



Yardi® Matrix

Orlando Shifts Gears

Multifamily Report Spring 2019

Rent Growth Leads Florida

Transaction Volume Remains Elevated

Professional, Business Services
Top Employment Gains

Market Analysis

Spring 2019

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Population, Job Growth Drives Demand

Multifamily continues to be the growth sector for Orlando investors and developers. Positive demographics and accelerated job growth have been prompting extended demand across asset classes and boosting investment activity. Nearly \$3.1 billion in multifamily assets sold in the metro last year.

Orlando's professional and business services and leisure and hospitality sectors added 33,000 jobs, accounting for more than half of all jobs added in the year ending in February. Following a roughly \$130 million investment, Lincoln Property Trust is set to deliver SunTrust Plaza, downtown's first new office tower in about a decade. Furthermore, the city has embarked on several green energy projects, with officials committing to draw all of Orlando's energy from renewable sources by 2050. Another critical issue across the metro is traffic. Apart from the \$2.3 billion Interstate 4 overhaul, Virgin Trains—as Brightline is now known—got a state finance authority to issue \$950 million in bonds for the construction of track between West Palm Beach and Orlando International Airport.

As of March, 12,500 units were underway in the metro, most geared toward high-income residents. Rents have been slowly decelerating, but with a 3.4% year-over-year increase in rates, Orlando is still leading the state. Yardi Matrix expects rents to rise 4.0% in 2019.

Recent Orlando Transactions

The Gate



City: Championsgate, Fla.
Buyer: Bluerock Real Estate
Purchase Price: \$65 MM
Price per Unit: \$211,039

The Glenn



City: Orlando, Fla.
Buyer: Horizon Realty Advisors
Purchase Price: \$65 MM
Price per Unit: \$163,510

Island Club



City: Island Club, Fla.
Buyer: TruAmerica Multifamily
Purchase Price: \$64 MM
Price per Unit: \$135,593

Legends Lake Mary

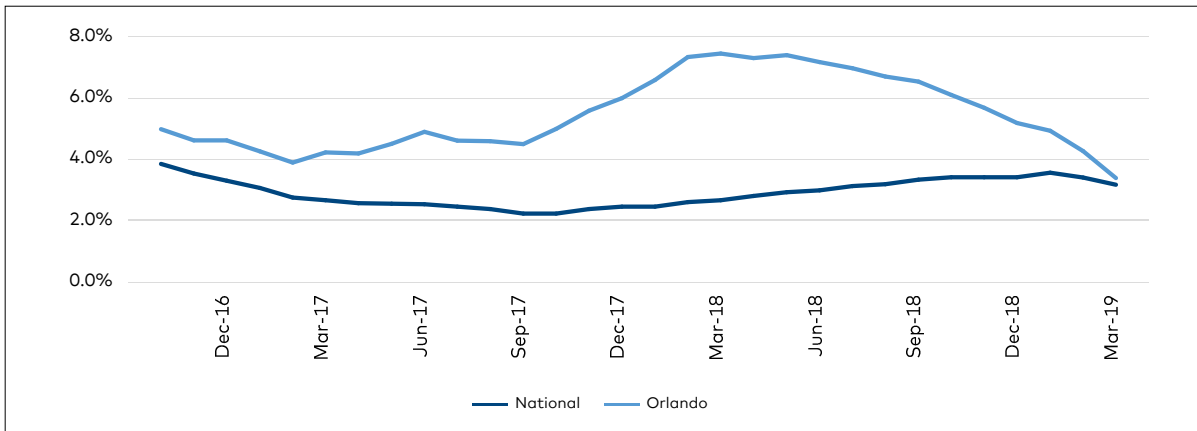


City: Lake Mary, Fla.
Buyer: TruAmerica Multifamily
Purchase Price: \$54 MM
Price per Unit: \$198,529

