



# Monthly Economic Indicators

## December 2025

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**RFA**  
RCLCO FUND ADVISORS

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## About RCLCO Fund Advisors

RCLCO Institutional Advisory Services, the predecessor to RCLCO Fund Advisors, LLC (RFA), was formed in 2011. RFA was incorporated in 2013 and registered with the SEC as a registered investment advisor (RIA) in 2014. RFA specifically addresses the complex global investment environment facing pension funds and similar institutional investors. Our broad background across a wide variety of disciplines—including portfolio analysis, development feasibility, and urban planning—makes us uniquely adept at navigating property markets from both a “bottom-up” and “top-down” approach. The team is comprised of more than 30 members with diverse and relevant experience in research, consulting, investment management, property operations, and lending.

RFA is improving the traditional institutional real estate investment model by: providing customized and aligned advisory and investment management solutions to LPs; facilitating partnerships that generate greater LP control and transparency; and driving and achieving long-term objectives in allocation, access, diversification, and performance with greater fee effectiveness.

# Annual Highlights – 2025

- The U.S. economy remained on solid footing in 2025 despite moderation, with a cooling labor market and falling consumer sentiment. Easing inflation allowed the Fed to cut rates three times, resulting in falling interest rates. Mortgage rates have moved lower in recent months, a positive trend for the housing market.
- Headline **CPI inflation fell** from 2.9% at the end of last year to 2.7% in December 2025. Core inflation also moderated from 3.2% in 2024 to 2.6% but remained above the Fed's target rate.
- The Federal Reserve **cut the fed funds rate** by 75 basis points in 2025 but signaled that it may cut rates at a slower pace in 2026. The **10-year UST yield fell** to 4.18% at the end of December, 40 basis points below YE 2024. Mortgage rates also fell 70 basis points from 6.85% at YE 2024 to 6.15% at YE 2025.
- The **labor market cooled** considerably in 2025, adding only 0.6M jobs, compared to 2M in the preceding year. The **unemployment rate rose to 4.4%** in December 2025 while labor force participation was essentially flat. Annual **wage growth also slowed to 3.8% in December**, remaining a concern.
- **Consumer and business sentiment** fluctuated in 2025 as both weighed concerns of elevated inflation against strong consumer spending. The ISM Services Purchasing Managers Index expanded, while the Manufacturing Index remained in contraction. Consumer sentiment and expectations for the year both fell to very low levels.

	YE 2024	YE 2025	YoY Change
CPI: All Items	2.9%	2.7%	-0.2%
CPI: Core	3.2%	2.6%	-0.6%
10-Year UST	4.58%	4.18%	-0.40%
Fed Funds Rate	4.50%	3.75%	-0.75%
Employment Change	2 M	0.6 M	-1.4 M
Unemployment Rate	4.1%	4.4%	0.3%
Participation Rate	62.5%	62.4%	-0.1%
YoY Wage Growth	4.0%	3.8%	-0.2%
Consumer Sentiment	74.0	52.9	-21.1
Manufacturing PMI	49.3	47.9	-1.4
Services PMI	54.0	54.4	0.4
30-Year Mortgage Rates	6.85%	6.15%	-0.70%
Retail Sales (as of Nov.)	3.9%	3.3%	-0.6%

# Monthly Highlights – December 2025

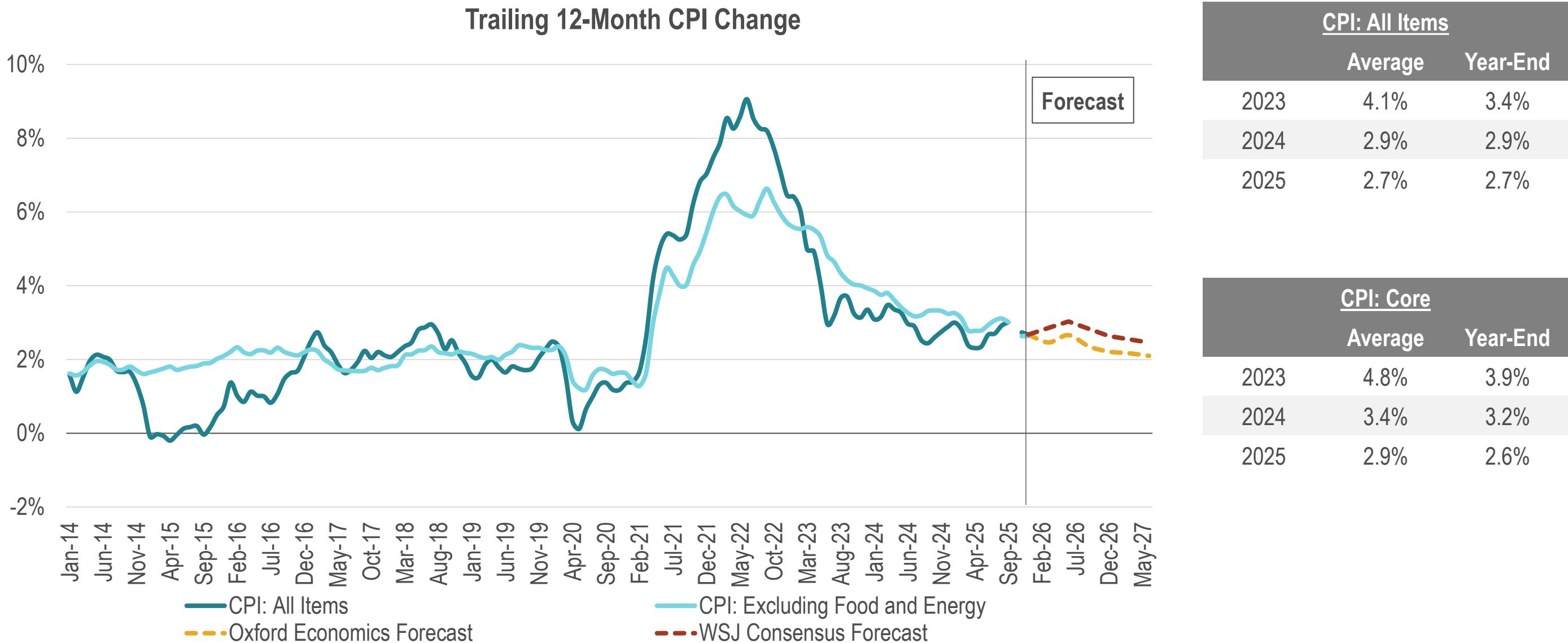
Inflation	<ul style="list-style-type: none"><li>Annual headline and core CPI inflation both held steady in December at 2.7% and 2.6%, respectively.</li><li>Final Demand PPI accelerated 20 bps to 3.0% in November*. Construction materials PPI slowed 100 bps to 3.6% YoY.</li><li>Annual total PCE rose 10 bps to 2.8% while core PCE fell 10 bps, also to 2.8% in September*, above the Fed's 2% target rate.</li><li>The 5-year TIPS-implied inflation rate fell 10 bps to 2.3% in December while consumer expectations for 5-year inflation in the U Michigan survey rose slightly to 3.4% in January.</li></ul>
Interest Rates	<ul style="list-style-type: none"><li>The 10-Year UST ended December at 4.18%, 16 bps above its November-end level. The yield was near 4.16% in mid-January.</li><li>Average commercial real estate mortgage rates fell 10 bps to 6.5% in October*. The spread to the UST was near its long-term average.</li><li>The Fed issued its third rate cut of the year in December, taking the federal funds rate to a range of 3.5%-3.75%.</li></ul>
Employment	<ul style="list-style-type: none"><li>Job growth was 50K in December, in-line with the trailing-year average. Trailing three-month job growth was -22K, reflecting a cooling employment market.</li><li>The unemployment rate fell 10 bps MoM to 4.4% in December. The labor force participation also fell 10 bps to 62.4%.</li><li>Annual wage growth rose 20 bps to 3.8% in December. Over the last three months, wages grew by 4.1% (annualized).</li></ul>
Sentiment & Retail Sales	<ul style="list-style-type: none"><li>Consumer sentiment improved for a second consecutive month in January but remained very low. Views of current conditions and consumer expectations both rose.</li><li>The ISM Purchasing Managers' Index (PMI) for services rose and remained in expansion. Manufacturing PMI fell and remained in contraction.</li><li>Total retail sales rose 0.6% MoM and 3.3% YoY in November*. Core retail sales grew 0.3% MoM and 5.1% YoY.</li></ul>
Housing	<ul style="list-style-type: none"><li>Trailing-year median existing home prices rose 2.3% YoY in November* while annual average new home prices fell 2.4% in October*. Existing home sales fell 0.7% YoY in November* while new home sales rose 18.7% in October*.</li><li>The 30-year fixed mortgage rate remained near 6.2% in December, approximately 50 basis points lower than a year ago.</li></ul>

# Inflation

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# Annual Headline Inflation Remained Above Fed's Target Rate, Ending Year at 2.7%

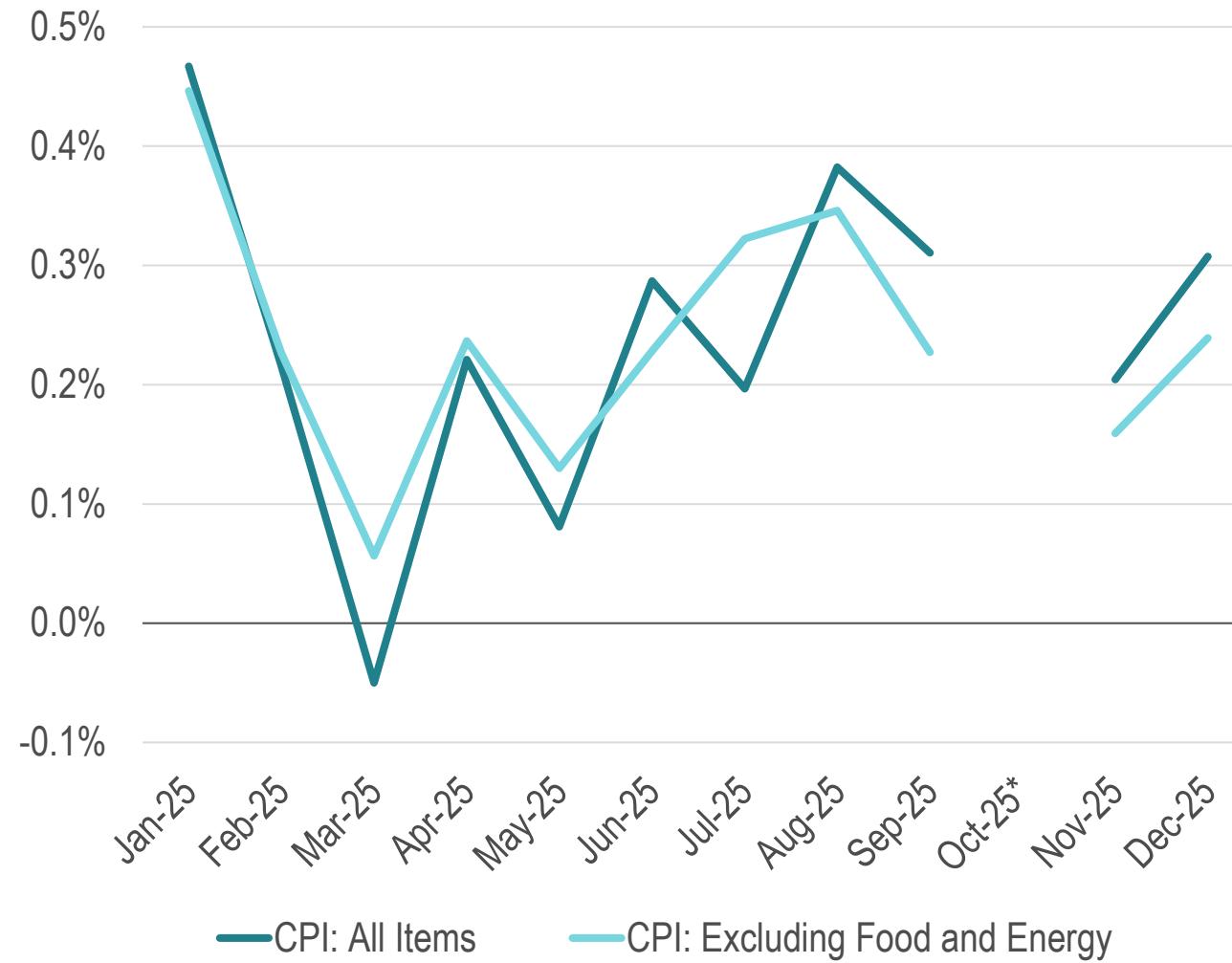
Annual Core Inflation Held Steady in December at 2.6%



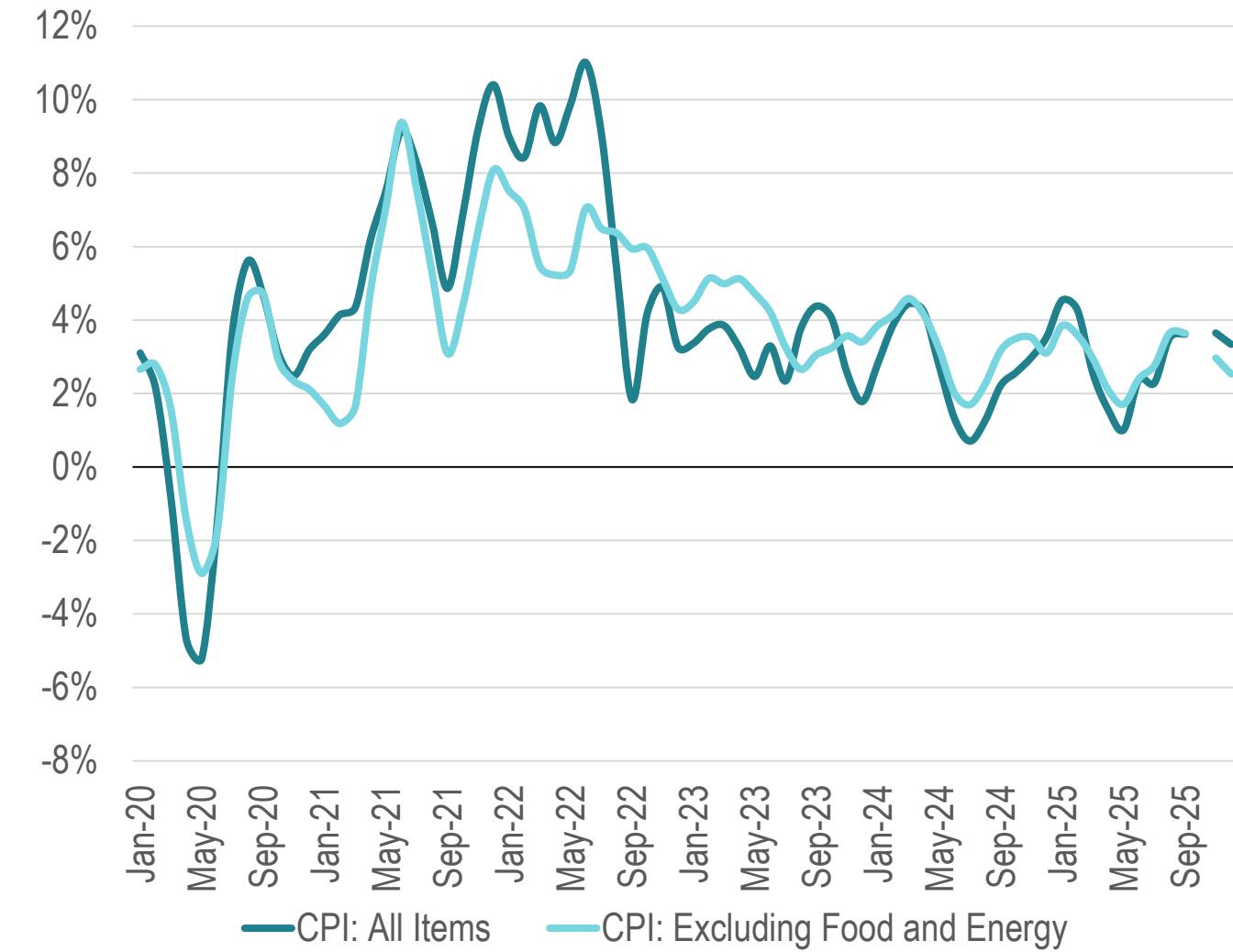
# All Items and Core CPI Accelerated to 0.3% and 0.2%, Respectively, in December

3-Month Annualized All Items and Core CPI Both Decelerated to 3.3% and 2.5%, Respectively

## Month-over-Month CPI Change



## Trailing 3-Month CPI Change (Annualized)



Data are as of December 2025.

