

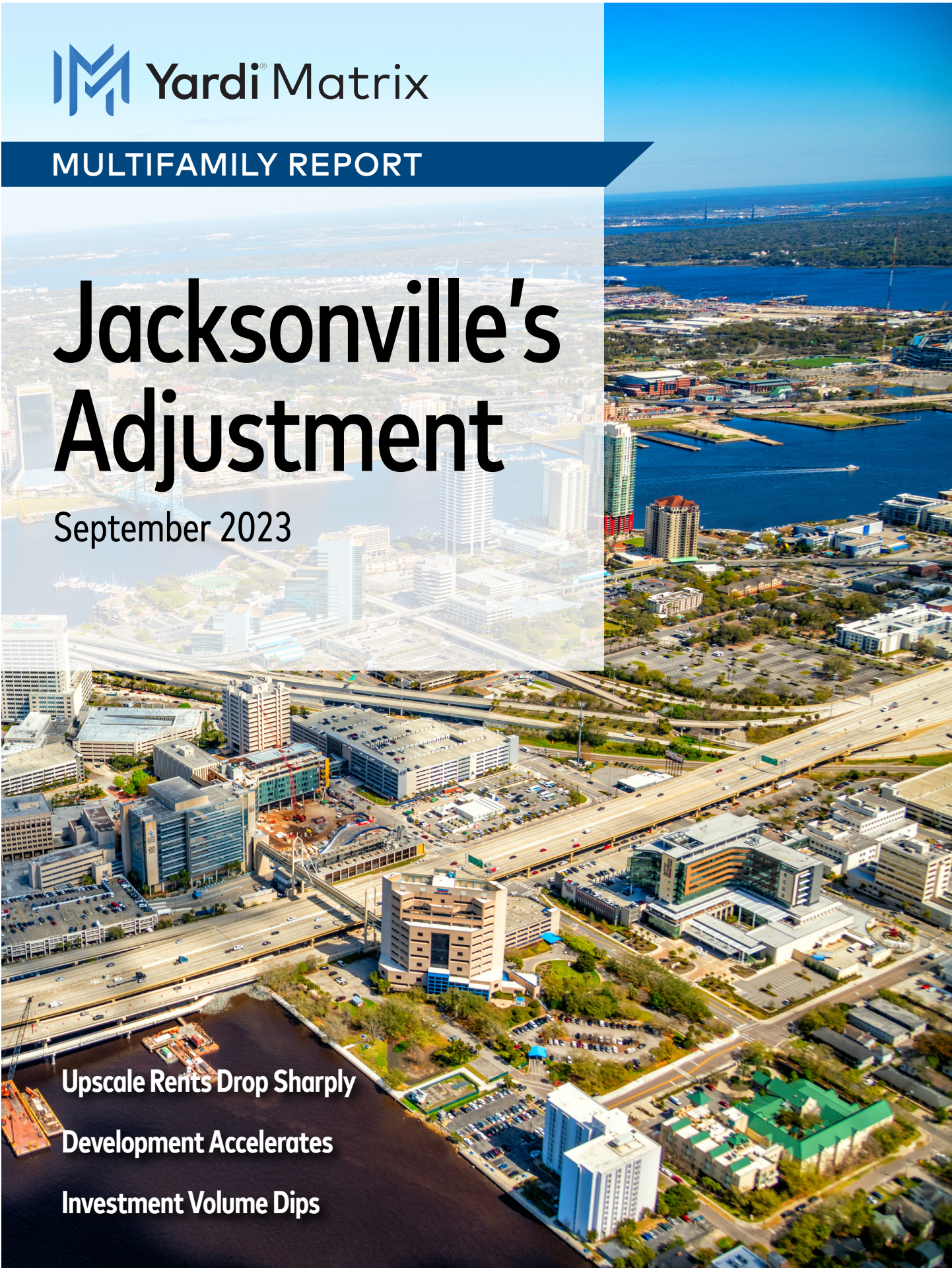


MULTIFAMILY REPORT

# Jacksonville's Adjustment

September 2023

**Upscale Rents Drop Sharply**  
**Development Accelerates**  
**Investment Volume Dips**



# JACKSONVILLE MULTIFAMILY



## New Supply Softens Rents, Occupancy

Jacksonville's affordability is attractive to residents and businesses alike, compared to other major Florida markets, with the metro's fundamentals healthy amid murky economic waters. Development remained robust, and investment activity stayed above the national average. Still, the recent supply expansion dented rent growth, which again fell into negative territory, down 0.2% on a trailing three-month basis through July, while the U.S. rate rose 0.3%. Moreover, occupancy in stabilized properties declined by 160 basis points in the 12 months ending in June, to 93.0%.

