Northmarq

MARKET INSIGHTS

Rents gain ground despite elevated deliveries

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	11,460
UNITS DELIVERED (YTD)	6,461

MARKET FUNDAMENTALS

VACANCY RATE	8.4%
YEAR-OVER-YEAR CHANGE	+60bps
ASKING RENTS	$1,690
YEAR-OVER-YEAR CHANGE	+2.0%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$221,700

ORLANDO MULTIFAMILY
2Q 2025

HIGHLIGHTS

- Orlando's multifamily property performance was mixed in the second quarter, with asking rents continuing to rise while the vacancy rate edged higher.
- Vacancy rose 40 basis points in the second quarter, reaching 8.4%. The current rate is up 60 basis points year over year. Recent absorption levels have been strong, but have not fully offset the pace of new supply.
- Average asking rents in Orlando rose 0.7% during the second quarter to $1,690 per month. Over the past 12 months, asking rents have risen 2.0%.
- Multifamily investment activity remained limited, with a handful of transactions closing. Year-to-date, the median sale price is $221,700 per unit, trending lower than the 2024 figure, while cap rates have generally held around 5.5%.

ORLANDO MULTIFAMILY MARKET OVERVIEW

Renter demand for Orlando apartments remained healthy through the second quarter of 2025. Net absorption totaled roughly 5,000 units in the first half, above the market's long-term average, but still down about 30% from the same period in 2024. Vacancy trends have been mixed in recent periods, reflecting high volumes of both supply and demand growth. During the second quarter, area vacancies rose to 8.4%, offsetting some of the rate improvement posted in the first three months of the year. Current vacancies are also higher than levels from one year ago, although leasing activity has kept pace reasonably well with new construction. Notably, submarkets with the greatest totals of new units, especially International Drive/Southwest Orlando, recorded occupancy gains in the first half, indicating strong renter demand for new projects in these areas. This activity has helped stabilize rents. After some softness in the middle part of 2024, rents have now posted three consecutive quarters of growth. On the supply side, multifamily development remains elevated by historical standards, though signs of a slowdown are emerging.

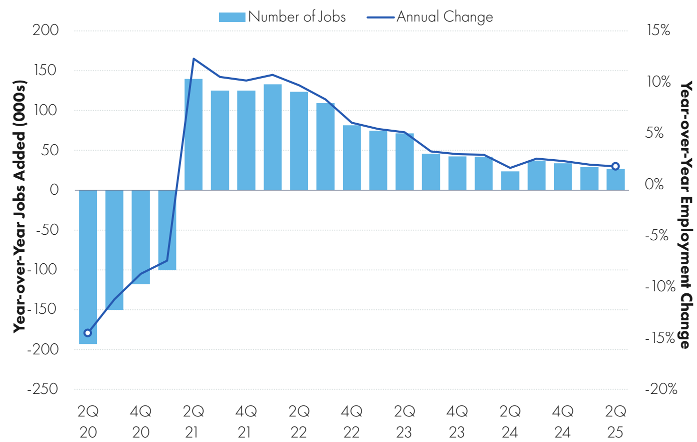
Orlando's multifamily investment market has stabilized so far this year despite supply pressures, supported by continued job growth and an influx of new residents. Investors remain cautious but are noting that operational performance is on firmer footing than late last year. The median sale price is trending lower at $221,700 per unit in deals that have closed through the first half of the year. Cap rates have generally held between 5.0% and 5.5% on stabilized Class A multifamily assets. Year to date, about 60% of sales have occurred in the International Drive submarket, compared to last year when most sales were concentrated in the North Orlando submarket on higher-end properties.

EMPLOYMENT

- Employers have added 26,500 jobs in the past year, an annual growth rate of about 1.8%. While job gains have moderated slightly from the rapid pace posted in prior years, Orlando's growth still outpaces most major markets.
- The leisure and hospitality sector remains key to local growth, adding 6,900 new jobs, a 2.4% increase. This tourism-driven hiring supports apartment demand, particularly in southwest Orlando where many of these jobs are located.
- Universal's Epic Universe theme park opened in late May, a project expected to create 17,000 jobs. The economic impact of the new park should be reflected in hiring in hospitality and retail sectors, supporting renter demand in nearby areas of Orange and Osceola counties.
- **FORECAST:** Employers are forecast to expand payrolls by 2.0% in 2025, adding about 30,000 new jobs. Tourism-related sectors will lead near-term growth.

Universal's Epic Universe is expected to create 17,000 jobs.

