



MULTIFAMILY REPORT

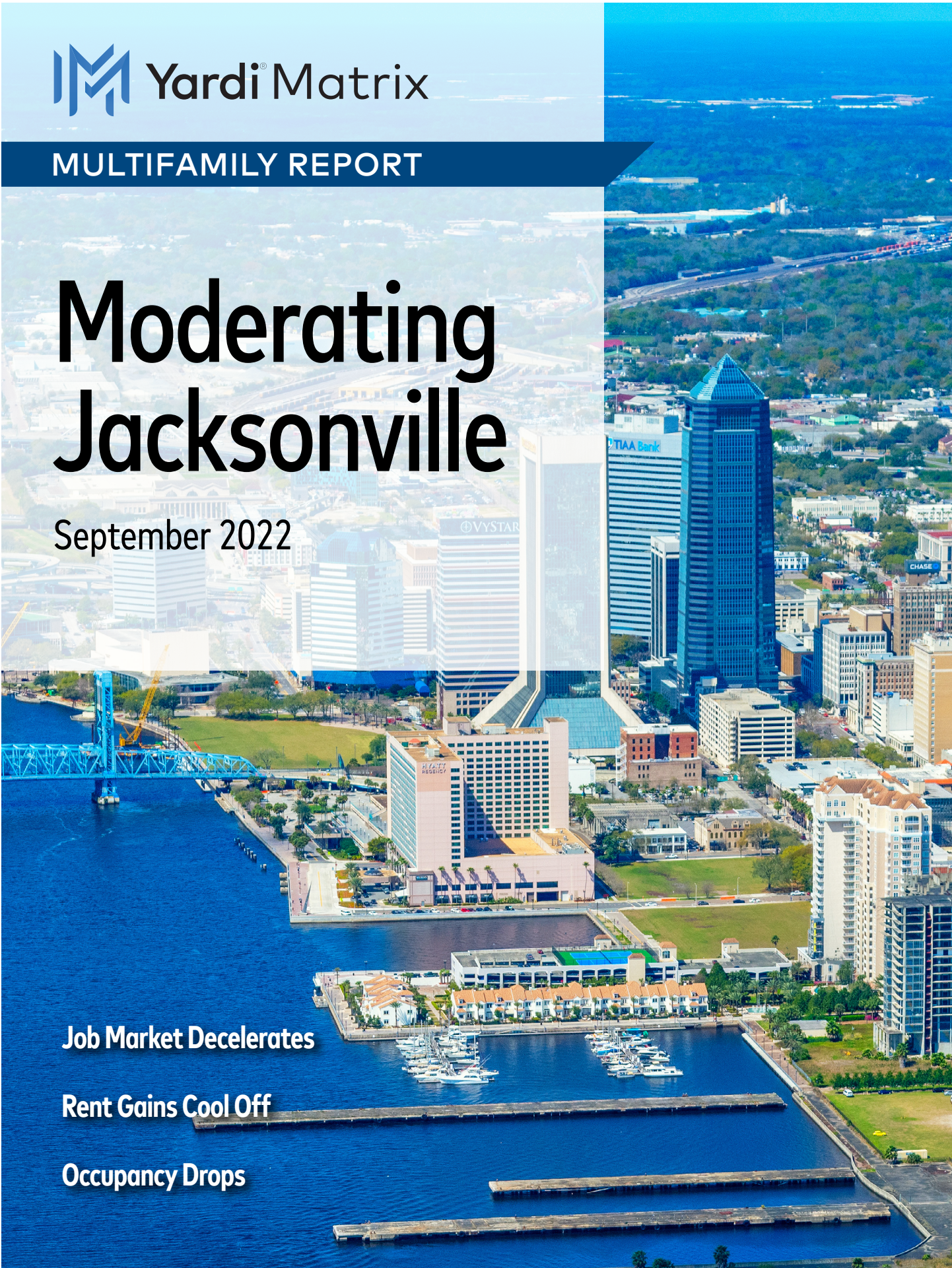
Moderating Jacksonville

September 2022

Job Market Decelerates

Rent Gains Cool Off

Occupancy Drops



JACKSONVILLE MULTIFAMILY



The First Coast Goes With the Tide

After a banner 2021, the Jacksonville multifamily market shifted down a gear, to more sustainable levels of expansion. Rents were up 0.4% on a trailing three-month basis as of July, to \$1,525, below the 1.0% U.S. rate. Still, that brought year-over-year growth to 13.5%, above the 12.6% national figure. Meanwhile, occupancy dropped 110 basis points as of June, to 95.2%, demonstrating another sign of cooling growth.

