

An aerial photograph of Jacksonville, Florida, showing a mix of modern glass skyscrapers and older buildings. In the foreground, there's a waterfront park with a green gazebo, palm trees, and a paved walkway along the water. The sky is clear and blue.

Yardi® Matrix

Jacksonville's Bright Future

Multifamily Report Summer 2017

Rents, Occupancy Trend Up

New Construction to Accelerate

Asset Values Approach Post-Bubble High

Market Analysis

Summer 2017

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City Set for Economic Expansion

Multifamily remains a solid play in Jacksonville, where employment and population continue to rise, creating strong rental demand. Many residents are drawn to the metro's affordable cost of living, increasing job opportunities and economic stability, turning Jacksonville into one of the most popular migration destinations in the U.S.

Professional and business services led job gains over the year ending in June, bolstering demand for office space. Job growth in trade, transportation and utilities was also strong, a trend that is expected to continue. Amazon is planning 4,000 additional jobs for two new fulfillment centers, a delivery station and a warehouse. UPS is also looking to hire 1,600 workers for its expanded hub, while IKEA began filling 250 positions for its new store.

Combined with healthy demand, last year's limited inventory expansion helped push average occupancy to 95.6%. Although rent growth has decelerated, it remains on pace with the national trend. Development is poised to accelerate, especially in College Park/Springfield and Deerwood Club-West. On the investment front, buyers are increasingly targeting Jacksonville-area assets, pushing up property values to a post-recession high. Despite the more than 2,000 units that are scheduled to come online in the last quarter, we expect demand for apartments to keep up with new supply, leading to a 3.1% rent increase in 2017.

Recent Jacksonville Transactions

Paradise Island



City: Jacksonville, Fla.
Buyer: DRA Advisors
Purchase Price: \$120 MM
Price per Unit: \$107,914

Bentley Green



City: Jacksonville, Fla.
Buyer: Starwood Capital Group
Purchase Price: \$98 MM
Price per Unit: \$120,000

Mathews Crossing



City: Jacksonville, Fla.
Buyer: S2 Residential
Purchase Price: \$50 MM
Price per Unit: \$44,878

Waterford at Mandarin



City: Jacksonville, Fla.
Buyer: Cherishome Living
Purchase Price: \$46 MM
Price per Unit: \$106,146

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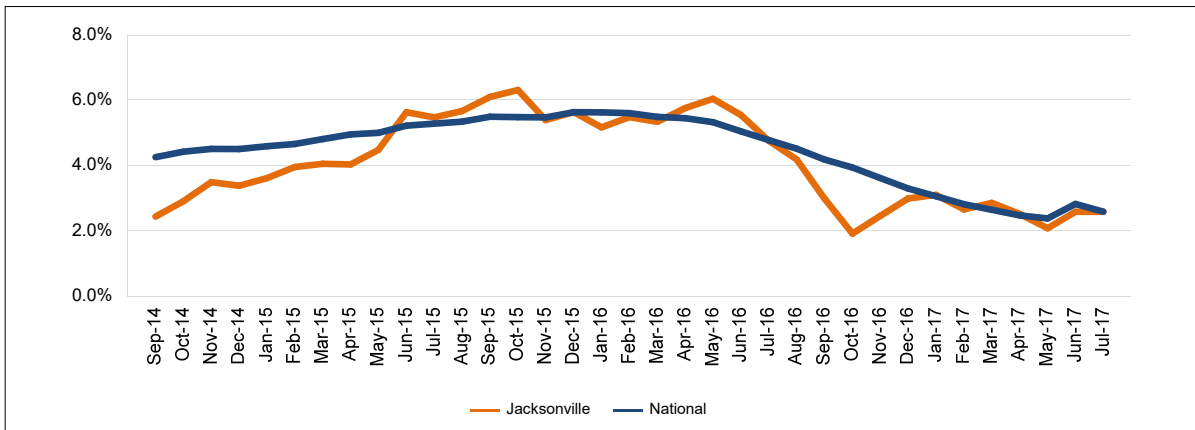
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Rent Trends

