



MULTIFAMILY REPORT

Orlando Charges Up For 2022

Fall 2021



PPU Crosses \$200K Mark

Deliveries Hit Decade High

Occupancy Rate Keeps Climbing

ORLANDO MULTIFAMILY



Deliveries, Investment Activity Spring Up

Despite initial economic struggles resulting from the health crisis, the Central Florida multifamily market performed well this year, with the metro benefiting from strong in-migration. Orlando ranked among the leading Southeast markets for month-over-month rent growth as of October, with rates up 2.0%. On a trailing three-month basis, rents rose 2.5% to an average of \$1,640. Meanwhile, the U.S. rate improved by only 1.5% to \$1,572.

Bolstered by an influx of tech, finance and defense companies, Central Florida's economy has been steadily diversifying in recent years. This significantly contributed to Orlando's swift recovery following the latest downturn. Employment expanded by 3.7% in the 12 months ending in August, with the metro adding 82,800 jobs. And company expansions and relocations continue. Most recently, Terran Orbital Corp. announced plans to invest \$300 million in a spacecraft manufacturing facility that is set to create 2,100 jobs by 2025, while InnoCare Health Inc. intends to move its headquarters from White Plains, N.Y., to Lake Nona.

Sustained demand stimulated developers to keep building. This year through October, a cycle peak of 9,386 units came online across the metro and 21,257 units were under construction. Rental rates are expected to continue to increase, but at a slower pace due to pandemic-related provisions gradually coming to an end.

Market Analysis | Fall 2021

Contacts

Jeff Adler

Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Laura Calugar
Senior Editor

Recent Orlando Transactions

Arbors at Maitland Summit



City: Orlando, Fla.
Buyer: UDR
Purchase Price: \$178 MM
Price per Unit: \$267,722

Lake House



City: Orlando, Fla.
Buyer: Lincoln Property Co.
Purchase Price: \$133 MM
Price per Unit: \$525,794

Maitland City Centre



City: Maitland, Fla.
Buyer: Raia Capital Management
Purchase Price: \$91 MM
Price per Unit: \$371,721

Linden on the GreeneWay

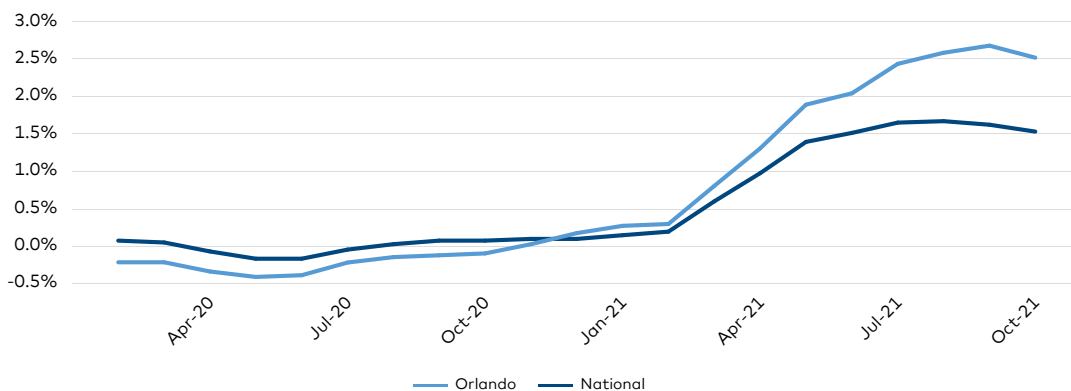


City: Orlando, Fla.
Buyer: Cores Management
Purchase Price: \$64 MM
Price per Unit: \$271,368

