



MULTIFAMILY REPORT

Orlando's Slow Progress

July 2023

Job Gains Outpace Nation

Occupancy Matches US Average

Transactions, Deliveries Decelerate

ORLANDO MULTIFAMILY



Central Florida Holds Steady

The multifamily market in Orlando continues to stabilize, with fundamentals still sound, due to steady demographic and employment growth. As of May, the average rent was \$1,827, with rates plateauing on a trailing three-month basis, while U.S. figures improved by 0.3%, to \$1,716. Year-over-year, rents grew by just 0.9%, well below the 2.6% national growth rate. Meanwhile, occupancy in stabilized assets clocked in at 95.0% as of April, on par with the national figure.

Orlando added 70,100 jobs in the 12 months ending in March, for a 5.2% expansion. Despite being on a decelerating path, job growth outperformed the 3.1% U.S. figure. Unsurprisingly, leisure and hospitality led employment gains with 28,200 jobs added, followed by education and health services with 12,800 positions. Universal Orlando announced plans to fill an extra 2,500 full-time, part-time and seasonal positions at its theme parks. Meanwhile, in an effort to cut \$5.5 billion in costs, The Walt Disney Co. intends to lay off 7,000 employees worldwide.

Through May, both transaction activity and deliveries decelerated, mainly due to worsening lending conditions. Multifamily sales totaled only \$515 million, a sixth of the deal volume recorded over the same period in 2022. Developers brought 3,016 units online, well below the 4,226 units that were added to the metro's stock in the first five months of the previous year.

Market Analysis | July 2023

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Recent Orlando Transactions

The Estates at Park Avenue



City: Orlando, Fla.
Buyer: Covenant Capital Group
Purchase Price: \$90 MM
Price per Unit: \$207,221

The Wesley



City: Orlando, Fla.
Buyer: McKinley Properties
Purchase Price: \$87 MM
Price per Unit: \$217,500

Reef Club



City: Kissimmee, Fla.
Buyer: Phoenix Realty Group
Purchase Price: \$74 MM
Price per Unit: \$132,589

The Lofts @ Savannah Park



City: Sanford, Fla.
Buyer: The Burlington Capital Group
Purchase Price: \$37 MM
Price per Unit: \$264,493

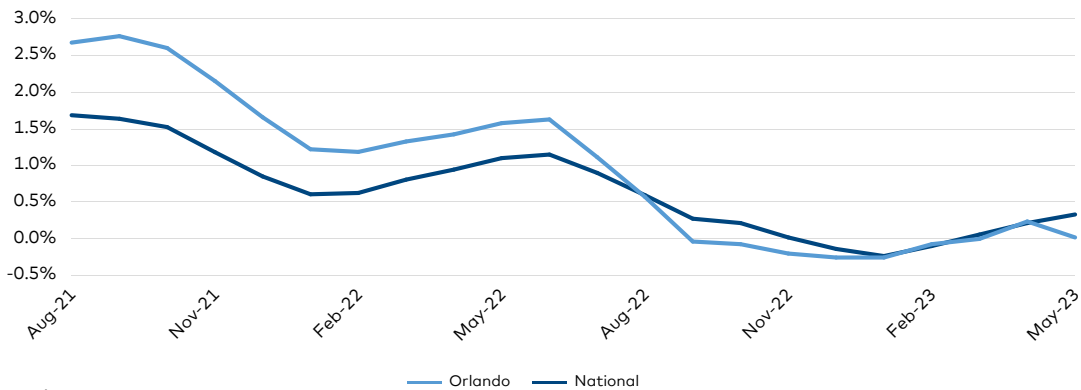
RENT TRENDS

- ▶ Orlando rent growth was flat on a trailing three-month (T3) basis through May, while U.S. rates improved by 30 basis points. At 0.9%, year-over-year rent growth in the metro was among the lowest in the country, second only to the Inland Empire (0.7%). Nationally, rent growth decelerated to 2.6%, the lowest level since March 2021. Orlando's \$1,827 average was \$111 above the U.S. figure.
- ▶ Rates in the working-class Renter-by-Necessity segment were flat on a T3 basis, clocking in at \$1,549, while Lifestyle rents (0.1%) grew only marginally, to \$1,983. Once the economy stabilizes, rent growth will most likely return to upward movement, mainly driven by the scarcity of new inventory. Furthermore, factors such as rising property insurance costs and low for-sale inven-

tory will continue to discourage would-be buyers, keeping them in the renter pool and fueling rent growth.

