

An aerial photograph of Orlando, Florida, showing a dense urban landscape with numerous high-rise buildings and a complex highway interchange in the foreground. The sky is clear and blue.

Yardi® Matrix

Orlando Keeps A Steady Pace

Multifamily Report Spring 2018

Rents Vault to the Top

Developers Favor Upscale Projects

Affordability Crisis Intensifies

Market Analysis

Spring 2018

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Job Growth Boosts Central Florida

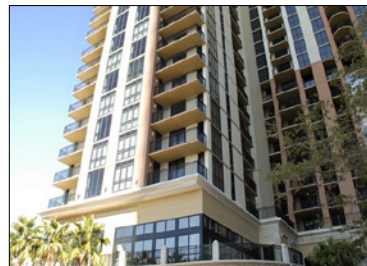
Orlando's multifamily market is flourishing due to exceptional employment and population growth. With a strong economic engine powered by the metro's tourism industry, Central Florida remains one of the fastest-growing regions in the country. However, the high cost of housing is pushing low- and middle-income residents to the suburbs.

The metro leads the state in job creation, with 48,700 positions added in 2017. More than 20% of these jobs were in the leisure and hospitality sector, which continues to drive Orlando's economy. Unicorp recently unveiled plans for a \$1 billion, 82-acre project near Disney World, dubbed O-Town West. New development and adaptive reuse of existing buildings is also projected for the west side of College Park. This is highly likely to further boost construction, a sector that added almost 7,000 jobs last year.

Investment continues to be strong in Orlando, with \$778 million in multifamily assets trading during the first quarter of 2018. Developers continue to focus on upscale projects, as 90% of the construction pipeline is geared toward high-income residents. This trend, coupled with the need for housing coming from Puerto Rican evacuees, is putting considerable pressure on low-income households. The metro leads the nation in rent growth, and Yardi Matrix expects a 4.5% increase for the whole of 2018.

Recent Orlando Transactions

55 West



City: Orlando
Buyer: LivCor
Purchase Price: \$105 MM
Price per Unit: \$227,766

The Arbors at Maitland Summit



City: Orlando
Buyer: Redwood Capital Group
Purchase Price: \$102 MM
Price per Unit: \$153,846

ARIUM Hunters Creek



City: Orlando
Buyer: Bluerock Real Estate
Purchase Price: \$98 MM
Price per Unit: \$183,271

Lindon Audubon Park

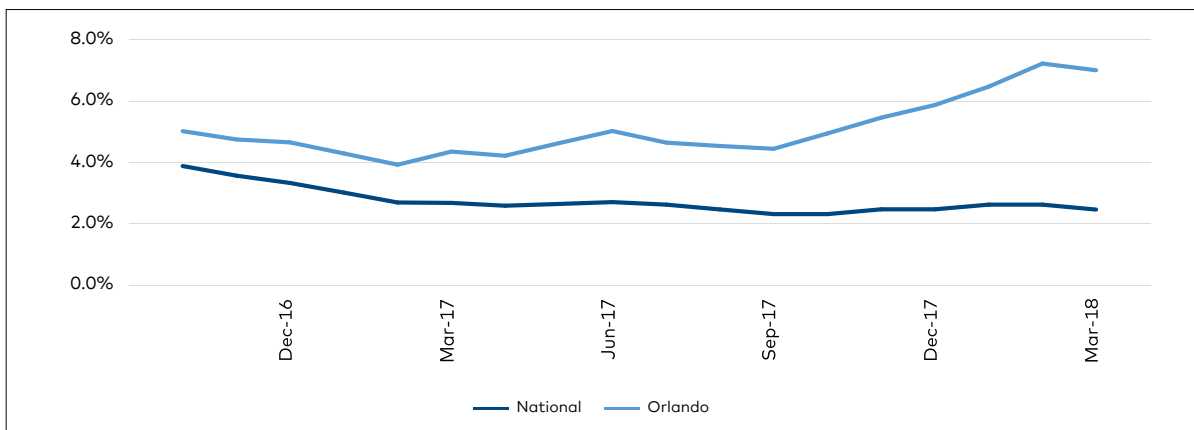


City: Orlando
Buyer: Harbor Group International
Purchase Price: \$97 MM
Price per Unit: \$216,036

