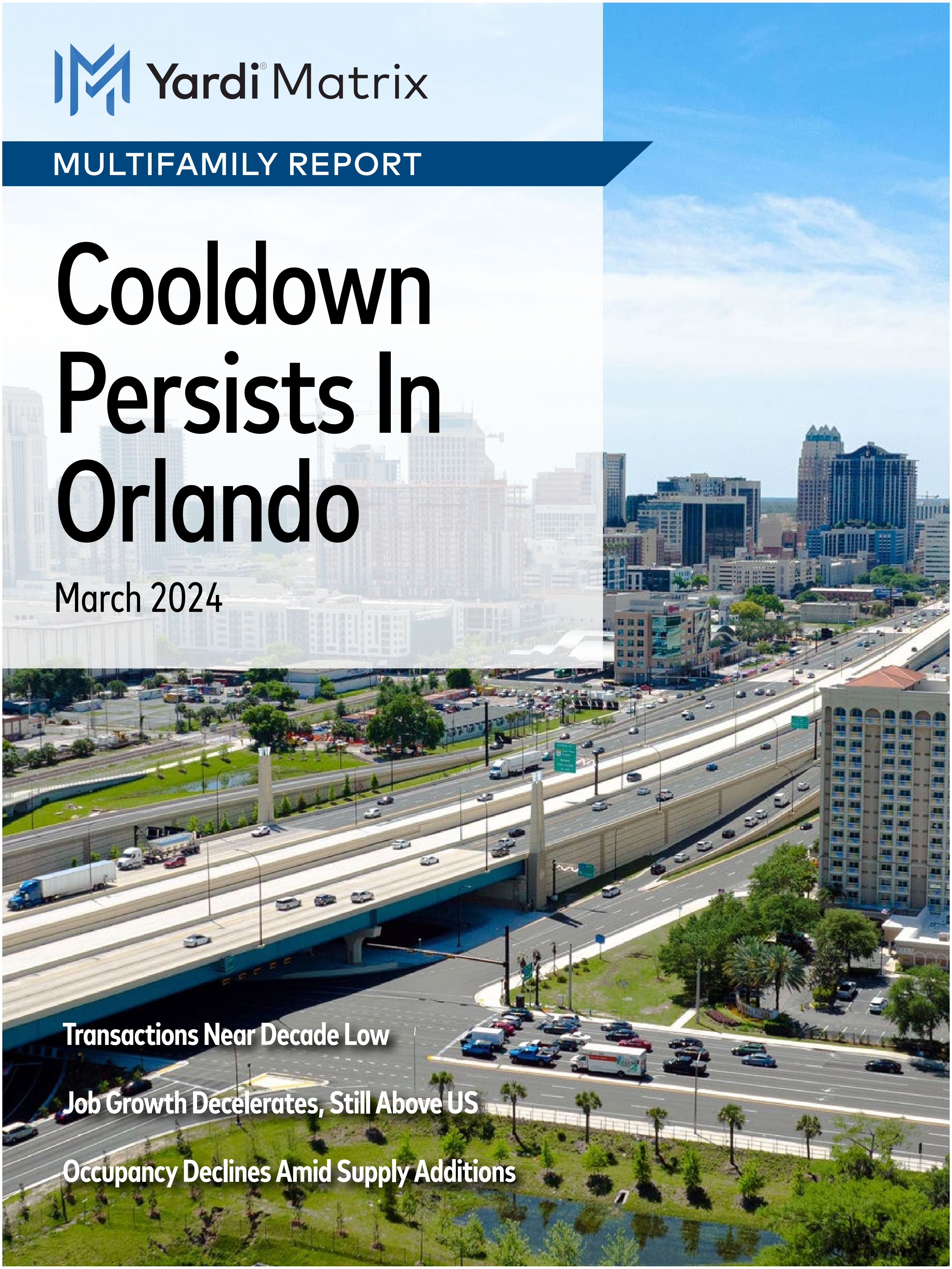
Yardi Matrix

MULTIFAMILY REPORT

Cooldown Persists In Orlando

March 2024



Transactions Near Decade Low

Job Growth Decelerates, Still Above US

Occupancy Declines Amid Supply Additions

ORLANDO MULTIFAMILY

Yardi Matrix

Wave of Deliveries Keeps Rent Movement Negative

Orlando rent growth has been steadily softening since late 2021, recording negative movement for nearly all of 2023 and into this year. Rates contracted 0.5% on a trailing three-month basis through January, to $1,758, while national averages were down only 0.2%, to $1,710. On a year-over-year basis, rent deceleration in Central Florida was among the steepest in the country, with rates declining 3.6%, second only to Austin (-6.0%). However, this isn't surprising, considering developers last year delivered the second-largest annual volume since 2016.

