



Yardi® Matrix

# Jacksonville's Strong Appeal

Multifamily Report Summer 2018

Rent Growth Remains Robust

Completions Set to Hit Cycle High

Sales Spike, Values Reach New Levels

## Market Analysis

Summer 2018

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## Employment, Affordability Drive Demand

Multifamily fundamentals continue to be strong in Jacksonville, where employment, wage and population growth underpin a steady demand for apartments.

With 3,900 jobs added, trade, transportation and utilities led employment gains in Jacksonville. This trend will likely continue with the deepening of Jacksonville Harbor, which will enable the transit of larger cargo ships coming through the Suez and Panama canals. Moreover, the construction sector is expanding, spurred by large mixed-use projects, including The District, which will bring residential units, hotel, retail and office space to downtown Jacksonville, along with a 125-slip marina and a four-acre public park. Office-using employment gains were also significant over the past several quarters, bolstering office demand and pushing up occupancy.

The metro's healthy economic climate and ongoing multifamily rent growth drew many investors in 2017, with the sales volume peaking at nearly \$1.4 billion. Construction activity was also strong, and this is set to continue this year, as more than 2,300 units are expected to come online in 2018, which would mark a new post-recession high. However, absorption is expected to keep up with the new supply, leading to a robust rent growth of 4.1% for the year.

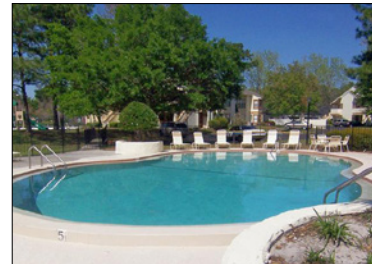
## Recent Jacksonville Transactions

### Villages of Baymeadows



City: Jacksonville, Fla.  
Buyer: GoldOller Real Estate  
Purchase Price: \$111 MM  
Price per Unit: \$105,916

### ARIUM Deerwood



City: Jacksonville, Fla.  
Buyer: Carroll Organization  
Purchase Price: \$75 MM  
Price per Unit: \$120,942

### Sola



City: Jacksonville, Fla.  
Buyer: Beachwold Residential  
Purchase Price: \$60 MM  
Price per Unit: \$180,606

### The Retreat at St. Johns

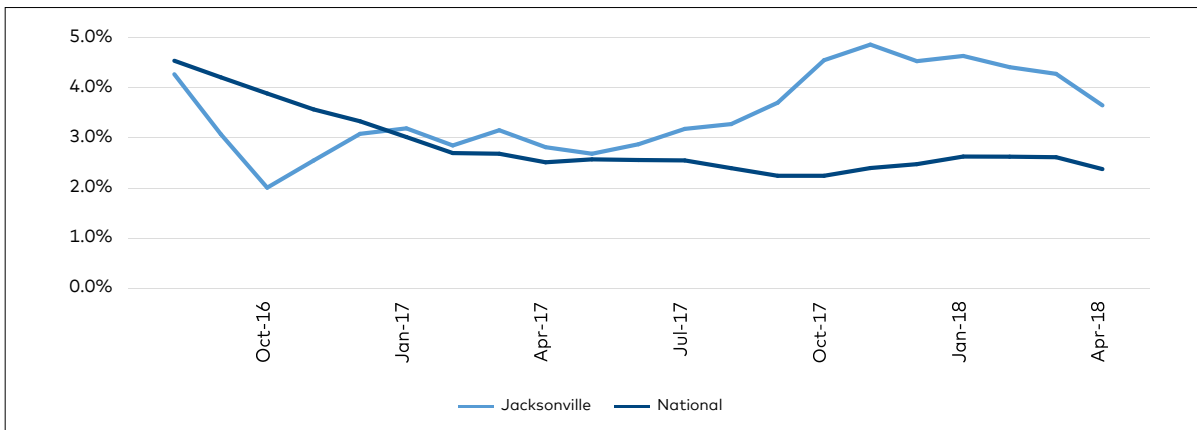


City: Jacksonville, Fla.  
Buyer: Pollack Shores  
Purchase Price: \$59 MM  
Price per Unit: \$139,940

