APRIL 2022

# Market Insights

PALISADES

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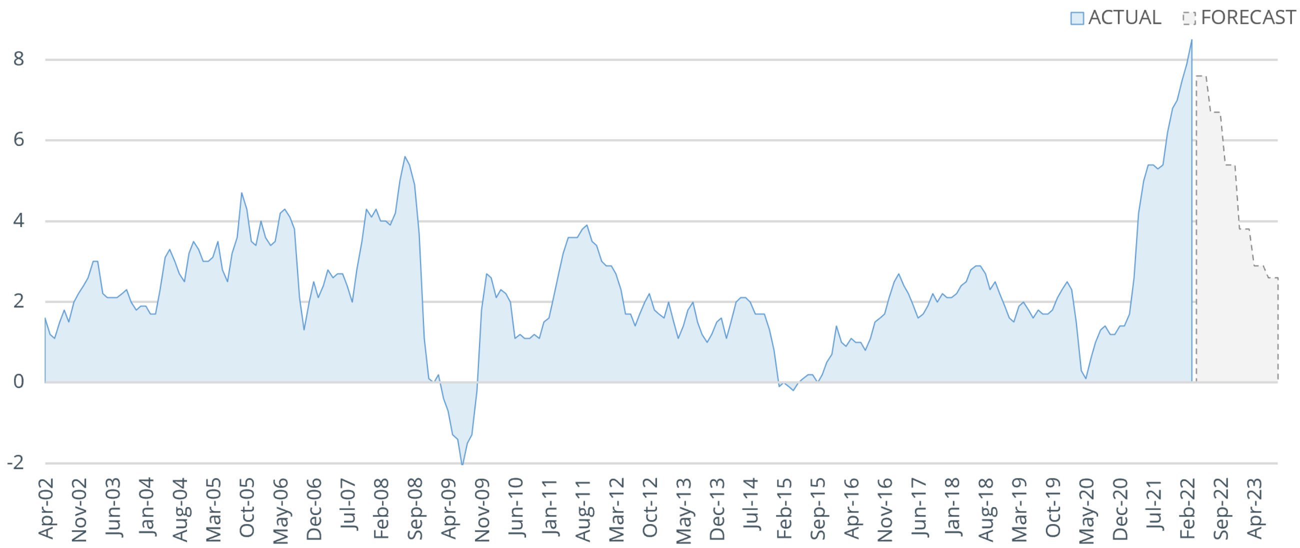
CONSUMER PRICE INDEX ("CPI")
Year-over-Year % – Actual & Forecast




*Source: Bloomberg, Bureau of Labor Statistics*

# INFLATION

## HEADLINE INFLATION

The Bureau of Labor Statistics reported an ***8.5%*** year-over-year increase in consumer prices ("CPI") as of ***March 2022.*** That is the highest print since ***December 1981.*** CPI, excluding food and energy, was up ***0.1%*** to ***6.5%.*** The National Federation of Independent Businesses ("NFIB") survey reported that over 40% of U.S. small businesses intend to ***raise prices by at least 10%*** to counter rising costs. The same survey noted that that more than 30% plan to increase prices in the next 3-months and approximately ***90% indicated they have already increased prices.***

Since 2010, many market participants have been anticipating an inflationary environment citing the influx of 'helicopter money' produced from the 2008 crisis-era quantitative easing. Twelve (12) years later, on the heels of a global pandemic and sanctions against the 3rd largest oil exporter in the world, the forecasts are finally being proven right. Even a broken clock is right twice a day.

The causes of inflation have been well documented with the key driver being the COVID-19 pandemic that resulted in manufacturing and supply chain disruptions. The supply shortages were paired with increased money growth, high levels of savings, and pent-up demand as people emerged from COVID lock-up. Many believed the supply chain distortions would be 'transitory' and self-correcting in 2022 as people around the globe returned to work and operations came back online. Unfortunately, the re-emergence of COVID variants, especially in Asian countries such as China and Vietnam, along with Russia's invasion of Ukraine, have further stressed supply chains and begun a movement toward onshoring and de-globalization.

## DE-GLOBALIZATION EFFECT

Even before the supply chain challenges encountered during COVID, it has been pointed out by Blackstone and other industry participants that there has been a movement toward ***de-globalization*** in the years following the 2008 financial crisis. Several reasons have contributed to the trend toward ***reduced economic integration*** around the globe, including, but not limited to:

- *Advances in technology*
- *Protectionist policies and nationalist movements*
- *Changing labor dynamics in emerging economies (e.g. China)*
- *Western companies becoming more socially conscious regarding overseas labor and human rights abuses*
- *COVID pandemic supply chain disruptions*

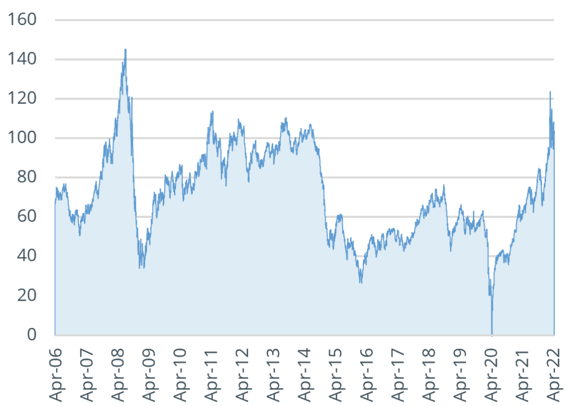
As the benefits of globalization diminish, technology and automation will provide some offset, however, it is reasonable to assume that economies will need to adjust to higher prices as many Western countries seek to onshore activities that have previously been sent abroad to capture lower cost labor.

## ENERGY INFLATION

The price of oil had been rising steadily since October 2020, shortly before Biden was inaugurated, when WTI was trading at ***$37.*** As of February 25, 2022 (pre-Russia /Ukraine war), WTI traded at ***$92*** which was followed by a spike that peaked at over ***$123*** after the invasion. As a result, ***gasoline prices across the U.S. have almost doubled*** which creates an effective ***tax on consumers*** and reduction in disposable income (all things being equal).

### WTI CRUDE

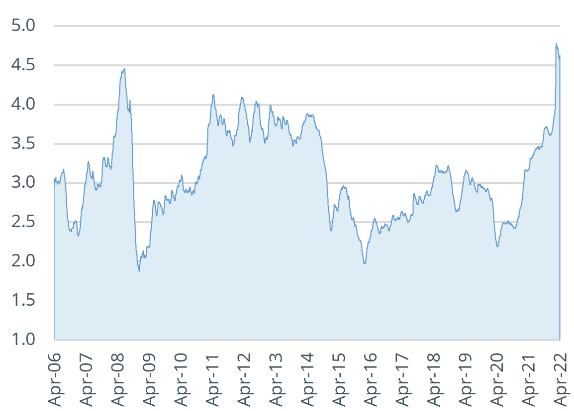
Oil Futures ($)




*Source: Bloomberg, New York Mercantile Exchange*

### US AVERAGE GASOLINE

Price per Gallon ($)



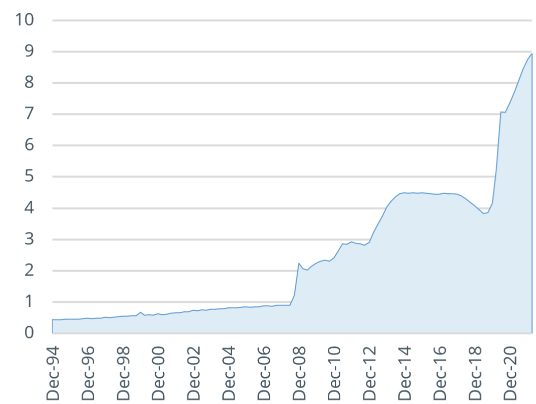

*Source: Bloomberg*

## POLICY, INTEREST RATES & GROWTH

With everything from consumer staples to gas rapidly increasing in price, the U.S. Federal Reserve recently telegraphed a campaign to increase interest rates and reduce the purchase of Treasuries and mortgage-backed securities with the goal of dampening demand.

