



**AVISON
YOUNG**

Florida office insight report

Q2 2021

AVANT
by AVISON YOUNG



Contents

Florida office market overview	<u>page 3</u>
Miami market fundamentals	<u>page 4</u>
Fort Lauderdale market fundamentals	<u>page 24</u>
West Palm Beach market fundamentals	<u>page 41</u>
Tampa market fundamentals	<u>page 58</u>
Orlando market fundamentals	<u>page 75</u>
Jacksonville market fundamentals	<u>page 91</u>
Get in touch	<u>page 106</u>

Office market fundamentals are improving

Florida's strong employment base, pro-business environment, deep talent pool, enviable quality of life, and expansive growth in the tech, health, and finance sectors continue to attract the kind of strong in-migration that resulted in the state winning an extra seat in the U.S. House of Representatives. While the pandemic has had a considerable effect on Florida's population, its effect on the business economy was lessened (compared to markets like New York and California) as the state has been largely open for the last few quarters, enabling the business base to return to work and begin to move deals forward.

Office leasing demand is incrementally rising across the state as tenants that postponed their long-term occupancy strategies re-enter the market, as indicated by tour activity and increasing term lengths in negotiated deals. The availability of tech talent and labor is expected to continue to impact business

decisions in the state, even as office leasing demand from larger users—particularly from out-of-market tenants—persists.

While the Orlando area was hit harder than most due in part to the hospitality sector's impact on the local economy, Tampa remains strong with steady activity taking place. South Florida continues to benefit from net in-migration of tech and finance talent from the Northeast, and Miami and West Palm Beach have seen a spike in new-to-market tenants in the fintech, tech, private wealth and financial-related industries. Also notable is that the Jacksonville market has recorded net gains in office-using employment since the beginning of the pandemic.

The impact of sublease space is slowly lessening but it still totals **4.1 million square feet**, and some blocks placed on the market early in the pandemic by proactive landlords were opportunistic in

nature and have either been leased or taken back by occupiers.

There are currently 27 office buildings under construction totaling **4.5 million sf**, equivalent to **1.9%** of Florida's total existing office inventory. The Miami office market has the greatest concentration of new development, with 5 buildings underway in the Biscayne Corridor alone, and the most significant project under construction is the highly anticipated 830 Brickell Plaza building in the Brickell submarket.

Florida office investment activity has also been robust, totaling **\$3.4 billion** since the beginning of 2020. There has been an increase in both the number of deals being brought to market and the corresponding investment interest, however a considerable delta remains between the two as too many investors are chasing too few deals.

A photograph of the Miami skyline at dusk, featuring several high-rise buildings with illuminated windows, reflected in the water in the foreground. The sky is a deep blue with some light clouds.

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Miami Office Insight Report

Q2 2021

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Key takeaways



Economic conditions

- Reopening efforts and higher vaccination rates have allowed South Florida's unemployment rate to rebound from a high of 13.8% to **5.9%**.
- Florida's strong employment base, pro-business environment, deep talent pool, enviable quality of life, and expansive growth in the tech, health, and finance sectors continue to attract the kind of strong in-migration that resulted in the state winning an extra seat in the U.S. House of Representatives.



Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- While the pandemic has had a considerable effect on Florida's population, its effect on the business economy was lessened (compared to markets like New York and California) as the state has been largely open for the last few quarters, enabling the business base to return to work and begin to move deals forward.



Office demand

- Leasing activity is at **55.4%** of all volume recorded in 2020 and is expected to grow through year-end 2021 at the same pace it has occurred year-to-date.
- Six leases were signed during Q2 north of 10,000 sf, the largest of which was Cano Health's lease for **115,358 sf** at Flagler Station in Medley/Hialeah. The flight to quality trend still persists as each building involved was a class A or trophy property.
- Miami has seen a spike in new-to-market tenants in the fintech, tech, private wealth and financial-related industries that have opted for 10 to 12-year lease terms.

Key takeaways



Office supply

- Direct and sublease vacancy are together at the highest point since 2013, totaling **16.9%**.
- Sublease space is beginning to moderate, totaling **463,918 sf** and comprising only **4.7%** of total vacant space. Some space placed on the market by proactive landlords was opportunistic in nature and has either been leased or taken back by occupiers.



Pricing trends

- Rents have spiked significantly in the last year in Miami largely due to new construction deliveries, and some landlords have raised their rents to better compete with a trophy office tower underway in Brickell with asking rents comparable to New York at **\$75 to \$80 per sf**.
- The amount of activity and tenants touring the market has landlords confident that they can achieve these premium rates.
- There is a growing disconnect between the current rate of growth of the national economy and the future affordability of rental rates for local (i.e. not new-to-market) companies.



Capital markets

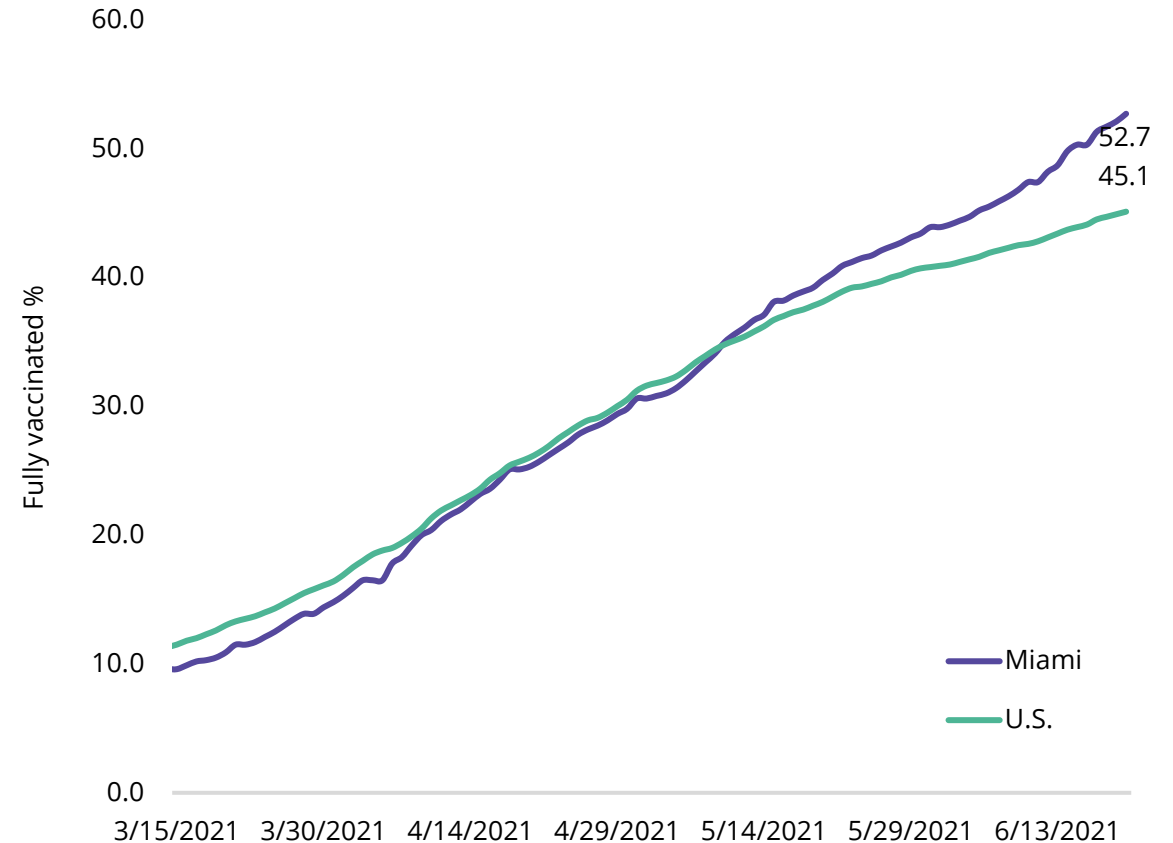
- Office investment activity has been brisk in Miami, with total transaction volume of **\$1 billion** for the period from Jan 2020 through Jun 2021. The largest sale during Q2 was Cardone Capital's \$93 million acquisition of Harbour Centre at Aventura.
- Investment activity will likely continue at the current pace through Q4 2021. Pricing will remain on an upward trajectory until then, after which it should begin to level off.

Vaccination rates

52.7%

Share of total Miami-Dade County population that is fully vaccinated

Miami's rate of vaccination is the highest in South Florida and has far exceeded the U.S. average, providing additional fuel for the recent escalation in large lease activity.



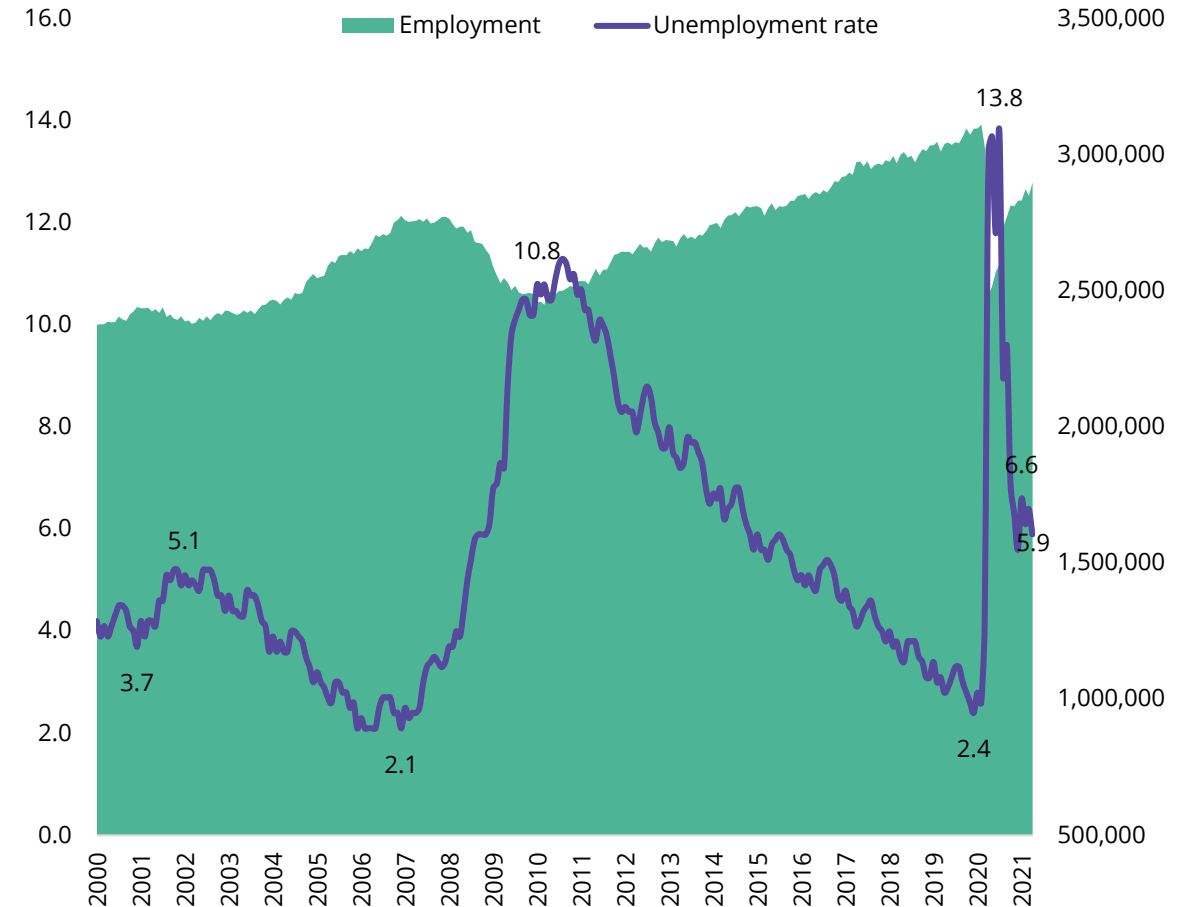
Source: CDC

Employment and unemployment rate

5.9%

South Florida's unemployment rate as of April 2021, 790 bps below the height of the pandemic

Historically tightened labor market conditions were halted by the pandemic with 629,600 job losses between February and April 2020. However, reopening efforts in the months since have enabled the economy to add over 417,000 jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

-4.0%

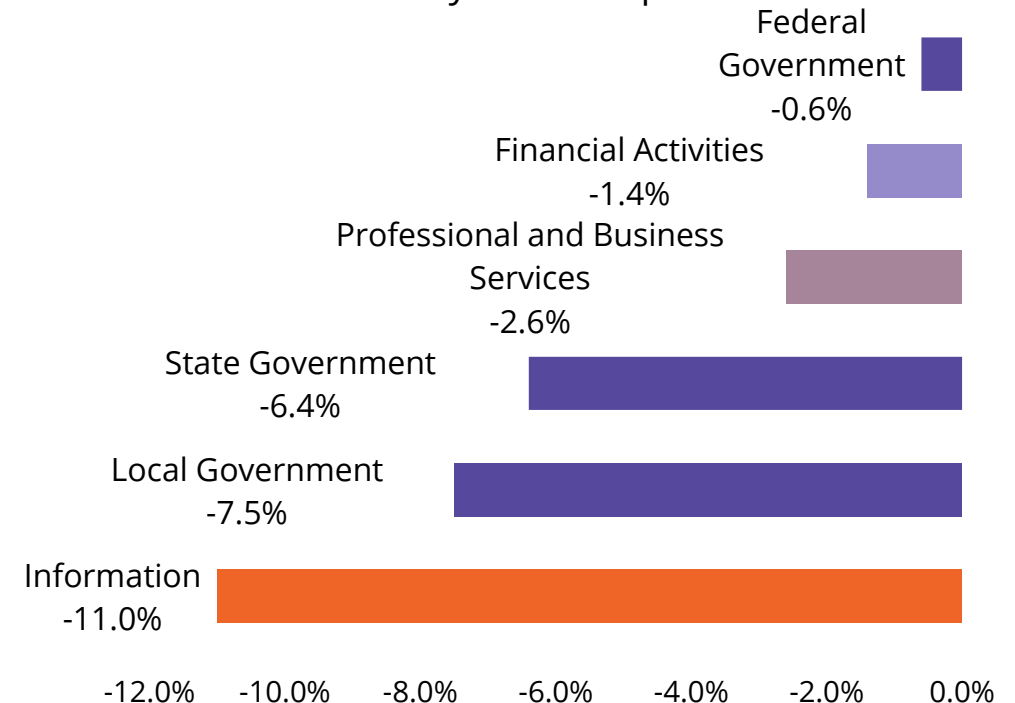
Change in office-using employment during the pandemic

Job losses in South Florida have declined by 7.2% since the start of the pandemic, though office-using jobs contracted by just 4.0%. As was the case with the global financial crisis over a decade ago, the impact of this recession will be felt in South Florida's office markets to some degree for years to come.

[VIEW DASHBOARD](#)

Total change in South Florida* job gains/(losses)

February 2020 to April 2021



Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

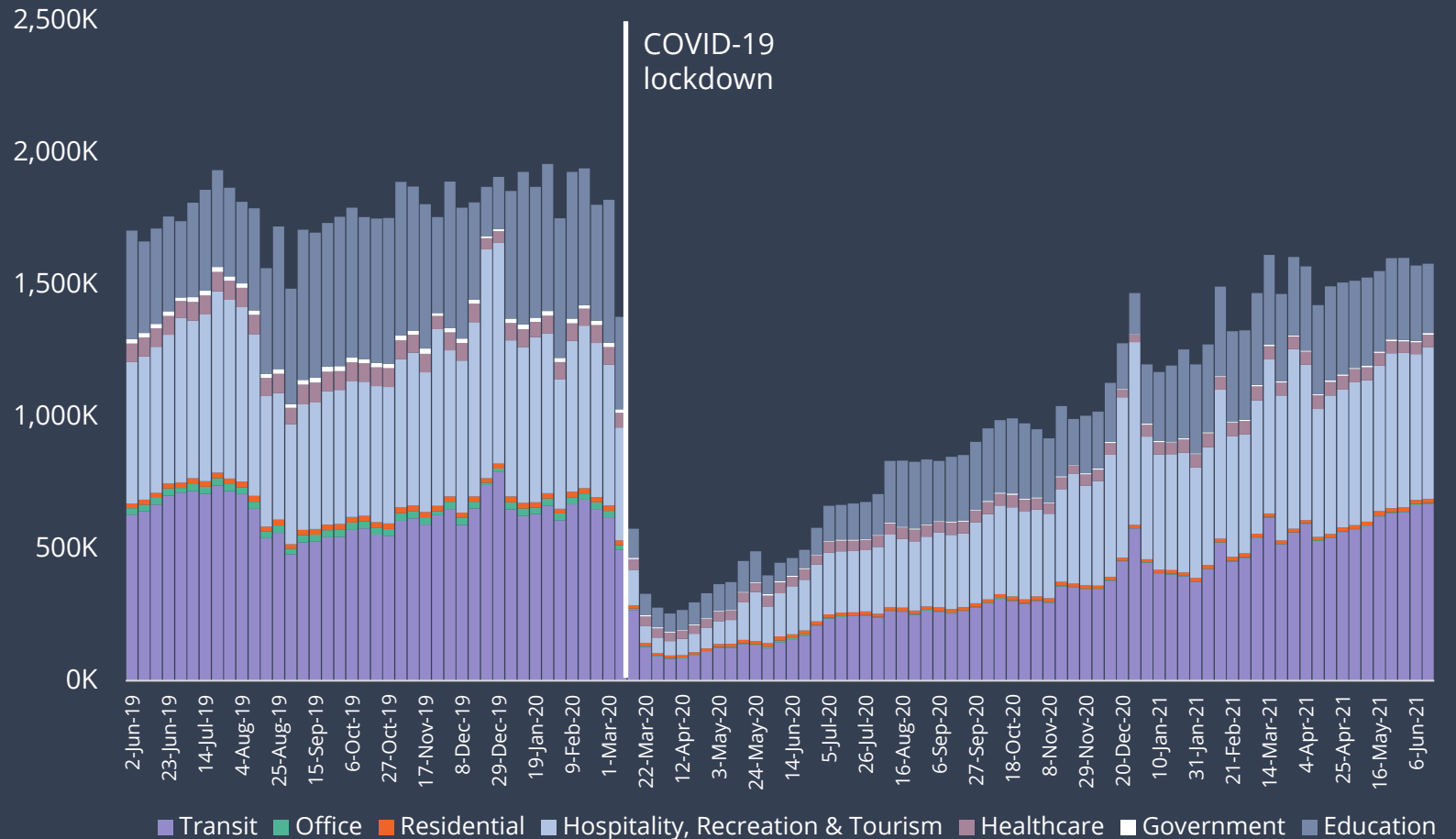
Miami Recovery index

57.6%

Post-COVID rate of recovery based on representative locations through 5/30/2021

The hospitality, recreation, and tourism sector has been on a path of slow but steady recovery in Miami.

The sector has recovered at 49.7% as of June 2021.



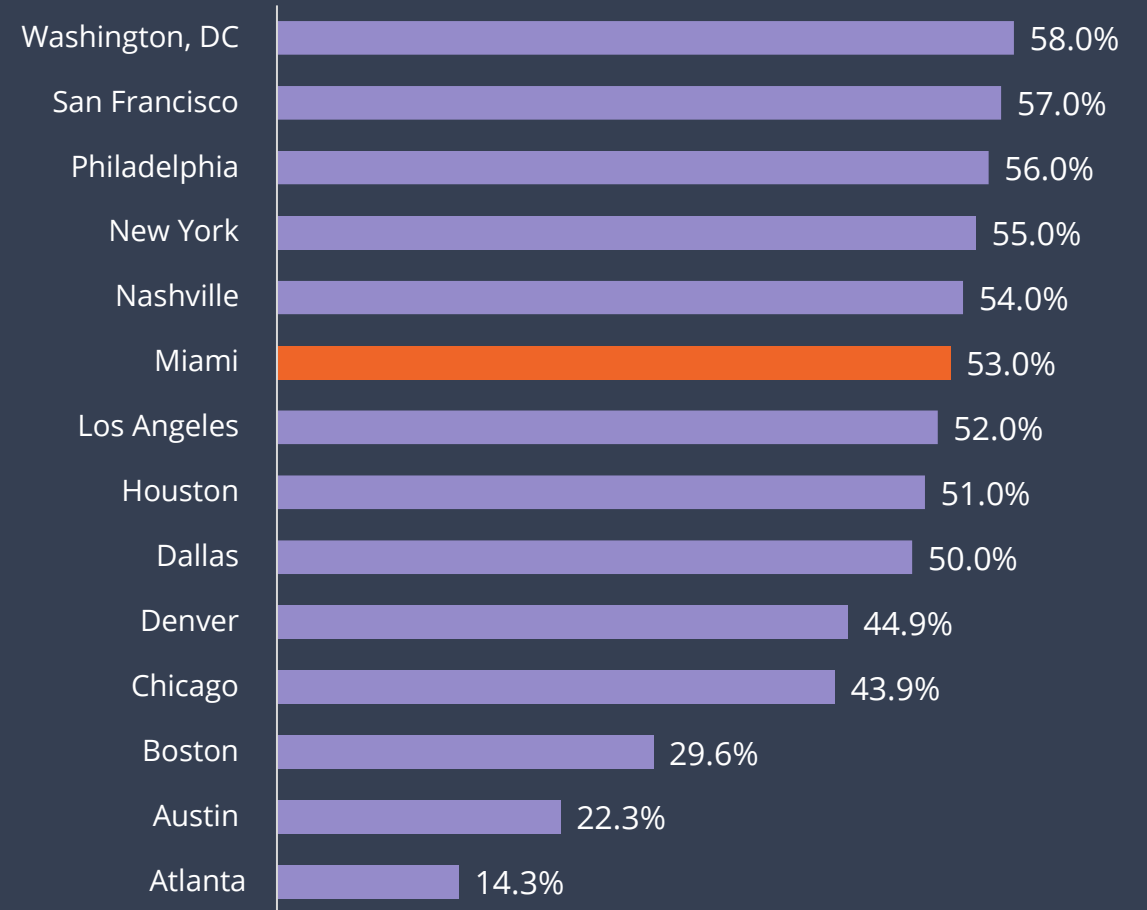
Note: Representative areas of interest. Weekdays only.
Pre-COVID period measured as 12/1/2019 to 3/8/2020.
Source: Orbital Insights, AVANT by Avison Young

Office recoveries in gateway U.S. cities

53.0%

Post-COVID rate of recovery for representative Miami office occupiers through 5/30/2021

Office employers have taken unique approaches in their return-to-work efforts, with media & PR firms returning to the office more quickly while financial services firms have adopted remote working strategies. Demand for flexible office space has also been on the rise as tenants remain hesitant to lock themselves into a long-term lease.



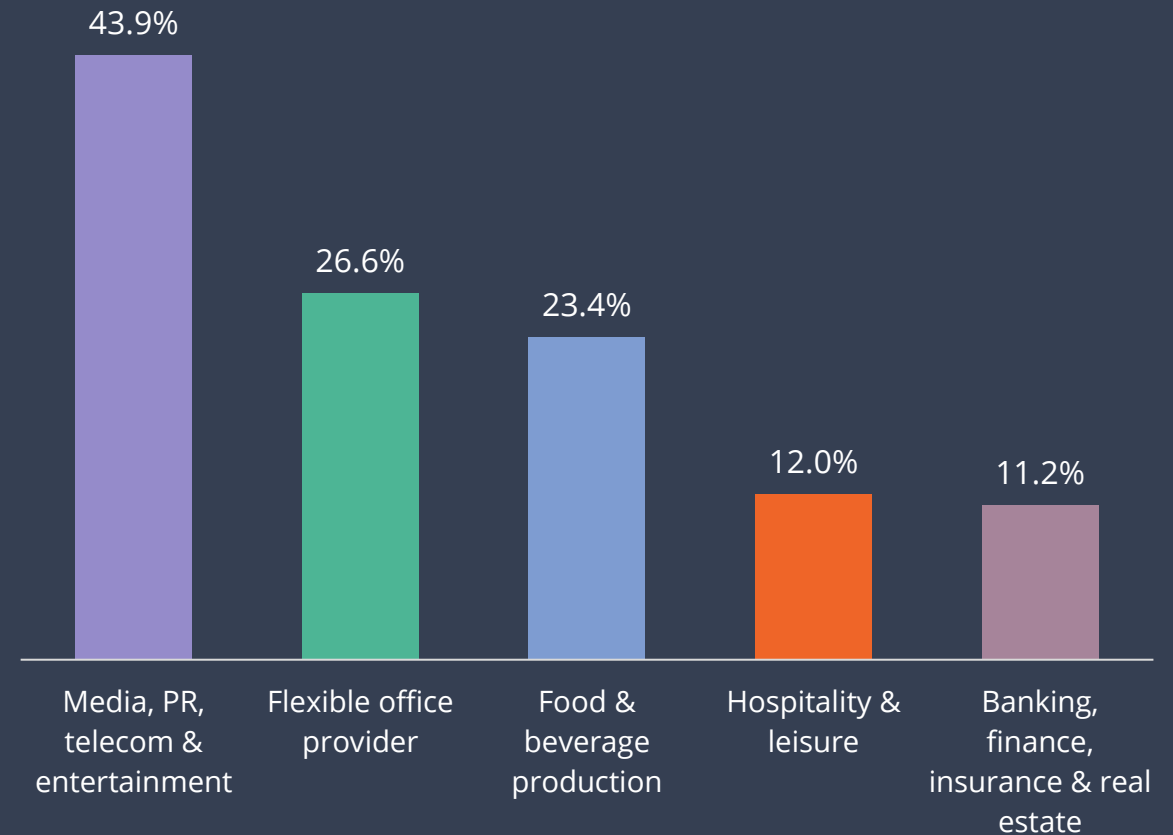
Note: Select, representative occupiers only. Weekdays only.
Pre-COVID period measured as 12/1/2019 to 3/8/2020.
Source: Orbital Insights, AVANT by Avison Young

Recovery index for select office occupiers

14.2%

Post-COVID rate of recovery for representative Miami office occupiers through 5/30/2021

Office employers have taken unique approaches in their return-to-work efforts, with media & PR firms returning to the office more quickly while financial services firms have adopted remote working strategies. Demand for flexible office space has also been on the rise as tenants remain hesitant to lock themselves into a long-term lease.



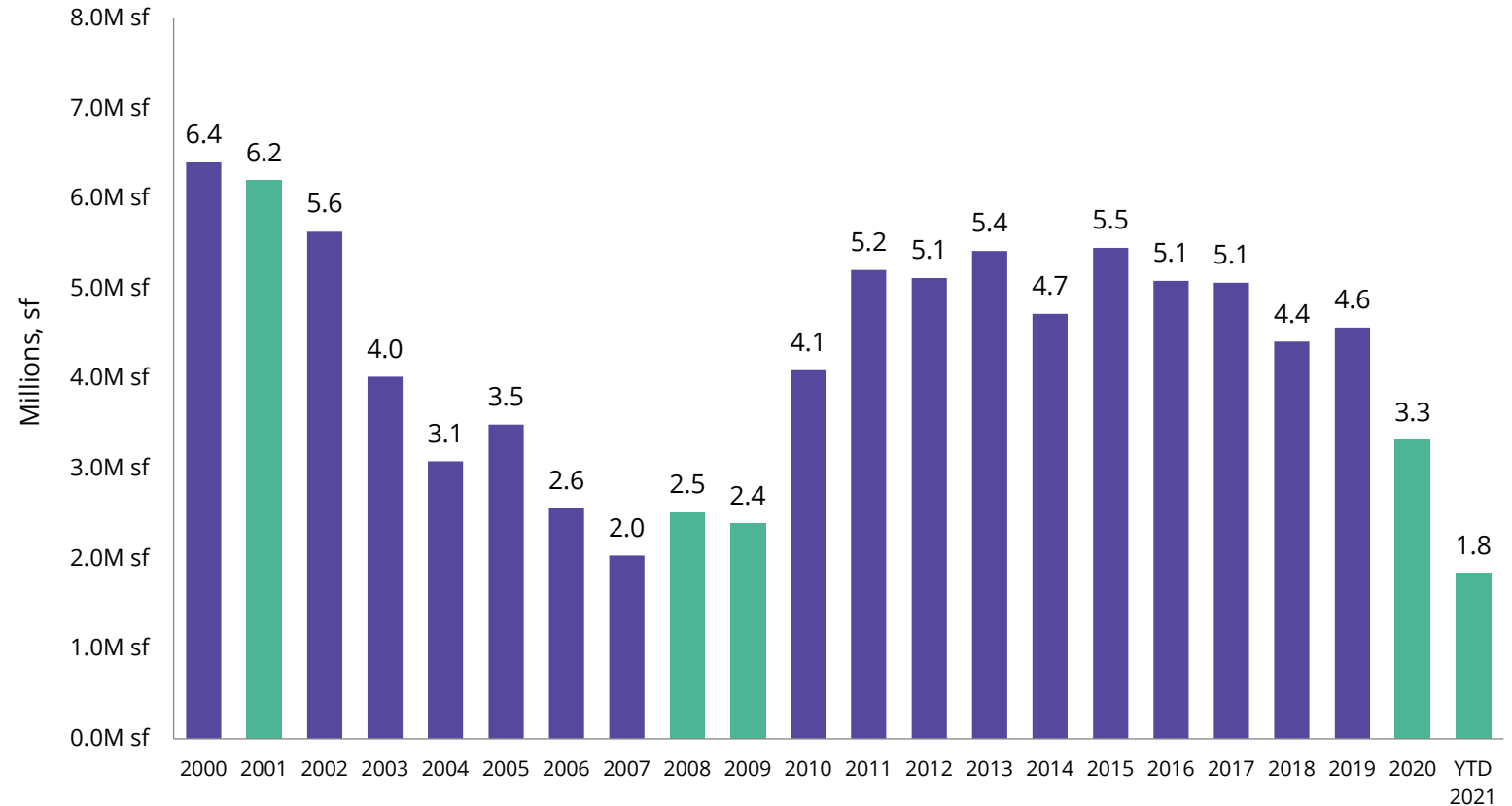
Note: Select, major occupiers only. Weekdays only.
Pre-COVID period measured as 12/1/2019 to 3/8/2020.
Source: Orbital Insights, AVANT by Avison Young

Office leasing activity

55.4%

**Year-to-date 2021
leasing activity
compared to YE-2020**

There is no modern equivalent for the post-COVID slowdown in leasing activity - although the last recession came close - however leasing activity is expected to grow through the end of the year at its current pace.

