

# Metro Housing Outlook:

Orlando – Q4 2023

## Overview:

- Orlando's apartment market, as well as its overall economy, experienced a robust rebound in 2021 and 2022, though momentum slightly eased in 2023. 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, which continued through 2023 with outright rent contractions late in the year, but the engines that drove the rebound in the area 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. The next several years will probably see a modest drop in the number of visitors as international tourists continue to be a smaller proportion of what they once were.

## Market Strengths:

- Job growth is expected to be well above average through 2028 at +1.1% annually, compared to +0.4% nationally (per Oxford Economics). Professional & business services jobs, which are now the second largest category of jobs in the metro, have grown at an average annual rate of 4.2% over the past ten years, which is 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 currently 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 late 2023: there are around 22,400 units currently underway, and 71,300 units 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, over 44,000 condo units were completed and around 1,600 condo units are still underway and due to be delivered through 2024. 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:

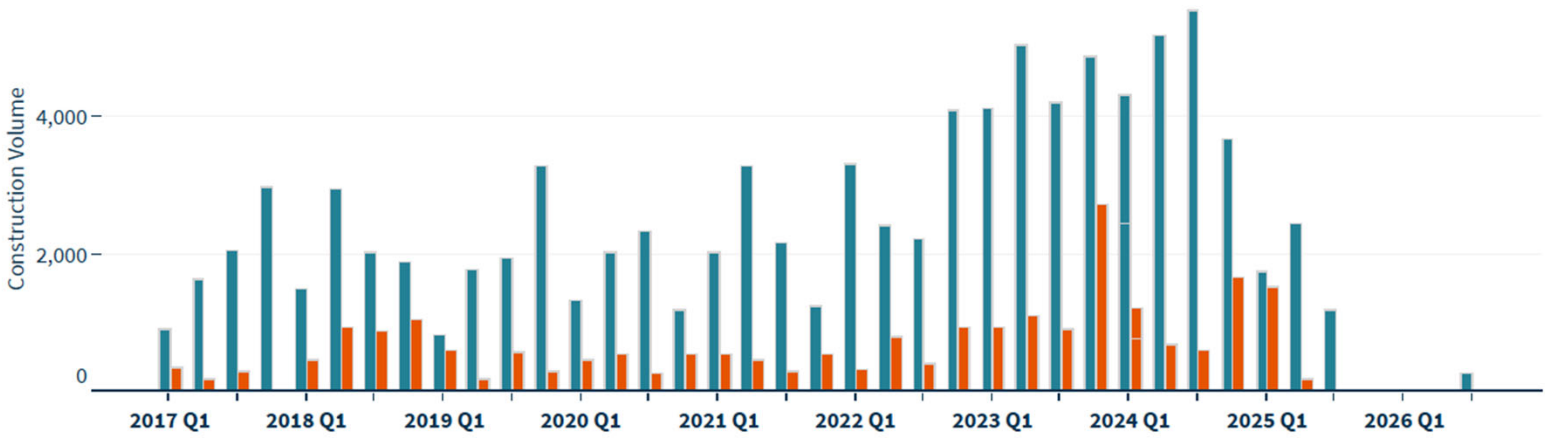
- Orlando's apartment rental market began bouncing back in mid-2021 and the robust recovery continued into mid-2022, with some necessary easing starting in late 2022. Its job market is holding steady, held back primarily by the availability of workers, though growth rates still best national averages.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