Rent Trends

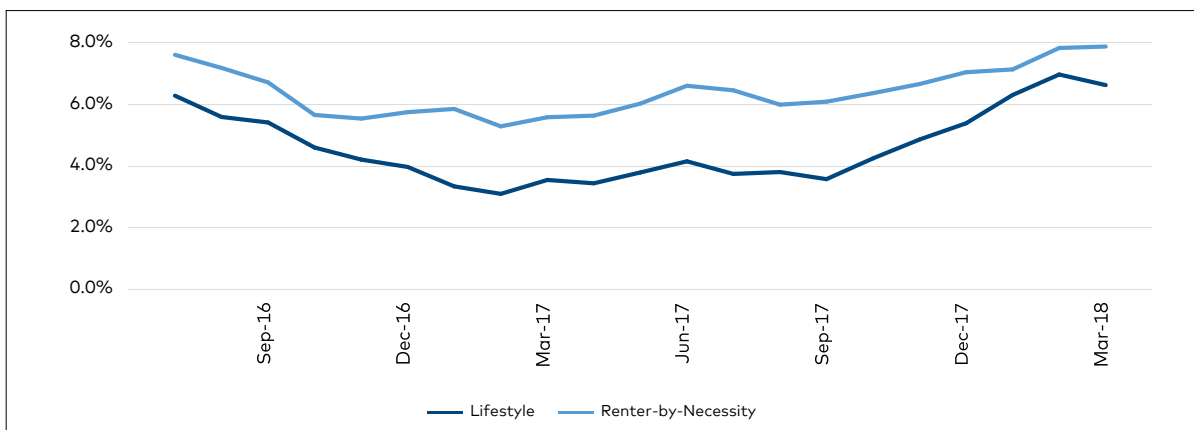
- With the average rent rising 7.0% year-over-year through March, Orlando maintained its lead atop metro rankings, a list dominated by warm-weather metros with surging demand. Demographic trends are a vital factor, with Orlando being in the top 10 for U.S. population growth last year. Nonetheless, the metro's \$1,282 average rent was still \$89 below the U.S. figure as of March.
- Rents in the working-class Renter-by-Necessity segment led growth, up 7.9% year-over-year through March, reaching \$1,081. Lifestyle rents rose 6.6%, to \$1,431. Due to a solid job market and robust household formation, strong demand for housing of all types will very likely linger, especially in the working-class segment.
- Eastern and core submarkets remain the most expensive, with University Park (\$1,786), Colonial Town (\$1,658) and Downtown Orlando (\$1,619) leading the way as of March. However, rents grew fastest in the small Edgewood submarket (29.0%), likely spurred by the announcement of a 220-acre mixed-use project in West College Park and by the Pine Castle development district, which is set to occupy about 500 acres south of downtown Orlando. With most multifamily projects underway targeting high-income residents, coupled with above-trend job growth and the metro's thriving tourism industry, Yardi Matrix expects overall Orlando rents to rise 4.5% in 2018.