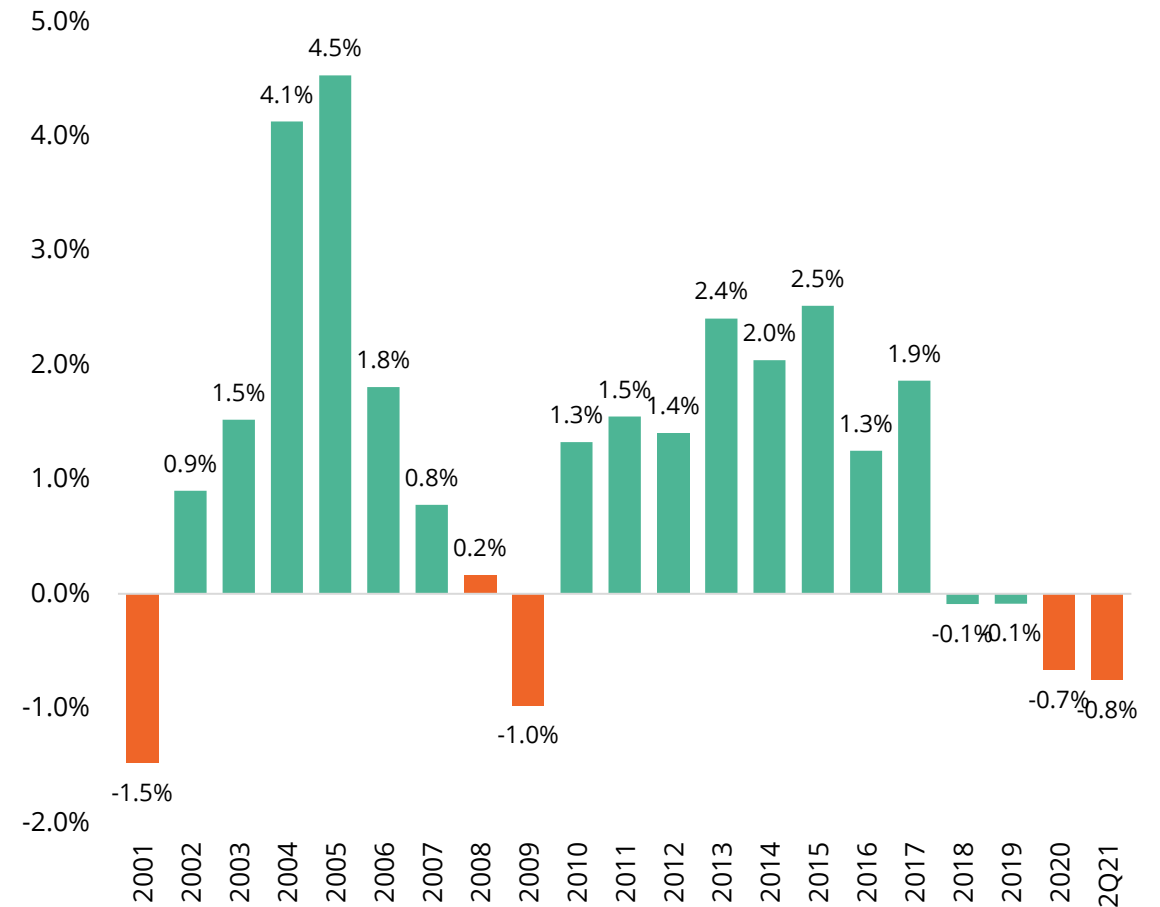


Source: AVANT by Avison Young

-1.5%

Net absorption as a percentage of inventory, 2020 through Q1 2021

Negative absorption from 2020 to 2Q21 has totaled 827,662 sf, totaling -1.5% of the existing stock, which represents the weakest showing in the previous 20-year period.



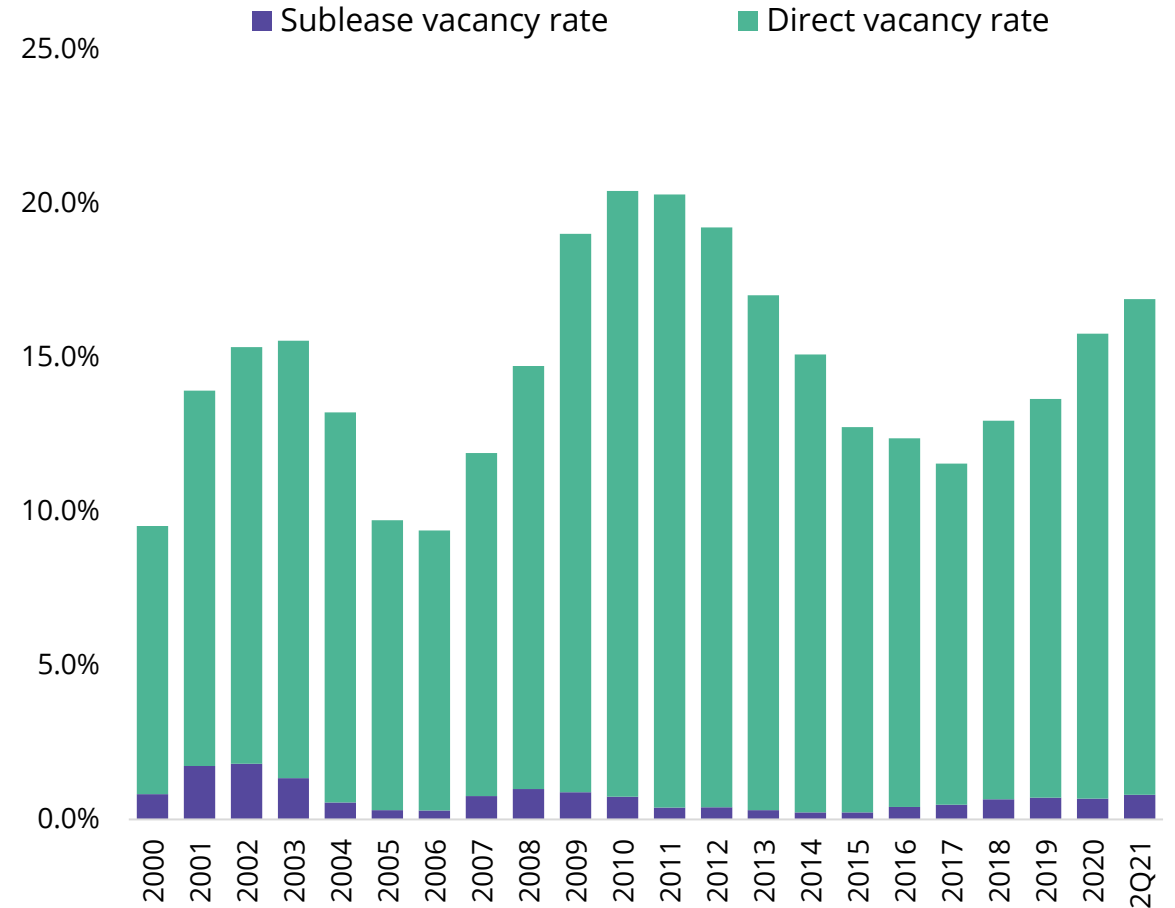
Source: AVANT by Avison Young

Vacancy rate

16.9%

Total vacancy in Miami is at its highest point since 2013

The Q2 2021 vacancy rate is at its highest point in 8 years but remains well below the 20.4% recorded in 2010, which was the highest rate in the previous 20-yr period. Overall rents for the current quarter have increased by 8.6 percent Y-o-Y.



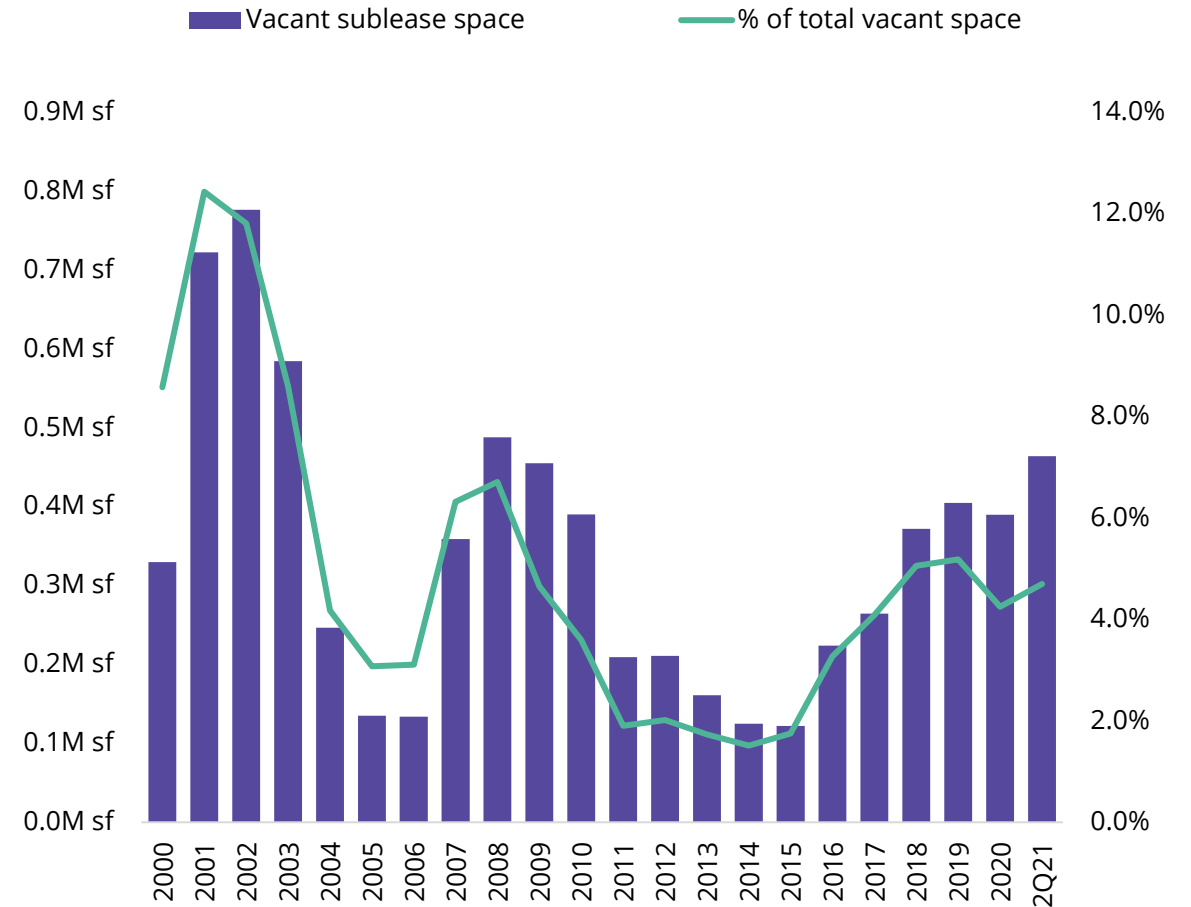
Source: AVANT by Avison Young

Vacant sublease space

0.4 msf

Sublease space beginning to moderate

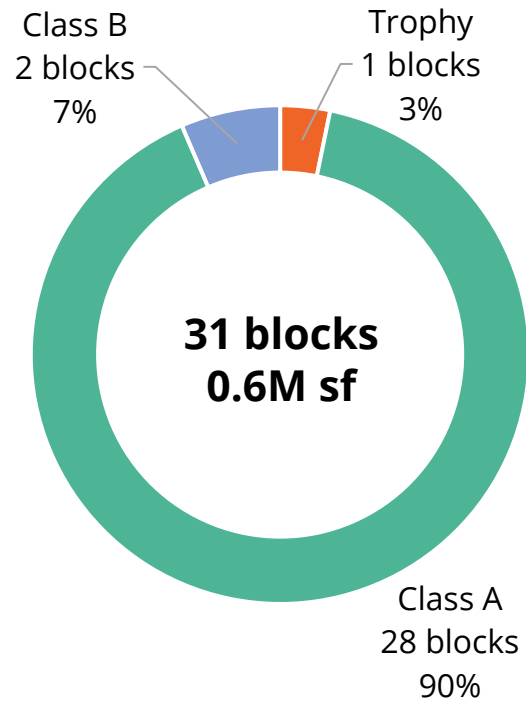
The share of sublease-to-total vacant space of 4.7% has not yet reached the peak levels of 6.7% from the global financial crisis and 12.4% from the Dot-com Recession.



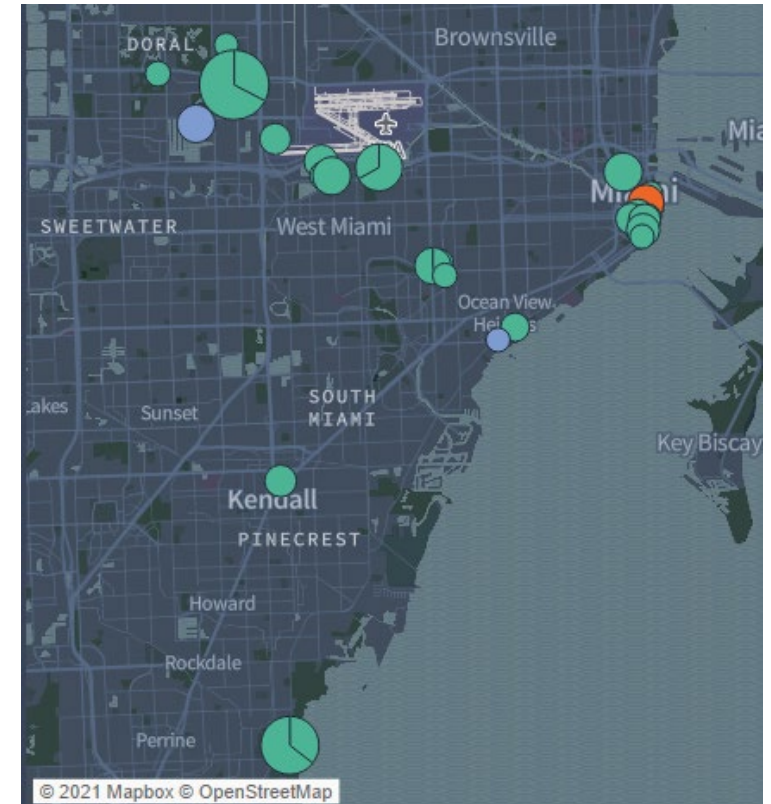
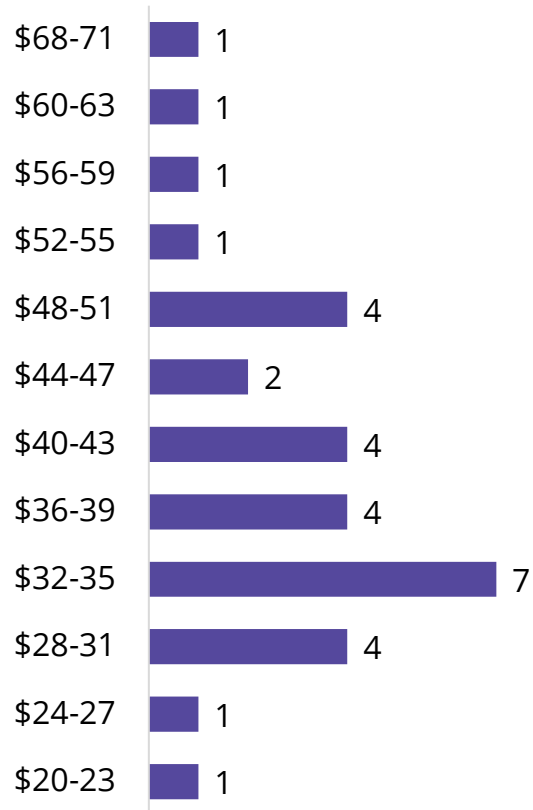
Source: AVANT by Avison Young

Sublease supply pipeline

Building classification



Asking rent per square foot



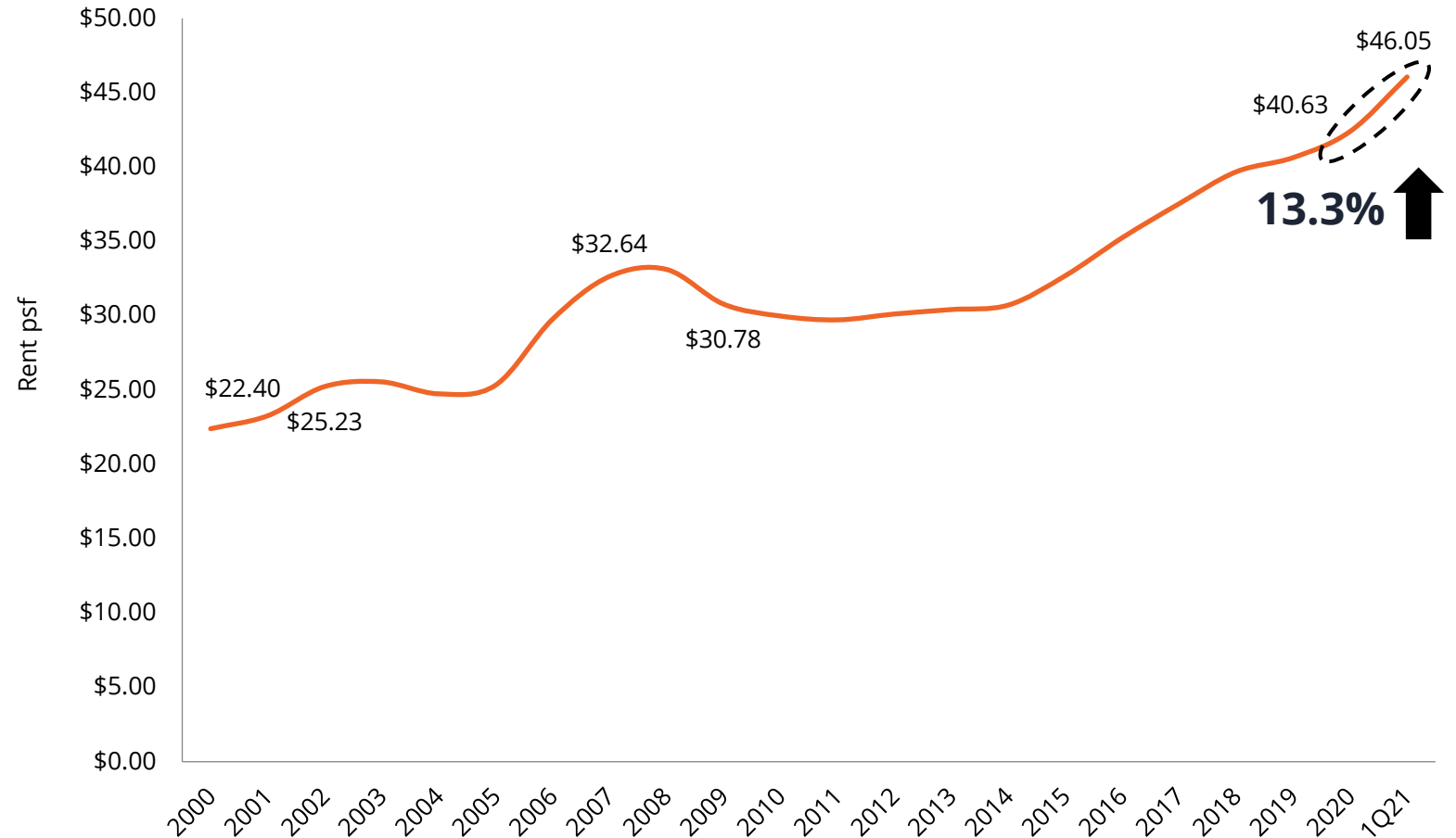
Source: AVANT by Avison Young

Base rents

13.3%

**Peak-to-trough change
in rents since the onset
of the pandemic**

Base rents have increased significantly due in large part to recent construction deliveries, and landlords are increasingly confident about achieving premium rents given the activity in the market.



Source: AVANT by Avison Young

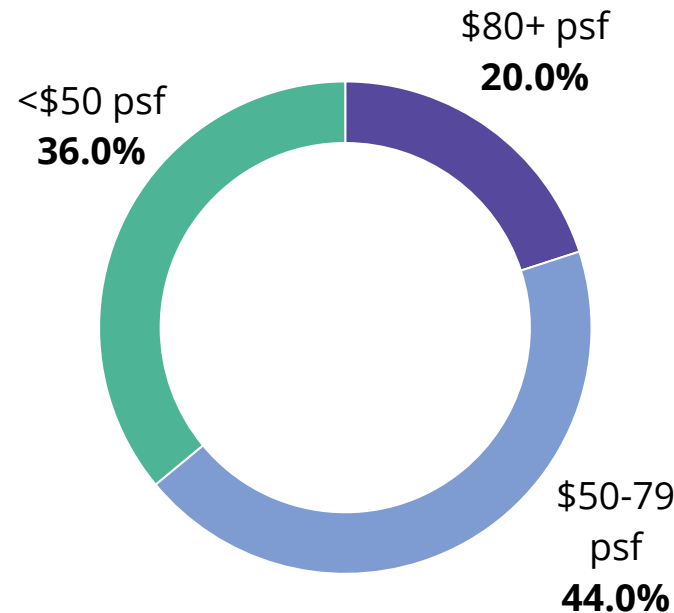
Concession trends pre-COVID vs. post-COVID

25.9%

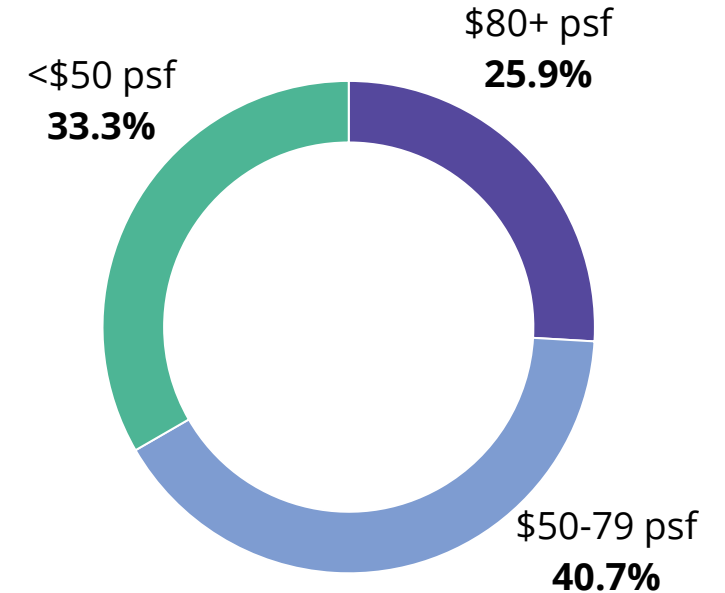
Number of all class A deals since March 2020 with TI allowances above \$80 per sf

Renewals remain prevalent, providing tenants more time to navigate uncertainty regarding future floor plate needs, and concessions increase alongside lease size and term.

2018-3/2020



Post-COVID



Source: AVANT by Avison Young

Miami's construction pipeline

54 properties

proposed or under construction

9.9 msf

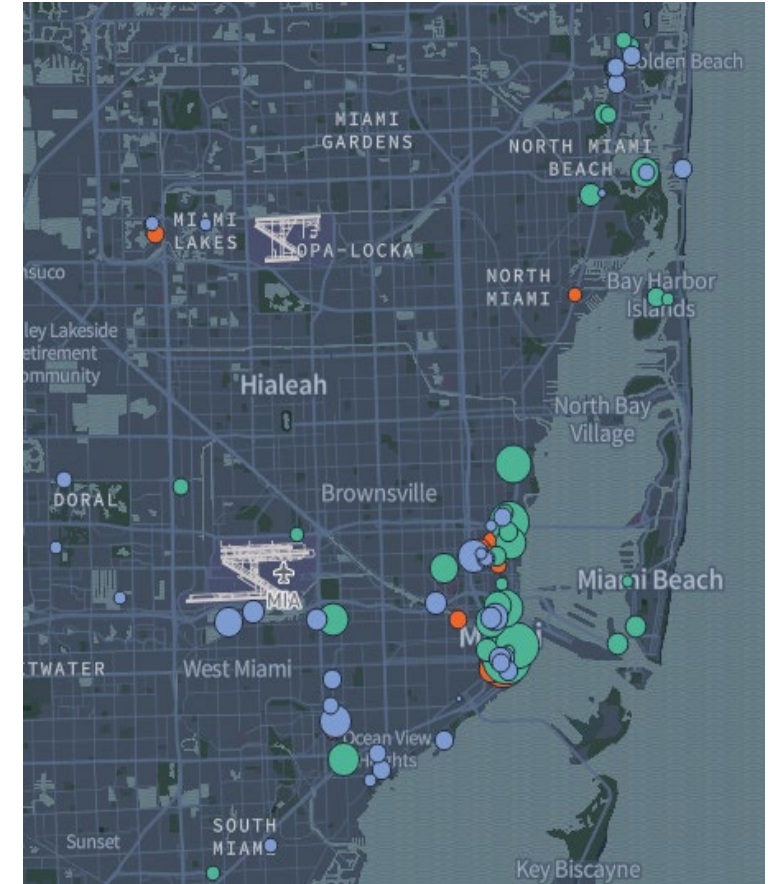
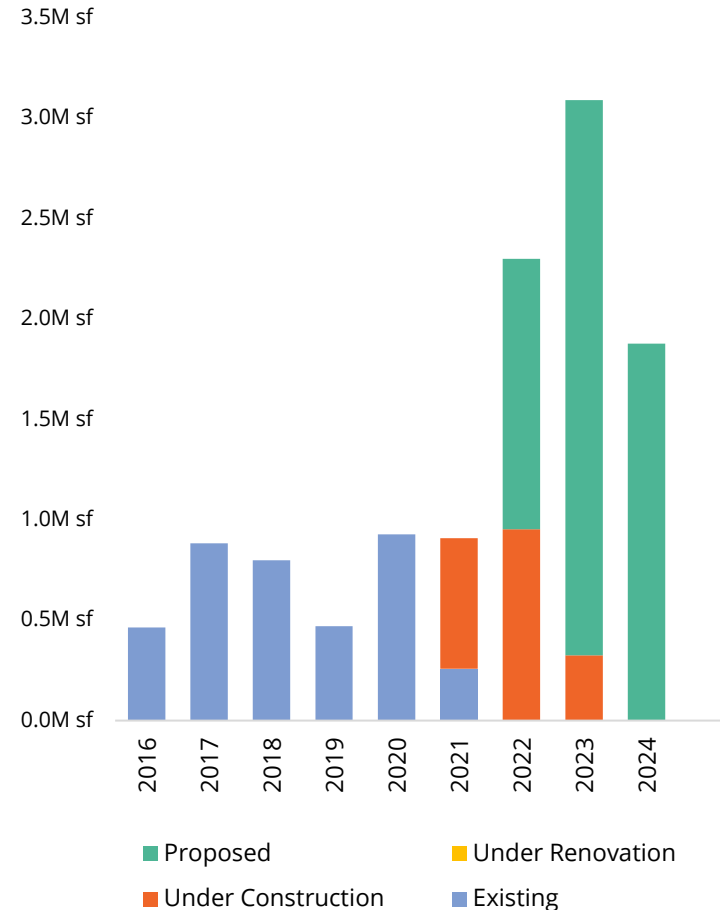
proposed or under construction

14.4%

share of office inventory

3.8 msf

New construction deliveries in Miami since 2016



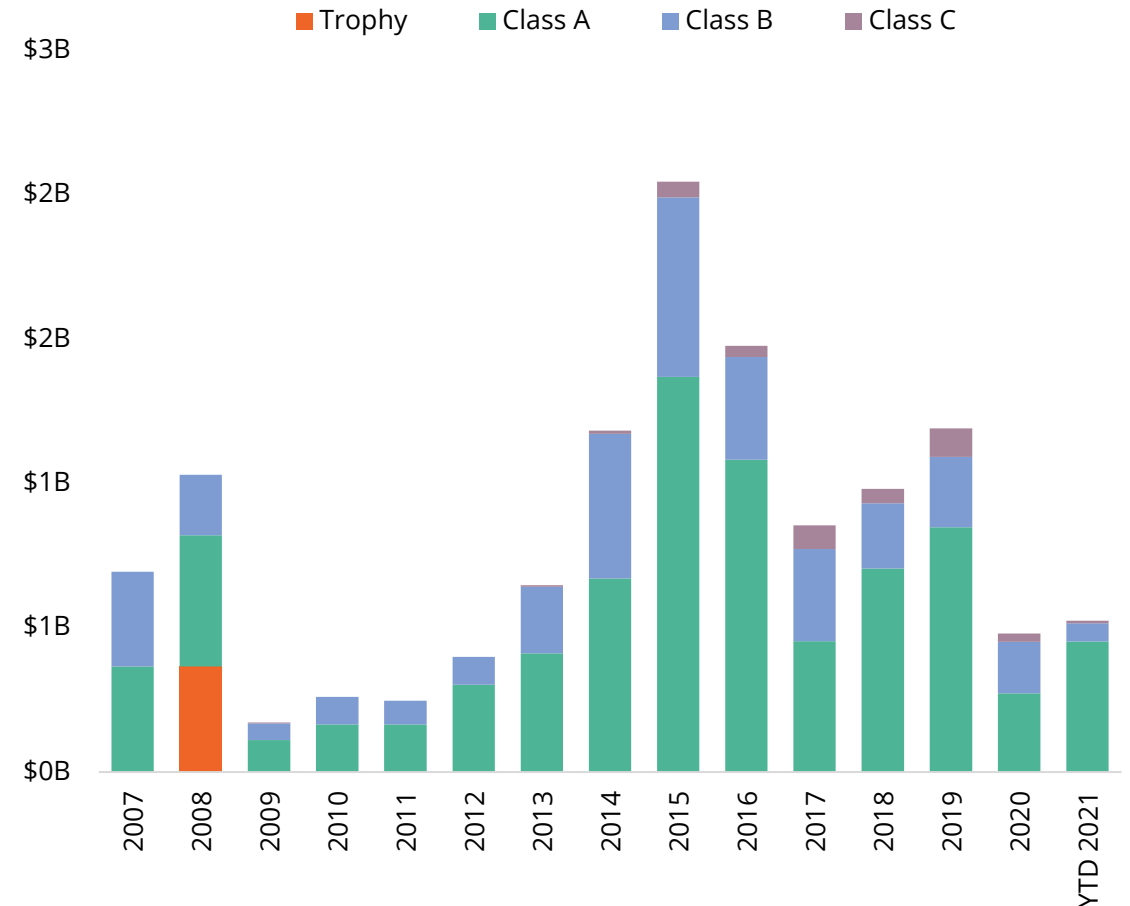
Source: AVANT by Avison Young

Office investment dollar volume

\$1.0B

Miami office dollar volume 2020 to present

Office sales activity temporarily paused during the pandemic and, as a result, total sales volume from 2020 through year-to-date 2021 remains down 23.3% compared to the prior five-year average dollar volume.



Source: AVANT by Avison Young

Office asset pricing

-6.6%

Miami office pricing decrease from November 2019 to present

Pricing has softened during the pandemic as investors have adopted more conservative underwriting approaches, decreasing from \$344 psf in November 2019 to \$322 psf in June 2021. However, asset pricing has begun to recover in recent months, indicating a potential stabilization.



