Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	15,192
UNITS DELIVERED (YTD)	12,094

MARKET FUNDAMENTALS

VACANCY RATE	7.8%
YEAR-OVER-YEAR CHANGE	+80bps
ASKING RENTS	$1,653
YEAR-OVER-YEAR CHANGE	-2.5%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$211,500

ORLANDO MULTIFAMILY
3Q 2024

MARKET INSIGHTS

Vacancy showing signs of steadying

HIGHLIGHTS

- Operating conditions in the Orlando multifamily market began to steady in the third quarter as the vacancy rate improved. Multifamily completions have remained elevated, but the pipeline is thinning, which should lead to a slowing pace of construction in the coming years.
- After increasing at the end of 2023 and during the opening months of 2024, local vacancy has been relatively steady in recent periods. The vacancy rate in Orlando inched lower by 10 basis points in the third quarter to 7.8 percent. Year over year, area vacancy has risen by 80 basis points.
- Asking rents ticked lower in recent months after gains in the preceding quarter. Apartment rents in Orlando declined by 0.2 percent in the last three months to $1,653 per month. In the past year, rents have dipped by 2.5 percent.
- Transaction volume has been limited since the beginning of 2023 and sales are consisting largely of newer properties. Pricing has softened, with the median price to this point in 2024 reaching $211,500 per unit, down 18 percent from last year.

ORLANDO MULTIFAMILY MARKET OVERVIEW

The Orlando multifamily market has been impacted by elevated levels of new development since the beginning of 2023, a trend that continued through the third quarter. Year to date more than 12,000 units have come online in Orlando, similar to the full-year total deliveries in 2023. Operating conditions showed signs of stabilizing in recent months, with the vacancy rate inching lower during the third quarter. Rents have been volatile and have retreated from recent peaks, but average asking rents in Orlando remain over 11 percent higher than they were three years ago. While rapid supply growth has had its greatest impact on the market's large Class A segment, market conditions are generally more favorable in Class B and Class C properties, where vacancies have tightened by 70 basis points during the past six months to 6.5 percent.

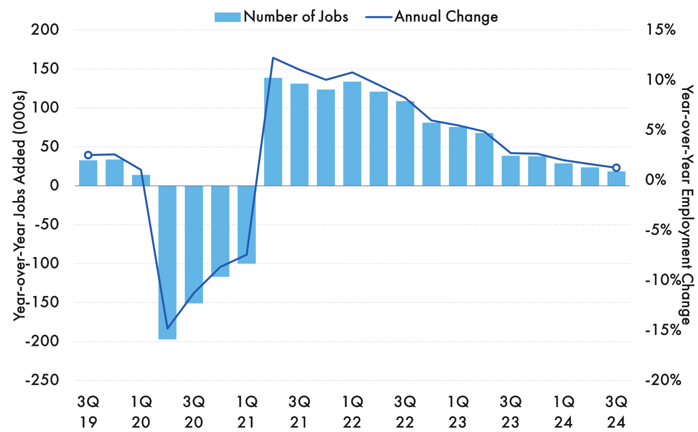
To this point in 2024, the Orlando multifamily investment market has run at a similar pace as it did in 2023, with transaction volume down significantly from historical averages. While the number of properties changing hands is light, the mix of properties that are trading has shifted considerably from recent years. Class A properties have made up about 50 percent of all sales after averaging closer to a 30 percent market share over the past five years. While pricing is down across the market, Class A pricing has fared best out all multifamily classes, dipping by just 10 percent this year to $244,400 per unit. In comparison, Class B pricing dropped 18 percent to $194,500 per unit and Class C pricing dropped 25 percent to $150,300 per unit.

EMPLOYMENT

- Employment growth in Orlando has been tapering off since the beginning of 2022. Year over year, total employment is up by 1.3 percent with the addition of 18,500 workers to local payrolls.
- The leisure and hospitality sector in Orlando is posting sluggish job growth. Employers in the sector increased payrolls by just 0.9 percent over the past 12 months with the addition of 2,400 workers. At the same point in 2023, the growth rate in this sector was over 3 percent.
- The Orlando Magic announced that the organization will be partnering on a $500 million sports and entertainment district in downtown Orlando, which is on pace to break ground in early 2025. Upon completion in 2027, the development is set to include a 260-room hotel tower, Class A office space which will include the Magic's headquarters, retail space, and a live event venue.
- **FORECAST:** Employment growth is forecast to be modest through the end of 2024. Area employers are expected to increase payrolls by 1 percent annually with the addition of 15,000 new workers. Last year, total employment expanded by 38,100 positions.

Year over year, total employment is up by 1.3 percent.

