

# WELCOME!

## 2026 TAMPA BAY ECONOMIC OUTLOOK



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 **FranklinStreet**

# WHO IS FRANKLIN STREET



**2006**  
Founded

**7**  
Lines of Business

**10**  
Offices

**345**  
Employees

**Headquartered  
in Tampa!**



Capital  
Advisory



Insurance  
Services



Investment  
Sales



Tenant  
Rep



Landlord  
Rep



Property  
Management



Project  
Management

# 2026 TAMPA BAY ECONOMIC OUTLOOK



**PRESENTED BY ANDREW WRIGHT**  
CEO, FOUNDER & CHAIRMAN

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# YEAR AHEAD: 2025 OUTLOOK

- We are in the beginning of working through market challenges from reduced values and spiking loan defaults.
- **Expect some regional to small bank failures, mergers or sales**
  - Banks will be under pressure as:
    - Maturity defaults increase
    - Insurance covenants can't be met
    - Balance sheet/portfolio management (reducing office exposure)
    - Floating rate DSCR defaults
    - Interest rates will remain flat – 50 bps down by year end at most
- **Operating fundamentals will stabilize**
  - Insurance rates will come down
  - Rents will
    - flatten or slightly increase on multifamily, however concessions will remain in a big way.
    - increase in retail and office (have and have nots in office),
    - decrease in industrial
  - Industrial will have its worst operational year due to the supply deliveries and waning absorption

## YEAR AHEAD: 2025 OUTLOOK

- Multifamily will be the product type hardest hit by interest rates increases as values drop significantly and forcing sales at a loss.
- **Very few new developments**
  - Existing projects will finish but do not expect many new projects to start.
- **We are in the overbuild phase; absorption is next up but not until 2026 and beyond!**
  - Construction costs will come down
- **Long-term, supply will not be able to keep up with secular trends in population needs**
- **Banks will force resolution; look for an active “reseting” starting in the 2<sup>nd</sup> qtr 2025 and pressing into 2026**
- **Transaction velocity will increase as the new normal in price exploration comes to an end**
  - Owners will face reality and focus heavily on portfolio management
- **C.R.E.A.M.....Still holding true in 2025.**

***Greatest buying opportunity in  
Florida CRE since 2009!***

A wide-angle photograph of a baseball field during a rain delay. The sky is filled with dark, heavy clouds, and rain is falling, creating a misty atmosphere. The field is mostly covered with a dark green tarp, with some areas of the infield and pitcher's mound exposed. The infield is wet and reflective. In the background, stadium lights and the outfield fence are visible. Large, white, bold text is superimposed across the center of the image.

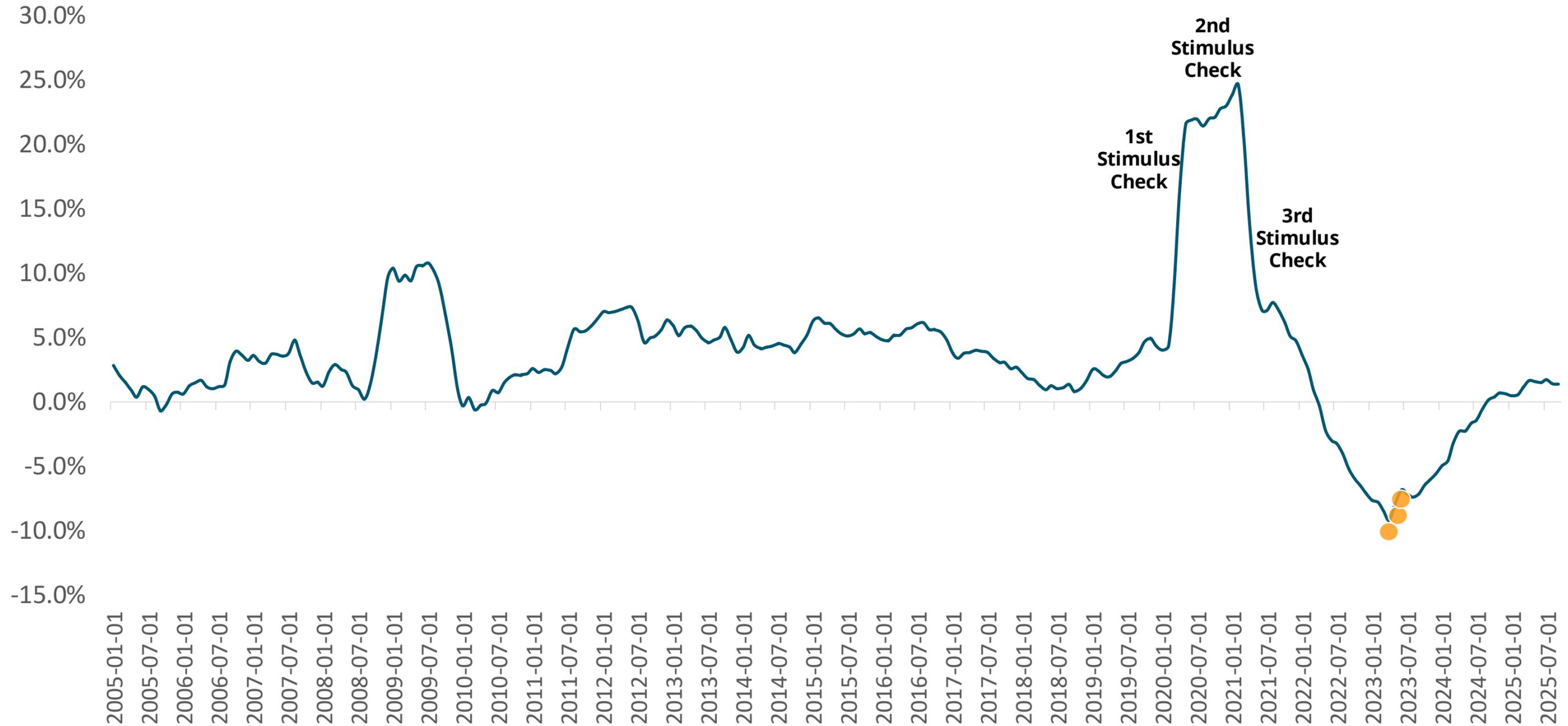
**WE ARE IN A RAIN DELAY**

**LET'S RECAP HOW WE GOT HERE...**



# REAL MONEY SUPPLY

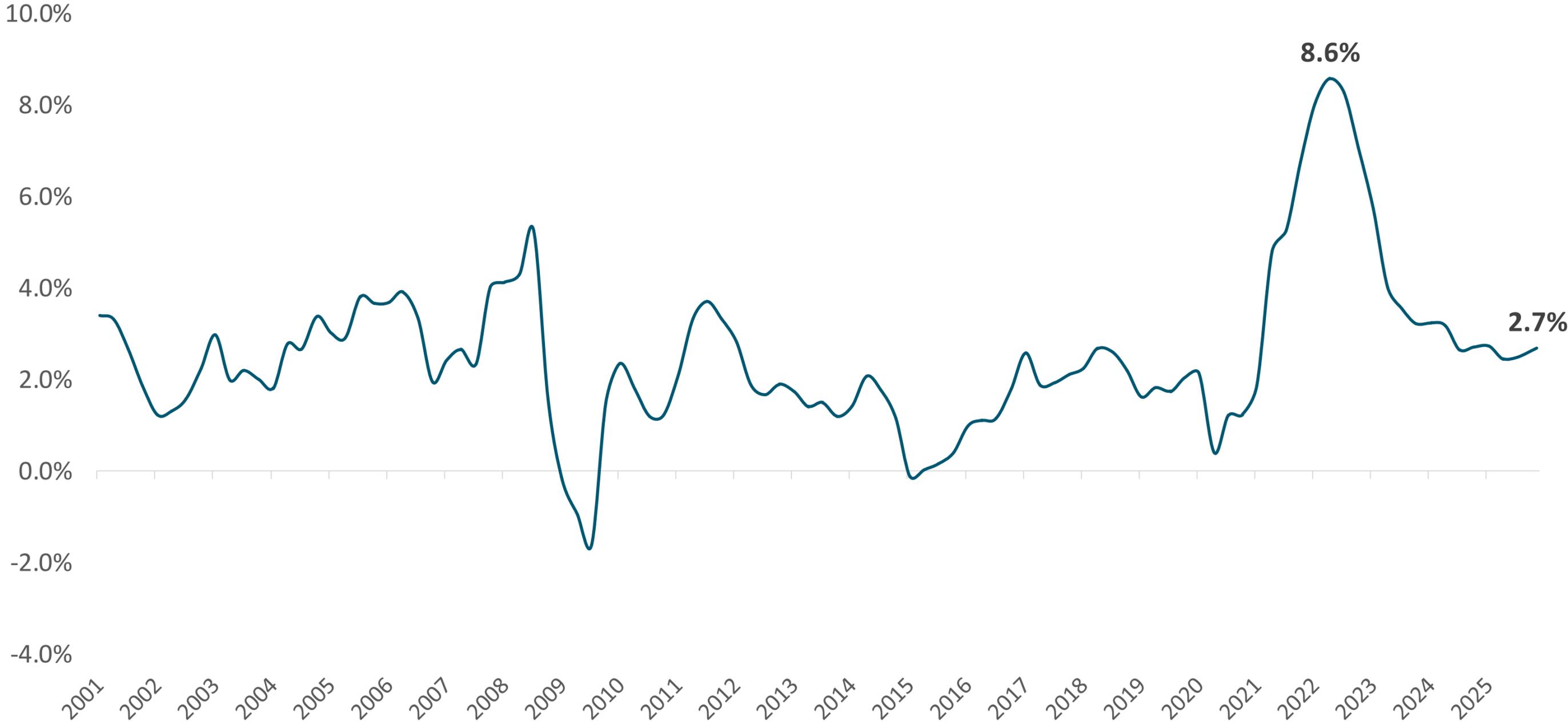
Percent Change YOY in Real M2 Money Stock



● Federal Reserve interest rate increase

# HIGH INFLATION PRECIPITATES HIGHER INTEREST RATES

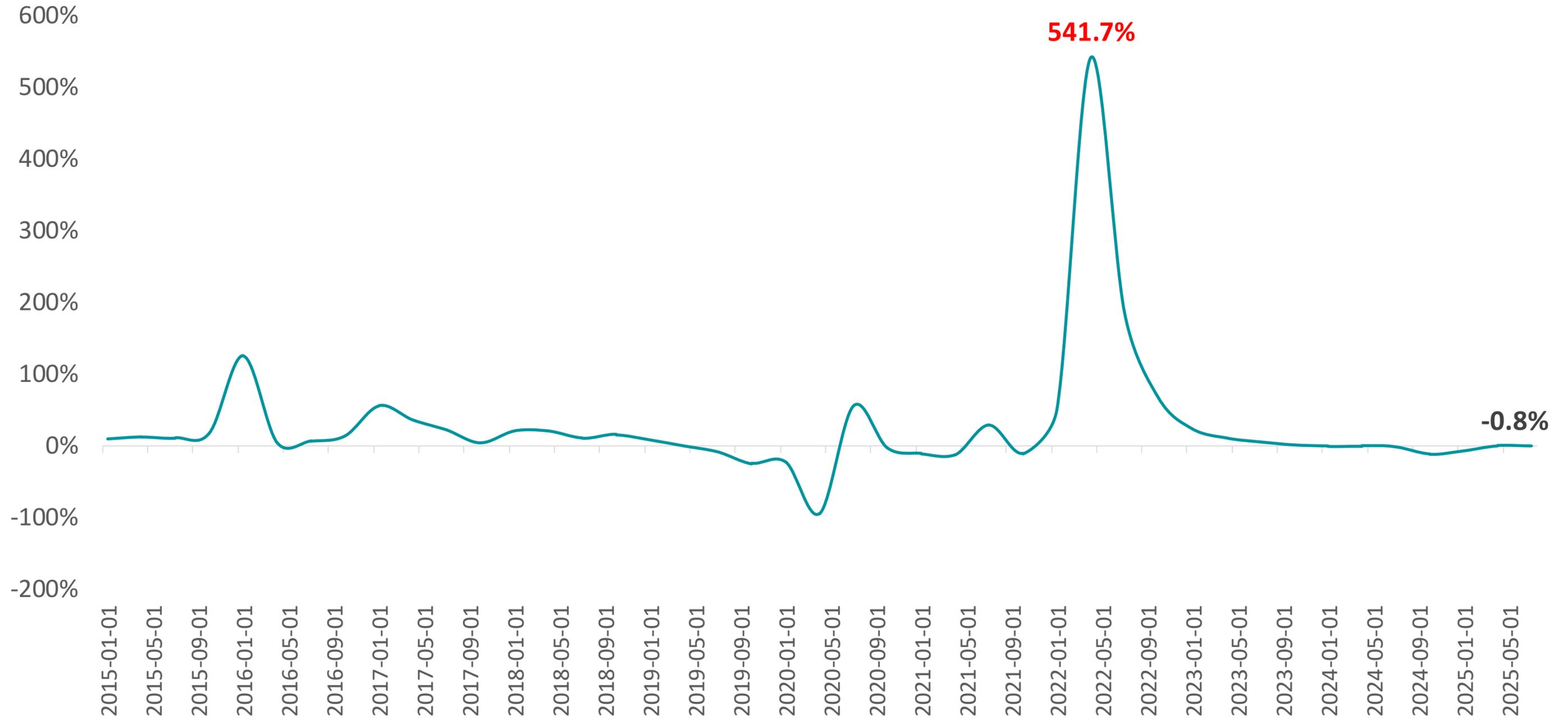
Median Consumer Price Index, Percent Change



Source: FRED

# FEDERAL FUNDS RATE EXPERIENCED ITS FASTEST INCREASE IN HISTORY IN 2022, AND THE IMPLICATIONS ARE STILL UNFOLDING

Federal Funds Effective Rate, Percent Change



**HOW DOES THIS IMPACT  
REAL ESTATE?**

**EVER HEARD OF  
LTV OR LTC?**

**WHAT ABOUT...  
DSCR?**

$$\text{DEBT SERVICE COVERAGE RATIO} = \frac{\text{NET OPERATING INCOME}}{\text{ANNUAL DEBT SERVICE}}$$

Loan to Value "LTV" = Loan Amount / Total Value

# DSCR CASE STUDY

DSCR Loan Sizing			
<b>Stabilized NOI</b>		<b>\$5,000,000</b>	
July 1, 2022		Now	
Interest Rate	<b>3.00%</b>	Interest Rate	<b>5.50%</b>
Amortization	25 Years	Amortization	25 Years
DSCR	1.5 x	DSCR	1.5 x
Cap Rate	5.50%	Cap Rate	5.50%
Value	\$90,909,091	Value	\$90,909,091
<b>Loan Size</b>	<b>\$58,043,826</b>	<b>Loan Size</b>	<b>\$44,713,109</b>
<b>LTV</b>	<b>63.85%</b>	<b>LTV</b>	<b>49.18%</b>
Loan Size with Same NOI			
<b>Loan Size</b>	<b>\$58,043,826</b>	<b>Loan Size</b>	<b>\$44,713,109</b>
NOI Growth Needed for Same Loan Size			
<b>Stabilized NOI</b>	<b>\$5,000,000</b>	<b>New NOI Needed</b>	<b>\$6,777,214</b>
		<b>NOI Growth Needed</b>	<b>36%</b>
<b>Loan Size</b>	<b>\$58,043,826</b>	<b>Loan Size</b>	<b>\$58,043,826</b>
<i>*Sized with the same assumptions as above</i>			

## COST OF BORROWING

$$\text{LOAN CONSTANT} = \frac{\text{ANNUAL DEBT SERVICE}}{\text{ORIGINAL PRINCIPAL BALANCE}}$$

## UNLEVERAGED RATE OF RETURN

$$\text{CAPITALIZATION RATE} = \frac{\text{NET OPERATING INCOME}}{\text{PURCHASE PRICE}}$$

**NEGATIVE  
LEVERAGE**

**=**

**RATE OF  
RETURN**

**<**

**BORROWING  
COSTS**

**POSITIVE  
LEVERAGE**

**=**

**RATE OF  
RETURN**

**>**

**BORROWING  
COSTS**

# THE DIFFERENCE BETWEEN POSITIVE AND NEGATIVE LEVERAGE: THIS DROVE THE BID/ASK SPREAD

Loan Constant and Cap Rate Relationship			
Purchase Price	\$90,909,091		
Going In Cap Rate	6.50%		
Loan To Value	65.00%		
Loan Amount	\$59,090,909		
July 1, 2022		Today	
Amortization	25 Years		25 Years
Interest Rates	3.00%		5.50%
Loan Constant	5.74%		7.45%
NOI	\$5,909,091		\$5,909,091
Debt Service	(\$3,393,465)		(\$4,405,189)
Cash Flow	\$2,515,626		\$1,503,902
Cash On Cash	7.91%		4.73%

**THIS IS WAS ASSUMING PROPERTY OPERATIONS  
WERE CONSTANT...**

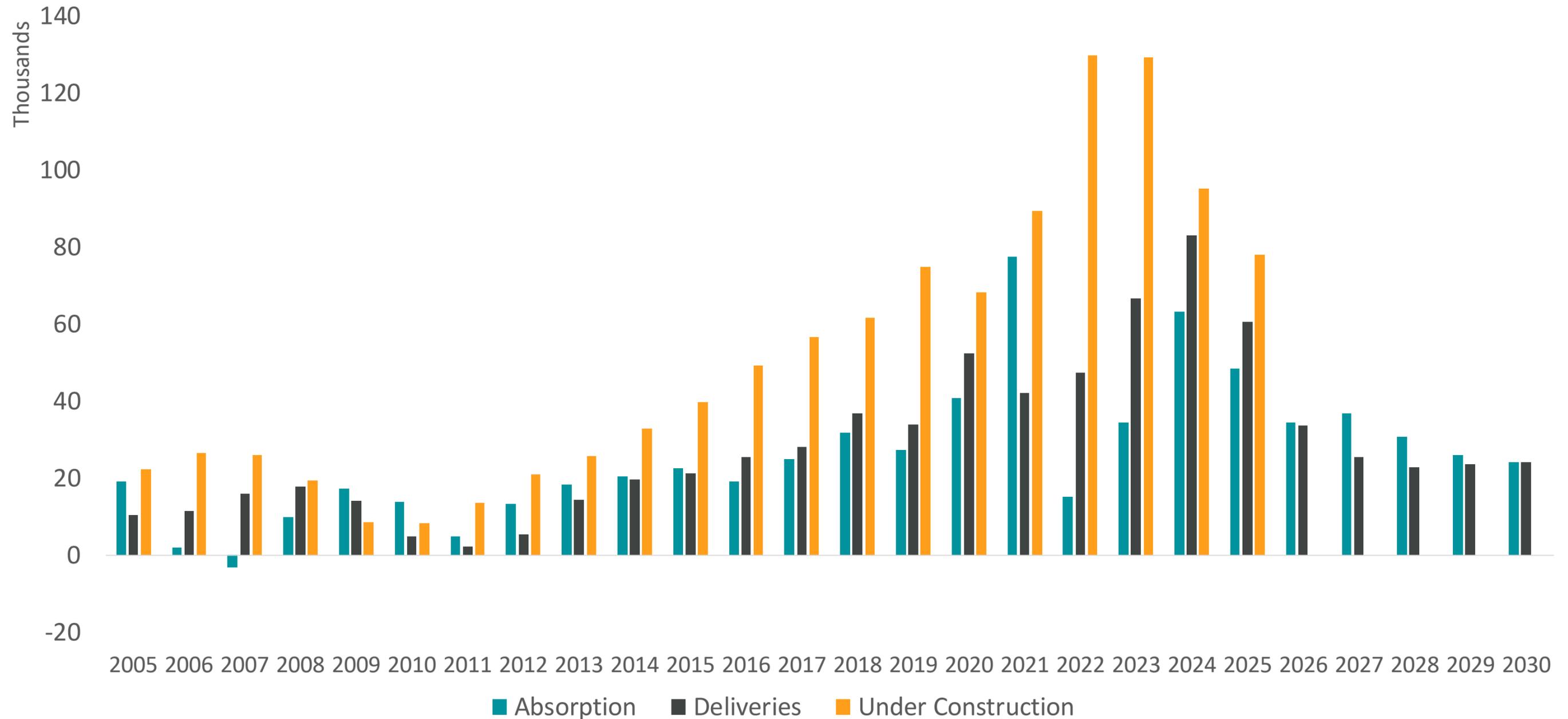
**BUT ARE THEY?**

# MULTIFAMILY



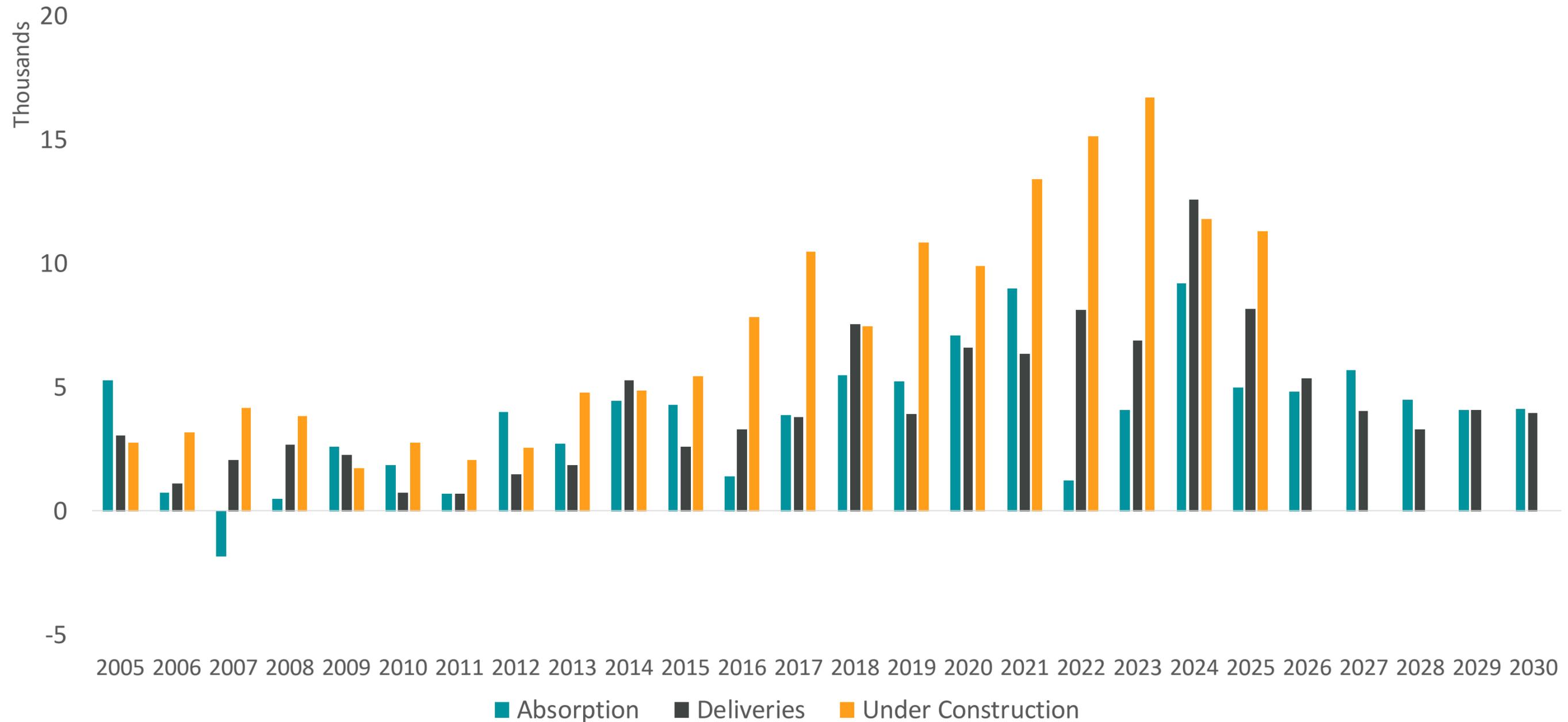
# FLORIDA MULTIFAMILY: BUILD, OVER-BUILD & ABSORB