Source: AVANT by Avison Young
New York City Department of Finance, RCA

Looking forward



Here's what we can expect

- There is a **growing delta** between the rental rates being paid by new-to-market tenants in the tech and financial sectors and the rates that will be affordable for locally based tenants on new deals and renewals. This could prove problematic for smaller occupiers moving forward should rates continue to grow at their current pace.
- Some trends have yet to play out, including if and how policies out of the nation's capital and predictions of a future increase in the interest rate could cause a deceleration in **economic growth**.
- The **rate of increase** in rental rates should begin to level off by the fourth quarter of this year.
- **Office leasing demand from larger users persists**, particularly from out-of-market tenants, and is expected to remain at its current pace through year-end 2021.
- The passage of Florida Senate Bill 50 will have **positive implications for commercial real estate** as it will dramatically cut the state tax portion of the business rent tax from 5.5% to 2.0% once Florida's Unemployment Compensation Trust Fund is replenished to pre-pandemic levels. While every tenant will save on their overall business costs, considerable cost savings will be realized by larger occupiers in Florida, particularly in higher-rent markets like South Florida.





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Key takeaways



Economic conditions

- Reopening efforts and higher vaccination rates have allowed South Florida's unemployment rate to rebound from a high of 13.8% to **5.9%**.
- Florida's strong employment base, pro-business environment, deep talent pool, enviable quality of life, and expansive growth in the tech, health, and finance sectors continue to attract the kind of strong in-migration that resulted in the state winning an extra seat in the U.S. House of Representatives.



Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- While the pandemic has had a considerable effect on Florida's population, its effect on the business economy was lessened (compared to markets like New York and California) as the state has been largely open for the last few quarters, enabling the business base to return to work and begin to move deals forward.



Office demand

- Leasing activity is at **60.5%** of the total volume recorded in 2020 and while there has been strong touring activity with tenants looking at spaces over 5,000 sf, few deals have actually been executed over the past 90 days.
- A majority of occupiers in Fort Lauderdale continue to prefer shorter-term deals at present, likely three to five years in length.
- Several leases were signed during Q2 north of 10,000 sf, the largest of which was Chewy's lease of **221,597 sf** at Plantation Pointe Office Park. The company will be relocating from Central Broward.

Key takeaways



Office supply

- Direct and sublease vacancy is currently at its highest point in 10 years, totaling **18.9%**.
- Available sublease space is largely spoken for, and some blocks that were placed on the market were opportunistic in nature. Currently, there are multiple companies in the process of subleasing blocks greater than **25,000 sf**.



Pricing trends

- Base rents have increased by **10.4%** peak to trough since the onset of the pandemic, growing to a current average of \$35.68 per sf. The opposite trend occurred in the last recession when rents declined by 4.8%, underpinning yet another of the key differences between the two periods. Some of this increase is due to new deliveries and increasing class A vacancies.
- Landlords continue to provide free rent on multiple-year deals although TI allowances are less negotiable given the current complexities involved in obtaining competitive pricing.



Capital markets

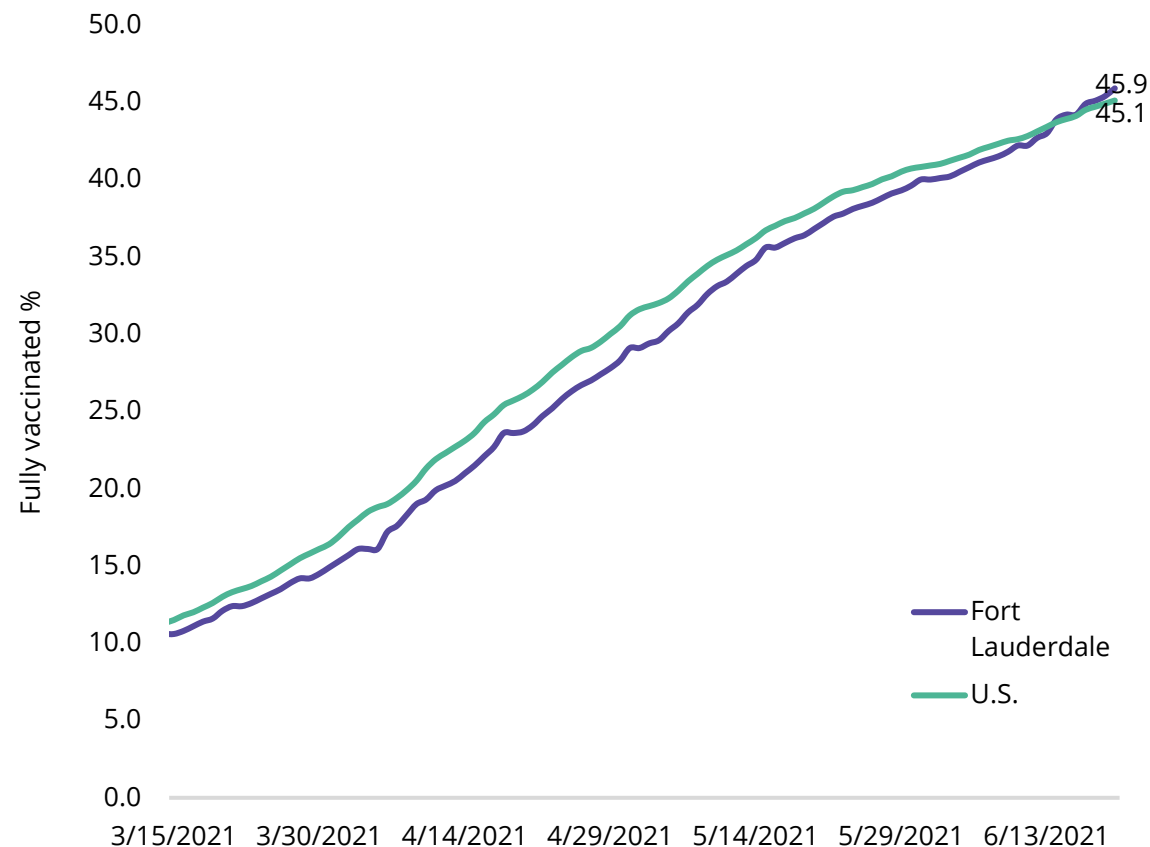
- Office investment activity has been brisk in Fort Lauderdale, with total transaction volume of **\$694.3 million** for the period from Jan 2020 through Jun 2021. The largest sale was Midtown Capital Partners' \$78 million acquisition of 1700 Plantation Pointe, which equated to **\$534 per sf**.
- Investment activity will likely continue at the current pace through the end of 2021 with pricing remaining on an upward trajectory as a steady flow of capital chases deals in Fort Lauderdale.

Vaccination rates

45.9%

Share of total Broward County population that is fully vaccinated

Total vaccinations in Broward County slightly exceed the national average, however the county still lags behind vaccination rates in several major U.S. metros.



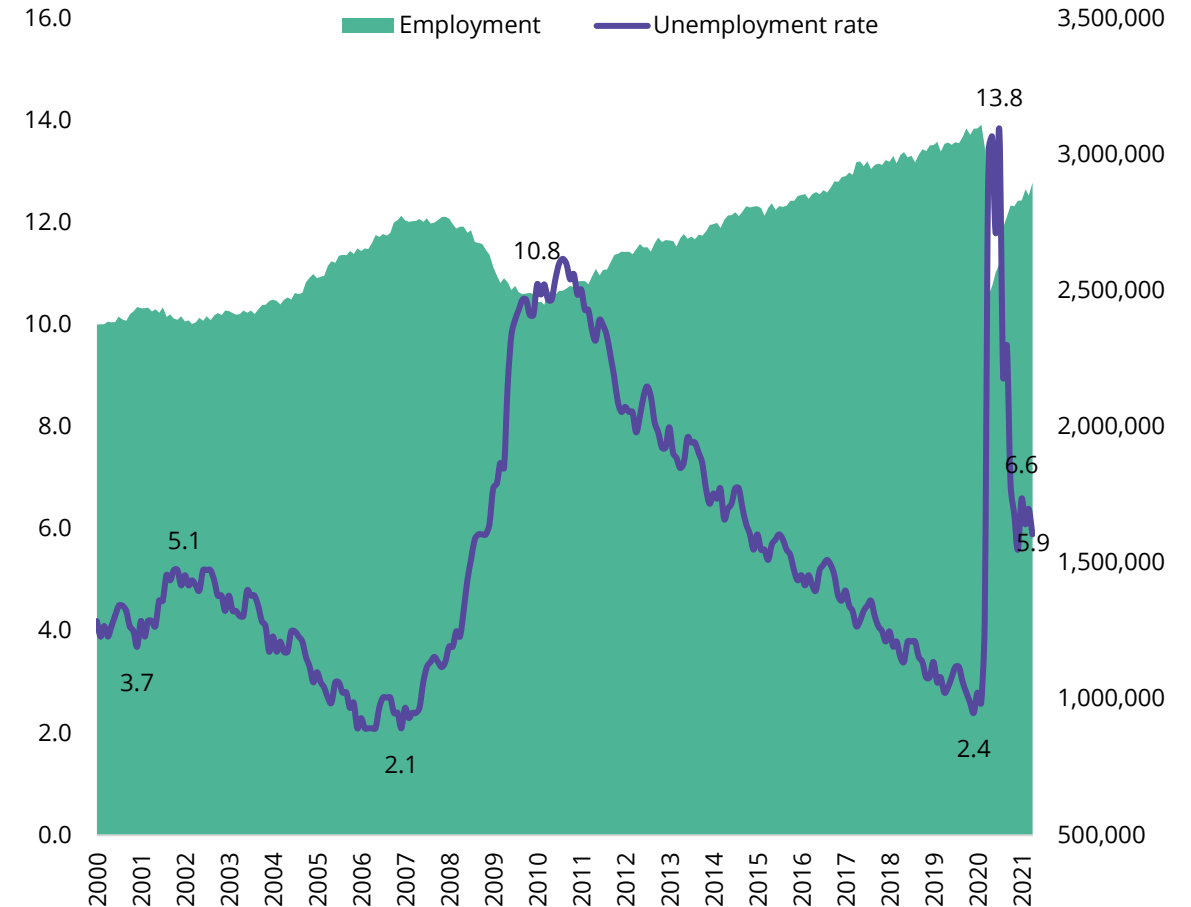
Source: CDC

Employment and unemployment rate

5.9%

South Florida's unemployment rate as of April 2021, 790 bps below the height of the pandemic

Historically tightened labor market conditions were halted by the pandemic with 629,600 job losses between February and April 2020. However, reopening efforts in the months since have enabled the economy to add over 417,000 jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

-4.0%

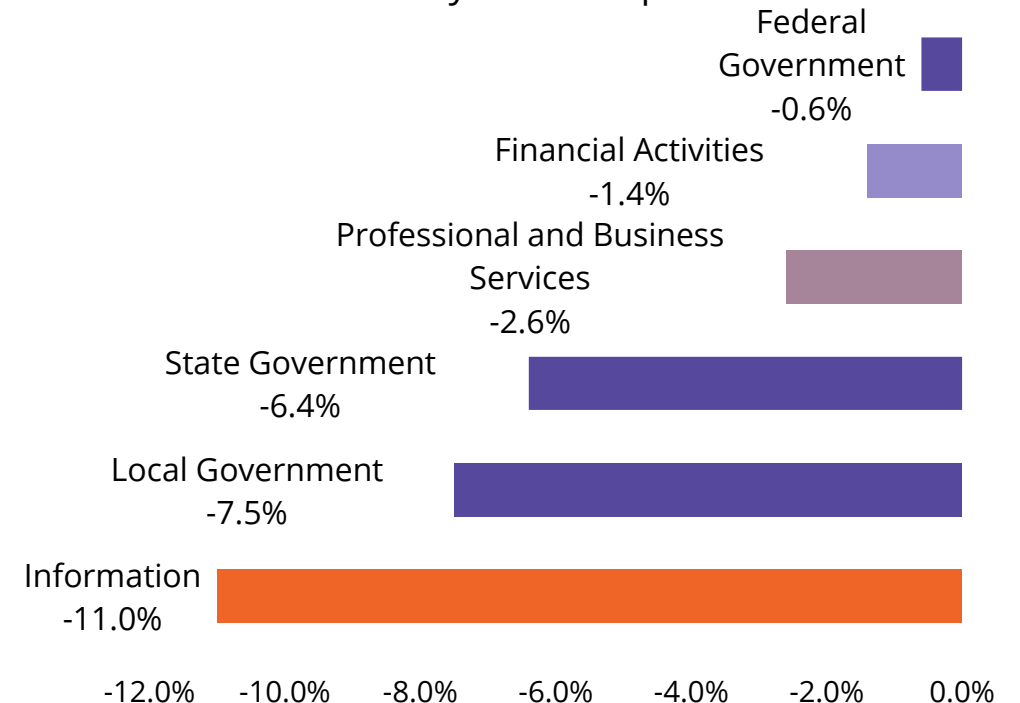
Change in office-using employment during the pandemic

Job losses in South Florida have declined by 7.2% since the start of the pandemic, though office-using jobs contracted by just 4.0%. As was the case with the global financial crisis over a decade ago, the impact of this recession will be felt in South Florida's office markets to some degree for years to come.

[VIEW DASHBOARD](#)

Total change in South Florida* job gains/(losses)

February 2020 to April 2021



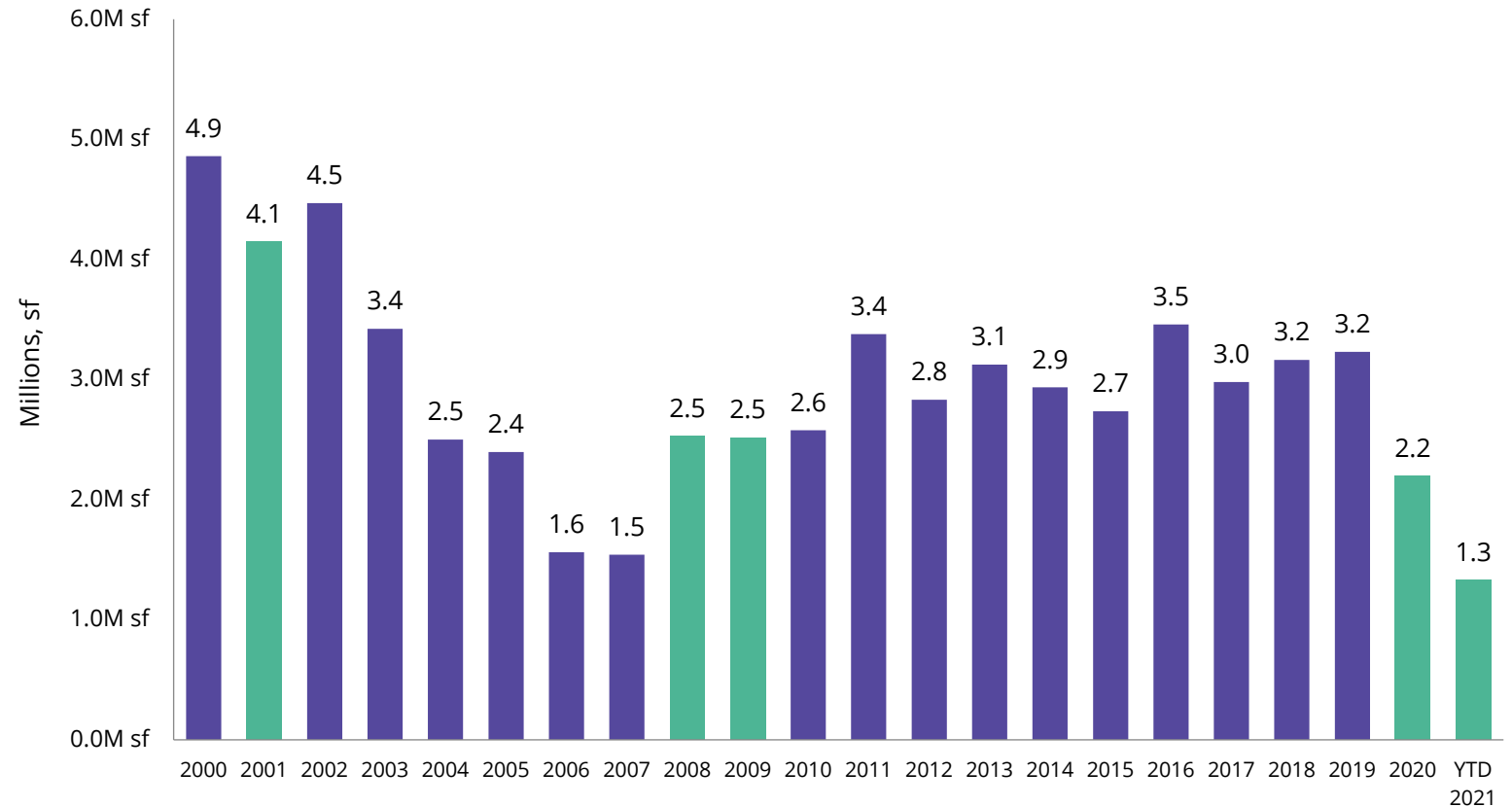
Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

60.5%

**Year-to-date 2021
leasing activity
compared to YE-2020**

There is no modern equivalent for the post-COVID slowdown in leasing activity in the previous 20-yr period, although 2006-2007 comes close, however leasing activity is expected to grow through the end of the year.



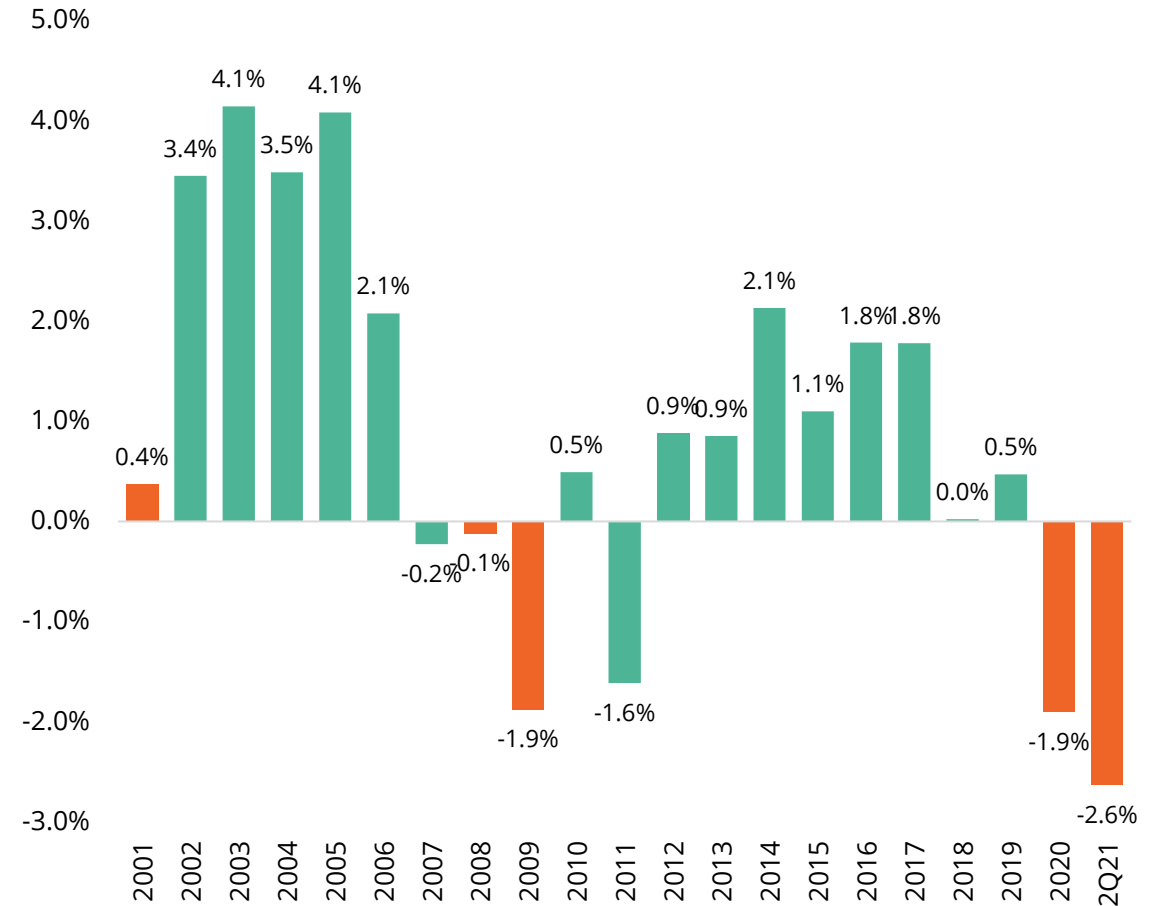
Source: AVANT by Avison Young

Absorption

-4.5%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Negative absorption from 2020 to 1Q21 has totaled 1.4 million sf, totaling -4.5% of the existing stock. This negative absorption significantly surpasses the low of the global financial crisis (-1.9%).



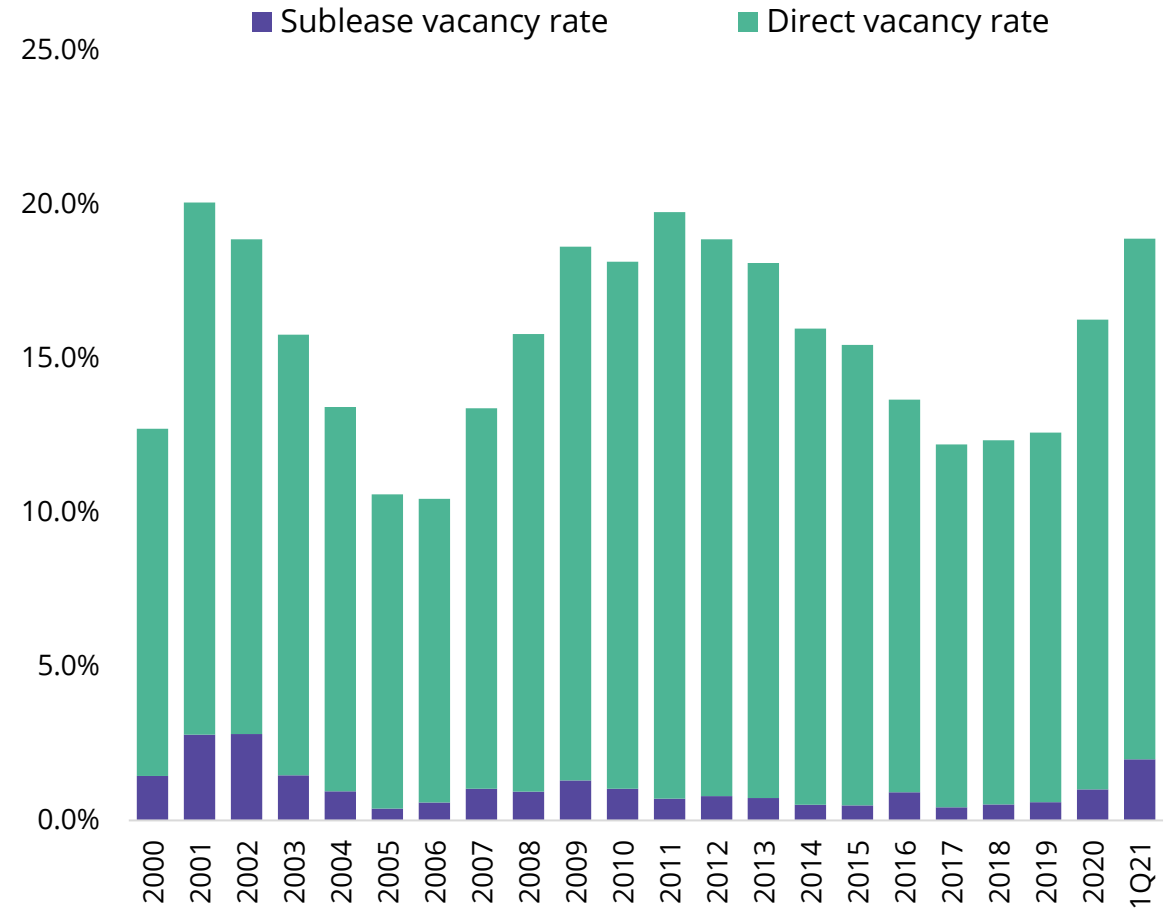
Source: AVANT by Avison Young

Vacancy rate

18.9%

Record high Fort Lauderdale vacancy as of Q2 2021

The Q2 2021 vacancy rate is at its highest point in 10 years, remaining well below the 19.8% rate recorded in 2011. Rents for the current quarter have increased by 1.7 percent Y-o-Y, although it is the slowest rate of increase since a Y-o-Y loss was reported in 2014.



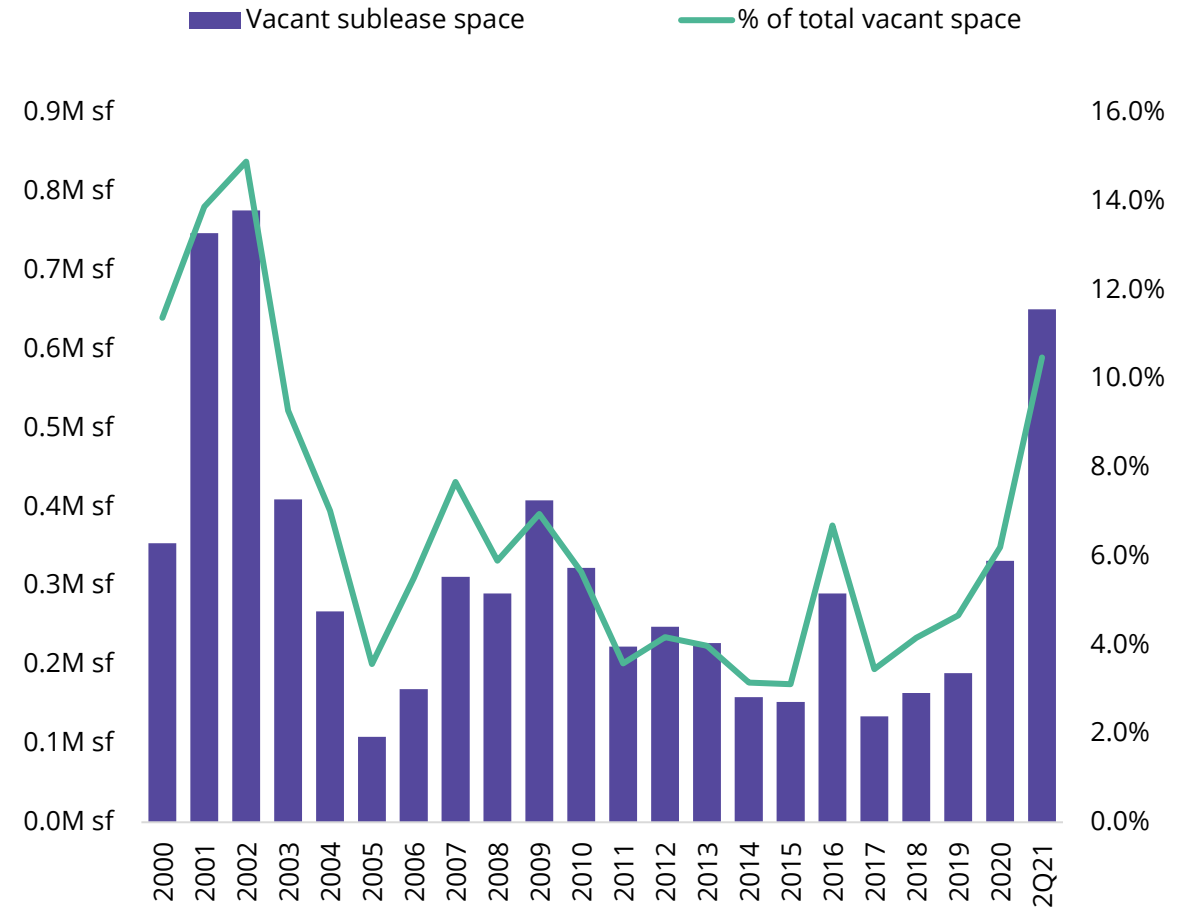
Source: AVANT by Avison Young

Vacant sublease space

0.6 msf

Record levels of sublease vacant space

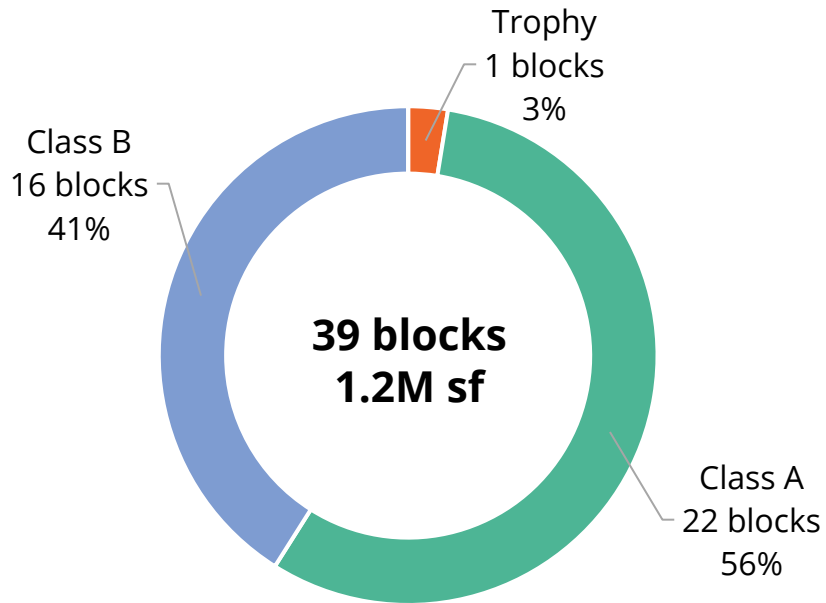
The share of sublease-to-total vacant space of 10.5% has surpassed the peak of 7.0% from the global financial crisis levels, however it has not yet reached the magnitude of 14.9% during the Dot-com Recession.