Metro Jacksonville gained 25,900 jobs in the 12 months ending in May. That marked a 4.8% rise, 10 basis points above the national average. Professional and business services brought the most positions—13,700 jobs, for an 11.9% hike—again underpinning Florida's status as a strong magnet for office-using employees. Unemployment reached 2.9% as of June, relatively in line with other metros in the state and below the 3.6% U.S. figure.

A total of 1,590 apartments came online in the first seven months of the year, with an additional 9,365 units under construction as of July. Yardi Matrix expects 3,788 units to come online through the end of 2022, which would mark the highest level of deliveries since 2019. Following a record \$2.6 billion in multifamily deals last year, transaction volume reached \$1 billion year-to-date through July. The price per unit clocked in at \$138,737, close to the figure recorded during the same time frame in 2021 but substantially below the \$216,893 U.S. average.

Market Analysis | September 2022

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Recent Jacksonville Transactions

The Felix



City: Jacksonville, Fla.
Buyer: ApexOne Investment Partners
Purchase Price: \$66 MM
Price per Unit: \$235,025

Oasis of Mandarin



City: Jacksonville, Fla.
Buyer: Cyclone Investment Group
Purchase Price: \$42 MM
Price per Unit: \$164,177

The Commons



City: Jacksonville, Fla.
Buyer: BJB Partners
Purchase Price: \$35 MM
Price per Unit: \$106,276

The Edge at Lakeside

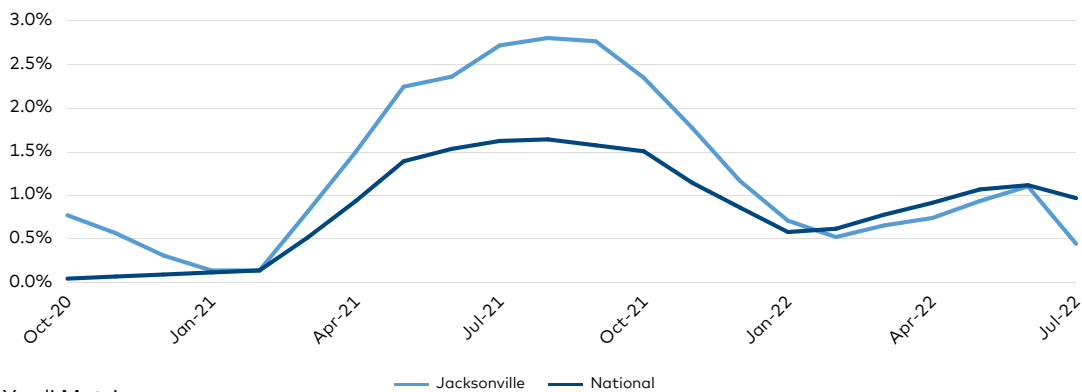


City: Orange Park, Fla.
Buyer: TruAmerica Multifamily
Purchase Price: \$31 MM
Price per Unit: \$155,000

