



JACKSONVILLE

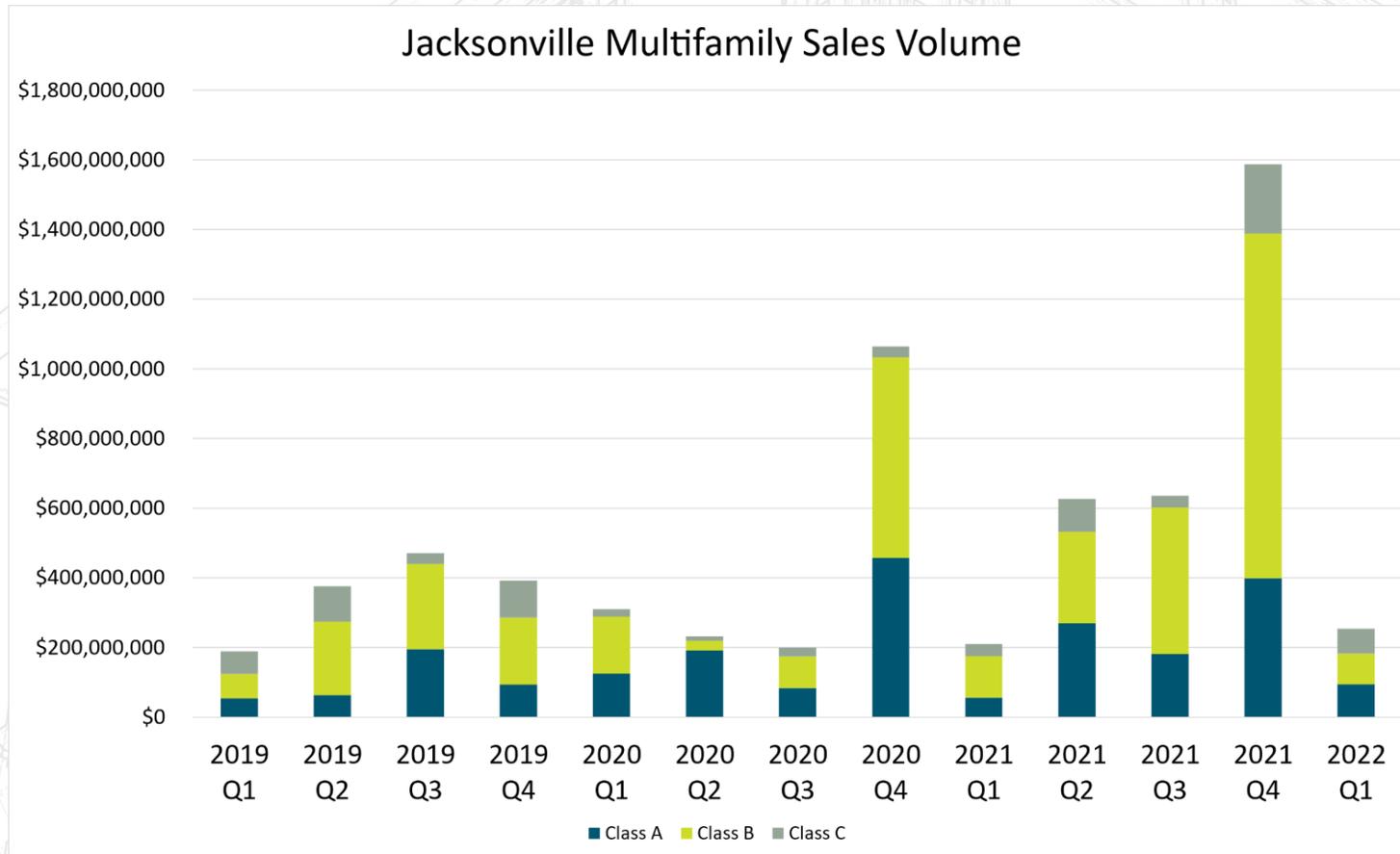
Q1-22 Multifamily Report

 FranklinStreet



Jacksonville

Multifamily Sales Volume



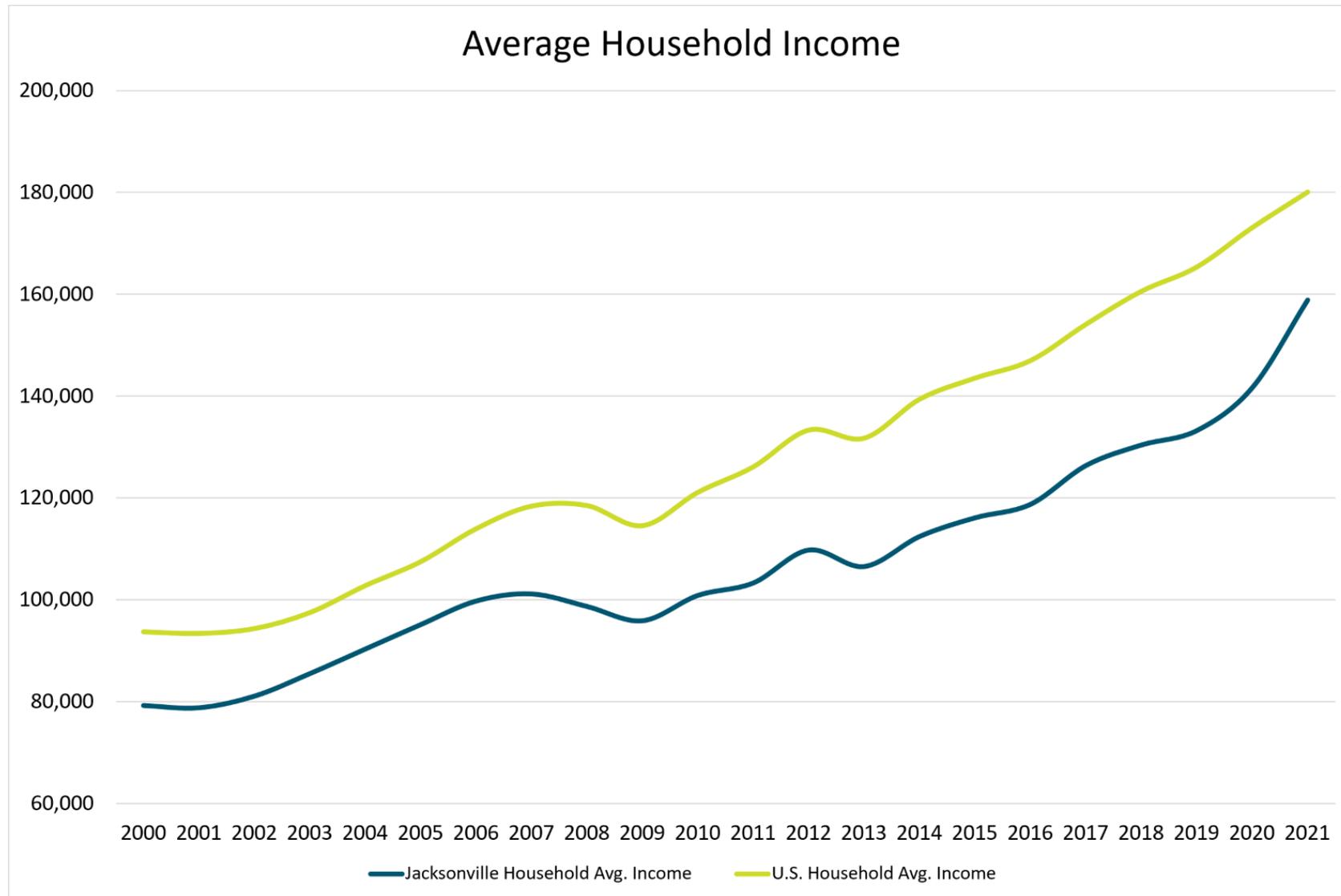
Much like the other major cities in the state, Northeast Florida has recently been benefiting from an influx of migration and capital. These trends have contributed to strong investment sales activity within Jacksonville's multifamily market. Although the first quarter of the year saw lower activity than previous quarters, this was expected as large firms traditionally begin the year by recalibrating their investment strategies. Many multifamily investors are also proceeding with more restraint than they were in 2021 as we await more details on potential interest rate increases. Still, the Q1-22 saw higher investment sales volume than the first quarter of 2021, with Class A properties totaling \$94 million, Class B totaling \$88 million and Class C following at \$70 million.