Florida Multifamily Metrics



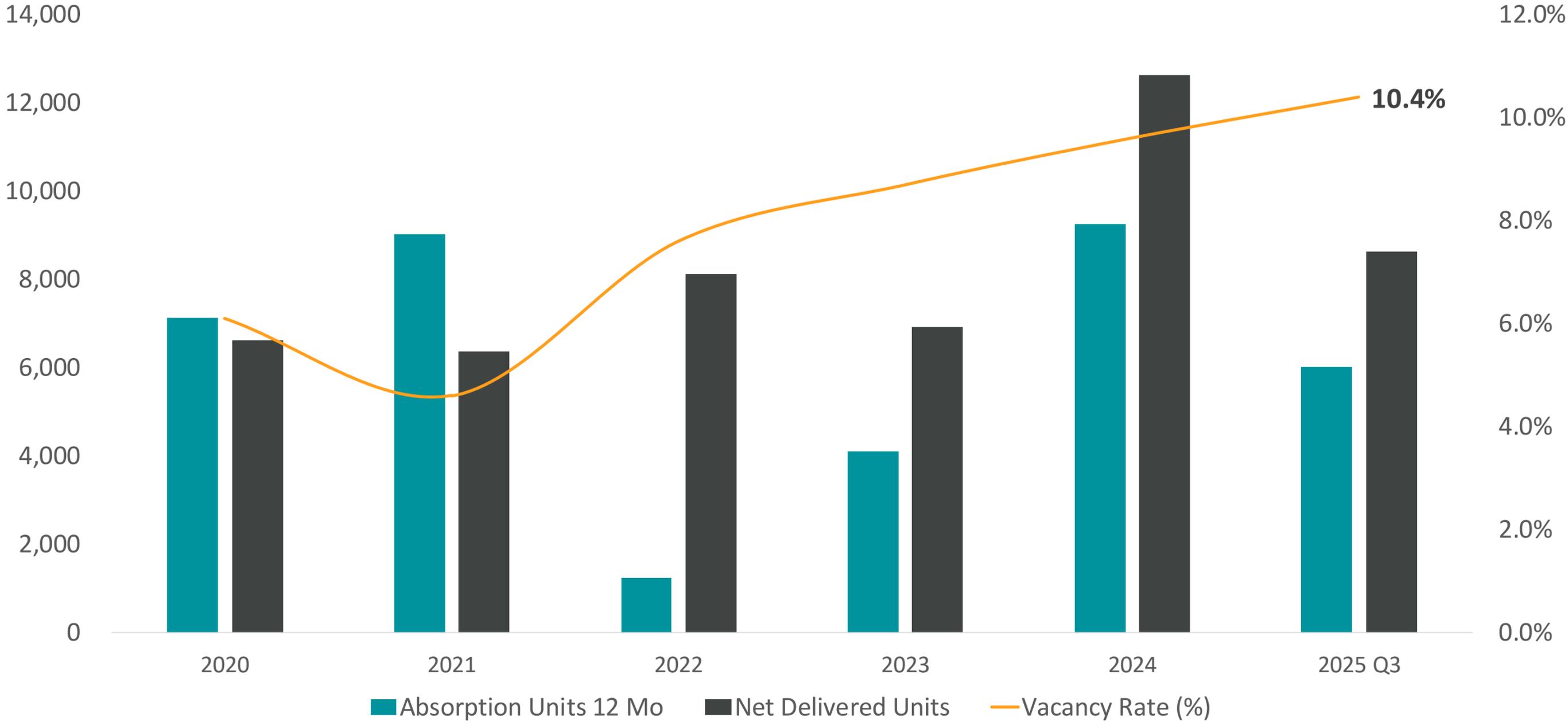
# TAMPA MULTIFAMILY: BUILD, OVER-BUILD & ABSORB

Tampa Multifamily Metrics



# TAMPA MULTIFAMILY

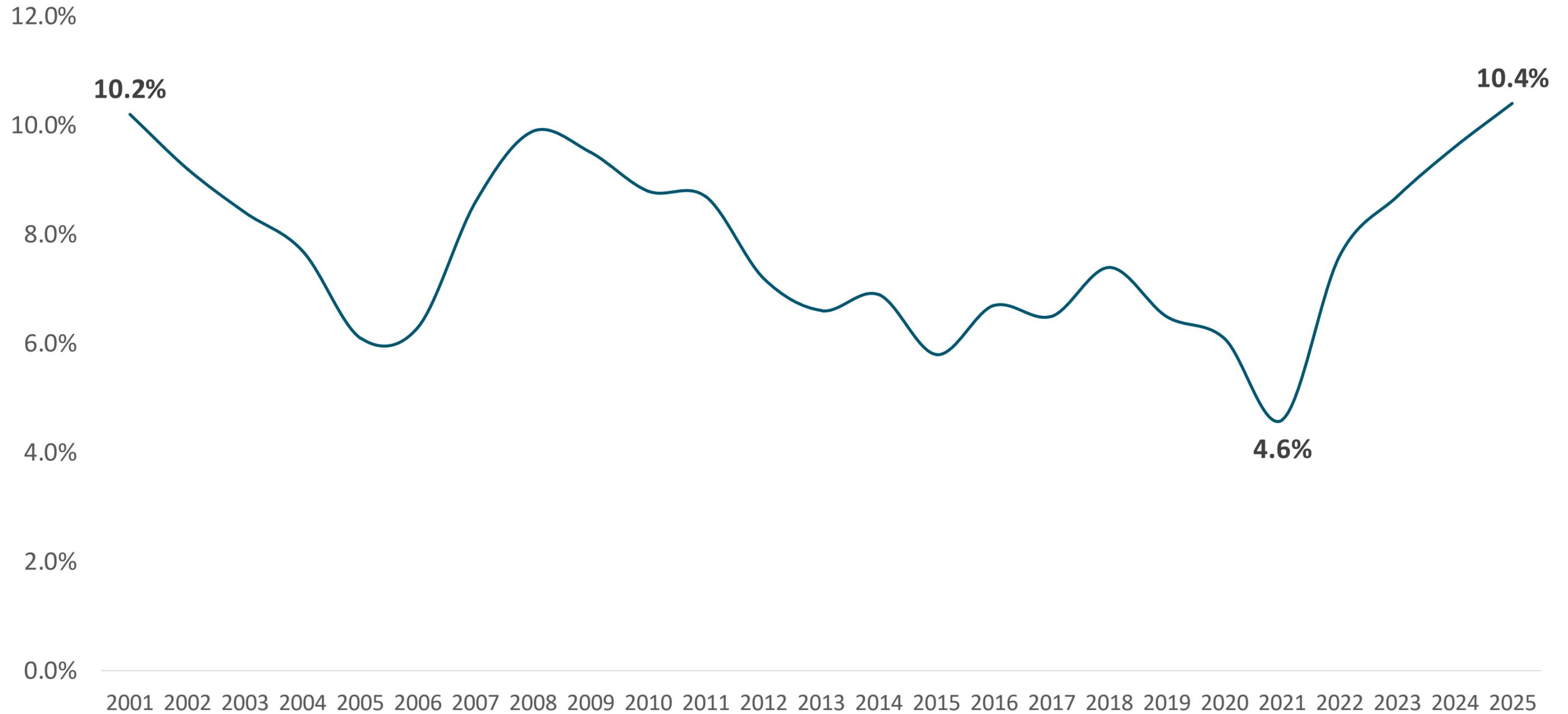
Multifamily Market Metrics



Source: Costar

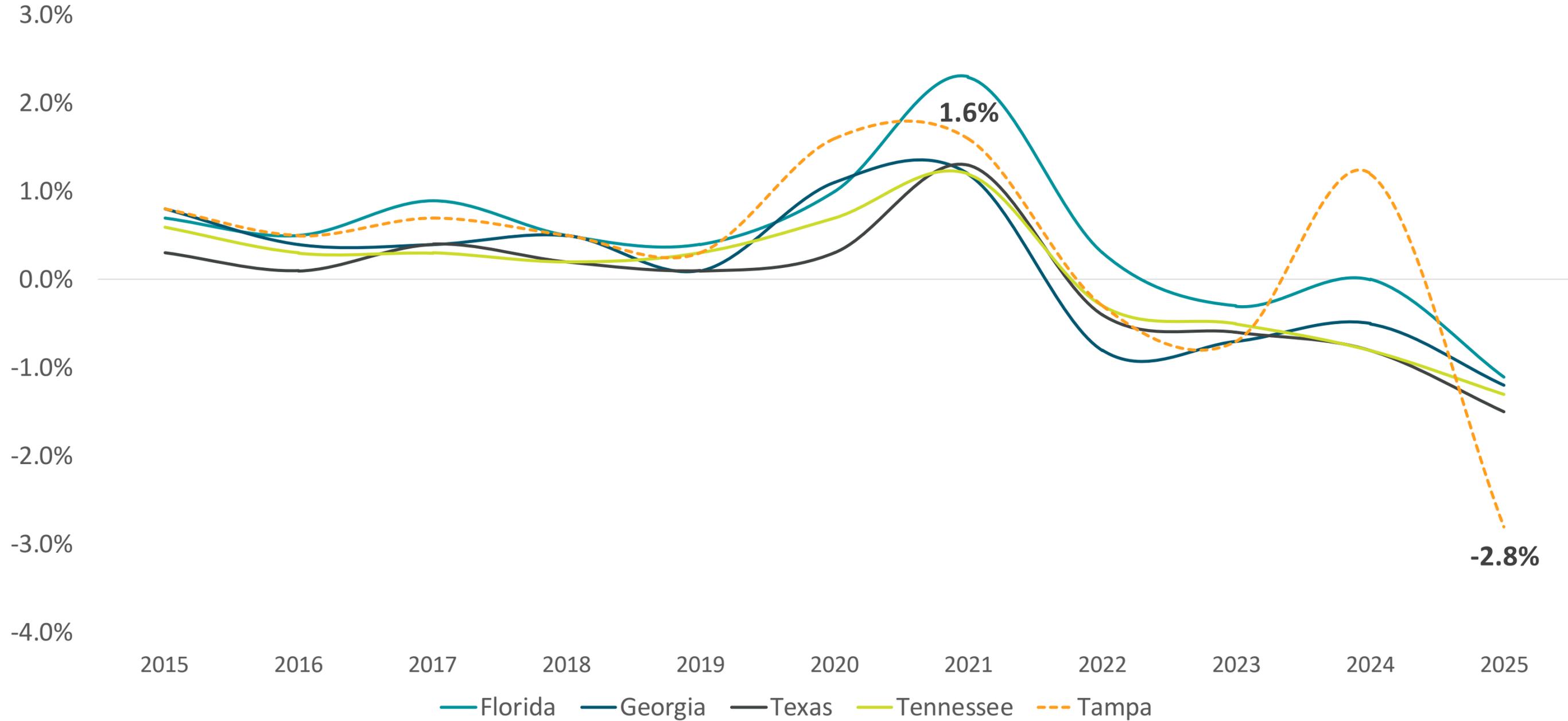
# TAMPA'S MULTIFAMILY MARKET SEES HIGHEST VACANCY IN 24 YEARS

Tampa Multifamily Market Vacancy Rate



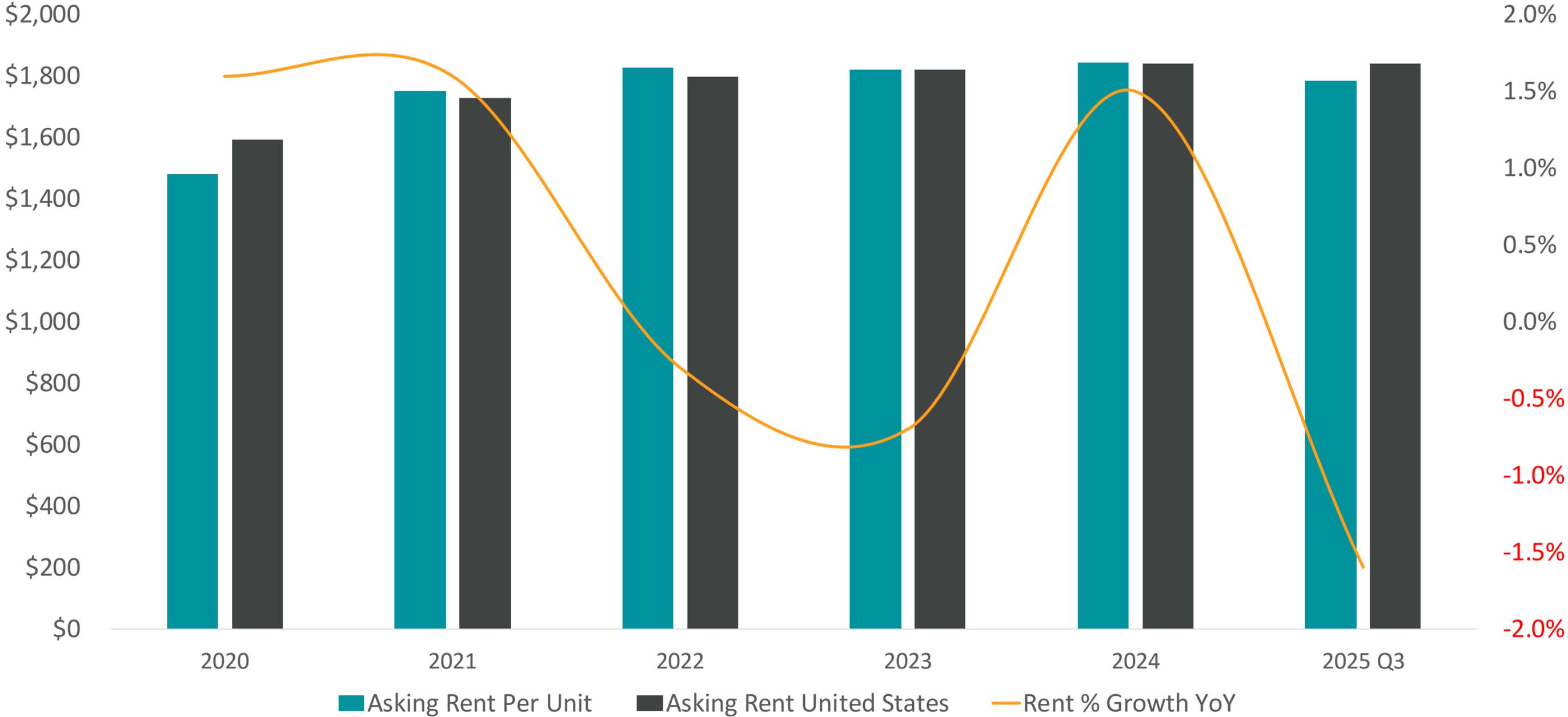
# SOUTHEAST MULTIFAMILY RENT GROWTH IS NEGATIVE 2025 TAMPA MULTIFAMILY RENT GROWTH WAS NEGATIVE

Southeast Multifamily Rent Growth YOY



# TAMPA MULTIFAMILY

Tampa Asking Rents & Rent Growth



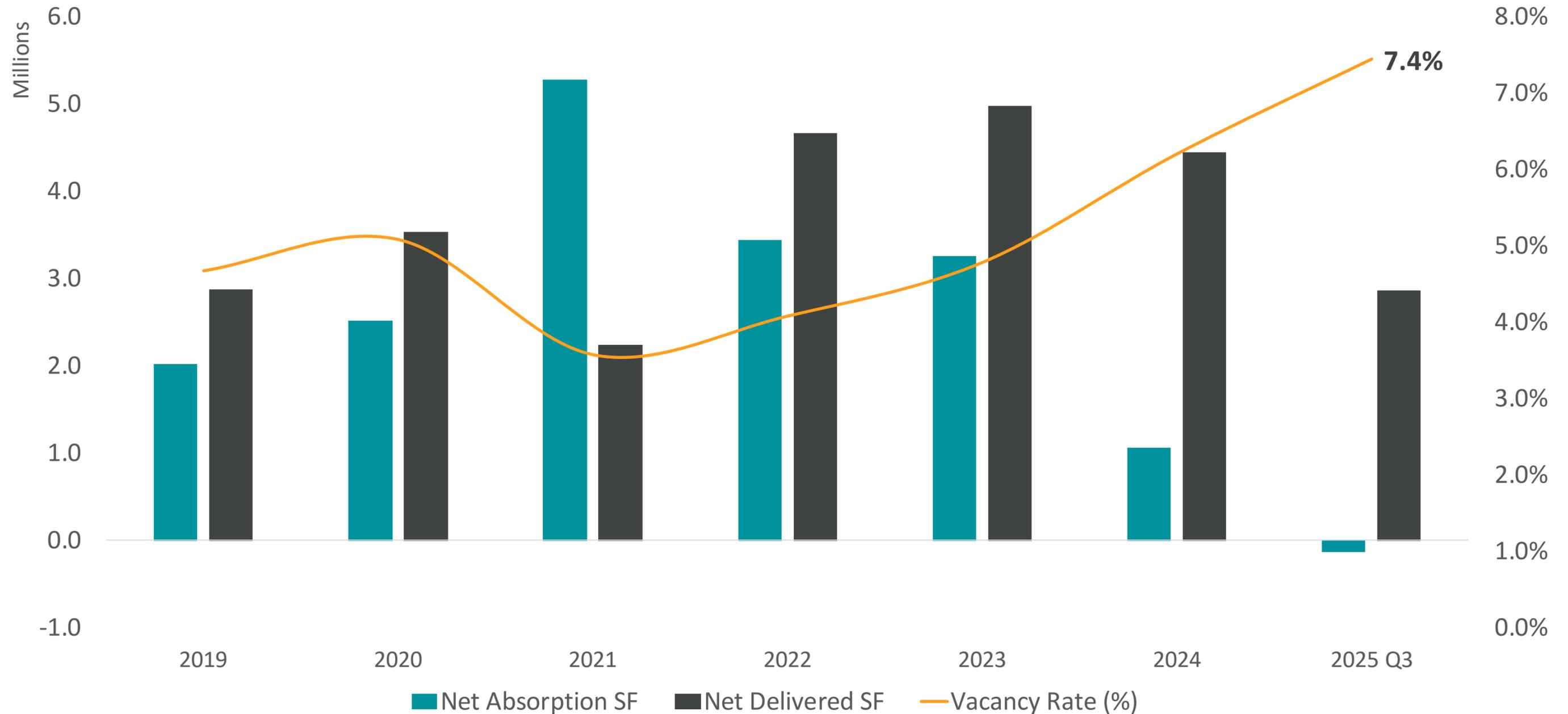
Source: Costar

**INDUSTRIAL**



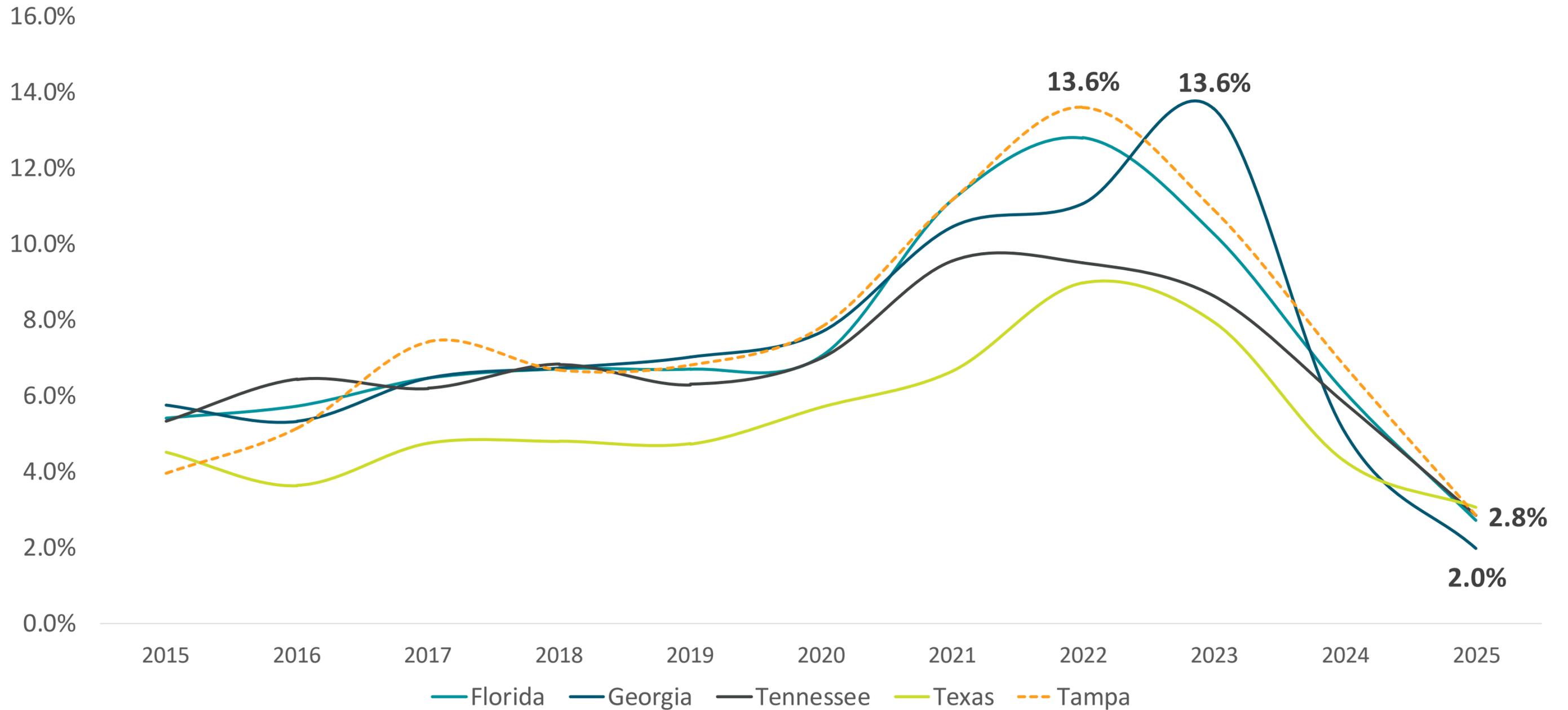
# TAMPA INDUSTRIAL DELIVERIES OUTPACE ABSORPTION

