

A photograph of the Jacksonville skyline at dusk. The sky is a mix of light blue and orange. Several skyscrapers are visible, with some having their windows lit up. In the foreground, there is a large fountain with multiple jets of water spraying upwards, illuminated with blue and purple lights. The water in the fountain is a vibrant blue color.

Yardi® Matrix

# Jacksonville's Draw

Multifamily Report Fall 2018

**Rent Growth Outpaces Nation**

**Above-Trend Job Gains Drive Demand**

**Supply Approaches Cycle Peak**

## Market Analysis

Fall 2018

### Contacts

#### Paul Fiorilla

Associate Director of Research  
Paul.Fiorilla@Yardi.com  
(800) 866-1124 x5764

#### Jack Kern

Director of Research and Publications  
Jack.Kern@Yardi.com  
(800) 866-1124 x2444

### Author

#### Adriana Pop

Senior Associate Editor

## First Coast Fires on All Cylinders

Sustained by robust employment and population gains, demand for multifamily product is high in Jacksonville, where occupancy in stabilized properties remained relatively flat over the year ending in July, despite significant supply coming online during the interval.

Job growth was led by the trade, transportation and utilities sector, which added 4,500 jobs, mainly thanks to a hot logistics market. Gains were also strong in leisure and hospitality, which generated the same number of positions after posting record-breaking numbers for hotel revenue and occupancy in the first quarter, with March 2018 being the best month in the history of the city's tourism industry. Professional and business services added 4,400 jobs, as more companies are expanding or choosing to relocate to Jacksonville, drawn by a business-friendly environment, low taxes and a relatively affordable cost of living. This, in turn, benefits the city's thriving office market, both downtown and in the suburbs.

Strong fundamentals attract investors to the metro, where \$697 million in assets changed hands this year through August, at an average price per unit of \$106,112, a cycle high. Developers are also active, with more than 2,370 apartments scheduled to come online this year, another projected peak. Absorption is expected to remain high, pushing rents up 4.1% for the year.

## Recent Jacksonville Transactions

Century Deerwood Park



City: Jacksonville, Fla.  
Buyer: Centennial Holding Co.  
Purchase Price: \$72 MM  
Price per Unit: \$152,532

The Point at Tamaya



City: Jacksonville, Fla.  
Buyer: PASSCO Real Estate  
Purchase Price: \$72 MM  
Price per Unit: \$189,276

Sola



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

ARIUM Town Center

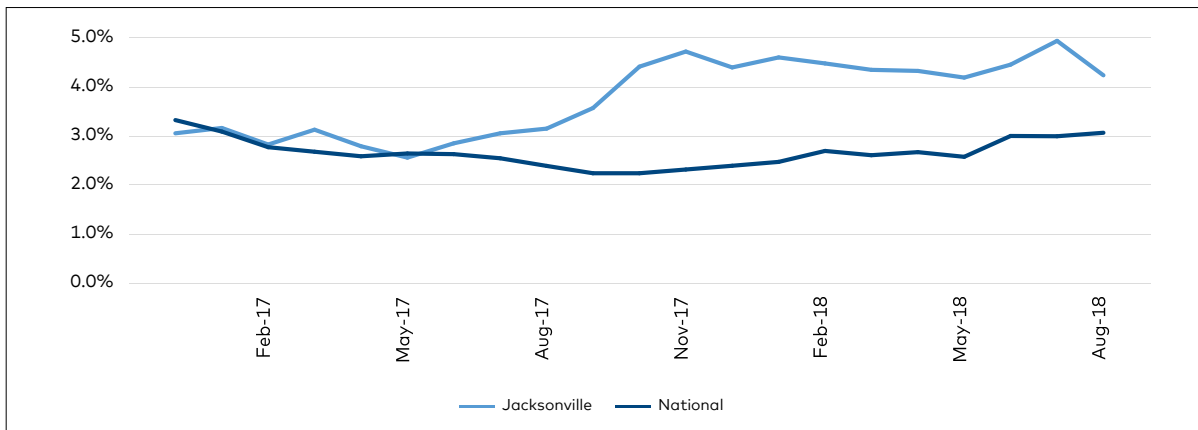


City: Jacksonville, Fla.  
Buyer: LivCor  
Purchase Price: \$56 MM  
Price per Unit: \$173,875

