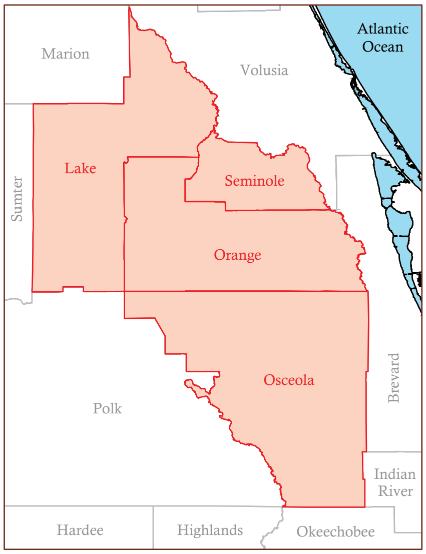
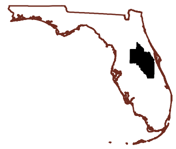
COMPREHENSIVE HOUSING MARKET ANALYSIS

Orlando-Kissimmee-Sanford, Florida

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2018





Housing Market Area

The Orlando-Kissimmee-Sanford Housing Market Area (hereafter, Orlando HMA) in central Florida is coterminous with the Orlando-Kissimmee-Sanford, FL Metropolitan Statistical Area. Orlando is a leading tourist destination in the world and is home to Walt Disney World Resort, Universal Orlando Resort, and SeaWorld. Magic Kingdom at Walt Disney World Resort had more than 20 million visitors in 2016, making it the most visited theme park worldwide. For purposes of this analysis, the HMA is divided into three submarkets: the Orange County submarket, which includes the city of Orlando; the Seminole County submarket; and the Lake and Osceola Counties submarket.

Summary

Economy

The Orlando HMA has had job growth since 2011, and economic conditions have strengthened since 2014 when the number of jobs exceeded the prerecession high. Nonfarm payrolls averaged 1.25 million during 2017, an increase of 3.2 percent from 2016. The mining, logging, and construction sector expanded at the fastest percentage rate because of a significant increase in construction activity during the past year. Leisure and hospitality is the largest employment sector, anchored by Walt Disney World Resort and Universal Orlando Resort, which are the two largest employers in the HMA. Nonfarm payrolls are expected to grow an average of 3.7 percent a year during the 3-year forecast period.

Sales Market

The current sales housing market in the HMA is balanced, with an estimated 2.4-percent vacancy rate (Table DP-1). During 2017, the number of new and existing homes sold increased 3 percent, and the average sales price increased more than 7 percent relative to a year ago. During the next 3 years, demand is estimated for 41,850 new homes (Table 1). The 5,225 homes currently under construction will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are currently balanced, and the overall rental vacancy rate is estimated at 6.9 percent, down from 13.3 percent in 2010. The market for apartments is slightly tight, with an apartment vacancy rate of 4.0 percent during the fourth quarter of 2017. During the forecast period, demand is expected for 28,775 new market-rate rental units. The 6,100 units currently under construction will meet a portion of the demand during the first year of the forecast period (Table 1).

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Table 1. Housing Demand in the Orlando HMA* During the Forecast Period

	Orlando HMA*		Orange County Submarket		Seminole County Submarket		Lake and Osceola Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	41,850	28,775	18,600	15,300	6,150	4,275	17,100	9,200
Under construction	5,225	6,100	2,225	3,600	400	1,600	2,600	900

** Orlando-Kissimmee-Sanford HMA.*

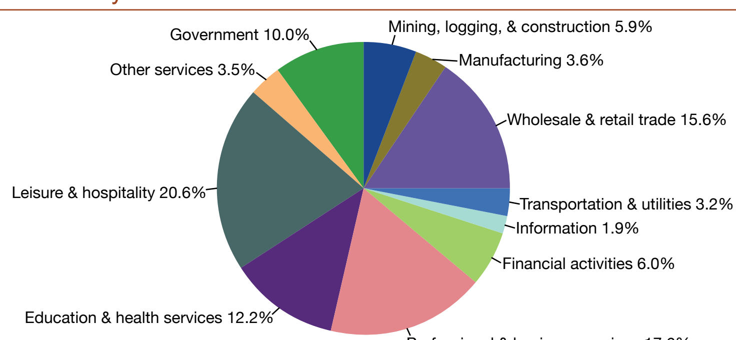
Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2018. The forecast period is January 1, 2018, to January 1, 2021.

Source: Estimates by analyst

Economic Conditions

The Orlando HMA is a popular tourist destination, and the economy includes a large leisure and hospitality sector, which accounted for 20.6 percent of all nonfarm payroll jobs during 2017 (Figure 1). Six of the top 10 theme parks worldwide, by attendance, are in the HMA: Magic Kingdom, Epcot Center, Disney's Animal Kingdom, Disney's Hollywood Studios, Universal Studios Hollywood, and Universal's Islands of Adventure. The six parks had a combined attendance of 77.5 million in 2016, making the HMA the most attended amusement park location globally (Themed Entertainment Association; AECOM). The HMA is also home to 3 of the top 10 global water parks: Typhoon Lagoon at Disney World, Blizzard Beach at Disney World, and Aquatica at SeaWorld, with a combined attendance of 6.4 million in 2016.

Figure 1. Current Nonfarm Payroll Jobs in the Orlando HMA,* by Sector



** Orlando-Kissimmee-Sanford HMA.*

Note: Based on 12-month averages through December 2017.

Source: U.S. Bureau of Labor Statistics

The HMA had strong economic growth after the most recent economic downturn that resulted from the national recession from 2007 to 2009. Total jobs declined by an average of 30,200 jobs, or 2.9 percent, annually from 2008 through 2010, but the losses were completely recovered by 2014. During the recovery and subsequent economic expansion from 2011 through 2016, nonfarm payrolls increased by an average of 36,100 jobs, or 3.3 percent, annually. By comparison, national nonfarm payrolls increased an average of 1.7 percent annually during the same period. During 2017, nonfarm payrolls in the HMA rose by 38,200 jobs, or 3.2 percent, from a year earlier to average 1.25 million jobs (Table 2) and exceeded the prerecessionary peak of 1.08 million jobs in 2007 by more than 15 percent. Growth in nearly every sector during the past year contributed to overall job gains that more than offset the small loss of 300 jobs in the other services sector. The unemployment

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Orlando HMA,* by Sector

	12 Months Ending		Absolute Change	Percent Change
	December 2016	December 2017		
Total nonfarm payroll jobs	1,208,900	1,247,100	38,200	3.2
Goods-producing sectors	110,800	118,300	7,500	6.8
Mining, logging, & construction	68,300	73,800	5,500	8.1
Manufacturing	42,500	44,500	2,000	4.7
Service-providing sectors	1,098,100	1,128,800	30,700	2.8
Wholesale & retail trade	190,200	194,100	3,900	2.1
Transportation & utilities	37,800	39,300	1,500	4.0
Information	24,100	24,100	0	0.0
Financial activities	73,300	74,700	1,400	1.9
Professional & business services	207,500	219,600	12,100	5.8
Education & health services	148,300	151,900	3,600	2.4
Leisure & hospitality	249,600	256,500	6,900	2.8
Other services	44,100	43,800	– 300	– 0.7
Government	123,300	124,700	1,400	1.1

** Orlando-Kissimmee-Sanford HMA.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2016 and December 2017.

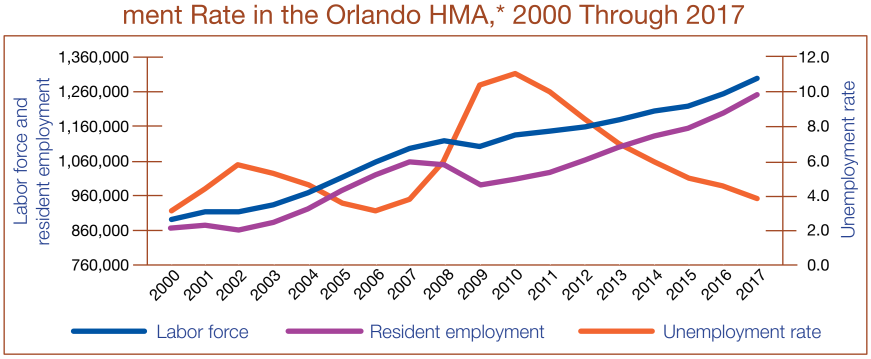
Source: U.S. Bureau of Labor Statistics

rate averaged 3.8 percent during 2017, down from 4.5 percent a year earlier, as employment growth outpaced labor force gains. Figure 2 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2017.

The HMA economy contracted during the early 2000s before expanding from 2003 through 2007. From 2001 through 2002, payrolls declined an average of 3,500 jobs, or 0.4 percent, annually. The leisure and hospitality and the manufacturing sectors led job losses, shedding a respective 6,000 and 3,400 jobs, or 3.4 and 6.6 percent, annually. From 2003 through 2007, payroll growth resumed and averaged 37,100 jobs, or 3.8 percent, annually. The professional and business services and the leisure and hospitality sectors had the largest job growth, averaging gains of 7,200 and 5,700 jobs, or 4.5 and 3.2 percent, respectively per year.

