

# Jacksonville Charts Its Priorities

Spring 2021

**Economic Resilience Taskforce Sets Recovery Course**

**Unemployment Figures Continue to Dip**

**Construction Momentum Persists**

# JACKSONVILLE MULTIFAMILY



## Rent Growth Maintains Upward Trend

As the U.S. lays the groundwork for recovery, the Northeast Florida Regional Council established the Northeast Florida Economic Resilience Taskforce to support the region's economic rebound, contingent on federal financial assistance and a fast-tracked vaccine rollout. The metro's rental market has endured, with consistent rent expansion through 2020—as of February, rents were up 0.1% on a trailing three-month basis to \$1,168, below the \$1,399 U.S. average.

As of January, unemployment stood at 4.8% in Florida and 4.4% in metro Jacksonville, both below the 6.3% January national rate. Both the Florida and Jacksonville figures marked improvements from December, from 5.1% and 4.8%, respectively. Last year, the metro lost a combined 25,700 jobs. The \$1.9 trillion American Rescue Plan will bring an estimated \$17 billion to Florida. The bill includes an additional \$300 per week in unemployment benefits, which Floridians began receiving from the week of March 22.

Jacksonville had 6,265 units under construction as of February, with 94% of those targeting high-income earners. The largest share—77%—of the development pipeline is expected to come online this year. Meanwhile, some \$1.6 billion in assets traded in 2020, marking a 24.2% uptick compared to 2019, as well as a cycle peak over the past decade.

## Market Analysis | Spring 2021

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### Recent Jacksonville Transactions

#### The Retreat at St. Johns



City: Jacksonville, Fla.  
Buyer: Investcorp  
Purchase Price: \$73 MM  
Price per Unit: \$173,214

#### Eddison at Deerwood Park



City: Jacksonville, Fla.  
Buyer: Electra America  
Purchase Price: \$51 MM  
Price per Unit: \$179,078

#### Pointe Sienna



City: Jacksonville, Fla.  
Buyer: Morgan Properties  
Purchase Price: \$19 MM  
Price per Unit: \$74,504

#### Beachwood

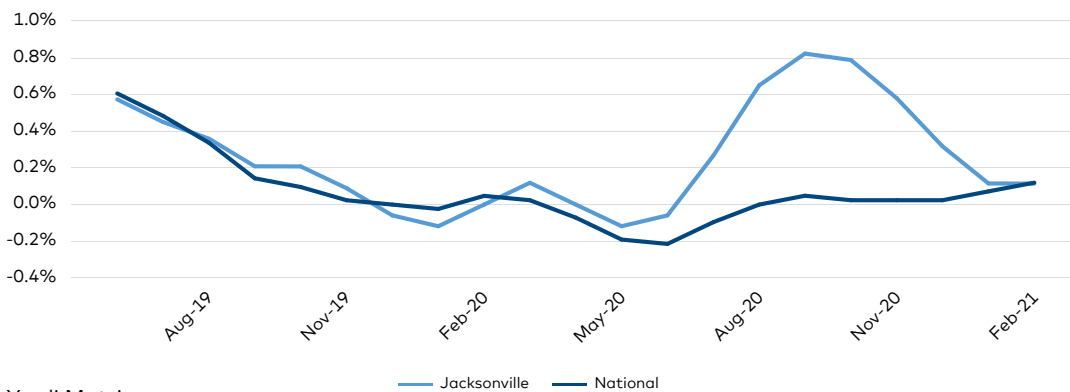


City: Jacksonville, Fla.  
Buyer: Fairstead  
Purchase Price: \$15 MM  
Price per Unit: \$97,315