## Rent Trends

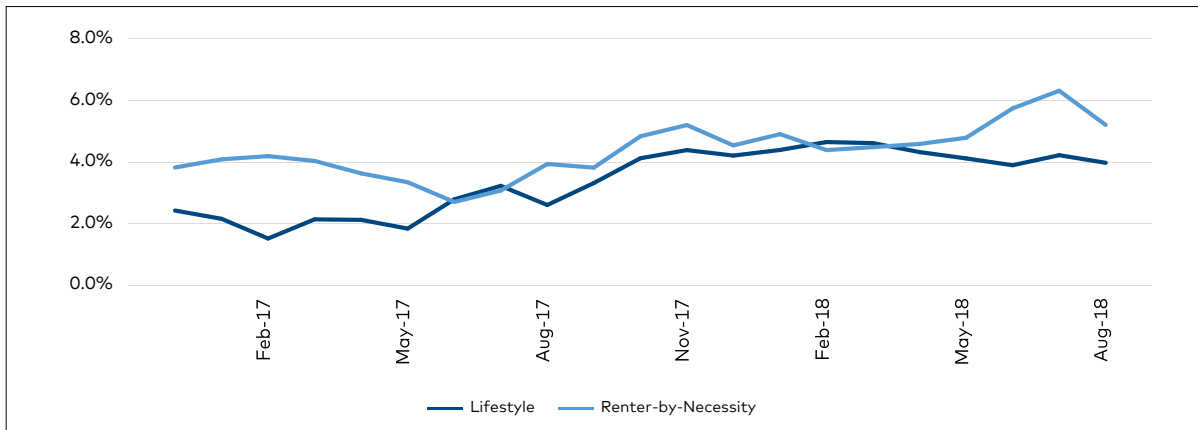
- Rents in Jacksonville rose 4.2% year-over-year through August, outpacing the 3.1% national rate. The metro's average rent stood at \$1,058, below the \$1,412 national figure. Despite the delivery of more than 3,000 units from 2017 through the first half of 2018, occupancy in stabilized properties remained flat, at 95.3% as of July, indicating strong demand and rapid absorption of new supply.
- Rents in the working-class Renter-by-Necessity segment rose 5.2% to \$889, while Lifestyle rates were up 4.0%, to \$1,230. Above-trend population and employment gains as well as rental household formation should boost demand across classes. We expect Jacksonville rents to advance 4.1% in 2018.
- Rents increased in all the metro's submarkets. Growth was strongest in Orange Park, where the average rate rose 14.4% year-over-year as of August, to \$1,228. The area is home to multiple health-care construction projects, including the upcoming Dorothy J. and Harry T. Mangurian Jr. Building, a 190,000-square-foot expansion of the Mayo Clinic, as well as Baptist Health's recently completed campuses. Rent growth was also strong in Bellair (up 12.1% to \$998), Fernandina Beach (8.5% to \$1,266), Oakwood Villa (8.0% to \$879) and Meadowbrook (7.2% to \$1,022). Rents in Deerwood Club-East, the metro's most expensive submarket, saw a slight increase of 0.3%, to \$1,386. Rents advanced moderately in expensive Bayard (2.4% to \$1,308) and Neptune Beach (4.4% to \$1,326).