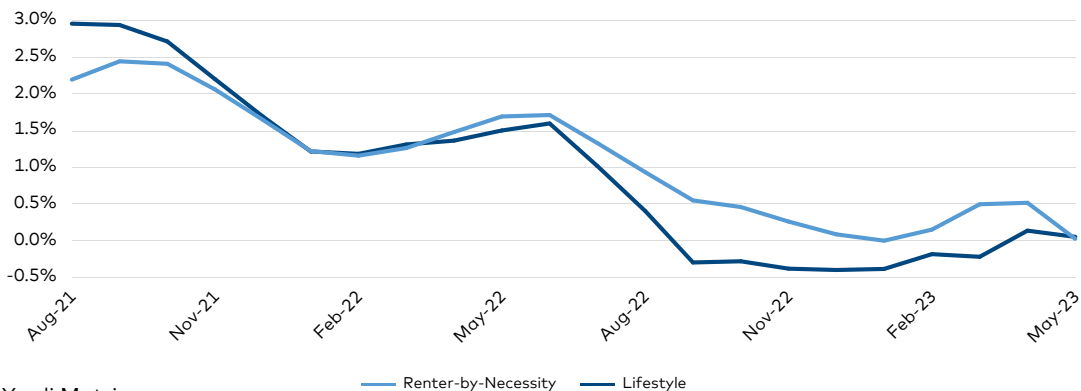
- ▶ The average occupancy rate in stabilized Orlando assets was down 130 basis points year-over-year as of April, at 95.0%. However, it remained on par with the national average.
- ▶ Of the 53 markets tracked by Yardi Matrix, 18 posted rent contractions year-over-year, as of May. Six submarkets recorded double-digit gains, including Florida Center North (16.9% to \$1,756) and North Orange (15.1% to \$2,385). The latter was also among the most expensive areas in the metro, followed by Lake Buena Vista (\$2,210), Downtown (\$2,208) and Southeast (\$2,127).

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 stood at 2.3% in April, according to preliminary Bureau of Labor Statistics data—on par with Tampa and Jacksonville—while the jobless rate in Florida was 2.6%. In-migration is still one of the main factors supporting the tight job market, but the robust tourism industry is also keeping the metro's unemployment rate low.
- ▶ Leisure and hospitality accounted for 28,200 of the 70,100 positions added in the 12 months ending in March. Universal Orlando announced in February that it was looking to fill more than 2,500 full-time, part-time and seasonal positions at its theme parks and CityWalk complex. Meanwhile, the other large employer in the Orlando entertainment industry, Walt Disney Co., canceled its plans to build a nearly \$1 billion corporate campus in the Lake Nona area of Central Florida, which would have housed 2,000 employees. Furthermore, the company announced a \$5.5 billion cost-cutting plan that includes reducing its workforce by 7,000 employees.
- ▶ Lockheed Martin Corp., another large employer in the Orlando area, hired 500 workers at its Missiles & Fire Control campus in 2022. In 2023, Lockheed plans to add another 600 new team members, but that number will likely grow as the security and aerospace corporation won two U.S. Air Force contracts, totaling more than \$1.1 billion, in May.

Orlando Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	316	18.8%
65	Education and Health Services	220	13.1%
40	Trade, Transportation and Utilities	307	18.3%
60	Professional and Business Services	312	18.5%
30	Manufacturing	86	5.1%
80	Other Services	54	3.2%
90	Government	158	9.4%
55	Financial Activities	99	5.9%
50	Information	29	1.7%
15	Mining, Logging and Construction	103	6.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ In the decade ending in 2021, Orlando was the fastest-growing large metro in Florida, with a 20.9% demographic expansion. Jacksonville (18.8%) ranked second, while Tampa rounded out the top three with a 13.2% increase. The U.S. population grew by only 5.7% in that time frame.