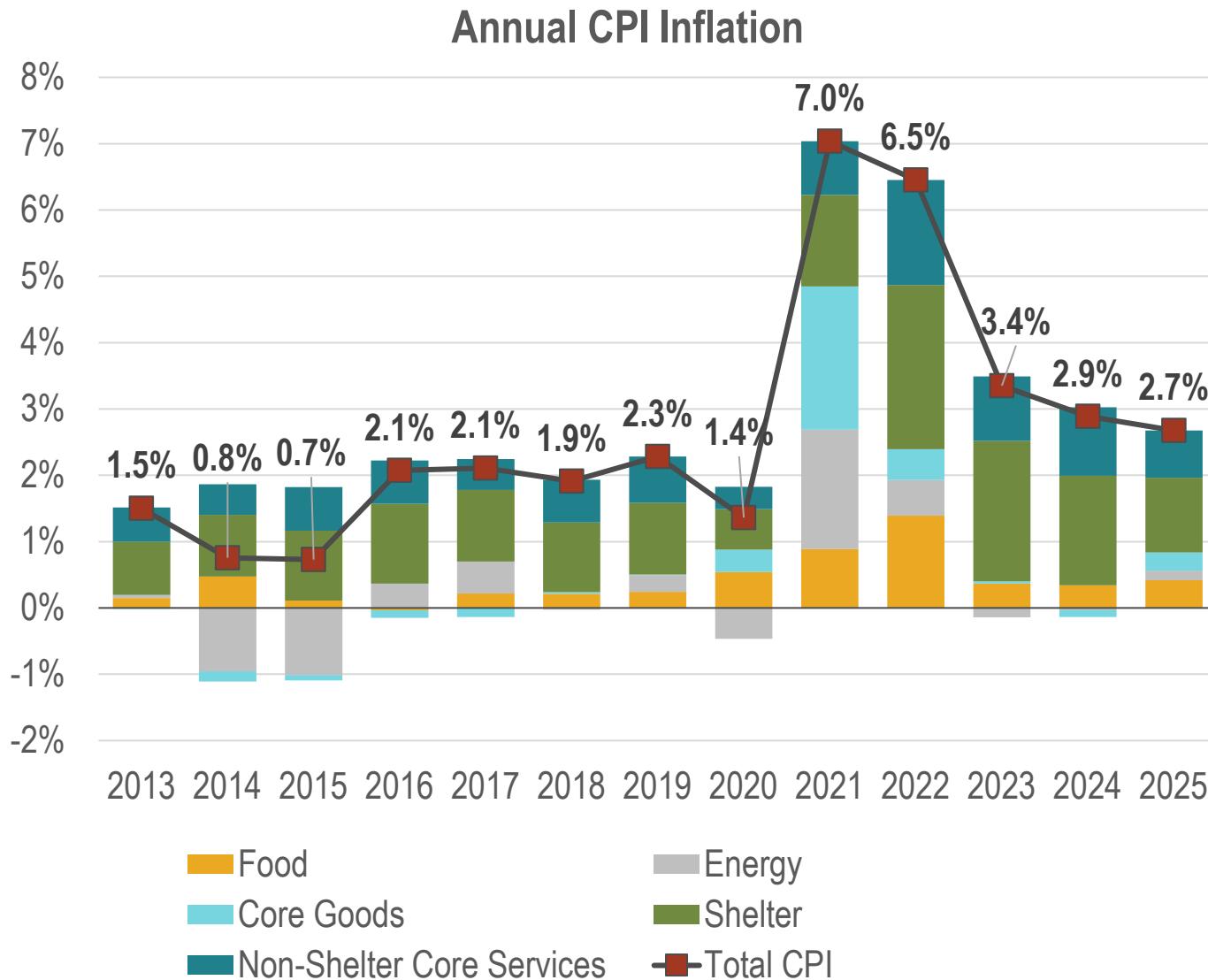
\* October CPI data were not released due to the government shutdown.

Note: Figures represent seasonally adjusted CPI; October data were not released.

Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

# Core Services CPI Rose 3.0% and Core Goods Prices Rose 1.4% in 2025

Annual Food Prices Rose 3.1% and Energy Prices Rose 2.3% YoY



	December 2025 Inflation		
	Monthly	Trailing 12-Month	Weights
Apparel	0.6%	0.6%	2.5%
Education & Communication	-1.0%	0.5%	5.7%
Food & Beverages	0.7%	3.0%	14.5%
Other Goods & Services	0.3%	4.2%	2.9%
Housing	0.4%	3.6%	44.2%
Shelter*	0.4%	3.2%	35.5%
Medical Care	0.4%	3.2%	8.3%
Recreation	1.2%	3.0%	5.3%
Transportation	0.0%	0.4%	16.6%
Food	0.7%	3.1%	13.7%
Energy	0.3%	2.3%	6.2%
Core Goods	0.0%	1.4%	19.4%
Core Services	0.3%	3.0%	60.7%
<b>Total Core</b>	<b>0.2%</b>	<b>2.6%</b>	<b>80.1%</b>
<b>All Items</b>	<b>0.3%</b>	<b>2.7%</b>	<b>100.0%</b>

Data are as of December 2025.

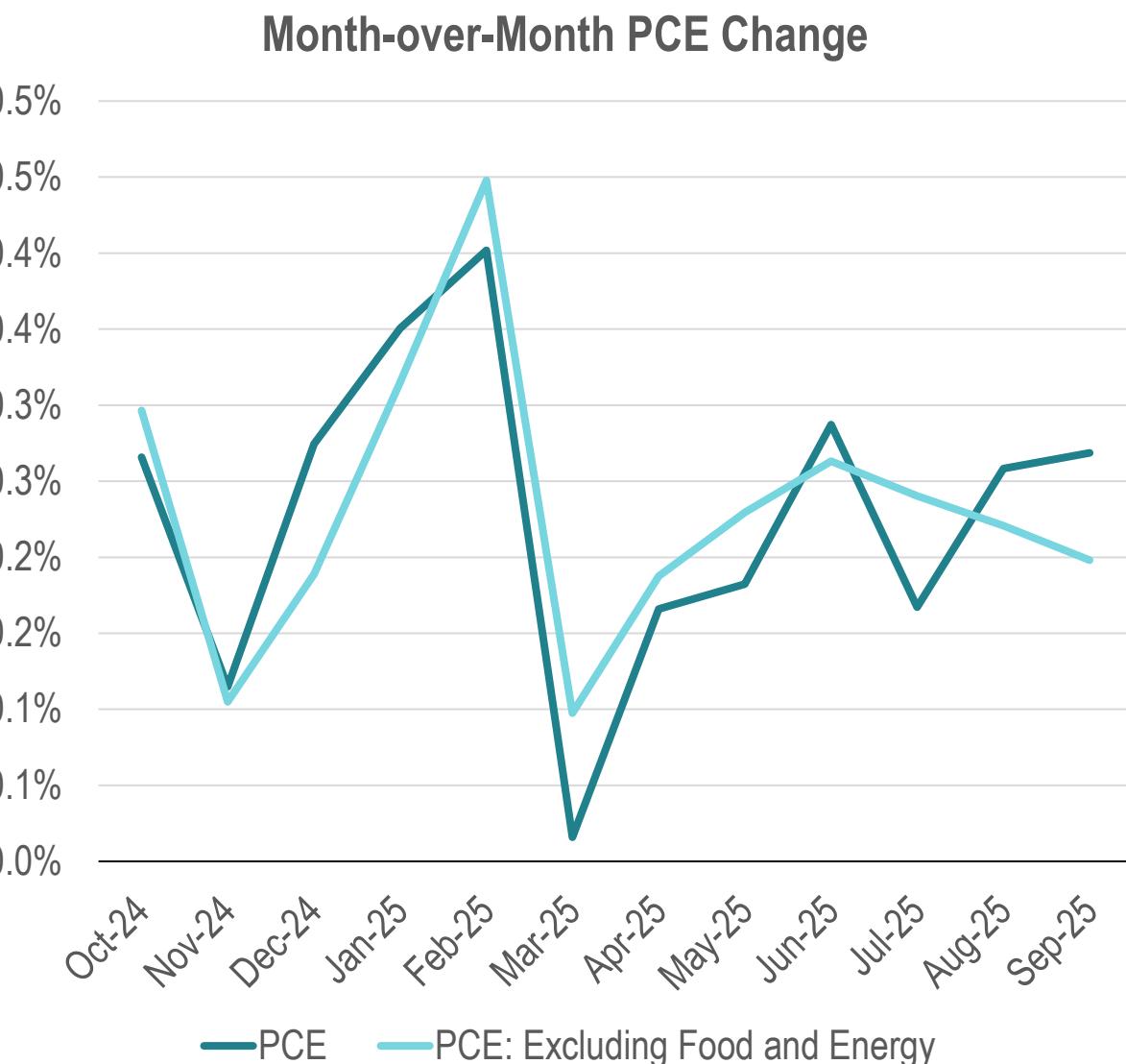
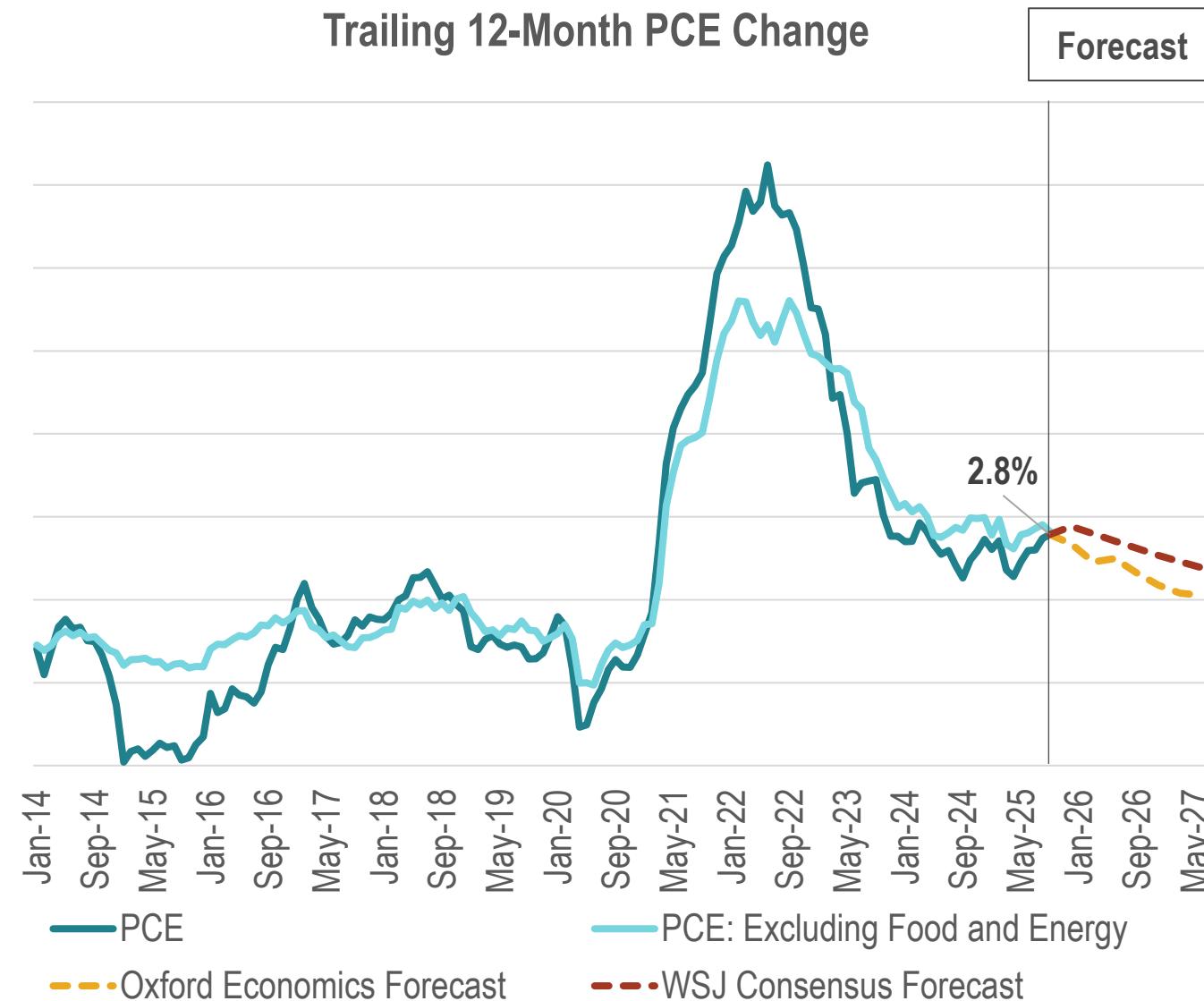
\*Shelter is the main component of Housing; other components are Fuels & Utilities and Household Furnishings Operations.

Note: Annual inflation refers to year-end figures; trailing 12-month figures are not seasonally adjusted; monthly figures are seasonally adjusted.

Source: U.S. Bureau of Labor Statistics

# Annual Headline PCE Rose 10 bps to 2.8% While Core PCE Fell to 2.8% in Sep.

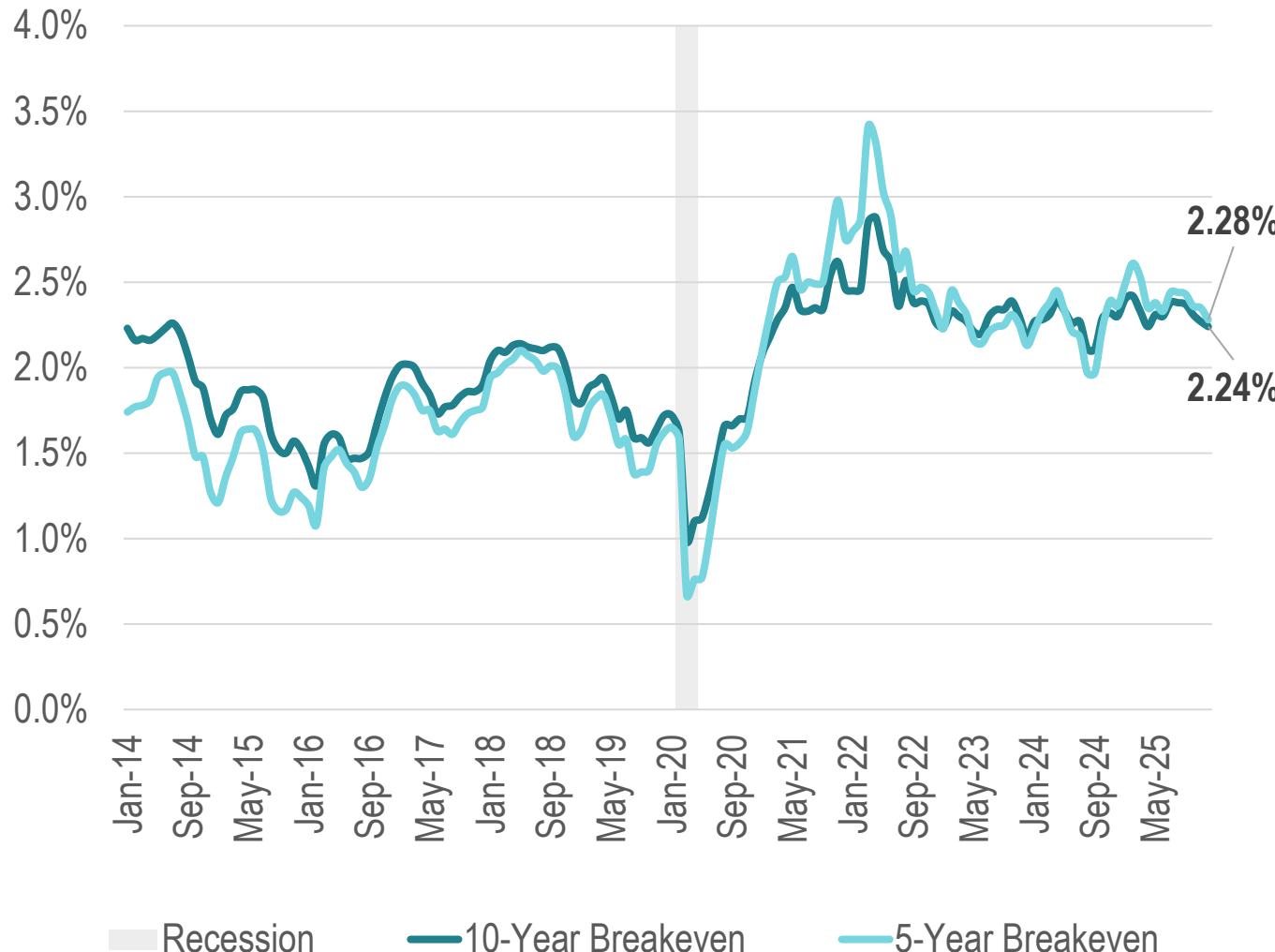
PCE Is Predicted to Begin Moderating in 2026



