

An aerial photograph of Jacksonville, Florida, featuring the prominent blue steel truss Blue Sky Bridge crossing the St. Johns River. The background is filled with a dense urban skyline of modern high-rise buildings under a clear blue sky. The bridge has several vehicles on it, and the water reflects the surrounding structures.

Yardi® Matrix

Growing Jacksonville

Multifamily Report Winter 2019

Rent Growth Remains Strong

Completions Hit Cycle Peak

Deal Volume Tops \$1.2B, Values Spike

Market Analysis

Winter 2019

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Fast Rent Growth Boosts Development

Strong multifamily fundamentals are drawing investors and developers to Jacksonville, with the metro ranking among the nation's top major markets for rent growth. New apartments are being absorbed at a rapid pace, indicating that supply has yet to catch up with the growing demand.

Sustained by a diversified economy, employment and population gains continue to outpace national averages. Job growth in the 12 months ending in October was led by education and health services, which added 3,900 positions. The trend is set to continue as new developments come online, including Jacksonville University's 105,000-square-foot medical arts and health sciences building in Arlington, a \$55 million facility for St. Vincent's in Riverside as well as Flagler Hospital's and Baptist Hospital's upcoming projects in Nocatee. Boosted by rising tourism numbers, leisure and hospitality gained 3,100 jobs, while construction added 2,100 positions.

Multifamily sales topped \$1.2 billion in 2018 and investor appetite should remain significant this year, thanks to the market's attractive acquisition yields and high occupancy rates. Strong in-migration and a healthy employment climate, which led to a surge in new developments in 2018, are poised to continue. With 1,800 apartments slated to come online in 2019, Yardi Matrix expects the average Jacksonville rent to advance 3.3% this year.

Recent Jacksonville Transactions

The Point at Town Center



City: Jacksonville, Fla.
Buyer: Praedium Group
Purchase Price: \$47 MM
Price per Unit: \$190,000

Reserve Bartram Springs



City: Jacksonville, Fla.
Buyer: Fogelman Properties
Purchase Price: \$41 MM
Price per Unit: \$152,000

The Oaks on Monument



City: Jacksonville, Fla.
Buyer: Carter Multifamily
Purchase Price: \$23 MM
Price per Unit: \$88,550

Coquina Bay

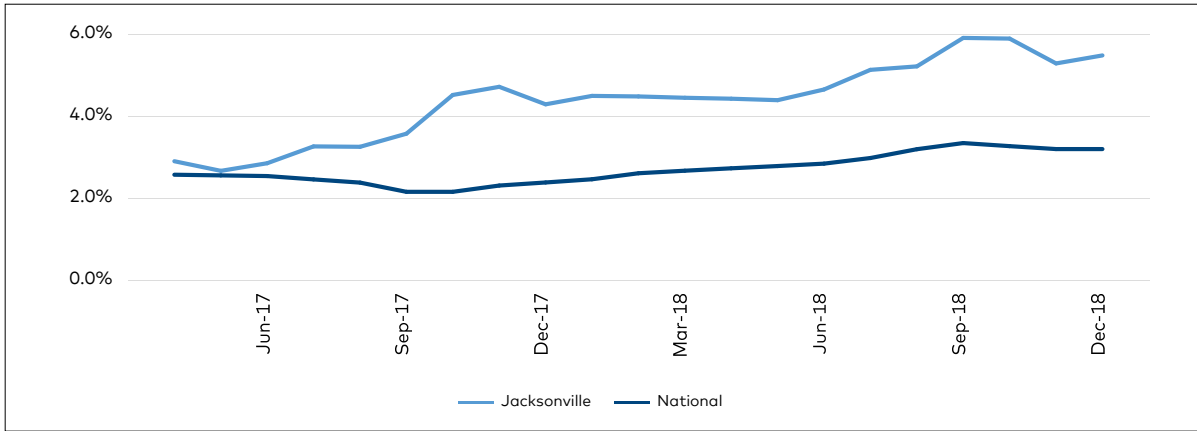


City: Jacksonville, Fla.
Buyer: Avesta Communities
Purchase Price: \$21 MM
Price per Unit: \$106,250