## Rent Trends

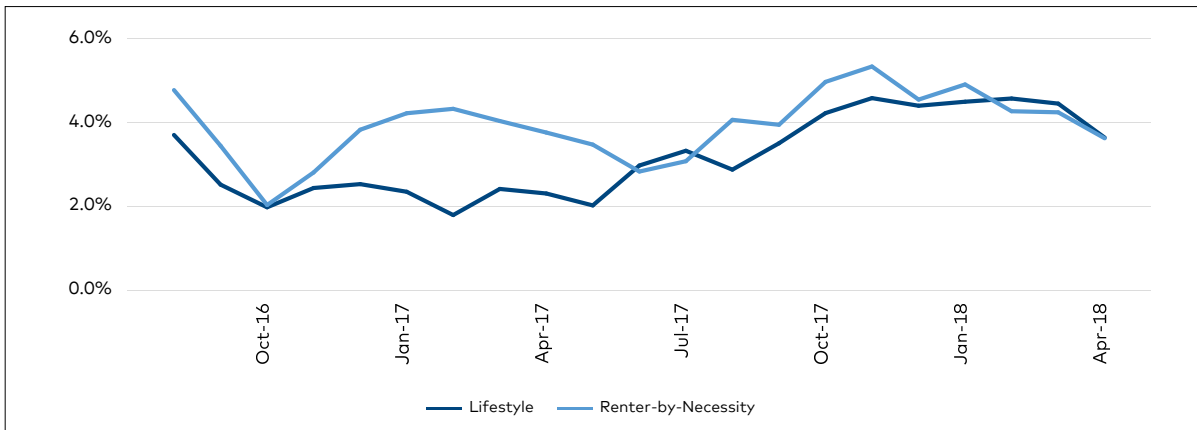
- Rents in Jacksonville rose 3.7% year-over-year through April, outpacing the 2.4% national rate. The metro's average rent stood at \$1,022, below the \$1,377 national figure. Following the delivery of more than 1,700 units in 2017, occupancy in stabilized properties dropped to 94.7% as of March, down 50 basis points over 12 months.
- Rents in the working-class Renter-by-Necessity segment rose 3.6% to \$857. Lifestyle rates advanced at roughly the same pace, reaching \$1,195. Employment and population gains, household formation and steady wage growth are driving demand for all asset classes across the metro.
- Rents increased across all submarkets. Those registering the strongest year-over-year growth were also among the most affordable: Green Cove Springs (up 15.9% to \$736), Sunbeam (10.8% to \$971), Dinsmore (9.6% to \$682) and Goodbye (9.1% to \$986). Rents improved at a slower pace in more expensive areas, such as Deerwood Club–East (1.7% to \$1,372), Neptune Beach (4.9% to \$1,323) and Bayard (2.4% to \$1,231).
- As the destructive effects of Hurricane Irma delayed many projects, while multifamily demand remains strong, we expect the market's tightening conditions to foster a stout rent growth of 4.1% in 2018.