The metro's employment market expanded 2.4% in the 12 months ending in November but was still 20 basis points above the U.S. figure. The leisure and hospitality sector, Orlando's economic backbone, could get a major boost from the expansion planned at Orlando International Airport. The Greater Orlando Aviation Authority intends to add 16 to 24 gates to the recently completed Terminal C, as passenger traffic continues to rebound. According to its latest activity report, the airport saw a 15.1% increase in traffic in 2023 compared to 2022.

With 28,864 units underway, Orlando's development pipeline remained sturdy. After the 11,960 units that came online last year, another 654 units were delivered in January. However, construction activity will likely cool until lending conditions improve.

Market Analysis | March 2024

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author
Laura Calugar
Senior Editor

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Recent Orlando Transactions

Ascend Hammock Landing

City: West Melbourne, Fla.
Buyer: Venterra Realty
Purchase Price: $79 MM
Price per Unit: $264,000

Encore Metro at Millenia

City: Orlando, Fla.
Buyer: Invictus Real Estate Partners
Purchase Price: $57 MM
Price per Unit: $263,953

Bridgewater

City: Orlando, Fla.
Buyer: Trion Partners
Purchase Price: $44 MM
Price per Unit: $129,302

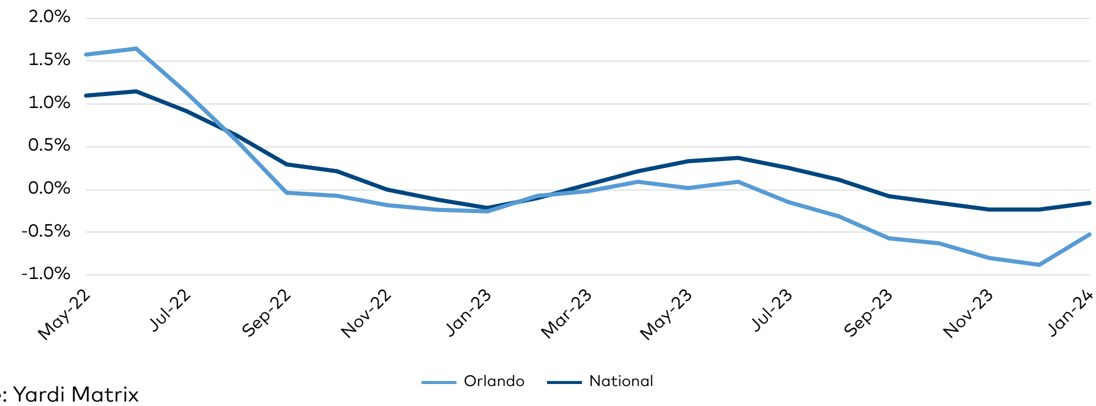
Century Vista Palms

City: Orlando, Fla.
Buyer: Centennial Holding Co.
Purchase Price: $43 MM
Price per Unit: $179,625