In addition to being the largest payroll sector in the HMA, the leisure and hospitality sector had the second highest number of jobs added during the past year, rising by 6,900 jobs, or 2.8 percent, to 256,500 jobs. The sector has recorded the third fastest percentage growth since 2000 (Figure 3). Walt Disney World Resort and Universal Orlando Resort are the two largest employers in the HMA, with 73,000 and 23,000 employees, respectively (Table 3). Walt Disney World Resort is the largest private employer at a single site in the United States (economy.com). Tourism has an estimated economic impact of more than $50 billion on the local economy annually (Visit Orlando). As economic conditions improved in the HMA

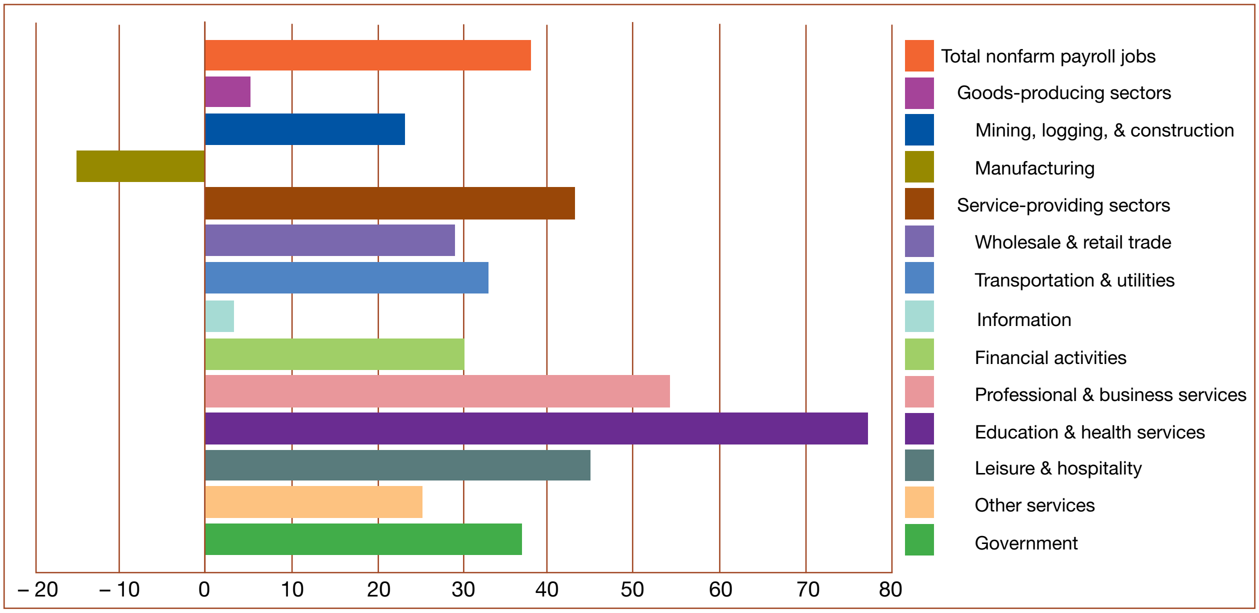
Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Orlando HMA,* 2000 Through 2017



** Orlando-Kissimmee-Sanford HMA.*

Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Orlando HMA,* Percentage Change, 2000 to Current



** Orlando-Kissimmee-Sanford HMA.*
Note: Current is based on 12-month averages through December 2017.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Orlando HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Walt Disney World Resort	Leisure & hospitality	73,000
Universal Orlando Resort	Leisure & hospitality	23,000
Florida Hospital	Education & health services	21,815
Publix Super Markets Inc.	Wholesale & retail trade	19,783
Orlando Health	Education & health services	19,032
University of Central Florida	Government	9,134
Lockheed Martin Corporation	Manufacturing	9,000
SeaWorld	Leisure & hospitality	6,032
Darden Restaurants, Inc.	Leisure & hospitality	5,500
Valencia College	Government	4,733

** Orlando-Kissimmee-Sanford HMA.*
Note: Excludes local school districts.
Sources: Orlando Sentinel; Orlando Business Journal *2017*

from 2011 through 2016, the leisure and hospitality sector led job growth, rising by an average of 9,000 jobs, or 4.1 percent, annually. Some of this growth was attributable to the addition of the attractions The Wizarding World of Harry Potter in 2010, Diagon Alley and Hogwarts Express in 2014, and the new Sapphire Falls hotel in 2016 that added about 1,000 rooms to the resort. At the start of the 2017 season, the Volcano Bay water theme park opened, supporting sector job growth during the past year.

The mining, logging, and construction sector also benefits from the large leisure and hospitality sector, as most of the structures that house travel and tourism businesses are continuously built or renovated. The mining, logging, and construction sector had the highest percentage growth of any sector during 2017, rising 8.1 percent, or 5,500 jobs, to 73,800 jobs. Part of this growth occurred because the HMA has more than $9 billion in underway infrastructure construction, including an expansion of Interstate 4, the Orlando International Airport and Orlando Sanford International Airport expansions, and the commuter rail transit system expansion called SunRail Phase II. From 2001 through 2006, the mining, logging, and construction sector grew by an average of 5,200 jobs, or 7.2 percent, annually, partly because of increased single-family home construction that nearly doubled from 2000 through 2004 and remained elevated through 2006. Beginning in 2007, sector payrolls declined, with an average annual decrease of 9,200 jobs, or 13.1 percent, through 2011. During the period, the sector accounted for 89 percent of all job losses in the HMA. Both residential and nonresidential construction have increased in the HMA since 2012, contributing to sector growth. From 2012 through 2016, the mining, logging, and construction sector increased by 4,600 jobs, or 8.6 percent, annually, as residential (single-family plus multifamily) permitting rose from 6,725 units in 2011 to 23,250 units in 2016. Even with recent growth, the number of jobs in the sector is still nearly 20 percent lower than the peak of 91,200 jobs in 2006.

The professional and business services sector supported job gains during the economic recovery from 2011 through 2016, increasing by 7,700 jobs, or 4.3 percent, annually, which was the second fastest rate of growth in the HMA during the period behind the mining, logging, and construction sector. Following job losses surrounding the national recession at the start of the previous decade, the sector added an average of 7,200 jobs, or 4.5 percent, annually from 2003 through 2007, before 3 years of losses from 2008 through 2010, when the sector declined an average of 6,500 jobs, or 3.7 percent, annually. Job growth in the sector increased during 2017, and the sector added the most jobs of any sector in the HMA, rising by 12,100 jobs, or 5.8 percent, to 219,600 jobs. As the second largest sector in the HMA with 17.6 percent of all nonfarm payrolls, the professional and business services sector has contributed to job growth during periods of expansion and has been the second fastest growing sector since 2000, increasing 54 percent, behind the education and health services sector, which has grown 77 percent.

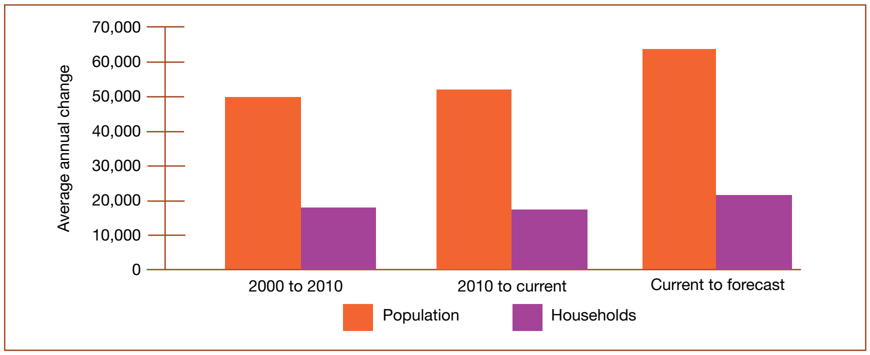
The government sector accounts for only 10.0 percent of nonfarm payrolls in the HMA but is a notable source of economic stability. The HMA is home to the University of Central Florida (UCF), with 56,000 undergraduate students, the largest number of undergraduates at a single campus in the United States (economy.com). UCF employs 9,134 full- and part-time staff and has an annual budget of $1.5 billion (UCF Institutional Research). Valencia College is also one of the HMA's largest employers and is one of the largest community colleges in America, with nearly 61,000 students enrolled. Valencia employs more than 4,733 staff and had a budget of $194 million in 2017. The government sector increased by an average of 3,200 jobs annually, or 3.2 percent, from 2001 through 2008. As economic conditions weakened following the national recession, the sector declined slightly by 600 jobs, or 0.5 percent, annually from 2009 through 2011, even with increased student enrollment during the period. Improving economic conditions in the HMA led to job growth in the sector that averaged 1,600 jobs, or 1.4 percent, annually from 2012 through 2016. During 2017, the number of jobs in the government sector increased by 1,400 jobs, or 1.1 percent, to 124,700 jobs.

Economic conditions are expected to remain strong during the 3-year forecast period. Nonfarm payrolls are forecast to rise an average of 3.7 percent annually, faster than the average rate of 3.3 percent from 2011 through 2017. Strong growth in the leisure and hospitality sector and the construction subsector are expected to continue as Walt Disney World Resort plans to spend $3 billion to build new rides at Disney's Magic Kingdom, Epcot Center, and Disney's Hollywood Studios and construct two new hotels. Moreover, a $500 million expansion of the Orange County Convention Center, the second largest convention space nationally, was recently announced, although the number of jobs to be created is unknown. UCF recently broke ground on a second campus near downtown Orlando that will serve an additional 7,700 students and is expected to be complete for the fall 2019 semester. The new campus is part of the 68-acre mixed-use Creative Village.

