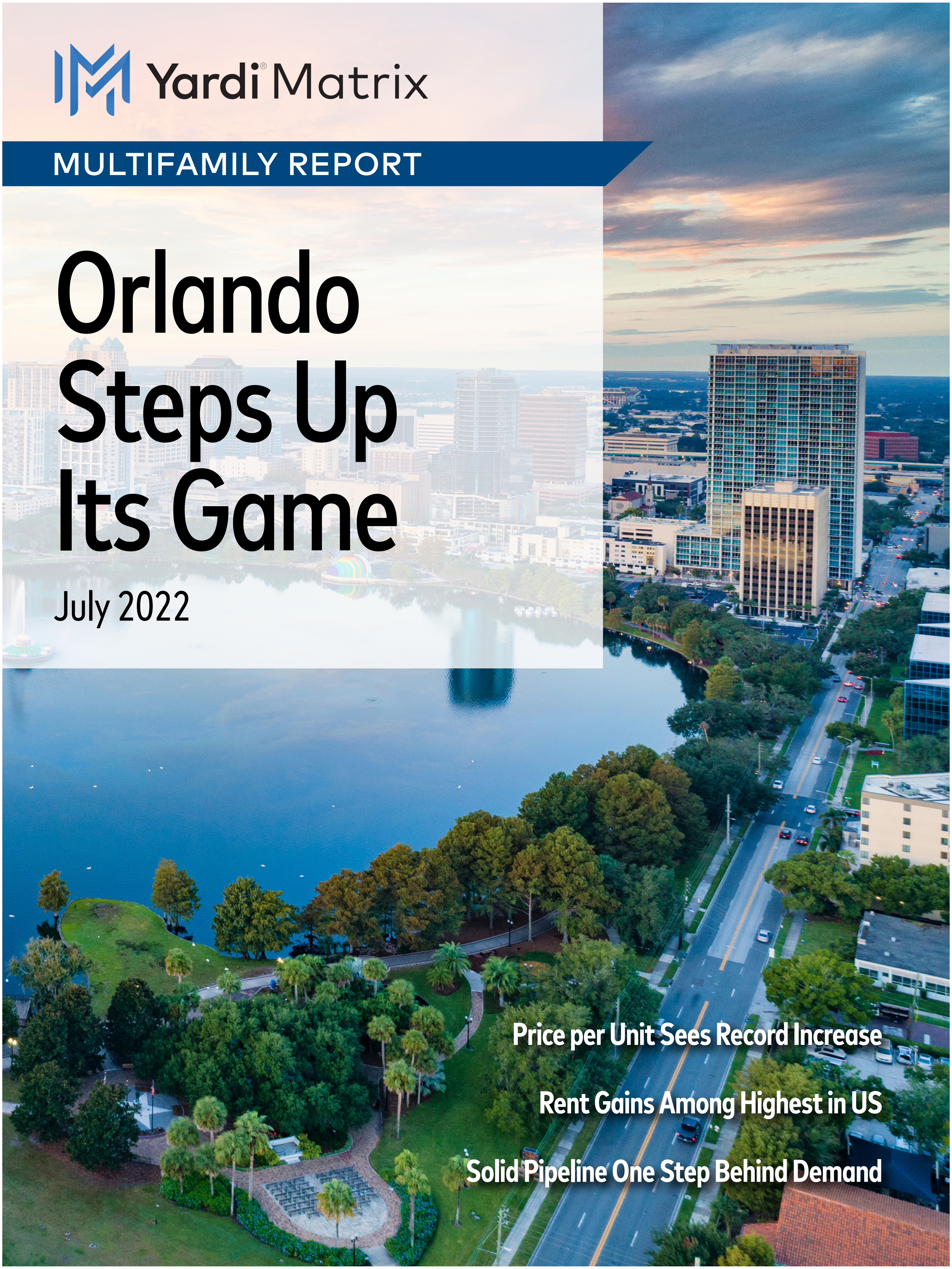
Yardi Matrix

MULTIFAMILY REPORT

Orlando Steps Up Its Game

July 2022



Price per Unit Sees Record Increase

Rent Gains Among Highest in US

Solid Pipeline One Step Behind Demand

ORLANDO MULTIFAMILY

Job Growth, Deal Volume Maintain Momentum

After two highly uncommon years—one defined by steep losses and the other by unprecedented growth—Orlando's rental market is one step closer to finding its footing. Rates grew by 1.2% on a trailing three-month basis through May, to $1,796, while the national average climbed to $1,680, up 1.0%. Backed by strong in-migration, the multifamily market is expected to remain healthy.

All but one sector—mining, logging and construction—added jobs in the 12 months ending in March. Employment expanded by 8.2%, outperforming the U.S. rate by 350 basis points. Leisure and hospitality, Central Florida's economic backbone, accounted for half of the 114,000 positions added. Several infrastructure projects are expected to help accommodate the needs of the rebounding travel industry. The $2.7 billion, 170-mile extension of the Brightline rail route from West Palm Beach to Orlando is scheduled to be completed this year, while Orlando International Airport's $2.8 billion South Terminal C is expected to open in September.