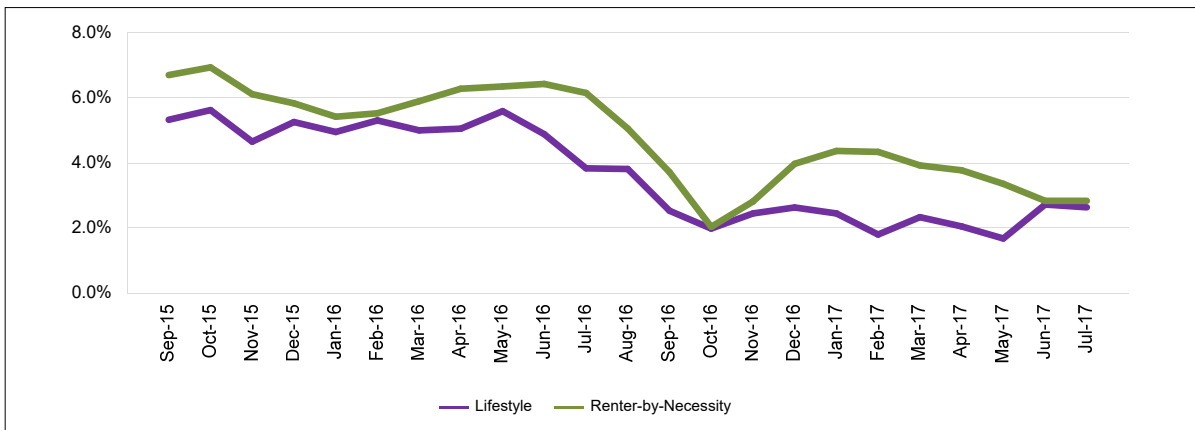
- Rents in Jacksonville rose 2.6% year-over-year through July, in line with the national trend. The metro’s average rent stood at \$994, well below the \$1,350 U.S. average. Demand remains elevated, due to above-trend job growth. Families, retirees and young professionals are drawn to the area, which ranks among the most popular migration destinations in the U.S.
- Rents in the working-class Renter-by-Necessity segment rose 2.8%, to \$834, while Lifestyle rents increased by 2.6%, to \$1,167. Coupled with a lull in construction, booming household creation has raised Jacksonville’s average occupancy of stabilized properties up to 95.6% as of June.
- Dinsmore, the metro’s most affordable submarket, saw the highest year-over-year rent increase, up 16% to \$675 as of July. Rents in Beacon Hills, one of the metro’s most popular neighborhoods, rose by 8% to \$1,188. Rents decreased in Bellair (-3.4%) and Hilliard (-2.3%), where the cost of living is low, as well as in Neptune Beach (-1.3%), College Park/Springfield (-0.9%) and Deerwood Club–East (-0.6%), which command the highest rents.
- Despite the more than 2,000 units that are scheduled to come online by the end of the year, we expect demand for apartments to remain high, leading to a 3.1% rent increase in 2017.

Jacksonville vs. National Rent Growth (Sequential 3-Month, Year-Over-Year)



Source: YardiMatrix

Jacksonville Rent Growth by Asset Class (Sequential 3-Month, Year-Over-Year)

