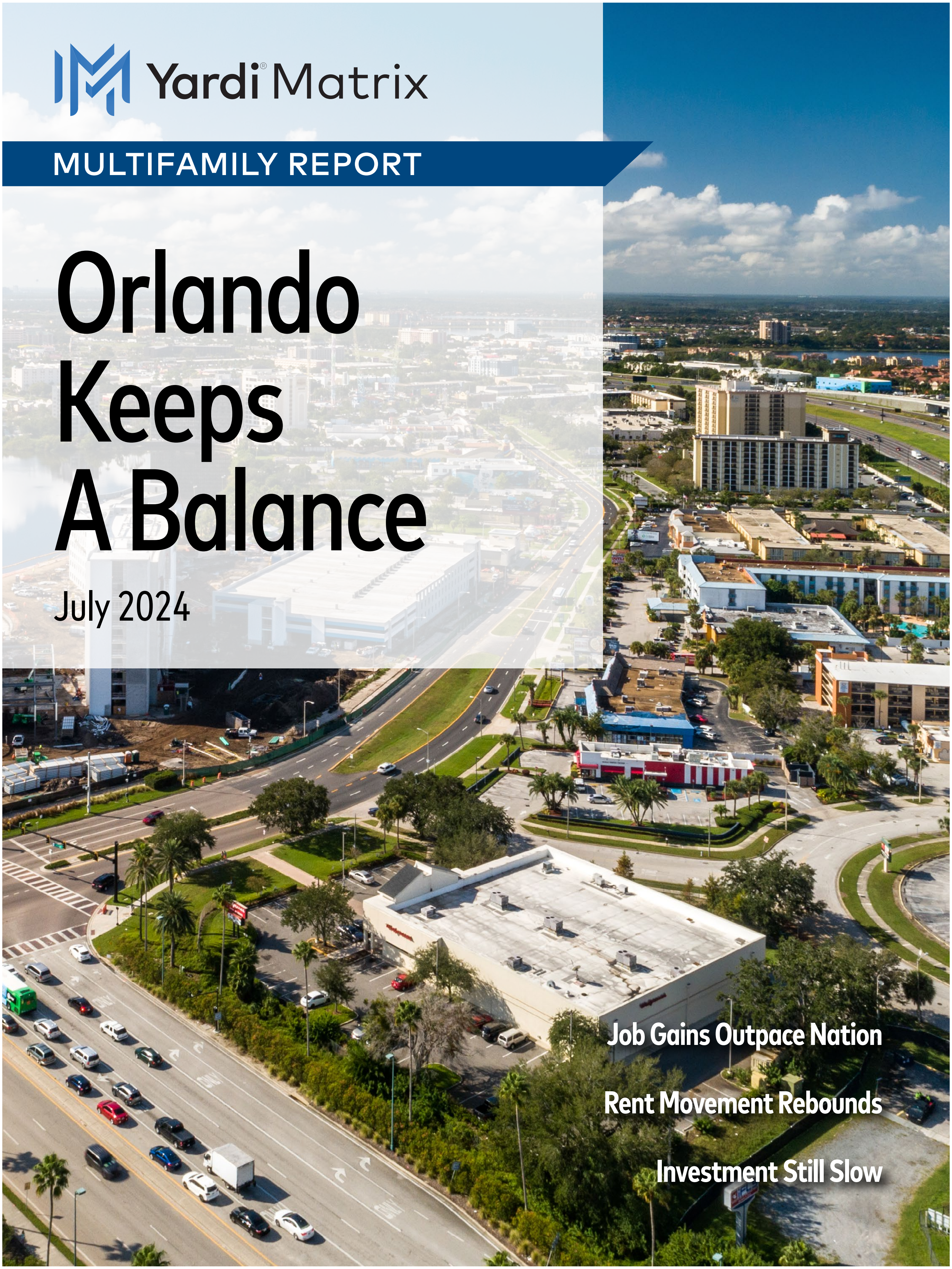
Yardi Matrix

MULTIFAMILY REPORT

Orlando Keeps A Balance

July 2024



Job Gains Outpace Nation

Rent Movement Rebounds

Investment Still Slow

ORLANDO MULTIFAMILY

Yardi Matrix

Rent Growth Picks Up Pace

Orlando may face economic challenges, but the metro's fundamentals suggest a balanced market. Advertised asking rents were up 0.3% on a trailing three-month basis, to $1,789, mirroring national trends. Meanwhile, the occupancy rate in stabilized properties decreased 80 basis points year-over-year, to 94.1%, with working-class rentals recording a sharper decline.