Industrial Market Metrics



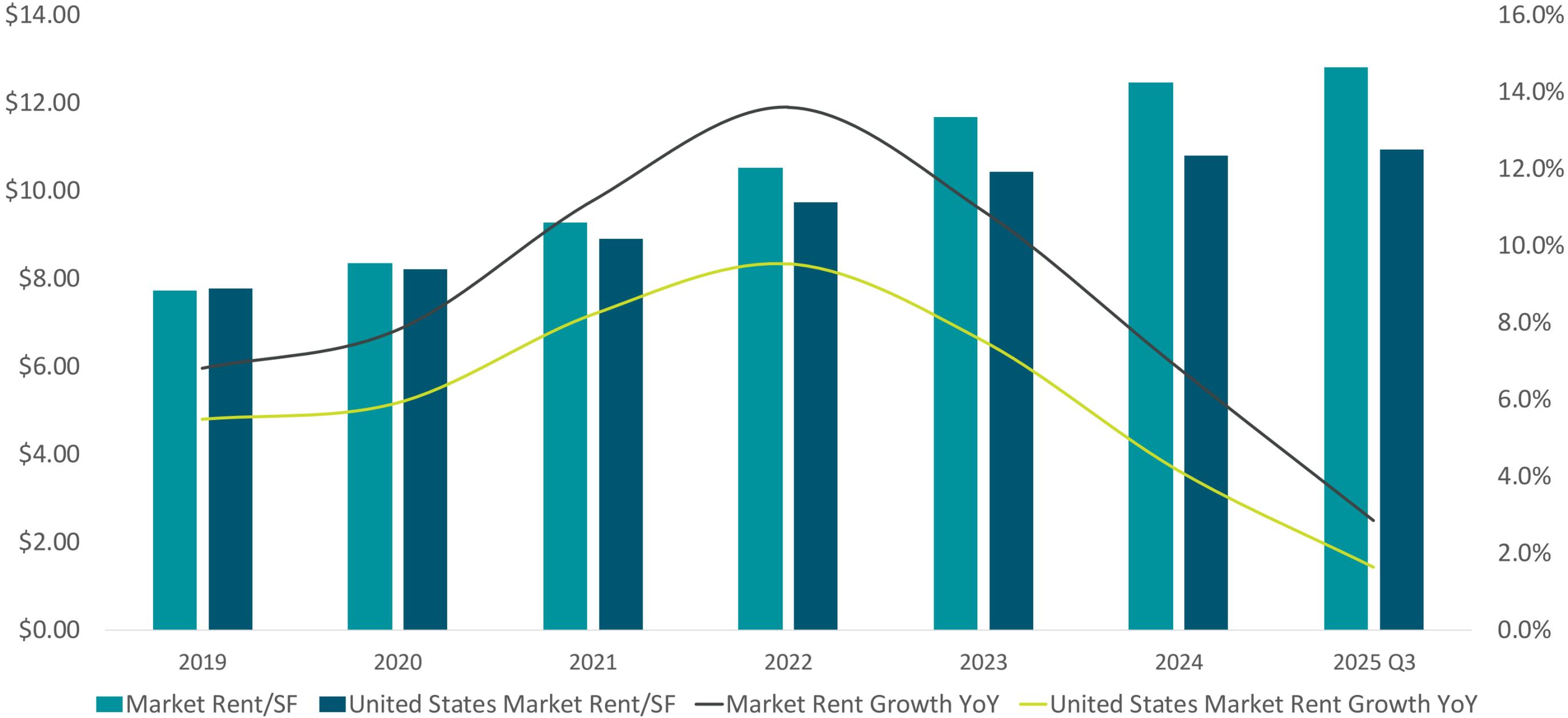
# SOUTHEAST INDUSTRIAL RENT GROWTH: 2025 TAMPA INDUSTRIAL RENT GROWTH IS THE SLOWEST IN 10 YEARS

Southeast Industrial Rent Growth YOY



# TAMPA INDUSTRIAL RENT IS SOFTENING

Asking Rents & Rent Growth



Source: Costar

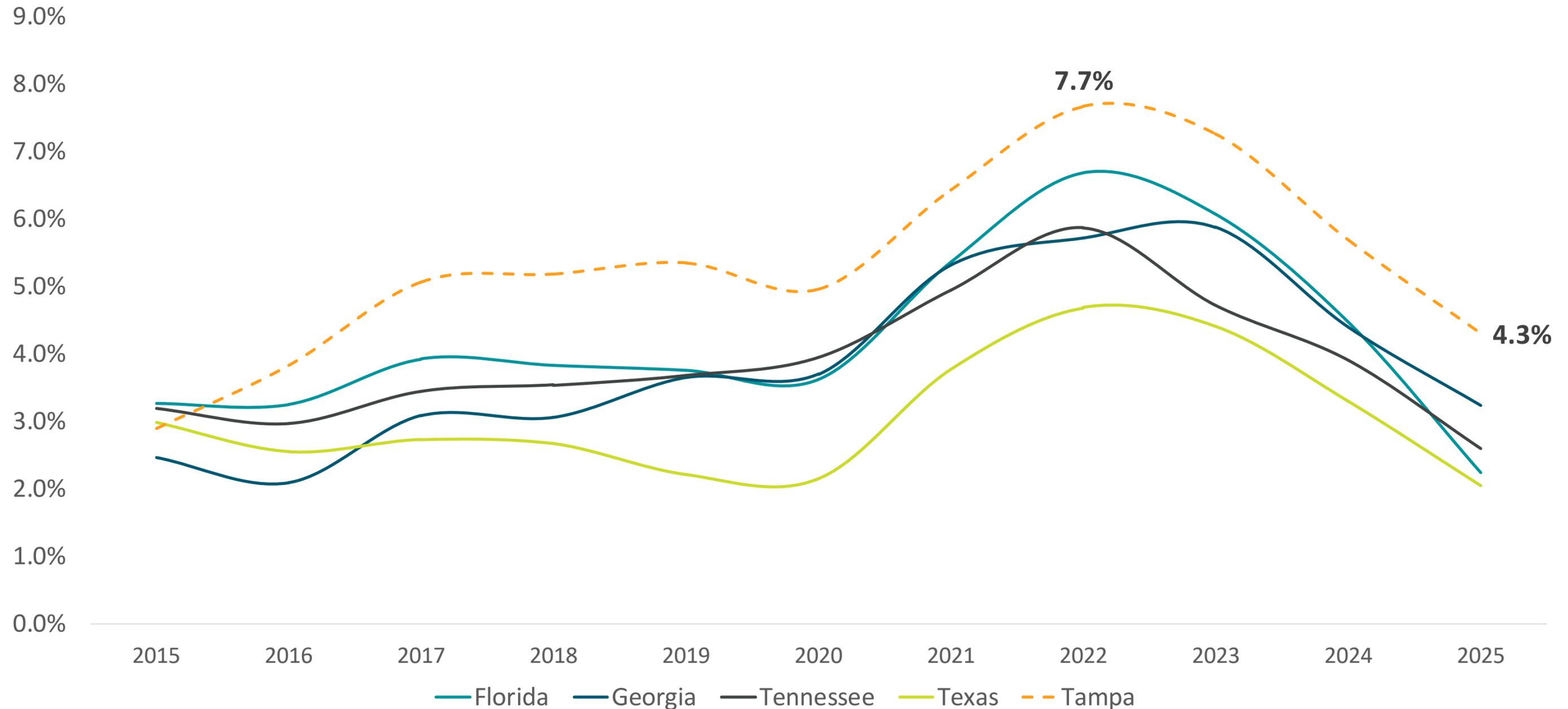
# RETAIL



# SOUTHEAST RETAIL RENTS

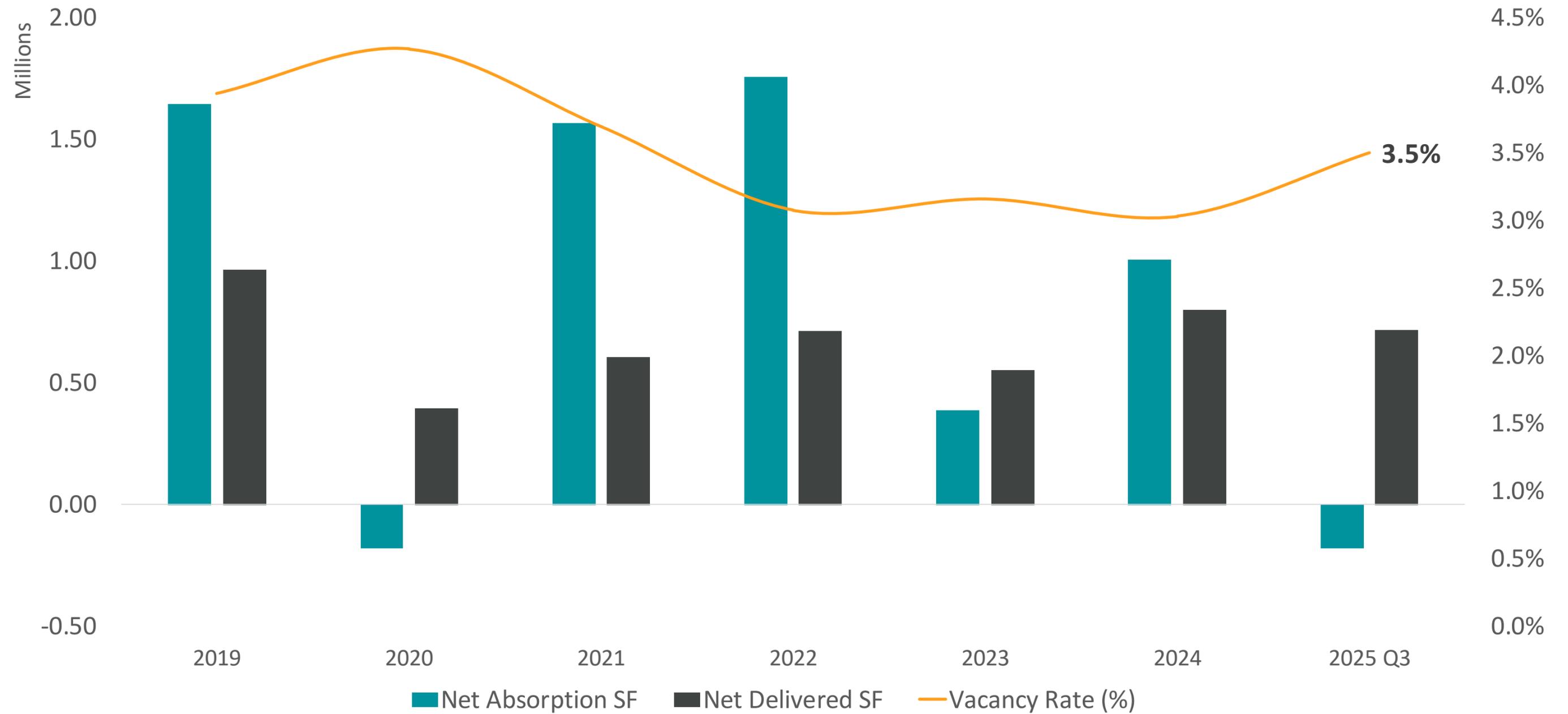
## 2025 TAMPA RETAIL RENT GROWTH OUTPACES THE SOUTHEAST

Southeast Retail Rent Growth YOY



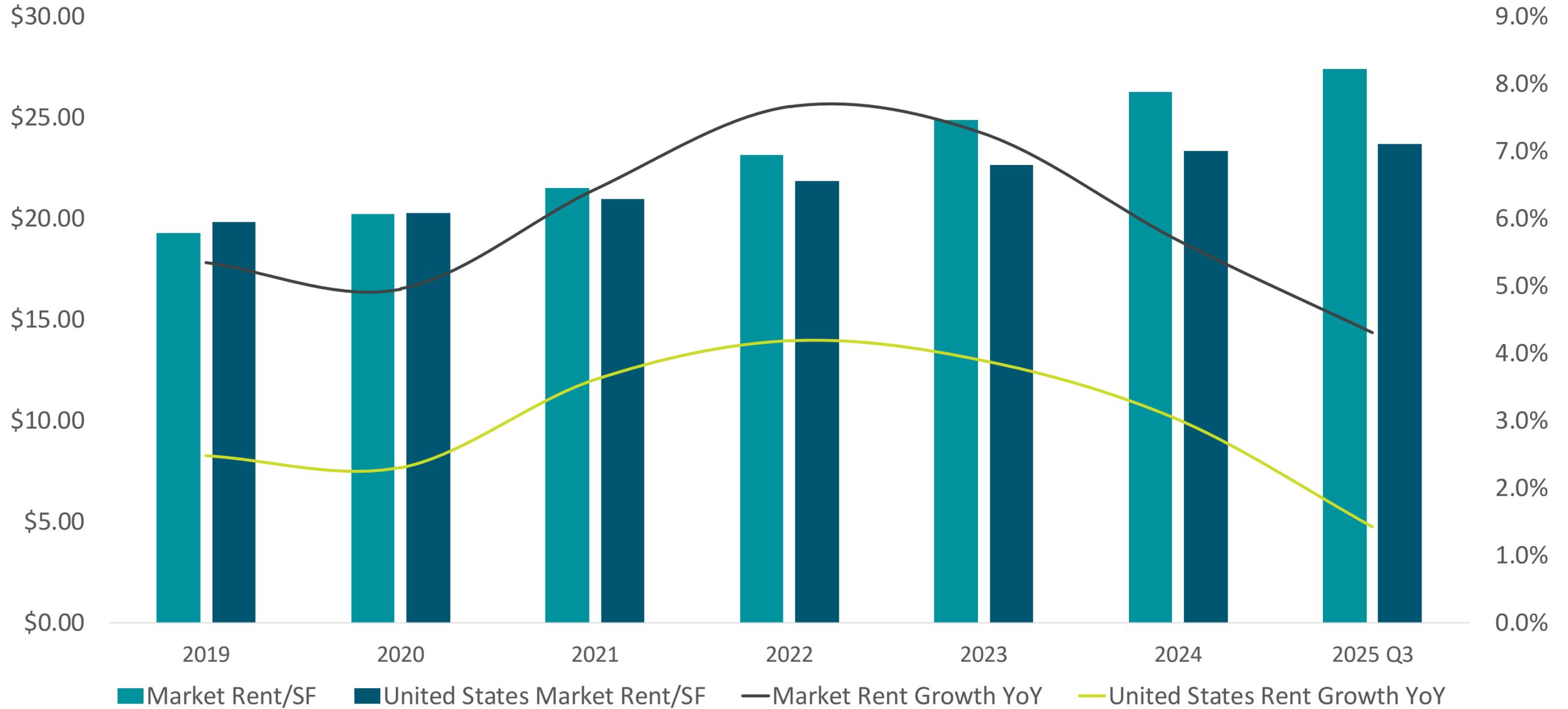
# TAMPA RETAIL STRONG ABSORPTION DRIVES LOW VACANCY

Tampa Retail Market Metrics



# TAMPA RETAIL RENT GROWTH

Asking Rents & Rent Growth



**OFFICE**



# NEW YORK CITY'S OFFICE VACANCY IS ROUGHLY THE SAME SIZE AS TAMPA'S TOTAL INVENTORY



**962M**  
Inventory s/ft

**13.4%**  
Vacancy Rate

**129M**  
Vacant s/ft



**105M**  
Inventory s/ft

**10.2%**  
Vacancy Rate

**10.7M**  
Vacant s/ft



**131M**  
Inventory s/ft

**9.5%**  
Vacancy Rate

**12.5M**  
Vacant s/ft



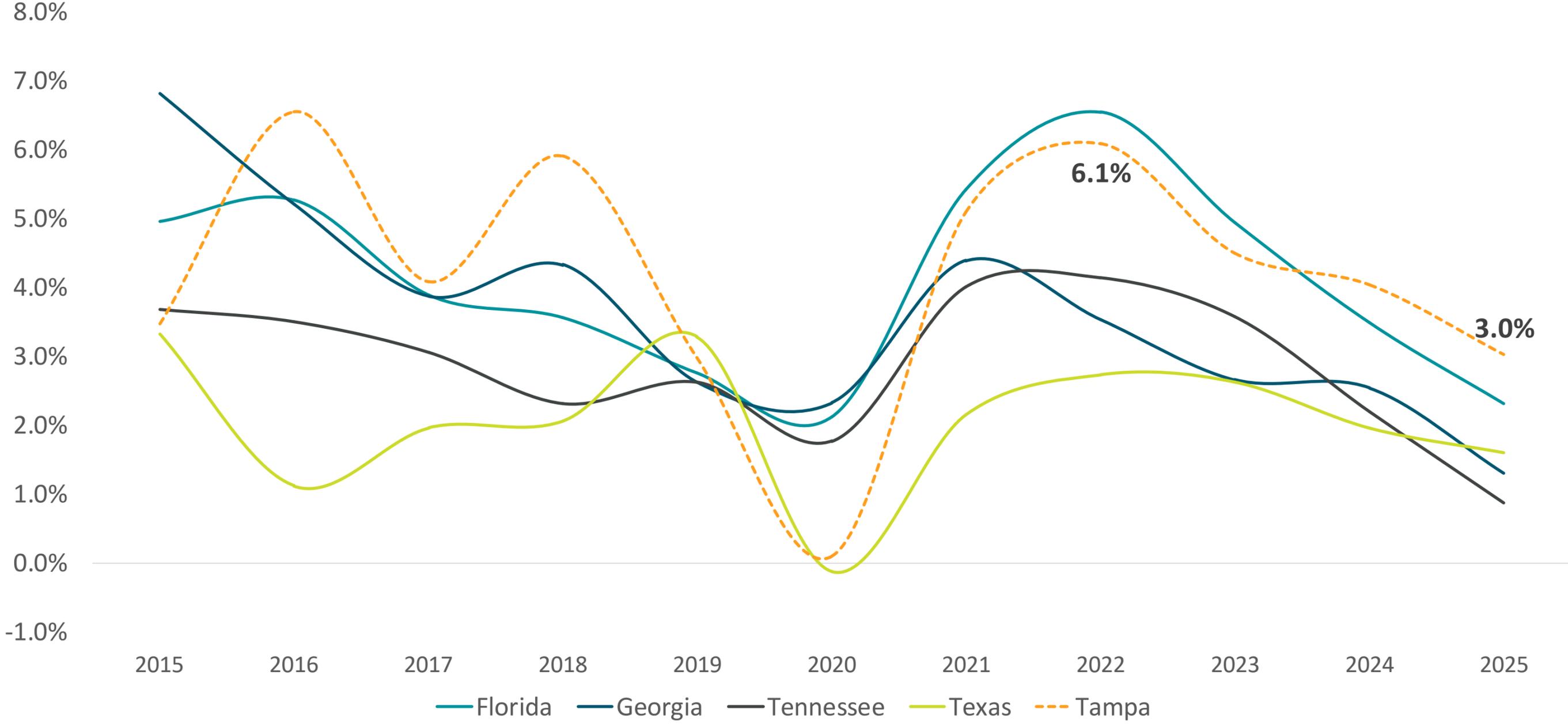
**504M**  
Inventory s/ft

**16.9%**  
Vacancy Rate

**85M**  
Vacant s/ft

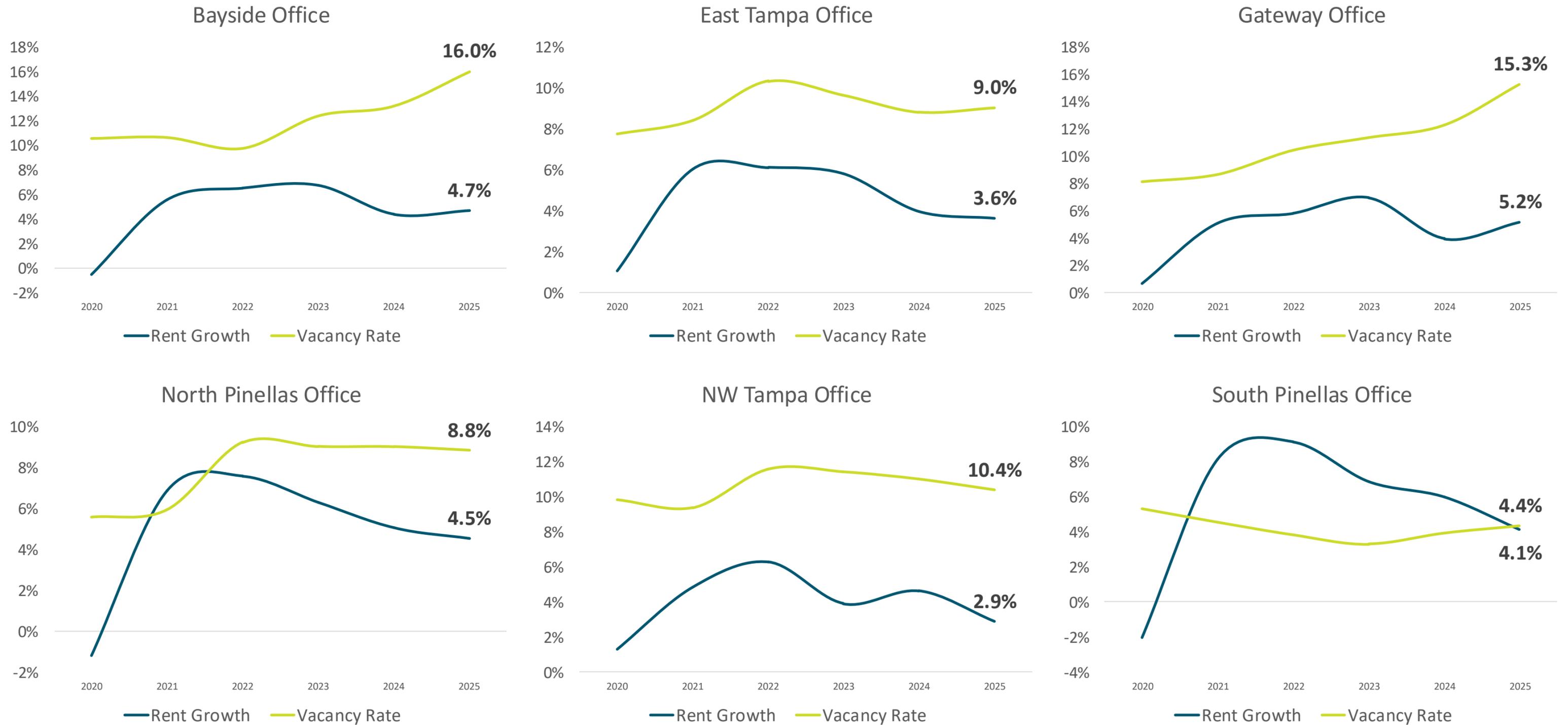
# SOUTHEAST OFFICE RENTS FLATTENING: 2025 FLORIDA OFFICE RENT GROWTH LEADS THE SOUTHEAST