Rent Trends

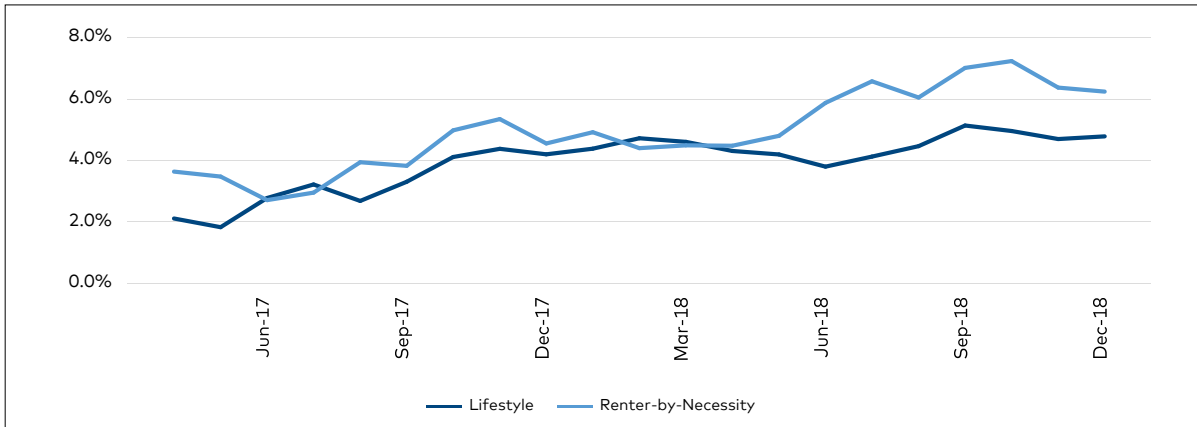
- Rents in Jacksonville rose 5.5% last year, outpacing the 3.2% national rate. The metro's average rent stood at \$1,076, below the \$1,419 U.S. figure. Despite a surge in multifamily deliveries, which reached a cycle peak in 2018, occupancy in stabilized properties remains high, at 95.3% as of November, in line with the national average and up 30 basis points over 12 months.
- Rents in the working-class Renter-by-Necessity segment rose 6.2% to \$903, while Lifestyle rates increased by 4.8%, to \$1,249. Boosted by steady employment and population gains as well as household formation, absorption has been fast for both asset classes, pushing up occupancy to 95.6% for RBN and 95.0% for Lifestyle properties, while supply has yet to catch up with demand.
- Submarkets with the strongest rent growth included Orange Park (up 10.0% to \$1,219), Oakwood Villa (up 9.9% to \$898), Ortega Hills (up 9.3% to \$1,035) and Meadowbrook (up 9.1% to \$1,041). Hilliard (-4.2%) and Green Cove Springs (-5.8%) were the only areas where rents dropped. In Deerwood Club-East, which commands the metro's highest rates, the average rent was up 1.8% to \$1,430.
- In-migration and employment gains are poised to continue, bolstering demand. With 1,800 units expected to come online in Jacksonville this year, Yardi Matrix forecasts a rent growth of 3.3% in 2019.

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)