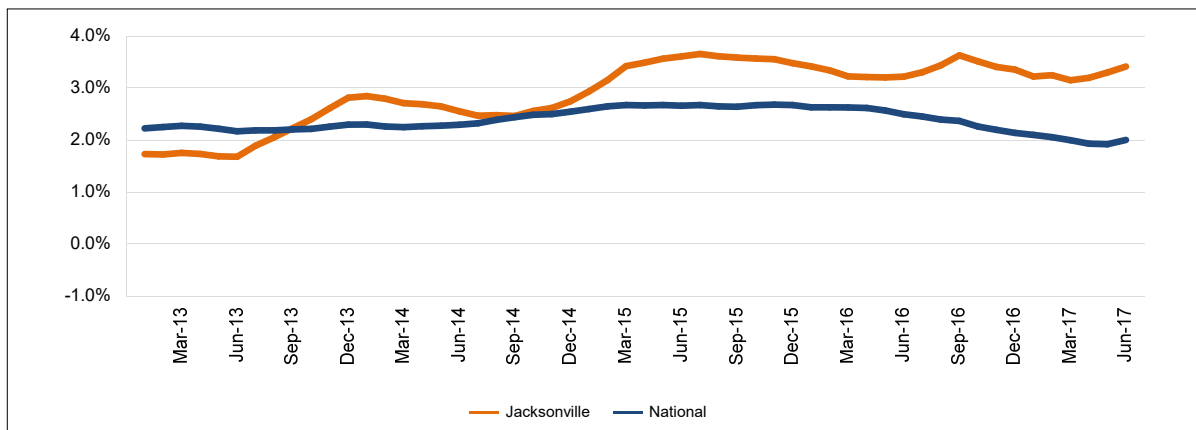


Source: YardiMatrix

Economic Snapshot

- Jacksonville added 23,600 jobs in the year ending in June, marking a 3.4% increase, well above the 2% national average. As young workers enter the workforce and begin looking for jobs, the metro's unemployment rate has risen slightly, going from 3.8% in May to 4.2% in June.
- A multitude of insurance, health care and financial services firms have transformed Jacksonville into a significant technology job hub. Between 2011 and 2016, employment within the sector rose 41%, according to CBRE, which places Jacksonville in the nation's top 10 small markets for technology labor growth. The University of North Florida and a strong military presence feed the region's technology talent pipeline.
- Employment growth in the trade, transportation and utilities sector was also strong, and this trend is set to continue. Amazon announced plans to hire 4,000 people in Jacksonville for two new fulfillment centers, a delivery station and a warehouse. UPS is also looking to hire 1,600 workers for its expanded hub.
- Professional and business services led employment growth, with the addition of 6,500 employees and the expansion of white-collar jobs in Jacksonville bolstering demand for office space. Office vacancy dropped to 13% as of May, down from 15.3% at year-end 2016, according to Avison Young. The area's growing economy will continue to support a healthy office market, rents, occupancies and cash flows, and sparking new development.

Jacksonville vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

Jacksonville Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
60	Professional and Business Services	106	15.5%	6,500	6.5%
40	Trade, Transportation and Utilities	143	20.9%	5,600	4.1%
65	Education and Health Services	107	15.6%	5,400	5.3%
80	Other Services	27	3.9%	1,700	6.7%
70	Leisure and Hospitality	85	12.4%	1,600	1.9%
55	Financial Activities	65	9.5%	1,500	2.4%
30	Manufacturing	30	4.4%	800	2.7%
90	Government	72	10.5%	400	0.6%
50	Information	10	1.5%	100	1.1%
15	Mining, Logging and Construction	40	5.8%	0	0.0%

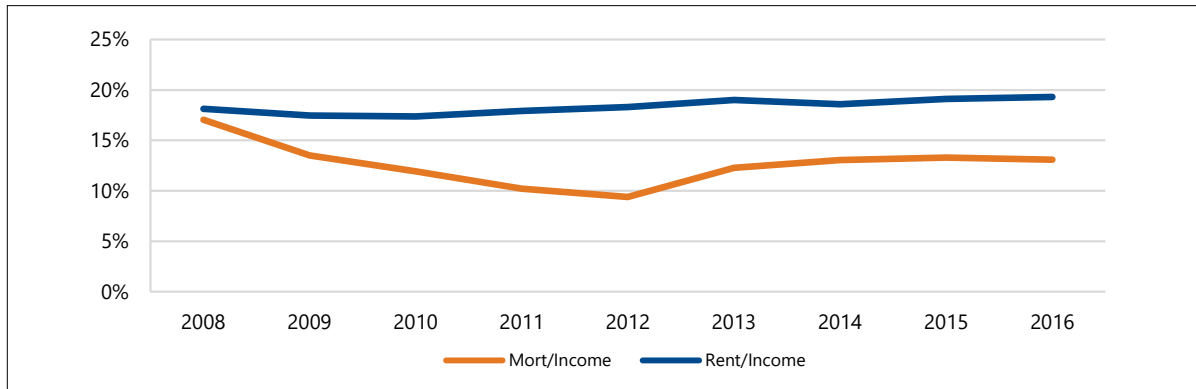
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