Orlando vs. National Population

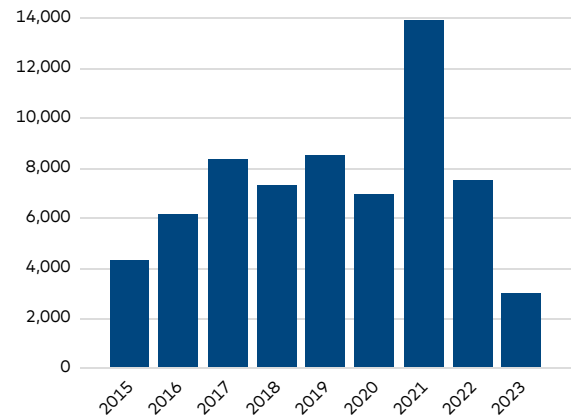
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Orlando	2,576,297	2,608,273	2,677,687	2,691,925

Source: U.S. Census

SUPPLY

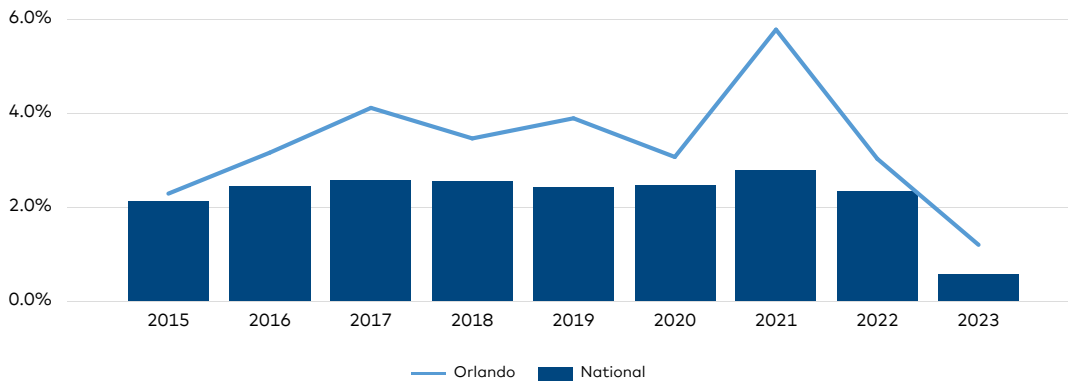
- ▶ Orlando had 26,194 units under construction as of May, with another 134,800 units in the planning and permitting stages. Despite the robust development pipeline, obtaining financing for new projects continues to be challenging. This, combined with high costs for building materials and labor, will likely keep some developers from putting shovels in the ground.
- ▶ Year-to-date through May, developers brought 3,016 units online across Orlando, 1.2% of existing stock and double the U.S. rate of delivery. However, deliveries were well below the 4,226 units that were added to the metro's inventory in the first five months of 2022.
- ▶ Construction starts are also slowing. Only 2,619 units across seven projects broke ground in the first five months of 2023, compared to 7,536 units across 29 projects over the same period of 2022. The low number could create a supply-demand imbalance in the medium term.
- ▶ Development continued strong in key areas of the metro. As of May, West Kissimmee had 3,075 units under construction, Celebration had 2,324 units underway, and Orlando-Southeast rounded out the top three with 2,035 apartments.
- ▶ The largest project underway in Orlando as of May was the 960-unit Millenia Park in the Oak Ridge submarket. Developed by Master Real Estate, the eight-building project will be roughly 2 miles from Epic Universe, Universal Studios' fourth theme park that is expected to open in 2025. Spanning 43 acres, Millenia Park is set to be completed at the end of 2026.