### FEDERAL RESERVE BANKS

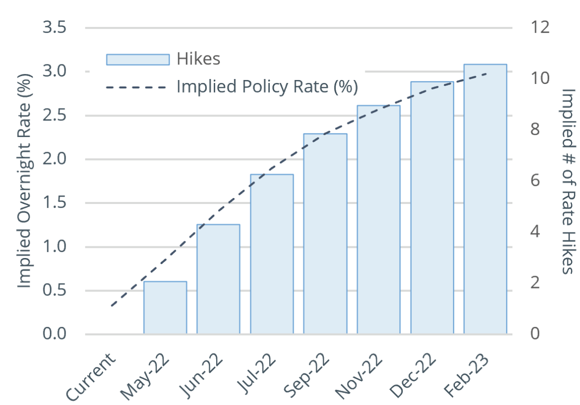
Total Assets ($ trillions)




*Source: Federal Reserve*

### RATE HIKES & IMPLIED OVERNIGHT RATE

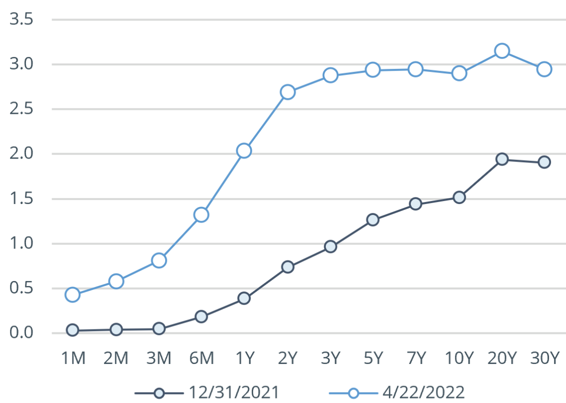
Estimated (#) & (%)




*Source: Bloomberg*

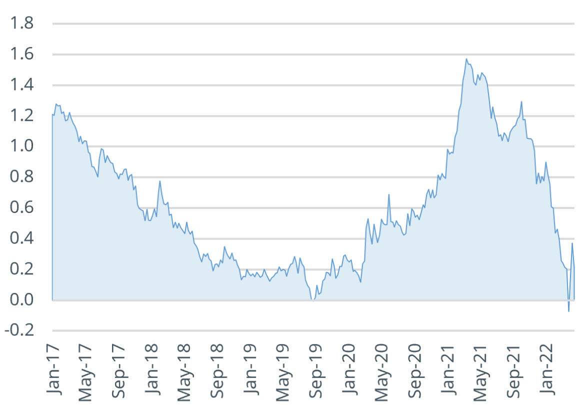
As markets brace for the Fed's tightening, concerns are emerging about the potential for a recessionary environment. An inversion of the yield curve has historically been an indicator of recessions as short-term rates rise to fight inflation while longer term rates are held down due to low expectations for future growth.

### U.S. TREASURY ACTIVE YIELD CURVE
December 31st vs April 22nd, 2022 (%)




*Source: Bloomberg*

### 2-YEAR / 10-YEAR UST SPREAD
(%)

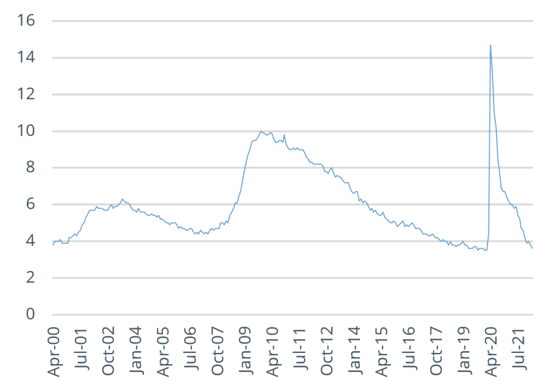



*Source: Bloomberg*

The rapid ***increase in interest rates*** since the beginning of 2022 will undoubtedly begin to ***quell demand for asset purchases that require financing*** (e.g. cars, houses), however, this often occurs on a lagged basis as consumers rush to make debt-financed purchases before rates get 'too' high.

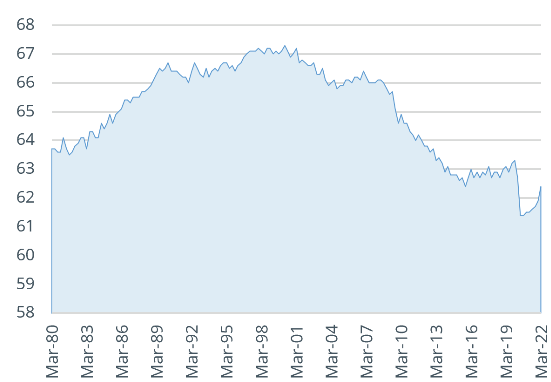
Fortunately, economic risks are much different today than those predating the 2008 crisis. Labor market conditions are favorable with unemployment at historically low levels, job openings are high, and employees have bargaining power with hourly earnings increasing 5.6% in the last year ***(according to the National Association for Business Economics, 70% of U.S. firms boosted wages in the first quarter).*** Further, consumer balance sheets are currently well-fortified due to COVID-induced personal savings, financial market gains, and increases in residential equity.

### UNEMPLOYMENT (U-3)
(%)



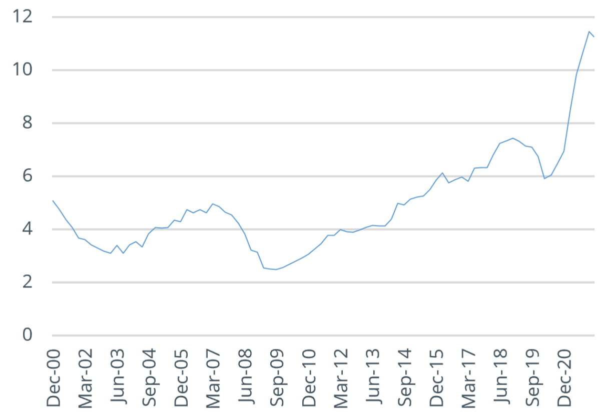

*Source: Bureau of Labor Statistics*

### LABOR MARKET PARTICIPATION
(%)



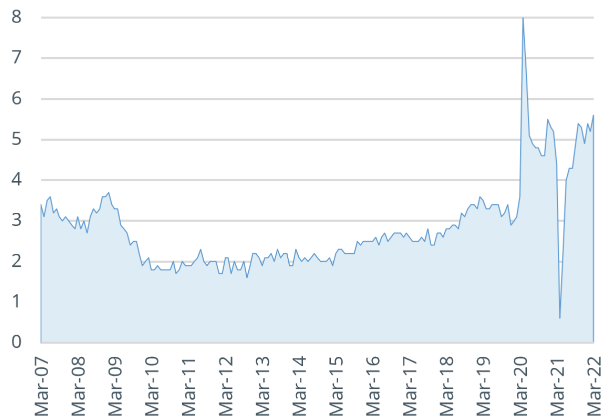

*Source: Bureau of Labor Statistics*

U.S. JOB OPENINGS
(# in millions)




*Source: Bureau of Labor Statistics*

AVERAGE HOURLY EARNINGS
(Yearly % Change)

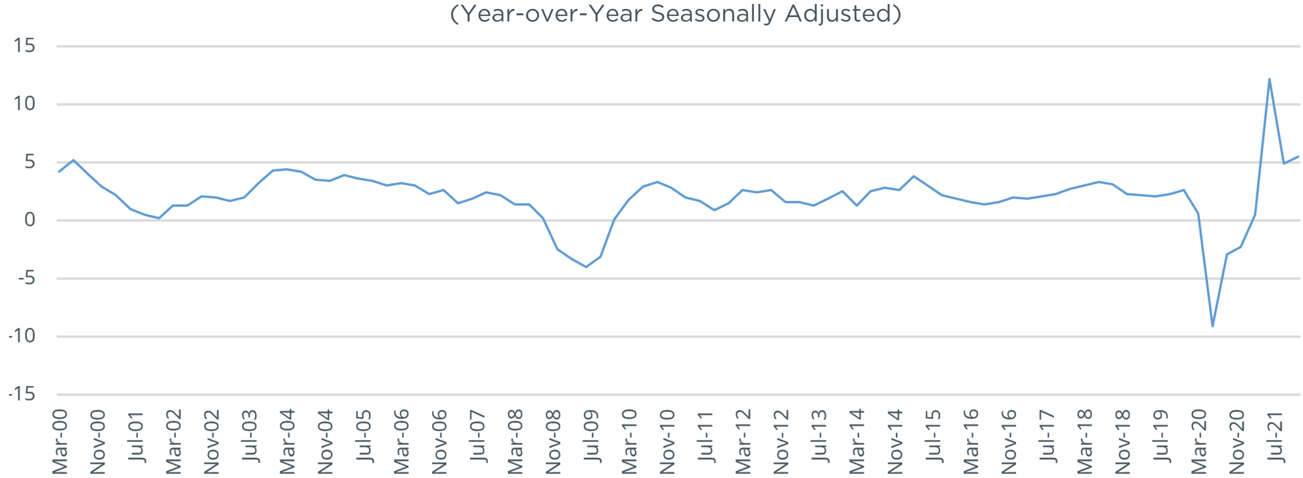



*Source: Bureau of Labor Statistics*

Loose credit, overextended consumers, and extreme financial market leverage were the catalysts for the 2008 global financial meltdown. While the U.S. is far from the boiling point conditions of 2008, it is conceivable that the Fed begins to execute on an aggressive inflation fighting effort over the next two (2) quarters that could lead to a credit crisis.

