



MULTIFAMILY REPORT

Jacksonville's Strong Rebound

Summer 2021

YoY Rent Growth Jumps Well Into Double Digits

Private Sector Employment Gains Ground

Deliveries Expected to Hit Decade High

JACKSONVILLE MULTIFAMILY



Rent Expansion Outstrips US Rate

As the multifamily industry forges ahead in full swing, the swift pace of recovery is more than apparent in Jacksonville, where fundamentals continue to show strength. The metro ranked among leading markets for year-over-year rent growth as of July, with rates up 17.4%. On a trailing three-month basis, rents were up 3.1% to \$1,331, still well below the \$1,510 U.S. average.

Private sector employment in the metro increased by 35,800 jobs in the 12 months ending in July, equal to a 5.8% uptick, according to the Florida Department of Economic Opportunity. The Jacksonville area labor force expanded by 54,077 in 12 months, up 6.9%. Unemployment figures also improved as of July, with the rate at 5.1% in Florida and 4.5% in metro Jacksonville. A recent study from Stessa ranked Jacksonville fourth among major U.S. metros recording the most economic growth in 2021.

Jacksonville had 7,104 units under construction as of July, 94% of which are in upscale communities. Yardi Matrix expects 4,659 apartments to come online across the metro this year, exceeding 2020 delivery levels, as well as surpassing the 2019 decade peak, when 4,437 units were completed. Meanwhile, investment sales amounted to \$700 million this year as of July, with some 7,100 units changing hands.

Market Analysis | Summer 2021

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Recent Jacksonville Transactions

SUR Southside Quarter



City: Jacksonville, Fla.
Buyer: Viewpoint Equities
Purchase Price: \$75 MM
Price per Unit: \$245,098

SoBa



City: Jacksonville, Fla.
Buyer: Robbins Property Associates
Purchase Price: \$35 MM
Price per Unit: \$240,646

La Esperanza



City: Jacksonville, Fla.
Buyer: The Wildcat Group
Purchase Price: \$21 MM
Price per Unit \$90,625

Avalon Hill

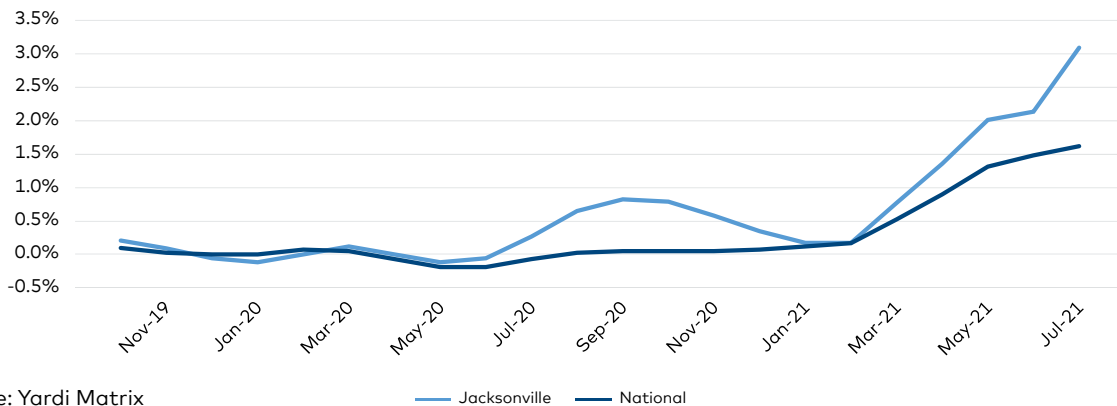


City: Jacksonville, Fla.
Buyer: The Focus Group
Purchase Price: \$12 MM
Price per Unit: \$64,143