### 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)



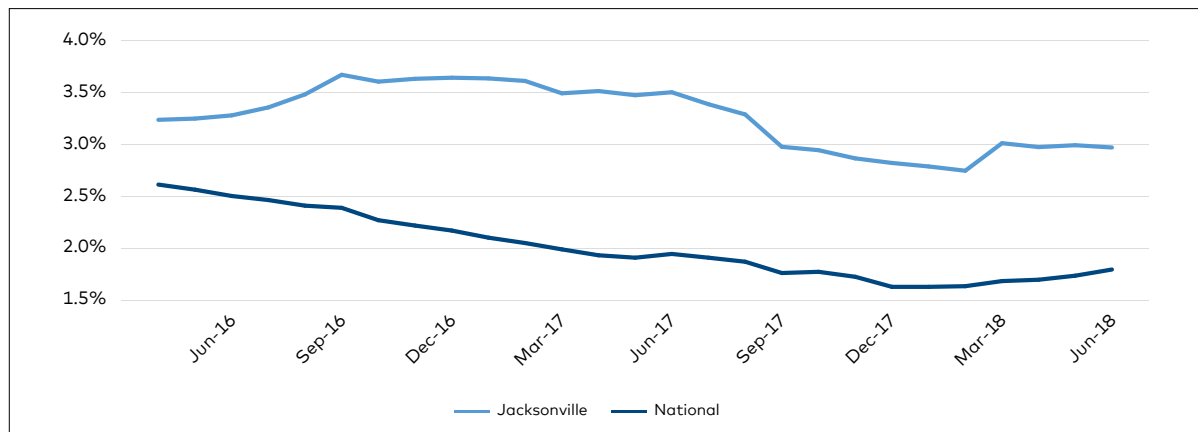
Source: YardiMatrix



## Economic Snapshot

- Jacksonville added 21,300 jobs over the 12 months ending in June, a nearly 3.0% year-over-year increase, well above the 1.8% U.S. rate. The metro's unemployment rate edged upward to 3.7% during the same month but remained below the 4.0% national figure.
- The metro's ports and hot logistics market sustain the expansion of trade, transportation and utilities, which added 4,500 jobs. Leisure and hospitality also led employment growth, gaining another 4,500 positions. During the first quarter, Jacksonville registered record-breaking figures for hotel revenue and occupancy, with March 2018 being the best month in the history of the city's tourism industry, according to Visit Jacksonville. This trend is poised to continue, with more than 1,000 guestrooms scheduled to come online in the following years in downtown alone.
- Professional and business services gained 4,400 jobs. The metro's business-friendly environment and relative affordability are drawing companies to the region. McKesson Corp. and Web.com, for instance, are both slated to move into build-to-suit spaces in 2019.

### 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	144	20.4%	4,500	3.2%
70	Leisure and Hospitality	91	12.9%	4,500	5.2%
60	Professional and Business Services	110	15.6%	4,400	4.2%
15	Mining, Logging and Construction	47	6.6%	2,900	6.6%
65	Education and Health Services	107	15.1%	2,500	2.4%
55	Financial Activities	69	9.8%	2,100	3.1%
80	Other Services	26	3.7%	800	3.1%
30	Manufacturing	32	4.5%	100	0.3%
50	Information	9	1.3%	-200	-2.1%
90	Government	73	10.3%	-300	-0.4%

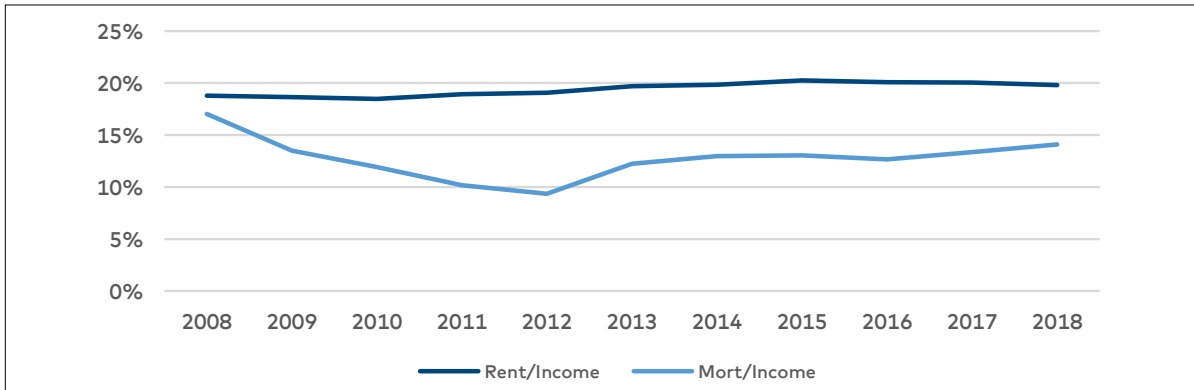
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