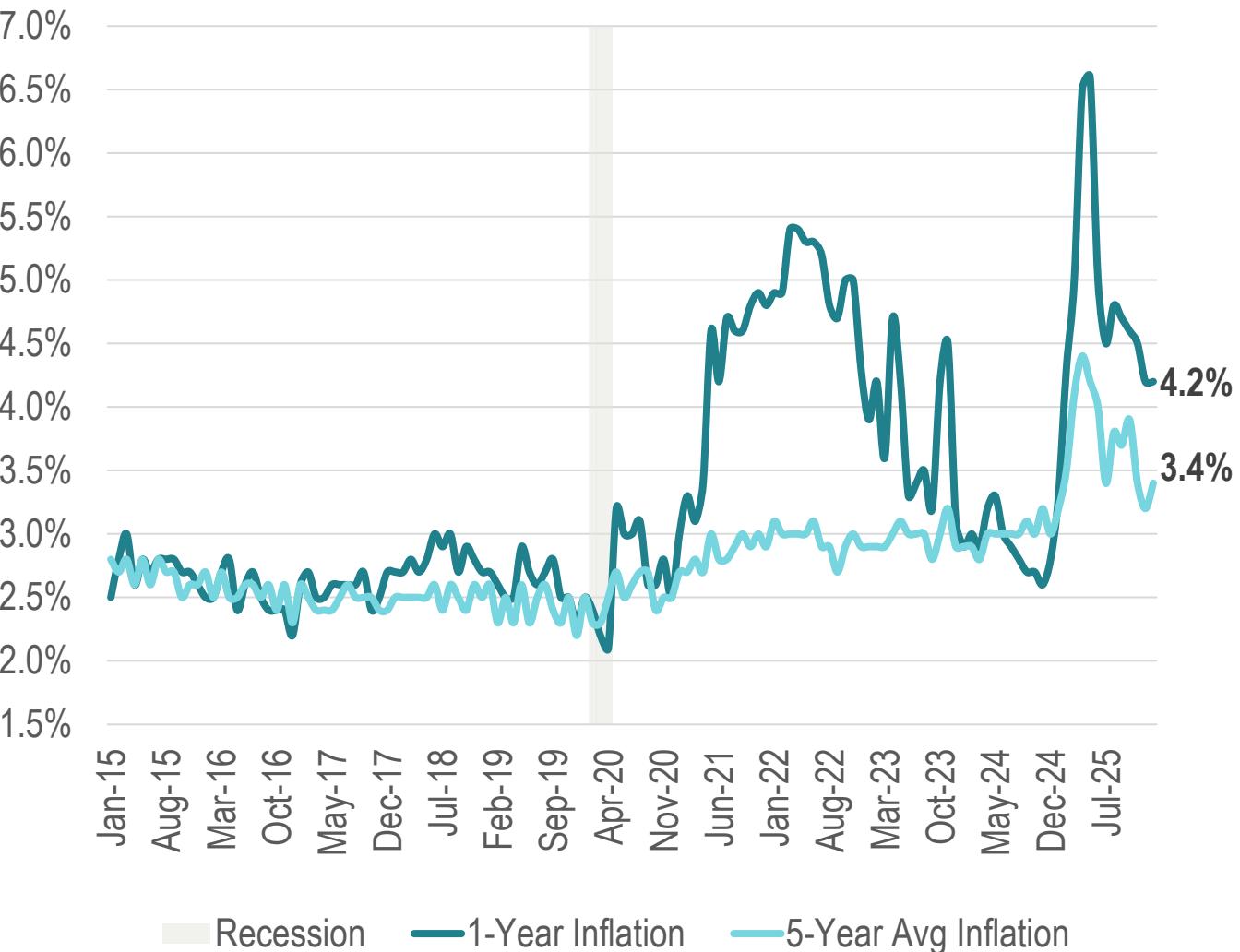
# 5- and 10-Year TIPS Breakeven Rates Both Ticked Down Slightly in December

Consumer Expectations of Year-Ahead Held Steady at 4.2%; 5-Year Expectations Rose to 3.4% in January

## TIPS-Implied Breakeven Inflation Rate



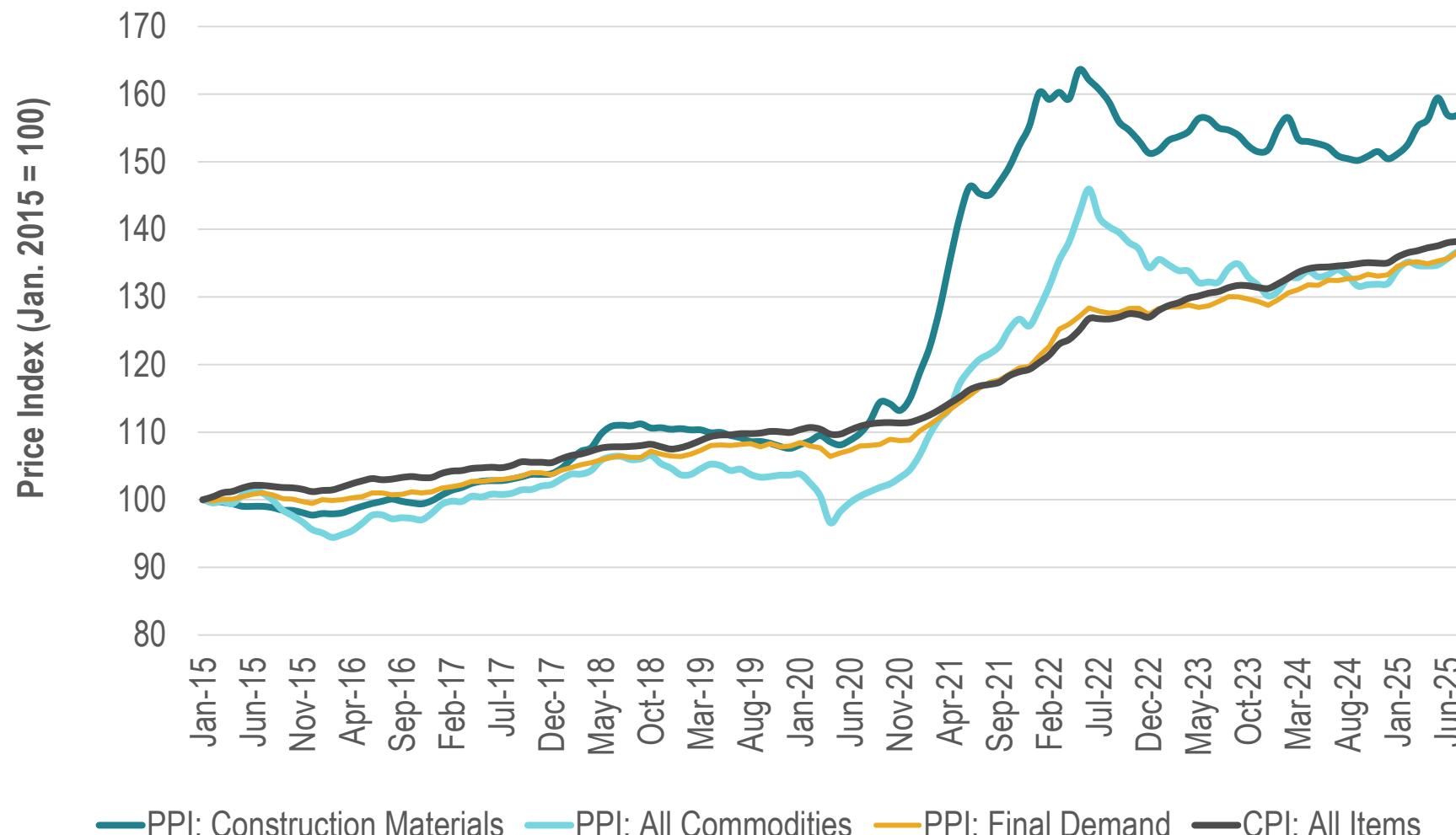
## University of Michigan Inflation Expectations



# Annual Final Demand and All Commodities PPI Rose 3.0% and 3.3%, Respectively

Construction Materials PPI Rose 3.6% YoY in November

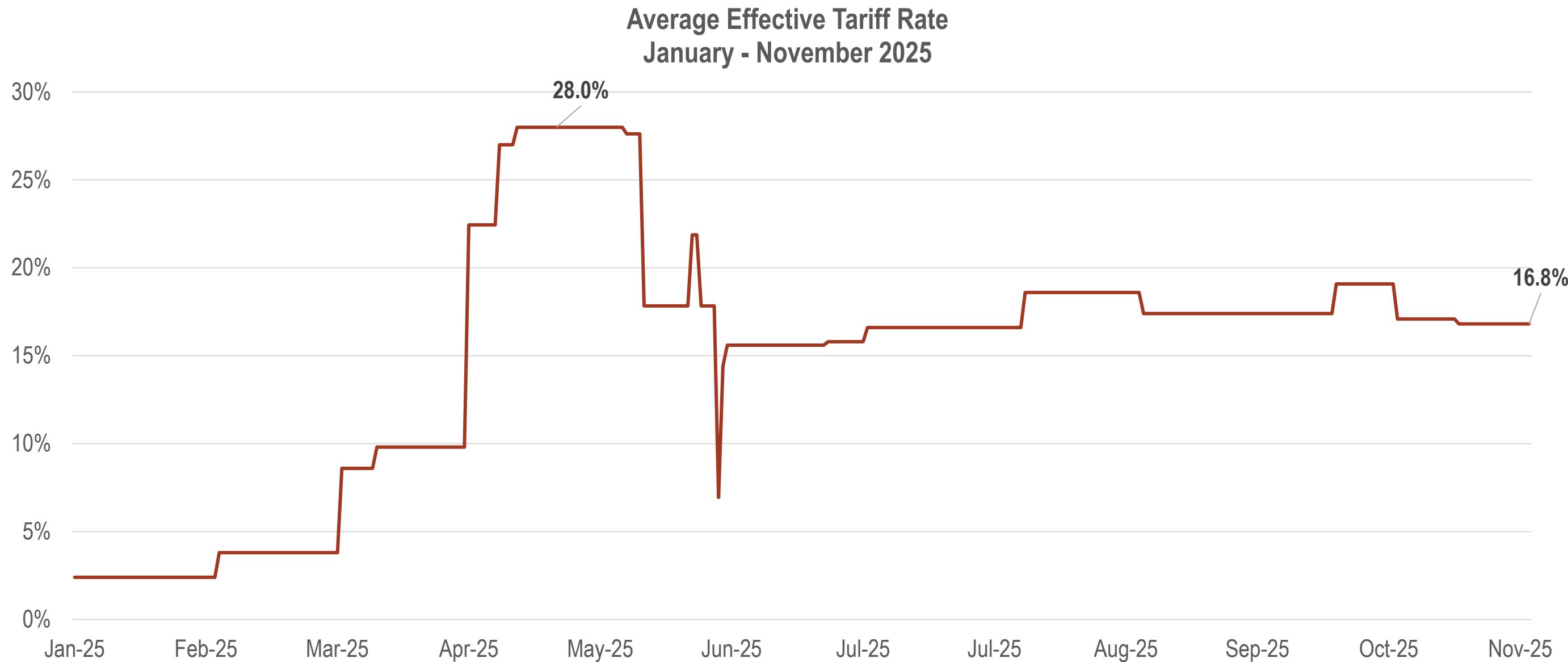
## Production and Consumer Price Indices



November 2025 Producer Price Index				
	Monthly	Trailing 12-Month	10-Yr	Annual Avg
PPI: Construction Materials	-0.5%	3.6%	4.8%	
PPI: All Commodities	0.3%	3.3%	3.5%	
PPI: Final Demand	-0.1%	3.0%	3.2%	
CPI: All Items	0.2%	2.7%	3.2%	

# Average Effective Tariff Rate Has Remained Near 17% in Recent Months

The Effective Tariff Rate Peaked in April and May Following “Liberation Day” but Has Since Fluctuated



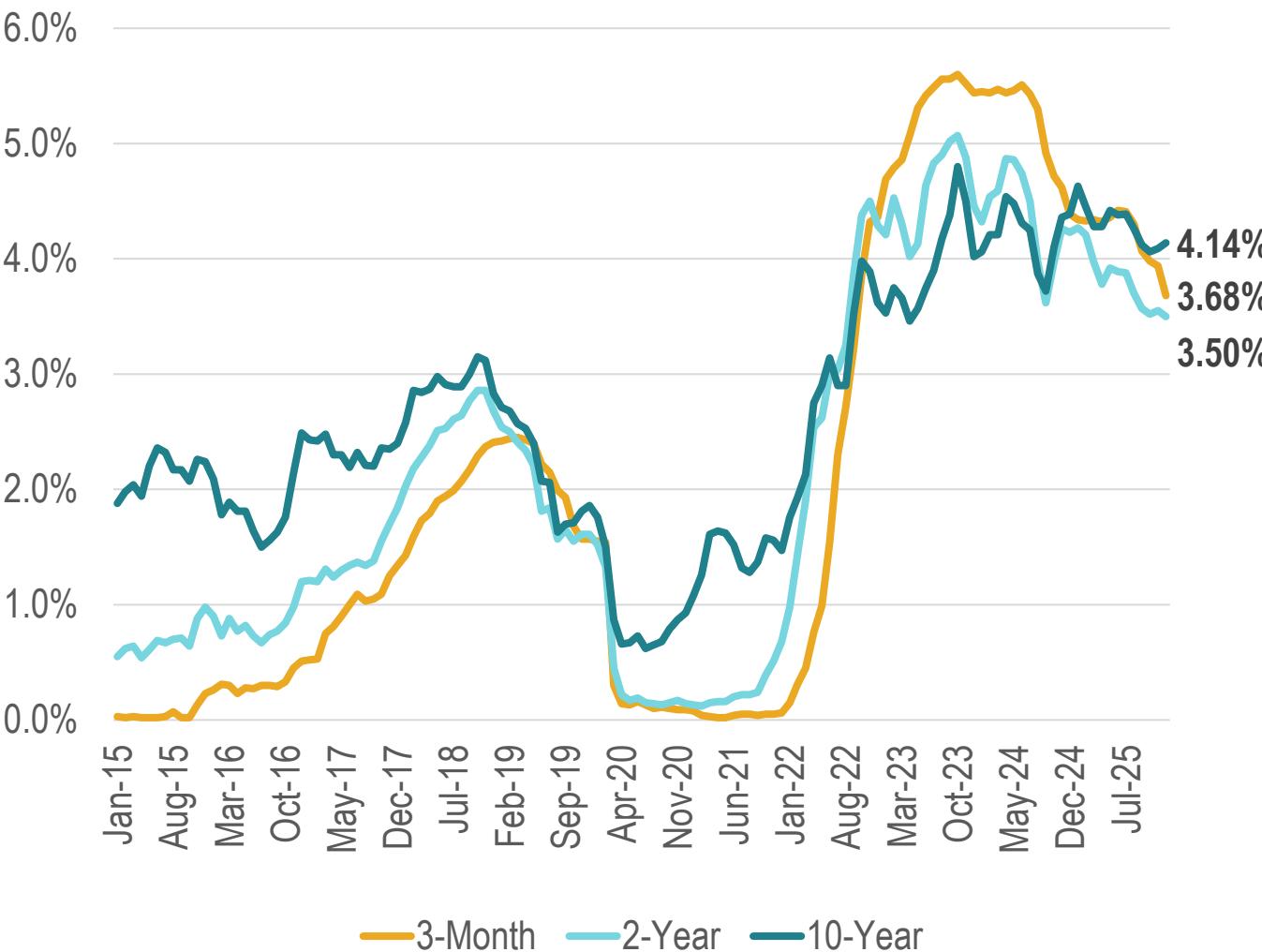
# Interest Rates

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# 10-Year to 3-Month UST Yield Spread Expanded Considerably in December