EMPLOYMENT OVERVIEW

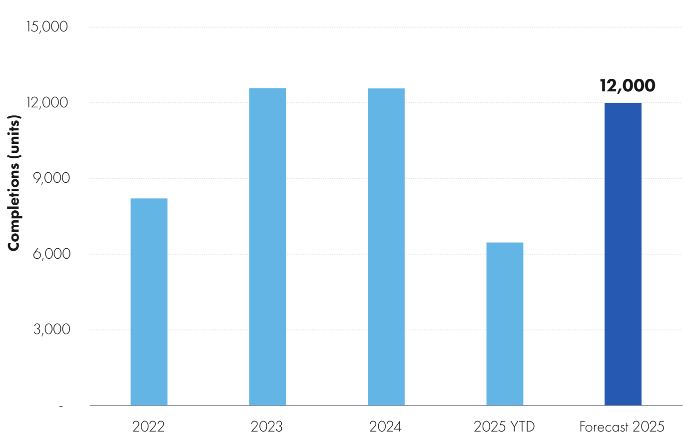


Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

Approximately 6,400 units have been delivered year-to-date.

DEVELOPMENT TRENDS



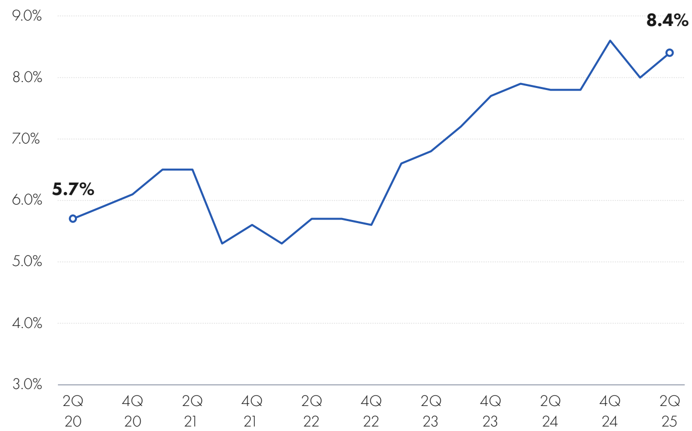
Sources: Northmarq, CoStar

- Multifamily development activity in Orlando remained elevated through the first half of 2025, but signs point to a construction peak having passed. Approximately 6,400 units have been delivered the first half of 2025, up about 7% compared to the first half of 2024.
- Projects currently under construction have fallen to approximately 11,500 units, nearly 30% below levels recorded one year ago. The largest concentration remains in International Drive/Southwest Orlando, which accounts for roughly one-third of units under construction. This area delivered about 1,800 units in the first half with another 1,400 units still underway.
- Developers moved on project approvals before a significant mobility fee increase took effect in Osceola County. Permit applications submitted before the May deadline were subject to the previous fee structure. In the first half, developers filed permits for 7,700 multifamily units, a regional record far exceeding the historical average of 2,350 units per quarter from 2016–2024.
- **FORECAST:** Deliveries are expected to remain elevated in 2025, with about 12,000 units slated for completion. From 2026 on, new supply is likely to moderate as project starts have slowed.

VACANCY

Class A vacancy fell 30 basis points in the second quarter.

VACANCY TRENDS



Sources: Northmarq, REIS

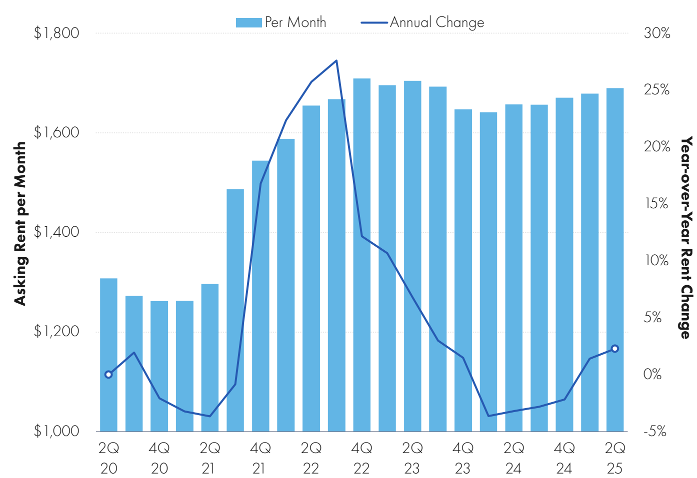
- After tightening at the start of the year, vacancy increased in the second quarter as new deliveries outpaced demand. Vacancy rose 40 basis points to 8.4% in the second quarter. This marks an increase of 60 basis points year-over-year.
- Class A vacancy fell 30 basis points in the second quarter to 9.7%, down from last quarter's peak but up 120 basis points year-over-year. The combined vacancy for Class B and Class C properties rose 40 basis points to 6.2%, up 70 basis points from a year ago.
- Class A vacancy in Maitland/Winter Park dropped by 210 basis points year over year to 8.7%, while the rate in the Far North submarket improved by 180 basis points to 6.0%. These submarkets remain among the tightest in the region, supported by limited new supply pressure.
- **FORECAST:** By the end of 2025, vacancy is projected to settle around 8.5%, as continued renter demand and a tapering pipeline help absorb earlier deliveries. Looking ahead to 2026, vacancy may begin to trend lower as the construction boom subsides.