Orlando Completions (as of May 2023)



Source: Yardi Matrix

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

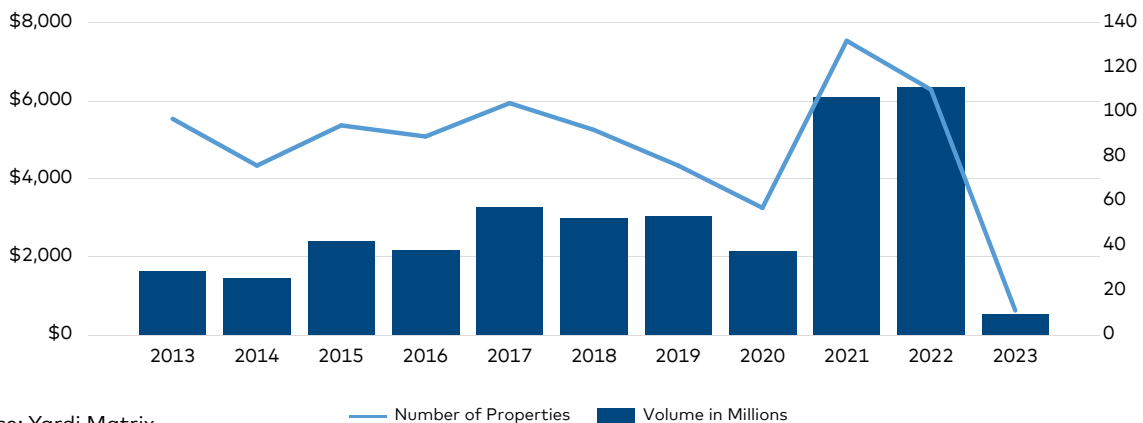


Source: Yardi Matrix

TRANSACTIONS

- ▶ In the first five months of the year, \$515 million in multifamily assets changed hands in the metro. That's roughly a sixth of the deal volume recorded over the same period in 2022. The red-hot highs of 2022 and 2021—when investment surpassed the \$6 billion threshold each year—are unlikely to return soon. As in most parts of the country, the high-interest-rate environment and overall economic volatility triggered a pause in transactions, with investors entering wait-and-see mode.
- ▶ Orlando property values decreased along with sales volume, with the per-unit price clocking in at \$176,981. That marked a 26.5% decrease from the \$240,712 peak recorded in 2022. Meanwhile, the U.S. average was \$179,358, down from \$210,316 in the previous year.
- ▶ Lake Bryan (\$434 million) was the most-coveted area for investment in the 12 months ending in May. Located in a fast-growing corridor near Central Florida's entertainment resorts, the submarket is close to prominent job centers.

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



Source: Yardi Matrix

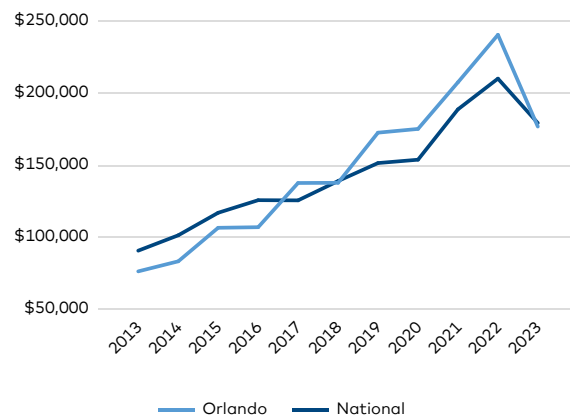
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Lake Bryan	434
Orlando-Downtown	381
Lake Buena Vista	252
Orlando-Colonial Town	201
Celebration	196
Melbourne	172
Winter Park-East	165