## RENT TRENDS

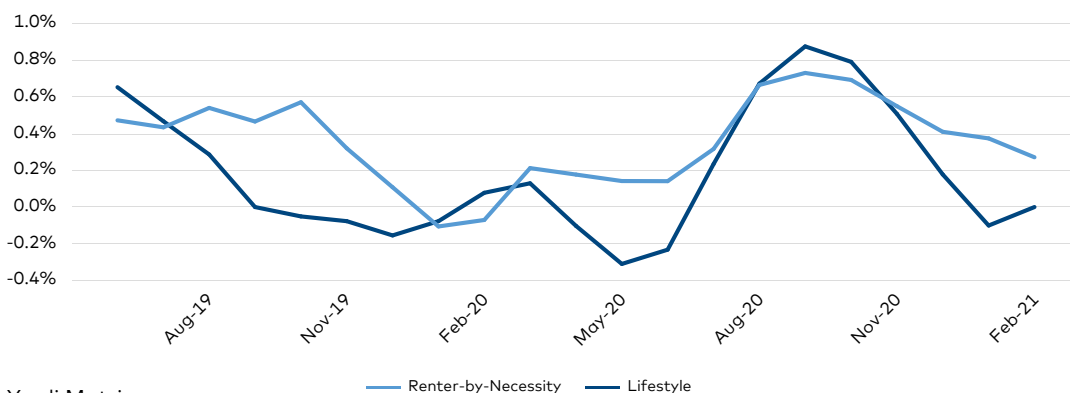
- ▶ Jacksonville rents increased 0.1% on a trailing three-month basis (T3) as of February, in line with the national rate. The metro's average was \$1,168, slightly below the \$1,399 U.S. figure. Rent expansion in the metro was consistent through most of 2020, with slight dips in May and June (-0.1%). Gains peaked at 0.8% in September and October and have remained on a positive trajectory since. Rates were up 3.7% year-over-year.
- ▶ Rent evolution was mostly even across the quality spectrum, although upscale Lifestyle rates stalled on a T3 basis as of February, at \$1,327, while working-class Renter-by-Necessity rates increased 0.3% to \$989. Both segments enjoyed a healthy 2020, with Lifestyle growth peaking at 0.9% on a T3 basis through September, while RBN prices peaked at 0.7% through October.
- ▶ St. Augustine (15.9% to \$1,311), Jacksonville-South Jacksonville (8.1% to \$990) and Jacksonville-San Jose (7.7% to \$1,375) led rent growth in the 12 months ending in February. Rates in Neptune Beach—one of the priciest submarkets—rose 2.4% to \$1,439.
- ▶ The \$1.9 trillion American Rescue Plan includes \$27.4 billion in emergency rental aid, with \$21.6 billion to be distributed similarly to the previous round of rental assistance passed by Congress in December. The funds can be used for rent or utility payments for up to 18 months. The bill doesn't extend the federal eviction moratorium.

### Jacksonville vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Jacksonville Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ As of January, unemployment stood at 4.8% in Florida and 4.4% in metro Jacksonville, both below the 6.3% January national rate, according to preliminary data from the U.S. Bureau of Labor Statistics. Both the Florida and Jacksonville figures marked improvements from December, from 5.1% and 4.8%, respectively. Unemployment in Jacksonville peaked at 11.2% in April, but the figure has been on a downward trend since.
- ▶ In the 12 months ending in December, the metro lost a total of 25,700 jobs, with leisure and hospitality bearing the brunt of the economic downturn—the sector contracted by 11.9%, down 10,400 jobs. While most sectors saw employment numbers stagger, only one sector posted gains—government added 1,100 positions (up 1.4%).
- ▶ The \$1.9 trillion stimulus bill will bring an estimated \$17 billion to Florida. The federal relief package includes an additional \$300 per week in unemployment benefits through Sept. 6 and a tax break of up to \$10,000 for unemployment assistance. Individuals earning \$75,000 a year or less will receive a \$1,400 stimulus check, with smaller payments for those earning \$75,000 to \$80,000 per year. Floridians began receiving the additional unemployment benefits the week of March 22.

