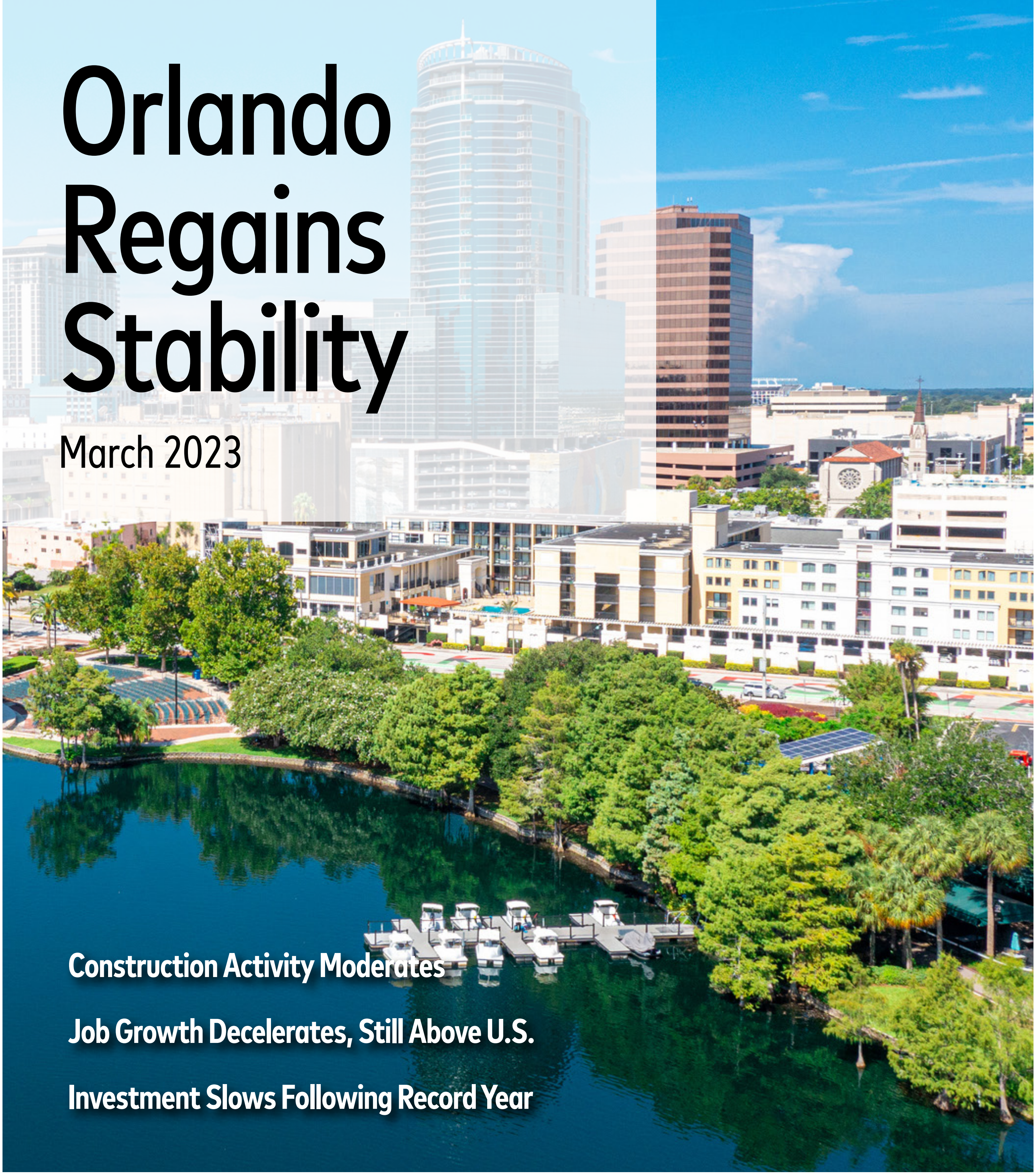
Yardi Matrix

MULTIFAMILY REPORT

Orlando Regains Stability

March 2023



Construction Activity Moderates

Job Growth Decelerates, Still Above U.S.

Investment Slows Following Record Year

ORLANDO MULTIFAMILY

Yardi Matrix

Tight Job Market Amid Seasonal Slowdown

Following two extraordinary years, Orlando's rental market is returning to a more sustainable pace of growth. With household formation weakening, housing affordability issues persisting and the U.S. economy heading toward a mild correction, rent development has been steadily softening. Both Central Florida and national rates contracted by 0.3% on a trailing three-month basis through January. Year-over-year, Orlando rents were up 6.5%, to $1,813, while the U.S. average increased by only 5.5%, to $1.701.