Southeast Office Rent Growth YOY



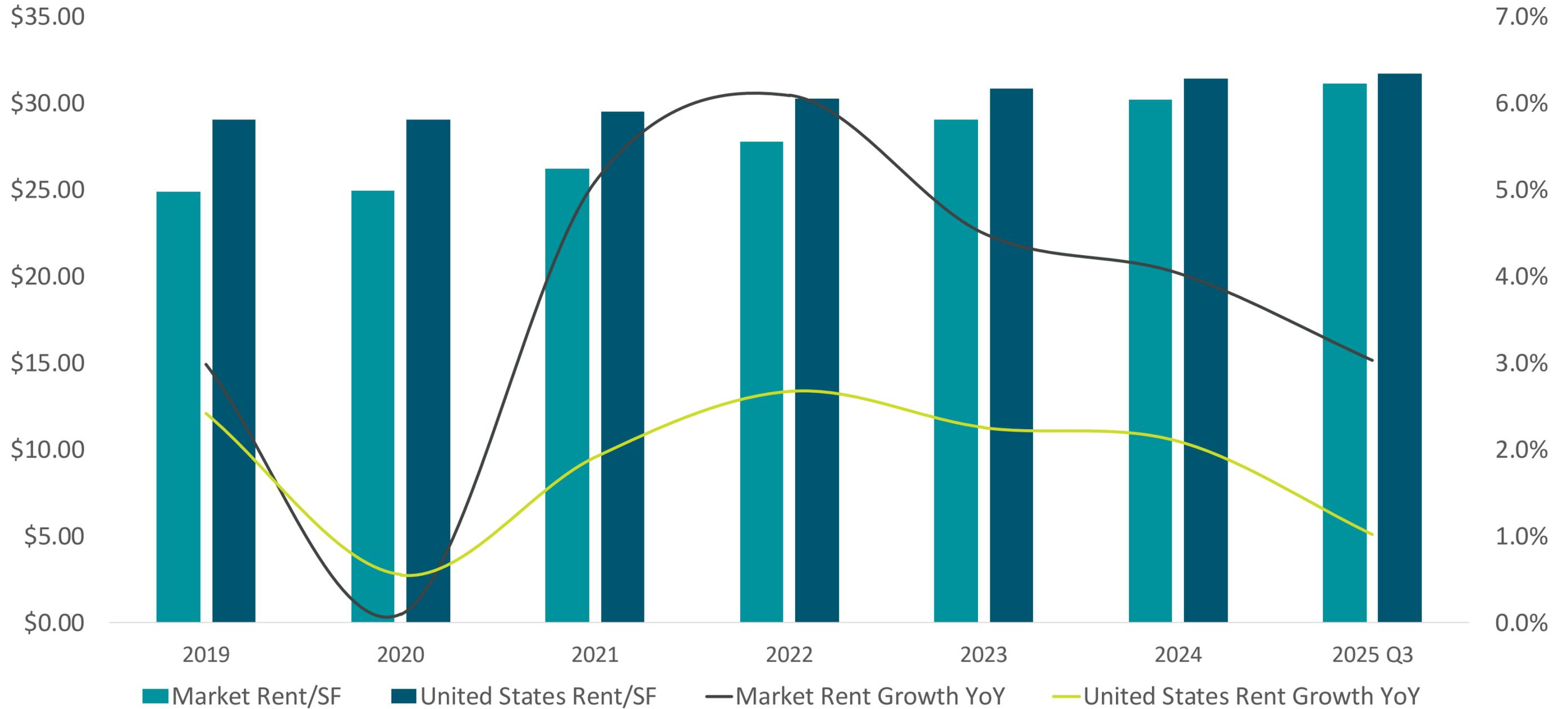
Source: Costar

# SUBURBAN TAMPA OFFICE SUBMARKET METRICS



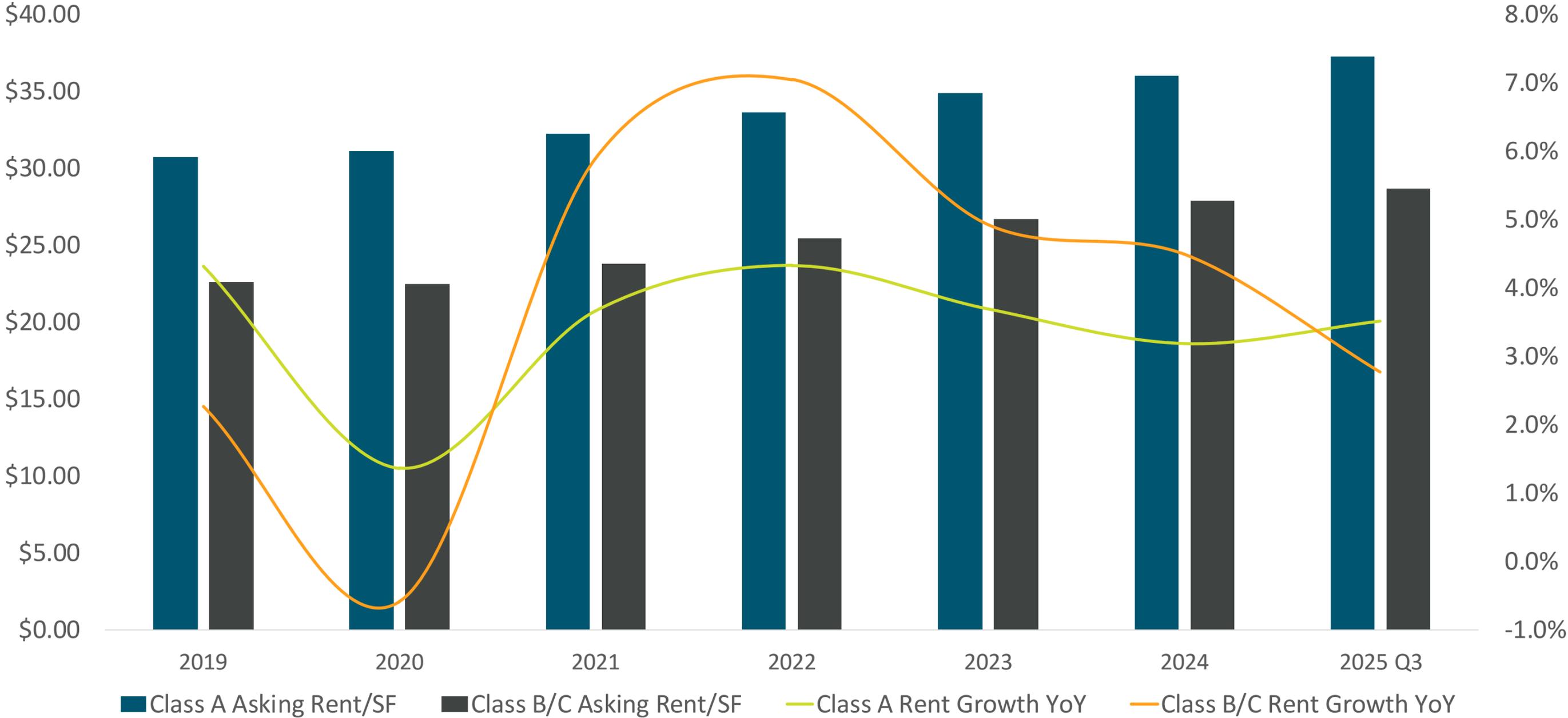
# TAMPA OFFICE RENT GROWTH REMAINS STRONG

Tampa Asking Rents & Rent Growth



# A VS B/C CLASS TAMPA OFFICE – FLIGHT TO QUALITY

Asking Rents & Rent Growth by Building Class



Source: Costar

# SLOW CONSTRUCTION STARTS LEAD TO COSTS STABILIZING

Turner Construction Index



Source: Turner Construction

# **INSURANCE IN 2026: SOFT MARKET TRENDS**

# INSURANCE IN 2026: IS THIS CRISIS ENDING? STABILIZATION AND OPPORTUNITIES

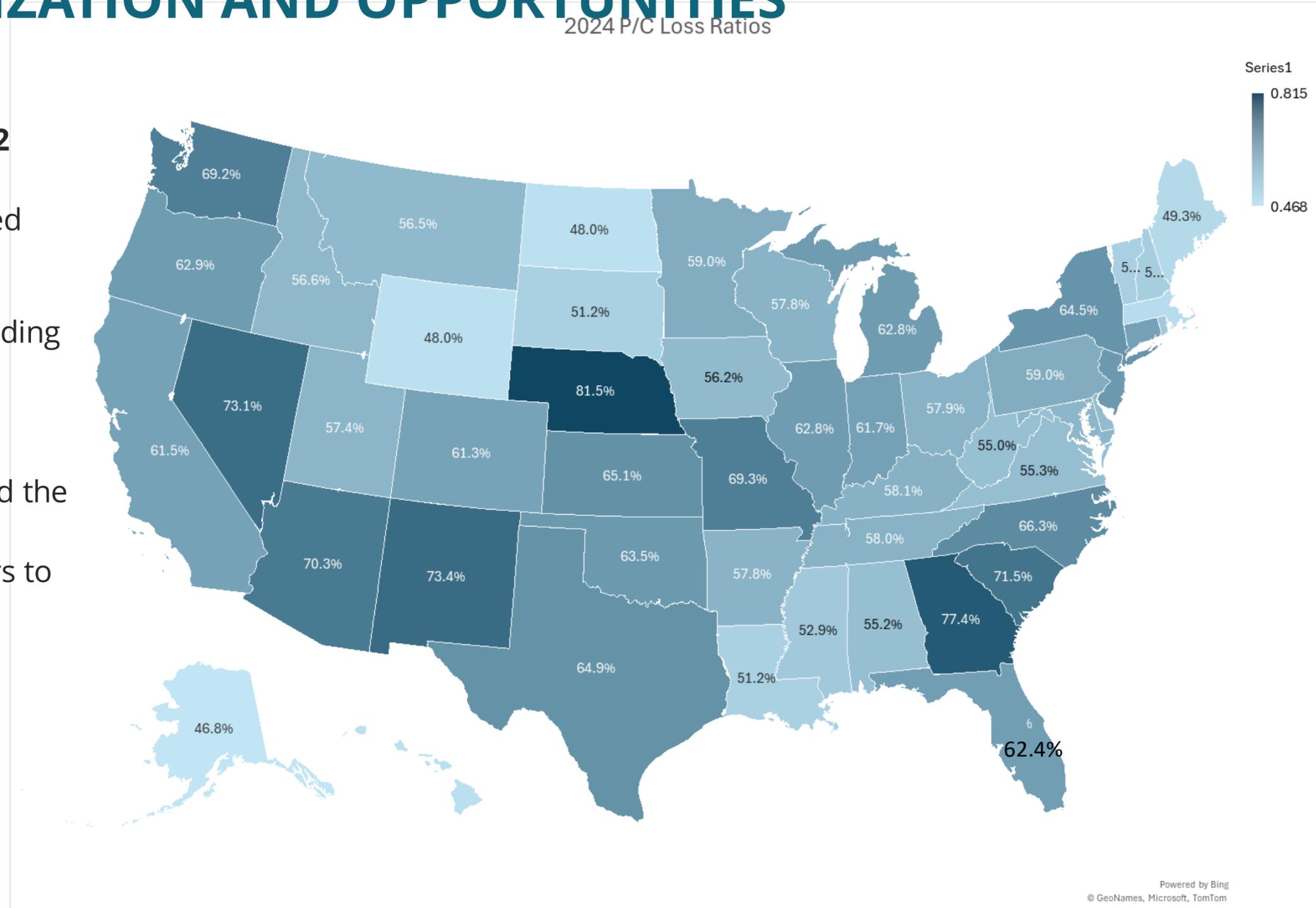
2024 P/C Loss Ratios

## SOFT MARKET

- **Rates decreased** for the first time since **Q2 2017**.
- Previous rates have contributed to improved profitability.
- This profitability, combined with improved conditions in the reinsurance market, is leading to a more predictable renewal process for many clients.

## Capacity Far Outweighs Demand

- New carriers, MGA's, and reentrants flooded the market.
- Softened reinsurance market allows carriers to reduce costs and pass savings to insureds.
- We are currently in **one of the most rapid erosions of property market rates in decades**.



# MULTIFAMILY AND CRE PORTFOLIOS OFFERS A PROMISING OUTLOOK, WITH SIGNS OF STABILIZATION AND INCREASED CAPACITY DRIVING OPTIMISM

## Reasons for optimism:

- Favorable buying environment
- Increased negotiating leverage
- Cost savings increase returns
- Sustainable pricing
- 32 quarters of consecutive growth =  
Market Maturity
- Perfect time for portfolio growth and  
optimization

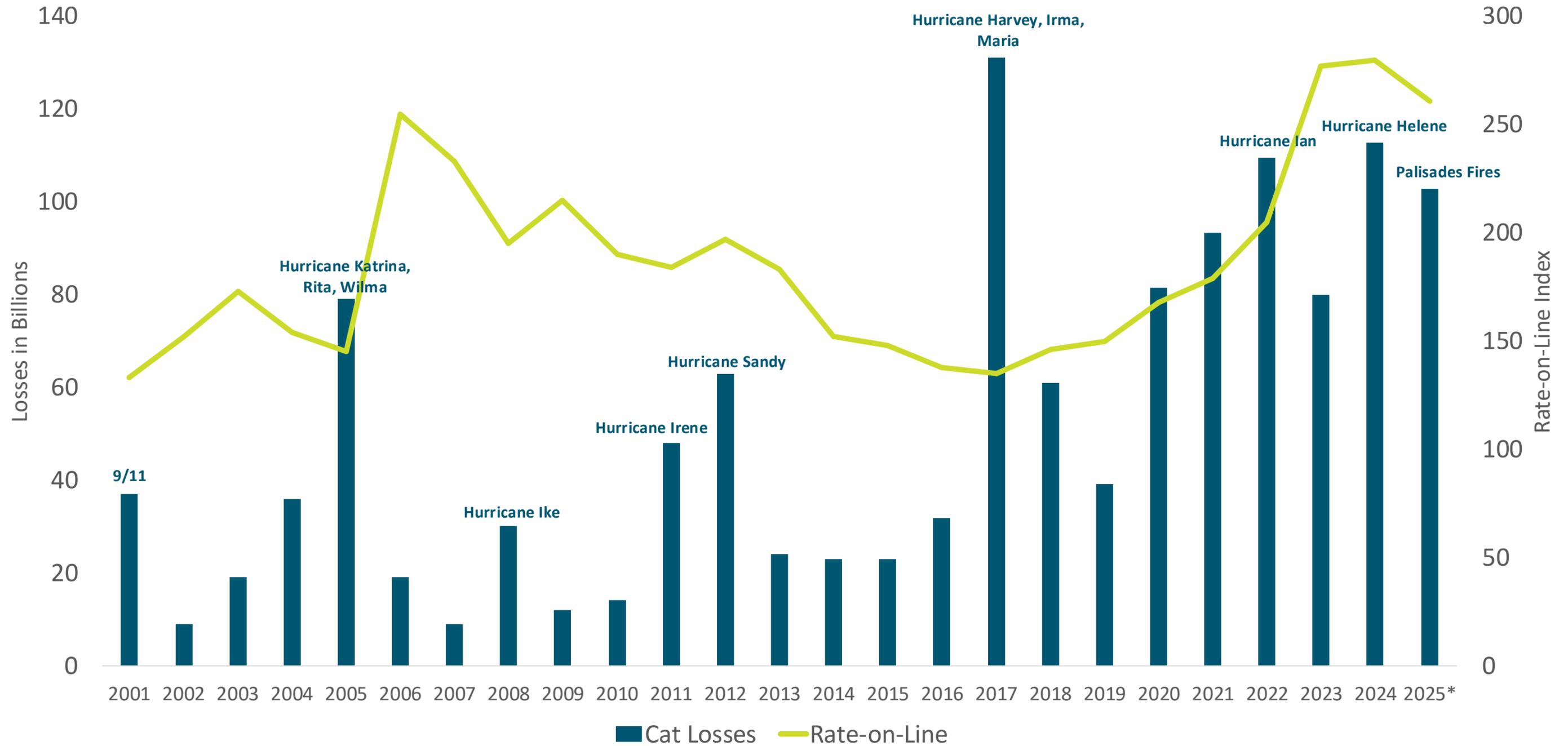
“ IN 2024, THE U.S. P&C INSURANCE INDUSTRY  
ACHIEVED ITS BEST UNDERWRITING RESULTS IN OVER

**15 YEARS**

WITH AN ANTICIPATED COMBINED RATIO OF  
**94%**, INDICATING STRONG PROFITABILITY.”

# HISTORY REPEATING ITSELF?

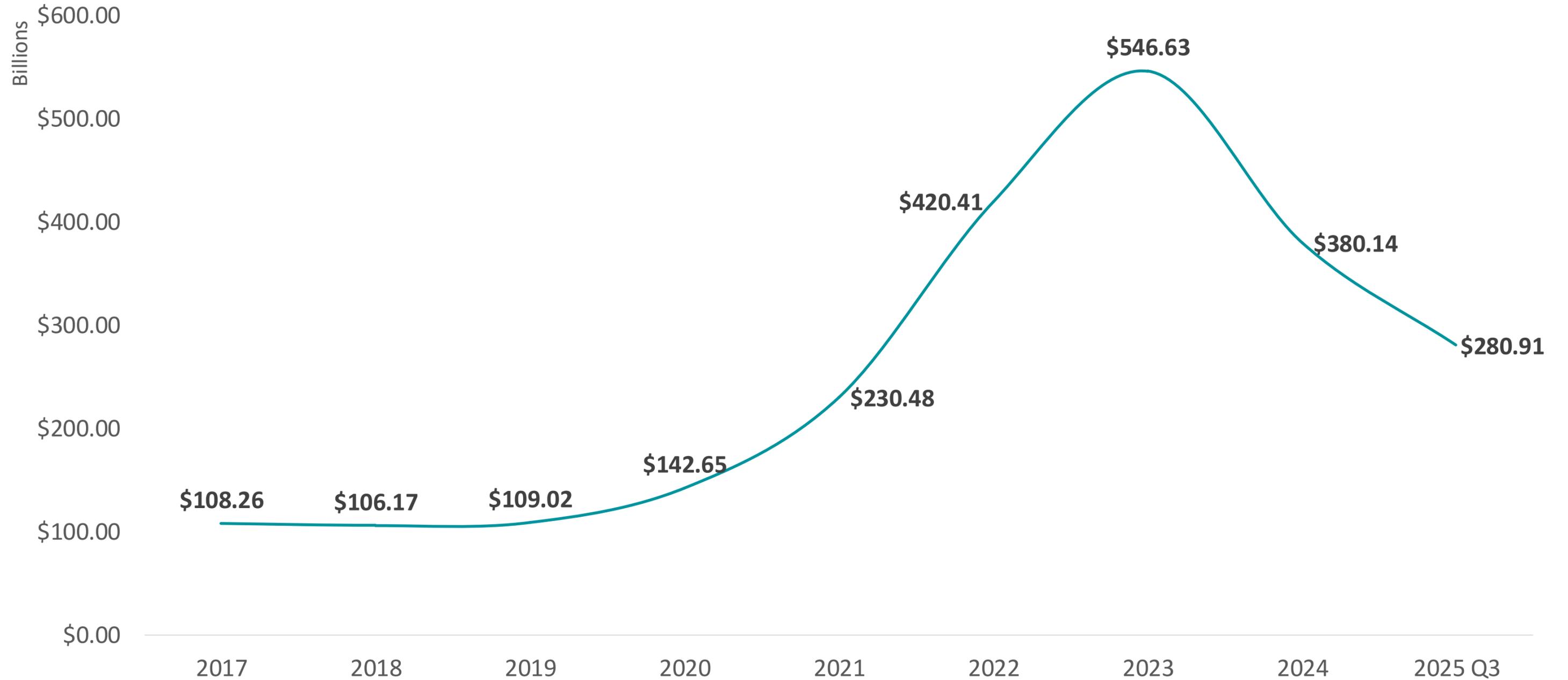
Rate-on-Line Idexes & Castastrophic Insured Losses