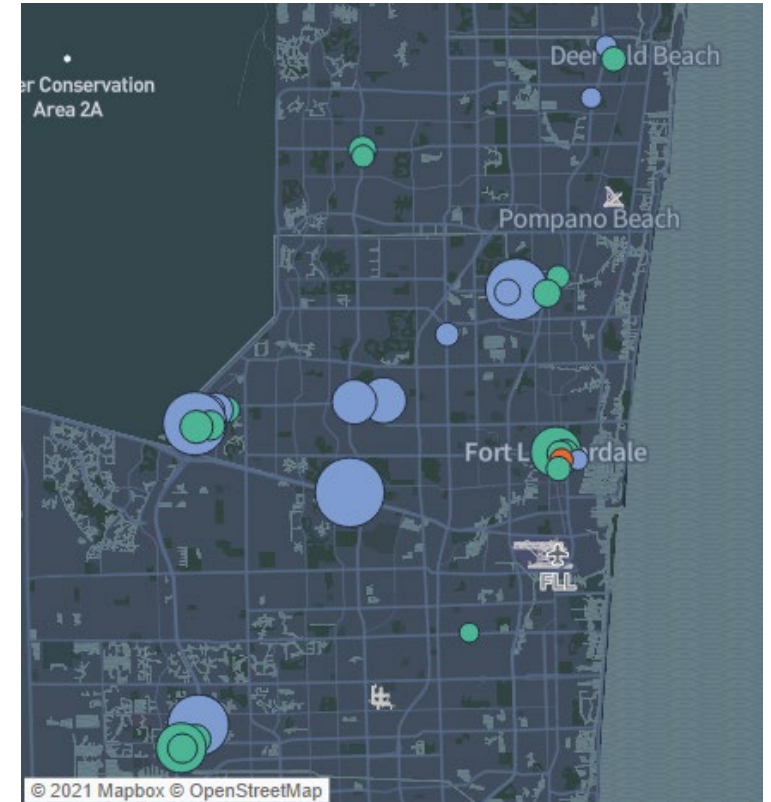
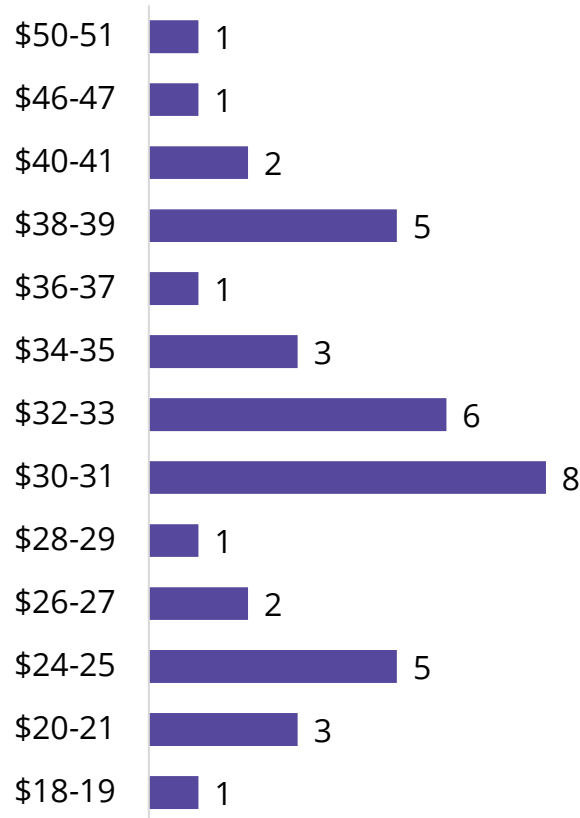
Source: AVANT by Avison Young

Sublease supply pipeline

Building classification



Asking rent per square foot



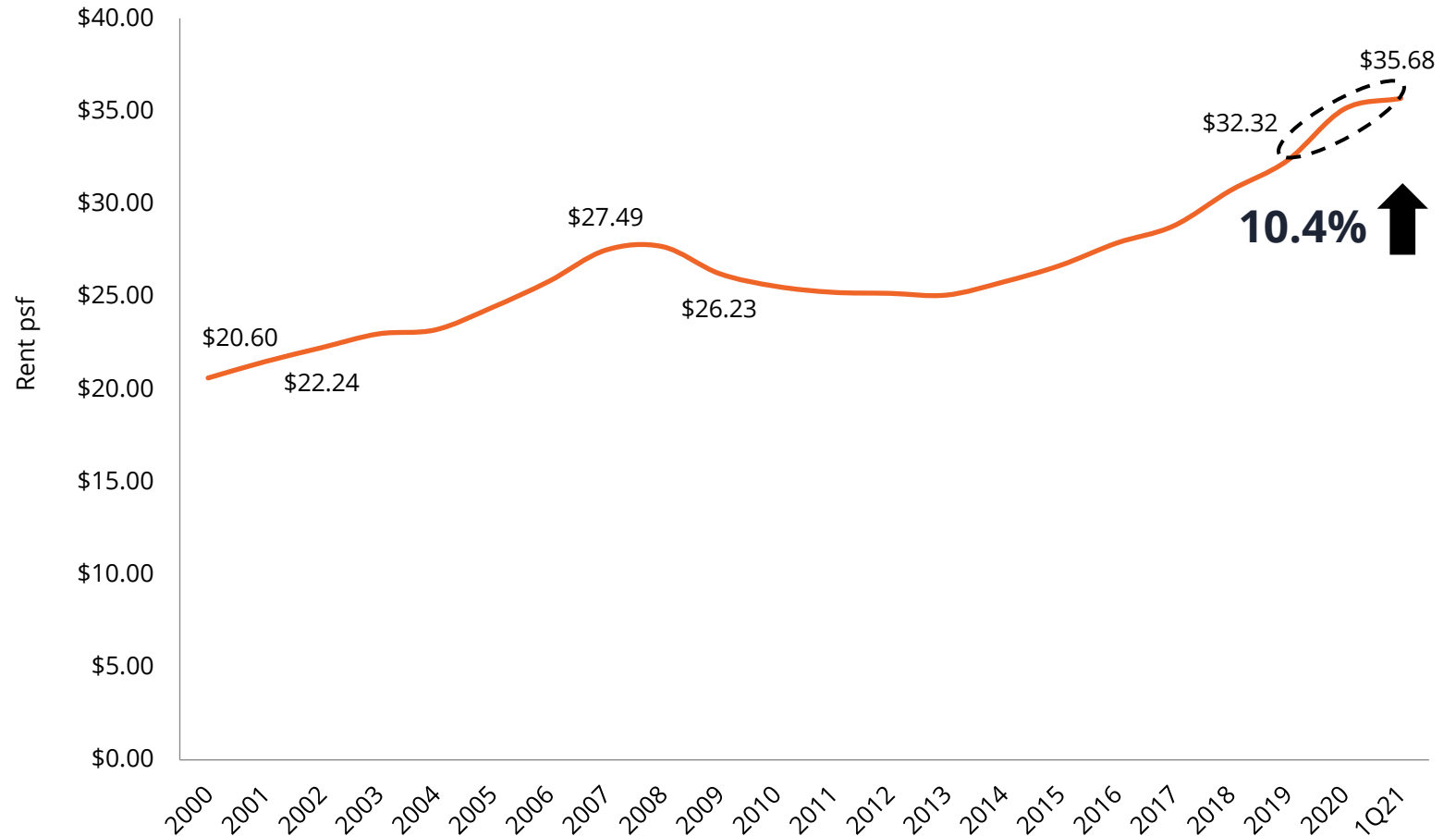
Source: AVANT by Avison Young

Base rents

10.4%

**Peak-to-trough change
in rents since the onset
of the pandemic**

Base rents continue to steadily increase, rising over ten percentage points since the end of 2019, which is the opposite of what occurred during the Great Financial Crisis when rates declined by 4.8%.



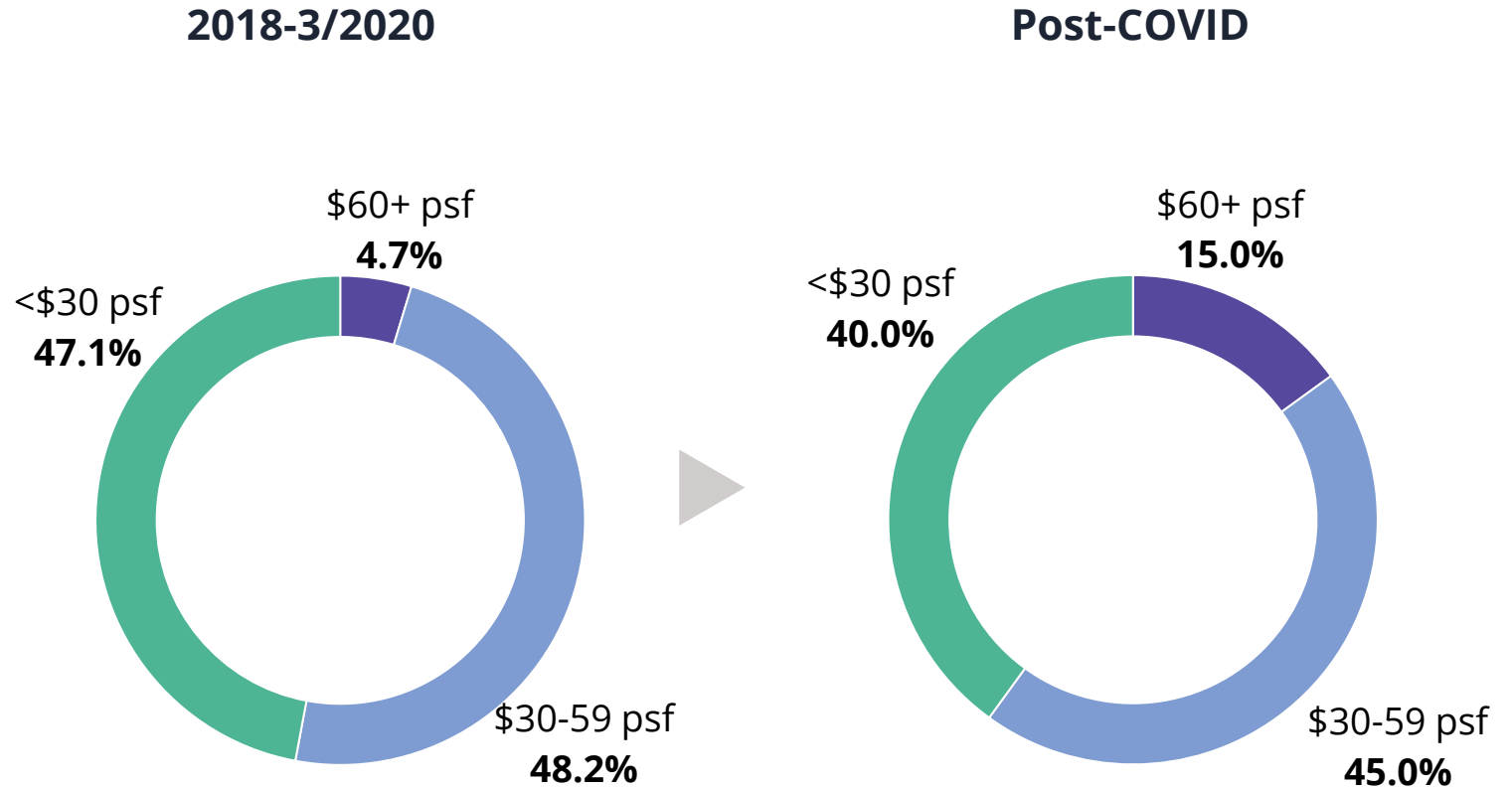
Source: AVANT by Avison Young

Concessions trends pre-COVID vs post-COVID

15.0%

Number of all class A deals since March 2020 with TI allowances above \$60 per sf

While free rent is still being offered on deals, landlords are struggling with TI allowances on smaller deals given the steadily increasing prices of both materials and labor.



Source: AVANT by Avison Young

Fort Lauderdale's construction pipeline

17 properties

proposed or under construction

4.0 msf

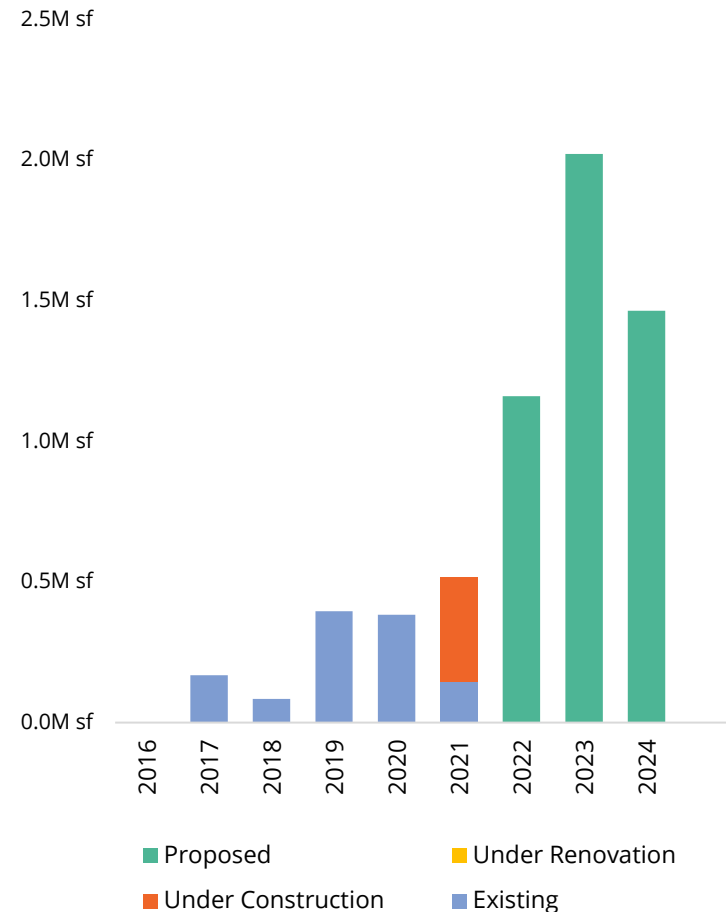
proposed or under construction

9.8%

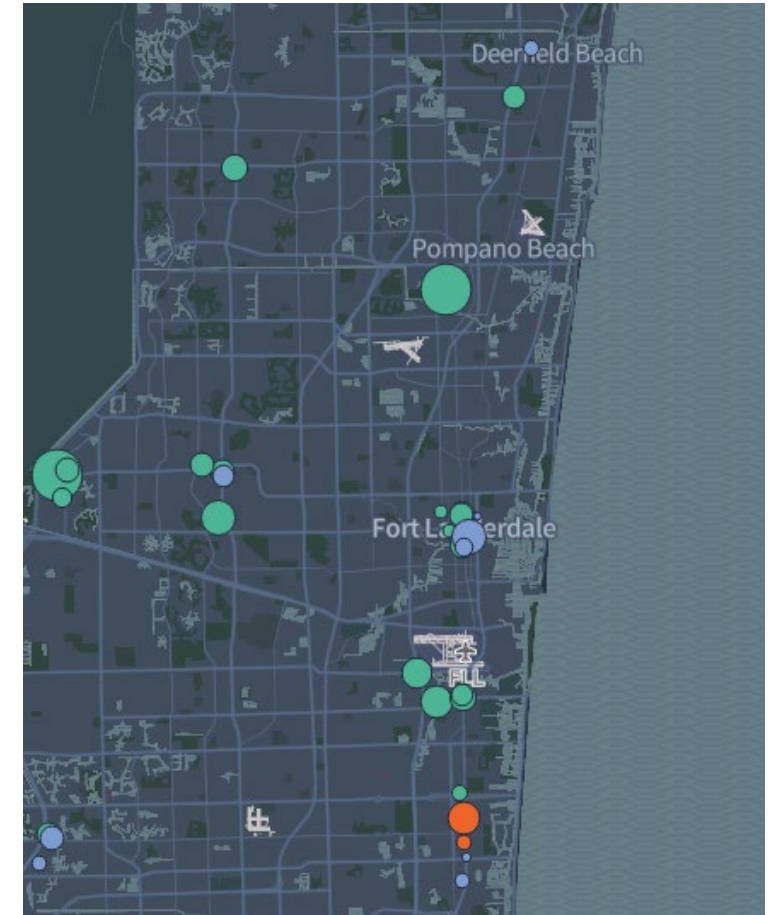
share of office inventory

1.1 msf

New construction deliveries
in Fort Lauderdale since 2016



Source: AVANT by Avison Young

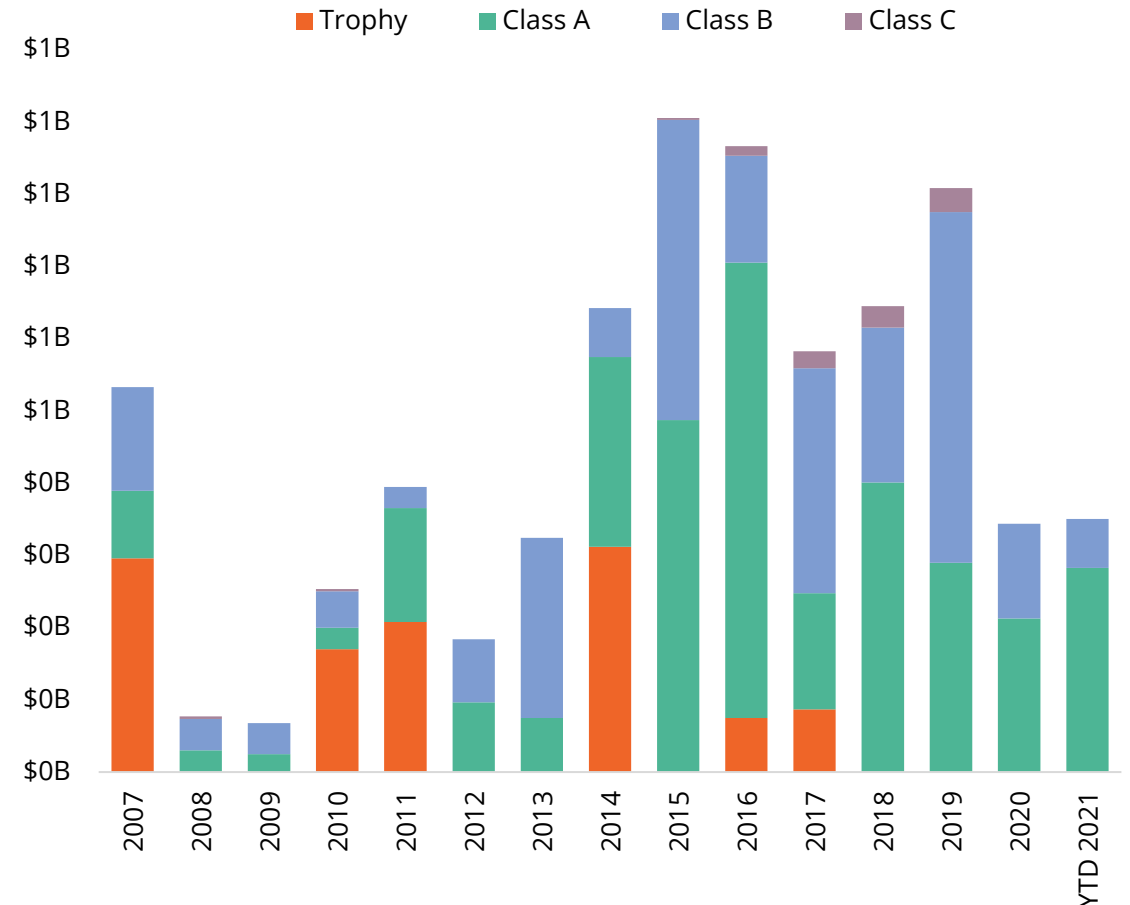


Office investment dollar volume

\$694.3

Fort Lauderdale office dollar volume 2020 to present

Office sales activity temporarily paused during the pandemic and, as a result, total sales volume from 2020 through year-to-date 2021 remains down 8.8% compared to the prior five-year average dollar volume.



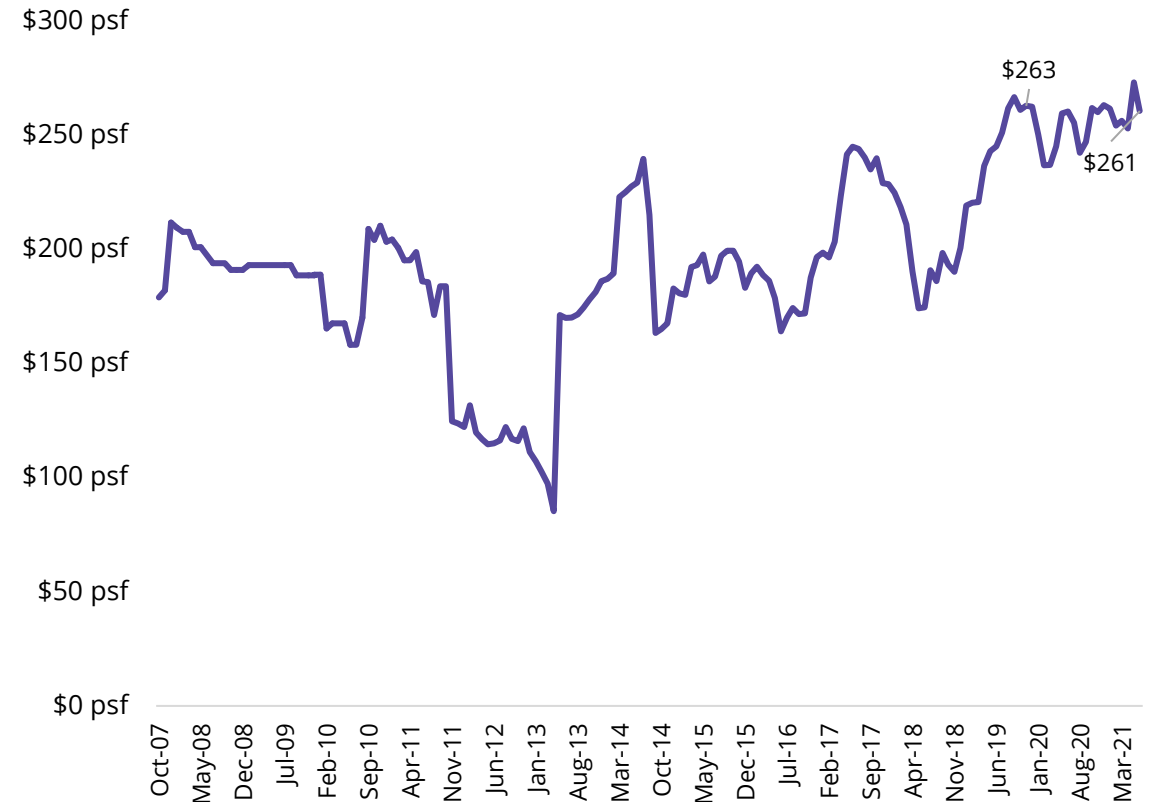
Source: AVANT by Avison Young

Office asset pricing

-0.8%

Fort Lauderdale office pricing decrease from November 2019 to present

Fort Lauderdale's office pricing was minimally impacted during the pandemic as investors briefly put sales on hold. As investment activity has begun to pick back up, office pricing has recovered well in 2021, only decreasing from \$263 psf in November 2019 to \$261 psf in June 2021.



Source: AVANT by Avison Young
New York City Department of Finance, RCA

Looking forward



Here's what we can expect

- Leasing interest in office space is up significantly, however the process from proposal through lease execution is taking longer, which means deals have been slower to get done. So, while overall activity is strong it has yet to translate to leasing velocity. Industries expected to fuel leasing this year include the **insurance, medical administration and financial sectors**.
- An increasing number of tenants will be seeking **move-in ready** space that fits their needs in order to avoid the complexities and cost overruns involved in building out office space in the current climate.
- The passage of Florida Senate Bill 50 will have **positive implications for commercial real estate** as it will dramatically cut the state tax portion of the business rent tax from 5.5% to 2.0% once Florida's Unemployment Compensation Trust Fund is replenished to pre-pandemic levels. While every tenant will save on their overall business costs, considerable cost savings will be realized by larger occupiers in Florida.
- Investment activity is expected to remain strong through the end of the year as a steady supply of **private equity** continues to chase deals in South Florida.



The background of the slide is a photograph of the West Palm Beach skyline. It features several high-rise buildings, including a prominent one with a blue roof and another with a red-tiled roof. The buildings are situated along a waterfront with a blue body of water in the foreground. The sky is blue with scattered white clouds.

AVISON
YOUNG

West Palm Beach Office Insight Report

Q2 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- Reopening efforts and higher vaccination rates have allowed South Florida's unemployment rate to rebound from a high of 13.8% to **5.9%**.
- Office-using job losses in South Florida have totaled **4.0%** compared with 9.2% for other industries' job losses, underscoring the disproportionate impact the pandemic had on the discretionary segments of the local economy.
- The bulk of the business in-migration is coming from the Northeast and moving to the CBD, which more closely mirrors the bigger cities that they are relocating from.



Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- While the pandemic has had a considerable effect on Florida's population, its effect on the business economy was lessened (compared to markets like New York and California) as the state has been largely open for the last few quarters, enabling the business base to return to work and begin to move deals forward.



Office demand

- Leasing activity has been very brisk so far in 2021 and has already reached **74.2%** of all volume recorded in 2020.
- Tenants have been more focused on preserving capital and asking landlords for more in the way of additional TI dollars and are willing to provide more term as a result.
- Some tenants are seeking move-in ready turn-key space that can provide the flexibility of shorter lease terms, but many deals are now averaging between 5-10+ years, while others in the CBD feeling pricing pressure are eyeing space in suburban areas to save significantly on rent and shorten commutes.

Key takeaways



Office supply

- Direct and sublease vacancy are at their highest point in six years, totaling **16.1%**.
- While the availability of sublease space is at a 12-yr high, it remains the lowest in South Florida and is substantially below the amount currently on the market in other Florida metros. For example, it's less than half of total sublease availability in Orlando, and less than a third of what's being marketed in Tampa.



Pricing trends

- Base rents have increased notably by **9.2%** from peak-to-trough as landlords continue to secure new tenant commitments, with several key deals taking place in class A buildings in the CBD at record-high rents. Those deals are driving up pricing pressure downtown, leading some landlords to increase rents across the board.
- Demand is starting to increase as the economy gains momentum and tenants that postponed their long-term occupancy strategies re-enter the market.



Capital markets

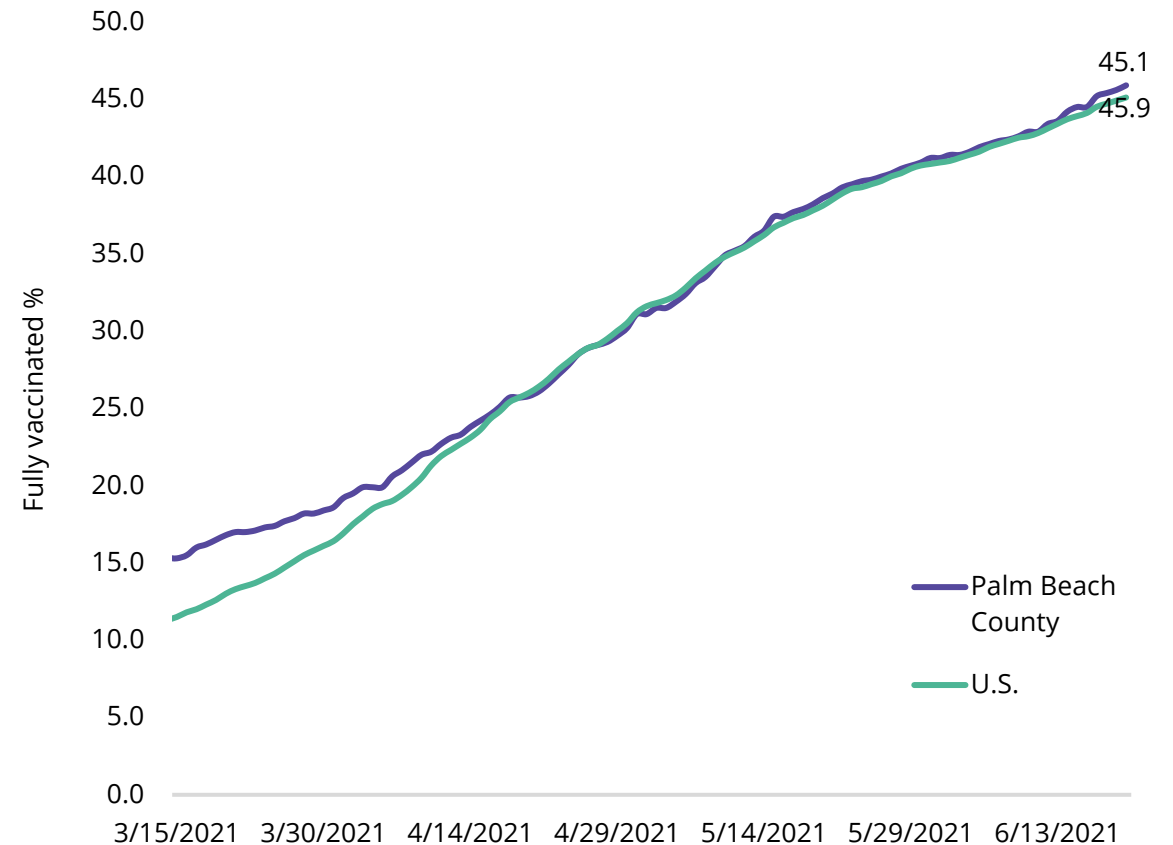
- There is significant investor appetite for West Palm Beach, with a lot of institutional and private equity and high-net worth investors chasing investment opportunities. Office investment activity has been steady in West Palm Beach, with total transaction volume of **\$488.9 million** for the period from Jan 2020 through Jun 2021.
- While much of the sale activity has been focused on class A premium properties, we're now seeing a rush of capital seeking to acquire class B and C office properties in West Palm Beach with an eye toward improving them at a discount to class A rates.

Vaccination rates

45.9%

Share of total Palm Beach County population that is fully vaccinated

The vaccination rate in Palm Beach County is trending alongside the U.S. average, which is important given that South Florida was one of the hardest hit regions in the country.



