Orlando, FL Economy continues to grow on Strong Leisure Fundamentals

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To assess whether home prices are over- or under-valued, Local Market Monitor - an on-line property research firm - crunches local income and housing data to come up with a ratio reflective of what the average home price for a particular market would be without distortions (such as the recent housing crash, or heavy investor speculation). The idea is that there's a relatively stable relationship between local home prices and local salaries appeals as a metric to savvy investors who would ideally like to buy when homes are priced below the Income Price in order to maximize their long term gains.

This year, cities with the strongest employment growth were taken into account. Normally local economic health is the basis for housing supply and demand, says Ingo Winzer, founder and president of Local Market Monitor, but the financial crash and foreclosure crisis upended the usual patterns. Now that the economy has recovered, "We're in a time period where economic growth has taken over again," Winzer said. Orlando's non-farm payroll growth has taken second spot nationally, and is averaging 4.5%; average home values are hovering at $222,000 and home price appreciation is coming in at a healthy 9%.

Orlando-Kissimmee-Sanford Metropolitan Statistical Area (MSA) is a leader amongst 6 MSAs in the Sunshine State. "The Florida situation surprised me," admits Winzer. But in light of the national economic recovery, Florida's rise makes a lot of sense. While it appeals to retirees, second-home buyers, and investors, the Sunshine State's housing market has historically been subject to more volatility than other markets. With would-be retirees and vacationers staying away during the downturn, housing prices can be more unpredictable, however, "Florida has recovered," Winzer said. A significant factor behind the state's sustained growth and the new-found appeal is a hidden powerhouse of employment so staggering, it beggars belief: Disney.

Walt Disney World and its related Florida based businesses generate over $18.2 billion a year in direct and indirect economic activity. This company alone is responsible for more than one of every 50 jobs in the state, according to an impact study which found that Disney's theme-park operations in the state — which include the Disney World Resorts, Disney Cruise Line and its Disney Vacation Club time-share business — account for 2.5 percent of Florida's cumulative gross domestic product.

And as big as Disney's presence has become in Florida since opening the Magic Kingdom in 1967, the company's growth profile has changed dramatically in recent years. While Disney hasn't built a new theme park in Orlando since 1998, when it opened Disney's Animal Kingdom, it has focused instead on coaxing more revenue from its existing assets — capturing more of its guests' total vacation spending and luring new travelers to its parks — and moving into new businesses, such as cruises.

Al Weiss, president of global operations for Walt Disney Parks and Resorts, said in an interview: "We're looking at our 5- and 10-year window of plans right now as we speak and I can tell you the future impacts will be significant. Because we tap into a small percentage of the travel market — and it's a huge market — our goal will be to continue to deliver unique experiences."

Weiss points to the new Art of Animation Resort, a 2,000-room hotel in Disney World, in which more than half the rooms are family suites that appeal to larger families who want roomier accommodations but who either cannot or don't want to pay for the pricier, multi-room time-share "villas" that Disney already rents. Disney World currently has over 26,000 hotel rooms and time-share units in its inventory. But a very small proportion of those rooms are family suites leaving plenty of room for market penetration.

Weiss expects such projects to be the primary driver of Disney's growth in Orlando in coming years. "I think probably you'll broaden the audience to your assets, as probably the biggest thing. Because the length of stay that a family comes here is only so long — based on vacations and that typical week vacation and things like that," Weiss said. "So what you want to do is you want to probably draw a new market in and look at those kind of things."

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