Orlando vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

Orlando Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

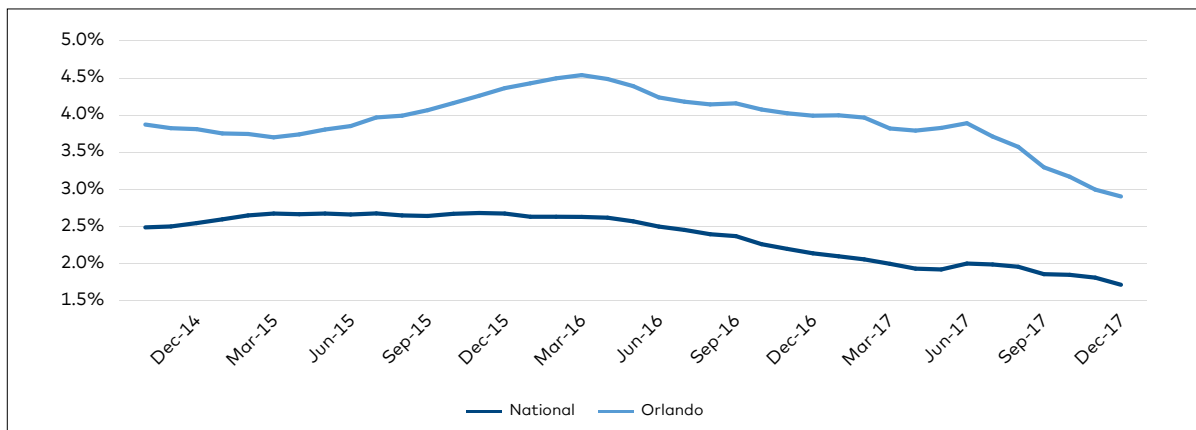


Source: YardiMatrix

Economic Snapshot

- The Orlando market continues to lead the state in job creation, with the addition of 48,700 positions in 2017, a 2.9% increase. Although this is the first time the employment rate dipped below the 3.0% mark since December 2013, the average is still 120 basis points above the national rate.
- Gains were led by leisure and hospitality (10,400 jobs), the sector driving a large portion of the area's economy. The metro is expected to continue displaying strong numbers at least on the short run, as many touristic destinations are gearing up for the summer season. This includes approximately 3,000 employees needed at several Universal Studios Resort attractions. Fueled by an increasing number of digital media, software and entertainment companies, the professional and business services sector added 9,900 positions. With numerous construction projects underway in central Florida, competition for skilled labor is fierce: Interstate 4 is undergoing a \$2 billion reconstruction and the \$1.8 billion terminal expansion at Orlando International Airport is well afoot.
- Growth in professional and business services and financial activities is boosting office demand, especially in the city's central business district, where rents are rising fast, partly because of Church Street Plaza's groundbreaking. The 28-story development is a \$100 million mixed-use project expected to eventually dampen demand for new core office space.

Orlando vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

Orlando Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
70	Leisure and Hospitality	293	19.5%	10,400	3.7%
60	Professional and Business Services	250	16.7%	9,900	4.1%
15	Mining, Logging and Construction	89	5.9%	6,900	8.4%
30	Manufacturing	72	4.8%	6,500	9.9%
40	Trade, Transportation and Utilities	282	18.8%	5,600	2.0%
55	Financial Activities	89	5.9%	5,000	5.9%
80	Other Services	56	3.7%	2,100	3.9%
65	Education and Health Services	189	12.6%	1,700	0.9%
90	Government	154	10.3%	400	0.3%
50	Information	26	1.7%	200	0.8%

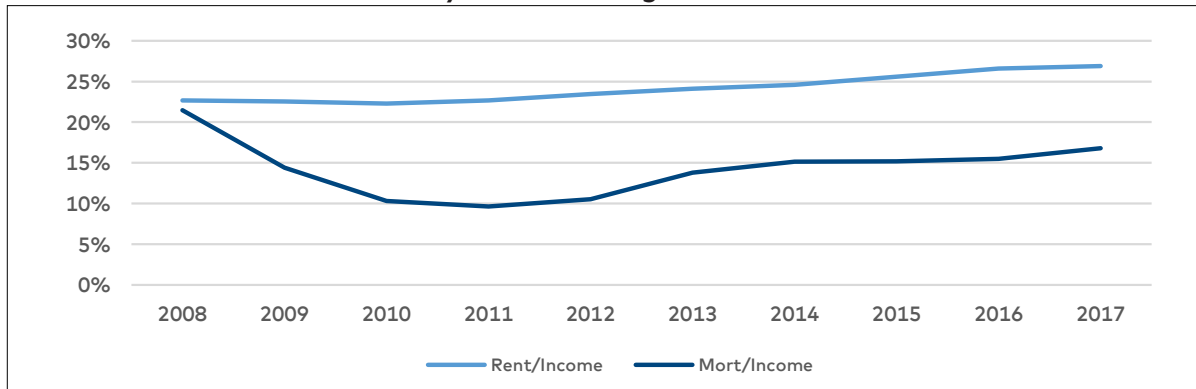
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

