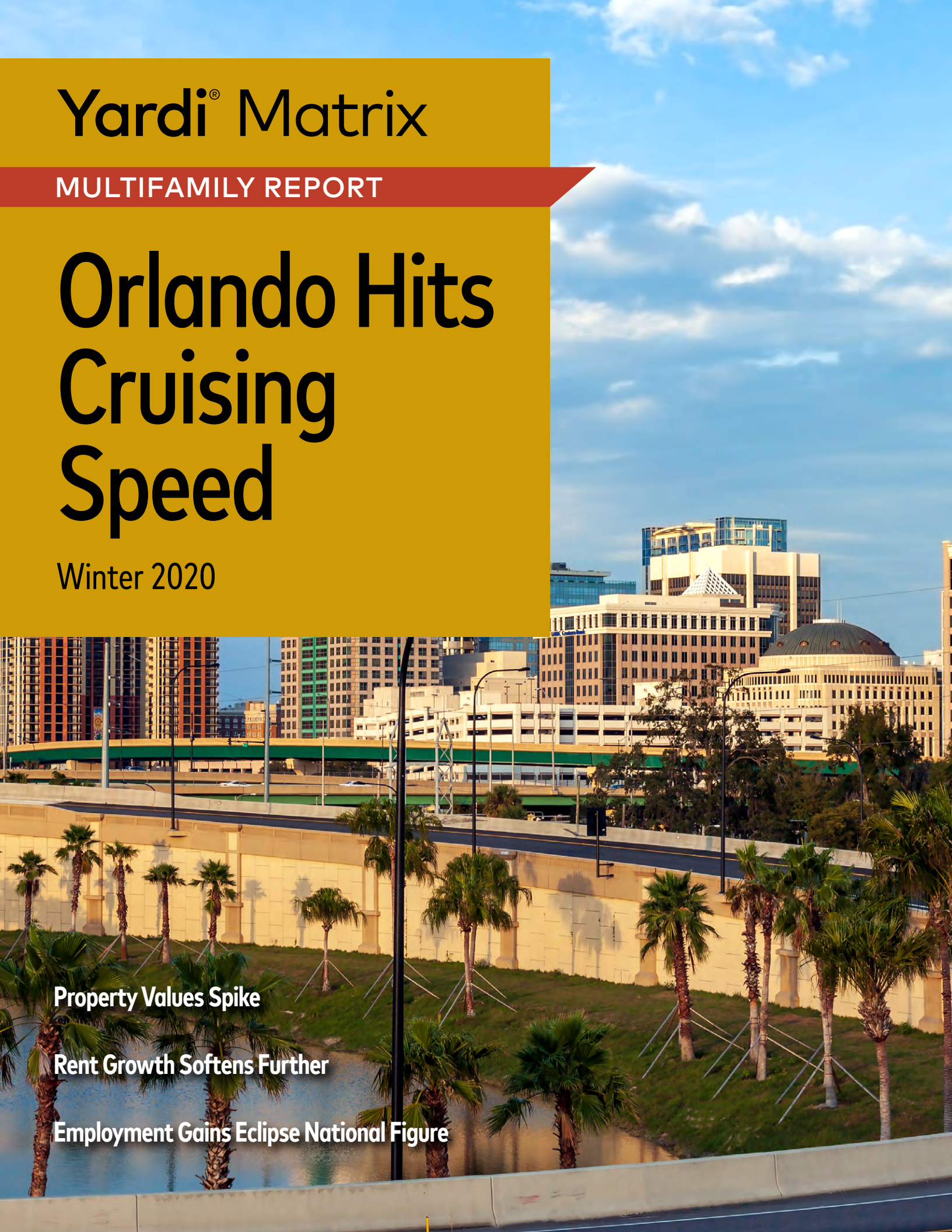## Yardi® Matrix

Orlando Hits Cruising Speed

Winter 2020

Property Values Spike

Rent Growth Softens Further

Employment Gains Eclipse National Figure

Yardi® Matrix

Stock Additions Temper Rent Growth

Although rents continued to decelerate, Orlando's multifamily market remained relatively healthy at the close of 2019. Recording very strong population and employment gains, fundamentals prevailed despite steady supply. Rents improved 2.3% year-over-year through November, while occupancy stood at 95.0% as of October, in line with the national average.