Developers had 21,744 units under construction as of May, but deliveries marked a slowdown. Meanwhile, investment activity remained elevated in the first five months of the year, with $2.5 billion in multifamily assets trading. Going forward, due to debt becoming more expensive as a result of the surge in interest rates, investors and lenders will most likely pay closer attention when underwriting new deals.

Market Analysis | July 2022

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Recent Orlando Transactions

Chatham Square

City: Orlando, Fla.
Buyer: Bascom Group
Purchase Price: $151 MM
Price per Unit: $337,054

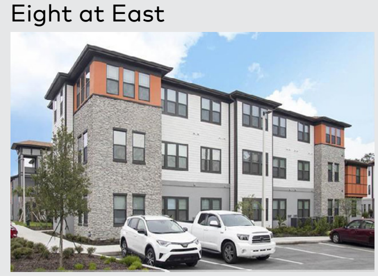
Prime

City: Kissimmee, Fla.
Buyer: Brass Enterprises
Purchase Price: $108 MM
Price per Unit: $317,647

SkyHouse Orlando

City: Orlando, Fla.
Buyer: Langdon Street Capital
Purchase Price: $101 MM
Price per Unit: $316,406

Eight at East

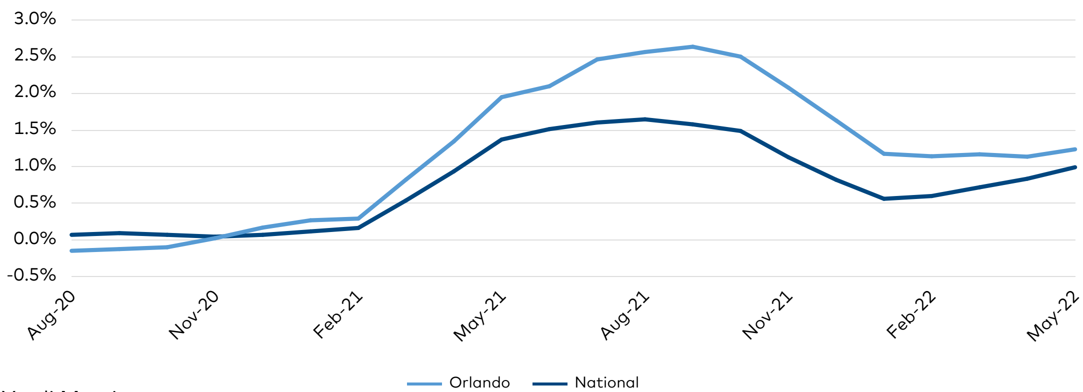


City: Orlando, Fla.
Buyer: Starlight Investments
Purchase Price: $92 MM
Price per Unit: $347,538

