

Jacksonville



Market Facts

25.1 MSF

Total office inventory in the Jacksonville office market

642,500 SF

Direct net absorption for 2016

15.3%

Overall Vacancy

\$22.19 PSF

Average rental rate for class A space in Jacksonville

Office Fundamentals Strong Outside the Urban Core with Continued Growth Planned

Jacksonville's economy continues to perform as demonstrated by the sustained decline in the unemployment rate, which held steady at 4.7% – a slight 10-bps decrease from the previous year. Economic fundamentals continue to exhibit improvement, job growth continues with over 23,000 new jobs added in the trailing 12-month period (a healthy increase of 3.6%), consistent leasing activity is occurring, and there is no speculative construction in the immediate pipeline.

At the close of 2016, office fundamentals remained steady with a healthy 0.9 percentage point decline in the direct vacancy rate since the first quarter to a current 15.3%, healthy net absorption for the year of 642,500 square feet (sf), and an increase in the direct weighted average rental rate

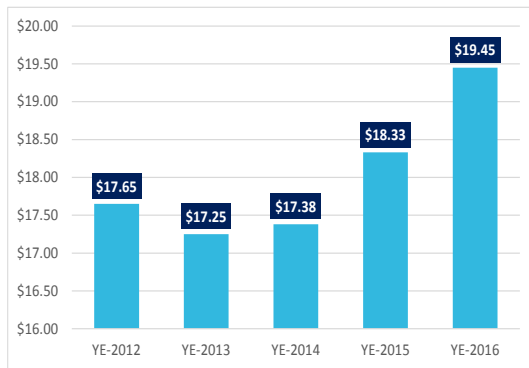
of \$0.42 to a current \$19.45 per sf on a full-service basis. Over 80% of the year's total net absorption occurred in the I-95/9A corridor, and most specifically within the Baymeadows area. Investment sales were also up significantly over the previous year, led by a major office park disposition in the I-95/9A corridor and the sale of a tower in Downtown's Southbank area.

Planned Office Growth Pushing Beyond the Urban Core

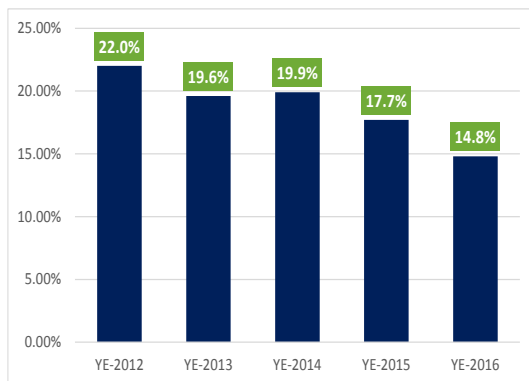
VanTrust Real Estate LLC ("Van Trust") announced plans in December to develop 675,000 sf of speculative class A office space in the master-planned Nocatee development, which is the third best-selling master-planned community in the country. The project will be called Park Place at Nocatee and will be developed in multiple phases on a 70-acre site in southern

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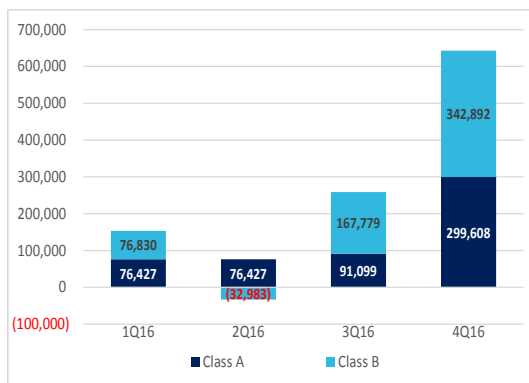
Average Asking Rent Rate (\$/SF/FS)



Direct Vacancy Rate



YTD Net Absorption (SF)



Duval County near the Nocatee Town Center. The development is currently in the engineering phase and the first phase will begin with a four-story, 120,000 sf class A building that will offer higher-end users both immediate market presence and an elevated design standard, along with proximity to an expanding and quality labor force. Earlier in the year, Van Trust announced a new 160,000-sf class A office building to be built on Gate Parkway in the highly desirable Deerwood Park business park. The building, tentatively named Town Center One, is anticipated to break ground in the spring of 2017.