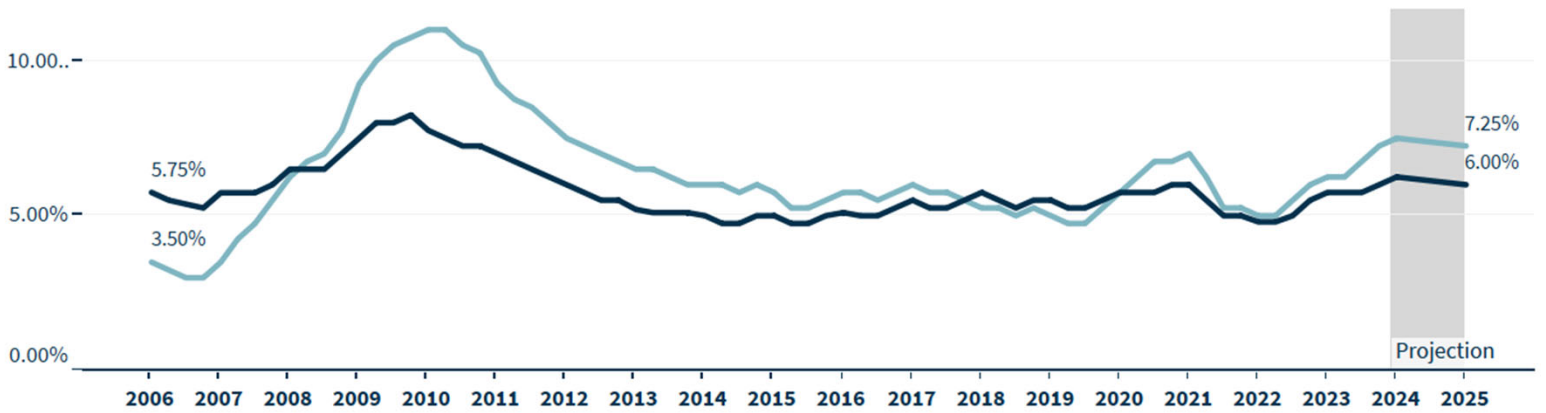
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Orlando | National

Q4 2023 Vacancy Rate:

7.25%

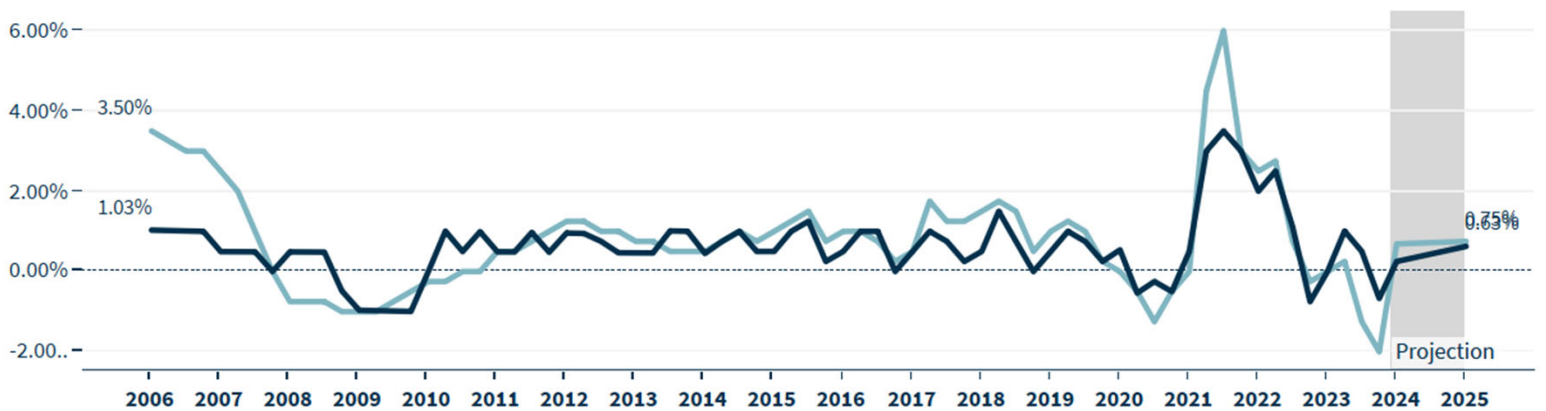


### Asking Rent Growth

Orlando | National

Q4 2023 Asking Rent:

