

Metro Housing Outlook:

Orlando – Q3 2024

Overview:

- Orlando's apartment market, as well as its overall economy, experienced a robust rebound in 2021 and 2022, though momentum eased in 2023 and into 2024. Orlando is second only to Las Vegas in terms of its dependence on the tourism sector as an economic engine, and so-called "revenge travel" lit a fire under the region's economy as the nation bounced back from the pandemic.
- The area saw extraordinary, and unsustainable, levels of rent growth and home price appreciation in 2021 and 2022, which greatly impacted affordability in the metro. Moderation of multifamily market conditions began in late 2022 and continued with outright rent contractions late in 2023. But the engines that drove the area's rebound are likely to continue growing the economy, though national economic weakness may temporarily disrupt an expansion.
- Prior to the pandemic, 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. In 2023, 74 million people visited Orlando, marking a post-pandemic high. The next several years will probably see a modest rise in the number of visitors.

Market Strengths:

- Job growth is expected to be well above average through 2029 at 1.2% annually, compared to 0.6% growth nationally, per Oxford Economics. Professional and business services jobs, which are now the second-largest category of jobs in the metro, have grown at an average annual rate of 4.6% over the past 10 years, which is more than twice the national average rate.
- 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 have significant expansion projects underway or in planning, with Comcast/Universal opening a third world-class theme park in 2025 and Disney recently committing to spend \$60 billion (worldwide) on its theme parks in the next decade. This should allow the industry to see strong visitor growth for years. The University of Central Florida is also emerging as an economic driver for the area.

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 21%.
- New apartment development activity has been robust and caused the vacancy rate to rapidly rise in 2024: around 18,700 units are currently underway, and 82,000 units have been completed since 2017. While the economy will eventually recover, further improvement in vacancy rates may not happen due to the generous supply.

New Development:

- Since the beginning of 2006, nearly 47,000 condo units were completed, and around 900 condo units are still underway and due to be delivered through 2025. 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, and there has been a surge of build-to-rent single-family housing communities recently developed in the metro.

Outlook:

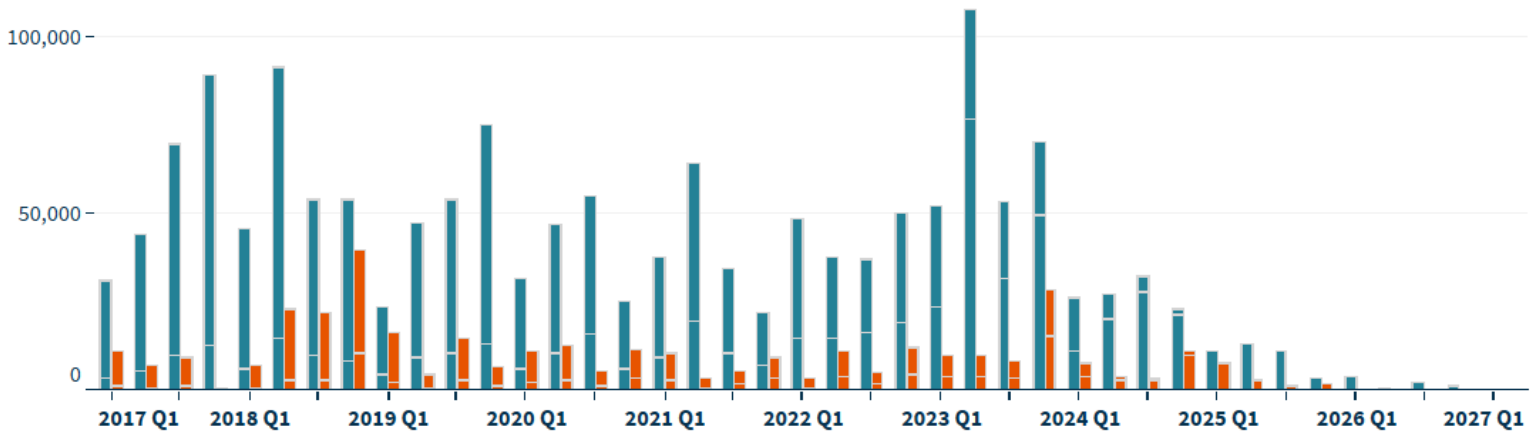
- Orlando's apartment rental market began bouncing back in mid-2021, and the robust recovery continued into mid-2022, with some necessary easing starting late that year. Its job market is holding steady, held back primarily by the availability of workers, though growth rates still best national averages. Multifamily rents and vacancies were soft in late 2023 and into mid-2024, which was likely inevitable after recent record (and unsustainable) performance. The supply underway prior to the outbreak will likely continue to add competitive pressure to the market. But once the national economy is in a sustained expansion 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 before the pandemic, driven by tourism but also supported by a diversifying local economy. Although growth briefly paused due to the pandemic, the permanent expansion of the area's theme parks and non-tourism industries will likely 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 a more reliable growth market.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