RENT TRENDS

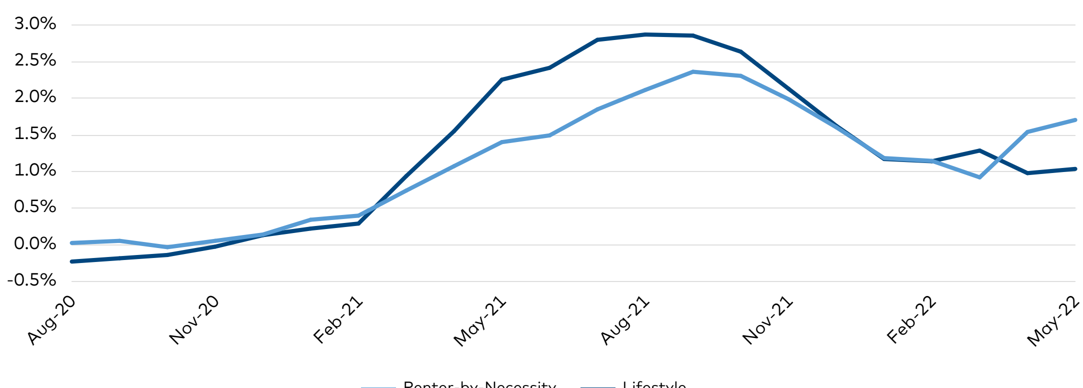
- Orlando rates expanded by 1.2% on a trailing three-month (T3) basis through May, 20 basis points above the national figure. Year-over-year, Orlando growth was second among major U.S. markets, with rates up 23.2% as of May, topped only by Miami (24.2%) and followed by another Florida metro, Tampa (21.6%). Demand and rent increases remained above-trend across the entire country, but Sun Belt states recorded the largest expansions, fueled by heavy in-migration.
- Overall, the average rent in the metro climbed to $1,796 in May, while the national rate rose to a record $1,680. On a T3 basis, rents in the working-class Renter-by-Necessity segment grew by 1.7%, to $1,501. Meanwhile, Lifestyle rates rose by 1.0%, to an average of $1,971.
- Almost all Orlando submarkets posted double-digit growth in the 12 months ending in May. Southwestern and southern areas such as Orlando-Florida Center (32.7%), Fish Lake (32.2%) and Orange Lake (31.6%) led gains. Oviedo ($2,266) and University Park ($2,209)—both near the University of Central Florida—remained the most expensive areas. Rents in 10 other submarkets also surpassed the $2,000 mark.
- In the single-family-rental sector, rents remained on par with multifamily. In May, rates in the SFR sector improved by 12.7% in the U.S., with three metros posting growth above 20.0%—Orlando (49.5%), Miami (28.0%) and Toledo (21.5%). In Central Florida, the average SFR figure hit $2,112, up from just $1,413 one year ago.

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

- The unemployment rate in Orlando was 2.6% in April, according to preliminary Bureau of Labor Statistics data, which shows that the metro has made considerable progress recovering from pandemic-induced woes. In the 12 months ending in March, employment expanded by 8.2% (114,000 jobs), with Central Florida's economic engine—leisure and hospitality—leading gains (55,000 jobs), followed by trade, transportation and utilities (22,900 jobs).

- Infrastructure projects have progressed significantly in the past couple of years due to reduced traffic. Brightline, the privately run rail route, reported that its $2.7 billion, 170-mile extension from West Palm Beach to Orlando is nearly 80% complete, with construction expected to conclude at the end of the year and service scheduled to start in early 2023. Meanwhile, the Orlando International Airport announced that its $2.8 billion South Terminal C will open in September. The new facility has 15 gates, which will be able to handle up to 12 million passengers per year.

- The professional and business services sector is also adding jobs fast, due in part to corporate relocations and expansions. The Walt Disney Co. plans to transfer its entire Disney parks, experiences and products division from California to Lake Nona by the end of the year, while Conti Federal Services and InnovaCare Health left New Jersey and White Plains, N.Y., for Orlando.

