



Multifamily Metro Outlook: Orlando Fall 2017

Overview

Orlando's economy is expanding on the wave of tourism: An estimated 68 million people visited the area in 2016, continuing five consecutive years of record volumes of visitors for the metro. The metro added over 38,000 jobs in the year ending Q2 2017, growing 3.3 percent, compared to 1.5 percent nationally. At 3.1 percent, Orlando's population growth was better than the national average of 0.8 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.

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 2021 at 2.5 percent annually, compared to 0.9 percent nationally (per CoStar). Professional and business service jobs had strong growth in the past year, growing 1.9 percent. However, the recent improvement in the area's job market has been weighted toward lower-wage tourism industry jobs: In the year ending Q2 2017, Hospitality and Leisure jobs were up 4.6 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 we expect should allow the industry to experience strong visitor growth for the next few years. The University of Central Florida is also emerging as an economic driver.

Development

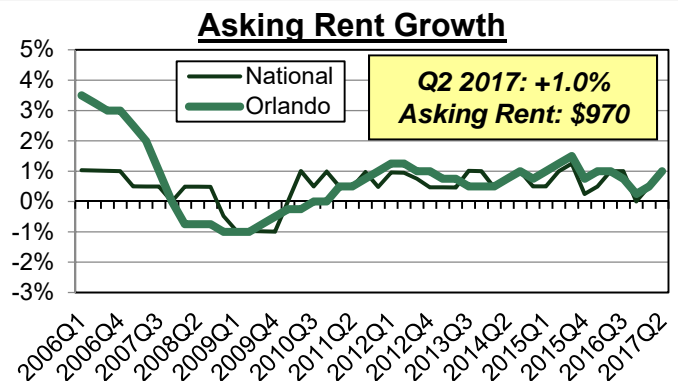
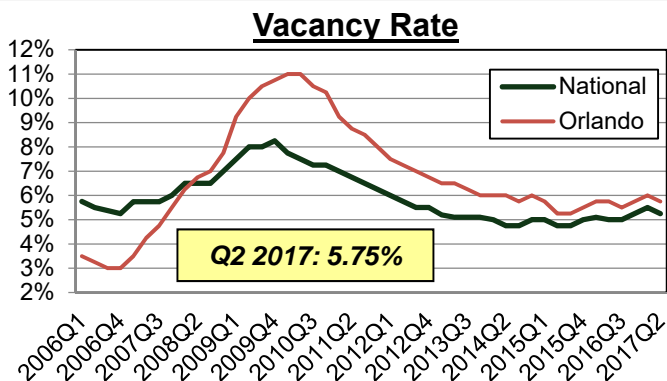
Despite only recently recovering from the Great Recession, new apartment development activity is rapidly picking up speed: There are around 9,900 units currently underway. While demand is expected to be sufficient enough to absorb a surge of new units, further improvement in vacancy rates may take some time.