RENT TRENDS

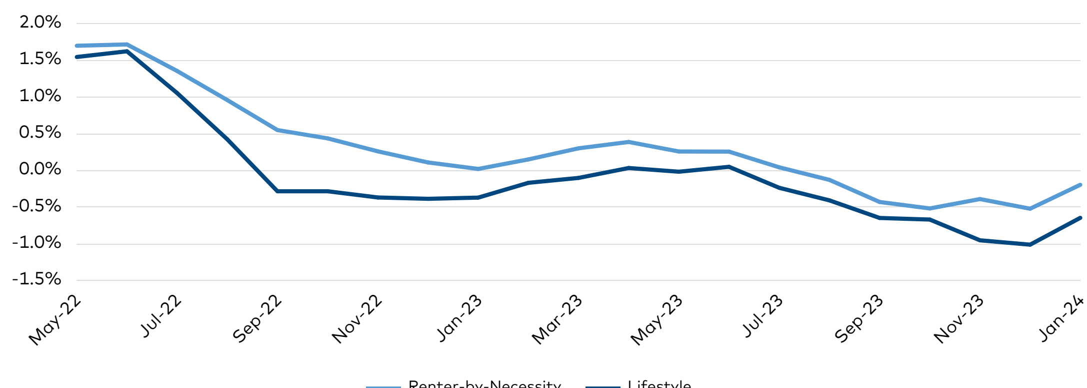
- Orlando rents contracted 0.5% on a trailing three-month (T3) basis through January to an average of $1,758, while the national figure dropped only 0.2%, to $1,710. Year-over-year, U.S. rents advanced 0.5%, while rent movement in Central Florida was negative—down 3.6%. Performance was impacted by the high volume of deliveries in recent years, slow household formation and overall economic headwinds.
- Rents in the Lifestyle segment—where the bulk of deliveries and construction is concentrated—slid 0.6% on a T3 basis, to $1,884 in January, the seventh consecutive month that rents contracted. In the working-class Renter-by-Necessity segment, rates hit $1,526 after a 0.2% drop.
- Like other Sun Belt markets that have experienced declining occupancy due to increased new supply, Orlando's occupancy also slid, reaching 94.2% as of January, a 90 basis-point year-over-year decrease. Meanwhile, U.S. rates were down 50 basis points, to 94.6%.
- Of the 55 Orlando submarkets tracked by Yardi Matrix, only 12 posted rent increases in the 12 months ending in January, while in three submarkets rent development was flat. Rates continued to decrease in some of the most expensive urban core areas: Downtown (-6.6 to $2,062), North Orange (-4.6% to $2,246) and Colonial Town (-3.7% to $2,036).
- Demand for single-family rentals softened significantly in Orlando, with rates contracting 0.8% year-over-year through January, to $2,210.

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 added 30,000 jobs in the 12 months ending in November, a 2.4% expansion of the labor pool—20 basis points above the U.S. rate. Though employment growth has been decelerating, the slowdown is more of a normalization following two years of record gains that weren't sustainable in the long term.

- Education and health services, along with leisure and hospitality, were the main growth drivers, adding a combined 22,100 jobs. Meanwhile, professional and business services contracted by 3,600 jobs, as employers eliminated temporary positions added during the peak tourist season. Orlando's unemployment rate was 3.0% at the end of 2023, according to preliminary BLS data. That was near historic lows and in line with the U.S. average.

- The strength of the local labor market and robust population growth are encouraging developers to move forward with their projects. Earlier this year, work began at Wyld Oaks, a 215-acre mixed-use community in Apopka. The $1.2 billion development is set to include 480,000 square feet of retail, office and outparcel space, two hotels and up to 4,000 rental units and condos. Meanwhile, the Greater Orlando Aviation Authority is already planning to expand Terminal C at Orlando International Airport. The $2.8 billion terminal opened in September 2022.

Orlando Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	232	13.5%
70	Leisure and Hospitality	318	18.5%
40	Trade, Transportation and Utilities	318	18.5%
30	Manufacturing	88	5.1%
90	Government	163	9.5%
80	Other Services	53	3.1%
15	Mining, Logging and Construction	104	6.0%
55	Financial Activities	100	5.8%
50	Information	30	1.7%
60	Professional and Business Services	315	18.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- With year-over-year growth hitting 1.8% in 2022, Orlando was among the fastest-growing metros in Florida, behind only Jacksonville (2.0%). Tampa came in third at 1.5%, and Miami's demographic expansion was only 0.3%. Meanwhile, the U.S. population grew by 0.4%.

Orlando vs. National Population

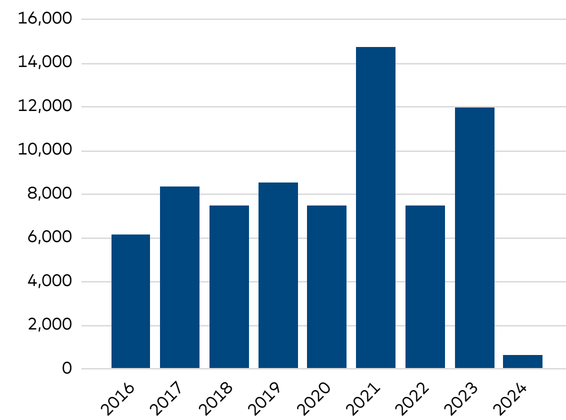
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Orlando	2,508,970	2,560,260	2,632,721	2,679,298

