

Multifamily Metro Outlook:

Jacksonville - Q1 2022

Overview:

- The Jacksonville metro recovered from the economic impacts of the virus rather quickly. As of Q1 2022, the metro's local job market was able to recapture all the jobs lost as a result of the virus and even exceed the pre-pandemic job totals by adding an additional 36,000 jobs. According to CoStar, the metro was able to recover at such a rapid pace as a result of the metro's diverse job base and the lack of reliance on the employment sectors most impacted by COVID, Leisure & Hospitality and Retail.
- The apartment market in Jacksonville was minimally impacted by the virus and as of Q1 2022 has been performing exceptionally. During Q1 2022 vacancies continue to fall and are hovering at 4.75%. Furthermore, rent growth also continues to perform well at 1.5% during the same period. Supply remains under control as approximately 9,000 units are in the pipeline.

Market Strengths:

- The metro has an ideal local economic composition. According to Moody's Analytics Jacksonville has an industrial diversity ratio of 0.77. Unlike the other Floridian metros that rely on industries that were heavily impacted by the onset of the virus (such as Retail and Leisure/Hospitality) Jacksonville does not rely heavily on one industry to spur economic growth. The metro is well concentrated in the Education/Healthcare services, Professional Business services, and Financial services sectors.
- The demographic profile in Jacksonville is also less susceptible to the impacts of the virus compared to other Floridian metros. According to Moody's Analytics, Jacksonville is one of four Floridian metros that has its share of residents aged 65+ below the national average. Furthermore, overall population growth in the metro is expected to nearly double the national rate over the next five years (1% vs 0.5%).
- The Port of Jacksonville continues to perform at record outputs. After a record-breaking year in 2020, the JAXPORT had an even more successful year in 2021. According to CoStar, the JAXPORT recorded 1.3 million 20-foot equivalent units passing through the port. Coupled with launching a new five-year \$700 million dredging project expected to complete in 2022 that according to Moody's Analytics will create nearly 8,000 jobs for the port and lower the depth of the Jacksonville channel to 47 feet to accommodate supersized cargo vessels by way of the Panama Canal.
- Even before the arrival of the virus, the Jacksonville metro had become an attractive destination for not only large Financial and Tech companies, but also residents looking to leave high-cost areas such as the Northeast and California. According to both LinkedIn and ULI (via CoStar), Jacksonville has been amongst the national leaders regarding net migration and has also been poised as a metro area that has a desirable combination of lifestyle, employment and tech-sector growth.

Market Weaknesses:

- As a result of COVID-19, the Retail and Leisure sectors of employment were significantly impacted. According to Moody's Analytics, the dramatic rebound of the Retail sector will be a short-term phenomenon. The long-term prospects of the Retail sector are in question as technological advancements have reduced the need for shopping centers and malls. Over the last decade, Retail sector employment has grown by approximately 1.6% annually, but is expected to contract by half after the rebound period is over.
- Due to a high concentration of (wealthy) retirees migrating to the metro, Jacksonville has become an expensive place to live. According to Moody's Analytics, the cost of living is approximately 5% higher than the national average.
- According to Moody's Analytics, even though the metro is emerging as both a Financial and Tech sector hub, the metro will continue to rely on net migration due to the below national average of college degree holders that currently reside in Jacksonville.

Development:

- The condo market in Jacksonville is extremely overbuilt. Since the beginning of 2006, nearly 10,000 condo units have been completed. The scale of the shadow supply, which also now includes single family homes, is a concern for the For-Rent market. Approximately 15,000 apartment units have been completed since the beginning of 2017 and fortunately, approximately there are less than 7,000 units underway through 2024.

