

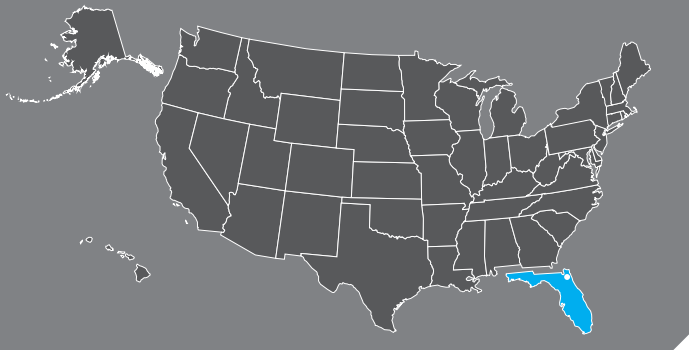
HUD PD&R Housing Market Profiles

Jacksonville, Florida



Quick Facts About Jacksonville

- Current sales market conditions: slightly soft.
- Current rental market conditions: balanced.
- Consisting of three public marine terminals and a cruise terminal, the Port of Jacksonville is the leading container port complex in the state of Florida. Commonly referred to as JAXPORT, the facility supported an estimated 24,350 jobs in the Jacksonville area and contributed a total economic impact of \$27 billion to the state in 2013 (*The Economic Impact of the Port of Jacksonville, August 2014*). Approximately 915,300 containers passed through the port during fiscal year (FY) 2015, up 11 percent from 826,500 in FY 2010 (Jacksonville Port Authority).



By Casey M. Blount | As of December 1, 2016

Overview

The Jacksonville metropolitan area in northeast Florida includes Baker, Clay, Duval, Nassau, and St. Johns Counties. In addition to being an important shipping hub, the metropolitan area is home to Naval Air Station Jacksonville, Naval Station Mayport, and the headquarters of corporations such as CSX Corporation Inc., Fidelity National Financial, and Fidelity National Information Services Inc. The city of Jacksonville, which encompasses 875 square miles in Duval County, is the largest incorporated city in the continental United States by area and the most populous city in the state of Florida, with an estimated 868,031 residents (Census Bureau population estimates as of July 1, 2015).

- As of December 1, 2016, the estimated population of the Jacksonville metropolitan area is 1.48 million, an average annual increase of 20,750, or 1.5 percent, from 1.35 million in April 2010. Improving economic conditions contributed to average net in-migration of 14,750 people annually, or 71 percent of total population growth during the period.
- From 2008 to 2010, job losses contributed to slower net in-migration, which limited population growth to an average of only 14,100 people, or 1.1 percent. During the period, net in-migration averaged only 5,550 people a year, or 39 percent of total population growth.
- Population growth averaged 33,850 people, or 2.8 percent, a year from 2003 to 2007, as strong job growth resulted in average net in-migration of 19,650 people a year.



In the Jacksonville area, 10 of 11 sectors added jobs year over year, with 4 sectors expanding more than 4.5 percent.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	656.3	683.2	26.9	4.1
Goods-producing sectors	65.8	70.6	4.8	7.3
Mining, logging, and construction	36.0	39.7	3.7	10.3
Manufacturing	29.7	30.8	1.1	3.7
Service-providing sectors	590.5	612.6	22.1	3.7
Wholesale and retail trade	102.1	104.5	2.4	2.4
Transportation and utilities	35.1	35.6	0.5	1.4
Information	9.2	8.9	-0.3	-3.3
Financial activities	62.4	66.1	3.7	5.9
Professional and business services	101.8	106.8	5.0	4.9
Education and health services	99.3	103.3	4.0	4.0
Leisure and hospitality	81.0	87.0	6.0	7.4
Other services	23.0	23.6	0.6	2.6
Government	76.7	76.9	0.2	0.3
	(percent)	(percent)		
Unemployment rate	4.9	4.7		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

