

# MARKETBEAT

## Jacksonville

### Industrial Q3 2018



#### JACKSONVILLE INDUSTRIAL

##### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Jacksonville Employment	736k	755k	▲
Jacksonville Unemployment	4.2%	3.5%	▼
U.S. Unemployment	4.4%	3.9%	▼

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

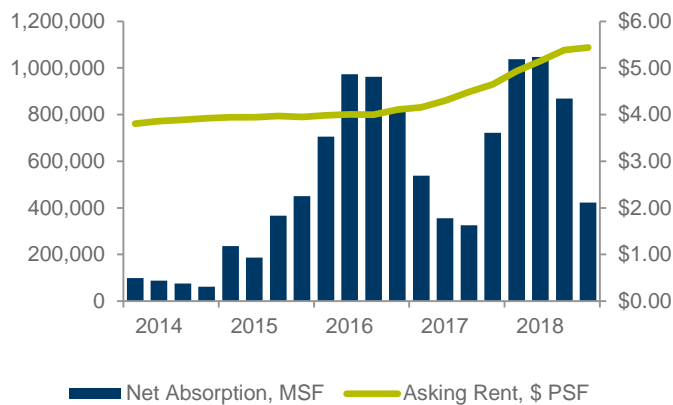
##### Market Indicators (Overall, All Property Types)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	4.8%	3.0%	▼
YTD Net Absorption (sf)	2.7M	269k	▼
Under Construction (sf)	487k	1.3M	▲
Average Asking Rent*	\$4.98	\$5.21	▲

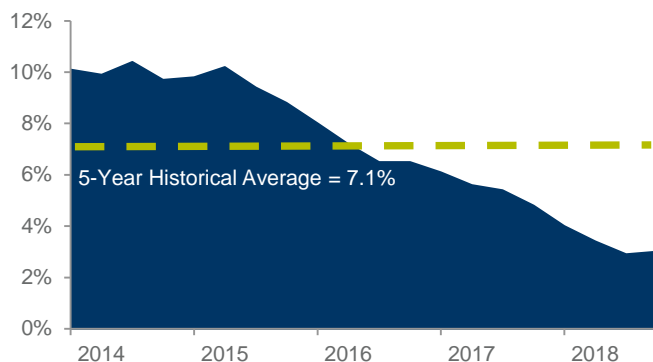
\*Rental rates reflect net asking \$psf/year

##### Overall Net Absorption/Overall Asking Rent

###### 4-QTR TRAILING AVERAGE



##### Overall Vacancy



## Economy

The Jacksonville Metropolitan Statistical Area (MSA) saw significant job growth in the third quarter of 2018. The unemployment rate fell to 3.6% in August, down -60 basis points (bps) over the last 12 months on the addition of +21,600 new jobs for an annual job growth rate of +3.1%. The region continued to be a magnet for logistics and other warehouse users which fueled solid gains in jobs as well as population. New hires that impacted positively on the industrial market included those in construction and in the Trade, Transportation and Utilities sector which, when combined, accounted for almost a quarter of all new jobs created in the last year.

## Market Overview

Overall vacancy increased slightly in the third quarter, predominantly on the addition of one large block of available space for manufacturing in the Northside submarket. Warehouse/distribution space throughout the region saw a slight -10 bps point drop in vacancy from the last quarter to 3.4% on just 2.7 million square feet (msf) of available space. Both the Northside and Westside submarkets, which have the bulk of the market's inventory, saw increases in available space but remained near historical occupancy levels on limited new deliveries year-to-date.

Overall rental rates were up +4.6% year-over-year to \$5.21 per square foot (psf) triple net but down from the record setting high of \$5.67 psf in the second quarter on new space added in manufacturing that was priced below market. Overall rent growth in the Northside submarket dominated the market over the last four quarters, up +27.9%, with rents in warehouse/distribution space achieving some of its highest levels this cycle. Leasing demand drove the rise in rents as tenants signed for large blocks of space in existing projects. While only 60,000 square feet completed this year, there was another 1.3 msf under construction, split between speculative and build-to-suit projects. In addition, several tenants were circling the market with million square foot requirements that could potentially push developers to break ground on additional space in the coming months.

Leasing activity slowed significantly in the third quarter on limited availabilities. The market traditionally has a great deal of activity in the fourth quarter which could see full year leasing numbers exceed 4.0 msf for the third year in a row. As tenants and users look for space to complete logistics and last mile networks, Jacksonville was one of the few markets in the Southeast with an abundant amount of available land for expansion.

## Outlook

Industrial market fundamentals throughout the Jacksonville MSA finished the third quarter on solid ground. Population and job growth exceeded statewide and many other metro averages to make the area an attractive location to firms looking to tap into a growing consumer market. New construction remains in line with demand and there are no concerns with overbuilding on the horizon. Cushman & Wakefield anticipates stable vacancy levels on strong leasing activity which should push overall asking rents to new records.

**MARKETBEAT**  
**Jacksonville**  
**Industrial Q3 2018**



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Downtown	166	7,637,233	0	1.4%	85,640	0	0	\$4.60	N/A	\$3.80
Northside	141	22,289,538	2,758,114	4.2%	139,638	533,410	0	\$3.00	\$6.78	\$5.34
Westside	598	47,840,088	2,486,934	2.3%	17,882	722,480	0	\$6.00	N/A	\$3.39
Southside	513	23,652,846	835,049	4.1%	24,849	0	60,000	N/A	\$9.10	\$5.79
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	2.7%	1,250	0	0	N/A	N/A	\$5.51
<b>JACKSONVILLE TOTALS</b>	<b>1,493</b>	<b>106,017,415</b>	<b>6,080,097</b>	<b>3.0%</b>	<b>269,259</b>	<b>1,255,890</b>	<b>60,000</b>	<b>\$3.12</b>	<b>\$9.02</b>	<b>\$4.72</b>

\*Rental rates reflect asking \$psf/year

FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = 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)**	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	1,010	78,116,233	5,418,876	3.4%	453,230	1,092,275	2,083,235	60,000	\$4.72	\$4.72
Manufacturing	331	5,777,593	424,507	5.5%	-14,996	0	133,906	0	\$3.12	\$3.12
Office Service/Flex	152	22,123,589	236,714	0.8%	-168,975	163,615	239,373	0	\$9.02	\$9.08

\*\*Does not include renewals

**Key Lease Transactions Q3 2018**

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
13845-13903 Alvarez Road	146,280	Union Supply Company, Inc.	Renewal*	Northside
10490 Busch Drive North	129,600	(Innovel Solutions) Sears Roebuck Co.	Renewal*	Northside
6746 Stuart Avenue	73,650	T&C Metals	New	Westside

\*Renewal – Not included in Leasing Activity Statistics.

**Key Sales Transactions Q3 2018**

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
614 Pecan Park Road	75,044	Sun Pecan Park RV, LLC	\$1,312,000/\$17	Northside
1044 N Lane Ave	40,000	FB Taylor Holdings	\$894,400/\$22	Westside
402 Ellis Road South	16,000	Southeast Utilities	\$1,475,000/\$92	Westside

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