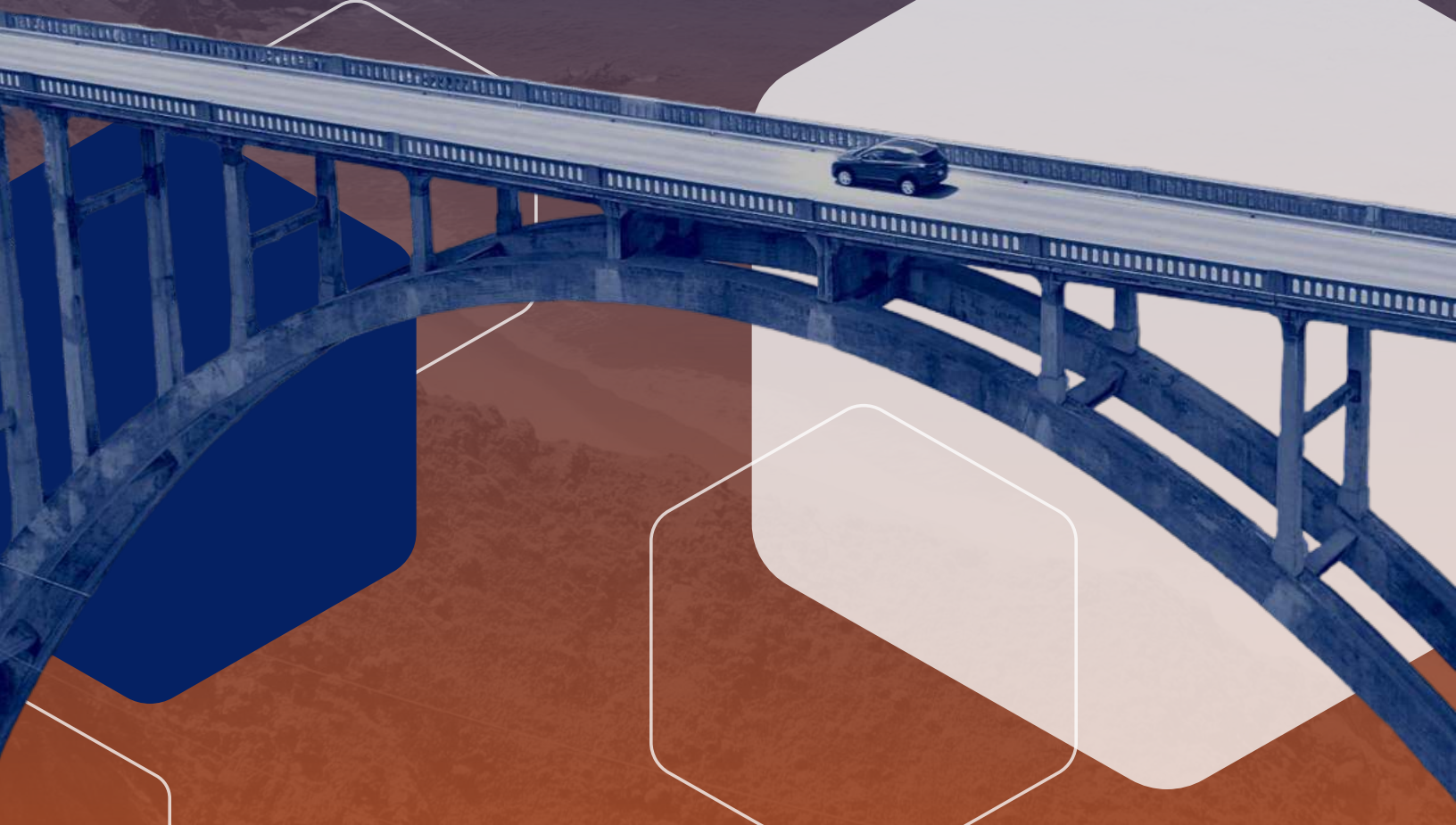


2025

SECOND HALF OUTLOOK

# Market Trends & Voice of the Investor Survey Results



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# Intro: A New Paradigm

You already know the word on the street: as we enter the second half of 2025, the current economic season is defined by **rapidly shifting economic policy (and resulting uncertainty)**.

