

MARKETVIEW

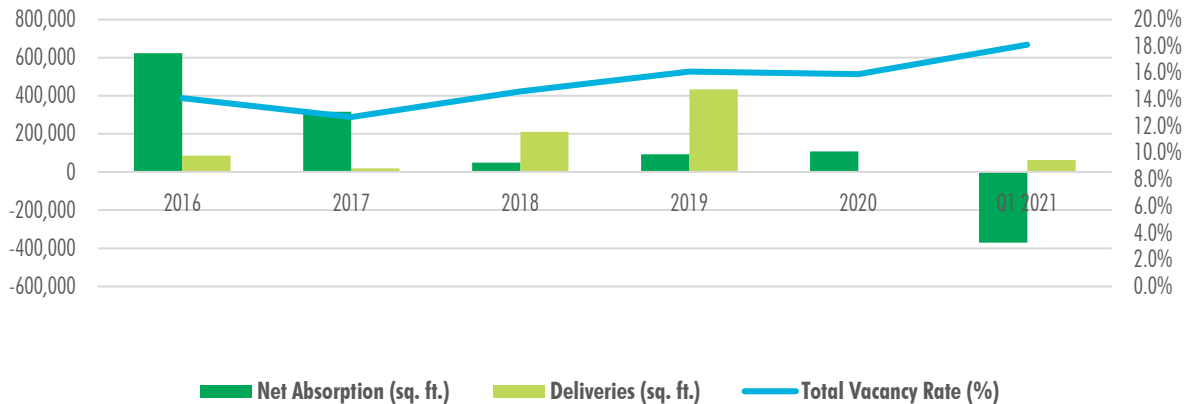
Q1 2021

# Jacksonville Office

## Slow start for the office market

▲ Inventory 23,055,659
▲ New Deliveries 62,751
▲ Under Const. 301,342
▲ Total Vacancy 18.1%
▼ Net Absorption (370,576)
▲ Lease Rate \$21.55

Historical Absorption, Deliveries and Vacancy



- Total vacancy sits at 18.1%, driven by Stein Mart, TIAA Bank, One Call Care and GE Capital vacating space in Q1 2021.
- The sale of investment-grade properties during Q1 2021 totaled approximately \$36.7 million across 364,000 sq. ft compared to \$253.6 million across 1.4 million sq. ft. during the same period in 2020.
- According to the Bureau of Labor Statistics, the unemployment rate in January was 4.4%, a 130 bps increase year-over-year for Jacksonville. The rate is down from 11.2% in April 2020.

**OVERVIEW**

The Jacksonville office market is off to a sluggish start in 2021. Most tenants continue a wait and see approach until they determine what their office space needs will be going forward. Expectations are for a return to the office during the second half of 2021 once vaccinations have reached over 50 percent of the population. Larger swings in occupancy than normal are expected during 2021 until most tenants have finalized their occupancy decisions. Tenants with leases expiring in 2021 have opted for shorter term leases (under five years in length) for renewals.

**DEMAND**

Office space absorption in Jacksonville totaled a negative 370,576 sq. ft. during first quarter 2021. Large tenants over 20,000 sq. ft. such as Stein Mart, TIAA Bank, One Call Care Management, GE Capital, Paycor and PAX Technologies vacated or downsized their direct and sublease space. Demand should increase during the remainder of 2021 with over 500,000 sq. ft. of tenants in the market looking for space. Leasing activity during first quarter totaled 24 leases totaling 163,299 sq. ft. with renewals accounting for 31.0%. The average lease size for new leases was 5,979 sq. ft during first quarter.

The quarter closed with a vacancy rate of 18.1%, representing a 190 bps increase compared to one year ago. Sublease space on the market increased 57.2% over the past year. Currently, 911,022 sq. ft. of sublease is available with 707,182 sq. ft. vacant. As tenants make space needs decisions, fluctuations in vacancy and absorption are expected during 2021.