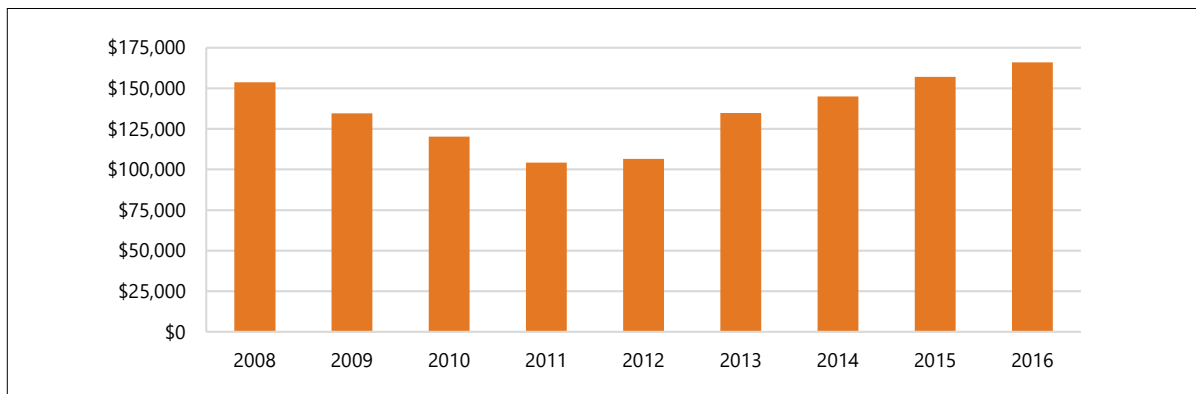
- The median home price in Jacksonville reached \$166,063 in 2016, with the average mortgage accounting for 13% of the area median income and average rent comprising 19%.
- Many residents are drawn to the metro's inexpensive housing, job opportunities, economic stability and mild weather, creating the need for more housing. The city's completion of infrastructure projects under the Better Jacksonville Plan has led to a revival of historic areas in Springfield, Riverside–Avondale, San Marco and Murray Hill. Furthermore, Nassau County will soon welcome more than 1,000 homes and 500,000 square feet of restaurants and shops, as part of the initial phase of the Wildlight master-planned community.

Jacksonville Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Jacksonville Median Home Price



Source: Moody's Analytics

Population

- Jacksonville gained 30,196 residents in 2016, up 2.1% and well above the 0.7% U.S. average rate.
- Most of the growth since 2010 has come from Duval County and St. Johns, which have grown by 100,000.

Jacksonville vs. National Population

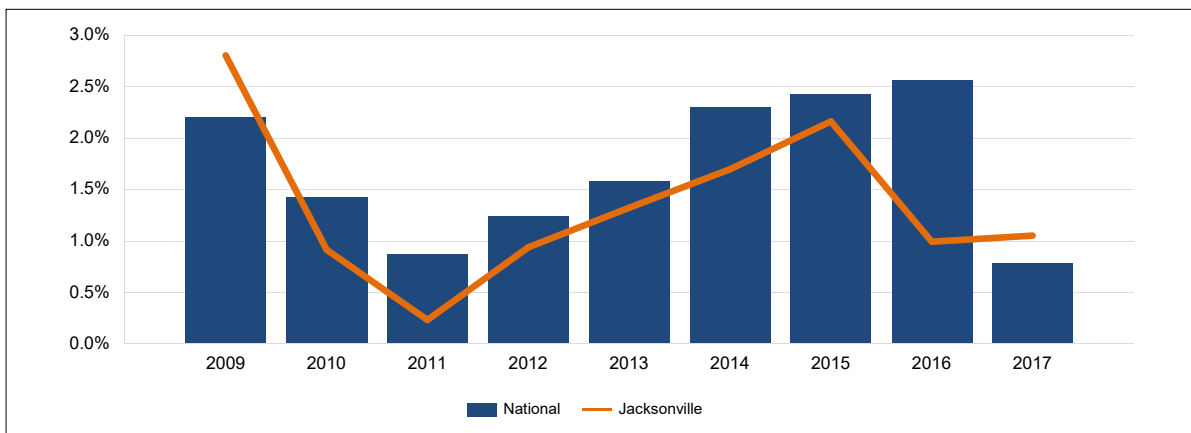
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Jacksonville Metro	1,379,131	1,395,363	1,419,765	1,448,016	1,478,212