### 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)

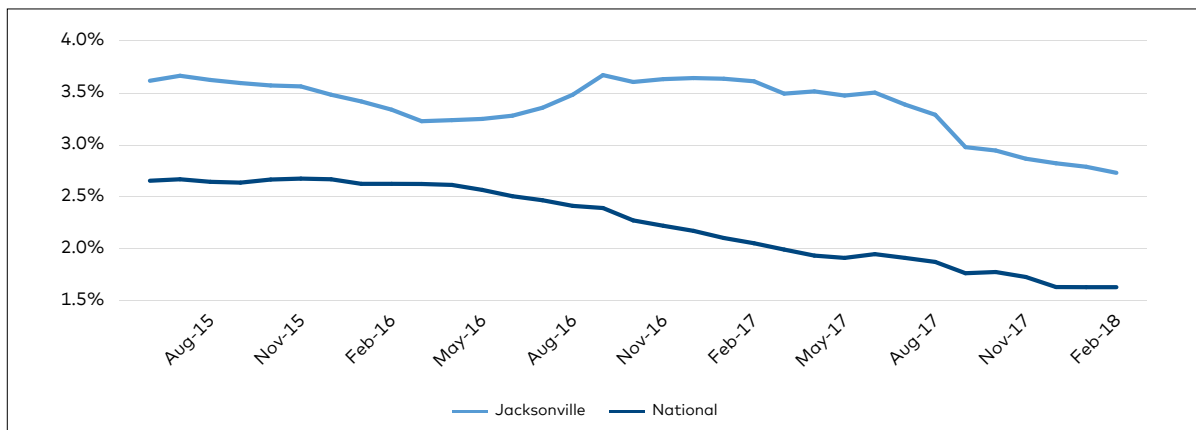


Source: YardiMatrix

## Economic Snapshot

- Jacksonville added 18,600 jobs through February, a 2.8% year-over-year increase, heavily outpacing the 1.6% national average. Strong and steady job growth pushed the metro's unemployment rate down to 3.5% during the same month, one of its lowest levels in more than a decade.
- Growth was led by trade, transportation and utilities, which gained 3,900 jobs. The Port of Jacksonville became Florida's largest container port complex in 2017, with the transportation of more than 1.3 million containers. This trend is set to continue with the deepening of the harbor, which began in February. Aiming for a depth of 47 feet, the multi-phase project is slated to enable the transit of larger cargo ships coming through the Suez and Panama canals.
- Spurred by an active pipeline of large commercial and multifamily projects, the construction sector added 3,800 jobs, while leisure and hospitality, which benefits from increasing tourism, gained 3,000 positions. Office-using employment sectors, including financial activities and professional and business services, expanded by a combined 4,300 jobs, bolstering demand for office space and pushing down vacancy. During the first quarter of 2018, office leasing activity was particularly strong in suburban Jacksonville, driving the overall absorption into positive territory, according to Cushman & Wakefield.

### 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	%
40	Trade, Transportation and Utilities	143	20.5%	3,900	2.8%
15	Mining, Logging and Construction	45	6.4%	3,800	9.1%
70	Leisure and Hospitality	86	12.3%	3,000	3.6%
55	Financial Activities	69	9.9%	2,700	4.1%
65	Education and Health Services	107	15.3%	2,400	2.3%
60	Professional and Business Services	105	15.0%	1,600	1.6%
80	Other Services	26	3.7%	700	2.8%
90	Government	78	11.2%	500	0.6%
30	Manufacturing	31	4.4%	-	0.0%
50	Information	9	1.3%	-	0.0%

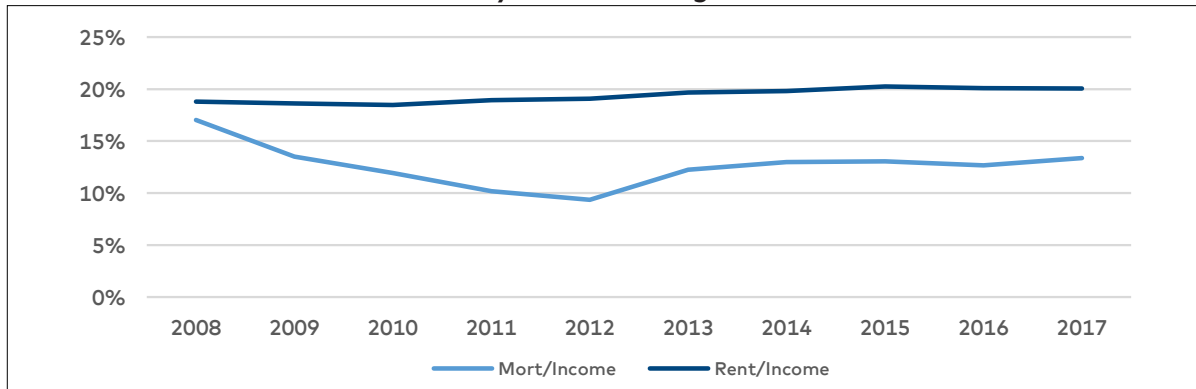
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

