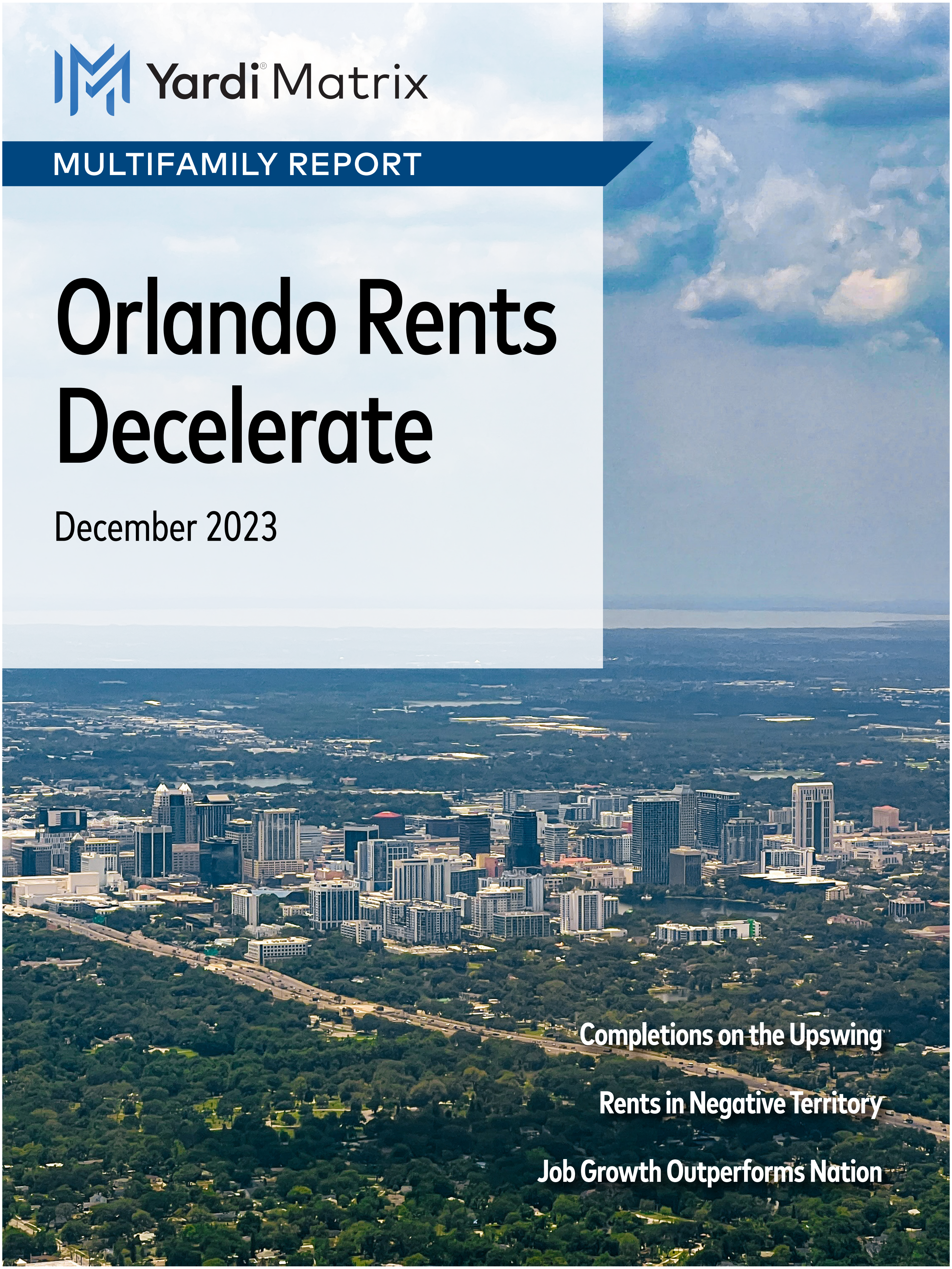
Yardi Matrix

MULTIFAMILY REPORT

Orlando Rents Decelerate

December 2023



Completions on the Upswing

Rents in Negative Territory

Job Growth Outperforms Nation

ORLANDO MULTIFAMILY

Yardi Matrix

Orlando Fundamentals A Mixed Bag

After stabilizing during the first half of the year, Orlando's multifamily market returned to negative movement in July. An overall economic slowdown caused by rising inflation dented rent growth in the metro, leading to a short-term decrease of 0.5% on a trailing three-month basis as of October. The metro's average rate was $1,788, some $70 above the U.S. figure. On a year-over-year basis, Orlando rents contracted by 2.7%. Meanwhile, occupancy clocked in at 94.4%, down 70 basis points year-over-year as rental stock expanded at near-record levels.

