Q4 2025

Market Overview

South Florida
Multifamily

To our Investors, Partners and Friends:

Q4'25 confirmed what Q3 hinted at: the transition is taking hold. The yield curve has steepened to +0.58% (the highest in two years), the Fed has delivered three consecutive cuts, and mortgage rates have drifted into the low 6s. It's not a floodgate opening, but the bid-ask gap is narrowing, and deal flow is picking up.

The data inside this report tells the story. Residential prices are approaching stabilization: the Q4 reading of +0.10% YoY—down from +2.63% a year ago—confirms the correction is maturing, not accelerating. Inventory is up across Florida, giving buyers leverage while prices find their footing. CRE sentiment remains cautiously optimistic, and the One Big Beautiful Bill Act preserves favorable tax treatment for real estate investors. Yet the broader market is working through elevated insurance, taxes, and condo assessments that keep carrying costs high.

At Furrow, we're leaning in—selectively. The pipeline is building, and we're seeing more actionable opportunities than we have in six quarters. We continue to target small to mid-size multifamily where operations drive returns, not aggressive rate bets.

We expect gradual improvement, not a sharp rebound. But with the yield curve normalized, transaction volumes recovering, and tax policy supportive, the setup for disciplined buyers is the best it's been since 2022.
Thank you for your continued trust.

Marcos Ledesma
Furrow Capital LLC

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Prepared by: Furrow Capital LLC – January 2026

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Q4' 25 United States

Macro Signals & Housing Pulse

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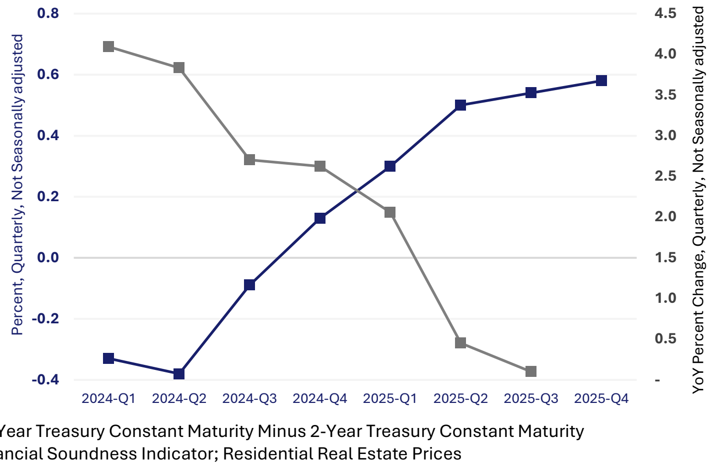
Yield Curve Spread vs. Residential Home-Price Growth (2024–2025)

Yield Curve Spread
Q4 25 +0.58%
Q4 24 +0.13%

Residential Prices
Q3 25 +0.10%
Q4 24 +2.63%

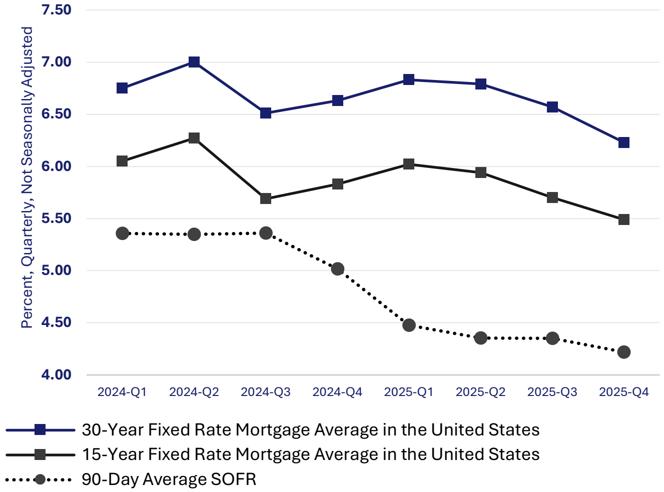


Mortgage Rate vs. 90 Day SORF (2024–2025)

30Y Rate
Q4 25 6.23%
Q4 24 6.63%

15Y Rate
Q4 25 5.49%
Q4 24 5.83%

90 Days SOFR
Q4 25 4.22%
Q4 24 5.02%



Where we are vs. a year ago

A year ago (Q4'24) the Yield Curve was barely positive at ~+0.13% as markets still braced for a slowdown and the Fed kept policy tight. By Q4'25 the picture is meaningfully different: the curve has steepened to ~+0.58%—the highest in two years—as inflation continued to ease, growth stabilized, and the Fed pivoted toward a gradual-easing path. That shift pulled 2-year yields down faster than the 10-year, while heavy Treasury issuance and a still-elevated term premium kept the long end relatively sticky. From Q3'25 to Q4'25, the spread widened a bit further (roughly +50 bps → +58 bps), reflecting firmer soft-landing odds and slightly lower mortgage rates.