The employment market in Orlando expanded by 2.4% in the 12 months ending in March, with the addition of 32,300 net jobs. The metro's growth rate was 100 basis points above the national average. Education and health services led gains, with 9,500 positions. Orlando's jobless figure stood at 3.2% as of April, 70 basis points below the U.S. rate. One of Orlando's largest projects is Disney's expansion plan, which encompasses a 17,000-acre project outside the district's current property. This $17 billion investment is slated for completion over the next 20 years, with $8 billion allocated for spending in the next decade alone.

A total of 4,917 units, or 1.8% of existing stock, came online this year through May, double the national pace of completions. However, construction starts have declined since the beginning of this year. Transaction activity remained slow, with just $224 million in assets changing hands, a far cry from the more than $6 billion recorded in Orlando in 2021 and 2022.

Market Analysis | July 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
Madalina Pojoga
Associate Editor

On the cover: Photo by Davel5957/iStockphoto.com

Recent Orlando Transactions

The Eli Winter Springs

City: Winter Springs, Fla.
Buyer: Providence Real Estate
Purchase Price: $55 MM
Price per Unit: $196,535

The Park at Via Terrossa

City: Melbourne, Fla.
Buyer: Topaz Capital Group
Purchase Price: $25 MM
Price per Unit: $111,794

Mosswood

City: Winter Springs, Fla.
Buyer: Northpoint Management
Purchase Price: $11 MM
Price per Unit: $71,527

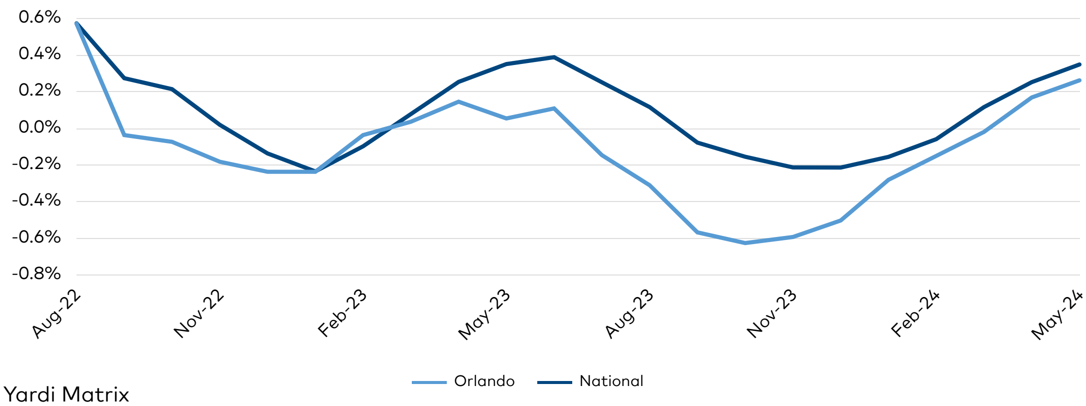
Winter Woods

City: Winter Garden, Fla.
Buyer: Northpoint Management
Purchase Price: $7 MM
Price per Unit: $71,526