Population and Households

Population growth in the Orlando HMA has generally mirrored economic trends since 2000, with relatively high levels of net in-migration coinciding with job growth in the early 2000s and job losses contributing to slowed in-migration in the late 2000s and early 2010s. Population growth has accelerated since the early 2010s, as strong job growth has contributed to increased net in-migration. The current population of the HMA is estimated at 2.53 million, an increase of 51,150, or 2.2 percent, annually since 2010. By comparison, from 2000 to 2010, population growth averaged 49,000, or 2.6 percent, annually. Population growth averaged 51,450, or 3.1 percent, annually from 2000 to 2002 and rose to 64,950, or 3.5 percent, annually from 2002 to 2006, a period of job growth. During the 2002-to-2006 period, net in-migration averaged 52,200 people a year and accounted for 80 percent of total population growth. From 2006 to 2011, as economic conditions weakened, population growth fell sharply to only 31,150, or 1.5 percent, annually, and net in-migration fell to 17,000 people, or less than 55 percent of population growth annually (U.S. Census Bureau population estimates as of July 1). Part of the decreased net in-migration was attributable to effects of the national recession in the HMA. Since 2011, population in the HMA has increased by 54,650, or 2.4 percent, annually, and net in-migration has surged to 43,350 people annually, or 80 percent of total population growth. As before, part of this increase was because of economic growth in the HMA. Since 2010, nonfarm payrolls in the HMA have risen 3.3 percent annually and are more than 15 percent higher than the previous peak in 2007. Figure 4 shows population and

Figure 4. Population and Household Growth in the Orlando HMA,* 2000 to Forecast

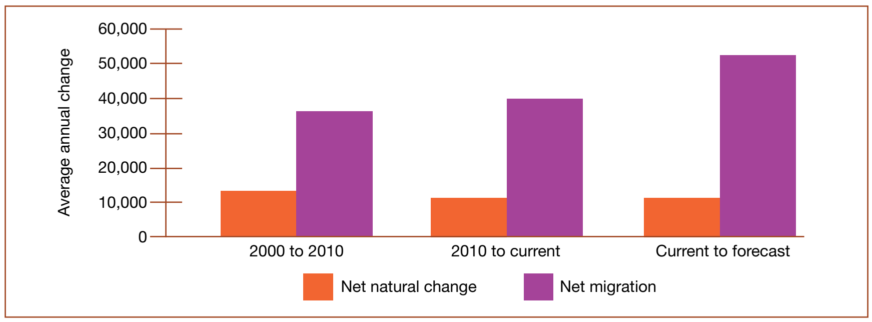


** Orlando-Kissimmee-Sanford HMA.*

Notes: The current date is January 1, 2018. The forecast date is January 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Orlando HMA,* 2000 to Forecast



** Orlando-Kissimmee-Sanford HMA.*

Notes: The current date is January 1, 2018. The forecast date is January 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

household growth in the HMA, and Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

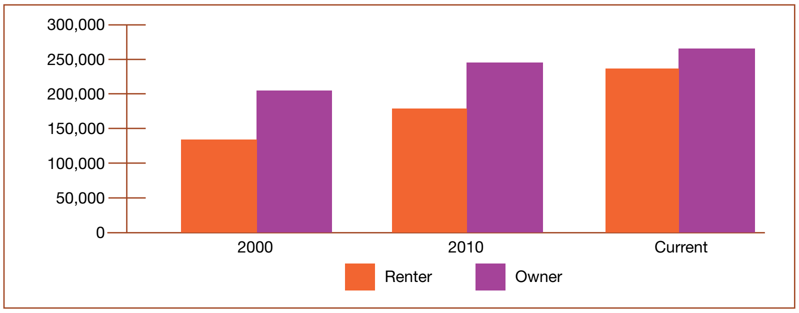
More than 50 percent of the HMA population resides in the Orange County submarket, which is the economic epicenter of the HMA and includes the city of Orlando. The population of the Orange County submarket is currently estimated at 1.36 million, an average increase of 27,350, or 2.2 percent, annually since 2010. Population growth averaged 28,200, or 2.9 percent, annually from 2000 to 2007. Net in-migration to the submarket was strong during the 2000-to-2007 period, averaging 19,400 people, or 69 percent of total population growth. From 2000 to 2007, the Orange County submarket accounted for nearly one-half of all housing units built in the HMA. As the economic recession began and the housing boom ended, net in-migration decreased to an average of 7,525 people annually from 2007 to 2011. The decreased in-migration contributed to slower population growth of 17,300, or 1.5 percent, annually. Since 2011, net in-migration has increased sharply to an average of 20,350 annually, which boosted population growth to an average of 28,950, or 2.3 percent, annually. During the next 3 years, population in the submarket is expected to increase by an average of 29,000, or 2.1 percent, annually.

Population growth in the Seminole County submarket was weaker than in the Orange County submarket. The Seminole County submarket is furthest from employment centers, including the theme parks. From 2000 to 2006, population growth in the Seminole County submarket averaged 7,675, or 2.0 percent, annually, with net in-migration averaging 5,700 people. As economic growth slowed in the HMA, net in-migration to the submarket slowed to 450 people annually from 2006 to 2010, which slowed population growth to 2,525, or 0.6 percent, annually. Since 2010, population growth increased again, rising by 5,575, or 1.3 percent, annually, with yearly net in-migration of 4,300 people contributing to nearly 80 percent of population growth. The current submarket population is estimated at 465,900. During the next 3 years, population in the submarket is expected to increase by 8,000, or 1.7 percent, annually.

The Lake and Osceola Counties submarket has an estimated population of 706,900. With close proximity to Walt Disney World Resort, which is in the southwestern part of Orange County, and the lowest average home sales price in the HMA, the submarket has had the fastest population growth in the HMA for much of the past 2 decades. The population increased by an average of 22,150, or 4.9 percent, annually from 2000 to 2007, the highest rate of growth in the HMA during the period. Net in-migration was strong during the period, accounting for 93 percent of population growth. During the ensuing period of economic decline from 2007 to 2010, the submarket population growth slowed dramatically to an average annual increase of 8,050, or 1.5 percent, as average net in-migration fell nearly 75 percent to 5,675 people annually. Since 2010, net in-migration surged to 16,750 people annually, which supported population growth of 18,200, or 2.9 percent, annually. During the next 3 years, the submarket population is expected to increase an average 25,800, or 3.5 percent, annually.

The number of households in the HMA is currently estimated to be 931,700, representing an average gain of 17,200, or 2.0 percent, annually since 2010. By comparison, household growth averaged 17,300, or 2.5 percent, annually during the previous decade. Renter household growth accounted for 72 percent of HMA household growth since 2010, contributing to a decline in the homeownership rate to 58.2 percent from 63.2 percent in 2010. The Orange County submarket has an estimated 498,400 households, accounting for more than 50 percent of HMA households. Household growth in the submarket increased from an average of 8,550 households, or 2.3 percent, annually during the previous decade to an average of 9,875, or 2.2 percent, since 2010. Student households account for approximately 4 percent of households in the Orange County submarket. During the previous decade, student households increased by about 760, or 5 percent, annually, before slowing to 440, or 2 percent, annually from 2010 to 2016. Student households are expected to increase by 370, or less than 2 percent, annually during the next 3 years. Household growth in the Seminole County submarket declined from 2,525, or 1.7 percent, annually from 2000 to 2010

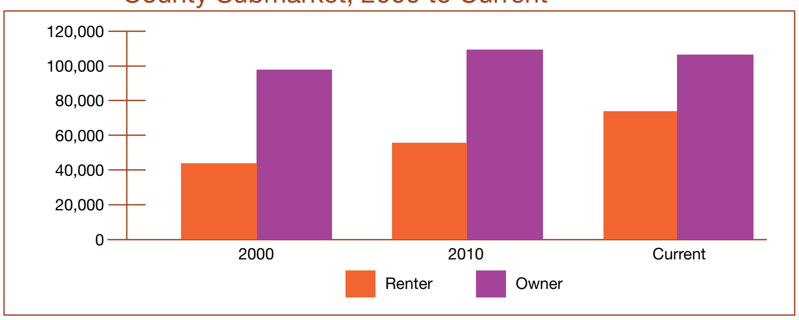
Figure 6. Number of Households by Tenure in the Orange County Submarket, 2000 to Current



Note: The current date is January 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