Orlando Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	282	17.8%
40	Trade, Transportation and Utilities	301	19.0%
60	Professional and Business Services	287	18.1%
55	Financial Activities	97	6.1%
50	Information	28	1.8%
65	Education and Health Services	202	12.8%
30	Manufacturing	82	5.2%
80	Other Services	50	3.2%
90	Government	156	9.9%
15	Mining, Logging and Construction	98	6.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Last year, Central Florida added 14,238 residents, up 0.5%. Orlando is the second fastest-growing metro in the state, topped by Tampa (1.1%).

- The metro is expected to reach a population of 5.2 million by 2030, according to Orlando Economic Partnership data.

Orlando vs. National Population

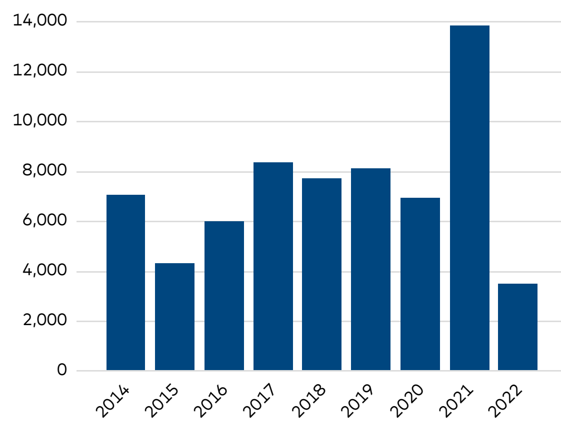
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Orlando Metro	2,576,297	2,608,273	2,677,687	2,691,925

Source: U.S. Census

SUPPLY

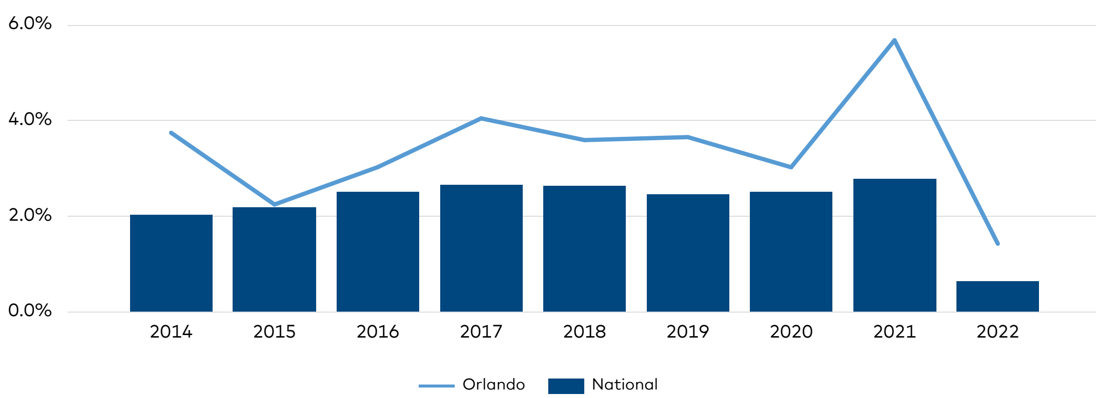
- Central Florida had 21,744 units under construction as of May, with the bulk of them in upscale projects. Only 1,101 apartments were in fully affordable developments. Nearly 110,000 units were in the planning and permitting stages, but some of those might be reassessed going forward as interest rates rise and debt becomes more expensive.
- After recording a 13,830-unit peak last year, completions decelerated. Only 3,533 units came online this year through May, which marks a significant dip from the 5,000 apartments that developers delivered in 2021's first five months.
- Completions this year were heavily tilted toward the Lifestyle segment, but the class' occupancy rate kept rising due to migration-fueled demand: from 95.5% in April 2021 to 96.2% in April 2022. Meanwhile, occupancy accelerated even faster in the workforce segment—from 95.9% to 97.1%.
- Eight submarkets accounted for half of the total construction pipeline as of May, with Orlando-Southeast (2,031 units underway) leading the way, followed by Celebration (1,913 units) and West Kissimmee (1,723 units).
- As of May, the largest project under construction was Sunrise, a 465-unit development taking shape in Kissimmee. A joint venture between Northwood Ravin and Framework Group is developing the six-building project using a $77.6 million loan originated by Wells Fargo Bank. The southern portion of the community is expected to come online later this year.