\* - Numbers up to Q3

# HOW CITIZENS TIV COVERAGE HAS CHANGED

Citizens Combined Accounts Total Insured Value (TIV) 2017 - 2025



## SO WHAT HAPPENED TO THE SELL OPTION?

- **RENTS DOWN**
- **EXPENSES UP**
- **INTEREST RATES UP**
- **NOI FALLING**





STADIUM LIGHTS

STADIUM LIGHTS

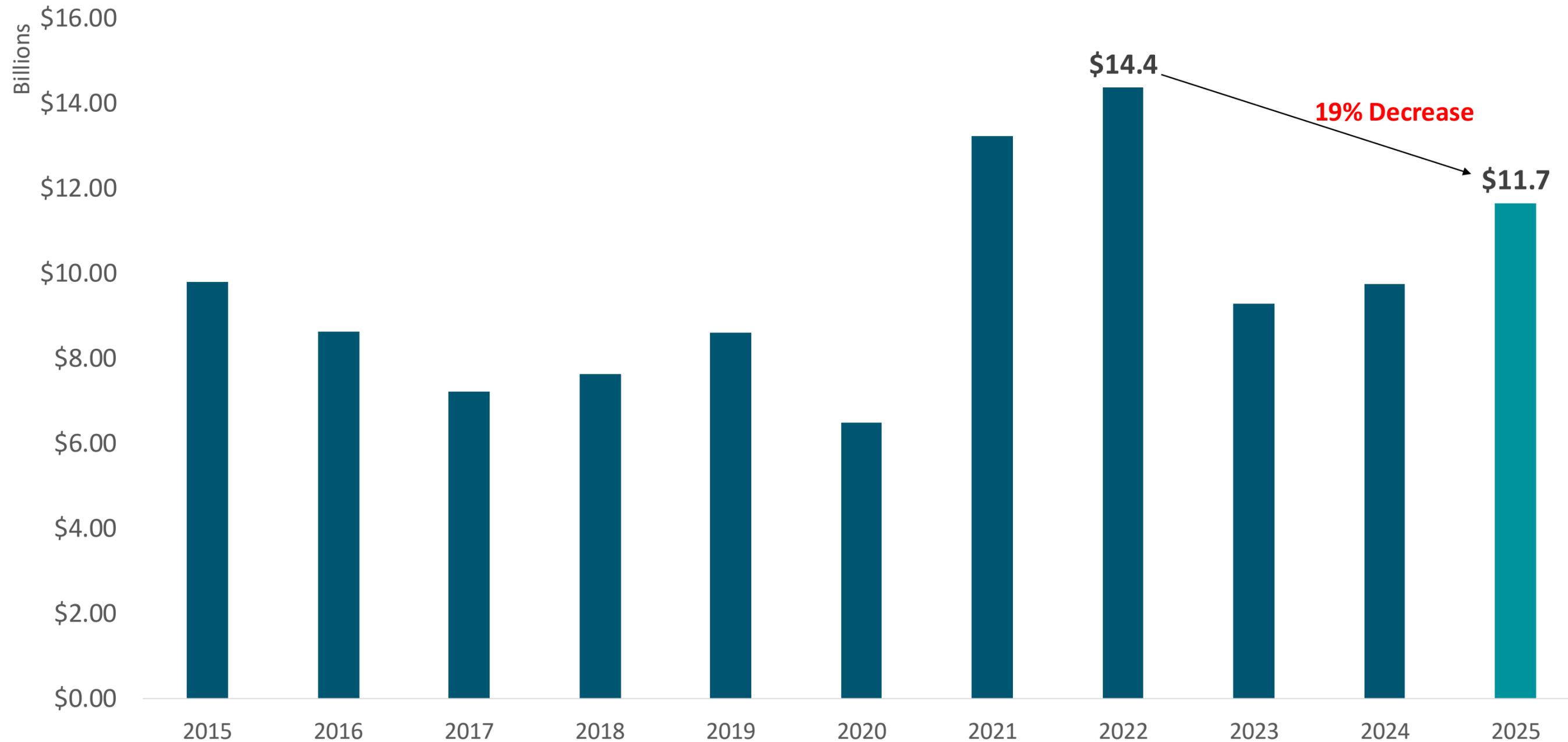
STADIUM LIGHTS

STADIUM LIGHTS



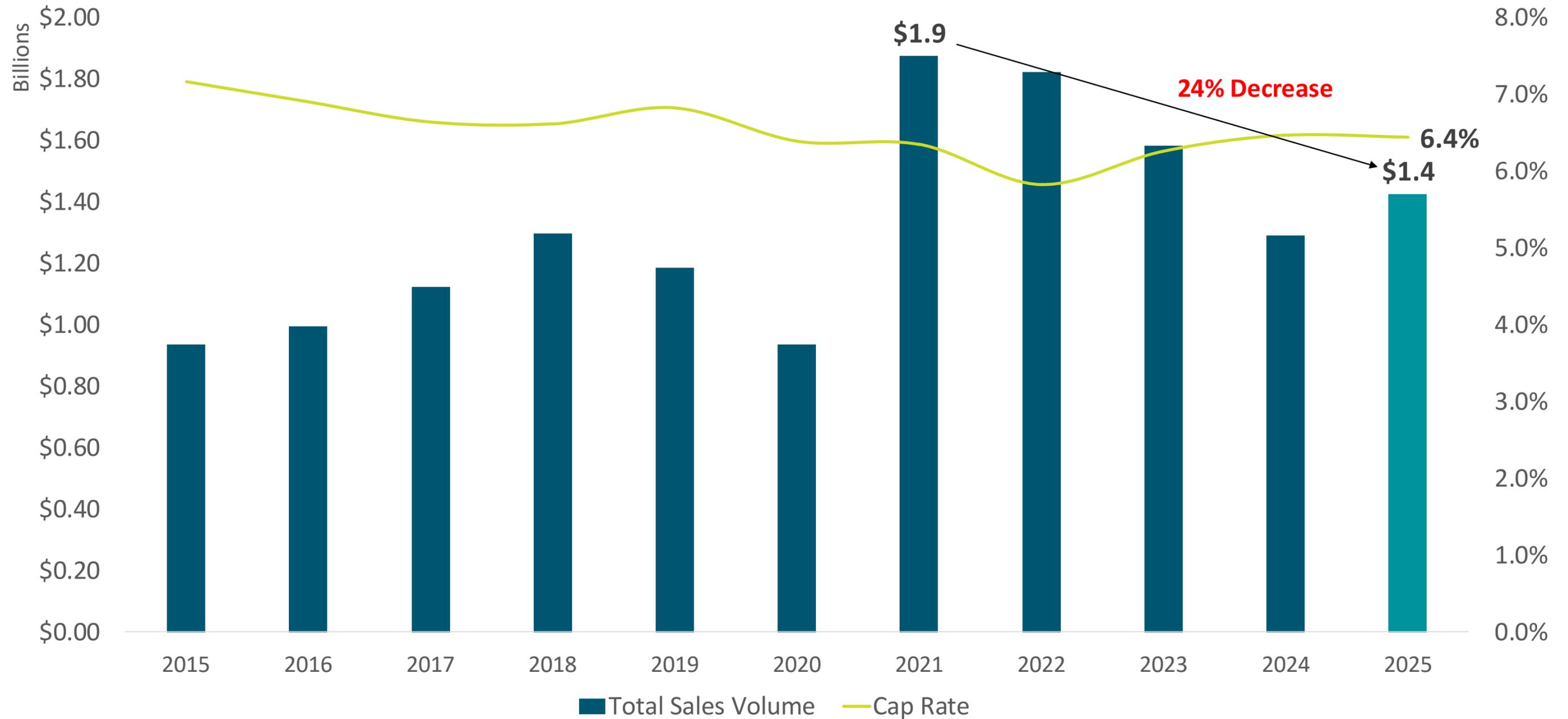
# TRANSACTION VELOCITY: FLORIDA RETAIL SALES VOLUME STABILIZING

Florida Retail Sales Volume



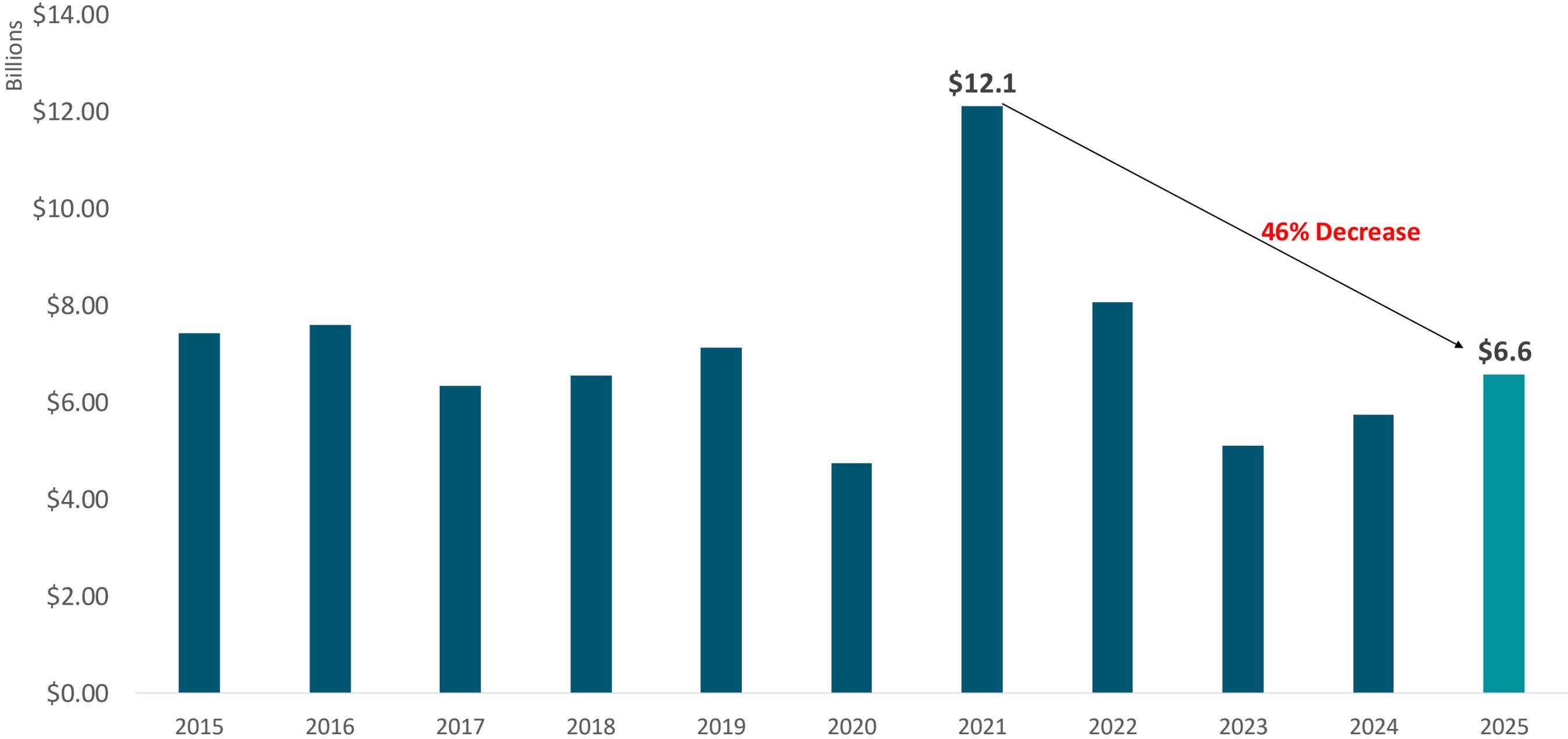
# TRANSACTION VELOCITY: TAMPA RETAIL

Tampa Retail Sales Volume & Cap Rate



# TRANSACTION VELOCITY: FLORIDA OFFICE SALES VOLUME STABILIZING

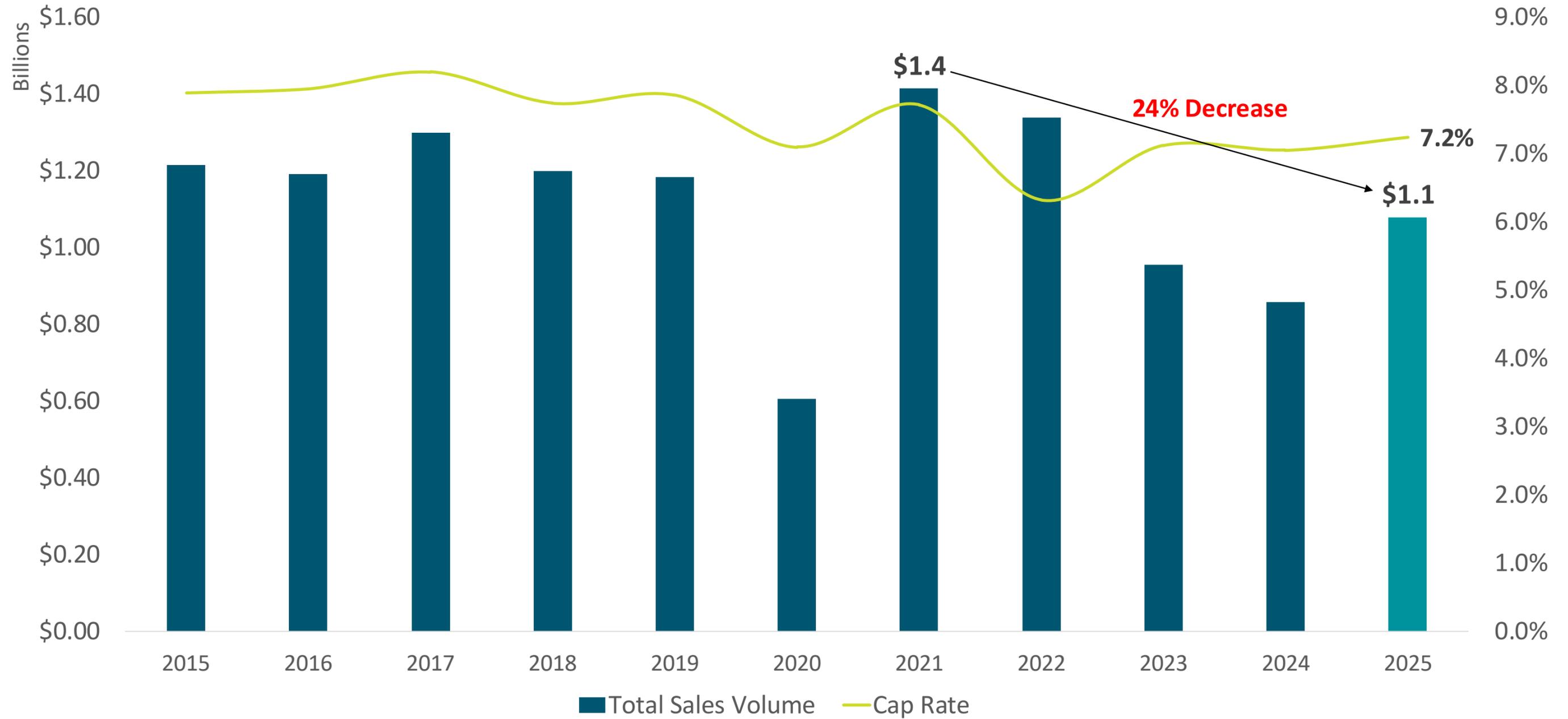
Florida Office Sales Volume



Source: Costar

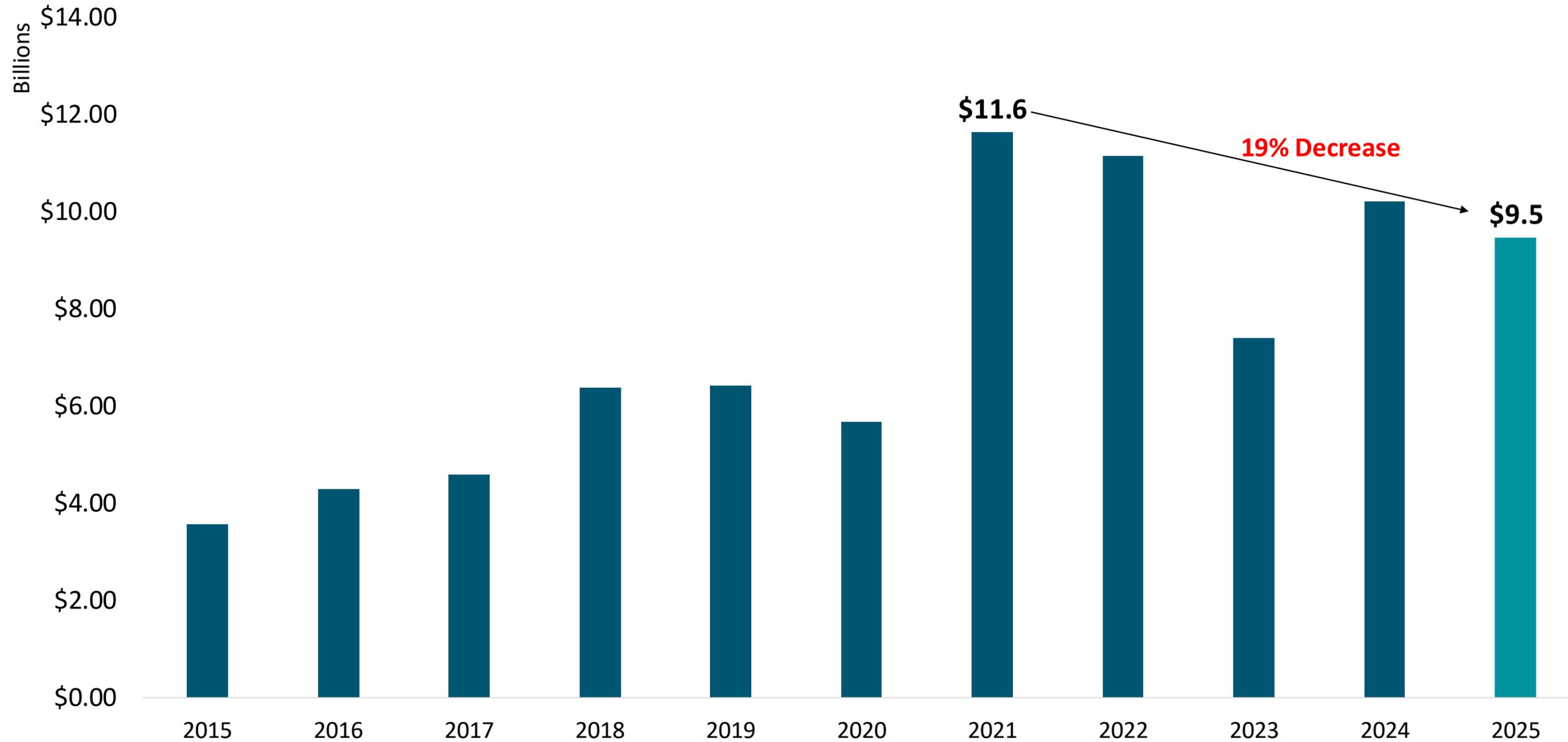
# TRANSACTION VELOCITY: TAMPA OFFICE

Tampa Office Sales Volume & Cap Rate



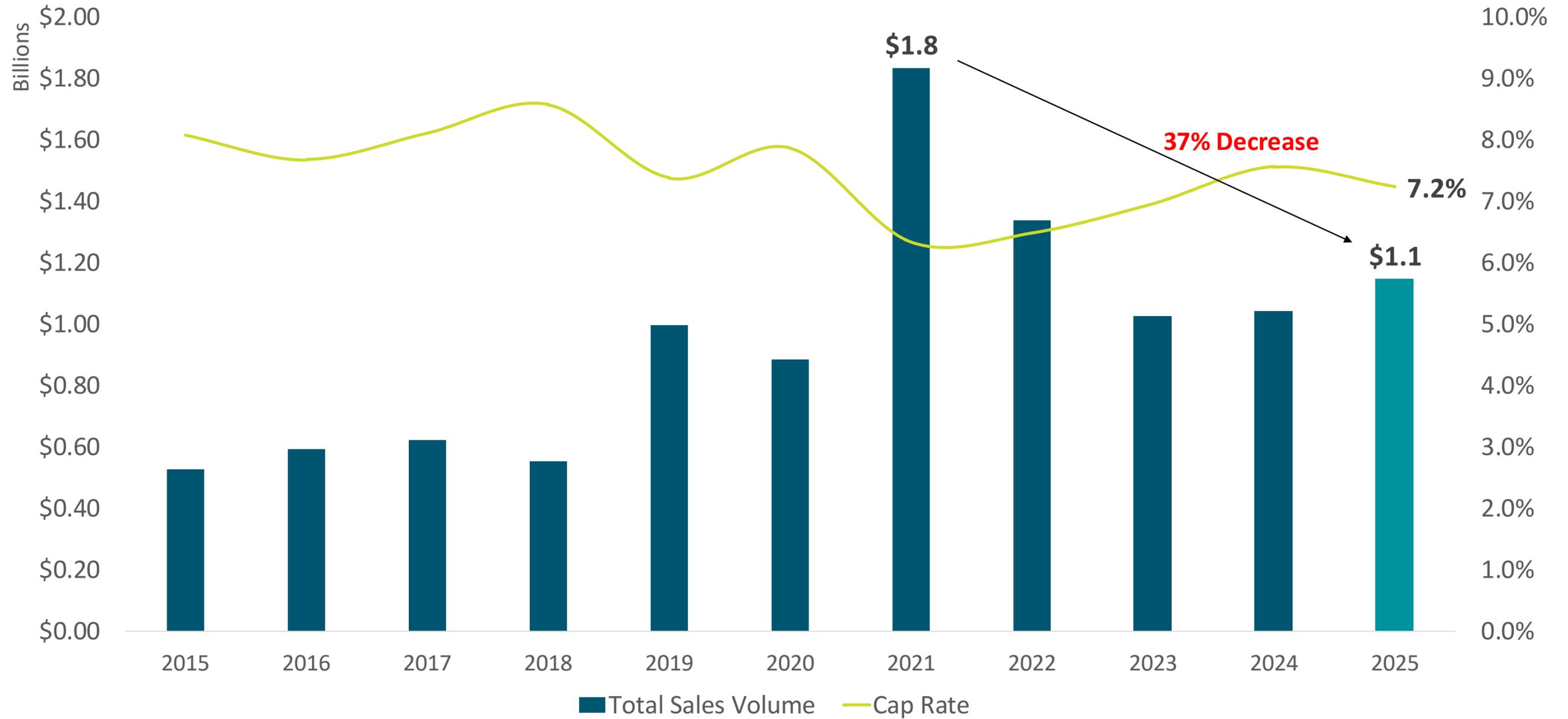
# TRANSACTION VELOCITY: FLORIDA INDUSTRIAL SALES VOLUME

Florida Industrial Sales Volume



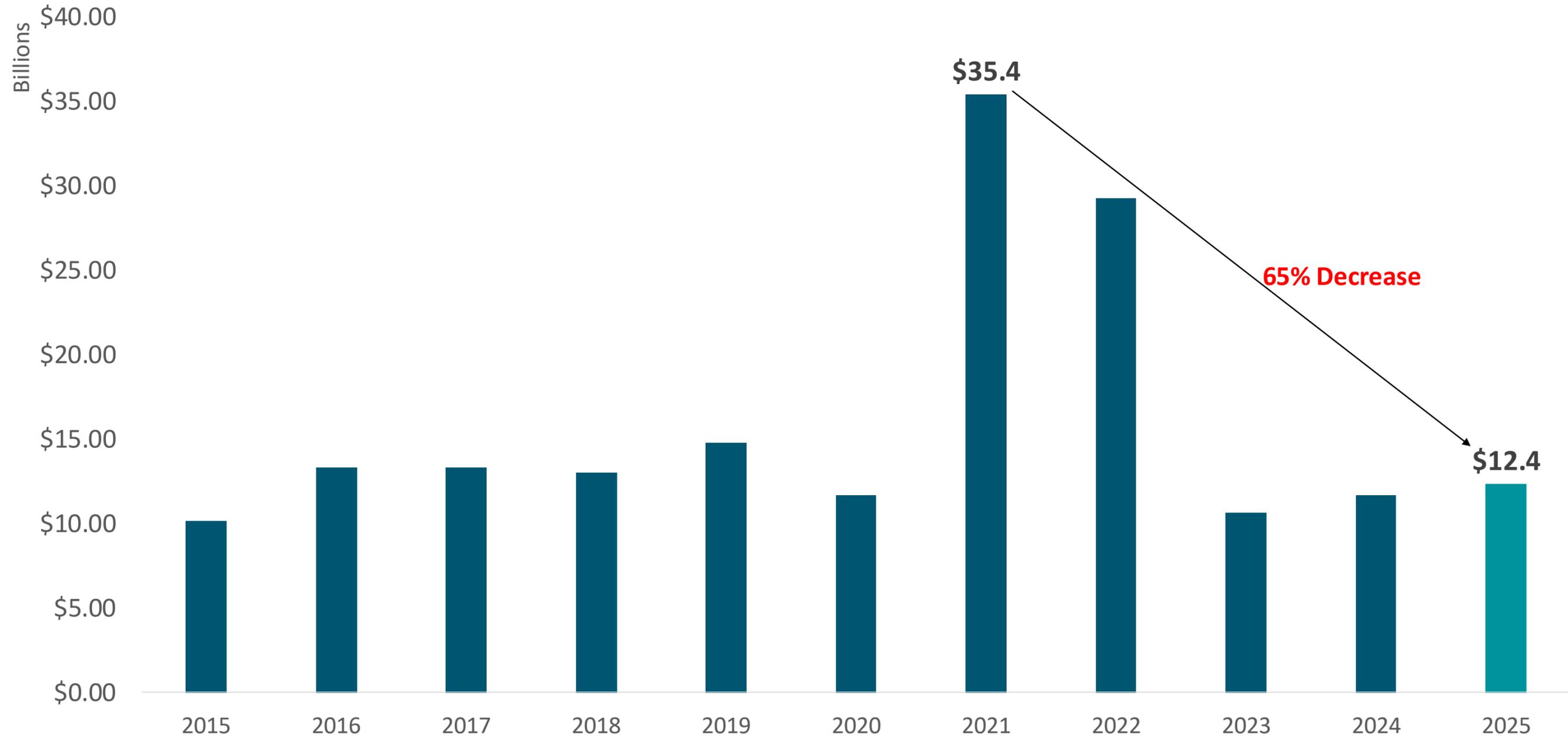
# TRANSACTION VELOCITY: TAMPA INDUSTRIAL