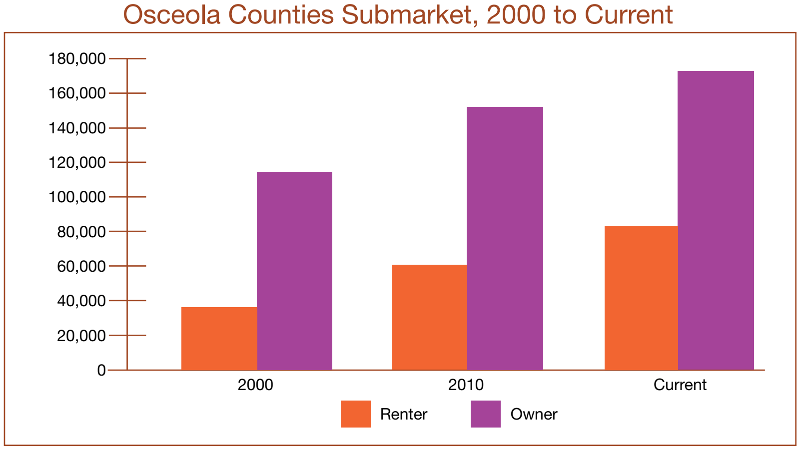
Figure 7. Number of Households by Tenure in the Seminole County Submarket, 2000 to Current



Note: The current date is January 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Lake and Osceola Counties Submarket, 2000 to Current



Note: The current date is January 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

to 1,950, or 1.1 percent, annually since 2010 to 179,800 households. Renter household growth has accounted for all the household growth in the submarket since 2010. The number of households in the Lake and Osceola Counties submarket grew by an average of 6,250, or 3.6 percent, annually from 2000 to 2010, before the rate of growth declined to 5,375, or 2.3 percent, since 2010. The homeownership rate in the submarket is currently estimated at 67.6, the highest rate in HMA, partly because home sale prices are relatively lower than in the other submarkets. During the next 3 years, the number of households in the HMA is expected to increase by an average of 21,100, or 2.2 percent, annually. Household growth is expected to be highest in the Orange County submarket, closest to employment centers. The fastest rate of household growth is expected in the Lake and Osceola Counties submarket. Figures 6, 7, and 8 show the number of households by tenure in each submarket from 2000 to the current date.

Sales Market—Orange County Submarket

The sales housing market in the Orange County submarket is currently balanced, with an estimated sales vacancy rate of 2.7 percent, down from 4.2 percent in 2010 (Table DP-2). Increased population growth and limited single-family home construction since the early 2010s has contributed to improving market conditions. The 1.2-month supply of inventory for new and existing single-family homes, townhomes, and condominiums in 2017 was slightly lower than the 1.3-month supply a year earlier but down significantly from the 3.8-month supply in 2007 (Orlando Regional Realtor® Association). Home sales in the submarket increased to 31,725 homes sold during 2017, up more than 4 percent compared with the previous 12 months, led by a sharp rise in new home sales. The average home sales price increased 7 percent to $269,200 (CoreLogic, Inc., with adjustments by the analyst).

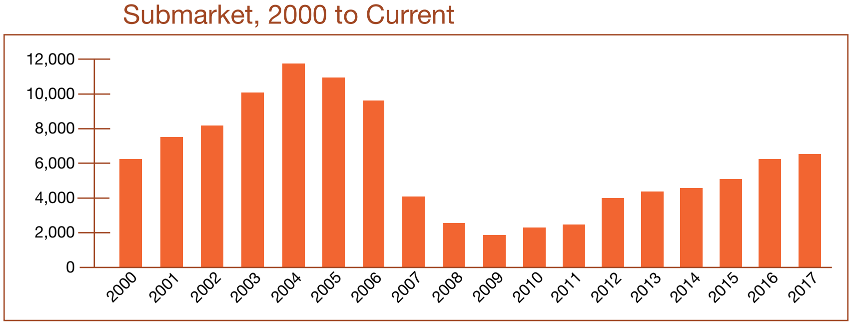
Existing home sales in the Orlando HMA peaked in mid-2005 and began declining in late 2005, even with strong economic and population growth. Existing home sales averaged 26,450 annually from 2000 through 2004 before decreasing by an average of 3,525 homes sold, or 17 percent, annually from 2005 to 12,350 homes sold in 2008. During 2009 and 2010, existing home sales rose sharply by 4,925 homes annually to 22,175 homes sold during 2010, with 67 percent of the increase attributable to a rise in the number of real estate owned (REO) sales. Beginning in 2011, as the economy in the HMA continued recovering and net in-migration increased, existing home sales decreased by an average of nearly 1 percent annually to 21,350 homes sold in 2012. The decrease in existing home sales was partly because of a 29-percent annual decline in REO sales in 2011 and 2012. REO sales peaked at an average of 44 percent of existing home sales during 2009 and 2010 because of the large volume of foreclosures during that period and the relative affordability of REO properties, which had a price approximately 65 percent less than the average price for regular resales. By comparison, REO sales decreased to less than 5 percent of existing home sales in 2017. Since 2012, existing homes sales increased an average of more than 4 percent annually to 26,250 sales in 2017. The average sales price for existing homes increased 12 percent annually from 2000 through 2007 to $270,300. During the housing crisis from 2008 through 2010, the average sales price decreased by an average of 21 percent annually to $134,100, in part because of elevated REO sales. From 2011 through 2016, when the economy improved, the average existing home price increased 9 percent annually to $227,800 and increased 8 percent to $247,000 in 2017.

The recovery in economic conditions and in the sales market since 2011 has led to a reduction in the rate of seriously delinquent mortgages (loans that are 90 or more days delinquent or in foreclosure) and properties that had transitioned to REO status in the HMA relative to earlier in the decade. As of December 2017, 5.8 percent of home loans in the HMA were seriously delinquent or had transitioned to REO status, up from 3.5 percent a year earlier (CoreLogic, Inc.). The recent increase follows a low of 2.7 percent in September 2017 and is likely because of effects from Hurricane Irma, which reached

Category 5 status on August 30, 2017, and swept into the city of Orlando as a Category 1 storm a few days later. Overall, the impact of Hurricane Irma to the HMA was minimal. Approximately $100 million in damage was assessed in the Orlando HMA, and 4,000 properties in the HMA were damaged but not destroyed (National Hurricane Center, Tropical Cyclone Report). Less than 1 percent of insurance claims were for flood-related problems, and most claims were for wind-related damage. By comparison, in the Middle and Lower Keys, 25 percent of buildings were destroyed, 65 percent were significantly damaged, and 90 percent of houses sustained some damage (National Hurricane Center). The rate of seriously delinquent loans and REO properties peaked in February 2010 at 21.9 percent of home loans compared with a national peak of 8.6 percent during February 2010. At the time, Orange County ranked seventh of the 67 counties in Florida for the number of seriously delinquent loans and REO properties. The rate in December 2017 is higher than the 5.5- and 2.4-percent rates for Florida and the nation respectively.

New home sales have been increasing since the previous low in 2010. The 5,450 new home sales during 2017 were 13 percent higher than the 4,850 sales in 2016 but are 70 percent less than the peak of 18,400 new homes sold during 2006. From the peak in 2006, new home sales declined 41 percent annually to a low of 2,275 homes sold in 2010, as economic conditions worsened. During the next 6 years, new home sales increased an average of 13 percent annually to 4,850 homes in 2016.

Figure 9. Single-Family Homes Permitted in the Orange County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through December 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The average price of a new home, including single-family, townhomes, and condominiums, in the submarket was $376,200 during 2017, up less than 1 percent from a year earlier but nearly 25 percent higher than the previous peak in 2007 (CoreLogic, Inc., with adjustments by the analyst). From 2000 through 2007, the average price of a new home increased 9 percent a year to a peak of $302,900, in part because of strong economic growth and net in-migration, before falling an average of 9 percent annually to $230,800 in 2010. From 2010 through 2016, new home sales prices rose an average of 8 percent annually.

Single-family homebuilding activity, as measured by the number of homes permitted, is increasing in the submarket. During 2017, the number of homes built increased 5 percent compared with a year earlier, to 6,450 homes (preliminary data). From 2000 through 2006, homes permitted averaged 9,100 annually (Figure 9). Home construction began to decline significantly in 2007, as in-migration to the submarket slowed, decreasing an average of 43 percent annually to 1,800 homes permitted in 2009. Homebuilding activity began to recover in 2010 and increased 19 percent annually from 2011 to 6,150 homes in 2016.

Homebuilding in Orange County has been primarily in the city of Orlando, with nearly 50 percent of homes permitted in the city since 2014 compared with an average of 35 percent annually from 2000 through 2006. Construction is under way at the Ruby Lake community, with prices for single-family homes starting at $425,000. Build-out is expected to take several years, and 236 homes are planned. Additionally, construction recently began at the 126-home development called Estates at Lake Pickett, offering single-family homes that range from three to six bedrooms and start at $370,990.

Condominium sales in the submarket increased during 2017, rising 2 percent to approximately 5,250 condominiums sold from the 5,150 sold a year earlier. By comparison, an average of 11,900 condominiums sold annually during 2005 and 2006 (Metrostudy, A Hanley Wood Company).

Condominium sales prices in the submarket averaged $141,800 during 2017, an increase of 19 percent from a year earlier but 35 percent less than the previous peak of $223,500 in 2007. Construction of condominiums in the submarket, as measured by the number permitted, averaged 1,100 units annually from 2000 through 2007, and condominiums represented 24 percent of all multifamily permitting during the period. Since 2007, condominium sales fell to an average of 7,150 annually from 2007 through 2014 and declined again to an average of 5,150 units annually during 2015 and 2016. From 2008 through 2016, condominium construction accounted for 1 percent of all multifamily construction, averaging 40 units annually. Builders began to respond to the increase in condominium sales and rising prices, and 670 condominiums were permitted during 2017, accounting for approximately 21 percent of all multifamily permitting.

