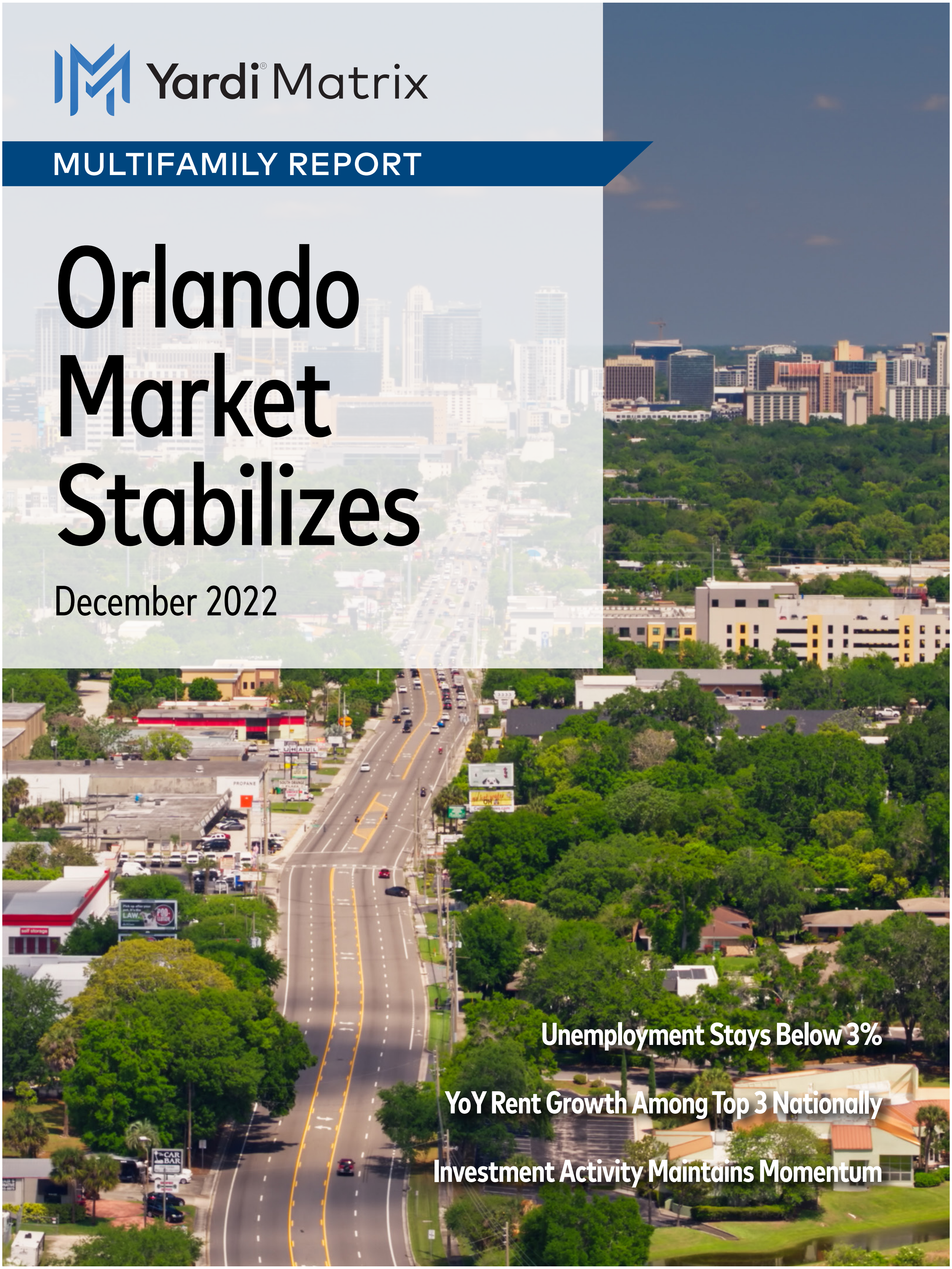
Yardi Matrix

MULTIFAMILY REPORT

Orlando Market Stabilizes

December 2022



Unemployment Stays Below 3%

YoY Rent Growth Among Top 3 Nationally

Investment Activity Maintains Momentum

ORLANDO MULTIFAMILY

Yardi Matrix

Construction Starts, Transactions Improve

After a promising first half of the year, Orlando's rental market started to simmer down in June, mirroring the national trend. Due to weakening demand stemming from a brewing economic slowdown, rent growth was flat on a trailing three-month basis through October. However, Orlando (11.6%), was one of the five top 30 metros that recorded double-digit year-over-year growth, second only to Indianapolis (11.8%). The overall rate in the metro reached $1,851, above the $1,727 national figure.

The metro's backbone employment sector—leisure and hospitality—continued to lead job gains in the 12 months ending in August, with 37,000 positions added. Trade, transportation and utilities, along with professional and business services, accounted for 30,300 of the total 78,000 jobs. Orlando ranked 18th nationally for STEM employment in RCLCO's STEM Job Growth Index, a report published with the support of CapRidge Partners. The metro was the only one in Florida included in the ranking.

