Q3’25 Market Overview

South Florida **Multifamily**

To our Investors, Partners and Friends:

Q3’25 felt like a true transition quarter. After four to six quarters of slow activity (especially in South Florida), we’re now seeing more consistent bidding and deal flow as policy visibility improves, the yield curve turns modestly positive, and mortgage rates drift lower into the mid-6s. It isn’t a surge, but the macro turbulence has eased enough for buyers and lenders to engage, and the bid-ask gap continues to narrow.

On the ground, the data in this report explains the cadence: inventory is up year over year across Florida which has cooled headline home-price growth, while apartment fundamentals are normalizing rather than weakening—steady occupancy, selective concessions at the top end, and comparatively resilient Class B/C demand.

At Furrow, we continue to underwrite deeply and target small to mid-size multifamily where we can create value through operations and thoughtful capex, with particular attention to insurance, taxes, and building compliance.

We are seeing more actionable opportunities in early Q4’25, but we will only pursue situations that clear our return hurdles without relying on aggressive rate or exit assumptions. Patience remains a strategy; execution remains the edge.

Thank you for your continued trust. We’re optimistic about the opportunity set ahead and will stay focused on buying well, managing well, and protecting downside while positioning the portfolio for a healthier 2026.

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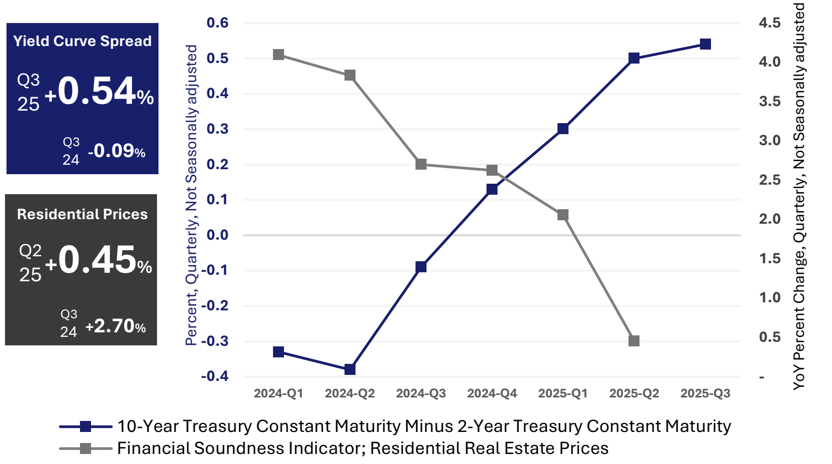
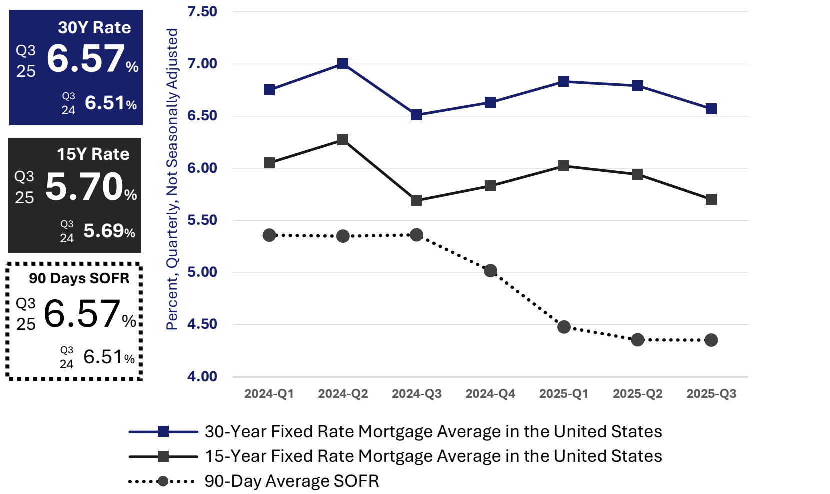
Q3' 25 South Florida

Macro Signals & Housing Pulse

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



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



Where we are vs. a year ago
In Q3'24 the Yield Curve was slightly inverted as markets braced for a slowdown and the Federal Reserve (the "Fed") kept policy tight. By Q3'25, growth has firmed, inflation has cooled (still above 2%), and investors now expect gradual Fed easing—not a recession. That shift pulled 2-year yields down faster than 10-year yields, while heavy Treasury supply and a higher term premium kept the long end sticky. Net result: a modestly positive, soft-landing curve.