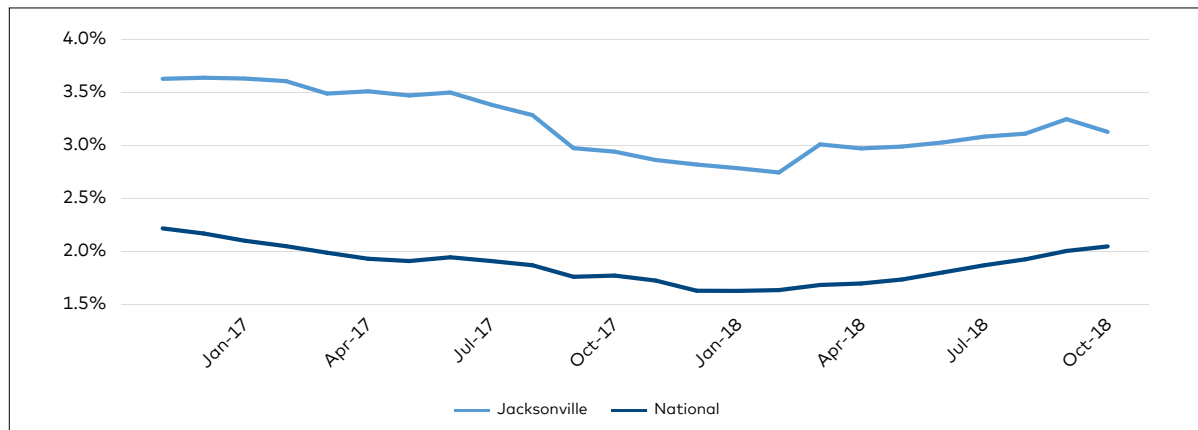


Source: YardiMatrix

Economic Snapshot

- Jacksonville added 14,800 jobs in the 12 months ending in October, a 3.1% increase, outpacing the 2.1% U.S. figure. The metro's unemployment rate hit cycle lows in 2018, standing at 2.8% in September and 2.9% in October 2018. According to the Florida Department of Economic Opportunity, the last time the rate remained below 3.0 percent for two consecutive months was in March and April of 2006.
- Education and health services led growth, adding 3,900 jobs. New health-care centers opened in 2018, including a Mayo facility and a new Baptist MD Anderson Cancer Center. Jacksonville University is adding a 105,000-square-foot medical arts and health sciences building to its 260-acre campus in Arlington; St. Vincent's broke ground on a \$55 million facility in Riverside, while Flagler Hospital and Baptist Hospital began working on new projects. Meanwhile, leisure and hospitality gained 3,100 jobs, with the number of First Coast tourists on the rise. According to Smith Travel data, visitor numbers in Duval, St. Johns and Nassau counties rose 1.9% in 2018 through September against 2017 figures.
- Construction gained 2,100 jobs, a trend that is set to continue with big downtown projects such as Jaguars owner Shad Khan's \$2.5 billion "Lot J" outside the TIAA Bank Field, which calls for 4.3 million square feet of mixed-use space. Meanwhile, Peter Rummell is planning The District, which is expected to include 1,170 residential units as well as hotel, retail and office space and a 125-slip marina.

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	%
65	Education and Health Services	109	15.3%	3,900	3.7%
70	Leisure and Hospitality	88	12.4%	3,100	3.7%
55	Financial Activities	70	9.8%	2,100	3.1%
15	Mining, Logging and Construction	47	6.6%	2,100	4.6%
60	Professional and Business Services	111	15.6%	1,800	1.7%
90	Government	78	11.0%	900	1.2%
80	Other Services	26	3.7%	700	2.7%
30	Manufacturing	31	4.4%	600	2.0%
50	Information	9	1.3%	100	1.1%
40	Trade, Transportation and Utilities	142	19.9%	-500	-0.4%

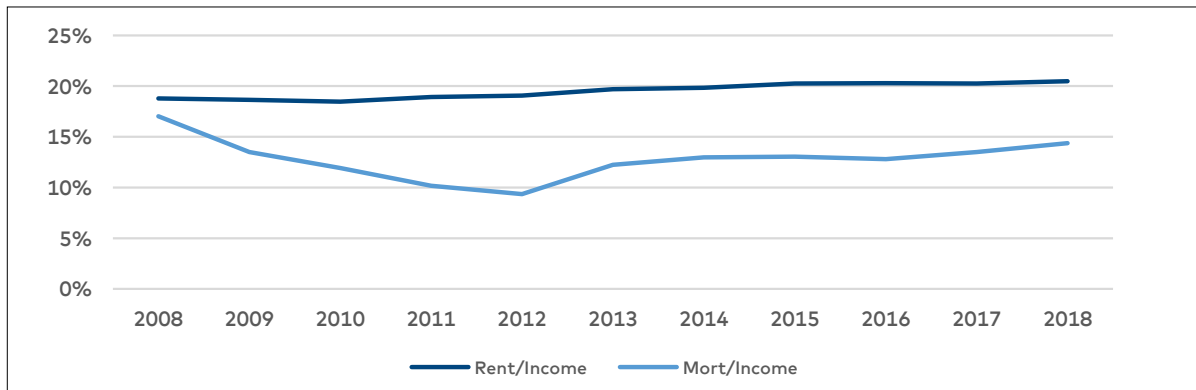
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