Orlando Completions (as of May 2022)



Source: Yardi Matrix

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

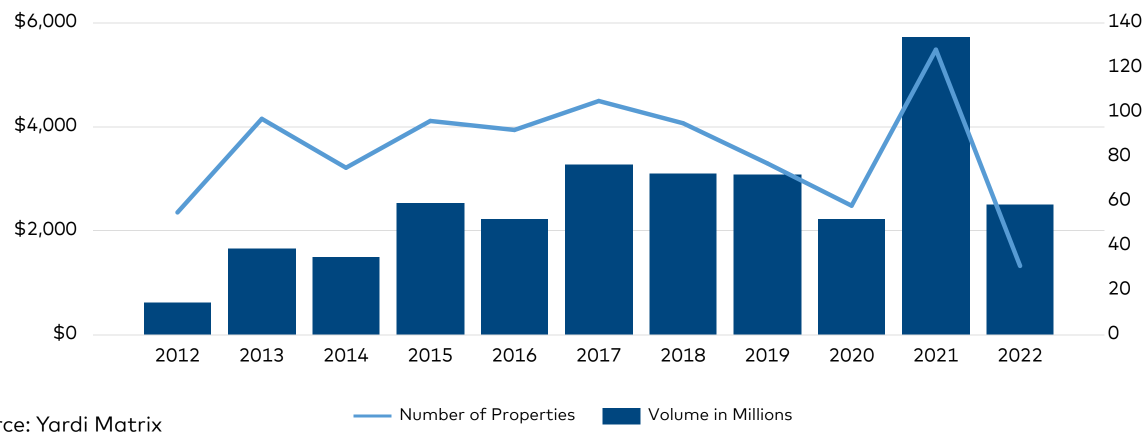


Source: Yardi Matrix

TRANSACTIONS

- Transaction activity kept a solid pace in the first five months of the year, with $2.5 billion in multifamily properties changing ownership, double the volume recorded in the same period of 2021. Although the surge in interest rates and inflation might somewhat temper investment going forward, multifamily is bound to remain a safe bet for investors looking for ways to hedge against economic volatility.
- Investors heavily targeted luxury assets—25 of the 31 sales that closed year-to-date through May involved Lifestyle properties. The per-unit price hit $280,167, a significant rise from the 2021 average of $208,678.
- Three neighboring submarkets—Oak Ridge, Lake Buena Vista and Orange Lake—accounted for almost a fifth of the $7 billion transaction volume of the 12 months ending in May. CARROLL was one of the most active buyers in the market, with the company spending more than $358 million on 10 assets.

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



Source: Yardi Matrix

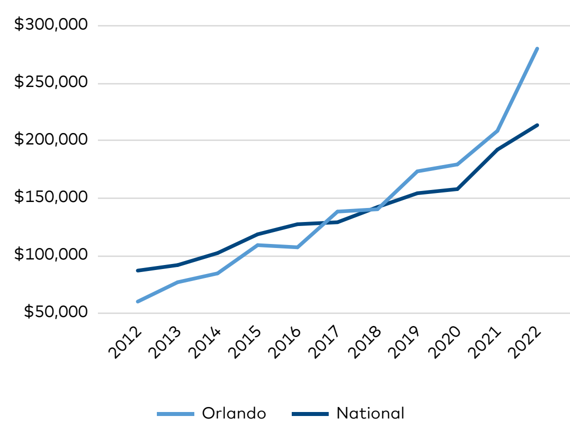
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Oak Ridge	560
Lake Buena Vista	530
Orange Lake	514
Orlando-Downtown	491
Palm Bay	400
West Kissimmee	395
Lake Bryan	303