RENT TRENDS

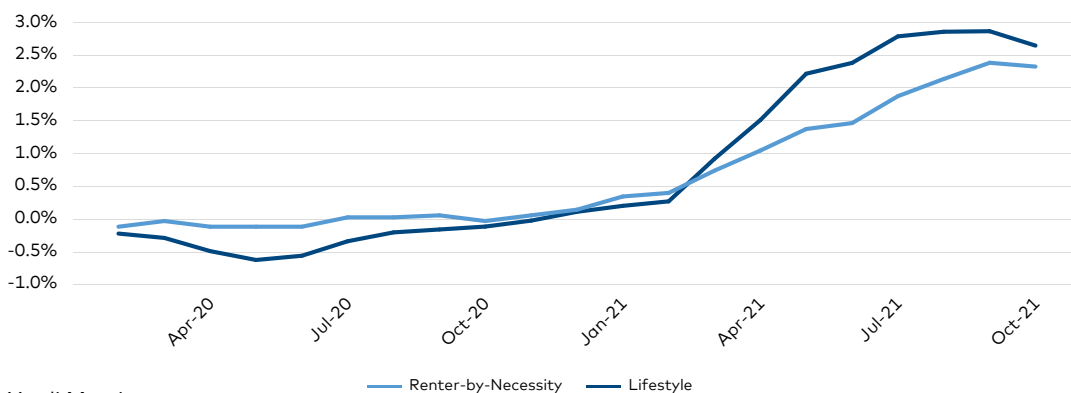
- ▶ Orlando rents rose 2.5% on a trailing three-month (T3) basis through October, to \$1,640. That was 100 basis points above the U.S. rate, which hit a record-high average of \$1,572. On a month-over-month basis, the Southeast figures was especially strong. Rents increased by 2.0% or more in several metros, including Orlando (2.5%), Miami (2.4%), Tampa (2.3%), Atlanta (2.1%) and Charlotte (2.0%).
- ▶ Bucking nationwide trends, the Lifestyle segment led rent growth, with rates up 2.7% on a T3 basis to an average of \$1,814. Meanwhile, rents in the working-class Renter-by-Necessity segment increased by 2.3% to \$1,362. Rental rates are expected to continue to improve in the first quarter of 2022, but growth should start to moderate as pandemic-related relief programs expire.
- ▶ Rents are also soaring in the single-family rental market. As renters seek more space and privacy, these properties have become a hot commodity. Due to the low inventory, rates shot up 11.8% in the 12 months ending in October to a record-breaking average of \$1,575.
- ▶ Year-over-year through October, rents improved in all Central Florida submarkets, but growth was most pronounced in Winter Park-West (36.4% to \$2,023) and Hunter's Creek (33.8% to \$1,910). However, Orlando-Downtown (\$2,105) and University Park (\$2,102) remained the most expensive submarkets in the metro.

Orlando vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Orlando Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Central Florida's economy is steadily gaining ground again, with employment expanding by 3.7% in the 12 months ending in August. Orlando's unemployment stood at 5.0% in August, a solid improvement from the 22.6% it posted in May 2020, when the health crisis was in full swing. In-migration was one of the main factors that contributed to the metro's relatively quick rebound, but Florida's lack of state income taxes and short lockdown period also played key roles.
- ▶ The leisure and hospitality industry—one of Central Florida's economic backbones—gained the most jobs (30,800). Disney has already begun the relocation of roughly 2,000 employees from California to Lake Nona, where the giant is planning a professional campus. The move is expected to support the local economy, stimulate household formation and bolster housing demand.
- ▶ The trade, transportation and utilities sector added 11,400 jobs, with demand for industrial space near record highs. Fueled by healthy leasing fundamentals, speculative development is strong. Exeter Property Group plans to build a 1.2 million-square-foot industrial project in Apopka. The location is close to State Road 429, which is undergoing a \$1.6 billion, 25-mile toll-road expansion that is expected to support the northwest industrial submarket.

Orlando Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	232	15.8%
40	Trade, Transportation and Utilities	273	18.6%
60	Professional and Business Services	259	17.6%
65	Education and Health Services	199	13.5%
80	Other Services	54	3.7%
55	Financial Activities	90	6.1%
15	Mining, Logging and Construction	103	7.0%
90	Government	156	10.6%
30	Manufacturing	79	5.4%
50	Information	27	1.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ In 2020, Orlando added 31,227 residents, a 1.2% increase and 80 basis points above the national rate. However, Orlando's demographic expansion ranked third in the state among major metros, behind Jacksonville (1.8%) and Tampa (1.5%), but well ahead of Miami (0.1%).