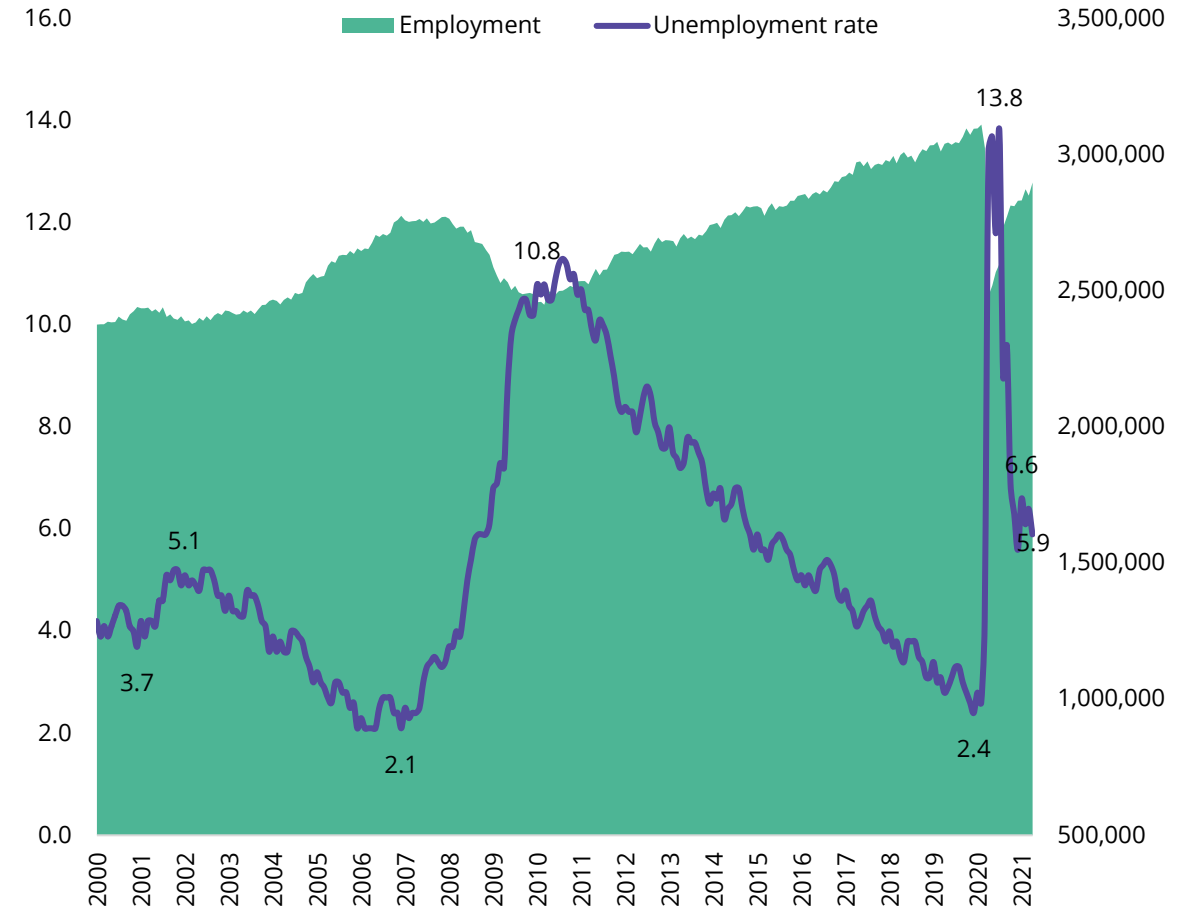
Source: CDC

Employment and unemployment rate

5.9%

South Florida's unemployment rate as of April 2021, 790 bps below the height of the pandemic

Historically tightened labor market conditions were halted by the pandemic with 629,600 job losses between February and April 2020. However, reopening efforts in the months since have enabled the economy to add over 417,000 jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

-4.0%

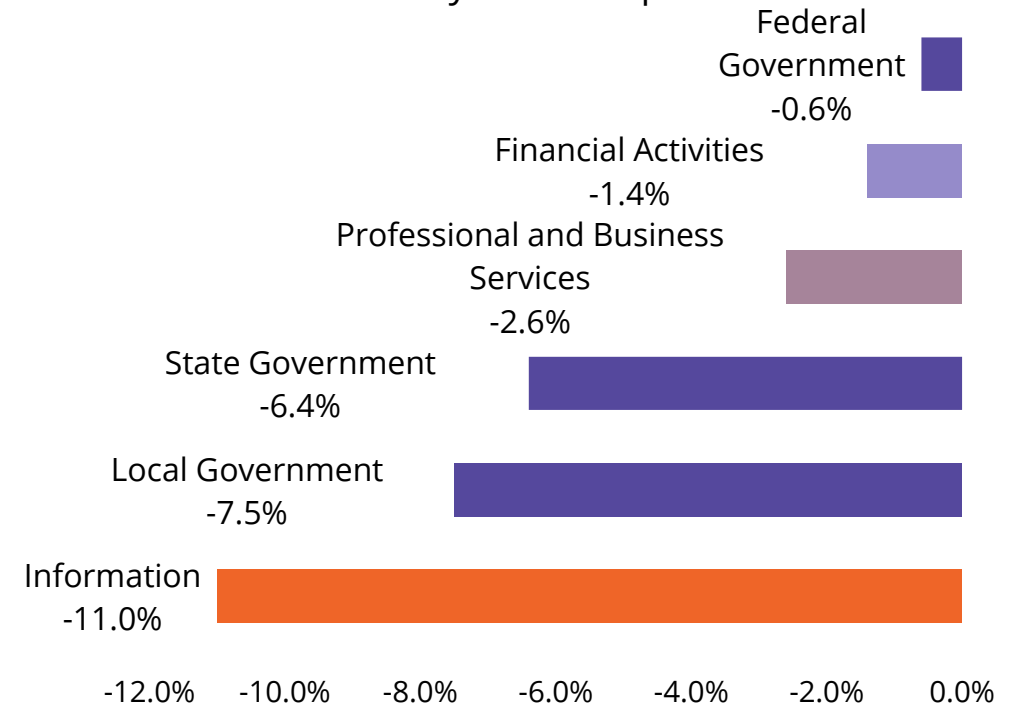
Change in office-using employment during the pandemic

Job losses in South Florida have declined by 7.2% since the start of the pandemic, though office-using jobs contracted by just 4.0%. As was the case with the global financial crisis over a decade ago, the impact of this recession will be felt in South Florida's office markets to some degree for years to come.

[VIEW DASHBOARD](#)

Total change in South Florida* job gains/(losses)

February 2020 to April 2021



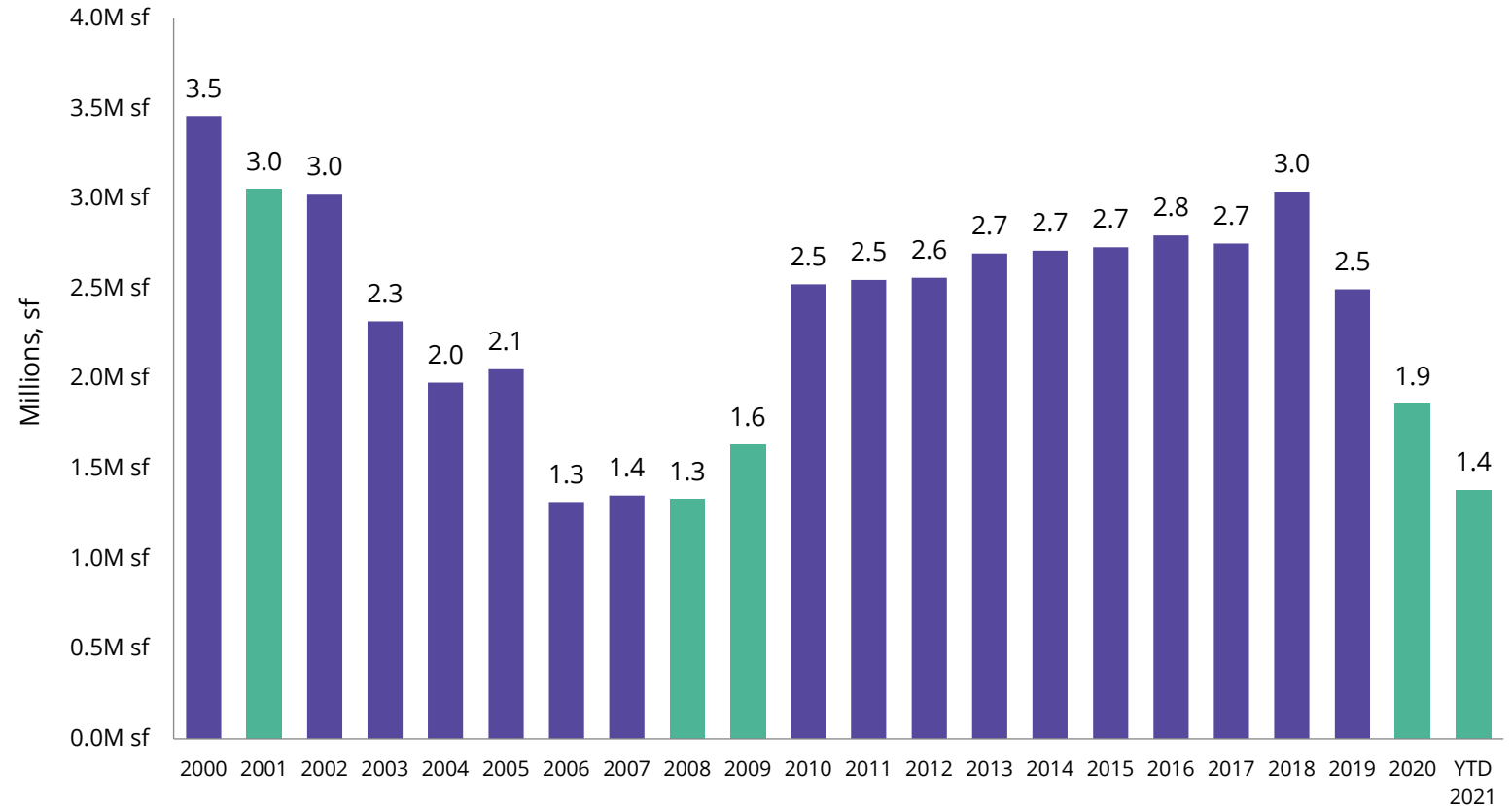
Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

74.2%

**Year-to-date 2021
leasing activity
compared to YE-2020**

Brisk leasing activity has taken place over the first half of 2021 to firms in the financial and tech sectors, with notable leasing occurring in Downtown West Palm Beach.

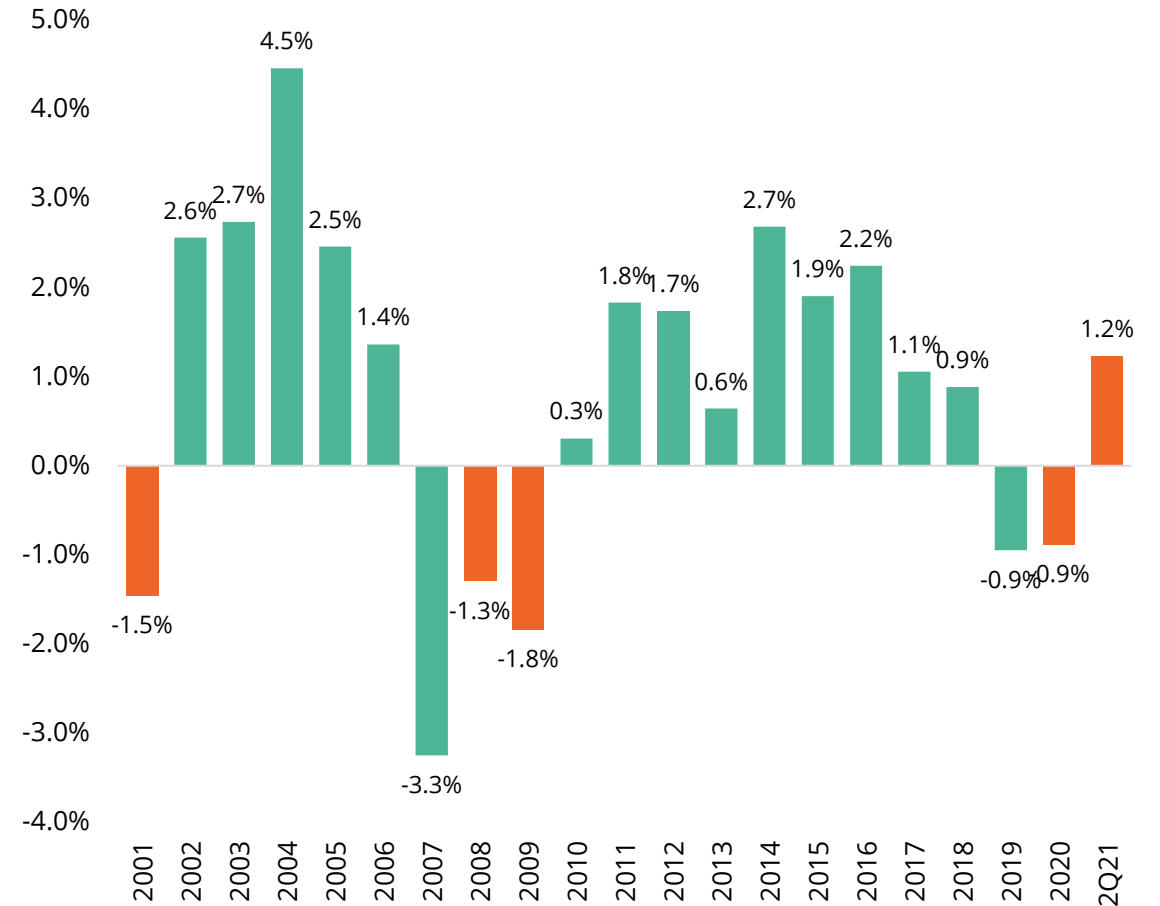


Source: AVANT by Avison Young

0.3%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Strong leasing activity propelled net absorption into positive territory in the first half of 2021, making West Palm Beach the only office market in Florida to record positive net absorption in 2Q21. From 2020 through 2Q21, net absorption was positive 102,791 sf, which accounts for 0.3% of the existing stock.



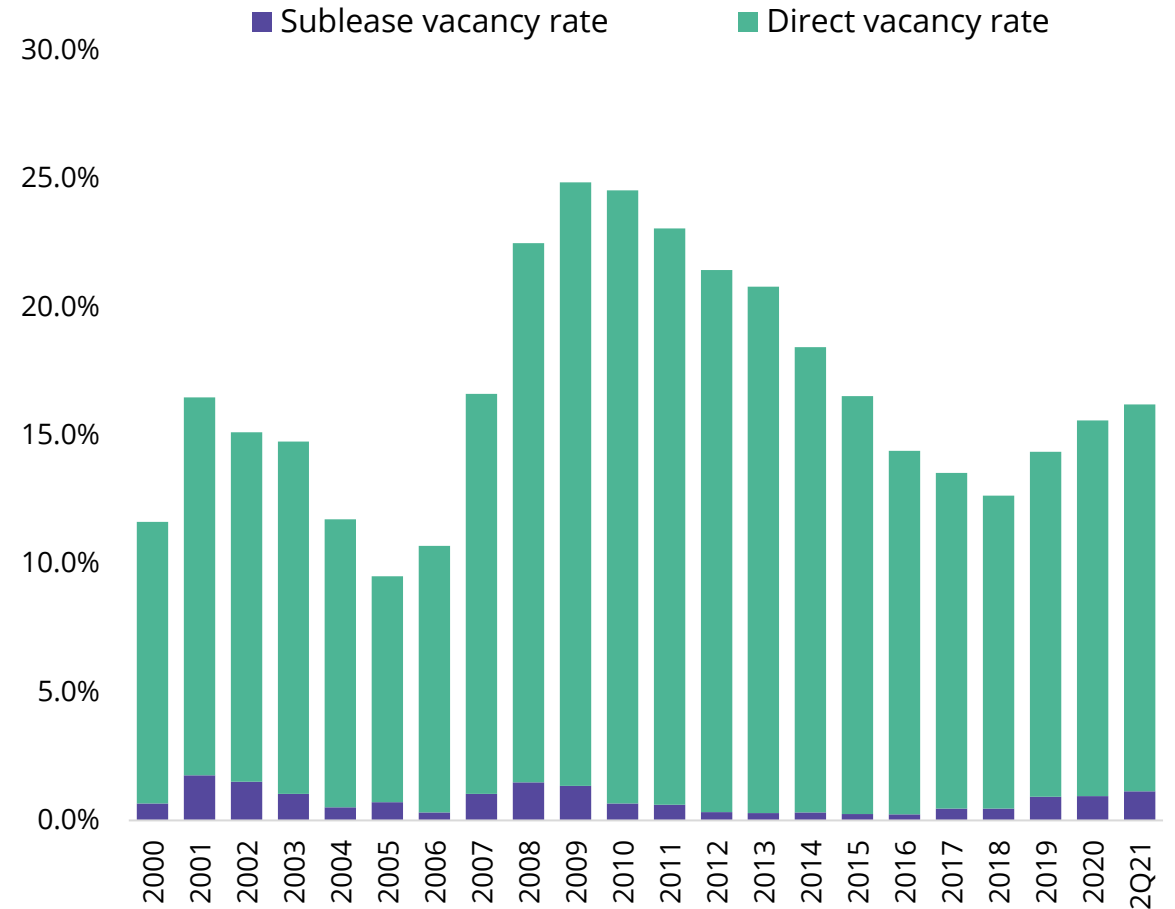
Source: AVANT by Avison Young

Vacancy rate

16.1%

Current vacancy at the highest level in 6 years

The Q2 2021 vacancy rate is at its highest point since 2015 but remains well below the 24.9% recorded in 2009, which was the highest rate in the previous 20-yr period. Overall rents for the current quarter have declined slightly by 3.0% Y-o-Y.



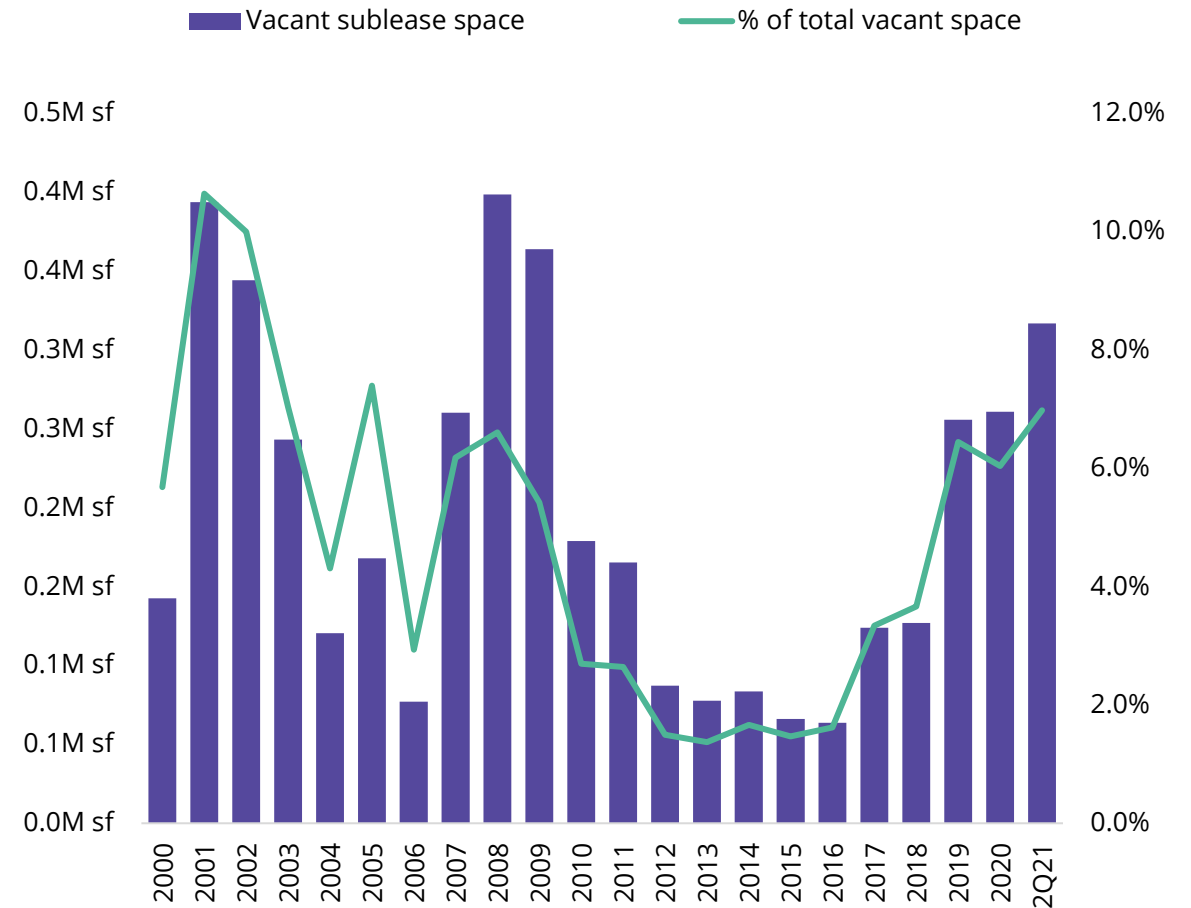
Source: AVANT by Avison Young

Vacant sublease space

0.3 msf

Sublease space is at the highest level since 2009

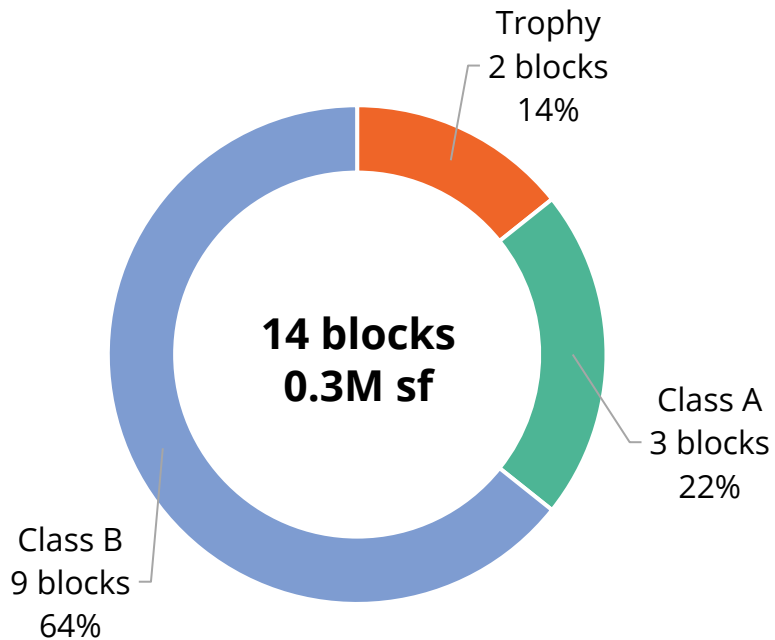
The share of sublease-to-total vacant space of 7.0% has surpassed the peak of 6.6% from the global financial crisis levels, however it has not yet reached the level seen during the early 2000's recession.



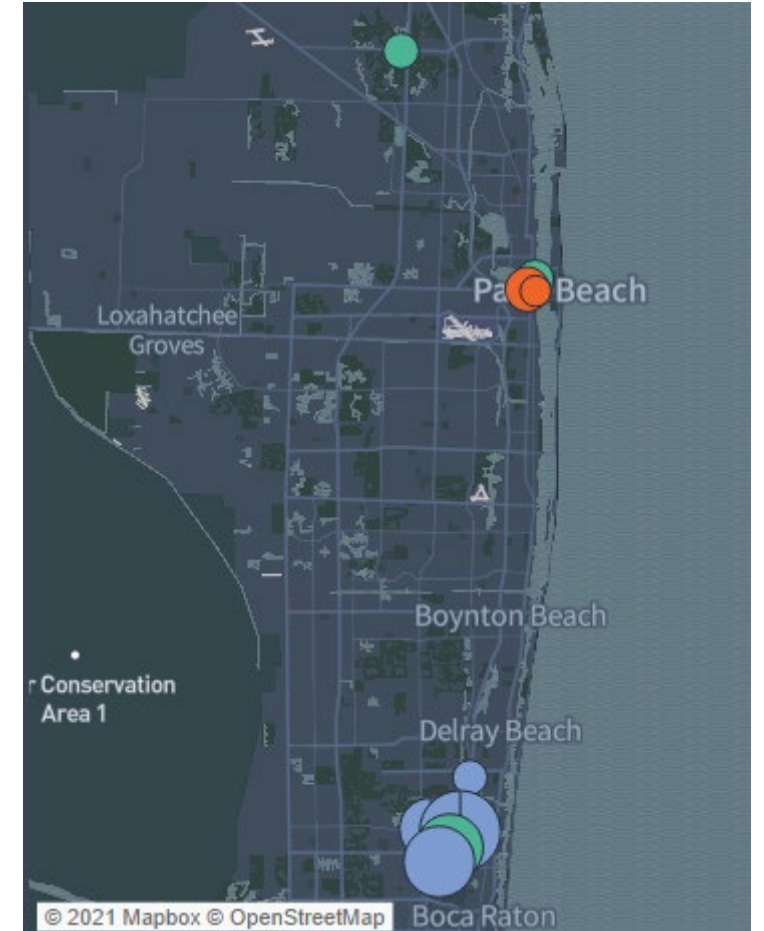
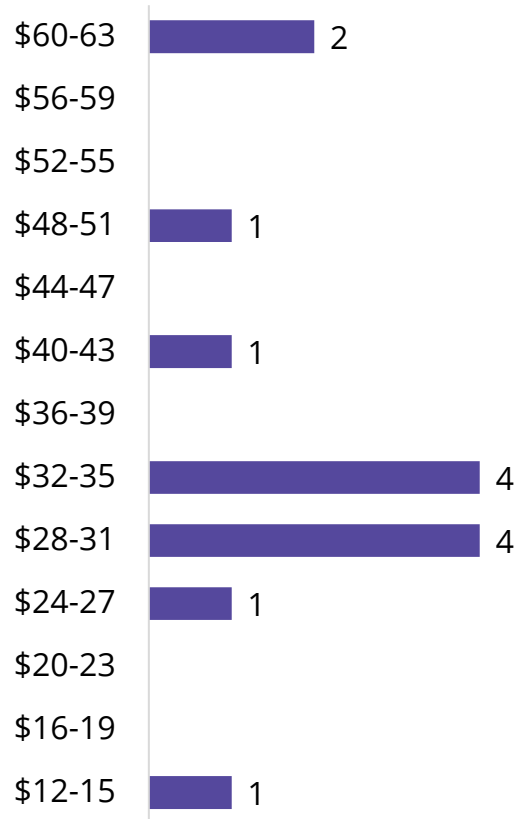
Source: AVANT by Avison Young

Sublease supply pipeline

Building classification



Asking rent per square foot



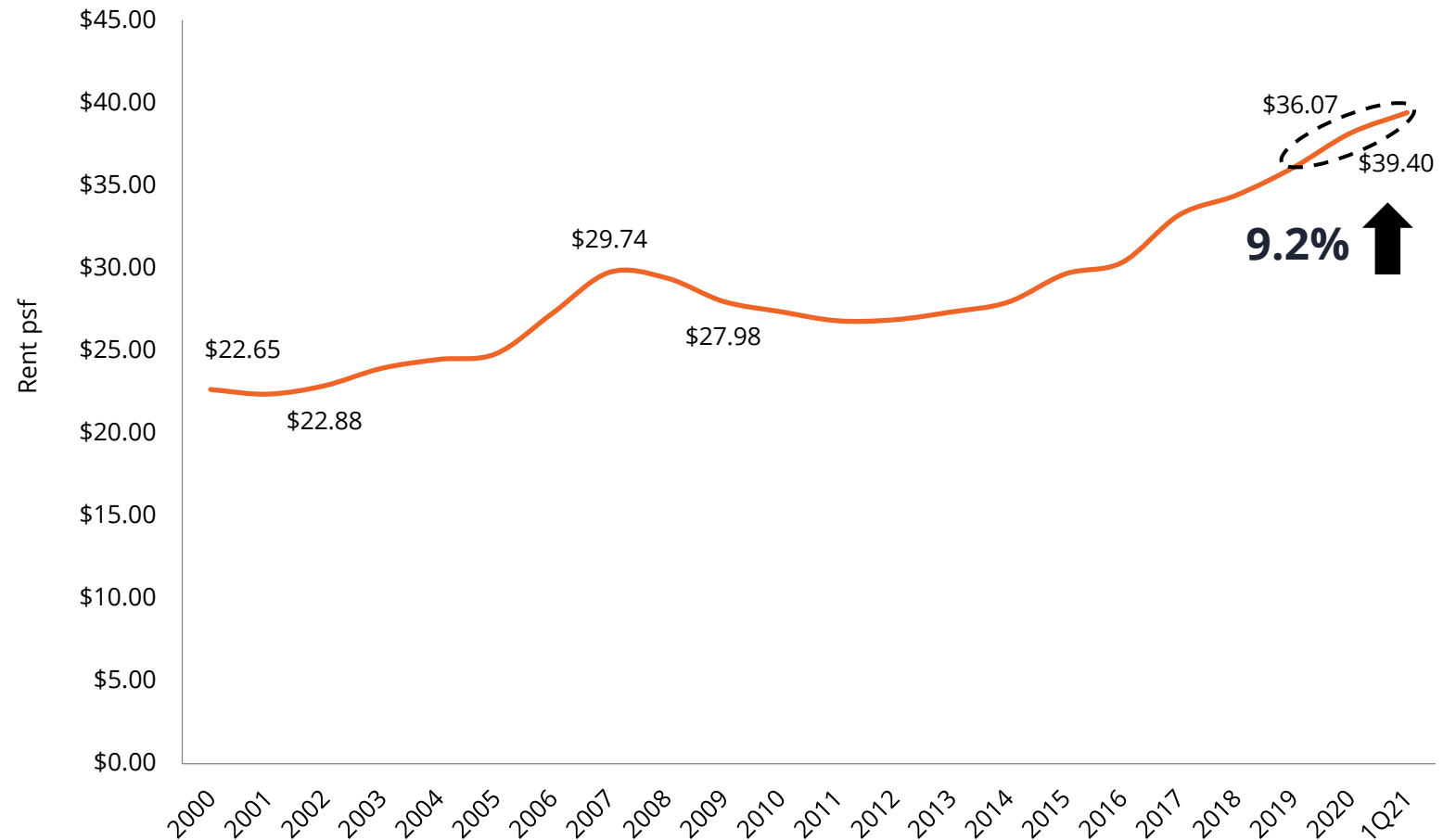
Source: AVANT by Avison Young

Base rents

9.2%

**Peak-to-trough change
in rents since the onset
of the pandemic**

Base rents have increased notably since the onset of the pandemic and the resulting recession due in part to an increased supply of class A space.



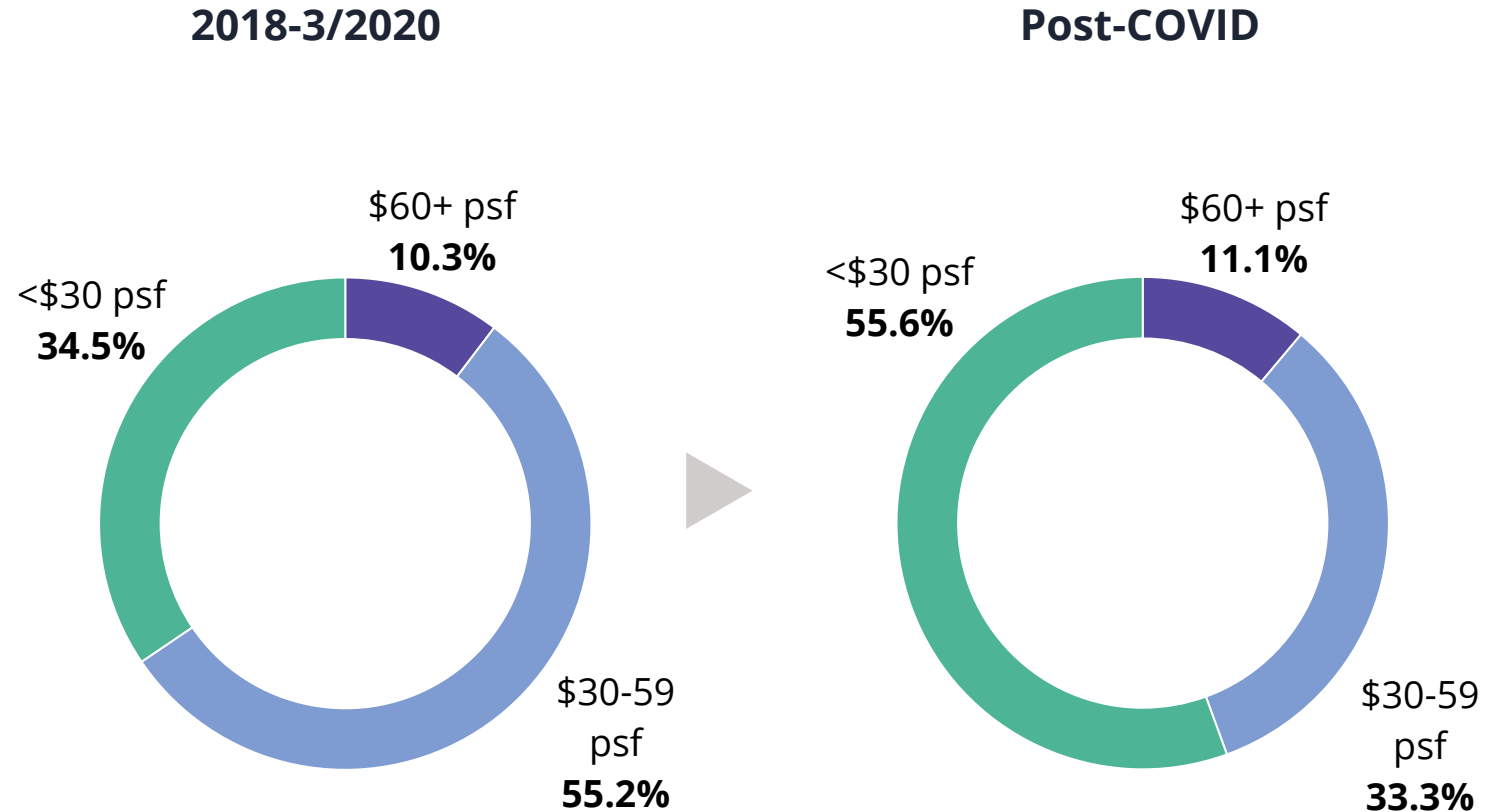
Source: AVANT by Avison Young

Concession trends pre-COVID vs. post-COVID

11.1%

Number of all class A deals since March 2020 with TI allowances above \$60 per sf

While renewals are common and allow tenants time to evaluate their future floor plate needs, some tenants are searching for turn-key space with the flexibility of shorter lease terms.