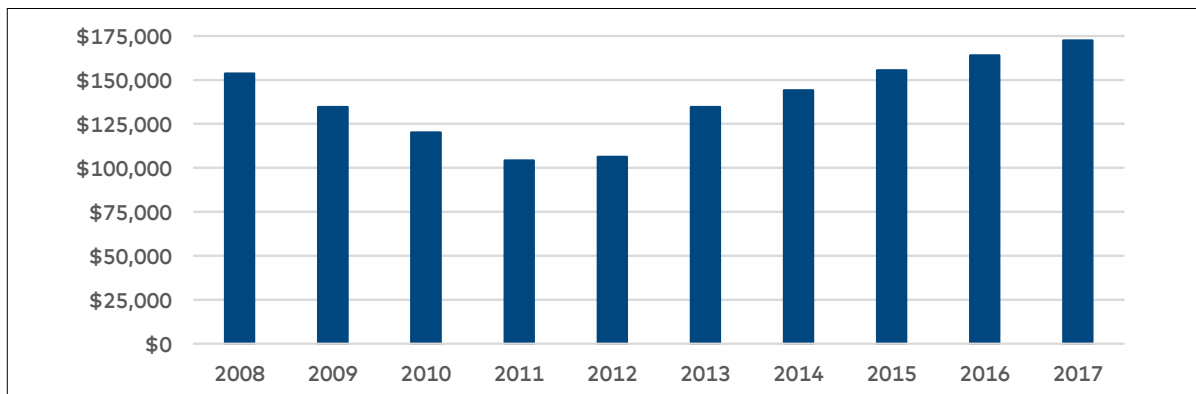
- The median home price in Jacksonville rose to \$172,400 in 2017, marking a new cycle peak. The average rent accounted for 20% of the area's median income, while the average mortgage payment remained more affordable, comprising just 13%.
- Residents continue to be drawn to the region's relatively low cost of living, good weather and employment opportunities. A recent study conducted by financial technology company SmartAsset ranked Jacksonville as the most affordable big city in Florida, based on factors such as property taxes, homeowners' insurance and mortgage payments relative to median income.

### 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 28,477 residents in 2017, up 1.9% and heavily outperforming the 0.7% U.S. rate.
- The metro has added 110,000 residents since 2013 for an 8.0% expansion, way above the 3.0% national figure.

### Jacksonville vs. National Population

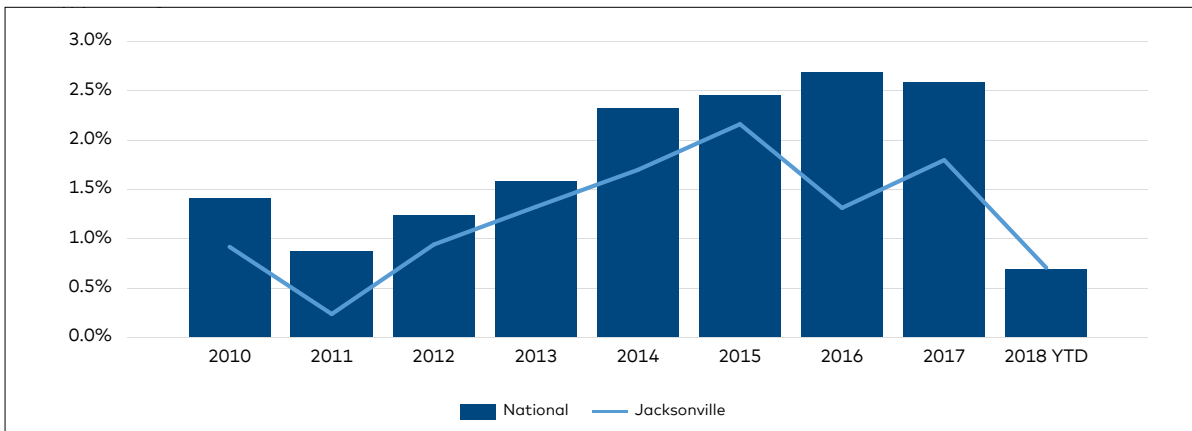
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Jacksonville Metro	1,394,206	1,417,740	1,445,986	1,476,503	1,504,980