Outlook:

- Apartment market fundamentals continue to trend in the right direction. Supply has delivered moderately and as a result vacancies are nearly full and rent growth remains positive, continuing to expand. A manageable and appropriate amount of supply is underway that should be easily absorbed.
- Long-term, the job market has rebounded and is expected to at least stay on pace with the nation. Strong job and population growth in addition to high-paying white-collar jobs will help lure (younger) residents. However, the dramatic rebound of the Retail and Leisure/Hospitality sectors will be short-lived due to a shift in consumer behavior and technological advancements. Furthermore, the above-average costs of living coupled with the high amount of low-wage paying jobs will hold the metro back from reaching greater prospects.

Five Year Metro Area Growth Forecast

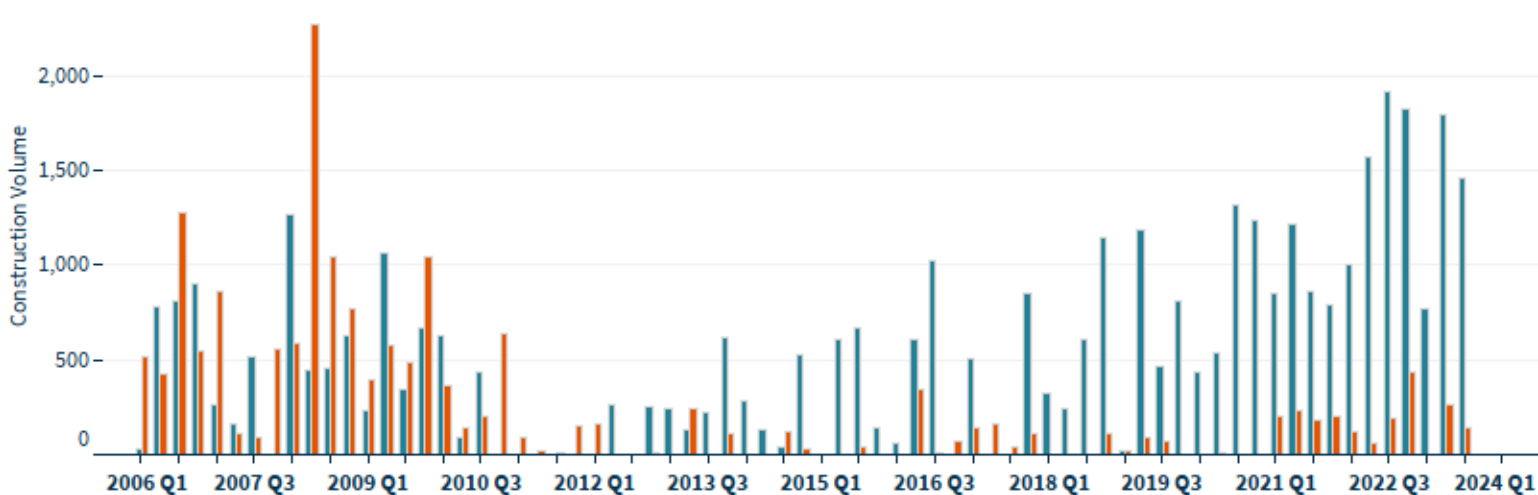
	Q4 2021	Q4 2026	Jacksonville (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	1,588	1,670	1.02%	0.47%
Households (000s)	623	681	1.80%	0.90%
Renting Cohort (Ages 20-34) (000s)	321	325	0.30%	-0.30%
Total Employment (000s)	745	820	1.95%	1.08%
Median Household Income	\$64,645	\$76,683	3.47%	3.30%
Median SF Home Price	\$338,619	\$314,258	-1.48%	1.93%
Net Migration	12,153	14,629		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