### Jacksonville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
90	Government	80	11.2%
30	Manufacturing	33	4.6%
55	Financial Activities	68	9.5%
50	Information	8	1.1%
80	Other Services	26	3.6%
65	Education and Health Services	112	15.6%
15	Mining, Logging and Construction	45	6.3%
60	Professional and Business Services	110	15.3%
40	Trade, Transportation and Utilities	157	21.9%
70	Leisure and Hospitality	77	10.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Jacksonville has gained 210,625 residents over the past decade, for a 15.6% increase, well above the 6.1% national rate.
- ▶ Steady growth has been mainly driven by domestic net migration—the metro's population has expanded by an average 1.6% per year since 2011.

### Jacksonville vs. National Population

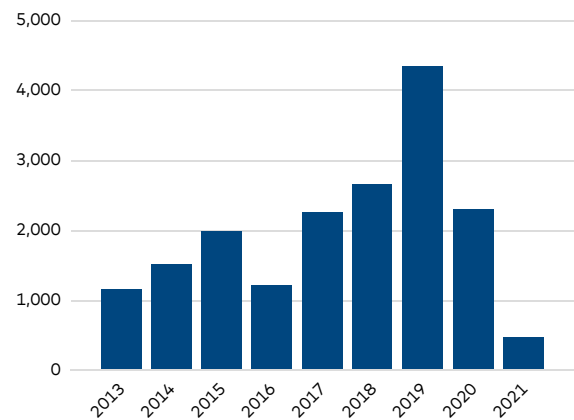
	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Jacksonville Metro	1,476,120	1,504,841	1,534,701	1,559,514

Sources: U.S. Census, Moody's Analytics

## SUPPLY

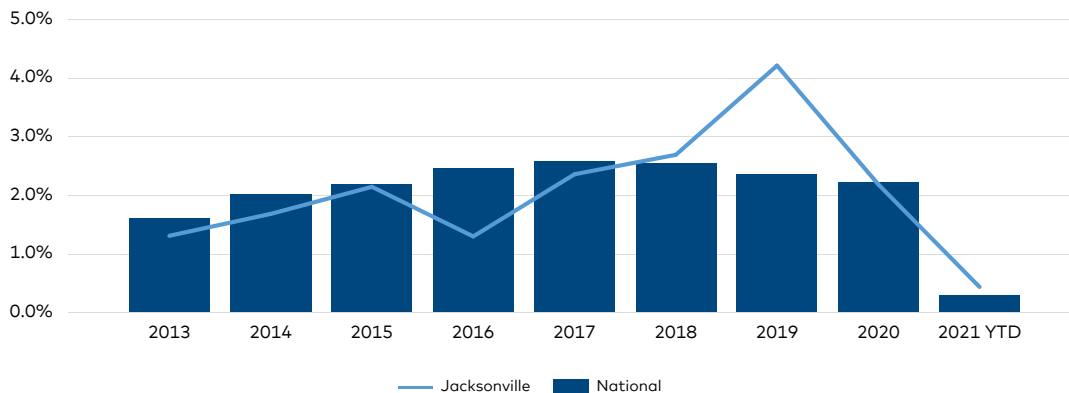
- ▶ Jacksonville had 6,265 units under construction as of February, with 94% of those targeting high-income earners. The largest share—77%—of the pipeline is expected to deliver this year, with the remainder scheduled to come online in 2022. With multifamily fundamentals proving relatively resilient, developers are preparing. Another 27,400 units were in the planning and permitting stages across the metro as of February.
- ▶ Developers completed 472 units in the first two months of 2021, 0.5% of total stock and 20 basis points above the U.S. figure. New deliveries favored the Lifestyle segment for the most part—two of the three newly completed properties were upscale communities. Construction has been consistent in Jacksonville over the past decade—since 2013, developers have added an average 2,200 apartments per year to inventory, with deliveries peaking at 4,374 in 2019.
- ▶ Developers broke ground on 2,190 units across nine properties in the 12 months ending in February. Despite projects facing numerous difficulties, the figure was very close to construction starts recorded in the same interval ending in February 2020, when developers broke ground on 2,260 units, also across nine properties.
- ▶ As of February, Jacksonville-Deerwood Club (1,564 units) led development, accounting for a quarter of the total pipeline. Jacksonville-Bayard (576 units) and St. Augustine (571 units) rounded out the top three. The Klotz Group and KABR Group's 456-unit Fiddler's Reef, slated for delivery in 2022, was the largest development underway.

