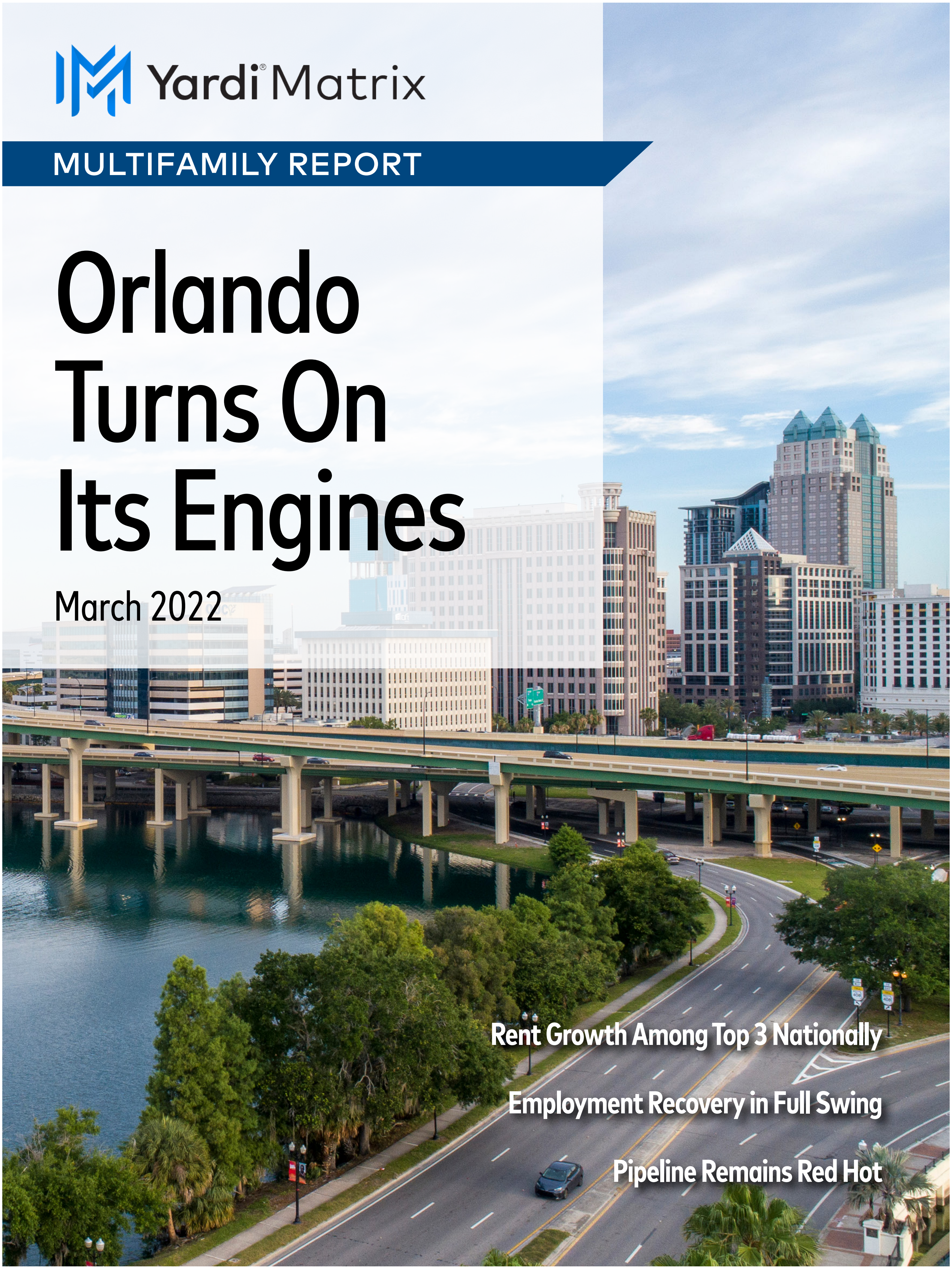
Yardi Matrix

MULTIFAMILY REPORT

Orlando Turns On Its Engines

March 2022



Rent Growth Among Top 3 Nationally

Employment Recovery in Full Swing

Pipeline Remains Red Hot

ORLANDO MULTIFAMILY

Yardi Matrix

Completions, Deal Volume Hit Historic Levels

Boosted by strong in-migration and above-average job growth, Orlando's multifamily market performed well throughout 2021. This year started on a high note as well, with rents up 0.8% on a trailing three-month basis as of January, nearly three times the U.S. rate.