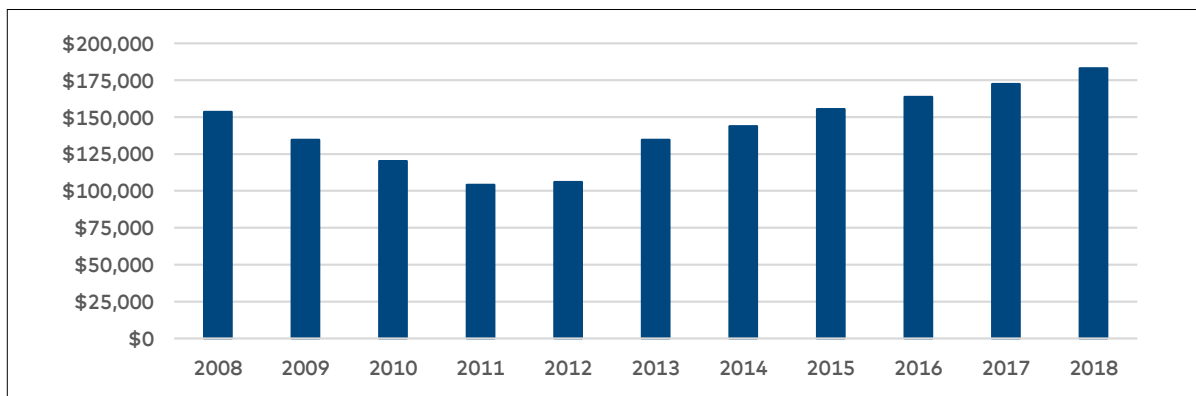
- The median home price in Jacksonville rose to a cycle peak of \$183,060 in 2018, up 6.2% since 2017 and 75.8% above the 2011 level. The average mortgage payment accounted for 14% of the area's median income, while the average rent equated to 20%.
- Jacksonville's low cost of living, business-friendly environment, job availability, warm climate and beaches continue to attract new residents, including families, professionals and retirees. A resurgence of consumer confidence and the general improvement of the economy encourage developers to build more homes and redevelop historic areas such as those in Springfield and Riverside–Avondale.

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, a 1.9% increase, well above the 0.7% U.S. growth rate.
- Between 2013 and 2017, the metro added 111,000 residents, up 8.0%, outpacing the 3.0% national figure.

Jacksonville vs. National Population

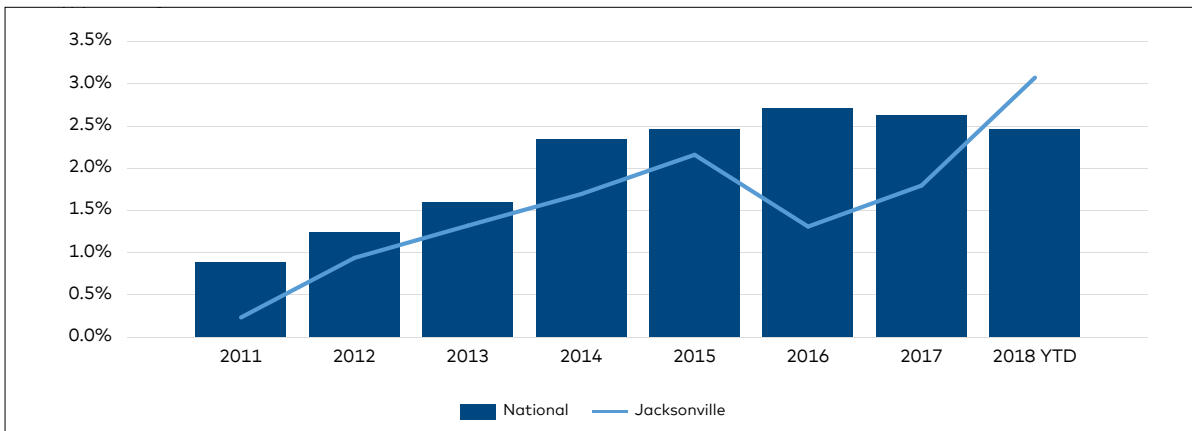
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Jacksonville Metro	1,394,206	1,417,740	1,445,986	1,476,503	1,504,980