Source: U.S. Census

SUPPLY

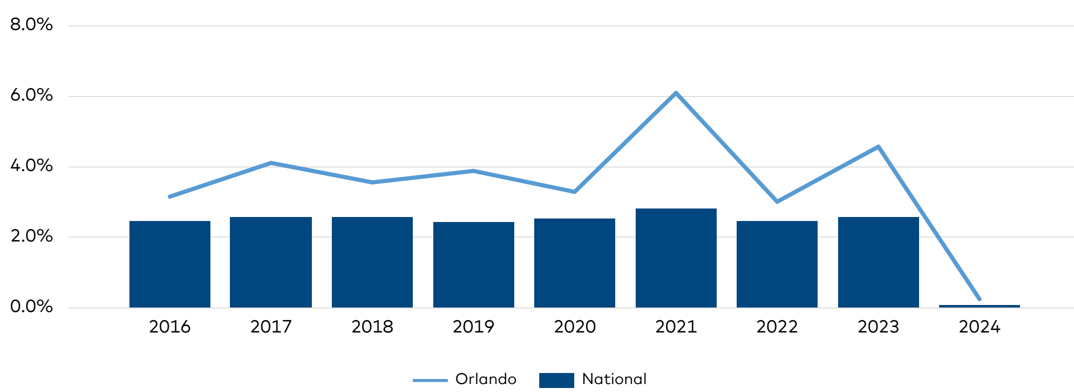
- After delivering 11,960 units in 2023—marking the second-best year for completions in the past decade—Orlando developers also started 2024 on a strong note. Two properties totaling 654 apartments were completed in January, both targeting high-income residents. In the five years ending in 2023, an average of 10,051 apartments came online each year, putting pressure on rent growth.
- Developers had 28,864 units under construction as of January, with less than 8.0% of them in fully affordable developments. Another 132,000 were in the planning and permitting stages.
- Construction starts stalled in January, with only two properties totaling 581 units breaking ground in Orlando. Developers had started work on nine properties comprising 2,285 apartments during the same period last year. Considering the large number of completions over the past few years and that developers have been struggling to make new projects pencil out due to unfavorable conditions, it's no surprise that development activity has softened significantly.
- Developers were active across the entire metro, but West Kissimmee was the only submarket that had more than 3,000 units under construction as of January, while Celebration had 2,619 units. Eight other submarkets each had more than 1,000 apartments underway. Yardi Matrix expects a record 16,323 units to come online in 2024, which would account for 6.2% of total stock. The largest project expected to be delivered this year is the second phase of Altis Grand Lake Willis, an Altman Cos. development that will eventually encompass 599 units.

Orlando Completions (as of January 2024)



Source: Yardi Matrix

Orlando vs. National Completions as a Percentage of Total Stock (as of January 2024)

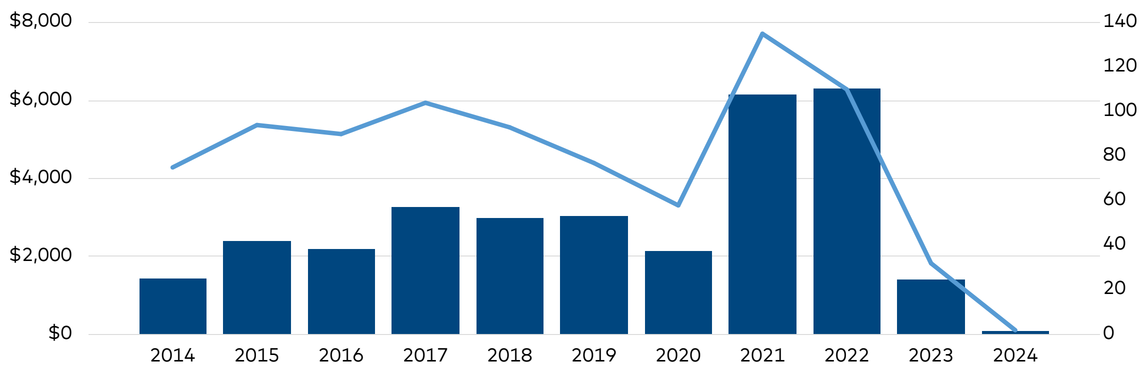


Source: Yardi Matrix

TRANSACTIONS

- Multifamily investment volume in 2023 was among the lowest in the past decade, totaling only $1.4 billion, a far cry from the previous two years' $6.2 billion average. However, 2024 is showing signs of improvement, with two assets trading in the first month of the year for a total of $88 million. The Federal Reserve signaled it could be lowering its key interest rate, a shift that would increase transaction activity.
- The price per unit in Orlando declined by 22.5% year-over-year, to $191,368, but remained above the $185,563 U.S. average, which also slid 11.2%.
- Last year, investor interest was almost equally split between upscale and RBN assets. Venterra Realty, Journey Capital and Phoenix Realty Group were among the most active buyers, with each spending more than $160 million on multifamily assets across the metro. The largest single-asset deal of 2023 was Journey Capital's $90 million acquisition of the 342-unit Alta Cypress in Longwood from Wood Partners.