Job expansion was still strong, with the metro adding 71,000 positions in the 12 months ending in November. Despite the 5.0% growth rate being 110 basis points above the national figure, employment expansion has been gradually slowing down from the 10.9% peak it hit in September 2021. The metro's backbone sector, leisure and hospitality, led gains with 32,100 jobs added. After reporting record annual earnings, Comcast plans to spend $1.2 billion more on its Universal theme park division this year, which will most likely further boost the metro's entertainment sector. Comcast is currently building Epic Universe, a new, 750-acre theme park set to open in 2025 near Sand Lake Road and Universal Boulevard.

Only two projects encompassing 520 units were delivered in January, with construction activity continuing to decelerate due to lending conditions. Developers broke ground on just 150 units in January, compared to 1,922 in the same month in 2022.

Market Analysis | March 2023

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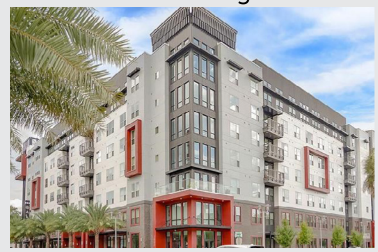
Recent Orlando Transactions

Vida at Health Village

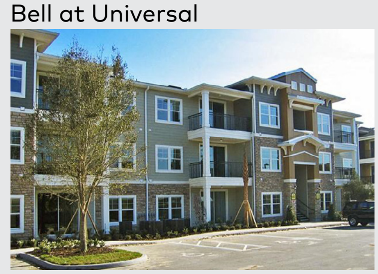


City: Orlando, Fla.
Buyer: Conti Organization
Purchase Price: $107 MM
Price per Unit: $375,439

Apex South Creek

City: Orlando, Fla.
Buyer: Versity Invest
Purchase Price: $100 MM
Price per Unit: $333,333

Bell at Universal



City: Orlando, Fla.
Buyer: Treeline Partners
Purchase Price: $98 MM
Price per Unit: $316,935

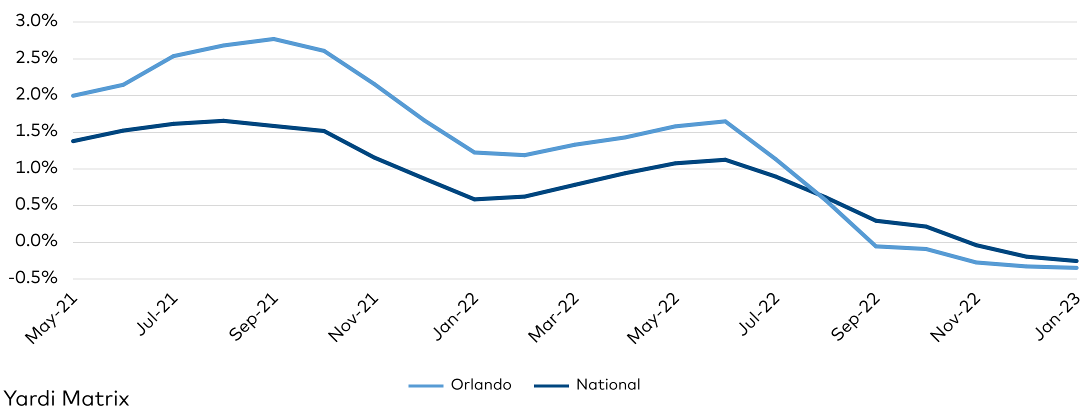
Canterbury Cove

City: Orlando, Fla.
Buyer: Covenant Capital Group
Purchase Price: $66 MM
Price per Unit: $221,585