Orlando added 103,600 jobs in the 12 months ending in November, up 6.7% and 210 basis points above the U.S. rate. As the health crisis slowly subsides, international tourists are gradually returning to the metro's expanding theme parks. Several projects are underway across all major entertainment venues, with Universal announcing plans for its fourth Orlando theme park. Meanwhile, the first phase of the $3.8 billion, multiyear upgrade at Orlando International Airport is wrapping up, with substantial completion expected by the end of the first quarter. Additionally, Brightline's expansion to Orlando is roughly 70% complete, with the rail company launching its first test runs between West Palm Beach and Cocoa earlier this year.

Stock additions have been generous in the past few years, with deliveries peaking at 12,948 units in 2021. Also encouraged by very low interest rates, investors spent $5.7 billion on Orlando rental assets last year, setting a new record. Despite rent growth bound to return to more sustainable levels nationally, Yardi Matrix expects the average Orlando rate to rise 6.1% in 2022.

Market Analysis | March 2022

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Recent Orlando Transactions

ARIUM Greenview

City: Orlando, Fla.
Buyer: CARROLL
Purchase Price: $179 MM
Price per Unit: $266,369

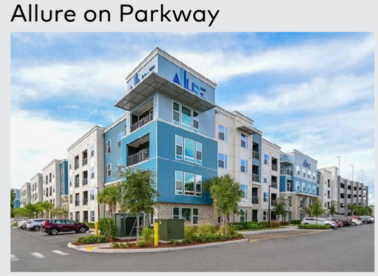
The Julian

City: Orlando, Fla.
Buyer: Frankforter Group
Purchase Price: $142 MM
Price per Unit: $347,188

IMT Lake House

City: Orlando, Fla.
Buyer: IMT Capital
Purchase Price: $129 MM
Price per Unit: $429,933

Allure on Parkway

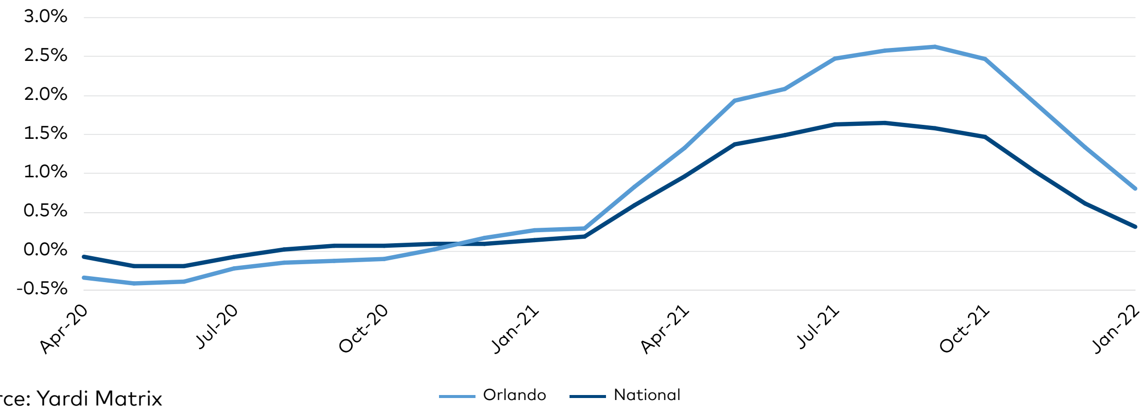


City: Lake Mary, Fla.
Buyer: Starlight Investments
Purchase Price: $99 MM
Price per Unit: $340,000