Orlando vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Orlando Metro	2,512,917	2,572,962	2,608,147	2,639,374

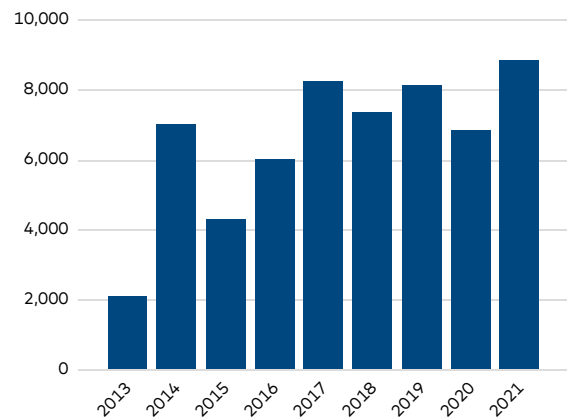
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ There were 21,257 units under construction in Orlando as of October, with the bulk of them aimed at high-income residents. An additional 102,000 were in the planning and permitting stages, with developers confident that the metro's economy is on the right track.
- ▶ Developers delivered 9,386 units in the first 10 months of 2021, marking an all-time high. Robust demand stemming from strong demographic expansion has kept builders busy in the past decade, with completions heavily favoring the Lifestyle segment. However, the occupancy rate in stabilized properties in the segment continued to increase, hitting 96.4% in September, only 20 basis points below the rate for Renter-by-Necessity properties.
- ▶ Developers broke ground on 11,491 apartments through October, a significant increase from the 7,723 units that started in the same interval of last year.
- ▶ A quarter of the development pipeline is concentrated in three submarkets: Celebration (1,875 units underway), Lake Buena Vista (1,598 units) and Orlando-Downtown (1,534 units).

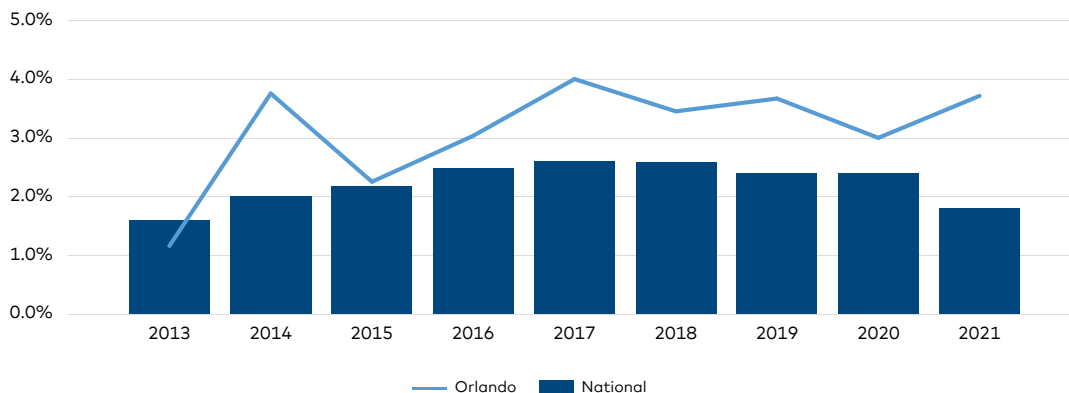
- ▶ More than half of the apartments underway in Lake Buena Vista are part of the Glasshouse at O-Town West project. Unicorp National Developments is building an 850-unit community near Orlando's theme parks. The three five-story buildings are part of a \$1 billion mixed-use project that is also set to include retail and office space.

Orlando Completions (as of October 2021)



Source: Yardi Matrix

Orlando vs. National Completions as a Percentage of Total Stock (as of October 2021)



Source: Yardi Matrix

TRANSACTIONS

- ▶ Investment activity intensified during the middle of 2021, with multifamily sales year-to-date through October amounting to almost \$3.6 billion, a new cycle high. Some \$723 million in rental assets traded in July alone.
- ▶ Due to the increase in Lifestyle transactions, the average price per unit surpassed the \$200,000 mark in 2021 through October, while the national average clocked in at \$184,007.
- ▶ As competition for assets rapidly escalated, investors were pushed to the suburbs. Lake Buena Vista was the top-performing submarket in the 12 months ending in October, with sales totaling \$373 million. The largest transaction was also recorded in suburban Orlando. United Dominion Realty Trust Inc. spent \$177.5 million on Arbors at Maitland Summit, a 663-unit community in Lockhart, built in 1995. Redwood Capital Group sold the luxury asset for \$267,722 per unit, a record for Orange County.

