RCMOS – Revista Científica Multidisciplinar O Saber. ISSN: 2675-9128. São Paulo-SP.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

Macroeconomic dynamics and the real estate market: balancing rising U.S. interest rates and growing housing demand in Florida

Dinâmica macroeconômica e mercado imobiliário: o equilíbrio entre a alta dos juros dos EUA e a crescente demanda habitacional na Flórida

Dinámica macroeconómica y mercado inmobiliario: el equilibrio entre el alza de las tasas de interés en EE. UU. y la creciente demanda de vivienda en Florida

Andrezza Maria Moura Calheiros de Novaes – Centro Universitário CESMAC, andrezzacalheiros@gmail.com

Abstract:
This article analyzes how multifamily housing developers in Florida maintain the financial viability of their projects amid the monetary tightening implemented by the Federal Reserve and rising construction costs. The central research problem is to investigate the financing and operational management strategies adopted by these companies to overcome the increased cost of capital. The methodology is based on an analytical-conceptual review grounded in empirical literature from the past two years on monetary transmission, subnational economic freedom, and regional real estate dynamics. The findings indicate that rising interest rates primarily reduce the number of new building permits, while continued population migration mitigates declines in property prices. The study demonstrates that Florida's institutional environment, characterized by greater economic freedom, acts as a moderating factor against monetary shocks by reducing bureaucratic barriers. Additionally, economic uncertainty and high mortgage rates restrict property purchases, triggering a structural shift in demand toward the rental market. In response to this scenario, construction companies adapt their strategies by replacing bank credit with their own resources and private fund investments, restructuring liabilities, and dividing construction projects into phases. The study concludes that the sector's equilibrium results from the combination of strong demographic demand, regulatory flexibility, and innovation in private capital structures.

Keywords:
Monetary Policy. Multifamily Real Estate Market. Economic Freedom. Capital Structure.

Resumo:
Este artigo analisa como as construtoras do segmento multifamiliar na Flórida mantêm a viabilidade de empreendimentos diante do aperto monetário promovido pelo Federal Reserve e dos custos de construção elevados. O problema central investiga as estratégias de financiamento e gestão operacional adotadas pelas empresas para contornar o encarecimento do capital. A metodologia apoia-se em uma revisão analítico-conceitual fundamentada na literatura empírica dos últimos dois anos sobre transmissão monetária, liberdade econômica subnacional e dinâmica imobiliária regional. Os resultados apontam que a alta dos juros reduz precipuamente a quantidade de novas licenças de construção, enquanto o contínuo fluxo migratório atenua a queda dos preços. Demonstra-se que o ambiente institucional da Flórida, caracterizado por maior liberdade econômica, funciona como moderador dos choques monetários ao diminuir atritos burocráticos. Adicionalmente, as incertezas e as taxas hipotecárias elevadas restringem a compra de imóveis, provocando um deslocamento estrutural da demanda para o mercado de locação. Diante disso, as construtoras adaptam-se substituindo o crédito bancário por capital próprio de fundos privados, reestruturando passivos e fracionando as etapas de obra. Conclui-se que o equilíbrio do setor decorre da combinação entre demanda demográfica aquecida, flexibilidade regulatória e inovação na estrutura de capital privado.

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

Palavras-chave:
Política Monetária. Mercado Imobiliário Multifamiliar. Liberdade Econômica. Estrutura de Capital.

Resumen:
Este artículo analiza cómo las constructoras del segmento multifamiliar de Florida mantienen la viabilidad de sus proyectos ante el endurecimiento monetario de la Reserva Federal y los elevados costos de construcción. El problema central indaga qué estrategias de financiación y gestión operativa adoptan las empresas para hacer frente al encarecimiento del capital. La metodología se basa en una revisión analítico-conceptual de la literatura empírica de los últimos dos años sobre transmisión monetaria, libertad económica subnacional y dinámica inmobiliaria regional. Los resultados indican que el alza de las tasas de interés reduce principalmente el número de nuevos permisos de construcción, mientras que el flujo migratorio continuo atenúa la caída de los precios. El entorno institucional de Florida, caracterizado por una mayor libertad económica, modera los choques monetarios al reducir las trabas burocráticas. Asimismo, la incertidumbre y las altas tasas hipotecarias restringen la compra de inmuebles y provocan un desplazamiento estructural de la demanda hacia el mercado de alquiler. Ante ello, las constructoras sustituyen el crédito bancario por capital aportado por fondos privados, reestructuran sus pasivos y dividen las obras en fases. Se concluye que el equilibrio del sector resulta de la combinación de una fuerte demanda demográfica, flexibilidad regulatoria e innovación en la estructura del capital privado.