Tampa Industrial Sales Volume & Cap Rate

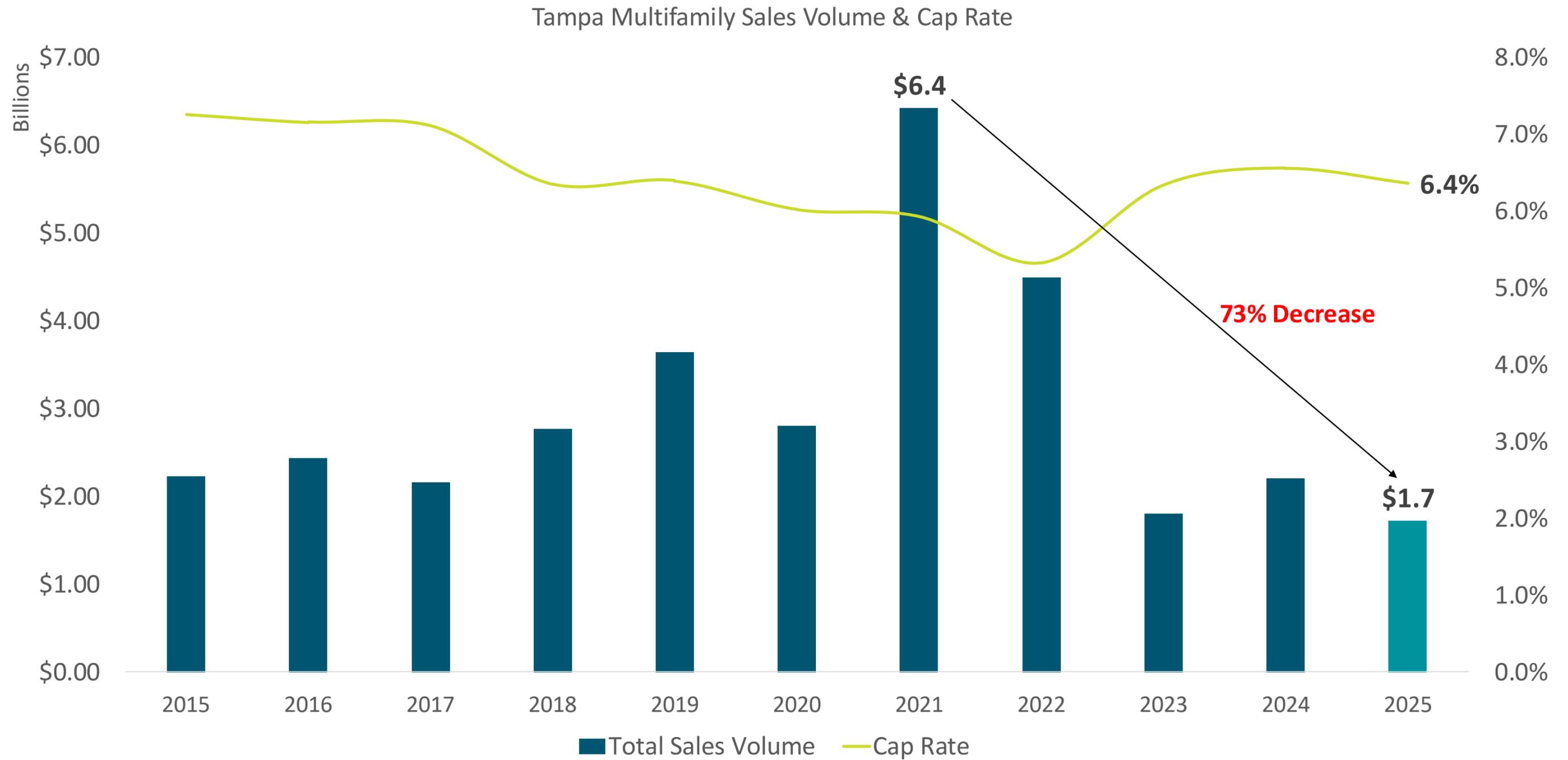


# TRANSACTION VELOCITY: FLORIDA MULTIFAMILY SALES VOLUME

Florida Multifamily Sales Volume

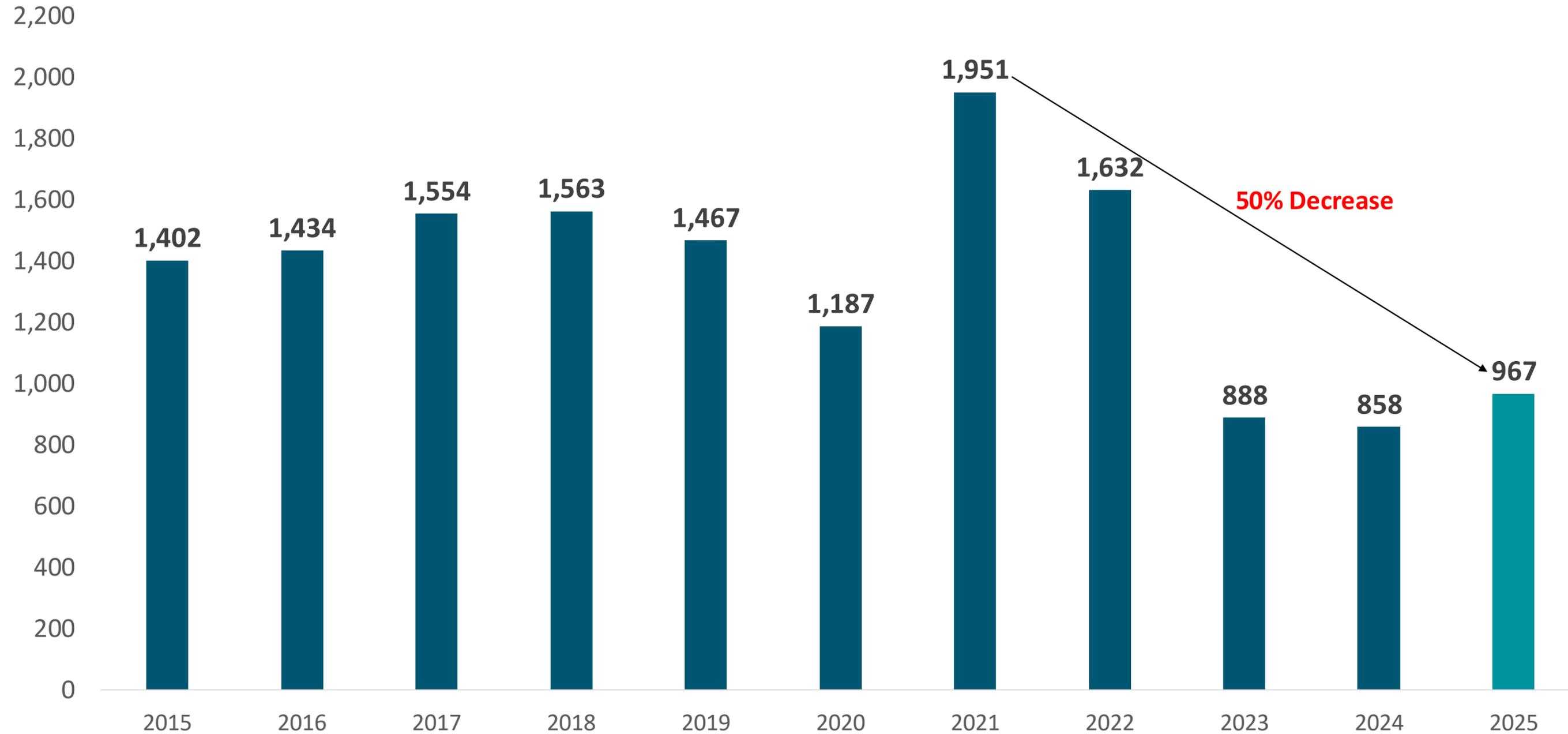


# TRANSACTION VELOCITY: TAMPA MULTIFAMILY SALES VOLUME



# TRANSACTION VELOCITY: FLORIDA MULTIFAMILY NUMBER OF SALES TRANSACTIONS

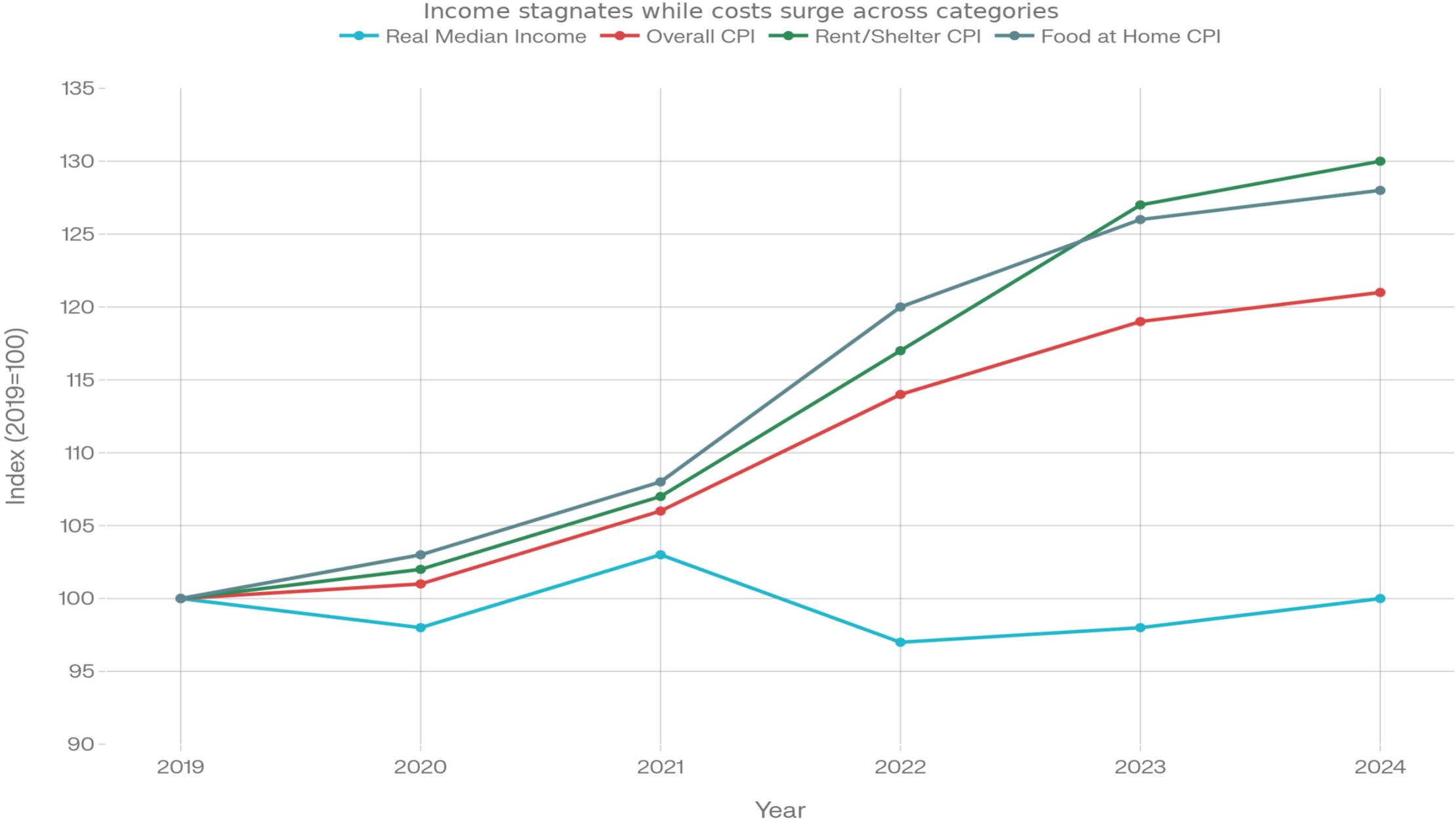
Florida Multifamily Number of Sales Transactions



# CONSUMER RESILIENCE AMID ECONOMIC CRACKS

# CONSUMERS UNDER PRESSURE: INCOME STAGNATES WHILE COST SURGE

## Income vs Cost of Living Since 2019 (Index, 2019=100)



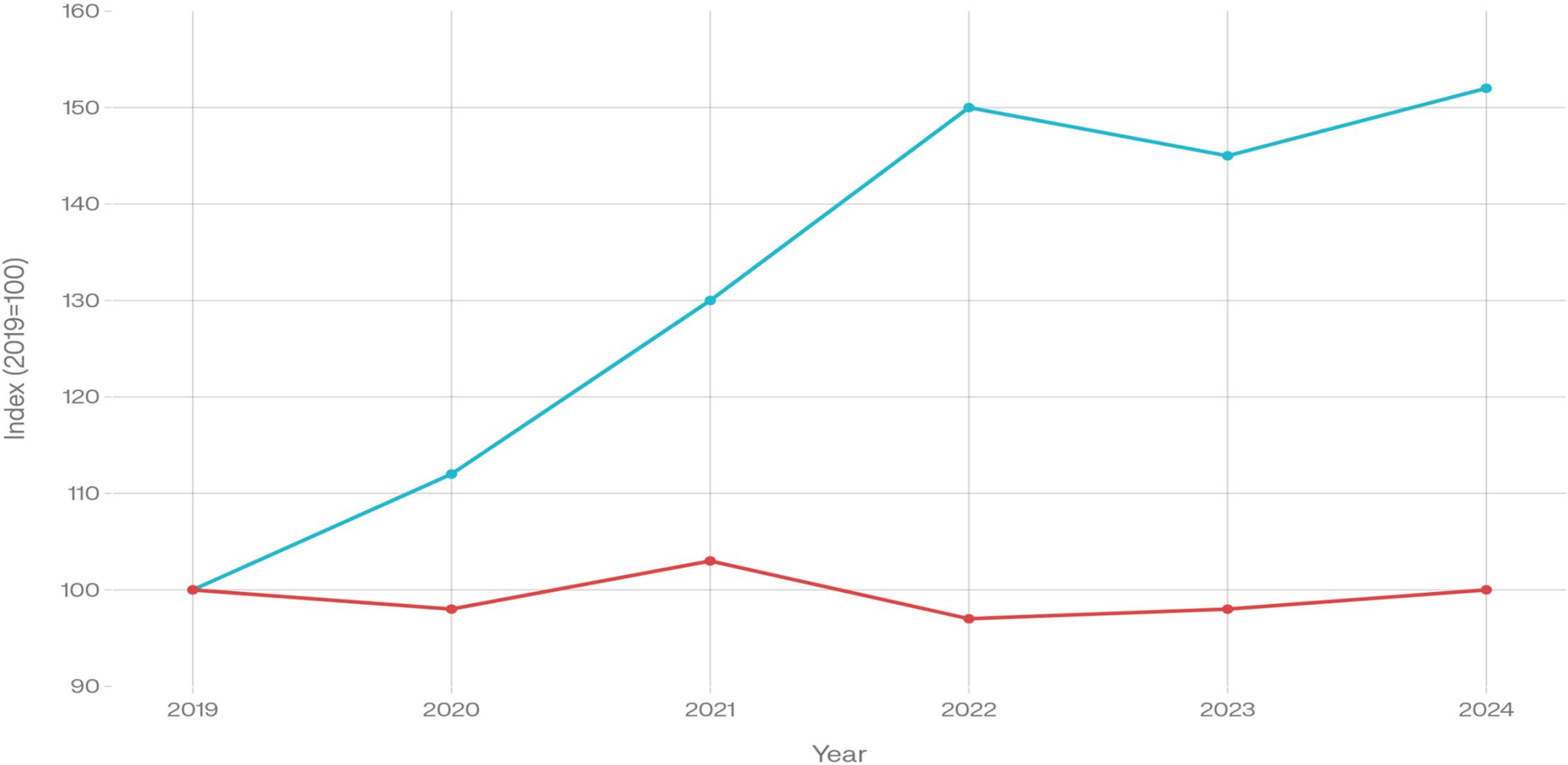
Source: FRED

# CONSUMERS UNDER PRESSURE: HOME OWNERSHIP OUT OF REACH

## Home Prices vs Real Median Income Since 2019 (2019=100)

Home prices surged 52% while real income remained flat

— Median home price index — Real median household income index (same as income vs cost chart)



Source: FRED

# INFLATION AND RISING INTEREST RATES ARE MAKING SINGLE FAMILY HOME BUYING DIFFICULT

## 30-year fixed mortgage rate vs. effective rate on mortgages outstanding

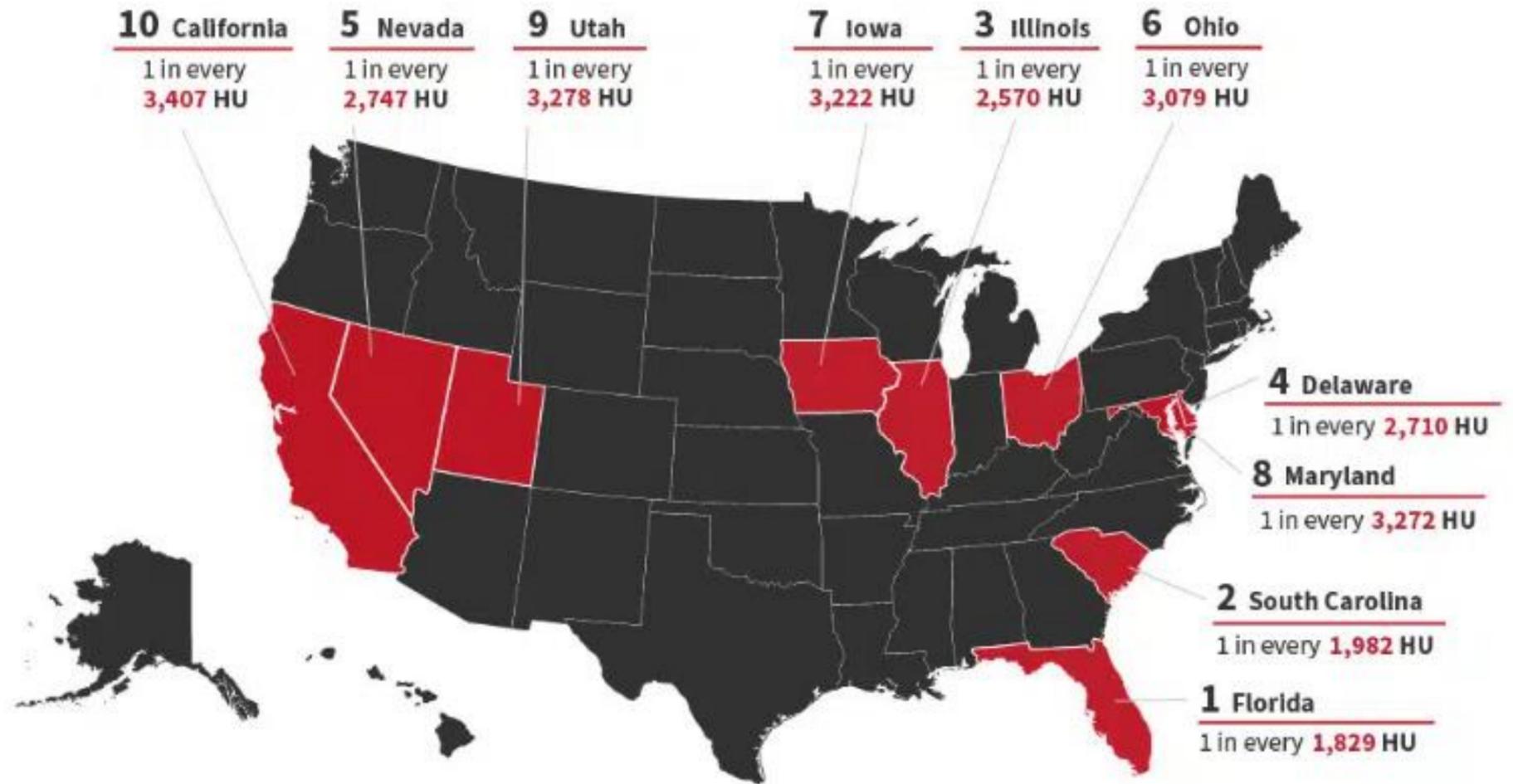


Sources: U.S. Bank Asset Management Group Research, Mortgage Bankers Association, Bloomberg, October 31, 1993 – October 24, 2025.