With ***corporate debt sitting at $11.6 trillion,*** or ***80% higher than a decade earlier*** according to Federal Reserve data, what happens if demand slows down? As the Fed raises benchmark rates, what happens to companies that have unhedged floating rate liabilities at the same time labor and input costs are increasing? Would companies be able to right size capacity and staff? Would we see unemployment pick up and exert pressure on wages? If recent history is any indication, signs of corporate defaults, unemployment, ***below threshold growth***, and financial market stress would likely be met with a reversal to more accommodative policy. For now, ***GDP forecasts seem to give the Fed credit for being able to navigate a 'soft landing' with The Conference Board estimating 2022 and 2023 GDP of 3.0% and 2.2%, respectively,*** however, Fannie Mae just came out predicting a contraction in 2023 of 0.1%.

GROSS DOMESTIC PRODUCT
(Year-over-Year Seasonally Adjusted)



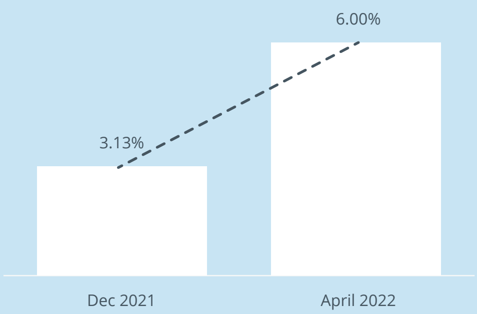

*Source: Bureau of Economic Analysis*

## CREDIT

The widening of credit spreads on top of short-term rates has increased financing costs across markets. Many lenders and asset aggregators using securitization for longer term financing have found themselves under-hedged and exposed to declining asset values. In the absence of effective interest rate and credit hedges, many new issue securitizations are clearing with cost of funds near the yield on the underlying loans or financial assets.

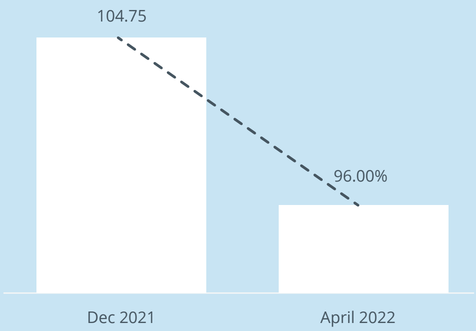
Non-QM whole loan pricing is trading points back of year end levels. At the beginning of 2021, the ***par coupon was ~3.125%*** whereas in April it is over ***6.00%***, or ***280+ basis points wider***. A 5% coupon loan was trading at ***104.75*** at year end, whereas in April it priced below ***96.00***, or over 8 points in price movement.

PAR COUPON NON-QM LOAN
(+280 basis points change)




*Source: Palisades*

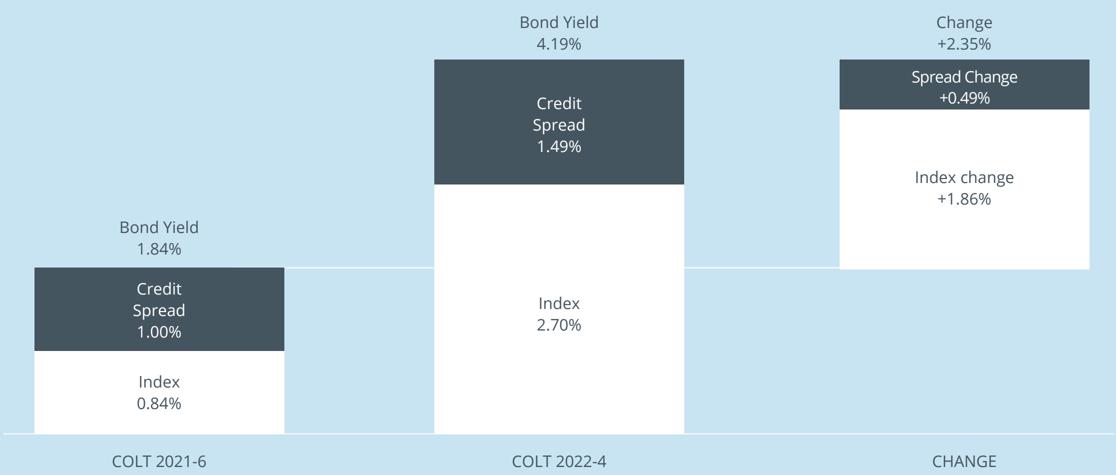
DOLLAR PRICE OF 5% COUPON NON-QM LOAN
(8+ point drop in loan price)




*Source: Palisades*

Lone Star's most recent ***non-QM mortgage*** securitization (COLT 2022-4) priced a 2-year triple-A senior bond at swaps +150 with a bond yield of ***4.19%.*** For context, the December 2021 COLT 2021-6 transaction priced the same bond at +100 and bond yield of ***1.84%***. Triple-A cost of funds increased by ***230+ basis points in less than four (4) months*** with ~79% represented by rate movements, and 21% attributable to widening credit spreads.

AAA NON-QM - NEW ISSUE YIELDS
(+235 basis points change)



***Single family rental*** securitizations have seen similar widening for the new issue 5-year triple-A senior bond. In December 2021, the PROG 2021-SFR11 bond priced at swaps +85 and carried a ***2.28% yield.*** The same bond priced in April 2022 at swaps +140 to yield ***4.15%.*** The ***187-basis point*** increase in cost of funds is ~70% attributable to rate moves and ~30% due to widening credit spreads.

Non-rated ***property rehab and construction loan*** deals have also widened. The MFRA 2022-RTL1 priced the ***2-year unrated senior bond at 5.125%*** in April versus ***sub-3% yields in 4Q 2021***, although, this is slightly skewed as we expect MFA's inaugural transaction to price slightly back of market.

Across the board, securitization financing has become materially more expensive in a short period of time. Markets are rapidly adjusting with the longer duration sectors realizing the biggest declines in asset values, and on-the-run sectors that ended 2021 with asset yields in the 3% to 4% area have been forced into financing transactions that are not accretive to the retained equity position.

In recent years (notwithstanding the onset of COVID), non-agency RMBS products (rated and non-rated) have traded into high demand, priced off low benchmark interest rates, and enjoyed tight credit spreads – which created a seller's market and meaningful price risk in fixed rate bonds. With both benchmark rates and credit spreads widening, new issue RMBS products are starting to look much more interesting on an absolute yield and relative value basis. For example, an investor can choose to buy the underlying ***non-QM loans at a low 6% yield*** or buy a ***2-year AAA-rated senior bond at a 4.35%+ yield*** and 25%+ credit protection in the form of subordination.