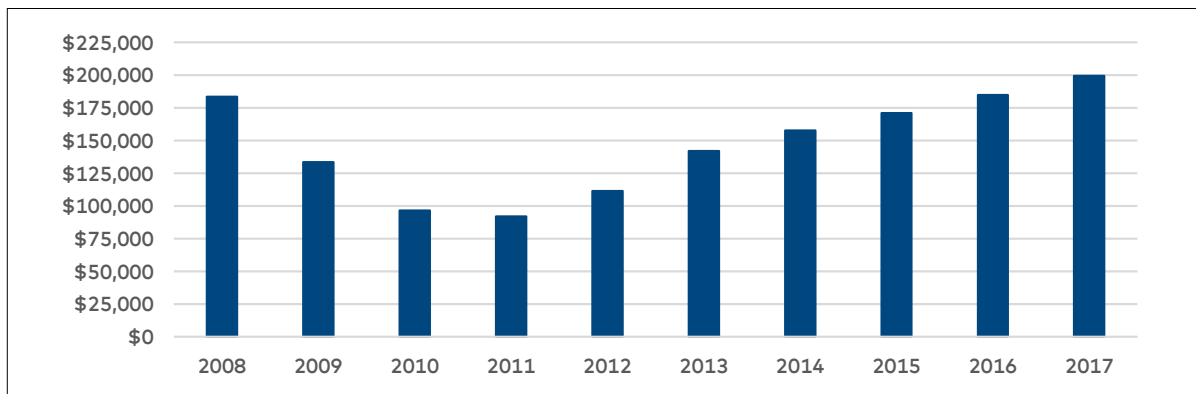
- The median Orlando home price surged to nearly \$200,000 last year, a new cycle high. Nonetheless, owning remains the more affordable option, with the average mortgage payment accounting for 17% of the area's median income. Meanwhile, the average rent of \$1,282 equated to as much as 27%.
- Recent natural disasters hitting Florida and the steady spate of evacuees arriving from Puerto Rico in the aftermath of Hurricane Maria are deepening the metro's affordable housing crisis. Many displaced Puerto Ricans are seeking to transfer their federal Section 8 housing vouchers to the area, adding to the pressure.

Orlando Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Orlando Median Home Price



Source: Moody's Analytics

Population

- Orlando added 56,500 residents in 2017, a 2.3% expansion, more than triple the national average.
- The metro continues to be one of the fastest-growing in the U.S., gaining 238,000 residents during the past five years.

Orlando vs. National Population

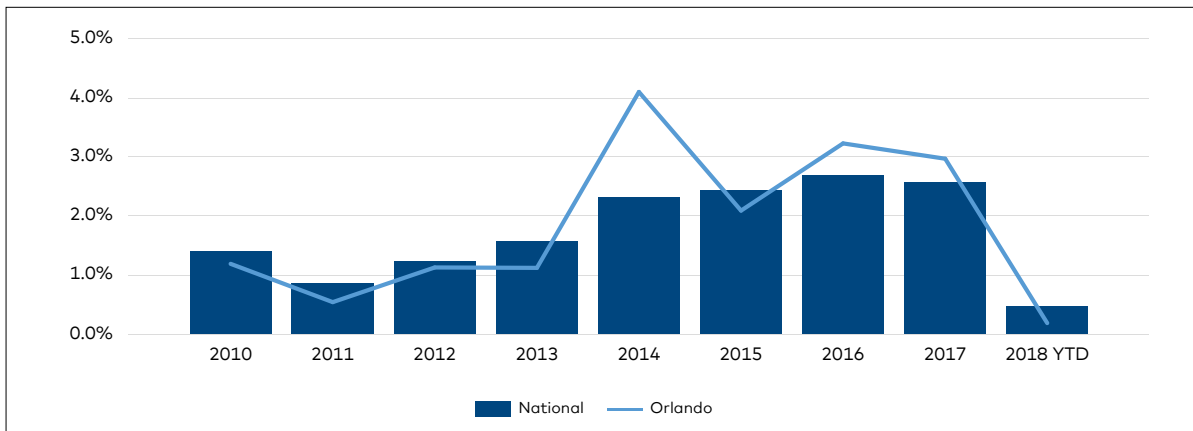
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Orlando Metro	2,272,175	2,327,929	2,391,028	2,453,333	2,509,831