# FLORIDA BECOMES FORECLOSURE EPICENTER FOR SINGLE FAMILY

## ATTOM™ OCTOBER 2025 Foreclosure Activity Report by State

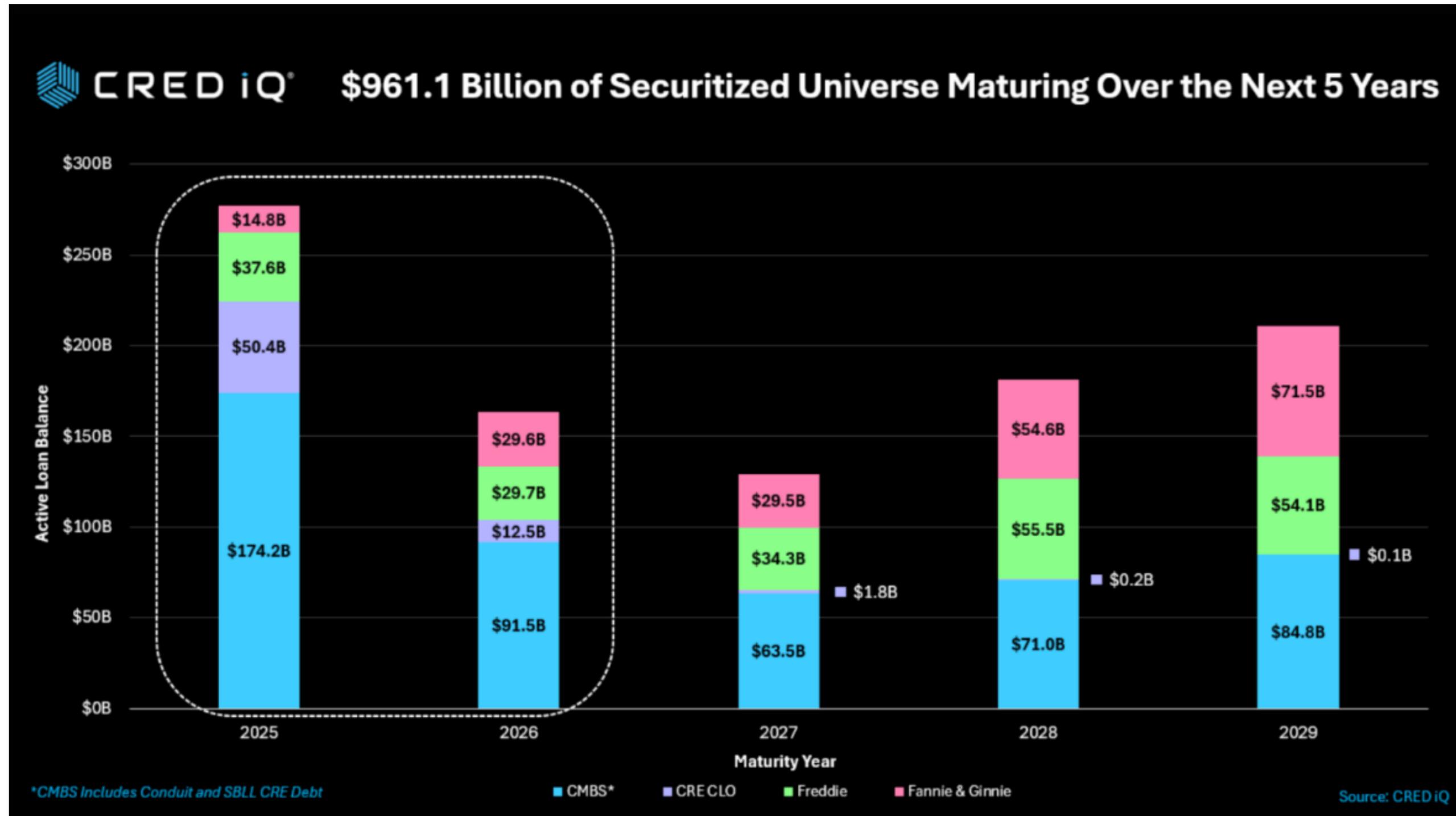
- **19% more** foreclosures nationwide than October 2024
- National Rate: **1 in every 3781** Housing Units had a foreclosure filing.
- **Osceola, Charlotte, and Okeechobee** have the worst foreclosure rates in **Florida**.



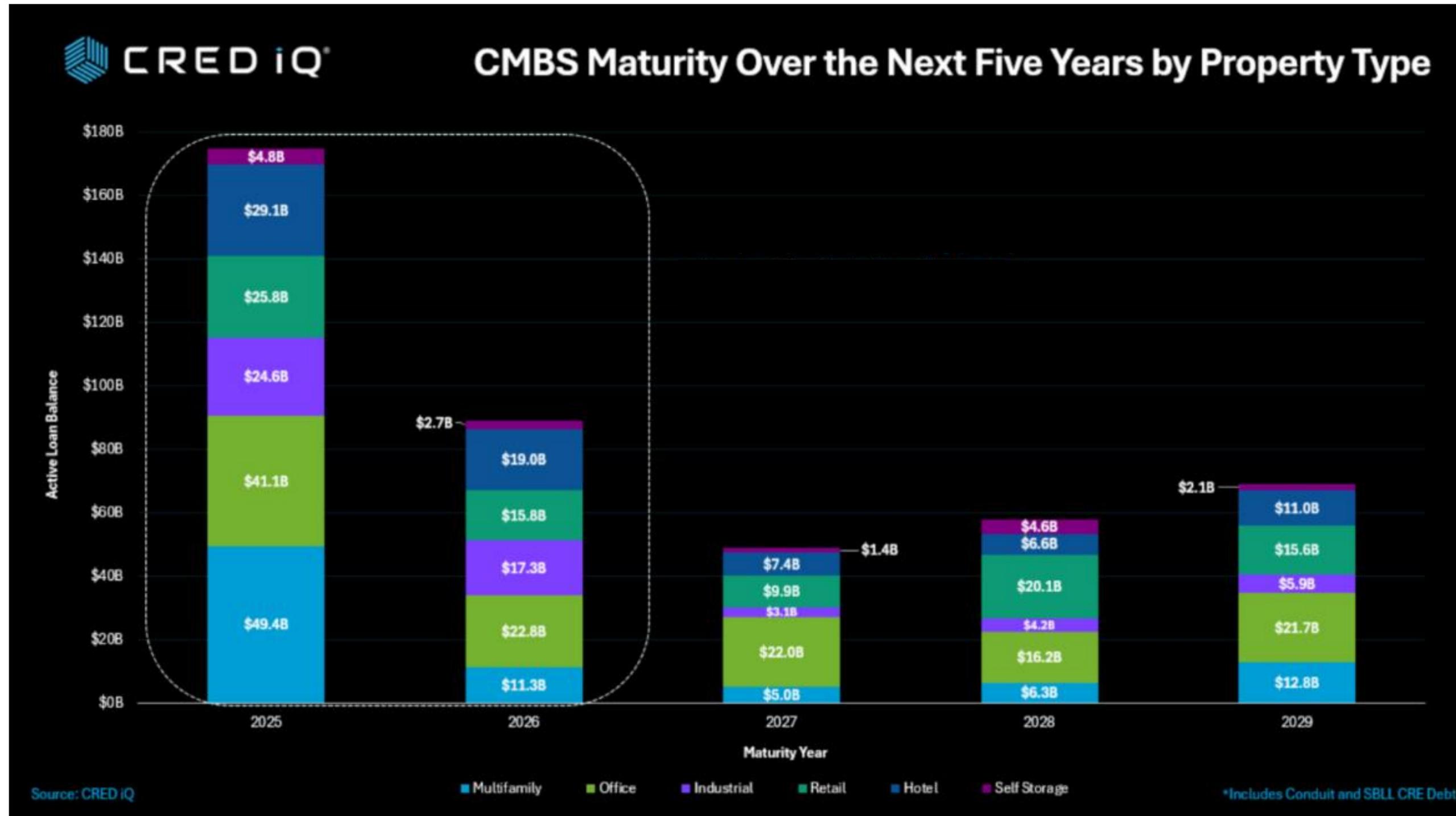




# CRE LOAN MATURITY SCHEDULE



# CRE LOAN MATURITY SCHEDULE



# COMMERCIAL REAL ESTATE MATURITY WALL

**Banks Face a \$2 Trillion Commercial Real Estate Debt Maturity Wall. What Should They Do Next?** BRG

**Banks' strategy of extending commercial loans found to escalate financial risk**

'Extend-and-pretend' approach creates wave of debt that likely won't be paid, New York Fed says

Maturity Wall Grows with \$440 Billion Coming Due Over the Next Two Years Cred IQ

**Commercial real estate maturity wall \$950B in 2024, peaks in 2027** S&P Global

## Is Commercial Real Estate at a Breaking Point in 2025?

Kaplan

Steep Maturity Wall for CRE for the Next Three Years Apollo Academy

“Colliding with CRE's maturity wall”

**The \$1 trillion 'wall of worry' for commercial real estate that spirals through 2027** MarketWatch

**Commercial Real Estate's Debt Maturity Wall Is Unprecedented. Is It Disastrous?** Thinkset

20 Percent of Commercial and Multifamily Mortgage Balances Mature in 2025

# COMMERCIAL REAL ESTATE MATURITY WALL

## Extend

Many lenders have pushed a large share of 2023–2025 maturities into 2026–2027 to avoid forced sales, especially for office and certain urban multifamily. Roughly 40% of maturities have been extended once, with about \$384 billion being pushed in 2025. This has proved a successful strategy thus far but the problems still exist.

## Pretend

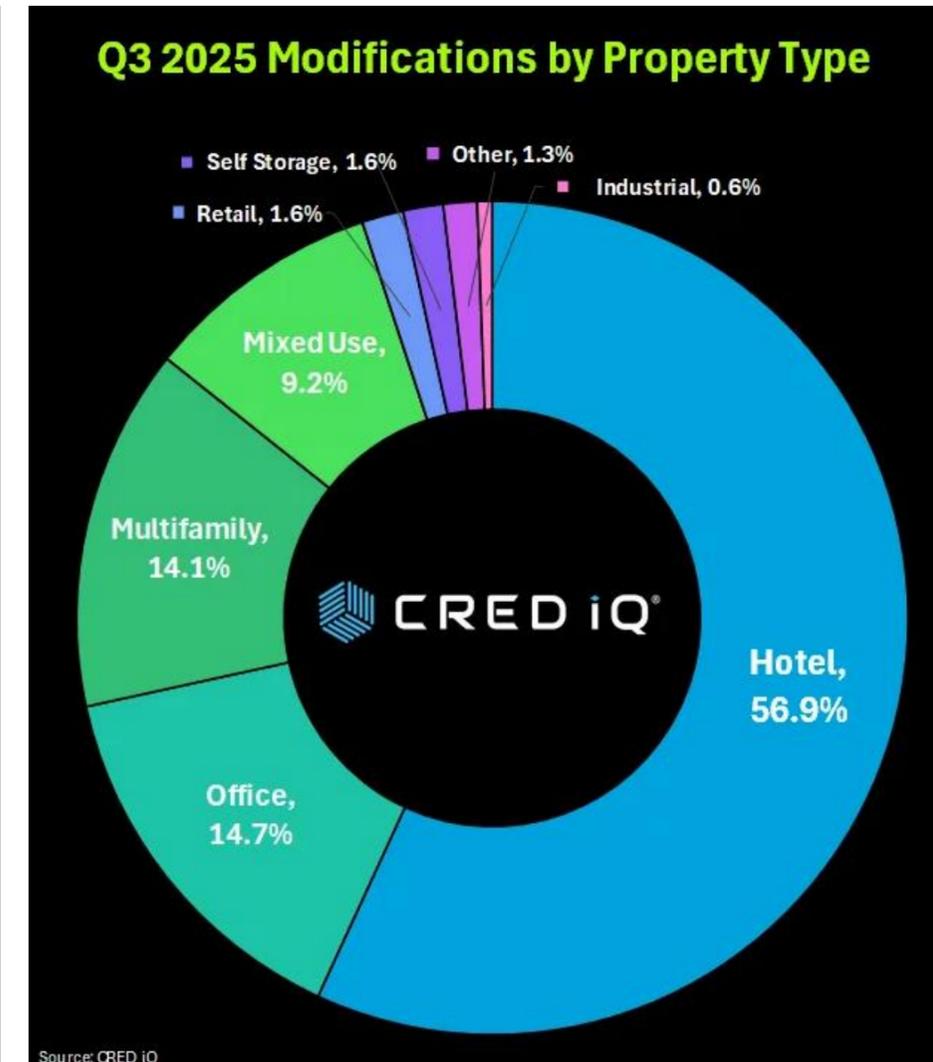
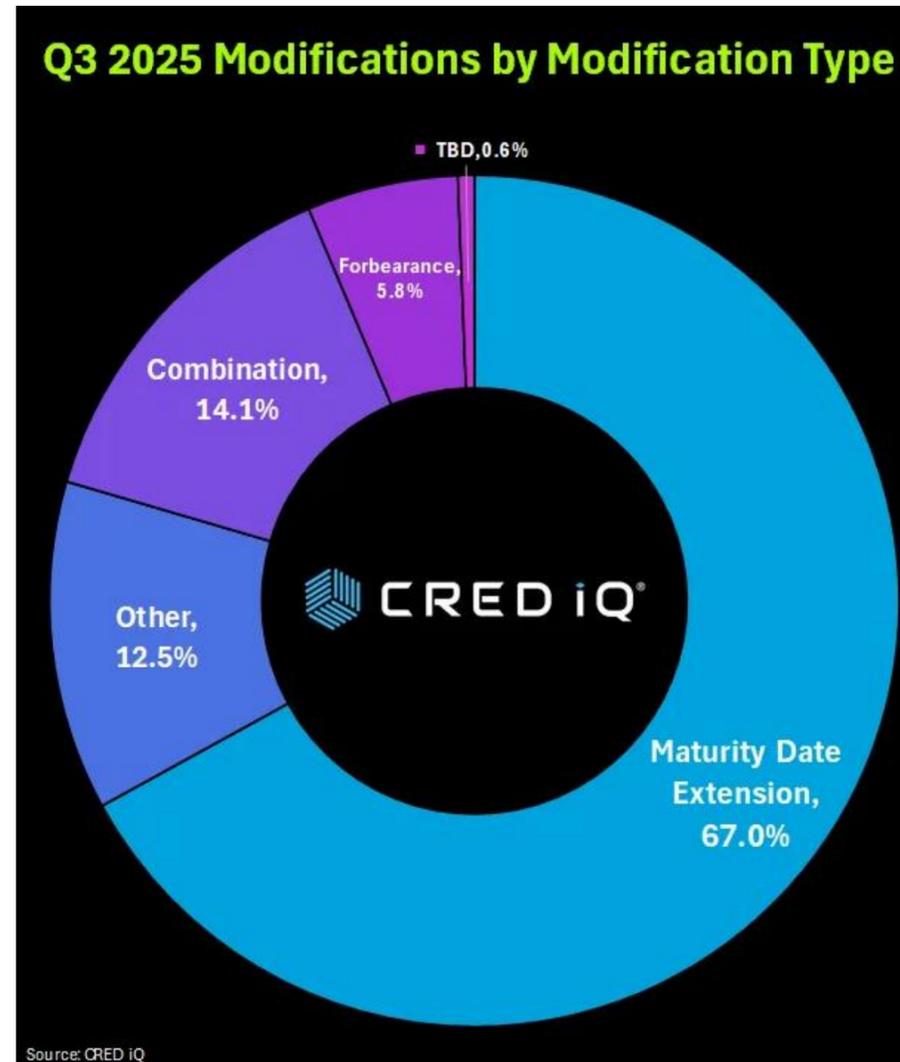
New York Fed documents that weaker-capitalized banks have systematically extended the maturities of impaired CRE mortgages while classifying them as performing, effectively “pretending” the underlying credit is sound. This is done to delay the realization of losses.

## Vulnerability

The concentration of extended, still-weak loans means a shock and could force banks to recognize losses in a short window. Regulators currently expect the damage to remain manageable, but they also warn that extend-and-pretend has increased systemic vulnerability by misallocating capital.

# EXTEND AND PRETEND IS STILL THE TREND

- This method is used to **manage balance sheet risks without triggering defaults.**
- Hotels and Offices are the most vulnerable assets
  - With **Hotels making up 56.9%** of Q3 modifications.
  - **Office** and **Multifamily** are a close 2<sup>nd</sup> and 3<sup>rd</sup> making up **14.7%** and **14.1%**, respectively.
- Loan modifications are becoming a proxy for distress in the market.
- Certain sectors might still be dealing post-pandemic disruptions and higher financing costs.
- As higher interest rates weigh on cash flow and refinancing, maturity extensions may just delay and not resolve underlying issues.
- **Extend and Pretend remains the path of least resistance.**
- **I BELIEVE THIS CHANGES IN 2026 as Regulators push resolution after almost 4 years of flexibility.**



# SO HOW DOES THIS ALL GET RESOLVED?

- **Refinance**
  - Most likely includes a cash **IN** refinance where the borrower is required to pay down the existing loan by about 20% of the value on average.
- **Sell**
  - Properties that were acquired from 2021-2023 are likely to sell at significant losses, **losing all equity** in many cases and not covering the mortgage amount.
  - New construction assets are **selling at their basis**
    - LP get their money back
    - GP's worked for free
- **Foreclosure / Short Sales / Loan Sales**
  - Lenders have been reluctant to foreclose for fear of repeating the domino effect to their balance sheets that they experienced in 2009.
  - Modifications and extensions have been rampant but that is coming to an end.
  - Expect more foreclosures in 2026.



**2026  
PLAY BALL!**

*Welcome to*

**FLORIDA**

*THE SUNSHINE STATE*

## SECULAR MARKET VS CYCLICAL MARKET

**A CYCLICAL MARKET** is known for following the cycles of the broader economy through expansion, peak, recession and recovery. Most cyclical stocks involve companies that sell consumer discretionary items that consumers buy more during a booming economy, but they spend less on them during a recession.

**A SECULAR MARKET** is driven by forces that could be in place for many years, causing the price of a particular investment or asset class to rise or fall over a long period. In a secular bull market, positive conditions such as low interest rates and strong corporate earnings push stock prices higher.