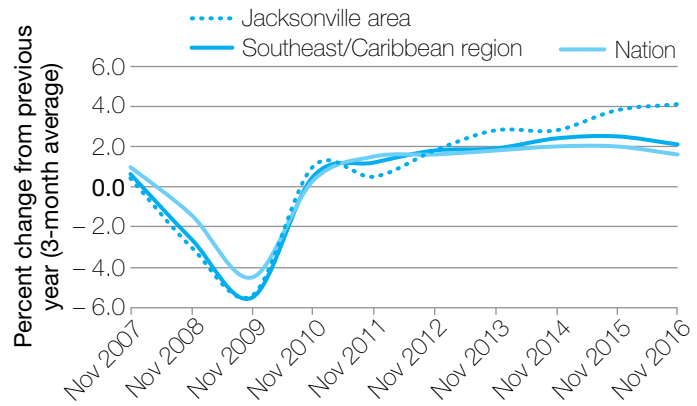
Economic Conditions

Economic conditions in the Jacksonville metropolitan area are strong after 3 years of job losses during the late 2000s. From 2008 through 2010, nonfarm payrolls in the metropolitan area declined an average of 17,000 jobs, or 2.8 percent, annually. Nonfarm payrolls expanded an average of 13,600 jobs, or 2.2 percent, annually during the subsequent 5 years, and, in 2015, surpassed the pre-recession high of 631,000 jobs, which occurred in 2007.

During the 3 months ending November 2016—

- Nonfarm payrolls averaged 683,200 jobs, an increase of 26,900 jobs, or 4.1 percent, compared with the number of jobs during the same 3-month period in 2015, resulting from growth in 10 of 11 sectors. The rate of job growth in the metropolitan area was more than double the rate of 1.6 percent for the nation.
- The leisure and hospitality sector added the most jobs, an increase of 6,000, or 7.4 percent. Job growth in the sector was partly because of the 4.72 million overnight visitors to the metropolitan area during the first three quarters of 2016, a 4-percent increase from 4.54 million during the same period in 2015 (Visit Jacksonville).
- The fastest job growth (in percentage terms) occurred in the mining, logging, and construction sector, which added 3,700 jobs, or

Job growth in the Jacksonville area has exceeded the national rate since late 2012.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Jacksonville area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
U.S. Navy	Government	37,050
Baptist Health	Education and health services	8,275
Bank of America Merrill Lynch	Financial activities	8,000

Notes: Excludes local school districts. Data include military personnel, who generally are not included in nonfarm payroll survey data.
Source: JaxUSA

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10.3 percent, in part because of a significant increase in residential (single-family and multifamily) permitting activity, which rose 33 percent from the 3 months ending November 2015.

- The unemployment rate declined to 4.7 percent, down from 4.9 percent during the same period in 2015 and far less than the high of 10.6 percent during the 3 months ending November 2010.

The Jacksonville metropolitan area benefits substantially from the presence of several military installations including Naval Air Station Jacksonville, Naval Station Mayport, and Marine Corps Support Facility Blount Island. The U.S. Navy directly employs a combined 37,050 military personnel and civilians in the metropolitan area, and employment at private aviation and aerospace companies such as

Northrop Grumman Corporation and Flightstar Aircraft Services, LLC, which account for 1,150 and 1,100 jobs, respectively, is highly linked to military spending. The metropolitan area is also a popular destination for military retirees, and approximately \$1.5 billion in pension and transfer payments were made to residents of the seven-county northeast Florida region (which includes Flagler and Putnam Counties in addition to the metropolitan area) in 2014. During the same period, the total economic impact of the military was estimated at \$13.1 billion, or 16 percent of the gross product of the region, including more than 123,000 jobs (*Florida Defense Factbook*, 2015). An estimated \$11.4 billion, or 87 percent of the total impact, occurred in Duval County.