After hitting record levels in 2021, when 13,830 units were delivered, stock additions moderated significantly this year. Only 5,909 units came online through October, and as the market continues to be pressured by deteriorating economic conditions, year-end deliveries will likely lag historical averages. Meanwhile, transaction activity is on track for another record year. Some $5.6 billion in multifamily assets changed hands in the metro.

Market Analysis | December 2022

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Recent Orlando Transactions

Legacy Universal

City: Orlando, Fla.
Buyer: OpenStreet Capital
Purchase Price: $129 MM
Price per Unit: $368,571

IMT Lake Mary

City: Lake Mary, Fla.
Buyer: IMT Capital
Purchase Price: $125 MM
Price per Unit: $415,558

The Baldwin

City: Orlando, Fla.
Buyer: Middleburg Communities
Purchase Price: $87 MM
Price per Unit: $323,148

The Addison at Clermont

City: Clermont, Fla.
Buyer: Cottonwood Residential
Purchase Price: $85 MM
Price per Unit: $369,565

RENT TRENDS

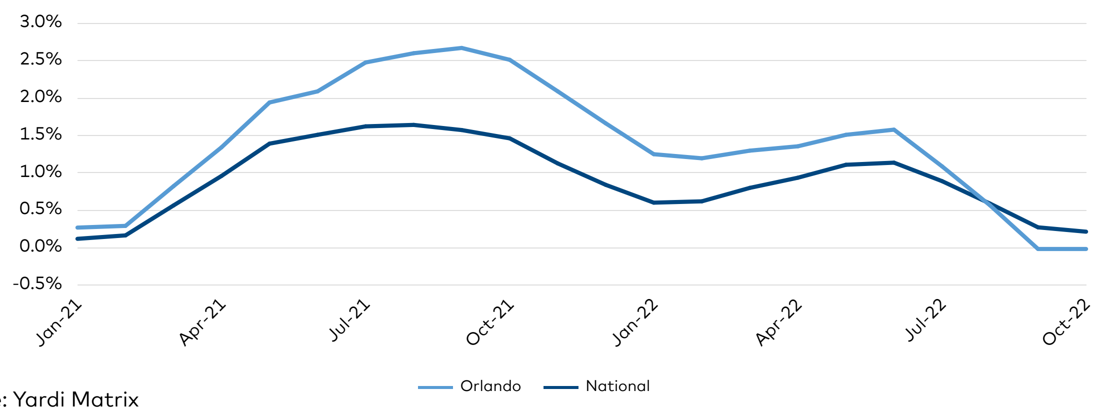
- Rent growth in Orlando was flat on a trailing three-month (T3) basis through October, while U.S. rates grew by 0.2%. However, Orlando was among the five Yardi Matrix top 30 metros that produced double-digit year-over-year growth, at 11.6%. The other four metros were Indianapolis (11.8%), Miami (11.4%), San Jose (10.6%) and Dallas (10.5%). The average clocked in at $1,851, while the national figure was $1,727.

