

# Jacksonville: In Mending Mode

April 2024



**Strong Economy Sustains Demand**

**Rent Movement Still Negative**

**Construction Starts Increase**

# JACKSONVILLE MULTIFAMILY



## Robust Supply Pressures Rents, Occupancy

The recent supply wave put a dent in Jacksonville's multifamily market fundamentals, even as demand remained somewhat healthy, and the local economy advanced. The average rent in the metro was \$1,494 after yet another 0.2% decline on a trailing three-month basis, marking the eighth straight month of contractions. Meanwhile, the U.S. average inched down 0.1% on a T3 basis, to \$1,713 as of February. Occupancy in stabilized properties also saw a contraction, dropping 110 basis points in the 12 months ending in February, to 92.2%.

Jacksonville employment expanded by 3.9% or 25,600 net jobs last year, nearly double the 2.0% U.S. rate. Meanwhile, unemployment stood at 3.3% in January. The rate reached its highest point in two years, according to the Bureau of Labor Statistics. Information was the only sector to lose jobs, down by 400 positions. The leading sectors were also the metro's largest—education and health services (9,200 jobs added) and trade, transportation and utilities and professional and business services (4,500 jobs each).

Last year was Jacksonville's strongest year for deliveries in a decade, with 6,156 units added to existing stock. As of February, there were an additional 15,333 units under construction, and the pipeline has been growing. Investors traded \$183 million in rental assets in the first two months, with the average per-unit price at \$161,788. This followed 2023's lowest yearly transaction volume in a decade.

## Market Analysis | April 2024

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### Recent Jacksonville Transactions

#### Avere Southside Quarter



City: Jacksonville, Fla.  
Buyer: Carter-Haston  
Purchase Price: \$78 MM  
Price per Unit: \$242,702

#### The Meridian



City: Jacksonville, Fla.  
Buyer: Duncan Hillsley Capital  
Purchase Price: \$52 MM  
Price per Unit: \$143,056

#### Westwood



City: Jacksonville, Fla.  
Buyer: Jacksonville Housing Authority  
Purchase Price: \$36 MM  
Price per Unit: \$140,039

#### Hidden Oaks



City: Jacksonville, Fla.  
Buyer: Reilly Ventures  
Purchase Price: \$6 MM  
Price per Unit: \$92,969

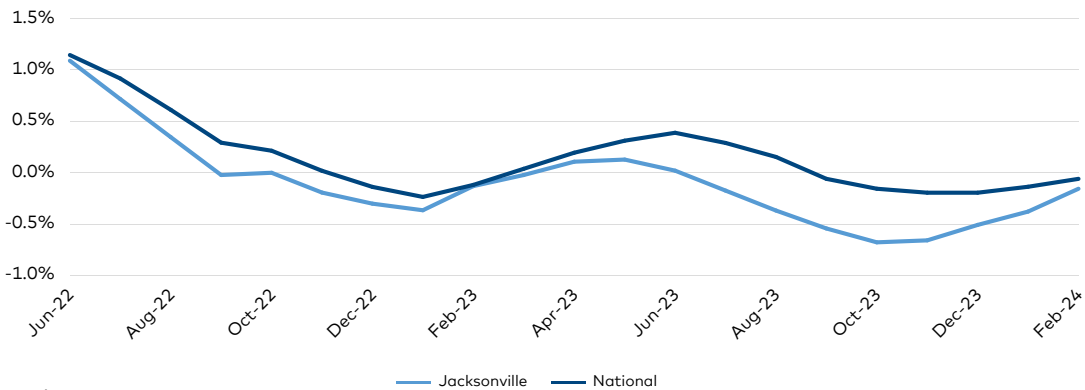
## RENT TRENDS

- ▶ Jacksonville rent movement remained in negative territory for the eighth consecutive month as of February but marked some improvement. Rates contracted 0.2% on a trailing three-month (T3) basis, to \$1,494, while the U.S. rate decreased 0.1%, to \$1,713. Year-over-year, Jacksonville rents dropped 3.1%, trailing all major Florida metros: Miami (up 1.0%), Tampa (-1.1%) and Orlando (-3.0%). Meanwhile, the national figure was up 0.6% year-over-year. The average asking rent decline is primarily the result of robust stock expansion in 2023.
- ▶ Rent depreciation occurred across quality segments. The average Lifestyle rate was down 0.2% on a T3 basis through February, to \$1,641, and by 0.1%, to \$1,293 in working-class Renter-by-Necessity units. Occupancy also mirrored

Jacksonville's short-term supply imbalance. The rate in stabilized properties declined 110 basis points in the 12 months ending in February, to 92.2%. Lifestyle occupancy declined 130 basis points to 92.6%, while RBN occupancy dropped 80 basis points, to 91.5%.