Residential Prices lag the curve
The Financial Soundness Indicator for Residential Prices is backward-looking; it captures realized year-over-year changes. Housing adjusts with a lag, and several anchors remain: stretched affordability despite some rate relief, normalized inventory that gives buyers leverage, selective credit, and—specific to Florida—elevated insurance and taxes that keep effective carrying costs high. Macro winds have shifted; prices are still digesting 2024–2025 conditions.

Mortgages: easing, but sticky
Mortgage rates track the 10-year U.S. Treasury plus mortgage-backed securities (MBS) spreads. As inflation cooled and a gentle cutting path was priced, the 10-year eased and 30-year mortgages drifted into the mid-6s. The decline is incremental, not dramatic: term premium, prepayment/convexity dynamics, and still-elevated policy rates keep mortgages from falling fast. Payments are off their peak but remain high relative to incomes, so demand improves only gradually.

Policy watch
Proposed tariffs tend to lift goods-price uncertainty (keeping the long end firm), while government-shutdown risk weighs on growth expectations (pulling the short end lower as markets anticipate more Fed offset). That mix can steepen the curve even while housing cools—less fear of recession, but not yet enough relief to reignite price momentum.

Investor takeaway (South Florida focus)
The macro tone is better, yet fundamentals remain in a normalization phase. It's an execution market: assume today's debt costs, insurance and tax realities, and underwrite for slower price/rent growth now, with upside if rates grind lower into 2026.

U.S. Commercial Real Estate Pulse Sentiment & fundamentals
Global CRE sentiment is constructive, if more measured. Most leaders still expect revenues to finish higher this year and see fundamentals—rents, leasing, vacancies, and the cost of capital—improving into 2026. The main drag is the price and availability of capital: higher-for-longer rates and tighter lending keep underwriting conservative, even after the Fed's September quarter-point cut and guidance that further easing could follow in 2025.

Performance & flows
Market performance shows early progress. Investment-volume declines narrowed for six straight quarters, and Q1'25 recorded the first YoY increase since mid-2022. Through late June, the S&P Global Property Index returned 14.1%, outpacing the S&P 500 (11.7%) and S&P World (13.8%); private real estate posted three consecutive positive quarters after two years of negative prints. Nearly 75% of global investors plan to increase real-estate allocations over the next 12–18 months—primarily for inflation protection, portfolio diversification, asset-class stability, and tax benefits.

Capital stance
Capital is present but choosy. It favors clear pricing, a solid basis, and managers who can execute through today's funding and affordability constraints—especially in South Florida, where disciplined underwriting on insurance, taxes, and operations remains the decisive edge.