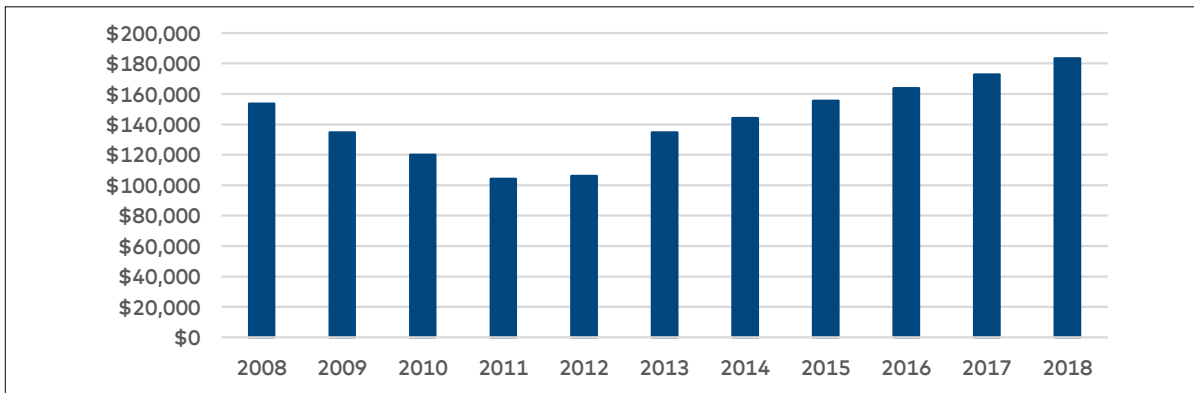
- The median home price in Jacksonville rose to \$183,417 in the first half of 2018, marking a new cycle peak. The average rent accounted for 20% of the area's median income, while the average mortgage payment remained more affordable, comprising just 14%.
- The metro continues to draw residents, thanks to low business and living expenses, no state income tax and low real estate taxes, mild weather and a thriving economy. This, in turn, is generating a surge in rents and home prices. A study by First American Financial Corp. shows that from April 2017 to April 2018, Jacksonville's home prices saw the third-highest hike after San Jose and Las Vegas.

### 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 added 28,477 residents in 2017, a 1.9% increase, well above the 0.7% U.S. growth rate.
- The metro gained 111,000 residents from 2013 to 2017, an 8.0% increase, outpacing the 3.0% national figure.

### Jacksonville vs. National Population

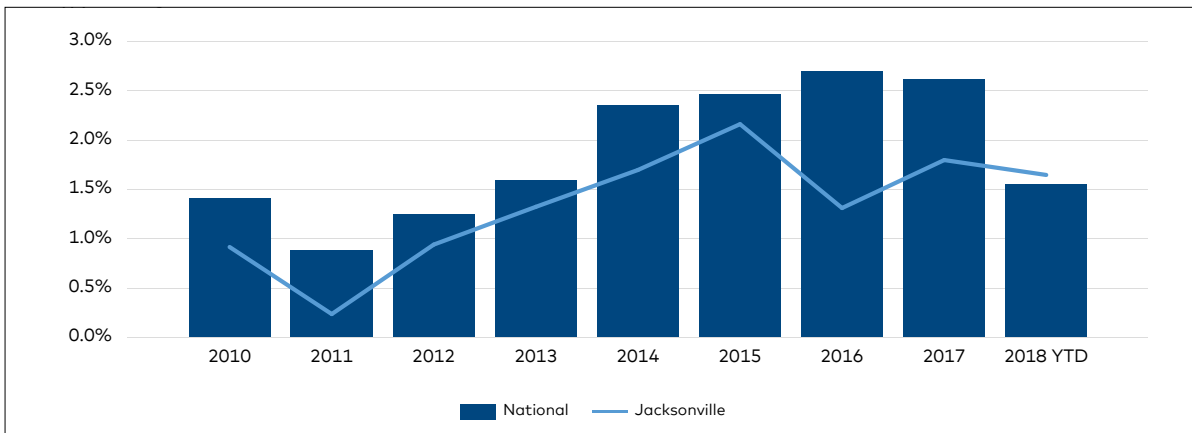
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Jacksonville Metro	1,394,206	1,417,740	1,445,986	1,476,503	1,504,980