RENT TRENDS

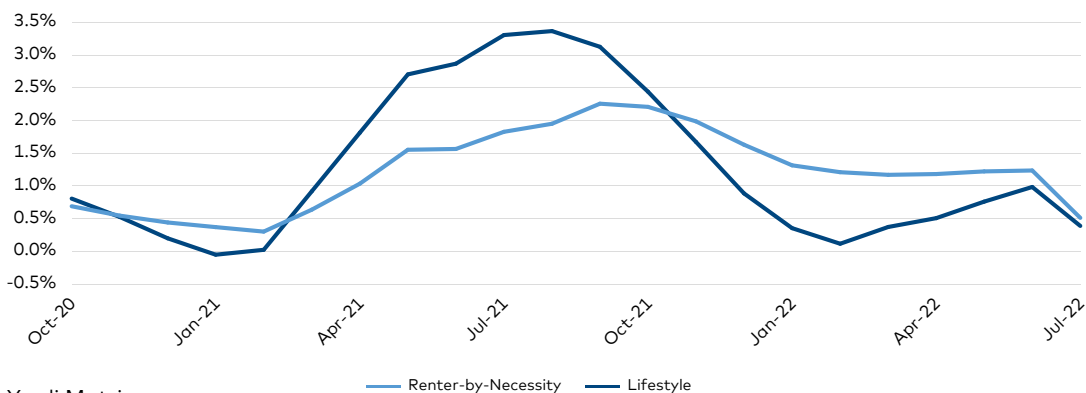
- ▶ After a strong 2021, Jacksonville rent growth moderated over the past two quarters, reaching 0.4% on a trailing three-month (T3) basis through July, to an average of \$1,525. Meanwhile, the national rate improved 1.0%, to an all-time high of \$1,717. Year-over-year, Jacksonville rents were up 13.5%, slightly above the already strong, albeit decelerating U.S. figure, which clocked in at 12.6%.
- ▶ While upscale rates advanced more slowly for the better part of 2022, the gap between quality segments has been closing of late. Rates in the working-class Renter-by-Necessity segment were up 0.5% to \$1,258 on a T3 basis as of July, while Lifestyle rents advanced 0.4%, to \$1,740.
- ▶ Another sign of cooling off on the heels of last year's run is the evolution of occupancy in stabilized assets, which dropped 110 basis points over 12 months, to 95.2% as of June. Lifestyle occupancy recorded a steeper drop of 150 basis points, while RBN occupancy declined by just 60 basis points, both reaching 95.2%.
- ▶ While all submarkets tracked by Yardi Matrix recorded year-over-year rent gains as of July, growth was uneven, with several areas registering hikes above the 20.0% threshold. The list included submarkets close to the city core such as South Jacksonville (29.3% to \$1,349), Bowden (22.3% to \$1,357) and Highlands (21.8% to \$1,341), but also distant St. Augustine (25.6% to \$1,677).

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

- ▶ Jacksonville unemployment clocked in at 2.9% as of June, according to preliminary data from the Bureau of Labor Statistics. That puts the metro relatively in line with the state (2.8%), as well as Orlando (3.2%), Tampa (2.9%) and South Florida (2.6%), and also ahead of the national average (3.6%).
- ▶ Jacksonville gained 35,900 positions in the 12 months ending in May. That marked a 4.8% improvement, slightly above the 4.7% U.S. average. After a September 2021 peak of 6.7%, year-over-year job growth in metro Jacksonville slowly decelerated.
- ▶ Professional and business services led growth, adding 13,700 positions for an 11.9% gain. The rapid addition of office-using jobs in Jacksonville speaks volumes when it comes to Florida's appeal as a relocation destination and to a wider extent, the Sun Belt's.
- ▶ Leisure and hospitality added 7,100 positions year-over-year, which might seem surprisingly low, especially considering the metro's economic profile. However, May figures have yet to capture the summer influx of tourists and the subsequent demand for jobs in the sector.
- ▶ Trade, transportation and utilities rounded out the top three, with 5,500 jobs. Meanwhile, government (-200) was the only sector to lose jobs.

Jacksonville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	129	16.8%
70	Leisure and Hospitality	88	11.5%
40	Trade, Transportation and Utilities	163	21.3%
15	Mining, Logging and Construction	52	6.8%
65	Education and Health Services	115	15.0%
55	Financial Activities	72	9.4%
30	Manufacturing	33	4.3%
50	Information	9	1.2%
80	Other Services	27	3.5%
90	Government	78	10.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ In line with other Florida cities, Jacksonville's population grew substantially in 2021. The metro gained 26,278 residents, a 1.6% increase. Meanwhile, the U.S. population was up only 0.1%.
- ▶ In the last decade, Jacksonville's population grew by 18.8%.