**Jacksonville Completions** (as of February 2021)



Source: Yardi Matrix

**Jacksonville vs. National Completions as a Percentage of Total Stock** (as of February 2021)



Source: Yardi Matrix

## TRANSACTIONS

- ▶ In 2021 through February, three assets sold for a combined total of \$90 million. RAS Real Estate Partners' \$55.8 million purchase of the 297-unit The Lofts at Wildlight was the year's largest deal. Raydient Places + Properties sold the property.
- ▶ Some \$1.6 billion in multifamily assets traded in 2020, up 24.2% compared to 2019 and setting a new decade peak. Since 2011, deal velocity has consistently improved, with sales exceeding the \$1 billion threshold in 2017 and remaining above that level through 2020.
- ▶ A total of 11,093 units were sold in the 12 months ending in February, with investor interest distributed almost evenly between quality segments. Of the 46 assets that traded, nearly half (49%) cater to high-income renters, while 51% are RBN and affordable communities. As of February, the average per-unit price stood at \$130,336, marking a slight drop over the 2019 average and considerably lagging the \$180,519 U.S. figure.

### Jacksonville Sales Volume and Number of Properties Sold (as of February 2021)



Source: Yardi Matrix

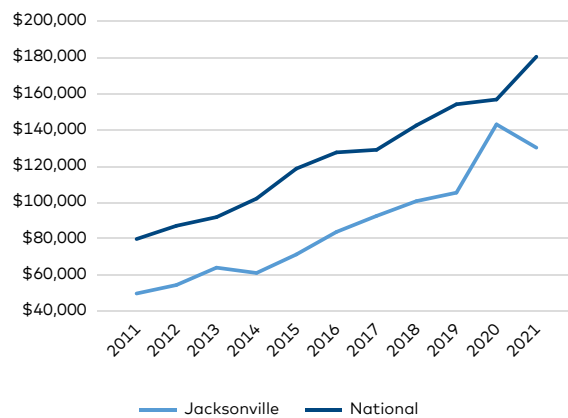
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Jacksonville-Deerwood Club	344
Jacksonville-Cedar Hills	168
Bellair-Orange Park	161
Jacksonville-Pineland Gardens	141
Jacksonville-Sunbeam	133
Fernandina Beach	93
Jacksonville-Southridge	87

Source: Yardi Matrix

<sup>1</sup> From March 2020 to February 2021

### Jacksonville vs. National Sales Price per Unit



Source: Yardi Matrix



## How Migration Trends Impacted Northeast Florida

By Evelyn Jozsa

As the pandemic pushed residents to leave major coastal markets and consider smaller, less dense U.S. cities, multifamily investors were compelled to recalibrate their strategies and target suburbs and secondary or tertiary markets. RAS Property Group Managing Partner Michael Heller discusses what makes Jacksonville, Fla., an attractive multifamily market in the current economic conditions and beyond.

*What does Jacksonville have to offer to investors nowadays?*

Jacksonville is an excellent market for multifamily investment, with strong demographics and job growth. The city is home to several Fortune 500 headquarters and it has invested billions of dollars to expand the Port of Jacksonville, which has an annual impact of \$19 billion and provides 65,000 jobs. It is the largest city by area in the contiguous U.S., but we believe it has not yet reached its full potential and there will continue to be strong demand for new multifamily as the city keeps growing and attracting new residents.

*How does the Jacksonville multifamily investment environment compare to other markets in Florida?*

Jacksonville is more of a suburban market as most of its residents live outside the downtown area. There are several pockets that have flourished over the last five years, but as those areas become overcrowded many residents want to seek out something new.