Monthly Average 10-Year UST Yields Rose Marginally MoM while Average 2-Year and 3-Month UST Yields Fell

US Treasury Yields (Monthly Averages)

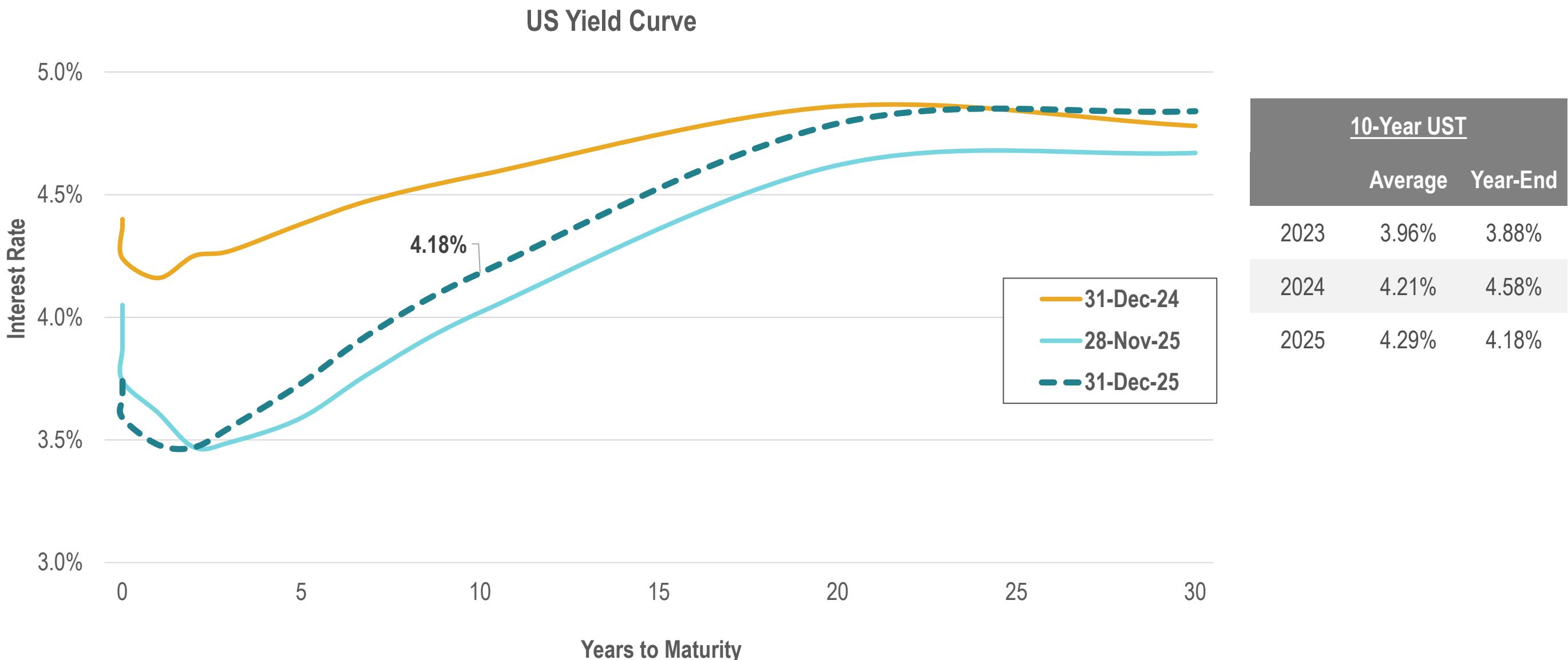


US Treasury Yields (Daily)



# Long-term Yields Rose While Short-term Yields Fell MoM in December

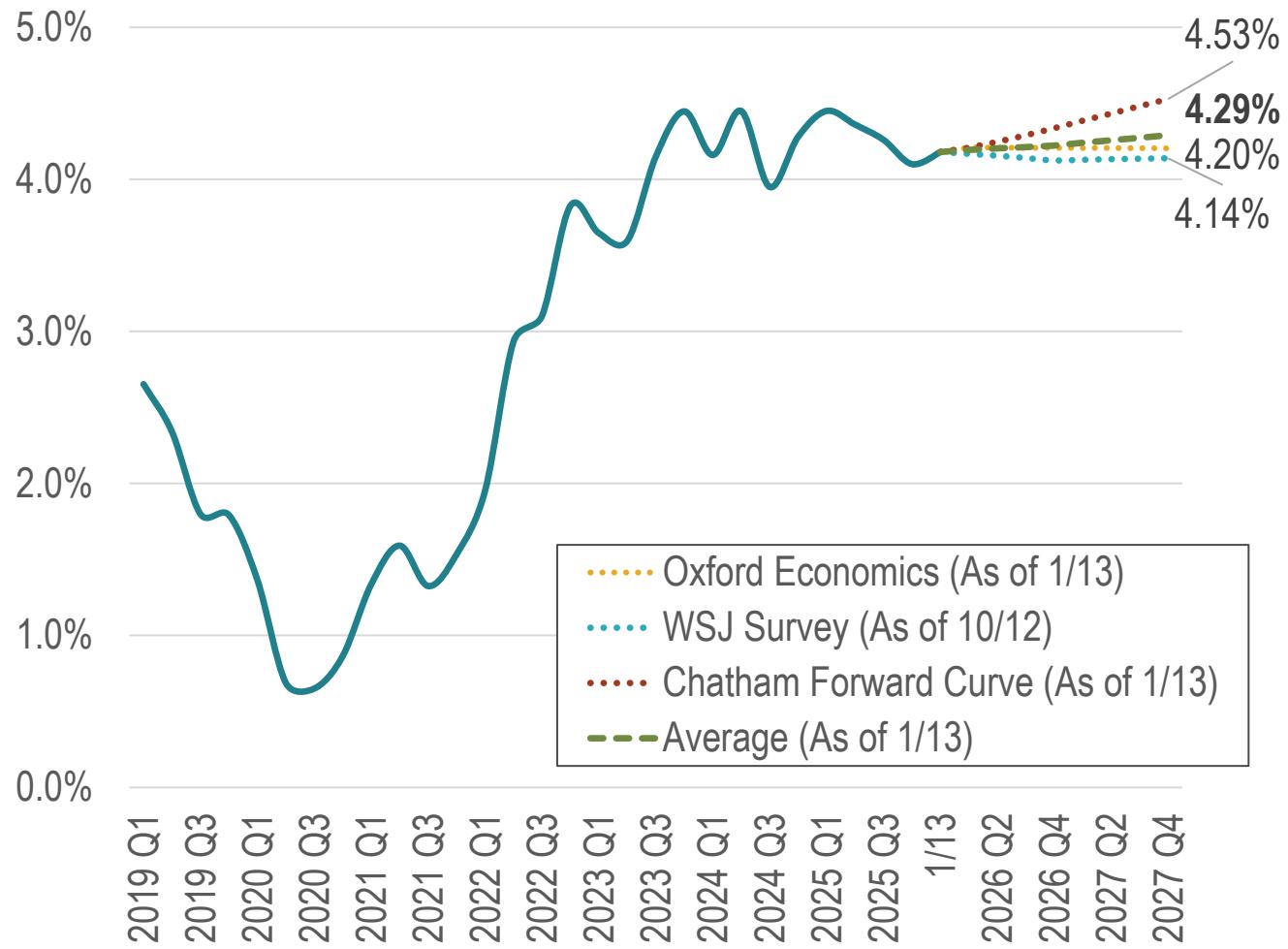
Rates Fell Across the Yield Curve in 2025 with Larger Decreases in Shorter-term Yields



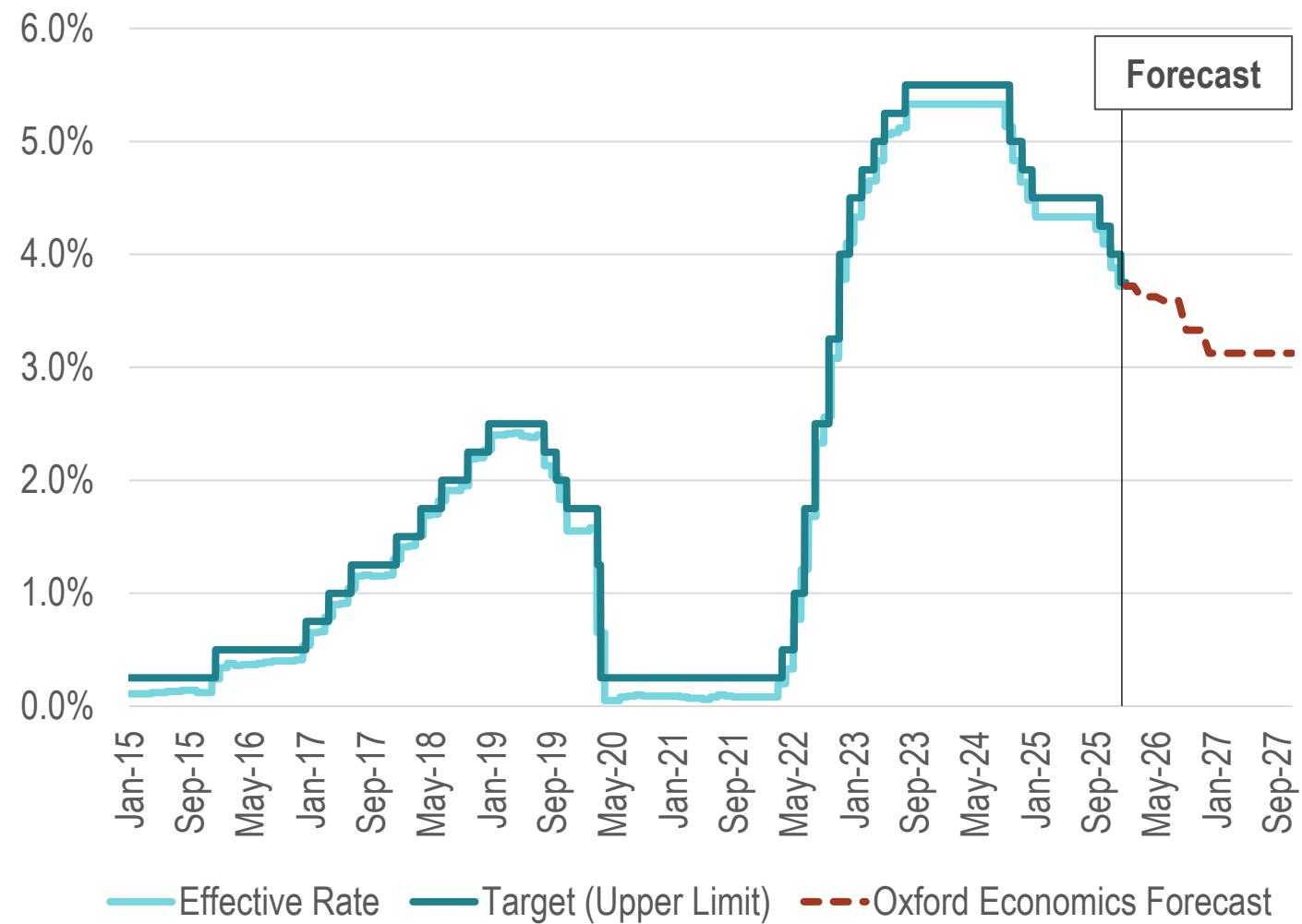
# 10-Year UST Yields Are Forecast to Hold Steady Over Next Two Years

The Fed Cut Rates by 25 bps at Its December Meeting but Is Expected to Hold Rates Steady in Early 2026