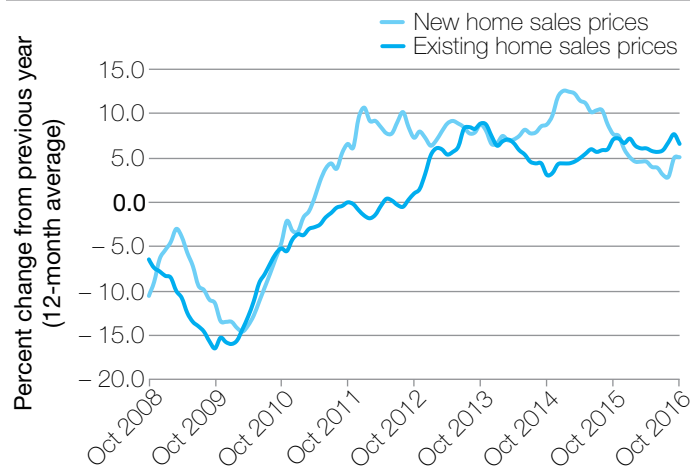
Sales Market Conditions

The sales housing market in the Jacksonville metropolitan area currently is slightly soft. Although market conditions have improved significantly since the early 2010s, some excess inventory is still present, and existing sales prices are less than the highs of the mid-2000s. The sales vacancy rate currently is estimated at 1.5 percent, down from 3.4 percent in 2010. During the 12 months ending October 2016, new home sales increased 11 percent, continuing a trend that began in mid-2012. The number of existing home sales declined 3 percent, primarily because of a significant decline in real estate owned (REO) sales, which had an average sales price 49 percent less than that of regular resales during the

period. The number of regular resales increased 6 percent and the average sales price for existing homes increased 7 percent. The percentage of home loans in the Jacksonville metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status declined from 5.7 percent in October 2015 to 4.0 percent in October 2016 (CoreLogic, Inc., with adjustments by the analyst). The current rate is significantly less than the peak of 14.3 percent during December 2011 but higher than the current rates of 3.8 percent for Florida and 2.6 percent for the nation.

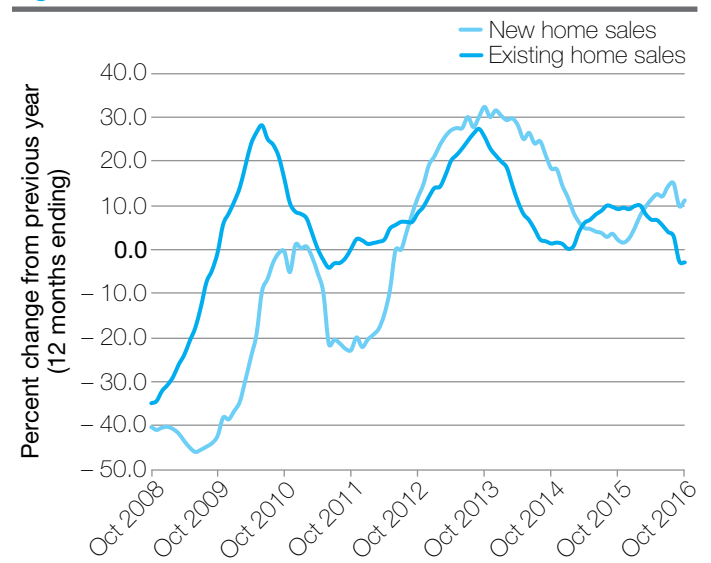
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Improving economic conditions and a declining number of REO properties have contributed to increased home sales prices in the Jacksonville area since 2012.



REO = real estate owned.
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

In the Jacksonville area, total home sales declined slightly during the most recent 12 months due to a significant reduction in REO sales.



REO = real estate owned.
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

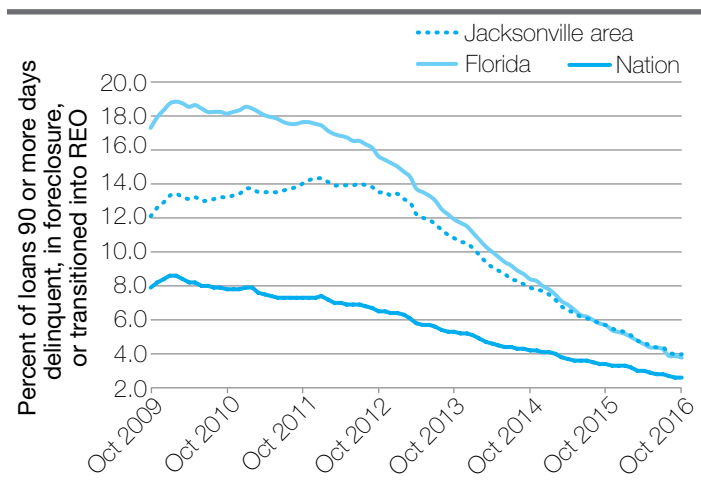


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During the 12 months ending October 2016—