During the next 3 years, demand is expected for 18,600 new homes in the submarket (Table 1). The 2,225 homes currently under construction will meet a portion of the demand. Table 4 shows estimated demand in the submarket by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Orange County Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
278,000	349,999	6,500	35.0
350,000	499,999	7,425	40.0
500,000	749,999	2,775	15.0
750,000	and higher	1,850	10.0

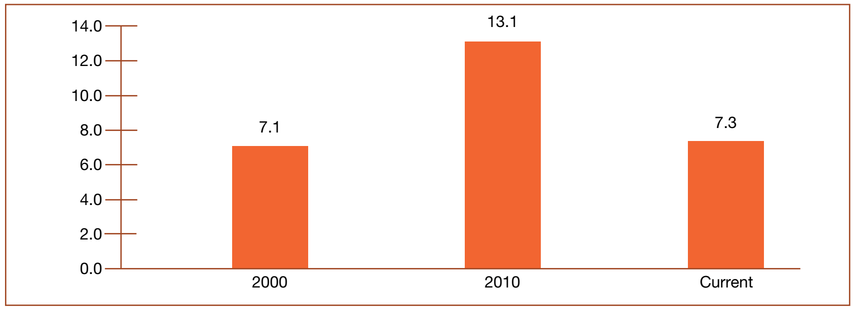
Notes: The 2,225 homes currently under construction in the submarket will likely satisfy some of the forecast demand. The forecast period is January 1, 2018, to January 1, 2021.

Source: Estimates by analyst

Rental Market—Orange County Submarket

The rental housing market in the Orange County submarket is balanced. The overall rental vacancy rate is estimated at 7.3 percent, down from 13.1 percent in 2010 (Figure 10). Approximately 62 percent of renter households live in multifamily buildings, typically apartments, and 34 percent of renter households live in single-family homes (2016 American Community Survey [ACS] 1-year data). Strong demand for apartment units due to increased net in-migration has contributed to rent growth and declining vacancy rates since the early 2010s. Even with a wave of apartment completions during the past year that totaled 4,575 units, the highest number since 2002, apartment market conditions are slightly tight. The apartment vacancy rate during the fourth quarter of 2017 was 3.9 percent, down from

Figure 10. Rental Vacancy Rates in the Orange County Submarket, 2000 to Current



Note: The current date is January 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

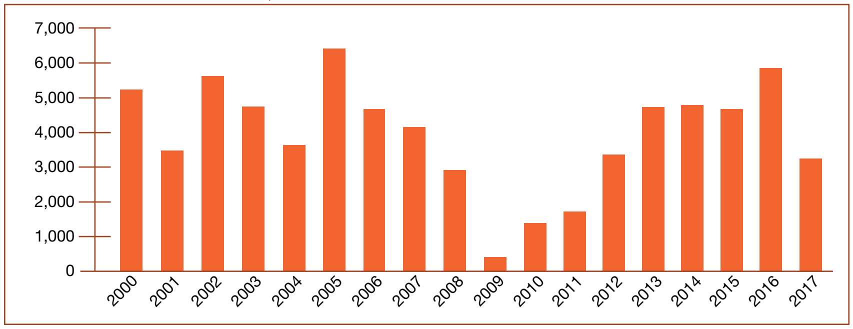
4.6 percent a year earlier (MPF Research). Although many apartments are in lease up, the number of apartments offering concessions has declined, and rent growth has strengthened. Approximately 12 percent of apartments in the submarket were offering concessions during the fourth quarter of 2017, down from 17 percent during the fourth quarter of 2016 (MPF Research, Inc.). Rent growth averaged more than 6 percent annually from the fourth quarter of 2012 through the fourth quarter of 2016, but during the fourth quarter of 2017, average rents increased 9 percent compared with a year earlier to $1,219.

Student households comprise an estimated 8 percent of renter households in the Orlando HMA, primarily in the city of Orlando near UCF, which has 56,000 undergraduate students, the largest number at a single campus in the United States. Approximately 44,350 students live off campus. In the MPF Research-defined University market area, which includes UCF, the apartment vacancy rate was 3.7 percent during the fourth quarter of 2017, equal the rate from a year earlier, and rents increased about 5 percent to average $1,169. On the UCF campus, the 600 dormitory beds under way will likely meet a portion of expected student enrollment growth of 2 percent, or 1,100 students, a year during the next 3 years.

In response to strong renter household growth and declining vacancy rates, multifamily construction activity increased sharply beginning in 2012. The average of 4,350 units permitted each year from 2012 through 2015 was more than double the average of 1,600 units permitted annually from 2008 through 2011, and the 5,800 multifamily units permitted in 2016 represent the second highest total since 1999. Multifamily construction activity, as measured by the number of units permitted, fell sharply during the past year, however. Only 3,225 units were permitted during 2017, as builders slowed development activity due to the large number of units under construction (preliminary data, with adjustments by the analyst). Multifamily permitting averaged 4,725 units from 2001 through 2006, a period of strong net in-migration, but subsequently declined an average of 55 percent a year to a low of 420 units permitted in 2009 (Figure 11).

Approximately 57 percent of apartments under construction in the submarket are concentrated in the Central Orlando and South Orange County market areas. By comparison,

Figure 11. Multifamily Units Permitted in the Orange County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through December 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

apartment construction in these market areas averaged 42 percent of completions in the submarket annually from 2013 through 2016. Apartment projects recently completed and under way include the 348-unit Ariel Apartments, and construction is expected to be complete in March 2018. Rents begin at $1,265, $1,545, and $1,799 for one-, two-, and three-bedroom units, respectively. Construction of The Yard at Ivanhoe apartment development, a 591-unit project in the Ivanhoe Village of downtown Orlando, is expected to begin in February 2018. The nine-story, 1.2 million-square-foot development will also feature 27,000 square feet of commercial space. Expected rents have not been released.

During the 3-year forecast period, demand is expected for 15,300 new market-rate rental units in the submarket (Table 1). The 3,600 units currently under construction will satisfy a portion of the rental housing demand during the first year of the forecast period. Table 5 shows estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Orange County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,250 or more	760	1,270 to 1,469	1,600	1,460 to 1,659	2,675	1,825 to 2,024	800
		1,470 to 1,669	1,375	1,660 to 1,859	2,300	2,025 to 2,224	690
		1,670 to 1,869	1,150	1,860 to 2,059	1,900	2,225 to 2,424	570
		1,870 or more	460	2,060 or more	760	2,425 or more	230
Total	760	Total	4,575	Total	7,650	Total	2,300

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 3,600 units currently under construction will likely satisfy some of the estimated demand. The forecast period is January 1, 2018, to January 1, 2021.
Source: Estimates by analyst

Sales Market—Seminole County Submarket

Current sales housing market conditions in the Seminole County submarket are balanced, with an estimated 2.9-percent vacancy rate, down from 3.1 percent in April 2010 (Table DP-3). The average price for new and existing home sales increased 6 percent during 2017 to $243,200, but the number of homes sold fell more than 2 percent to approximately 10,800 (CoreLogic, Inc., with adjustments by the analyst). The average price and home sales are below the highs reached before the housing crisis and the Great Recession. The average price is about 8 percent less than the previous peak of $263,200 in 2006. Likewise, new and existing home sales are about 30 percent less than the peak of 16,700 homes sold in 2005.

Existing home sales, including single-family homes, townhomes, and condominiums, decreased 3 percent to 9,950 homes sold during 2017 compared with the number sold a year earlier. Existing home sales are 26 percent below the previous peak of 13,450 homes sold in 2005, but existing sales prices are only 15 percent lower than the previous peak in 2006. From 2000 through 2006, sales of existing homes were strong, a result of strong net in-migration, averaging 11,225 homes sold annually. Existing home prices more than doubled during the period, rising from $128,200 in 2000 to $274,300 in 2006. When lending requirements tightened and jobs were lost, sales subsequently declined quickly, decreasing by an average of 2,975, or 31 percent, annually to a low of 4,500 in 2008. Existing sales prices declined 16 percent annually from 2006 to a low of $139,700 in 2010. The recovery was strong, with sales growth similar to that of the first part of the previous decade. From 2009 through 2016, sales increased nearly 11 percent annually to 10,250 homes sold during 2016. Existing home prices rose more slowly, increasing 8 percent annually from the low in 2010 to $218,300 in 2016. The average sales price of an existing home in the submarket was $231,700 during 2017, a 6-percent increase from the previous year.