## 10-Year US Treasury Yield and Forecasts



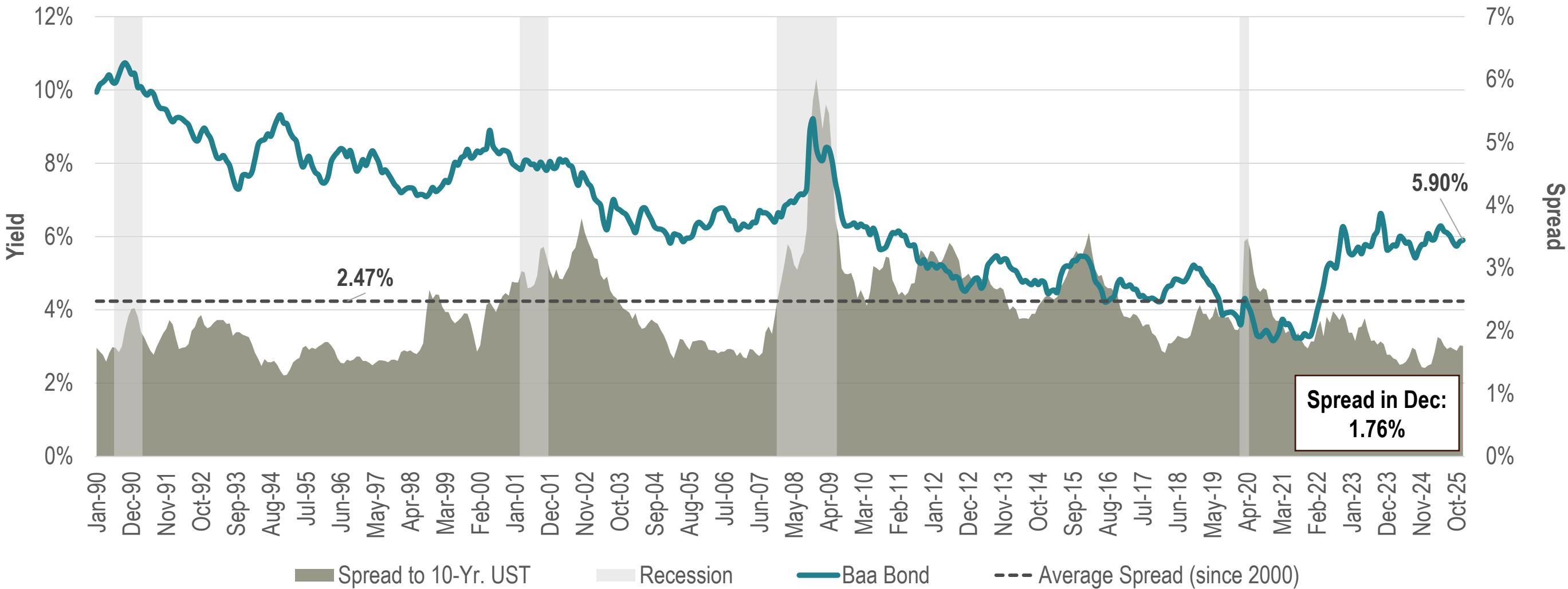
## Federal Funds Rate



# Baa Corporate Bond Yields Unchanged at 5.9% in December

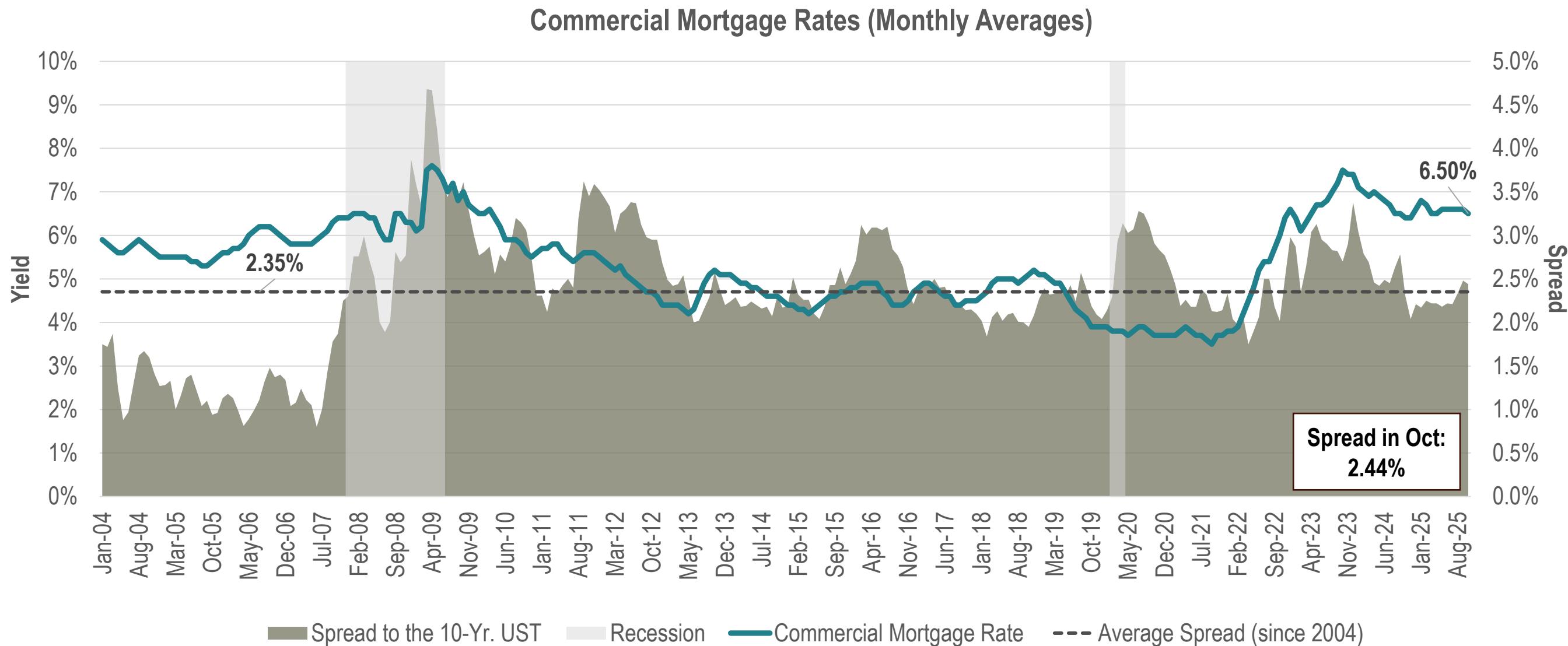
Spread to the 10-Year UST Remains Well Below the Long-term Average

## Corporate Bond Yields (Monthly Averages)



# Average Commercial Mortgage Rates Fell 10 bps to 6.5% in October

The Spread to the 10-Year UST Yield Contracted Slightly and Remained Near Its Long-term Average

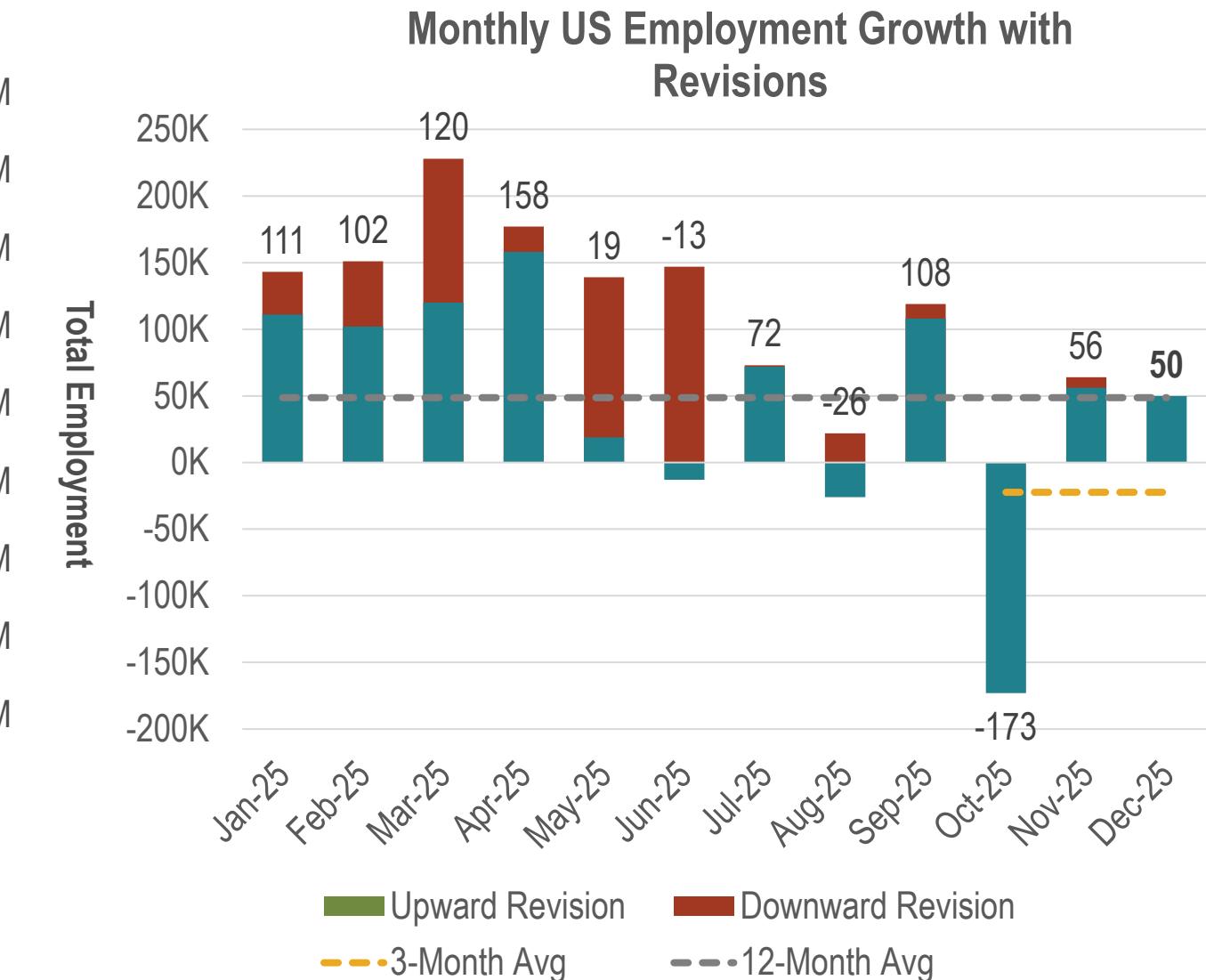
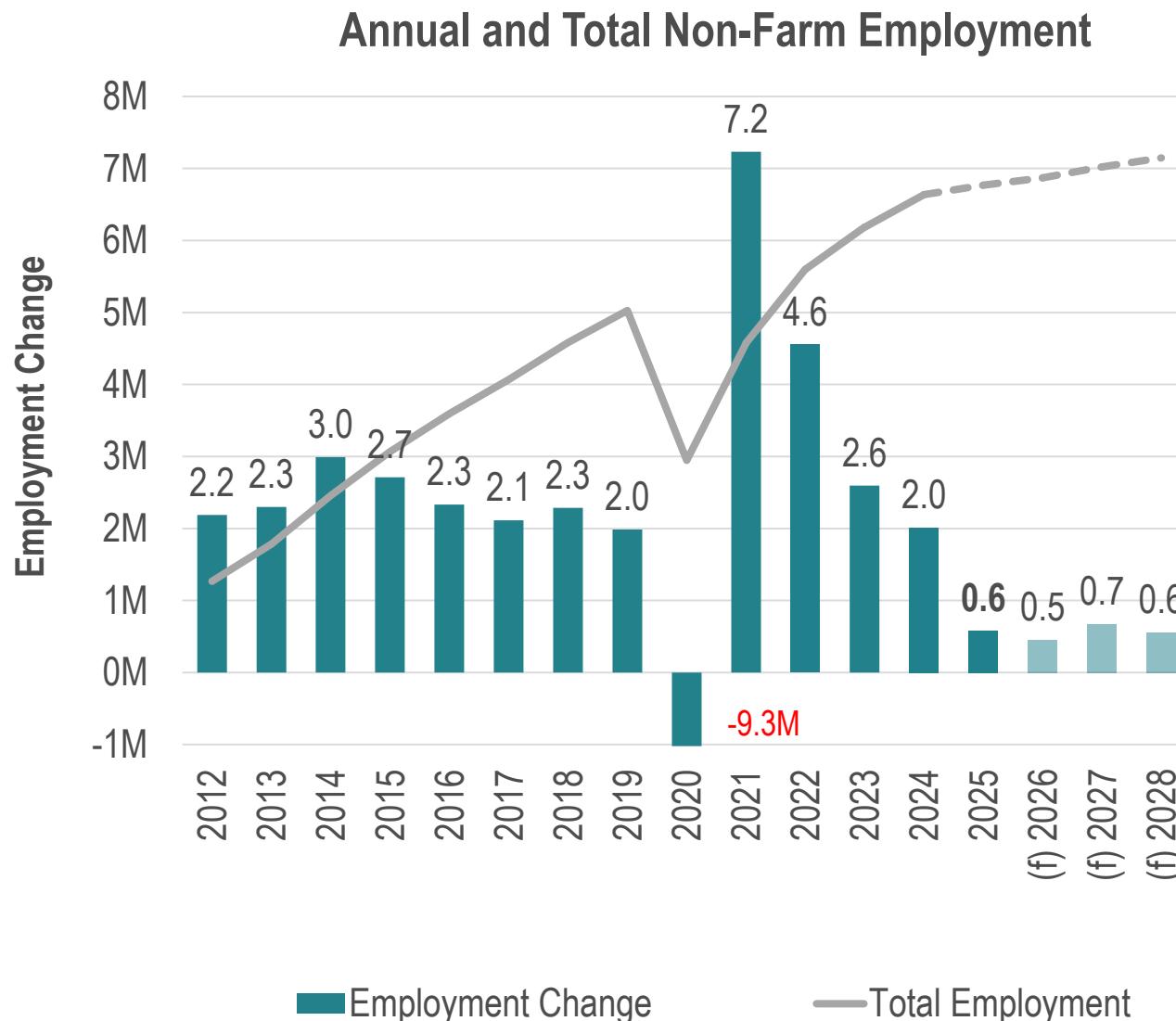


# Employment

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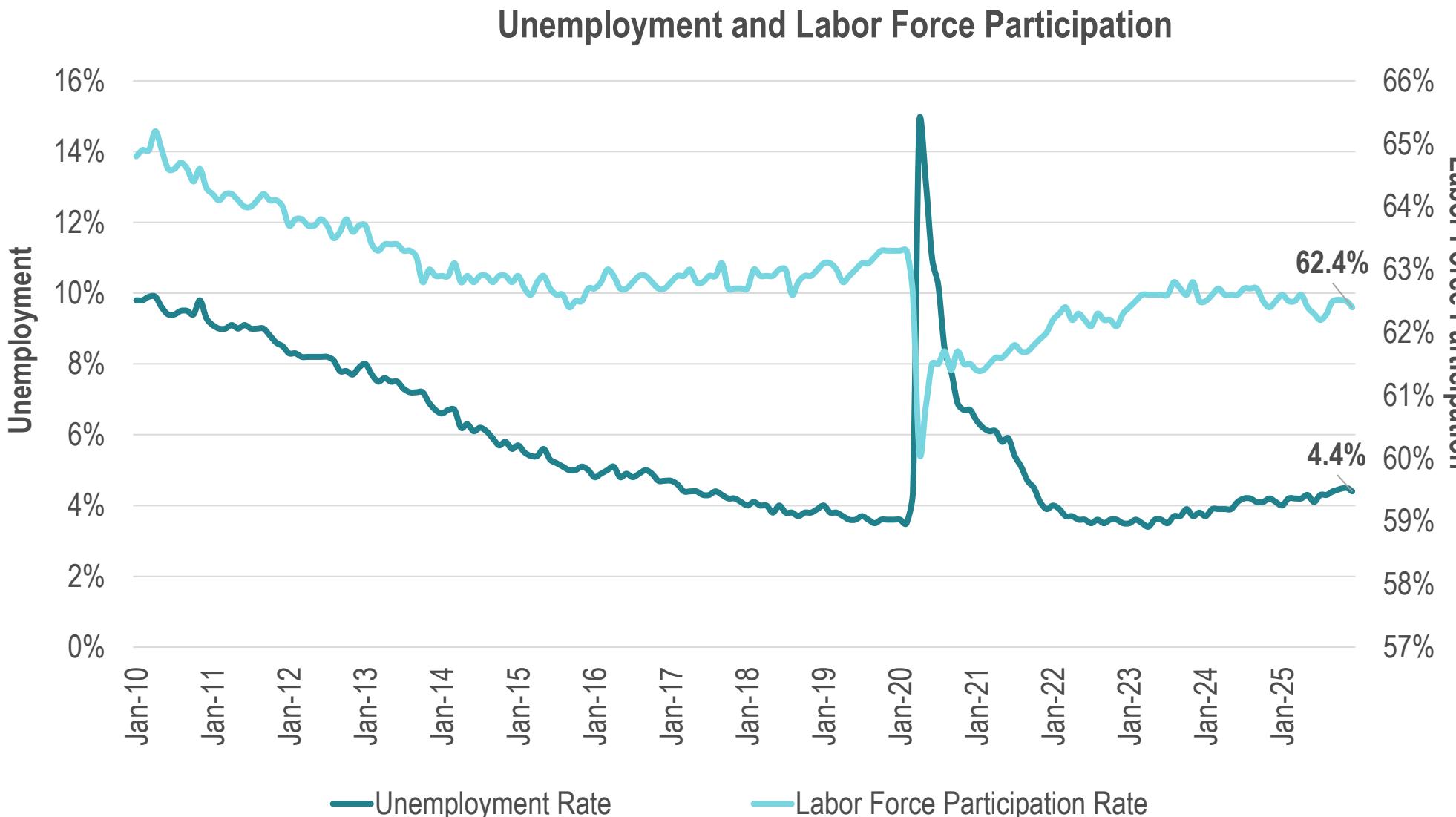
# US Labor Market Cooled Considerably in 2025, Adding Only ~600K Jobs

Employment Growth Was 50K in December, Near the 12-Month Average



# Unemployment Rate Rose Slightly in 2025, Ending Year at 4.4%

Labor Force Participation Rate Fell 10 bps to 62.4% in December



Unemployment Rate		
	Average	Year-End
2023	3.6%	3.8%
2024	4.0%	4.1%
2025	4.3%	4.4%

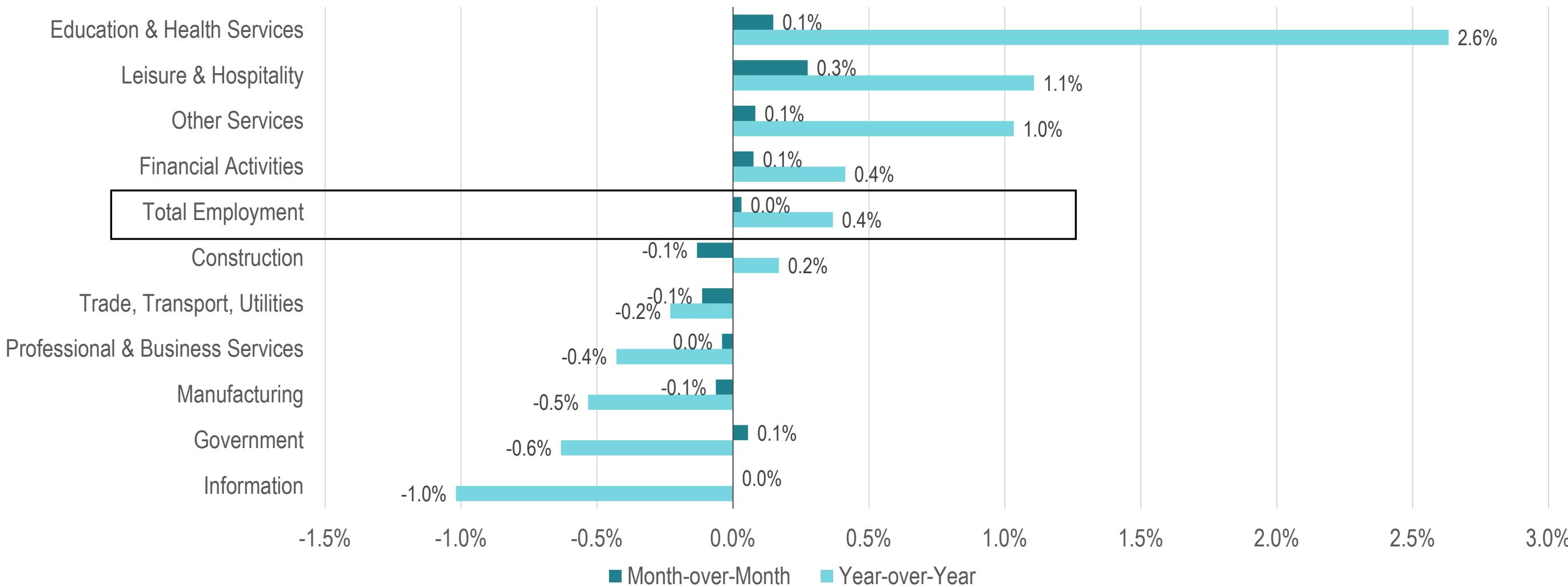
  

Participation Rate		
	Average	Year-End
2023	62.6%	62.5%
2024	62.6%	62.5%
2025	62.4%	62.4%