Capital Trends

Jacksonville multifamily investment trends are largely matching what we are seeing throughout the rest of the state. The macroeconomic landscape, along with positive migratory patterns, has made Florida a haven for investors seeking higher yields in a more tax-friendly environment.

Over the past 10 years, Freddie Mac and Fannie Mae styles of financing have been the most popular. Favorable interest rates over long-term structures have been the choice lending style for most multifamily investors. Today, several months into 2022, lending patterns have shifted. Market conditions are increasingly turbulent, and the Federal Reserve has already raised interest rates, with several more scheduled over the course of the year. Subsequently, investors must be much more creative and dynamic when they negotiate loans with their lenders. Entering 2022, Franklin Street's Capital Advisory Team has seen a surge in the appetite for bridge loans, which allow investors to satisfy short-term financing obligations to secure longer financing terms a few years later. This style of financing is slightly riskier than Freddie Mac and Fannie Mae products and structured over a much shorter period. Investors are overlooking compressed cap rates and placing bets on the fact that if macro-economic conditions and migratory patterns persist, property values and rent rates will continue to climb.

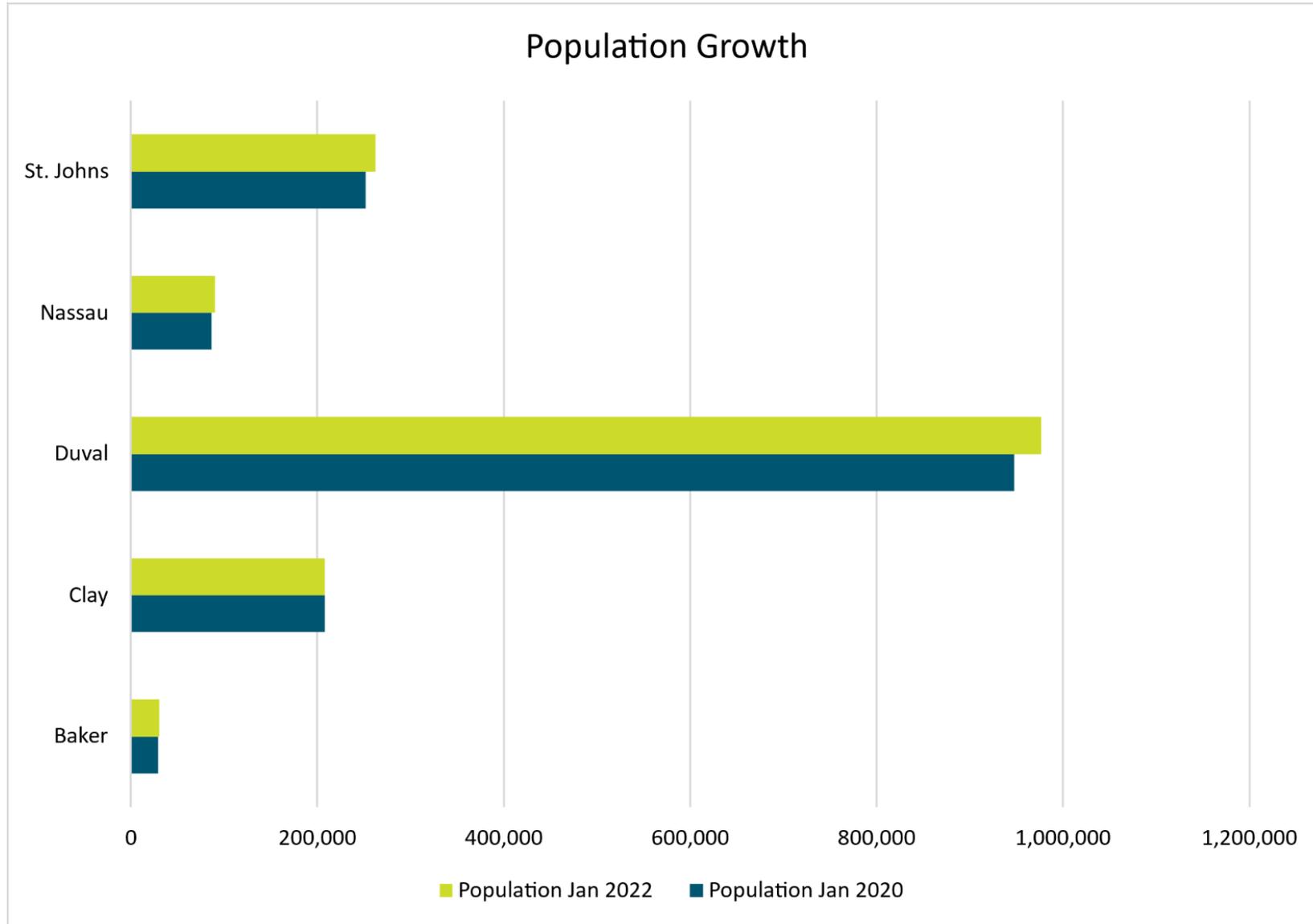
Average Household Income



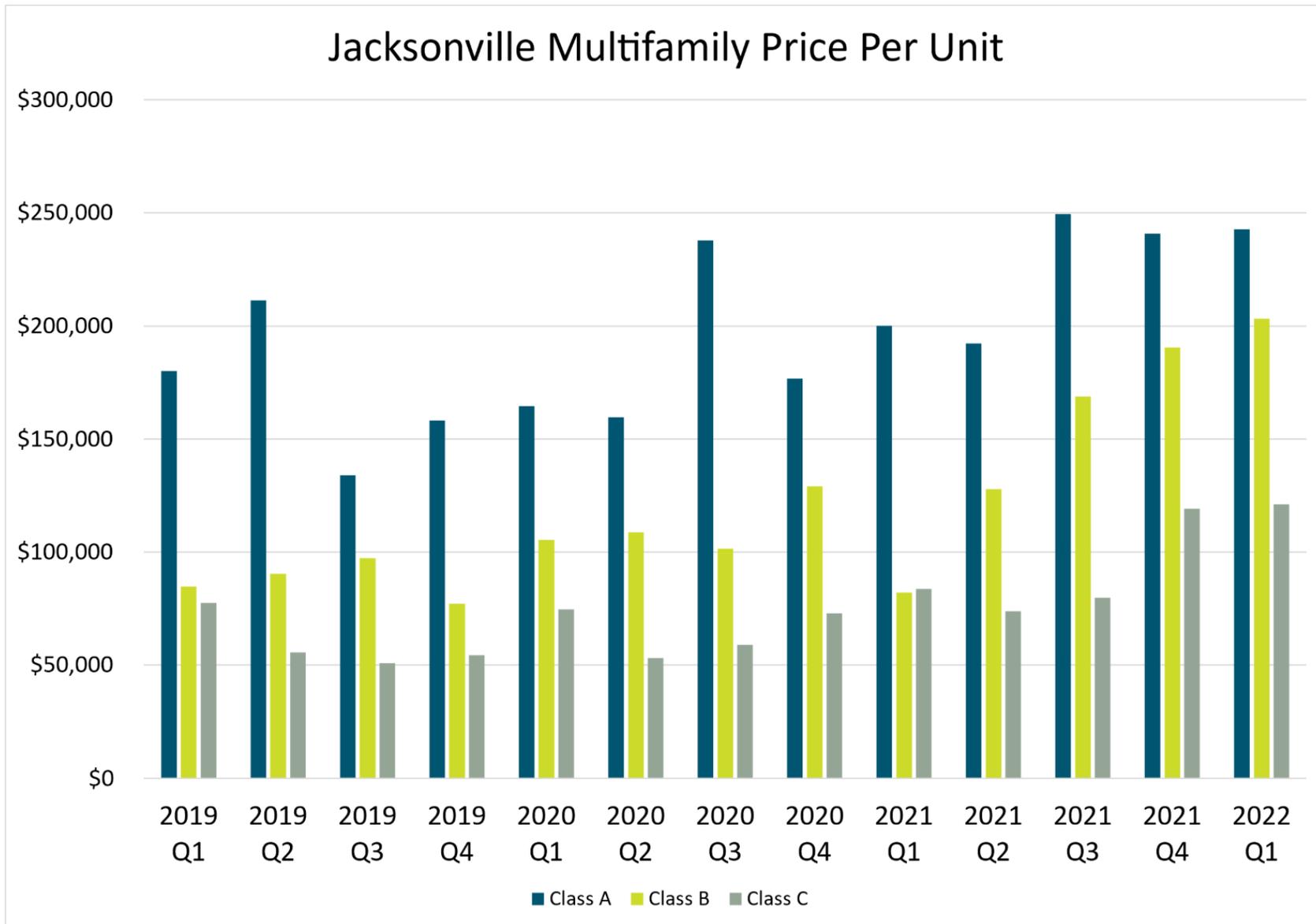
Average household income in Jacksonville saw notable growth in 2021. This data has not yet been released for 2021, but we believe both Jacksonville and the greater U.S. market will continue to experience growth. Although Jacksonville's household income still trails the national average, the market's lower cost of living and favorable income tax conditions are becoming increasingly attractive for people looking to move to the largest city in Florida.

Population Growth

All major counties in the Jacksonville area have seen a net increase in population over a 24-month period. St. Johns County saw a 4.32% increase, Nassau County saw a 4.46% increase, Duval County saw a 3.06% increase, Clay County saw a 0.09% increase, and Baker County saw a 4.34% increase.