*What are some of the positive trends you've seen in the metro's multifamily sector?*

We have all read about the large migration to Florida throughout the pandemic. However, from our view, that trend had already started several years ago. The pandemic only escalated this trend as people now had the opportunity to sample new living arrangements with the flexibility of working remotely, or they lost their job and were forced to seek new employment elsewhere. Florida has been open for business since last summer and has provided many job opportunities for those coming from cities that have been shut down for nearly a year, so the

demand for multifamily has been stronger than ever.

*What types of properties would you consider risky investments in upcoming quarters?*

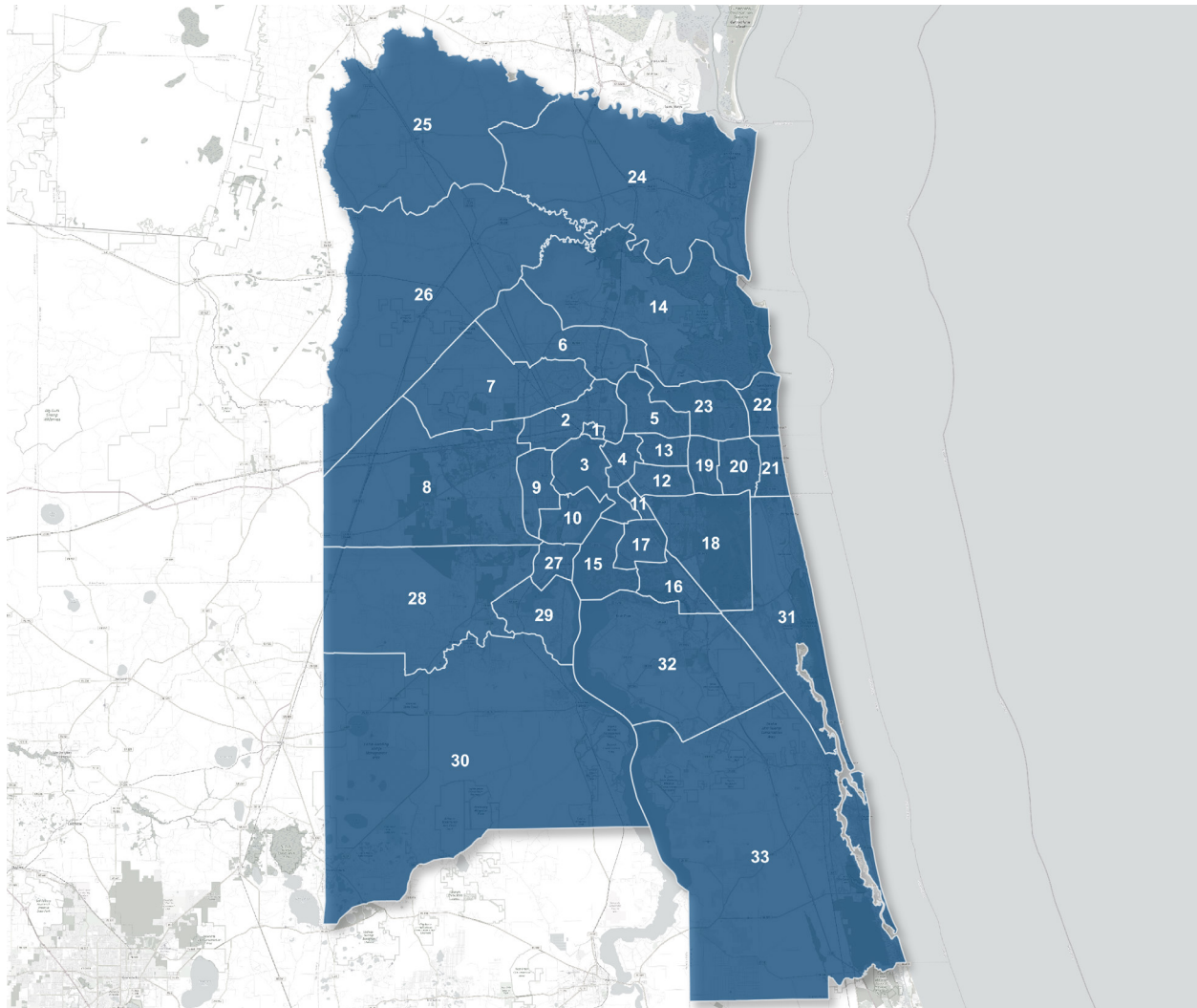
We are solely focused on multifamily, so I can't really speak to other asset classes, but anything outside of the Class A market is not on our radar right now. Our business plan has proven successful as we've weathered the pandemic well, with 99 percent collections and mid-90 percent occupancy throughout our portfolio, so we plan to stick with it.