Orlando Sales Volume and Number of Properties Sold (as of January 2024)



Source: Yardi Matrix

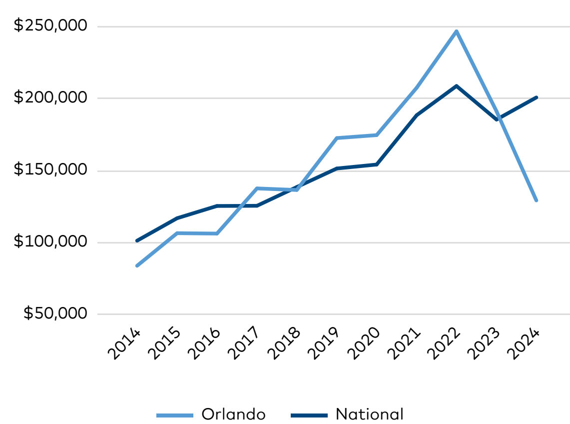
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Metro West	176
Altamonte Springs	144
Oak Ridge	119
Orlando–Vista Park	116
Melbourne	100
Palm Bay	93
Lake Bryan	87

Source: Yardi Matrix

[1] From February 2023 to January 2024

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 2023

By Tudor Scolca

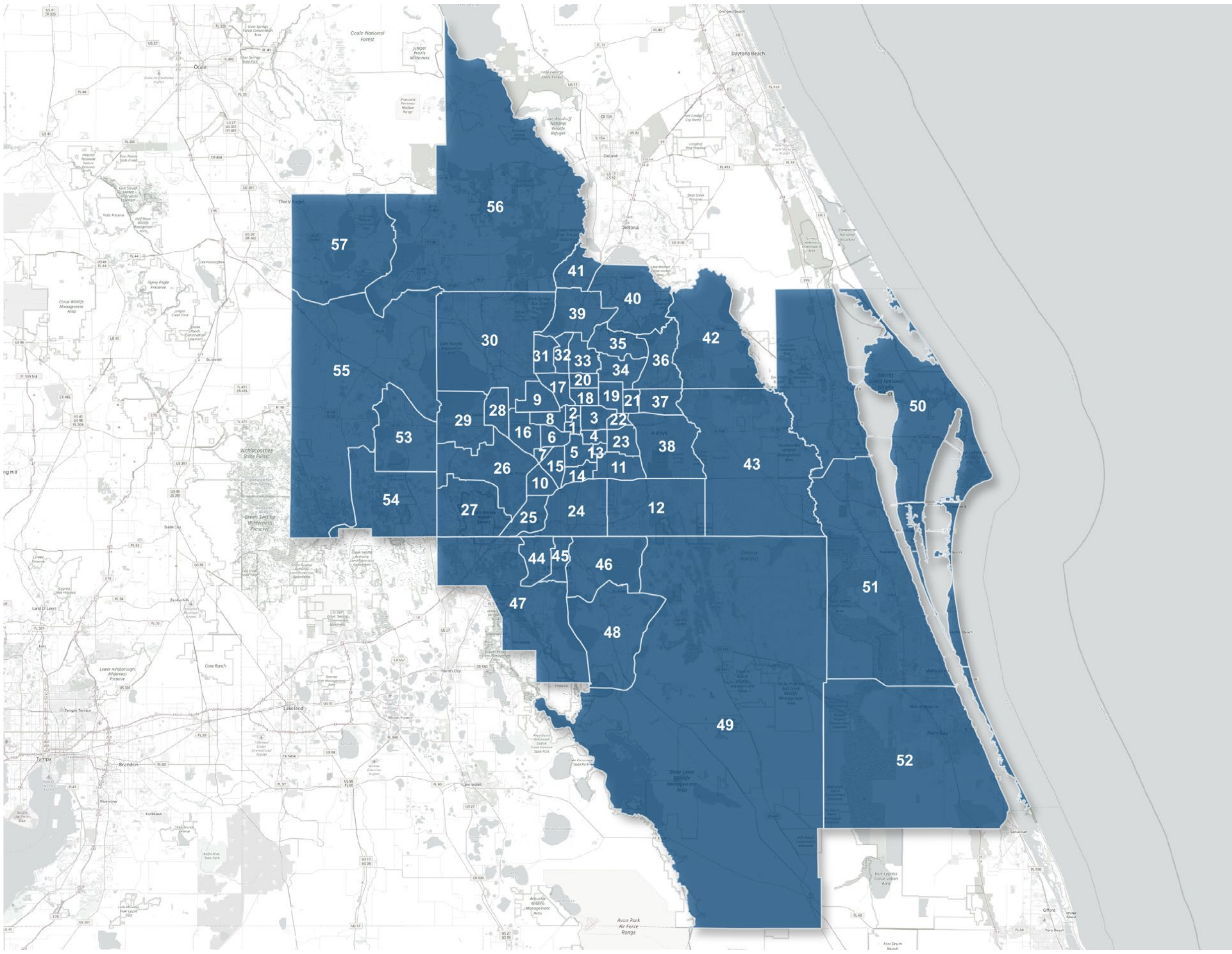
Supply growth nationwide reached a decade-long peak, with more than 1.2 million units under construction, Yardi Matrix data shows. Multifamily deliveries remained strong in 2023, despite economic headwinds. This year, tighter lending circumstances and rising material, maintenance and labor costs will impact new construction starts, but the supply pipeline remains strong. Roughly 500,000 units are bound to come online in 2024, with markets in the South and West likely to stay at the top.