Professional and business services and leisure and hospitality accounted for nearly two-thirds of the 54,100 jobs the metro gained in the 12 months ending in September. Continued hiring by businesses in the Lake Nona area boosted job growth in highly skilled sectors. Meanwhile, the metro's entertainment resorts remained its largest employers. Through a $1 billion investment, Disney expanded its Hollywood Studios theme parks and Comcast announced plans to build Universal's Epic Universe, a 750-acre entertainment destination. To address the increased traffic these projects are set bring, Orange County is seeking to fund an estimated $300 million, 1.7-mile extension of Kirkman Road between Carrier Drive and Universal Boulevard.

Central Florida remained an attractive target for investors, as roughly $2.2 billion in multifamily properties traded during the first 10 months of 2019. And although rent growth has tempered a lot since the 7.2% cycle high recorded in March 2018, demand remained one step ahead of supply.

Market Analysis | Winter 2020

Contacts

Jeff Adler
Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research
and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

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

Author

Laura Calugar
Senior Associate Editor

On the cover: Photo by VisionsbyAtlee/iStockphoto.com

Recent Orlando Transactions

Monaco at Waterford Lakes

City: Orlando, Fla.
Buyer: Beverly Wilshire Investment Co.
Purchase Price: $77 MM
Price per Unit: $192,500

DRAKE Midtown

City: Lake Mary, Fla.
Buyer: DWS
Purchase Price: $68 MM
Price per Unit: $257,605

LIV at Winter Park

City: Winter Park, Fla.
Buyer: Ashcroft Capital
Purchase Price: $49 MM
Price per Unit: $176,259

Latitude 28

City: Altamonte Springs, Fla.
Buyer: The Lighthouse Group
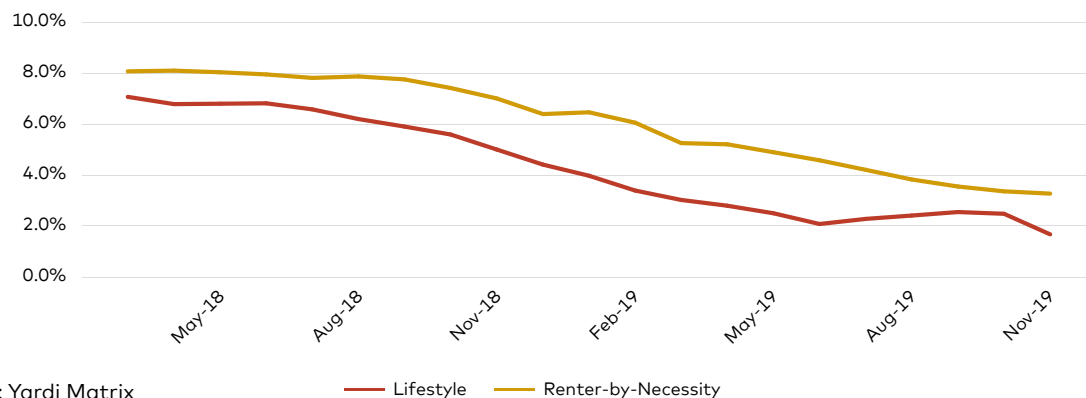Purchase Price: $47 MM
Price per Unit: $133,898

➤ Orlando rents were up only 2.3% year-over-year through November, trailing the national rate by 80 basis points. Following the delivery of almost 37,000 units since 2014, rent growth has decelerated to a level last reached in September 2013. At $1,375 as of November, the average rent was $98 below the national figure.

➤ The working-class Renter-by-Necessity segment led growth, with rates up 3.5% to $1,166. Lifestyle rents rose only 1.5% to $1,515. Workforce rents improving faster than upscale rates has been a nationwide constant this cycle, due to disparities on the supply side. While the economy is adding jobs across all employment sectors, developers continue to focus on upscale projects, leading to a demand-supply imbalance at the lower end of the quality spectrum. Of the more than 30,000 units that came online across Orlando in the past five years, more than 90% were in upscale properties.

➤ Rents advanced faster in submarkets near Interstate 4—Lake Catherine (8.1%) and Rosemont (6.8%)—which is undergoing a multibillion-dollar overhaul. The infrastructure investment is spurring additional demand across almost all submarkets located along the interstate, boosting rent gains in already expensive areas such as University Park (3.9% to $1,898) and Oviedo (4.0% to $1,769). Both submarkets are near the University of Central Florida and have a consistent inventory of high-end properties.