RENT TRENDS

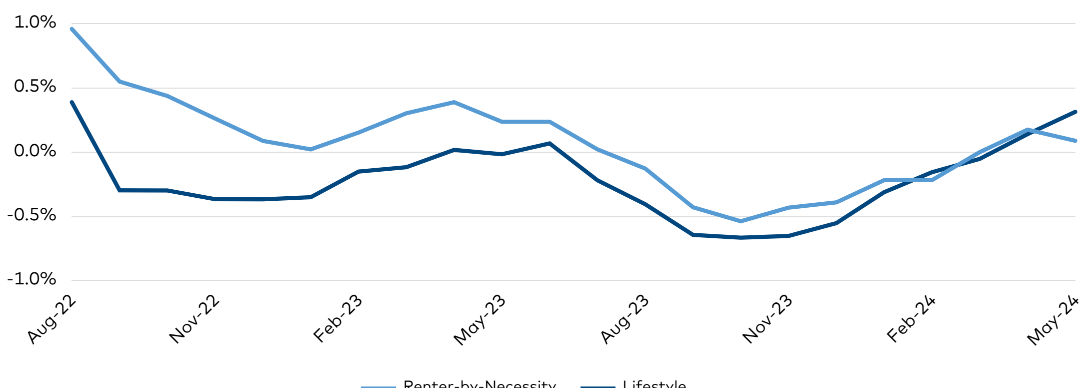
- Orlando advertised asking rents were up 0.3% on a trailing three-month (T3) basis as of May, to $1,789. That mirrored national trends, as the U.S. rate also saw growth starting in March.
- Year-over-year, advertised asking rents were down 2.3%, only ahead of Raleigh–Durham (-2.4%), Atlanta (-3.2%) and Austin (-5.8%) among larger metros. The latest Yardi Matrix forecast projects a 1.2% contraction for Orlando in 2024, leaving room for some improvement by year-end.
- Working-class Renter-by-Necessity advertised asking rates were up 0.1% on a T3 basis, to $1,525. Meanwhile, Lifestyle figures outperformed, up 0.3%, to $1,928. Both quality segments are recovering, as rates have been contracting since August 2023, with the RBN segment registering its largest decrease between October and November.
- The metro's average overall occupancy rate in stabilized properties stood at 94.1% as of April, an 80-basis-point decrease year-over-year. Lifestyle rates recorded a 60-basis-point contraction, to 94.2%. Meanwhile, occupancy in RBN assets registered the largest decline, down 120 basis points, to 94.0%.
- Nearly three-quarters of Orlando's submarkets saw advertised asking rents contract year-over-year, including North Orange (-2.4% to $2,281) and downtown Orlando (-1.0% to $2,150). Even so, core submarkets continued to command some of the metro's highest rates.

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 employment rose 2.4% in the 12 months ending in March, 100 basis points higher than the U.S. rate. Education and health services led growth, accounting for 9,500 of the 32,300 net positions added. Leisure and hospitality (8,800 jobs) and trade, transportation and utilities (7,000) have also contributed significantly to the metro's job growth. The metro lost 800 net positions in the financial sector, along with 1,200 in professional and business services.

- Orlando's unemployment rate stood at 3.2% as of April, 70 basis points below the U.S. figure, according to the Bureau of Labor Statistics. Compared to the same period last year, the rate increased by 70 basis points.

- As an already established landmark and major contributor to Orlando's economy, Disney is planning to expand its business in the metro. The CFTOD agreed to Disney's 17,000-acre land development project outside the district's property.

- Disney has announced a $17 billion investment over the next 20 years and has committed to spending $8 billion in the next decade. The development would include the development of hotels, theme parks, restaurants and retail.

Orlando Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	231	13.3%
70	Leisure and Hospitality	320	18.4%
40	Trade, Transportation and Utilities	312	17.9%
90	Government	167	9.6%
15	Mining, Logging and Construction	110	6.3%
80	Other Services	66	3.8%
30	Manufacturing	87	5.0%
50	Information	30	1.7%
55	Financial Activities	99	5.7%
60	Professional and Business Services	322	18.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Orlando gained 46,577 residents in 2022, a 1.7% increase and more than four times the 0.4% U.S. rate of expansion.

- In the 10 years ending in 2022, the metro's population grew by almost a half-million residents.

Orlando vs. National Population

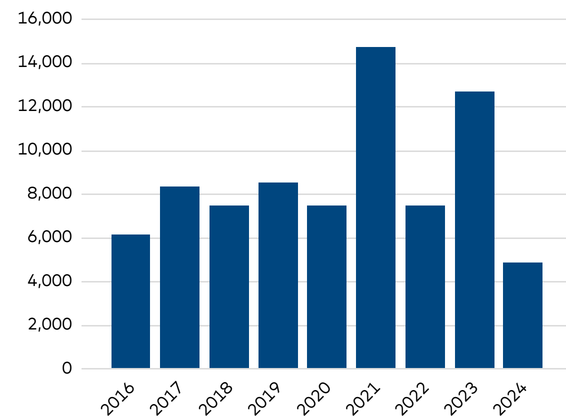
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Orlando	2,508,970	2,560,260	2,632,721	2,679,298