RENT TRENDS

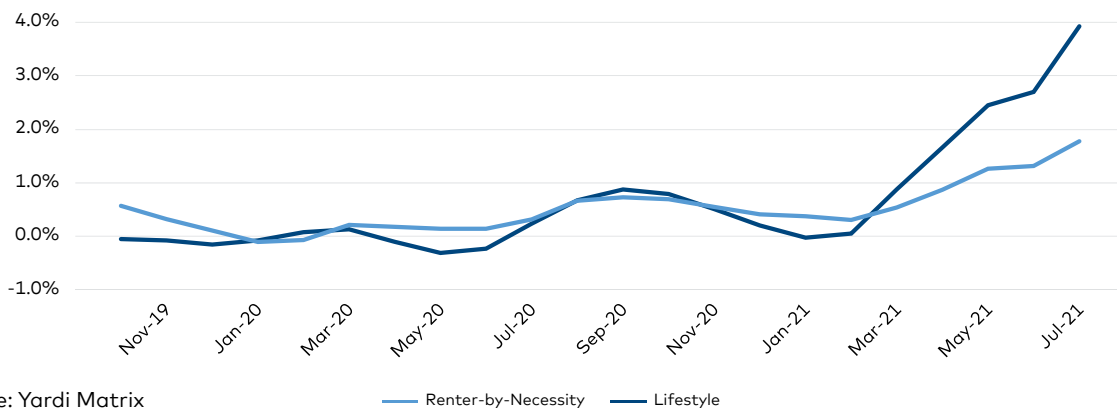
- ▶ With recovery well underway and ongoing immigration, metro Jacksonville rents increased 3.1% on a trailing three-month (T3) basis as of July, 150 basis points ahead of the U.S. rate. The average rent in the metro was \$1,331, below the \$1,510 U.S. average. Year-over-year, Jacksonville ranked among leading markets, with rates up an impressive 17.4% as of July.
- ▶ In step with nationwide trends, Lifestyle rent expansion continues to exceed working-class Renter-by-Necessity growth, suggesting that renters have accumulated extra savings over the last year. As of July, Lifestyle rents edged up 3.9% to \$1,562 on a T3 basis, while RBN figures increased 1.8%, to \$1,069.
- ▶ Jacksonville–San Jose (32.1% to \$1,594), Jacksonville–Bayard (22.2% to \$1,621) and Jacksonville–Pineland Gardens (20.4% to \$1,517) were among the leading submarkets for rent gains in the 12 months ending in July. Rates in Ponte Vedra Beach—one of the most expensive submarkets—rose 17.9% to \$1,836.
- ▶ Florida's statewide emergency rental program, OUR Florida, received \$871 million as part of the \$25 billion federal Emergency Rental Assistance Program. Administered by the Department of Children and Families, OUR Florida had paid out just \$22.5 million to 5,255 households by the beginning of August.

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

- ▶ In the 12 months ending in May, Jacksonville gained 49,900 net jobs, for a 1.3% expansion. May marked the first month of year-over-year gains since last April. Leisure and hospitality led growth—the sector added 13,600 positions for a 21.1% increase, the largest rate of all sectors. Trade, transportation and utilities added 11,500 jobs, followed by education and health services, up 7,400 positions.
- ▶ Private sector employment increased by 35,800 jobs year-over-year as of July, equal to a 5.8% uptick, according to the Florida Department of Economic Opportunity. The Jacksonville area labor force expanded by 54,077 people year-over-year, up 6.9%. Education and health services, financial activities and construction were major sources of hiring, the DEO reported.
- ▶ As of July, unemployment stood at 5.1% in Florida and 4.5% in metro Jacksonville, according to preliminary DEO data. Both figures were below the 5.4% national rate.
- ▶ As part of Florida's Return to Work initiative, the state ended its participation in the Federal Pandemic Unemployment Compensation program on June 26, 2021. Funding continued for the PUA, MEUC and PEUC programs, which were scheduled to expire on Sept. 6.

Jacksonville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	78	10.8%
40	Trade, Transportation and Utilities	157	21.7%
65	Education and Health Services	114	15.7%
60	Professional and Business Services	111	15.3%
55	Financial Activities	72	9.9%
15	Mining, Logging and Construction	49	6.8%
80	Other Services	26	3.6%
30	Manufacturing	32	4.4%
90	Government	78	10.8%
50	Information	9	1.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ The metro added 28,379 residents in 2020, for a 1.8% population expansion. Meanwhile, the nation gained more than 1.1 million residents, for a 0.4% uptick.
- ▶ Over the past decade, Jacksonville's population grew by 17.7%, well above the 6.5% national rate.

Jacksonville vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Jacksonville Metro	1,504,841	1,534,701	1,559,514	1,587,892