Sources: U.S. Census, Moody's Analytics

Supply

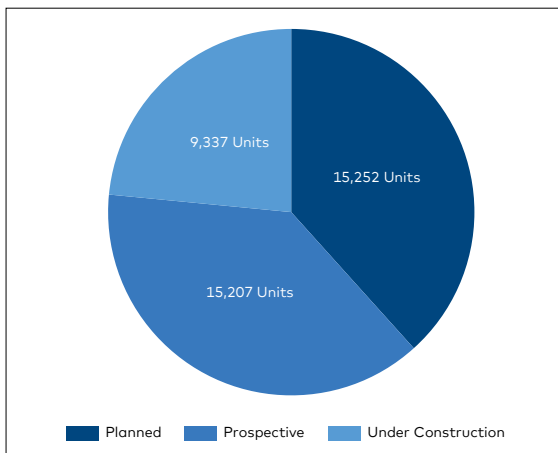
- Roughly 400 units were delivered during the first quarter of 2018. Though below 2014's 7,600-unit cycle peak, completions were solid last year, with almost 6,000 units delivered. Yardi Matrix expects 6,450 units to come online in 2018.
- Some 9,300 units were underway as of February, with another 30,500 units in the planning and permitting stages. More than 90% of projects under construction are geared toward high-income residents, which is likely to put more pressure on rent- and mortgage-burdened residents. Steady population growth continues to boost demand; however, occupancy in stabilized Orlando properties is following the national trend, down 60 basis points in 12 months to 95.6% as of February.
- Core and southwestern submarkets—such as West Kissimmee (1,326 units), Winter Park/Maitland (1,042 units), Lake Byron (920 units) and Downtown Orlando (725 units)—are leading construction. Park Development is building 29 Palms at City Center in Ocoee, the largest project underway. Including 480 units, the development is slated for completion during the summer of 2019 and will be part of City Center West Orange, a \$400 million urban lifestyle center.

Orlando vs. National Completions as a Percentage of Total Stock (as of March 2018)



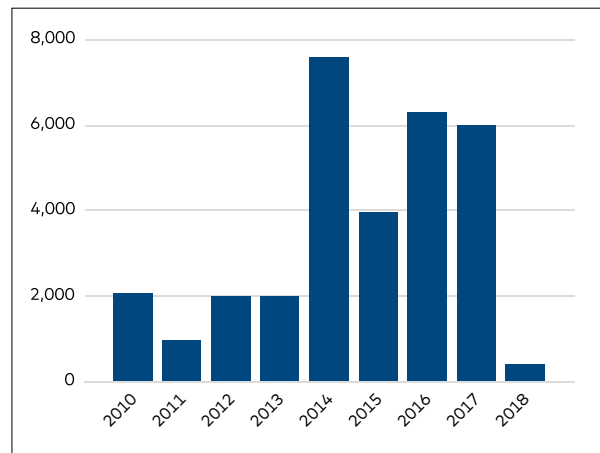
Source: YardiMatrix

Development Pipeline (as of March 2018)



Source: YardiMatrix

Orlando Completions (as of March 2018)