RENT TRENDS

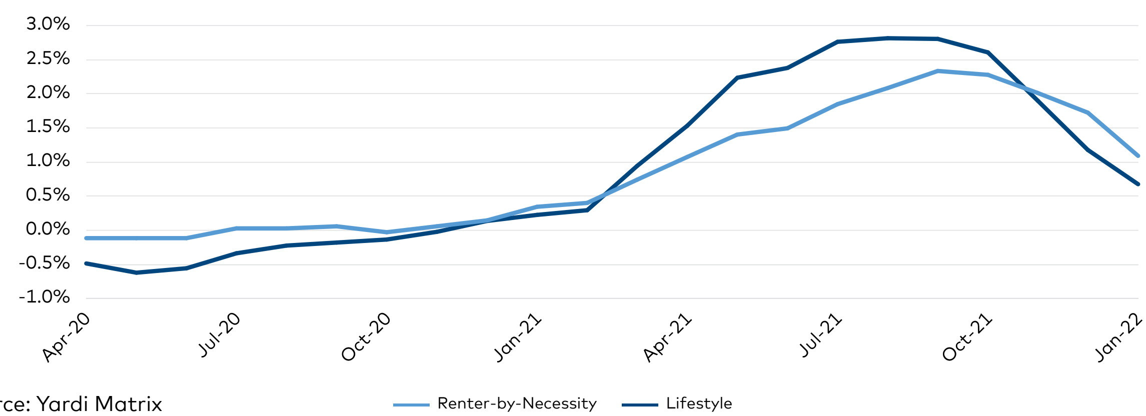
- Rents in Central Florida increased by 0.8% on a trailing three-month (T3) basis through January, to an average of $1,683. Meanwhile, the national rate improved by only 0.3%, to $1,604. On a year-over-year basis, rents grew by 23.4%, with Orlando ranking third nationally among major metros, behind only Tampa (24.5%) and Phoenix (24.2%).
- The bulk of the inventory continues to target high-income earners, which slightly impacted rent growth in the Lifestyle segment—up 0.7% on a T3 basis, to $1,853. Rates in the working-class Renter-by-Necessity segment grew by 1.1%, to an average of $1,406.
- Despite an 8,760-unit yearly average for completions since 2017, high demand has continued to support occupancy across the metro. The rate climbed to 96.7% as of December, 60 basis points above the national rate and the highest since April 2016.
- Fueled by pent-up demand from households looking for more space, SFR rents in Orlando climbed to $1,614, the metro's highest value recorded by Yardi Matrix. However, the figure trailed the $1,948 U.S. average as of January.
- Rent growth was most pronounced in suburban areas immediately adjacent to the urban core, with Winter Park-West (39.0% to $2,076) leading the way year-over-year through January, followed by Hunter's Creek (36.0% to $1,969) and Forest City (35.2% to $1,710).

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

- Orlando unemployment kept improving last year, hitting 4.0% in November, and preliminary data for December showed an additional 20-basis-point improvement. According to the Institute for Economic Forecasting at the University of Central Florida, the state's unemployment is expected to continue declining in 2022.

- Orlando added 103,600 jobs in the 12 months ending in November, a 6.7% expansion and 210 basis points above the U.S. rate. Leisure and hospitality, the metro's backbone, gained 32,400 jobs in the 12 months ending in November. As the pandemic is slowly brought under control, major events are being hosted again and international tourists are gradually returning. In addition, Orlando is competing to be one of 10 U.S. cities that will host matches for the 2026 FIFA World Cup, an event expected to bring about $800 million worth of economic impact to the region.

- One of the largest infrastructure projects underway in Florida is Brightline's expansion to Orlando. At the end of last year, the project was roughly 70% complete, with the rail company launching its first test runs between West Palm Beach and Cocoa early this year. At full buildout, the massive project is set to connect Miami to both Orlando and Tampa.

