

# Slowing Rentals In Jacksonville

April 2023



Occupancy Dips Below 94%

Short-Term Rent Gains Still Negative

Investment, Development Activity Moderate

# JACKSONVILLE MULTIFAMILY



## Seasonal Slowdown In Full Swing

Following almost two years of unprecedented growth, the Jacksonville multifamily market began to cool down at the end of 2022, mirroring nationwide trends. On a trailing three-month basis through February, rents contracted 0.2%, to an average of \$1,526, while the U.S. figure inched down 10 basis points, to \$1,702. The occupancy rate in stabilized properties also slipped from its 96.3% peak in July 2021, to 93.9% in February, marking the lowest rate among large Florida metros.

Jacksonville unemployment was 2.5% as of January, 10 basis points below the state figure. In 2022, the metro added 43,400 jobs, with professional and business services accounting for a third of them. Due to several large projects under construction or planned, the job market has good prospects, with developers particularly busy along the waterfront area, which is getting a significant overhaul. Preston Hollow Capital is expected to begin construction this year on its \$535 million RiversEdge project on a 30-acre Southbank tract of riverfront land. The Northbank area is also on the cusp of a significant makeover, as SouthEast Development Group and its partners moved forward with plans to remodel a 25-acre city-owned parcel.

As in most parts of the country, both new development and investment activity in Jacksonville have been on a downward trend since the end of 2022, not only because of the seasonal slowdown but also as a result of tightening lending standards.

## Market Analysis | April 2023

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### Recent Jacksonville Transactions

#### Magnolia Point



City: Jacksonville, Fla.  
Buyer: Fincapital Investments  
Purchase Price: \$38 MM  
Price per Unit: \$167,333

#### River City Landing



City: Jacksonville, Fla.  
Buyer: KODA  
Purchase Price: \$31 MM  
Price per Unit: \$96,500

#### Westgate



City: Jacksonville, Fla.  
Buyer: Related Group  
Purchase Price: \$20 MM  
Price per Unit: \$117,934

#### Rosalind Villas



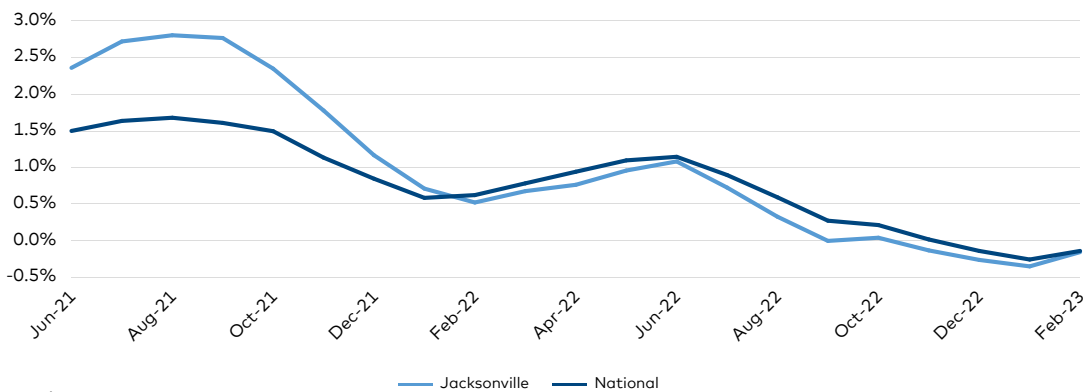
City: Jacksonville, Fla.  
Buyer: Hallmark Co.  
Purchase Price: \$11 MM  
Price per Unit: \$91,667