RENT TRENDS

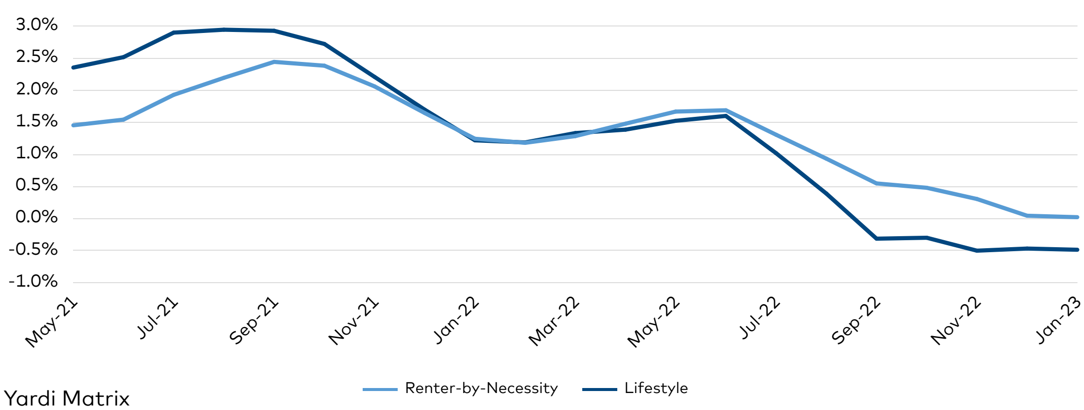
- On a trailing three-month (T3) basis through January, rent gains in Orlando contracted by 0.3%, to $1,813. That marked the fifth consecutive month of negative movement. Meanwhile, U.S. figures also contracted by 0.3%, to $1,701. On a year-over-year basis, rates in Central Florida increased by 6.5%, a full percentage point above national rents. Despite the recent deceleration in growth, Orlando rates remained well above pre-pandemic levels, considering that the average rent in January 2020 was $1,365.
- T3 rent development in the working-class Renter-by-Necessity segment was flat, with rates clocking in at $1,544. Rents at the opposite end of the quality spectrum contracted by 0.5%, to $1,967.
- Nationally, renewal rent increases decelerated to 10.2% year-over-year through November, dipping 160 basis points from October. Florida still recorded the highest gains, with Tampa (16.9%), Orlando (14.6%) and Miami (14.3%) among the top metros in the U.S.
- In the 12 months ending in January, all 53 submarkets tracked by Yardi Matrix recorded positive rent growth and 20 of them even posted double-digit increases. In 11 submarkets, the average rent surpassed the $2,000 threshold, with urban core areas such as North Orange ($2,328) and Downtown ($2,194) being the most expensive.
- After two unconventional years, Yardi Matrix expects rent growth across the country to temper to more sustainable levels. In Orlando, rents are anticipated to grow by 2.8% in 2023.

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 maintained a tight employment market throughout 2022, with the jobless rate at 2.3% in December, according to preliminary BLS data. Other large Florida metros had even tighter labor markets: Miami (1.4%), Jacksonville (2.1%) and Tampa (2.2%).
- Overall, employment in the metro expanded by 5.0% in the 12 months ending in November, 110 basis points above the U.S. rate. Almost half of the 71,000 jobs added were in leisure and hospitality, the metro's backbone sector. Mining, logging and construction (-7,900 jobs) was the only sector that contracted, but it could soon get a boost from Project Downtown Orlando 2.0, an initiative led by the City of Orlando and the Downtown Development Board/Community Redevelopment Agency. Over the next decade, downtown streets and civic spaces are set to be reimagined into more walkable spaces.
- Webuild Group subsidiary The Lane Construction Corp. was awarded a $218 million contract to revamp an interchange on one of the metro's most popular tourist corridors. Once work is completed, the intersection of Interstate 4 and State Road 482 in Orange County will have increased capacity. The same company is also working on improving traffic congestion on Poinciana Parkway in Osceola County and constructing a critical interchange at the intersection of I-4 and SR 417.

Orlando Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	307	18.6%
65	Education and Health Services	213	12.9%
40	Trade, Transportation and Utilities	310	18.8%
30	Manufacturing	88	5.3%
60	Professional and Business Services	296	18.0%
80	Other Services	55	3.3%
55	Financial Activities	97	5.9%
90	Government	159	9.7%
50	Information	29	1.8%
15	Mining, Logging and Construction	94	5.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Orlando was the fastest-growing large metro in Florida in 2021, up 0.5% year-over-year, followed by Jacksonville (0.2%). Miami's population contracted by 0.6%.
- The metro's population is projected to grow by 75.3% by 2060, according to Woods & Poole Economics.