The economic impact of new tariffs imposed by the U.S. led to many investors **adopting a bearish attitude toward the markets**, which the American Association of Individual Investors corroborates with recent survey data. Though investors have come to expect volatility over the past five years, especially during the COVID pandemic, the announcement of U.S. tariff policy on April 2 led to so much whipsawing in stock markets that the Wall Street Journal described that week as “one of the wildest in market history.”

Though JLL projects that most major commercial real estate (CRE) markets will see positive growth this year, many investors are holding their breath over dwindling consumer and business confidence as a result of seesawing policy (the current administration has stuck with some of the tariffs it originally announced in early April, but others have been changed or paused to allow for negotiations).

Despite tariff-related price pressures, however, inflation has slowed more than expected. The Consumer Price Index (CPI) increased by 2.3% year-over-year as of April, marking its lowest rate since 2021, and a monthly increase of 0.2% in the CPI (seasonally adjusted from March) aligned with expectations. Perhaps as a response to modest growth in the economy, the Federal Reserve has adopted a “wait and see”

approach, **holding interest rates steady at 4.25% to 4.5%**. Fed Chair Jerome Powell noted in a press conference that their current policy is “in a good place,” allowing the Fed to respond quickly if conditions suddenly change. JPMorgan Chase’s strategists predict that the Fed will lower interest rates during the second half of the year, but they take care to emphasize the amount of uncertainty in the air. In fact, Moody’s recent credit downgrade of the United States caused a selloff in the market for U.S. Treasurys. All of these facts must be taken into account when looking at the direction of policy going forward.

As always, our market outlook is written with two goals – **A) to equip investors with context for navigating current market trends, and B) to illuminate our approach to selecting and vetting investments in the**

**coming months.** Any plan you come up with will depend on your risk tolerance and goals, but the broader macro-economic outlook will stay relevant in all cases, and we hope to give you the tools to chart that course.

To distill our thesis in one sentence, **we believe diversification – investing's only free lunch – and making sure you are aware of your own risk tolerance are the strategies to go for in this chancy, fast-moving**

**environment.** Global trade disruptions with policy and economic uncertainty have frozen some investors while creating dislocations and reshuffling in many markets. Although that presents us with many opportunities for long term investment, exercising caution and diversifying our investments is the most prudent approach, in our opinion. Real estate may offer a bulwark against public-market volatility in a similar way to how it has performed historically.

# U.S. Trade Policy and Commercial Real Estate

The current administration has announced numerous new tariffs since the beginning of the year, and some have since been rolled back or paused. **As of late May, here are the tariffs currently in effect:**

- A 25% tariff imposed on all imported steel and aluminum. (However, a trade agreement between the U.S. and the U.K. lowered tariff rates on British steel, aluminum, and automobiles.)
- A 25% percent tariff on cars and car parts.
- A 25% tariff imposed on goods from Mexico and Canada, which was announced in February and went into effect a month later. Exempted goods include those that fall under the USMCA trade agreement (the agreement that replaced NAFTA).
- A 30% tariff imposed on goods from China.

- A 10% baseline tariff imposed on imports from virtually all countries, with an exemption for smartphones and other electronics.

Broadly, tariffs can significantly affect the cost of commercial real estate construction, though not every asset class will be affected in the same way. CBRE believes that industrial projects will be **less severely impacted than multifamily projects**, given the different requirements for materials and equipment. The National Association of Homebuilders (NAHB) estimates that \$204 billion of goods were used to construct new multifamily and single-family housing in 2024,



with \$14 billion of those goods imported from foreign countries. Thus, approximately 7% of all goods used in new residential construction originate outside the U.S.

Another commodity that could see a squeeze is softwood lumber, which is commonly used in both multifamily and single-family housing. There is currently a **14.5% tariff on softwood lumber imports from Canada**, and according to a [Department of Commerce memorandum](#), these tariffs could eventually double to 34.45%. (Canadian lumber imports account for roughly 85% of all U.S. softwood lumber

imports and constitute almost a quarter of the supply in the U.S.) Moreover, the White House issued an executive order in March asking the Department of Commerce to investigate the national security implications of timber and lumber imports.