- The number of new homes sold totaled 6,375, up from 5,750 during the 12 months ending October 2015 and significantly more than the average of 3,650 a year from 2010 through 2012 but much less than the average of 15,400 a year from 2004 through 2006 (CoreLogic, Inc., with adjustments by the analyst).
- Existing home sales totaled 29,200, down from the 30,050 homes sold during the 12-month period ending October 2015 but up 51 percent from the average of 19,300 a year from 2009 through 2011. The decline in existing home sales was mainly caused by a 36-percent decrease in REO sales, which totaled 3,825. Regular resales, which totaled 23,650, were more than double the average of 11,600, annually, from 2009 through 2011, whereas REO sales were down 28 percent from the average of 5,275 a year during the same period.
- The average sales price for new homes was \$299,700, up 5 percent from \$285,300 during the previous 12 months and 16 percent higher than the previous peak of \$258,500 during the 12 months ending October 2007.
- The average sales price for existing homes was \$199,900, an increase of 7 percent compared with \$187,500 during the 12 months ending October 2015. The average price for existing homes increased an average of 5 percent a year from the end

The rate of seriously delinquent mortgages and REO properties in the Jacksonville area has declined significantly since 2009 but remained higher than the national rate.



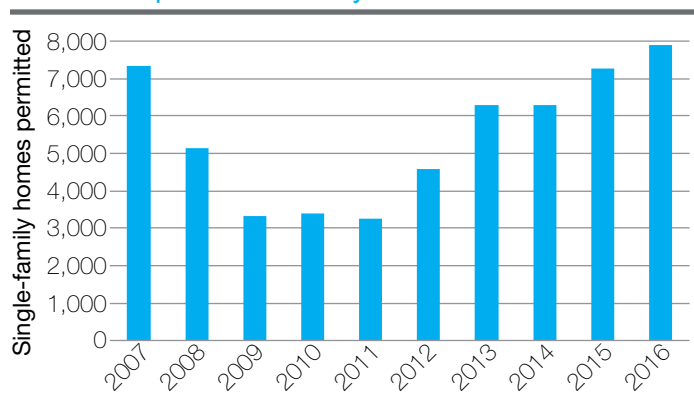
REO = real estate owned. Source: CoreLogic, Inc., with adjustments by the analyst

of 2011 through 2015 and is 8 percent less than the previous high of \$216,500, which occurred during the 12 months ending October 2006.

Single-family home construction activity, as measured by the number of single-family homes permitted, has increased each year since 2012 but is much less than prerecessionary levels.

- The number of single-family homes permitted increased to 8,475 during the 12 months ending November 2016, up 19 percent from 7,125 homes permitted during the previous 12 months (preliminary data).
- Single-family construction activity averaged 6,100 homes permitted annually from 2012 through 2015, up from an average of 4,500 homes a year from 2007 through 2011 but far less than the average of 12,300 each year from 2000 through 2006.
- Recent single-family home construction has been focused in the southern part of the metropolitan area, with Clay and St. Johns Counties combining to account for more than one-half of all single-family homes permitted since 2012. Nocatee is a master-planned community that encompasses 12,000 home sites spread across 13,250 acres in southeast Duval County and northeast St. Johns County. In 2015, 1,025 homes were started in the development, the third highest total for a master-planned community in the nation (Metrostudy, A Hanley Wood Company). New home prices currently range from the mid-\$200,000s for a three-bedroom home to the high-\$900,000s for a five-bedroom home.

Single-family home permitting in the Jacksonville area has increased each year since 2012 but remained well below prerecessionary levels.