The metro added 33,400 jobs in the 12 months ending in September, up 3.4% year-over-year and outperforming the national rate by 90 basis points. Two of the metro's economic drivers, trade, transportation and utilities and leisure and hospitality, added a combined 16,800 jobs. Meanwhile, professional and business services lost 4,400 positions, one of three sectors to see year-over-year contractions. City authorities are rolling out the Project DTO 2.0 initiative, which is focused on advancing downtown Orlando.

Through October, transaction activity decelerated, following national patterns, to just $1.2 billion, putting the metro on track for its worst sales total in more than a decade. However, construction activity picked up in the 10 months ending in October, with 9,077 units coming online, while the volume of construction starts was in lockstep with 2022 levels, at 11,975 units.

Market Analysis | December 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: $207,220

Harbortown

City: Orlando, Fla.
Buyer: PLK Communities
Purchase Price: $86 MM
Price per Unit: $201,109

Grandewood Pointe

City: Orlando, Fla
Buyer: Hilltop Residential
Purchase Price: $84 MM
Price per Unit: $272,875

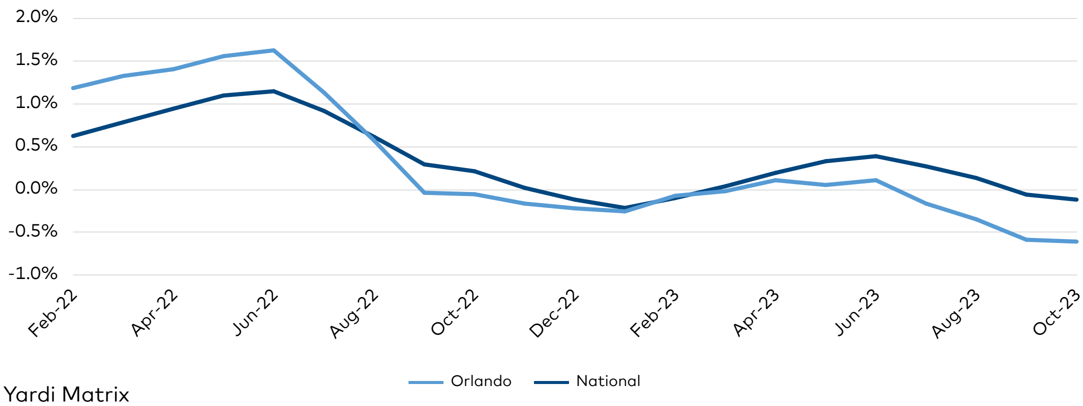
The Grove at Clermont

City: Clermont, Fla.
Buyer: Venterra Realty
Purchase Price: $80 MM
Price per Unit: $279,166

