

Jacksonville Industrial, Q3 2018

Low vacancy spurs new development

▼ Total Vacancy
4.0%

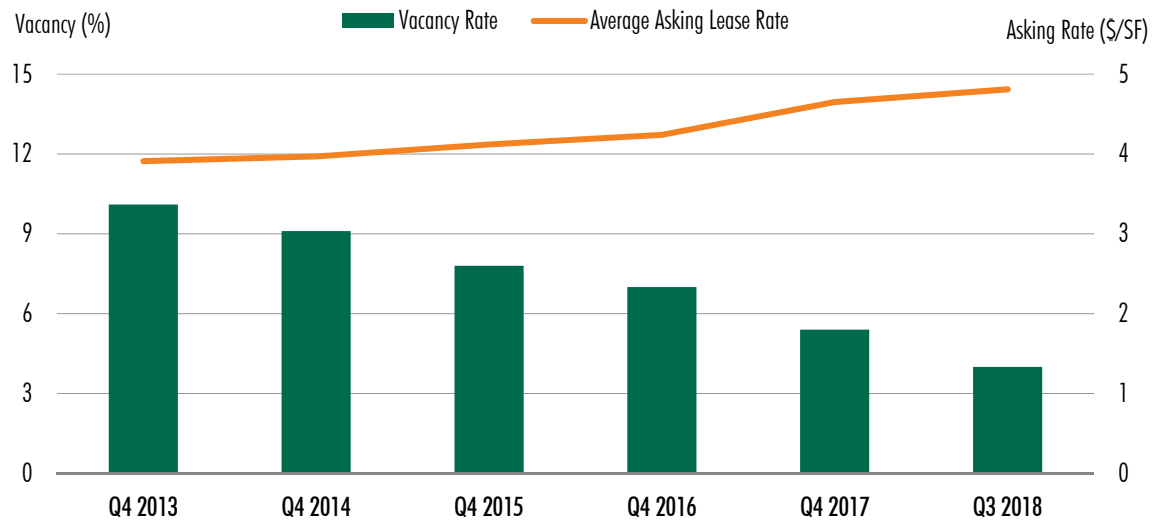
▲ Lease Rate
\$4.87 PSF

▼ Net Absorption
391,000 SF

▼ Completions
14,000 SF

*Arrows indicate change from previous year.

Figure 1: Total Vacancy –vs– Average Direct Asking Lease Rate (NNN)



Source: CBRE Research, Q3 2018.

- In Q3 2018, vacancy stood at 4.0%, down 40 basis points (bps) quarter-over-quarter and down 120 bps year-over-year.
- The average asking rate in Q3 2018 was \$4.87 per sq. ft., representing a \$0.03 increase quarter-over-quarter and a \$0.40 (8.9%) increase year-over-year.
- Year-to-date, sales volume amounted to \$345.8 million in 18 transactions for 6.1 million sq. ft.
- Jacksonville gained 21,600 jobs year-over-year, representing an employment increase of 3.1%.

LEASING ACTIVITY

In Q3 2018, vacancy stood at 4.0%, down 40 basis points (bps) quarter-over-quarter and down 120 bps year-over-year. Vacancy has declined at a steady pace since 2017 and remained under 4.5% for the second consecutive quarter.

The Jacksonville industrial market continues to experience strong tenant demand, closing Q3 2018 with 391,348 sq. ft. of net absorption. Major occupiers of space helped to offset vacancies by several small to mid-sized companies.

Figure 2: Market Statistics

Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q3 2018 Net Absorption (SF)	2018 YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/NNN)
Downtown	2,440,595	1.3	2.8	7,750	0	0	3.25
Beaches	166,496	4.9	5.7	0	39,299	0	10.14
Northside	31,678,620	6.1	9.5	203,648	863,510	1,817,559	3.97
Southside	21,613,800	5.8	10.7	3,249	260,050	0	7.91
Westside	41,754,508	2.0	4.7	181,761	476,286	2,068,800	4.04
Clay County	2,919,873	0.3	10.7	(5,060)	(4,534)	0	3.70
St. Johns County	1,684,101	2.3	2.3	0	(9,000)	0	4.50
Jacksonville Market	102,257,993	4.0	7.5	391,348	1,625,611	3,886,439	4.87
Manufacturing	18,499,203	1.7	6.4	18,000	132,151	0	3.44
Warehouse/Distribution	71,603,804	4.2	7.4	378,697	1,543,995	3,886,439	4.09
R&D/Flex	8,049,557	9.5	14.0	(5,349)	(9,932)	0	9.49

Source: CBRE Research, Q3 2018.