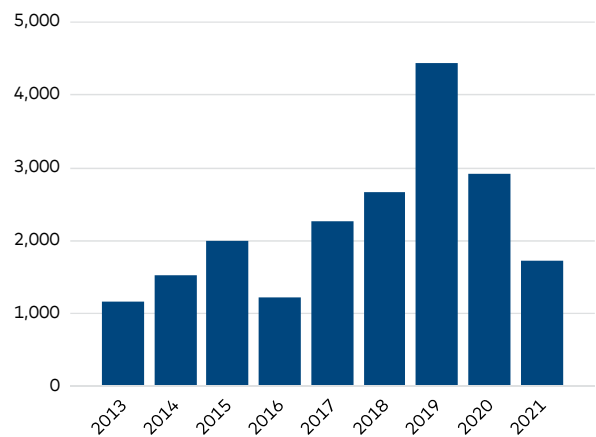
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ Jacksonville had 7,104 units under construction as of July, with the vast majority (93.7%) targeting high-income renters. Yardi Matrix expects 4,659 units to come online across the metro this year, exceeding both 2020 deliveries and the 4,437-unit decade high of 2019. As of July, Jacksonville had an additional 28,100 units in the planning and permitting stages.
- ▶ Developers completed 1,726 apartments year-to-date through July, equal to 1.6% of total stock, some 60 basis points above the U.S. figure. New completions favored the Lifestyle segment—92% of newly delivered units were in upscale communities. Construction maintained a steady rate over the past decade, with developers adding an average of 2,200 units per year.
- ▶ Developers broke ground on 4,682 units across 18 properties in the 12 months ending in July. The figure is more than double the one recorded in the previous 12 months, when developers broke ground on 2,141 units across nine assets.
- ▶ As of July, Jacksonville–Bayard led development, with 1,004 units across three projects underway. St. Johns (901 units) and Jacksonville–Deerwood Club (670 units) rounded out the podium.

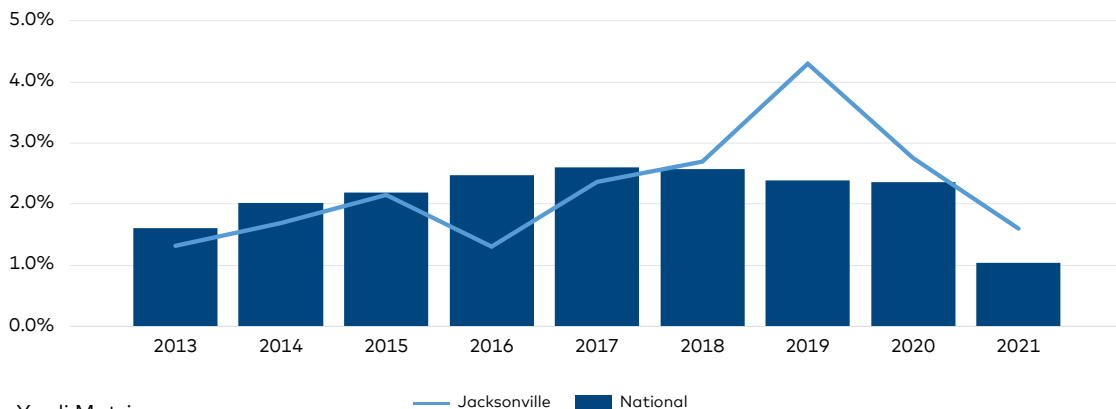
- ▶ The Klotz Group and KABR Group's 456-unit The Reef at Atlantic Beach—previously known as Fiddler's Reef—was the largest development underway in the metro as of July. The two-building Mayport project is slated for completion in the third quarter of 2022.

Jacksonville Completions (as of July 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

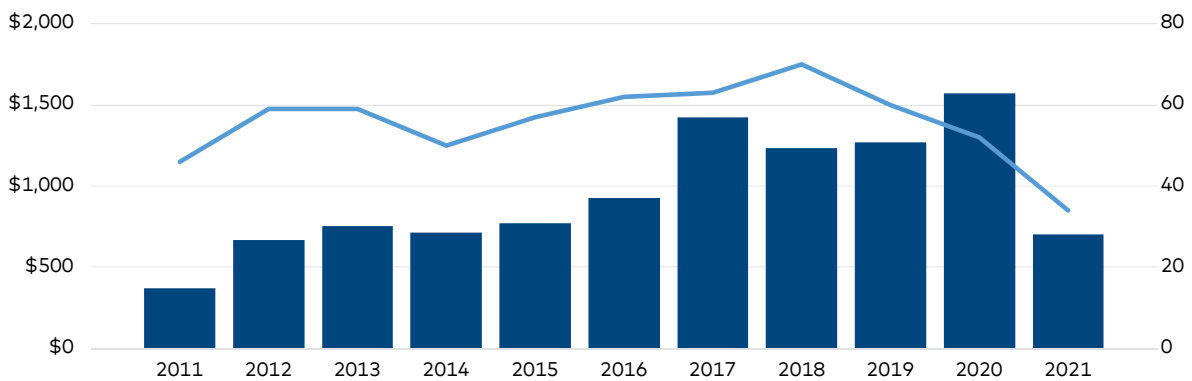
TRANSACTIONS

- ▶ Year-to-date through July, 34 assets (7,076 units) sold for a little more than \$700 million, marking a 54% increase from the volume recorded during the same time frame last year. Even so, deal velocity picked up in the second half of 2020—some \$1.6 billion in rental assets traded overall last year, marking a decade peak.
- ▶ A total of 16,015 units changed hands in the 12 months ending in July. Of the 34 assets that sold, 48% are RBN communities, 41% are in the