RENT TRENDS

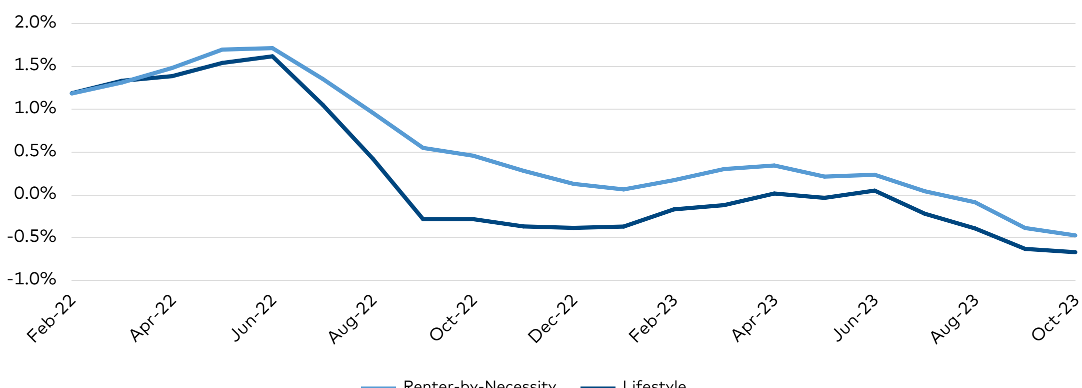
- Orlando rents contracted by 0.6% on a trailing three-month (T3) basis through October, while U.S. rates dipped 0.1%. The average rent in Orlando stood at $1,788, $70 higher than the average U.S. figure. On a year-over-year basis, rates in Orlando contracted by 2.7%, while the national average still showed 0.4% improvement.
- Rates in the working-class Renter-by-Necessity segment were down 0.5% on a T3 basis, at an average of $1,539. Meanwhile, Lifestyle rents were down further, at -0.7%, to an average of $1,925.
- The average occupancy rate in stabilized assets was down 70 basis points year-over-year as of October, to 94.4%. RBN occupancy rates slid 120 basis points to 94.5%, while Lifestyle occupancy reached 94.6%, down 60 basis points.
- Of the 53 markets tracked by Yardi Matrix, 36 posted year-over-year rent contractions, as of October. Of the submarkets that actually saw rent improvement, Titusville recorded the highest gains, up 8.3% to $1,377. Pine Hills (up 6.3% year-over-year to $839) and Mt Dora (up 4.1% to $1,463) rounded out the top three. The 10 most expensive submarkets in Orlando all posted rent contractions year-over-year, with the most expensive, Orlando – North Orange contracting from $2,398 to $2,277.
- Orlando's SFR sector also saw declines, with rents down 8.6% year-over-year.

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 3.1% in September, according to data from the Bureau of Labor Statistics. The rate placed the metro behind the state (2.8%), but ahead of the U.S. (3.8%). Of the major Florida metros, Orlando only outperformed Tampa (3.2%).

- Overall employment in the metro expanded by 3.4% year-over-year, outperforming the national rate of job growth by 90 basis points. In the 12 months ending in September the metro added 33,400 jobs, almost half of which were in the education and health services (14,500 jobs), and leisure and hospitality (12,100 jobs) sectors. These sectors are two of the metro's main economic drivers.

- Orlando's third cornerstone, professional and business services, lost 4,400 jobs in the interval, down 1.4%. It was one of three sectors that contracted, along with information and mining, logging and construction.

- After canceling a billion-dollar construction project in Orlando, this autumn, The Walt Disney Co., announced plans for a $60 billion expansion of its parks ventures throughout Florida and the globe over the next decade. Following revitalization programs that were aimed at helping downtown Orlando throughout the past decade, the local administration is rolling out its Project DTO 2.0 initiative to transform downtown into an urban neighborhood.

Orlando Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	229	13.6%
70	Leisure and Hospitality	314	18.6%
40	Trade, Transportation and Utilities	305	18.0%
55	Financial Activities	101	6.0%
30	Manufacturing	87	5.1%
90	Government	157	9.3%
80	Other Services	53	3.1%
50	Information	30	1.8%
15	Mining, Logging and Construction	105	6.2%
60	Professional and Business Services	311	18.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- At the end of 2021, Orlando was the fastest-growing large metro in Florida, at 0.5%, 40 basis points higher than the U.S. rate.

- With its relatively low cost of living, amenities and seasonable climate, Orlando continues to attract new residents, driving demand.

Orlando vs. National Population

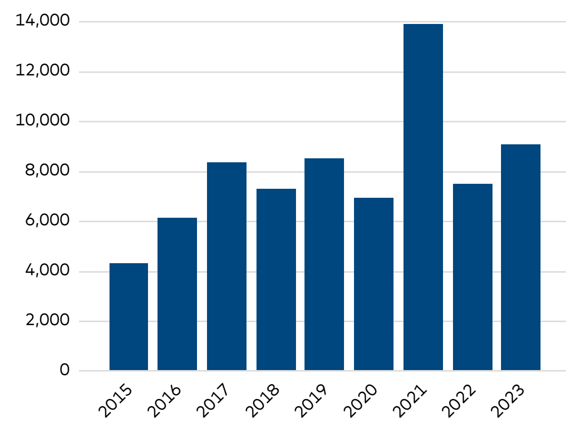
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Orlando	2,576,297	2,608,273	2,677,687	2,691,925