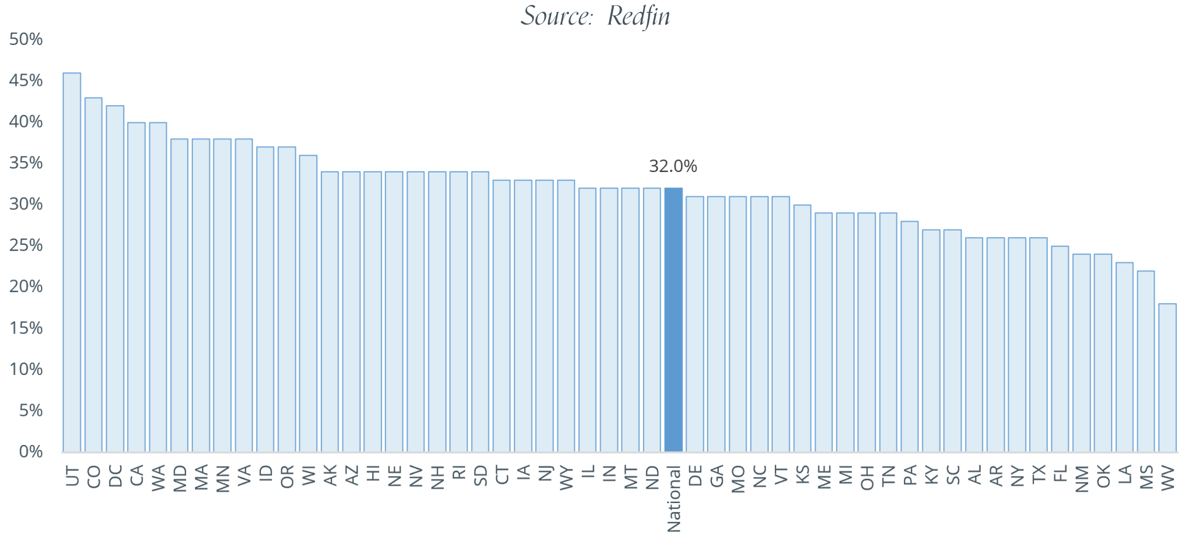
The credit spread alone comes close to the entire bond yield just 4 months ago. Similarly, moving down the capital stack to AA and A-rated bonds, investors are looking at new issue yields in the high 4% and 5%+ area, respectively, with credit support of approximately 21% and 13%. In this market, bonds look attractive given the shortened duration, credit enhancement, stable return profile in multiple scenarios, and new issue pricing.

## HOUSING

Unlike the 2008 financial crisis where many mortgage loan products had floating interest rate mechanics, today the mortgage market is much more oriented around fixed rate loans. As a result, the housing market is not as exposed to defaults related to interest rate-related payment shock as in 2008. However, higher rates are likely to perpetuate an already undersupplied housing market as existing homeowners are 'locked in' with historically low mortgage rates. ***According to Nomura, "…about 80% of outstanding borrowers have a rate that is at least 0.50% below prevailing mortgage rates…thus, a significant portion of borrowers have a meaningful disincentive to move as they will have to pay a higher rate upon purchasing a new home."*** As the charts below indicate, Redfin data shows ***51% of mortgagors have an interest rate under 4.0%***, substantially below the current 5.3% rate for 30-year conventional loans.

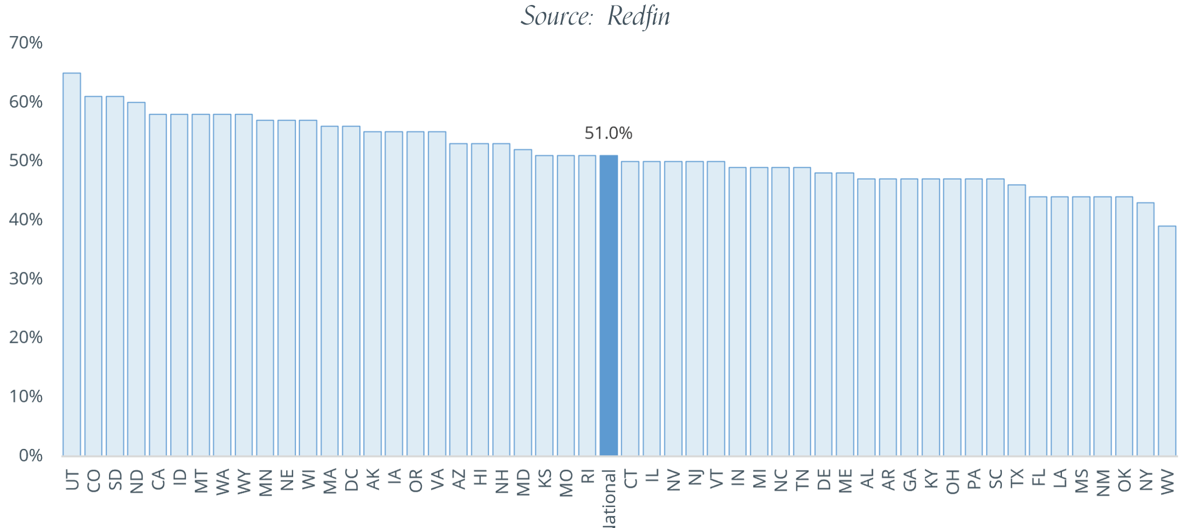
SHARE OF TOTAL HOMEOWNERS WITH MORTGAGE RATES BELOW 4% (%)

*Source: Redfin*




SHARE OF TOTAL MORTGAGE HOLDERS WITH MORTGAGE RATES BELOW 4% (%)

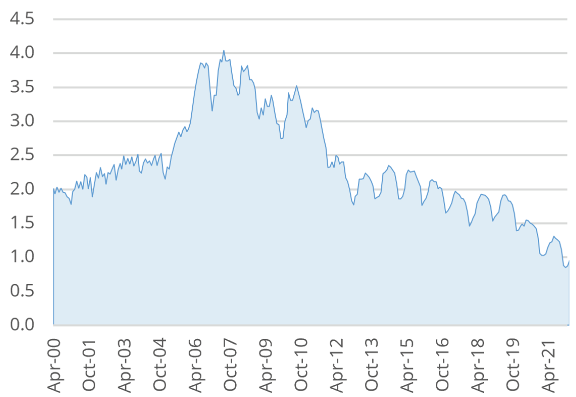
*Source: Redfin*



We have looked at these charts in the past, but it is worth noting that existing home inventory is at historically low levels ***(950 thousand units).*** Similarly, the months' supply of existing home inventory is at historically low levels ***(2.0 months).*** Existing inventory needs to report between 1.5 and 2.0 million units and 4 to 6 months of supply for a healthy market.

EXISTING HOME SALES INVENTORY

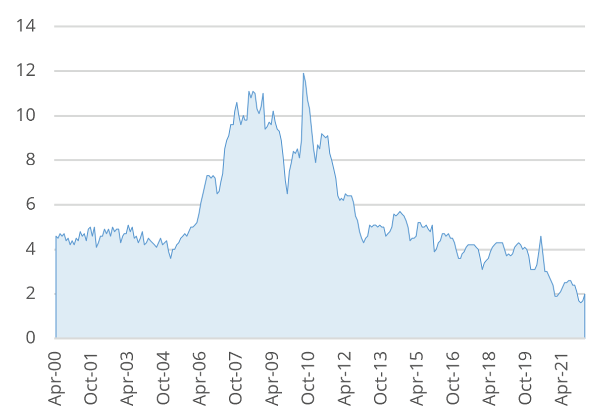
(# in millions)




*Source: National Association of Realtors*

MONTHS SUPPLY OF EXISTING HOMES

(Months)



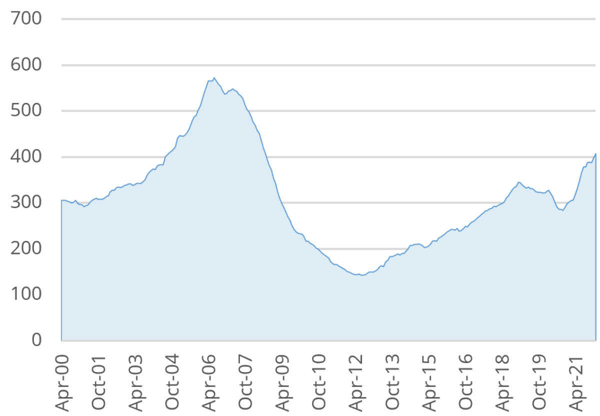

*Source: U.S. Census Bureau*

Goldman Sachs said in an April research report:

> *"Last week's release of the Case-Shiller house price index showed a solid 19% appreciation on a year-over-year basis (as of the end of January). Even more impressive was the 20.5% annualized monthly pace, which incorporates the 50bp back-up in primary mortgage rates that materialized in January. In our view, this resilience offers two main takeaways. First, existing home supply remains very constrained, keeping the hurdle high for housing affordability to sufficiently erode demand. Second, we suspect a lagged response of home prices to rising financing costs. In particular, demand may have been boosted by a short-run impulse from buyers to complete purchases before affordability incrementally worsens."*

