

MARKETBEAT

Jacksonville

Office Q3 2018



JACKSONVILLE OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Jacksonville Employment	737k	756k	▲
Jacksonville Unemployment	4.2%	3.6%	■
U.S. Unemployment	4.4%	3.9%	▼

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

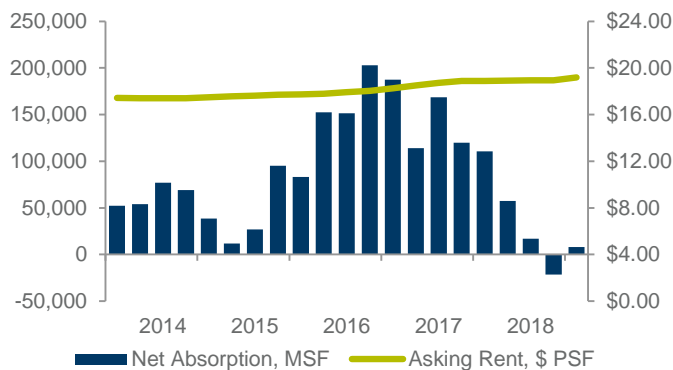
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	12.8%	12.6%	▼
YTD Net Absorption (sf)	449k	231k	▲
Under Construction (sf)	206k	344k	▲
Average Asking Rent*	\$18.72	\$19.64	▲

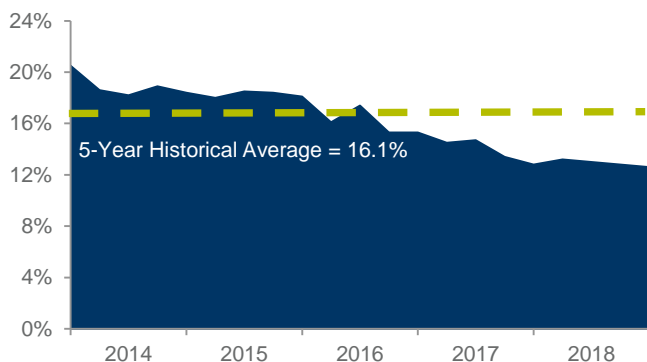
*Rental rates reflect gross asking \$psf/year

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%. Office-using employment, including Professional & Business Services as well as Financial Activities grew faster in the metro than statewide over the year. Jacksonville and all of Northeast Florida has remained a magnet for firms looking for an experienced workforce in one of the lower cost markets in the Southeast.

Market Overview

The overall vacancy rate in the office market fell slightly, dropping -20 bps year-over-year to +12.6%. Vacancy remained historically low for Jacksonville even as over 200,000 square feet (sf) in Class A availabilities were added over the past year. New buildings delivered to the market accounted for a quarter of those new availabilities. Most occupancy gains occurred in Class B product, which saw over 254,000 sf taken off of the market in 12 months, predominantly in the CBD, Arlington and Southside submarkets.

Full service overall asking rents jumped significantly in the last 12-months, up by 4.9% to \$19.64 per square foot (psf). In the last three years, overall rents have increased by 10.1%, or 3.4% annually. In Class A, the picture was even more positive. Overall rents jumped \$3.18 psf in 36 months to \$22.95 psf, or by 16.1%, 5.4% annually. Class A buildings in the Northbank and Southbank submarkets of the CBD drove gains, up 7.4% and 8.3% respectively.

Leasing activity in Jacksonville's office market was on track to meet or exceed 2017 levels on strong gains in the suburban submarkets. The bulk of activity was centered in the Butler-Baymeadows area on the south side of town. The Deerwood submarket, which consists predominantly of Class A assets and adjacent to the region's preeminent retail mall, the St. Johns Town Center, attracted several large-scale office tenants to new construction willing to pay top dollar to have a presence in this prime location.