Palabras clave:
Política monetaria. Mercado inmobiliario multifamiliar. Libertad económica. Estructura de capital.

1. Introduction

Recent developments in the U.S. economy were marked by the Federal Reserve's assertive use of contractionary monetary policy to contain inflationary pressures that emerged after the pandemic. The rapid rise in the policy rate increased the cost of capital across the economy, directly affecting liquidity and asset prices. Capital-intensive industries with long investment horizons immediately felt the effects of higher interest rates (Casta, 2025, Huang, 2025, and Rodríguez-Asensio & López-García, 2026).

The residential real estate market is one of the channels most sensitive to fluctuations in interest rates. Higher rates affected demand by making mortgages more expensive for buyers and supply by increasing the cost of bank loans for construction and urban development. As a result, home sales and new project launches slowed across several U.S. states.

Florida's distinctive demographic and economic dynamics run counter to this nationwide slowdown. The state continues to record high levels of domestic migration, fueled by a steady influx of families and businesses drawn by favorable weather, economic growth,

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

and the absence of a state income tax. Sustained population growth supports strong, continuous demand for new housing in the region.

This influx puts pressure on the multifamily sector, which focuses on developing residential buildings for rent. Builders and developers in Florida face an operational dilemma. The need for new homes to absorb migration is urgent, while construction costs are high, material prices are volatile, and interest rates on construction financing and working capital remain elevated. The high cost of capital threatens project viability even when end-user demand is strong (Kinnerud, 2025, Rodríguez-Asensio & López-García, 2026, Priya & Sharma, 2025, and Casta, 2025).

The contrast between nationwide monetary tightening and local demographic pressure makes it important to examine how the real estate sector has adapted its financing and management models to keep new developments moving. The research question is therefore as follows: What financing and cost-management strategies have Florida builders adopted to keep multifamily projects viable amid high interest rates and persistently high material costs?

2. Monetary transmission and housing supply sensitivity

Monetary policy shocks reach the real estate sector through several economic channels, changing both nominal asset values and the number of new units built. When the central bank raises rates, the credit channel makes real estate financing more expensive and reduces the present value of projects' future cash flows. Prices and physical quantities respond to tightening at markedly different speeds and magnitudes (Acevedo, 2025, Huang, 2025, Rodríguez-Asensio & López-García, 2026, and Casta, 2025).

Monetary policy decisions have a much stronger and more immediate impact on construction volumes than on property prices. Residential property prices are sticky in the short term and react slowly to higher rates, while building permits and housing starts decline sharply. Physical supply adjusts downward quickly to prevent excess inventory during periods of tight credit (Huang, 2025, and Casta, 2025).

The analyses of Florida's real estate market by Huang (2025) and Casta (2025) confirm this pronounced sensitivity of physical quantities. Between 2020 and 2022, fluctuations and volatility in Florida's building permits exceeded those recorded during the 2007–2009 financial crisis and those observed in other populous states. Strong demographic demand, however,

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

softened the decline in property values, so the local market adjusted primarily through a temporary reduction in new permits.

Huang (2025) notes that reducing the number of permits serves as a primary defensive mechanism for builders and developers. By slowing multifamily launches, firms avoid oversupply and protect margins and prices for units nearing completion. Rodríguez-Asensio & López-García (2026) argue that this contraction in physical supply eases immediate cash pressure and gives developers time to reassess when to start subsequent phases.

This asymmetry in monetary transmission shows that reducing residential permits is the sector's main buffer against rising interest rates. Acevedo (2025) notes that as firms limit the number of new projects, local institutional and regulatory factors become more important in determining how well ongoing projects can recover and remain viable.