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

Supply

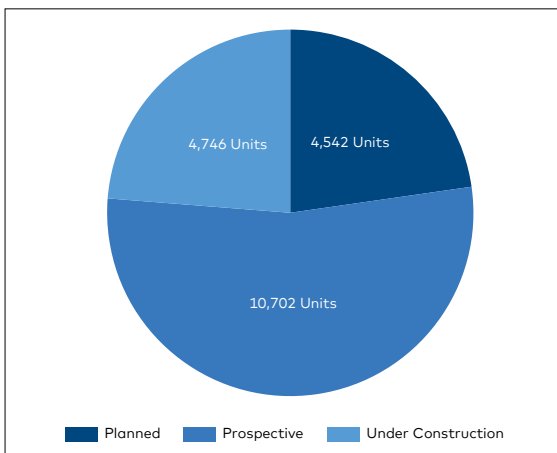
- Twelve multifamily communities totaling 2,883 units were delivered in Jacksonville in 2018, marking a strong cycle peak. The new supply represented 3.1% of total stock, outpacing the 2.5% national average. Nine of the new properties are Class A, while the remaining three are Class B. In 2019, 1,800 units are expected to come online across the metro.
- More than 4,700 units were under construction as of December, while another 15,000 were in the planning and permitting stages. The metro's strong rental growth and rapid absorption pace have encouraged developers to break ground on new developments and restart work on projects delayed by Hurricane Irma.
- Submarkets leading development as of December included Pineland Gardens (1,321 units), College Park/Springfield (753 units) and St. Augustine (522 units). Luxor Club, a 464-unit luxury community in the Flagler Center area of south Jacksonville, ranked as the metro's largest multifamily development at the end of 2018. Developed by the Fort Family, the property encompasses 17 three-story buildings and eight two-story carriage houses with garages across a net 528,055 square feet of space.

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



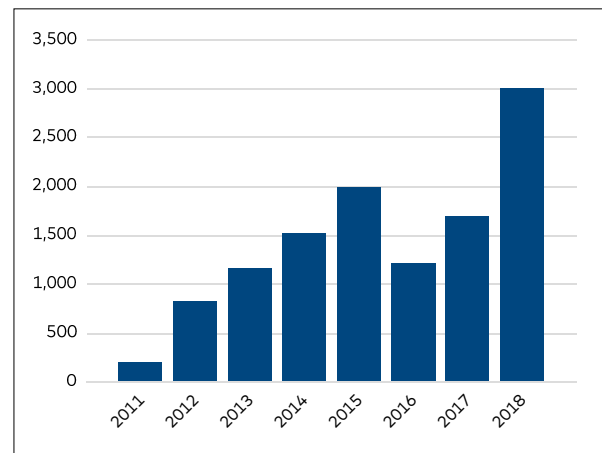
Source: YardiMatrix

Development Pipeline (as of December 2018)



Source: YardiMatrix

Jacksonville Completions (as of December 2018)