# Education & Health Services Led Employment Growth in 2025

Several Sectors, Including Information, Government, and Manufacturing, Experienced Job Losses Over the Past Year

## US Employment Growth by Sector



# Annual Wage Growth Rose 20 bps in December, Ending Year at 3.8%

Annualized 3-Month Wage Growth Also Rose to 4.1%

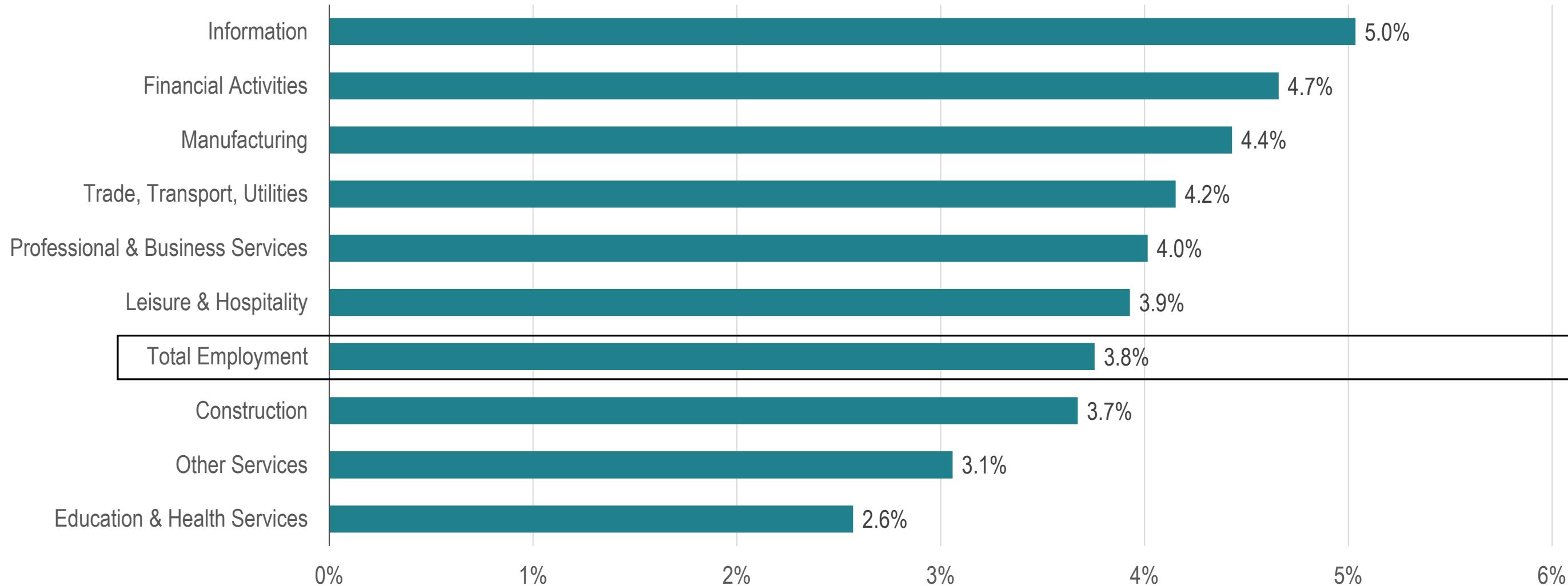


	YoY Wage Growth	
	Average	Year-End
2023	4.4%	4.1%
2024	4.0%	4.0%
2025	3.8%	3.8%

# Annual Wage Growth Exceeded Inflation Across Most Sectors in 2025

Information and Financial Activities Sectors Registered Greatest Wage Gains

US Wage Growth by Sector



# Moderate to Strong Annual Job Growth Recorded in Many Sunbelt Markets in Sep.

Slow Employment Growth Is Forecast in Most Gateway and All Midwest Markets Through 2029

## 30 Largest Employment Markets

	<u>Employment Change</u>			<u>Employment Change</u>	
	Sep. 24 - Sep. 25	2025 - 2029 Forecast (CAGR)		Sep. 24 - Sep. 25	2025 - 2029 Forecast (CAGR)
Austin	0.7%	1.3%	Portland	-0.6%	0.5%
Orlando	0.9%	1.0%	San Diego	0.7%	0.5%
Dallas-Fort Worth	0.8%	1.0%	New York	0.9%	0.4%
Phoenix	1.1%	0.9%	Minneapolis	1.0%	0.4%
Inland Empire	0.9%	0.8%	Los Angeles	0.3%	0.4%
Charlotte	2.9%	0.8%	Boston	-0.1%	0.3%
San Antonio	1.8%	0.8%	Philadelphia	1.4%	0.3%
Nashville	1.2%	0.8%	Baltimore	0.7%	0.2%
Denver	0.1%	0.8%	Washington DC	-0.1%	0.2%
Seattle	0.1%	0.7%	Saint Louis	-0.5%	0.2%
Atlanta	0.4%	0.7%	Detroit	0.4%	0.2%
Houston	0.9%	0.7%	Chicago	0.9%	0.2%
Tampa	0.9%	0.6%	Pittsburgh	1.3%	0.1%
Miami	0.7%	0.6%	<b>Midwest Markets</b>		
Indianapolis	1.5%	0.5%	<b>Gateway Markets</b>		
Indianapolis	1.5%	0.5%	<b>Sunbelt Markets</b>		
SF/Oakland	-0.5%	0.5%			

Data are as of September 2025.

Note: The table shows the 30 largest markets by nonfarm employment; MSA employment data release one month in arrears.

Source: U.S. Bureau of Labor Statistics; Oxford Economics

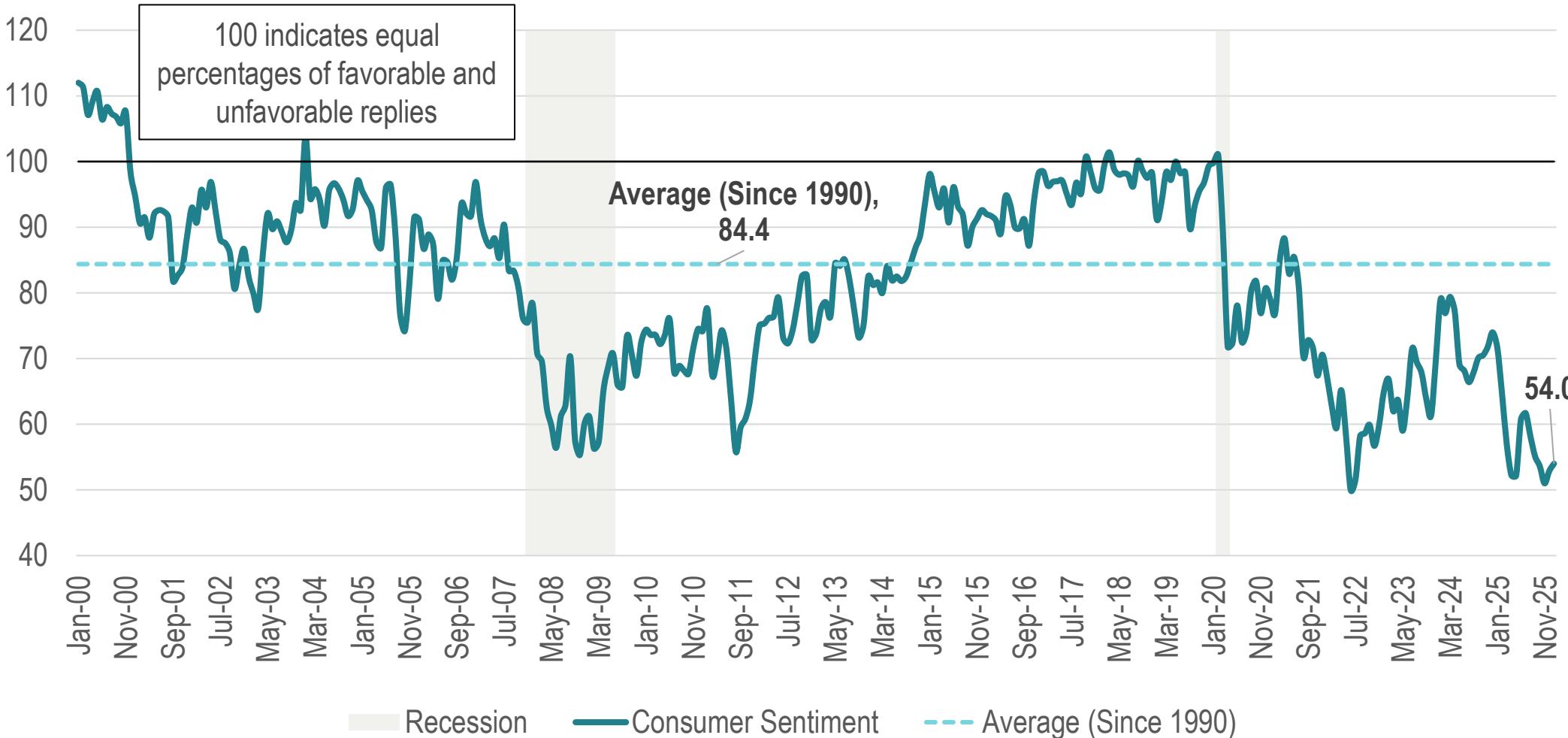
## Sentiment & Retail Sales

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# Consumer Sentiment Improved Slightly in Jan. but Remained at Very Low Levels

Consumers Remained Worried About the State of the Labor Market and High Prices

## University of Michigan Consumer Sentiment



	<u>Consumer Sentiment</u>	
	Average	Year-End
2023	65.4	69.7
2024	72.5	74.0
2025	57.6	52.9

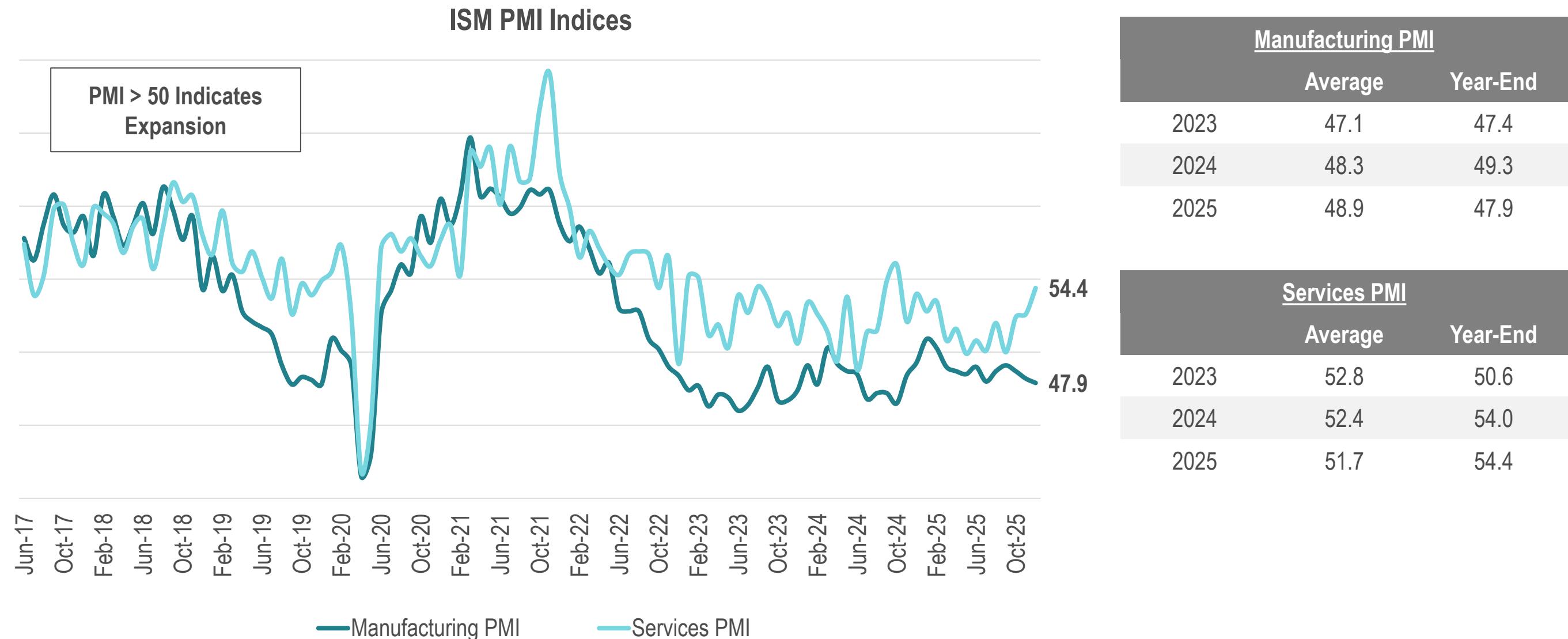
Data are as of January 2026.

Note: The University of Michigan's Index of Consumer Sentiment is a composite index that measures consumers' outlook on economic and financial conditions; it is based on five survey questions and is calculated by computing the percent of respondents giving favorable replies minus the percent giving unfavorable replies plus 100; scores below 100 indicate that more than 50% of replies were unfavorable while scores above 100 indicate that more than 50% of replies were favorable; the two subindices are the Index of Current Economic Conditions and the Index of Consumer Expectations which measures consumers' expectations for the year ahead.