The metro's unemployment rate clocked in at 3.0% in June, 50 basis points above January's rate, according to data from the Bureau of Labor Statistics, outperforming the U.S. (3.6%), but trailing the state (2.6%). Employment maintained its steady performance, up 4.9%, or 31,800 jobs, in the 12 months ending in May, well above the 2.8% national average. All sectors added positions, led by leisure and hospitality (6,400 jobs) and professional and business services (6,000 jobs).

Developers delivered 2,546 units in 2023 through July and had an additional 14,631 units under construction. More than 90% of deliveries and the under-construction pipeline consisted of Lifestyle units. Investment tapered off, with deals totaling \$413 million in the first seven months of 2023. However, the price per unit continued to rise, albeit marginally, up 1.5% year-over-year.

## Market Analysis | September 2023

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

### Recent Jacksonville Transactions

Olympus Preserve at  
Town Center



City: Jacksonville, Fla.  
Buyer: Olympus Property  
Purchase Price: \$98 MM  
Price per Unit: \$263,514

### Trails at Bartram Park



City: Jacksonville, Fla.  
Buyer: Cohen-Esrey  
Purchase Price: \$76 MM  
Price per Unit: \$233,746

### Waters Edge



City: Jacksonville, Fla.  
Buyer: FCP  
Purchase Price: \$33 MM  
Price per Unit: \$82,302

### Madison Manor

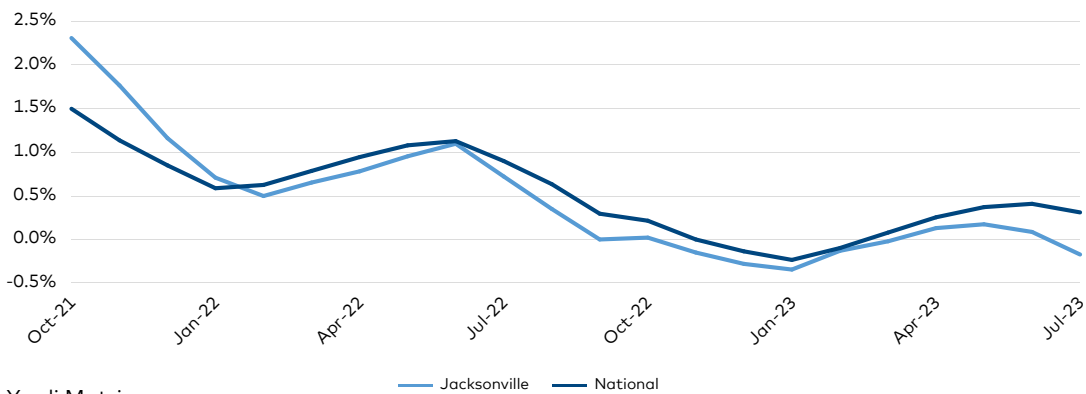


City: Jacksonville, Fla.  
Buyer: Lincoln Avenue Capital  
Purchase Price: \$18 MM  
Price per Unit: \$111,141

