

MARKET REPORT

Multifamily

Jacksonville Metro Area

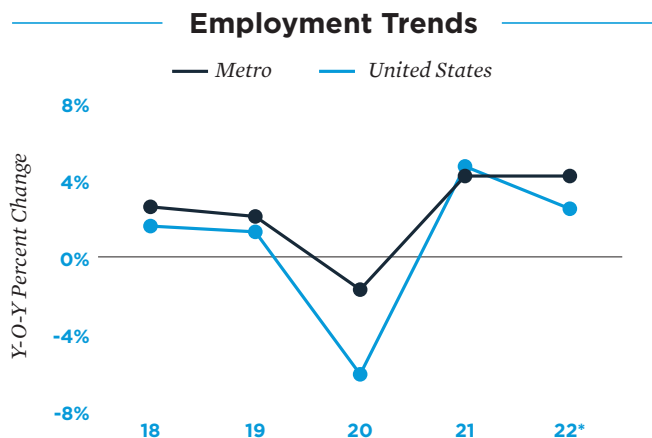
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2Q/22

Regional Affordability and In-Migration Trends Stimulate Demand in Jacksonville

Leasing activity is widespread. Market conditions have never been tighter in Jacksonville. Recent migration trends to Sun Belt states spearheaded leasing activity in the metro, compressing availability to 2.9 percent entering the second quarter. This rise in demand has been widespread, with all 11 submarkets recording vacancy compression of at least 70 basis points and rent growth exceeding 17 percent over the past year ending in March. Jacksonville's swift economic recovery also played a pivotal role in the recent demand surge, as total employment in the metro surpassed the pre-pandemic peak in August of last year. Moving forward, this momentum will likely be sustained as the market's affordability relative to other major Florida metros continues to stimulate population growth. Jacksonville is expected to add over 80,000 new residents in the next five years.

Development uptick is warranted. With roughly 5,000 units expected to deliver throughout the metro this year, Jacksonville is undergoing its largest supply wave in over two decades. The bulk of ongoing projects are slated for delivery in the Mandarin submarket; however, developers are also active in Arlington, Baymeadows and Westside. Net absorption is expected to keep pace with supply additions, sustaining tight market conditions throughout this year. Since recent deliveries have been well received, avoiding negative impact on fundamentals, construction will likely remain heightened in the near term.



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook



**31,500
JOBS**

will be created

EMPLOYMENT:

Hiring velocity in Jacksonville mirrors last year's growth rate, as employers expand headcounts by 4.2 percent in 2022. The unemployment rate was at 2.7 percent entering the second quarter, just 30 basis points above the metro's all-time low.



**5,000
UNITS**

will be completed

CONSTRUCTION:

Construction activity will rise to a two-decade high, with developers expanding rental inventory by 4.0 percent this year. The largest project slated for completion in 2022 is Panther Creek, delivering 786 units in the Westside submarket.



**10
BASIS POINT**

decrease in vacancy

VACANCY:

Despite deliveries reaching a historic high this year, availability contracts on an annual basis for the 11th consecutive year. By year-end, vacancy will fall to 2.7 percent, 250 basis points below the metro's recent high-mark in the second quarter of 2020.



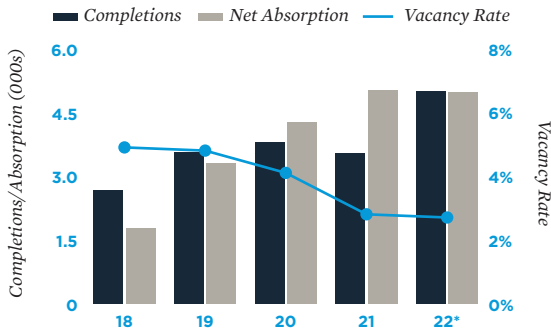
**12.4%
INCREASE**

in effective rent

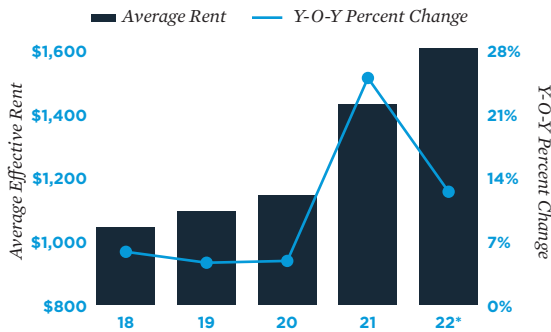
RENT:

Limited availability supports double-digit rent growth for the second straight year. The average effective rate will rise to \$1,606 per month in 2022. Still, rents in Jacksonville are roughly 11 percent lower than in all other major Florida metros.

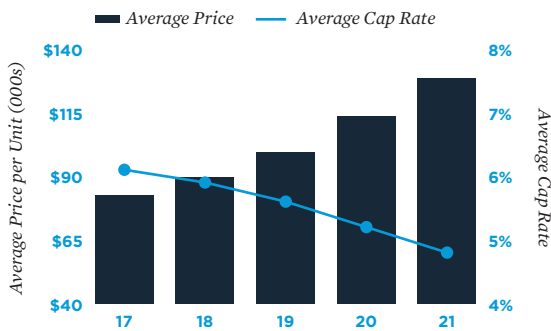
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

IPA Multifamily
John Sebree

Senior Vice President
Tel: (312) 327-5400 | jsebree@ipausa.com

For information on national multifamily trends, contact:

John Chang

Senior Vice President, National Director | Research Services
Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

1Q 2022 - 12-Month Period

CONSTRUCTION

3,424 units completed

- Developers expanded rental inventory by 2.8 percent over the past 12 months ending in March, with the bulk of recent completions delivering in the Baymeadows and Southeast Jacksonville submarkets.
- Construction activity will likely remain elevated for the foreseeable future, with 12,000 units currently underway entering April.

VACANCY

160 basis point decrease in vacancy Y-O-Y

- Net absorption surpassed the 5,000-unit mark in a four-quarter span for the first time on record over the past year, reducing metrowide availability to 2.9 percent.
- Apartments in St. Augustine are in high demand, due to their proximity to the coast, with the local vacancy rate sitting below 1.0 percent.

RENT

25.2% increase in the average effective rent Y-O-Y

- Limited unit availability stimulated double-digit rent growth across all class cuts over the past four quarters, which helped elevate the metro's average effective rate to \$1,454 per month in March.
- Baymeadows led all submarkets in rent growth, with the average local rate surging nearly 30 percent during the past 12 months.

Investment Highlights

- Sales velocity increased by 75 percent in 2021, as historically tight market conditions and robust population growth projections amplified investor demand for rentals. Competition for available assets is fierce, with out-of-market buyers accounting for over 60 percent of all transactions over the past year. As a result, the average sale price rose 13 percent during that span, compressing the mean cap rate to 4.8 percent — the lowest of any major Florida metro.
- Assets in Southside Jacksonville, particularly the Baymeadows, Upper Southside and Southeast Jacksonville submarkets, are highly coveted by investors. This area is the nexus of the metro's vigorous population and job growth over the past five years, and is home to the highest median income levels. Buyers here are targeting larger Class B/C assets, with first-year returns that average in the low-4 percent span.
- Strong performance throughout the pandemic elevated investor interest in the Arlington submarket, with deal flow notably increasing in recent quarters. Older Class B/C assets above 100 units in size are trading here most often, with entry costs that frequently fall below the market average of \$128,400 per unit.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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