CONFIDENTIAL

September 2026

Management Commentary

Thoughts on the Federal Reserve's September Rate Increase

September 17, 2026

We hope this letter finds you and your families well. With the Federal Reserve raising its benchmark rate on September 16, and no shortage of competing commentary on what it means, we wanted to share Kingbird's perspective on the decision and its implications for the multifamily sector and our portfolio.

The Current Landscape

Investors today are weighing an unusually wide set of cross-currents: the rise of artificial intelligence, tariffs and reindustrialization, still-elevated inflation, and, most recently, a 25-basis-point increase in the Federal Funds Rate to a target range of 3.75% to 4.00%.

In many ways, these forces sometimes reinforce and sometimes offset one another, but taken together they describe an economy that remains dynamic and continues to expand despite periods of uncertain economic policy and a tense geopolitical backdrop. In our view, that staying power reflects underlying strengths that remain broadly intact: growing incomes, strong consumer spending, stable household finances, and sustained business investment. The Federal Reserve's 25-basis-point increase on September 16 is consistent with that assessment. The Committee cited firmer economic activity and persistent upside inflation risks, and Chairman Warsh was explicit that financial conditions remain accommodative rather than restrictive:

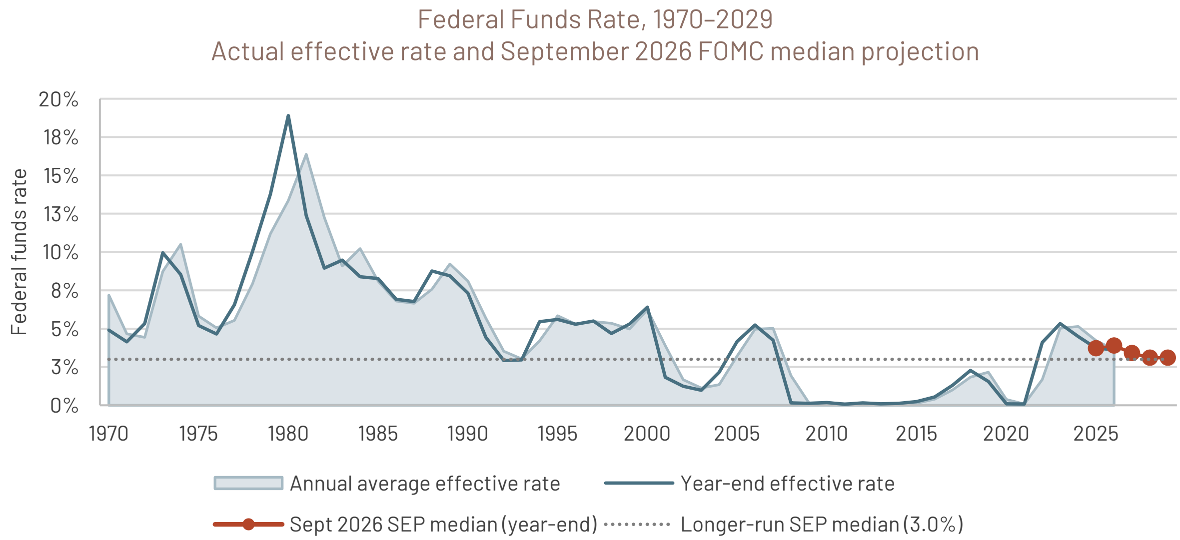
"I [Chairman Warsh] would be hard-pressed to describe broad financial conditions as restrictive. This view was widely shared by the Committee. So we removed a dose of accommodation."[1]

This marks a turn in the Fed's posture. Having cut from a peak target range of 5.25% to 5.50% in 2024 to a trough of 3.50% to 3.75% earlier this year, the Committee has now incrementally reversed course. Its own projections point to one more increase to 4.00% to 4.25% by year-end, followed by a gradual drift back toward 3.50% to 3.75% by 2029:

Federal Funds Rate Horizon		
	Median	Implied target range
September 2026	–	3.75%–4.00%
End of 2026	4.1%	4.00%–4.25%
End of 2027	4.1%	4.00%–4.25%
End of 2028	3.9%	3.75%–4.00%
End of 2029	3.6%	3.50%–3.75%
Longer run	3.2%	–