Source: U.S. Census

SUPPLY

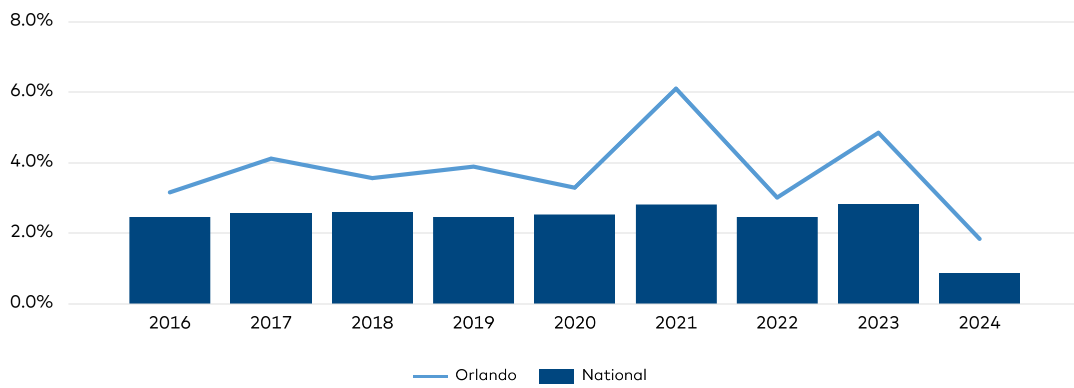
- Orlando added 4,917 units in the first five months of 2024. That accounted for 1.8% of existing stock, double the national rate of completions. All but three properties that came online were in the Lifestyle segment. The metro's best years for deliveries in the past decade have been 2023, with 12,707 units completed, and 2021, when the 14,758 apartments that came online represented 6.1% of existing stock.
- Orlando still has a robust development pipeline, with 27,641 units under construction as of May. Another 130,000 units were in the planning and permitting stages. Construction was concentrated in upscale properties, with 89% of units in Lifestyle projects. RBN and fully affordable units accounted for the remaining 11%.
- Construction starts saw a significant drop, with 3,723 units across 16 projects breaking ground in the first five months of 2024. Last year, developers began work on 6,482 apartments across 25 projects during the same time frame. Lending conditions and other obstacles have been slowing new development nationwide in 2024.
- Of the 61 submarkets tracked by Yardi Matrix, three had more than 2,000 units under construction. As of May, West Kissimmee led with 2,819 units, followed by Celebration (2,416 units) and East Kissimmee (2,129 units).
- The largest community underway as of May was the 559-unit Altis Grand Lake Willis in the Lake Bryan submarket. Altman Cos. expects to wrap the project this year, with the property already more than 50% leased.

Orlando Completions (as of May 2024)



Source: Yardi Matrix

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

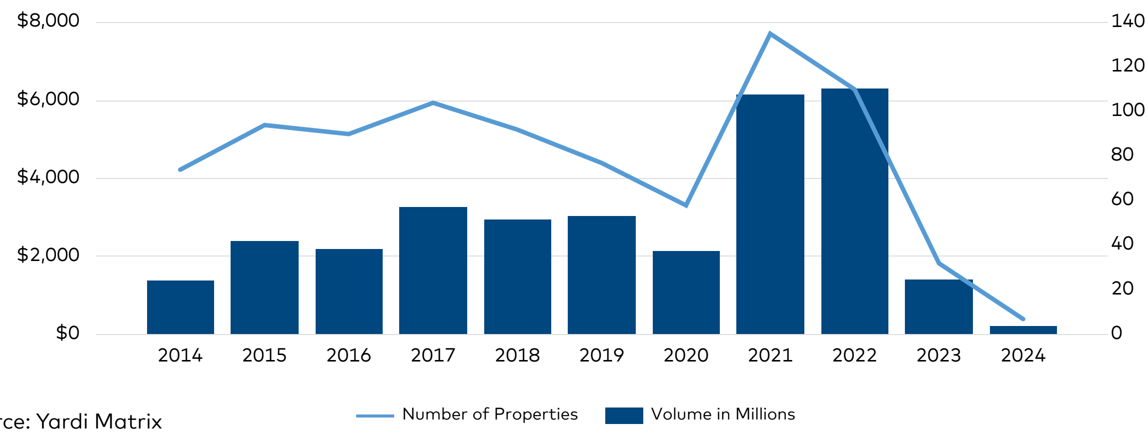


Source: Yardi Matrix

TRANSACTIONS

- Orlando multifamily transactions reached only $224 million in the first five months of 2024. The slowdown has persisted since last year, mirroring the national trend. Although last year's total was $1.4 billion, it represented a significant decline from the record performance of 2021 and 2020, each surpassing the $6 billion mark. Like other markets, Orlando transactions have moderated due to tighter lending standards, higher capital costs and short-term oversupply.
- Investors favored value-add plays, with the RBN segment accounting for more than two-thirds of assets trading in the metro as of May. Prices decreased as well, with the per-unit value clocking in at $141,236, down significantly from the $244,923 recorded just two years prior.
- Only four submarkets crossed the $100 million threshold in the 12 months ending in May. Altamonte Springs led with $144 million, followed by Clermont ($119 million), Palm Bay ($118 million), and Orlando – Vista Park ($116 million).