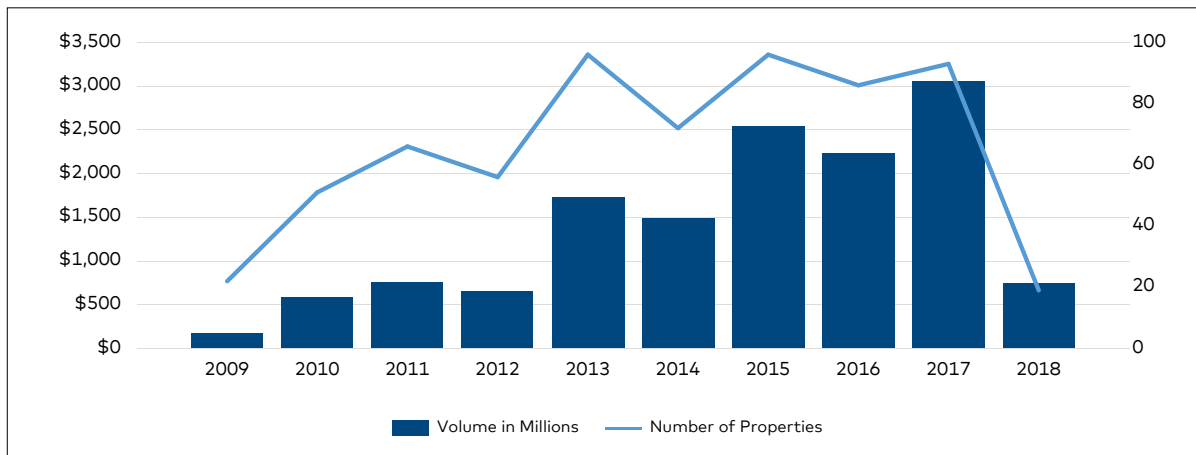


Source: YardiMatrix

Transactions

- Almost \$3.3 billion in multifamily assets changed hands in Orlando in the 12 months ending in February. Roughly \$778 million in properties traded in the first quarter of 2018, pointing toward another year of high transaction volumes, following 2017's cycle peak of \$3.1 billion.
- Acquisition yields are in the 5.0% band for stabilized high-end properties and the 6.0% to 7.0% range for Class B and C assets. The average price per unit was \$131,607 in the first quarter of the year, \$16,700 below the national figure.
- LivCor's \$105 million buy of the 461-unit 55 West from TA Associates Realty marks the largest transaction in the 12 months ending in February, while Bluerock Real Estate traded \$346 million across the metro. The most active submarkets were Downtown Orlando, Stoneybrook and Lake Buena Vista.

Orlando Sales Volume and Number of Properties Sold (as of February 2018)



Source: YardiMatrix

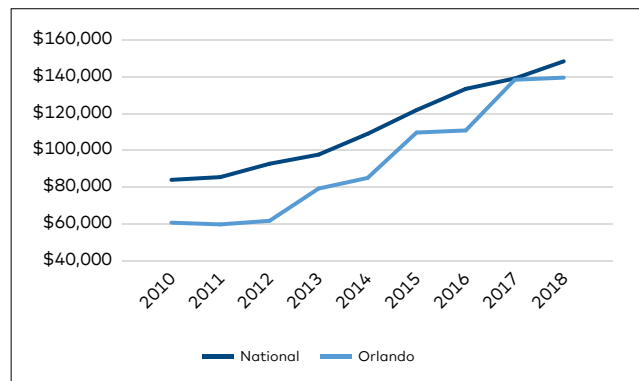
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Downtown Orlando	245
Stoneybrook	214
Lake Buena Vista	178
Palm Bay	175
Lake Bryan	174
Kirkman	156
East Kissimmee	149
Hunter's Creek	148

Source: YardiMatrix

¹ From March 2017 to February 2018

Orlando vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!