Outlook

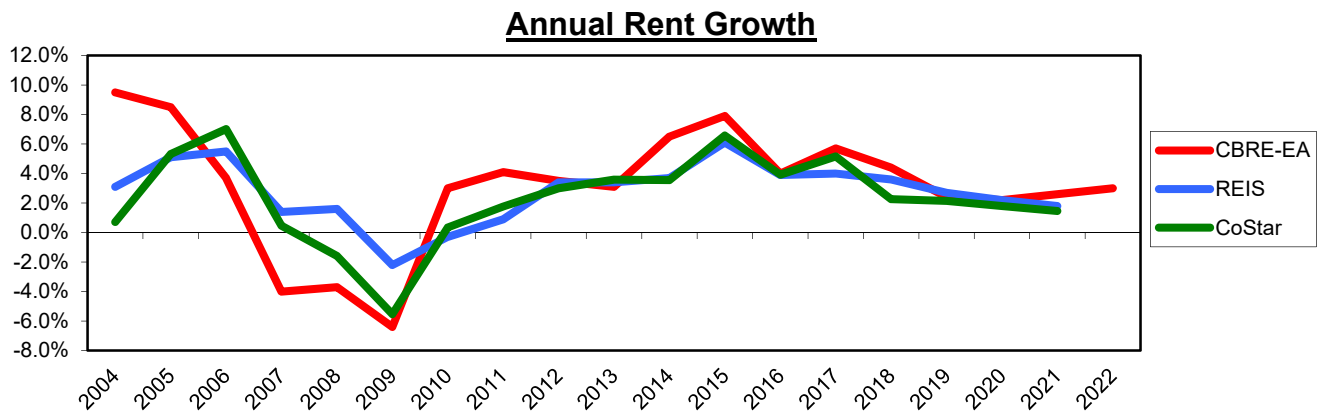
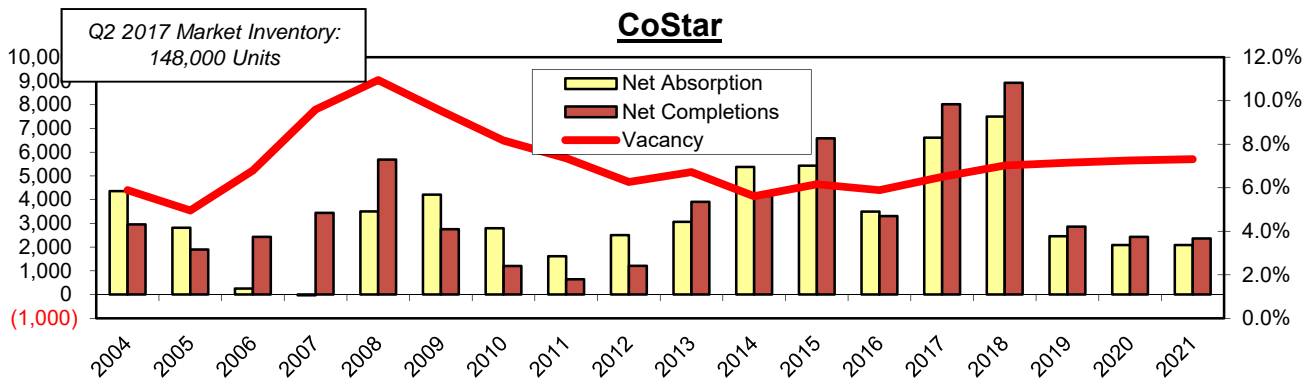
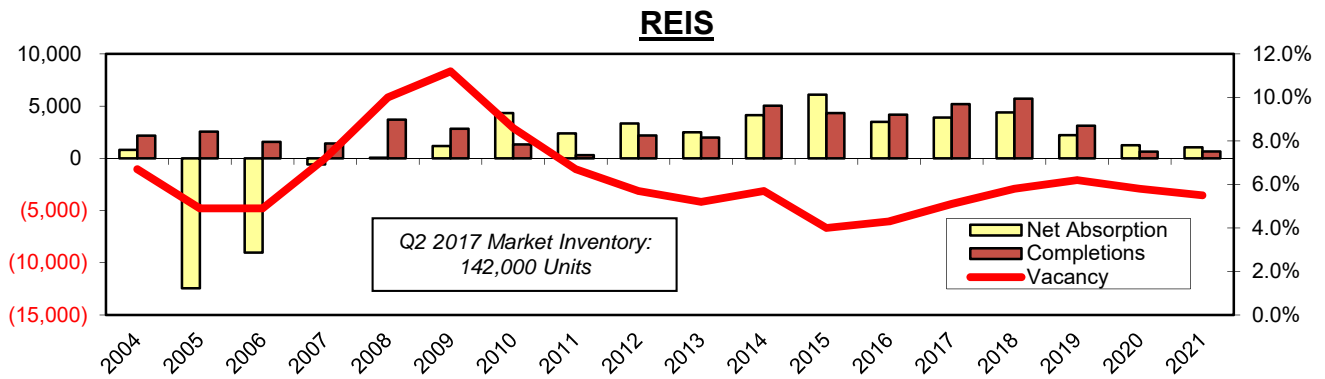
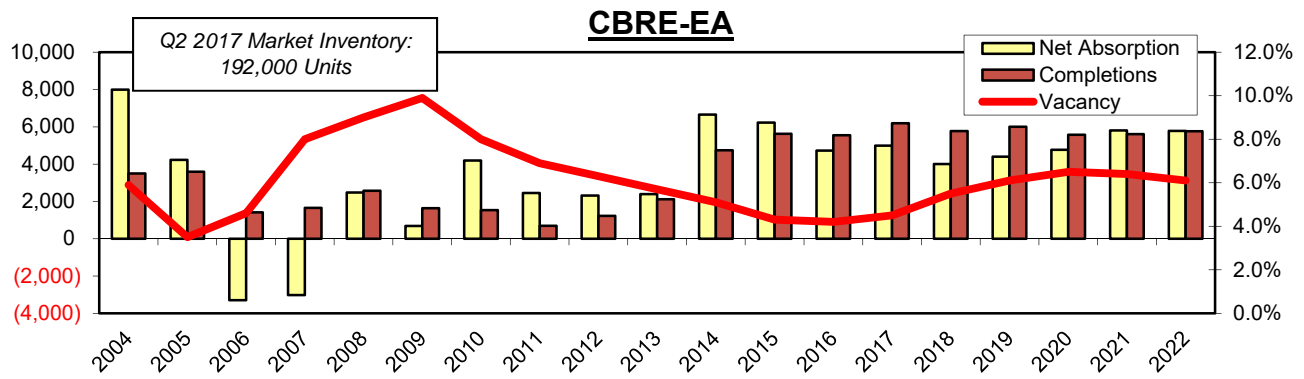
It seems the housing bust is history in Orlando and the area's rental market is doing well, driven by an expanding economy and pent-up household formations. But new development, shadow rental market supply, and job growth concentrated in lower-paying segments is likely keeping the market generally steady, prohibiting above-average tightening.

