

# MARKETBEAT

## Jacksonville

### Industrial Q4 2018



#### JACKSONVILLE INDUSTRIAL

##### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Jacksonville Employment	705k	717k	▲
Jacksonville Unemployment	3.6%	2.9%	■
U.S. Unemployment	4.1%	3.7%	▼

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

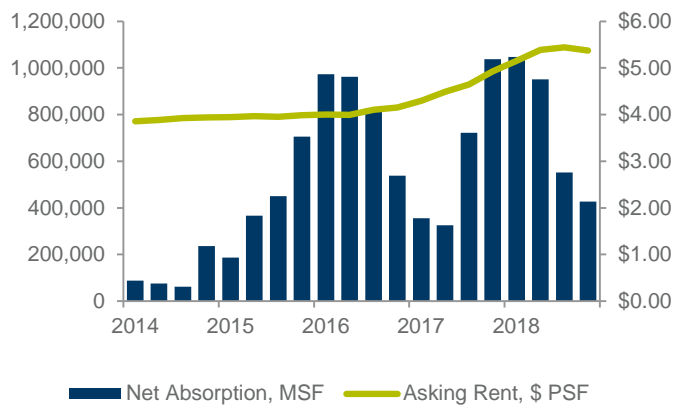
##### Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	4.0%	2.3%	▼
YTD Net Absorption (sf)	4.1M	923k	▼
Under Construction (sf)	814k	2.2M	▲
Average Asking Rent*	\$5.37	\$5.10	▲

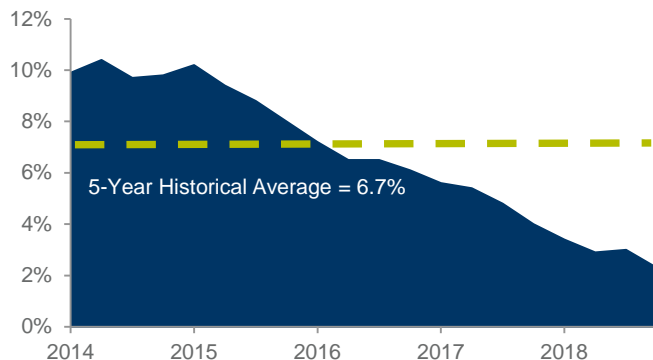
\*Rental rates reflect net asking \$psf/year

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

###### 4-QTR TRAILING AVERAGE



##### Overall Vacancy



##### Economy

The Jacksonville metro region posted the third highest annual job growth rate, compared to all metro areas in the state, with a rate of 4.1%, for +12,000 new jobs over the trailing 12-month period. The unemployment rate fell to 2.9%, down -70 basis points (bps) over the last year. Much of the local economy's success can be attributed to the influx of eCommerce users that relocated and/or expanded in the area and made the region a magnet for logistics and other warehouse users. During the fourth quarter, Wayfair, an online home furnishing retailer, announced plans to develop a one-million-square-foot distribution facility in the Westside, creating over 250 jobs when they move in. In addition, employment growth in the construction sector increased by +1,600 positions over the previous 12 months due to strong demand for new housing and new construction in the commercial real estate field.

##### Market Overview

Over 1.8 million square feet (msf) of warehouse/distribution was under construction at the end of 2018, roughly split between speculative and built-to-suit projects, and was the largest number of projects under construction at yearend since before the last recession. Developers remained confident that tenant demand would easily absorb new space coming online and continued to acquire land to position themselves for future growth. At yearend there was over 8.0 msf of industrial space proposed for development over the next three years.

Leasing activity remained robust throughout the year with over 3.3 msf of space leased, of which 86% was in warehouse/distribution space. Within a 5-year period, more than 15.5 msf of warehouse/distribution space was leased in the Jacksonville region. Most leases signed during the year occurred in the Northside, which had 1.1 msf of space leased this year. Due to this strong demand, large amounts of quality space was removed from the market, shifting rents slightly down with overall rents falling by -5.0% year-over-year to \$5.10 per square foot (psf) triple net. Rent growth in the largest submarket, Westside, increased over the last four quarters, up +4.7% to \$3.57 psf triple net. Much of rental swings were attributed to the lack of available quality space in the tight submarket.