Jacksonville vs. National Population

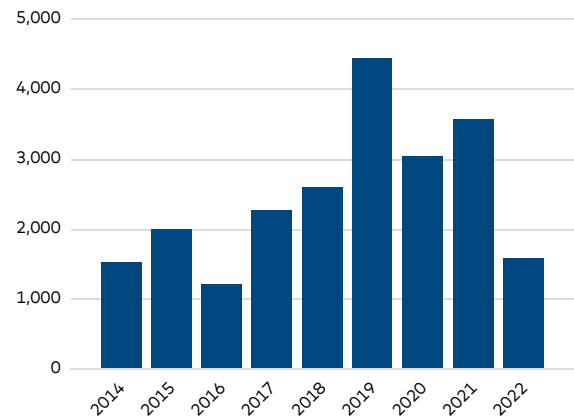
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Jacksonville	1,534,682	1,561,806	1,611,388	1,637,666

Source: U.S. Census

SUPPLY

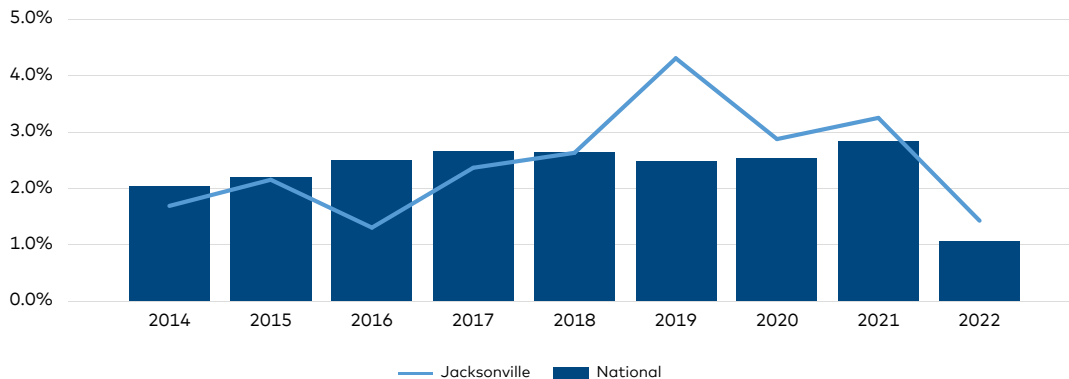
- ▶ Jacksonville had 9,365 units under construction as of July, with an additional 28,000 apartments in the planning and permitting stages. In the first seven months of the year, construction started on eight projects totaling 1,712 units, significantly below the 13 communities adding up to 2,792 units registered in the same time frame of 2021.
- ▶ Year-to-date through July, 1,590 units came online in Jacksonville, representing 1.4% of existing stock and outpacing the 1.1% national average. Yardi Matrix expects a total of 3,788 apartments to come online across the metro in 2022, surpassing all but one of the past 10 years' totals. Like the existing pipeline, recently completed projects are nearly all upscale.
- ▶ The St. Johns submarket dominated the pipeline as of July, with seven multifamily developments totaling 2,080 units underway. The rapidly growing area has an additional 3,126 apartments across eight projects in the planning and permitting stages. Bayard (1,267 units underway) was the only other submarket to surpass the 1,000-unit threshold, followed by St. Augustine (654 units), Oceanway (594 units) and Jacksonville Heights (503 units).
- ▶ The largest property to reach completion in the first seven months of the year was Vista Brooklyn, a 308-unit community in the San Jose submarket developed by Capital Square. As of July, the biggest development under construction was Grand Cypress, a 588-unit project in St. Johns. Gatlin Development Co. is building the property with help from an \$89.8 million construction loan originated by Benefit Street Partners in 2021.