Source: Yardi Matrix

[1] From June 2021 to May 2022

Orlando vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

data by

Top 10 Multifamily Markets by Sales Volume in 2021

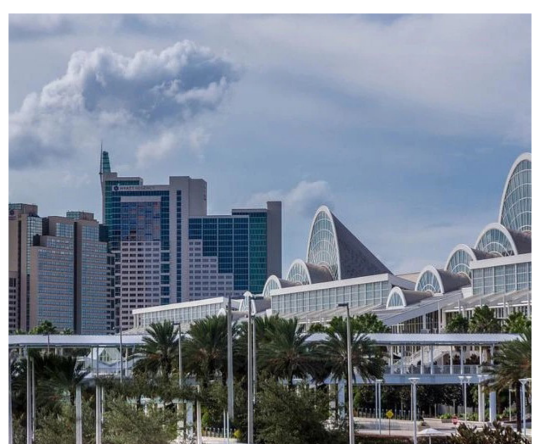
By Anca Gagiuc

The multifamily market had an exceptional year in 2021, exhibiting healthy fundamentals across the board. Behind the market's unpredicted expansion was demand, with the pandemic highlighting not just the essential feature of the multifamily market but also its resilient nature. In the ranking below, we present the top 10 markets by multifamily investment volume in 2021, based on Yardi Matrix data.