## RENT TRENDS

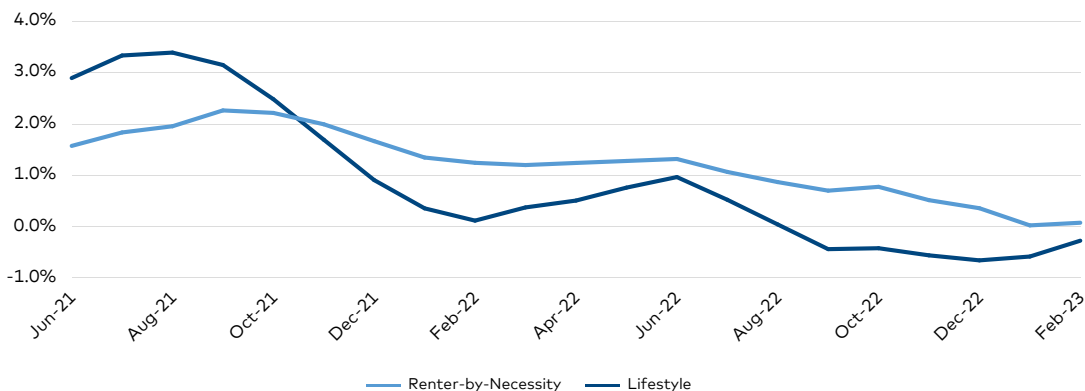
- Rents in Northeast Florida contracted 0.2% on a trailing three-month (T3) basis through February to \$1,526, marking the fourth consecutive month of negative movement, while national figures slipped 0.1%, to an average of \$1,702. On a year-over-year basis, Jacksonville rates advanced 3.0%, trailing the U.S. growth rate by 180 basis points.
- Lifestyle rates contracted 0.3% to \$1,696, as most of the stock expansion in the past few years consisted of upscale projects. Meanwhile, rent gains in the working-class Renter-by-Necessity segment remained positive, inching up 0.1%, to an average of \$1,313.
- The occupancy rate in stabilized properties in Duval County has been on a downward trajectory since mid-2021, hitting 93.9% as of February, well below the 95.2% national rate.
- In the 12 months ending in February, rents improved the fastest in two neighboring southeastern submarkets—South Jacksonville (9.6% to \$1,390) and Oakwood Villa (8.9% to \$1,238)—as well as in Ridgewood (9.1% to \$1,575), a suburban submarket outside the Interstate 295 beltway. Meanwhile, Neptune Beach (\$1,836) and Ponte Vedra Beach (\$1,826) remained the most expensive areas of the metro, despite rents contracting by 1.4% and 18.3%, respectively. Rates in St. Johns, the top area for development activity, also contracted by 15.0%, to an average of \$1,671.

### 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

- ▶ Unemployment in Jacksonville was at 2.5% as of January, according to preliminary data from the Bureau of Labor Statistics. The rate stayed in the 2.0% to 3.0% band for most of 2022, which was in line with the state.
- ▶ Last year, job gains were led by professional and business services and leisure and hospitality, which accounted for 25,600 jobs of the total 43,400 positions added. Employment growth clocked in at 5.0% in December, 130 basis points above the national average.
- ▶ One of the busiest areas for redevelopment and construction is the metro's waterfront. Touted as the largest public-private partnership in the

history of Jacksonville, The Riverfront is a multi-phase, master-planned project that includes 15 acres of public green space in downtown's Northbank Riverwalk area. SouthEast Development Group and its partners are behind the 2.3 million-square-foot development. In Southbank, Preston Hollow Capital is expected to begin construction this year on its \$535 million project, which includes 950 apartments, 147 hotel rooms and 334,000 square feet of office and retail space, all on 30 acres of riverfront. Additionally, Iguana Investments plans to spend \$387 million on a project built on the former shipyard site near TIAA Bank Field. Plans call for a 10-story hotel, condos and almost 160,000 square feet of office space, as well as a marina facility.

### Jacksonville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	137	17.2%
70	Leisure and Hospitality	92	11.5%
65	Education and Health Services	121	15.2%
40	Trade, Transportation and Utilities	172	21.6%
55	Financial Activities	75	9.4%
30	Manufacturing	34	4.3%
15	Mining, Logging and Construction	51	6.4%
90	Government	80	10.0%
50	Information	9	1.1%
80	Other Services	28	3.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Jacksonville's population grew by 1.6% in 2021, while the year-over-year U.S. expansion was only 0.1%.
- ▶ The metro had a 5.0% population increase from 2019 to 2021, according to a LendingTree study, making it one of the nation's top 5 "boomtowns" during the pandemic migration era.