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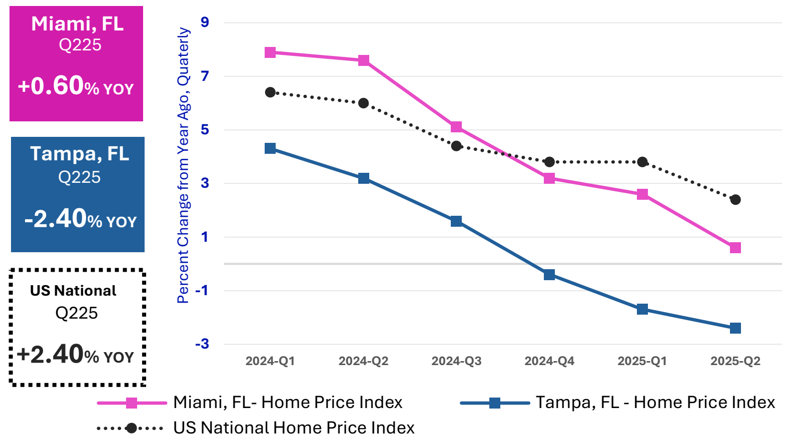
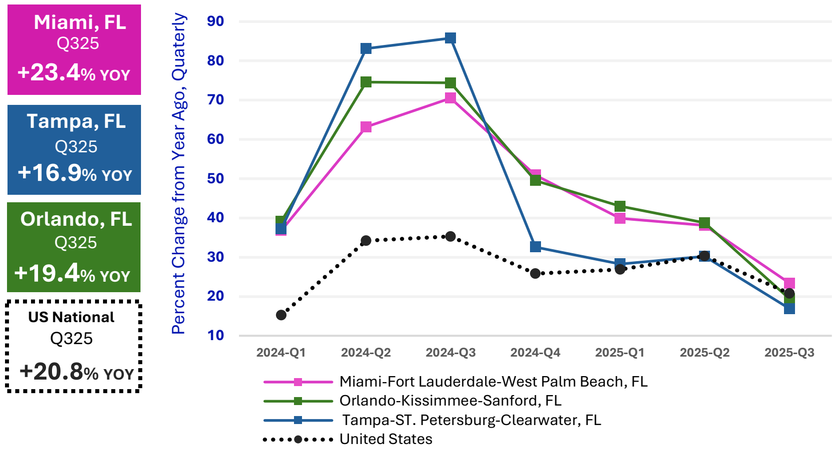
S&P CoreLogic Case Shiller – YOY Percent Change (2024–2025)



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



US snapshot

U.S. home prices are edging higher because YoY supply remains tight by historical standards (≈4.6 months). Mortgage rates have only eased into the mid-6s, so affordability is still stretched. Price momentum is strongest where inventory is leanest, particularly in the Northeast and Midwest (New York, Chicago, Detroit).

Florida overview

Inventory has risen across the major Florida metros—Miami +23.4%, Tampa +16.9%, Orlando +19.4%—broadly in line with the U.S. +20.8%. That additional choice has cooled price appreciation statewide.

Miami

Active listings and months of supply have climbed, marketing times have lengthened, and elevated insurance and taxes continue to cap bids; as a result, price growth is roughly flat despite slightly lower mortgage rates. Notably, the UBS Global Real Estate Bubble Index (2025) places Miami at the top of its risk ranking, citing the strongest inflation-adjusted price gains among global peers over the past 15 years and stretched price-to-rent and price-to-income ratios. Even with cooler growth over the last four quarters, pandemic-era in-migration, historically limited for-sale supply, and investor demand leave Miami's valuation metrics elevated.

Tampa

The inventory build is biting harder: more listings are lingering, discounting has widened, and resale pricing is under pressure—consistent with Tampa's negative Case-Shiller reading. Demand remains, but supply now outpaces ready buyers, pushing year-over-year prices slightly lower.

Orlando

Supply is being lifted by a solid new-construction pipeline along the I-4 corridor and more resale listings as affordability and carrying costs push owners to market. Job growth supports absorption, yet the extra inventory and competitive new-build offerings temper price gains and extend days on market.

Common drivers

Across these metros, two forces dominate: (1) mortgage rates have drifted down from early-2025 highs but not enough to reset payments meaningfully; and (2) Florida's pandemic-era inflow has normalized, easing the urgency that previously propelled rapid price gains.

Bottom line

The U.S. average remains positive, Miami is roughly flat under higher local costs and more supply (with valuation metrics still elevated), Tampa is slightly negative as listings outnumber buyers, and Orlando sits in between—supported by jobs but moderated by new deliveries.

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

- Yield Curve vs. RE Prices: Board of Governors of the Federal Reserve System (US); Federal Reserve Bank of St. Louis via FRED®.
- Cash Shiller Index: S&P Dow Jones Indices LLC via FRED®.
- Fixed Rate Mortgage Rate: Federal Reserve Bank of New York; Freddie Mac via FRED®.
- Housing Inventory: Realtor.com via FRED®

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