Figure 3: Significant Q3 2018 Occupancies

Submarket	Property	Tenant	Transaction (SF)
Northside	11530 New Berlin Road	Gildan Activewear Inc	306,611
Westside	4660 New World Drive	England Trading CA	121,183
Northside	13910 Alvarez Rd	Mainocean Contract Services	27,000
Westside	5858 Broadway Avenue	Confidential	25,000

Source: CBRE Research, Q3 2018.

Figure 4: Significant Q3 2018 Lease Transactions

Submarket	Property	Tenant	Transaction (SF)
Westside	6500 Youngerman Circle	Confidential	80,000
Northside	1351 East 4th Street	Tires Direct Inc.	40,000
Westside	6746 Stuart Avenue	TC Netaks	40,000
Southside	6600 Southpoint Parkway	HGS USA LLC	30,070

Source: CBRE Research, Q3 2018.

Figure 5: Significant Projects Under Construction (SF)

Submarket	Property	Owner	Developer	Building (SF)
Westside	5560 Imeson Road	Pattillo Industrial Real Estate	Pattillo Industrial Real Estate	450,000
Westside	10940 New Kings Road	J&J New Kings Road LLC	Lake Washington Partners	373,650
Northside	10531 N Busch Drive	Webb International	Webb International	322,920
Northside	International I	Jackson Shaw	Jackson Shaw	293,000

Source: CBRE Research, Q3 2018.

Year-to-date absorption totaled over 1.6 million sq. ft. Tenant industries most active in the market include e-commerce and third party logistics.

The average asking rate in Q3 2018 was \$4.87 per sq. ft., representing a \$0.03 increase quarter-over-quarter and a \$0.40 (8.9%) increase year-over-year. Warehouse rents rose 9.4% year-over-year, recording \$4.09 at the close of Q3 2018.

SALES ACTIVITY

Investment sales activity in the Jacksonville industrial market is performing positively, with average to above average sales velocity, and strong investor interest. Year-to-date, 18 properties totaling 6.1 million sq. ft. for a total consideration of \$345.8 million were sold. In comparison, during the same time period in 2017, 40 properties sold totaling 6.2 million sq. ft. and \$319.6 million. There was increased institutional activity in the marketplace with acquisitions by Farallon, Blackstone, Colony Northstar, and DRA Advisors. According to Real Capital Analytics, REITs have heightened their activity, accounting for approximately 38% of investment sales year-to-date.

DEVELOPMENT

One building, totaling 14,400 sq. ft. was completed in Q3 2018. With only four existing buildings able to accommodate a user over 200,000 sq. ft., developers started construction on 12 buildings totaling 3.9 million sq. ft. Six buildings totaling 1.8 million sq. ft. are under construction in the Northside submarket and six buildings totaling 2.1 million sq. ft. are in the Westside submarket. The only build-to-suit is BMW’s distribution facility in the Westside submarket, scheduled for delivery in December 2018. On the speculative front, 11 buildings totaling 3.4 million sq. ft. are currently under construction. With low vacancy rates, speculative construction deliveries are needed for tenants interested in the Jacksonville industrial market.

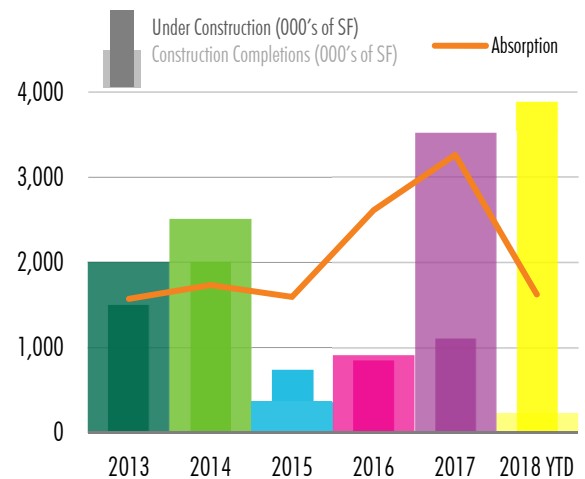
Construction costs continue to rise. According to CBRE project management, overall construction costs are expected to rise 4% to 6% with labor costs rising 10%. Increased costs are impacting tenant buildouts and industrial development. In addition, receiving a permit for tenant buildouts are taking five to seven weeks. The vendor market is saturated and adding time to complete any construction projects.