3. The moderating role of economic freedom in Florida

The strength with which national monetary policy shocks reach subnational real estate markets varies with each state's institutional characteristics. U.S. states share the monetary policy set by the Federal Reserve, while their tax and regulatory structures and the extent of government intervention in business differ. This institutional diversity creates local filters that amplify or temper the impact of rising borrowing costs on real estate markets (Acevedo, 2025, and Huang, 2025).

Huang (2025) and Acevedo (2025) indicate that state-level economic freedom, measured by the Economic Freedom of North America (EFNA) index, moderates monetary policy transmission. In more market-oriented subnational environments with lower tax burdens and less rigid regulation, contractionary monetary shocks have smaller effects on real estate prices and activity. Institutional flexibility allows prices to adjust with less friction and capital to flow more efficiently (Acevedo, 2025, Huang, 2025, Lee & Ma, 2025, and Casta, 2025).

Florida stands out for its business-friendly institutional environment, marked by the absence of a state personal income tax and policies that encourage private investment. Acevedo (2025) notes that regulatory flexibility reduces red tape in permitting and project approvals. Faster processing lowers the indirect cost of waiting to start construction and lets builders respond more quickly to changes in financing and material costs, as illustrated below:

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

Figure 1. How economic freedom and regulatory flexibility moderate monetary policy transmission in Florida's real estate market.



Source: Prepared by the author.

U.S. states with improving institutional indicators are less sensitive to interest rate shocks and experience fewer extreme swings. In highly bureaucratic settings, monetary shocks cause severe supply constraints and sharp price fluctuations. According to Lee & Ma (2025), Florida's streamlined business environment facilitates capital reallocation and attracts institutional investors willing to finance projects even under adverse macroeconomic conditions.

Florida's economic freedom and business environment thus act as partial regional stabilizers against the effects of central bank tightening. Nominal interest rates affect all regions of the country, while local regulatory flexibility gives Florida builders and developers more room to reorganize their operations and finances (Acevedo, 2025, Huang, 2025, and Lee & Ma, 2025).

4. The uncertainty channel and multifamily market viability

The interaction of high interest rates and uncertainty about economic policy activates the uncertainty channel of monetary transmission, directly affecting multifamily real estate. When monetary tightening coincides with doubts about how long rates will keep rising and where inflation is headed, economic agents become considerably more risk-averse. This

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

environment changes both builders' and consumers' projected returns and long-term investment decisions (Priya & Sharma, 2025).

High uncertainty encourages developers to adopt a cautious, wait-and-see approach. When the eventual cost of raising funds and the discount rate applicable to projects are hard to forecast, developers postpone new launches and cut back on construction contracts, holding back future housing supply (Rodríguez-Asensio & López-García, 2026, and Priya & Sharma, 2025).

According to Priya & Sharma (2025), Kinnerud (2025), and Rodríguez-Asensio & López-García (2026), on the demand side the uncertainty channel affects households' ability to buy. Higher mortgage rates and economic uncertainty strain the budgets of households with less liquidity or more existing debt. More expensive financing puts homeownership out of reach for a substantial share of the population, who face barriers to residential mortgage credit.

This barrier to homeownership causes a structural shift in housing demand toward rentals. As Priya & Sharma (2025) and Kinnerud (2025) indicate, transaction volumes on the residential sales market decline as the multifamily rental sector absorbs families that postpone buying. This shift sustains demand for rental apartments in Florida, as the chart and diagram below illustrate:

Figure 2. The uncertainty channel and the structural shift in housing demand toward Florida's multifamily rental market.



Source: Prepared by the author.

As a result, a stronger rental market helps sustain the profitability of Florida's multifamily developments. Even when construction financing rates are high, high occupancy and the ability to adjust rents provide the predictable revenue needed to cover higher debt service and keep projects economically viable (Priya & Sharma, 2025, and Kinnerud, 2025).