Orlando Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	241	15.9%
60	Professional and Business Services	271	17.9%
40	Trade, Transportation and Utilities	288	19.0%
65	Education and Health Services	204	13.4%
80	Other Services	54	3.6%
15	Mining, Logging and Construction	105	6.9%
90	Government	159	10.5%
55	Financial Activities	89	5.9%
30	Manufacturing	79	5.2%
50	Information	27	1.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Orlando added 31,227 residents in 2020, for a 1.2% expansion.

- The Bureau of Labor Statistics' annual vintage population estimates show that Florida's population grew by 211,305 residents year-over-year through July 2021. Only Texas topped the state's demographic growth, adding 310,288 residents.

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

- Despite the nationwide labor shortage and high prices for critical construction materials, Orlando developers have been keeping busy. A total of 12,948 units came online in 2021, a new decade high by far. That was equivalent to 5.4% of total stock, more than double the national rate. The bulk of deliveries—95.8%—targeted high-income earners.

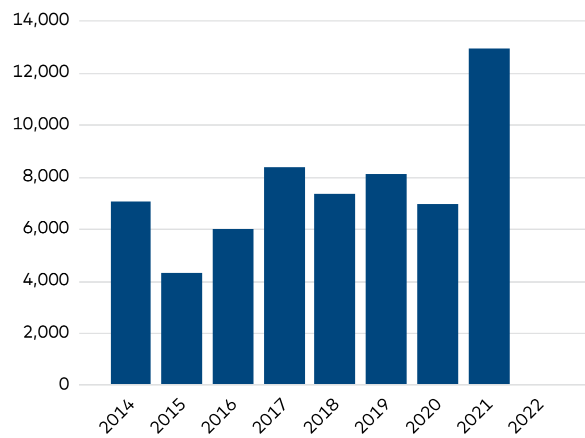
- Sustained, robust in-migration from high-tax gateway markets in the past couple of years has encouraged developers to keep building—22,671 units were underway as of January, with an additional 100,000 apartments in the planning and permitting stages. The sizable number of upcoming projects is a testament to the confidence in the metro's strong rebound.

- Construction activity is bound to remain intense in 2022. Developers broke ground on 799 apartments in January, significantly above the 116 units registered 12 months prior.

- Celebration is the epicenter of Orlando's development spree, with 2,454 units underway as of January. Lake Buena Vista, a submarket also sought after by investors, recorded the second-largest pipeline, with 1,598 units underway. Orange Lake rounded out the top three, with 1,391 units under construction.

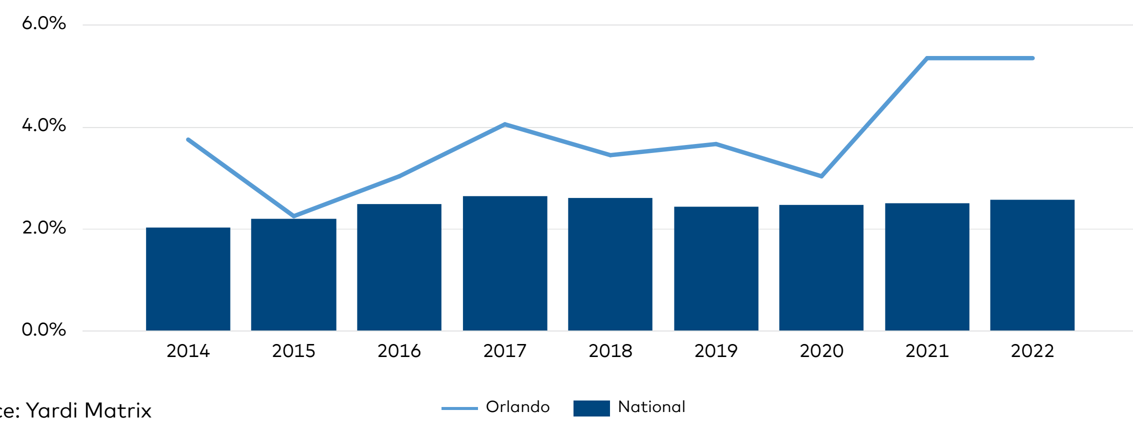
- The largest project underway is Unicorp National Developments' 850-unit community in Southwest Orange County, right between Disney and Universal, the project is part of a $1 billion, 350-acre mixed-use development that includes three five-story buildings.