Healthy market activity created positive momentum during the year, dropping the overall vacancy rate 170 bps to a historic low of 2.3%. Warehouse/distribution space continued to decline for the 14-consecutive quarter, to 2.7%, down 200 bps over last year on just 2.1 million square feet (msf) of available space. The Northside overall vacancy saw the greatest decrease, falling to 2.7%, down 270 bps as more than 600,000 sf of space was absorbed in that submarket in 2018. The region ended 2018 with 923,460 sf of positive absorption, 75% of all activity in warehouse/distribution space.

Jacksonville's stimulated job growth, strong fundamentals in leasing activity and increased rental rates were the main drivers in continued demand for industrial opportunities. Approximately 8.9 msf of space traded hands during the year as investors sought to capitalize on a market they predicted would bring greater yield. That total represented a 50%, year-over-year increase in sales volume from 2017. The largest transaction was a portfolio acquisition in the Westside by The Blackstone Group which included 2.9 msf of warehouse/distribution space, including the recently built Amazon Fulfillment Center. Another incentive that could benefit the industrial market was the new Opportunity Zone program established by Congress in the Tax Cuts and Jobs Act of 2017. Opportunity Zones encourages long-term investments in low-income urban and rural communities. In Northeast Florida, 34 census tracts are designated as Opportunity Zones, including 19 in Duval County. This program along with competitive market fundamentals, could provide stable improvement to several submarkets throughout the county.

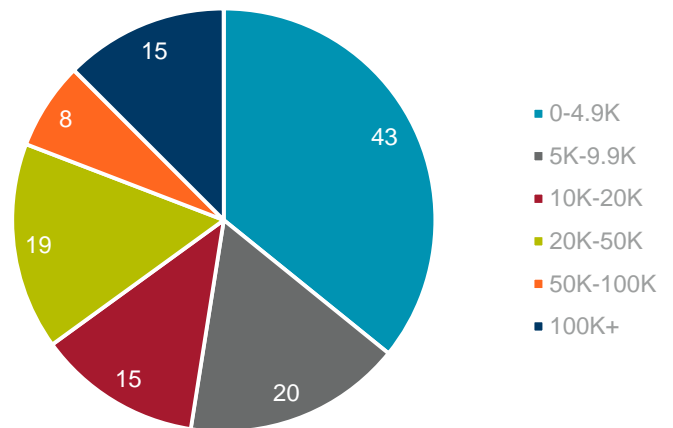
**Overall vacancy decreased to a new record low of 2.3%. Warehouse/distribution space continued to decline for the 14-consecutive quarter to 2.7%.**

Industrial market fundamentals throughout Jacksonville will continue to attract tenants as population and job growth exceed statewide and many other metro averages. Tenants will want to tap into the growing consumer market. Build-to-suit activity led new development for a five-year period, but speculative projects both under construction and proposed have started to lure big tenants to the market. The active pipeline of new construction will significant impact tenant demand in the coming year.

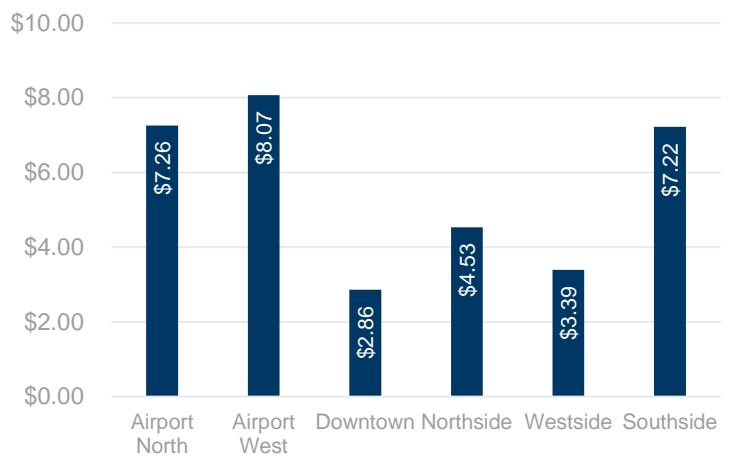
Market Highlights

- Over 1.6 msf of warehouse/distribution space is scheduled to deliver to the region in 2019.
- The region's economy will further support improvement and expansion in the market.
- Cushman & Wakefield anticipates industrial fundamentals will stay positive on further growth in rental rates and sustained low vacancy levels.