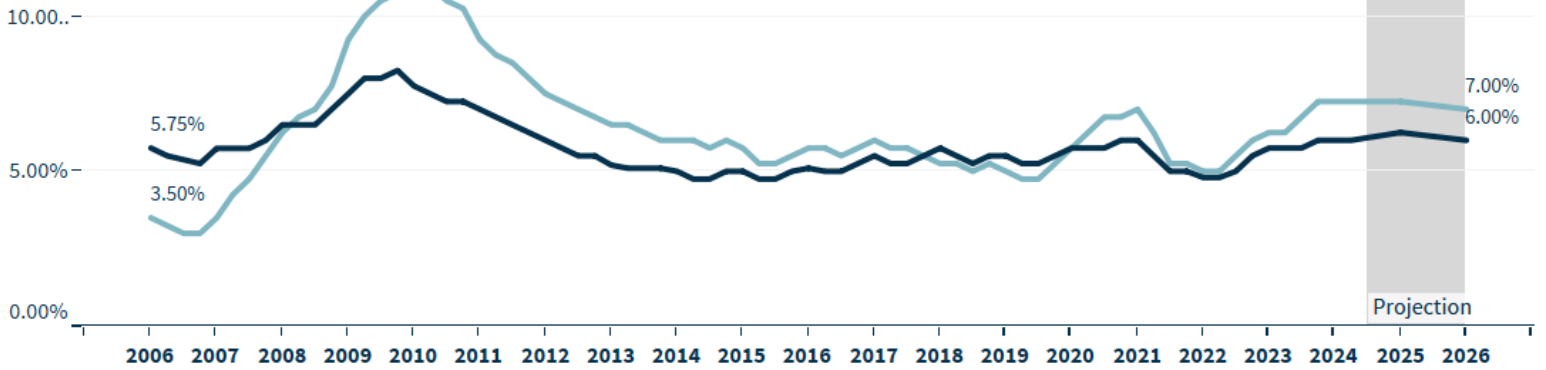
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Orlando | National

Q3 2024 Vacancy Rate:

7.50%



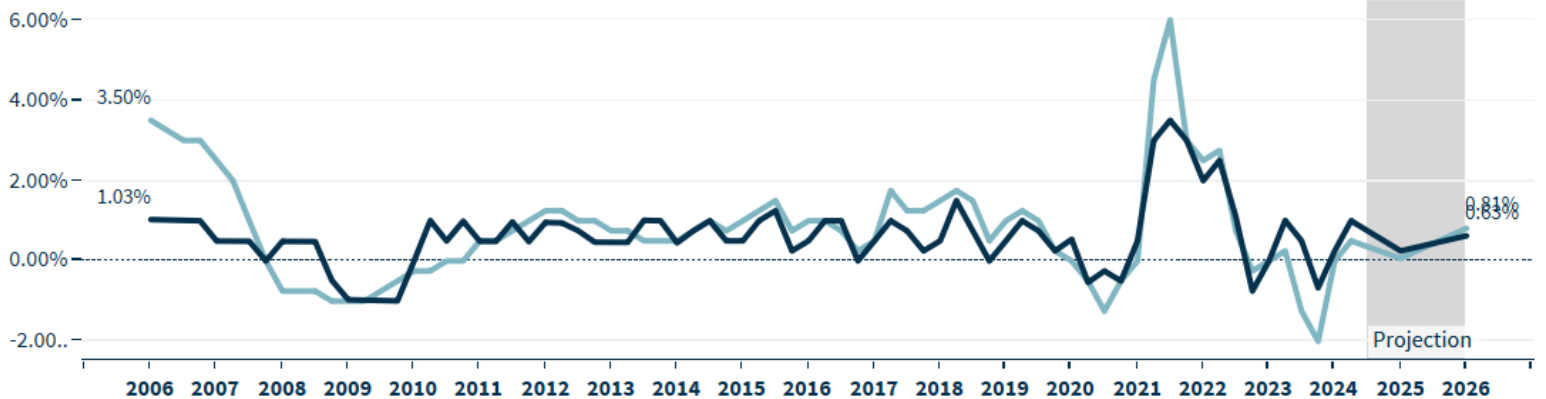
Projection

Asking Rent Growth

Orlando | National

Q3 2024 Asking Rent:

\$1,490

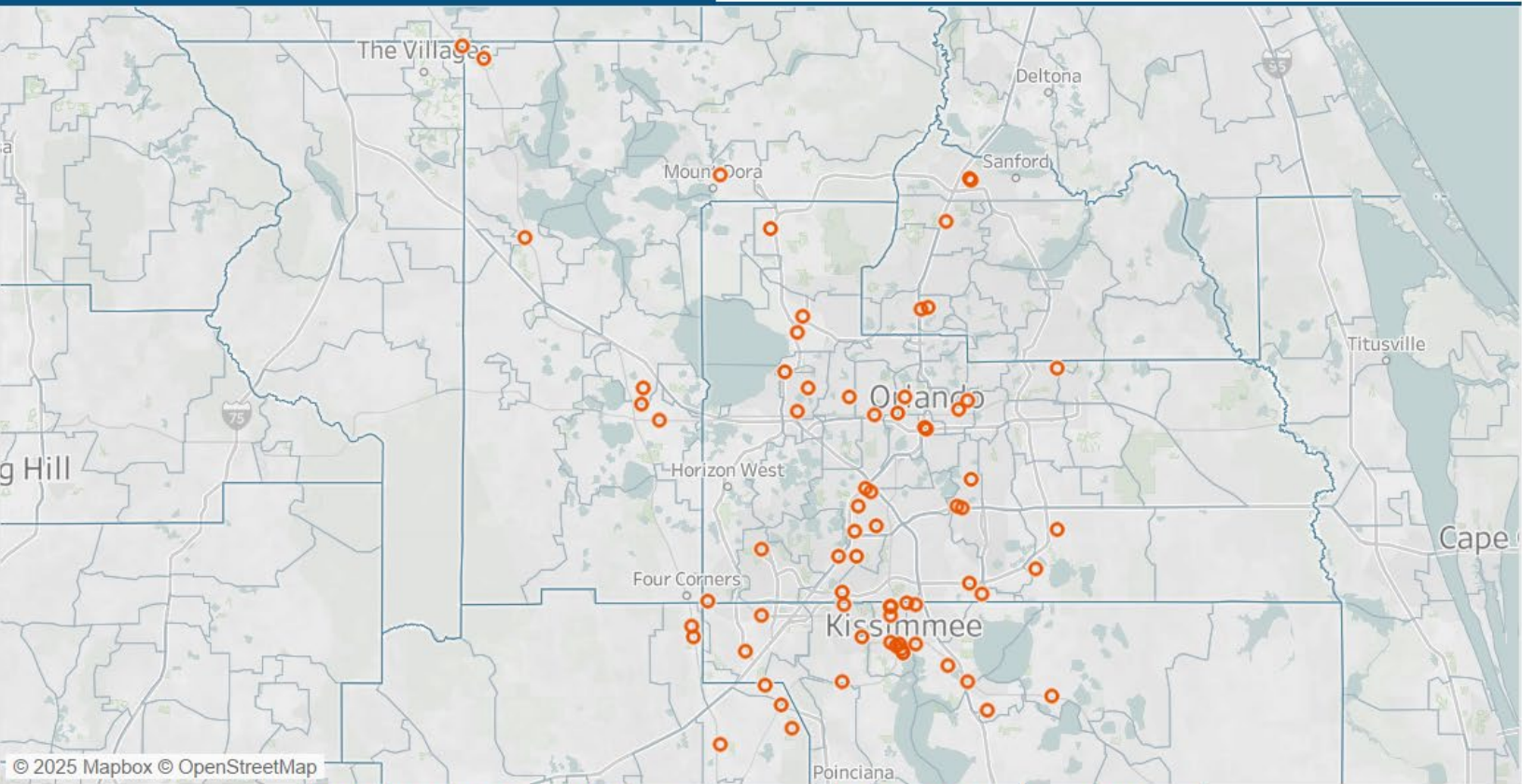


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Altamonte Springs/Apopka	5	1,594
Central Orlando	4	703
East Orange County	2	501
East Orlando	3	600
Kissimmee/Osceola County	19	4,742
NA	6	1,518
North Lake County	4	727
Northwest Orlando	4	993
Ocoee/Winter Garden/Clermont	6	1,555
Sanford/Lake Mary	3	508
South Orange County	13	5,029
University	1	274
Grand Total	70	18,744

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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