Rent Trends

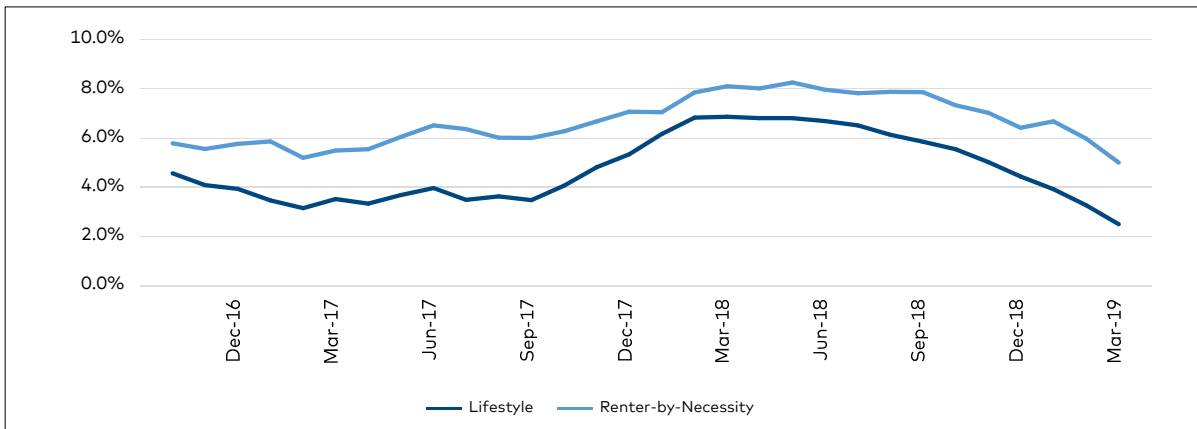
- Rents in Orlando rose 3.4% year-over-year through March to \$1,342. The rate was 20 basis points above the U.S. average. Fueled by above-trend job and population growth, demand for rentals has stayed high. Occupancy in stabilized properties was 95.0% as of February, still above the national average.
- Working-class Renter-by-Necessity properties led growth, with the average rent up 5.0% to \$1,136. According to a National Low-Income Housing Coalition report from 2018, renters in Orlando need to have a minimum annual income of \$33,960 in order to avoid being rent-burdened. The gap between segments is expanding, putting more pressure on low-income residents and underscoring high demand for housing, especially in the construction and hospitality industries, which are traditionally lower paid. Though developers mainly focused on delivering upscale assets, rents in the Lifestyle segment also continued to rise, albeit at a slower rate, to \$1,486, a 2.5% year-over-year increase.
- Rents in Lake Catherine (10.1%) and Rosemont (9.4%) advanced at fast rates, likely spurred by the Interstate 4 overhaul. However, eastern and core submarkets such as University Park (\$1,885), Oviedo (\$1,740) and Downtown Orlando (\$1,708) remained the most expensive. Tenant demand is likely to perform well in the foreseeable future, with rentals remaining a popular product for both institutional and private investors. Yardi Matrix expects overall rents to grow 4.0% in 2019.

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)