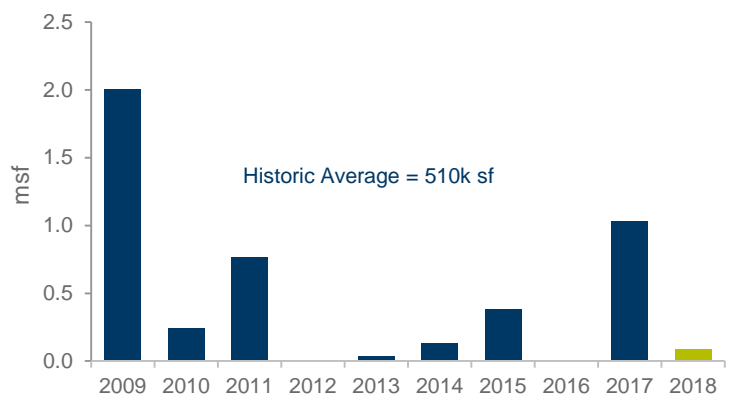
Availability by Size Segment



NNN Asking Rents by Submarkets



New Supply



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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)	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%	85,042	0	0	\$4.60	\$0.00	\$4.41
Northside	142	22,318,543	3,404,119	2.2%	611,598	864,405	29,005	\$0.00	\$6.82	\$4.22
Westside	598	47,840,088	3,040,085	1.8%	233,709	1,148,130	0	\$6.00	\$0.00	\$3.56
Southside	512	23,572,846	2,426,447	3.6%	101,035	0	60,000	\$0.00	\$9.48	\$5.52
Orange Park Clay	25	2,173,048	0	5.4%	-113,174	0	0	\$0.00	\$11.50	\$3.75
Beaches	21	821,611	0	0.0%	0	0	0	\$0.00	\$0.00	\$0.00
St Johns County	29	1,603,051	0	2.5%	5,250	0	0	\$0.00	\$0.00	\$5.51
<b>JACKSONVILLE TOTALS</b>	<b>1,493</b>	<b>105,966,420</b>	<b>8,870,651</b>	<b>2.3%</b>	<b>923,460</b>	<b>2,012,535</b>	<b>89,005</b>	<b>\$5.14</b>	<b>\$9.34</b>	<b>\$4.37</b>

\*Rental rates reflect asking \$psf/year

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	78,065,238	6,809,193	2.7%	921,122	1,848,920	2,832,431	89,005	\$4.37	\$4.41
Manufacturing	331	22,123,589	412,889	0.0%	-4,862	163,615	239,373	0	\$5.14	\$5.14
Office Service/Flex	152	5,777,593	1,648,569	5.3%	7,200	0	202,188	0	\$9.34	\$9.34

\*\*Does not include renewals

**Key Lease Transactions 2018**

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
12200 Presidents Court	772,000	Unilever	Renewal*	Westside
11530 New Berlin Road	306,611	Gildan	New	Northside
4660 New World Avenue	285,652	JinkoSolar	New	Westside
9431 Florida Mining Boulevard East	244,000	UPS	New	Southside

\*Renewal – Not included in Leasing Activity Statistics.