Note: Includes preliminary data from January 2016 through November 2016. Source: U.S. Census Bureau, Building Permits Survey

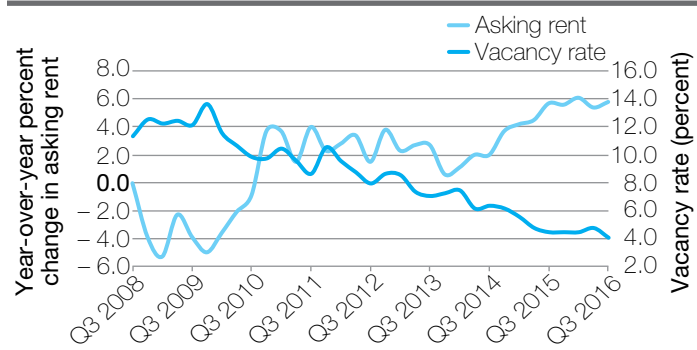


Rental Market Conditions

Overall rental housing market conditions in the Jacksonville metropolitan area currently are balanced, with relatively slow multifamily construction in the late 2000s and early 2010s enabling the absorption of excess units. Despite increasing levels of multifamily permitting since 2014, vacancy rates have continued to decline as the proportion of renter households, which currently is estimated at 36.8 percent, up from 33.1 percent in April 2010, has continued to rise.

- The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) is 6.0 percent as of December 1, 2016, down from 13.3 percent in 2010.
- The apartment market, which represents approximately 54 percent of all rental units in the metropolitan area, had a vacancy rate of 4.0 percent in the third quarter of 2016, down from 4.4 percent a year earlier and much less than the 9.7-percent rate in the third quarter of 2010 (MPF Research). Increased net in-migration and declining homeownership have contributed significantly to rental absorption, as vacancy rates have continued to decline despite 5,375 new apartment units having entered the rental market since the start of 2014 after only 2,875 new apartments units were completed from 2010 through 2013.
- The average monthly apartment asking rent was \$926 in the third quarter of 2016, a 6-percent increase from the third quarter of 2015 and a 24-percent increase from the third quarter of 2010.

Increased net in-migration and relatively slow multifamily construction in the late 2000s and early 2010s contributed to declining vacancy rates and rising rents in the Jacksonville area.

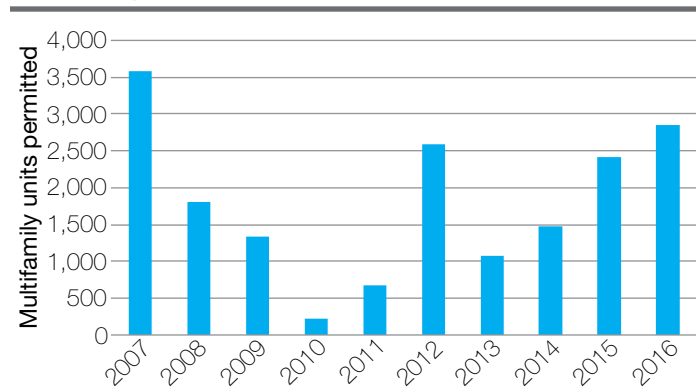


Q3 = third quarter.
Source: MPF Research

Builders have responded to declining vacancy rates with increased levels of multifamily construction, as measured by the number of units permitted, beginning in 2014.

- During the 12 months ending November 2016, multifamily construction totaled 2,850 units compared with the 2,475 units permitted during the previous 12-month period (preliminary data).
- Multifamily permitting averaged 1,950 units a year in 2014 and 2015.
- Multifamily permitting averaged 5,050 units annually from 2004 through 2007 before declining to an average of only 1,275 units each year from 2008 through 2011. The drop in number of units permitted occurred in response to an inventory surplus caused by slowed net in-migration and a significant number of single-family homes entering the rental market in the late 2000s.
- Approximately 80 percent of the apartment units completed in the metropolitan area during the past year are in the city of Jacksonville. Development has been particularly notable in the southeastern part of the city. The Loree, a 300-unit development in the Baymeadows neighborhood, was completed in mid-2016. Rents currently range from \$1,100 to \$1,450 for one-bedroom units, from \$1,400 to \$1,675 for two-bedroom units, and from \$1,525 to \$1,650 for three-bedroom units. In the Southbank neighborhood, construction is under way at the 263-unit Broadstone River House. The project is expected to be completed by early 2018, although some units will likely be available by mid-2017. Rents are expected to start at \$900 for studio units and range up to \$2,200 for three-bedroom units.

Developers have responded to rent growth and relatively low vacancy rates with increased multifamily permitting in the Jacksonville area since 2014.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey