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

Supply

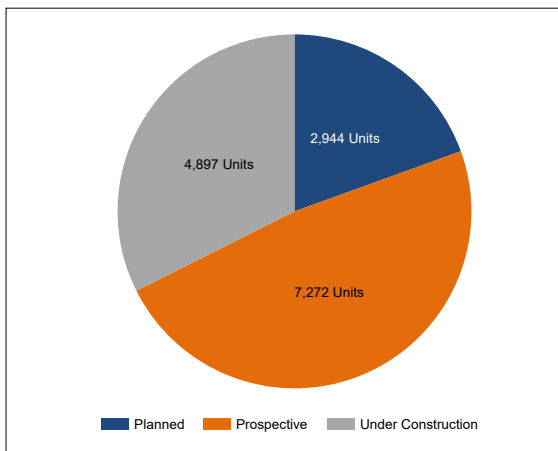
- Roughly 600 units came online in the metro year-to-date through July, while another 2,000 units are scheduled for completion by the end of the year. The new supply is poised to nearly triple last year's delivery of 925 new units.
- Jacksonville's total pipeline is significant, with 4,900 units under construction as of July and more than 10,200 units in various stages of development. Despite a surge in construction, demand is expected to keep up—thanks to a growing job market and rising population—generating positive net absorption and giving property owners leverage to continue raising rents.
- Submarkets with the highest number of units under construction as of July included College Park/Springfield (1,087 units), Deerwood Club–West (910 units), Pineland Gardens (722 units) and Bayard (416 units).
- The largest project on the drawing board is The District, which calls for more than 1.8 million square feet of development, including 1,170 residential units, 200 hotel rooms, 288,500 square feet for retail/commercial use, 200,000 square feet of office space and a 125-slip marina.

Jacksonville vs. National Completions as a Percentage of Total Stock (as of July 2017)



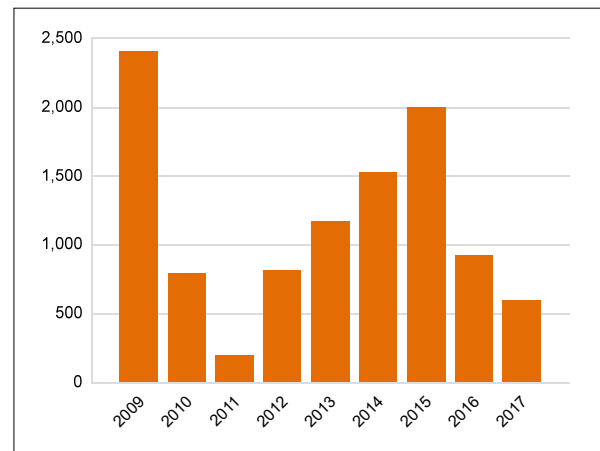
Source: YardiMatrix

Development Pipeline (as of July 2017)



Source: YardiMatrix

Jacksonville Completions (as of July 2017)

