Multifamily Metro Outlook: Orlando Summer 2018

Overview

Orlando's economy is expanding on the wave of tourism: an estimated 72 million people visited the area in 2017, continuing six consecutive years of record volumes of visitors for the metro. The metro added over 40,000 jobs in the year ending Q1 2018, growing 3.8 percent, compared to 1.3 percent nationally. Population growth was better than the 0.7 percent national average at 2.9 percent. The recent improvement indicates that the recession in the metro was likely just a prolonged lull on a long-term, above-average growth trend.

Despite only recently recovering from the Great Recession, new apartment development activity is rapidly picking up speed: there are approximately 11,300 units currently underway. While demand is expected to eventually be sufficient to absorb new units, further improvement in vacancy rates may take some time, or be limited.

Job growth is expected to be well above average through 2022 at 2.1 percent annually, compared to 0.8 percent nationally. Professional and Business Service jobs experienced strong 5.0 percent growth in the past year. One minor blemish was that recent improvement in the area's job market was weighted toward lower wage tourism industry jobs: In the year ending Q1 2018, Hospitality and Leisure jobs were up 4.8 percent.

Orlando's economy has been recovering faster than other metros in Florida, and significant investments are currently being made to expand the metro's driving tourism industry. All of the major theme parks in the area currently have significant expansion projects underway, which should allow the industry to realize strong visitor growth for the next few years. The University of Central Florida is also emerging as an economic engine.

Development

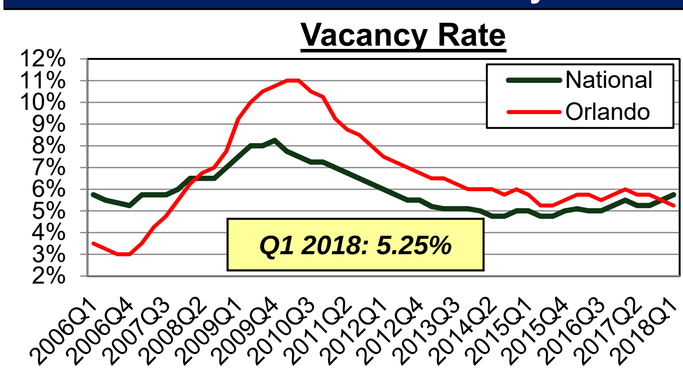
Prior to the Great Recession multifamily development centered primarily around condominiums. As a result, Orlando had a minimal supply of new rentals prior to 2013. This potential shadow supply of apartment units has not had an impact on the local apartment market, but it bears watching due to its large scale: since the beginning of 2006, over 33,300 condo units were completed while 3,200 condo units are still underway and due to be delivered by Q4 2019. Another 32,000 units were converted to condos during the housing boom.

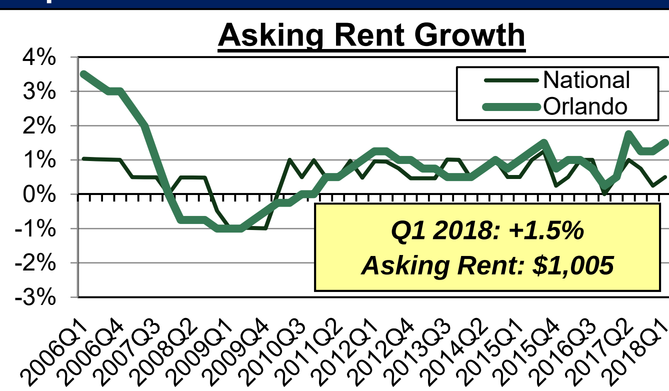
Outlook

Orlando's apartment market is doing remarkably well, driven by an expanding economy and post-Great Recession, pent-up household formations. But new apartment development, shadow rental market supply, and job growth concentrated in lower paying segments is restraining what might otherwise be a broadly booming market.