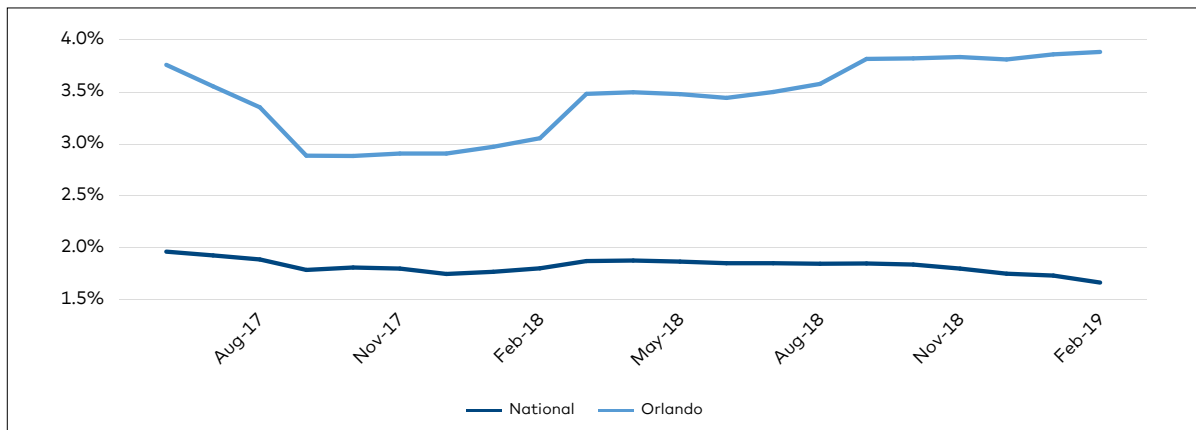


Source: YardiMatrix

Economic Snapshot

- With 59,700 jobs added in the 12 months ending in February, the competition for skilled workforce is fierce as Orlando continues to lead the state in job creation. The late-cycle market is also topping other major metros in job growth, with the employment rate missing the 4.0% mark by just 10 basis points, while the U.S. average was only 1.7%.
- Professional and business services led employment growth with 22,700 jobs added, up 8.8% year-over-year. Demand from the office-using sector is bound to escalate, fueled by software and entertainment companies. To accommodate growth, Lincoln Property Trust is slated to deliver downtown's first new office tower in nearly a decade—a \$130 million project—later this year. Another sector driving a significant share of the metro's economy is leisure and hospitality. By year's end, Walt Disney is set to open its \$200 million Riviera Resort vacation club property. And with Disney being a huge power consumer, the company has advanced its sustainability plans by opening a 270-acre solar farm to power two of its theme parks.
- The \$2.3 billion reconstruction of Interstate 4 is underway, extending 21 miles from west of Kirkman Road to east of State Road 434 in Longwood, an upgrade expected to alleviate tourist-related traffic congestion. The ongoing \$2.8 billion expansion at Orlando International Airport is one of the largest in the country.

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	%
60	Professional and Business Services	281	18.0%	22,700	8.8%
70	Leisure and Hospitality	300	19.2%	10,300	3.6%
65	Education and Health Services	198	12.7%	7,400	3.9%
15	Mining, Logging and Construction	100	6.4%	5,700	6.0%
30	Manufacturing	75	4.8%	4,900	7.0%
40	Trade, Transportation and Utilities	278	17.8%	4,500	1.6%
90	Government	160	10.3%	2,000	1.3%
80	Other Services	54	3.5%	1,300	2.5%
55	Financial Activities	85	5.4%	1,200	1.4%
50	Information	28	1.8%	-300	-1.1%

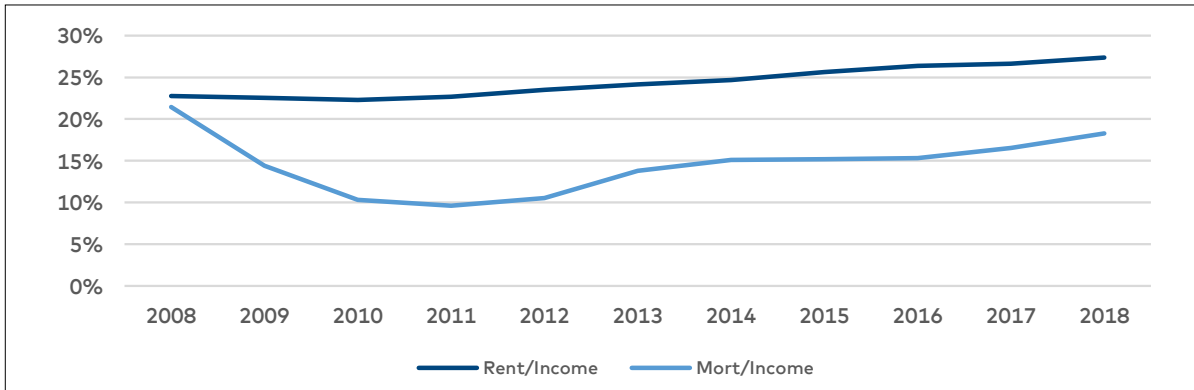
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

