



GREA

JUNE 2023



ORLANDO METRO AREA
MULTIFAMILY REPORT

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MARKET INVENTORY



91.3%

Current Occupancy Rate



\$288,000

Avg. Price/Unit



204,260

Units



25,241

Units Under Construction



-0.2%

12-Mo. Asking Rent Growth



\$1,810

Avg. Rent/Unit

Submarket Overview

Orlando's multifamily market is growing at a rapid pace, the result of consistent inbound migration and job growth, although sector headwinds are inhibiting renter demand to a greater degree than at any point in the past decade relative to new supply being added. The current rate of demand has decelerated over the past year, with total net absorption of units in the last 12 months accounting for less than 20% of all new units underway.

Year-over-year rent growth has moderated significantly to -0.2% and between the rising disparity between income levels and the escalating cost of housing, affordability is becoming more of an issue in Orlando. For now, the average rent of \$1,810 per month remains well above the national average, with higher quality 4- and 5-star properties averaging close to \$2,000 per month. Rent growth in those higher-tier properties is experiencing the greatest contraction among all property types with the current rate of year-over-year growth flat at -1.0% given a lessened pace of renter demand and increased competition from new deliveries.

Even so, the sector's strong fundamentals have attracted robust levels of investment activity, and sales volume over the last year has been substantial. While private and institutional buyers have dominated deal activity over the last couple of years, many will elect to remain on the sidelines over the next couple of quarters given recent interest rate hikes intended to curb rising inflation. Any gap left in the near term will likely be filled by international buyers seeking attractive opportunities, and all cash buyers will be more active.

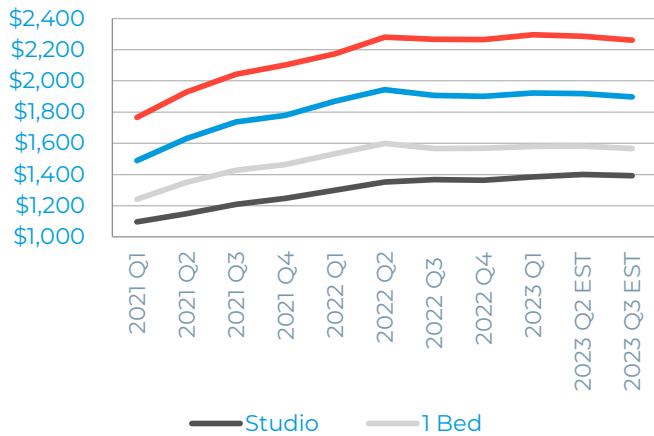
Rent Growth

Year-over-year rent growth has moderated significantly to -0.2% and renters already priced out of the single-family home market are still facing challenges renting an apartment as well given the steep increases that took place through Q1 2022.

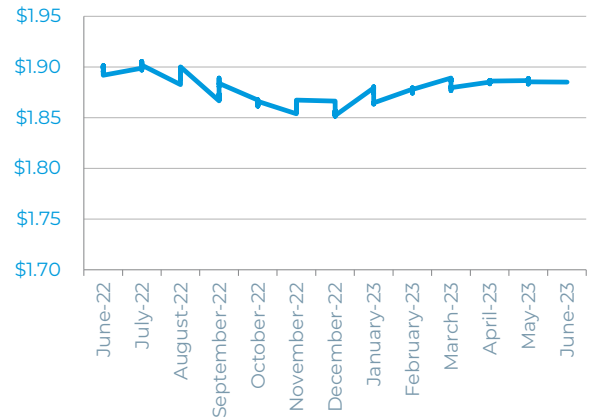
The average rent in Orlando is \$1,810 per month, well above the National Index of \$1,670 per month. Class A rents are even higher at \$1,960 per month; however, they remain well below the U.S. average of \$2,120 per month for similar apartments despite the quick acceleration in rents over the last year. Vacancies are tightest in Class B and C properties where leasing interest has been strongest, and there has been marked growth in rents across all floor plans. Rents within 4 and 5-Star properties have experienced the quickest deceleration over the past year, with year-over-year rent growth down to -1.0% as of Q2 2023. Rents within 3-Star properties have grown by 1.0% during the same period. Concessions are increasing as new construction deliveries move the vacancy rate northward.