- On a T3 basis, rent development in the working-class Renter-by-Necessity segment continued to decelerate, contracting 0.4%, to $1,557. In the Lifestyle segment, rent gains shifted into negative territory. Rates contracted by 0.2%, to $2,021. Mirroring national trends, the deceleration in asking rents was gradual, but it remains to be seen how the multifamily market will react to rapidly rising interest rates and an overall cooling economy.

- Rent improvement was positive across the map on a year-over-year basis, with 38 of the 53 submarkets tracked by Yardi Matrix posting double-digit increases. The average rate was above the $2,000 mark in 13 submarkets, including Orlando-North Orange ($2,426), University Park ($2,345) and Oviedo ($2,295). All other areas posted average asking rents above the $1,000 mark.

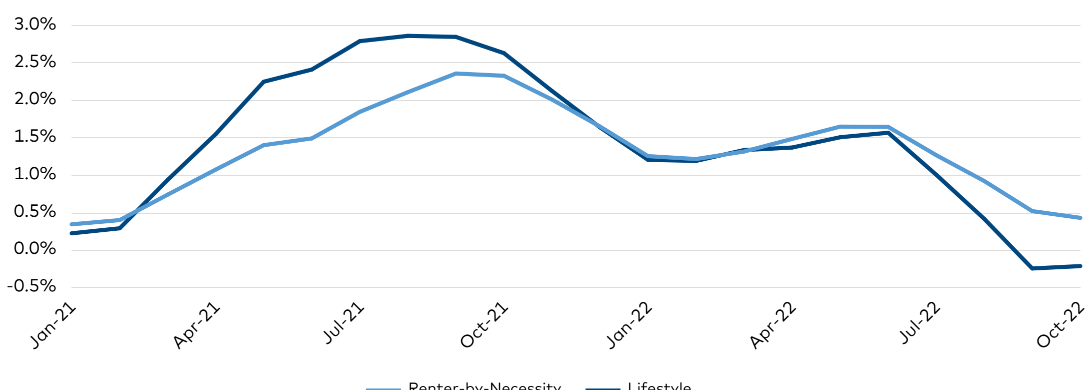
- Rents in the SFR sector are also cooling down. The average decreased to $2,087 in October, from the $2,117 peak in June. Meanwhile, occupancy seems to have plateaued. In the 12 months ending in September, the rate was 97.9%, the same figure recorded in the previous four months.

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

- Unemployment in Orlando was 2.7% in September, according to preliminary data from the Bureau of Labor Statistics. The rate placed the metro slightly behind the state (2.5%), but ahead of the U.S. (3.5%). All other major Florida metros outperformed Orlando: Jacksonville (2.5%), Tampa (2.5%) and Miami (2.0%).
- Central Florida added 78,000 jobs in the 12 months ending in August, with almost half of them in leisure and hospitality, a segment that continued its comeback as pandemic woes slowly waned. The metro's theme parks—one of the top tourism generators—will add new rides and attractions in 2023, which should boost the number of visitors. Meanwhile, Walt Disney's CEO announced in mid-November that the company would institute a hiring freeze, but it remains to be seen if and how these decisions will impact Orlando's amusement parks.
- In September, Orlando International Airport opened Terminal C, a $2.8 billion investment that will increase passenger capacity by up to 12 million passengers annually. The expansion drew the attention of low-cost airline Avelo, which debuted a new base of operations in Orlando. The airport has also attracted new investments—Dassault Falcon Jet intends to build a new facility here as part of the company's global expansion of its maintenance, repair and overhaul network.