Outlook

Jacksonville's economy continues to benefit from its location in Florida, affordability compared to its peers and a dynamic workforce that can support growing businesses in many office-using industries. Solid population and new job generation means that even in a tight labor market, talent is continuously moving the region. Office market fundamentals should maintain current trends with further improvement in rental rates on lower availabilities. Cushman & Wakefield forecasts solid growth for the overall market with an emphasis on higher demand for Class B space on limited new availabilities in the Class A sector.

MARKETBEAT

Jacksonville

Office Q3 2018



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	5,206,933	3,489	656,033	12.7%	80,949	116,528	180,419	0	\$21.51	\$22.25
Southbank	2,180,268	9,319	177,214	8.6%	7,200	30,070	32,815	0	\$21.92	\$22.35
CBD	7,387,201	12,808	833,247	11.5%	88,149	146,598	213,234	-	\$21.60	\$22.28
Arlington	983,527	0	276,523	28.1%	-1,681	-11,822	7,251	0	\$14.10	N/A
Southside	1,837,602	0	259,998	14.1%	2,980	30,440	87,669	0	\$15.16	N/A
Beaches	530,346	0	47,580	9.0%	5,861	1,107	26,084	0	\$27.40	\$27.86
Northside	30,000	0	3,360	11.2%	0	0	0	0	\$12.00	N/A
Mandarin	1,500,254	0	167,878	11.2%	13,118	-1,571	30,064	0	\$21.53	\$26.91
St. John's County	358,536	0	107,955	30.1%	-36,982	-31,097	13,044	0	\$18.25	N/A
Clay County	490,077	14,451	13,047	5.6%	2,114	-9,781	3,286	0	\$18.53	N/A
Westside	181,216	0	2,500	1.4%	-2,500	-2,500	0	0	\$21.40	N/A
Butler/Baymeadows	10,687,707	105,696	1,177,663	12.0%	92,653	109,940	784,849	343,700	\$20.10	\$23.14
Deerwood Park	3,752,899	9,480	392,055	10.7%	90,807	122,081	344,868	343,700	\$23.44	\$23.82
Southpoint	3,040,149	67,434	328,872	13.0%	-5,956	-57,654	248,294	0	\$18.88	\$23.00
Baymeadows	3,894,659	28,782	456,736	12.5%	7,802	45,513	191,687	0	\$18.67	\$21.50
Suburbs	16,599,265	120,147	2,056,504	13.1%	75,563	84,716	952,247	343,700	\$18.85	\$24.14
JACKSONVILLE TOTALS	23,986,466	132,955	2,889,751	12.6%	163,712	231,314	1,165,481	343,700	\$19.64	\$22.95

*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 COMPETITIONS (SF)	DIRECT AVERAGE ASKING RENT*
Class A	10,194,634	17,882	1,135,567	11.3%	172,755	220,071	608,112	343,700	160,857	\$23.01
Class B	10,738,513	115,073	1,381,732	13.9%	-12,552	-20,516	461,294	0	20,037	\$18.65
Class C	3,053,319	0	372,452	12.2%	3,509	31,759	96,075	0	0	\$14.68

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
10752 Deerwood Park Blvd	28,000	Undisclosed	Direct	Deerwood Park
7411 Fullerton Street	4,284	Simes and Rosch	Direct	Baymeadows

*Renewal – Not included in Leasing Activity Statistics.

Key Sales Transactions Q3 2018

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
76 S Laura Street	369,481	VyStar Credit Union	\$59,000,000/\$160	Northbank
5200-5220 Belfort Road	288,150	Westport Capital Partners	\$36,086,342/\$125	Southpoint

Cushman & Wakefield of Florida, LLC
 20 N Orange, Ste. 300
 Orlando, FL 32801
cushmanwakefield.com

For more information, contact:
 Chris Owen
 Director, Florida Research
 Tel: +1 407 541 4417
chris.owen@cushwake.com

Valerie Tatum
 Senior Analyst
 Tel: +1 954 377 0492
valerie.tatum@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without warranty or representations as to its accuracy.