Orlando Completions (as of January 2022)



Source: Yardi Matrix

Orlando vs. National Completions as a Percentage of Total Stock (as of January 2022)

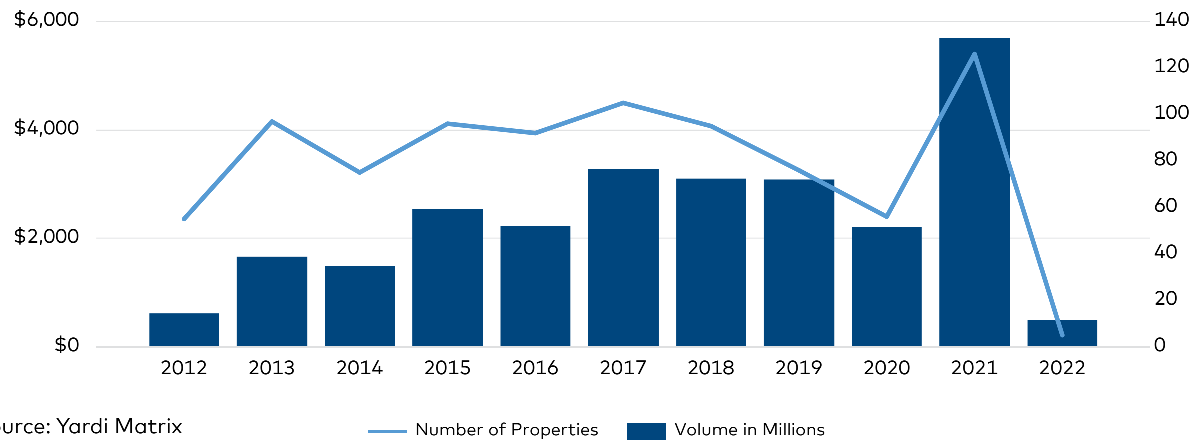


Source: Yardi Matrix

TRANSACTIONS

- Investment activity hit a whopping $5.7 billion last year in Orlando, an all-time high for the metro. More than $1.3 billion in multifamily sales were recorded in December alone. The per-unit price in 2021 clocked in at $208,242, almost 8.0% above the national average.
- Investors kicked off the new year on a strong note as well, as $500 million worth of multifamily properties changed hands in the first month of 2022. That was roughly three times the transaction volume recorded in January 2021.
- Lake Buena Vista was the most coveted submarket, with deals surpassing $598 million in the 12 months ending in January. Two other suburban areas—Oak Ridge ($432 million) and Orange Lake ($394 million)—rounded out the podium for transaction volume. The largest deal of 2022 so far was CARROLL's portfolio acquisition of two assets encompassing 1,024 units for a combined $270 million.

Orlando Sales Volume and Number of Properties Sold (as of January 2022)



Source: Yardi Matrix

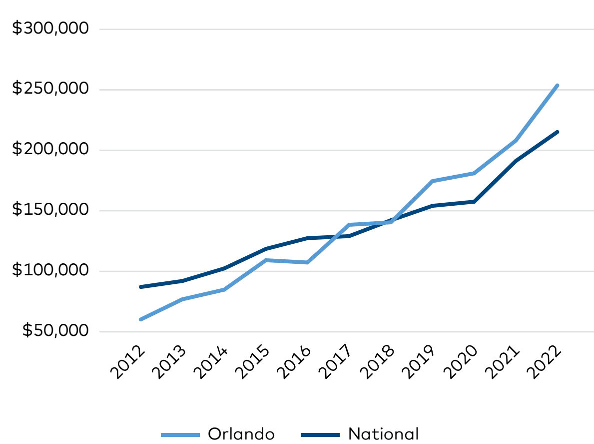
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Lake Buena Vista	598
Oak Ridge	432
Orange Lake	394
Palm Bay	356
Melbourne	320
Metro West	306
Lockhart	261

Source: Yardi Matrix

[1] From February 2021 to January 2022

Orlando vs. National Sales Price per Unit



Source: Yardi Matrix

Is There Still Room for Growth in Central Florida?