Multifamily Price Per Unit

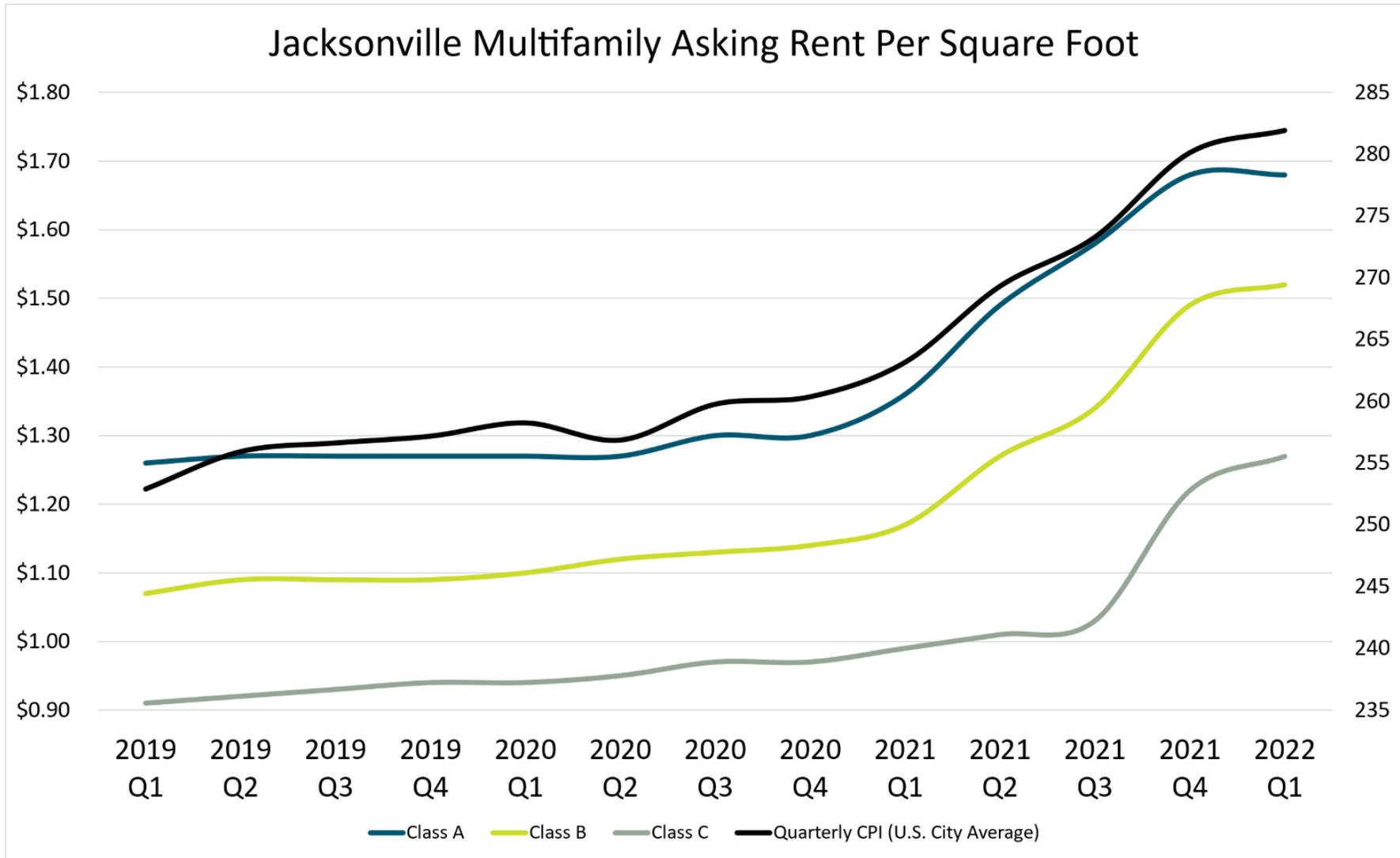


Sale price per unit grew substantially in 2021 and maintained its momentum into Q1. Class A units sold for an average of \$242,690, Class B units averaged \$203,266 per unit, and Class C units averaged \$121,044 per unit.