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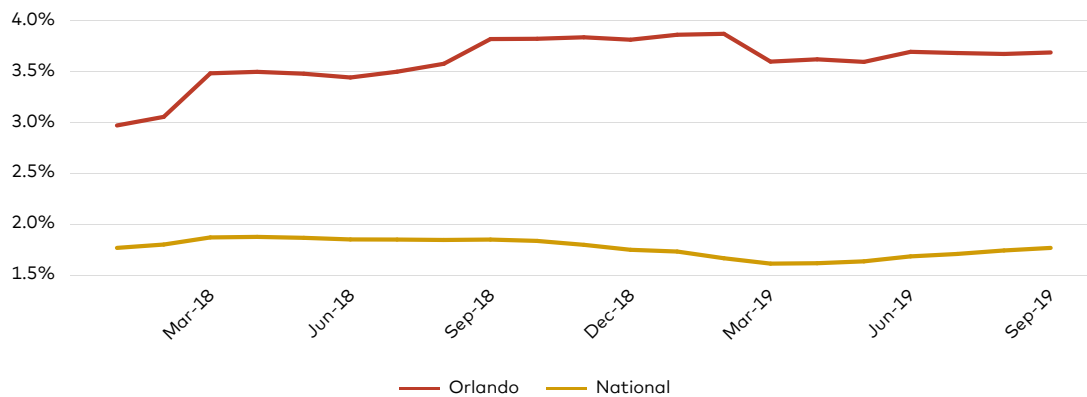

Source: Yardi Matrix
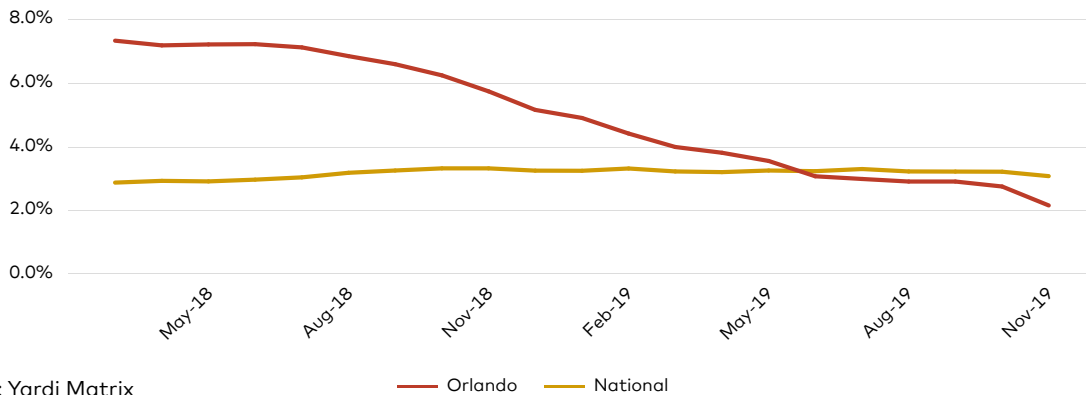
— Orlando — National

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

Source: Yardi Matrix

— Lifestyle — Renter-by-Necessity

➤ Orlando gained 54,100 jobs in the 12 months ending in September, a robust 3.7% year-over-year expansion, more than double the 1.8% national rate. The late-cycle market continued to lead the state in growth, followed by Miami (2.1%). Orlando, in fact, remains one of the fastest-growing economies in the country.

➤ The professional and business services sector led the way (22,300 jobs, up 8.5%). Backed by surging demand, the metro had more than 2 million square feet of office space underway as of November, according to Yardi Matrix data. Of this, 800,000 square feet were part of KPMG's $430 million learning and innovation facility in Lake Nona. Leisure and hospitality came in second (11,600 jobs, up 3.9%). According to Florida's official tourism agency, the state set a six-month record by welcoming 68.9 million travelers during the first half of 2019, most of them visiting Orlando's entertainment resorts.

➤ The largest road reconstruction project in Florida is the $2.3 billion I-4 overhaul. Apart from that, the list of major infrastructure works includes Virgin Trains' $4 billion private investment in the 170-mile rail expansion in South Florida and the $2 billion-plus construction of the South terminal at the Orlando International Airport.