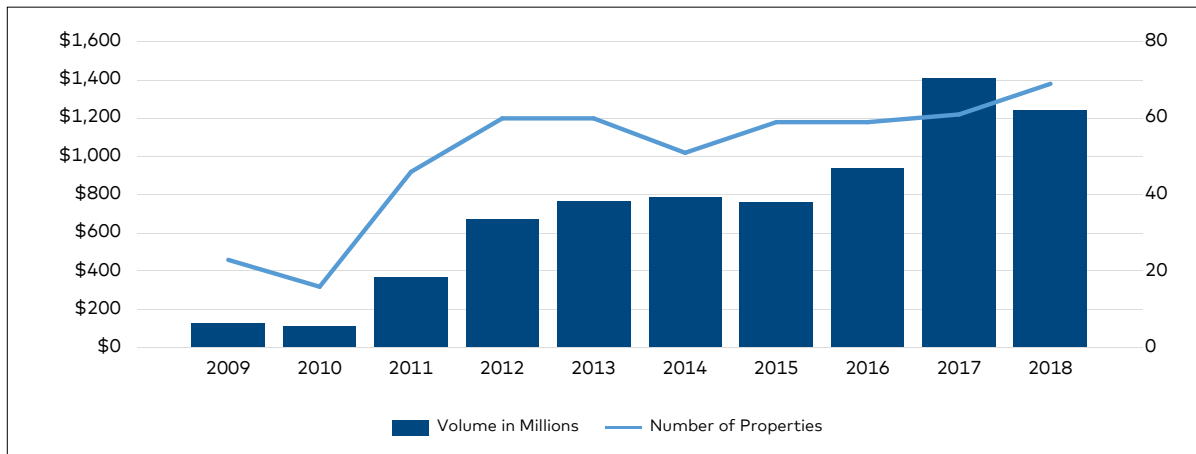


Source: YardiMatrix

Transactions

- More than \$1.2 billion in multifamily assets changed hands in Jacksonville in 2018, at an average price per unit of \$100,852, a new cycle high but well below the \$153,765 U.S. average.
- Investors primarily focused on the Renter-by-Necessity segment, as 53 of the 69 properties that traded were in this category, with the remaining 16 being Lifestyle communities. Acquisition yields for stabilized Class A assets range between 4.75% and 5.50% in both infill and suburban locations, while Class C communities with a value-add component can bring yields as high as 10.0%.
- Beachwold Residential's acquisition of The Reserve at Amelia, a 300-unit Yulee community, marked the metro's largest deal of 2018. Wells Real Estate sold the Class A asset for \$51.3 million, or \$171,000 per unit. Thanks to the master-planned Wildlight community, the area is undergoing significant growth.

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



Source: YardiMatrix

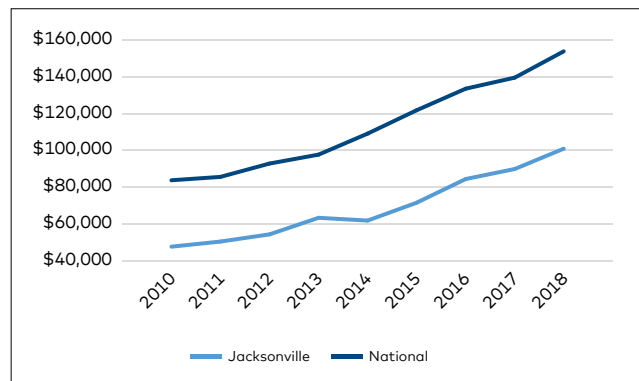
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Pineland Gardens	217
Newcastle	103
Deerwood Club-East	89
Neptune Beach	80
Oakwood Villa	76
Southridge	72
Cedar Hills	70
Bellair	57

Source: YardiMatrix

¹ From January 2018 to December 2018

Jacksonville vs. National Sales Price per Unit



Source: YardiMatrix

News in The Metro

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San Pablo Community Gets \$30M Refi

HFF originated the 10-year Freddie Mac mortgage for Beachwold Residential, the owner of the 288-unit luxury community. The loan retires a prior CMBS loan.



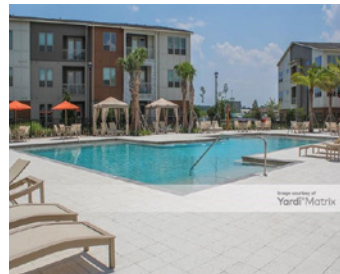
Carter Multifamily Grows Jacksonville Presence

The new owner paid more than \$23 million for the 262-unit Class B community and plans to invest in capital improvements to reposition the property.



National Property REIT Sells Atlantic Beach Community

Laguna Point Properties acquired the 204-unit Class B multifamily asset for nearly \$25 million, financed with a \$17.4 million acquisition loan.



Praedium Group Expands Jacksonville Footprint

The firm has almost doubled its profile in the city with the \$47 million acquisition of the 246-unit luxury community.