MSA Rent Growth

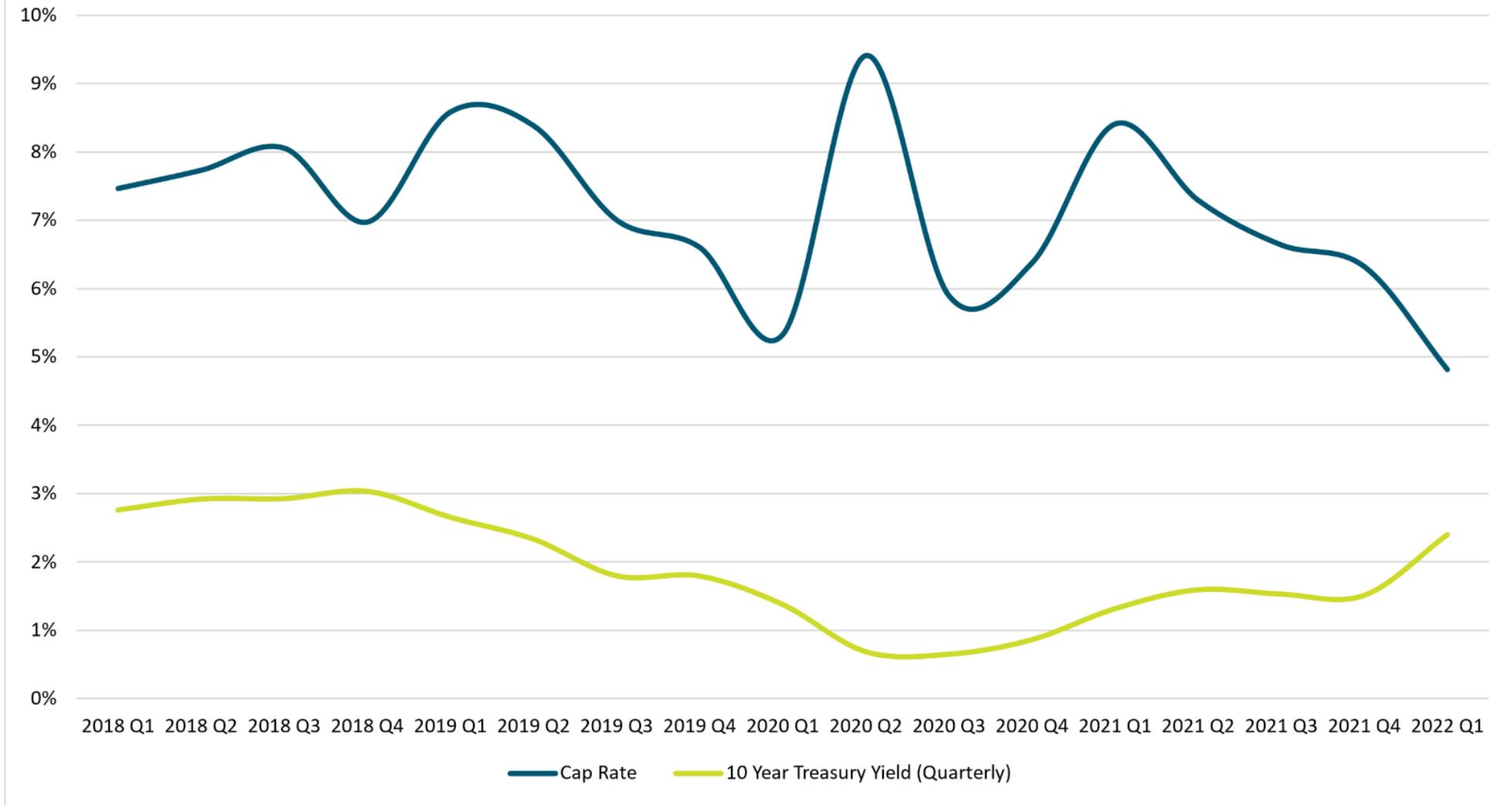
Florida YoY Multi-Family Rent Growth																
Period	Tampa				Orlando				South Florida			Jacksonville				
	Hillsborough	Pinellas	Pasco	Hernando	Seminole	Lake	Orange	Osceola	Palm Beach County	Broward County	Miami/Dade County	Baker	Clay	Duval	Nassau	St. Johns
2022 Q1	21.131%	20.845%	28.243%	12.359%	21.704%	17.278%	21.883%	20.733%	23.248%	20.097%	15.906%	2.152%	13.149%	16.383%	10.905%	20.553%
2021 Q4	22.466%	22.885%	23.569%	24.501%	20.634%	20.100%	11.335%	20.076%	27.500%	19.397%	14.812%	2.140%	14.290%	18.717%	15.801%	18.147%
2021 Q3	22.260%	20.741%	16.590%	15.786%	18.602%	12.217%	18.727%	15.476%	22.975%	16.654%	11.602%	1.735%	19.072%	17.663%	17.596%	16.520%
2021 Q2	16.824%	18.122%	14.268%	12.524%	12.857%	8.773%	12.142%	10.606%	15.917%	11.864%	8.146%	1.477%	14.643%	13.582%	18.075%	9.675%
2021 Q1	7.851%	8.100%	6.767%	7.274%	4.649%	2.253%	2.520%	1.525%	6.408%	4.160%	3.235%	1.404%	8.523%	6.562%	11.847%	4.371%
2020 Q4	3.976%	4.324%	5.885%	6.335%	1.110%	1.296%	-1.507%	-1.455%	2.373%	1.900%	0.571%	1.503%	7.511%	3.180%	6.478%	2.201%
2020 Q3	2.979%	2.533%	4.280%	4.206%	0.770%	1.664%	-1.933%	-1.232%	1.489%	0.895%	-0.074%	1.684%	5.982%	3.030%	4.995%	1.203%
2020 Q2	1.821%	1.770%	2.579%	3.494%	0.201%	1.841%	-1.702%	-1.044%	0.854%	0.510%	0.377%	1.810%	3.472%	1.442%	2.012%	2.979%
2020 Q1	1.964%	2.495%	2.759%	3.701%	-0.140%	2.811%	0.266%	1.268%	2.366%	1.648%	1.575%	1.793%	2.789%	1.643%	1.616%	2.615%
2019 Q4	2.793%	3.475%	2.140%	3.513%	1.548%	3.114%	2.372%	2.554%	3.819%	2.478%	2.323%	1.837%	2.300%	2.555%	6.276%	3.107%
2019 Q3	3.216%	3.343%	2.645%	3.930%	1.905%	3.108%	2.477%	3.326%	3.470%	1.859%	2.310%	1.659%	1.745%	2.503%	4.093%	5.069%
2019 Q2	2.841%	3.489%	2.559%	5.336%	2.572%	2.712%	3.542%	3.317%	2.827%	2.503%	2.503%	2.109%	4.284%	3.473%	1.757%	3.102%
2019 Q1	3.547%	3.405%	2.826%	4.703%	3.025%	3.025%	3.540%	3.534%	3.443%	2.375%	2.335%	2.364%	5.263%	3.868%	3.717%	2.361%
2018 Q4	3.949%	3.322%	3.675%	4.769%	3.655%	3.255%	3.502%	3.890%	2.847%	2.185%	2.847%	2.519%	4.873%	4.058%	1.082%	2.010%
2018 Q3	4.019%	3.815%	3.353%	4.935%	4.562%	3.396%	5.117%	4.531%	3.073%	3.620%	2.765%	2.567%	7.925%	4.427%	4.810%	2.150%
2018 Q2	5.084%	3.859%	4.254%	4.803%	4.879%	3.426%	5.716%	5.309%	3.390%	3.179%	2.923%	2.293%	6.690%	4.365%	5.817%	2.358%
2018 Q1	3.946%	4.026%	3.684%	4.660%	5.543%	2.814%	5.636%	5.290%	2.884%	3.448%	2.648%	2.142%	6.155%	4.029%	4.048%	4.506%
2017 Q4	3.695%	3.893%	3.203%	4.300%	5.883%	3.056%	5.573%	5.687%	2.708%	3.124%	2.407%	2.064%	7.074%	3.864%	2.791%	2.706%
2017 Q3	3.249%	3.656%	3.656%	3.659%	4.322%	3.224%	4.414%	5.006%	2.509%	1.941%	2.146%	1.925%	4.158%	3.920%	2.279%	3.346%
2017 Q2	3.549%	3.891%	3.566%	3.524%	5.982%	3.554%	4.512%	4.662%	2.060%	2.219%	2.060%	1.845%	3.056%	3.391%	2.236%	3.968%
2017 Q1	3.963%	3.661%	4.031%	3.598%	4.706%	4.481%	4.342%	4.221%	2.144%	1.895%	2.334%	2.083%	3.822%	2.992%	2.613%	3.019%