Orlando Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	300	18.6%
40	Trade, Transportation and Utilities	302	18.7%
60	Professional and Business Services	295	18.3%
30	Manufacturing	86	5.3%
80	Other Services	54	3.3%
90	Government	156	9.7%
55	Financial Activities	96	5.9%
65	Education and Health Services	201	12.5%
50	Information	28	1.7%
15	Mining, Logging and Construction	95	5.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- In the decade ending in 2021, Orlando's population grew by 465,845 residents or 20.9%, outpacing all other major metros in Florida—Jacksonville (18.8%), Tampa (13.2%) and Miami (6.0%). Meanwhile, the U.S. demographic expansion was only 5.7%.

Orlando vs. National Population

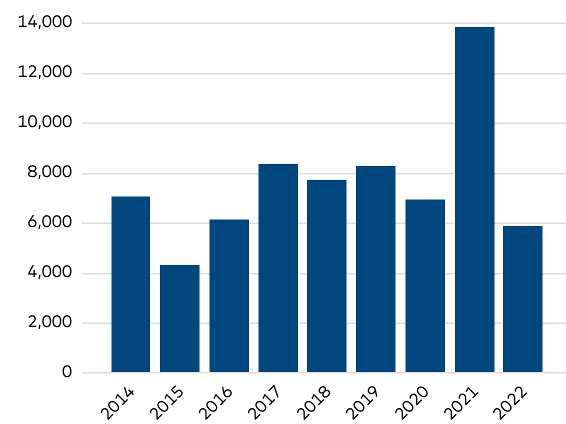
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Orlando Metro	2,576,297	2,608,273	2,677,687	2,691,925

Source: U.S. Census

SUPPLY

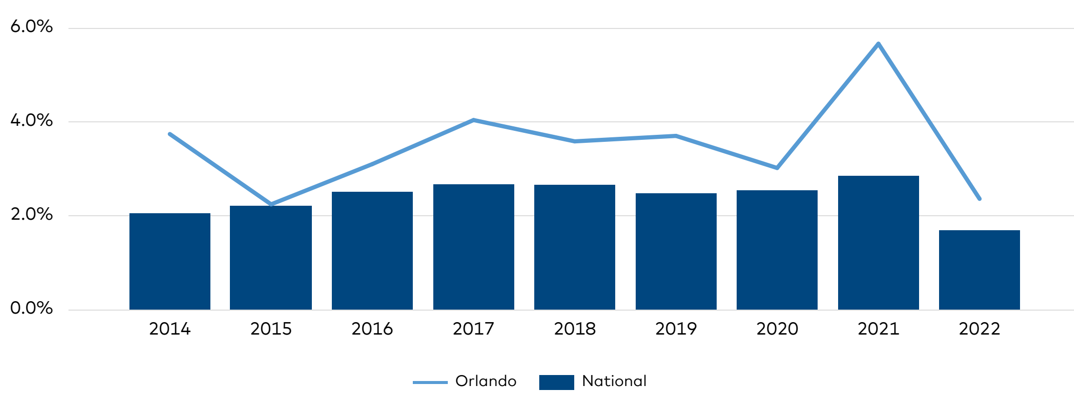
- There were 26,232 units under construction in Central Florida as of October, with another 107,700 in the planning and permitting stages.
- Year-to-date through October, developers brought online only 5,909 units. That marked a significant drop from the 11,492 apartments they delivered last year through the same month. Only three properties totaling 290 units were fully affordable, as developers continued to focus on upscale projects.
- With the bulk of completions targeting high-income residents, the occupancy rate in stabilized Lifestyle assets dropped 80 basis points in the 12 months ending in September, to 95.7%. Meanwhile, occupancy in the Renter-by-Necessity segment slid 30 basis points to 96.6%.
- Despite slowing job growth, a less-favorable lending landscape and concerns over the macroeconomic environment, construction starts in the metro increased. Developers broke ground on 11,326 units across 42 projects this year through October, well above the 9,250 units across 34 developments they began work on during the same interval last year.
- Construction activity was most intense in two neighboring western submarkets: West Kissimmee (2,567 units underway) and Celebration (2,213 units). Orlando-Southeast also had more than 2,000 units under construction as of October. Grand Peaks Properties' Emerald Grove Redevelopment was the largest project in the metro. The 468-unit development in Lake Bryan is being built with aid from a $101.7 million loan originated by ACORE Capital.