Lifestyle segment, and the remaining 11% are fully affordable assets. As of July, the average per-unit price stood at \$124,188, a 14.3% down-tick over the same time frame last year.

- ▶ Jacksonville–Deerwood Club led transactions in the 12 months ending in July, with \$483 million in multifamily communities trading. Jacksonville–Cedar Hills (\$185 million) and Jacksonville–Southbridge (\$160 million) rounded out the top three.

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



Source: Yardi Matrix

— Number of Properties ■ Volume in Millions

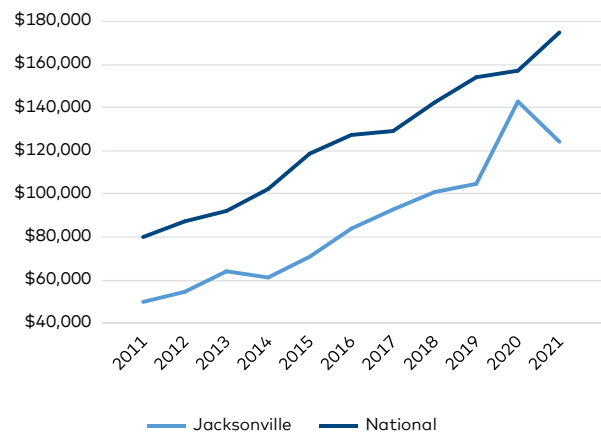
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Jacksonville–Deerwood Club	483
Jacksonville–Cedar Hills	185
Jacksonville–Southridge	160
Jacksonville–Pineland Gardens	141
Jacksonville–Sunbeam	133
Bellair–Orange Park	114
Jacksonville–Bowden	103

