

# ORLANDO BUSINESS JOURNAL

## Orlando among top U.S. cities for new luxury apartments



*Dallas-based Conti Capital acquired 250-unit Alta Winter Garden on April 27 for \$107 million — or \$428,000 per unit. Luxury apartment communities like this one have accounted for 97% of the inventory added in metro Orlando since 2012. Courtesy CONTI*



By Steven Ryzewski – Staff Writer, Orlando Business Journal  
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If, while driving around metro Orlando, it feels like all you see being constructed are luxury apartments, a new report suggests your eyes are not deceiving you.

StorageCafe, a subsidiary of Santa Barbara, California-based real estate data firm Yardi, ranked Orlando fifth among U.S. cities that built the largest share of luxury rentals over the last decade.

According to the report, of the 30,953 units added to Orlando's supply since 2012, 97% qualify as luxury.

These units tend to have more space — 140 square feet more, on average, the report notes — and more resort-like amenities.



*Joe LaFleur, multifamily investment advisor Joe LaFleur*

Orlando is the only city from Florida in the top 10, with markets in Arizona, Texas and Virginia accounting for eight of the other nine slots.

In part, the report credits what it calls an “amenities arms race” in response to growing demand for multifamily units.

“The apartment development market also vbeen intensifying the amenities arms race and current buildings are able to satisfy even the most discerning tastes,” said the report. “In fact, the vast majority of the large-scale apartment complexes built in the last decade qualify as premier communities that feature both premium services and hi-tech

amenities. ”The report comes amid a growing housing crisis in Orlando and throughout Florida which has led Orange County, for instance, to consider rent caps.

## **How has Orlando's luxury apartment market changed?**

According to Joe LaFleur, a multifamily adviser with Orlando-based 100 Units, one of the factors that has enabled such robust expansion of luxury apartment supply has been a sea change in thought on where such developments can succeed. Where developers previously were wary of building high-end apartments outside of Orlando's denser submarkets near downtown, they're now finding the communities can be viable across the metro.

“You can get an incredible product, be 40 minutes from downtown and pay 25% less rent.”

## **How does the single-family housing market impact this trend?**

Other factors driving higher-end multifamily demand in the region are challenges in the single-family housing market, said Melissa Marcolini Quinn, senior managing director at JLL in Orlando.

First, there was historically tight inventory, driving home prices in metro Orlando to historic highs. Most recently, rising interest rates are causing more would-be buyers to reevaluate their plans.

In fact, second-quarter data from Attom Data Solutions shows homes in Central Florida became less affordable even as the market showed signs of cooling off.

"To buy a house right now is very difficult, so multifamily is still the hot commodity of the day," Quinn told OBJ, noting that many homes on the market don't have the same amenities or finishes as Class A multifamily units.



*Melissa Marcolini Quinn's is a senior managing director of JLL in the Orlando office. JLL*

### **How do market forces like inflation figure in?**

Brad Parker, a land expert with Longwood-based Southern Realty Enterprises, said part of the reason developers favor luxury apartment projects is the fact that their baseline costs are driving up the returns they need in order to turn a profit.

"The developers are constrained to mid- to upper-tier multifamily products at this point in time," Parker said. "That always can change, but there aren't incentives currently for developers to do entry-level apartments just because of the associated costs."

Land and material costs are the largest factor, Parker said, and another issue can be costs associated with municipalities that are unfriendly to multifamily development — through impact fees, for instance — or that otherwise may be inclined to grant zoning only for high-end multifamily products.



*Brad Parker, land broker with Longwood-based Southern Realty Enterprises Inc*

### **Are corporate relocations driving luxury apartment demand?**

The StorageCafe report notes Orlando's growing reputation as a business hub and its healthy job market as among the factors driving the demand for new premium units.

Carlos Vaz, CEO and founder of Dallas-based Conti Capital, cited the metro's economic strength when explaining part of his firm's thought process in its \$107 million purchase of the still-new Alta Winter Garden apartment community in April.

"It's impressive to see if you take the Orlando economy in the last 10 years, it has become highly diversified. Of course,

it has a huge presence in the tourism industry, but on top of that, you see a very vibrant medical field in Orlando. It has been growing phenomenally. So that diversification is really important to us."



*Carlos Vaz, CONTI Capital CONTI Capital*

Relocations by companies, as well as expansions via satellite and regional offices, also have brought more high-wage earners into the metro.

John Boyd, principal for Boca Raton-based corporate site selection firm The Boyd Co. believes that trend may grow even further amid economic challenges. "We're entering an economic downturn with serious concerns about inflation — the consequences of being in high-tax, high-cost, anti-business states — and the incentive to relocate to a state like Florida is really apparent to companies today."