MARKET REPORT

Marcus & Millichap

MULTIFAMILY

Orlando Metro Area

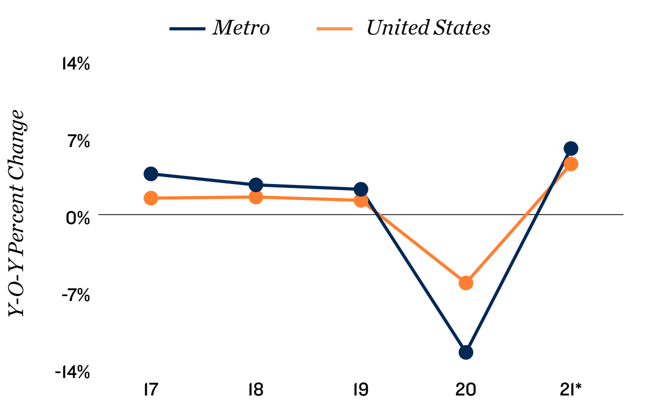
3Q/21

Corporate Expansions Bolster Renter Demand; Construction Starts Tapering

Local employment and household growth support rental demand. Employment losses in the leisure and hospitality sector due to the pandemic negatively affected the performance of multifamily properties across the metro in 2020. The vacancy rate rose to as much as 5 percent, the highest since 2013, and the average effective rent contracted last year for the first time since 2009. However, the market has shifted in 2021 and job growth is now stoking rental demand. For example, Disney recently announced the relocation of 2,000 jobs from California to Lake Nona, and plans to reopen five of its resort hotels over the next few months as well as increase capacity limits at its theme parks. This will provide a boost to the local economy and stimulate household formation. The metro ranks second among major U.S. markets for projected household formation in 2021, which bodes well for rental demand and property performance.

Deliveries approach record but may slow over the next few years. Orlando has consistently posted some of the strongest population and job growth figures in the nation, which prompted developers to build at a pace the metro has not seen in two decades. Over the last three years, the metro's inventory increased by 11.6 percent, while supply expansions of over 15 percent occurred in Central Orlando and Kissimmee-Osceola County. Meanwhile, construction starts reached near-decade lows in the first half of 2021, indicating the record supply wave may be moderating. This could alleviate some of the pressure new deliveries place on the market in the coming years

Employment Trends



** Forecast*

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

Multifamily 2021 Outlook

70,000 JOBS
will be created

EMPLOYMENT:

Increased travel, businesses reopening and ongoing vaccinations will contribute to Orlando's worker count rising 6.0 percent in 2021, outpacing the national average of 4.6 percent. Total employment will reach within 8.0 percent of pre-pandemic levels.

9,100 UNITS
will be completed

CONSTRUCTION:

Apartment inventory in Orlando will increase by 3.8 percent in 2021, the largest rate of supply growth in the last 20 years. The period's delivery volume will exceed the metro's trailing five-year annual average by 2,600 units.

70 BASIS POINT
decrease in vacancy

VACANCY:

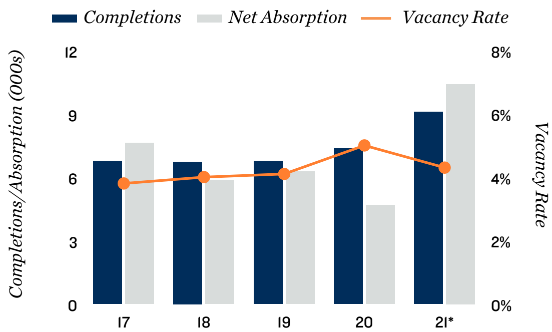
Demand for rentals will outpace supply as over 10,000 units will be absorbed this year. Vacancy will fall to 4.3 percent as a result, ending three consecutive years of rising vacancy in the metro.

12.0% INCREASE
in effective rent

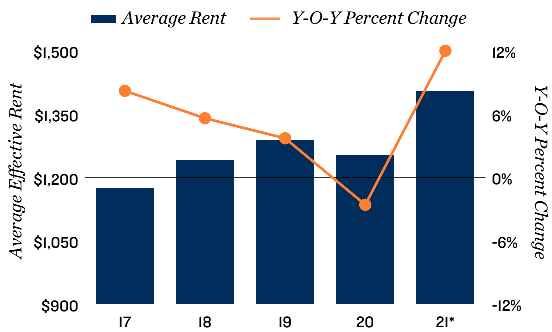
RENT:

Orlando will observe record-high rent growth, with the average effective rent rising to $1,405 per month this year. Concession usage was down to 18.7 percent in June 2021, the lowest mark since the beginning of the pandemic.

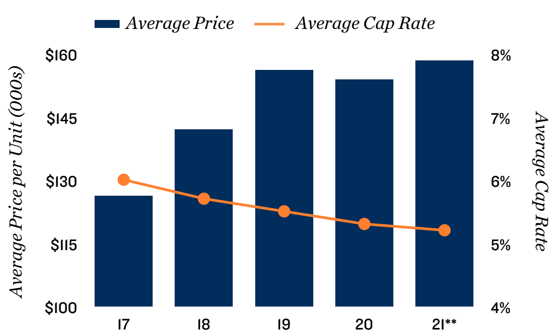
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 2Q*

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

2Q21 — 12-Month Period

CONSTRUCTION

8,979 units completed

- Despite economic uncertainty, the metro's overall supply increased by 3.7 percent year over year in June, the most since the year 2000.
- The Central Orlando, Kissimmee-Osceola County and Ocoee-Winter Garden-Clermont submarkets accounted for just over half of supply additions over the past four quarters.

VACANCY

120 basis point decrease in vacancy Y-O-Y

- Orlando's employment gains bolstered rental demand and led to vacancy declining to 3.8 percent in the last 12 months.
- Absorption in the first two quarters of 2021 already exceeded the total number for all of 2020. Kissimmee-Osceola County led all submarkets with over 2,700 units absorbed since June 2020.

RENT

7.3% increase in the average effective rent Y-O-Y

- The decline in vacancy reinforced rent growth, elevating the average effective rent to $1,357 per month in June.
- East Orange County and Casselberry-Winter Springs-Oviedo each recorded rent gains of 10 percent, leading all submarkets in effective rate growth.

Investment Highlights

- Following a period of uncertainty, investment activity escalated in Orlando during the fourth quarter of 2020 and has since further accelerated. Transaction velocity increased by about 30 percent in the last 12 months while dollar volume climbed by nearly 50 percent.
- The increase in Class A transactions over the last four quarters contributed to the average sale price per unit in Orlando climbing 2.2 percent to $158,400, while the average cap rate fell 20 basis points to 5.2 percent. Last year, the average sale price for the metro decreased for the first time since 2009.
- Increased competition for assets and compressing cap rates drew investor interest farther away from the CBD. Buyers have been particularly active in North Lake County, acquiring 1960s- to 1980s-built Class C complexes. Vacancy in this area is approximately 300 basis points lower than the market average. Entry costs are also significantly lower than the metro average and with only 240 units expected to deliver in the next two years, there is little competition from new supply.

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Price: $250