Source: Yardi Matrix

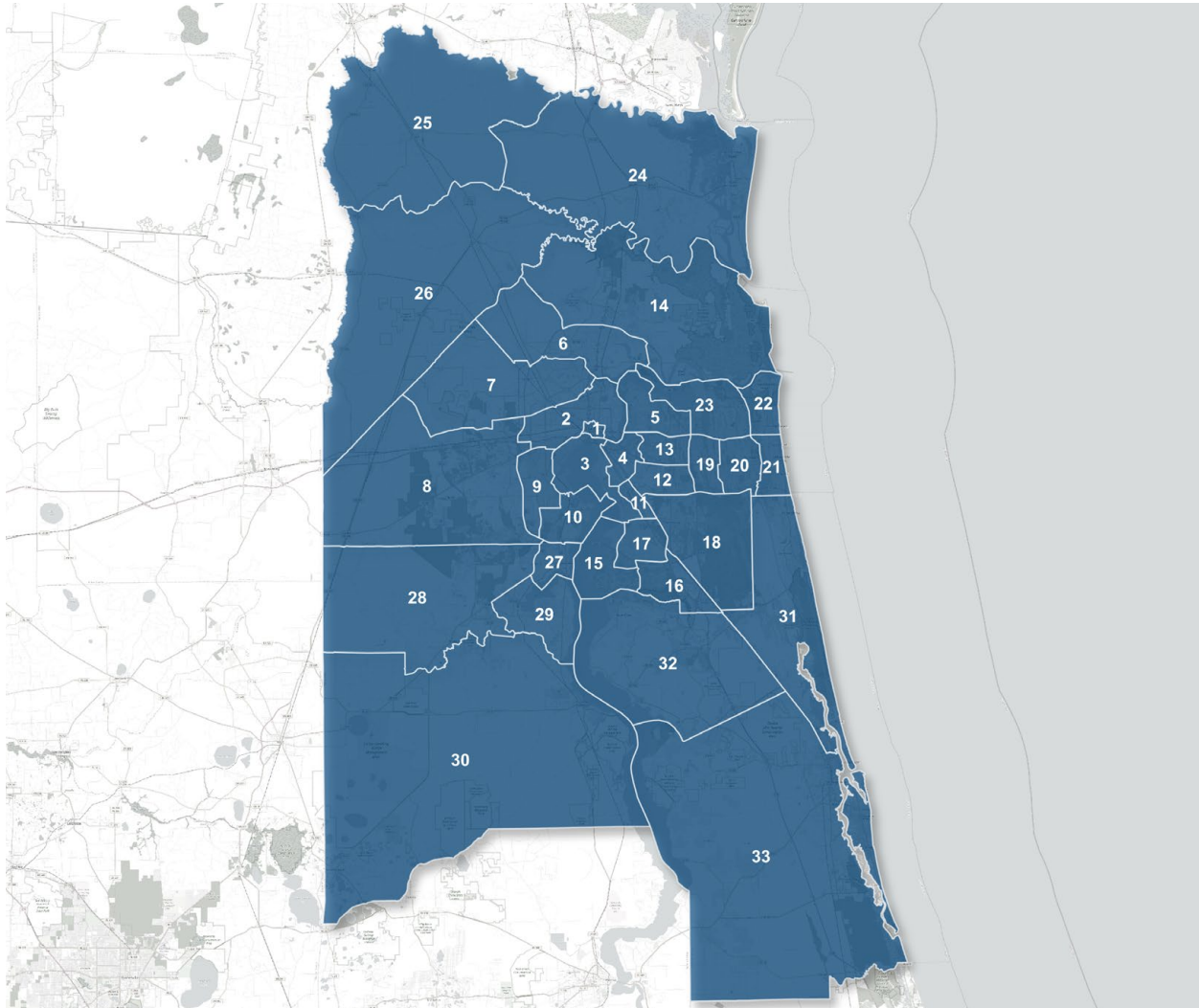
¹ From August 2020 to July 2021

Jacksonville vs. National Sales Price per Unit



Source: Yardi Matrix

JACKSONVILLE SUBMARKETS



Area No.	Submarket	Area No.	Submarket	Area No.	Submarket
1	Jacksonville–Downtown	12	Jacksonville–Pineland Gardens	23	Jacksonville–Beacon Hills
2	Jacksonville–College Park-Springfield	13	Jacksonville–Oakwood Villa	24	Fernandina Beach
3	Jacksonville–San Jose	14	Jacksonville–Oceanway	25	Hilliard
4	Jacksonville–South Jacksonville	15	Jacksonville–Plummers	26	Callahan
5	Jacksonville–Newcastle	16	Jacksonville–Bayard	27	Bellair–Orange Park
6	Jacksonville–Highlands	17	Jacksonville–Sunbeam	28	Ridgewood
7	Jacksonville–Dinsmore	18	Jacksonville–Deerwood Club	29	Fleming Island
8	Jacksonville–Jacksonville Heights	19	Jacksonville–Southridge	30	Green Cove Springs
9	Jacksonville–Cedar Hills	20	Jacksonville–San Pablo	31	Ponte Vedra Beach
10	Jacksonville–Ortega Hills	21	Neptune Beach	32	St. Johns
11	Jacksonville–Bowden	22	Jacksonville–Mayport	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.

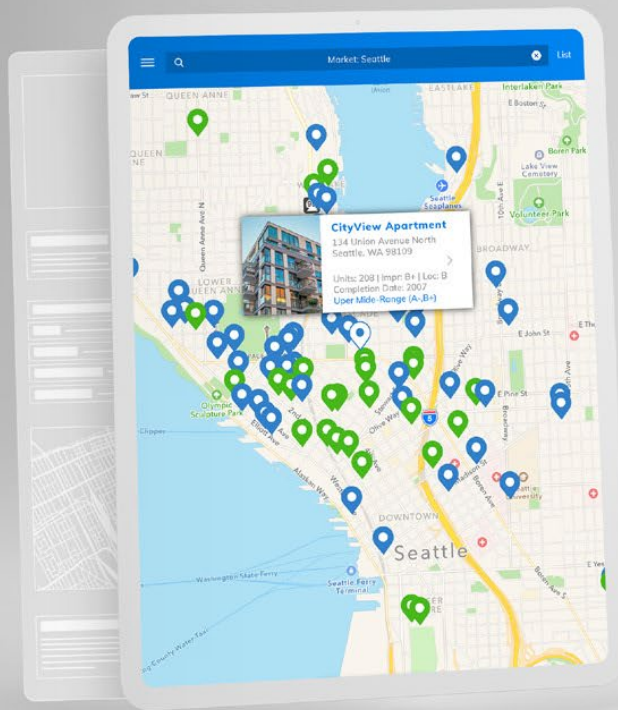
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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