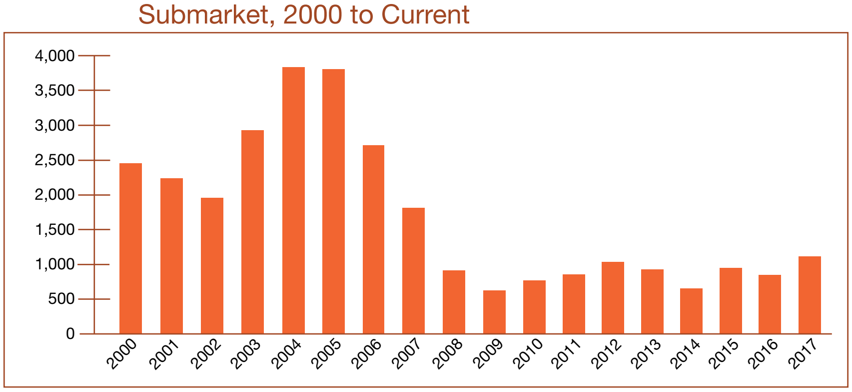
Mortgage delinquency in the submarket declined from the highs following the Great Recession but rose during the past year because of effects from Hurricane Irma. As of December 2017, 5.2 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, up from 3.1 percent a year earlier but well below the peak of 15.7 percent in February 2011. The high level of mortgage delinquencies in the submarket during and after the national recession put downward pressure on existing sales prices. REO sales in the submarket increased from less than 1 percent of existing home sales in 2006 to a high of 35 percent of existing home sales in 2010. The average REO sales price reached a low of $91,800 in 2010 and was $184,600 during 2017, 26 percent less than the average sales price for regular resales.

Even with recent increases in new home construction in the submarket, new home sales are approximately 81 percent below the most recent peak of 4,675 new homes sold in 2006. During 2017, 870 new homes sold, up 5 percent from a year earlier. New home sales more than doubled from 2001 through 2006, partly in response to economic growth and net in-migration, rising from 2,300 sales in 2000 to 4,675 in 2006. Beginning in 2006, demand for new homes diminished as the housing market began to show signs of weakness. From 2006 through 2011, new home sales decreased by 780 homes sold, or 30 percent, annually to 770 homes sold. As consumer confidence grew after the recession ended, and demand increased as access to credit improved, new home sales began to rise in 2012. New home sales rose by 90 homes sold in 2012 and 2013, a gain of nearly

12 percent, annually to 950 homes, before falling to an average of 750 homes sold annually during 2014 and 2015. The average price of a new home during 2017 was $373,900. Although 1 percent lower than the average a year earlier, this price is 33 percent higher than the average of $280,900 for new homes sold in 2005. The price of a new home fell an average of 6 percent annually from 2006 through 2009 but subsequently increased an average of 10 percent annually through 2016.

Single-family homebuilding activity, as measured by the number of homes permitted, averaged 2,225 units from 2000 through 2002, before rising to an average of 3,325 units annually from 2003 through 2006 (Figure 12).

Figure 12. Single-Family Homes Permitted in the Seminole County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through December 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Seminole County Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
291,000	349,999	2,150	35.0
350,000	499,999	1,850	30.0
500,000	749,999	1,525	25.0
750,000	and higher	610	10.0

Notes: The 400 homes currently under construction in the submarket will likely satisfy some of the forecast demand. The forecast period is January 1, 2018, to January 1, 2021.
Source: Estimates by analyst

Following national trends and the bursting of the housing market bubble, single-family home construction then decreased by an average of 690 units, or 38 percent, annually to a low of 640 homes permitted in 2009. Single-family home construction gradually increased beginning in 2010, rising by an average of 130 homes, or 18 percent, annually to 1,050 homes permitted in 2012. Even with increased population and household growth in the submarket since 2010, new home construction declined 19 percent to an average of 850 units annually from 2013 through 2016. During 2017, however, approximately 1,125 homes were permitted, up 31 percent from the 860 homes permitted during 2016 (preliminary data).

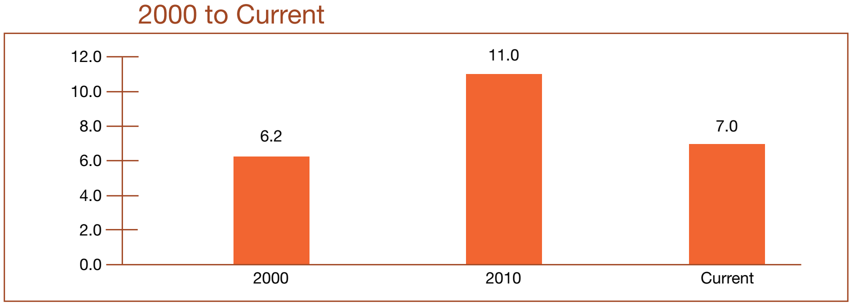
New single-family development in the submarket has been focused in the towns of Longwood, Lake Mary, and Sanford, along the east side of Interstate 4, north of Orlando. Single-family development in the submarket includes the Astor Grande at Lake Forest subdivision in Lake Mary. Construction began in February 2017, and 76 homes are expected. The private, gated community offers homes ranging from 2,317 to 4,933 square feet, and prices start at $374,990.

During the next 3 years, demand is expected for 6,150 new single-family homes, townhomes, and condominiums (Table 1). The 400 homes currently under construction likely will meet a portion of the demand. Demand is anticipated to be strongest for homes priced between $291,000 and $349,999 (Table 6).

Rental Market—Seminole County Submarket

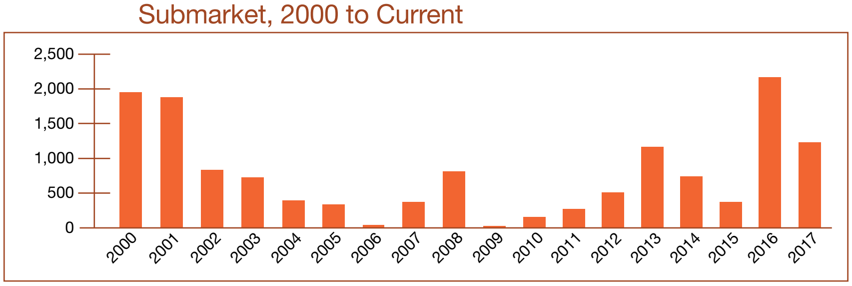
The rental housing market in the Seminole County submarket is balanced, with an overall estimated vacancy rate of 7.0 percent, down from 11.0 percent during April 2010 (Figure 13). Approximately 48 percent of all occupied rental units in the submarket are single-family homes and structures of one to four units, offering alternatives to apartments (2016 ACS 1-year estimates). Apartment market conditions are also balanced and have generally followed a similar trend to the Orange County submarket, with strong net in-migration contributing to increased rental market demand since the early 2010s. During 2016, builders sharply increased apartment construction in response to the increased demand. During the past year, 1,400 new units were completed, which is the largest number of completions in the submarket since 2002 and resulted in a slight increase in the apartment vacancy rate. The apartment vacancy rate was 4.8 percent during the fourth quarter of 2017, up from 4.5 percent a year earlier (MPF Research, Inc.). The apartment vacancy rate is near the average of 4.9 percent annually from 2012 through 2015, however. The average apartment rent in the submarket was $1,206 in the fourth quarter of 2017, up 8 percent from a year earlier. By comparison, the average apartment rent increased an average of 7 percent annually from 2012 through 2015. Monthly rents averaged $767, $1,047, $1,269, and $1,483 for studio, one-, two-, and three-bedroom units respectively.

Figure 13. Rental Vacancy Rates in the Seminole County Submarket, 2000 to Current



Note: The current date is January 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 14. Multifamily Units Permitted in the Seminole County Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through December 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Multifamily construction fell during the past year, following the spike in permitting activity during 2016. During 2017, 1,225 multifamily units were permitted, down from the 2,175 units permitted a year earlier (preliminary data). Builders increased multifamily construction, as measured by the number of units permitted, to an average of 760 units annually from 2013 through 2015, more than twice the average of 350 units permitted annually from 2007 through 2012 (Figure 14). The average annual level of permitting during 2016 and 2017 was 1,700 units, nearly double the average of 880 units permitted annually from 2000 through 2006. From 2000 through 2007, condominium construction accounted for 6 percent of all multifamily construction. Since 2007, all multifamily construction in the submarket has been apartments.

Recent development in the submarket includes two projects delivered in 2017 and three projects that are currently under way; all are in the towns of Casselberry, Winter Springs, and

Oviedo, which are all near important commuting arteries. The 336-unit Bainbridge Casselberry and the 203-unit Integra Lakes are both in Casselberry and were completed in the fall of 2017. Rents at Integra Lakes begin at $1,230, $1,349, and $1,724 for one-, two-, and three-bedroom units respectively. The Strand Apartments, a 279-unit development, is expected to be complete in February 2018 in Oviedo, and Integra 360 and Winter Springs Town Center, with 360 and 279 units respectively, should be completed during the summer of 2018. Preleasing at The Strand Apartments is under way, and rents range from $1,290 to $1,415 for one-bedroom, $1,560 to $1,740 for two-bedroom, and $2,085 for three-bedroom units.

During the next 3 years, demand is estimated for 4,275 new market-rate rental units in the submarket (Table 1). The estimated 1,600 units currently under construction will meet a portion of the expected demand. Planned projects with construction scheduled are expected to add another 1,125 units during the next 3 years. Any additional construction in the submarket, including projects in various stages of planning, should be timed to enter the submarket during the third year of the 3-year forecast period. Table 7 shows the forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Seminole County Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,250 to 1,449	680	1,650 to 1,849	750	1,850 to 2,049	150
1,450 to 1,649	600	1,850 to 2,049	530	2,050 to 2,249	110
1,650 or more	430	2,050 to 2,249	430	2,250 to 2,449	85
		2,250 or more	430	2,450 or more	85
Total	1,700	Total	2,125	Total	430

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,600 units currently under construction will likely satisfy some of the estimated demand. The forecast period is January 1, 2018, to January 1, 2021.