Source: AVANT by Avison Young

West Palm Beach's construction pipeline

14 properties

proposed or under construction

1.6 msf

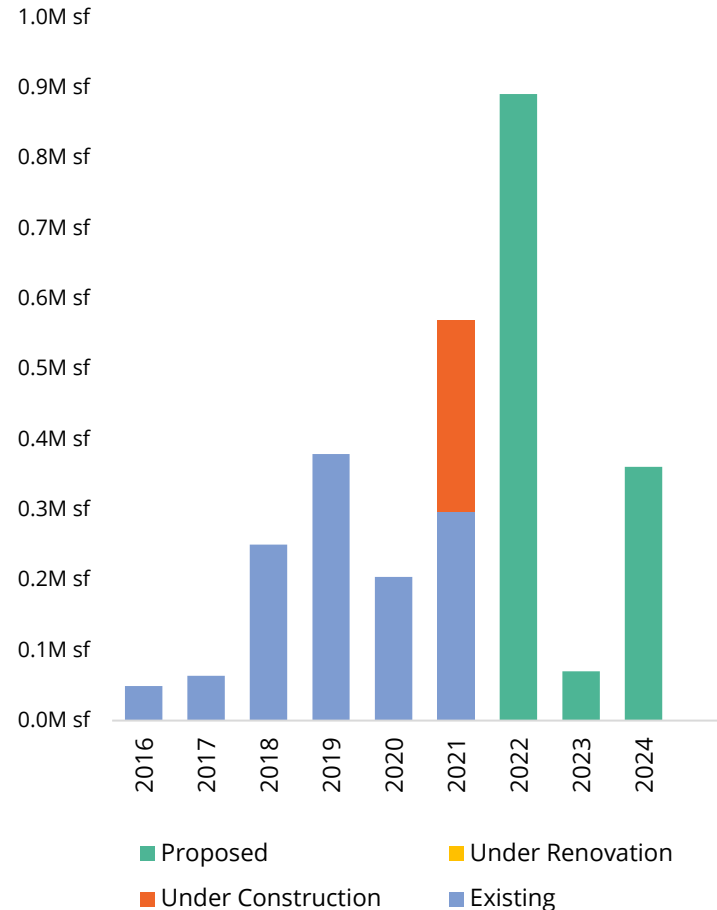
proposed or under construction

5.6%

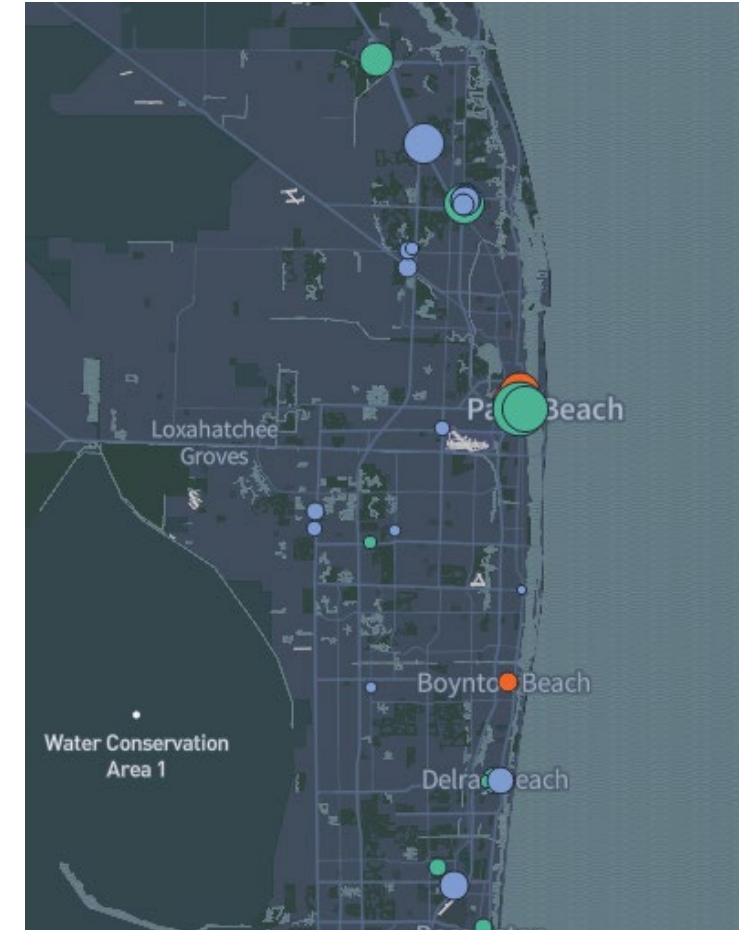
share of office inventory

1.2 msf

New construction deliveries
in West Palm Beach since
2016



Source: AVANT by Avison Young

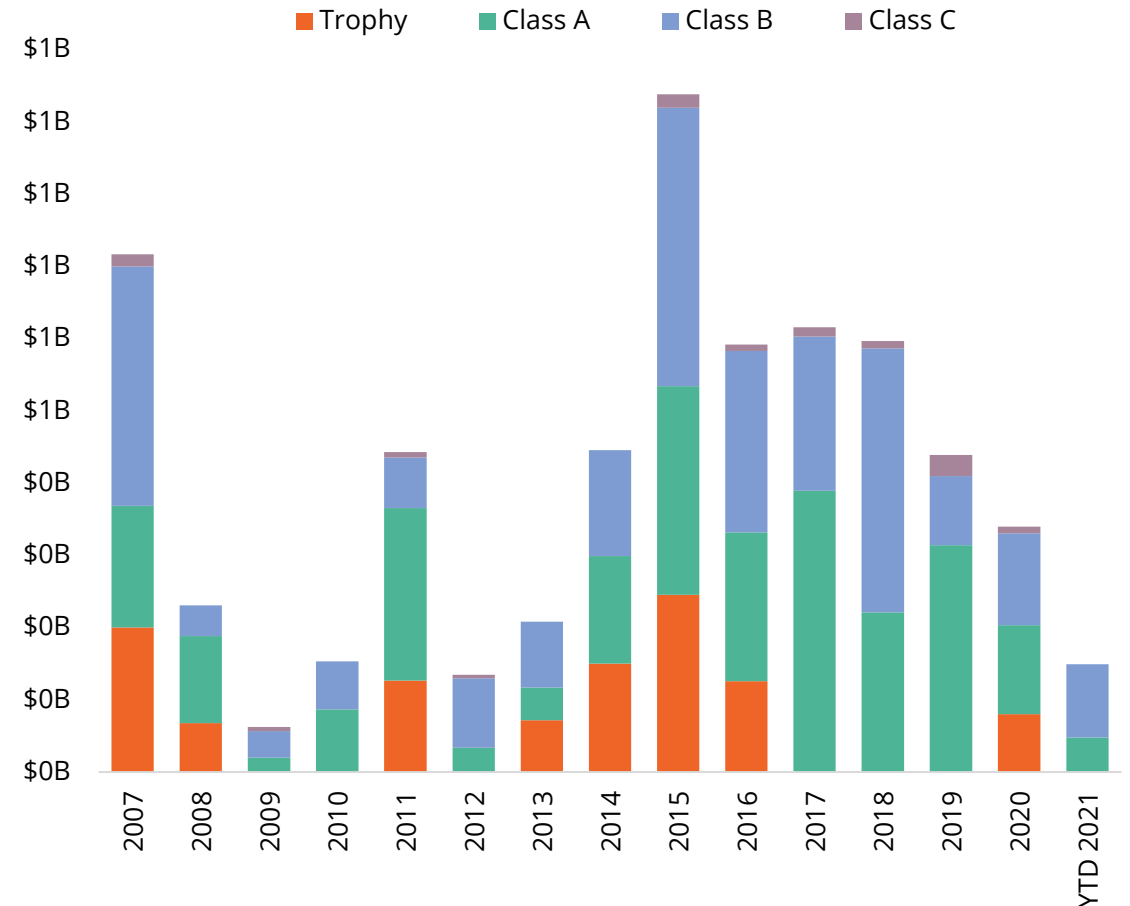


Office investment dollar volume

\$488.9M

West Palm Beach office dollar volume 2020 to present

Office sales activity temporarily paused during the pandemic and, as a result, total sales volume from 2020 through year-to-date 2021 remains down 23.2% compared to the prior five-year average dollar volume.



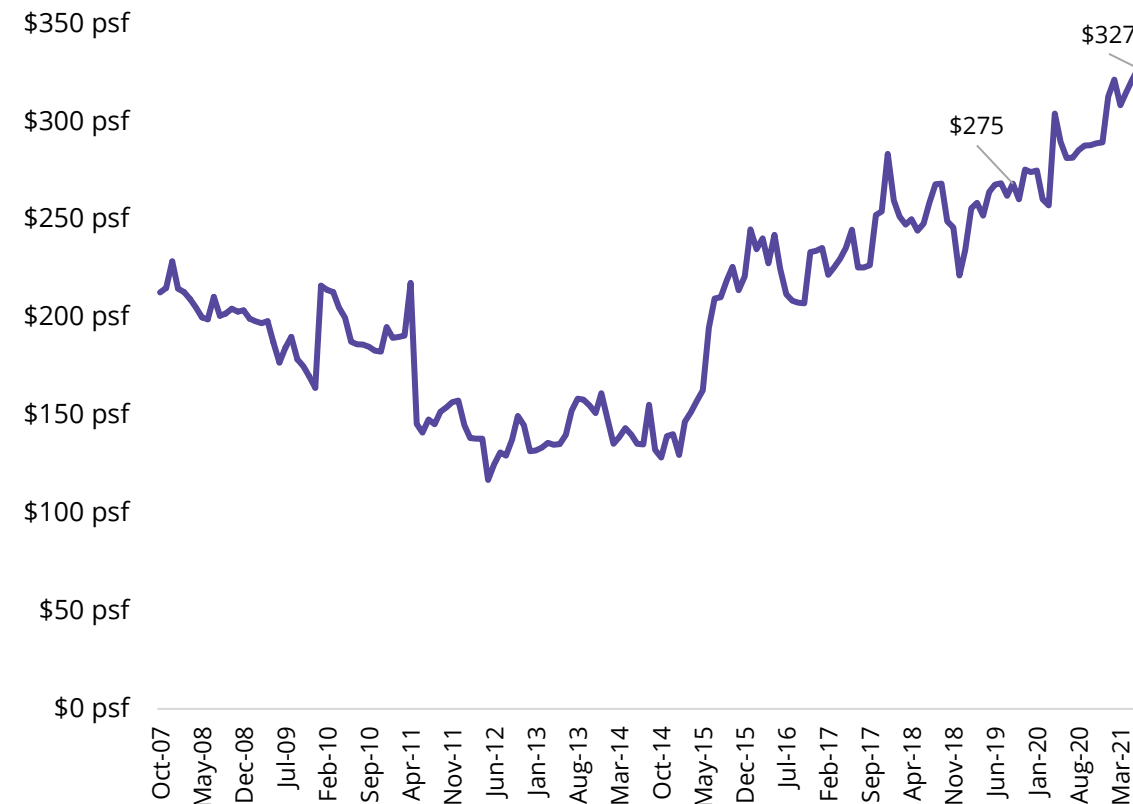
Source: AVANT by Avison Young

Office asset pricing

18.8%

West Palm Beach office pricing increase from November 2019 to present

Despite a slowdown in office investment during the pandemic, pricing saw a significant increase due to a handful of key office investments in class A and trophy assets by the Related Companies in downtown West Palm Beach. Pricing increase from \$275 psf in November 2019 to \$327 in June 2021.



Source: AVANT by Avison Young
New York City Department of Finance, RCA

Looking forward



Here's what we can expect

- West Palm Beach's strong employment base, pro-business environment, deep talent pool, enviable quality of life, and expansive growth in the tech, health, and finance sectors will continue to attract the kind of **strong in-migration** that resulted in Florida winning an extra seat in the U.S. House of Representatives.
- Investment activity is expected to remain steady as a **strong flow of available capital** chases deals in Palm Beach County, and a seller's market will continue to prevail as the delta between the number of deals brought to market and the number of active investors will persist.
- The lion's share of business in-migration to West Palm Beach has been coming from the Northeast, a trend that is expected to continue moving forward. A **steady uptick in demand** for office-using medical providers is also anticipated.
- The passage of Florida Senate Bill 50 will have **positive implications for commercial real estate** as it will dramatically cut the state tax portion of the business rent tax from 5.5% to 2.0% once Florida's Unemployment Compensation Trust Fund is replenished to pre-pandemic levels. While every tenant will save on their overall business costs, considerable cost savings will be realized by larger occupiers in Florida, particularly in higher-rent markets like South Florida.



A photograph of the Tampa skyline featuring several skyscrapers under a blue sky with scattered clouds. In the foreground, there is a highway interchange with palm trees and greenery.

**AVISON
YOUNG**

Tampa Office Insight Report

Q2 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- Rising vaccination rates, improving consumer confidence and a strong local business base have allowed Tampa's unemployment rate to rebound from a high of 13.9% to **4.7%**.
- Tampa MSA job losses have declined by 2.3% since the start of the pandemic, though office-using jobs are down by just **0.3%**. On the other hand, construction employment reached an all-time high of 85,400 in March.



Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- While the pandemic has had a considerable effect on Florida's population, its effect on the business economy was lessened (compared to markets like New York and California) as the state has been largely open for the last few quarters, enabling the business base to return to work and begin to move deals forward.



Office demand

- Leasing activity is at **40.5%** of the total recorded in 2020, however leasing interest remains strong and losses in office-using jobs are down only 0.3%.
- Five-year lease deals are once again on the table, and occupiers requiring 20,000 sf and over are more likely to sign **10-year** deals. Tenants are increasingly willing to extend deal terms in order to secure additional free rent.
- A significant amount of sublease space placed on the market during the pandemic has either already been leased or taken back by the occupier.

Key takeaways



Office supply

- Total vacancy is at a seven-year high, totaling **15.9%** after hovering in the 12% range pre-pandemic from 2017 through 2019 even as well over 600,000 sf of office space was delivered.
- The impact of sublease space is slowly lessening but it still totals **just over 1 million sf** and comprises **14.6%** of total vacant space. Some blocks placed on the market early in the pandemic by proactive landlords were opportunistic in nature and have either been leased or taken back by occupiers.



Pricing trends

- Base rents have increased by **8.1%** peak to trough since the onset of the pandemic, growing to a current average of \$28.39 per sf. The opposite trend occurred in the last recession, when rents declined by 4.8%, underpinning yet another of the key differences between the two periods.
- Demand is increasing as the economy reopens and tenants that postponed their long-term occupancy strategies re-enter the market.



Capital markets

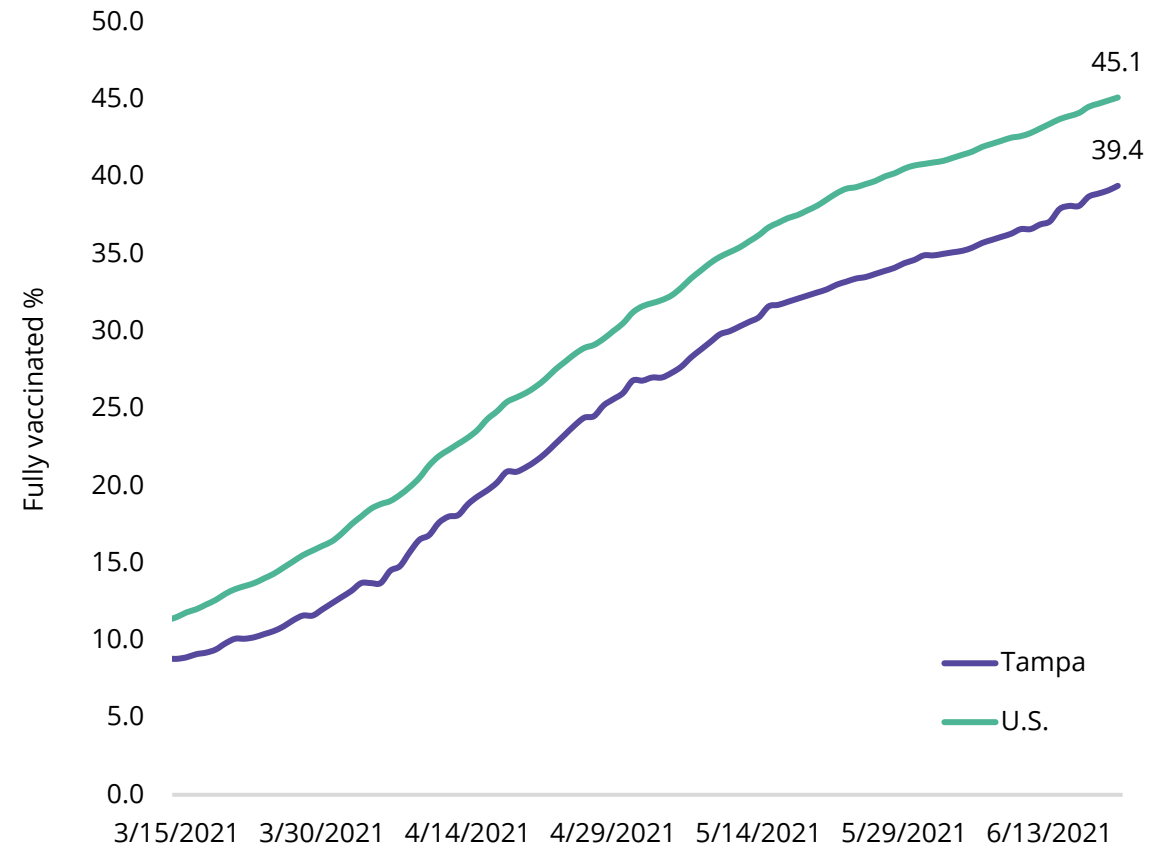
- Office investment activity has been steady in Tampa, with total transaction volume of **\$452.2 million** for the period from Jan 2020 through Jun 2021. The largest sale YTD was the **\$24 million** acquisition of Kforce's headquarters at 1001 E Palm Ave in Ybor by Alliant Partners Realty.
- There has been an increase in both the number of deals being brought to market and the corresponding investment interest, however a considerable delta remains between the two as too many investors are chasing too few deals.

Vaccination rates

39.4%

Share of total Tampa population that is fully vaccinated

Vaccination rates in the Tampa MSA are trending behind U.S. rates, however it has not inhibited business expansion with pandemic-era employment gains recorded in the professional and business services sector.



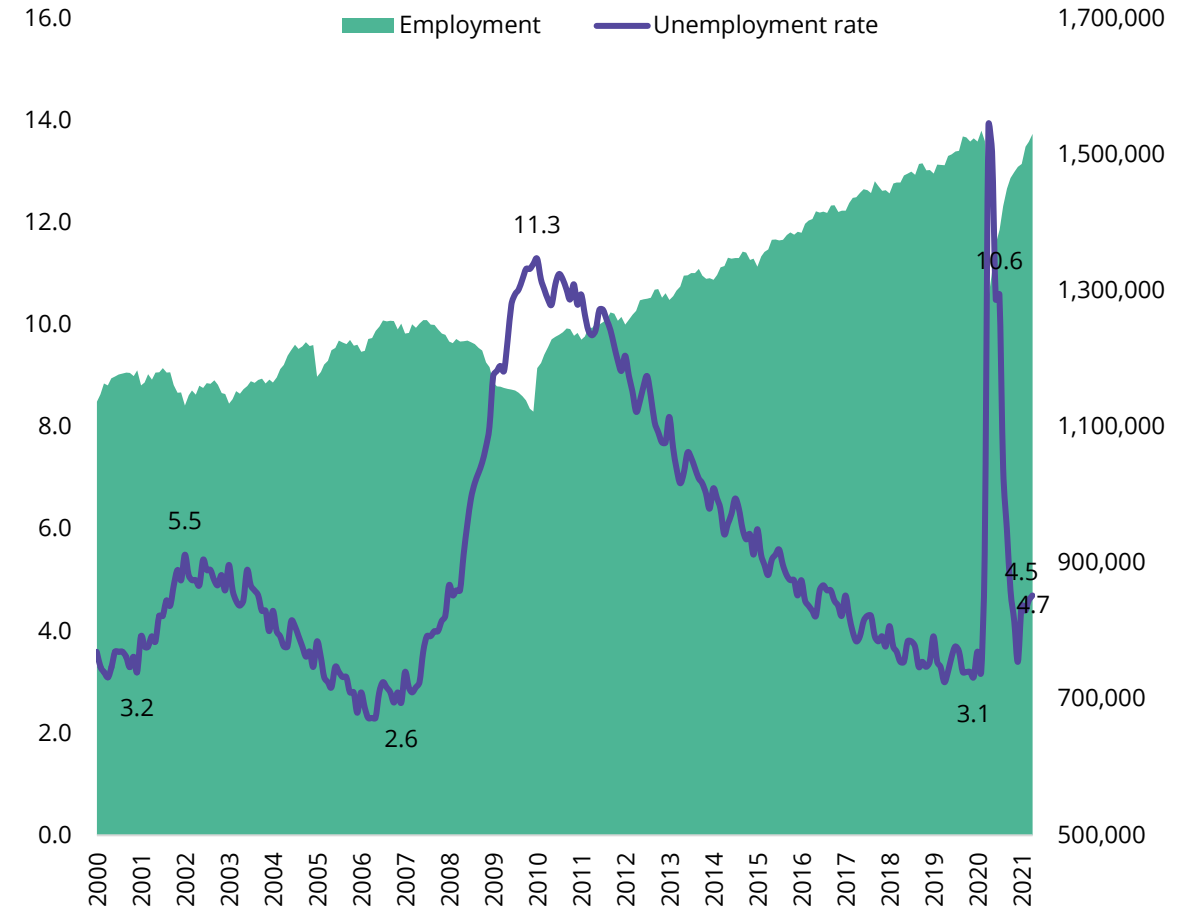
Source: CDC

Employment and unemployment rate

4.7%

Tampa Bay's unemployment rate as of April 2021, 920 bps below the height of the pandemic

Historically tightened labor market conditions were halted by the pandemic with nearly 247,000 million job losses between February and April 2020, although steady vaccinations and business reopening efforts have added back nearly 242,000 jobs in the months since.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

-0.3%

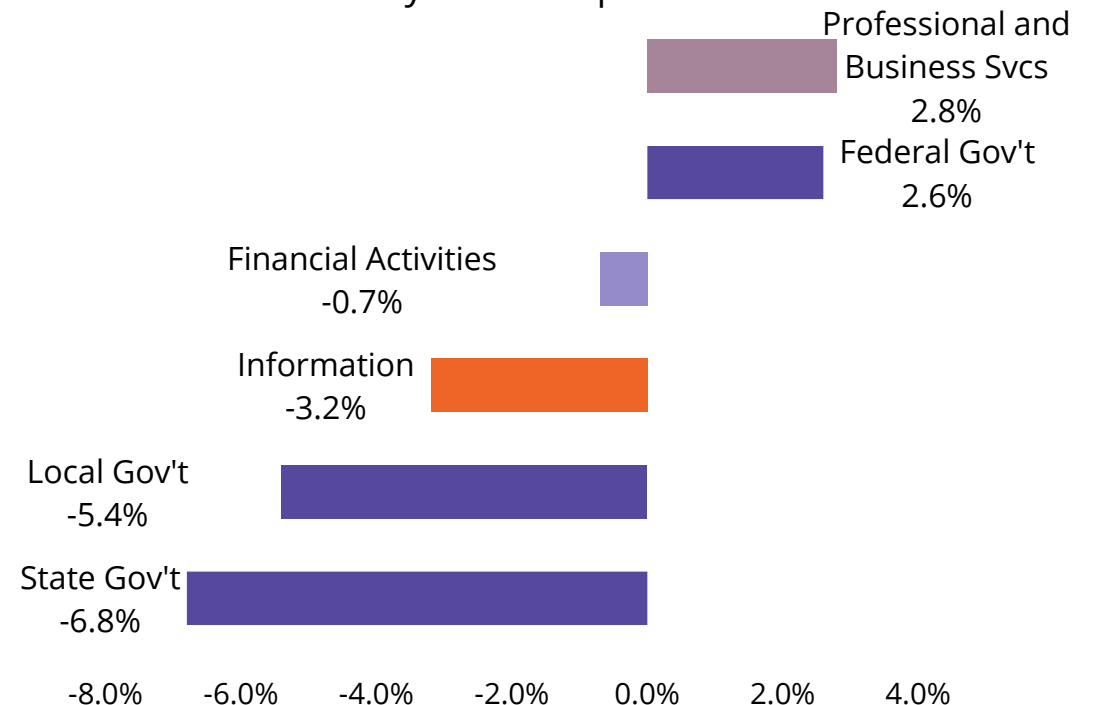
Change in office-using employment during the pandemic

Tampa MSA job losses have declined by 2.3% since the start of the pandemic, though office-using jobs are down by just 0.3%. This recession's impact on the office-using labor market has been considerably less severe than the global financial crisis, when total job losses totaled 9.2%.

[VIEW DASHBOARD](#)

Total change in Tampa* job gains/(losses)

February 2020 to April 2021



Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

40.5%

**Year-to-date 2021
leasing activity
compared to YE-2020**

While leasing activity at the midway point of the year has fallen short of being half of the prior year's activity, leasing interest remains strong and should pick up through the remainder of the year.

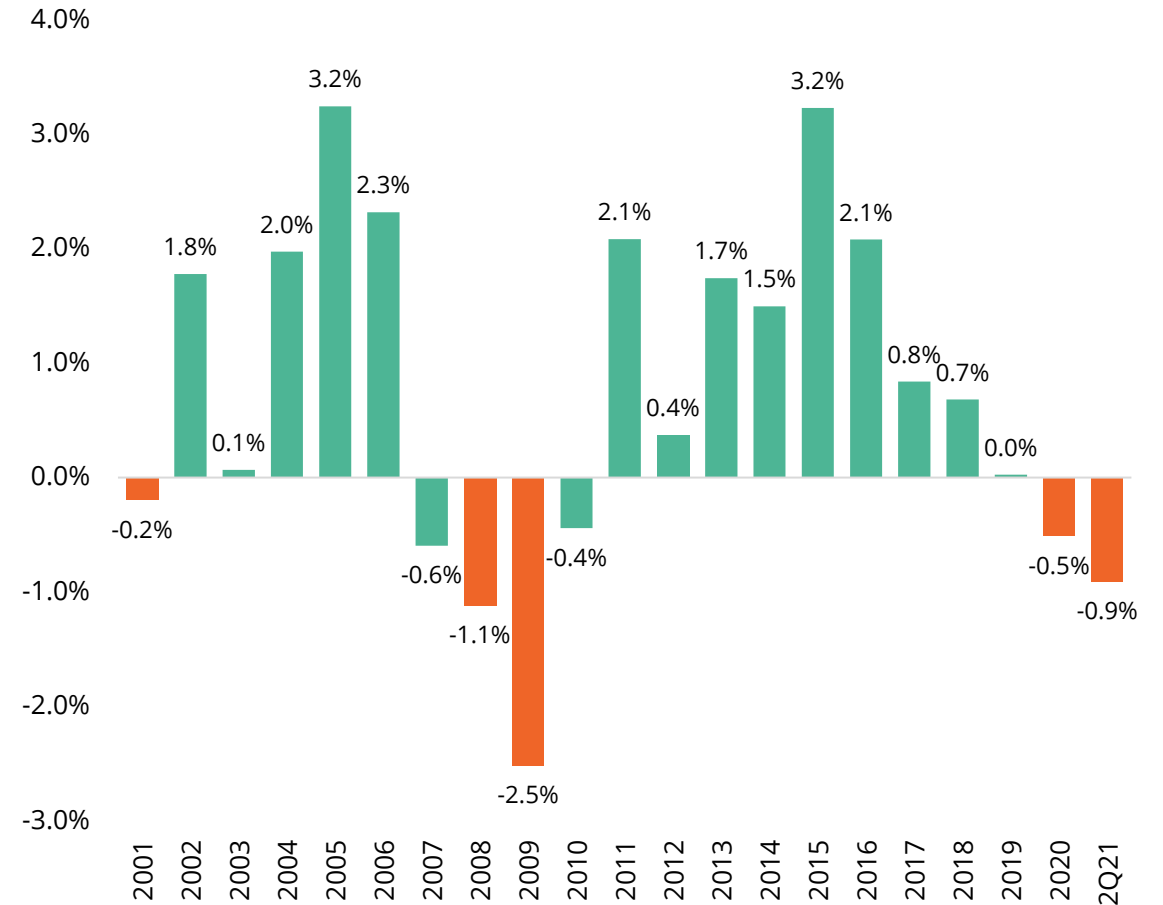


Source: AVANT by Avison Young

-1.4%

Net absorption as a percentage of inventory, 2020 through Q1 2021

Negative absorption from 2020 to 2Q21 has totaled 647,528 sf, totaling -1.4% of the existing stock. This negative absorption has not yet reached the low of the global financial crisis (-2.5%) but has surpassed the level seen in the early 2000's recession (-0.2%).



