Multifamily Metro Outlook: Orlando Spring 2019

Overview

Orlando's economy is expanding on a wave of tourism: an estimated 75 million people visited the area in 2018, continuing seven consecutive years of record volumes of visitors. The metro added over 54,000 jobs in 2018, growing 3.8 percent, compared to 1.8 percent nationally. Population growth was better than the 0.6 percent national average at 2.2 percent. The recent improvement indicates that the Great Recession's impact on the metro was likely just a lull on a long term above-average growth trend.

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 2022 at 1.6 percent annually, compared to 0.6 percent nationally (per CoStar). Professional and business service jobs had strong growth in the past year, growing 6.5 percent. However, much of the recent improvement in the area's job market has been driven by lower wage tourism industry jobs: in 2018, Hospitality & Leisure jobs were up 3.7 percent.

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 thriving 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. The University of Central Florida is also emerging as economic driver.

Development

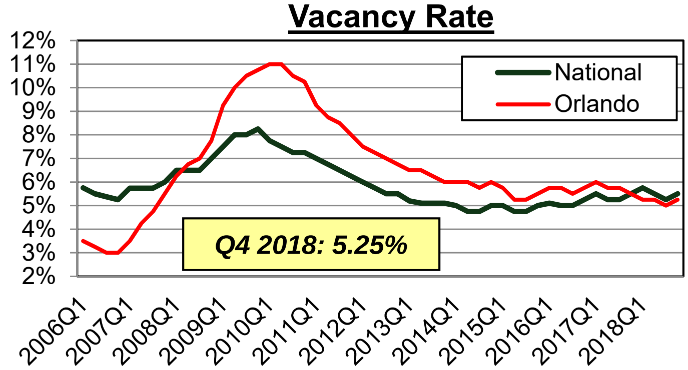
New apartment development activity has been, and will be, robust: there are around 12,400 units currently underway. While demand is expected to be sufficient to absorb a surge of new units, further improvement in vacancy rates may not happen. Prior to the Great Recession almost all multifamily development 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.

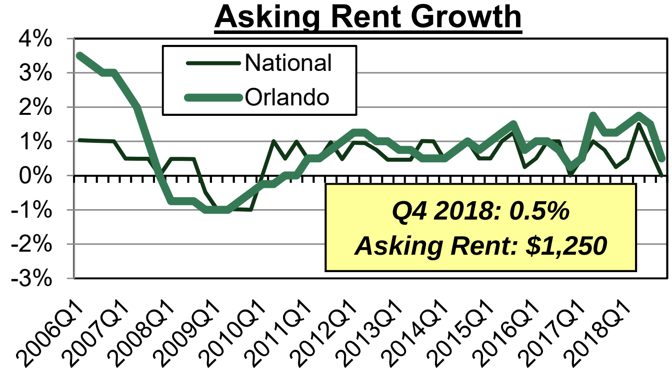
Outlook

Orlando's rental market is doing remarkably well, driven by pent-up household formations and an exceptional job market. New development, shadow rental market supply, and job growth concentrated in lower paying segments are minor blemishes on the market, but Orlando is seeing some of the strongest demand of any major multifamily market in the country.

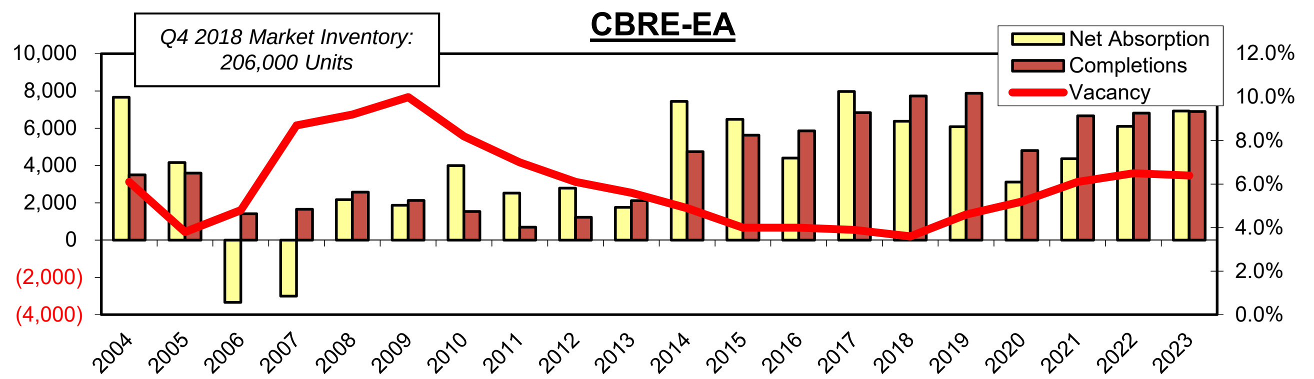
Orlando's economy is in the midst of a long-term expansion, driven by tourism but supported by a diversifying local economy. While there may be painful pauses along the way, such as when tourism gets disproportionately impacted by a national recession, the permanent expansion of the area's theme parks and non-tourism industries will support significant growth of the local economy and multifamily markets. Were the tourism industry less dependent upon national economic conditions, Orlando would likely be growing its job markets even faster.

