

MARKETBEAT

Jacksonville

Office Q1 2018



JACKSONVILLE OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Jacksonville Employment	680k	699k	▲
Jacksonville Unemployment	4.3%	3.5%	■
U.S. Unemployment	4.7%	4.1%	▼

*Numbers above are monthly figures, Feb 2018, FL Dept. Economic OPP

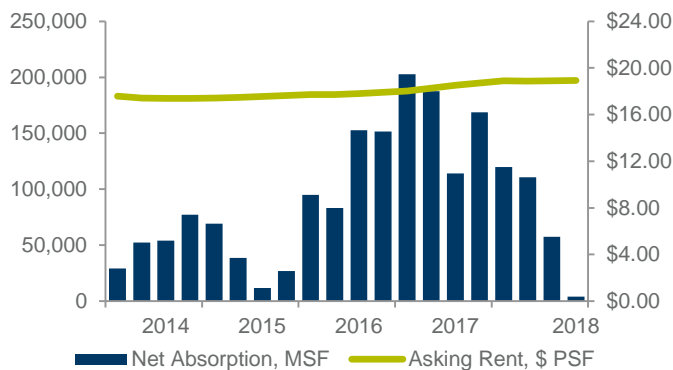
Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	14.7%	13.0%	▼
YTD Net Absorption (sf)	220k	601k	▲
Under Construction (sf)	0	206k	▲
Average Asking Rent*	\$18.91	\$19.07	▲

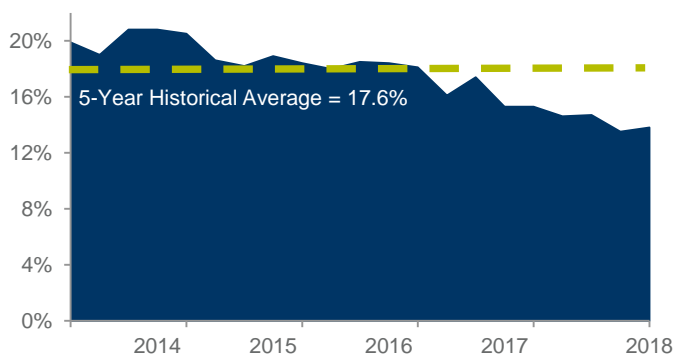
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Bolstered by strong population growth and economic activity in 2017, the Jacksonville Metropolitan Statistical Area (MSA) showcased steady growth in the first quarter of 2018, adding +18,600 jobs over the trailing 12-month period. The unemployment rate fell -80 basis points (bps) to 3.5%. Much of the local economy's success can be attributed to the influx of office-using tenants that relocated and/or expanded in the area. The three major office-using employment sectors, financial services, business services and information, drove gains and accounted for 23% or 4,300 new jobs. White collar jobs should continue to grow as companies look to Jacksonville as a competitive location choice for business. Strengthened by increased tourism, military spending, and infrastructure improvements over the next several years, Jacksonville is expected to outperform the state and country in terms of growth.

Market Overview

Key office fundamentals were positive with overall vacancy tightening - 170 bps to 13.0% year-over-year. There were limited large blocks of space within Class A assets so a number of tenants opted for Class B options causing an impressive -410 bps decrease in vacancy to 13.5% from the year prior. Sustained tenant demand encouraged landlords to push rental rates higher throughout the market with some landlords quoting overall rental rates of \$19.15 per-square-foot (psf), a +1.1% or +\$0.21 increase year-over-year.

The bulk of the market's leasing activity was in Jacksonville's suburban submarkets which had over 297,000 sf in transactions. Overall absorption in Jacksonville moved into positive territory in the first quarter with a balance of over 21,000 sf. Absorption should grow as tenants such as Adecco, Oracle and the Florida Department of Health occupy space later in the year. Over the last 12 months, overall suburban rental rates fell slightly to \$18.16 psf and is due to over 522,000 sf of space with higher rental rates being taken off the market. This caused a -240 bps decline in vacancy to 12.6%.