Orlando's economic and demographic growth prospects are expected to create solid demand for apartment rentals over the forecast horizon. Although the volatility associated with existing condo and prospective apartment development is concerning, the fundamental growth necessary for long-term rental demand in Orlando is likely there. Unconstrained development activity could slightly darken this bright picture. Orlando is going to need a significant new supply of multifamily rentals over the forecast horizon, but risks getting too much too soon to allow for outsized improvement.

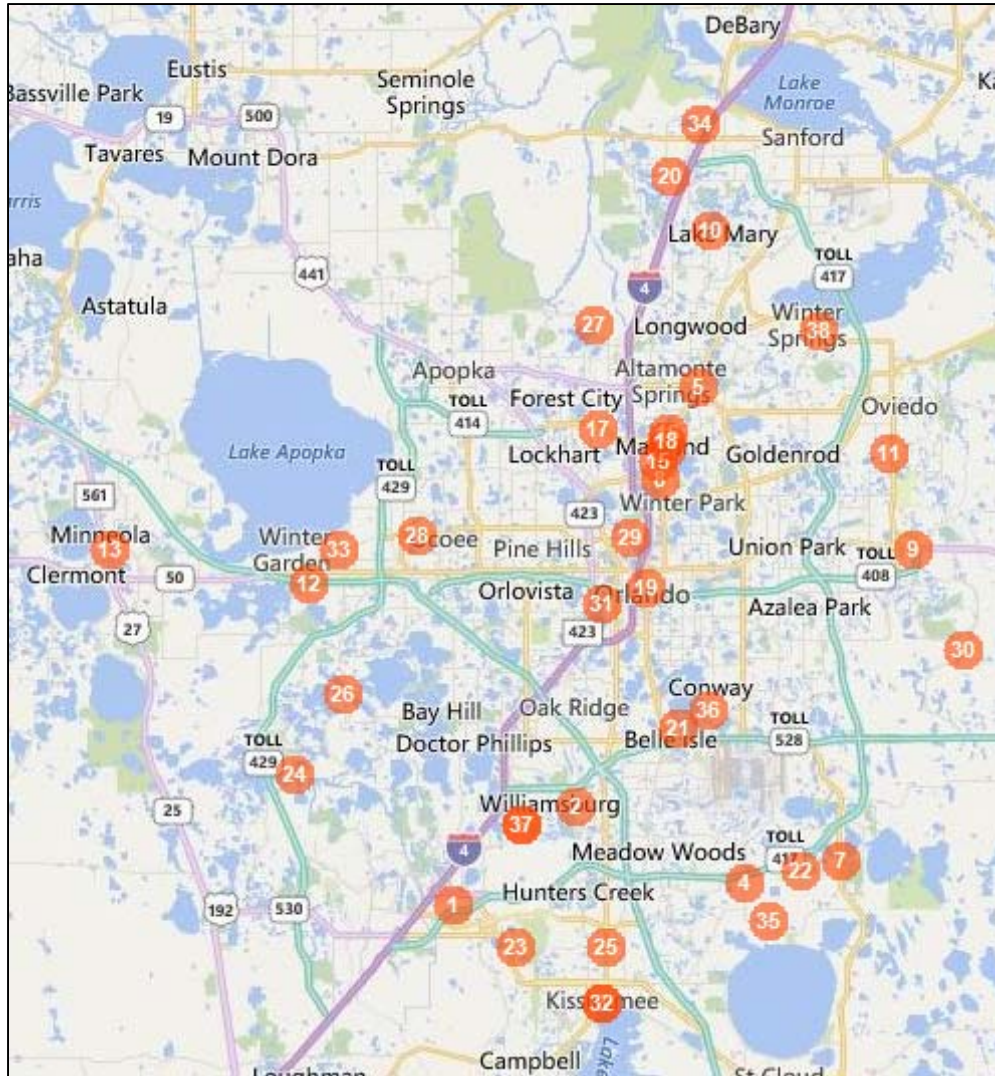
Vacancy and Rent Composite Estimates



Source: Fannie Mae Multifamily and Economics Research



Construction Bidding/Underway
(38 projects/9,900 Units/11.4 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units	CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
East Altamonte/Casselberry	2	386	342	Northeast/436/551	1	212	
Far North	5	1235	1182	Northwest/441	2	337	329
Far South/Lake Buena Vista	4	1509	1225	Orange County/Other	3	1086	972
Kissimmee/Osceola	5	1645	1621	South Central/527/441	3	1005	952
Lake County	1	115	144	Southeast/Airport/436/15	4	1299	1057
Maitland/Winter Park	7	2358	1862	Southwest/435	1	222	200



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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.

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