RENTS

- Asking rents in Orlando continued a gradual upward trend in the second quarter. After recording no growth for most of 2024, rents have now posted three consecutive quarters of year-over-year increases. By mid-2025, average asking rents rose 2.0% annually, reaching $1,690 per month.
- Northwest Orlando rents surged 6.2% during the past year, reaching the low-$1,400s per month. Most submarkets recorded gains, including parts of Seminole and Lake counties, which posted above-average increases, supported by tight vacancies and limited supply.
- In the second quarter, average rents for Class A apartments reached $1,930 per month, reflecting a 1.2% annual growth. Class B and Class C apartments averaged $1,330 per month, with annual gains of 2.0%.
- **FORECAST:** Asking rents in Orlando are forecast to rise at a modest pace for the remainder of the year, improving from the sluggish growth experienced in 2024. By the end of 2025, area rents are projected to reach $1,705 per month, representing an annual increase of 2.1%.

Average asking rents rose 2.0% annually.

RENTS TRENDS



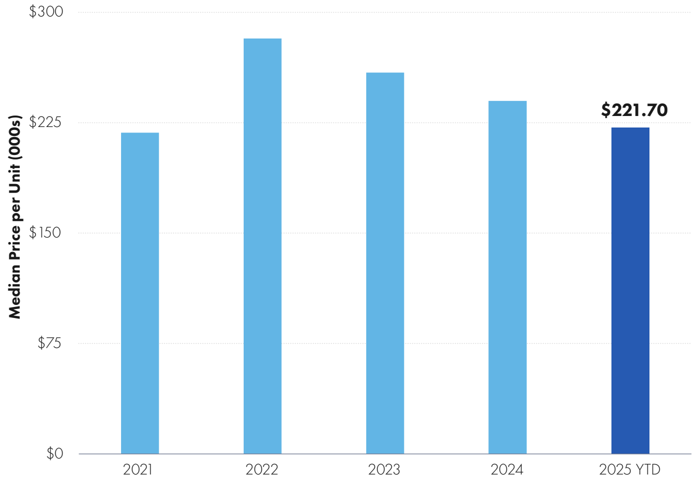
Sources: Northmarq, REIS

MULTIFAMILY SALES

- Investment activity remains mild, with only a handful of apartment deals closing this quarter, keeping year-to-date sales volume consistent with the subdued levels seen in mid-2024.
- Year to date, the median sale price is approximately $221,700 per unit. This represents an 8% decline from the 2024 median and about 20% lower than the cyclical peak reached in 2022. This dip in median pricing reflects the mix of assets trading, which are primarily high-quality but older vintages.
- Cap rates in Orlando have leveled off after rising last year. Stabilized multifamily assets are trading at cap rates generally 5.0% and 5.5%, depending on asset class and submarket. This is roughly 100 basis points higher than those recorded in early 2022.

Year to date, the median sale price is $221,700 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

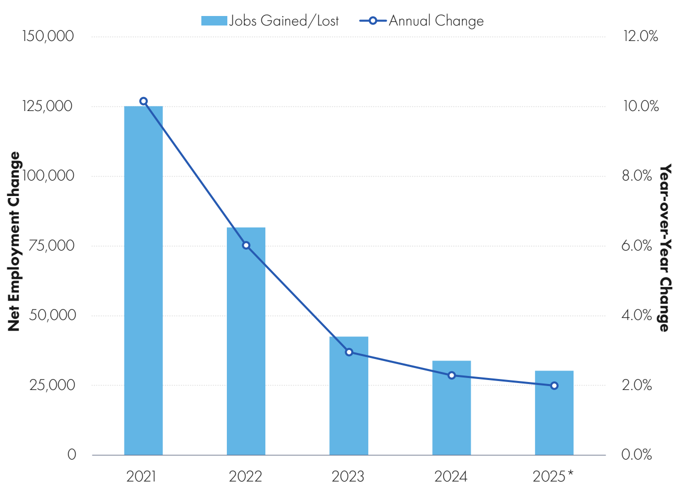
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Bell Avalon Park	525 Loyola Cir., Orlando	2008	487	$137,000,000	$281,314
Addison Square	7578 Highsmith Rd., Viera	2024	270	$94,000,000	$348,185
Mallory Square	8810 Albury Dr., Orlando	2023	284	$84,843,000	$298,743