Financial Services and Insurance Tenants Drive Leasing Activity Along I-95 Corridor in 2016

Leasing activity during 2016 was relatively brisk with several companies in the financial services and insurance industries in growth mode and on the move along Jacksonville's I-95 corridor. Deutsche Bank announced plans to expand local operations in Jacksonville by renewing its 200,000 sf lease at Meridian Business Park, expanding by another 150,000 sf at the PHH Building (activity that was partially offset by the 100,000 sf they vacated at Butler Plaza), and pledging to create 350 new jobs by the end of 2017. Aetna Healthcare also confirmed its plans to vacate its current space on the Southbank and relocate to the former Bank of America corporate campus at Gramercy Woods, essentially downsizing by approximately 40,000 sf while consolidating its operations

outside the downtown core. Earlier in the year, Citibank announced it will be adding at least 800 new employees to its payroll as a result of strong business growth. Citibank's Jacksonville campus already employs approximately 4,000 people and the company plans to add another 500 jobs. Finally, Ernst & Young signed a 45,181-sf lease at Flagler Center during the fourth quarter. The firm, which will be vacating its current space in the Wells Fargo building in Downtown's Northbank, plans to expand its workforce in Jacksonville by 450 employees by the end of 2019.

Looking Ahead

Avison Young anticipates that investment activity will continue in the coming year, with REITs increasingly interested in Jacksonville given it offers fewer challenges in acquiring quality assets at reasonable rates as competition from other buyer types (i.e. private and institutional investors) is concentrated to a higher degree in other in-state metro areas like Miami and Orlando. Capital is expected to continue to flow into the real estate market during 2017, and the absence of new speculative construction, coupled with rising commercial land prices, should continue to support a healthy local investment climate. Continued incremental gains in rents are also expected, particularly within sought after class A space in primary submarkets, along with a slight impact to the vacancy rate as the trend of densification continues to slowly take hold.

JACKSONVILLE MSA TOTAL									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	11,795,449	\$22.19	1,493,057	87.34%	12.66%	0.54%	13.20%	0	299,608
Class B	13,215,459	\$17.61	2,219,041	83.21%	16.79%	0.37%	17.16%	0	342,892
Jacksonville MSA Total	25,010,908	\$19.45	3,712,098	85.16%	14.84%	0.45%	15.29%	0	642,500
Downtown - Northbank									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	3,603,906	\$21.05	681,751	81.08%	18.92%	0.01%	18.93%	0	(32,033)
Class B	1,571,165	\$17.39	415,418	73.56%	26.44%	1.06%	27.50%	0	748
Downtown Northbank Total	5,175,071	\$19.67	1,097,169	78.80%	21.20%	0.33%	21.53%	0	(31,285)
Downtown - Southbank									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	2,049,908	\$22.65	89,606	95.63%	4.37%	0.32%	4.69%	0	61,153
Class B	235,094	\$18.50	2,600	98.89%	1.11%	0.00%	1.11%	0	4,344
Downtown Southbank Total	2,285,002	\$22.54	92,206	95.96%	4.04%	0.28%	4.32%	0	65,497
I-95 / 9A Corridor									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	5,121,334	\$22.32	548,282	89.29%	10.71%	1.01%	11.72%	0	264,648
Class B	6,727,602	\$18.57	843,197	87.47%	12.53%	0.36%	12.89%	0	256,367
Butler/Baymeadows Total	11,848,936	\$20.05	1,391,479	88.26%	11.74%	0.64%	12.38%	0	521,015
Business Park Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
<i>Baymeadows</i>	4,434,367	\$19.64	637,660	85.62%	14.38%	0.82%	15.20%	0	422,906
<i>Deerwood Park</i>	3,399,380	\$22.24	308,128	90.94%	9.06%	0.08%	9.15%	0	66,215
<i>I-95 Corridor</i>	1,051,388	\$19.97	58,966	94.39%	5.61%	0.00%	5.61%	0	87,800
<i>Southpoint</i>	2,963,801	\$18.98	386,725	86.95%	13.05%	1.24%	14.28%	0	(55,906)
Mandarin									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	N/A	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Class B	590,477	\$19.45	60,488	89.76%	10.24%	0.00%	10.24%	0	21,019
Mandarin Total	590,477	\$19.45	60,488	89.76%	10.24%	0.00%	10.24%	0	21,019
Arlington									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Class B	1,013,575	\$14.06	352,785	65.19%	34.81%	0.21%	0.21%	0	35,126
Arlington Total	1,013,575	\$14.06	352,785	65.19%	34.81%	0.21%	0.21%	0	35,126
Beaches									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	793,385	\$26.48	108,672	86.30%	13.70%	0.63%	14.33%	0	19,538
Class B	142,397	\$22.00	4,860	96.59%	3.41%	0.00%	3.41%	0	(2,710)
Beaches Total	935,782	\$26.29	113,532	87.87%	12.13%	0.53%	12.67%	0	16,828
Southside									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Class B	1,652,654	\$15.24	304,436	81.58%	18.42%	0.33%	18.75%	0	(4,969)
Southside Total	1,652,654	\$15.24	304,436	81.58%	18.42%	0.33%	18.75%	0	(4,969)
Westside									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Class B	405,880	\$20.79	65,339	83.90%	16.10%	0.00%	16.10%	0	9,436
Westside Total	405,880	\$20.79	65,339	83.90%	16.10%	0.00%	16.10%	0	9,436
Northside									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	0	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Class B	94,608	\$10.25	37,940	59.90%	40.10%	0.00%	40.10%	0	0
Northside Total	94,608	\$10.25	37,940	59.90%	40.10%	0.00%	40.10%	0	0
Clay County									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	85,000	\$0.00	0	0.00%	0.00%	0.00%	0.00%	0	0
Class B	516,169	\$19.34	88,481	82.86%	17.14%	0.00%	17.14%	0	5,266
Clay County Total	601,169	\$19.34	88,481	85.28%	14.72%	0.00%	14.72%	0	5,266
St Johns County									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	141,916	\$18.45	64,746	54.38%	45.62%	0.00%	45.62%	0	(13,698)
Class B	265,838	\$18.10	43,497	83.64%	16.36%	0.00%	16.36%	0	18,265
St Johns County Total	407,754	\$18.31	108,243	73.45%	26.55%	0.00%	26.55%	0	4,567