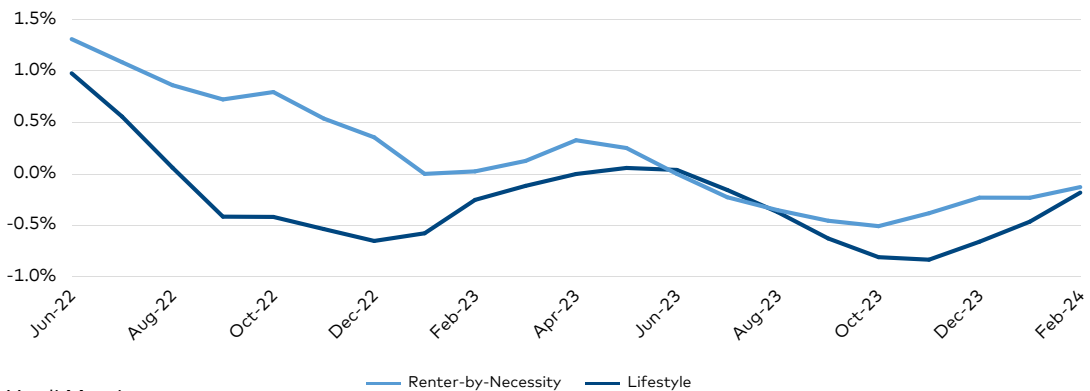
- ▶ Of the 33 submarkets tracked by Yardi Matrix, only 12 recorded rent gains year-over-year through February. Among these were St. Johns (6.8% to \$1,785) and Jacksonville – San Jose (1.0% to \$1,739), which are two of the metro's most expensive submarkets. The former also had the largest pipeline as of February.
- ▶ In Jacksonville's SFR segment, yearly rent growth was up 1.4%, to \$2,147. Meanwhile, occupancy declined 90 basis points, to 93.9%.

### 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 unemployment rose to 3.3% in January; this was the highest point since January 2022, but was still healthy. The metro outperformed the U.S. (3.7%), while on par with Tampa, behind Miami (2.4%) and close to Orlando (3.2%) and the state (3.1%).
- ▶ Employment expanded by 3.9% last year, or 25,600 net jobs. Although softening, the rate was nearly double the 2.0% U.S. figure. Among the country's largest metros, Jacksonville was second only to Las Vegas (4.1%). All sectors gained jobs except for information (-400 jobs).
- ▶ Education and health services (9,200 jobs), trade, transportation and utilities and professional and business services (4,500 jobs each) led job gains.
- ▶ Projects sustaining growth include one from the University of Florida and UF Health, which, in February, broke ground on UF Health Durbin Park, a 42.5-acre health and wellness campus in south Jacksonville. Upon completion, the \$1 billion investment is expected to bring 2,000 jobs. Additionally, Jacksonville's port is halfway through an upgrade that is slated for completion in 2025, when the facility will accommodate nearly 500,000 TEU annually, which is a 150% increase over its current throughput. This is already having an impact on the metro's industrial sector, boosting warehousing demand.

### Jacksonville Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	130	15.8%
40	Trade, Transportation and Utilities	180	21.8%
60	Professional and Business Services	135	16.4%
55	Financial Activities	79	9.6%
30	Manufacturing	37	4.5%
90	Government	81	9.8%
70	Leisure and Hospitality	90	10.9%
80	Other Services	27	3.3%
15	Mining, Logging and Construction	51	6.2%
50	Information	14	1.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Jacksonville gained 31,907 residents in 2022, up 2.0%, or five times the 0.4% national rate. Still, growth is moderating, as it trailed the increase recorded in 2021, when the metro's population rose 3.1%, even as the national figure barely nudged.