Jacksonville Completions (as of July 2022)



Source: Yardi Matrix

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

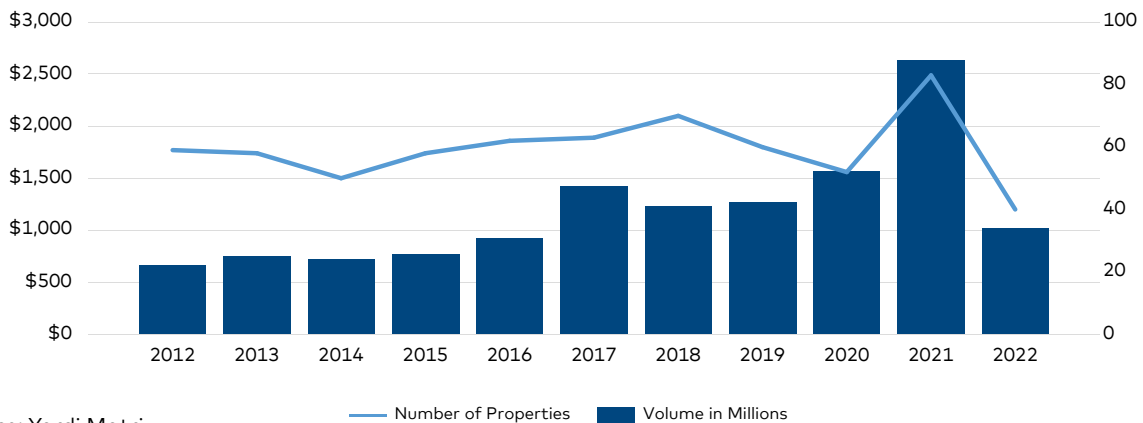


Source: Yardi Matrix

TRANSACTIONS

- ▶ A total of \$1 billion in multifamily assets traded in Jacksonville in 2022 through July. This came on the heels of the metro's best year for transactions, with \$2.6 billion recorded in 2021, when interest rates were far lower and amid above-trend population and rent growth.
- ▶ Year-to-date through July, the average price per unit clocked in at \$138,737, close to the \$129,511 figure recorded during the same time frame of 2021 but significantly below the \$216,893 national average.
- ▶ LivCor was one of the most active buyers in Jacksonville during the 12 months ending in July, acquiring almost 2,000 units across seven properties. This included the acquisition of the 257-unit Bell Riverside in the San Jose submarket from Bell Partners. The property traded for \$79.3 million, or \$308,638 per unit. The transaction also marked one of the highest per-unit prices recorded in Jacksonville during the period.

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



Source: Yardi Matrix

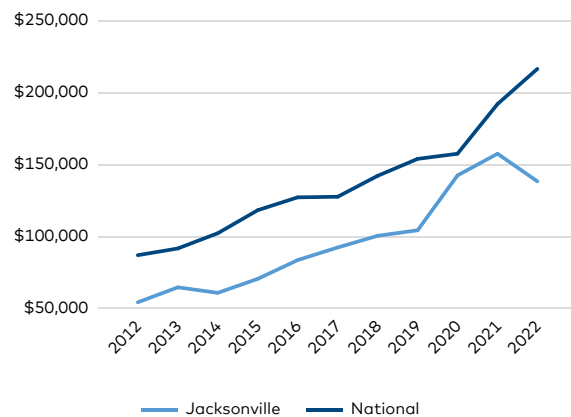
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Jacksonville - San Jose	383
Jacksonville - Newcastle	317
Jacksonville - San Pablo	283
Jacksonville - Cedar Hills	244
Ridgewood	215
Jacksonville - Oakwood Villa	166
Jacksonville - Pineland Gardens	150