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

## Supply

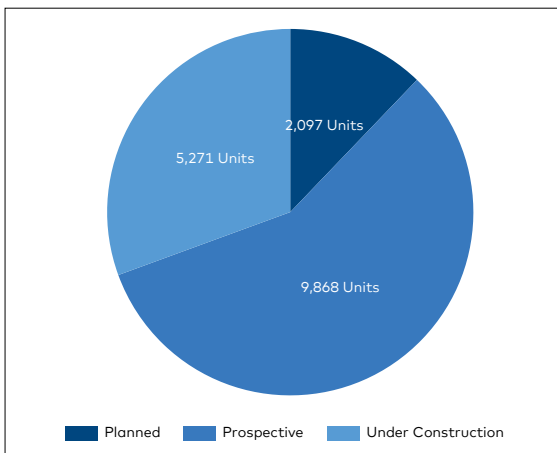
- Two Class A properties totaling 676 units came online in Jacksonville this year through April. Seven assets adding up to 1,710 units were delivered in 2017, representing 1.8% of stock. Six of the communities completed last year are high-end and one is affordable. More than 2,300 units are expected to be completed in Jacksonville in 2018, which would mark a new cycle high.
- Some 5,200 units were underway as of April, with another 11,900 in the planning and permitting stages. Demand is expected to keep up, sustained by Millennials and empty nesters favoring well-established neighborhoods.
- Submarkets with the largest pipelines are also some of the most expensive, including Pineland Gardens (992 units, \$1,134 average rent), College Park/Springfield (746 units, \$1,247), Deerwood Club–West (650 units, \$1,066), Bayard (607 units, \$1,260) and Deerwood Club–East (552 units, \$1,372).
- Ciel, a 400-unit luxury asset built by WRH Properties in Pineland Gardens, ranked as the metro’s largest community underway as of April. The project’s six buildings are scheduled for completion in 2019.