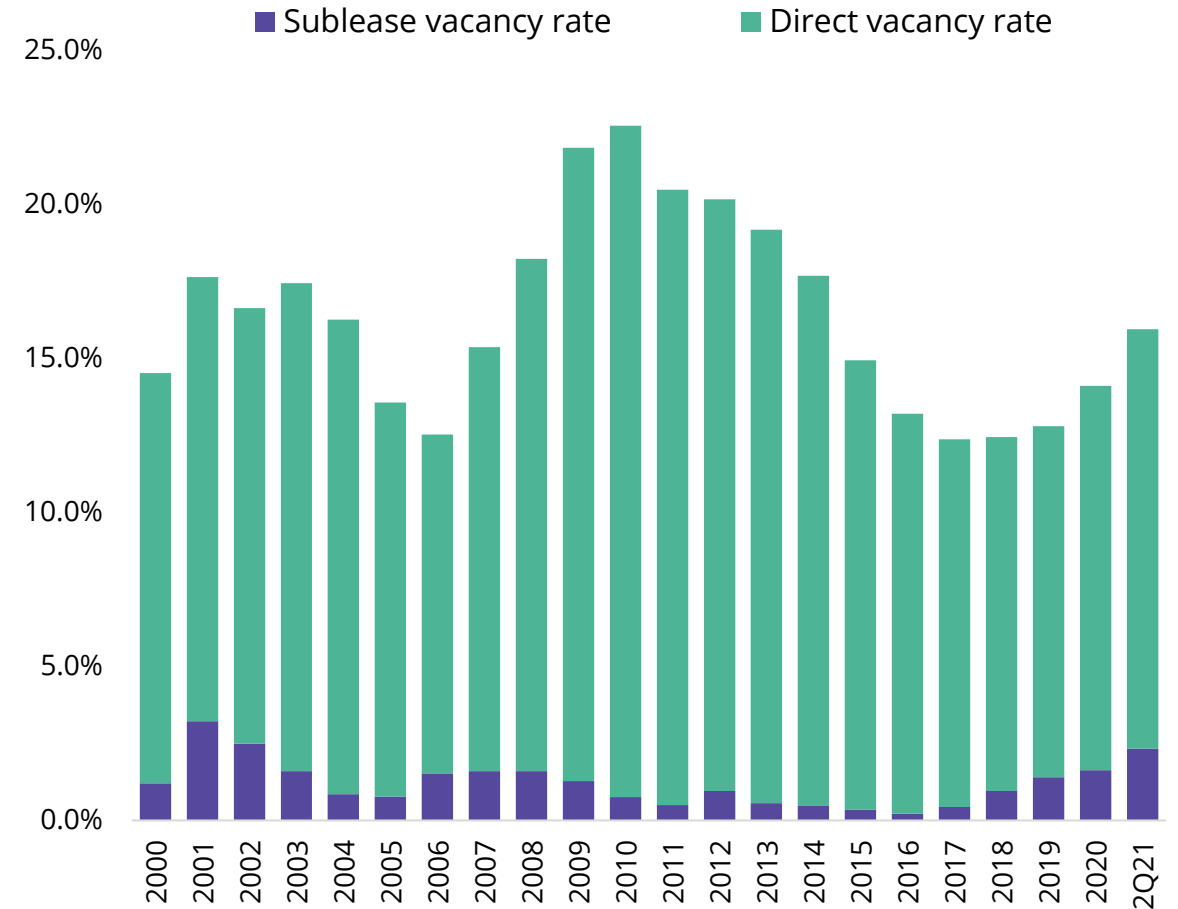
Source: AVANT by Avison Young

Vacancy rate

15.9%

Total vacancy in Tampa is at its highest point since 2014

The Q2 2021 vacancy rate is at its highest point in 8 years but remains well below the 22.6 recorded in 2010, which was the highest rate in the previous 20-yr period. Overall rents for the current quarter have increased by 2.3 percent Y-o-Y.



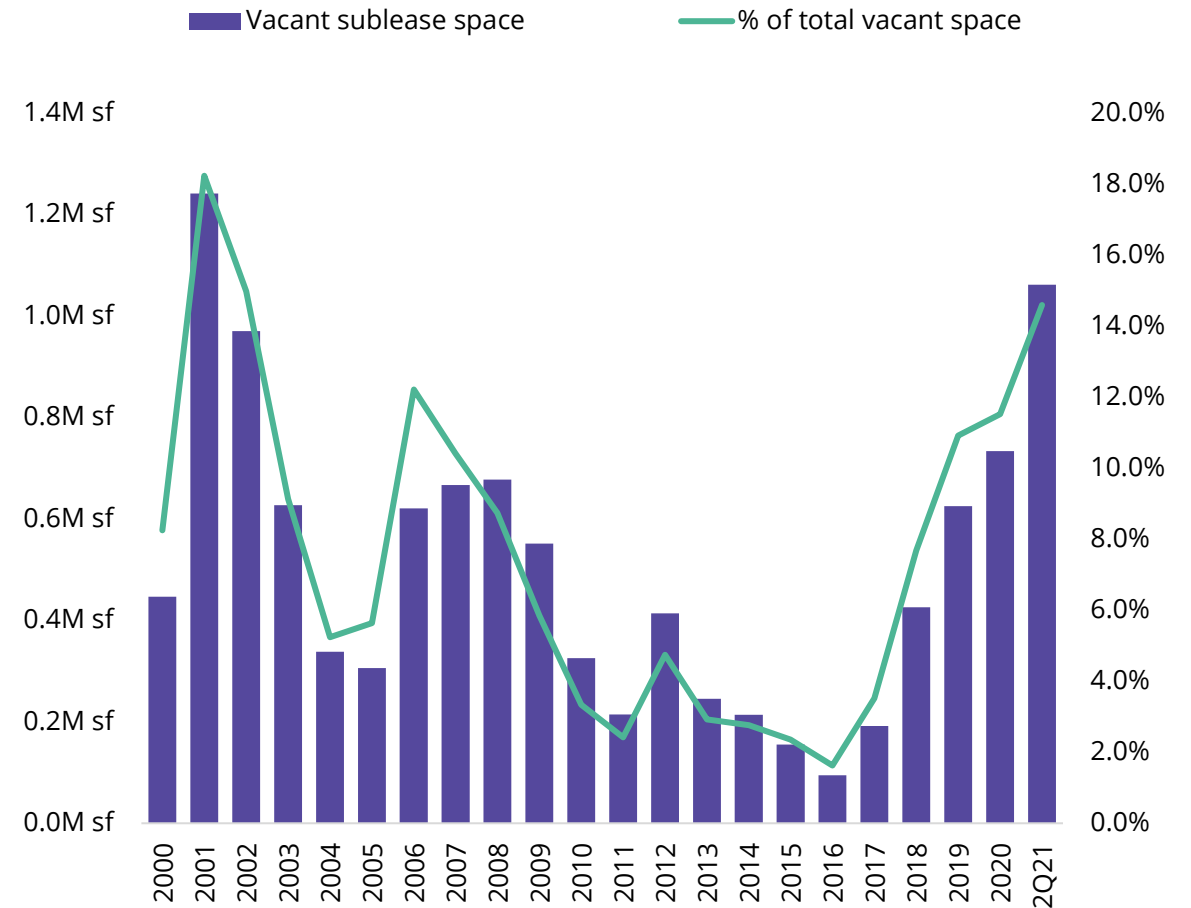
Source: AVANT by Avison Young

Vacant sublease space

1.1 msf

Record levels of sublease vacant space

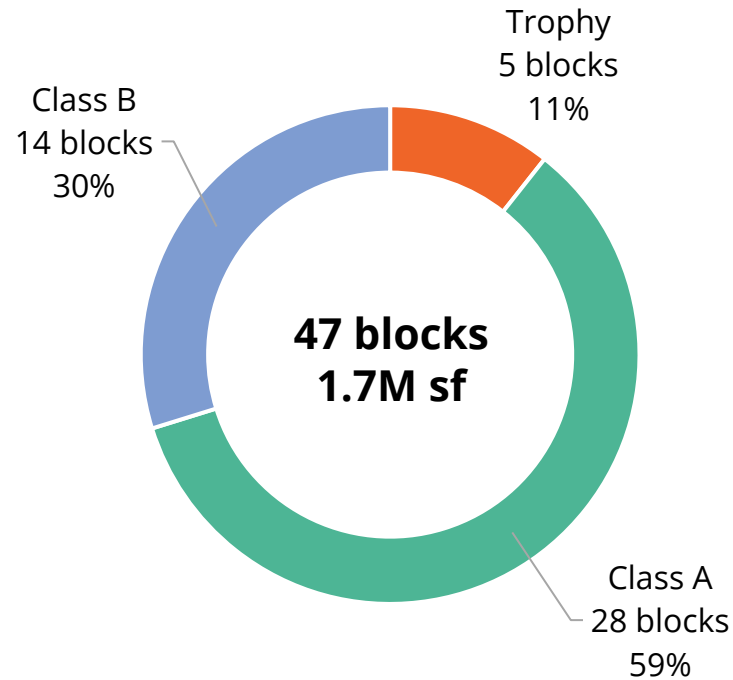
The share of sublease-to-total vacant space of 14.6% has surpassed the peak of 12.2% from the global financial crisis levels, though there is a precedent from 2001 due to the Dot-com Recession when the rate reached 18.2%.



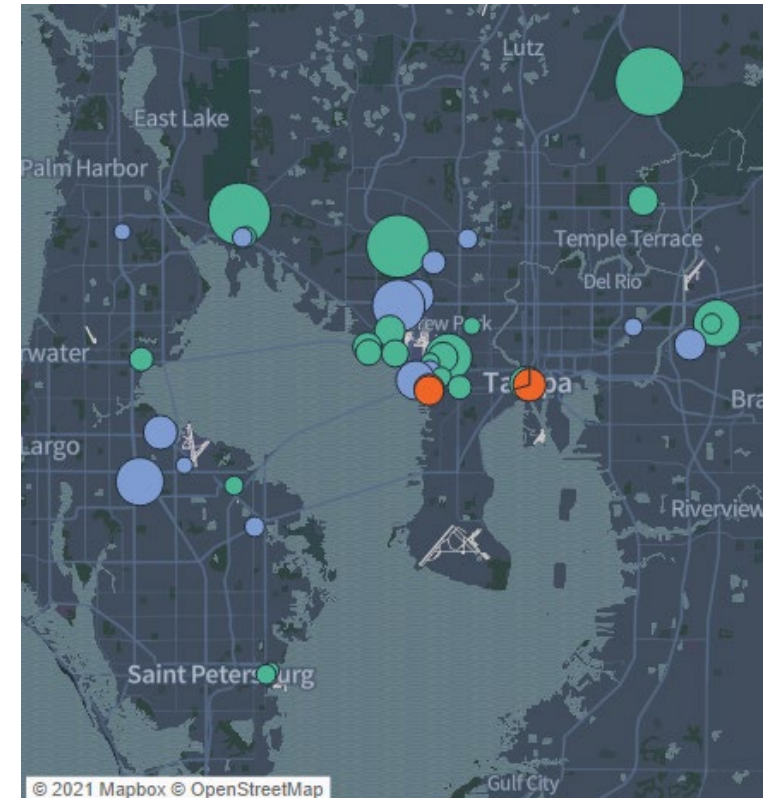
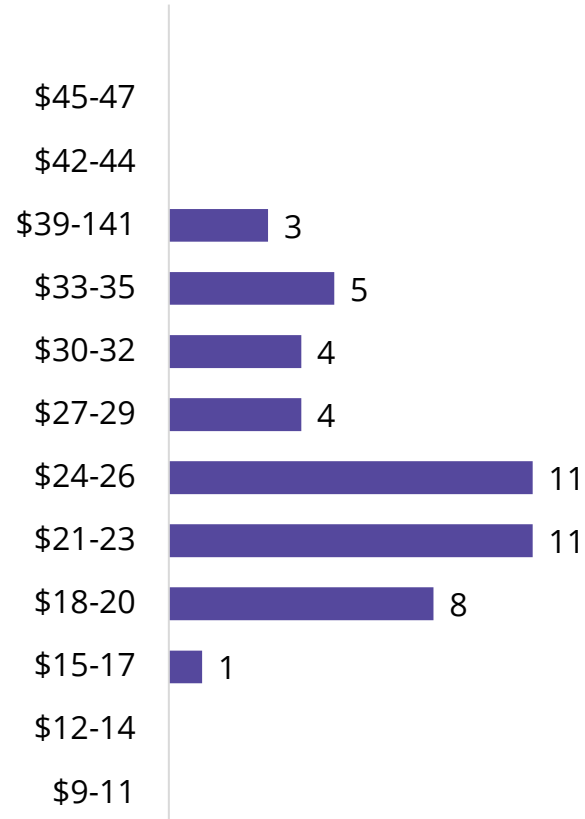
Source: AVANT by Avison Young

Sublease supply pipeline

Building classification



Asking rent per square foot



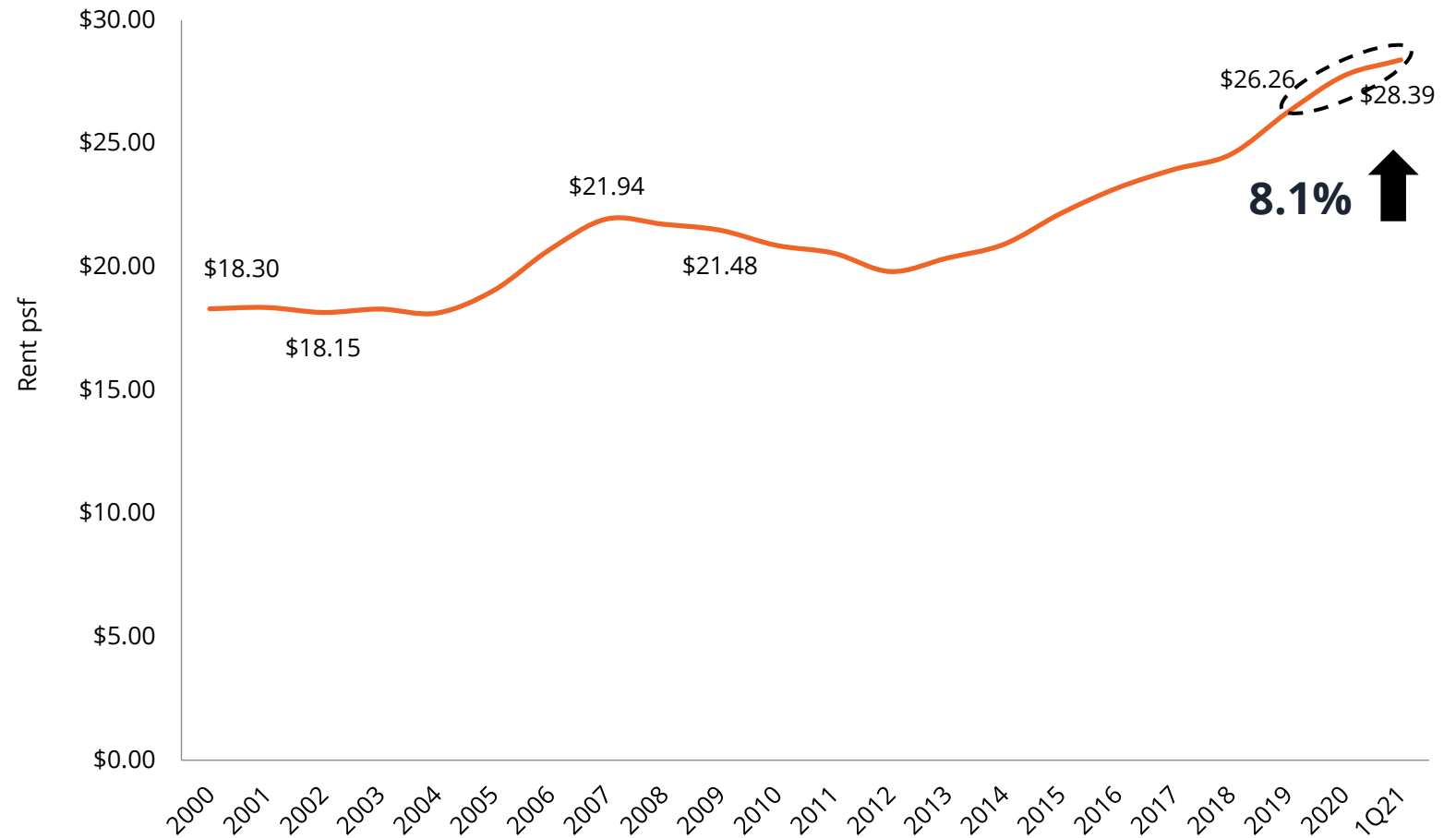
Source: AVANT by Avison Young

Base rents

8.1%

**Peak-to-trough change
in rents since the onset
of the pandemic**

Base rents have increased notably since the onset of the pandemic and the resulting recession, which is the opposite of what occurred in the prior two recessions.



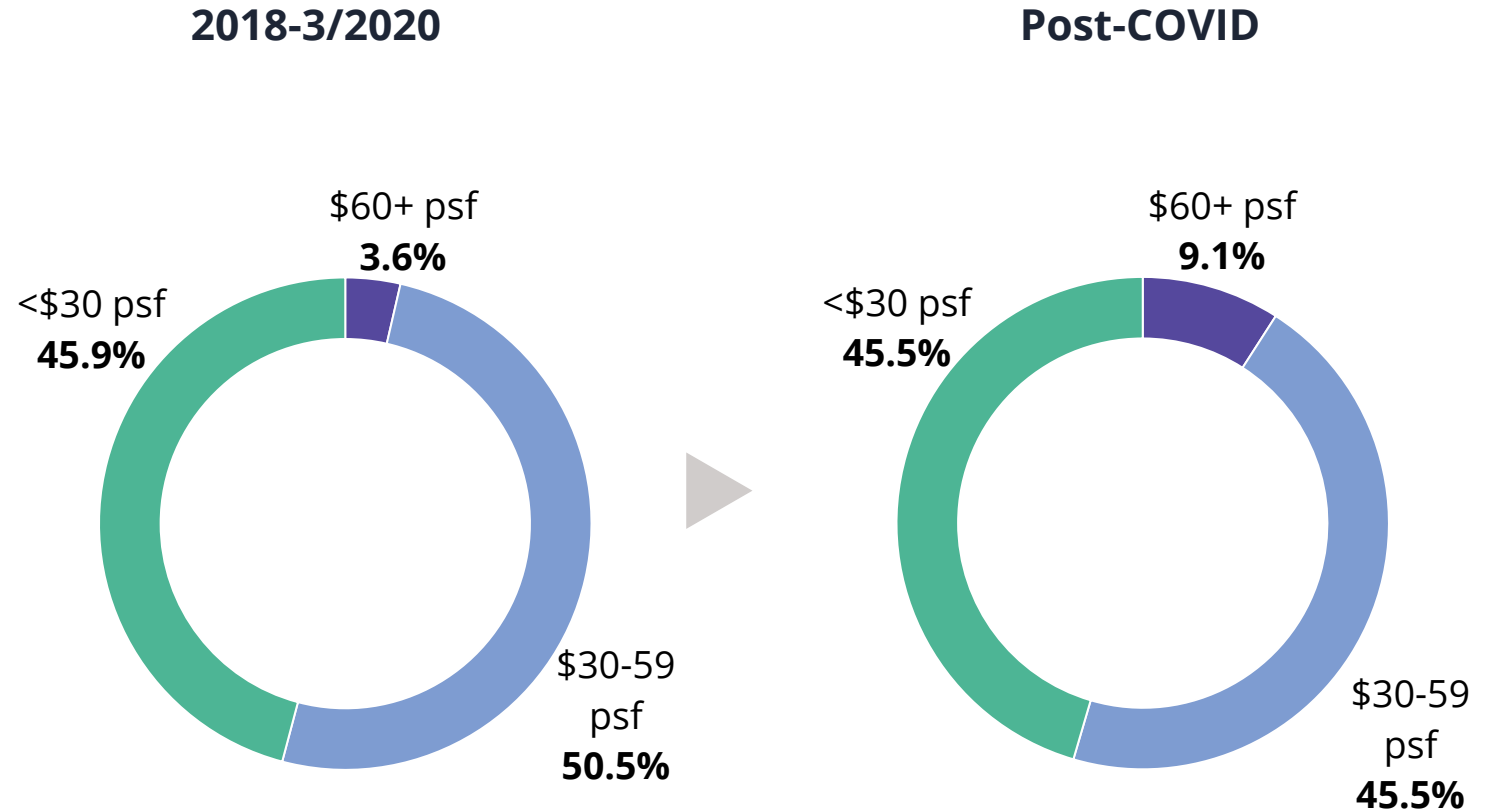
Source: AVANT by Avison Young

Concession trends pre-COVID vs. post-COVID

9.1%

Number of all class A deals since March 2020 with TI allowances above \$60 per sf

While renewals are common and allow tenants time to evaluate their future floor plate needs, tenants have been willing to extend deal terms in order to secure higher TI allowances on new deals.



Source: AVANT by Avison Young

Tampa's construction pipeline

21 properties

proposed or under construction

3.9 msf

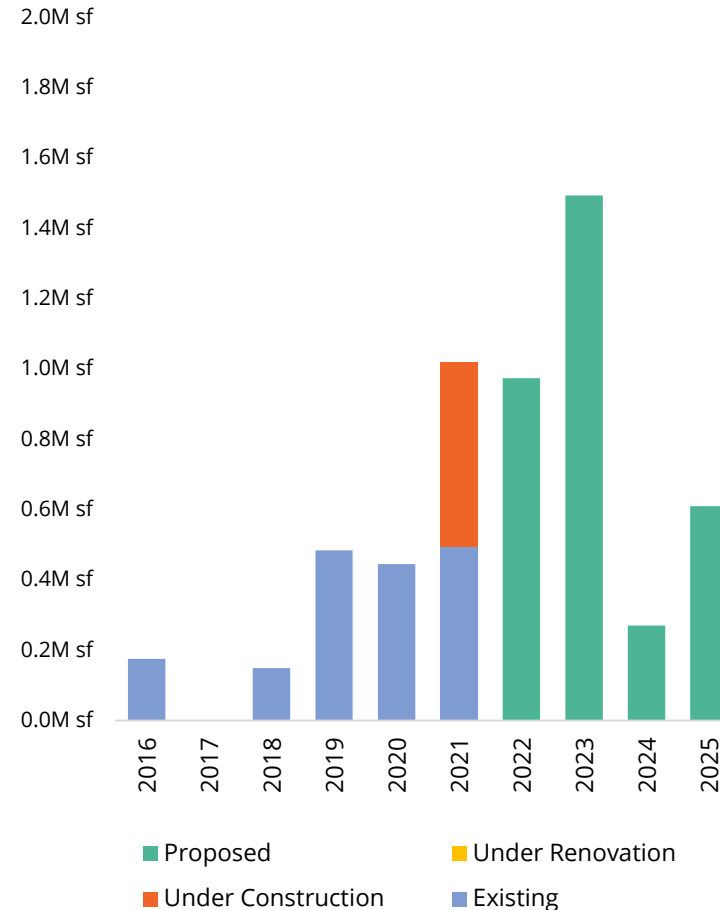
proposed or under construction

7.9%

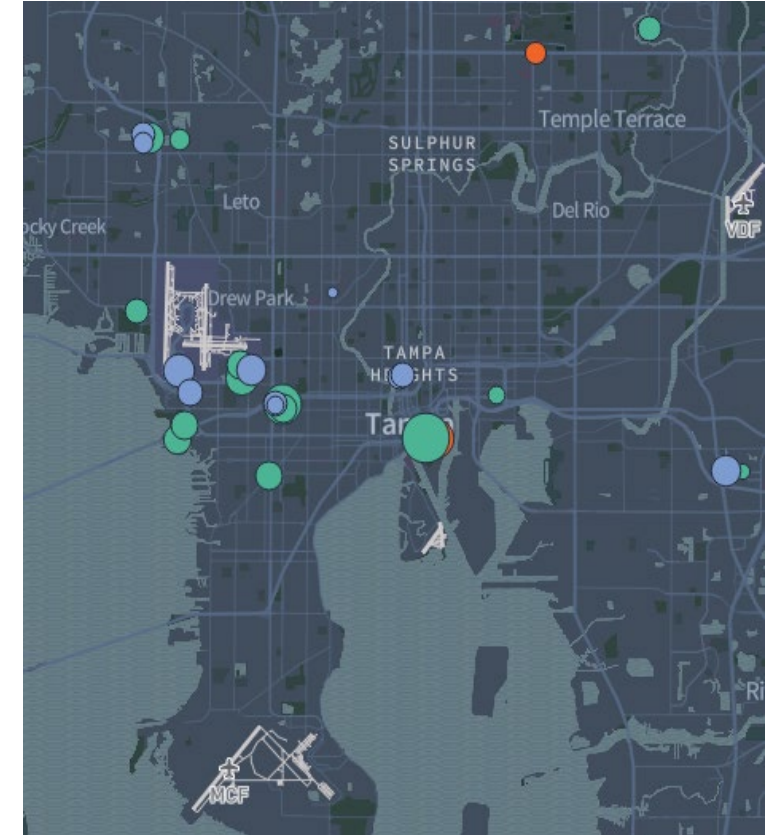
share of office inventory

1.7 msf

New construction deliveries
in Tampa since 2016



Source: AVANT by Avison Young

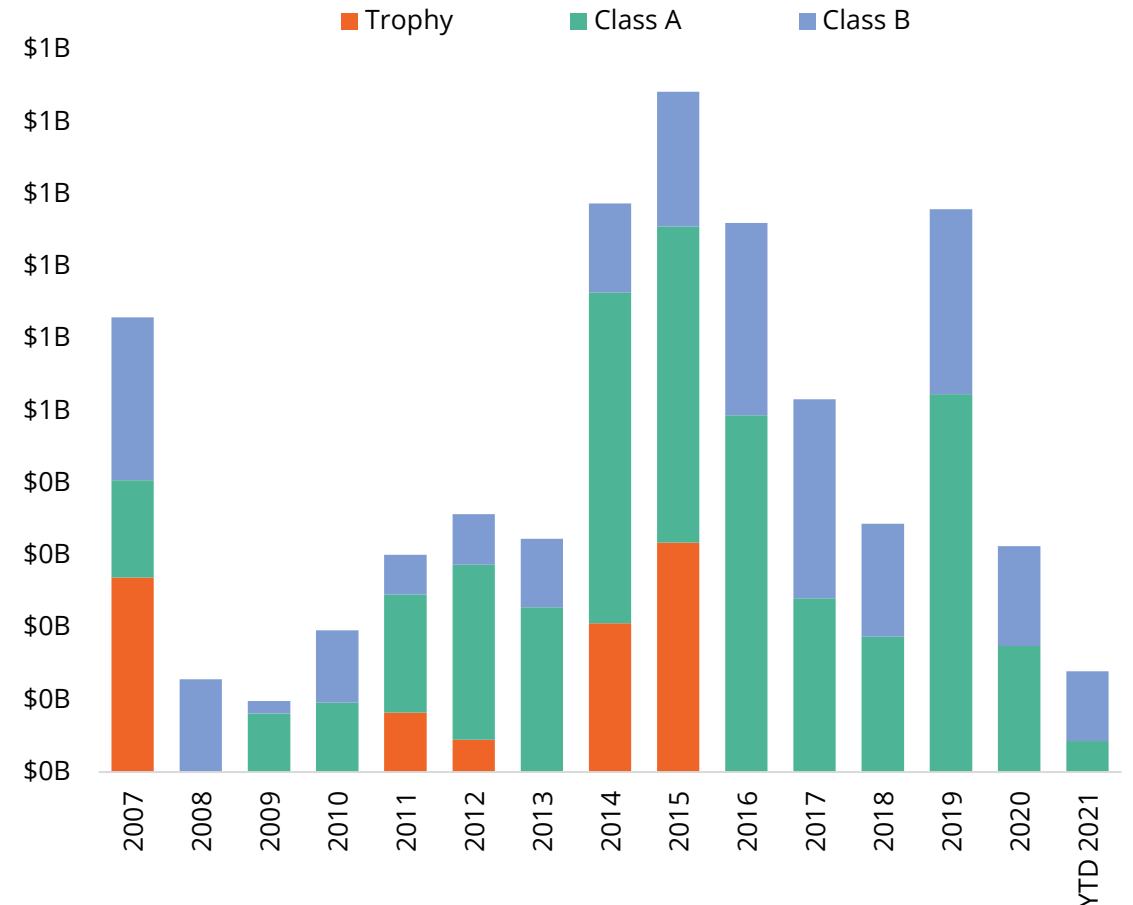


Office investment dollar volume

\$452.2M

Tampa office dollar volume 2020 to present

Office sales activity temporarily paused during the pandemic and, as a result, total sales volume from 2020 through year-to-date 2021 remains down 32.3% compared to the prior five-year average dollar volume.



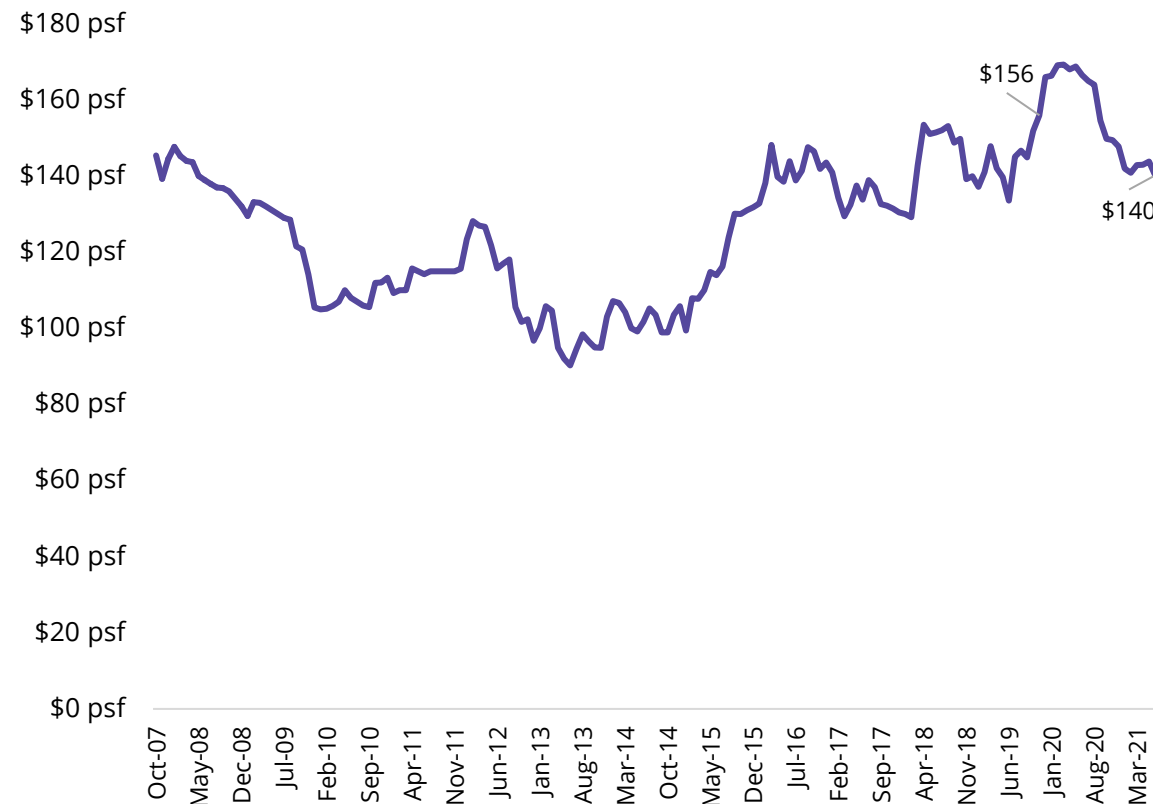
Source: AVANT by Avison Young

Office asset pricing

-10.1%

Tampa office pricing from November 2019 to present

Pricing has softened during the pandemic as investors have adopted more conservative underwriting approaches, decreasing from \$156 psf in November 2019 to \$140 psf in June 2021.