### Jacksonville vs. National Population

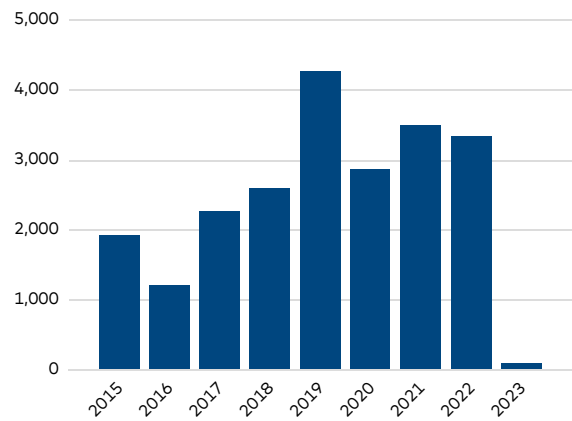
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Jacksonville	1,534,682	1,561,806	1,611,388	1,637,666

Source: U.S. Census

## SUPPLY

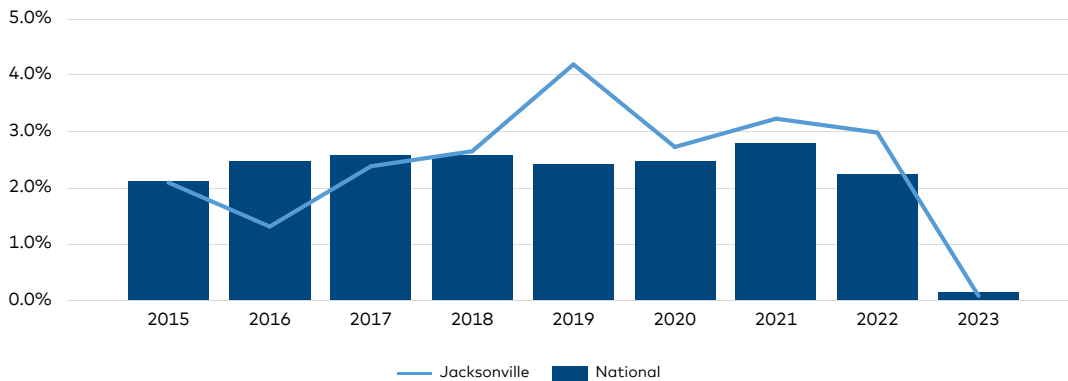
- ▶ The metro had 11,383 units under construction as of February, with the bulk of them in upscale developments. Another 41,100 apartments were in the planning and permitting stages. Despite lingering demand—particularly in the lower-end segment—developers might reconsider their plans due to tight financing conditions, making it difficult for projects to come together.
- ▶ In the first two months of the year, only one project came online—Housing Trust Group delivered Bryce Landing, a 96-unit fully affordable community in Middleburg, Fla. Last year through February, 588 units had already been delivered.
- ▶ Construction activity also moderated. Developers broke ground on a 220-unit project, a substantial drop from the 1,345 apartments across five properties that they began work on in the first two months of 2022.
- ▶ With 1,827 units under construction as of February, St. Johns led development activity. Southeastern submarkets Bayard, St. Augustine and Deerwood Club each had more than 1,000 units underway, as well.
- ▶ There are two projects with more than 500 units under construction in the metro. One of them is the 588-unit Grand Cypress in St. Johns, which is being developed by Gatlin Development Co., with completion expected in late 2024. The other property is also expected to be delivered at the end of next year. Developed by Corner Lot Development using a \$40 million loan from Synovus Bank, Flagler Crossing in St. Augustine is set to encompass 510 units across 17 buildings.