Source: Yardi Matrix

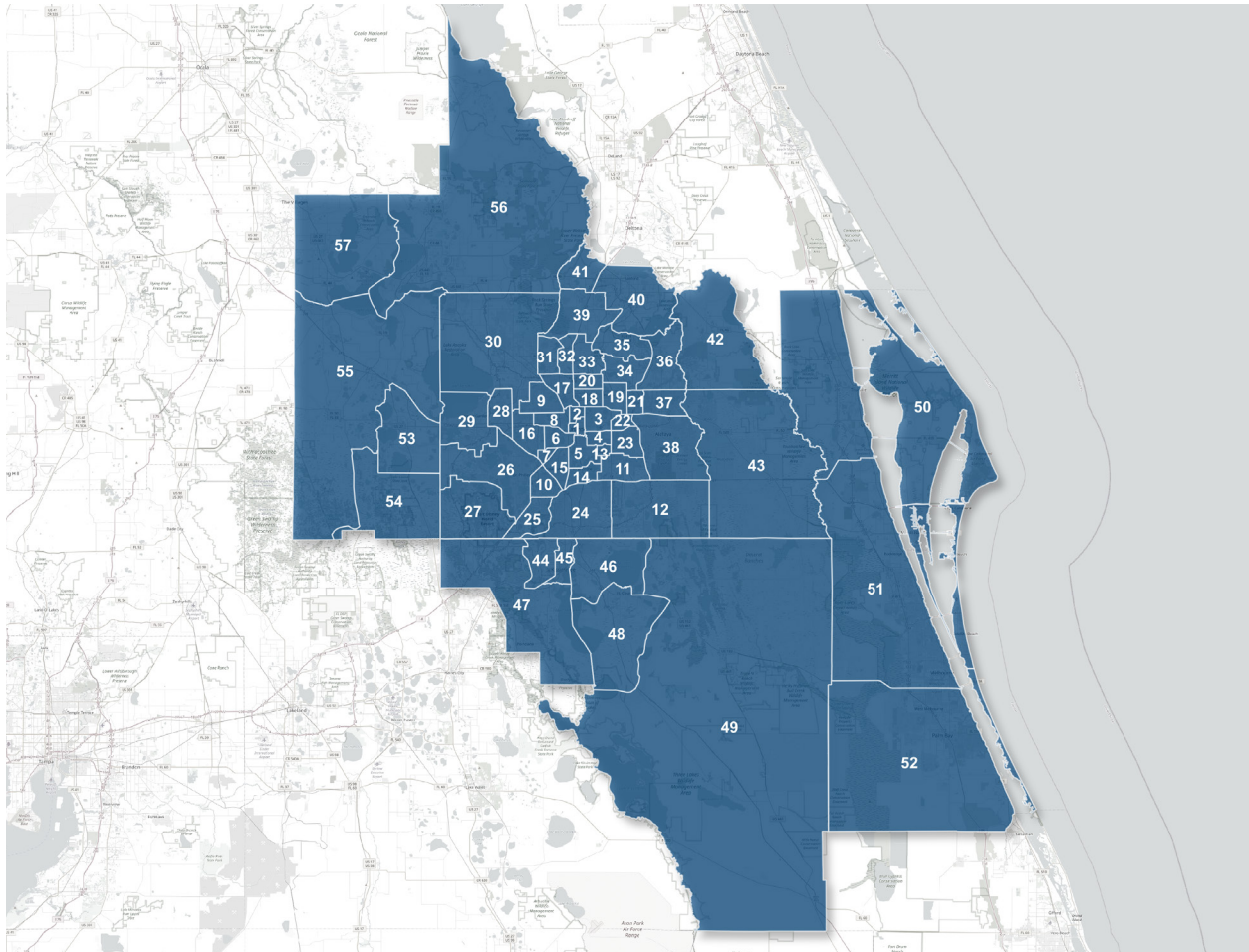
¹ From June 2022 to May 2023

Orlando vs. National Sales Price per Unit



Source: Yardi Matrix

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.



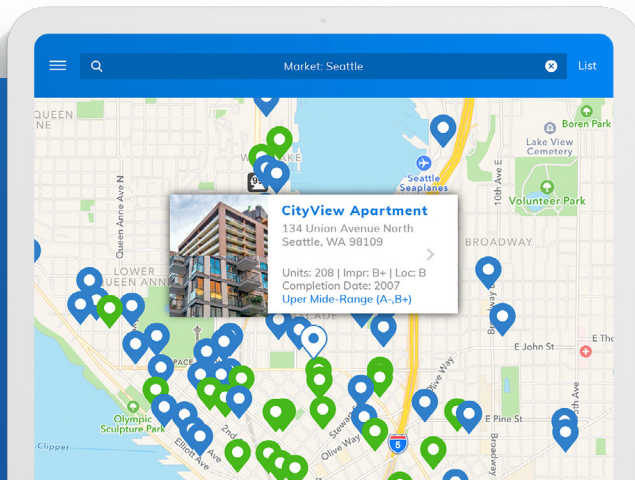
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- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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