Orlando vs. National Population

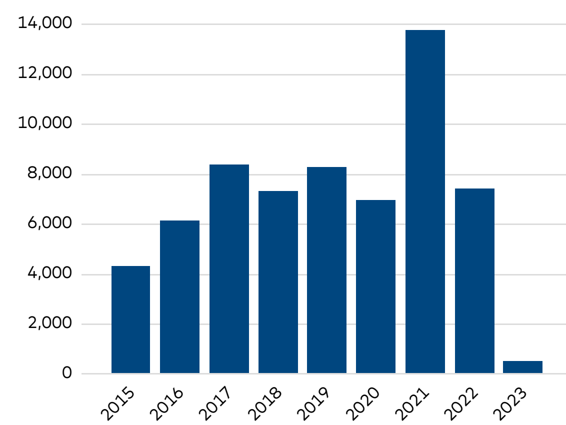
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Orlando	2,576,297	2,608,273	2,677,687	2,691,925

Source: U.S. Census

SUPPLY

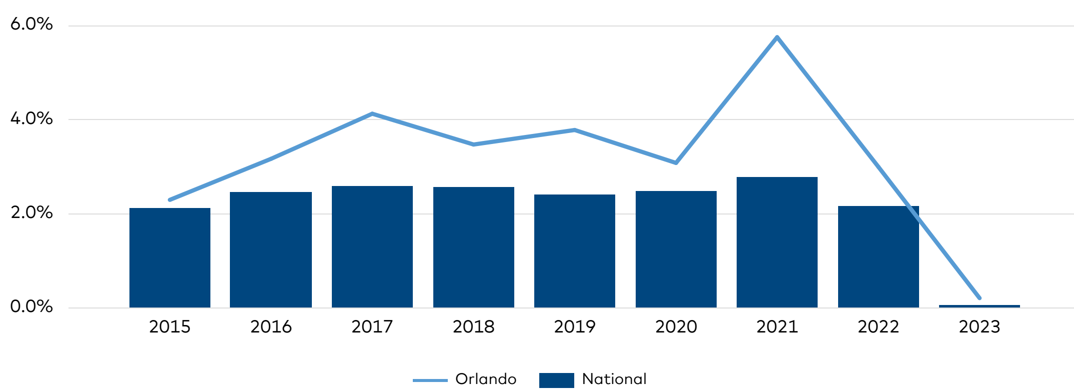
- Orlando developers had 23,948 units under construction as of January, with the bulk of them geared toward high-income renters. Only some 1,500 apartments were in fully affordable developments. Fueled by steady inbound migration, demand continues to stimulate developers to build, despite the wave of deliveries in the past six years dampening rent growth.
- In January, 520 units across two multifamily communities in Lake Bryan and Orlando-Vista Park were delivered. This came on the heels of two hot years for completions. In 2021, 13,772 new units were added to the metro's inventory—marking a new peak—and last year, developers brought online another 7,398 units.
- Mirroring nationwide trends, occupancy in the metro declined year-over-year. At the end of December, the average occupancy rate in stabilized Orlando properties was 95.2%, down 140 basis points. Meanwhile, U.S. occupancy clocked in at 95.3%, down 90 basis points.
- As of January, two submarkets had more than 2,000 units underway: West Kissimmee (2,673 units) and Orlando-Southeast (2,031). Six other submarkets in the metro's southwest and waterfront areas, had between 1,000 and 2,000 units under construction.
- Featuring 484 units, Society Orlando in downtown Orlando was the largest project underway as of January. PMG is building the three 28-story structures of the upscale community using a $120 million construction loan from CIM Group. The upcoming property is also slated to include co-living units. Additionally, PMG has a second phase planned, which is set to encompass another 220 units.

Orlando Completions (as of January 2023)



Source: Yardi Matrix

Orlando vs. National Completions as a Percentage of Total Stock (as of January 2023)