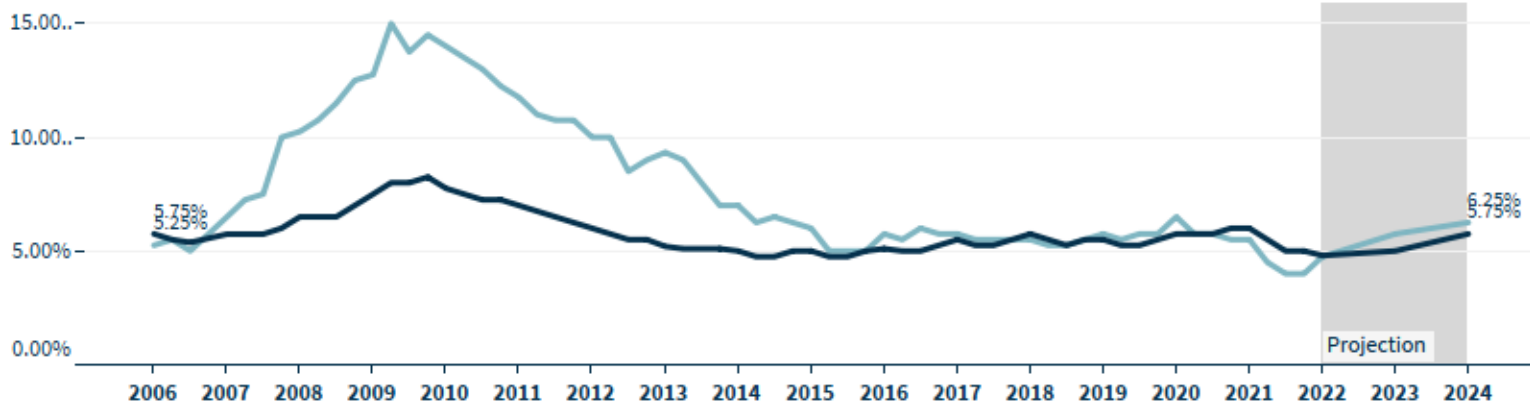
Vacancy & Rent Composite Estimates

Vacancy Rates

Jacksonville | National

Q1 2022 Vacancy Rate:

4.75%

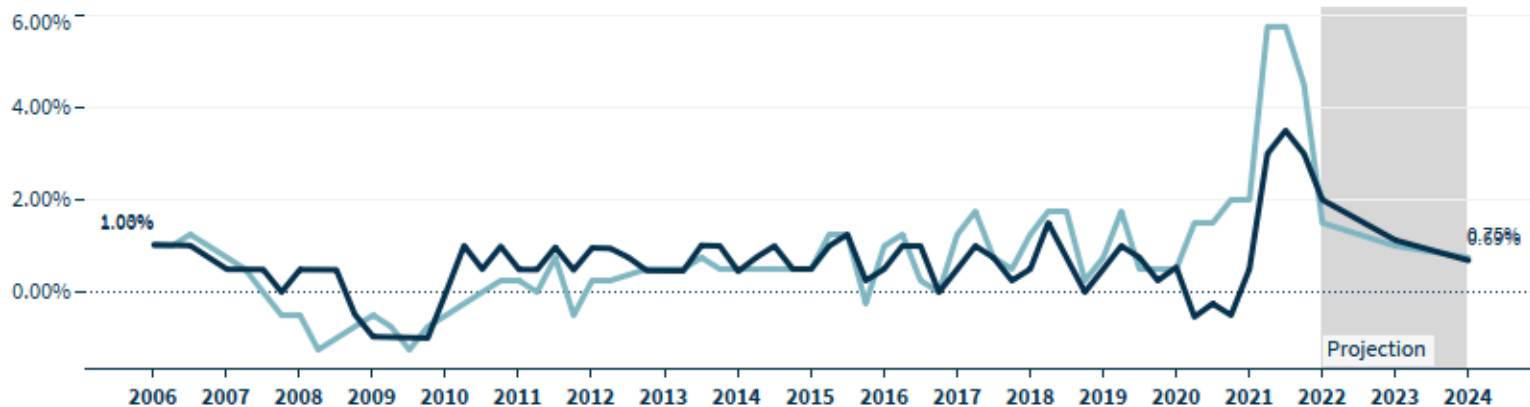


Asking Rent Growth

Jacksonville | National

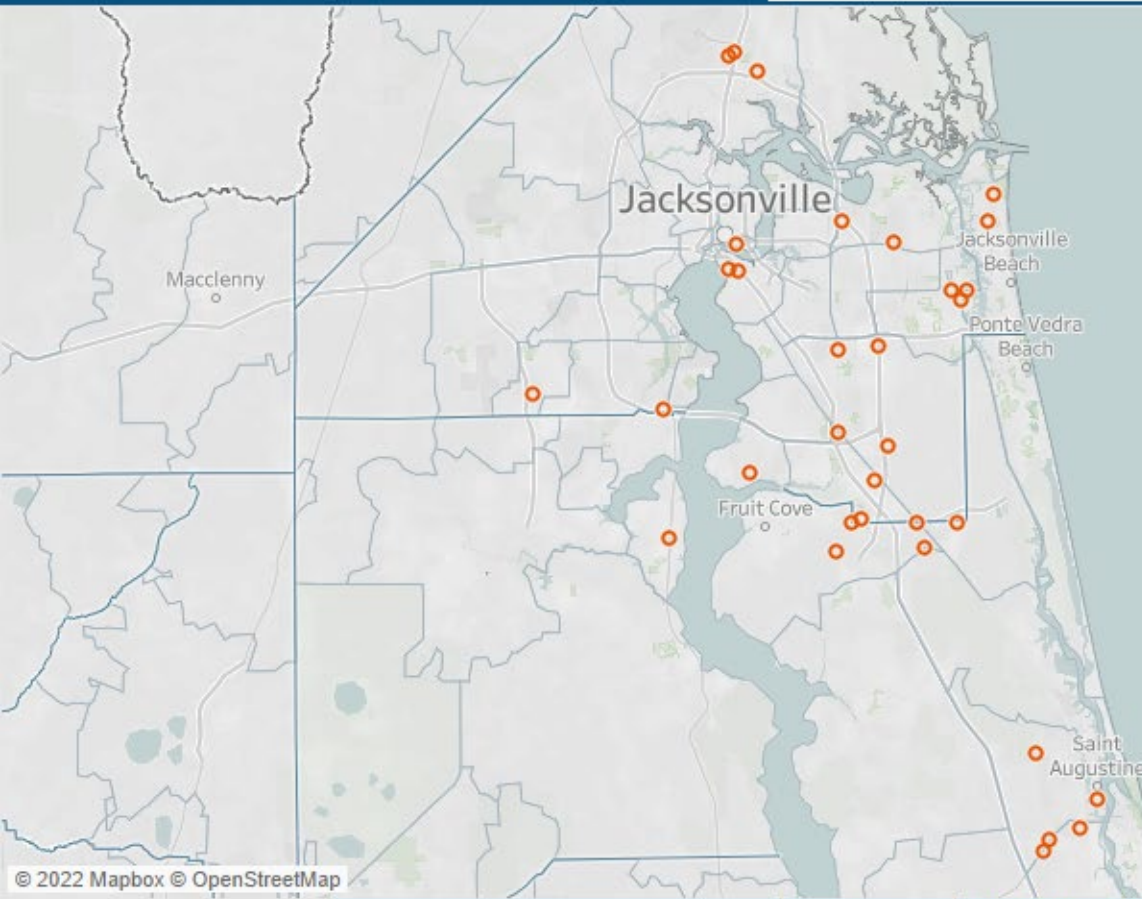
Q1 2022 Asking Rent:

\$1,430



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Arlington	2	600	0.61M
Baymeadows	4	1,803	1.56M
Central Jacksonville	1	247	0.18M
Jacksonville Beaches	4	971	1.17M
Mandarin	7	2,262	2.88M
Northside	3	726	0.84M
Orange Park/Clay County	1	180	0.20M
Southeast Jacksonville	2	359	0.40M
St. Augustine	5	549	0.63M
Upper Southside	2	668	0.84M
Westside	2	624	0.59M
Grand Total	33	8,989	9.90M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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