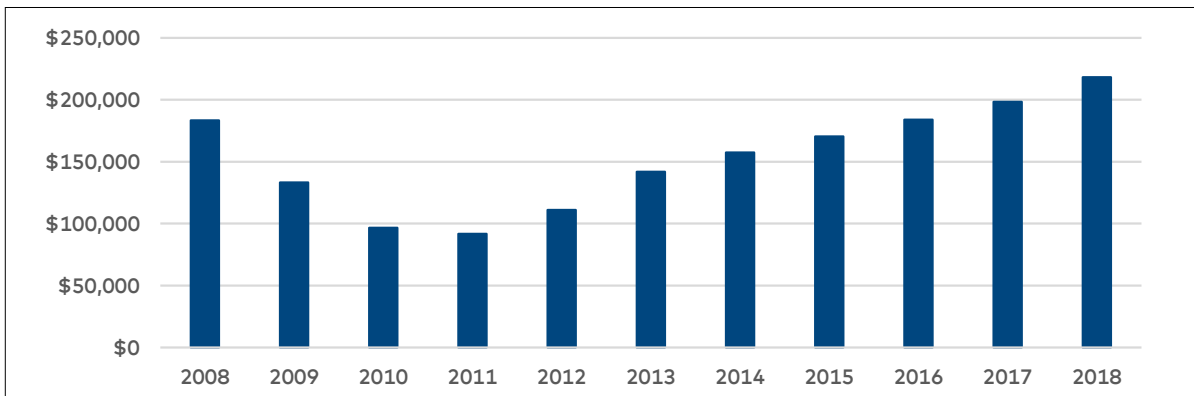
- The median home price in Orlando rose to \$218,144 in 2018, a new cycle high, up 137% from the 2011 trough. Homeownership remained the most affordable option, with the average mortgage payment comprising 18% of the area's median income while rents accounted for 27%.
- According to a two-year study by local and regional authorities, one in three households in Orlando is considered cost-burdened. Furthermore, a recent Freddie Mac analysis ranked Orlando as fifth on the list of the 20 most rent-burdened metros in the country, outpacing major cities like San Francisco, Austin and Las Vegas, which were all on the second half of the list.

Orlando Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Orlando Median Home Price



Source: Moody's Analytics

Population

- The metro's population surpassed the 2.5 million mark in 2017, when Orlando gained 56,500 residents.
- Orlando is one of the fastest-growing metros in the country, having added more than 370,000 residents since 2010.

Orlando vs. National Population

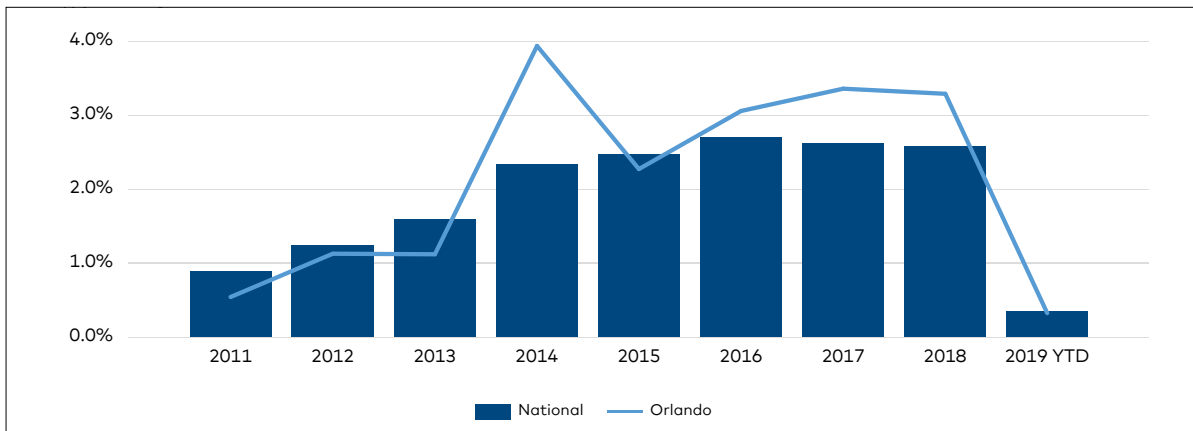
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Orlando Metro	2,272,175	2,327,929	2,391,028	2,453,333	2,509,831

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

Supply

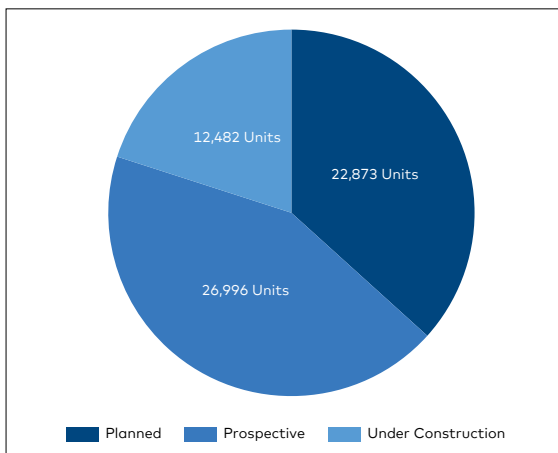
- Only 687 units were delivered in Orlando during the first quarter, but completions are likely to pick up, as we expect another 6,000 units to be delivered by year's end. Last year, 6,918 units were completed, marking a cycle peak. Despite consistent new supply over the past few years, the market's tremendous population and employment gains have ensured solid absorption.
- Developers had 12,482 units under construction in Orlando as of March, with another 50,000 in the planning and permitting stages. Following national trends, the great majority of the projects underway cater to the Lifestyle segment.
- Four core submarkets account for more than a quarter of all the units underway in Orlando: Winter Park/Maitland (1,187 units), Pine Hills (1,017), Colonial Town (947) and Downtown Orlando (739). Residents leaving hurricane-ravaged areas of Puerto Rico, along with young professionals moving to the metro and Baby Boomers fleeing the bitter weather and high prices of other regions, are likely to propel the market even further. Real Estate Inverlad's 591-unit The Yard at Ivanhoe is the largest project underway in the city. The upcoming mixed-use property is slated for completion by mid-2020.