Orlando Completions (as of October2022)



Source: Yardi Matrix

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

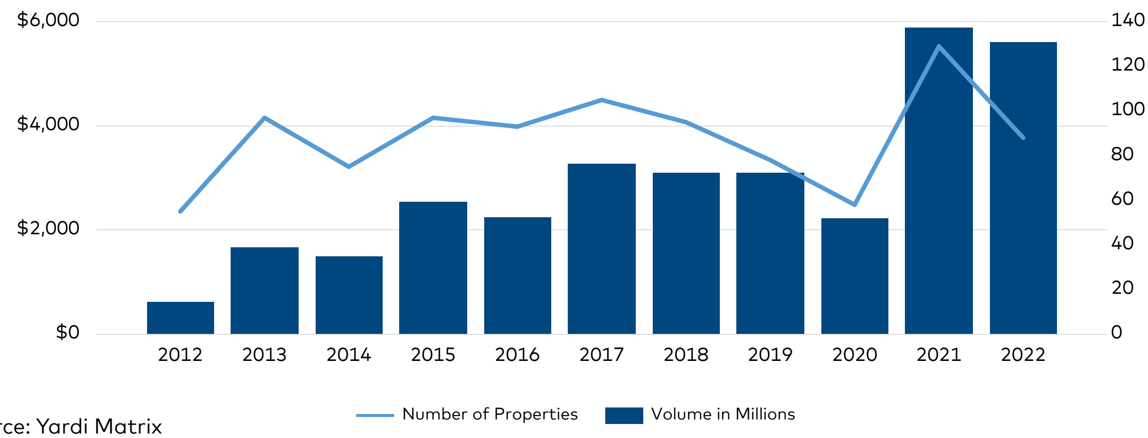


Source: Yardi Matrix

TRANSACTIONS

- Multifamily investment hit $5.6 billion in Orlando in the first 10 months of 2022, with total transaction volume on track to reach or even surpass last year's record high of $5.9 billion.
- With almost two-thirds of sales involving upscale assets, the per-unit price rose to $244,043, marking a 16.2% increase from the 2021 figure. Meanwhile, the national price per unit this year through October clocked in at $215,939.
- Orlando-Downtown ($699 million), Lake Bryan ($588 million) and Oak Ridge ($560 million) accounted for a quarter of the $7.7 billion transaction volume recorded in the 12 months ending in October. Starwood Capital Group ($396 million) and CARROLL ($358 million) were the most active investors in the metro.
- CARROLL spent $179 million, or $266,369 per unit, on the 672-unit ARIUM Greenview. The transaction marked the largest sale in the metro through October. The company used a $139 million loan from Barings to finance the acquisition.

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



Source: Yardi Matrix

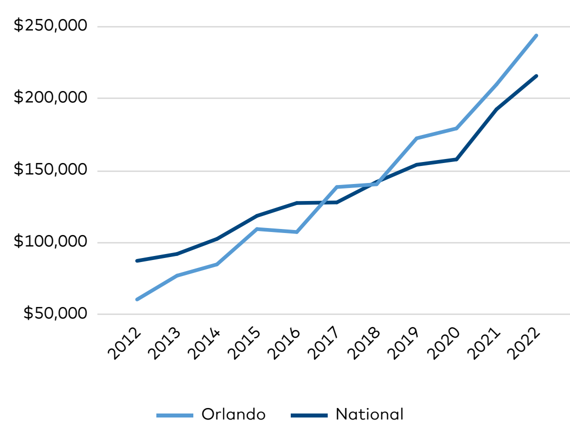
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Orlando-Downtown	699
Lake Bryan	588
Oak Ridge	560
Lake Buena Vista	489
West Kissimme	477
Orange Lake	464
Palm Bay	318