Source: Yardi Matrix

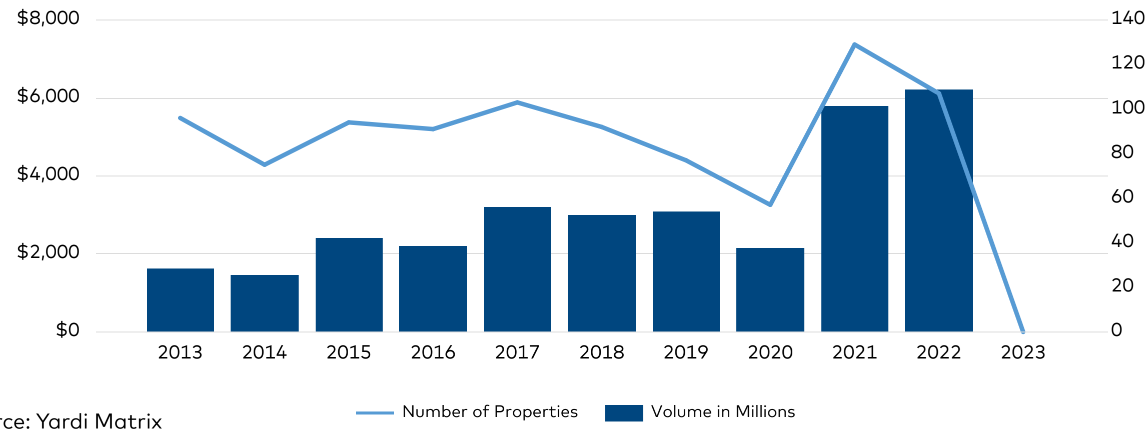
TRANSACTIONS

- Following a record-breaking 2022, when $6.2 billion in multifamily properties changed hands across the metro, transaction activity will likely cool down significantly this year due to both seasonality and the less favorable lending landscape that has temporarily pushed investors to the sidelines. No properties with 50 or more units traded in the metro in the first month of the year, compared to the almost $664 million in sales that closed in January 2022.

- The per-unit price hit a new peak in 2022, surpassing the $240,000 threshold for the first time. Meanwhile, the average price per unit in the U.S. clocked in at $211,873.

- Orlando-Downtown ($770 million) was the most coveted submarket in the 12 months ending in January, followed by Lake Bryan ($588 million) and West Kissimmee ($407 million). Starwood Capital Group was among the most active investors, spending a combined $395.6 million on new acquisitions in Central Florida.

Orlando Sales Volume and Number of Properties Sold (as of January 2023)



Source: Yardi Matrix

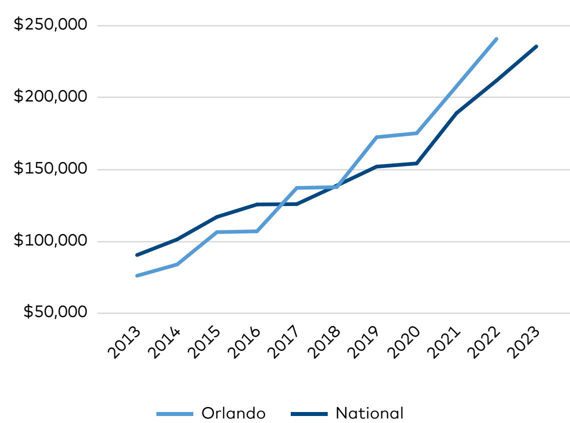
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Orlando-Downtown	770
Lake Bryan	588
West Kissimmee	407
Lake Buena Vista	252
Hunter's Creek	217
Melbourne	212
Red Bug Lake	201