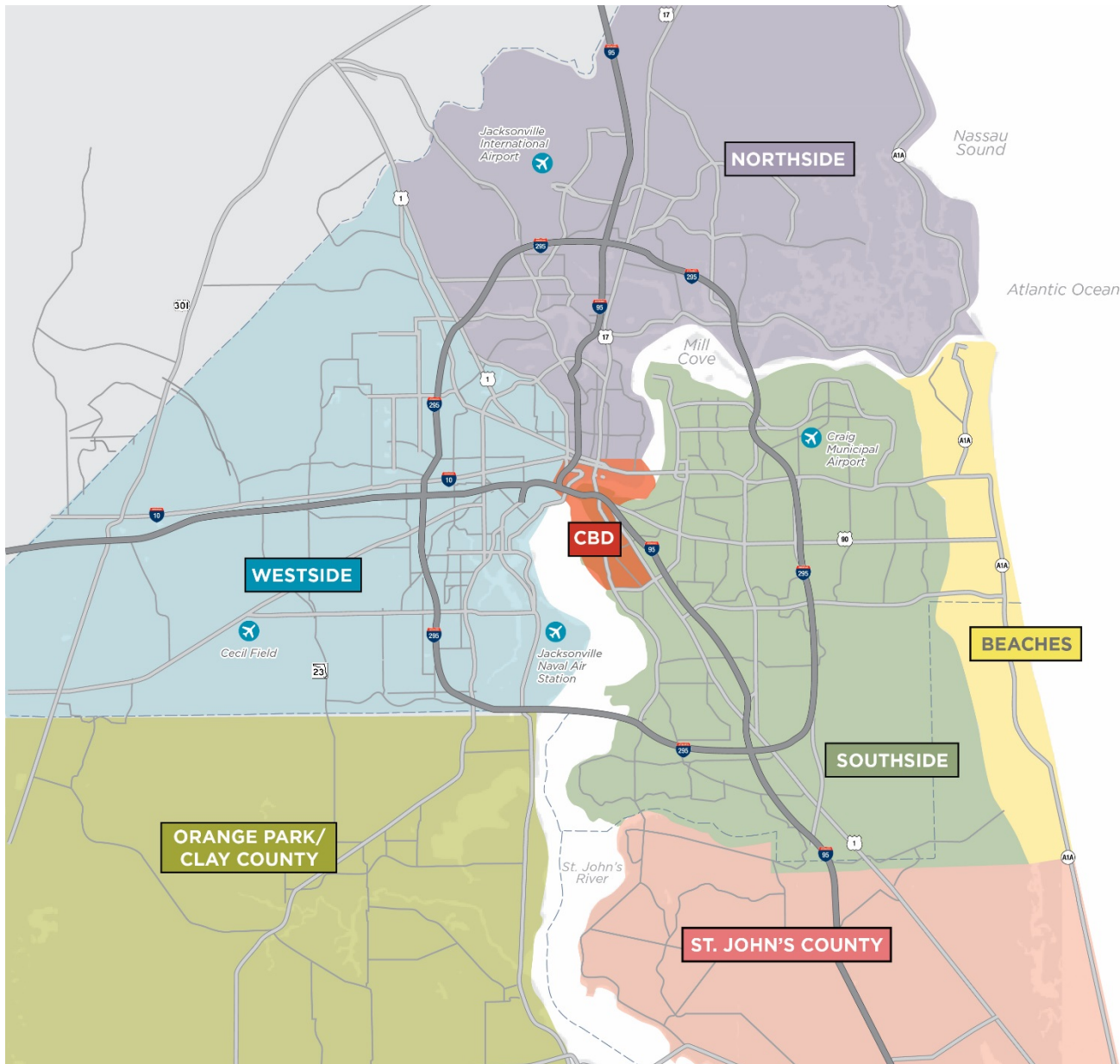
**Key Sales Transactions 2018**

PROPERTY	SF	BUYER/SELLER	PRICE / \$PSF	SUBMARKET
13333 103 <sup>rd</sup> Street	1,016,041	Gramercy Property Trust/Hillwood Development Company	\$95,450,000/\$94	Westside
1 Imeson Park Boulevard	735,840	LBA Realty/Sears Holding Inc.	\$32,250,000/\$43	Northside
600 North Elis Road	210,000	People Services Inc./The Grimes Companies	\$7,000,000/\$34	Westside
9143 Philips Highway	194,400	Savlani Exchange South/Exchange South Owner	\$18,300,000/\$96	Southside

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