



MULTIFAMILY REPORT

Jacksonville: On the Right Track

April 2022

Investors Start Year on Strong Note

In-Migration Supports Robust Demand

Unemployment Drops to Pre-Pandemic Levels

JACKSONVILLE MULTIFAMILY



Northeast Florida Turns On Multifamily Engine

Jacksonville has been supported in the past couple of years by healthy fundamentals. The significant population growth had a substantial impact on the metro's quick economic rebound, fueling both investments and rent gains. At 24.2%, Jacksonville is among the hottest metros in the country for year-over-year rent improvements as of February. On a trailing three-month basis, rents climbed by 0.5% to \$1,469, below the \$1,628 U.S. average. The lower cost of living continues to add to the market's appeal.

All employment sectors added jobs last year, with trade, transportation and utilities leading the way. JaxPort is expanding to accommodate companies experiencing supply chain disruptions at other U.S. ports. Meanwhile, taking advantage of Jacksonville's geographic location, Amazon is expanding its business in the area. The company built a \$100 million, 1 million-square-foot fulfillment center at Imeson Park and a 278,237-square-foot sortation facility at Cecil Commerce Center.

Investors began 2022 on a high note. More than \$321 million in multifamily assets traded in the first two months of the year, a notable uptick from last year's \$89.7 million for the same period. Developers have also been busy: Two projects encompassing 588 units were delivered this year through February, with another 7,967 units under construction.

Market Analysis | April 2022

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On the cover: Photo by Art Wager/iStockphoto.com

Recent Jacksonville Transactions

Vista Brooklyn



City: Jacksonville, Fla.
Buyer: Capital Square Realty Advisors
Purchase Price: \$126 MM
Price per Unit: \$410,065

Crescent Ridge



City: Jacksonville, Fla.
Buyer: Laguna Point Properties
Purchase Price: \$50 MM
Price per Unit: \$143,364

Canopy Creek



City: Jacksonville, Fla.
Buyer: M1 Capital
Purchase Price: \$38 MM
Price per Unit: \$131,076

The Palms at Beacon Point

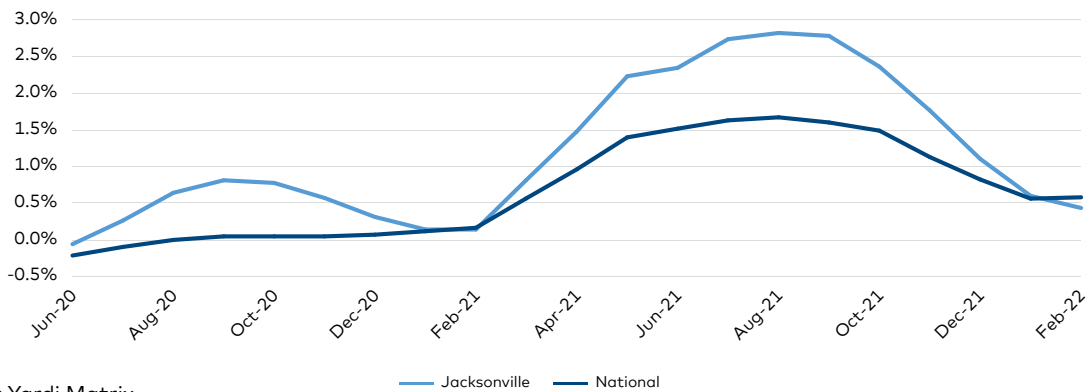


City: Jacksonville, Fla.
Buyer: Miramar Capital
Purchase Price: \$26 MM
Price per Unit: \$162,264