Source: Yardi Matrix

[1] From February 2022 to January 2023

Orlando vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MULTI-HOUSING NEWS

data by Yardi Matrix

Top Florida Markets for Multifamily Construction

By Anda Rosu

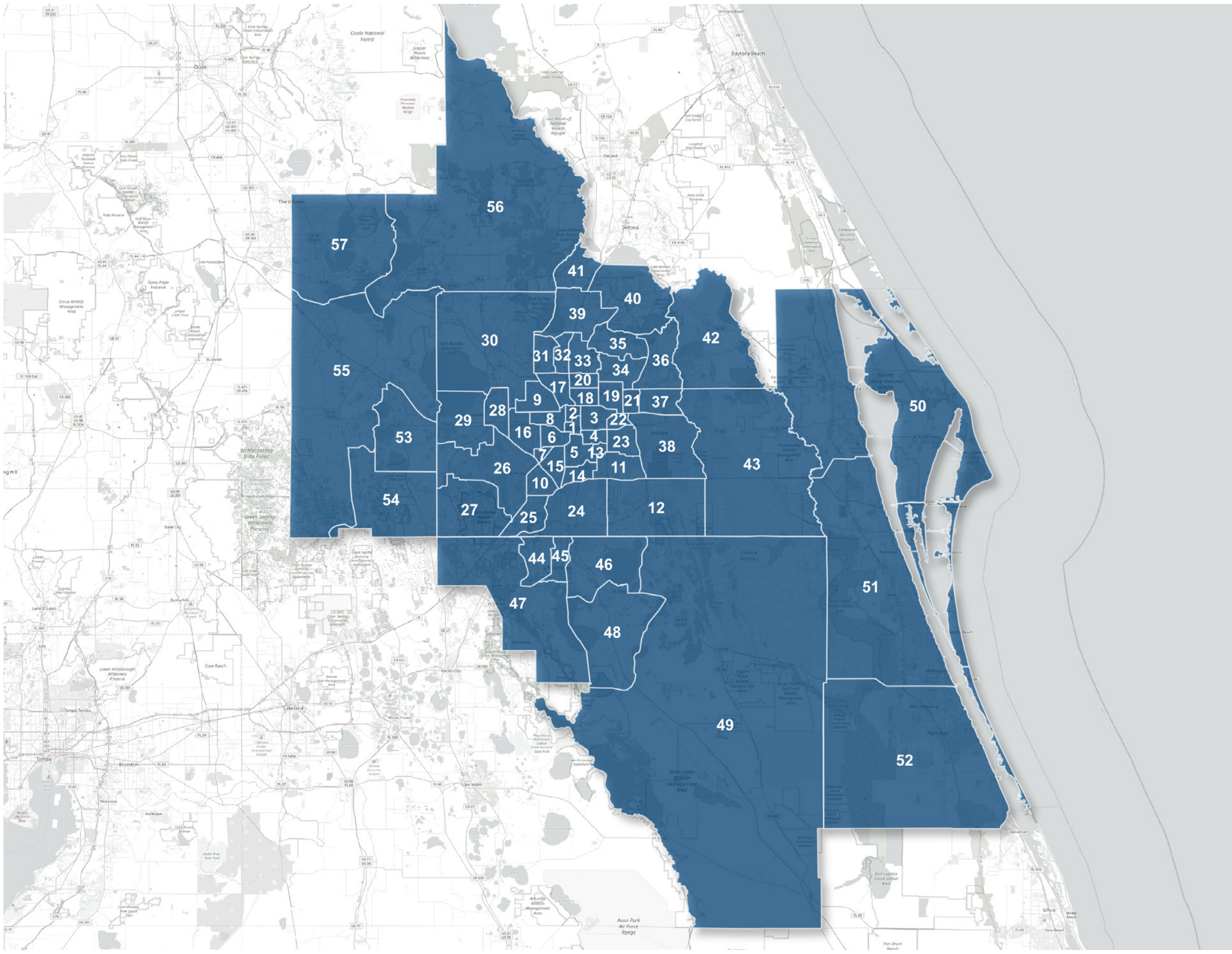
Construction activity hasn't lost momentum in Florida, with the multifamily sector powering through despite national and local hurdles. More than 38,337 units were delivered year-to-date through November, according to Yardi Matrix data. As of November, the state had more than 110,609 units underway, representing 11 percent of the national stock under construction. In the list below, we've highlighted the top multifamily markets for construction activity in Florida, using Yardi Matrix data as of the end of November 2022.

Rank	Metro	Units Under Construction	Units Delivered 2022 YTD	Units Delivered 2021
1	Miami Metro	39,889	12,434	16,887
2	Orlando	25,330	6,725	14,086
3	Tampa	17,522	7,268	7,950
4	Jacksonville	10,291	3,476	3,564
5	SW Florida Coast	8,811	2,871	7,462
6	NC Florida	3,992	1,507	2,741
7	Tallahassee	2,432	252	719
8	Pensacola	2,342	3,804	2,206

Orlando

The Central Florida metro keeps gaining attention due to major demographic expansion that broadened during the pandemic. As of November 2022, 25,330 units were under construction in Orlando, accounting for roughly 23% of the state's units under construction. When it comes to new projects, developers broke ground on 11,512 units in 2022 as of November, while in 2021 construction was started on 11,832 units.

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
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
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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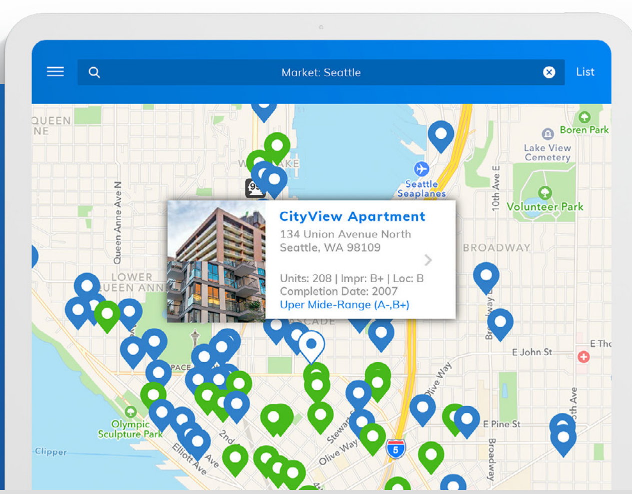
MULTIFAMILY KEY FEATURES

- 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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