Residential Prices Approach Stabilization

The Financial Soundness Indicator for Residential Prices is backward-looking; it captures realized year-over-year changes. The Q4 2025 reading of +0.10%—down sharply from Q4 2024's +2.63%—confirms the price correction that began mid-2024. Housing continues to adjust with a lag, and several anchors remain: stretched affordability despite the yield curve's normalization, inventory that sustains buyer leverage, selective credit, and—specific to Florida—elevated insurance and taxes that keep effective carrying costs high. Near-flat growth suggests the market is approaching stabilization, though price discovery remains ongoing.

Lower Rates, Still Out of Reach

Mortgage rates follow the 10-year Treasury yield plus a spread for mortgage-backed securities risk. As the Fed has cut short-term rates—90-day SOFR now at 4.22%, down from 5.02% a year ago—the 30-year fixed has eased to 6.23% and the 15-year to 5.49%. The relief is real but modest: long-term rates don't fall one-for-one with Fed cuts due to duration risk and inflation uncertainty. Combined with the yield curve's return to positive territory (+0.58%) and near-flat residential price growth (+0.10%), U.S. real estate is in cautious transition. Rates in the 6% range remain stretched for most buyers, and prices have stabilized without correcting—leaving affordability in limbo. Expect gradual improvement, not a swift rebound.

U.S. Commercial Real Estate Pulse Sentiment: Cautiously Optimistic

Global CRE sentiment is constructive, if more measured. Nearly 75% of global investors still plan to increase their real estate allocations over the next 12–18 months—primarily for inflation protection, portfolio diversification, and tax benefits. The main drag remains the price and availability of capital: higher-for-longer rates and tighter lending standards keep underwriting conservative.

Policy Tailwind: Tax Reform Supports Real Estate

The recently enacted One Big Beautiful Bill Act maintains favorable tax treatment for real estate—including permanent 100% bonus depreciation, the 20% pass-through deduction, and expanded Opportunity Zone incentives—providing confidence in fundamentals and deal activity heading into 2026.

Performance & Flows: Early Signs of Recovery

Market performance shows early progress. Investment-volume declines narrowed for six consecutive quarters, and Q1 2025 recorded the first year-over-year increase since mid-2022. Through late June, the S&P Global Property Index returned 14.1%, outpacing the S&P 500 (11.7%) and the S&P World index (13.8%); private real estate posted three consecutive positive quarters after two years of negative prints.

South Florida: Wealth Migration Drives Ultra-Luxury

In South Florida, the market posted 361 sales at $10 million and above in 2025—the second-highest total in history—driven by continued wealth migration and international buyers, who accounted for 49% of new-construction purchases. Disciplined underwriting on insurance, taxes, and operations remains the decisive edge.

Q4' 25 South Florida

Multifamily Market Overview

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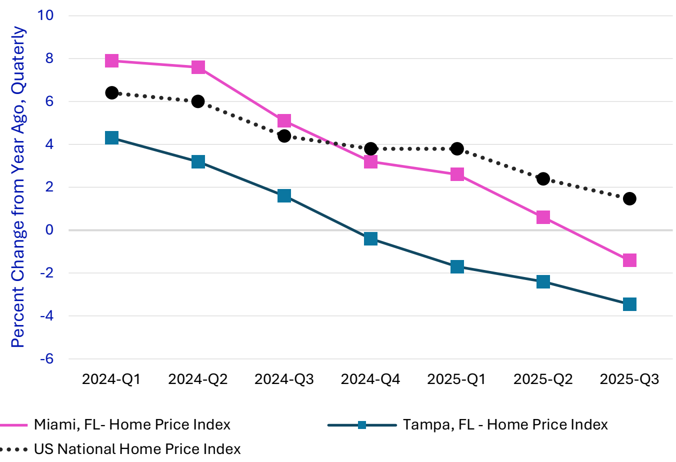
S&P CoreLogic Case Shiller – YOY Percent Change (2024–2025)

Miami, FL Q325 **-1.41% YOY**

Tampa, FL Q325 **-3.50% YOY**

US National Q325 **+1.50% YOY**



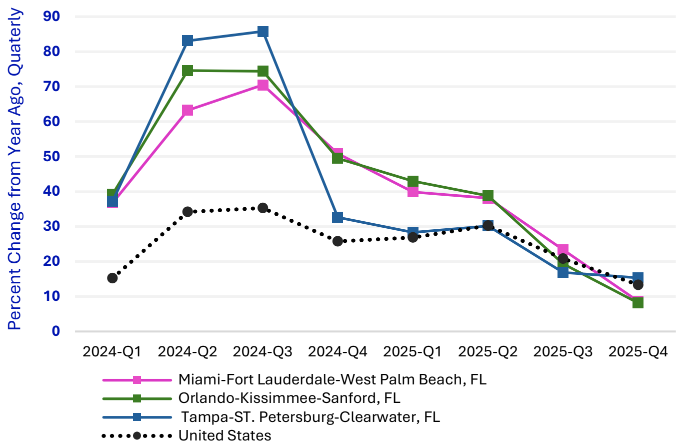
Housing Inventory YoY Change: Florida Metros vs. National Trend (2024–2025)