Source: University of Michigan; Federal Reserve Bank of St. Louis

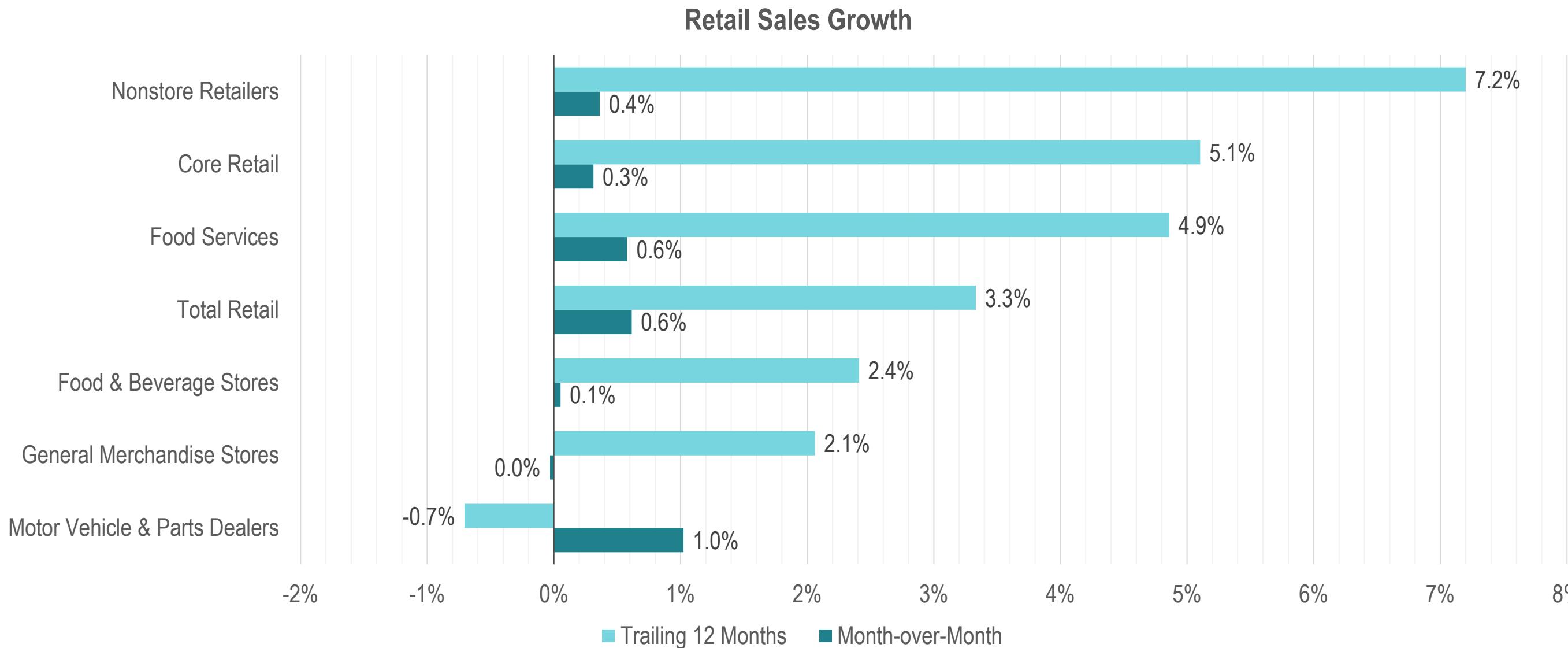
# Services PMI Rose in December and Remained in Expansion in 2025

Manufacturing PMI Fell MoM and Remained in Contraction for A Third Consecutive Year



# Monthly Total and Core Retail Sales Rose 0.6% and 0.3%, Respectively, in Nov.

Nonstore Retail Sales Grew 0.4% MoM and 7.2% YoY



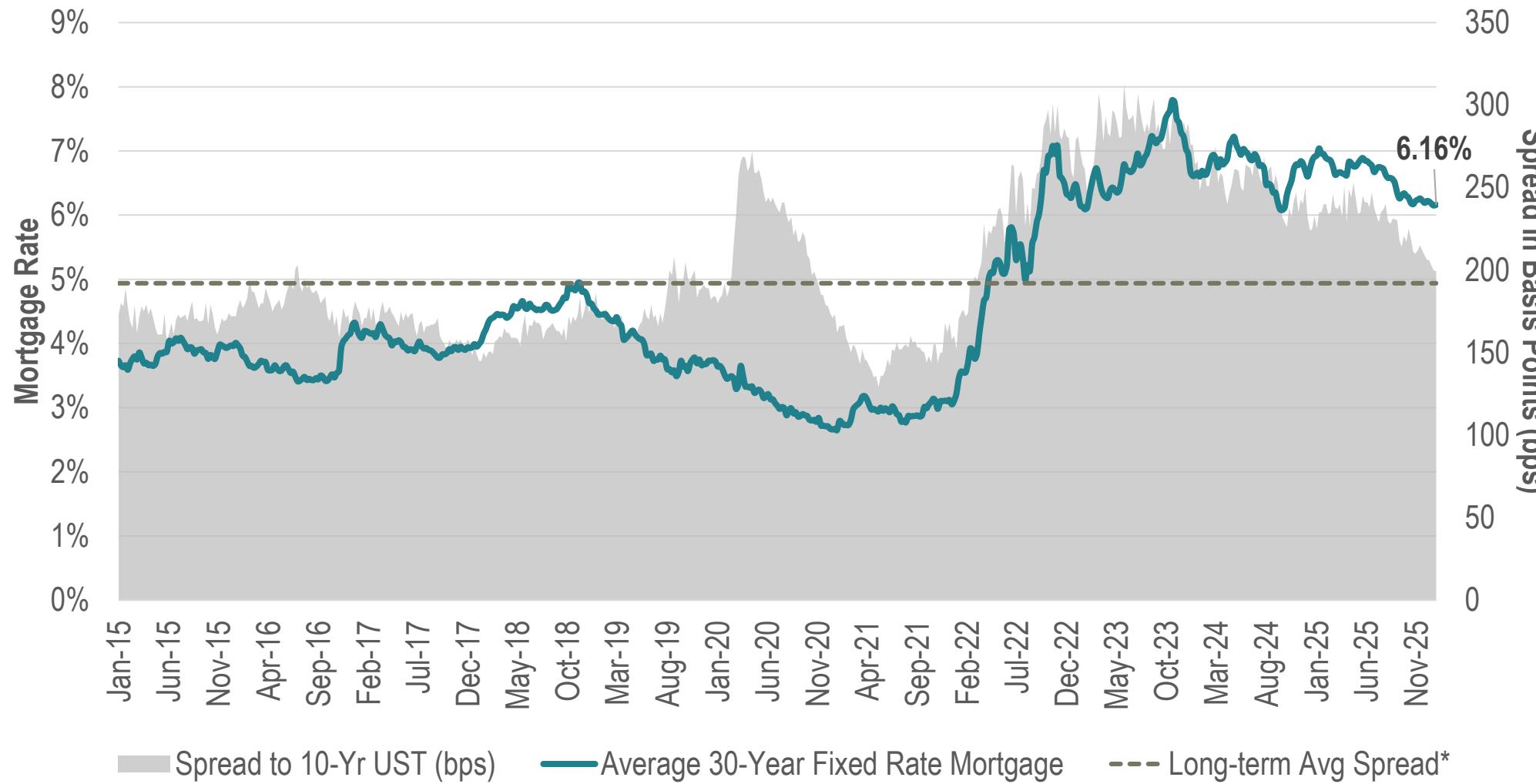
# Housing

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# Average 30-Year Mortgage Rates Moderated in 2025, Ending Year at 6.15%

The Spread to the 10-Year UST Yield Fell to Near its Long-term Average

## Average 30-Yr Fixed Rate Mortgage



30-Year Mortgage Rates		
	Average	Year-End
2023	6.81%	6.61%
2024	6.72%	6.85%
2025	6.60%	6.15%

Data are weekly averages as of January 8, 2026.

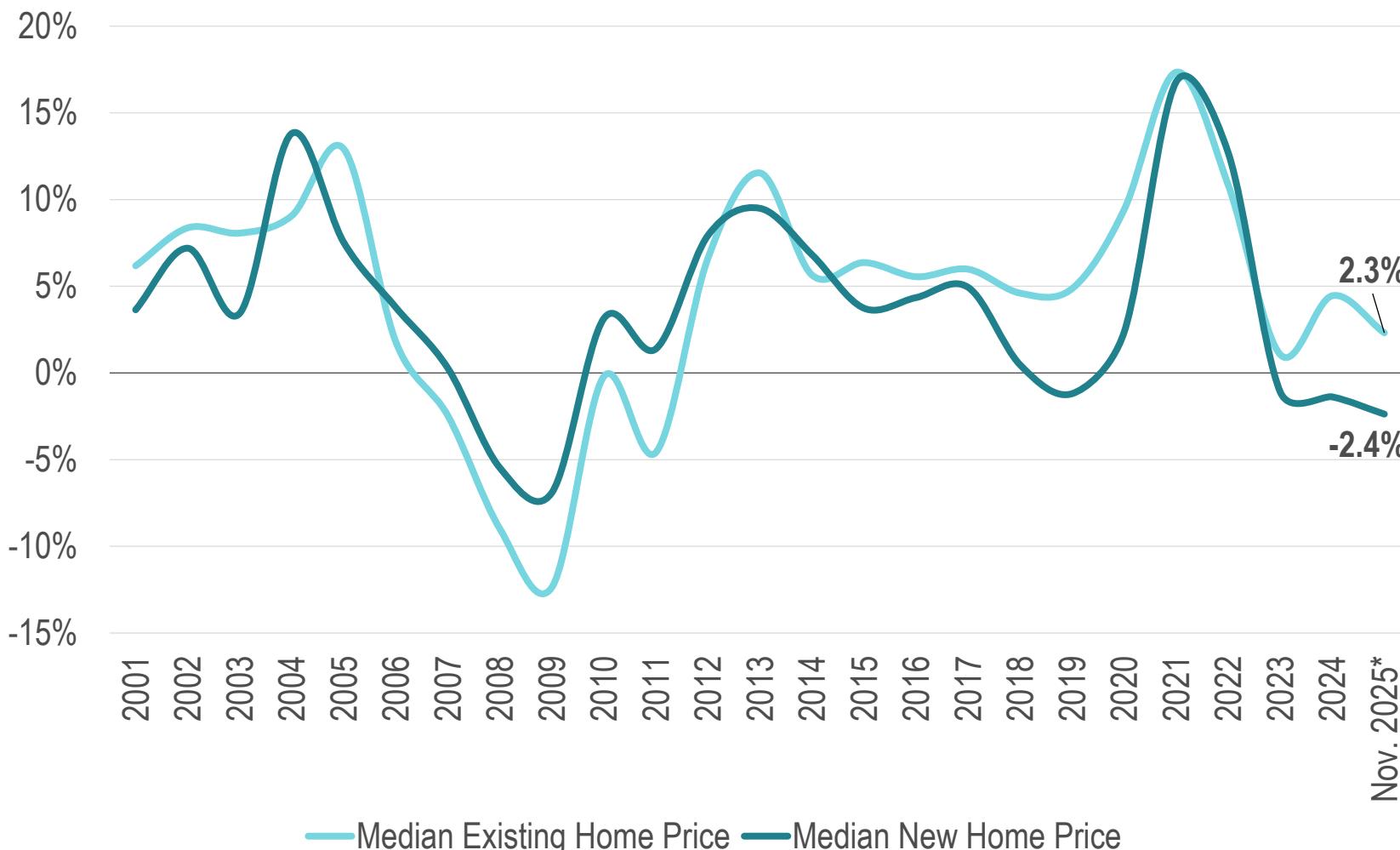
\*The long-term average spread is based on data from 2007 onward.

Source: Freddie Mac

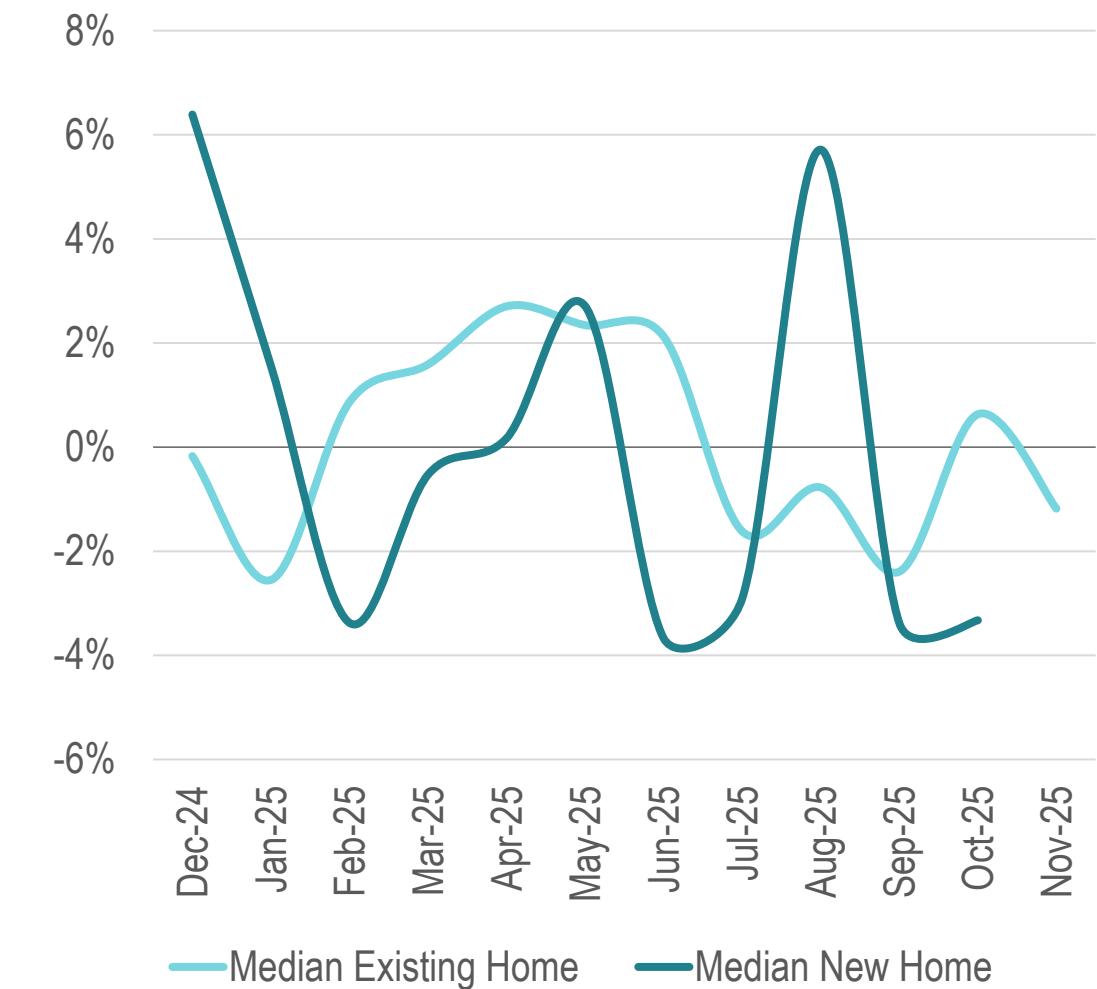
# Annual Average Existing Home Prices Rose 2.3% in November