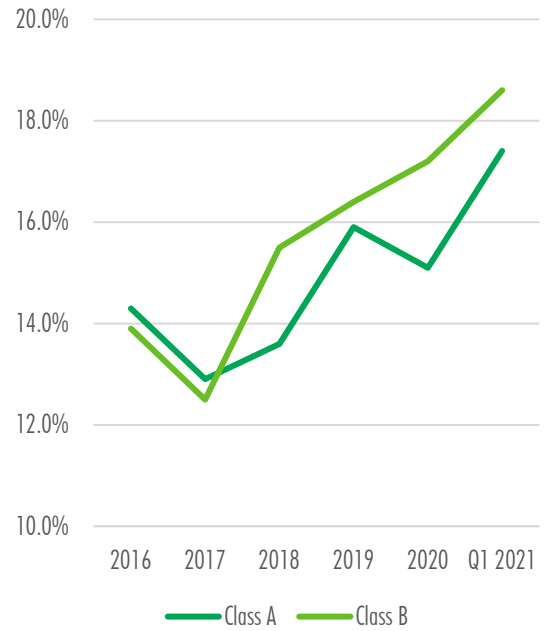
**PRICING**

The direct average asking lease rate rose, closing this quarter at \$21.55 per sq. ft., representing a year-over-year increase of 2.9%. Rental rate growth was primarily in Class A office space, which experienced a year-over-year increase of 3.2%, while Class B rents increased 2.4% over the same period.

**OUTLOOK**

The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter over a quarter of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

Vacancy Rate



Asking Rates (\$/sq. Ft. FSG)



As social distancing measures subside much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared to 5% for total employment (excluding leisure and hospitality).

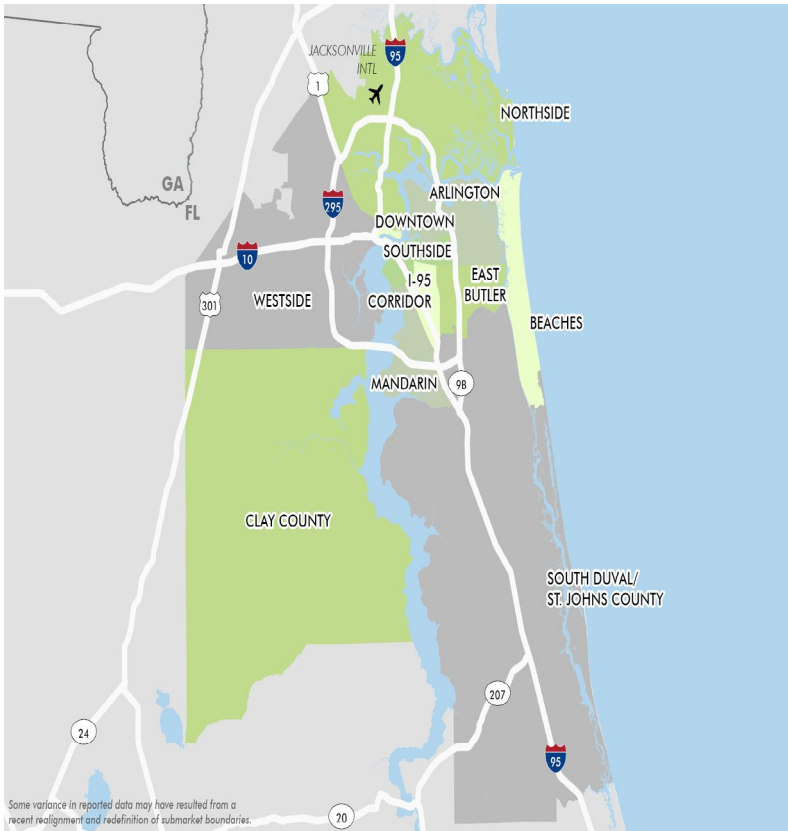
Overall, we think the U.S. economy will create upward of 7 million total new jobs in 2021. This burst of activity will push inflation above the Federal Reserve's traditional 2% target, but this is likely to be transitory as 18 million workers remain on the sidelines and the wall of fiscal stimulus represents a one-time jolt rather than a constant flow of dollars.