*How do you expect the multifamily market in Jacksonville/Florida to perform in 2021?*

The pandemic seems to be coming to an end, which means the overall economy can get back to normal. Jacksonville has established itself as a great place to live and work, so we expect the demand for high-quality housing will remain strong.

*(Read the complete interview on [multihousingnews.com](https://multihousingnews.com).)*

## JACKSONVILLE SUBMARKETS



Area No.	Submarket
1	Jacksonville–Downtown
2	Jacksonville–College Park-Springfield
3	Jacksonville–San Jose
4	Jacksonville–South Jacksonville
5	Jacksonville–Newcastle
6	Jacksonville–Highlands
7	Jacksonville–Dinsmore
8	Jacksonville–Jacksonville Heights
9	Jacksonville–Cedar Hills
10	Jacksonville–Ortega Hills
11	Jacksonville–Bowden

Area No.	Submarket
12	Jacksonville–Pineland Gardens
13	Jacksonville–Oakwood Villa
14	Jacksonville–Oceanway
15	Jacksonville–Plummers
16	Jacksonville–Bayard
17	Jacksonville–Sunbeam
18	Jacksonville–Deerwood Club
19	Jacksonville–Southridge
20	Jacksonville–San Pablo
21	Neptune Beach
22	Jacksonville–Mayport

Area No.	Submarket
23	Jacksonville–Beacon Hills
24	Fernandina Beach
25	Hilliard
26	Callahan
27	Bellair–Orange Park
28	Ridgewood
29	Fleming Island
30	Green Cove Springs
31	Ponte Vedra Beach
32	St. Johns
33	St. Augustine



## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

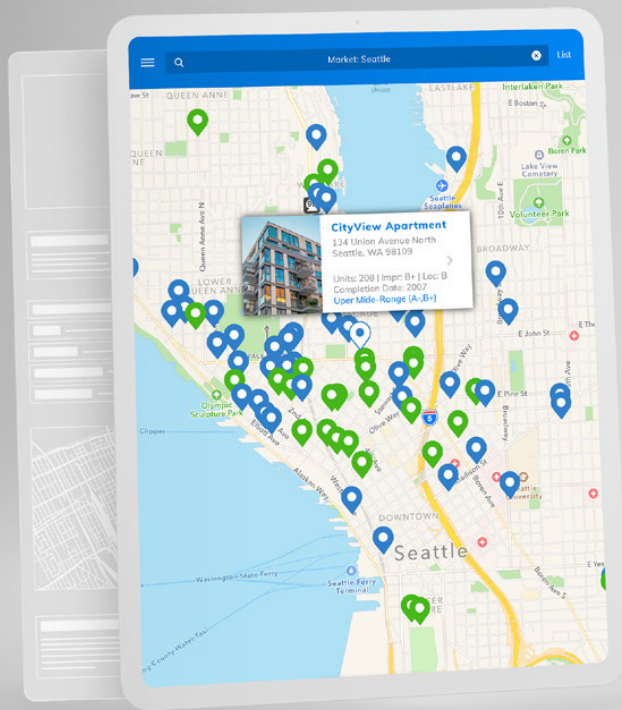
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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