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

Sources: Yardi Matrix, 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	286	18.2%	22,300	8.5%
70	Leisure and Hospitality	305	19.4%	11,600	3.9%
15	Mining, Logging and Construction	105	6.7%	7,300	7.5%
30	Manufacturing	77	4.9%	4,400	6.1%
65	Education and Health Services	197	12.5%	3,400	1.8%
90	Government	160	10.2%	3,200	2.0%
80	Other Services	54	3.4%	1,200	2.3%
55	Financial Activities	85	5.4%	800	0.9%
50	Information	28	1.8%	-	0.0%
40	Trade, Transportation and Utilities	276	17.5%	-100	0.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Affordability

➤ Orlando's median home price climbed to $217,880 in 2018, up 10% since 2017. The average rent in the metro accounted for a hefty 28% of the area median income, while the average mortgage payment comprised only 18%.

➤ At the end of 2019, an Orange County task force advanced a 10-year draft plan with the goal of creating or preserving 30,300 units of affordable and attainable housing over a decade. According to a report produced by two housing associations, barriers to building more apartments include resistance from current residents and lack of funding for multifamily projects.

Orlando Rent vs. Own Affordability as a Percentage of Income
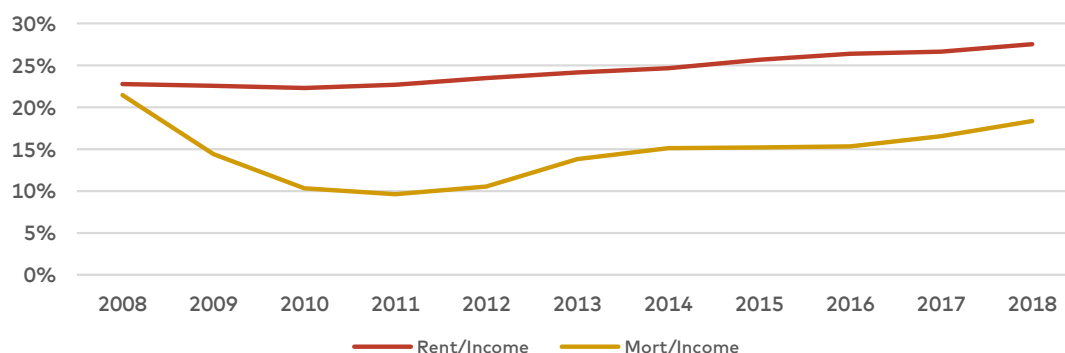
Sources: Yardi Matrix, Moody's Analytics

Orlando Median Home Price
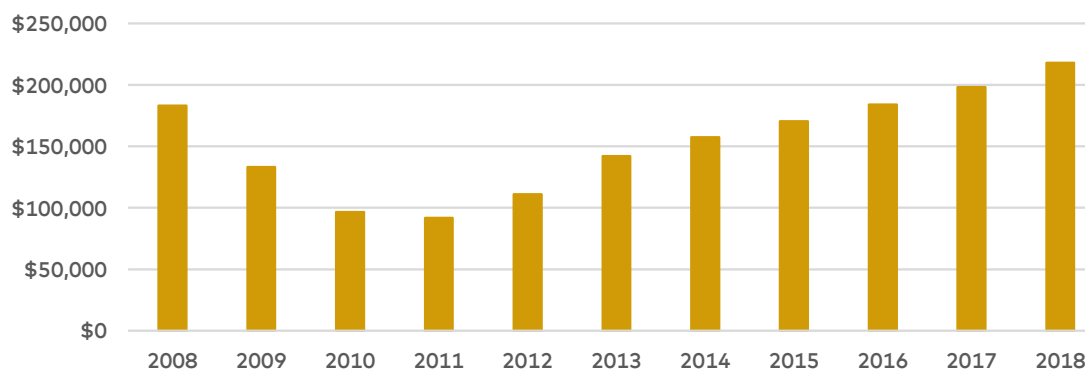
Source: Moody's Analytics

Population

➤ Orlando is the fastest-growing metro in Florida, having gained more than 60,000 residents in 2018, up 2.4% and triple the national rate.

➤ International migration continues to strongly fuel Central Florida's population growth.

Orlando vs. National Population

|	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
Orlando Metro	2,387,554	2,452,986	2,512,917	2,572,962

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

➤ Orlando had 16,705 units under construction as of November, with a quarter of those located in Lake Buena Vista. More than half of this submarket's pipeline is part of the $630 million Flamingo Crossings project. American Campus Communities has teamed up with the Walt Disney World Resort to build a 2,600-unit development with 10,400 beds, which will serve the students and trainees participating in the resort's internship and training programs.