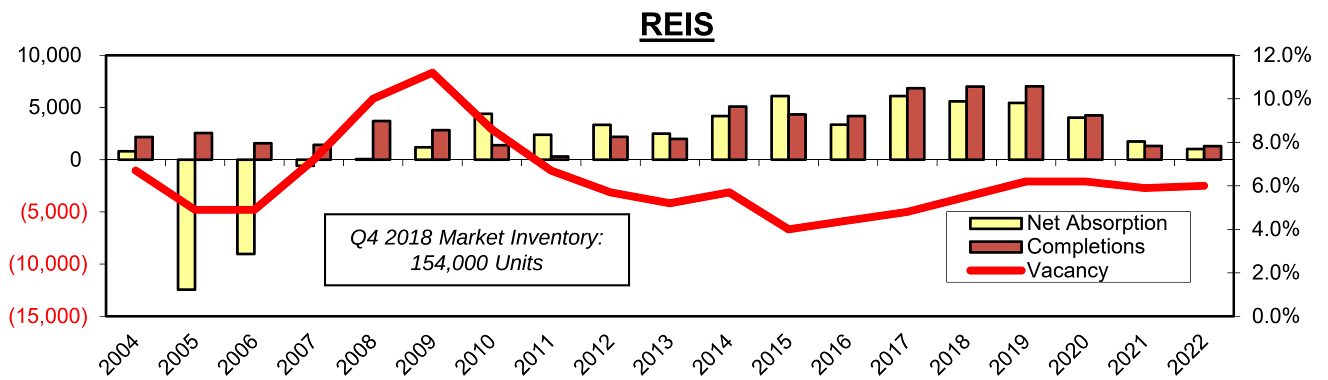
Vacancy and Rent Composite Estimates

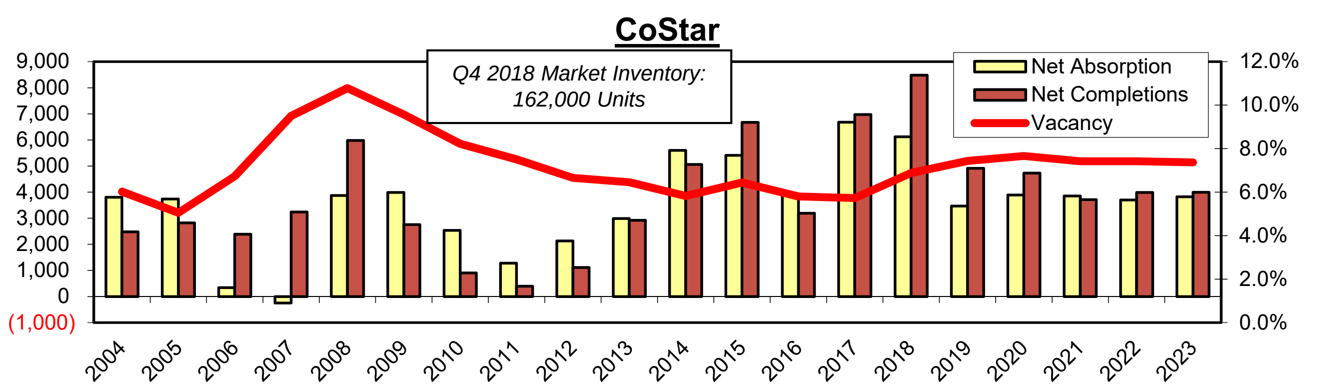


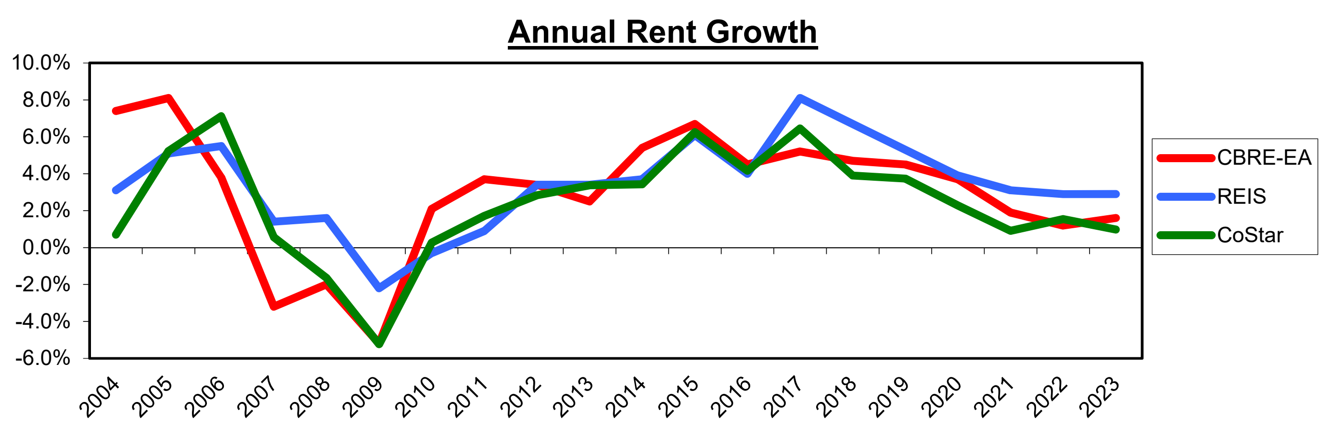


Source: Fannie Mae Multifamily and Economics Research

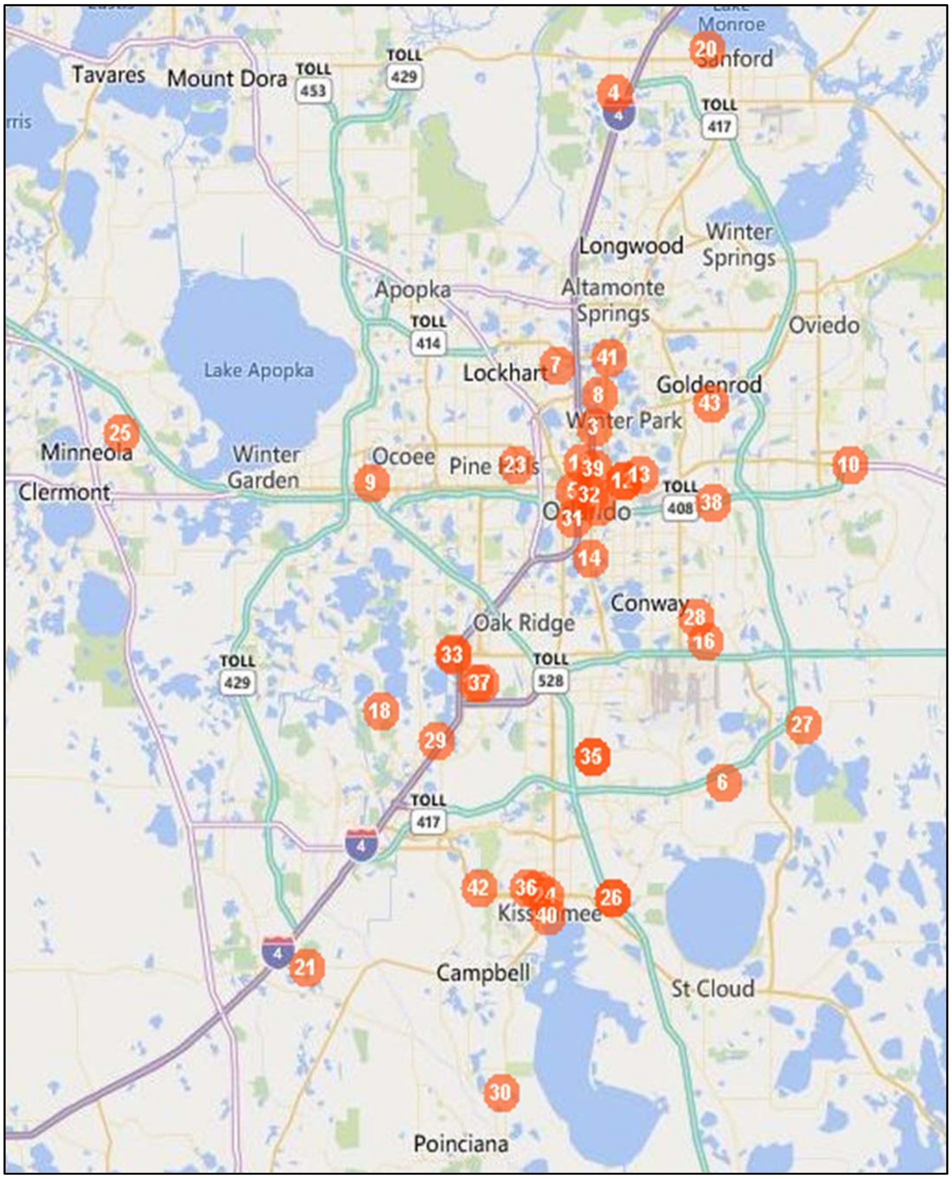

CBRE-EA
Q4 2018 Market Inventory:
206,000 Units
Net Absorption
Completions
Vacancy


REIS
Q4 2018 Market Inventory:
154,000 Units
Net Absorption
Completions
Vacancy


CoStar
Q4 2018 Market Inventory:
162,000 Units
Net Absorption
Net Completions
Vacancy


Annual Rent Growth
CBRE-EA
REIS
CoStar

Construction Bidding/Underway
43 projects/12,400 Units/14.5 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Far North	2	652	570
Kissimmee/Osceola	8	2512	2251
Lake County	1	415	297
Maitland/Winter Park	9	3829	3102
Northeast/436/551	2	502	628
Northwest/441	2	890	678
Osceola County/Other	1	145	142
South Central/527/441	7	2398	2003
Southeast/Airport/436/15	5	1376	1243
Southwest/435	6	1766	1502

Source: Dodge Data & Analytics SupplyTrack

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.