Orlando vs. National Completions as a Percentage of Total Stock (as of March 2019)



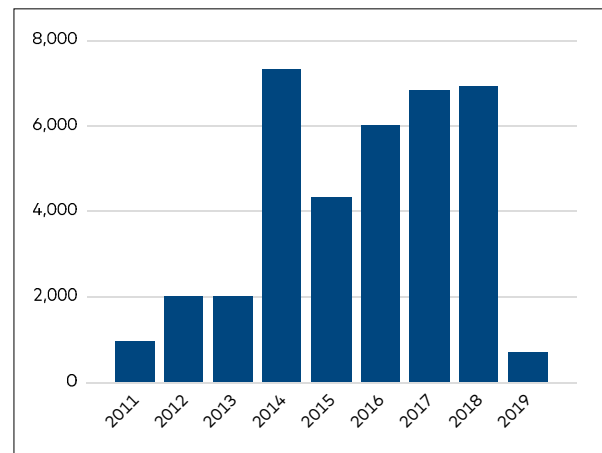
Source: YardiMatrix

Development Pipeline (as of March 2019)



Source: YardiMatrix

Orlando Completions (as of March 2019)

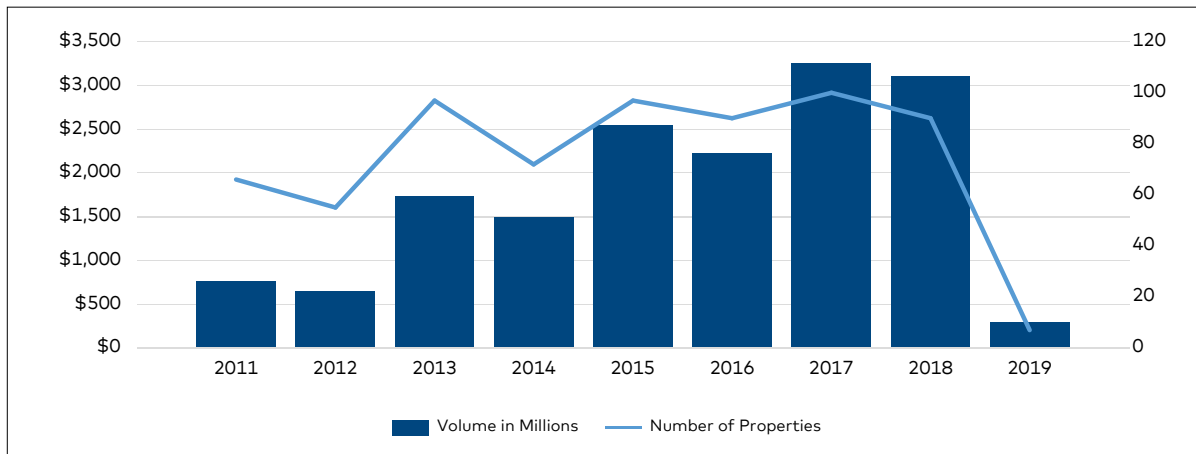


Source: YardiMatrix

Transactions

- Nearly \$3.1 billion in multifamily assets were sold in the market in 2018. Seven properties traded during the first quarter of 2019 for a combined \$285 million, marking a rather slow start to the year. As Orlando has slowly transitioned from a tertiary market to a booming secondary market, transaction volumes have inflated from \$590 million in 2010 to a cycle high of \$3.2 billion in 2017. At \$149,163 in the first three months of the year, per-unit prices were only \$4,341 under the national average. Acquisition yields for stabilized Class B and C assets ranged between 5.5% and 7.3%.
- Investor appetite was split between upper- and lower-end product, with a slight preference for properties with value-add potential. University Park (\$202 million) and Lake Bryan (\$192 million) were the most coveted submarkets in the 12 months ending in March. TruAmerica Multifamily and S2 Residential were among the most active buyers in the market, with each investing around \$200 million in Orlando assets.

