MARKET REPORT

Multifamily

Orlando Metro Area

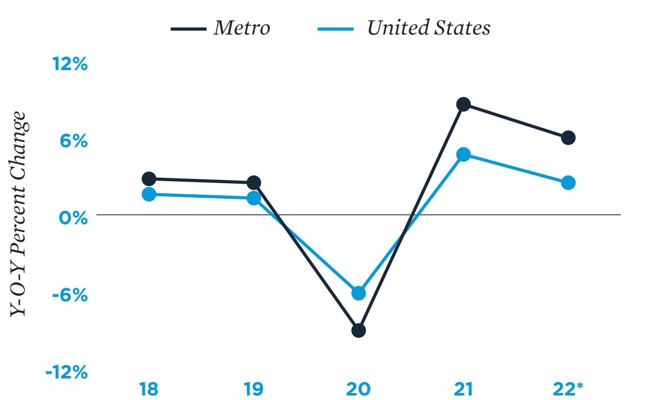
2Q/22

Relocation Appeal Spearheads Apartment Demand in Orlando

Sun Belt migration benefits Orlando. Fueled in part by robust in-migration to the region, demand drivers in Orlando's multifamily sector have never been stronger. Renters absorbed nearly 16,000 units during the past 12 months ending in March, more than double the previous record high. Availability fell 290 basis points during that span amid the market's largest supply wave in more than 20 years. Renter demand is widespread, with all 15 of the metro's submarkets recording rent growth of at least 19 percent over the past four quarters. Looking ahead, demand seems apt to remain robust, even as rent growth stays at double-digit levels. Orlando will outpace most major metros in job growth this year, and in-migration is projected to stay strong during the next five years, suggesting tight conditions will remain for the foreseeable future.

Development pace eases slightly. The metro is expected to add nearly 250,000 residents over the next five years, indicating new supply is warranted; however, despite net absorption soaring to the highest level on record last year, deliveries are expected to abate slightly in 2022. Projects slated for near-term completion are concentrated in the South Orange County and Kissimmee-Osceola County submarkets, accounting for half of this year's pipeline. Elsewhere, no other submarket will add more than 600 units in 2022, suggesting supply additions are not likely to place upward pressure on availability in the near term.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook

80,000 JOBS *will be created*

EMPLOYMENT:

Headcounts expand by 6 percent in 2022, spearheaded by growth in the leisure and hospitality sectors as tourism continues to rebound. Total employment will surpass Orlando's pre-pandemic peak by 59,000 positions at year-end.

8,500 UNITS *will be completed*

CONSTRUCTION:

Completions surpass the 6,000-unit mark in Orlando for the sixth consecutive year, as developers expand rental inventory by 3.4 percent. This year's increase ranks second among all major Florida markets in supply additions.

10 BASIS POINT *decrease in vacancy*

VACANCY:

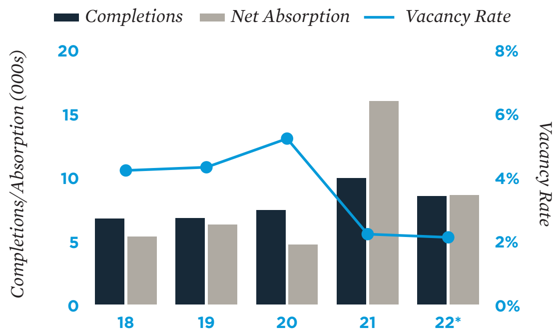
Renter demand remains strong, with net absorption expected to surpass the 8,000-unit threshold for the second time on record. By the end of this year, availability will fall to 2.1 percent, roughly 30 basis points below the national average.

12.3% INCREASE *in effective rent*

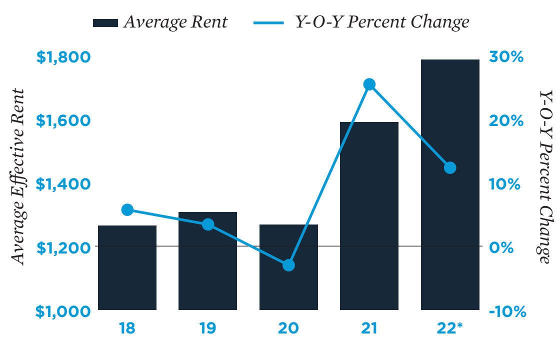
RENT:

Concessions remain minimal, supporting double-digit rent growth for the second straight year. The average effective rate will rise to $1,786 per month, ranking Orlando among the top five major metros in the nation for rent growth in 2022.

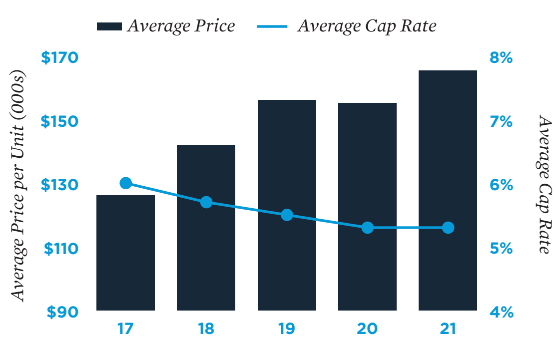
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

1Q 2022 - 12-Month Period

CONSTRUCTION

9,472 units completed

- Rental inventory grew by 3.6 percent over the past year ending in March, with the Kissimmee-Osceola County, Central Orlando and South Orange County submarkets adding the most units during this time frame.
- Construction has been consistent in Orlando, with developers adding at least 5,000 units in each of the past eight years.

VACANCY

290 basis point decrease in vacancy Y-O-Y

- Effective rents 36 percent below the market average attracted renters to North Lake County, home to a sub-1 percent vacancy rate at the onset of the second quarter — the lowest of any Orlando submarket.
- Net absorption surged to a two-decade high over the past four quarters, lowering availability to 2.1 percent.

RENT

29.0% increase in the average effective rent Y-O-Y

- The average rate rose to $1,657 per month in March, ranking Orlando third among major metros nationally in rent growth.
- The East Orange County, Kissimmee-Osceola County, Ocoee-Winter Garden-Clermont and South Orange County submarkets all recorded rent gains exceeding 30 percent during this span.

Investment Highlights

- Investors are confident in Orlando's long-term growth prospects, a sentiment that is fueling multifamily sales activity. Deal flow more than doubled on an annual basis in 2021, as historically tight availability and unprecedented levels of rent growth escalated investor demand for rentals. Competition for available listings has been intensifying, driving the average sale price up to $165,000 per unit, while holding the average first-year return relatively steady at 5.3 percent.
- Transaction velocity for Class A properties reached a two-decade high last year, indicating institutional capital sources are returning to the market in force. These buyers are most active in Downtown Orlando, Sanford-Lake Mary, Winter Park-Maitland and along the International Drive corridor, where development activity has been robust as of late. Entry costs for luxury class assets often rise above $280,000 per unit, with cap rates falling to the mid-3 percent span.
- South Orange County has recorded the most Class B/C activity recently. Here, metro-leading rent growth is fueling demand for larger complexes with value-add potential. These sizable properties are trading at yields that average in the high-4 percent range.

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Price: $250