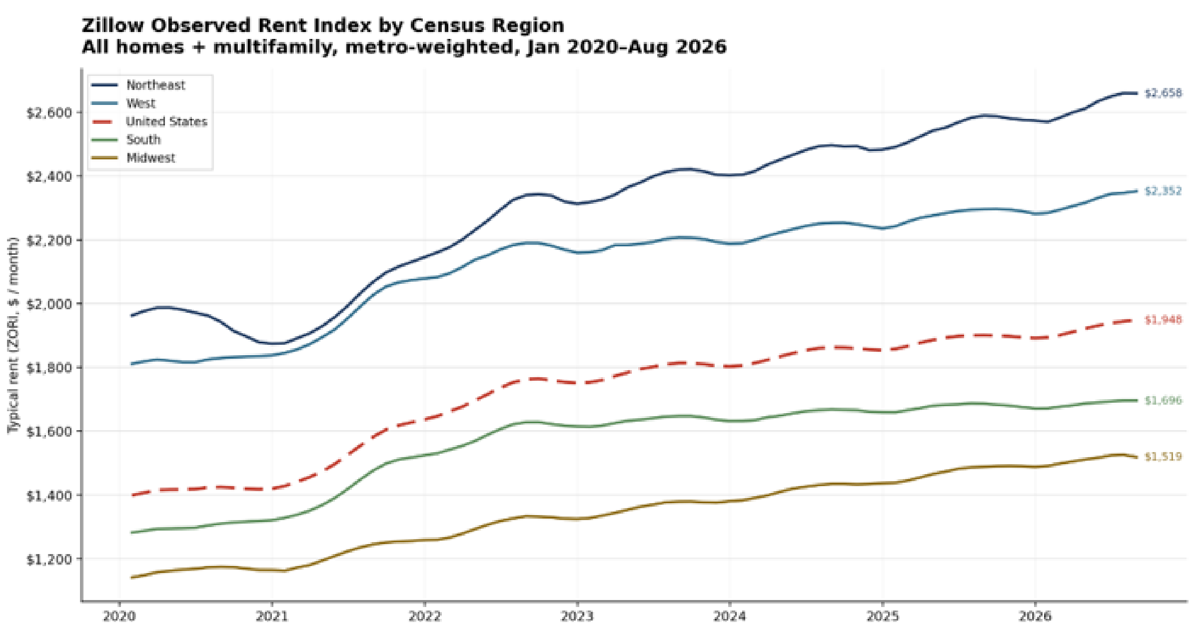
We expect this path to have a limited effect on current portfolio valuations, and we will remain patient in timing our exits while we work through the capital structures put in place during the COVID era. A 25-basis-point move is a marginal adjustment to borrowing costs that remain accommodative, a very different action from the rapid, deliberately restrictive tightening the Fed carried out in 2022 and held through 2024. The longer arc of interest rates is shown in the chart below, which puts the Federal Reserve's incremental action in context[2]:

[1] Federal Reserve Meeting, September 16, 2026
[2] Table Sources: Fed H.15 / FRED effective federal funds rate (monthly). Projection: FOMC Summary of Economic Projections, 16 Sep 2026 (year-end medians 3.9 / 3.4 / 3.1 / 3.1; longer-run 3.0%). Post-meeting target range 3.75–4.00%.



The interest rate increase also arrives as multifamily fundamentals improve, marking the start of the next cycle of investment and value growth.

Year-over-year rents continue to turn positive across major markets:



Source: Zillow ZORI, Metro_zori_uc_sfrcondomfr_sm_month.csv (public research download).
Regional lines are size-weighted averages of metro ZORI using 1/(SizeRank+1). Not an official Zillow region series. Latest: August 2026.