Source: Estimates by analyst

Sales Market—Lake and Osceola Counties Submarket

Sales housing market conditions in the Lake and Osceola Counties submarket are slightly tight, with an estimated vacancy rate of 1.7 percent, well below the 4.8-percent vacancy rate in April 2010 (Table DP-4). In 2010, 16 percent of all homes in the submarket (including owner, renter, and vacant) were mobile homes compared with 4 and 3 percent in the Orange and Seminole Counties, respectively. The relative affordability of the submarket resulted in faster rates of population growth and stronger percentage growth in home sales totals than in Orange and Seminole Counties since 2010. During 2017, approximately 23,450 new and existing homes sold in the submarket compared with 22,900 in 2016, a 2-percent increase (CoreLogic, Inc., with adjustments by the analyst). From 2000 through 2005, new and existing home sales sharply increased, rising from 21,650 in 2000 to a peak of 39,500 homes sold during 2005 (CoreLogic, Inc., with adjustments by the analyst). New and existing home sales declined an average of 33 percent annually to a low of 11,700 home sales during 2008, before rising 9 percent annually to 21,800 during 2015. The average new and existing home sales price during 2017 was $217,500, up 7 percent from 2016. The home sales price in the submarket during 2017 was 19 and 11 percent lower than the average prices in the Orange and Seminole County submarkets respectively. Average home sales prices peaked at $248,100 during 2007 and declined an average of 21 percent annually from 2008 through 2011. From 2012 through 2015, home sale prices rose 11 percent annually.

Existing home sales in the submarket mirrored overall HMA trends and were strongly affected by REO sales. From 2000 through 2005, existing home sales rose 11 percent annually to 27,800 sales during 2005. Existing home sales fell to a low of 8,725 during 2008 but rose 36 percent to 11,900 sales during 2009. The significant increase in existing home sales during 2009 was entirely because of a rise in REO sales, which increased to 5,225, or 44 percent of existing home sales. Elevated levels of REO sales during 2010 and 2011, which averaged 4,275 a year kept downward pressure on existing home sale prices, because REO sale prices averaged 23 percent less than regular resale prices during the period. Existing home sale prices increased from $81,000 in 2000 to $215,700 during 2007, a more than two-fold increase. As REO sales increased, existing home sale prices fell to $116,000 during 2011 because of a 52 percent decline in average REO sale prices annually from 2007 through 2011. As economic conditions improved and REO sales declined, both existing home sales and prices increased. Approximately 17,900 existing homes sold during 2017, up 3 percent from a year earlier and 37 percent higher than the 13,100 sold during 2011. REO sales totaled less than 5 percent of existing home sales in 2017. This low percentage of REO sales limited the impact on sales prices, and existing home sales prices averaged $191,600 during 2017, up 9 percent from 2016, the fastest existing home price increase in the HMA.

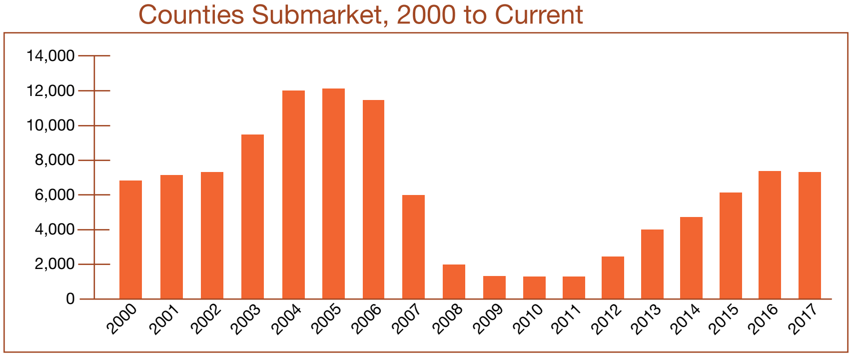
The strong population growth and high numbers of home sales since 2010 led to a reduction in the rate of seriously delinquent mortgages and REO properties in the submarket. The submarket had the highest percentage of seriously delinquent loans and REO properties in the HMA during February 2010 at a peak of 23 percent. The rate steadily declined to a low of 2.8 percent in August 2017, before rising to 5.9 percent of home loans in December 2017 after Hurricane Irma made landfall (CoreLogic, Inc.).

Approximately 27 percent of HMA households reside in the submarket, yet during the past year, nearly one-half of all new home sales in the HMA occurred in the submarket because of its relative affordability for single-family construction, including lower land costs. During 2017, new home sales (including single-family homes, townhomes, and condominiums) totaled 5,550, up slightly from the 5,525 sold during 2016 (CoreLogic, Inc., with adjustments by the analyst). The new homes sold in the submarket accounted for 47 percent of all new home sales in the HMA during 2017, down from 49 percent in 2016 but higher than the average of 39 percent annually from 2012 through 2015. New home sales rose from 4,825 in 2000 to a peak of 11,700 sales during 2005, a period of very strong population growth. As population growth in the submarket slowed dramatically, led by a sharp fall in net in-migration, new home sales declined. New home sales declined annually from 2006 through 2011, falling by an average of 1,775 sales, or 33 percent, annually to a low of 1,400 in 2011. Increased population growth since 2010 has increased demand for new homes, and sales rose by 810, or 33 percent, annually from 2012 to 4,250 new home sales in 2015. The average new home sales price increased 6 percent from $284,600 during 2016 to $300,800 during 2017. New home sales prices increased an average of 11 percent annually from 2000 through 2007, reaching a peak of $300,800, equal the current average. From 2008 through 2011, new home sale prices declined an average of 12 percent annually, before rising 11 percent annually to $265,000 in 2015.

Home builders have responded to the strong population growth in the submarket by expanding single-family homebuilding activity during the past 2 years. During 2017, about 7,200 single-family homes were permitted, unchanged from the 7,200 permitted in 2016 (preliminary data). From 2000 through 2002, single-family permitting averaged 7,025 homes annually, before increasing to an average of 11,200 homes permitted annually from 2003 through 2006 (Figure 15). Homebuilding declined 47 percent to 5,925 homes permitted in 2007 and fell again to an average of only 1,425 homes permitted annually from 2008 through 2011. Improved economic conditions and stronger population growth led to increased demand for homes, and permitting rose by an average of 1,200 homes, or 47 percent, annually from 1,300 homes in 2011 to 6,100 homes during 2015. Lancaster Park East, a community that will consist of 464 single-family homes, is currently under construction in the city of St. Cloud, near East Lake Tohopekaliga. Sale prices start from $274,990 to $315,990 for three- to five-bedroom homes. Tapestry, a 250-acre master-planned community has released a second phase in the city of Kissimmee. The community will consist of 1,100 single-family homes and townhomes in separate subdivisions when it is complete. The second phase of 239 units began construction in February 2017, and prices start at $216,990.

Condominium sales in the submarket declined in the past year. During 2017, approximately 1,675 condominiums sold, down more than 10 percent from the 1,850 sold during 2016. By comparison, an average of 3,100 condominiums sold annually during 2005 and 2006 (Metrostudy, A Hanley Wood Company). Condominium sale prices in the submarket averaged $134,800 during 2017, up nearly 20 percent from a year earlier but one-half the average annual sales price of $265,900 during 2006 and 2007. Condominium construction in the submarket, as measured by the number permitted, averaged 600 units annually from 2000 through 2006 and represented 22 percent of multifamily permitting during the period. Since 2006, the number of condominiums permitted declined to an average of 50 annually from 2007 through 2014 and fell again to an average of 40 units annually

Figure 15. Single-Family Homes Permitted in the Lake and Osceola Counties Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through December 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Lake and Osceola Counties Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
215,000	299,999	5,125	30.0
300,000	399,999	6,000	35.0
400,000	499,999	2,575	15.0
500,000	599,999	1,700	10.0
600,000	and higher	1,700	10.0

Notes: The 2,600 homes currently under construction in the submarket will likely satisfy some of the forecast demand. The forecast period is January 1, 2018, to January 1, 2021.

Source: Estimates by analyst

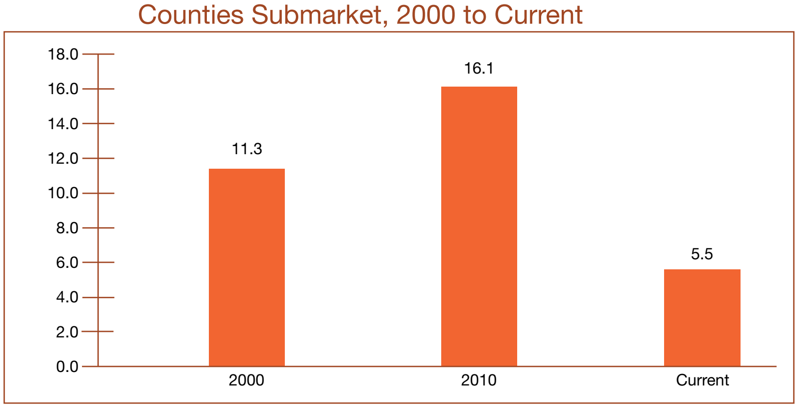
from 2015 through 2017. During the 2007-through-2017 period, condominium construction accounted for less than 4 percent of all multifamily construction.