The question remains: **what kind of strategy should disciplined real estate investors pursue**, in the face of so much uncertainty? Let's take a closer look at the "core four" CRE asset classes, and see which could potentially face headwinds or tailwinds amid new tariff policy.

## Sector-Specific Trends

### Multifamily

As mentioned earlier, tariffs on softwood lumber could have a negative impact on the construction of new multifamily projects. But [other raw materials and components](#) used in multifamily properties, ranging from steel and aluminum to home appliances, are also sourced from countries around the world that are subject to tariffs.

There's a silver lining, though, and it could potentially put multifamily on more stable

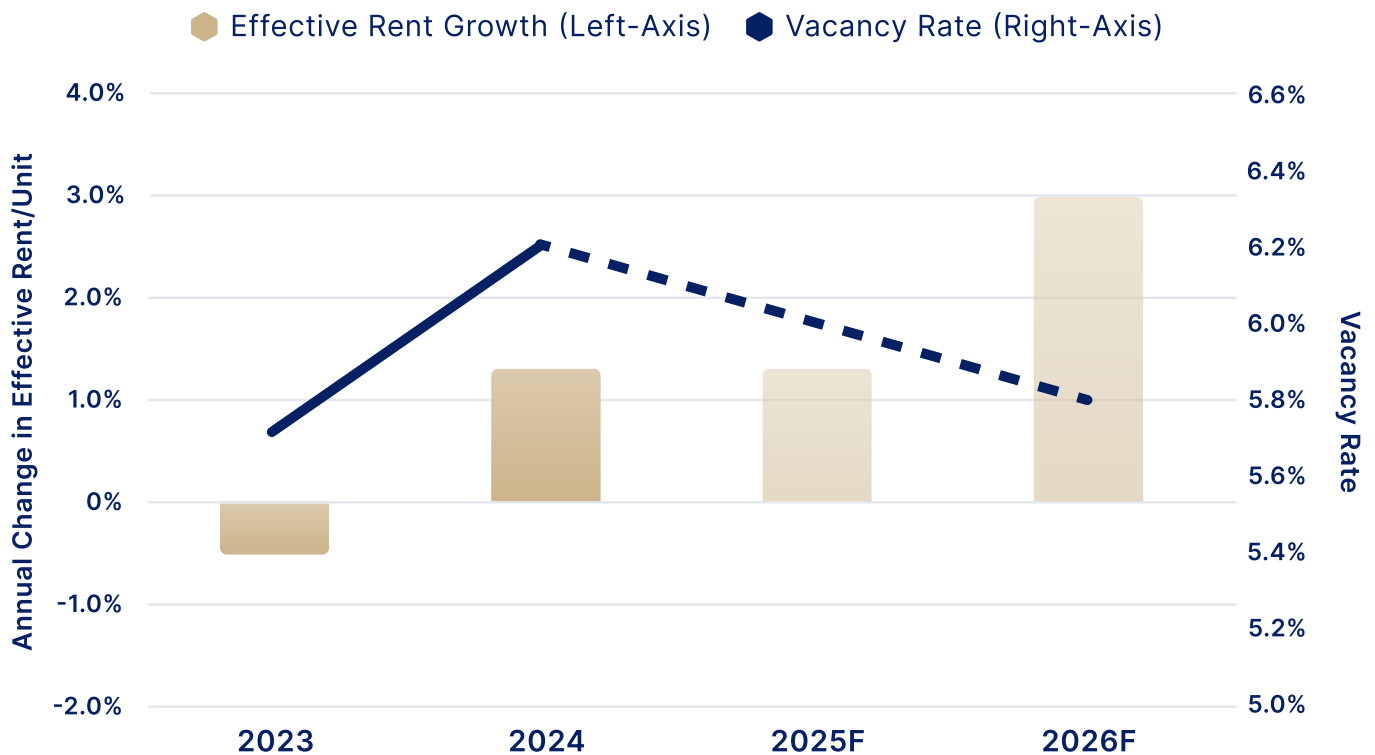
footing than other asset classes. Although [multifamily is currently overbuilt](#) and experienced [lackluster rent growth and a rising vacancy rate](#) over the past three years, the sector got lucky by doing most of its new construction before tariffs were announced, which could potentially reduce competition after tariffs fully take hold. Additionally, economic uncertainty could cause people to rent for longer and increase demand for apartments, **and the slowdown in new construction is projected to cause rents to rise**, with some landlords interviewed by the [Wall Street Journal](#) expecting 5% yearly increases. Within the entire market, [Moody's](#) projects rent growth of approximately 3% over the next two years.