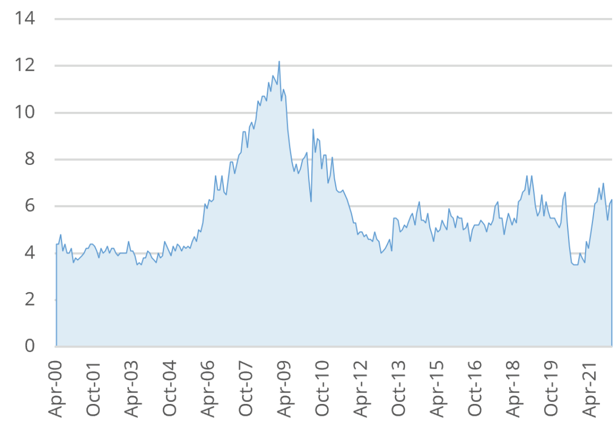
Interestingly, new home data tells a different story. Inventory levels have been increasing as builders rush to fill the demand that existing home inventory is unable to meet. At ***407,000 units***, new home inventory is above the historical average but still a fraction of the peak (566,000 units) leading up to the 2008 financial crisis. Months' supply of new homes is on top of the historical average but approximately 50% of the peak reported in January 2009.

**NEW HOME SALES INVENTORY**
(# in thousands)




*Source: National Association of Realtors*

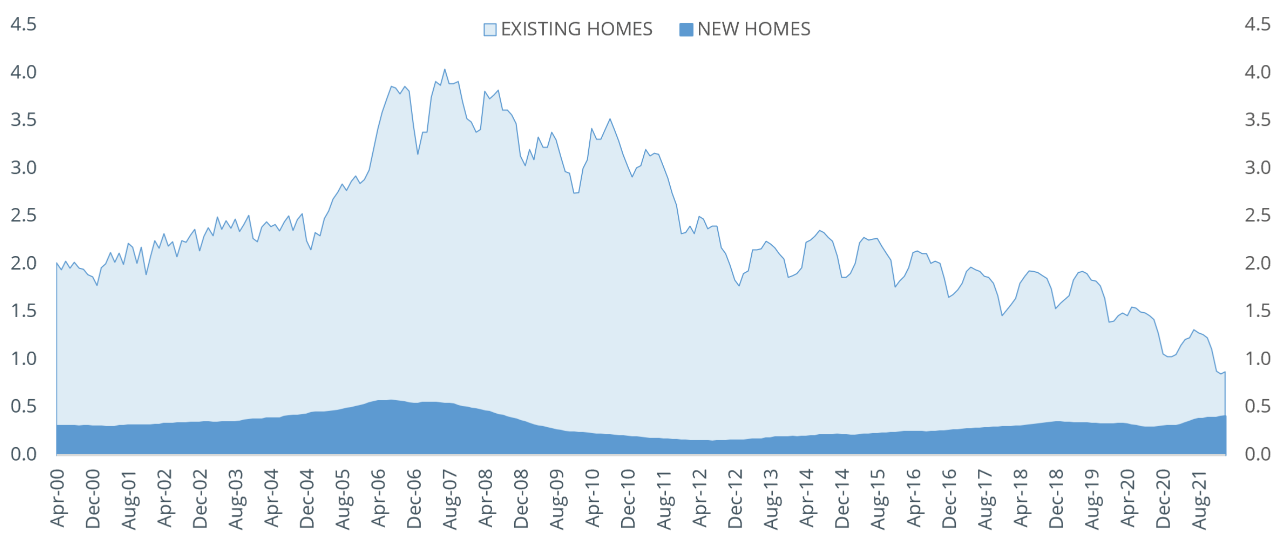
**MONTHS SUPPLY OF NEW HOMES**
(Months)




*Source: Census Bureau*

As builders try to meet demand, the chart below of existing and new home inventory provides perspective as to the degree of undersupply facing the U.S. housing market.

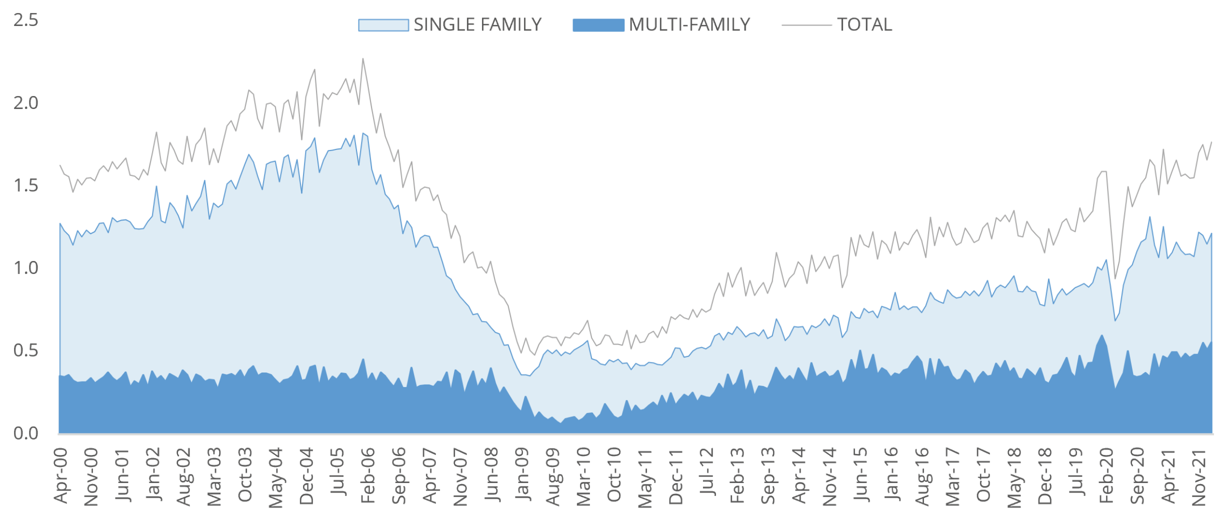
**EXISTING AND NEW HOME INVENTORY**
(Units in Millions)




*Source: National Association of Realtors*

Housing starts have recovered after the decade-long retreat following the 2008 housing crisis, however, as the home inventory chart (above) shows, new housing completions need to exceed historical averages by a significant margin for inventory levels to rebuild. It is most likely that supply-demand parity will eventually occur through a combination of (i) reduced demand resulting from higher interest rates, higher home prices, and the potential for a looming recession in 2023-2024, and (ii) new supply coming online.

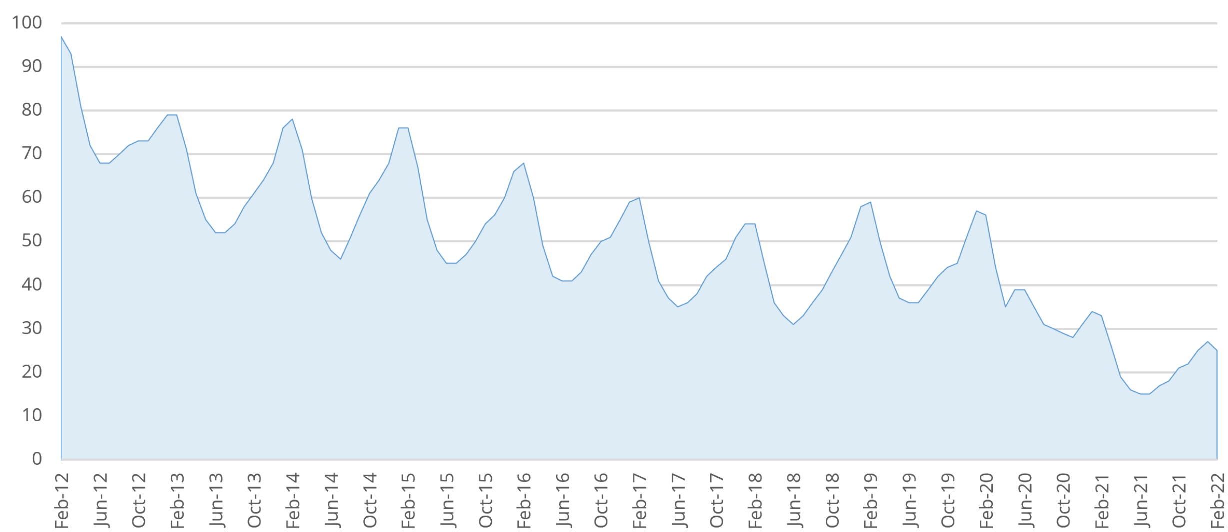
**SINGLE FAMILY & MULTI-FAMILY HOUSING STARTS** (Units in Millions)




*Source: U.S. Census Bureau*

With total housing inventory low and demand for housing high, days on market provides insight into the imbalance that has been driving historically high gains in year-over-year home prices.