Orlando Sales Volume and Number of Properties Sold (as of October 2021)



Source: Yardi Matrix

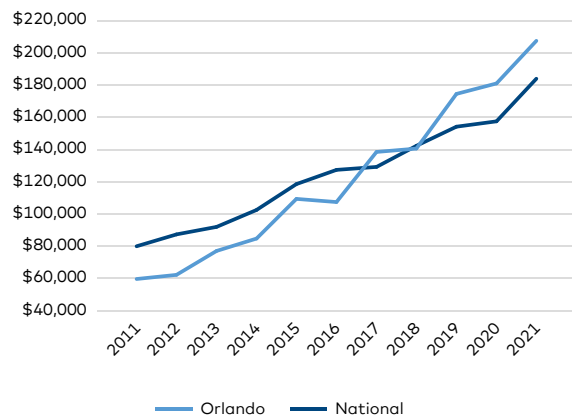
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Lake Buena Vista	373
Metro West	308
Lockhart	261
Melbourne	246
University Park	227
Hunter's Creek	224
Orlando-North Orange	195

Source: Yardi Matrix

¹ From November 2020 to October 2021

Orlando vs. National Sales Price per Unit



Source: Yardi Matrix

Top Sun Belt Markets for Construction Activity

By Beata Lorincz

The Sun Belt continues its expansion, driven by domestic in-migration from gateway markets, boosting rent and occupancy in the region. Its appeal—propelled by a favorable tax environment and lower living costs—only grew stronger during the pandemic. The region is home to roughly 50 percent of the nation’s population. This table highlights the top 10 markets for multifamily construction activity in the region.

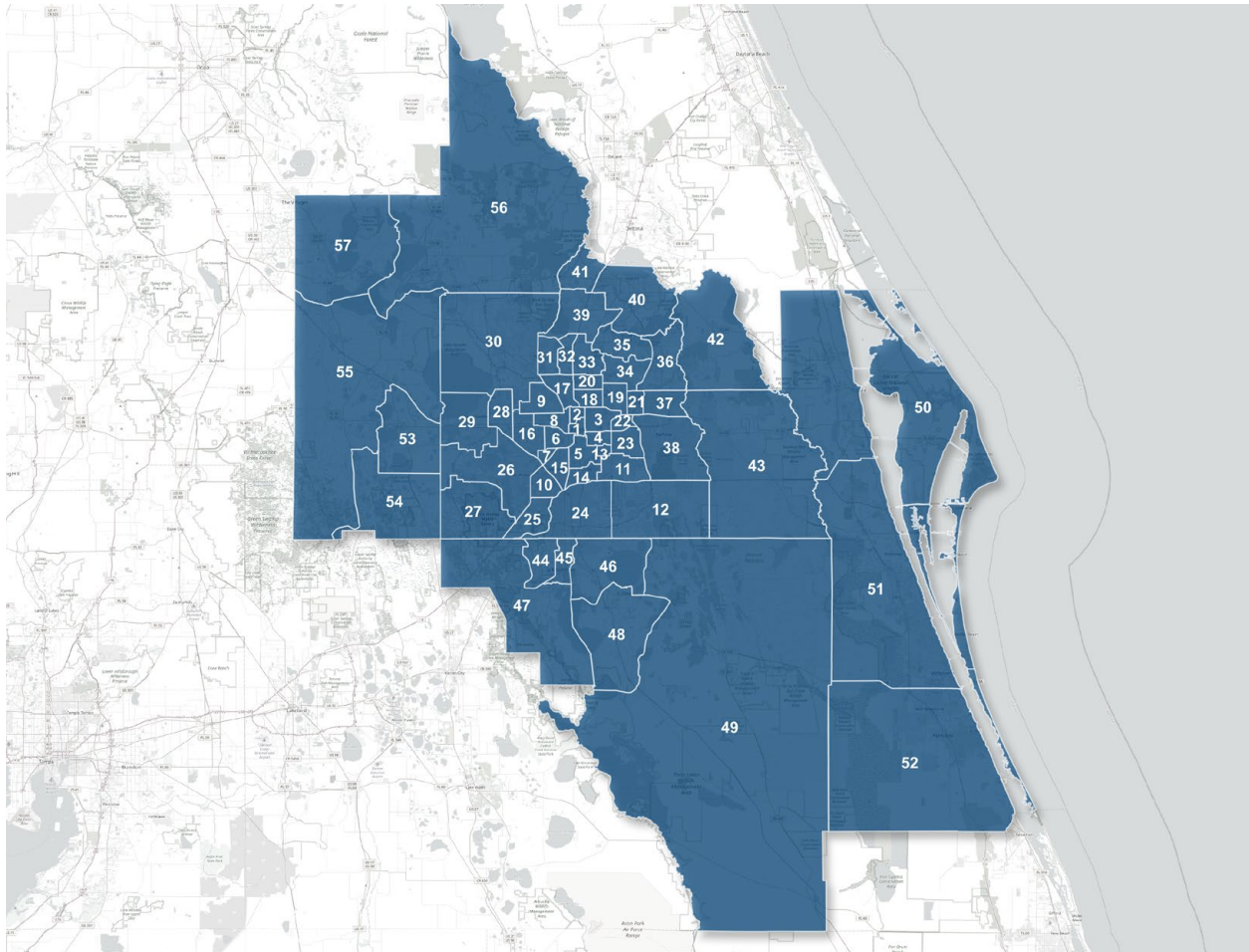
Rank	Market	Units Underway
1	Dallas-Ft. Worth	49,347
2	Austin	38,489
3	Phoenix	34,458
4	Houston	28,841
5	Los Angeles	28,479
2	Austin	38,489
3	Phoenix	34,458
4	Houston	28,841
9	Tampa	18,847
10	Charlotte	17,457