## RENT TRENDS

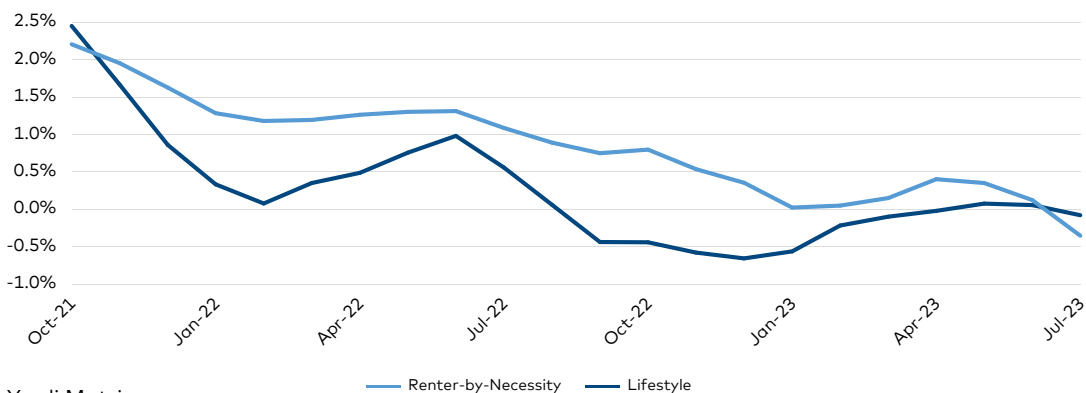
- ▶ Jacksonville rents slid 0.2% on a trailing three-month (T3) basis through July, to \$1,533, trailing the U.S. average, which rose 0.3%, to \$1,729. Year-over-year, the average asking rent dropped by 1.1%, while national rate growth softened to a 1.6% uptick.
- ▶ The recent robust supply expansion started taking its toll on rent growth, which marked the first month of contraction since February. Jacksonville has a substantial volume of units under construction, which will likely to continue dampening rent growth in the upcoming months, as well.
- ▶ On a T3 basis, rent declines were steeper in the working-class Renter-by-Necessity segment, down 0.4% through July, to \$1,317, and inched down 0.1%, to \$1,697 for Lifestyle units. However, the numbers tell a different story in the longer term, with new supply mainly comprising upscale properties. Lifestyle rents were down 3.2% year-over-year through July, while rates climbed 2.7% in the RBN sector.
- ▶ Rents dropped in 18 of the 32 submarkets tracked by Yardi Matrix, led by St. Johns (down 15.8% year-over-year to \$1,772). The submarket also posted the largest pipeline as of July, and was among the most expensive areas in the metro, alongside Neptune Beach (\$1,858, down 2.0%) and St. Augustine (\$1,767, up 3.8%).
- ▶ Overall occupancy in Jacksonville mirrored the metro's recent shaky rent movement, dropping 160 basis points in the 12 months ending in June, to 93.0%.

### 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's unemployment rate stood at 3.0% in June, marking a 30-basis-point month-over-month increase and reaching 50 basis points above the January rate, according to data from the BLS. As of June, the metro fared better than the U.S. (3.6%), on par with Orlando and Tampa, and trailing Miami (2.7%) and the state (2.6%).
- ▶ Employment expanded 4.9%, or 31,800 jobs, in the 12 months ending in May, well ahead of the 2.8% national average. Unlike the U.S., which posted a steeper drop-off trend, Jacksonville's labor market exhibited a steadier performance, hovering around the 5.0% mark since November 2021 (20 consecutive months).
- ▶ All sectors gained jobs, led by leisure and hospitality (6,400 jobs) and professional and business services (6,000 jobs). Both sectors will benefit from at least 12 hotels under construction—the bulk of which are slated for completion in 2023—and another 17 in the planning phase.
- ▶ Trade, transportation and utilities, the largest economic driver in the metro, is also poised for more growth, up by 4,100 jobs through May. Construction began on a \$300 million concourse at Jacksonville International Airport, which is set to include six new gates and scheduled to open in 2025. The Mayo Clinic is also in expansion mode, adding five hospital floors that are expected to open in 2026.

### Jacksonville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	94	11.8%
60	Professional and Business Services	130	16.3%
65	Education and Health Services	120	15.0%
40	Trade, Transportation and Utilities	171	21.4%
55	Financial Activities	76	9.5%
15	Mining, Logging and Construction	53	6.6%
30	Manufacturing	37	4.6%
90	Government	80	10.0%
80	Other Services	27	3.4%
50	Information	14	1.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Jacksonville gained 26,278 residents in 2021, up 1.6% year-over-year, down from the 3.2% rate recorded in 2020, but well ahead of the 0.1% U.S. rate. Jacksonville is among the fastest-growing metros, with a demographic expansion of 21.4% since the 2010 Census.

### 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

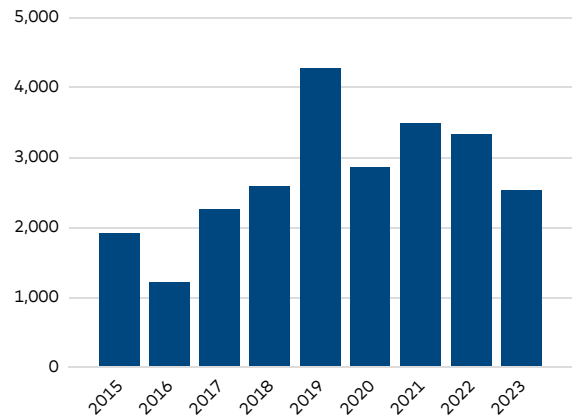
## SUPPLY

- ▶ Bucking the national trend, Jacksonville's stock expanded by 2.2%, or 2,546 units, in 2023 through July. Meanwhile, the U.S. rate clocked in at just 0.9%. Nearly all new units were in up-scale properties, except for one 96-unit fully affordable community in Ridgewood. Yardi Matrix expects an additional 5,392 units to come online this year, bringing the total to 7,938 units. That's more than the previous two years combined.
- ▶ Developers had 14,631 units under construction as of July and 37,000 units in the planning and permitting stages. The pipeline remained heavily tilted toward Lifestyle assets (95.2%), with another 3.4% of units in fully affordable communities.
- ▶ Developers broke ground on 5,181 units across 17 properties during the first seven months of 2023. The figure marks an increase from the 4,048 units recorded during the same time frame last year, but the number of projects was the same. This also shows a big jump from the 596 units that broke ground during the same period in 2021.
- ▶ Construction is widespread, with 21 of the 32 submarkets tracked by Yardi Matrix having at least 50 units underway as of July. The top four areas had more than 1,000 units underway each, and combined, accounted for half the pipeline.

St. Johns (2,149 units) and Jacksonville-San Jose (2,039) were high on developers' lists. The submarkets also posted some of the highest average rents in the metro, as of July.

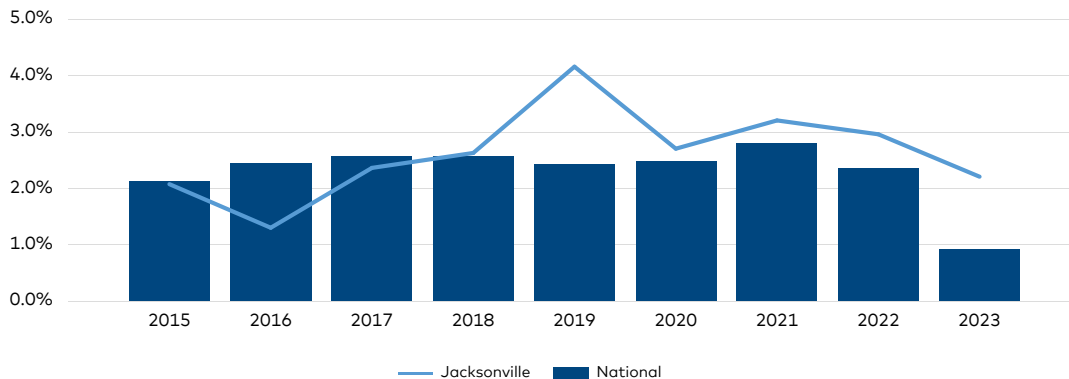
- ▶ The largest project delivered this year through July was the 372-unit Bainbridge Avenues Walk in the Bayard submarket. Bainbridge Cos. built it with aid from a \$48.5 construction loan issued by First Citizens Bank & Trust Co.

### Jacksonville Completions (as of July 2023)



Source: Yardi Matrix

### Jacksonville vs. National Completions as a Percentage of Total Stock (as of July 2023)

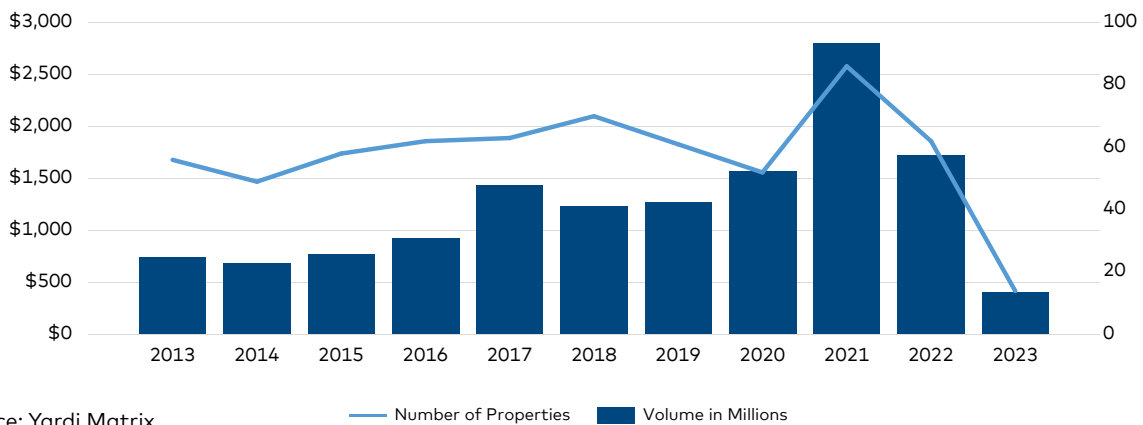


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Investors traded \$413 million in multifamily assets in 2023 through July, just a third of the volume recorded during the same period last year. Jacksonville's transaction volume also trailed all other major Florida metros.
- ▶ Investor focus was on value-add opportunities, with three-quarters of the sales volume comprising Renter-by-Necessity properties. Even so, the overall price per unit inched up 1.5% year-over-year in July, to \$141,824, with a high margin between asset class average prices—around \$200,000 for Lifestyle units and just below \$100,000 for RBN apartments. Jacksonville's average per-unit price remained the lowest among major Florida markets and below the \$184,996 U.S. figure.
- ▶ Olympus Preserve at Town Center sold for the highest price so far in 2023, acquired by Olympus Property from Presidium Group for \$97.5 million, or \$263,514 per unit. The buyer took a \$63.4 million loan originated by Walker & Dunlop.

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



Source: Yardi Matrix

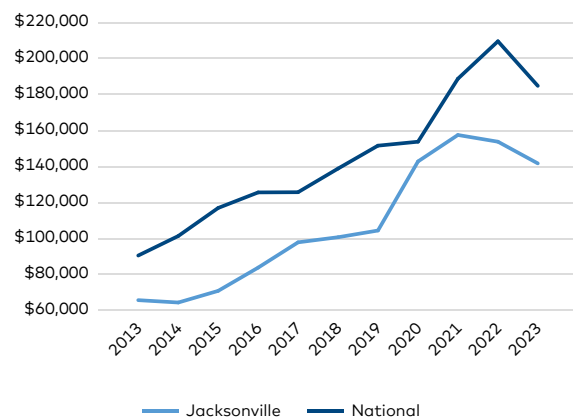
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Jacksonville-Deerwood Club	256
Bellair-Orange Park	168
Jacksonville-Cedar Hills	94
Jacksonville-Bayard	76
Jacksonville-San Jose	65
Ridgewood	56
Fleming Island	51

Source: Yardi Matrix

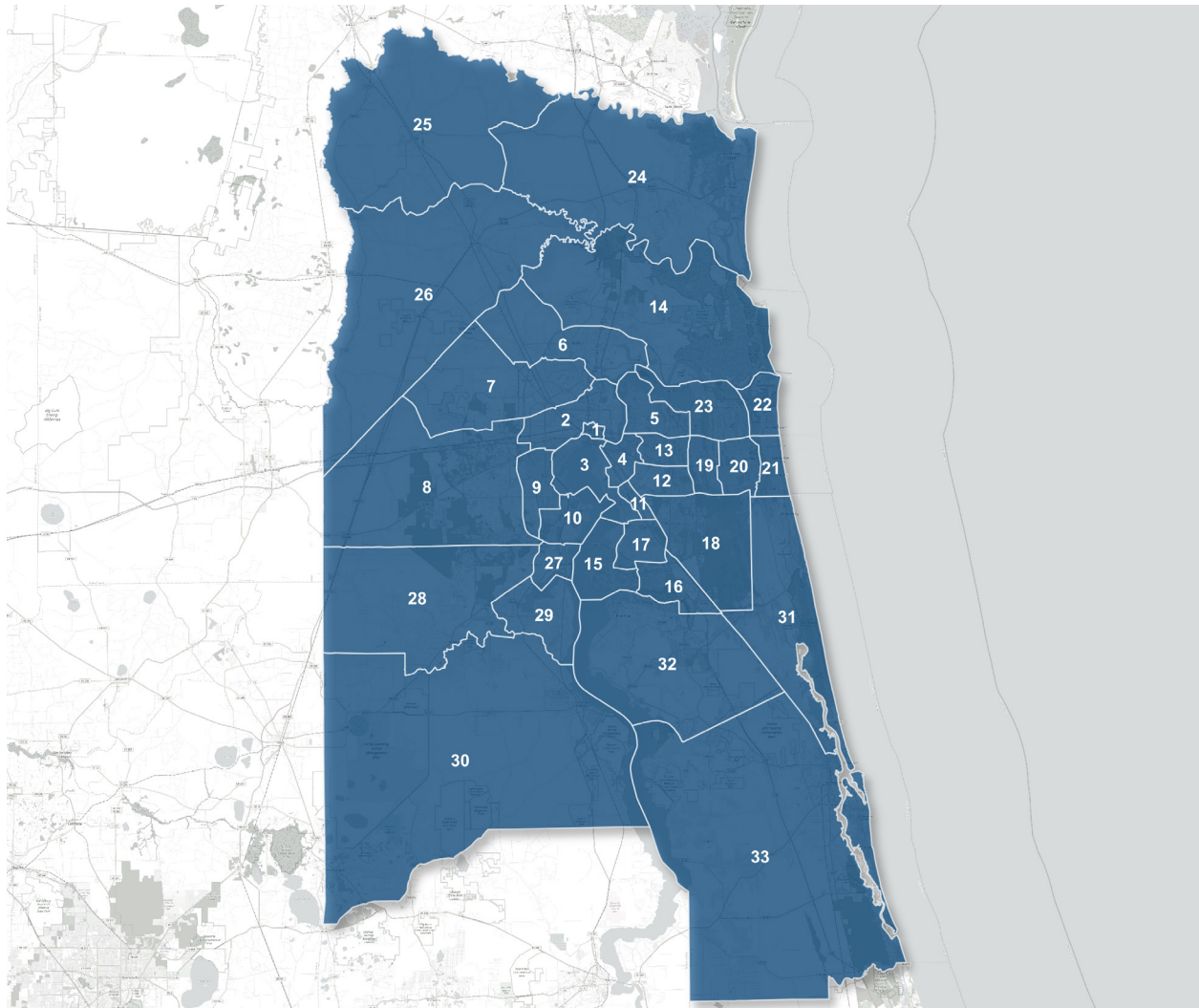
<sup>1</sup> From August 2022 to July 2023

### 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.

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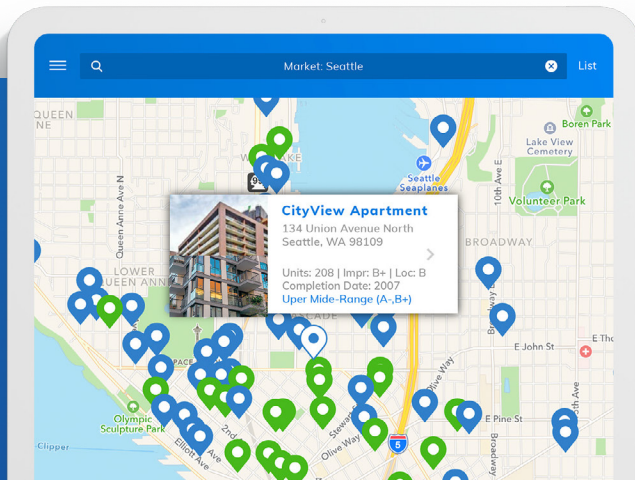
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