**Jacksonville vs. National Completions as a Percentage of Total Stock** (as of April 2018)



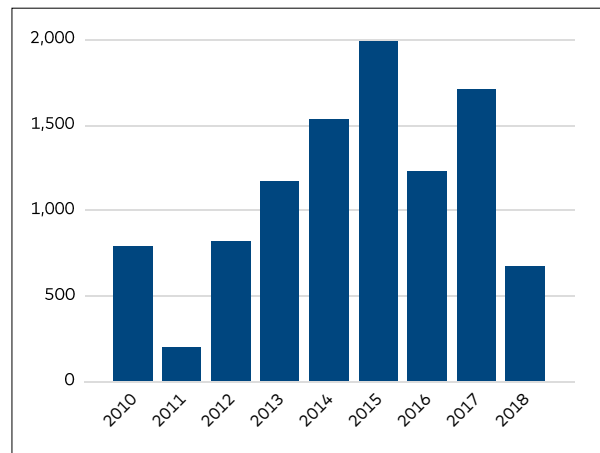
Source: YardiMatrix

**Development Pipeline** (as of April 2018)



Source: YardiMatrix

**Jacksonville Completions** (as of April 2018)

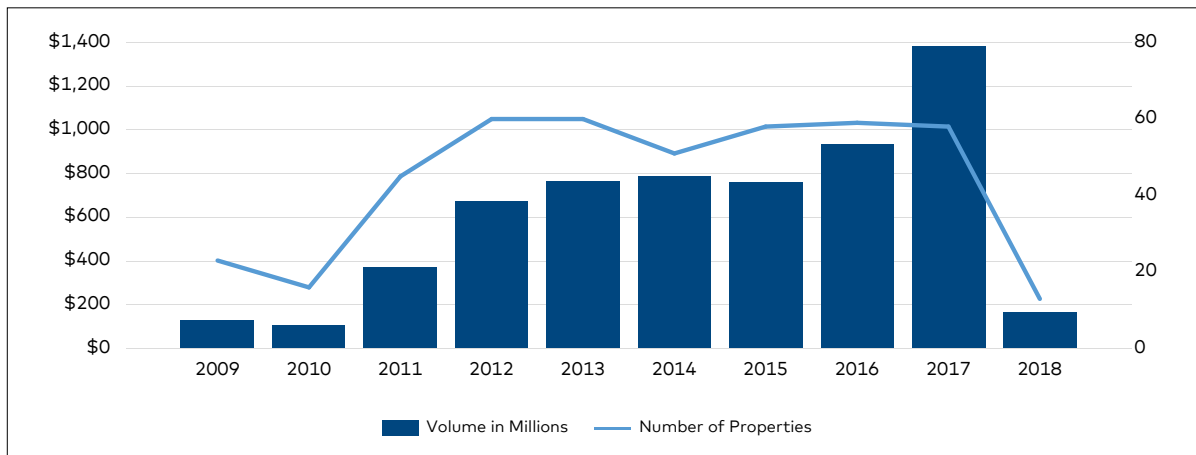


Source: YardiMatrix

## Transactions

- Some \$168 million in multifamily assets traded in Jacksonville this year through April, at an average per-unit price of \$98,852, a post-recession high but well below the \$146,694 national average. In 2017, the metro's transaction volume peaked at \$1.4 billion, registering an average per-unit price of \$90,471.
- In the first four months of 2018, most investors targeted assets with a value-add component, for which acquisition yields can range between 6.0% and 7.3%, depending on class and location.
- GoldOller Real Estate Investments' \$111 million acquisition of the 1,048-unit Villages of Baymeadows in Deerwood Club–West ranked as the metro's largest multifamily deal of the 12 months ending in April. GoldOller bought the 1969-built, Class A- asset from Harbor Group International for \$105,916 per unit. The transaction also marks the largest single-asset apartment sale in Jacksonville's history.

**Jacksonville Sales Volume and Number of Properties Sold** (as of April 2018)



Source: YardiMatrix

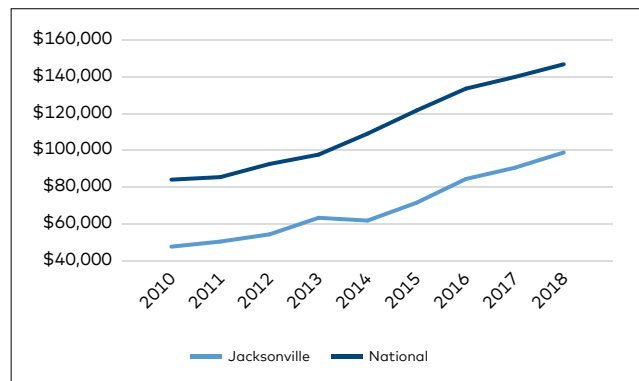
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Deerwood Club–West	277
Pineland Gardens	189
San Pablo	116
Oakwood Villa	114
Highlands	99
Newcastle	82
Cedar Hills	59
Beacon Hills	48

Source: YardiMatrix

<sup>1</sup> From May 2017 to April 2018

**Jacksonville vs. National Sales Price per Unit**



Source: YardiMatrix

## News in The Metro

Brought to you by:



### Arbour Valley Debuts FL Veteran Housing

Doster Construction Co. served as the general contractor for Arbours at Tumblin Creek, a 64-unit senior housing community in Gainesville.



### JV to Open Jacksonville Apartments

TriBridg Residential, in partnership with Sefira Capital, is developing The Jaxon, a 287-unit community in Florida. Amenities will include a pool with cabanas and rain curtain, a party porch and a dog park.



### C&W Closes Sale of FL Senior Housing

Chicago Pacific Founders acquired Camellia at Deerwood, a 189-unit independent living, assisted living and memory care facility in Jacksonville.