**RESIDENTIAL HOMES – AVERAGE DAYS ON MARKET**

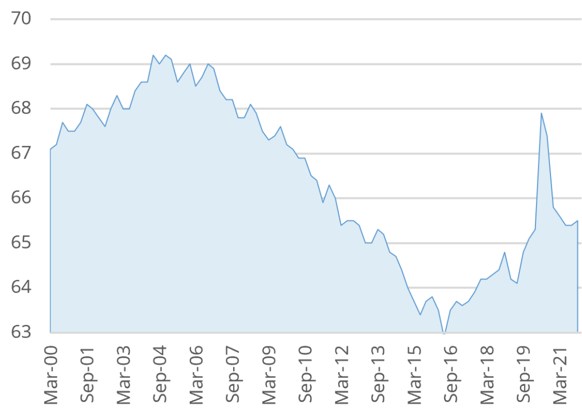



*Source: Redfin*

In 'normal' times, we would expect to see days on market revert to a more normal state as supply comes online and demand wanes in the face of higher interest rates. However, we are definitely not in 'normal' times. The forces of policy, pandemic, war, demographic shifts, tech innovation, and inflation create a set of dynamics that make it difficult to predict with any degree of confidence what lies ahead.

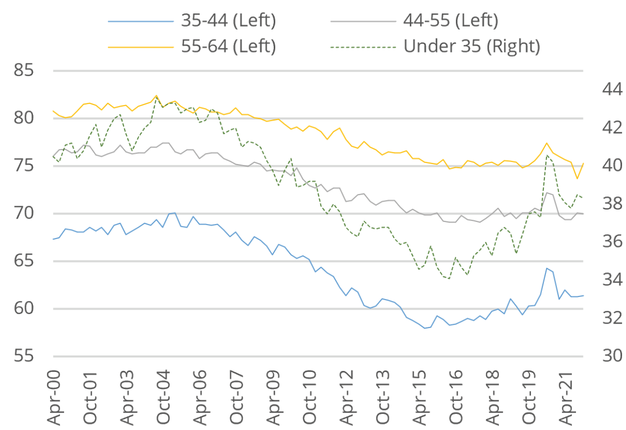
Following the 2008 financial crisis, homeownership levels dropped alongside a spike in mortgage defaults, foreclosures, and unemployment. In 2016-2017, homeownership levels began to recover but many age cohorts remain well below the pre-crisis peak as the chart/table below indicate.

**U.S. HOMEOWNERSHIP RATE (%)**




*Source: U.S. Census Bureau*

**U.S. HOMEOWNERSHIP RATE BY AGE COHORT (%)**




| | | | |
|---|---|---|---|
| - | Under 35: | 38.3% **(current)** | 43.6% **(max)** |
| - | 35-44: | 61.4% | 70.1% |
| - | 44-55: | 70.0% | 76.0% |
| - | 55-65: | 75.3% | 82.4% |

*Source: Bureau of Labor Statistics*

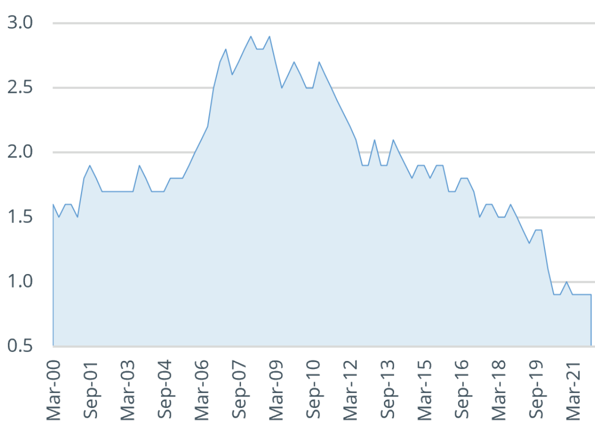
We would expect to see an increase in household formation driven by favorable demographic factors surrounding millennials that are in their prime homebuying age. ***Affordable entry-level housing remains a headwind*** for this group but we are seeing (i) a concerted effort by certain builders to address this need in large scale master communities, and (ii) a significant number of planned townhome developments in cities across the U.S.

***Low vacancy rates in both the rental and purchase market leaves homeowners and landlords with considerable pricing power.*** When vacancy levels are in the low/mid-single digits, people that need a place to live will be forced to take what they can get at whatever price point they can reasonably afford.

When I moved to New York City (from Texas) in 2000, I was accustomed to spacious rooms and nice backyards. I was also used to $2,000 a month in rent getting me a nice rental house in a cool part of Dallas. Once I arrived in NYC and had a broker take me around looking at rental units, I ended up having to take a matchbox of an apartment (~400 square feet), a block or so over from Grand Central, on the 3rd floor above a Sbarro's pizza (for $2,000/month)☹. Message is, people have to live somewhere and with vacancy rates at historically tight levels, options are limited.

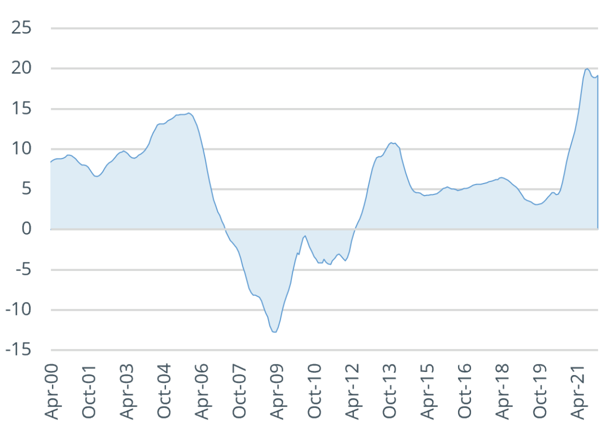
*High demand, low inventory, and low levels of vacancy on both the purchase and rental sides of the market result in higher home prices and rents.*

### HOMEOWNER VACANCY RATE
(%)



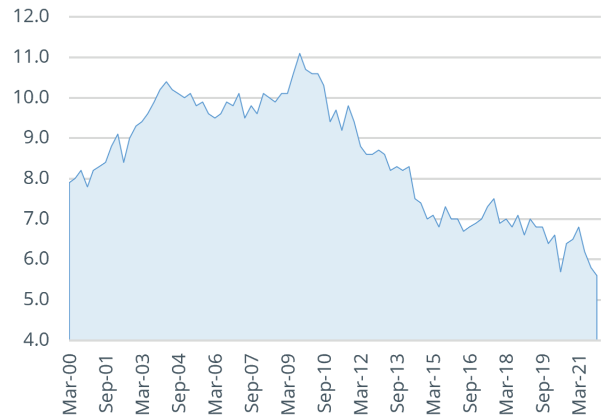

*Source: U.S. Census Bureau*

### HOME PRICE INDEX
(Year-over-Year %)



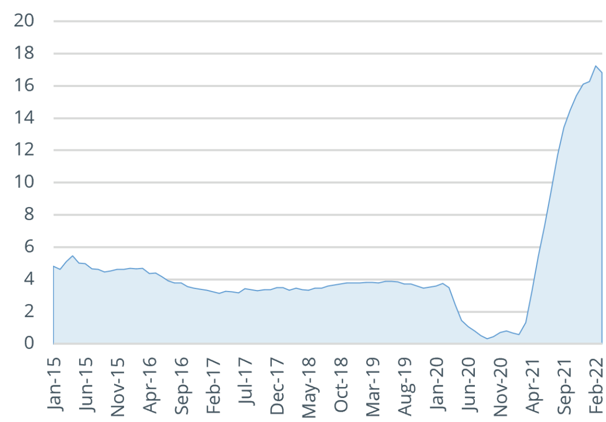

*Source: S&P Case Shiller*

### RENTAL VACANCY RATE
(%)




*Source: U.S. Census Bureau*

### RENT INDEX
(Year-over-Year %)




*Source: Bureau of Labor Statistics*

The one question that is difficult to pinpoint is the impact of institutional buyers on inventory and home prices. There are many reports showing that the percentage of homes acquired by institutional investors is in the low single digits, implying little competition with consumers and a nominal impact on home prices. The impact varies across U.S. cities and given the anecdotal data concerning 'all-cash' offers it is hard to imagine the activity is not moving some housing markets. The more single-family rental investors acquire, the more pressure on home values, the lower the inventory of homes to purchase, the more it forces consumers into a rental situation.