Orlando Sales Volume and Number of Properties Sold (as of March 2019)



Source: YardiMatrix

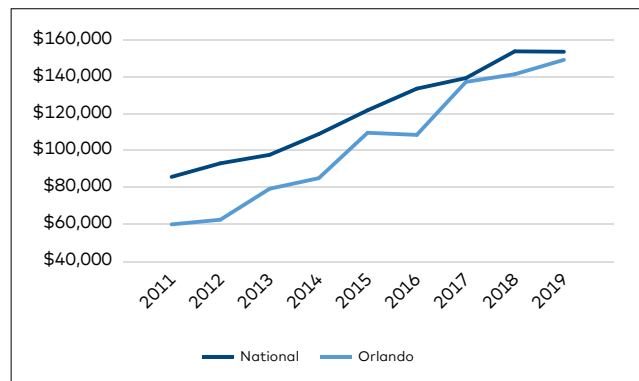
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
University Park	202
Lake Bryan	192
Weathersfield	190
Downtown Orlando	156
Celebration	135
Lake Catherine	128
West Kissimmee	124
Lake Richmond	118

Source: YardiMatrix

¹ From April 2018 to March 2019

Orlando vs. National Sales Price per Unit



Source: YardiMatrix

News in the Metro

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North FL Community Sells for \$54M

Newmark Knight Frank originated nearly \$38 million in Freddie Mac acquisition financing for TruAmerica Multifamily, the buyer of the 272-unit Class A asset in Lake Mary.



Franklin Street To Manage \$105M Student Housing Tower

UnionWest at Creative Village is an Orlando mixed-use property that will serve students from the University of Central Florida and Valencia College.



CGI Strategies Acquires Orlando Community for \$43M

Dekel Capital worked on behalf of the buyer to facilitate a \$47.5 million bridge loan for the acquisition, renovation and stabilization of the vacant, 306-unit Astoria at Celebration.



Central Florida Apartments Command \$50M

Cushman & Wakefield brokered the sale of a 12-building community in Lakeland, halfway between Orlando and Tampa. The property was rebranded as The Park at Palazzo.



TruAmerica Multifamily Pays \$64M for FL Asset

Island Club is a 472-unit gated community located 10 minutes from downtown and close to major employers in the city, including Universal Orlando Resort.



RKW Residential Welcomes New FL Addition

Lizzette Herron will serve as senior regional manager in the company's Orlando office, bringing more than two decades of multifamily experience to her new position.

Top Multifamily Completions in Orlando



By Corina Stef

data by
Yardi® Matrix

Orlando has successfully transformed into a high-volume secondary market, benefiting from its late-cycle growth. The metro's healthy fundamentals, strong job gains and increasing population are the main factors bolstering growth in its multifamily sector. Demand for residential units continues to be elevated, and according to Yardi Matrix, more than 12,000 units were underway as of March.