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

## Supply

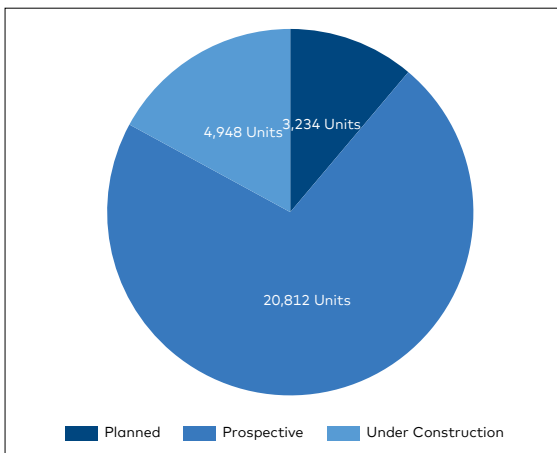
- Six communities offering a combined 1,592 units were completed this year through August out of the 2,370 apartments scheduled to come online in 2018, marking a new cycle peak. Most of the new projects cater to Lifestyle renters, with only two fully affordable properties underway. Roughly 1,700 units came online last year, representing 1.8% of the total stock.
- More than 4,900 units were under construction as of August, while another 24,000 apartments were in the planning and permitting stages. Occupancy sat in a tight band over the past year, indicating a rapid absorption of new supply. We expect this to continue, sustained by robust employment gains.
- Developers are targeting Bayard, where three properties totaling 1,071 units were underway as of August, followed by Pineland Gardens with three projects offering a combined 993 units, and College Park/Springfield with five communities totaling 676 units.
- Luxor Club, a 464-unit luxury property rising near Flagler Center, ranked as the metro's largest project. Summit Contracting Group is developing the community on behalf of Fort Family Investments.

