closely with the treasury amid rising interest rates, leaving the sector with greater room for compression heading into 2026. ■

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