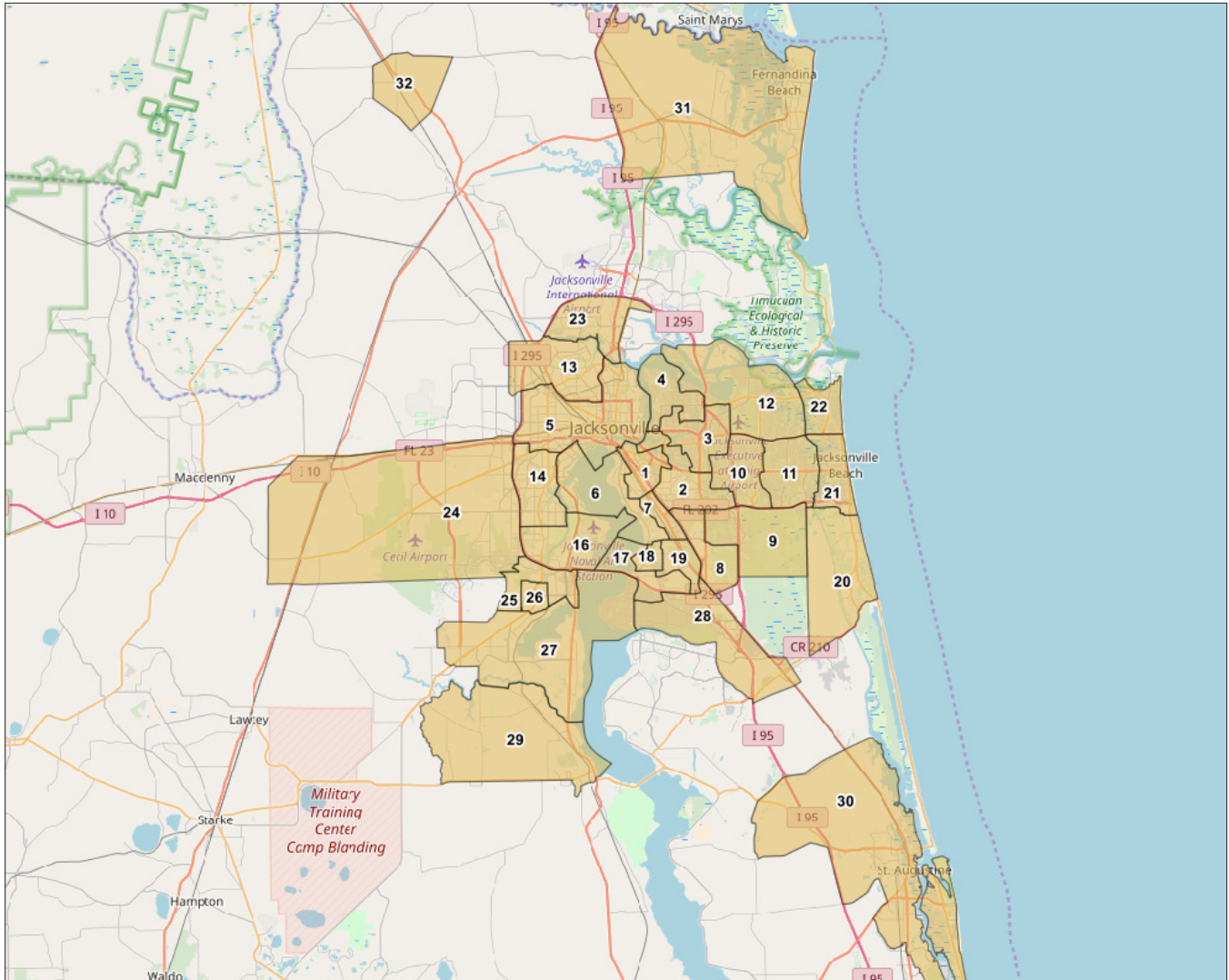


### PAC Buys Apartment Community in Jacksonville

The newly acquired community is adjacent to another one owned by PAC, bringing the company's current area footprint to more than 500 units, while also creating operational efficiencies.



## Jacksonville Submarkets



Area #	Submarket
1	South Jacksonville
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

Area #	Submarket
18	Goodbye
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

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## 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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