2016 Q4	3.901%	4.258%	3.842%	3.425%	4.060%	4.401%	3.744%	3.605%	2.691%	1.849%	2.638%	2.043%	3.357%	3.358%	2.842%	5.850%
2016 Q3	4.226%	4.656%	3.746%	3.531%	4.824%	5.396%	3.889%	3.749%	2.942%	2.942%	2.646%	2.160%	3.906%	3.017%	2.558%	4.910%
2016 Q2	4.726%	5.201%	3.597%	3.428%	5.143%	5.505%	4.428%	3.587%	4.508%	3.137%	2.671%	2.247%	4.805%	3.633%	3.469%	3.983%
2016 Q1	5.264%	5.465%	3.941%	3.542%	5.993%	4.359%	5.090%	3.669%	5.116%	4.606%	2.900%	1.841%	3.705%	4.424%	3.203%	3.014%
2015 Q4	5.747%	5.511%	4.394%	5.028%	6.304%	4.358%	5.432%	3.994%	5.523%	5.573%	3.124%	-0.455%	4.862%	4.362%	3.479%	2.691%
2015 Q3	6.343%	5.687%	3.935%	4.916%	7.603%	3.609%	6.032%	4.264%	5.730%	5.481%	3.419%	-2.620%	4.808%	3.362%	2.296%	2.296%
2015 Q2	5.675%	4.930%	3.926%	4.932%	6.572%	3.438%	5.361%	4.170%	4.749%	5.172%	3.209%	-3.556%	3.059%	4.721%	1.935%	2.666%
2015 Q1	4.137%	4.299%	3.169%	4.684%	5.382%	3.409%	3.960%	3.665%	4.606%	4.614%	2.803%	-1.568%	2.713%	3.576%	1.904%	2.857%
2014 Q4	2.939%	3.207%	2.330%	2.792%	3.684%	2.701%	3.061%	2.700%	3.993%	3.648%	2.345%	2.468%	1.600%	2.766%	1.091%	2.075%
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2014 Q2	2.214%	2.591%	2.027%	1.718%	2.522%	1.829%	2.358%	1.794%	3.135%	2.934%	2.120%	5.914%	2.906%	2.138%	1.931%	1.173%
2014 Q1	2.249%	2.246%	1.970%	1.539%	3.152%	2.043%	2.525%	1.832%	2.641%	2.789%	2.635%	4.007%	2.199%	2.478%	3.265%	1.090%
2013 Q4	2.525%	2.312%	1.848%	1.176%	3.630%	1.966%	2.729%	2.782%	2.647%	2.699%	2.985%	0.129%	1.567%	2.451%	3.557%	2.018%
2013 Q3	2.688%	2.477%	1.615%	1.488%	3.803%	2.222%	2.824%	2.672%	2.935%	2.669%	3.128%	-4.876%	3.277%	2.840%	2.741%	2.293%
2013 Q2	2.490%	2.520%	1.547%	1.986%	3.648%	2.156%	2.645%	2.630%	2.897%	2.607%	3.003%	-5.085%	4.183%	2.885%	2.663%	2.895%
2013 Q1	2.520%	2.751%	1.270%	1.409%	2.821%	1.785%	2.229%	2.461%	3.004%	2.494%	2.881%	-5.391%	4.066%	2.726%	1.108%	3.432%
2012 Q4	2.605%	2.589%	1.379%	1.955%	2.831%	1.696%	2.190%	1.869%	3.123%	2.834%	2.729%	-3.718%	3.525%	2.237%	0.647%	2.727%
2012 Q3	2.139%	2.069%	1.538%	1.870%	2.926%	1.454%	2.141%	1.962%	2.728%	2.592%	2.414%	0.858%	2.444%	1.902%	1.244%	2.522%
2012 Q2	2.018%	1.633%	1.466%	1.499%	2.875%	1.536%	1.922%	1.935%	1.981%	2.443%	2.208%	0.609%	1.477%	1.578%	1.175%	1.783%
2012 Q1	1.922%	1.304%	1.381%	1.284%	2.775%	1.461%	2.047%	1.889%	1.833%	2.160%	1.500%	0.618%	1.727%	1.228%	1.172%	1.240%
2011 Q4	1.543%	0.892%	0.772%	0.727%	2.048%	1.250%	1.635%	0.993%	1.611%	1.658%	1.082%	0.330%	0.521%	1.237%	0.940%	1.303%
2011 Q3	1.212%	0.024%	-0.417%	-0.207%	0.575%	0.300%	0.755%	-0.203%	1.691%	1.087%	0.889%	-0.106%	-1.293%	0.628%	0.362%	0.762%
2011 Q2	1.105%	-0.501%	-0.111%	-0.228%	0.570%	-1.478%	1.021%	0.002%	2.228%	1.090%	1.199%	0.228%	-0.616%	1.035%	0.567%	1.073%
2011 Q1	1.322%	-1.066%	-0.456%	-0.655%	1.022%	-2.132%	1.124%	-0.114%	2.338%	1.861%	1.670%	0.343%	0.533%	0.838%	0.525%	-0.710%