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

5. Project management, costs, and permitting in Florida's residential construction sector

Residential construction project management is the operational link that turns theoretical feasibility into actual construction in Florida's real estate market. Amid monetary tightening and volatile construction input prices, project planning and strict budget controls become central to reducing insolvency risk. Residential construction in the state ranges from single-family communities to large multifamily developments. Managing projects throughout their life cycles as construction borrowing costs rise requires technical expertise (Acevedo, 2025).

Preconstruction and land-use permitting are critical stages in which time translates directly into financing costs. Delays in securing approvals and building permits weigh more heavily on a project's present value when capital is expensive. Research by Casta (2025) shows that land-use regulatory complexity, measured by institutional constraint indices such as the Wharton Regulatory Land Use Index, directly affects how quickly new projects gain approval. Florida's permit issuance is highly volatile during periods of monetary tightening. Local regulatory efficiency and greater economic freedom help shorten permitting delays and contain land carrying costs (Acevedo, 2025, Casta, 2025, and Huang, 2025).

In execution planning and construction and cash-flow scheduling, builders are driven to rethink cost engineering to avoid budget overruns. Empirical findings cited by Huang (2025) and Casta (2025) indicate that housing starts and residential permits are two to three times more sensitive to rising rates and more volatile than prices for completed homes. To manage this heightened sensitivity, project managers use modular, phased development and break large projects into smaller, independent stages. This sequencing matches spending on materials and labor to gradual loan disbursements and the pace of local market absorption, avoiding excessive commitments of working capital (Priya & Sharma, 2025, and Kinnerud, 2025).

The range of residential construction in Florida also reflects a shift from single-family to multifamily development as financing becomes more expensive. A decline in individual mortgage lending and weaker household purchasing power slow sales of owner-occupied single-family homes and increase builders' risk of holding unsold inventory. Developers respond by redirecting construction capacity toward multifamily rental buildings and adapting schedules to deliver units that can generate immediate operating income through rent (Priya & Sharma, 2025, Rodríguez-Asensio & López-García, 2026, and Kinnerud, 2025).

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

In short, better management of Florida residential construction projects functions, or at least should function, as a means of preserving operational resilience amid Federal Reserve tightening. Close control over construction stages, more efficient permitting, and a strategic shift from single-family to multifamily construction help builders absorb the effects of higher rates. These operational and technical efficiencies keep projects financially viable and allow them to continue supplying homes for Florida's growing population.

6. Financing and management strategies for builders

As conventional bank credit grows more expensive and building material costs remain high, Florida builders and developers have been prompted to redesign their capital structures and project management practices. Keeping multifamily developments viable requires moving beyond static financing models and adopting adaptive financial strategies (Kinnerud, 2025, De Stefani & Mano, 2026, and Lee & Ma, 2025).

Kinnerud (2025) and De Stefani & Mano (2026) examine the restructuring of real estate debt and its effects on monetary transmission. When long-term interest rates rise, borrowers tend to favor adjustable-rate mortgages (ARMs) or shorter-term debt with scheduled resets to reduce the immediate interest burden on construction cash flows. Builders seek interim construction loans that can be refinanced on more favorable terms once buildings are completed and operating performance has stabilized.

Multifamily project viability also benefits from connections among real estate markets and from regional capital flows. Synchronization and integration across markets strengthen credit channels and facilitate investment flows into regions experiencing economic expansion. Florida benefits from this integration by attracting substantial funding from domestic and international investment funds (Lee & Ma, 2025, Horváth, 2026, and Chiang & Tsai, 2026).

With traditional bank lending constrained, builders have increasingly replaced debt with equity and strategic partnerships. According to Lee & Ma (2025) and Chiang & Tsai (2026), institutional joint ventures with private equity funds and preferred equity allow developers to reduce the amount of bank leverage on their projects. This substitution lowers builders' exposure to short-term bank interest rate fluctuations.

Alongside these financial adjustments, Florida builders have improved operational management and construction sequencing. They have been breaking large multifamily projects into smaller, independent phases and matching construction disbursements to the actual pace of

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

local rental absorption. Controlling construction and cash-flow schedules reduces idle capital, lets each completed phase begin generating rental revenue immediately, and strengthens overall project solvency (Huang, 2025, Kinnerud, 2025, and Lee & Ma, 2025).