EMPLOYMENT OVERVIEW



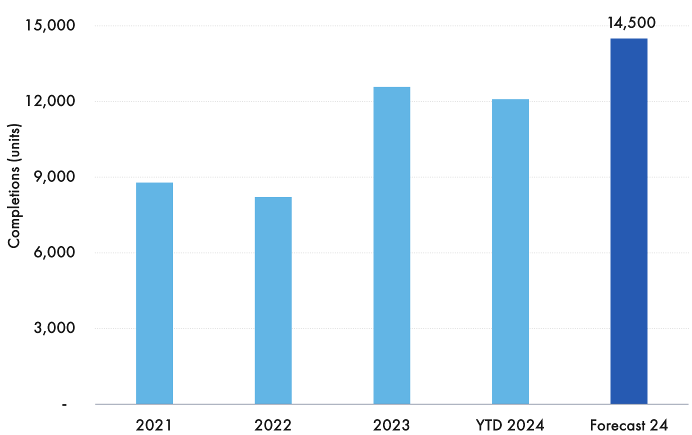
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- Multifamily completions spiked in the third quarter after slowing through the previous three months. Projects totaling over 4,700 units delivered in the third quarter, more than doubling the second quarter figure. To this point in the year, projects totaling approximately 12,000 units have come online, up 25 percent from the same period of last year.
- The development pipeline has thinned as many projects have delivered in recent quarters. There are nearly 15,200 units under construction in Orlando, down roughly 40 percent from one year ago. Much of the construction in the region is focused within the city of Kissimmee, where more than 4,800 units are expected to come online.
- Multifamily permitting was modest in recent months after spiking during the second quarter. Developers pulled permits for nearly 1,600 units during the third quarter. Prior to elevated permitting in 2021 and 2022 developers pulled permits for an average of 2,050 units per quarter from 2016 to 2020.
- **FORECAST:** Projects totaling approximately 14,500 units are forecast to come online in 2024, the second consecutive year of elevated completions. Developers delivered more than 12,500 units in 2023.

There are nearly 15,200 units under construction in Orlando.

DEVELOPMENT TRENDS



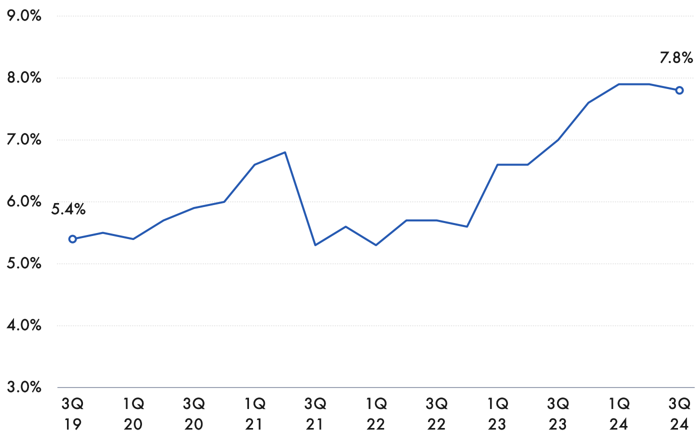
Sources: Northmarq, CoStar

VACANCY

The vacancy rate is forecast to end 2024 at 7.9 percent.

- The vacancy rate in Orlando inched lower in recent months after remaining unchanged through most of the year. Area vacancy declined by 10 basis points during the third quarter to 7.8 percent. Despite the recent stable conditions, the rate has risen by 80 basis points year over year.
- Vacancy trends were mixed across submarkets in Orlando during the past 12 months, with the Southeast/Airport submarket posting some of the best improvements. Year over year, the vacancy rate here has fallen by 60 basis points to 4.5 percent, making this the lowest vacancy submarket in Orlando.
- The region's top-tier properties have maintained elevated vacancy rates. Class A vacancies have increased by more than 100 basis points in the past year, ending the third quarter at 8.7 percent. Vacancy in the region's Class A properties has averaged 7.3 percent since the beginning of 2021.
- **FORECAST:** The local vacancy rate is forecast to end 2024 at 7.9 percent, rising 30 basis points for the full year. The Orlando area's long-term vacancy average is closer to 5.5 percent.