CoStar believes the balance of risk for multifamily midway through 2025 leans toward price stability, with gains later in the year. They note that **demand is growing faster than normal, while new construction is dropping quickly**; this balance should keep vacancy rates stable. Cushman & Wakefield notes in their latest quarterly report that absorption in Q1 2025 actually outpaced supply for the first time since 2021.

Taking the long view, fundamentals are improving *relative to where they were a couple of years ago* – **vacancy rates are lower, rents are rising, and capital costs have gone down**, leaving multifamily in a better place overall than the previous two years of uncertainty. But if cloudiness surrounding tariff policy affects sentiment readings, new household formations and leasing activity could tail off.

### U.S. Multifamily Performance



Source: Moody's

## Industrial

Moody's describes the industrial sector as a "bright spot across the CRE market," and their forecast expects rent growth to increase by

approximately 3% annually in 2025 and 2026 – the highest rate of change across the four major CRE property types. A significant driver of leasing demand is anticipated to be **large, third-party logistics (3PL) operators**, as

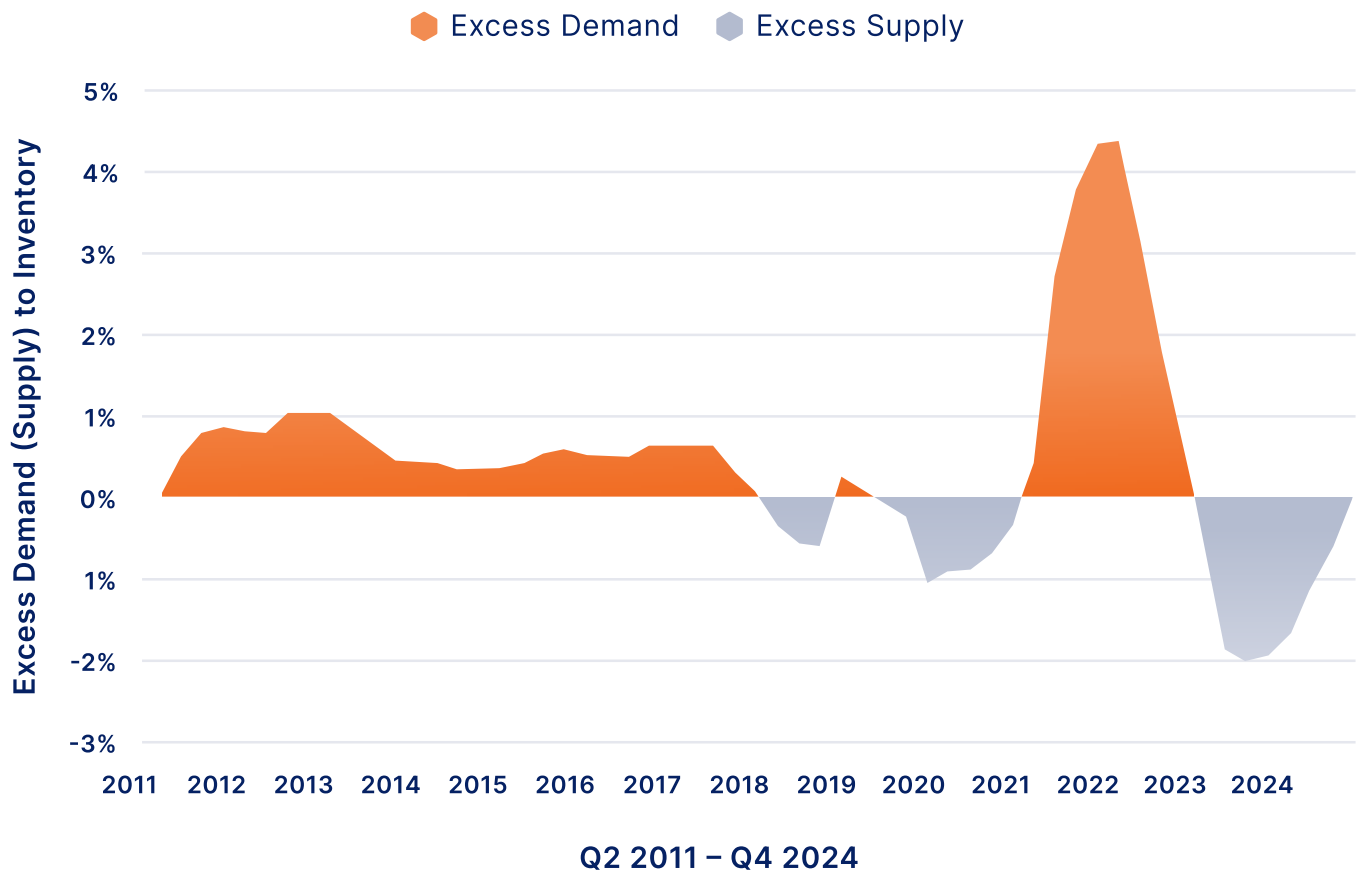
projected by [CBRE](#). The firm believes that retailers and wholesalers may want to outsource distribution amid heightened economic uncertainty.

