

MARKET REPORT

Multifamily
Jacksonville Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

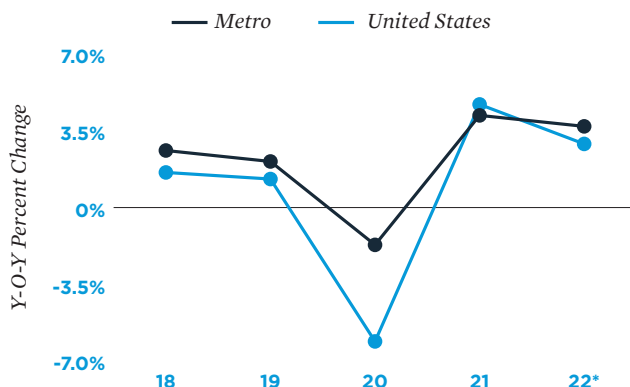
3Q/22

Economic Growth Provides a Solid Foundation for Long-Term Rental Demand

Historically tight availability warrants standout supply growth. Apartment demand in Jacksonville soared to unprecedented levels throughout 2020 and 2021, fueled by some of the nation's strongest job and population growth rates. As a result, availability fell under 3 percent for the first time on record at the turn of the year, equating to 3,500 physically vacant units in a metro with over 1.5 million residents. Renter demand softened over the first half, however, as rapidly rising rents during this inflationary period slowed household formation. Additionally, the metro is in the middle of the largest supply wave in over two decades, with more than 3,000 units delivering in the first six months of this year. This influx of rentals lifted Class A availability by 150 basis points, however, the metro's overall vacancy rate remained more than 250 basis points below its long-term average at the onset of July.

Expanding firms target Jacksonville. Notable Fintech firms like Nymbus, FIS and Dun & Bradstreet are establishing headquarters in the market, diversifying what is already a rapidly growing economy. Additionally, the metro's strong logistics infrastructure — which includes two deep-water ports, three major interstates and two inter-modal yards — is a major draw for industrial firms. Moving forward, Jacksonville's growing talent pool and lower cost of doing business are positioned to draw similar companies that are expanding or considering relocating. This will serve as a structural catalyst for robust economic growth, bolstering long-term apartment demand.

Employment Trends



* Forecast

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

Multifamily 2022 Outlook



**28,000
JOBS**

will be created

EMPLOYMENT:

Jacksonville employers are on pace to expand payrolls by 3.7 percent this year, with the addition of more than 14,000 new jobs through the first half. Hiring has been largely concentrated in the metro's professional and business services sector.



**5,800
UNITS**

will be completed

CONSTRUCTION:

Supply additions rank third among all major U.S. markets when calculating by a percentage of existing inventory. The 4.6 percent increase will be the largest stock expansion in Jacksonville on record.



**140
BASIS POINT**

increase in vacancy

VACANCY:

The historic supply wave will place upward pressure on vacancy rates this year, resulting in the largest jump in availability since the global financial crisis. Still, the rate will remain 60 basis points below the 2019 level.



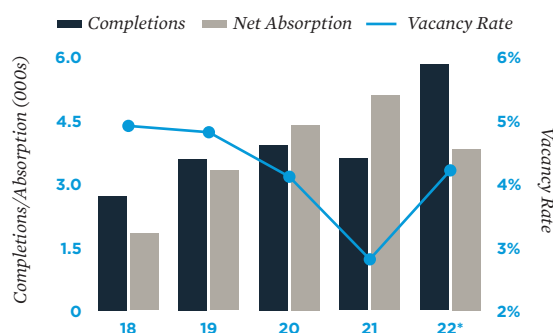
**12.7%
INCREASE**

in effective rent

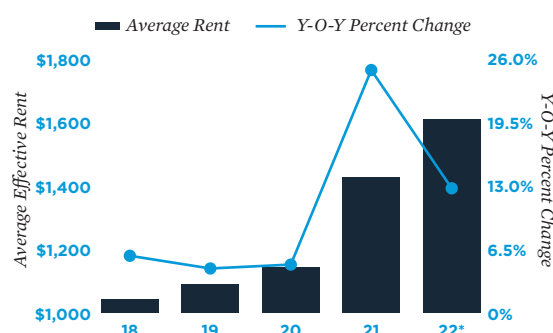
RENT:

A flurry of new deliveries will increase concession usage, slowing rent growth from the unprecedented 24.8 percent surge recorded in 2021. Nonetheless, this year's growth rate nearly doubles every annual increase prior to the health crisis.

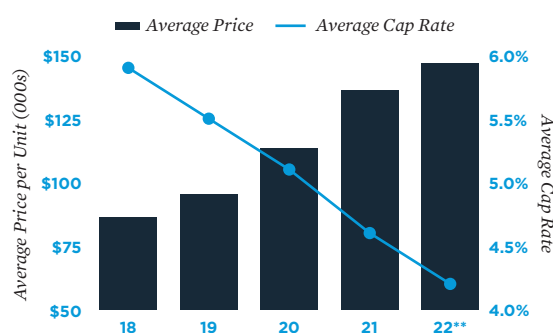
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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Price: \$250

2Q 2022 - 12-Month Period



CONSTRUCTION

4,255 units completed

- Developers increased metro stock by 3.4 percent over the past year ending in June, with seven of the metro's 11 submarkets adding at least 350 units.
- Entering the second half, there were nearly 15,000 units underway, with local inventory in the Mandarin, St. Augustine and Northside submarkets each projected to increase by at least 9 percent during 2023.



VACANCY

30 basis point increase in vacancy Y-O-Y

- Roughly 2,500 fewer units were absorbed on a net basis over the past four quarters ending in June relative to the previous yearlong span, resulting in Jacksonville's vacancy rate rising to 4.1 percent.
- Availability in St. Augustine is at least 180 basis points lower than any other submarket, registering at 1.6 percent.



RENT

22.1% increase in the average effective rent Y-O-Y

- The average effective rent in Jacksonville rose to \$1,511 per month year-over-year ending in June. This growth rate ranked as the eighth highest among major markets nationally.
- Rent gains at Class B units are outpacing the other two property tiers, with the sector's rate rising over 24 percent during the recent 12-month span.

Investment Highlights

- Institutional demand for apartments is strong in Jacksonville, bolstered by robust in-migration and rent growth that is outpacing most major markets across the country. Assets that transacted over the past year ending in June had an average sale price of \$147,000 per unit, roughly 18 percent higher than the previous year's recording. Still, entry costs here are at least \$44,000 per unit lower than any other major Florida market.
- Jacksonville's lower pricing relative to other markets in the state is a major draw for certain institutional buyers, heightening competition for available assets. The average first-year return registered a 60-basis-point drop during this span to 4.2 percent, the lowest average among major Florida markets.
- Southside and Arlington have been the most liquid submarkets as of late. These locales' large rental inventories provide institutions with a wide range of options. Apartments with over 150 units in the \$10 million to \$50 million price tranche are frequently targeted here.
- St. Augustine has the lowest Class A and B vacancy rates in the metro, however, limited inventory makes assets hard to come by for investors. The growing construction pipeline here should open up more opportunities.

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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