

MARKETBEAT

Jacksonville

Industrial Q4 2017



JACKSONVILLE INDUSTRIAL

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Jacksonville Employment	698k	679k	▲
Jacksonville Unemployment	4.7%	3.6%	■
U.S. Unemployment	4.7%	4.1%	▼

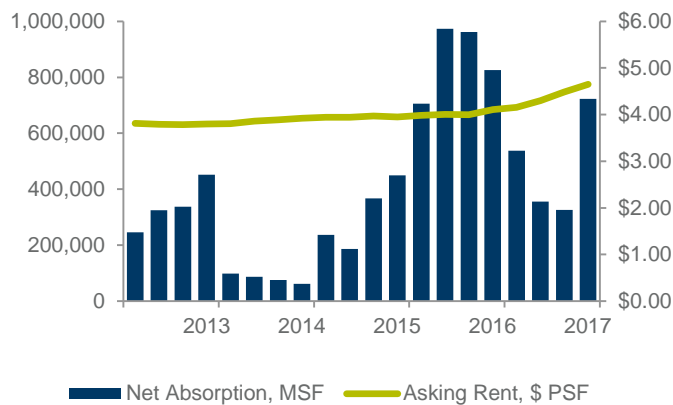
Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	6.2%	4.0%	▼
YTD Net Absorption (sf)	2.2M	4.2M	▲
Under Construction (sf)	1.5M	814k	▲
Average Asking Rent*	\$4.24	\$5.37	▲

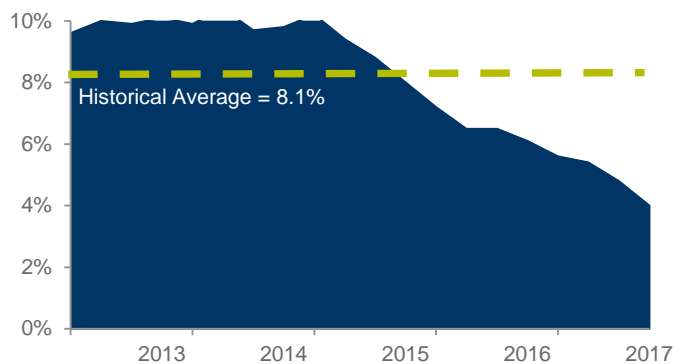
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Hurricane Irma caused a slight decline in hiring in the Jacksonville Metropolitan Statistical Area (MSA) earlier in the year but by December had quickly rebounded to normal economic dynamics, adding 18,800 jobs over the 12-month period. Jacksonville ranked the third highest of all major MSAs in Florida for job growth with a rate of 2.8%. The unemployment rate fell 110 basis points (bps) to 3.6%. The boost in eCommerce drove job growth with industrial-related sectors adding 11,800 jobs over the last year, which accounted for 59% of all new jobs. According to Moody's Jacksonville's performance in job creation will outperform most of the state over the next several years and be bolstered by economic drivers that will rely on the metro's skilled workforce and attractive business climate.

Market Overview

Demand for space was strong in 2017 and leasing activity blew past 4.5 million square feet (msf) on limited space options with several large bay tenants signing with requirements over 200,000 sf. Overall absorption stayed positive for the eighth consecutive year, exceeding 4.1 msf in the past 12 months, a historic high for Jacksonville for the last 10 years. Tenant expansion led in the Northside submarket, accounting for 61% of all absorption. The higher absorption number was also attributed to the completion to multiple build-to-suit projects which combined for 1.8 msf.

Overall vacancy reached a new low of 4.0%, dropping 220 bps year-over-year with warehouse/distribution space falling by 280 bps to 4.7%. Notably, the Northside submarket experienced the largest year-over-year decline, falling 820 bps to 5.4%. Landlords were bullish on heightened demand, willing to push the overall asking rents up 26.6% over the last year to \$5.37 per square foot (psf). Rents in warehouse/distribution drove a bulk of this rise, ending the year at \$4.82 psf, up 26.2%. Boosts in asking rental rates were expected to continue in 2018 as new construction completes with availabilities at higher asking rates.

Strengthened by key indicators, speculative construction pursuits expanded substantially, representing 62% of new product under construction at the close of the year. Developers and new-to-market tenants were reassured by the improving local economy and climbing rental rates. Given the demand for Class A warehouse space, most inventory completed was fully leased prior to completion, further supporting additional speculative development in 2018.

Outlook

The industrial market in North Florida finished the year with strong market fundamentals and an active pipeline of new construction to meet demand in the coming year. Strong economic growth and continued business expansion will further support developers' confidence in the market for speculative product. Going into the first quarter, Cushman & Wakefield expects the industrial market to trend positively with further growth in rental rates alongside high occupancy levels throughout the market.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTRUCTION COMPLETIONS (SF)	YTD WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (WD)
Downtown	167	7,671,046	296,920	5.3%	(552)	0	0	\$4.26	N/A	\$2.86
Northside	140	22,245,649	2,784,891	5.4%	2,510,749	29,005	1,070,000	\$12.00	\$6.00	\$4.53
Westside	599	48,720,700	1,361,266	3.1%	1,577,057	725,000	1,423,476	N/A	N/A	\$4.37
Southside	515	23,847,581	363,041	4.7%	54,939	60,000	80,000	N/A	\$9.17	\$7.22
Orange Park Clay	25	2,173,048	0	0.2%	0	0	0	N/A	\$11.50	N/A
Beaches	21	821,611	0	0.0%	0	0	0	N/A	N/A	N/A
St Johns County	29	1,603,051	0	4.0%	6,906	0	0	N/A	\$8.75	\$6.33
JACKSONVILLE TOTALS	1,496	107,082,686	4,806,118	4.0%	4,149,099	814,005	2,573,476	\$5.96	\$9.14	\$4.82

*Rental rates reflect asking \$psf/year

FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex WD = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)	CONSTRUCTION COMPLETIONS (SF)	YTD OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	1,012	79,123,428	4,425,248	4.7%	4,093,957	814,005	3,873,934	2,573,476	\$4.82	\$4.52
Manufacturing	331	22,063,795	380,870	0.2%	149,777	0	448,419	0	\$5.96	\$5.96
Office Service/Flex	153	5,895,463	0	9.6%	(94,635)	0	191,793	0	\$9.14	\$9.23

Key Lease Transactions 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11530 New Berlin Road	400,928	Grimes	Direct	Northside
12400 Presidents Court	400,000	UPS	Direct	Westside
2855 Faye Road	340,386	CIL Forwarding	Direct	Northside
10543 Canada Drive	319,000	Article.com	Direct	Northside

Key Sales Transactions 2017

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
Webb International (4 Bldg Sale)	933,565	STAG Industrial Holdings, LLC	\$34,505,000 / \$37	Northside
Alta Lakes Commerce Center (5 Bldg Sale)	928,504	DRA Advisors	\$29,000,000 / \$31	Northside
11309 Alvarez Road (3 Bldg Sale)	334,930	Colony Northstar, Inc.	\$24,050,000 / \$72	Northside
5858 Broadway Avenue (3 Bldg Sale)	225,526	Jay Eisenberg	\$7,430,000 / \$33	Westside

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