Cortland Partners Nabs Orlando Property for \$59M



New Disney Solar Farm To Power Two Theme Parks



Ability Housing Breaks Ground On Orlando Affordable Property

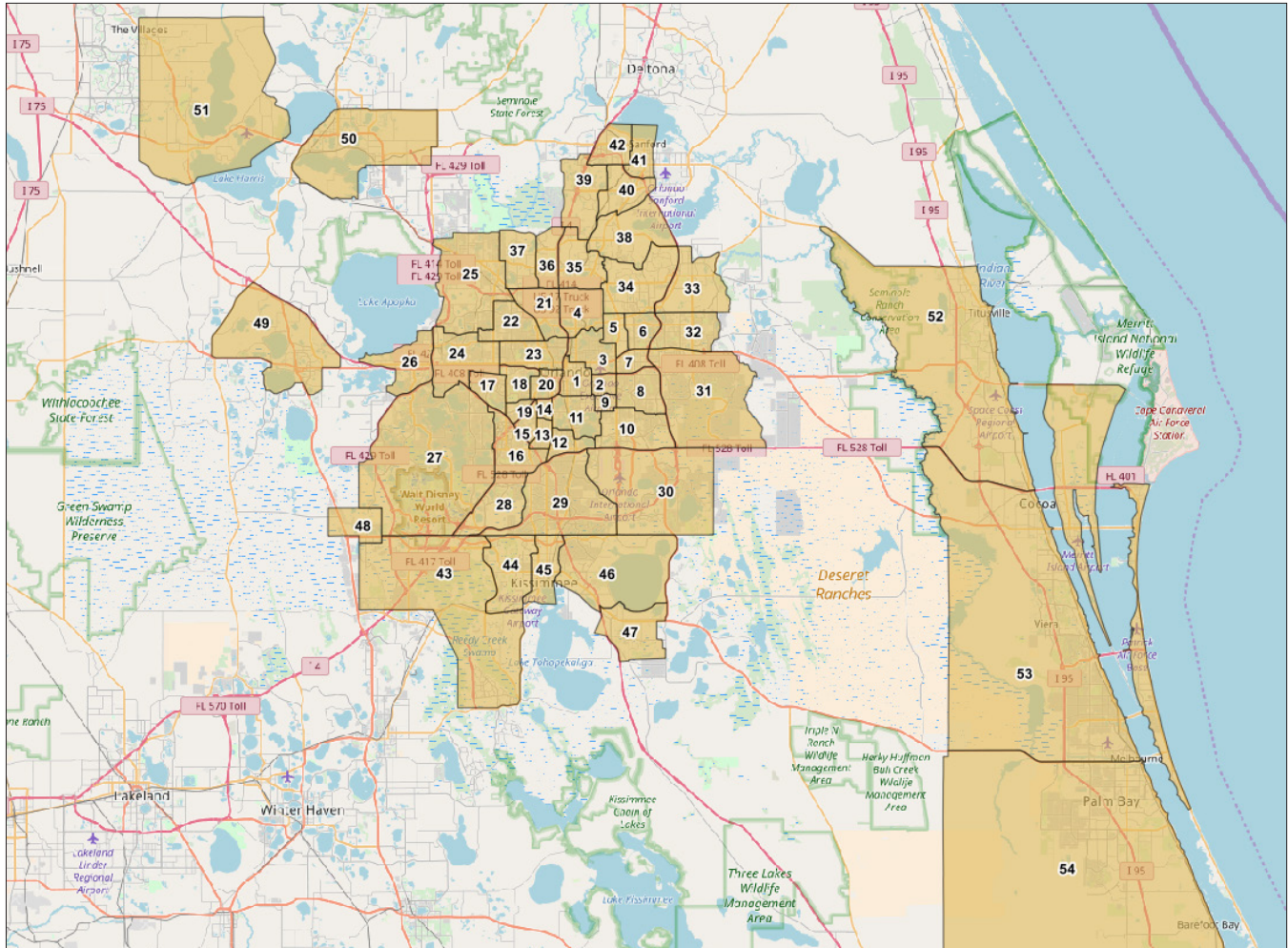


A Closer Look at Orlando's Dynamic Industrial Market

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Orlando Submarkets



Area #	Submarket
1	Downtown Orlando
2	Azalea Park
3	Colonial Town
4	Winter Park/Maitland
5	Aloma
6	Goldenrod
7	Union Park
8	Edgewood Park
9	Conway
10	Vista Park
11	Edgewood
12	Belle Isle
13	Oak Ridge
14	Lake Catherine
15	Millenia
16	Florida Center
17	Kirkman
18	Lake Richmond

Area #	Submarket
19	Florida Center North
20	Holden Heights
21	Lockhart
22	Rosemont
23	Pine Hills
24	Gotha/Orlovista
25	Apopka/Piedmont
26	Winter Garden
27	Lake Buena Vista
28	Lake Bryan
29	Hunter's Creek
30	Lake Nona
31	Stoneybrook
32	University Park
33	Oviedo
34	Red Bug Lake
35	Altamonte Springs
36	Weathersfield

Area #	Submarket
37	Forest City
38	Longwood
39	Lake Mary
40	Elder Springs
41	Sanford
42	Lake Monroe
43	Celebration
44	West Kissimmee
45	East Kissimmee
46	Fish Lake
47	St. Cloud
48	Hancock Lake
49	Clermont
50	Mt. Dora
51	Leesburg
52	Titusville
53	Melbourne
54	Palm Bay

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 may 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 may 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, may 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.

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President
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