Source: Yardi Matrix

[1] From November 2021 to October 2022

Orlando vs. National Sales Price per Unit



Source: Yardi Matrix

MULTI-HOUSING NEWS
data by
Yardi Matrix

Top 10 Multifamily Markets by Sales Volume in 2022 H1

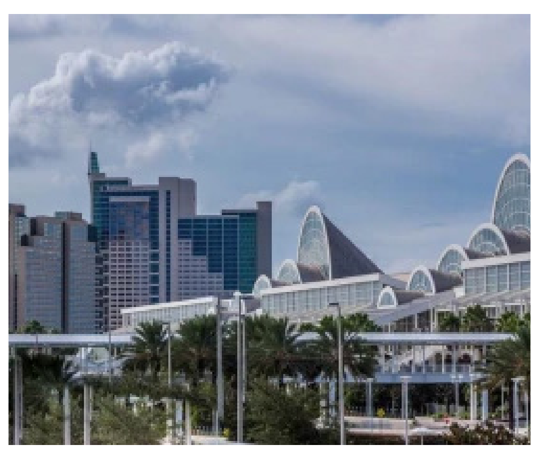
By Anca Gagiuc

The U.S. multifamily market had an exceptional performance from an investment standpoint during the first half of the year, according to Yardi Matrix data. Overall national multifamily sales volume surpassed $101 billion in the first six months of 2022, outperforming the $67 billion volume registered in 2021 during the same interval, while the average price per unit rose 28.4 percent year-over-year, to a new high of $218,377.