CBD									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	5,653,814	\$21.24	771,357	86.36%	13.64%	0.00%	13.64%	0	29,120
Class B	1,806,259	\$17.40	418,018	76.86%	23.14%	0.00%	23.14%	0	5,092
CBD	7,460,073	\$19.89	1,189,375	84.06%	15.94%	0.00%	15.94%	0	34,212

Non-CBD/Suburban									
Class Breakdown	Total RSF	Avg Rent Rate	Direct Vacant SF	% Occupied	% Direct Vacant	% Sublet Vacant	Total Vacancy	Under Construction	YTD Absorption
Class A	6,141,635	\$22.33	721,700	88.25%	11.75%	0.00%	11.75%	0	270,488
Class B	11,409,200	\$17.29	1,801,023	84.21%	15.79%	0.00%	15.79%	0	337,800
Non-CBD/Suburban	17,550,835	\$18.73	2,522,723	85.63%	14.37%	0.00%	14.37%	0	608,288

Florida's economy has emerged from the most significant downturn since the Great Depression as one of the nation's fastest growing economies.

Leading Indicators



Florida's Economic Outlook Through 2019

A report recently released by the University of Central Florida's Institute for Economic Competitiveness concluded that over the period between 2016 and 2019, average growth in Real Gross State Product is expected to expand at an average annual rate of 2.7%, which will be 0.7 percentage points faster than the forecasted average growth for U.S. Real Gross Domestic Product over the same period. Payroll growth is expected to remain strong and should continue to outpace national job growth. The sectors expected to have the strongest job growth over the next three years are construction (4.9%), professional and business services (3.7%), leisure and hospitality(2.0%), education and health services (2.0%), and trade, transportation and utilities (1.8%). Housing starts should increase moving forward but not at a fast enough pace to meet the near-term demand for single-family housing.

Significant 2016 Lease Transactions - Sorted by SF

Tenant	Property	Type	SF	Qtr Leased	Submarket
Bank of America	Gramercy Woods	Renewal	822,500	2Q16	I-95/9A Corridor
Aetna US Healthcare	Gramercy Woods	New Lease	132,270	2Q16	I-95/9A Corridor
Ernst & Young*	Lakeside Two/Five	New Lease	45,181	4Q16	I-95/9A Corridor
Firehouse Restaurant Group*	Flagler Center 100	New Lease	31,525	2Q16	I-95/9A Corridor
Allstate	8800 Baymeadows Way	New Lease	18,500	3Q16	I-95/9A Corridor
Cypress Insurance*	Lakeside V	New Lease	17,486	1Q16	I-95/9A Corridor
Covent Bridge USA	North Regency I	New Lease	17,103	2Q16	Arlington
Randrr*	Lakeside II	New Lease	13,865	3Q16	I-95/9A Corridor
Burr Forman	Bank of America Tower	New Lease	12,555	1Q16	Northbank
U.S. Bank	Summit at Southpoint II	New Lease	11,574	1Q16	I-95/9A Corridor
Verizon Wireless*	Gran Park at the Avenues II	Renewal	9,618	2Q16	I-95/9A Corridor
Zwicker & Associates	10751 Deerwood Park Blvd	New Lease	7,552	1Q16	I-95/9A Corridor