RENT TRENDS

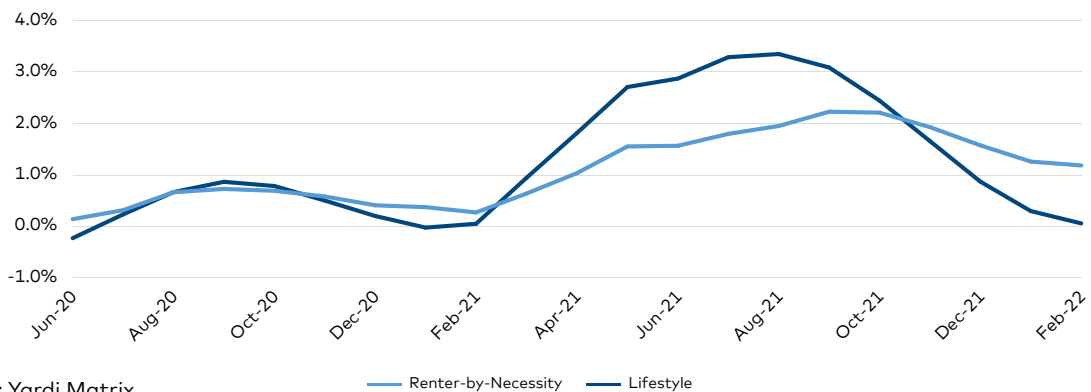
- ▶ On a trailing three-month (T3) basis through February, Jacksonville rents rose by 0.5% to an average of \$1,469. Meanwhile, national rents increased by 0.6% to \$1,628.
- ▶ On a year-over-year basis, rents grew by a whopping 24.2%, with Jacksonville ranking ninth nationally among 150 metros that Yardi Matrix tracks.
- ▶ Recent growth was mainly driven by the working-class Renter-by-Necessity segment, which saw rates increase by 1.2% on a T3 basis, to an average of \$1,207. Meanwhile, rents in the Lifestyle segment inched up only 0.1% to \$1,687, after driving growth for the better part of 2021.
- ▶ The ongoing in-migration, coupled with limited supply of for-sale homes across the metro, is driving people toward rentals, but the low inventory is fueling rent improvement, including in single-family rentals. As of February, Jacksonville SFR rents hit a record average of \$1,531, a notable uptick from the same month last year, when the figure clocked in at \$1,471.
- ▶ Two Southeastern submarkets that provide easy access to the metro's urban core were the most sought-after in the 12 months ending in February. Rents in Sunbeam grew by 30.5% to \$1,413, while rates in Deerwood Club improved by 28.8% to \$1,605. Another submarket where growth ballooned significantly is Bowden, with rates up by 36.3% to \$1,323.

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 in Jacksonville was 3.3%, according to preliminary Bureau of Labor Statistics data. The rate was on par with pre-pandemic levels and 20 basis points below Florida's.
- ▶ The metro recovered almost all the jobs lost as a result of the health crisis—29,200 positions were added in 2021, most of them in trade, transportation and utilities, and professional and business services. Employment growth clocked in at 4.5% in December, 10 basis points above the national average.
- ▶ Partly because it does not rely on one particular industry, Northeast Florida's economy has

rebounded rapidly. Last fiscal year was a record one for JaxPort, with 1.4 million 20-foot equivalent units passing through, according to the Jacksonville Port Authority. JaxPort is aggressively working to expand its cargo operations and accommodate companies experiencing supply chain disruptions at other U.S. ports. Sea-Lead Shipping is among the first lines that will be moving part of its operations from California to Jacksonville to sidestep the effects of heavy congestion at the Port of Long Beach. A \$484 million project to deepen JaxPort's harbor is set to wrap up this year, while another \$36 million is being invested in expanding a primary rolling cargo berth at Blount Island, supporting the port's long-term growth.

Jacksonville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
40	Trade, Transportation and Utilities	169	22.4%
60	Professional and Business Services	120	15.9%
65	Education and Health Services	115	15.3%
55	Financial Activities	73	9.7%
70	Leisure and Hospitality	78	10.4%
15	Mining, Logging and Construction	50	6.6%
80	Other Services	26	3.5%
90	Government	79	10.5%
30	Manufacturing	33	4.4%
50	Information	9	1.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Jacksonville added 28,378 residents in 2020, up 1.8%, the highest population increase in the state.
- ▶ Over the past two years, the metro has been one of the top beneficiaries of domestic migration toward less expensive areas with looser pandemic restrictions.

Jacksonville vs. National Population

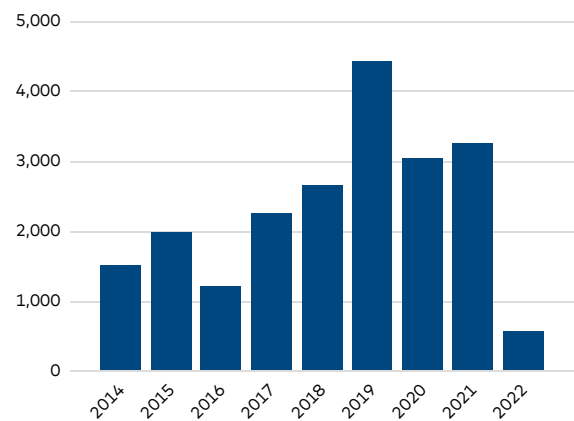
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Jacksonville Metro	1,504,841	1,534,701	1,559,514	1,587,892