### Jacksonville vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Jacksonville	1,503,574	1,533,796	1,581,680	1,613,587

Source: U.S. Census

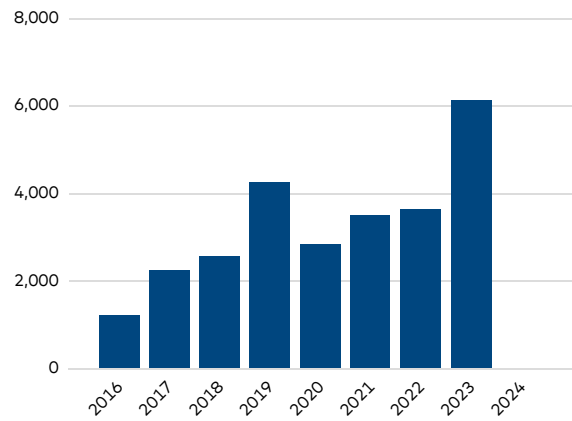
## SUPPLY

- ▶ Although no deliveries were recorded for the first two months of 2024, last year was Jacksonville's strongest for deliveries in a decade. In 2023, a total of 6,156 units came online, or 5.2% of existing stock, nearly double the 2.7% national rate. The composition of last year's new stock didn't include any RBN units. Deliveries consisted of Lifestyle (92%) and fully affordable communities (8%).
- ▶ The construction pipeline comprised 15,333 units underway and another 28,000 apartments in the planning and permitting stages. The Lifestyle segment remained nearly unchanged from last year's deliveries, accounting for 92%. The remaining percentage was split between RBN (1.5%) and fully affordable communities (6.4%).
- ▶ In 2024 through February, just 150 units broke ground in the metro. Last year, 8,725 units across 36 properties started construction, up significantly from the 5,894 units across 22 properties that broke ground in 2022. And while demand remained relatively healthy, such a strong pipeline will likely continue to put pressure on rent growth and occupancy.
- ▶ St. Johns had the largest construction pipeline as of February, totaling 2,652 units. Another

four submarkets had more than 1,000 units underway each, including Jacksonville – San Jose (1,906 units) and St. Augustine (1,768 units).

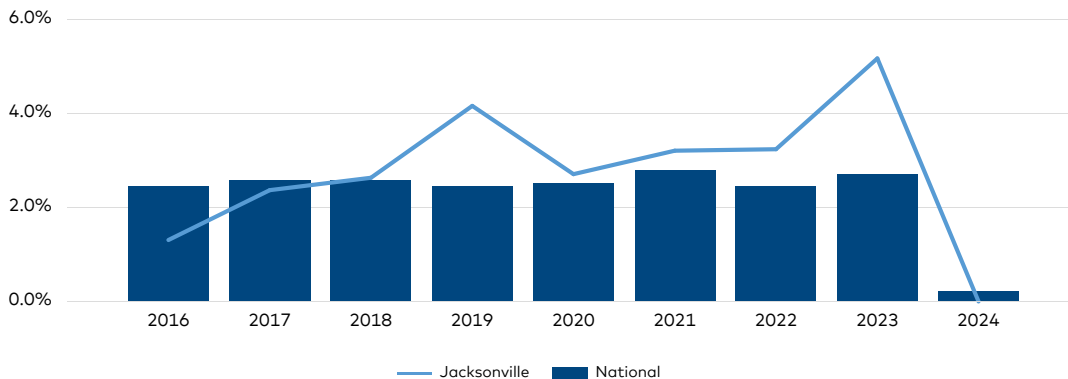
- ▶ The largest project under construction as of February was the 999-unit The Pavilion at Durbin Park in St. Johns. Owned by Gate Petroleum, the asset is slated for completion in early 2025.