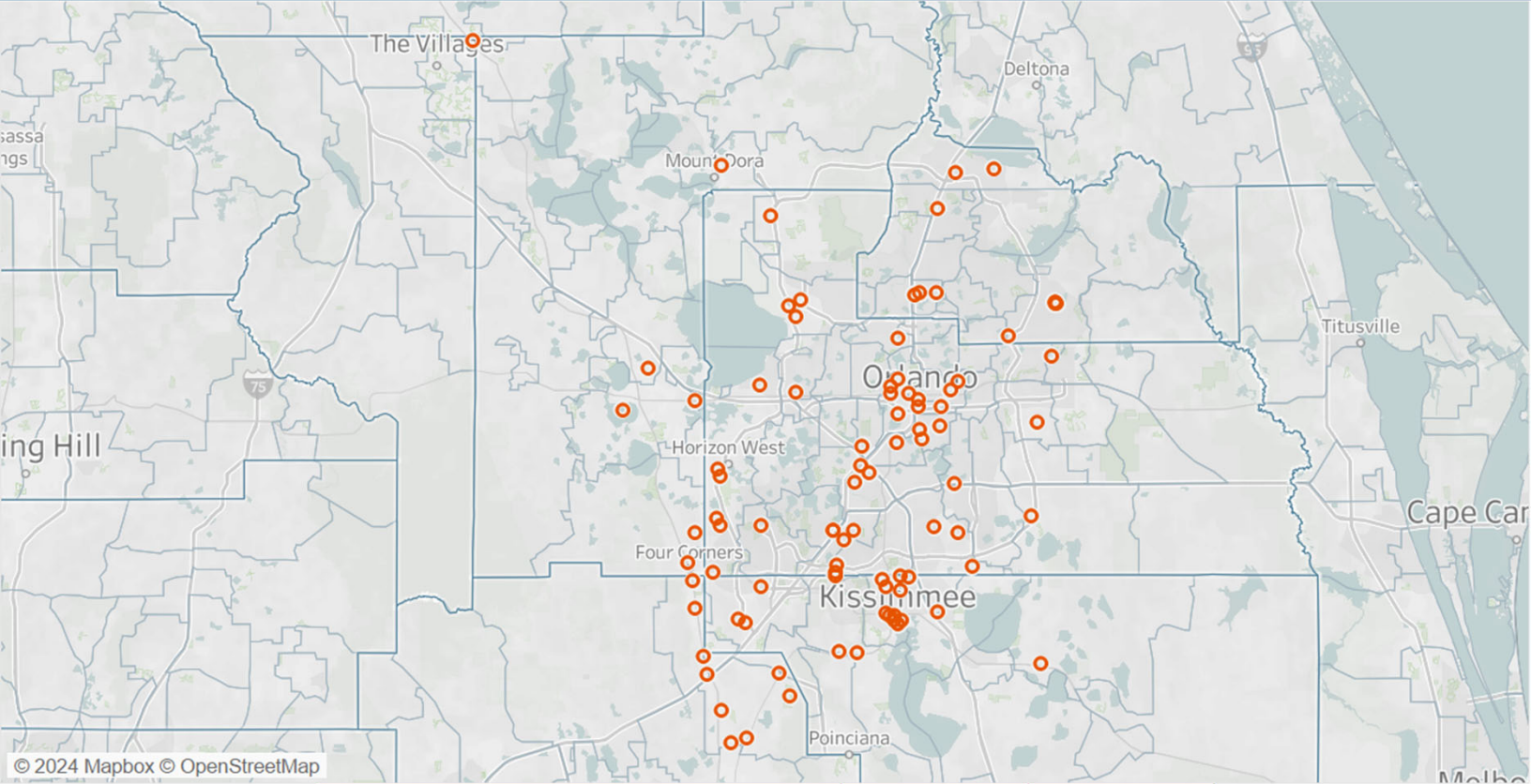
\$1,490



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Altamonte Springs/Apopka	7	1,970
Casselberry/Winter Springs/Oviedo	5	142
Central Orlando	5	1,168
East Orange County	2	664
East Orlando	4	278
Kissimmee/Osceola County	17	4,458
NA	9	1,992
North Lake County	2	600
Northwest Orlando	5	1,480
Ocoee/Winter Garden/Clermont	12	4,096
Sanford/Lake Mary	3	408
South Orange County	15	4,847
Southwest Orlando	1	82
University	1	176
West Orlando	2	86
<b>Grand Total</b>	<b>90</b>	<b>22,447</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

Tim Komosa, Economic and Strategic Research

### 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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