Further, CoStar believes that industrial pricing risk has moderated. They've adopted a neutral stance for the remainder of 2025, while noting that Q1 transaction volume this

year increased 20% compared to Q1 2024.

**They argue that industrial's "historic rent growth potential" could lead it to be favored by capital relative to competing asset classes.** However, they take care to note that current trade concerns could impact industrial net absorption and soften buyer sentiment.

### *U.S. Industrial Performance*



Source: Moody's

## Office

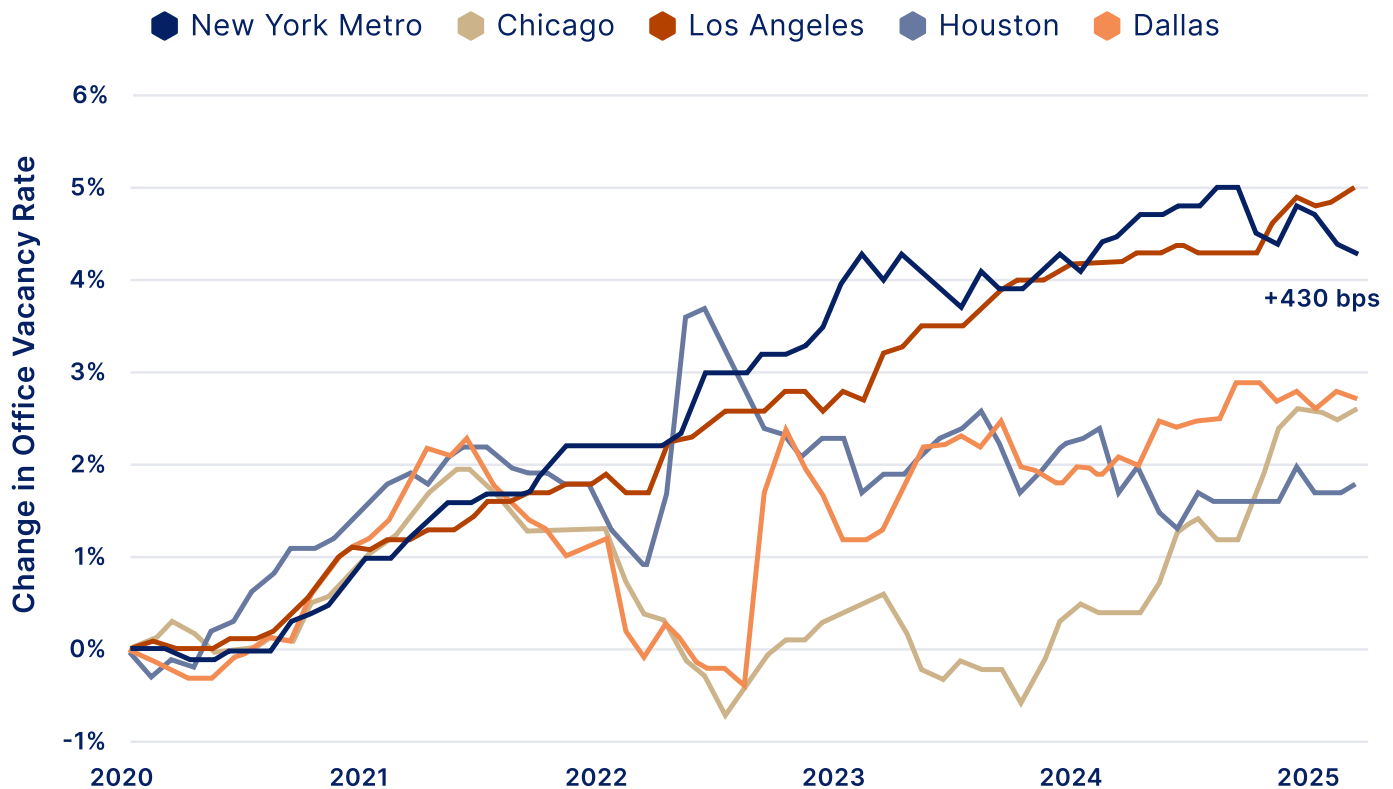
The office sector was largely ignored during the COVID pandemic in favor of other sectors, and [Moody's](#) stated that the sector's

vacancy rate of 20.3% at the end of 2024 was the highest in almost 50 years of data. That being said, things may be poised to turn around. CoStar notes that transaction volumes improved in Q1, just as they did in

Q4 2024, ultimately finishing 39% higher year-over-year. CBRE reports that return-to-office mandates increased office leasing activity in recent quarters. However, they also note that tariff-driven uncertainty in the economy may cause some major office occupiers to take a second look at their plans. Nonetheless, **they expect that “prime assets in major markets will continue to outperform.”**

