

Multifamily Metro Outlook:

Orlando - Q1 2022

Overview:

- The downturn caused by the COVID outbreak impacted Orlando's apartment market, although the recoveries of both the economy and apartment markets are well underway. Orlando is second only to Las Vegas in terms of its dependence on the tourism sector as an economic engine. Both locations resumed operations during summer 2020, although with fewer guests, which continued to be the case throughout 2021. Coupled with Federal enhancement of unemployment benefits, Orlando weathered the early days well. But the apartment market softened as the double impact of the recession and new apartment units have impacted fundamentals. While there are positive signs of recovery for the metro's economy, and the multifamily market has been rebounding robustly, the metro is not yet fully in the clear.
- Prior to the COVID outbreak, Orlando's economy was expanding on the wave of tourism: an estimated 77 million people visited the area in 2019, continuing eight consecutive years of record volumes of visitors for the metro. The next several years will probably see a drop in the number of visitors as international tourists continue to be a small fraction of what they once were. The speed and length of the recovery in the metro will probably be determined by the full eradication of outbreak around the country, given the reliance on tourists and conventioners.

Market Strengths:

- The metro's for-rent market had a minimal supply of new units prior to 2013, allowing the apartment market to see steady tightening. The total number of units in the metro's rental market inventory only recently surpassed the prior peak in 2003 (per REIS).
- Job growth is expected to be well above average through 2026 at +2.7% annually, compared to +0.9% nationally (per Moody's). Professional & business services jobs, which are now the second largest category of jobs in the metro, had strong growth in 2019, growing +2.9%.
- Orlando's economy recovered from the Great Recession faster than other metros in Florida, and significant investments are currently being made to expand the metro's driving tourism industry. All the major theme parks in the area currently have significant expansion projects underway, which should allow the industry to see strong visitor growth for the next few years, although COVID outbreak related delays and cancellations may slightly postpone these engines from coming online. The University of Central Florida is also emerging as an economic driver.

Market Weaknesses:

- Although Orlando has been diversifying its economy over the last several decades, volatile and low wage leisure and hospitality jobs continue to be the largest segment of the job market, accounting for 20.8%. The persistence of variants, and the continued deficit of conventions and international tourists has kept the hospitality sector from returning to pre-pandemic employment levels.
- New apartment development activity has been robust: there are around 26,800 units currently underway, and 39,900 units completed since 2017. While the economy will eventually recover, further improvement in vacancy rates may not happen due to the generous supply.

Development:

- Prior to the Great Recession almost all multifamily development was for condos. As a result, Orlando had a minimal supply of new rentals prior to 2013. This potential shadow supply of apartment units has not had an impact on the local rental market, but it bears watching due to its large scale.
- Since the beginning of 2006, over 40,000 condo units were completed and around 2,500 condo units are still underway and due to be delivered by Q4 2023. Another 32,000 units were converted to condos during the housing boom. This inventory of 'multifamily' housing is a potential shadow inventory that is a minor concern.

Outlook:

- Orlando's apartment rental market began bouncing back in mid-2021. Its job market is improving, and rents and vacancies should remain healthy, although recent record (and unsustainable) performance will likely ease. The generous supply that was underway prior to the outbreak will likely continue to add competitive pressure to the market, although the outbreak may result in delays and cancellations which could modestly reduce pressure. But once the outbreak is eradicated, and the area returns to its expected long-term growth patterns, sizable volumes of new apartments will likely be needed to satisfy the metro's expanding economy.
- Orlando's economy was in the midst of a long-term expansion, driven by tourism, but supported by a diversifying local economy. That has been paused by the outbreak, but the permanent expansion of the area's theme parks, and non-tourism industries should support significant growth of the local economy and multifamily markets. Were the tourism industry less volatile and dependent upon national economic conditions, Orlando would be poised for a steady long-term expansion.