Fogelman Increases Jacksonville Footprint

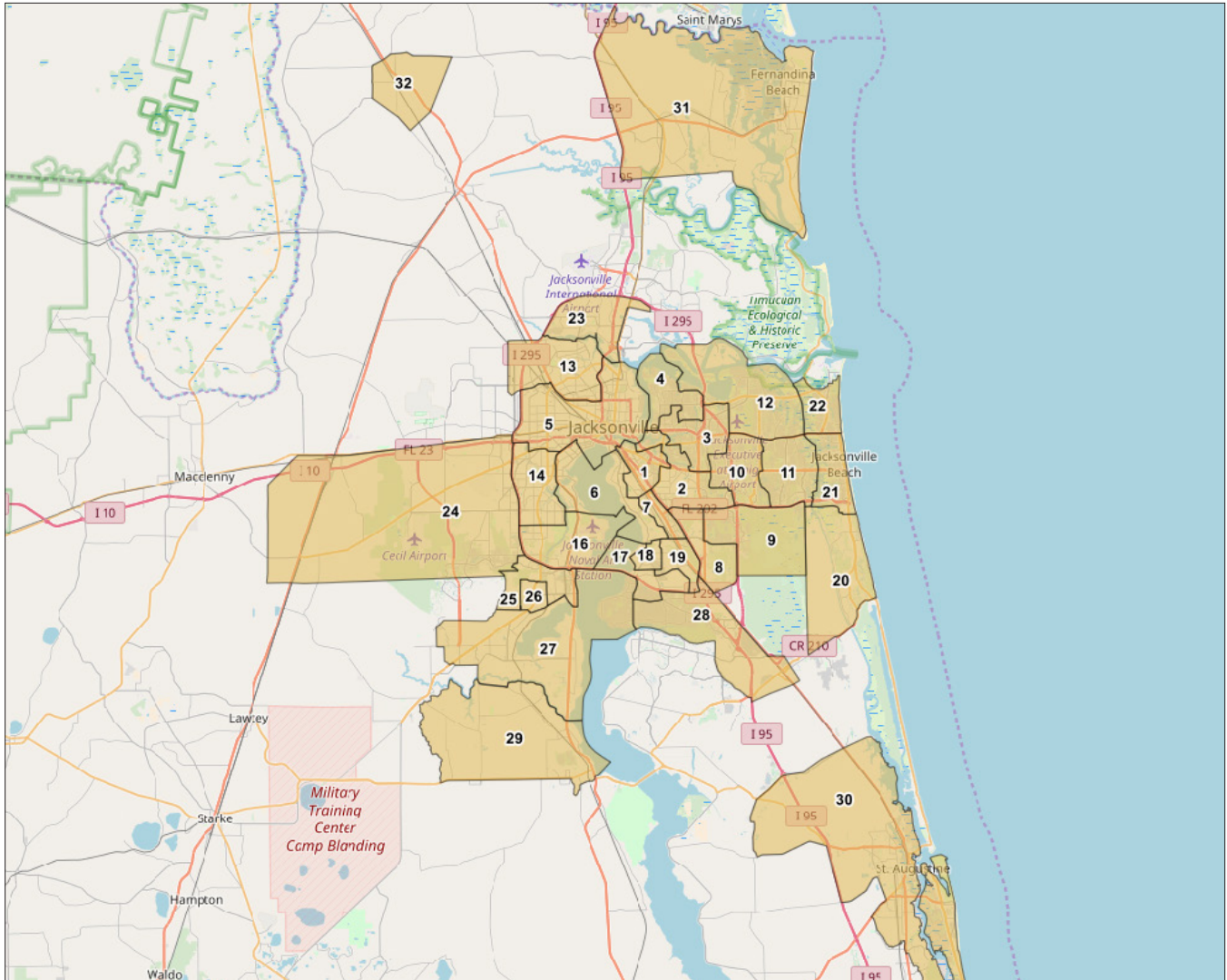
Gamma Real Estate sold the 268-unit Class A community for more than \$40 million, with Greystone providing acquisition financing to the buyer.



Quad Property Group Sells Cedar Hills

A joint venture between Hyperion Endeavors and Think Multifamily purchased the 113-unit property for more than \$7 million, with Arbor Realty Trust providing acquisition financing.

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 or call Ron Brock, Jr., at 480-663-1149 x2404.

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President
Fogelman Properties

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