LOOKING AHEAD

Orlando's multifamily fundamentals are expected to stay solid through 2025 and 2026 despite elevated new supply. About 12,000 units are set to deliver this year, marking the third straight year of heightened deliveries, but demand is projected to keep pace, preventing major oversupply. Vacancy should settle in the mid-8% range, with no abrupt spikes expected due to strong absorption and slower new starts. As new construction tapers in 2026, vacancy may begin to tighten again. Asking rents are forecast to rise, with 2025 rent growth likely outpacing the tepid gains of 2023-2024. Rents should advance by about 2.0% this year and could post more rapid gains in 2026 if renter demand remains strong and vacancies tighten.

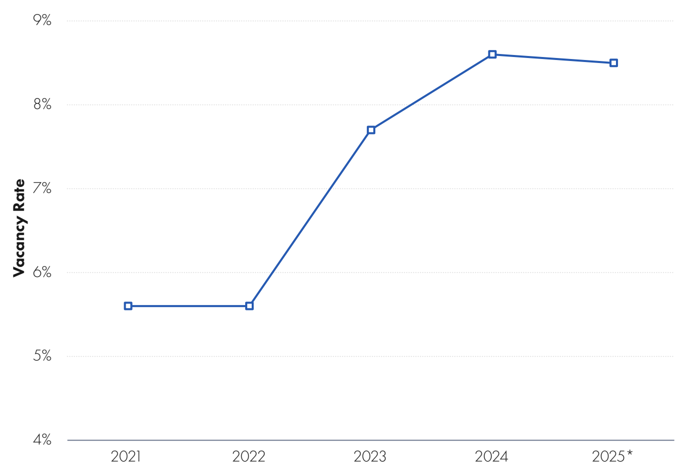
Investment sales volume is expected to remain below peak levels this year, but transactions are still getting done. The International Drive corridor remains an active location for sales, a trend that is expected to continue as properties stabilize. Trades may also pick up in North and Northwest Orlando as investors target submarkets where vacancies are lower. Transaction velocity should remain consistent in the near term. More deals involving 1980s-built or value-add properties could emerge, as this vintage held up well in the last cycle, encouraging some owners to sell. Increased trading of older assets could put mild upward pressure on cap rates, though they should remain within a tight range. Declining interest rates could potentially support investor confidence and bring more buyers off the sidelines, potentially boosting sales by early 2026.

EMPLOYMENT FORECAST



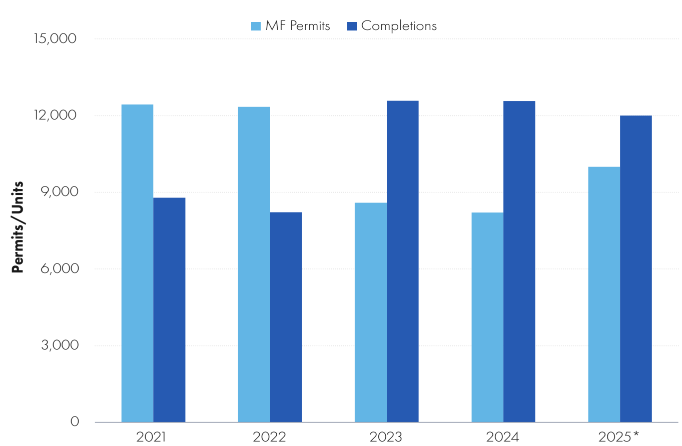
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



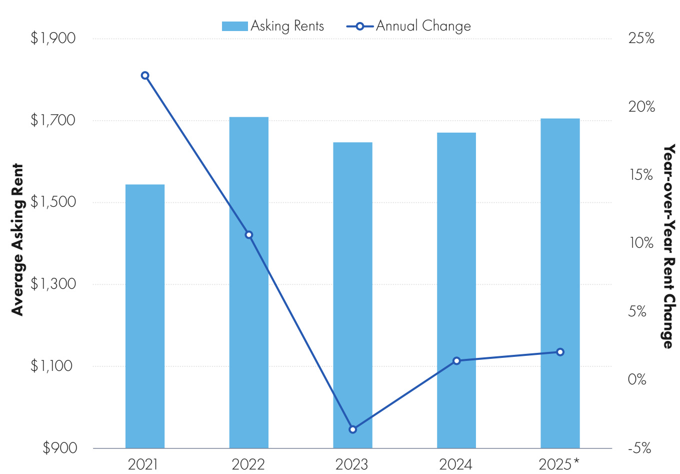
** Year End Forecast*
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, REIS

FOR MORE INFORMATION, **PLEASE CONTACT**

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