7. Conclusion

The analysis of macroeconomic dynamics and Florida's multifamily real estate market reveals a complex interaction between national monetary policy shocks and subnational economic and institutional conditions. The Federal Reserve's tightening cycle increased funding costs and reduced the number of new building permits nationwide. This indicates that the market adjusts primarily through the number of new projects launched.

In answer to the research question, Florida builders have adopted an integrated set of financing and cost-management strategies to keep multifamily buildings viable. These strategies include restructuring debt with flexible, refinanceable instruments, reducing reliance on traditional bank debt through equity contributions from private equity partners, and sequencing construction phases in modules to make better use of working capital.

The shift in residential demand toward rentals helps sustain these projects. Higher mortgage rates and economic uncertainty shut many households out of homeownership, channeling the housing demand generated by substantial domestic migration into Florida's rental apartment buildings. The continuous influx of tenants supports high occupancy and stable operating income that covers financing costs.

From an institutional standpoint, the study finds that Florida's greater economic freedom and regulatory flexibility partly moderate interest rate shocks, as Acevedo (2025) notes. Lower compliance costs and faster permitting give local companies the flexibility to restructure projects and attract investors, easing the impact of operational bottlenecks.

Finally, Florida's multifamily real estate sector shows resilience and adaptability as interest rates and material costs stay high. The balance of project finances rests on strong population-driven rental demand, diversified sources of private capital, and the efficiency of local institutions.

References

ACEVEDO, R.; ROMERO-HABEYCH, J.: When institutions intervene: Economic freedom and the uneven transmission of monetary policy into U.S. housing markets. Journal of Government and Economics, 17. 2025. https://doi.org/10.1016/j.jge.2025.100123

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.

Ano VII, v.1 2026 | submissão: 06/11/2026 | aceito: 13/11/2026 | publicação: 18/11/2026

ČASTA, M.: The impact of mortgage rates on the housing market. Journal of Housing Economics, 67. 2025. https://doi.org/10.1016/j.jhe.2025.102045

CHIANG, S. L.; TSAI, M. C.: Analyzing foreclosure recovery rates and lags in defaulted mortgages: Insights from the threshold model. The Quarterly Review of Economics and Finance, 101. 2026. https://doi.org/10.1016/j.qref.2026.101982

DE STEFANI, A.; MANO, R.: Long-Term Debt and Short-Term Rates: Fixed-Rate Mortgages and Monetary Transmission. Journal of Money, Credit and Banking, 58(1). 2026. https://doi.org/10.1111/jmcb.13210

HORVÁTH, P.: Nonlinear Transmission of Monetary Policy and Housing Market Imbalances: Evidence From a Factor-Augmented Threshold VAR Analysis. The Manchester School, 94(1). 2026. https://doi.org/10.1111/manc.12480

HUANG, M.: Time-varying impacts of monetary policies on state-level housing markets: Evidence from the Covid-19 period. The Quarterly Review of Economics and Finance, 100. 2025. https://doi.org/10.1016/j.qref.2025.101925

KINNERUD, K.: The effects of monetary policy through housing and mortgage choices on aggregate demand. Quantitative Economics, 16(1). 2025. https://doi.org/10.3982/QE2140

LEE, J.; MA, Y.: Housing market connectedness and transmission of monetary policy. Economic Inquiry, 63(2). 2025. https://doi.org/10.1111/ecin.13250

PRIYA, R.; SHARMA, S.: The uncertainty-driven channel of monetary transmission on household consumption: the role of households' balance sheet positions. International Review of Economics & Finance, 98. 2025. https://doi.org/10.1016/j.iref.2025.103810

RODRÍGUEZ-ASENSIO, H.; LÓPEZ-GARCÍA, A.: Housing Market Vulnerabilities and Monetary Policy: Lessons From two Decades of European Data. The Journal of Real Estate Finance and Economics, 72(1). 2026. https://doi.org/10.1007/s11146-025-09980-3

Este é um artigo publicado em acesso aberto (Open Access) sob a licença CreativeCommons Attribution, que permite uso, distribuição e reprodução em qualquer meio, sem restrições desde que o trabalho original seja corretamente citado.