MSA Rent



Rental demand and increasing costs have led to significant increases in Jacksonville's multifamily rental rates over the last year, however rents remain below the national average. Per square foot rents in Q1-22 average \$1.68 for Class A, \$1.68 for and \$1.27 for Class C.

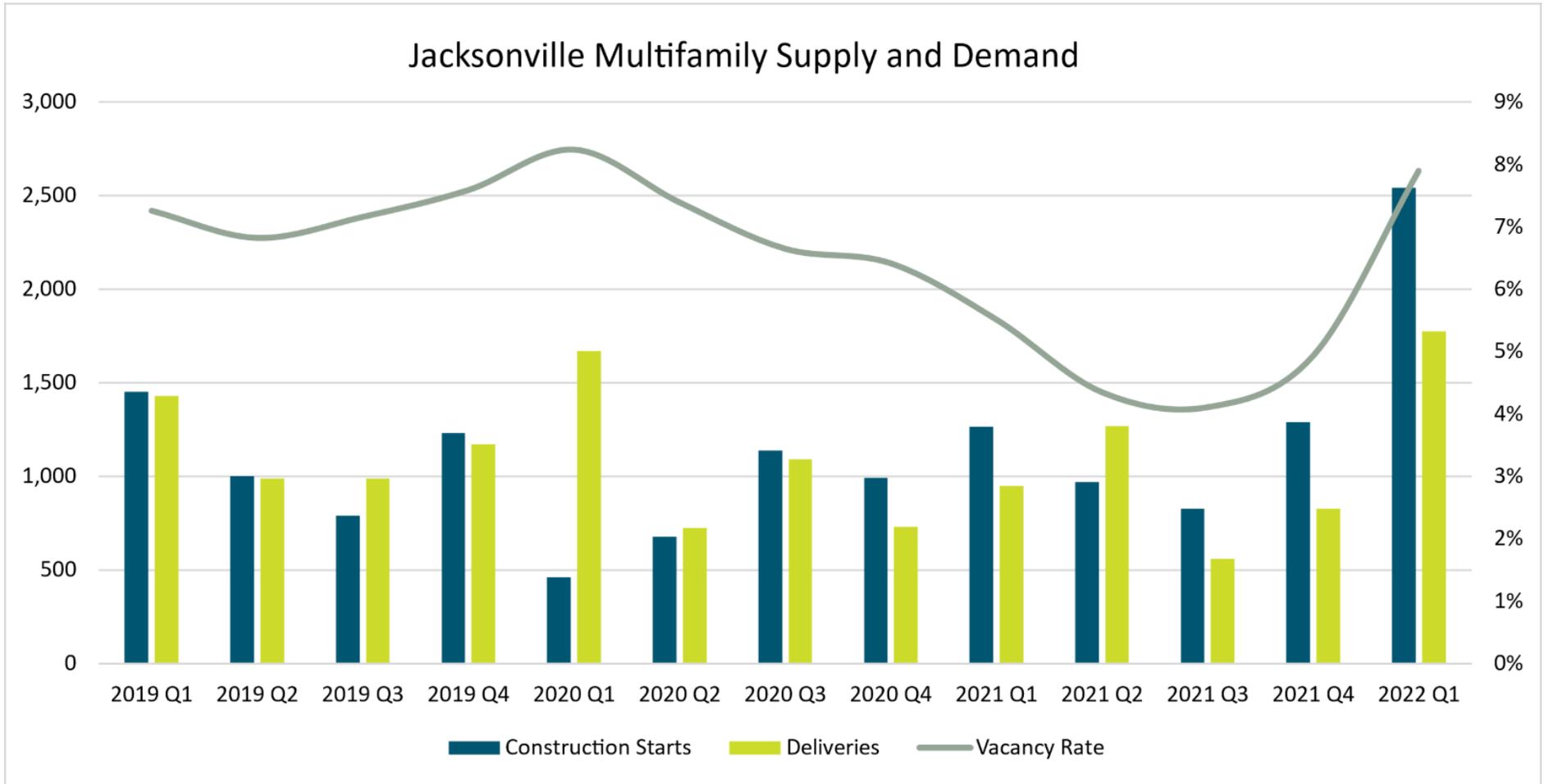
Jacksonville Multifamily Cap Rates



Multifamily cap rates have compressed over the past year and dipped even further in Q1-22 to 4.8%. Although still higher than the other major Florida metros, investment patterns in the area will likely lead to further cap rate compression going forward.