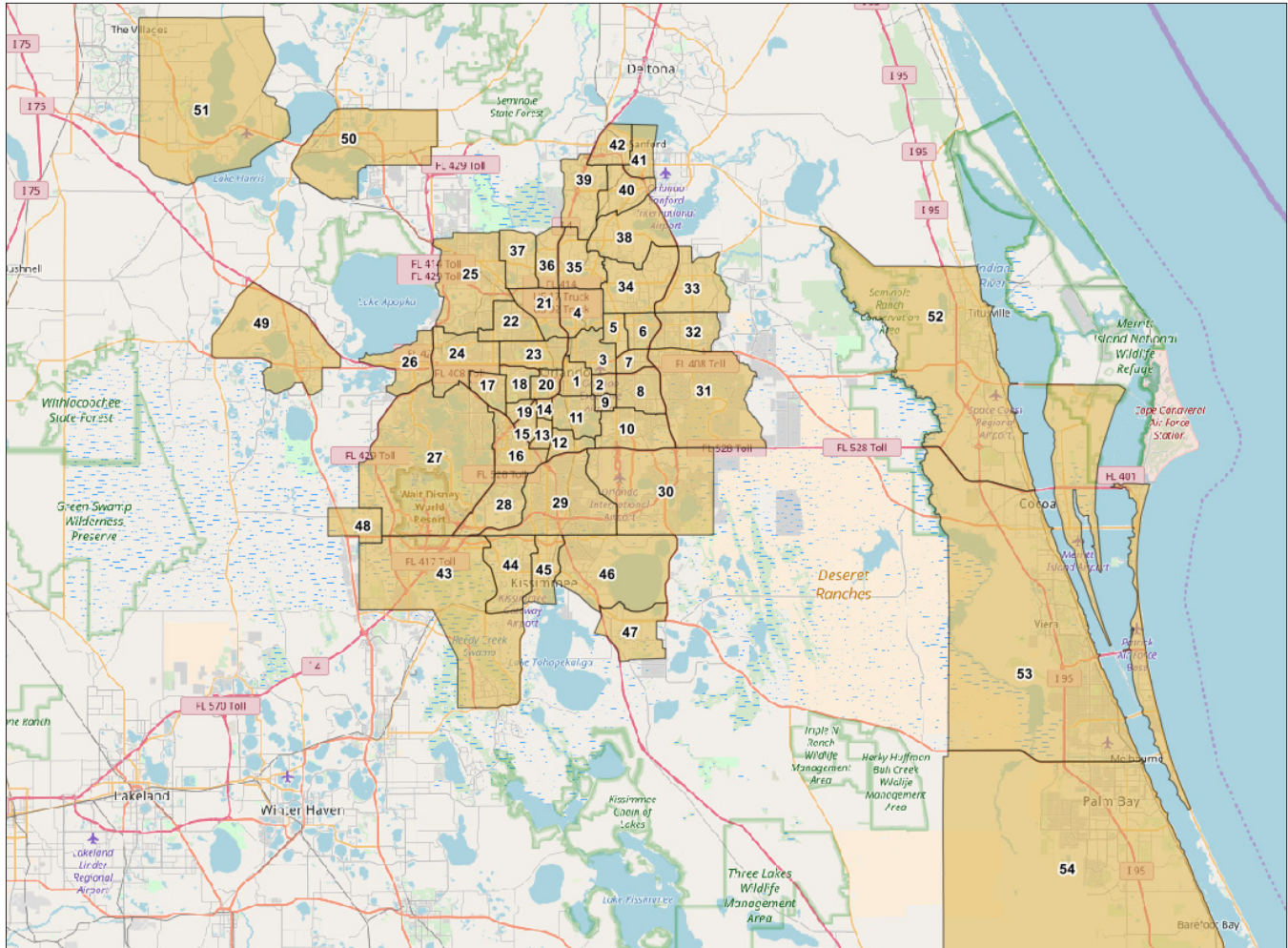
Property Name	Units	Address	City	Completion Date
Novel Lucerne	375	733 Main Lane	Orlando	03/22/2019
Integra 360 Apartment Homes	360	1700 Integra Land Way	Winter Springs	08/16/2018
Altis Shingle Creek	356	4350 Osceola Trail Road	Kissimmee	08/13/2018
Modera Central	350	125 E. Pine St.	Orlando	03/01/2019
Ariel	348	14001 Benvolio Circle	Orlando	05/31/2018
Solaya	322	11833 Westwood Blvd.	Orlando	12/04/2018
The Addison at Windermere	316	13644 Tortona Lane	Windermere	09/17/2018
Lakewalk at Hamlin	316	14012 Shoreside Way	Winter Garden	12/04/2018
The Tiffany at Maitland West	315	9301 Summit Centre Way	Maitland	06/07/2018
Alta Grande	314	3512 Grande Reserve Way	Orlando	12/17/2018

NOVEL LUCERNE

The largest multifamily property to be completed in the Orlando metro area during the past 12 months was the 375-unit community at 733 Main Lane in downtown Orlando. Crescent Communities started construction with a \$60.4 million loan from U.S. Bank, completing Novel Lucerne in March 2019. The asset encompasses studios and one- to three-bedroom apartments ranging in size from 576 to 1,450 square feet. The community features a resort-style pool, a state-of-the-art fitness center, a double-height resident lounge with event kitchen and work spaces, a large dog park and an art gallery, as well as outdoor entertainment areas. Additionally, Orlando's first Earth Fare organic supermarket is located nearby.



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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Mark Fogelman
President
Fogelman Properties

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