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



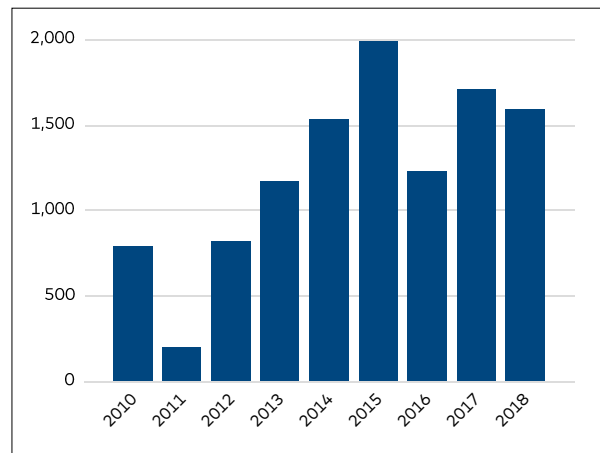
Source: YardiMatrix

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



Source: YardiMatrix

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

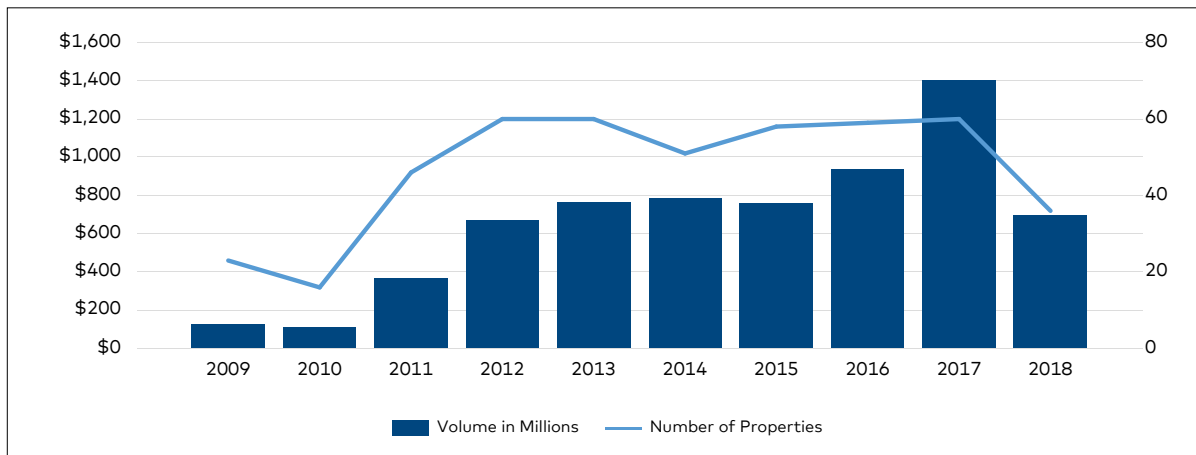


Source: YardiMatrix

## Transactions

- Thirty-six multifamily properties worth a combined \$697 million changed hands in Jacksonville this year through July, at an average per-unit price of \$106,112. This average value marks a new cycle high but remains well below the \$147,630 national figure. In 2017, the metro's sales volume rose to \$1.4 billion, at an average per-unit price of \$90,246.
- Investors mostly focused on Renter-by-Necessity assets with a value-add component—acquisition yields can go as high as 6.0% for Class A and 8.0% for Class C, depending on location.
- Epoch Residential's \$72.3 million sale of Thornton Park Luxury, a 474-unit community in Pineland Gardens, was the largest multifamily transaction of 2018's first seven months. Atlanta-based Centennial Holding Co. acquired the asset in July for \$152,532 per unit and renamed it Century Deerwood Park.

### Jacksonville Sales Volume and Number of Properties Sold (as of July 2018)



Source: YardiMatrix

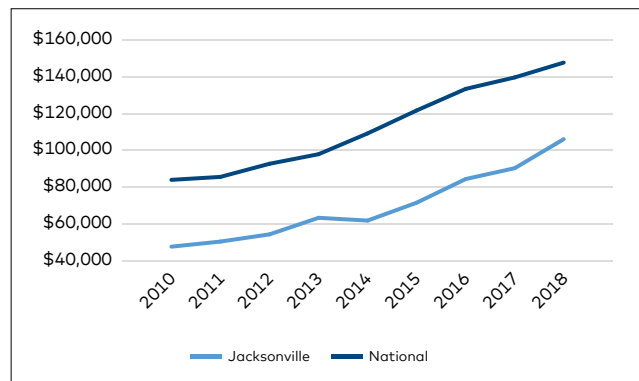
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Pineland Gardens	317
Deerwood Club–West	195
Newcastle	115
Highlands	103
Oakwood Villa	89
Deerwood Club–East	83
San Pablo	76
Southridge	72

Source: YardiMatrix

<sup>1</sup> From August 2017 to July 2018

### Jacksonville vs. National Sales Price per Unit



Source: YardiMatrix

## News in The Metro

Brought to you by:



### Jacksonville-Area Communities To Receive \$58M In Construction Financing

Walker & Dunlop facilitated loans for the 348-unit Beachwalk Apartments and the 285-unit Atlantica Isles, both located in St. John's Beachwalk master-planned community.



### Atlas Real Estate Partners Acquires FL Value-Add Asset

The company purchased Pier 5350, a 400-unit community in Jacksonville, and plans to make green upgrades to the garden-style property.



### LIV Development Sells FL Community

The buyer, Myers Apartment Group, picked up the newly built 260-unit property for more than \$50 million prior to the asset's stabilization.



### Fogelman JV Expands Southeast Portfolio for \$67M

In conjunction with Thackeray Partners, the firm purchased Legends at Charleston Park in Charleston, S.C., and Westridge in Jacksonville, Fla.