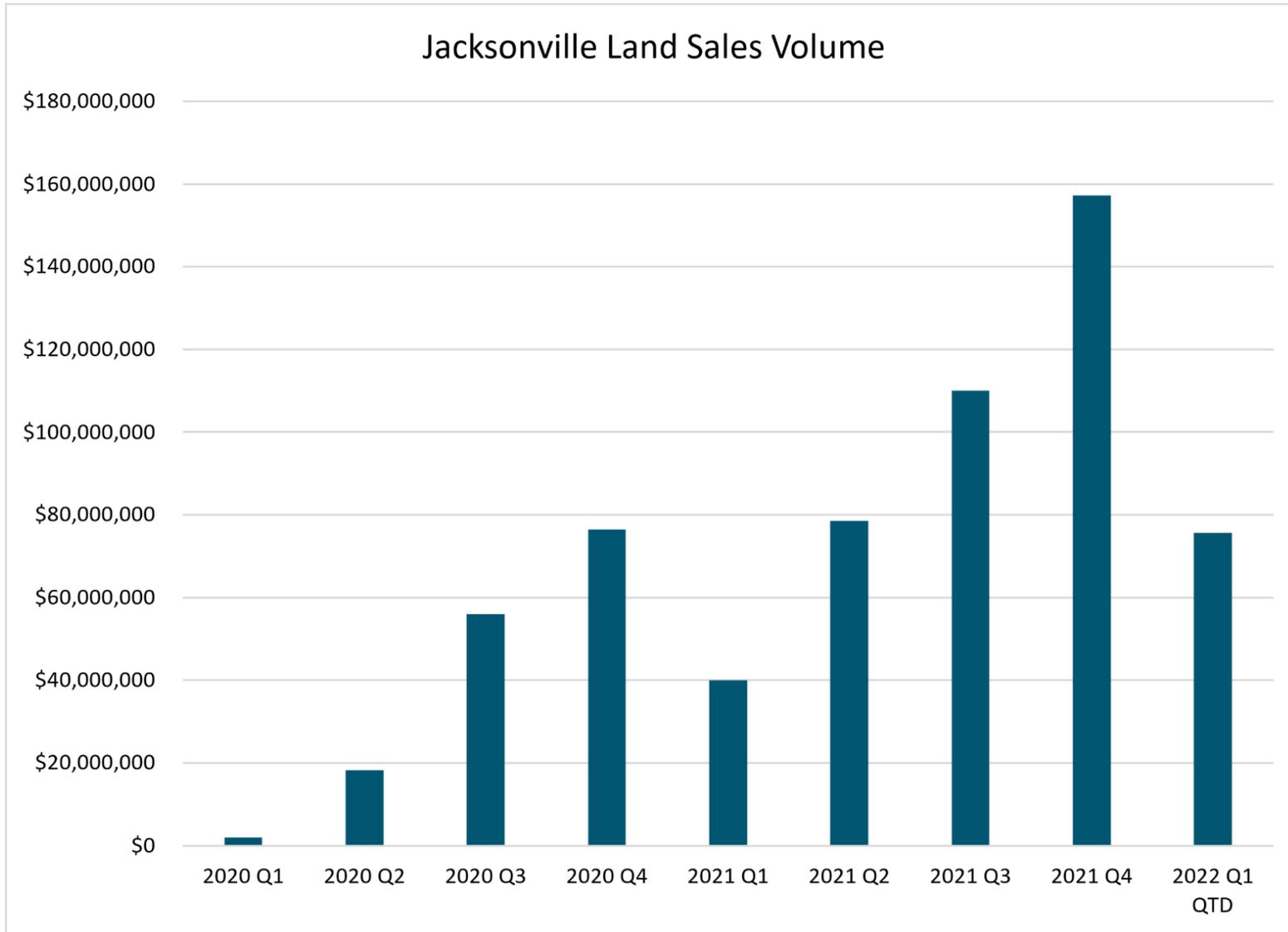
MSA Supply & Demand

Jacksonville, FL Debt Origination	Last Quarter Origination		Current Balance		TTM WA Spread to TSY		Debt Service Coverage Ratio		
	MSA	Fannie Mae	Freddie Mac	Fannie Mae	Freddie Mac	Fannie Mae	Freddie Mac	Fannie Mae	Freddie Mac
Jacksonville, FL	\$192,015,000.00	\$205,982,000.00	\$191,913,044.27	\$205,982,000.00	181	173	1.86		



Jacksonville's vacancy rate has been ticking upward since Q3-21. 2022 saw vacancies rise to 7.8% during the first quarter, however it also saw more apartment deliveries than any quarter of the last few years. Continued population and employment growth should lead to healthier occupancies in the near future.