OUTLOOK

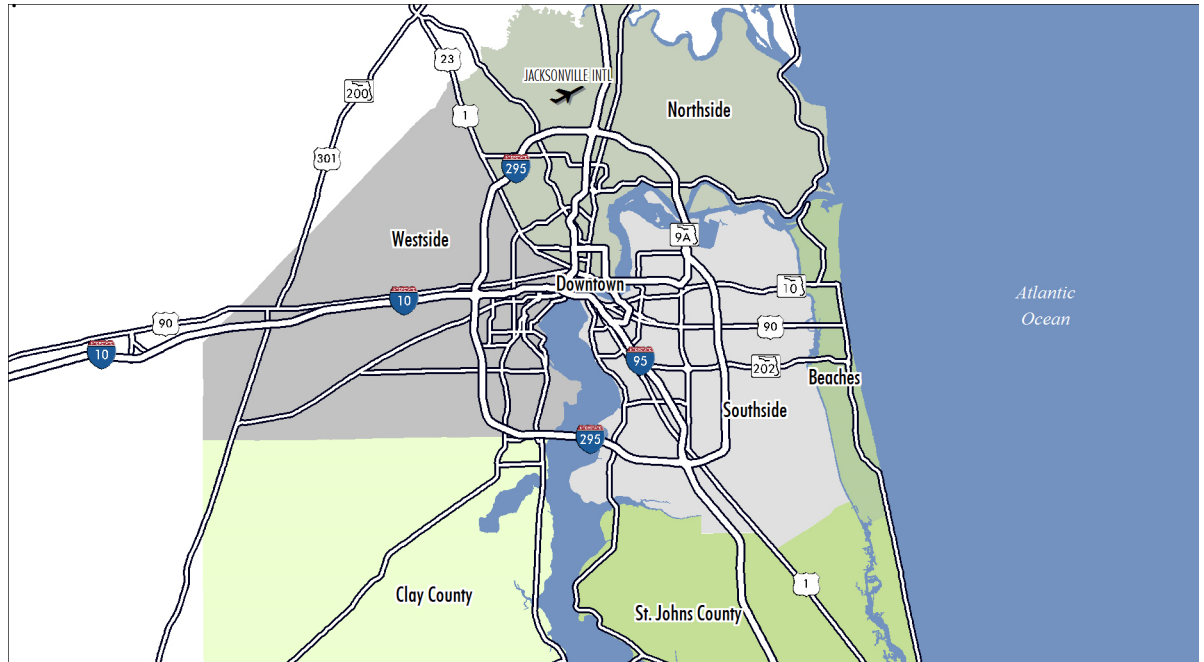
According to the Bureau of Labor Statistics, the unemployment rate decreased 70 basis points to 3.5% in August 2018 year-over-year in the Jacksonville metropolitan statistical area (MSA). The Jacksonville MSA non-farm job creation totaled 21,600 jobs over the past year, of that 3,200 jobs were in the industrial-using industries.

Job and population growth will continue to increase demand for warehouse space for the foreseeable future. Developers are adding adequate space to fill tenant demand which is expected to keep pace with new supply.

Figure 6: Under Construction and Completions –vs– Net Absorption



Source: CBRE Research, Q3 2018.



Market Coverage: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Clay, Duval and St. Johns counties.

CONTACTS

Tripp Gulliford
Senior Managing Director
 +1904 630 6344
 tripp.gulliford@cbre.com

Endria Maiorano
Research Operations Manager
 +1 561 393 1642
 endria.maiorano@cbre.com

Steve Harriss
Research Coordinator
 +1 904 630 6348
 steve.harriss@cbre.com

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/research-and-reports.

Contact CBRE Jacksonville
 225 Water Street
 Suite 110
 Jacksonville, FL 32202
 T: 1 904 634 1200
 F: 1 904 791 8953