➤ Following the 7,417-unit cycle high of 2018, 5,042 apartments came online during the first 11 months of 2019. Orlando's five-year average has surpassed 6,000 units delivered yearly, which has finally taken its toll on the metro's rent growth over the past five quarters. Moreover, the occupancy rate in stabilized properties slid 40 basis points over 12 months to 95.0% as of October, on par with the national figure.
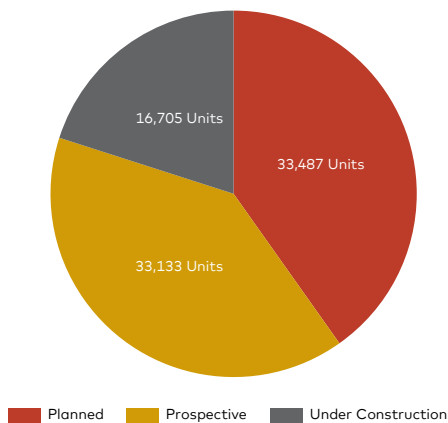
➤ Developers are targeting core, southwestern and waterfront areas, with Colonial Town, Palm Bay, Celebration and West Kissimmee each having more than 1,000 units underway. Downtown Orlando had only 749 rental units under construction across two projects as of November: Banner Property Management's Radius and Camden Property Trust's Camden Lake Eola. Overall, nearly 90% of the metro's pipeline still consists of upscale projects.

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

Source: Yardi Matrix

— Orlando   ▉ National
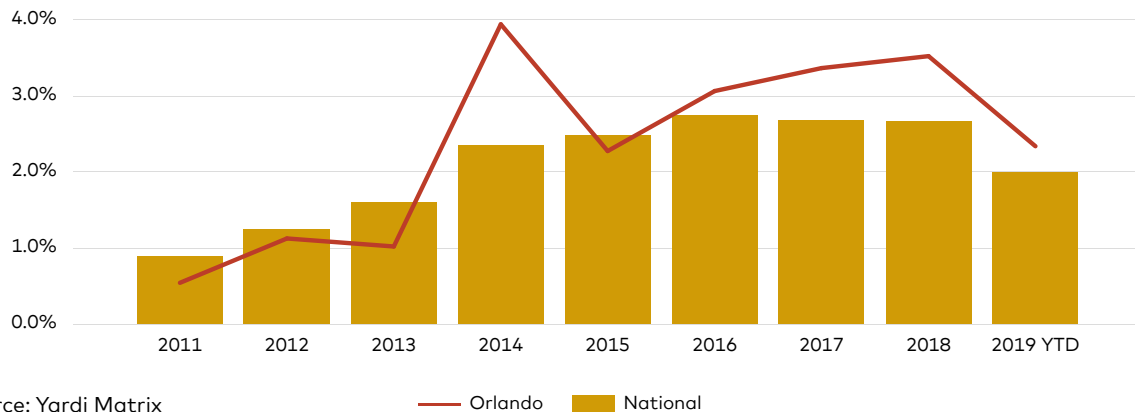
Development Pipeline (as of November 2019)

16,705 Units
33,487 Units
33,133 Units

▉ Planned   ▉ Prospective   ▉ Under Construction
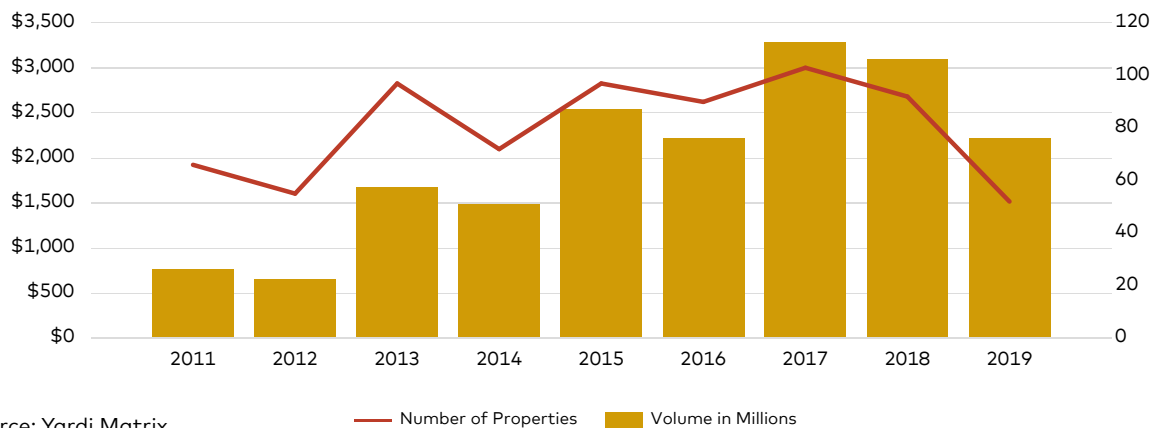
Source: Yardi Matrix