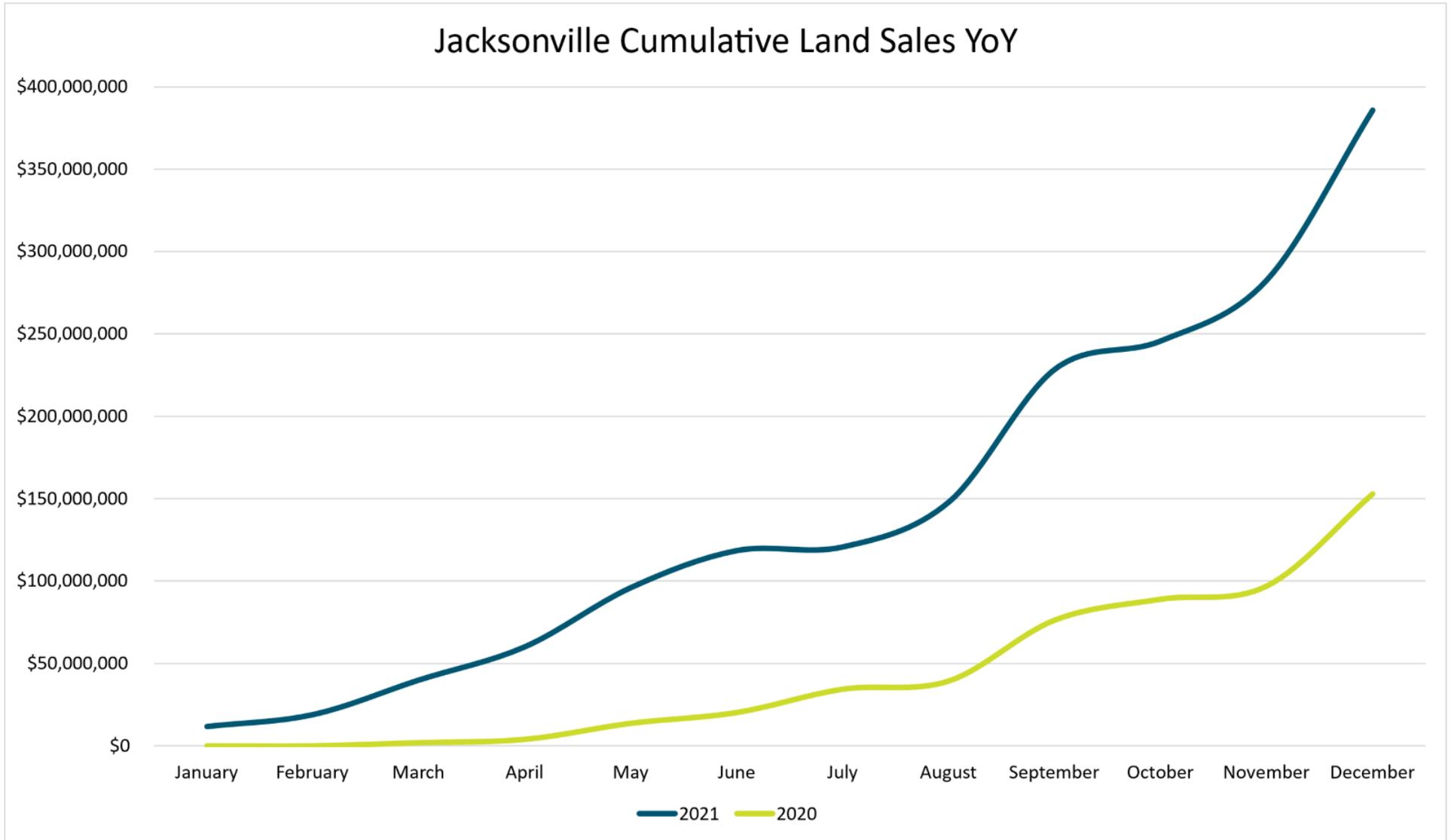
MSA Land Sales Volume



Land sales in Jacksonville started off strong. Despite the anticipated interest rate hike from the Fed, investors did not hesitate to pour money into the market for development sites. Q1-22 saw over \$75.6 million in total land sales volume.

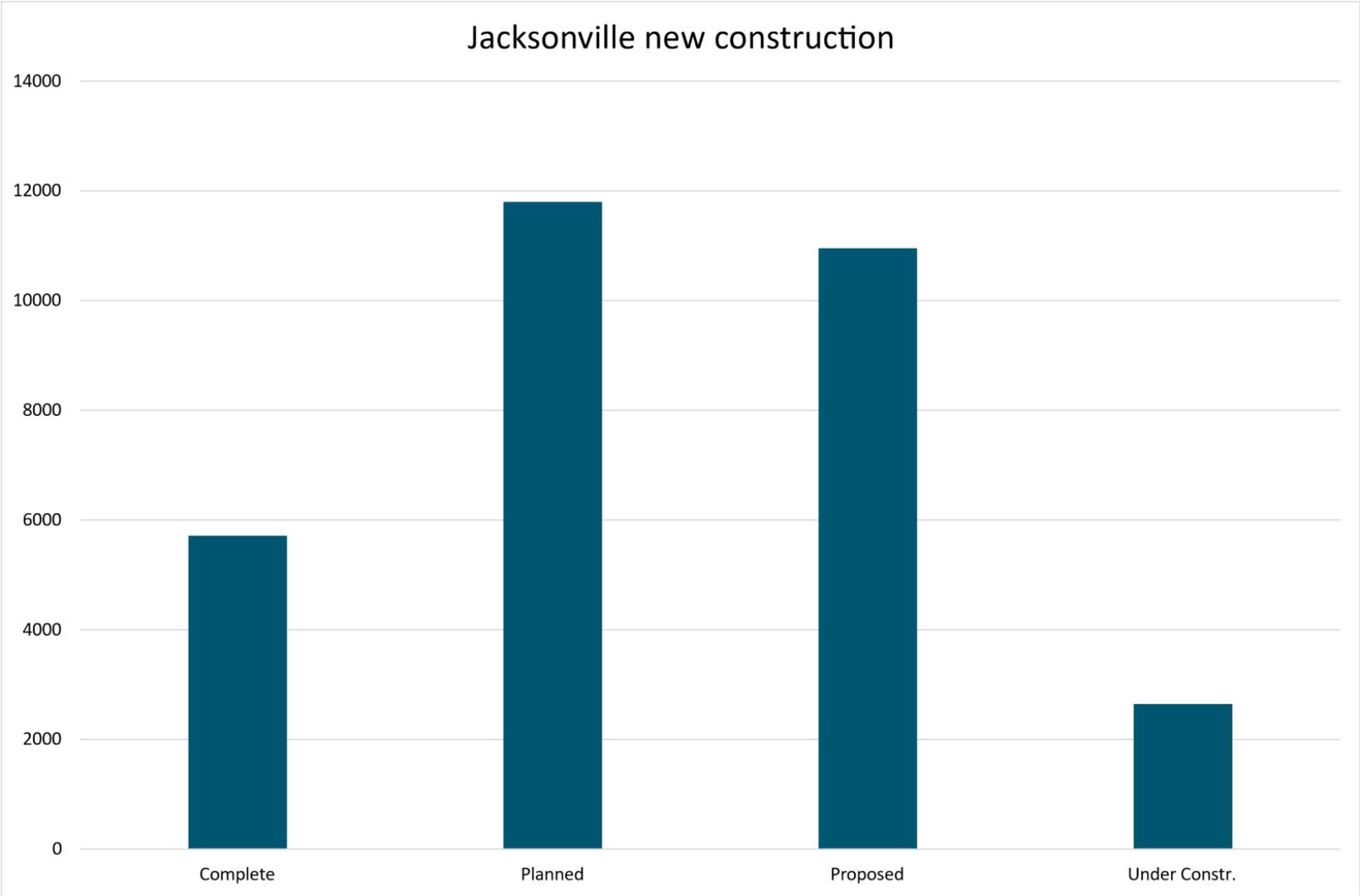
Cumulative Land Sales

Cumulative land sale figures for the year have not yet been published, but we believe the Jacksonville market will see similar growth in 2022.



MSA New Construction

Between January of 2020 and March of 2022, the Jacksonville market completed construction of 5,713 units, with 10,954 units proposed, 11,797 units planned and 2,649 under construction.



Jacksonville Multifamily Market Outlook

Jacksonville is the largest metro area in Florida by land volume and home to over 1.3 million people. Although sale prices and rental rates are on the rise, we still believe that multifamily projects will be met with high absorption rates. Interest rate hikes throughout the year will likely continue to moderate single-family home starts, helping maintain an elevated demand for apartments. We also expect cash flow projections for multifamily projects to increase over the next 24 months. Investors looking for high-yield, high-cash-flow investments will continue to find such opportunities in Jacksonville.

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