Source: U.S. Census

SUPPLY

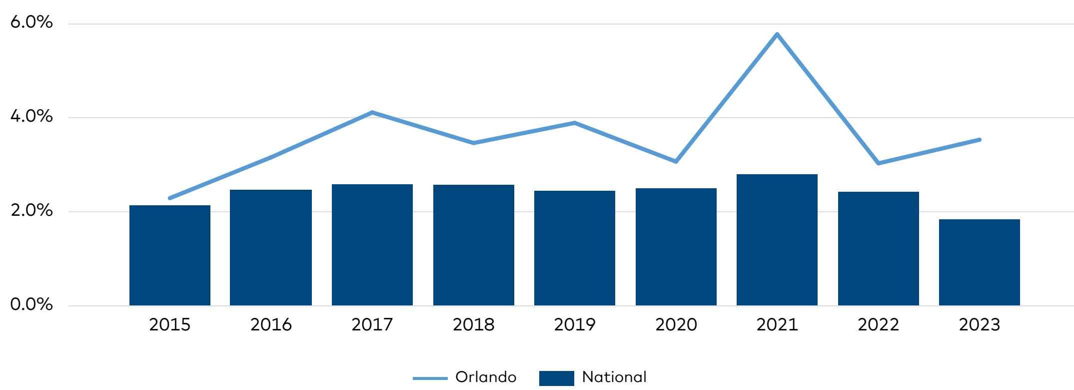
- There were 28,815 units under construction in Orlando as of October. Another 130,000 were in the planning and permitting stages.
- Year-to-date through October, developers delivered 9,077 rental units, accounting for 3.5% of existing stock. The rate is 170 basis points higher than the U.S. figure and has already exceeded 2022's 3.0% year-end figure. The bulk of completions in 2023 through October targeted high-income residents, with all but two projects delivered being in the Lifestyle segment.
- Developers broke ground on 11,138 units across 46 properties in the first 10 months of 2023. That's almost exactly on par with the 11,274 units in 42 projects that started construction during the same period in 2022.
- Submarkets with the largest construction pipelines in the metro were West Kissimmee (3,165 units underway), Orange Lake (1,976 units) and Celebration (1,971 units). Another seven submarkets had more than 1,000 units underway.
- Unicorp National Developments delivered one of the largest communities of the year in the Lake Buena Vista submarket. The Bentley is located in a suburban area and features 396 units. It is the largest community delivered in the submarket this year, outpacing Bayfront on Sand Lake by just 20 units. The latter was delivered in August by MJC Cos.

Orlando Completions (as of October 2023)



Source: Yardi Matrix

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

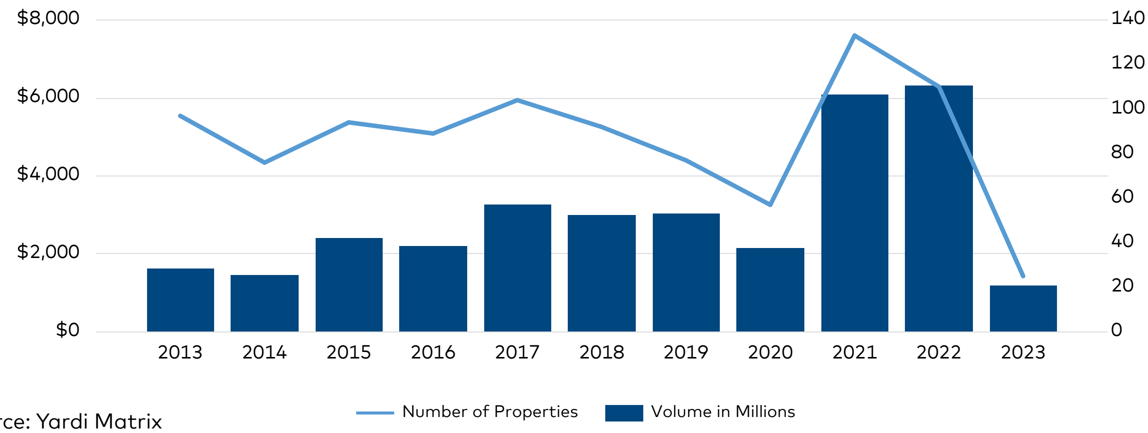


Source: Yardi Matrix

TRANSACTIONS

- Multifamily investment reached $1.2 billion in Orlando through the first 10 months of 2023, with total transaction volume significantly below last year's record high of $6.3 billion. High interest rates, as well as overall economic volatility significantly tempered transaction volume in the metro, as it did in most of the U.S.
- Of the 25 sales in Orlando through October, 12 were Lifestyle assets. The per-unit price clocked in at $191,625 through the first 10 months of the year, just above the $187,497 U.S. rate.
- The Metro West submarket led sales activity in the 12 months ending in October, with $234 million. Hunter's Creek ($184 million) and Altamonte Springs ($144 million) rounded out the top three, while another two submarkets saw totals exceed the $100 million mark. The $83.5 million sale of Grandewood Pointe in Hunter's Creek represented the highest per-unit price of the prior quarter. Hilltop Residential bought the asset for $272,875 per unit.

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



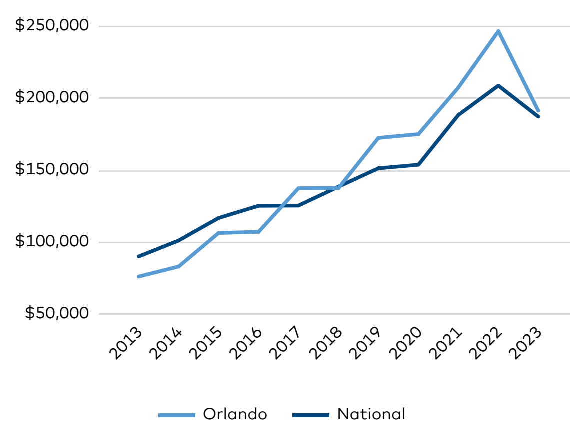
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Metro West	234
Hunter's Creek	184
Altamonte Springs	144
Melbourne	117
Orlando – North Orange	107
Lake Buena Vista	98
Oak Ridge	94

Source: Yardi Matrix
[1] From November 2022 to October 2023

Orlando vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MULTI-HOUSING NEWS
data by Yardi Matrix