Orlando Completions (as of November 2019)
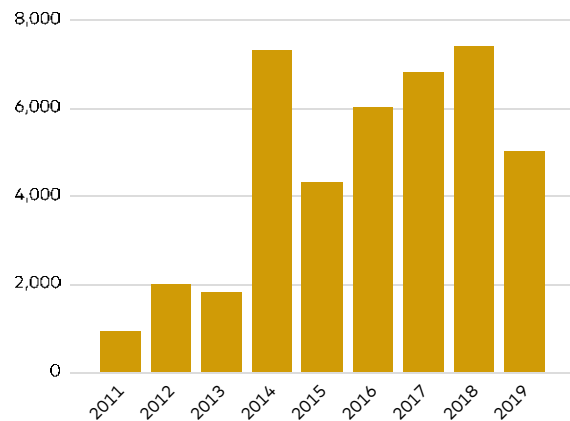
Source: Yardi Matrix

➤ After peaking in 2017 at $3.3 billion in 2017, Orlando's multifamily transaction volume recorded a drop, reaching $2.2 billion in traded assets during the first 10 months of 2019. Last year, investor interest was evenly split between asset classes. The market's prodigious demographic growth and sustained job gains continued to attract capital, particularly in the core and southwestern submarkets along the I-4 corridor, which is undergoing a $2.3 billion overhaul.

➤ Per-unit prices continued to increase, hitting $170,703 in 2019 through October, a new cycle high and $7,952 above the national average.

➤ LivCor was one of the metro's most active buyers in 2019 through October. The company acquired three properties totaling 1,104 units for a combined $221 million, or a little over $200,000 per unit.

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

Source: Yardi Matrix

— Number of Properties   ▮ Volume in Millions

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Winter Park/Maitland	257
Celebration	238
West Kissimmee	162
Lake Richmond	141
Lake Bryan	135
Red Bug Lake	132
University Park	128
Lake Mary	122

Source: Yardi Matrix
[1] From November 2018 to October 2019

Orlando vs. National Sales Price per Unit

— Orlando   — National
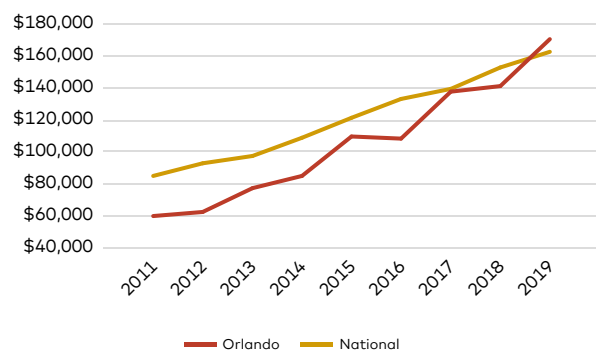
Source: Yardi Matrix

Get the latest in local real estate news on Multi-HousingNews.com

Sonata Acquires Luxury Asset

The company expanded its property management portfolio with a 128-unit assisted living and memory-care facility in Kissimmee.

Berkadia Arranges $49M Sale

Cole Whitaker and Mary Beale represented Aspen Square Management in the sale of the 278-unit asset.

FCP Expands Footprint Again

The company's purchase of a 208-unit suburban community brings its Florida holdings to more than 2,700 units.

Luxury Community Coming to MetroWest

RISE: A Real Estate Co. broke ground on the 442-unit West Vue, slated for completion in summer 2021.