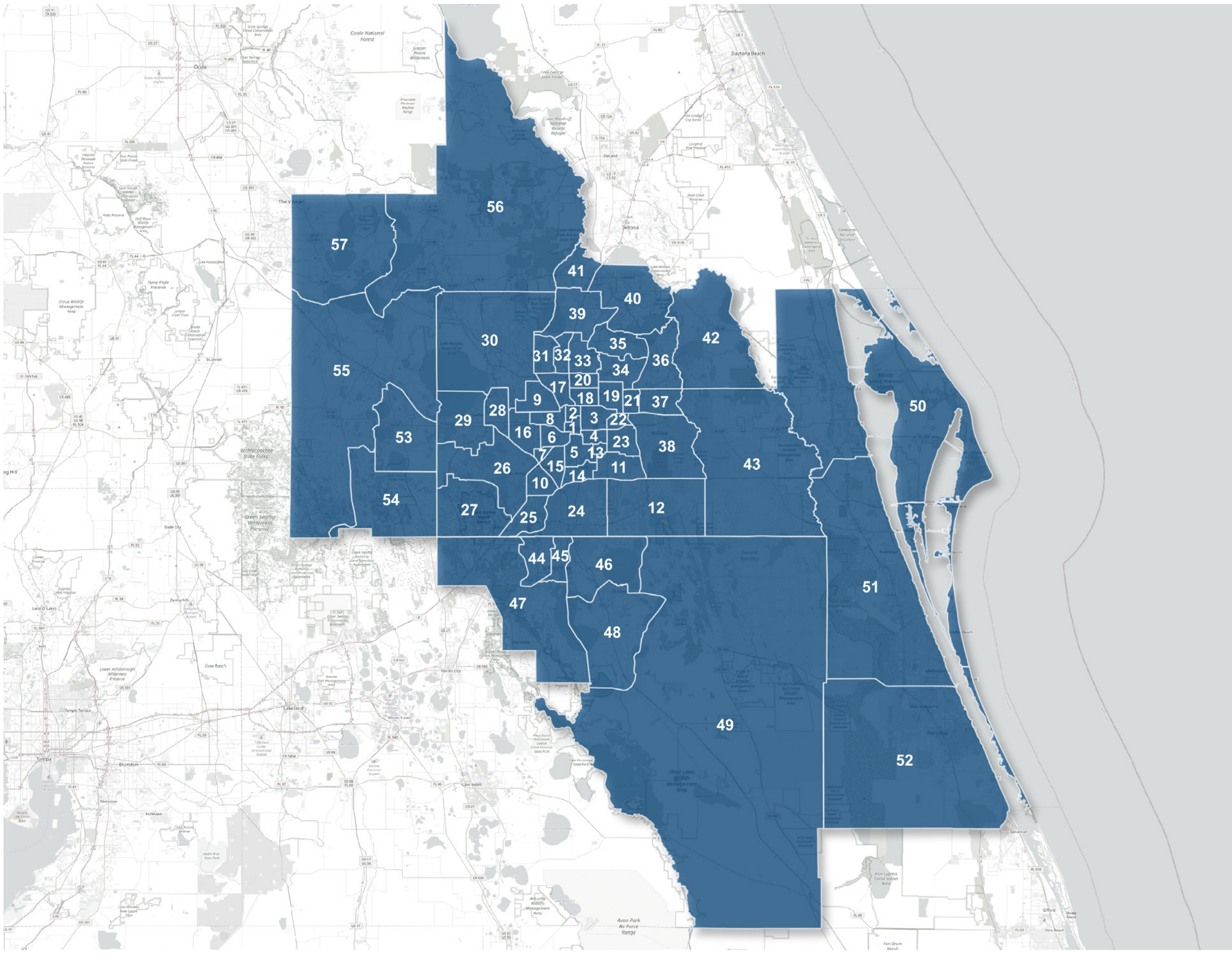
Metro	Sales Volume 2021	Properties Sold 2021	Units Sold 2021	Average Sale Price Per Unit 2021
Dallas–Fort Worth	$14,638,381,314	551	140,640	$171,005.13
Atlanta	$14,462,137,683	325	83,765	$192,369.38
Phoenix	$14,412,674,811	270	56,789	$258,166.74
Houston	$11,059,042,386	426	115,011	$146,827.43
Denver	$9,771,559,229	143	32,630	$322,238.47
Miami	$9,310,892,009	201	45,806	$254,904.37
Washington, D.C.	$7,283,430,008	111	33,241	$267,832.24
Orlando	$5,736,315,365	128	33,434	$215,675.28
Tampa	$5,397,235,455	139	31,320	$197,556.20
Raleigh	$5,143,848,320	99	24,845	$215,070.80

Orlando

Orlando overcame initial economic struggles brought by the health crisis and investment activity is a telling sign of its performance. More than $5.7 billion in multifamily assets traded in 2021, more than double 2020's $2.2 billion total, and well above the $3.1 billion figure of 2019. In 2021, 128 properties (33,434 units) changed ownership, leading the 57 (13,964 units) and 77 properties (20,055 units) that traded in 2020 and 2019, respectively.



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 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 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, 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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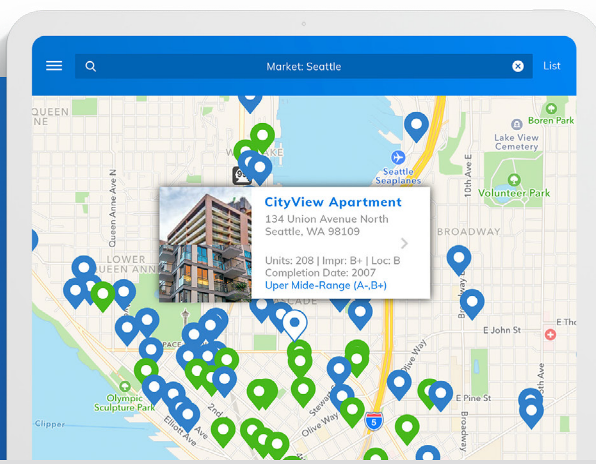
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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