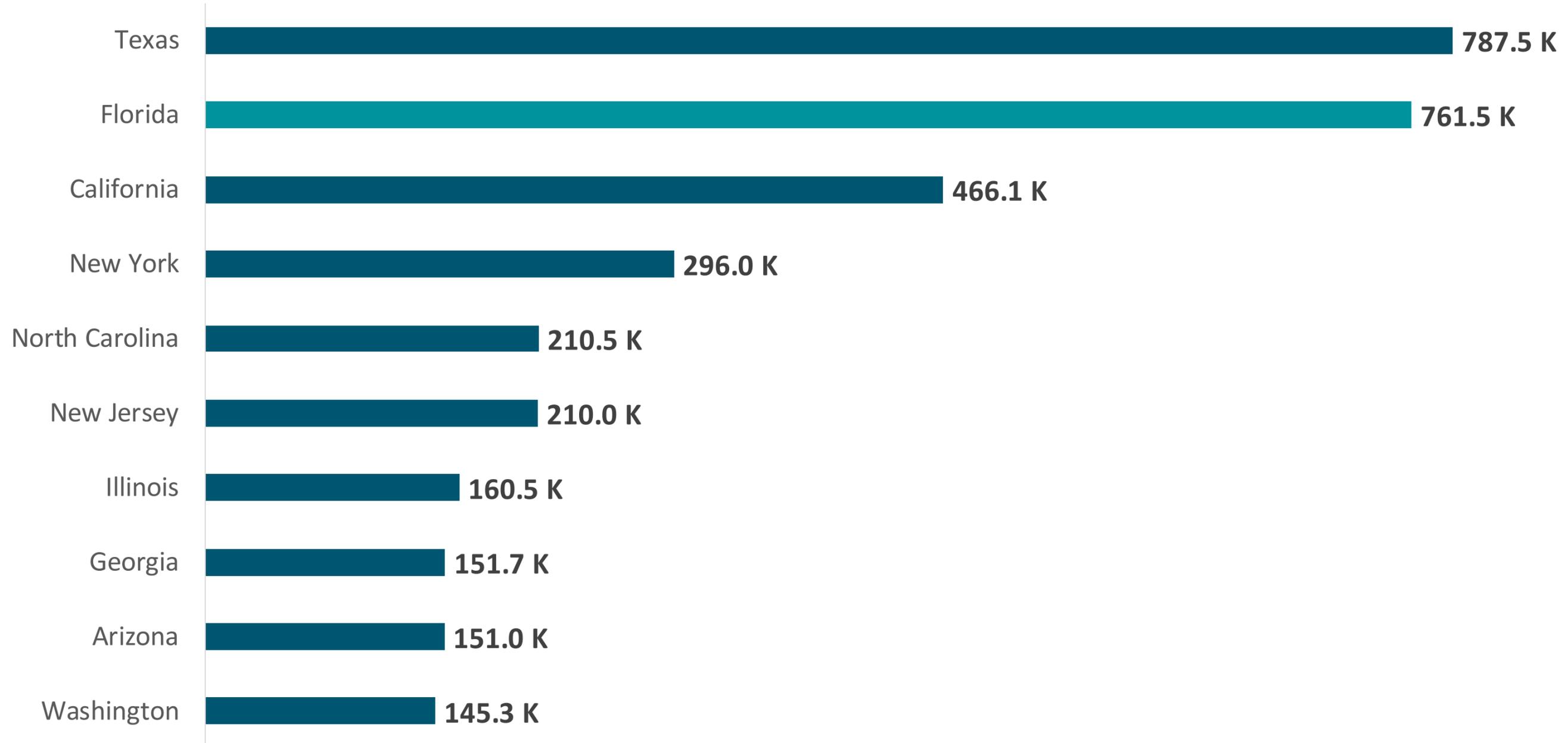


# 467,347

Florida's Net Migration in 2024

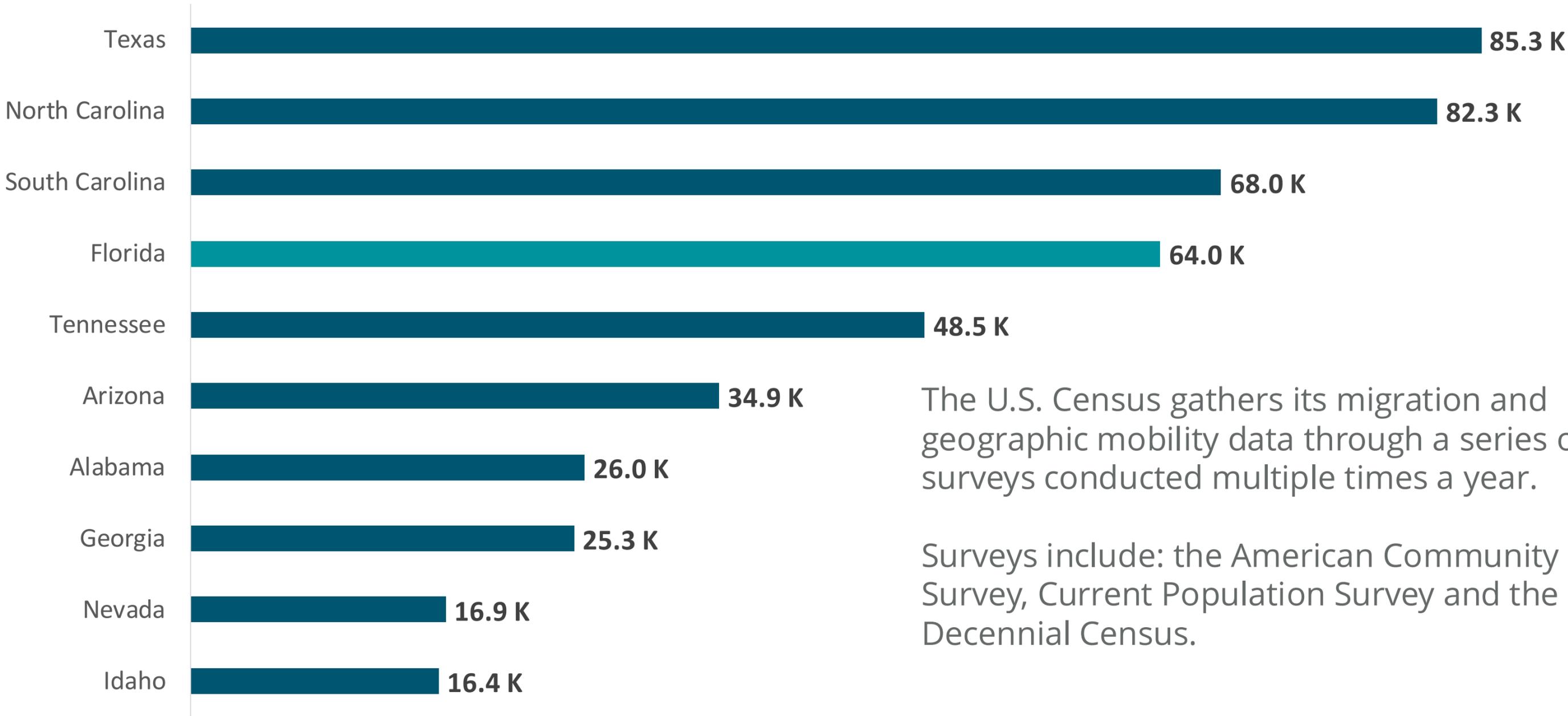
# IT'S TEXAS AND FLORIDA – THEN EVERYONE ELSE

Top 10 State Population Changes from 2023 - 2024



# DESPITE SLOWING U.S. MIGRATION, OUR MARKETS THRIVE

Top 10 States by Net Domestic Migration in 2024

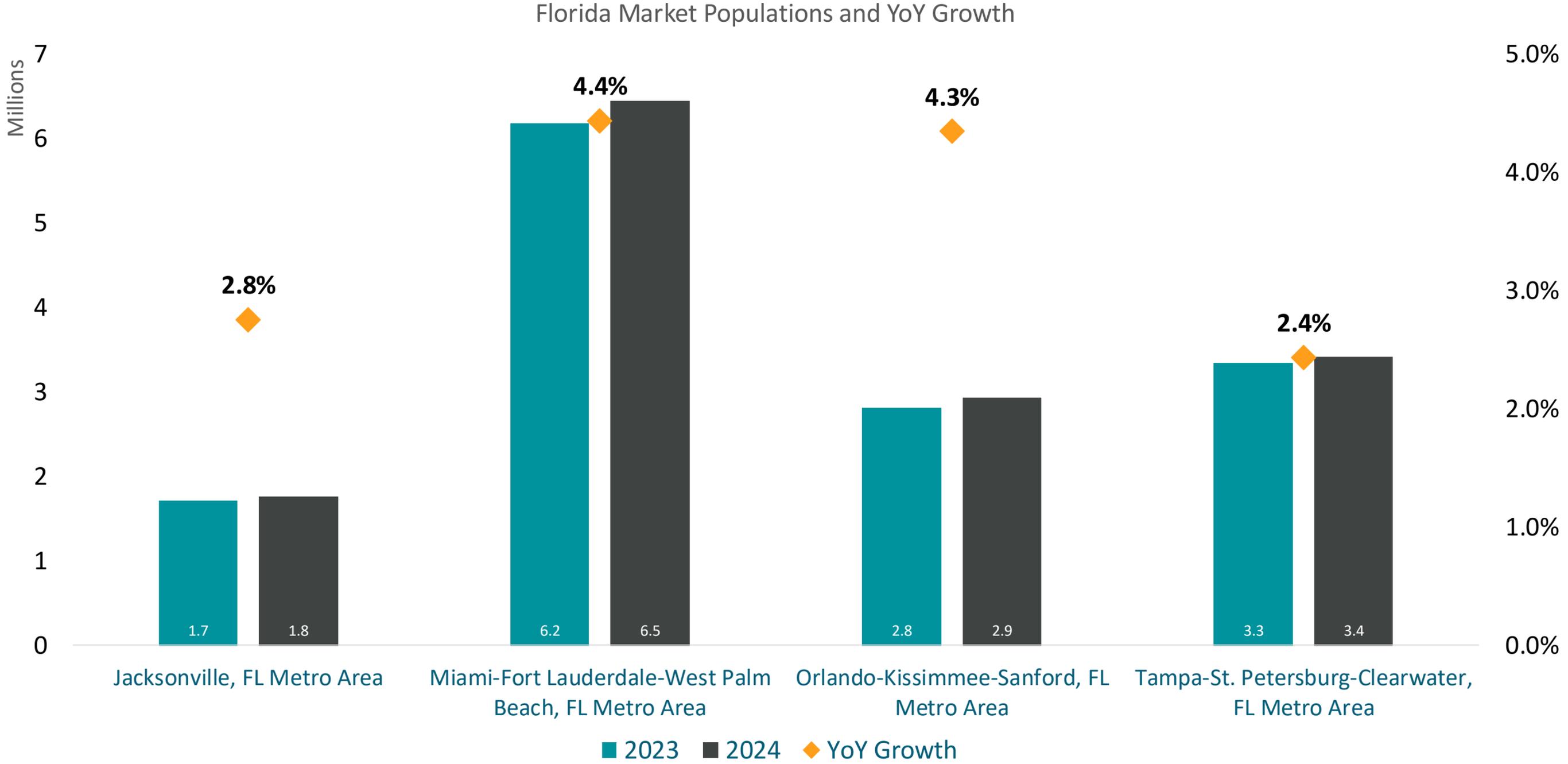


The U.S. Census gathers its migration and geographic mobility data through a series of surveys conducted multiple times a year.

Surveys include: the American Community Survey, Current Population Survey and the Decennial Census.

Source: U.S. Census

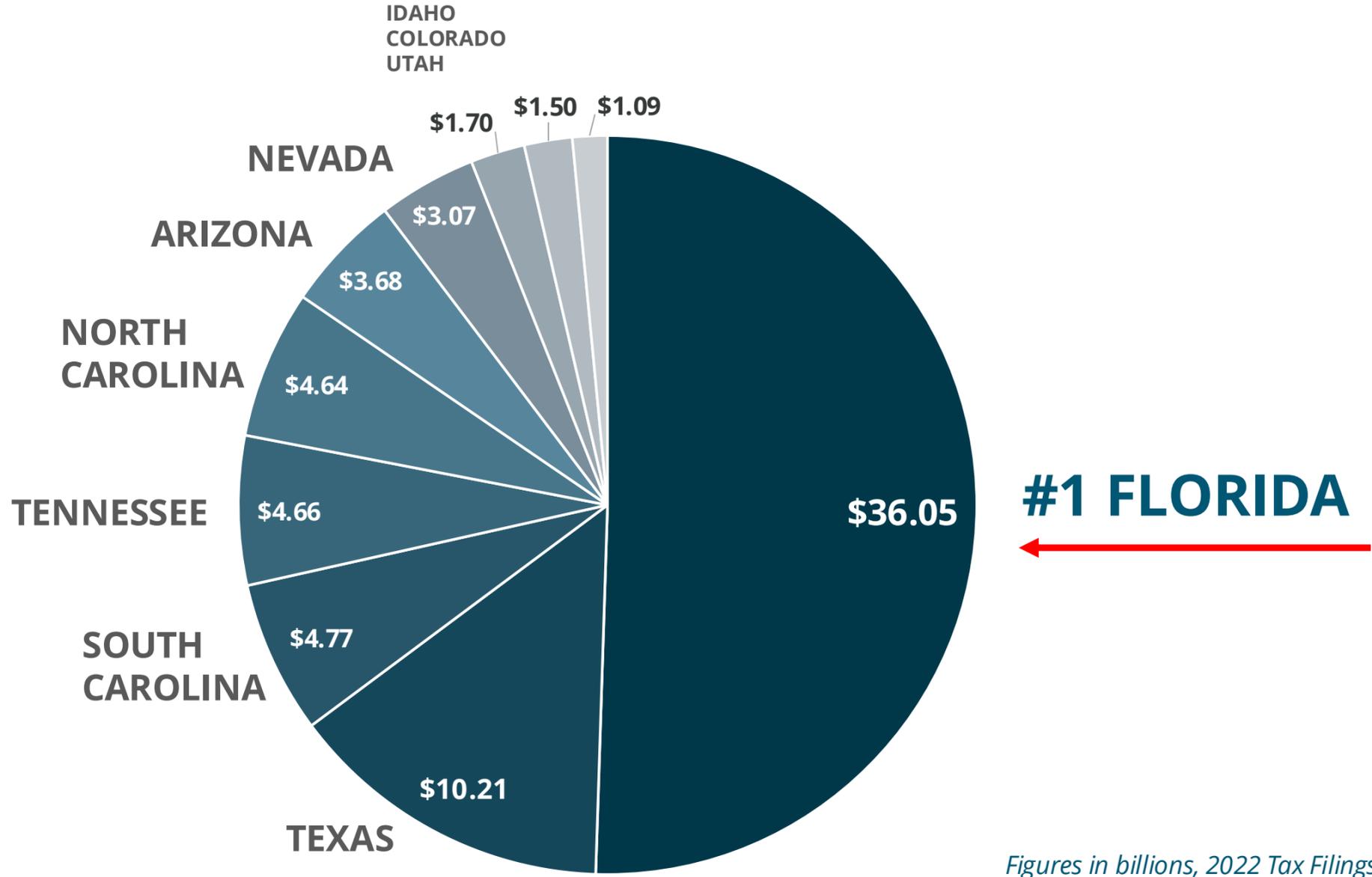
# FLORIDA MARKETS EXPERIENCE POSITIVE POPULATION GROWTH IN 2024



Source: U.S. Census

# WEALTH MIGRATION IN FLORIDA LEADS THE NATION AND IT IS NOT EVEN CLOSE

## 2022 Top 10 States Net Income Migration



Figures in billions, 2022 Tax Filings

**+\$63 billion**

AGI inflow into Florida's economy from new residents

**+\$42 billion**

AGI Inflow into Florida's economy from individuals with net income >\$200k

**+35%**

Increase in AGI YOY from individuals earning >\$200k a year

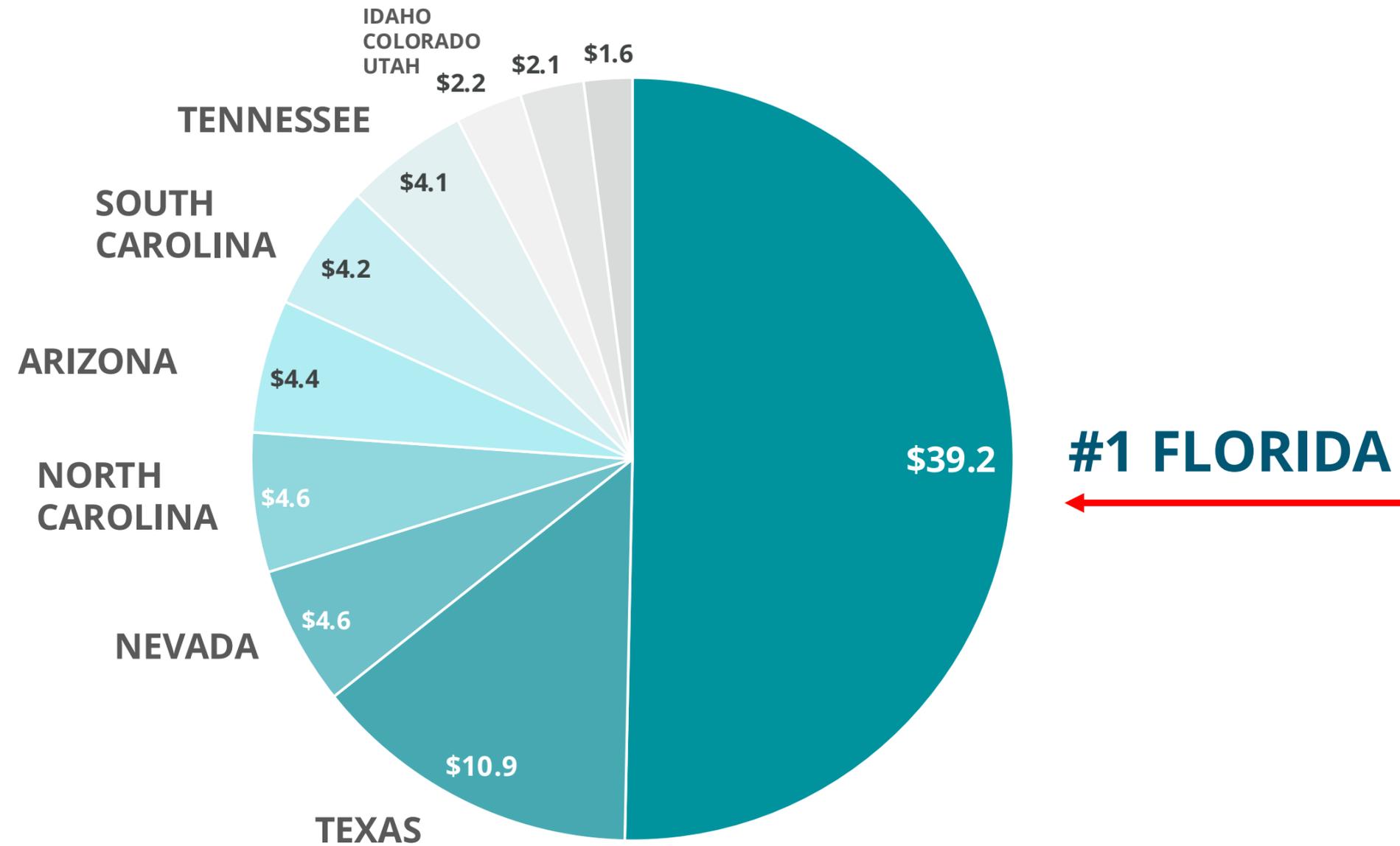
**\$156k**

Average incomes of people moving in

Source: IRS 2022

# WEALTH MIGRATION THROUGH THE YEARS

## 2021 Top 10 States Net Income Migration



**#1 FLORIDA**

**+\$59 billion**

AGI inflow into Florida's economy from new residents

**+\$39 billion**

AGI Inflow into Florida's economy from individuals with net income >\$200k

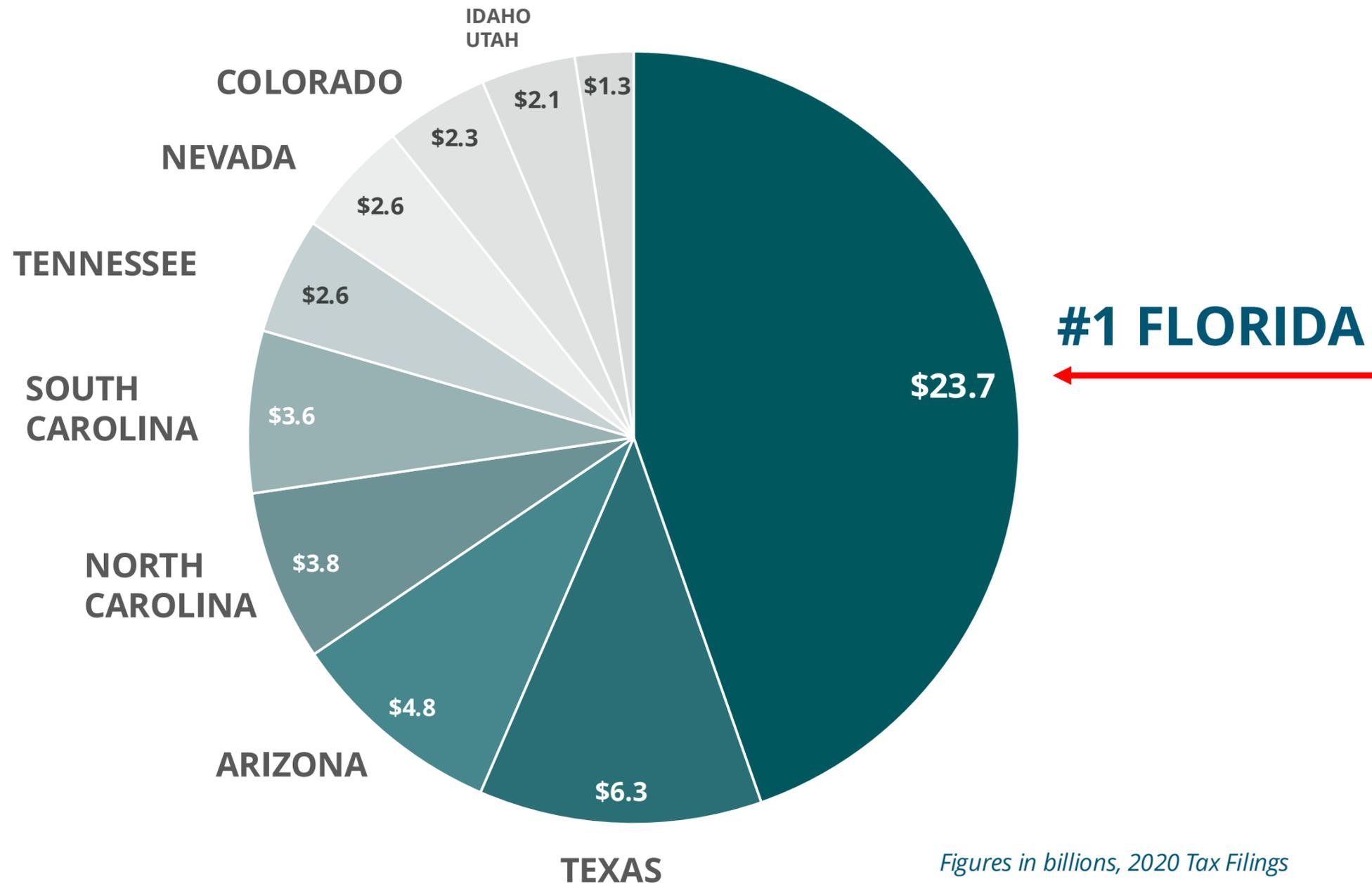
**+25%**

Increase in AGI YOY from individuals earning >\$200k a year

*Figures in billions, 2021 Tax Filings*

# WEALTH MIGRATION THROUGH THE YEARS

## 2020 Top 10 States Net Income Migration



Figures in billions, 2020 Tax Filings

**+\$42 billion**

AGI inflow into Florida's economy from new residents

**+\$25 billion**

AGI Inflow into Florida's economy from individuals with net income >\$200k

**+11%**

Increase in AGI YOY from individuals earning >\$200k a year

# YEAR AHEAD: 2026 OUTLOOK

- We are **still** in the beginning of working through market challenges from reduced values, loan maturities and eroding fundamentals.
- **Regulators will push banks to resolve after years of flexibility**
  - Supervisors will scrutinize whether extensions are truly prudential vs simply delay of loss recognition.
    - Maturity defaults increase
    - Balance sheet/portfolio management (reducing office exposure)
    - Interest rates will remain flat to slightly down – 50 bps down by year end at most
- **Operating fundamentals will stabilize (but will still struggle as the consumer struggles to keep up)**
  - Insurance rates will come down significantly
  - Rents will
    - flatten or **decrease in multifamily.**
    - **increase in retail and office** (have and have nots in office),
    - **decrease in industrial**
  - Industrial will have another bad operational year due to the supply deliveries, waning absorption and a weaker consumer.

# YEAR AHEAD: 2026 OUTLOOK

- **Urban Office will have a very strong year**
  - Back to work in full effect
  - Lack of new development vs high demand as businesses expand into Florida from across the country
- **Very few new developments**
  - Existing projects will finish but do not expect many new projects to start.
  - We will continue to absorb into 2027
  - Construction costs will come down
- **Long-term, housing supply will not be able to keep up with secular trends in population needs**
- **Major unknowns**
  - Geopolitical turmoil
  - AI everything?
- **Transaction velocity will increase as the new normal in price exploration comes to an end**
  - Expect the most active year since 2022



# THANK YOU!

PRESENTED BY ANDREW WRIGHT  
CEO, FOUNDER & CHAIRMAN

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