**Jacksonville Completions** (as of February 2024)



Source: Yardi Matrix

**Jacksonville vs. National Completions as a Percentage of Total Stock** (as of February 2024)

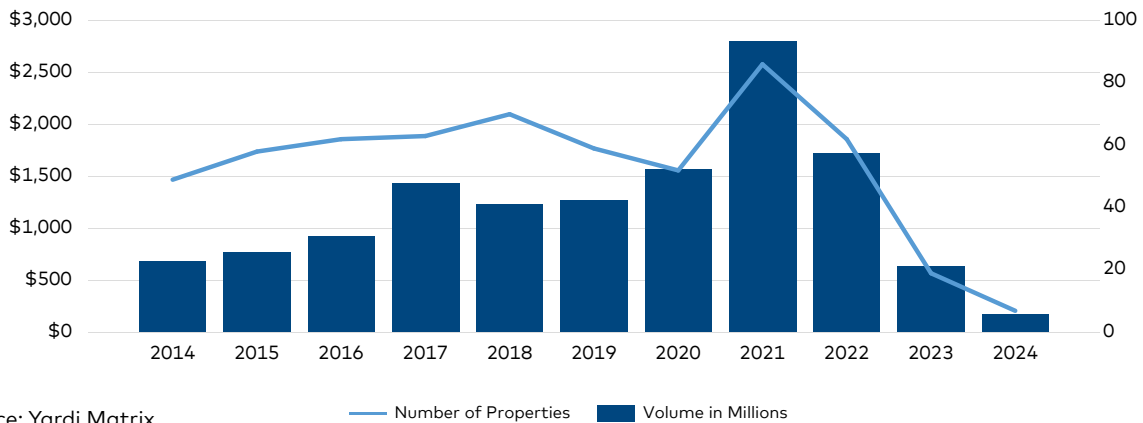


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Investors traded \$183 million in multifamily assets in 2024 through February. That marked a promising start considering that last year's volume totaled just \$637 million.
- ▶ Although the sales composition through February was tilted in favor of value-add opportunities—five of the seven sales involved RBN assets—the average price per unit rose 4.8% compared to last year, to \$161,788. That still lagged the nation's year-to-date average, which was just shy of \$200,000.
- ▶ Avere Southside Quarter, a 322-unit Lifestyle asset in the Deerwood Club submarket, was sold by Hines Interests for the highest sale price registered in the metro through February. The buyer was Carter-Haston, which paid \$78.2 million, or \$242,702 per unit. The buyer took out a \$47.2 million CMBS Fannie Mae loan, originated by Walker & Dunlop, which will mature in 5 years.

### Jacksonville Sales Volume and Number of Properties Sold (as of February 2024)



Source: Yardi Matrix

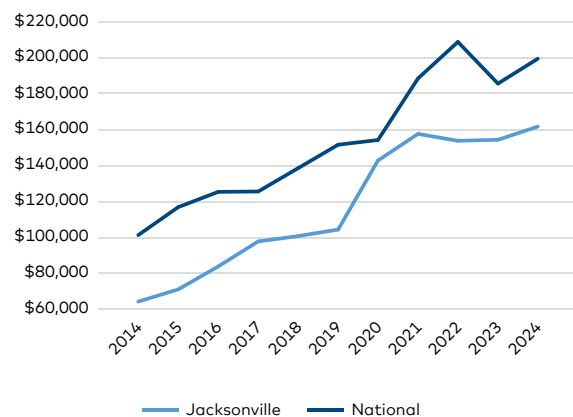
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Jacksonville–Deerwood Club	176
Jacksonville–Pineland Gardens	82
Bellair–Orange Park	81
Jacksonville–Bayard	76
Ponte Vedra Beach	72
Jacksonville–Cedar Hills	59
St. Augustine	53