Miami, FL Q425 **+8.6% YOY**

Tampa, FL Q425 **+8.1% YOY**

Orlando, FL Q425 **+15.3% YOY**

US National Q425 **+13.3% YOY**



US snapshot

U.S. home prices are still rising (+1.50% YoY), but momentum is the weakest since mid-2023. Supply remains tight at ~4.4 months, though inventory is up +13.3% YoY. Mortgage rates in the low-to-mid 6s keep affordability stretched. Price strength is concentrated in the Northeast and Midwest (Chicago +5.8%, New York +5.0%), while Sun Belt markets are posting declines.

Florida overview

Inventory has risen across major Florida metros—Miami +8.6%, Tampa +8.1%, Orlando +15.3%—though the pace has decelerated sharply from mid-2025 peaks. Statewide, single-family supply has returned to a balanced 4.6 months; condos sit at 8.8 months. That additional choice, combined with elevated carrying costs, has cooled price appreciation, and in some metros, pushed prices negative.

Miami

Case-Shiller –1.41% YoY Price growth has turned negative as inventory normalizes. Single-family supply is balanced at ~6.2 months, while condos have climbed to 13+ months (buyer's market). Elevated insurance and post-Surfside condo assessments continue to cap bids. The UBS Global Real Estate Bubble Index (2025) still ranks Miami at the top for risk, citing stretched price-to-rent and price-to-income ratios. Yet ultra-luxury remains resilient: South Florida posted 361 sales at $10M+ in 2025—the second-highest total in history.

Tampa

Case-Shiller –3.50% YoY The inventory build is biting hardest here: Tampa recorded the steepest annual price decline among all 20 Case-Shiller metros for 12 consecutive months. Listings are lingering, discounting has widened, and resale pricing remains under pressure. Hurricane-related insurance costs and elevated property taxes compound affordability headwinds. Tampa exemplifies the Sun Belt correction—markets with the sharpest pandemic-era gains are now seeing the sharpest adjustments.

Orlando

Inventory +15.3% YoY Supply is rising via new construction along the I-4 corridor and more resale listings as carrying costs push owners to market. Inventory has grown to 4.3 months, and homes now sit 62–76 days—up from 50 days a year ago. Job growth supports absorption, and median prices remain flat YoY ($400K). Orlando sits between Miami and Tampa: not yet negative but clearly rebalancing.

Common drivers

Across these metros, three forces dominate: (1) mortgage rates have drifted down from early-2025 highs but not enough to reset monthly payments meaningfully; (2) Florida's pandemic-era inflow has normalized, easing the urgency that previously propelled rapid price gains; and (3) elevated insurance premiums, property taxes, and condo assessments continue to weigh on effective affordability—particularly in coastal and high-rise markets.

Bottom line

The U.S. average remains positive but is slowing toward the weakest growth since 2023. Miami has turned slightly negative, though ultra-luxury remains resilient. Tampa is the weakest major metro nationally (–3.5% YoY). Orlando sits in between—flat but rebalancing. Across Florida, the market is transitioning from correction to stabilization; a full recovery awaits meaningful rate relief or income catch-up.

Real Estate Fundamentals

Migration & Demand: Florida stays net positive but normalized **(+64k in 2024 vs. the 2022 surge)**, with a larger international share; Miami Metro Area still grows modestly, keeping the renter pool deep despite affordability pressure.

Rents & Occupancy: Rents hold **near ~$2,500 (~0–1% YoY); vacancy sits ~6.5–6.7%** at the supply peak with absorption roughly matching deliveries—Class B/C steady, Class A leasing with concessions.

Pricing & Debt: Cap rates **~5.3–5.8%** (small/mid: low–mid-6%); all-in debt **~5.3–6.0%** with slightly tighter spreads. It's still an execution market—value-add is essential, and QoQ spread gains are only marginal.

Deal Flow & Liquidity: Activity kept building—YTD 2025 sales are multiples of 2024, with sequential gains as pricing resets and dry powder deploys; liquidity is normalizing, but underwriting stays selective.

Class B/C Outperformance: Workforce submarkets continued to lead with low-single-digit **rent growth (~1–3% YoY)** and stable occupancy, while Class A stayed flat to slightly negative as lease-ups and concessions persisted amid heavy luxury deliveries.

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Sources

Charts

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