Suburban submarket remained an ideal location for tenants due to its ease of access to high class amenities and housing options. With rising occupancies and steady rental rate growth developers have grown confident and expect to break ground in the second quarter of the year on additional build-to-suit projects. New construction and tenant demand for high quality space could provide the rationale for some speculative projects even though rental rates do not support new construction.

Outlook

Indicators in Jacksonville office market performed well in the first quarter of the year on strong market growth and with an active pipeline to meet demand in the coming year. Despite limited absorption in the beginning of the year, the market was expected to stay positive as tenant occupy leased space later in the year. Strong economic gains and continued business expansion will further influence positive movement in key indicators. Going forward, Cushman & Wakefield foresees new occupancy highs and further rental rate increases throughout the year.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Northbank	5,220,172	11,072	798,739	15.5%	1,465	1,465	46,492	0	\$20.83	\$21.30
Southbank	2,160,231	14,115	195,322	9.7%	-1,709	-1,709	4,318	0	\$21.91	\$22.19
CBD	7,380,403	25,187	994,061	13.8%	-244	-244	50,810	0	\$21.07	\$21.50
Arlington	983,527	0	343,289	34.9%	0	0	1,040	0	\$13.49	N/A
Southside	1,823,695	0	304,993	16.7%	-8,673	-8,673	70,447	0	\$15.04	\$28.70
Beaches	530,346	0	64,006	12.1%	-5,169	-5,169	0	0	\$26.94	\$27.62
Northside	30,000	0	3,360	11.2%	0	0	0	0	\$12.00	N/A
Mandarin	1,450,244	0	74,428	5.1%	4,925	4,925	3,423	0	\$21.12	\$0.00
St. John's County	449,411	0	108,748	24.2%	-2,683	-2,683	6,183	0	\$17.60	N/A
Clay County	592,077	0	27,811	4.7%	-8,567	-8,567	0	0	\$17.53	N/A
Westside	79,216	0	0	0.0%	0	0	0	0	\$0.00	N/A
Butler/Baymeadows	10,475,003	72,498	1,065,181	10.9%	216,733	21,012	216,733	205,857	\$19.75	\$22.81
Deerwood Park	3,592,042	0	280,800	7.8%	24,796	24,796	153,988	160,857	\$23.30	\$24.06
Southpoint	3,040,149	38,334	297,019	11.0%	7,103	7,103	24,017	0	\$19.03	\$22.03
Baymeadows	3,842,812	34,164	487,362	13.6%	-10,877	-10,877	38,728	45,000	\$18.47	\$21.50
Suburbs	16,413,519	72,498	1,991,816	12.6%	845	845	297,826	205,857	\$18.11	\$23.75
JACKSONVILLE TOTALS	23,793,922	97,685	2,985,877	13.0%	601	601	348,636	205,857	\$19.07	\$22.11

*Rental rates reflect gross asking \$psf/year
**Does not include renewals

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPETIONS (SF)	DIRECT AVERAGE ASKING RENT*
Class A	10,037,693	25,187	1,082,715	11.0%	12,019	12,019	188,711	205,857	0	\$22.23
Class B	10,737,510	72,498	1,380,019	13.5%	-9,944	-9,944	137,987	0	0	\$18.42
Class C	3,018,719	0	523,143	17.3%	-1,474	-1,474	21,938	0	0	\$14.71

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
One Independent Drive	22,944	Smith, Hulsey, & Busey	Direct	Northbank
8380-8336 Baymeadows Road	14,221	TJT Transportation	Renewal	Baymeadows
9000 Southside Boulevard	12,004	Oracle	Direct	Baymeadows
10401 Deerwood Park Boulevard	11,108	Cass Information	Direct	Deerwood Park

Key Sales Transactions Q1 2018

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
Flagler Center Portfolio (9 buildings)	1,001,438	Farallon Capital Management, LLC	\$136,000,000 / \$136	Mandarin
3020/3030 Hartley Road	60,000	Ash Properties, Inc.	\$4,250,000 / \$71	Mandarin
8505 Baycenter Road	47,002	Magellan Transport Logistics	\$1,575,000 / \$34	Baymeadows

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About Cushman & Wakefield

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