Five Year Metro Area Growth Forecast

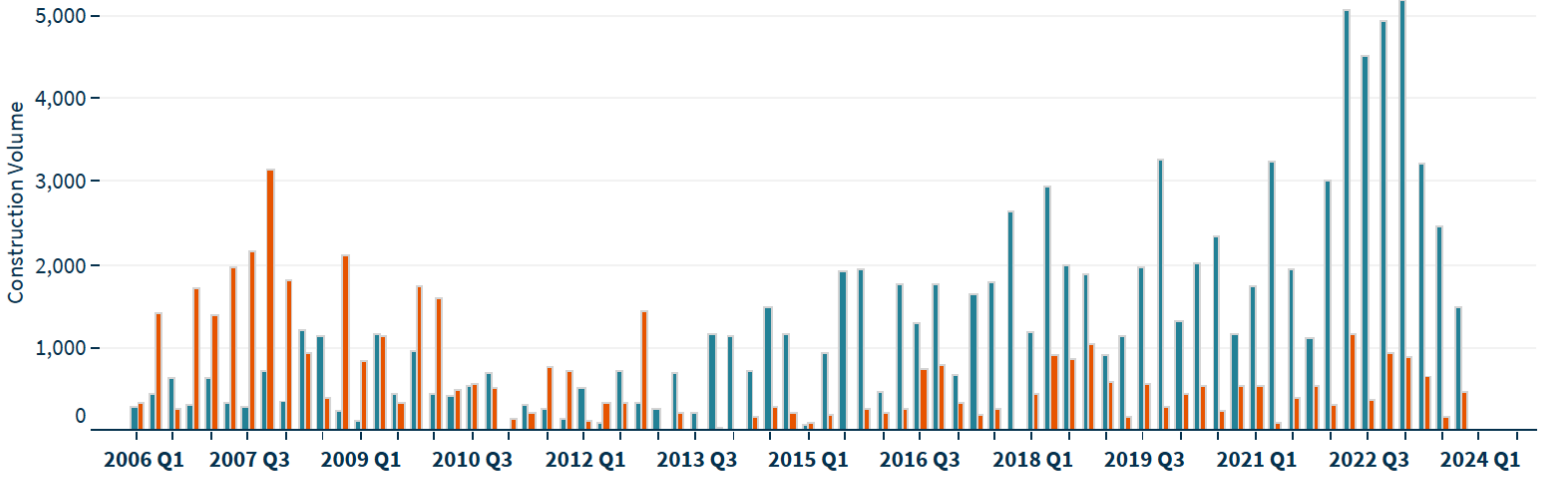
	Q4 2021	Q4 2026	Orlando (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,688	2,923	1.69%	0.47%
Households (000s)	1,007	1,148	2.66%	0.90%
Renting Cohort (Ages 20-34) (000s)	585	615	1.00%	-0.30%
Total Employment (000s)	1,260	1,436	2.64%	1.08%
Median Household Income	\$60,632	\$71,824	3.45%	3.30%
Median SF Home Price	\$365,609	\$325,373	-2.30%	1.93%
Net Migration	35,272	41,759		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