Average New Home Prices Fell 2.4% Over the Past Year Through October

## Change in Annual Average Home Prices

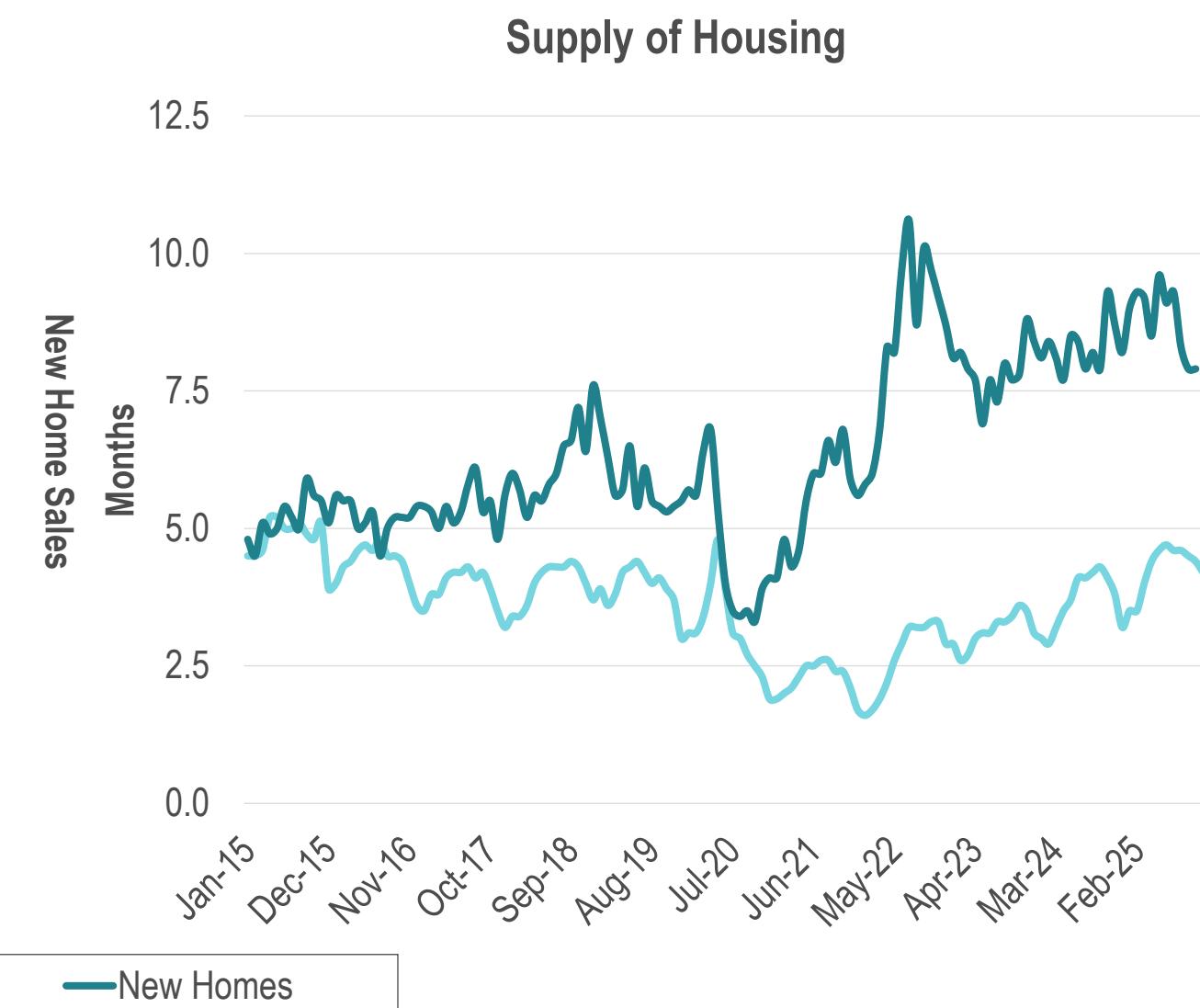
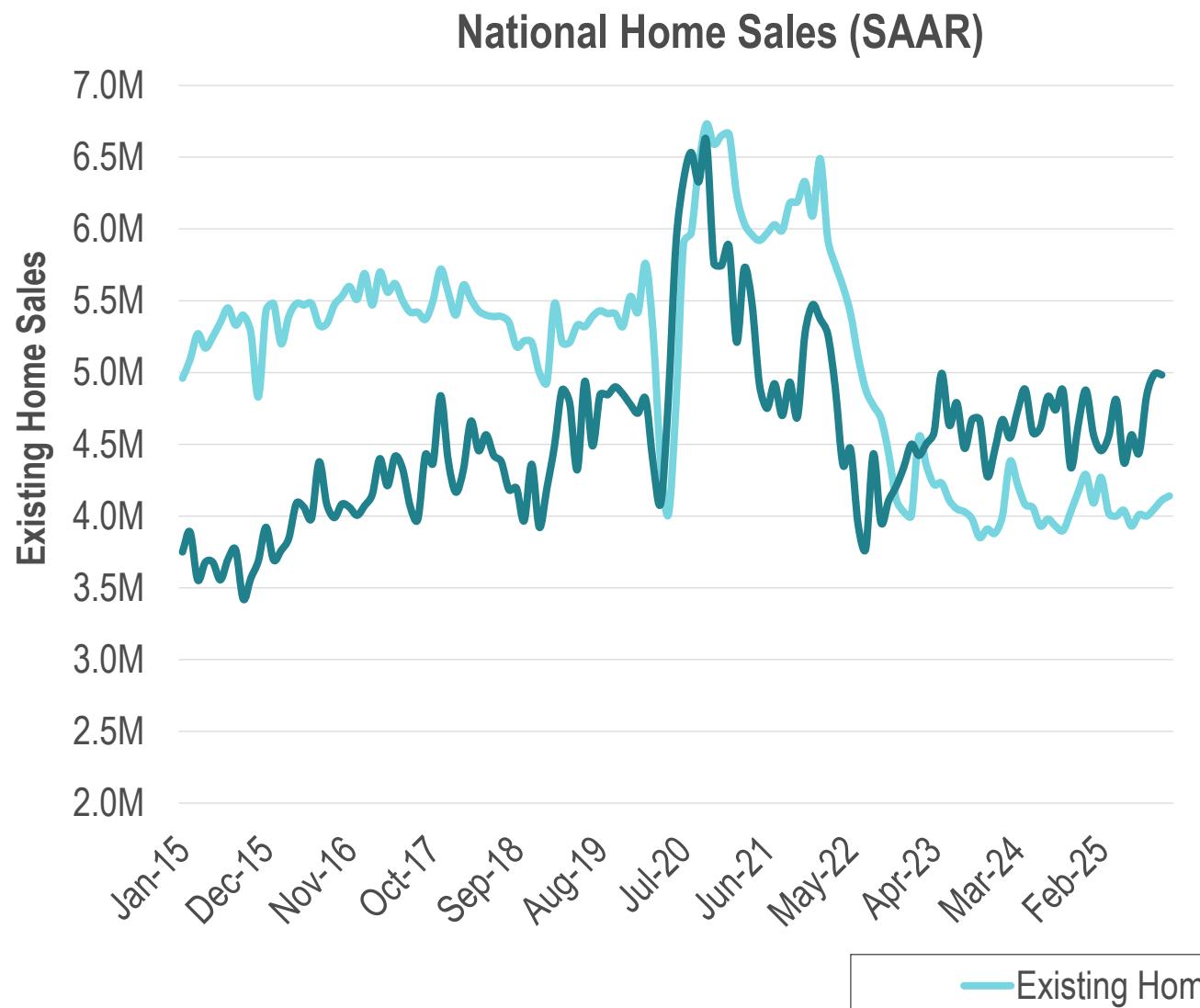


## Monthly Change in Home Prices



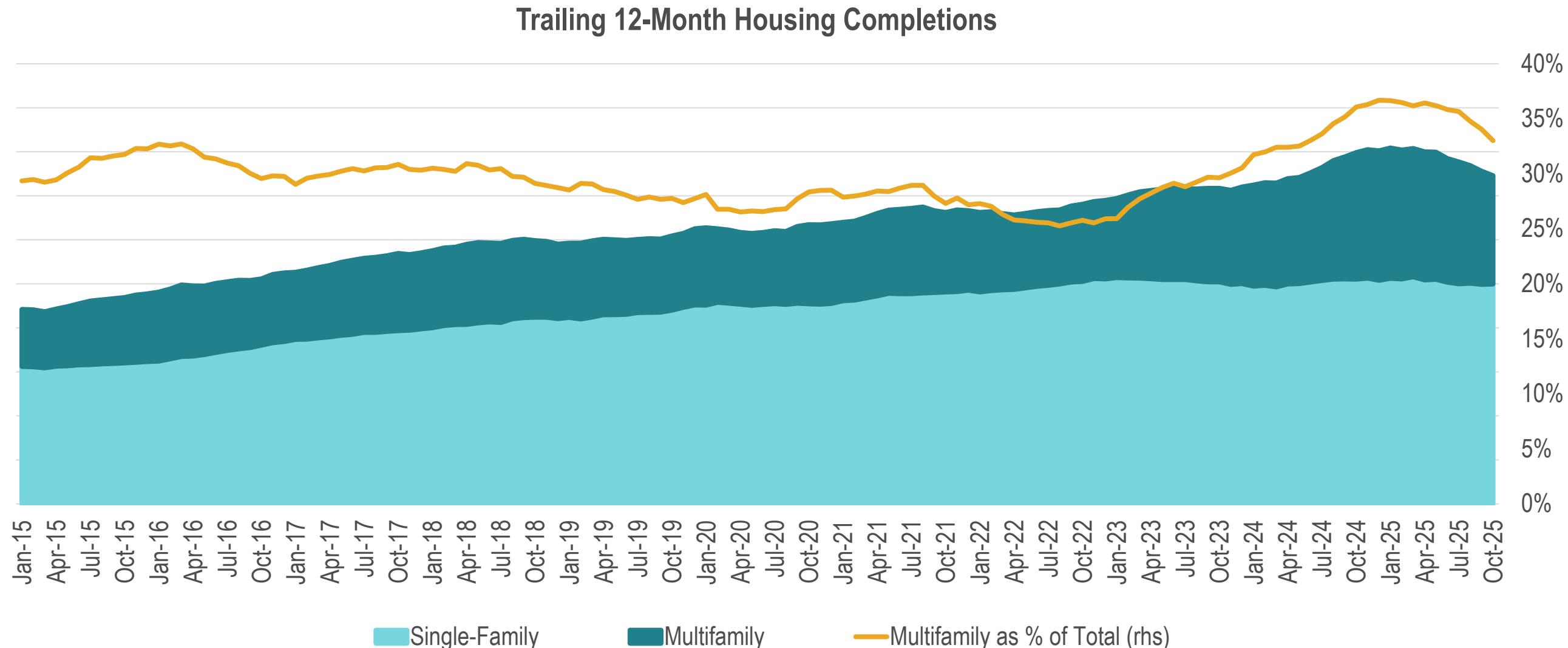
# Monthly Existing Home Sales Rose in November and Supply Fell

New Home Sales Fell Slightly MoM in October while Supply Held Steady



# Total Housing Completions Fell by 1.4% MoM in October

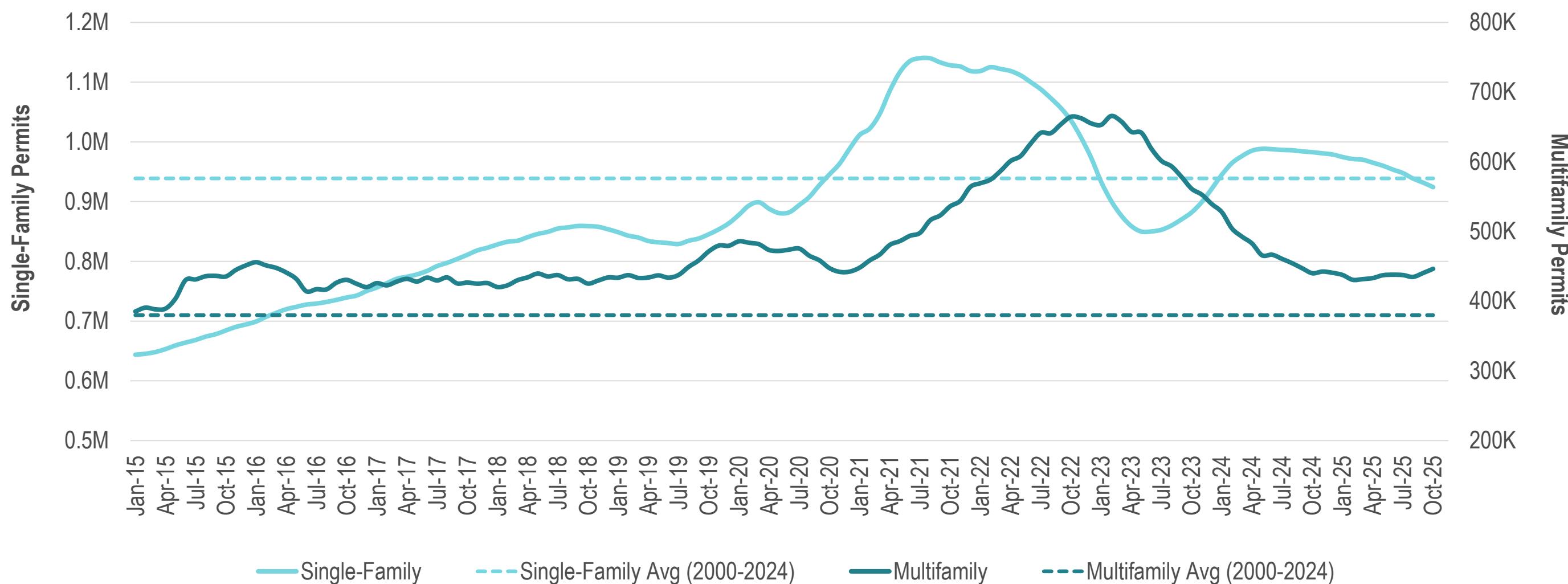
Multifamily's Share of Total Completions Continued to Moderate from Historic Highs



# Trailing 12-Month Permits Fell for Single-Family but Rose for Multifamily

Multifamily Permits Remained Elevated while Single-Family Permits Fell Below the Long-term Average

## Trailing 12-Month Housing Permits



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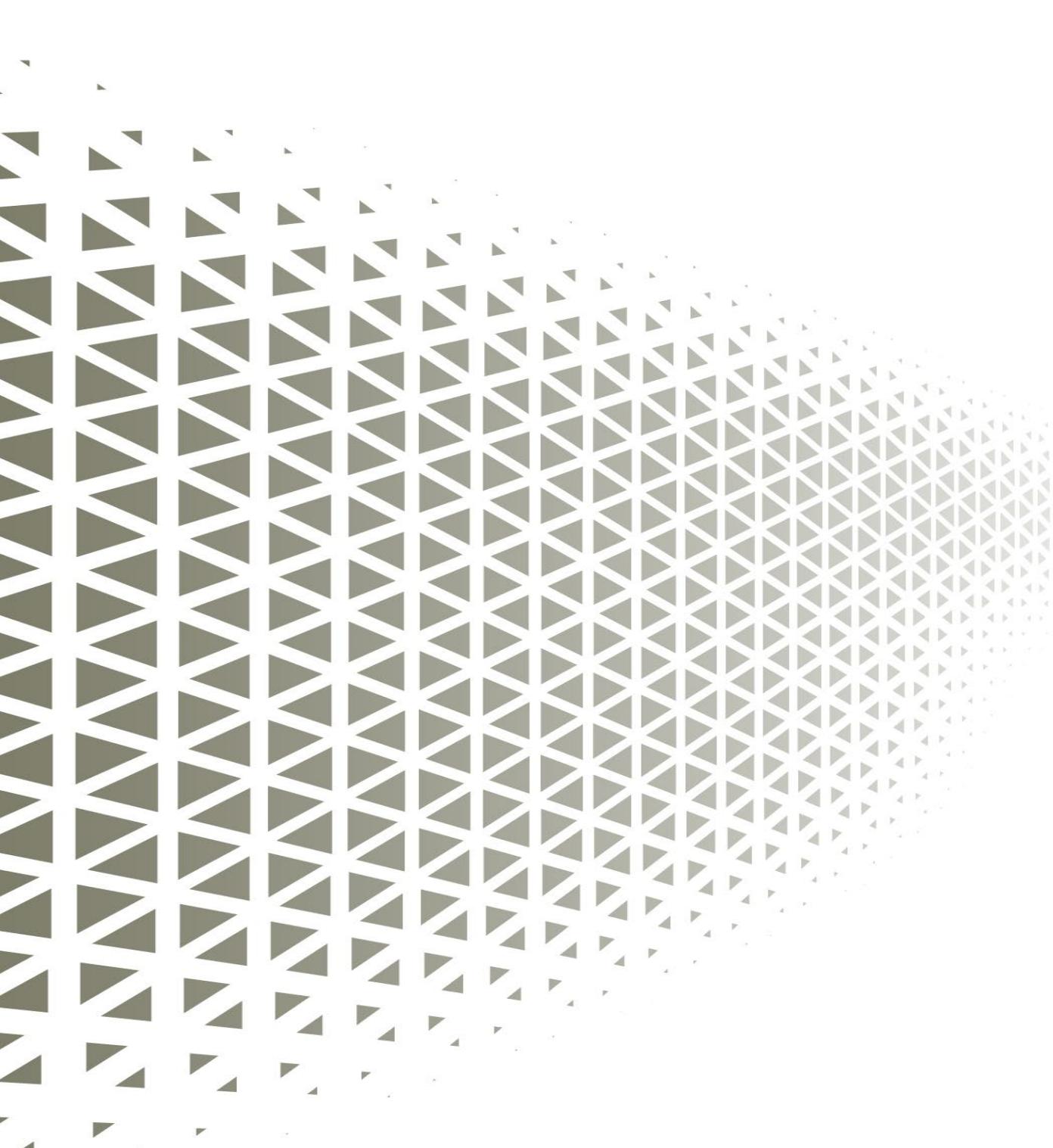
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Market indices are included in this report only as context reflecting general market results during the period. RFA may trade in securities or invest in other asset classes that are not represented by such market indexes and may have concentrations in a number of securities and in asset classes not included in such indexes. Accordingly, no representations are made that the performance or volatility of the model allocations will track or reflect any particular index. Market index performance calculations are gross of management and performance incentive fees.

The charts depicted within this presentation are for illustrative purposes only and are not indicative of future performance.



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