Orlando

Orlando’s recovery has been quicker than expected, bolstered by positive migration trends. Developers completed 4,135 units in 2020 and 6,519 units have delivered during the current year so far, while 35 projects totaling nearly 9,500 units broke ground between January and August. The metro’s occupancy rate not only returned to pre-pandemic levels but topped 2019 rates, reaching 96.1 in August.



ORLANDO SUBMARKETS



Area No.	Submarket
1	Orlando-Downtown
2	Orlando-North Orange
3	Orlando-Colonial Town
4	Orlando-Azalea Park
5	Orlando-Edgewood
6	Orlando-Holden Heights
7	Orlando-Florida Center North
8	Orlando-Pine Hills
9	Orlando-Rosemont
10	Orlando-Florida Center
11	Orlando-Vista Park
12	Orlando-Southeast
13	Conway
14	Belle Isle
15	Oak Ridge
16	Metro West
17	Lockhart
18	Winter Park-West
19	Winter Park-East

Area No.	Submarket
20	Maitland
21	Goldenrod
22	Union Park
23	Edgewood Park
24	Hunter's Creek
25	Lake Bryan
26	Lake Buena Vista
27	Orange Lake
28	Ocoee
29	Winter Garden
30	Apopka
31	Forest City
32	Weathersfield
33	Altamonte Springs
34	Red Bug Lake
35	Longwood
36	Oviedo
37	University Park
38	Stoneybrook

Area No.	Submarket
39	Lake Mary
40	Sanford
41	Woodruff Springs
42	Outlying Seminole County
43	Eastern Orange County
44	West Kissimme
45	East Kissimme
46	Fish Lake
47	Celebration
48	St Cloud
49	Outlying Osceola County
50	Titusville
51	Melbourne
52	Palm Bay
53	Clermont
54	Hancock Lake
55	Outlying Lake County
56	Mt Dora
57	Leesburg

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- ▶ *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- ▶ *Students*, who also December span a range of income capability, extending from affluent to barely getting by;
- ▶ *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- ▶ *Blue-collar households*, which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- ▶ *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- ▶ *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

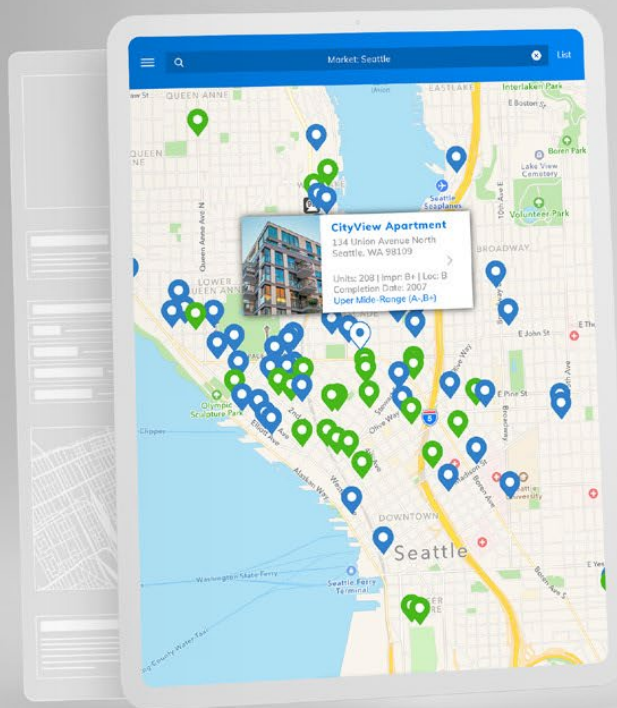
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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