Net absorption in the U.S. office market is trending positively, and CoStar predicts that a lack of new supply could allow the cycle’s peak vacancy rate to arrive in the second half of the year, which would in turn lead to higher prices and put additional capital into “buying mode.” They caution, however, that trade uncertainty could put a damper on this newfound momentum.

### *Cumulative Changes in Office Vacancy Rate by Metro*



Source: Moody's

## Retail

Though Moody's described the retail sector as “remarkably stable” over the past five years – consumers have consistently opened

their wallets, even during hard times like the second half of 2022 – CBRE notes that retailer sentiment took a negative turn after April 2. Amid low vacancy and a scarcity of new supply, the firm expects to see certain



retailers pause, while others may press on with strategic plans.

Although the year had a relatively slow start, Q1 saw 8% higher transaction volume than Q1 2024. At this point in the year, CoStar considers pricing risk for the retail sector to be neutral. They note softening tenant

demand for large spaces and “select store closures,” but predict that **limited new construction and historically low availability rates will prevent the market from being flooded with vacant space**. Once again, they indicate the potential for trade uncertainty to affect these projections.

“We wouldn’t be surprised to see increased private-equity activity in 2025. Higher rates are restricting new supply, reinforcing a stable fundamental backdrop and setting the stage for multi-year runway of growth in areas underpinned by secular demand.”