By Laura Calugar

ZRS Management oversees more than 60,000 units across eight states, with a significant portion of its portfolio spread across Florida. The third-party property management firm recently appointed a new president, Darren Pierce, who joined the company as vice president in 2016. In an interview with Multi-Housing News, Pierce explains why he believes the Central Florida markets will continue to prosper and outperform peer metros. He also touches on what surprised him about the most recent economic downturn.

How would you describe the past two years for Central Florida multifamily?

Central Florida has been one of the strongest markets in the entire country over the past two years. Outside of Phoenix, Orlando and Tampa have seen some of the highest net gains of new residents in the country. Rising single-family home prices and the record low number of available homes for sale have pushed many would-be home buyers to multifamily communities. We continue to experience new lease trade out over 25 percent in both Orlando and Tampa, with occupancies between 95 percent and 97 percent.

How sustainable do you think Central Florida's economic growth is?

Based on how the start of 2022 has gone, Central Florida is poised for another year of significant growth. Many sources are forecasting another year with 15 percent to 25 percent effective rental growth for 2022. Early data points are backing this up.

We will also see more real estate development, more employment, simply more economic activity of all shapes and forms. We've seen the Central Florida market grow significantly in the last five years, and I'm excited to see where we will be in another five years.

What's the top factor that will shape Central Florida's multifamily sector in 2022?

The major factor is the favorable tax treatment offered by Florida, along with a lower cost of living. We are seeing people from all over the country moving to Florida to start their career or to enjoy their retirement. We've seen large companies moving operations to Florida in droves. As the inflows continue, we will see a stronger and more prosperous Central Florida.

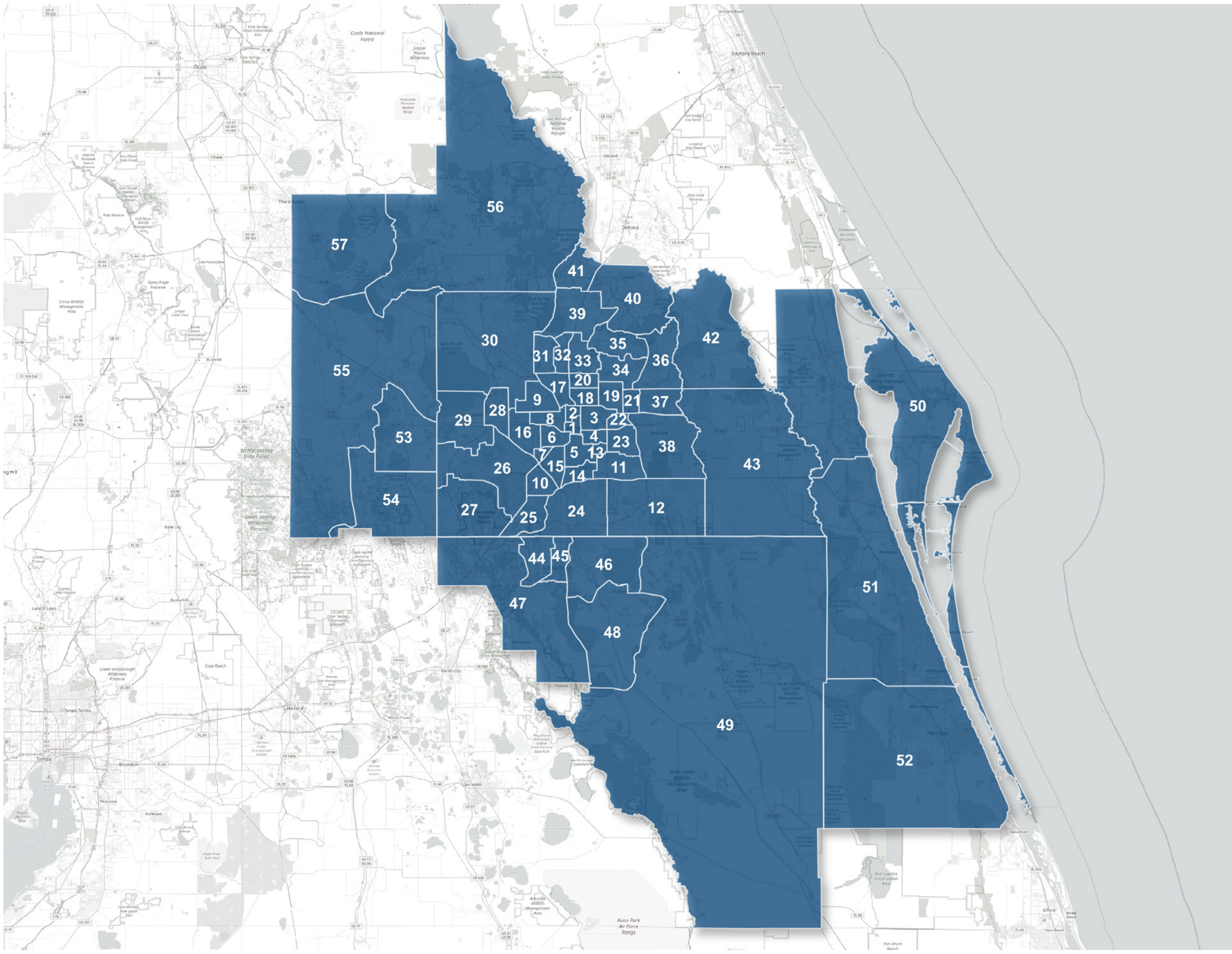
Which Orlando submarkets where the most sought-after last year and why?