VACANCY TRENDS



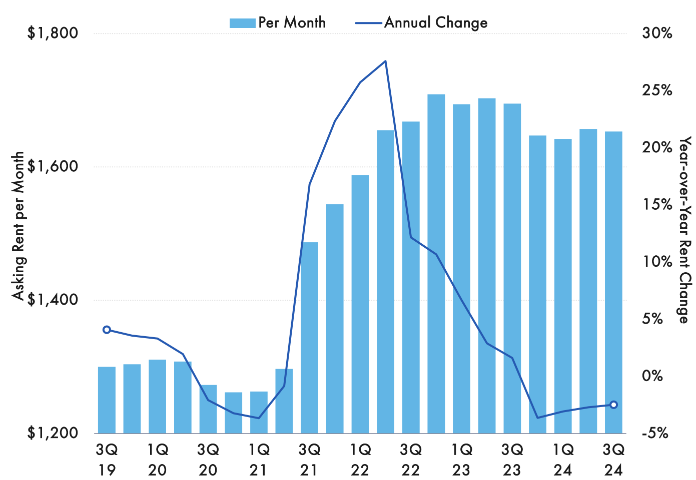
Sources: Northmarq, REIS

RENTS

- Apartment rents in Orlando ticked slightly lower in the third quarter, dipping 0.2 percent after rising in the previous three months. Current asking rents are $1,653 per month, down 2.5 percent from one year ago.
- Year-over-year rent declines have been recorded across all submarkets throughout Orlando, though rents in Kissimmee posted the lightest decreases. Over the past 12 months, asking rents in Kissimmee dipped by just 0.2 percent to $1,622 per month.
- Apartment rents were down across all asset classes during the past year, though Class A properties fared better than Class B or Class C assets. Asking rents for top-tier apartments are currently $1,905 per month, down 1.8 percent from one year ago and about $75 per month below peak levels from late 2022.
- **FORECAST:** Rents are forecast to dip lower in the fourth quarter, though the annual decrease in rent should be lighter than it was last year. Asking rents are expected to dip by 1 percent in 2024 to around $1,630 per month.

Current asking rents are $1,653 per month.

RENTS TRENDS



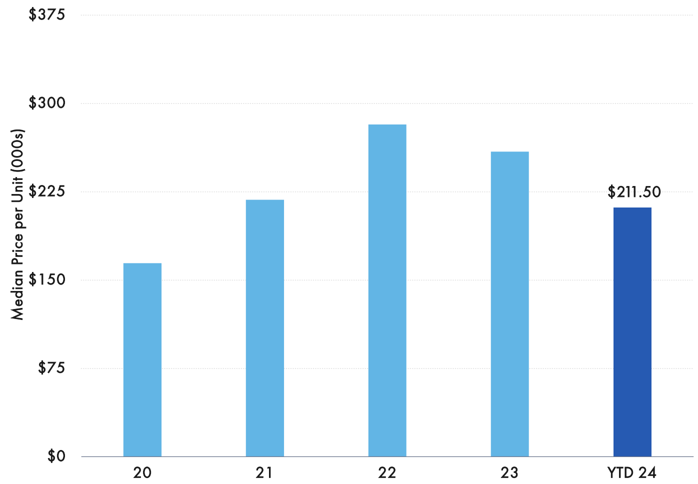
Sources: Northmarq, REIS

MULTIFAMILY SALES

- Transaction volume remains limited but consistent in the Orlando multifamily investment market as roughly the same number of properties traded during the first three quarters of 2023 and 2024. Compared to the five-year average, year-to-date sales volume is down by nearly 60 percent.
- Pricing has risen since the earlier months of the year but remains below last year's figures. Year to date, the median sale price is $211,500 per unit, down 18 percent from 2023. Sales velocity for properties built since 2020 has picked up significantly this year. Newer properties have accounted for approximately 50 percent of total transactions year to date.
- Cap rates have remained within the same range since the beginning of the year, following steady increases through 2023. In the properties that have sold in 2024, cap rates have averaged roughly 5.25 percent.

Year to date, the median sale price is $211,500 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

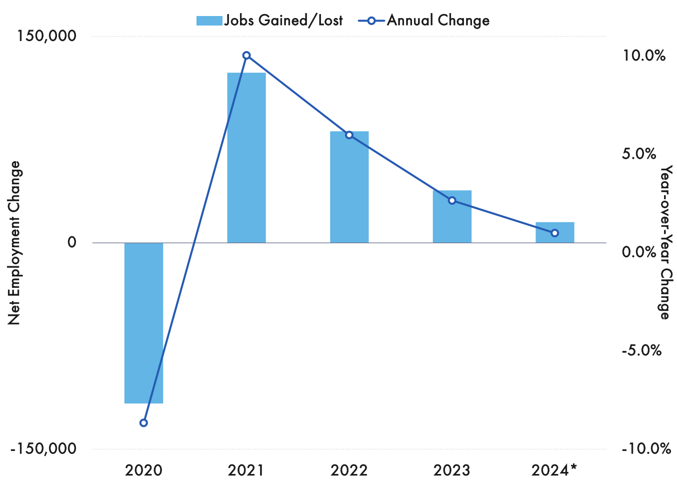
PROPERTY NAME	STREET ADDRESS	UNITS	YEAR	SALES PRICE	PRICE/UNIT
Maitland Pointe	895 Broadstone Way, Altamonte Springs	392	2017	$100,000,000	$222,958
Halston Waterleigh	10091 Tuller Loop, Winter Garden	354	2020	$84,930,000	$239,915
The Courtney at Universal Boulevard	9703 Avellino Avenue, Orlando	355	2015	$79,150,000	$255,102