Orlando's longer term growth prospects should create solid demand for apartment rentals over the forecast horizon. Though the volatility associated with existing condo and prospective apartment development is concerning, the fundamental growth necessary for long-term rental demand in Orlando is very likely to be there. Unconstrained development activity could dampen this bright outlook. Orlando will probably need a significant new supply of multifamily rentals over the long term, but the risk of getting too much too soon might allow the market to experience out-sized rent growth or rapidly declining vacancies.

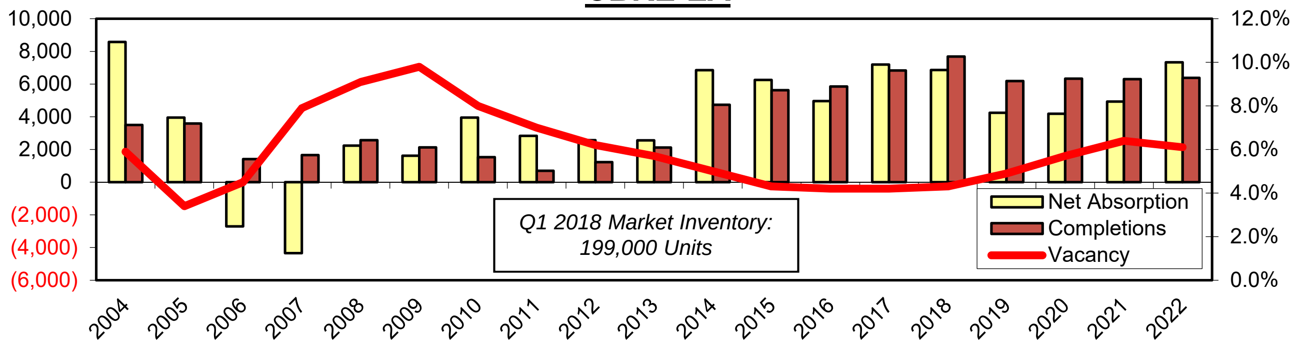
Vacancy and Rent Composite Estimates



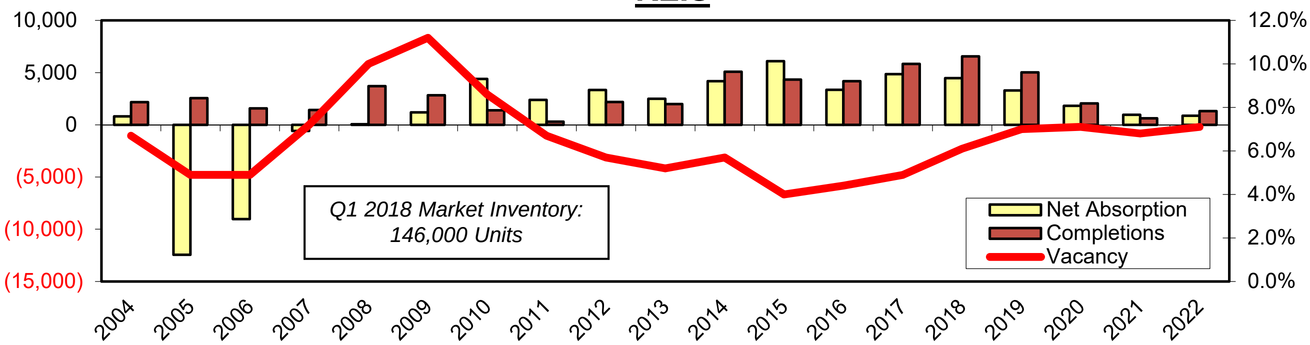


Source: Fannie Mae Multifamily and Economics Research

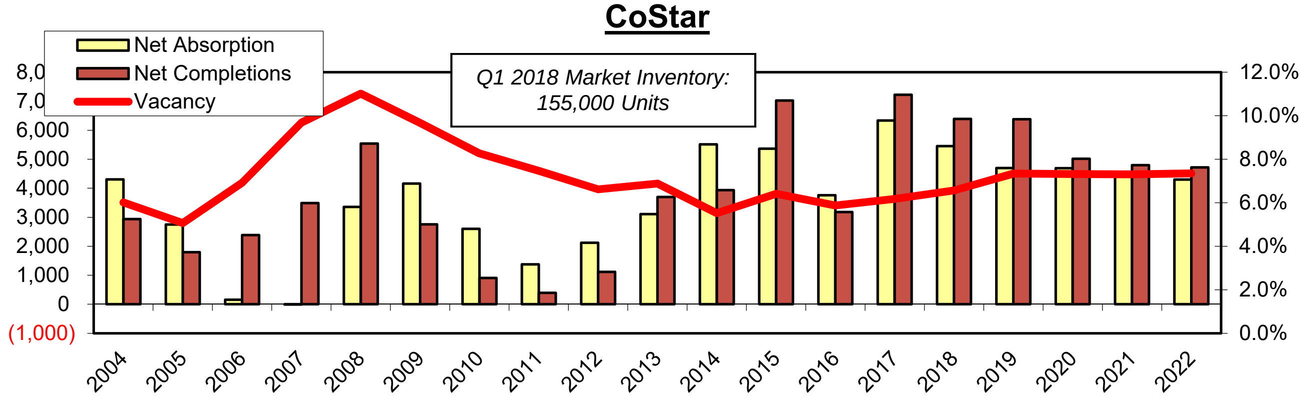
CBRE-EA



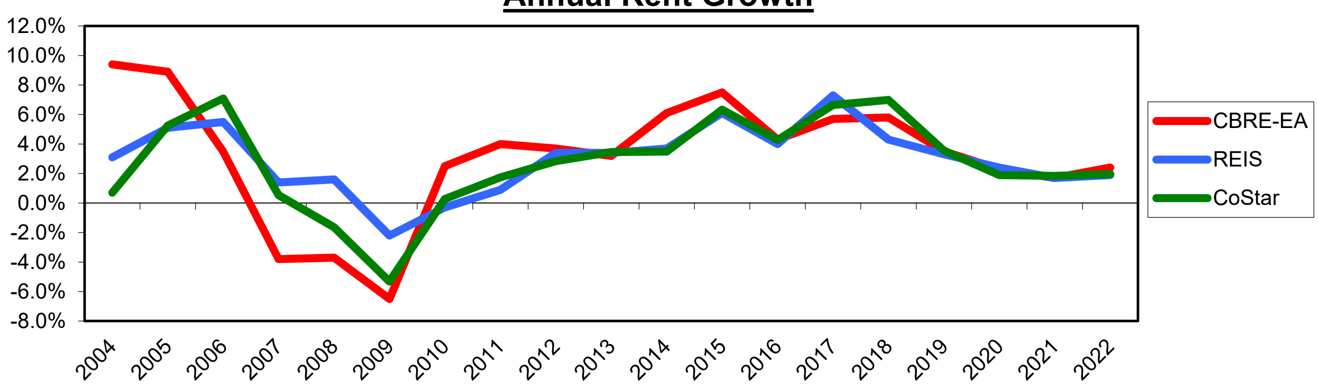
REIS



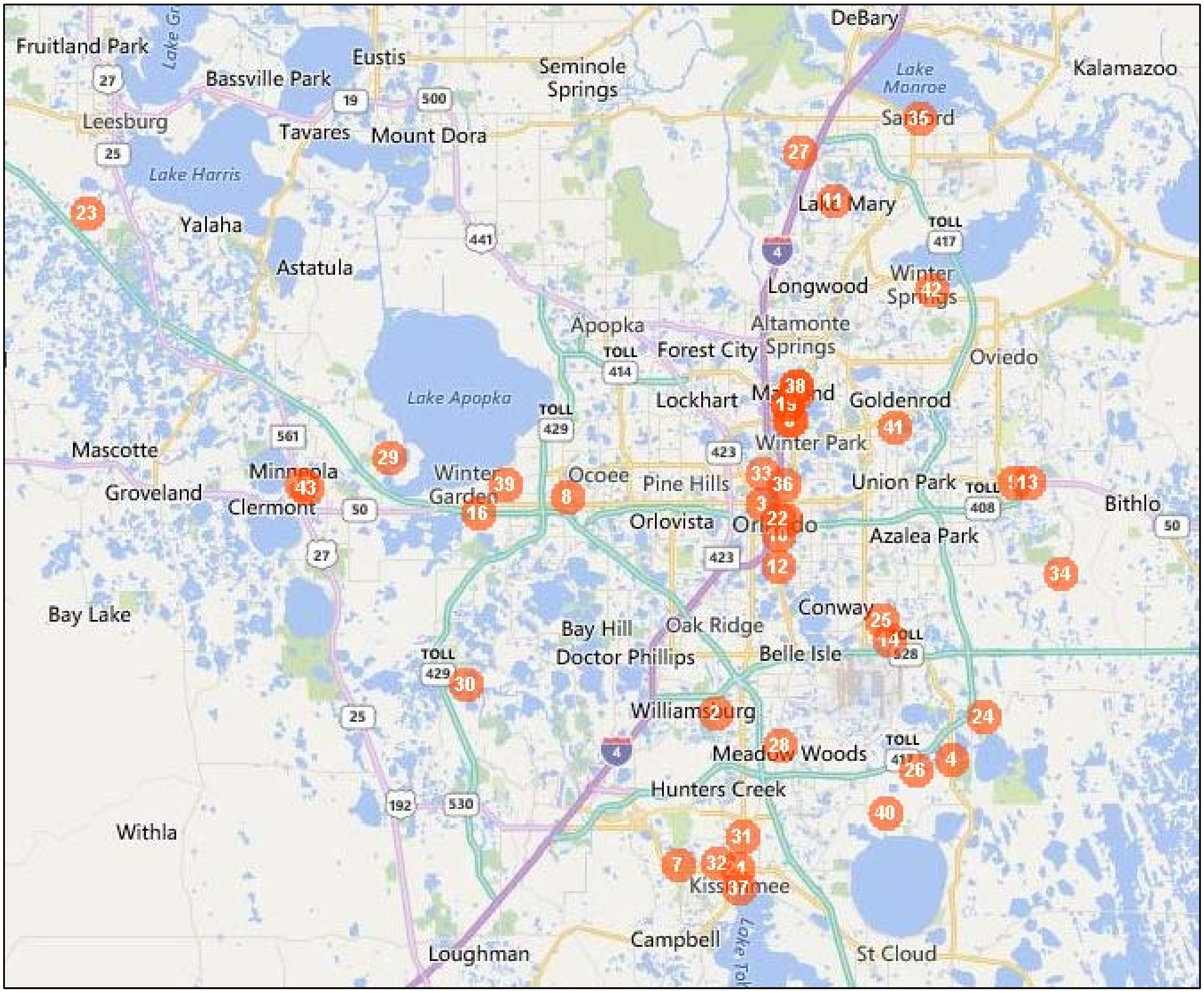
CoStar



Annual Rent Growth



Construction Bidding/Underway
(43 projects/11,300 Units/13.5 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Far North	4	808	776
Far South/Lake Buena Vista	1	308	314
Kissimmee/Osceola	6	1866	1687
Lake County	4	311	341
Maitland/Winter Park	9	3463	2710
Northeast/436/551	3	882	837
Northw est/441	2	755	534
Orange County/Other	2	849	656
South Central/527/441	5	2067	1622
Southeast/Airport/436/15	6	1848	1584
Southw est/435	1	350	256

Source: Dodge Data & Analytics

Fannie Mae

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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
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