**Jacksonville Completions** (as of February 2023)



Source: Yardi Matrix

**Jacksonville vs. National Completions as a Percentage of Total Stock** (as of February 2023)

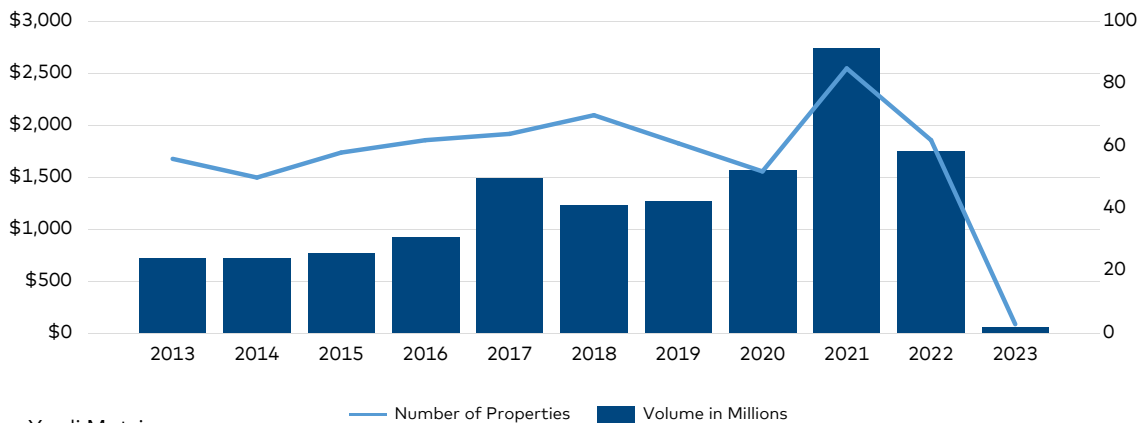


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Only three multifamily assets of 50 units or more changed hands in Jacksonville in the first two months of 2023, for a total of \$62 million. Over the same period last year, 14 properties had already traded, for a combined \$439 million. As in most parts of the country, investment activity dropped sharply due to the increased cost of debt that dampened investor appetite.
- ▶ With all the properties that traded targeting low-income residents, the per-unit price plummeted to \$101,442, less than half the \$204,722 national average. This can be attributed to the seasonal slowdown in sales and the overall higher-rate environment that has driven many investors to the sidelines.
- ▶ In the 12 months ending in February, transaction activity was concentrated in three neighboring southeastern submarkets: Bayard, Deerwood Club and Pineland Gardens. At \$470 million combined, the three areas accounted for roughly a third of the total transaction volume.

### Jacksonville Sales Volume and Number of Properties Sold (as of February 2023)



Source: Yardi Matrix

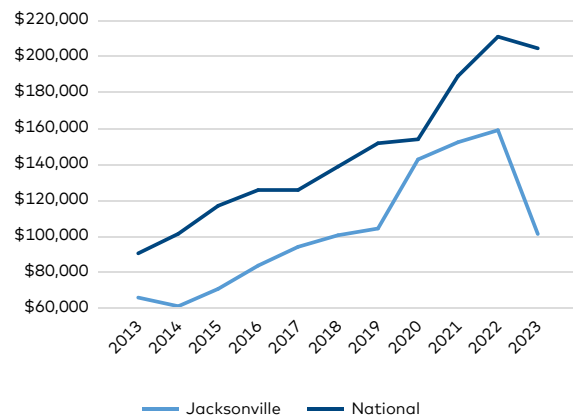
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Jacksonville-Bayard	163
Jacksonville-Deerwood Club	158
Jacksonville-Pineland Gardens	149
Bellair-Orange Park	124
Jacksonville-Oakwood Villa	94
Ridgewood	87
Jacksonville-Cedar Hills	86

Source: Yardi Matrix

<sup>1</sup> From March 2022 to February 2023

### Jacksonville vs. National Sales Price per Unit



Source: Yardi Matrix

## Top Florida Markets for Multifamily Construction

By Anda Rosu

Construction activity hasn't lost momentum in Florida, with the multifamily sector powering through despite nationwide and local hurdles. More than 38,337 units were delivered year-to-date through November, according to Yardi Matrix data. As of November, the state had more than 110,609 units underway, representing 11 percent of the national stock under construction. In the list below we've highlighted the top multifamily markets in Florida for construction activity, using Yardi Matrix data as of the end of November 2022.