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

SUPPLY

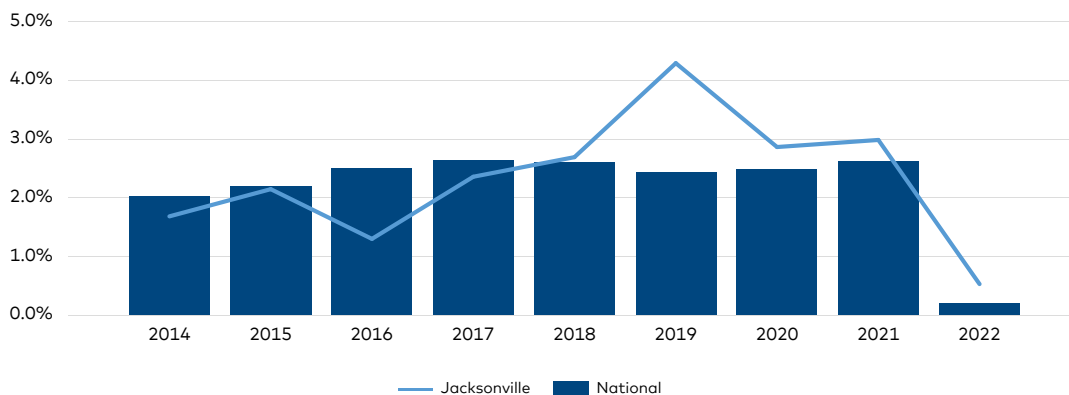
- ▶ Jacksonville had 7,967 units under construction as of February, with the bulk in the Lifestyle segment. Only 216 units across two properties were set to be fully affordable. Another 30,000 units were in the planning and permitting stages, with developers striving to bring new projects to life to satisfy increasing demand.
- ▶ In January and February, two projects encompassing 588 units reached full completion. This followed last year's 3,274 apartments delivered, the second-best year for deliveries in a decade. Yardi Matrix expects more than 5,200 units to come online by the end of this year, which would mark a new peak. Developers broke ground on 445 units in the first two months of 2022, a notable uptick from the 255 units they began work on over the same period last year.
- ▶ Although almost 15,700 units were added to the metro's stock in the five years ending in 2021, occupancy in stabilized multifamily assets remained high. As of January, the rate was 96.0%, 10 basis points below the national figure, but 80 basis points above the metro's January 2021 rate.
- ▶ With a combined 2,461 units, the top three submarkets for multifamily development—St. Johns, Oceanway and Bayard—accounted for almost one-third of the construction pipeline.
- ▶ Developers are planning for the long term and some of the metro's largest projects are set to come online only next year. The list includes the 372-unit Bainbridge Avenues Walk in the Bayard submarket, the 350-unit Ascend Durbin Creek in St. Johns and the 324-unit Avention Soraya north of the metro's beltway.

Jacksonville Completions (as of February 2022)



Source: Yardi Matrix

Jacksonville vs. National Completions as a Percentage of Total Stock (as of February 2022)



Source: Yardi Matrix

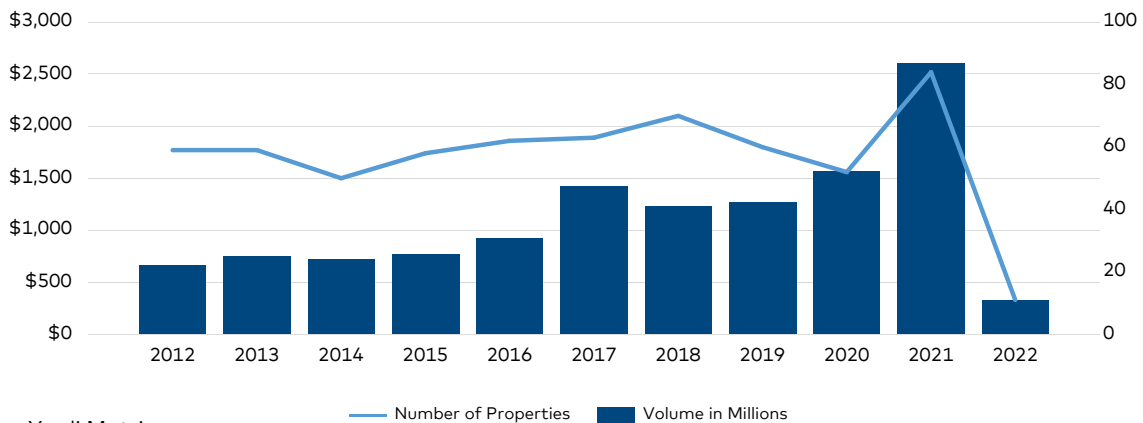
TRANSACTIONS

- ▶ In the first two months of the year, 11 multi-family properties changed hands in Jacksonville, for a combined \$321 million. Deal activity was already significantly higher than last year's \$89.7 million for the same period. With investors competing for a limited for-sale multifamily stock, transaction volume is on track to surpass last year's cycle peak of \$2.6 billion.
- ▶ Nine of the communities that changed ownership this year through February were RBN assets, which brought the average price per

unit down to \$139,173 from \$157,449 last year. Meanwhile, the U.S. per-unit price grew from \$192,222 in 2021 to \$221,271 this year.