Growth in rents and home values are running in the mid/high teens. The rise in interest rates aimed at taming inflation will undoubtedly push would-be homebuyers into the rental market, putting further pressure on rents. The supply constraints on total housing inventory will likely continue to support home values, albeit at a declining rate of growth. Goldman Sachs' research writes:

> *"For full-year 2022, we are tweaking our projection of year-over-year home price appreciation (HPA) from 9.1% to 8.7%, reflecting the idea that the peak in sequential (month-over-month) HPA has likely passed despite a still-supportive supply backdrop. For full-year 2023, we are lowering our HPA forecast from 3.4% to 2.3%, with the view that the worrisome levels of housing affordability could push HPA below historical trend as the supply of new homes expands."*

Other home price forecasts include:

| | 2022 | 2023 |
|---|---|---|
| Fannie Mae | 10.8% | 3.2% |
| Freddie Mac | 10.4% | 5.0% |
| Banc of America | 10.0% | 5.0% |
| Zillow Survey | 9.0% | N/A |
| Goldman Sachs | 8.7% | 2.3% |
| Redfin | 3.0% | N/A |
| Realtor.com | 2.9% | N/A |
| CoreLogic | 2.8% | N/A |
| MBA | 2.3% | N/A |

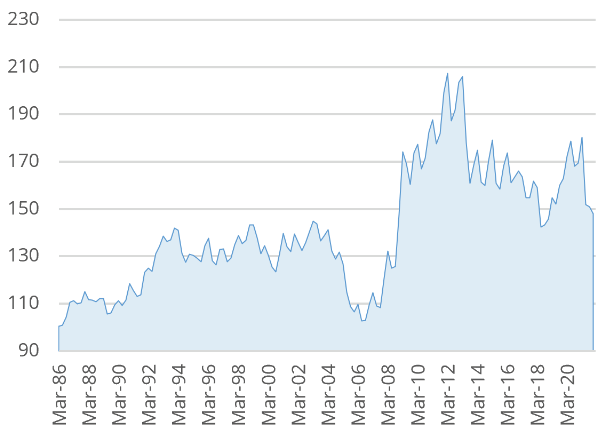
While there is a large dispersion of national home value forecasts, we believe the luxury market has the highest downside risk given (i) significant price increases over the last two (2) years, (ii) slowing demand (driven by interest rates), and (iii) most wealthier individuals purchased or refinanced their home within the last several years to take advantage of historically low interest rates.

We believe the majority of home price appreciation over the near term will reside in the lower and mid-price tiers. Our view is based on (i) millennials entering peak years of family and household formation, and (ii) continued demand from institutional investors in the single-family rental and iBuyer space.

As home prices continue to rise, even with headwinds from rising interest rates, affordability becomes a concern. The National Association of Realtors ***housing affordability composite*** stands at ***148.10***. This compares to the historical average dating back to 1986 of ***140.93*** (and ***125.14*** if we exclude the post-financial crisis time period that reflect historically high levels of housing affordability). Looking at this metric alone, current affordability levels do not raise significant concern, other than the rapid pace of decline in affordability since 1Q 2021.

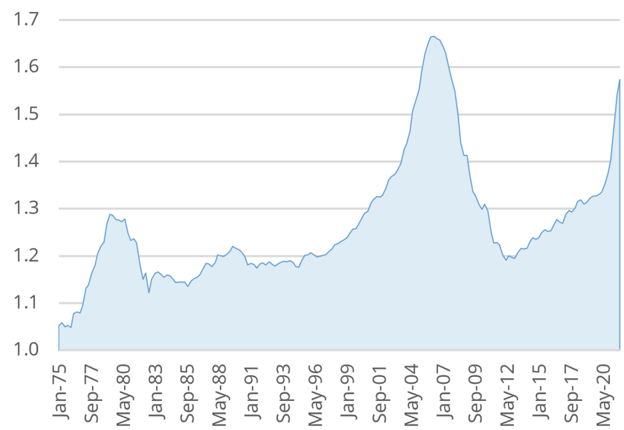
Another metric that is getting attention is the ***housing price-to-rent ratio***. According to the St. Louis Fed, as this ratio rises, the rental option becomes more attractive, and if it rises high enough, homeowners may be incentivized to transition from owning their homes to renting, as the latter is more economical. As the chart below shows, the current price-to-rent ratio is near a peak only to be surpassed during the 2005 to 2007 period.

AFFORDABILITY COMPOSITE




*Source: National Association of Realtors*

HOME PRICE-TO-RENT RATIO



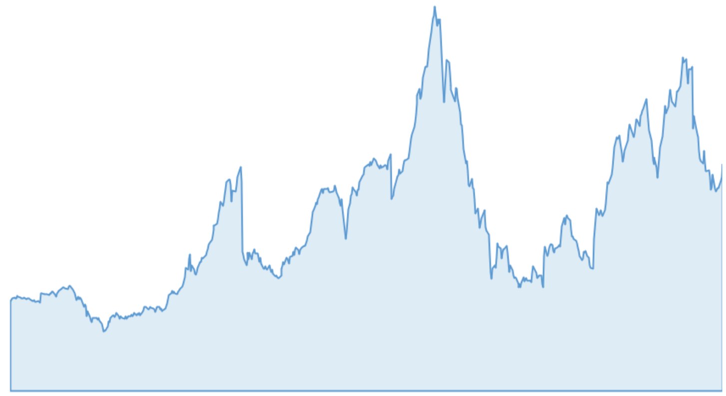

*Source: St. Louis Fed*

***The obvious solution to escalating home values and rents is increased supply of housing units.*** As mentioned previously, it is unlikely that supply will come from existing homes in the near term given the 'rate lock' effect that will prevent homeowners from selling their home and trading their low interest rate mortgage for one that is substantially higher (and increasing their overall housing costs).

That leaves housing starts (new construction) as the primary solution for filling the supply void. The construction market has its own share of challenges, including ***labor shortages*** and ***elevated material costs***, however, there is currently no shortage of demand and ability to pass along costs to end buyers (e.g. homeowners, iBuyers, single family rental investors).