LOOKING AHEAD

Orlando multifamily operating conditions are expected to start to steady in the coming quarters as the pace of completions begins to taper off. Deliveries in the fourth quarter are forecast to bring 2024 completion totals to a cyclical high for the region, but with the number of projects being added to the development pipeline diminishing, 2025 and 2026 will be lighter years for new construction. The vacancy rate should hold relatively steady in the fourth quarter before possibly decreasing in 2025. Area vacancy has not posted a calendar-year improvement in nearly a decade, so an improvement in 2025 would be a signal to operators that renter demand for units is outpacing new supply. Rents are expected to follow a similar path, dipping further at the end of 2024 in response to current market pressures before gaining a bit of momentum in 2025.

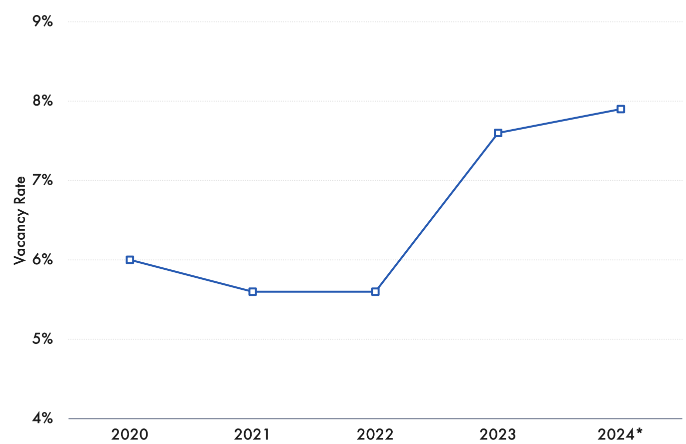
The investment market will likely remain fairly flat in coming quarters as transaction volume continues at a steady pace. With operating conditions in the region expected to post only modest fluctuations through the end of the year, internal market pressures are unlikely to cause any significant shift in investor sentiment in the fourth quarter and into early 2025. Larger changes may come about in the second half of 2025 as deliveries begin to slow from peak levels recorded this year and last year. Both rents and vacancies are projected to begin improving when construction slows in Orlando, trends that should support investor interest. Cap rates have remained in a fairly tight range throughout 2024, but may have to tick higher for more Class B and Class C properties to attract investor attention.

EMPLOYMENT FORECAST



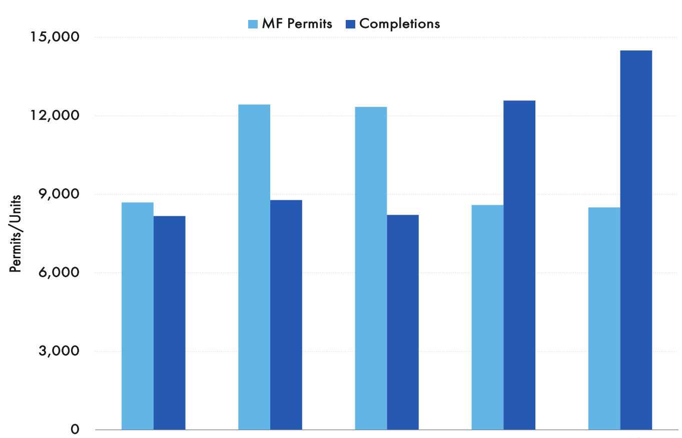
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



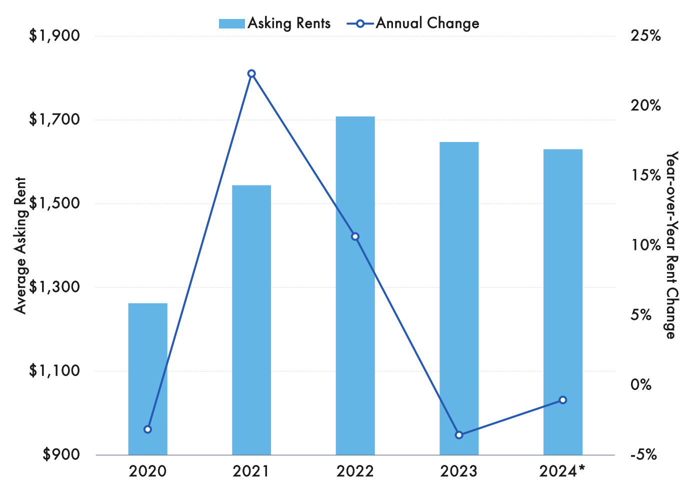
* Year End Forecast
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, CoStar, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, REIS

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