- ▶ Two core submarkets—San Jose and Newcastle—accounted for roughly a quarter of the \$2.8 billion volume for the 12 months ending in February. The largest transaction so far this year was Capital Square Realty Advisors' \$126 million purchase of the 308-unit Vista Brooklyn in the Five Points area from Bristol Development Group.

Jacksonville Sales Volume and Number of Properties Sold (as of February 2022)



Source: Yardi Matrix

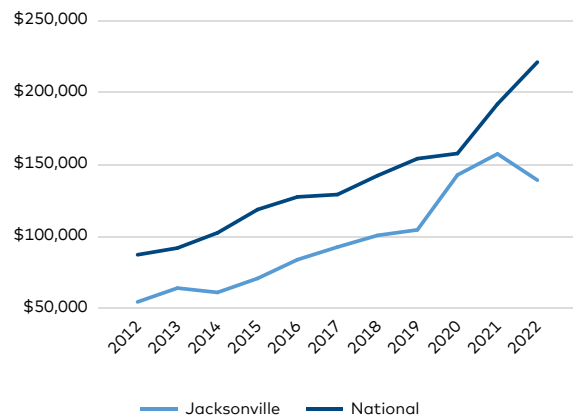
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Jacksonville-San Jose	398
Jacksonville-Newcastle	355
Jacksonville-San Pablo	283
Jacksonville-Cedar Hills	272
Jacksonville-Deerwood Club	202
Ridgewood	184
Jacksonville-Southridge	175

Source: Yardi Matrix

¹ From March 2021 to February 2022

Jacksonville vs. National Sales Price per Unit



Source: Yardi Matrix



Is There Still Room for Growth in Central and North Florida?

By Laura Calugar

ZRS Management oversees more than 60,000 units across eight states, with a significant portion of its portfolio spread across Florida. The third-party property management firm recently appointed a new president, Darren Pierce, who joined the company as vice president in 2016. We sat down with Pierce to find out why he believes the North and Central Florida markets will continue to prosper.

What were the top challenges you had to overcome as a property manager in the past couple of years?

At the beginning of 2020, all companies had to establish new guidelines to protect against the spread of COVID-19, but we also had to adapt to new regulations that changed on an almost daily basis. The multifamily industry pulled together to communicate best practices and share advice across organizations.

As with all industries, the multifamily industry is also dealing with staffing challenges. As the multifamily sector continues to expand, we need to continue promoting property management as an exciting and valuable long-term career.

How sustainable do you think Central Florida's economic growth is?

Based on how the start of 2022 has gone, Central Florida is poised for another year of significant growth. Many sources are forecasting another year with 15 per-



cent to 25 percent effective rental growth for 2022. Early data points are backing this up.

What are your expectations for the North Florida multifamily market in the year ahead?

2022 has started off just as strong as 2021 finished. We expect to see continued double-digit rent growth in the first half of the year but expect it to moderate in the second half as residents who already received large increases in 2021 come up for renewal.

How have your Jacksonville properties performed in terms of rent growth and occupancy in the past 12 months?