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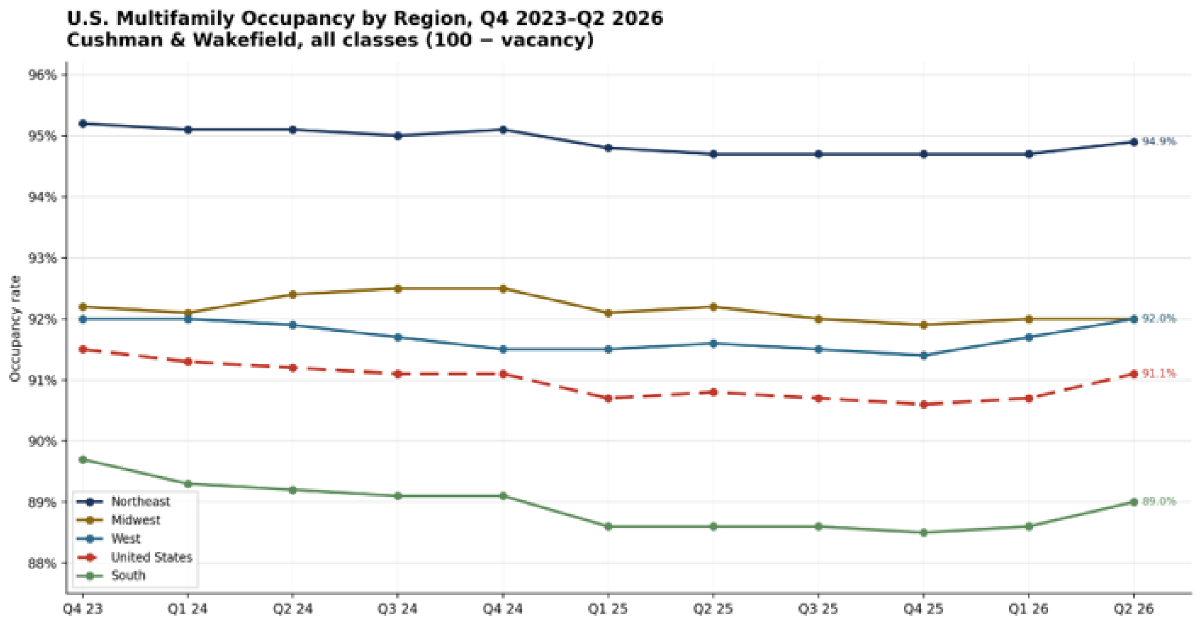
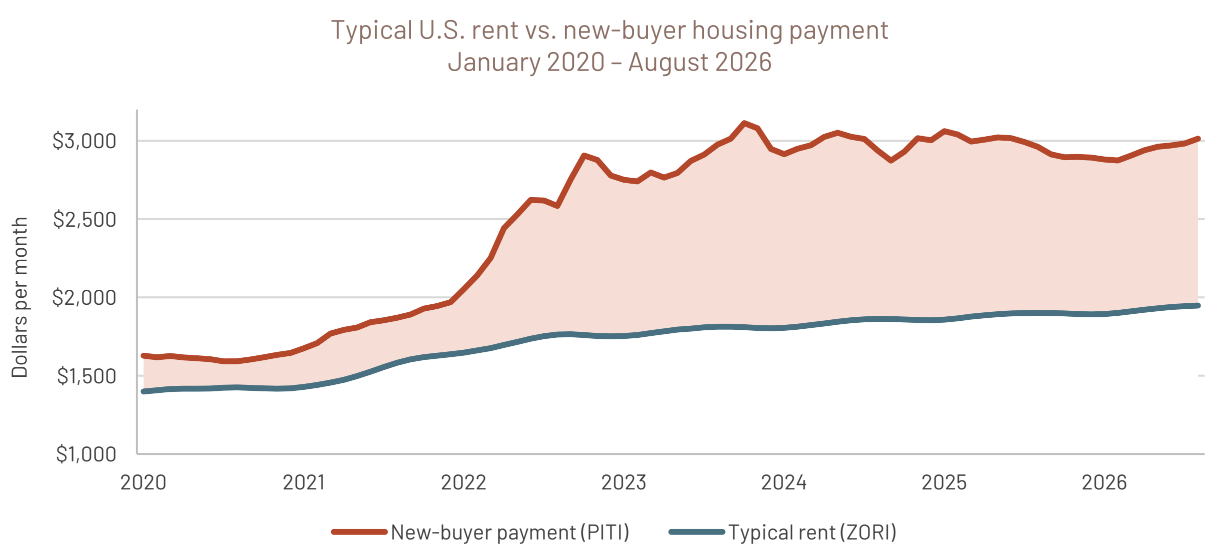
Occupancy is rising across markets as the COVID-era supply surge is absorbed:



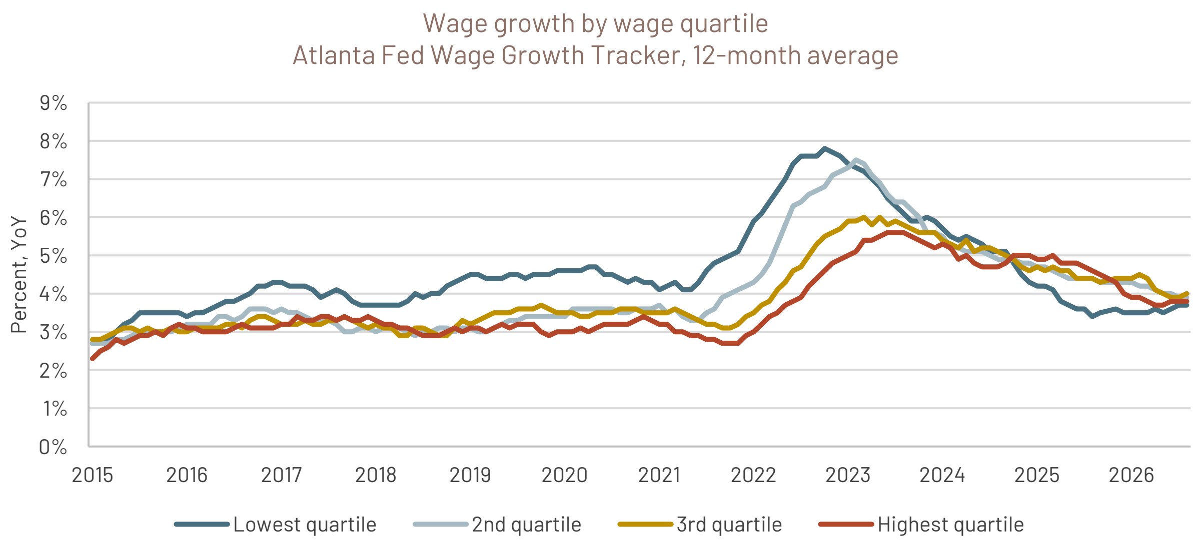
Source: Cushman & Wakefield U.S. Multifamily MarketBeat vacancy tables, Q4 2024 through Q2 2026.
Occupancy = 100 − reported overall vacancy. Stitched latest vintage. Q2 2026 preliminary.