### Quad Property Group Expands FL Footprint

The company paid \$10.8 million for a 152-unit value-add community in Jacksonville. Fannie Mae provided nearly \$8 million in acquisition financing,



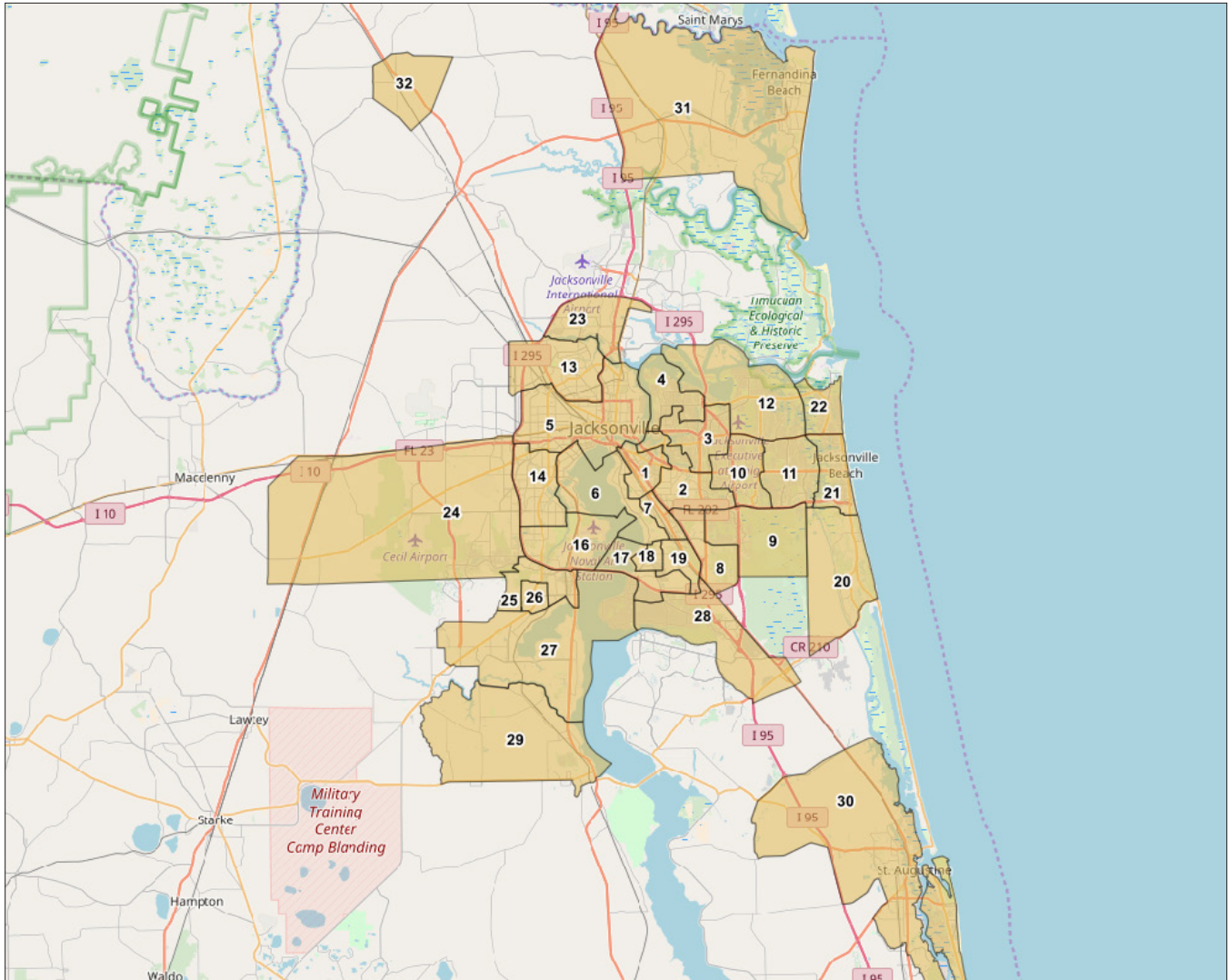
### Passco Pays \$70M For Jacksonville Apartments

Waypoint Residential and Rohdie Management developed the 13-building Point at Tamaya, which opened its doors in October 2017.

Log on to [Multi-HousingNews.com](http://Multi-HousingNews.com) to get the latest metro-specific news.



## 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

---

## 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.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.

# Fogelman drives deals with Yardi® Matrix



"Yardi Matrix is a major contributor to our profitable investments and informed property management."

Mark Fogelman  
President  
Fogelman Properties

800.866.1144  
YardiMatrix.com



Energized for Tomorrow

---

#### DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

#### COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2018 Yardi Systems, Inc. All Rights Reserved.