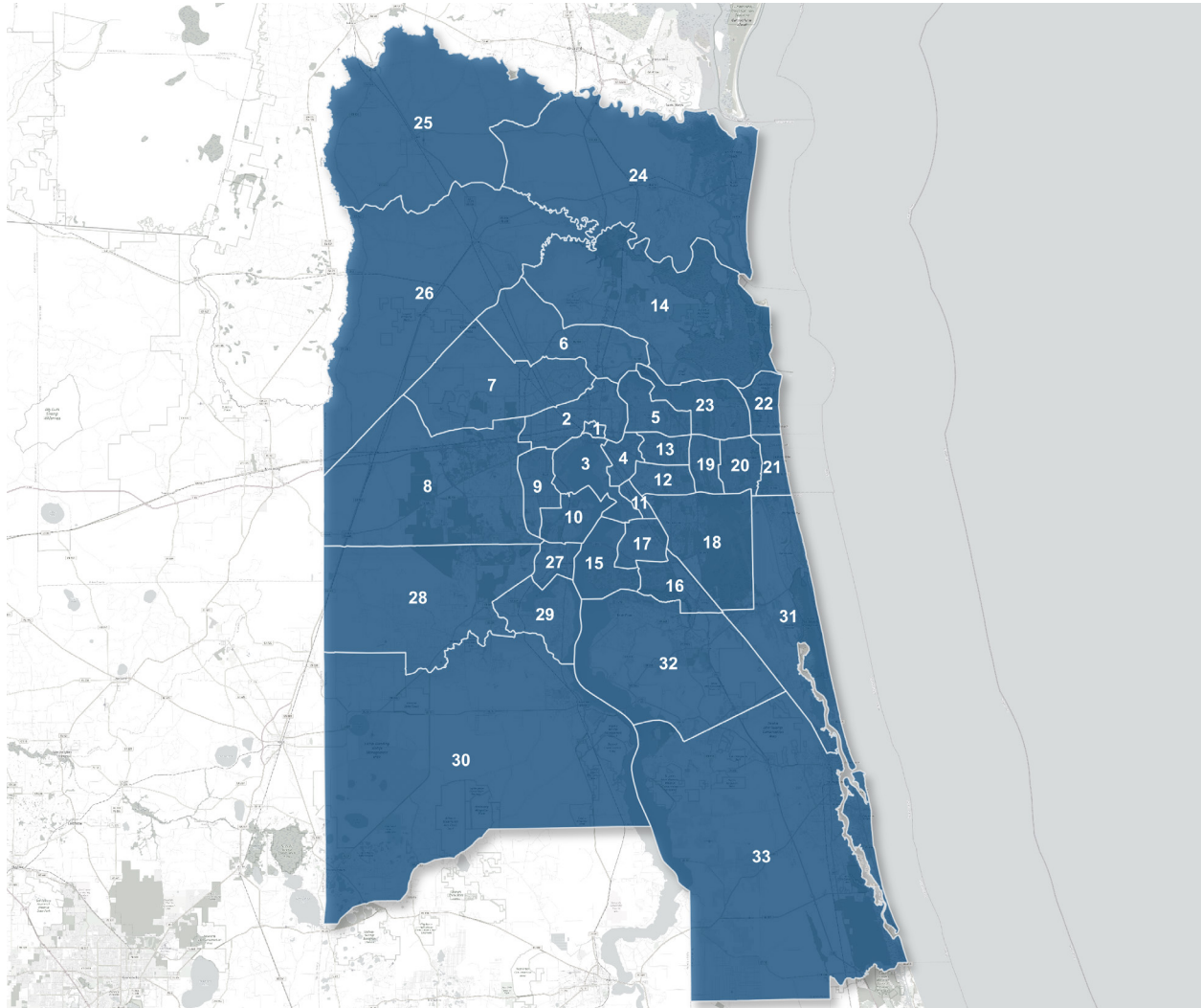
Our Jacksonville communities have followed up a very similar trend as Central Florida, with the lease-up velocity at our new communities outpacing initial expectations and overall effective rent growth in the mid-20 percent. As a top 25 best place to live in the nation, we have seen very strong migration from outside Florida, as well as many relocations from other cities in Florida to Jacksonville. Average occupancy has been at or above 95 percent, and renewal conversations remain well above historic norms.

Are there any weak spots on the horizon?

I'm of the opinion that the worst days are behind us, but housing affordability remains a concern overall. Additional new supply will help, but it will take several years for new supply to catch up with demand.

(Read the complete interview on 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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



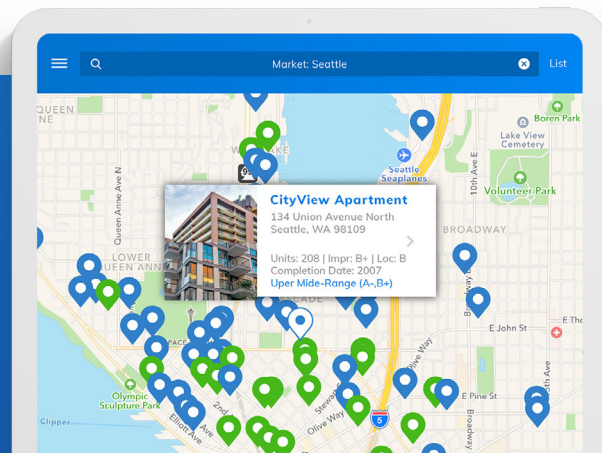
Yardi Matrix

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with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
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