Source: Yardi Matrix

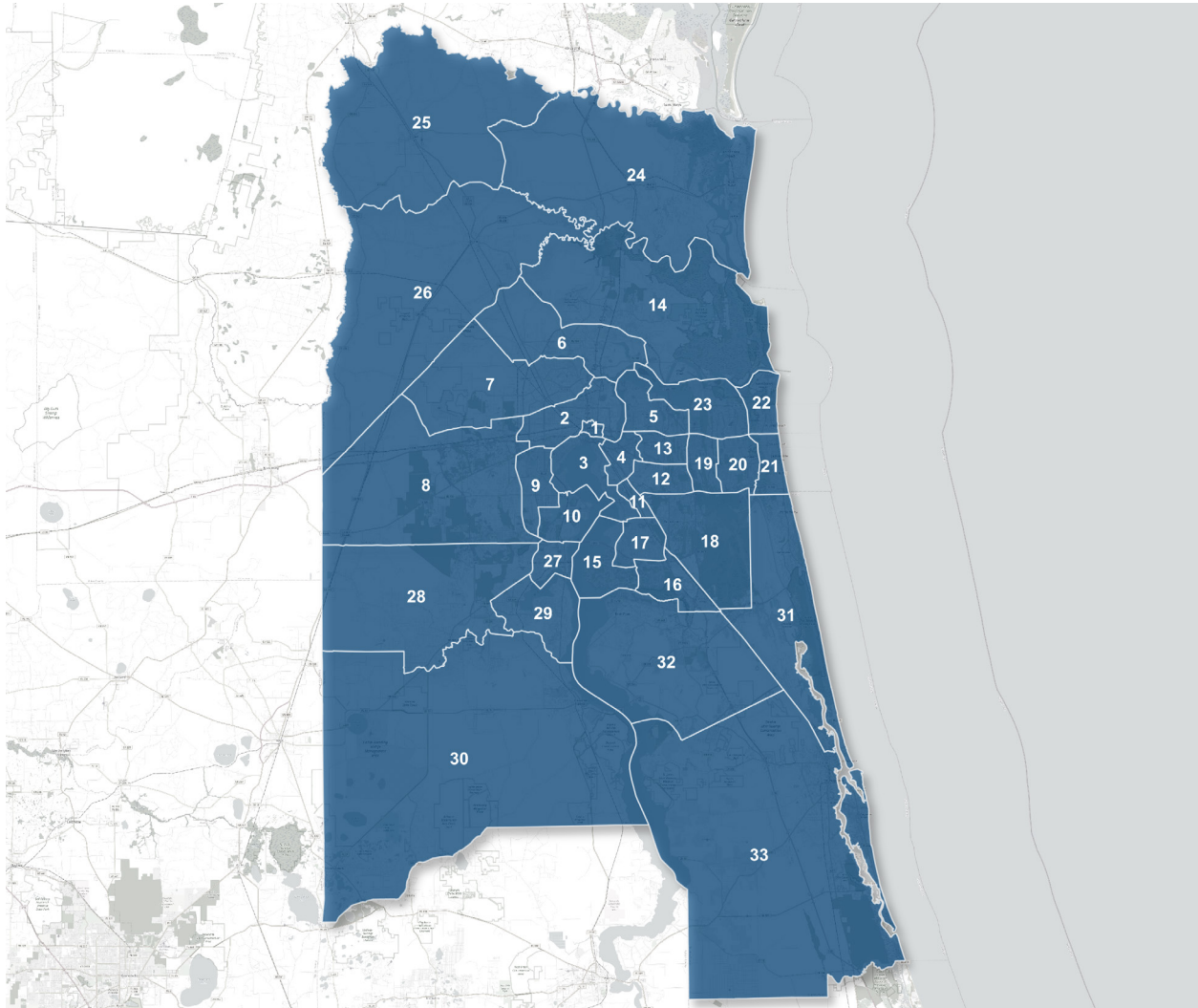
¹ From August 2021 to July 2022

Jacksonville vs. National Sales Price per Unit



Source: Yardi Matrix

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 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 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, 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.



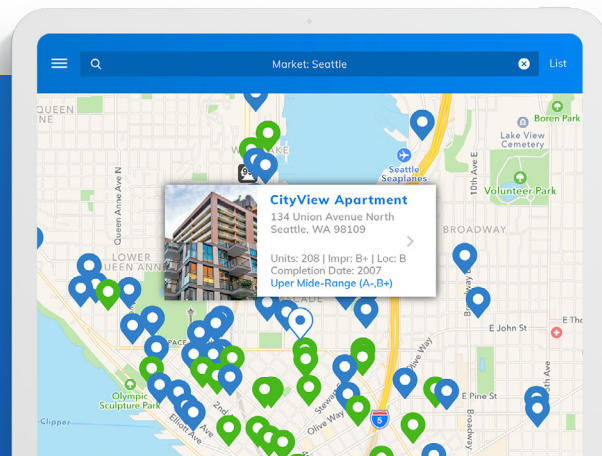
Yardi Matrix

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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
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



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