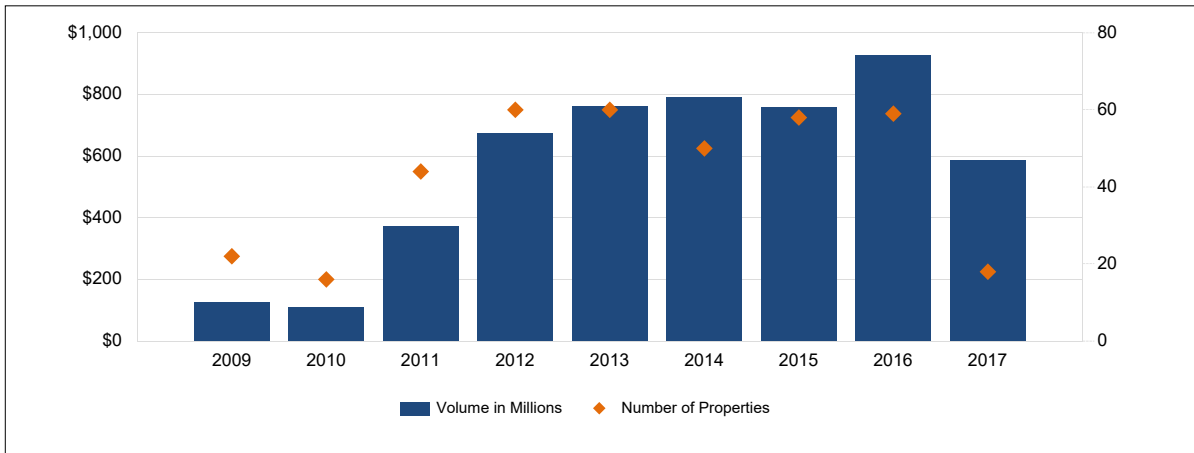


Source: YardiMatrix

Transactions

- More than \$585 million of multifamily properties changed hands in Jacksonville through July, putting the metro on pace to top the \$928 million in assets traded last year, a new cycle high. The average price per unit peaked at \$88,540 as of July, but remains significantly below the \$132,542 national figure.
- Institutional investors are increasingly interested in Jacksonville, as they see potential growth in population and real estate values. Acquisition yields remain attractive, in the 4.3-5.5% range for stabilized Class A properties in infill locations, between 5 and 5.5% for Class B assets and from 6 to 6.5% for Class C.
- DRA Advisors' acquisition of the 1,112-unit Paradise Island marks the largest transaction of the year ending in July. The Class A community sold for \$120 million or \$107,914 per unit, a price well above the metro average.

Jacksonville Sales Volume and Number of Properties Sold (as of July 2017)



Source: YardiMatrix

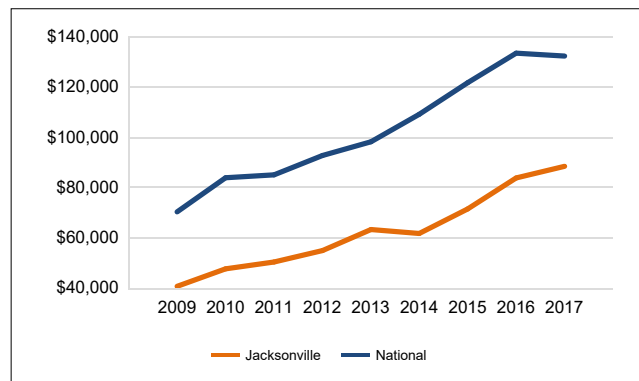
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Deerwood Club-West	\$274
Oakwood Villa	\$120
Cedar Hills	\$101
Newcastle	\$98
Bayard	\$79
Greenland	\$63
Ortega Hills	\$54
Sunbeam	\$47

Source: YardiMatrix

¹ From August 2016 to July 2017

Jacksonville vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!