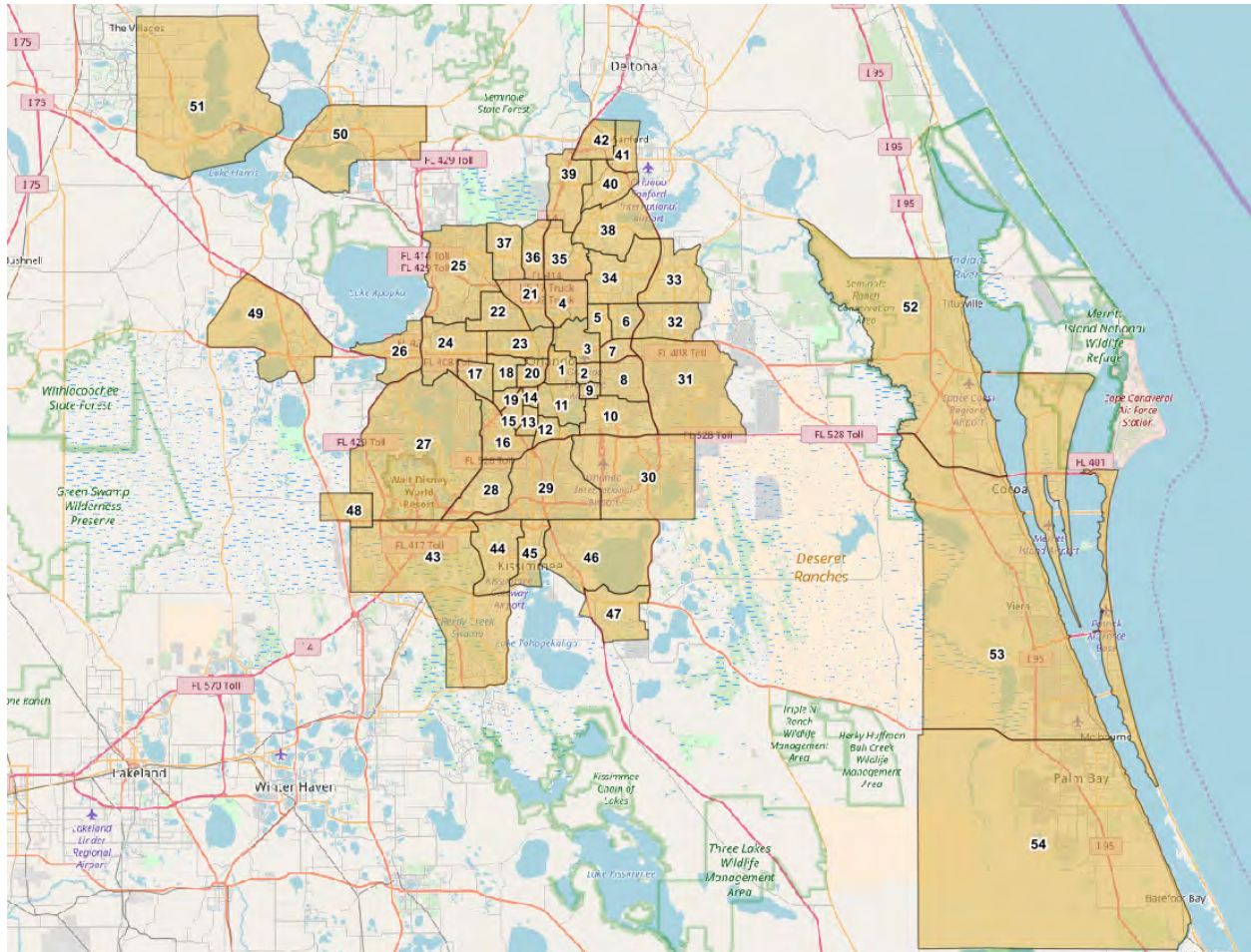### Rental Property Scores $53M Refi

SouthStar Properties acquired the 468-unit community in Clermont in 2016, with plans for capital improvements.

Northland Secures $76M Loan

PCCP provided the refinancing for Paramount on Lake Eola. Northland will use the loan to fund a value enhancement program.

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

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

How do you | find properties to buy or develop?

Invest confidently using the industry's most comprehensive market intelligence service. Only Yardi Matrix continuously updates and verifies critical data for 17 million+ units within more than 90,000 multifamily properties in 133 U.S. metros that encompass 90% of the population.

YARDI

(800) 866-1144
YardiMatrix.com

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (http://www.yardimatrix.com/Terms) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2020 Yardi Systems, Inc. All Rights Reserved.