Rank	Metros	Projects Delivered 2023	Units Delivered 2023	% Of Stock 2023
1	Dallas	95	24,303	5.2
2	Atlanta	94	21,007	4.5
3	Phoenix	79	17,189	3.7
4	Miami Metro	70	17,098	3.7
5	Houston	68	16,868	3.6
6	Austin	67	16,523	3.5
7	Washington D.C.	54	14,538	3.1
8	Orlando	53	13,351	2.9
9	Los Angeles	84	12,304	2.6
10	New Jersey	67	11,857	2.5

Orlando

Taking the eighth spot among the top markets for multifamily deliveries, Orlando had 13,351 units come online last year, across 53 projects. The metro's inventory expanded by 2.9%, 30 basis points above the national figure. Completions nearly doubled from 2022—which recorded 7,602 units—but were below 2021's 15,072 figure.

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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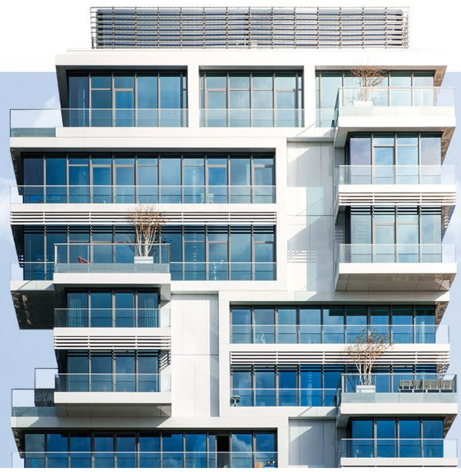
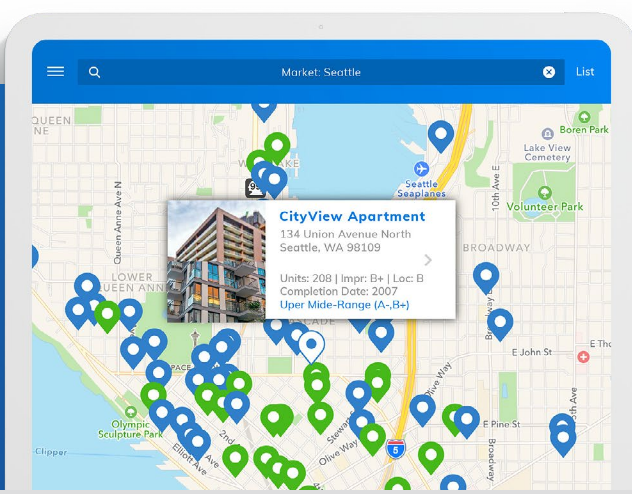


MULTIFAMILY KEY FEATURES

- 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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