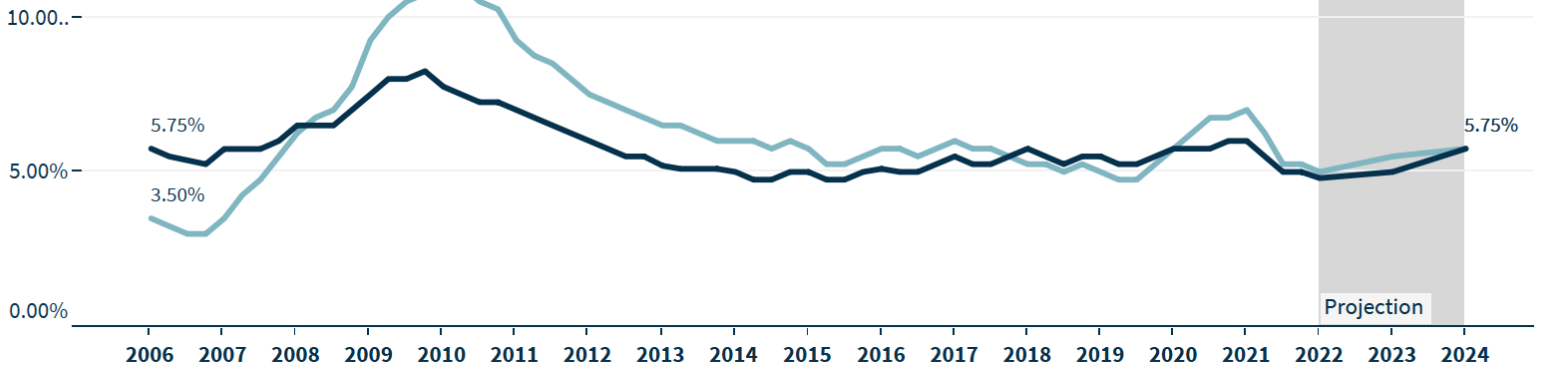
Vacancy & Rent Composite Estimates

Vacancy Rates

Orlando | National

Q1 2022 Vacancy Rate:

5.00%

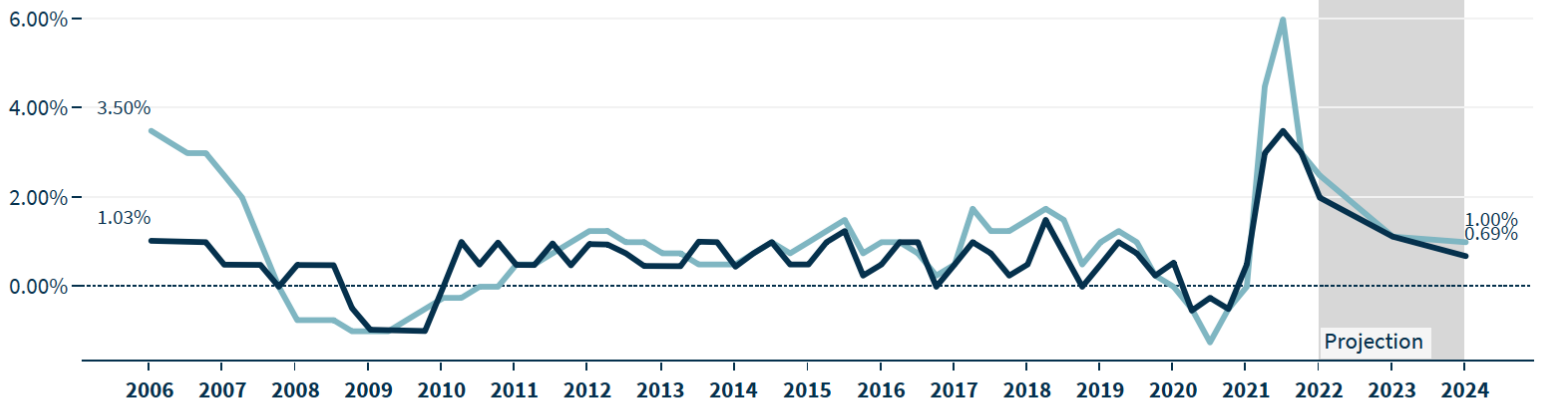


Asking Rent Growth

Orlando | National

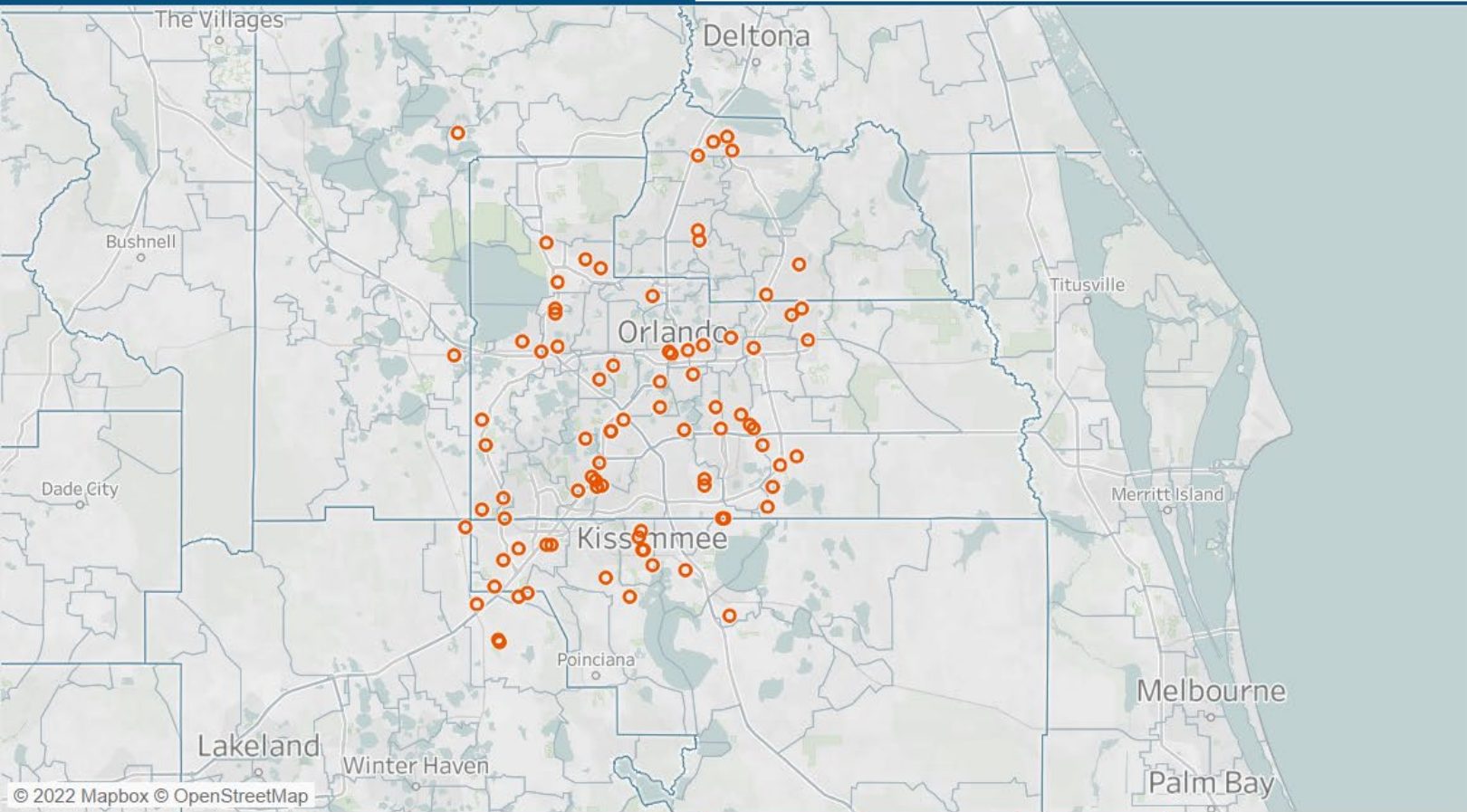
Q1 2022 Asking Rent:

\$1,490



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Altamonte Springs/Apopka	6	1,525	1.87M
Casselberry/Winter Springs/Oviedo	2	566	0.68M
Central Orlando	4	1,228	2.00M
East Orange County	7	1,969	2.43M
East Orlando	7	1,943	2.43M
Kissimmee/Osceola County	14	3,414	3.81M
n/a	8	2,443	2.78M
North Lake County	1	154	0.26M
Northwest Orlando	1	437	0.43M
Ocoee/Winter Garden/Clermont	10	5,430	6.92M
Sanford/Lake Mary	4	1,265	1.38M
South Orange County	14	4,685	5.07M
Southwest Orlando	2	298	0.44M
University	2	504	0.61M
West Orlando	3	976	1.14M
Grand Total	85	26,837	32.26M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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