Jernigan Capital Announces
Self-Storage Project,
Completes 3 Facilities



One Enterprise Center
Commands \$15M



Praedium Group Snags
\$57M FL Asset

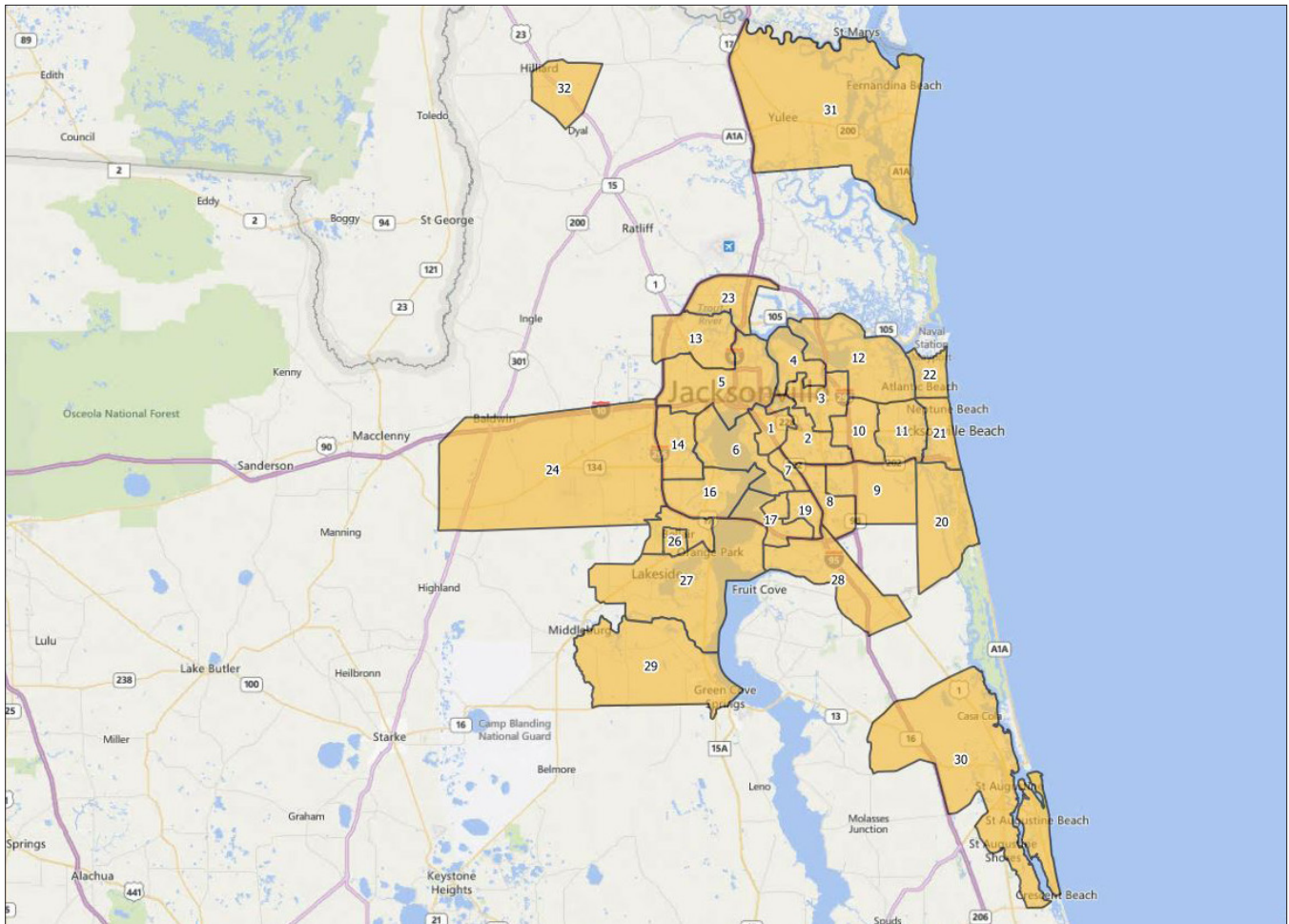


Waypoint Acquires
288-Unit Student Housing

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Jacksonville Submarkets



Area #	Submarket
2	Pineland Gardens
3	Oakwood Villa
4	Newcastle
5	College Park/Springfield
6	San Jose
7	Bowden
8	Deerwood Club–West
9	Deerwood Club–East
10	Southridge
11	San Pablo
12	Beacon Hills
13	Dinsmore
14	Cedar Hills
16	Ortega Hills
17	Greenland
18	Goodbye

Area #	Submarket
19	Sunbeam
20	Ponte Vedra Beach
21	Neptune Beach
22	Mayport
23	Highlands
24	Jacksonville Heights
25	Meadowbrook
26	Bellair
27	Orange Park
28	Bayard
29	Green Cove Springs
30	St. Augustine
31	Fernandina Beach
32	Hilliard

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 may 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 may 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, may 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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