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



Source: Yardi Matrix

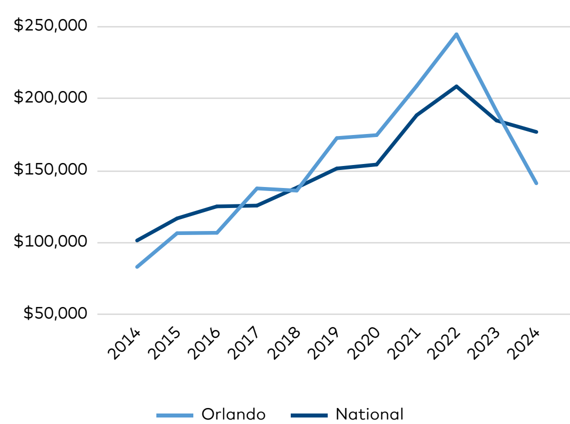
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Altamonte Springs	144
Clermont	119
Palm Bay	118
Orlando–Vista Park	116
Metro West	86
Oviedo	84
Hunter's Creek	84

Source: Yardi Matrix

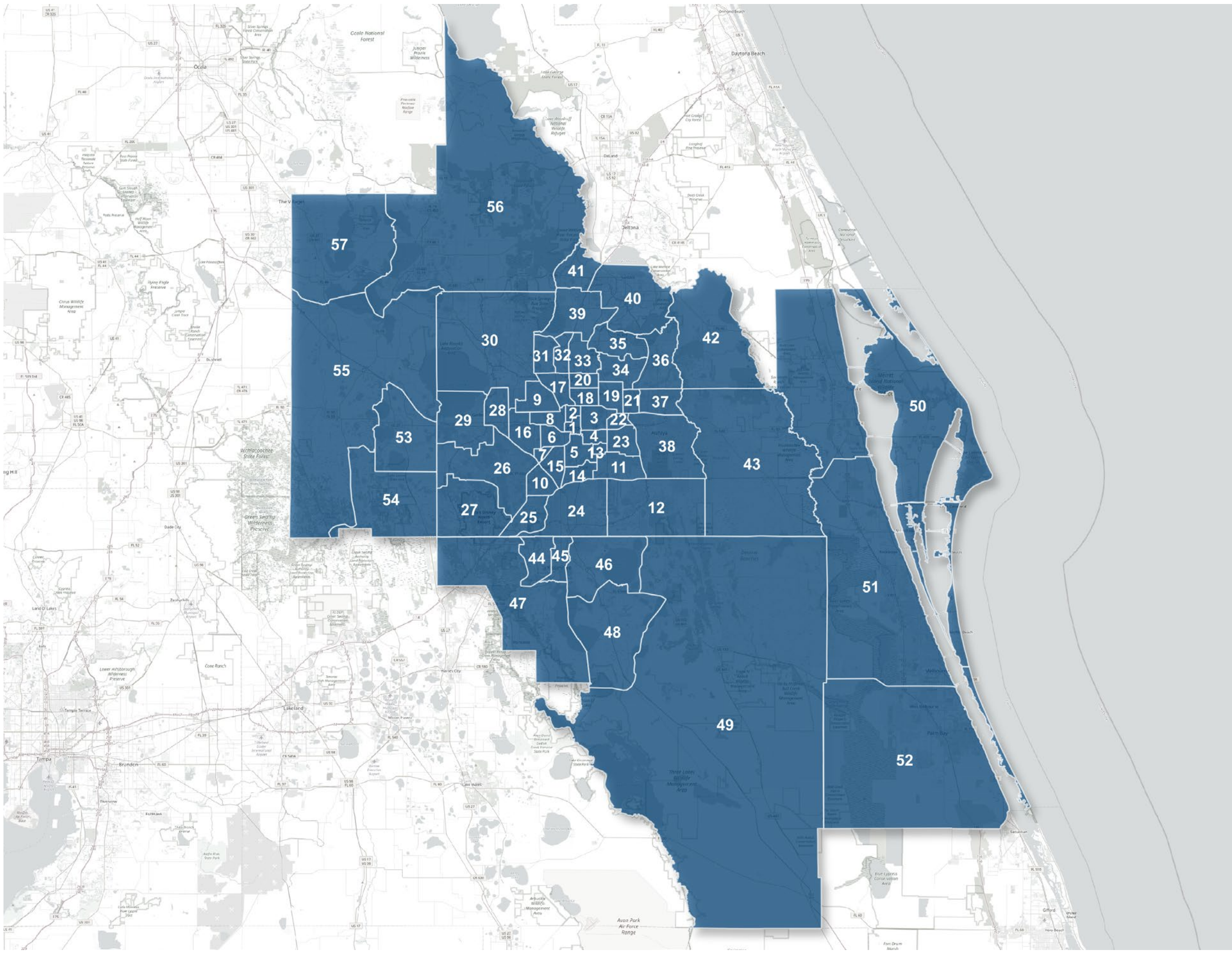
[1] From June 2023 to May 2024

Orlando vs. National Sales Price per Unit



Source: Yardi Matrix

ORLANDO SUBMARKETS



Area No.	Submarket	Area No.	Submarket	Area No.	Submarket
1	Orlando–Downtown	20	Maitland	39	Lake Mary
2	Orlando–North Orange	21	Goldenrod	40	Sanford
3	Orlando–Colonial Town	22	Union Park	41	Woodruff Springs
4	Orlando–Azalea Park	23	Edgewood Park	42	Outlying Seminole County
5	Orlando–Edgewood	24	Hunter's Creek	43	Eastern Orange County
6	Orlando–Holden Heights	25	Lake Bryan	44	West Kissimme
7	Orlando–Florida Center North	26	Lake Buena Vista	45	East Kissimme
8	Orlando–Pine Hills	27	Orange Lake	46	Fish Lake
9	Orlando–Rosemont	28	Ocoee	47	Celebration