While all of Orlando has been very sought-after and in high demand, the northern submarkets of Winter Park/Maitland, Altamonte Springs/Casselberry and Lake Mary continue to outperform the broader Orlando market. Lake Ivanhoe, Baldwin Park, Horizon West and Doctor Phillips have also seen significant growth.

As for the why, we have been seeing a large inflow of net migration into Orlando from other states within the U.S. as the Florida lifestyle and favorable tax conditions make Orlando an attractive home for remote workers.

(Read the complete interview on multihousingnews.com.)

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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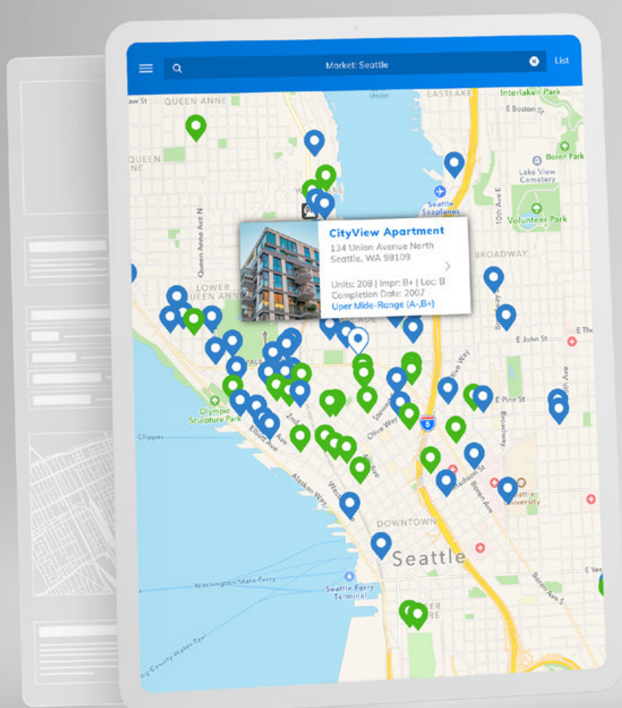

Yardi Matrix Multifamily provides accurate data on **19+ million units,** covering over **90% of the U.S. population.**

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