– PGIM Real Estate Global Outlook, Q2 2025

”

## Geographic Markets

In various U.S. markets, CRE performance during the first half of the year looked mixed – marked by gradual recovery in some areas and persistent headwinds in others. New York’s broad economy appears resilient, and its office market is notably rebounding: according to the National Association of Realtors, **New York** and **Sacramento** both posted **over 1 million square feet of positive office absorption in early 2025**. In fact, New York went from a year-over-year decline of 8.4 million square feet to a gain of 3.4 million square feet within the office sector. This recovery may be attributed in part to improving foot traffic, and office-using employment is projected to grow 0.5% over the next two years.

Additionally, New York’s multifamily sector is on solid footing, with high tenant demand (NYC absorbed ~20,000 apartment units in the past year, among the top in the nation alongside **Dallas-Fort Worth** and **Atlanta**).

Dallas–Fort Worth also **led the nation in both retail and industrial absorption**, taking in over two million square feet of retail and over 19 million square feet of industrial. On the other hand, **Los Angeles** lost around

3.1 million square feet of retail, a potential indicator of e-commerce's takeover.

(Additionally, LA saw the steepest drop for industrial rents in February 2025 – a decline of 5.2% – and California's **Inland Empire** also saw a decline over 1%.)

Elsewhere in California, **San Francisco's** tech-heavy market is still finding its footing in the office sector. **Tenant outflows have slowed significantly** compared to the worst of the pandemic downturn, going from -9.0 million square feet in Q1 2024 to -3.4 million square feet in February 2025. This suggests the Bay Area is stabilizing, but high availability and an ongoing remote-work trend continue to weigh on its office performance. Overall, **Boston** and **Washington, D.C.** recorded the

largest losses in office space nationwide.

In early 2025, multifamily rents fell in oversupplied Sun Belt cities like **Austin** and **Denver** – but rose in **Providence** and **Rochester**. **Salt Lake City, Norfolk,** and **Greenville** recorded rent increases of over 6% year-over-year for retail property in February 2025. On the other hand, **Akron** and **Hartford** saw rent declines of over 3.0%. Within the industrial sector, February 2025 saw rents change across several major cities. Cincinnati saw the highest increase (7.5%), followed closely by **Dayton** at 7.4%. **Port St. Lucie, Florida** and **Charleston, South Carolina** posted the highest vacancy rates in the nation – both over 15%.

## Voice of the Investor

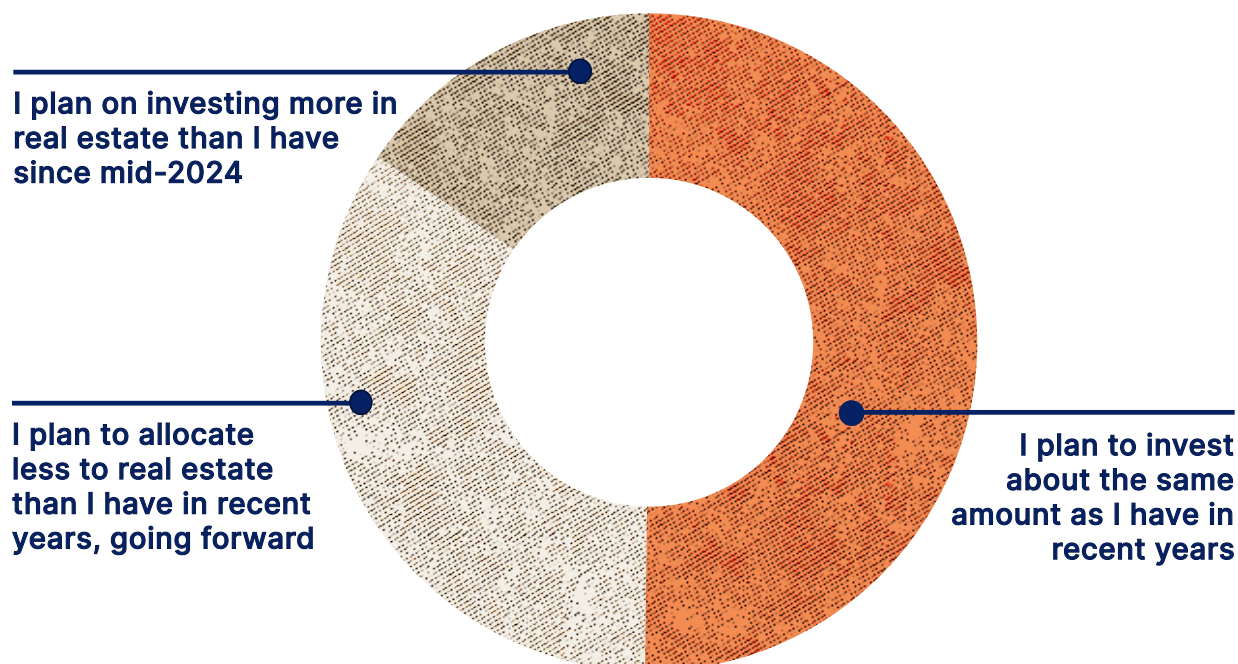
We periodically survey investors to get a pulse of how our community is feeling about markets and their real estate portfolios. These results, when aggregated, can provide a useful barometer for other self-directed investors as they consider their real estate allocation.