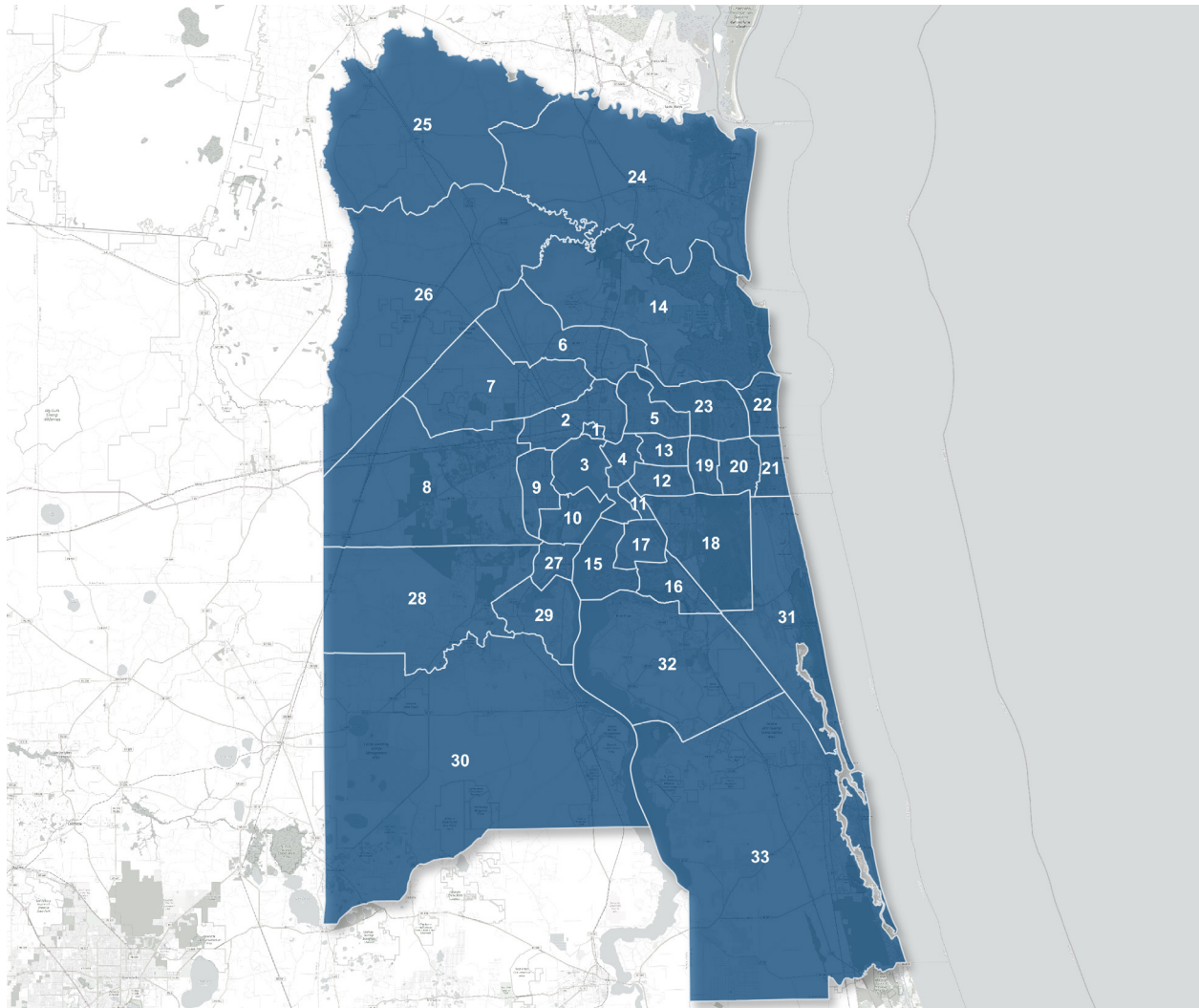
Rank	Metro	Units Under Construction	Units Delivered 2022 YTD	Projects Under Construction 2022 YTD
1	Miami Metro	39,889	12,434	143
2	Orlando	25,330	6,725	90
3	Tampa	17,522	7,268	77
4	Jacksonville	10,291	3,476	39
5	SW Florida Coast	8,811	2,871	39
6	NC Florida	3,992	1,507	19
7	Tallahassee	2,432	252	12
8	Pensacola	2,342	3,804	12

### Jacksonville

Jacksonville had 10,291 units under construction as of November. Construction started on 16 projects totaling 4,364 units, below the 22 communities adding up to 5,375 units registered in 2021. When it comes to units delivered, 3,476 units came online in Jacksonville year-to-date through November, representing 9% of the total stock delivered in the state in 2022. Last year, a total of 3564 units throughout 15 properties were delivered.



# 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.

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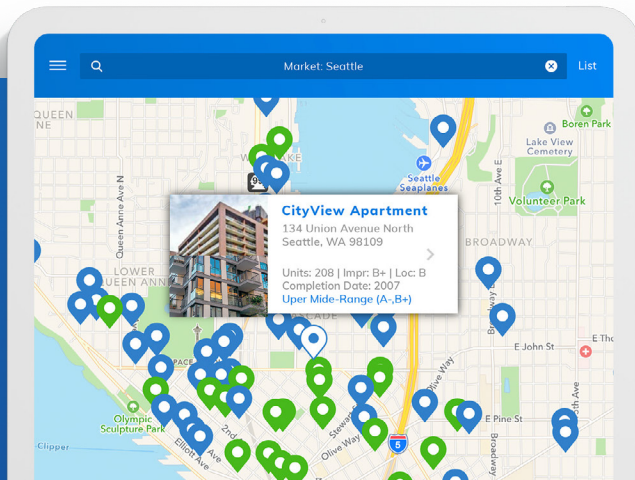
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