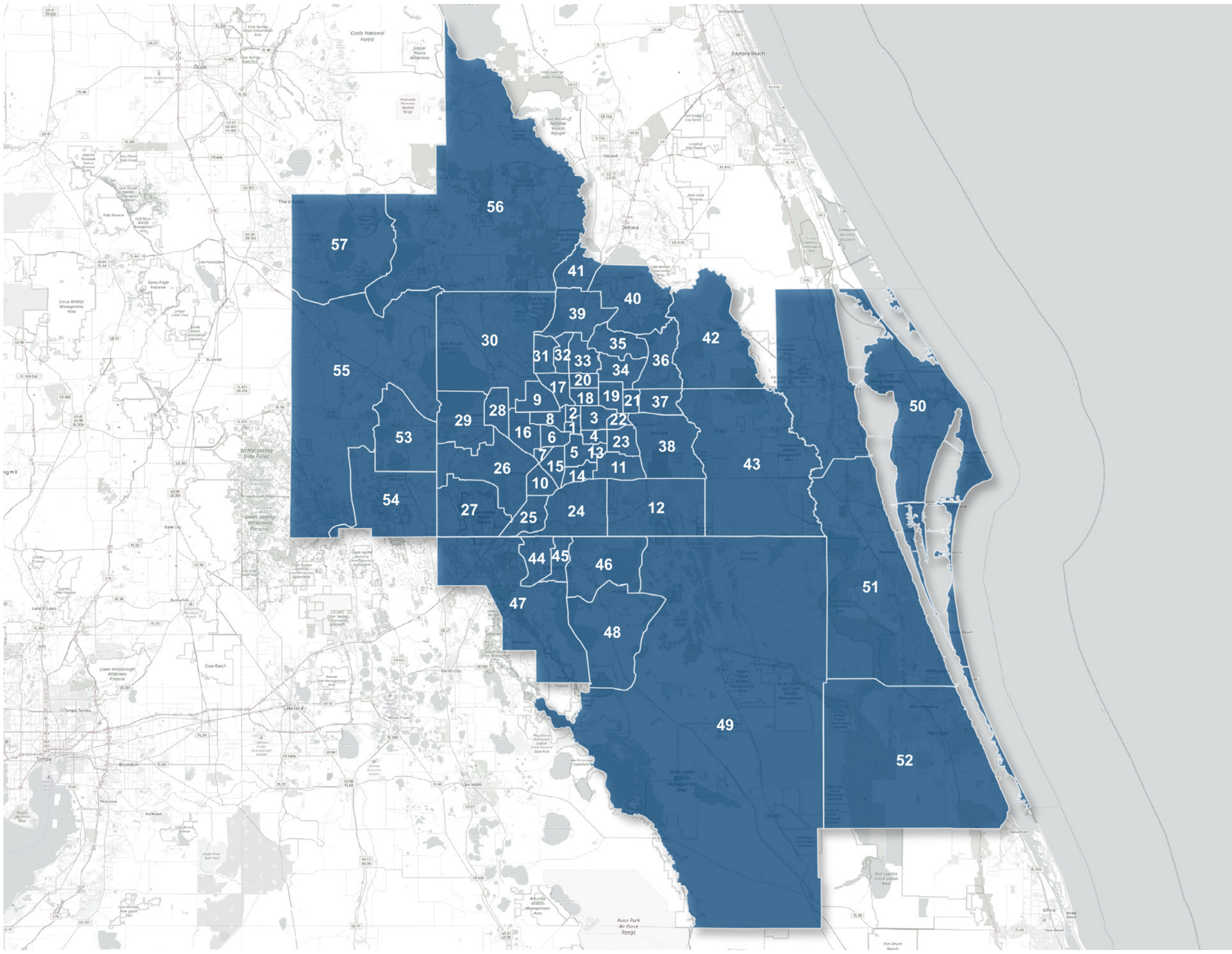
Metro	Sales Volume $ H1 2022	Price Per Unit H1 2022	PPU Evolution YoY	Units Sold H1 2022
Phoenix	$7,351,109,167	$339,622	58.3%	24,787
Atlanta	$7,012,412,048	$204,312	27.0%	39,113
Dallas	$6,568,096,859	$186,049	22.7%	64,213
Houston	$6,401,791,606	$155,780	25.6%	56,895
New York	$3,997,523,782	$642,482	-7.8%	7,524
Orlando	$3,827,154,801	$253,975	32.6%	16,222
Los Angeles	$3,714,402,840	$444,200	17.9%	8,812
Miami	$3,581,485,100	$350,816	43.6%	14,701
Washington, D.C.	$2,647,298,705	$276,249	6.5%	11,944
Denver	$2,621,243,333	$340,687	14.2%	10,635

Orlando

Orlando climbed two positions from last year's ranking, with a total volume of $3.8 billion through June. Last year during the same period, investors had traded just $2 billion in multifamily assets. Specifically, through June, 54 properties (16,222 properties) traded, above the 50 properties (12,812 units) sold during the first half of 2021. Based on the sales composition, investors heavily targeted luxury assets—10,724 Lifestyle units and 5,498 RBN units—which has contributed to a per-unit price gain of 32.6 percent year-over-year through June, to $253,975.



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.

Yardi Matrix

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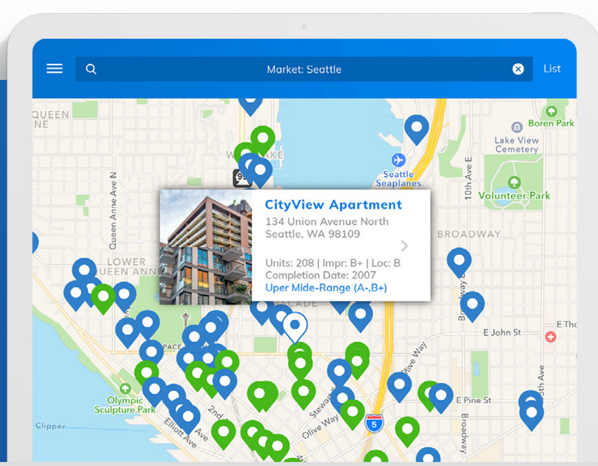
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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