Top 10 Markets for Multifamily Deliveries in H1 2023

By Anda Rosu

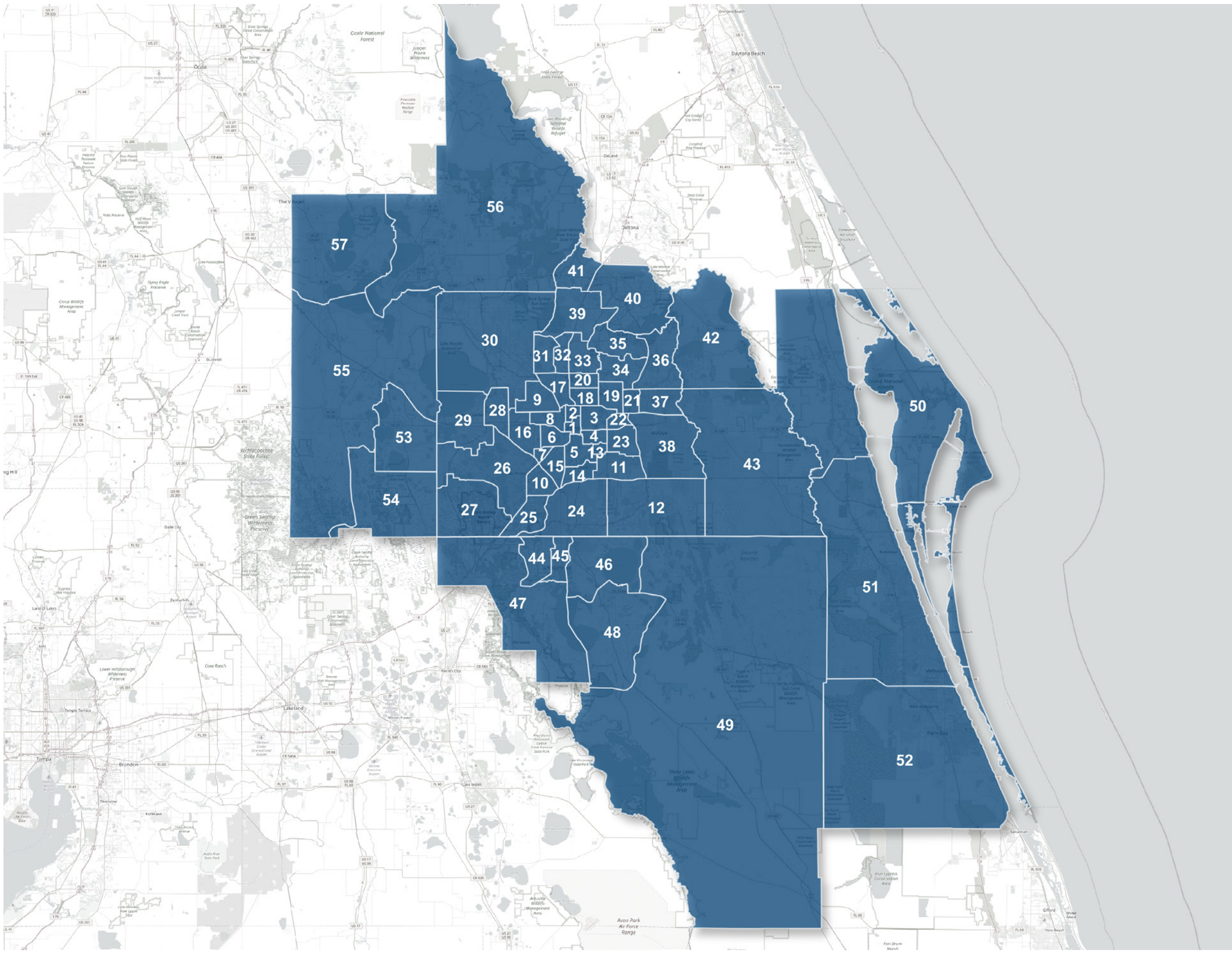
Multifamily demand remained healthy in 2023 despite major economic head-winds, although the sector lagged the performance recorded in the first six months of 2022. According to Yardi Matrix data, 154,366 units came online nationwide between January and June 2023. The volume of multifamily deliveries accounts for a 60-basis-point increase from the 153,314 units that were delivered last year during the same period.

Rank	Metro	Projects Delivered 2023 H1	Number of Units Delivered 2023 H1	ConstructionStarts 2023 H1 Units
1	Phoenix	36	8,062	10,886
2	Washington, D.C.	25	6,333	5,288
3	Atlanta	29	6,178	10,380
4	Austin	23	5,473	11,220
5	Dallas	20	5,133	15,747
6	Miami Metro	22	5,109	9,969
7	Charlotte	21	4,595	6,441
8	Orlando	19	4,445	5,437
9	Denver	23	4,270	6,046
10	Houston	17	3,910	6,562

Orlando

Developers were busy over the past decade, with strong demographic expansion in Orlando. Activity recorded a peak in 2021, when deliveries reached an all-time high of 12,948 units, 5.0% of stock. In 2022, 7,398 units were added to the stock. This year through June, 4,445 new units have been added to the stock, 2.5% of total stock. In June, there were 30,306 units under construction in Orlando, with 5,437 of them beginning construction in the first half of 2023. In the same time period in 2022, developers broke ground on 9,199 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

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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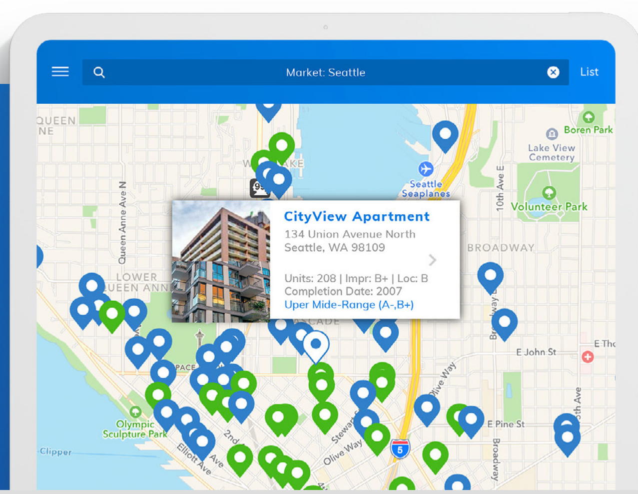

Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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