* Avison Young handled this transaction



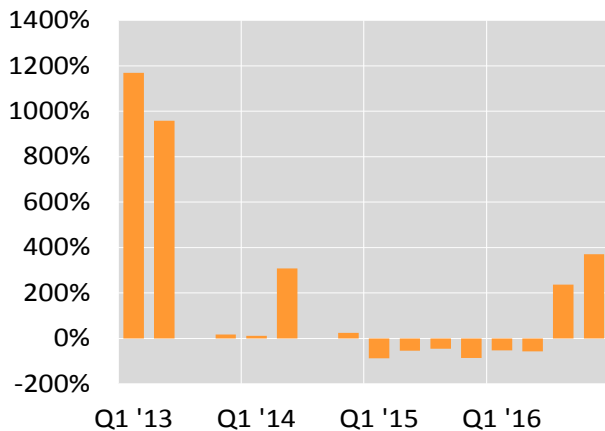
2016 Ends with a Significant Investment Transaction in Downtown's Southbank

Investment sales activity during 2016 improved dramatically over the previous year, with \$351 million in total volume over the course of the year (up 87% over the 12 months ending in December 2015). This year's transaction volume accounted for 2.8 million sf with an average sales price of \$97 per sf, and one of the most significant investment sales occurred during the fourth quarter when Lingerfelt Commonwealth Partners purchased Fortress' partial ownership stake in Riverplace Tower in Downtown's Southbank for \$53.4 million sf. The 425,223-sf tower, anchored by tenants including Ameris Bancorp and Macquarie Group, was 85% occupied at the time of the sale. Institutional investment sales account for 71% of all sales activity to date (more than double that of the U.S. as a whole), followed by private investment (18%), public listed/REIT buyers (7%), cross-border capital (3%), and user sales (1%). The most notable transaction of the year was the sale of Parkway Properties' 1.47-million sf portfolio due to its merger with Cousins Properties. The buildings primarily included class A properties in Deerwood North, Deerwood South, and JTB Center in the I-95/9A Corridor. TPG Capital purchased the portfolio for \$195 million.

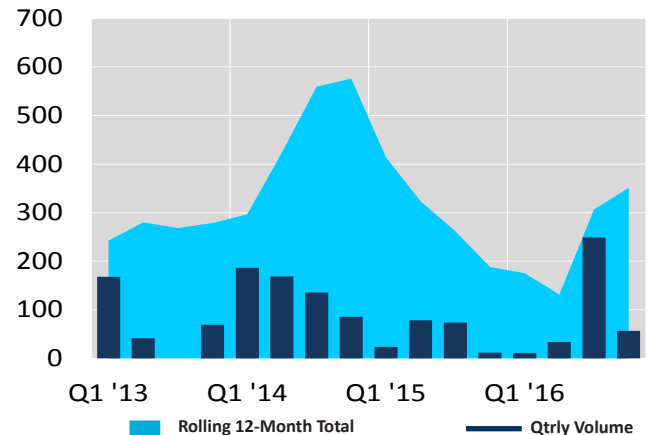
Significant 2016 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Qtr Sold	Submarket
Deerwood South	521,845	\$83,444,124	\$160	TPG Capital	3Q16	I-95/9A Corridor
Deerwood North	449,651	\$71,900,150	\$160	TPG Capital	3Q16	I-95/9A Corridor
Riverplace Tower	425,223	\$53,400,000	\$126	Lingerfelt Commonwealth Partners	4Q16	Downtown Southbank
JTB Center	248,000	\$39,655,727	\$160	TPG Capital	3Q16	I-95/9A Corridor
Capital Plaza	415,977	\$24,000,000	\$58	Starwood Property Trust	2Q16	I-95/9A Corridor
Stein Mart Building	196,649	\$23,616,667	\$120	Lingerfelt Commonwealth Partners	3Q16	Southbank
Liberty Center	113,682	\$11,400,000	\$100	Hakimian Holdings	1Q16	I-95/9A Corridor
The Reflections	125,671	\$11,000,000	\$87	IMC Real Estate Management	3Q16	I-95/9A Corridor
7220 Financial Way	28,144	\$2,978,800	\$106	ERC; Mark A Thompson	3Q16	I-95/9A Corridor
The Grover Stewart Bldg	53,000	\$2,050,000	\$39	Level Office JV American Credit Corp of Boston	1Q16	Downtown Northbank

Change in Sales Y-O-Y



Sales by Total \$ (in millions)



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