

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

Jacksonville Metro Area

2020

Tight Vacancy Prompts Cyclical High Delivery Pace; Wider Range of Investors Eyeing Assets in Jacksonville

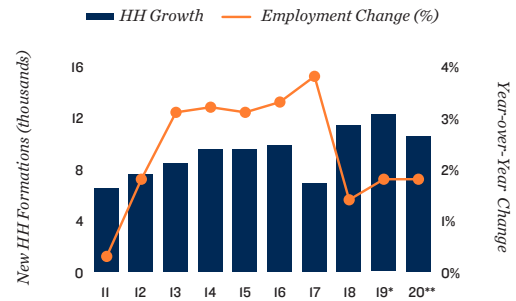
Sustained hiring buoys apartment demand. Jacksonville's growing economic foundation — supported by an expanding medical sector, financial hub, port, institutions of higher learning, and a large military presence — is fostering job creation. The available employment opportunities are contributing to population and household gains. During 2020, more than 20,700 additional residents will contribute to the roughly 10,500 new households being established, generating a need for housing. A number of these people will choose to rent as rising home prices, especially in preferred neighborhoods and with desired amenities, make apartments a more attractive option. Solid demand for rentals has maintained a vacancy rate in the mid-4 percent range over the past two years, down 680 basis points from its peak in 2009. The marked improvement has encouraged developers to move forward on a number of new projects throughout the metro. During 2020, deliveries will reach the highest point since 2000, rising above net absorption for the second time in 11 years to nudge vacancy up slightly. This increase should be temporary as the pipeline thins next year. New inventory and healthy demand, meanwhile, will contribute to another year of healthy rent growth.

Yield-seeking buyers finding apartment options in Jacksonville. Lower price points and the potential for higher returns than those available in other major Florida markets are luring additional capital to the metro. During the past 12 months, apartments have traded at an average price of less than \$100,000 per unit and cap rates in the low-6 percent band. These factors are drawing more buyers, including out-of-state investors that have dominated trading activity. Many are targeting listings in the city's trendy Southside. Class B buildings in the area change hands at an average of \$120,900 per door and initial yields in the 5 percent range. Those searching for entry costs below the metro average may find opportunities in Arlington and Central Jacksonville.

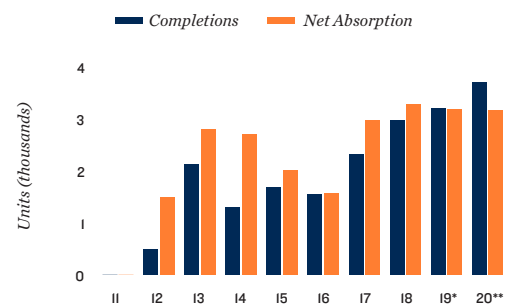
2020 Market Forecast

- Employment** ↑
 up 1.8%
 Employers are expected to expand payrolls by 13,000 workers in 2020, matching last year's 1.8 percent increase.
- Construction** ↑
 3,700 units
 Deliveries in 2020 will rise to the highest level since 2000, surpassing last year's 3,200 apartments by 500 units. The Upper Southside community will receive the largest portion of this year's completions.
- Vacancy** ↑
 up 30 bps
 The surge in new inventory will outpace renter demand, moving vacancy to 4.9 percent at the end of 2020. Last year, the rate dipped 10 basis points.
- Rent** ↑
 up 3.9%
 The average effective rent climbs to \$1,126 per month in 2020, building on last year's 4.1 percent gain. Rent will have jumped 28 percent since the end of 2015.
- Investment** ○
 Master planned mixed-use developments being considered in downtown Jacksonville including near TIAA Bank Field and the First Baptist Church site should draw increased investor attention to surrounding properties.

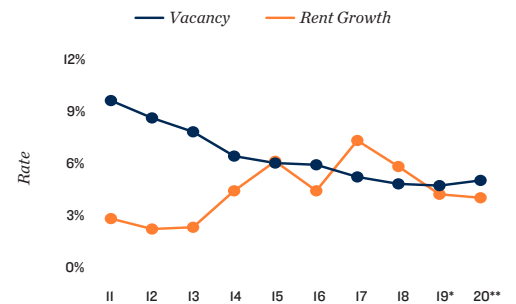
Economic Trends



Completions vs. Absorption*



Vacancy and Rents



* Estimate; ** Forecast;
 Sources: Moody's Analytics; RealPage, Inc.; U.S. Bureau of Labor Statistics; U.S. Census Bureau.

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of November 2019. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.