Homeownership remains substantially more expensive than renting and out of reach for many, sustaining both "renters by choice" and "renters by necessity"[3]:



[3] Table Source: Rent = Zillow ZORI (U.S.). New-buyer payment = Zillow ZHVI at 10% down, Freddie Mac 30-year fixed rate, plus tax/insurance scaled so Aug 2026 PITI = Zillow's published $3,014. Illustration only. Latest: Aug 2026 (rent $1,948; PITI $3,014; gap $1,066).

Lastly, wage gains have stayed elevated and broad, indicating that tenants can absorb future rent increases:



We expect these fundamentals to hold, with variation from market to market, supported by an expanding economy, sustained business investment, and an interest rate environment that limits new construction. Starts and permits are running below the pre-COVID pace, and set against the country's housing shortfall, new supply will be a constraint for years to come.

Outlook

Kingbird remains an optimist on the U.S. economy, its demographics, and the residential apartment sector over the near, intermediate, and long term. The gap between apartment demand and supply is proving persistent and, with construction limited, is widening. That will continue to put upward pressure on rents across the existing apartment inventory, supporting our portfolio values and laying the groundwork for valuation growth.

We also believe this is the moment to invest back in the market with medium- to long-term conviction. The multifamily market is emerging from a repricing driven by the 2022 to 2024 rate cycle, and that transition is still producing dislocations. We believe the time to buy is when pricing sits below intrinsic value, when the market is misjudging risk, and when the seller has a reason to transact. We see all three today: owners facing loan maturities and recapitalization needs are increasingly willing sellers, liquidity is returning to the sector, and apartment values remain roughly a fifth below their 2022 peak[4] with the sector beginning to recover. In our experience, the best entry points arrive at exactly this stage: after the worst is over but before consensus has caught up, when deployable capital can set terms rather than accept them.

[4] RCA Commercial Property Price Index

Change in RCA Commercial Property Price Index (as of July 2026)[5]

	1-mth	3-mth	1-yr	3-yr	5-yr	10-yr
Office	0.4%	1.4%	3.5%	-4.9%	-13.7%	5.6%
Office - CBD	1.6%	4.6%	9.9%	-16.2%	-41.1%	-35.9%
Office - Sub	0.4%	1.4%	4.0%	-1.0%	-7.9%	15.3%
Industrial	0.0%	-0.1%	-1.0%	10.9%	25.4%	91.7%
Retail	0.3%	0.9%	-0.9%	2.3%	6.8%	12.8%
Commercial	0.4%	1.2%	1.6%	4.4%	6.2%	29.3%
Apartment	-0.8%	-2.4%	-4.1%	-9.8%	-7.1%	44.0%
All Types	**0.1%**	**0.3%**	**0.2%**	**0.7%**	**1.2%**	**35.1%**
6 Major Metros All Types	-0.2%	-0.4%	-0.2%	-4.8%	-9.9%	13.5%
Non-Major Metros All Types	0.3%	0.9%	0.8%	3.4%	6.5%	46.0%

Conclusion

Kingbird's view, in short: a 25-basis-point increase is a signal of confidence in the economy rather than a threat to it, and it does little to change the outlook for well-located, well-operated apartments. The combination of stabilizing values, improving fundamentals, and a constrained supply pipeline sets the stage for renewed valuation growth in our existing portfolio and attractive new investments. The recovery is already visible in supply-constrained coastal markets and will reach the Sun Belt more gradually. That is why we continue to pair a constructive view of the sector with a patient, market-by-market approach to asset management and new investments.

Thank you for your continued confidence in Kingbird. We look forward to speaking with you soon.

Mark Pasierb
President

Justin Hoogerheyde
Vice President

[5] Source: RCA (Real Capital Analytics) / MSCI Commercial Property Price Indices, percent change through July 2026.

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