During the 3-year forecast period, demand is expected for 17,100 new homes in the submarket (Table 1). Demand is expected to be greatest in the $300,000-to-$399,999 price range (Table 8). The 2,600 homes currently under construction will satisfy some of the demand.

Rental Market—Lake and Osceola Counties Submarket

The rental housing market in the Lake and Osceola Counties submarket is currently slightly tight, with an overall estimated vacancy rate of 5.5 percent, down from 16.1 percent during April 2010 (Figure 16). Approximately 9 percent of rental housing in the submarket during 2010 consisted of mobile homes compared with 2 percent each in the Orange and Seminole County submarkets. Of the 43,200 total mobile homes in the submarket (including owner, renter, and vacant), 28 percent, or 11,950, were vacant, contributing to the relatively high vacancy rate in 2010. Strong net in-migration and sharply increasing prices of for-sale housing along with relatively weak income growth of 2.6 percent from 2015 to 2016, compared with 3.3 percent nationally (ACS, median household income), contributed to rising rental demand since the early 2010s. Apartment construction has increased since 2011 but has lagged demand. The apartment market in the submarket is slightly tight, because absorption outpaced new construction. The apartment vacancy rate was 3.7 percent during the fourth quarter of 2017, down slightly from 3.8 percent a year earlier (MPF Research, Inc.). By comparison, the vacancy rate averaged 4.3 percent annually from 2012 through 2015. Recent apartment construction has been heavily concentrated in Osceola County, putting upward pressure on vacancy rates within the Kissimmee/Osceola County market area. During the fourth quarter of 2017, apartment market conditions in that market area were balanced, with a vacancy rate of 4.1 percent, up from 3.6 percent a year ago. About 610 new apartments were completed in that market area during 2017 (MPF

Figure 16. Rental Vacancy Rates in the Lake and Osceola Counties Submarket, 2000 to Current



Note: The current date is January 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

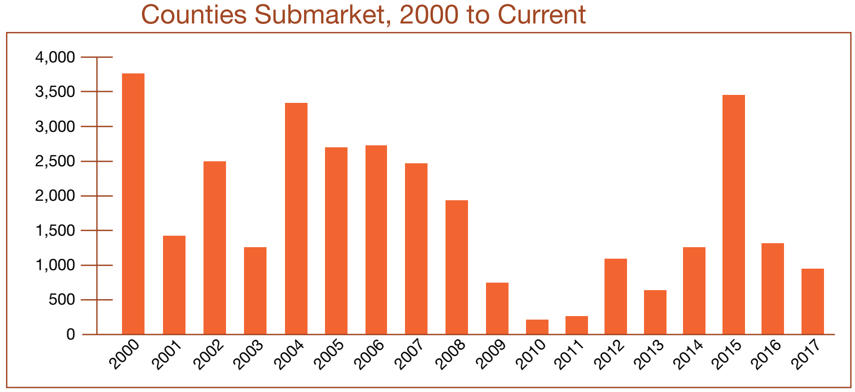
Research, Inc.). By comparison, in the North Lake County market area, the vacancy rate was 1.9 percent during the fourth quarter of 2017, down from 3.3 percent a year earlier.

Following similar trends as the other submarkets, the Lake and Osceola Counties submarket is experiencing strong rent growth because of rising demand due to increased net in-migration. The average apartment rent in the submarket was $1,163 in the fourth quarter of 2017, up 13 percent from a year ago. By comparison, the average apartment rent increased about 6 percent annually from 2012 through 2015. Monthly rents during the fourth quarter of 2017 averaged $622, $986, $1,225, and $1,425 for studio, one-, two-, and three-bedroom units respectively. The average rent in the North Lake County market area, which is the lowest rent in the HMA, increased 5 percent from a year ago to $888. The average rents for one-, two-, and three-bedroom units were $735, $928, and $1,161 respectively in the North Lake County market area. By comparison, in the Kissimmee/Osceola County market area, average rent increased 14 percent to $1,203 from the fourth quarter of 2016 to the fourth quarter of 2017.

Surging net in-migration in the submarket since 2010 that pushed population growth to 2.5 percent annually from 2010 to 2014 and 3.5 percent annually from 2014 through 2017 increased demand for apartments. Builders responded by ramping up multifamily construction, as measured by the number of multifamily units permitted, to an average of 1,925 units annually from 2014 through 2016, more than triple the average of 640 units annually from 2011 through 2013 (Figure 17). During 2017, 900 units were permitted, down from 2016. By comparison, multifamily permitting averaged 2,500 units annually from 2000 through 2007, during a period when population growth averaged 4.9 percent annually. Following this period of growth, net in-migration fell nearly 75 percent to 5,675 people annually from 2007 to 2010, and permitting decreased by 760 units, or 58 percent, annually from 2007 to a low of 190 units in 2010.

Recent developments under way in the submarket include the 366-unit Altis at Shingle Creek Apartments in Kissimmee. The project began construction in the summer of 2016 and is expected to be complete in August 2018. Asking rents are expected to

Figure 17. Multifamily Units Permitted in the Lake and Osceola Counties Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through December 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

be $1,250, $1,550, and $2,025 for one-, two-, and three-bedroom units. Construction of Domain Apartments, also in Kissimmee, began in September 2016 and was completed in October 2017. Rents at the 324-unit property range from $1,350 for one-bedroom units to $1,800 for three-bedroom units.

During the next 3 years, demand is expected for 9,200 new market-rate rental units in the submarket (Table 1). The estimated 900 units currently under construction will meet a portion of the expected demand. Table 9 shows the forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Lake and Osceola Counties Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,340 to 1,539	1,125	1,570 to 1,769	1,600	1,800 to 1,999	480
1,540 to 1,739	810	1,770 to 1,969	1,150	2,000 to 2,199	350
1,740 to 1,939	640	1,970 to 2,169	920	2,200 to 2,399	280
1,940 or more	640	2,170 or more	920	2,400 or more	280
Total	3,225	Total	4,600	Total	1,375

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 900 units currently under construction will likely satisfy some of the estimated demand. The forecast period is January 1, 2018, to January 1, 2021.

Source: Estimates by analyst

Data Profiles

Table DP-1. Orlando HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	866,724	1,011,145	1,250,000	1.6	3.1
Unemployment rate	3.1%	11.1%	3.8%		
Nonfarm payroll jobs	904,900	992,600	1,248,000	0.9	3.3
Total population	1,644,561	2,134,411	2,531,000	2.6	2.2
Total households	625,248	798,445	931,700	2.5	2.0
Owner households	414,496	504,792	542,200	2.0	0.9
Percent owner	66.3%	63.2%	58.2%		
Renter households	210,752	293,653	389,500	3.4	3.7
Percent renter	33.7%	36.8%	41.8%		
Total housing units	683,551	942,312	1,042,000	3.3	1.3
Owner vacancy rate	1.8%	4.1%	2.4%		
Rental vacancy rate	7.7%	13.3%	6.9%		
Median Family Income	$48,100	$60,700	$58,400	2.4	– 0.5

** Orlando-Kissimmee-Sanford HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2017. Median Family Incomes are for 1999, 2009, and 2017. The current date is January 1, 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Orange County Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	896,344	1,145,956	1,358,000	2.5	2.2
Total households	336,286	421,847	498,400	2.3	2.2
Owner households	204,195	243,950	264,000	1.8	1.0
Percent owner	60.7%	57.8%	53.0%		
Renter households	132,091	177,897	234,400	3.0	3.6
Percent renter	39.3%	42.2%	47.0%		
Total housing units	361,349	487,839	543,200	3.0	1.4
Owner vacancy rate	1.7%	4.2%	2.7%		
Rental vacancy rate	7.1%	13.1%	7.3%		

Notes: Numbers may not add to totals because of rounding. The current date is January 1, 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Seminole County Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	365,196	422,718	465,900	1.5	1.3
Total households	139,572	164,706	179,800	1.7	1.1
Owner households	96,949	109,499	106,800	1.2	– 0.3
Percent owner	69.5%	66.5%	59.4%		
Renter households	42,623	55,207	73,000	2.6	3.7
Percent renter	30.5%	33.5%	40.6%		
Total housing units	147,079	181,307	191,200	2.1	0.7
Owner vacancy rate	1.3%	3.1%	2.9%		
Rental vacancy rate	6.2%	11.0%	7.0%		

Notes: Numbers may not add to totals because of rounding. The current date is January 1, 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Lake and Osceola Counties Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	383,021	565,737	706,900	4.0	2.9
Total households	149,390	211,892	253,500	3.6	2.3
Owner households	113,352	151,343	171,400	2.9	1.6
Percent owner	75.9%	71.4%	67.6%		
Renter households	36,038	60,549	82,100	5.3	4.0
Percent renter	24.1%	28.6%	32.4%		
Total housing units	175,123	273,166	307,700	4.5	1.5
Owner vacancy rate	2.4%	4.8%	1.7%		
Rental vacancy rate	11.3%	16.1%	5.5%		

Notes: Numbers may not add to totals because of rounding. The current date is January 1, 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 1/1/2018—Estimates by the analyst
Forecast period: 1/1/2018–1/1/2021—Estimates by the analyst

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Orlando_Kissimmee_SanfordFL_18.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.