10	Orlando–Florida Center	29	Winter Garden	48	St Cloud
11	Orlando–Vista Park	30	Apopka	49	Outlying Osceola County
12	Orlando–Southeast	31	Forest City	50	Titusville
13	Conway	32	Weathersfield	51	Melbourne
14	Belle Isle	33	Altamonte Springs	52	Palm Bay
15	Oak Ridge	34	Red Bug Lake	53	Clermont
16	Metro West	35	Longwood	54	Hancock Lake
17	Lockhart	36	Oviedo	55	Outlying Lake County
18	Winter Park–West	37	University Park	56	Mt Dora
19	Winter Park–East	38	Stoneybrook	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:

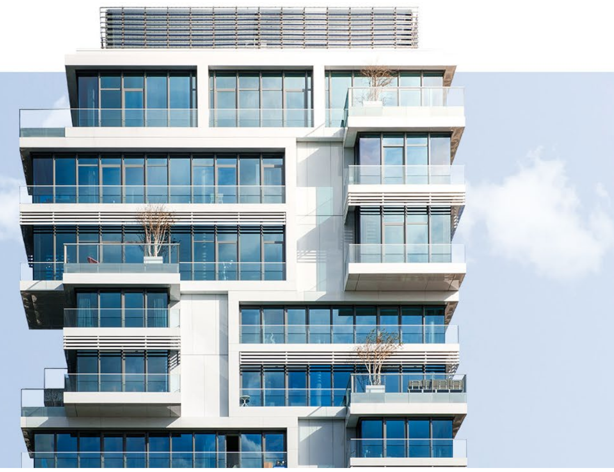
Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

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.

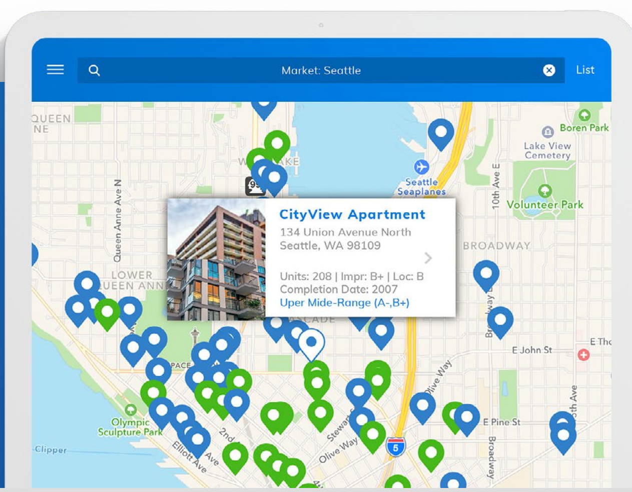
Yardi Matrix



Power your business with the industry's leading data provider

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 **22.3+ million units**, covering over **92% of the U.S. population.**

YARDI

(800) 866-1144
Learn more at yardimatrix.com/**multifamily**

Contact us