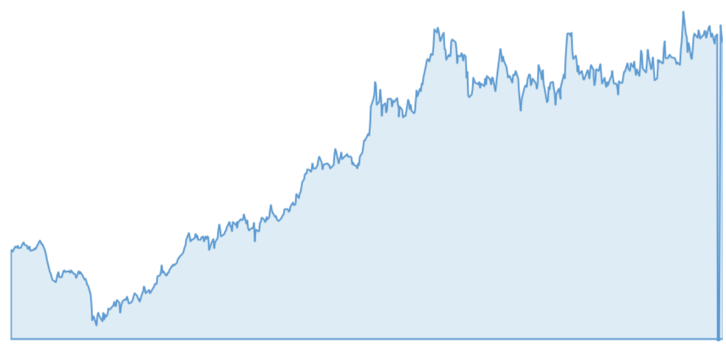
145% LUMBER

Change in lumber futures
since start of 2020



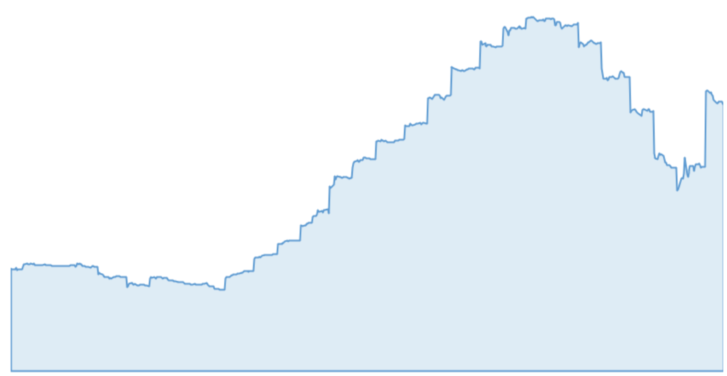
67% COPPER

Change in copper futures
since start of 2020



149% STEEL

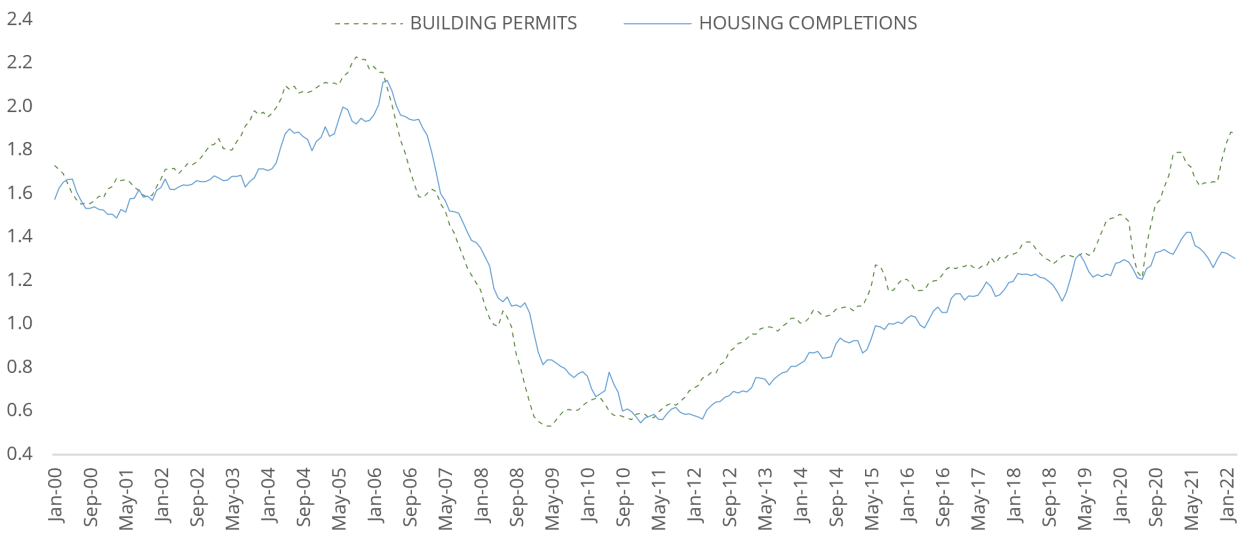
Change in steel futures
since start of 2020



The ongoing supply chain disruptions will likely result in new home supply continuing to lag demand, even in the face of reduced demand due to rising interest rates. Again, ***we believe this to hold true in the low- and mid-tier segments of the housing market more so than the higher priced tiers.***

Indicators of potential new housing supply can be monitored by looking at building permits, housing starts, and housing completions. As the chart below shows, there has historically been a strong correlation between building permits and completed housing units, however, since 3Q 2020 completions have remained relatively flat in part due to supply chain challenges and labor shortages.

**NEW HOUSING – FROM PERMITS TO COMPLETION**
(Units in Millions – 3-month Average)




*Source: U.S. Census Bureau*

It is important to point out some notable differences in the mortgage lending environment today versus pre-2008 as a result of the Dodd Frank Act. New regulation aimed at improving the safety and soundness of mortgage lending and curtailing many of the 'risky' behaviors that contributed to the global financial crisis have significantly reduced the credit risk in today's market. For example:

### Loan Structure:

- Most loans are fixed rate fully amortizing loans
- Eliminated many of the 'affordability products' with interest only and balloon payment features
- No more adjustable-rate loans with below market teaser rates (e.g. 2/28 ARMs with payment shock)
- No more negatively amortizing pay option loans

### Skin-in-the-Game:

- Loans typically have 20% to 40% down payment requirements
- No more 0% down payment purchases (80% first liens followed by 20% 'piggyback' 2nd liens)

### Underwriting:

- Fully underwritten loans that confirm borrower's income, assets, employment, and ability-to -repay
- No more stated income or stated asset consumer loans (other than the CDFI loans[1] )
- No 'NINA' or 'NINJA' loans ('no income, no asset, no job')

Catalysts for the 2008 housing crisis were poorly underwritten loans, fraudulent appraisals, borrower and broker misrepresentations with respect to income, assets, and employment – and, of course, a synthetic derivative market that exponentially magnified losses and counterparty credit risk around the globe.

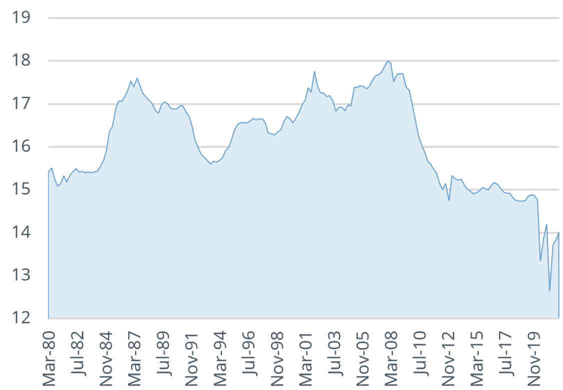
Fortunately, many of these factors are not found in today's housing or financial markets, however, housing and other consumer credit products remain susceptible to factors such as unemployment, inflation, and wage growth. As we think about credit risk, the rate of inflation for goods and services needed to live will play a part in consumer discretionary income, use of consumer debt, credit quality, and default experience.

***Currently, with rising home values, distressed homeowners have the option of simply selling their home and extracting their equity as opposed to proceeding through foreclosure.*** As the charts below indicate, foreclosures and consumer financial obligations are at historic lows, so it seems we have some time before we start seeing meaningful widespread consumer distress that translates into mortgage defaults and distressed home sales.

[1] A Community Development Financial Institutions ("CDFI") designation allows certain institutions to originate loans without being subject to the Dodd Frank Act's Ability-to-Repay Rule.

FINANCIAL OBLIGATIONS RATIO

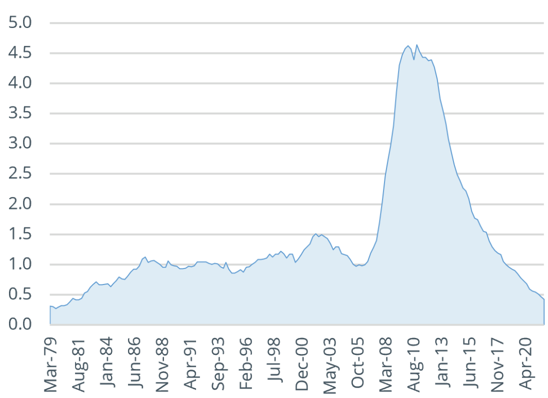
(Housing Debt Service % of Disposable Income)




*Source: Federal Reserve*

LOANS IN FORECLOSURES

(% of Total Loans)




*Source: Mortgage Bankers Association*

As mentioned previously, one of the biggest risks to consumers in our view is the potential for corporate defaults resulting from rapid increases in debt laden company's interest expense and the need to downsize operations. Similar to disposable income and foreclosures, unemployment of 3.6% remains well below any levels of concern and has been on a steep downward slope since the peak of COVID in 2Q 2020.

But as we know, low levels of unemployment can shift to job losses and stagnant wage growth in short order, and consumer savings can be depleted in only a few months of searching for a new job without steady income.

While we are not suggesting we will see a meaningful increase in corporate defaults followed by unemployment in the near term, it could happen as policymakers attempt to tame inflation without stoking a recessionary flame and supportive policy abates. With the Fed reducing the size of its $9 trillion balance sheet, and demand for triple-A CLOs diminishing, we could see companies struggling to refinance maturing debt. Do we know how many companies survived over the last two years because of stimulus, accommodative policy, and easy access to low-cost financing? As 1Q 2022 has proven once again, things can change very quickly.

Speaking of which, a lot has changed since we started writing this letter, however, as we sit here today with the Bankrate.com national average 30-year mortgage rate at ***5.29%, 3-year swaps at 3.04%***, and ***2-year AAA non-QM bonds marketing at 4.35%***, we are cautious and continue to prefer short duration property rehab/construction loans and home equity investments, each with high relative and absolute asset yields (7.5% to 10.0%) and reasonable downside protection. ***Given market volatility and uncertainty in the rates market, there could be some interesting entry points in sectors that have experienced price risk in recent years.***


PALISADES