**Q1 2021 Statistical Snapshot**

| Submarket                 | Total Inventory (SF) | Direct Vacancy (%) | Total Vacancy (%) | Q1 2021 Net Absorption (SF) | YTD Net Absorption (SF) | Under Construction (SF) | Avg. Asking Lease Rate (\$/SF/FSG/G/MG) |
|---------------------------|----------------------|--------------------|-------------------|-----------------------------|-------------------------|-------------------------|---|
| CBD                       | 6,976,283            | 18.0               | 20.5              | (334,431)                   | (334,431)               | 153,000                 | 22.89                                   |
| Northbank                 | 4,814,243            | 20.5               | 22.3              | (132,069)                   | (132,069)               | 153,000                 | 22.57                                   |
| Southbank                 | 2,162,040            | 12.6               | 16.5              | (202,362)                   | (202,362)               | 0                       | 24.12                                   |
| Arlington                 | 438,028              | 14.8               | 16.4              | 0                           | 0                       | 0                       | 16.75                                   |
| Beaches                   | 812,103              | 6.7                | 7.5               | (13,542)                    | (13,542)                | 0                       | 27.43                                   |
| Clay County               | 475,747              | 6.6                | 6.6               | 0                           | 0                       | 0                       | 21.79                                   |
| East Butler               | 236,876              | 16.2               | 16.2              | 0                           | 0                       | 0                       | 25.50                                   |
| I-95 Corridor             | 12,300,242           | 14.6               | 18.8              | (16,859)                    | (16,859)                | 0                       | 20.79                                   |
| Baymeadows                | 3,933,733            | 19.4               | 25.0              | 43,433                      | 43,433                  | 0                       | 19.09                                   |
| Deerwood Park             | 3,853,288            | 7.9                | 10.2              | 18,541                      | 18,541                  | 0                       | 22.86                                   |
| South 95 Corridor         | 1,174,693            | 16.3               | 20.5              | (49,908)                    | (49,908)                | 0                       | 22.30                                   |
| Southpoint                | 3,338,528            | 16.0               | 20.9              | (28,925)                    | (28,925)                | 0                       | 21.04                                   |
| Mandarin                  | 394,254              | 7.5                | 7.5               | 0                           | 0                       | 0                       | 17.71                                   |
| Northside                 | 46,160               | 14.1               | 14.1              | 0                           | 0                       | 0                       | 15.88                                   |
| South Duval/St. Johns     | 665,239              | 21.4               | 21.4              | (7,233)                     | (7,233)                 | 125,000                 | 22.84                                   |
| Southside                 | 576,251              | 6.1                | 6.1               | 1,489                       | 1,489                   | 0                       | 19.16                                   |
| Westside                  | 134,476              | 1.7                | 1.7               | 0                           | 0                       | 23,342                  | 19.50                                   |
| <b>Suburban Total</b>     | <b>16,079,376</b>    | <b>13.7</b>        | <b>17.0</b>       | <b>(36,145)</b>             | <b>(36,145)</b>         | <b>148,342</b>          | <b>20.88</b>                            |
| <b>Jacksonville Total</b> | <b>23,055,659</b>    | <b>15.0</b>        | <b>18.1</b>       | <b>(370,576)</b>            | <b>(370,576)</b>        | <b>301,342</b>          | <b>21.55</b>                            |

**Q1 2021 Notable Leases**

| Submarket     | Property                 | Tenant                       | Transaction (SF) |
|---------------|--------------------------|------------------------------|------------------|
| CBD           | 301 W Bay St             | Valor Intelligent Processing | 29,126           |
| Arlington     | 9485 Regency Square Blvd | Hamburg Sud North America    | 23,082           |
| I-95 Corridor | 4655 Salisbury Rd        | Step Up For Students         | 13,977           |



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**Market Coverage:** Includes all competitive Class A and B office buildings 10,000 sq. ft. and greater in size in Clay, Duval and St. Johns Counties. Excludes: single occupancy, government and medical buildings.

**Note:** Tracked inventory was audited to reflect prevailing perception of the market. Class C product was removed from the tracked set, and Class changes were implemented where necessary to better capture current status. All changes are reflected historically in the data and analysis but cannot be compared to previously released Research reports.

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