Overall, a plurality feel “about the same” about their portfolio versus the same time last year, and intend to invest roughly as much as they have in previous years.

*How Do You Feel About Your Portfolio Now vs. Last Year?*



## *Considering Where Markets and Interest Rates Are Now, What Are Your Plans for Real Estate Investing Going Forward?*



### **The Bottom Line:**

## **Pointers to Keep Top-of-Mind**

As we stated earlier, the Fed is sitting still for more information before making a decision regarding rate cuts. That said, strategists at JPMorgan Chase have stated they **expect the Fed to cut interest rates in the second half of the year**, and Atlanta Fed President Raphael Bostic recently stated that he is leaning toward “one cut” this year. These are provisional statements, of course, but they are nonetheless welcome bits of information as you strategize for the second half of 2025.

Amid all the uncertainty, it's important to be able to identify what your risk tolerance is. Tariff policy may become more clear in the coming months, but market volatility could still stay elevated. We strongly suggest that

investors **think very carefully about the time horizon they'd like to aim for and the amount of risk they'd like to take on.** Every investor will answer these questions differently – just make sure you know what

your answers will be. (Our whitepapers on [saving for college funds](#) and [planning for financial independence](#) may prove helpful.)

As Fed Chair Powell [said](#), there is now a higher risk of potential higher inflation and unemployment than there was at the start of the year. **Be sure to keep a very close eye on how inflation and the labor market react to tariff policy** – these could also have significant implications for your investments.

Finally, continue to stay diversified. J.P. Morgan Wealth Management Global Investment Strategist Vinny Amaru [tells investors](#) that “the heightened volatility experienced since the start of the year continues to reinforce the potential benefits of geographic and asset class diversification.” Keep appraising the resilience of various

geographic markets and asset classes in the coming months, and consider allocating capital to promising investment types that your portfolio currently lacks. Moreover, infusing your portfolio with private-market alternative assets – especially if you’re already allocated heavily to stocks and bonds – could [help you weather public-market volatility and high-inflation environments](#), as has historically been the case.

At EquityMultiple, we actively seek to offer our investors a range of commercial real estate options across three pillars – **Keep**, **Earn**, and **Grow** – which span a variety of geographic markets and asset classes. Our strategy centers on strong partnerships with sponsors, rigorous underwriting, and the delivery of compelling, risk-adjusted returns.

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## 2. Special first-time investment offer:

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\*This assumes a 7.72% interest rate compounded over a 12-month term.

(After 6 months, you'll be able to choose your next investment whenever you're ready, or it will seamlessly roll over to the next Note.)

## 3. Or find that perfect individual offering fit, and choose your own adventure.

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These investments have a high degree of risk, and there can be no assurances that any of the assumptions will be true or that the investment's actual performance will bear any relation to these hypothetical illustrations. The particular assumptions used to evaluate the return potential of this investment should be reviewed prior to investment. To access them click the "View Offering" button above in this email and download the Financial Overview available on that page.

Hypothetical performance is subject to inherent limitations, is prepared with the benefit of hindsight, and should not be relied upon in making an investment decision. Additional information regarding the projected performance metrics presented herein is available upon request.