Source: Yardi Matrix

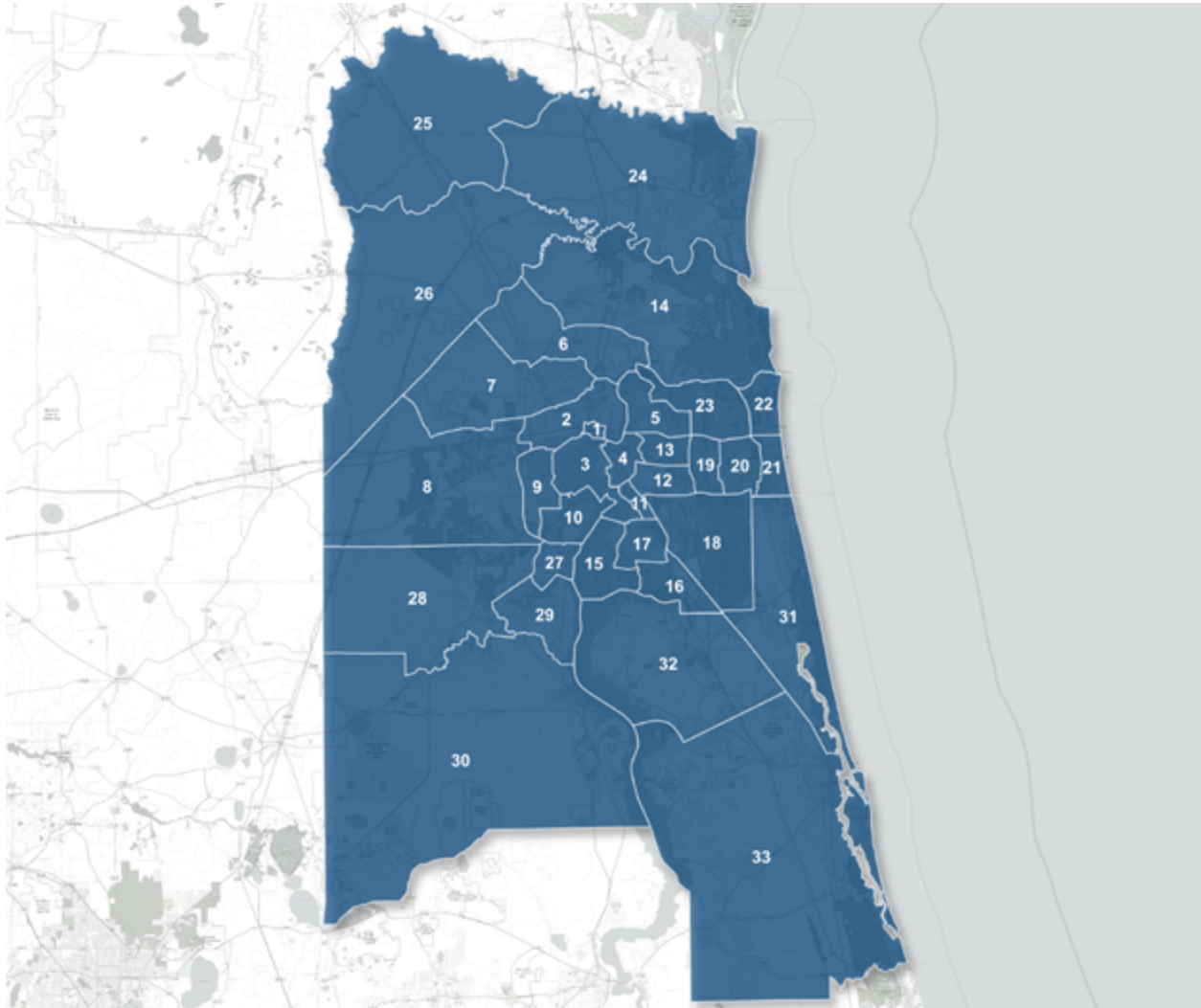
<sup>1</sup> From March 2023 to February 2024

### 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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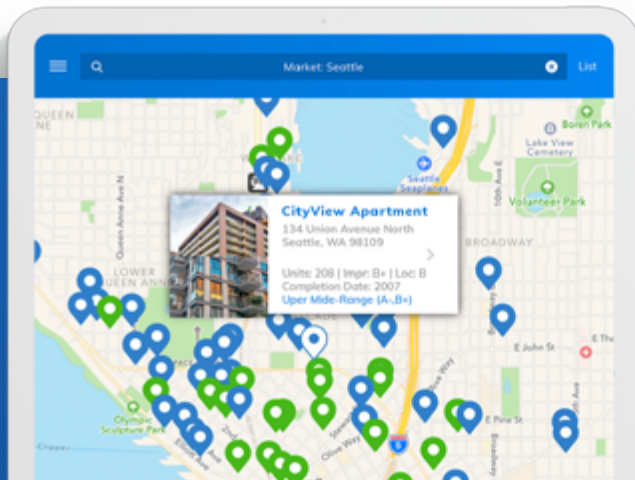
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