Market Rent Per Unit by Bedroom



Daily Asking Rent/SF



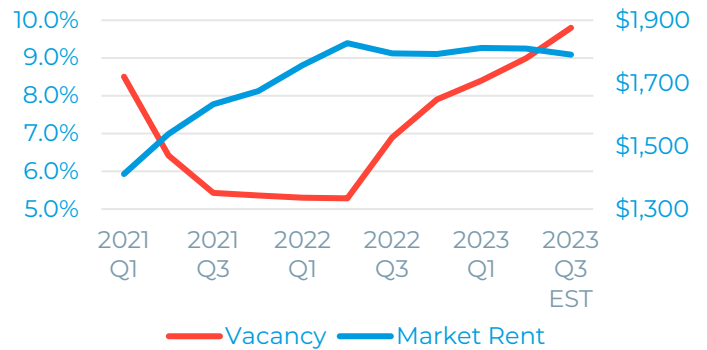
Vacancy

Fueled in large part by in-migration to the area, the market's vacancy rate remained in the 7% to 9% range for the trailing 12-month period pre-pandemic before reaching a peak of 10% midway through 2020 due to the delivery of more than 3,100 units in the second quarter. Demand has since returned, initially fueled by a furious pace of renter demand in 2021, dropping the vacancy rate to 8.7% as of the second quarter of 2023. Moving forward, the vacancy rate is projected to reach close to 10% by the end of 2023 due to the impact of new supply that will be added during that time.

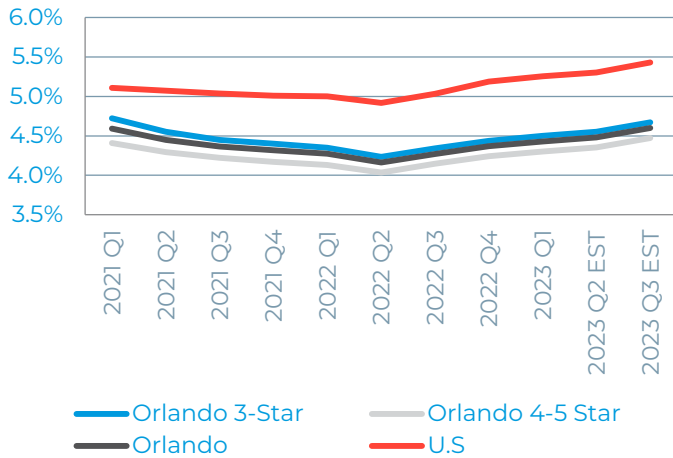
Apartment demand in Orlando remains below the 10-year historical average but has recovered from its decade-low point of just over 120 total units absorbed during 22Q3. Although the vacancy is projected to move upward, demand will remain healthy as long as in-migration at its current rate persists and as long as rising interest rates remain prohibitive to homeownership.

Any supply pressures will be primarily limited to higher-quality properties in lease-up given that projects under construction have asking rents more than 10% above the market average. The tightest vacancies with regard to overall inventory can be found in South Orlando and Eastside.

Vacancy & Market Asking Rent/Unit



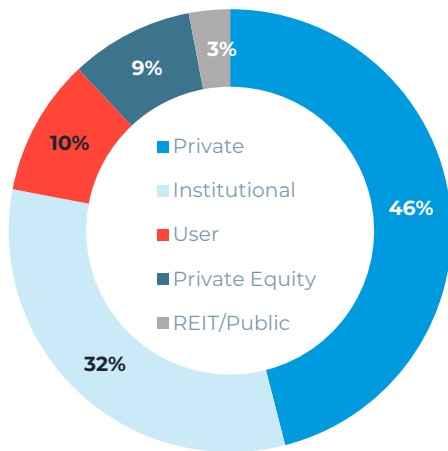
Market Cap Rate



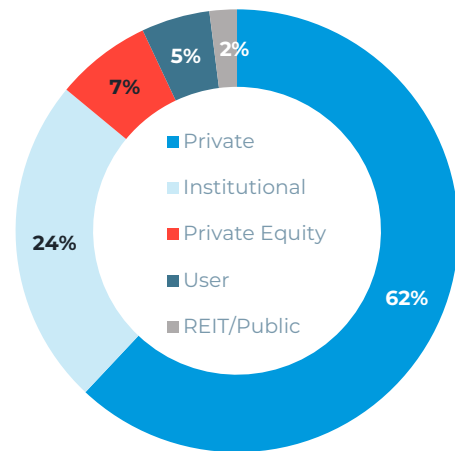
Sales Trends

Multifamily investment appetite in Central Florida remains strong despite rising interest rates and headwinds to occupancies, however, a deceleration in annual volume over what traded in 2022 is widely expected. Investment volume in the past year has been solid, with \$4.4 billion in sales activity taking place in the trailing 12-month period, placing Orlando among the top markets nationwide for total sales volume. In fact, investment activity has been so brisk that the market ranked just behind the gateway markets of Los Angeles, Washington, D.C., and Chicago and well ahead of Denver and Seattle. Downtown Orlando has been the target of considerable investor demand over the last year, with several top-tier properties trading in recent months at a significant premium. Given the economic headwinds facing investors, many are likely to remain on the sidelines in 2023 until the Fed ceases raising interest rates, and therefore investment volume this year is expected to be more muted.

Sales Volume by Buyer Type (Past 3 Years)



Sales Volume by Seller Type (Past 3 Years)



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Sources: GREA Research; National Multifamily Housing Council; CoStar; Yardi Matrix

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