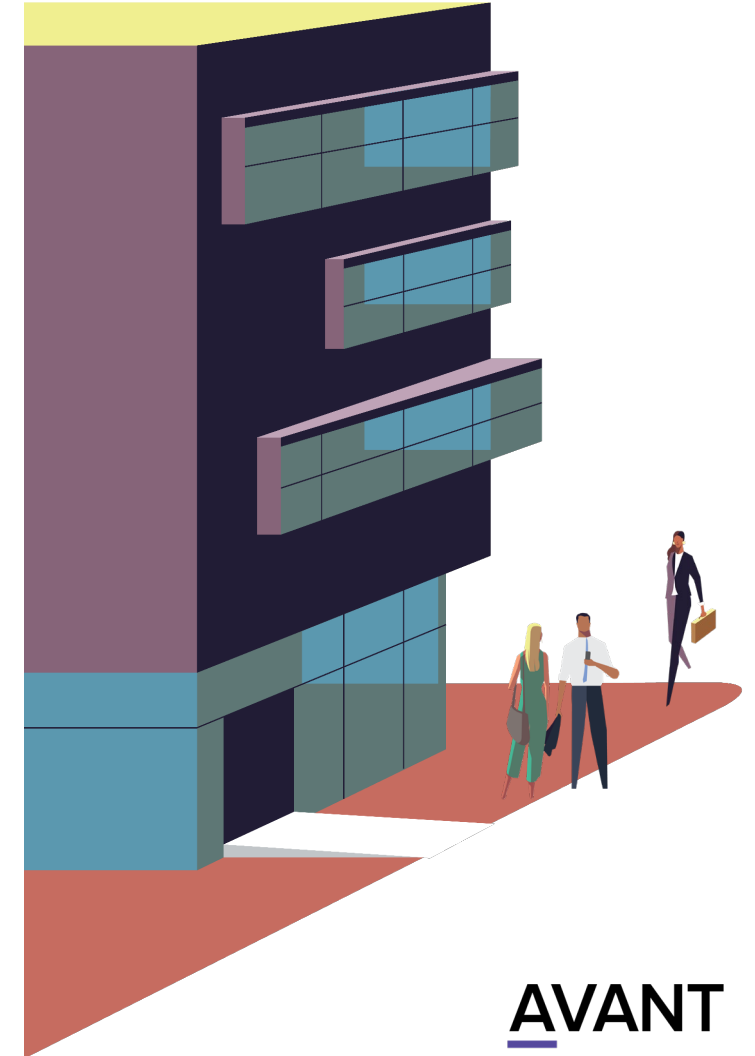
Source: AVANT by Avison Young
New York City Department of Finance, RCA

Looking forward



Here's what we can expect

- The overall vacancy rate will continue to decline incrementally, although another **1 million sf** coming online this year in Westshore - half of which has already delivered - will provide additional pressure. Tenants will increasingly return to the negotiating table follows their internal audits of expected future footprint needs.
- Well-located **class A** office properties will remain sought after by both occupiers and investors, particularly in Westshore, and tenants will increasingly ponder the value proposition of locating downtown in the post-COVID environment.
- **Office leasing demand is incrementally rising** as indicated by increasing term lengths, and the availability of tech talent and labor will continue to impact business decisions.
- The passage of Florida Senate Bill 50 will have **positive implications for commercial real estate** as it will dramatically cut the state tax portion of the business rent tax from 5.5% to 2.0% once Florida's Unemployment Compensation Trust Fund is replenished to pre-pandemic levels. While every tenant will save on their overall business costs, considerable cost savings will be realized by larger occupiers in Florida.





AVISON
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Orlando Office Insight Report

Q2 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- Reopening efforts and steadily rising vaccination rates have enabled the Orlando unemployment rate to rebound from a high of 22.6% to **5.6%**, although work from home strategies still vary widely by company.
- Office-using job losses have totaled **6.9%** compared with 14.2% for other industries' job losses, underscoring the disproportionate impact the pandemic had on the discretionary segments of the local economy.



Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- While the pandemic has had a considerable effect on Florida's population, its effect on the business economy was lessened (compared to markets like New York and California) as the state has been largely open for the last few quarters, enabling the business base to return to work and begin to move deals forward.



Office demand

- A majority of current leasing activity is comprised of smaller deals under **10,000 sf**, requiring multiple deals to backfill larger floor plates that have been placed on the market.
- Sublease opportunities will continue to come on the market for the remainder of the year, coming primarily from large corporate users looking to downsize their footprints.
- While not a market wide trend, many office tenants are still pushing for shorter term leases if they are expiring soon. That said, the signing of several significant new-to-market deals over the last month is an encouraging sign.

Key takeaways



Office supply

- Direct and sublease vacancy are at their highest point in six years, totaling **13.9%**.
- The sublease market in Orlando remains one of the most saturated in the South, comprised of over **760,000 sf** of space with more on the way. Many listings are opportunistic in nature and listed by tenants who have more space than they require and are not indicative of a tenant in financial distress. The good news is that activity on sublease space has been solid, with over 78,000 sf of a 108,000-sf sublease in Lake Mary already backfilled by two “new to market” tenants.



Pricing trends

- Average base rents have increased by **6.7%** from peak-to-trough due in part to an increased supply of class A space as landlords secured new tenant commitments and lease renewals through favorable lease provisions while keeping rents relatively steady.
- Demand is starting to increase as the business economy gains momentum, employees come back to the office, and tenants that postponed their long-term occupancy strategies re-enter the market.



Capital markets

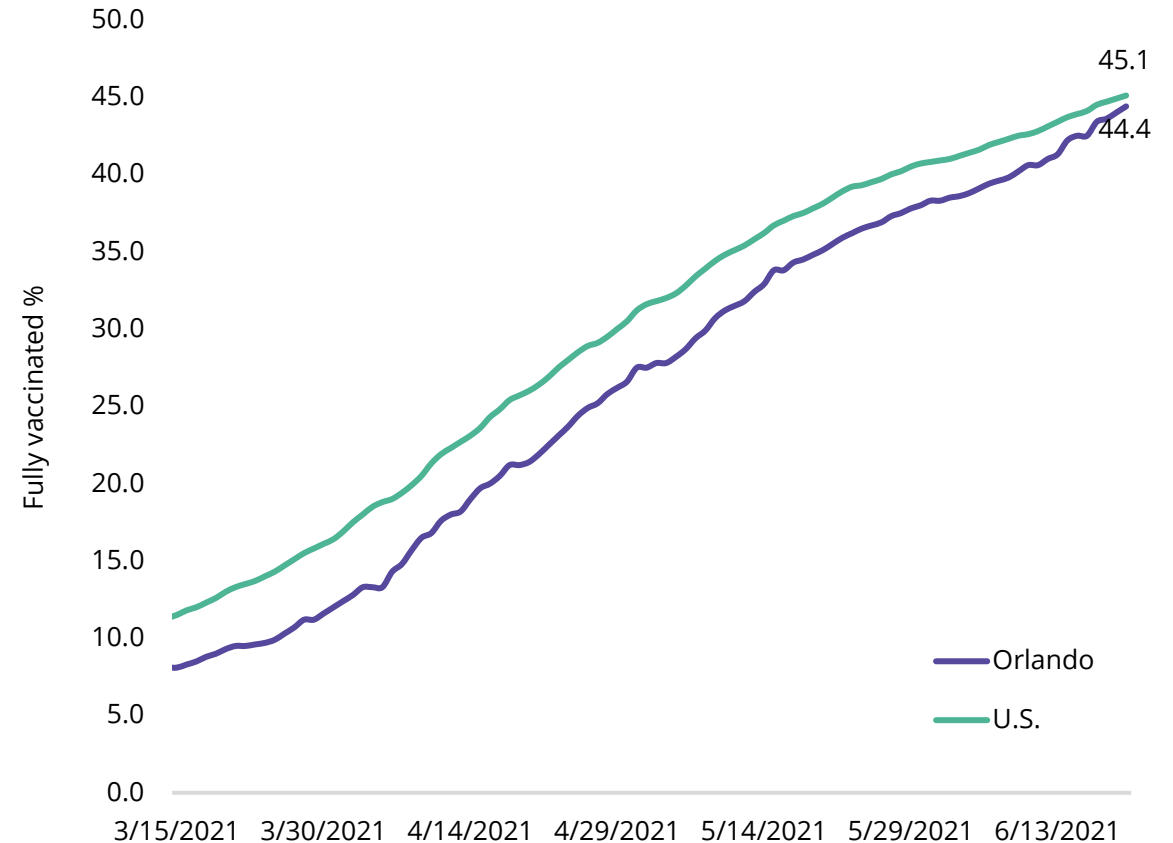
- Office investment activity has been steady in Orlando, with total transaction volume of **\$359.3 million** for the period from Jan 2020 through Jun 2021. The largest sale was DRA Advisors' **\$63 million** acquisition of the 280,000-sf 20 N Orange building in the urban core.
- Paralleling other Florida markets, there has been an increase in both the number of deals being brought to market and the corresponding investment interest, however a considerable delta remains between the two as too many investors are chasing too few deals.

Vaccination rates

44.4%

Share of total Orlando population
that is fully vaccinated

Orlando proportionate vaccination rates continue to lag the U.S. average however it has not hindered business reopening efforts and foot traffic in the urban core is increasing.



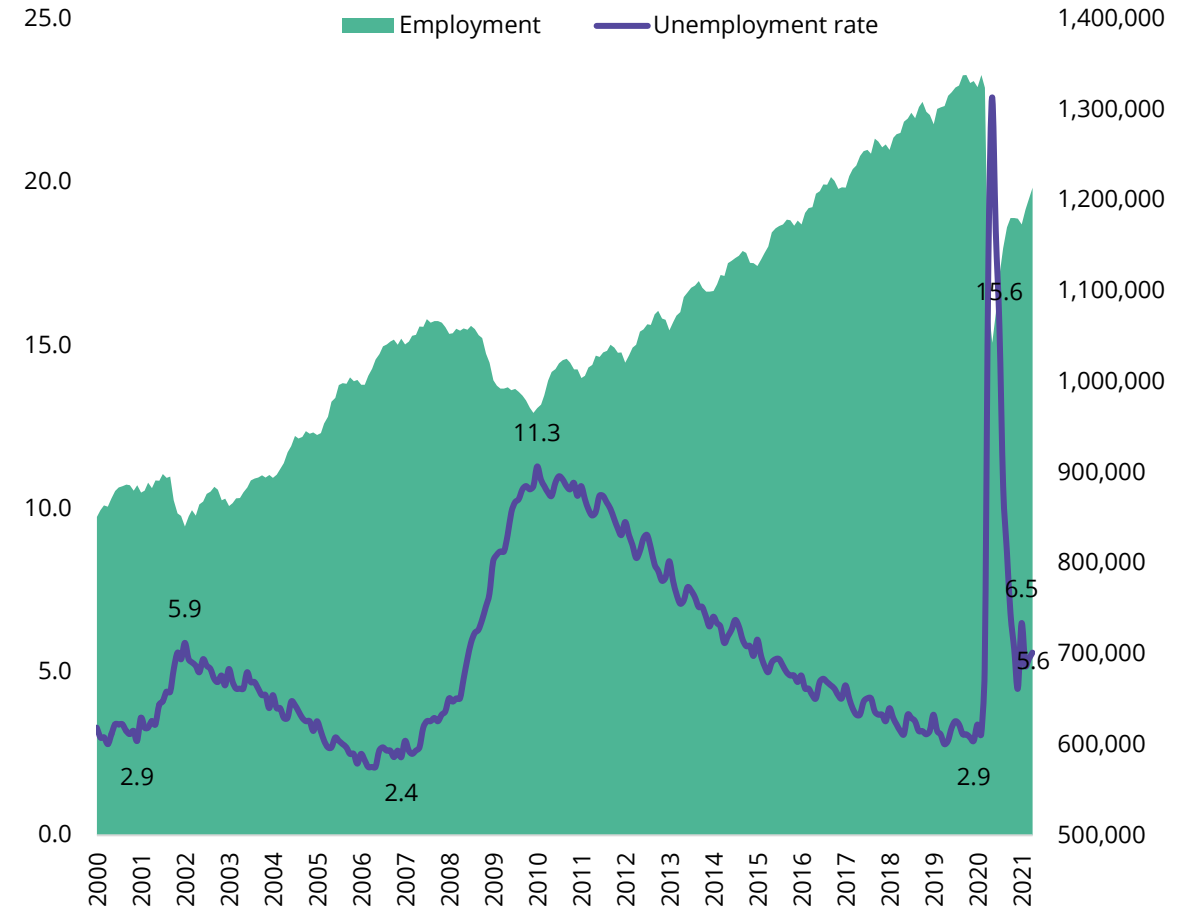
Source: CDC

Employment and unemployment rate

5.6%

Orlando unemployment rate as of April 2021, down 1700 bps since the record high reached in May 2020

Historically tightened labor market conditions were halted by the pandemic with nearly 300,000 job losses between February and May 2020. However, reopening efforts have enabled the economy to add over 171,000 jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

-6.9%

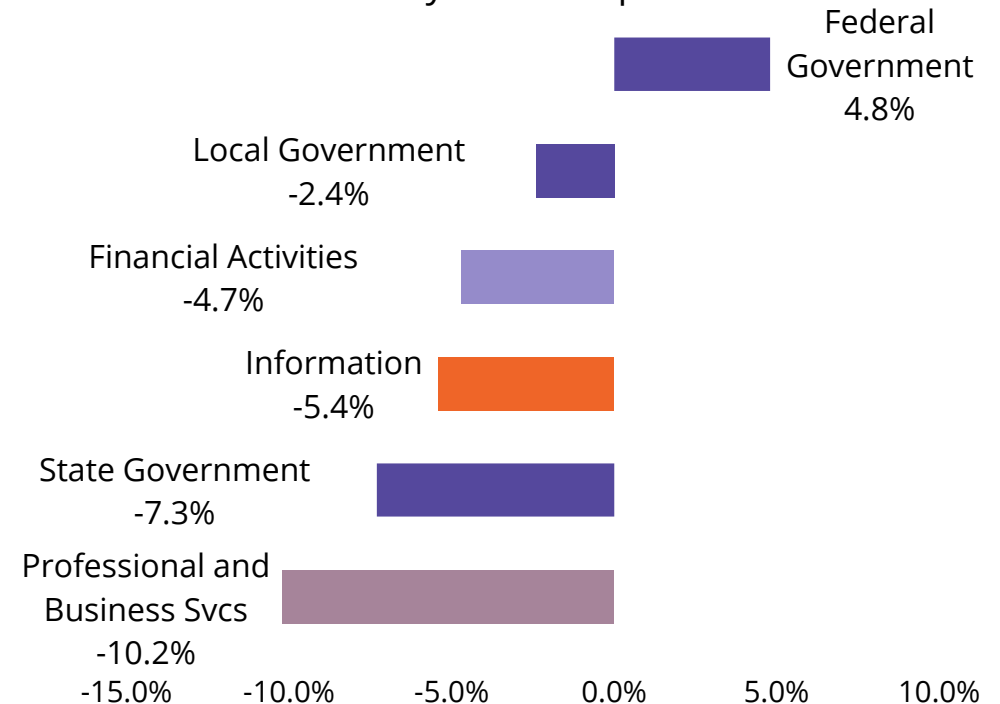
Change in office-using employment during the pandemic

Orlando MSA job losses are down significantly by 14.1% since the start of the pandemic with office-using jobs contracting by 6.9%. As was the case with the global financial crisis over a decade ago, the impact of this recession is expected to be felt in Orlando's office market to some degree for years to come.

[VIEW DASHBOARD](#)

Total change in Orlando* job gains/(losses)

February 2020 to April 2021



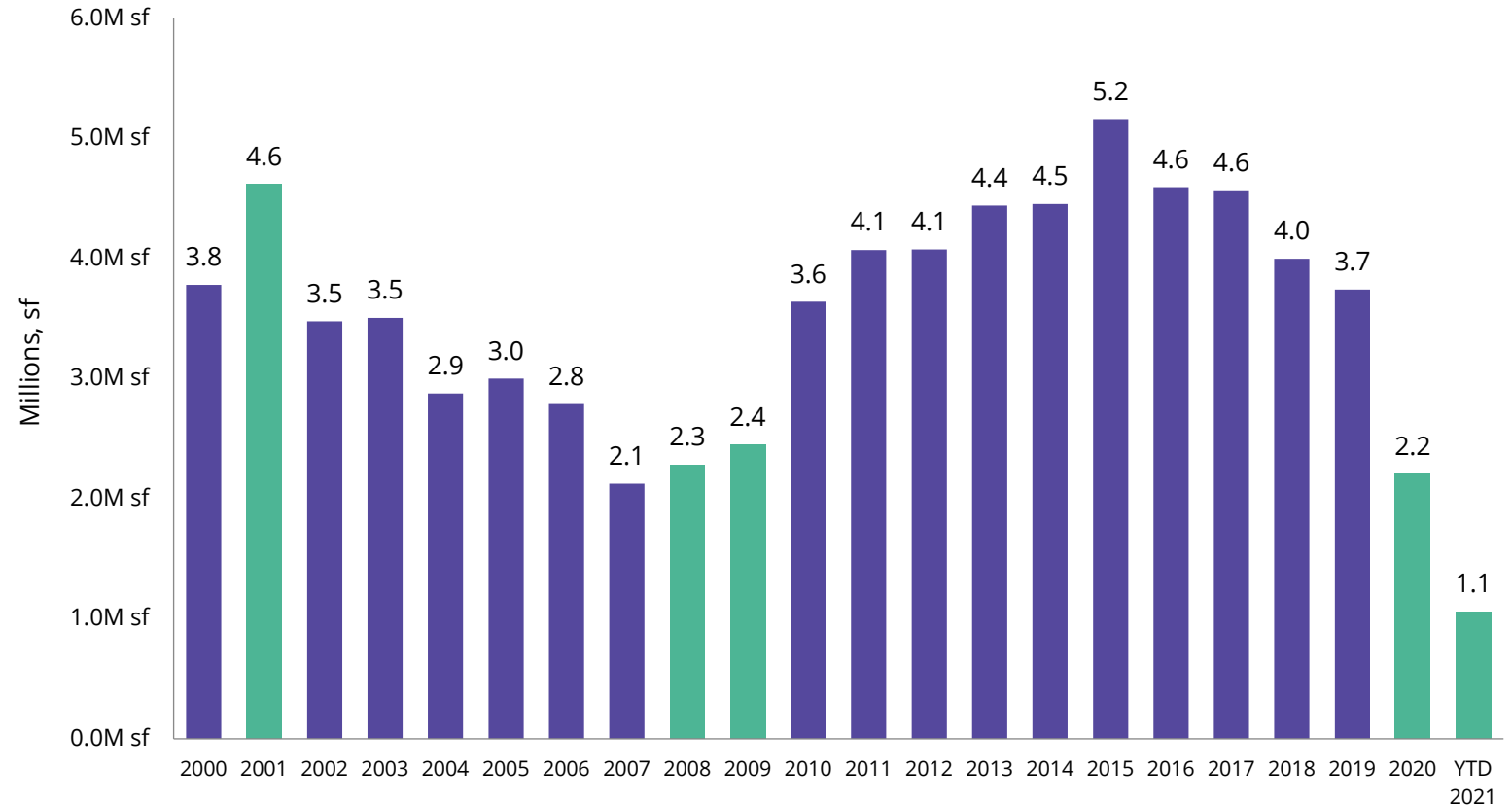
Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

48.1%

**Year-to-date 2021
leasing activity
compared to YE-2020**

While leasing activity at the midway point of the year has fallen short of being half of the prior year's activity, leasing interest remains strong and should pick up through the remainder of the year.



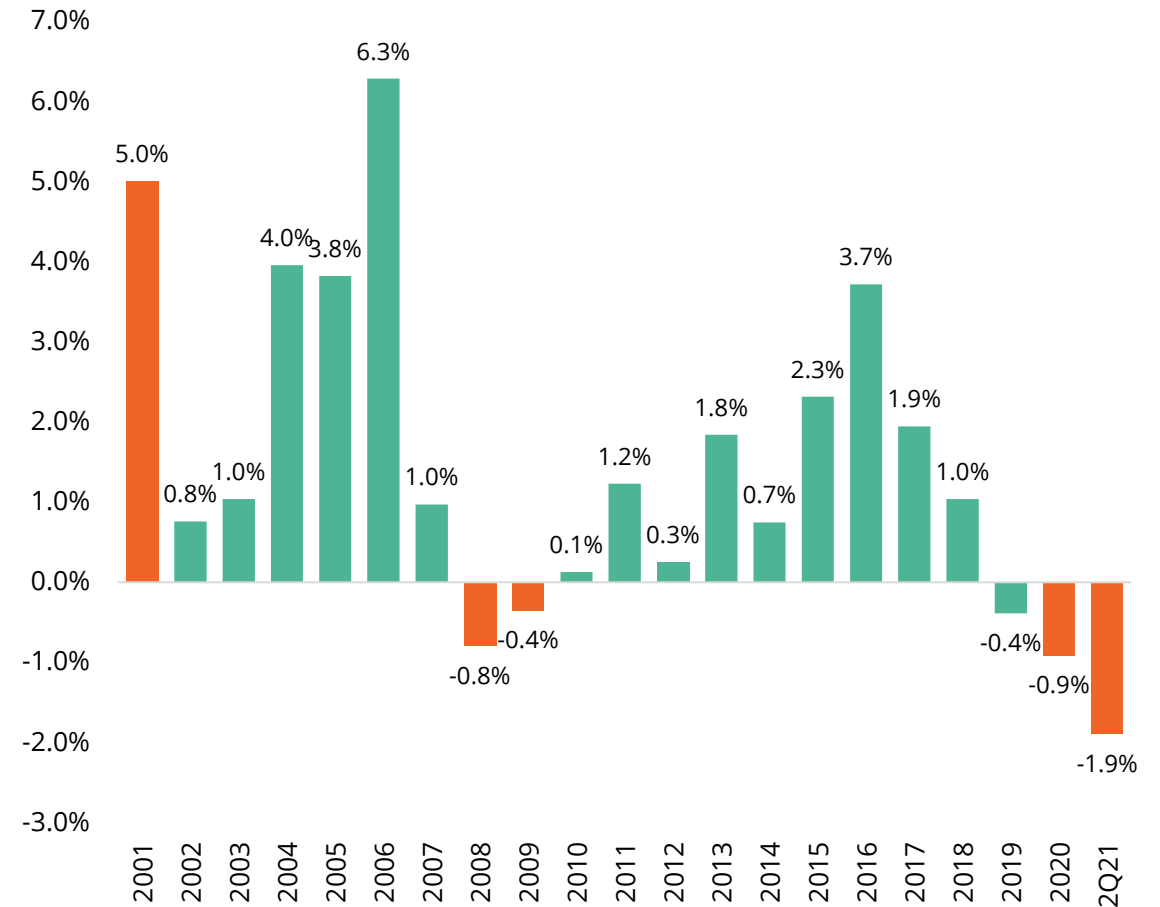
Source: AVANT by Avison Young

Absorption

-2.8%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Negative absorption from 2020 to 2Q21 has totaled 1.1 million sf, totaling -2.8% of the existing stock. This negative absorption significantly surpasses the low of the global financial crisis (-0.8%).



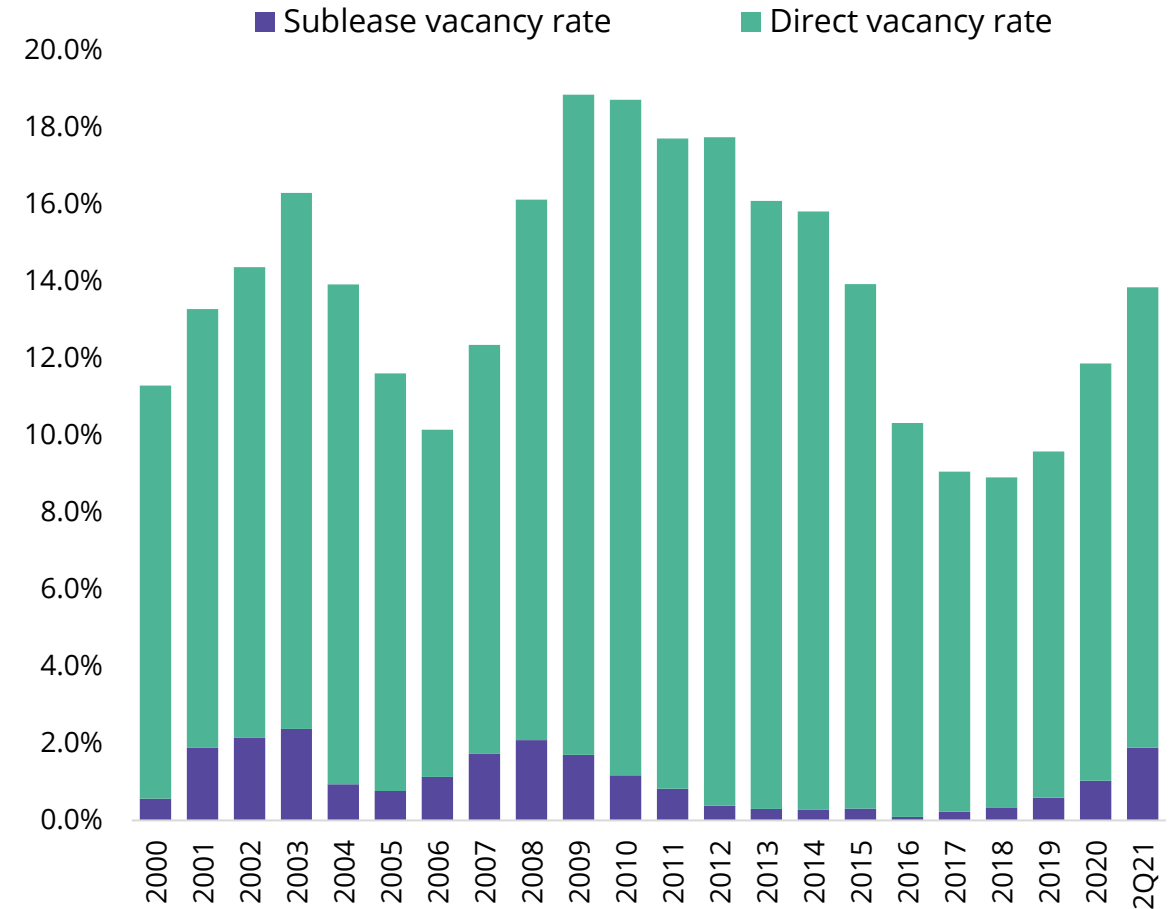
Source: AVANT by Avison Young

Vacancy rate

13.9%

Current vacancy at the highest level in 6 years

The Q2 2021 vacancy rate is at its highest point since 2015 but remains well below the 18.9% recorded in 2009, which was the highest rate in the previous 20-yr period. Overall rents for the current quarter have increased by 0.8% Y-o-Y.



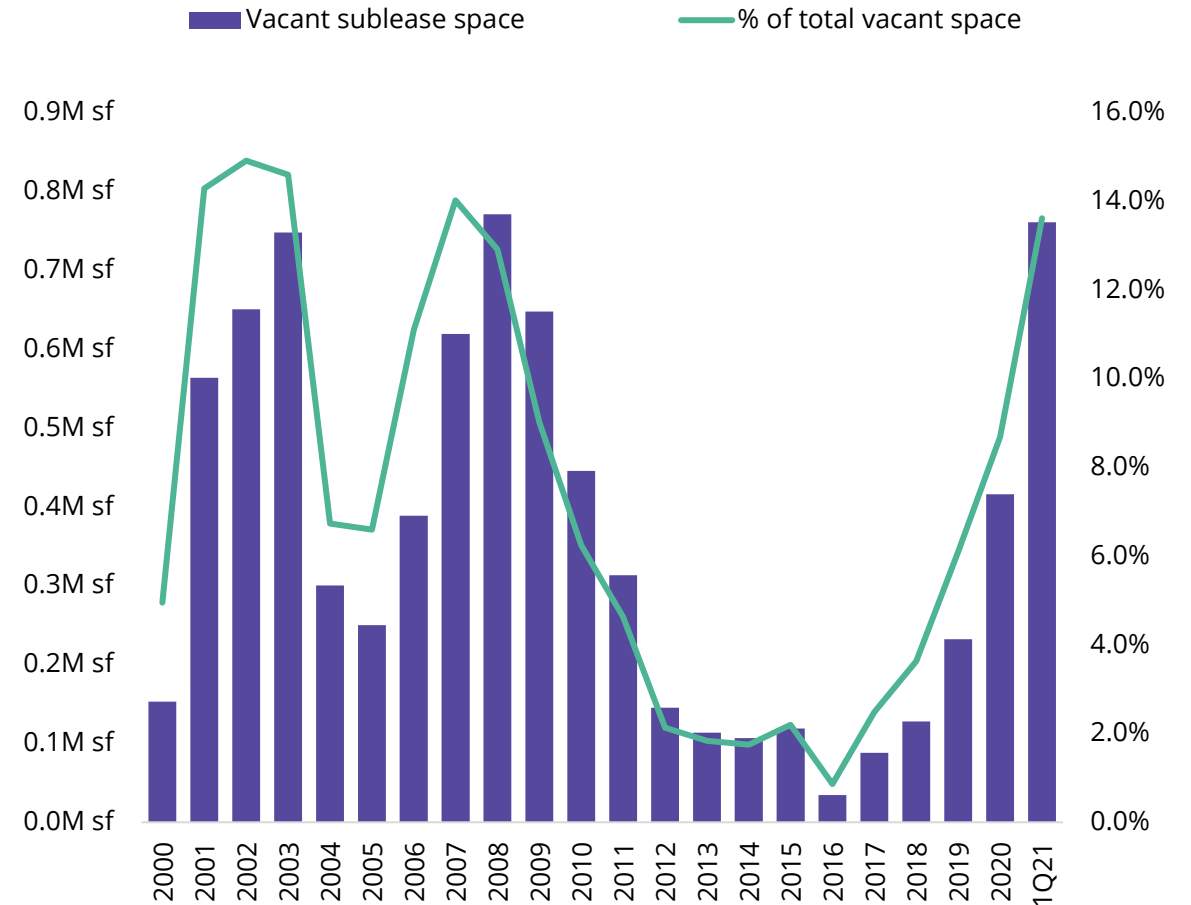
Source: AVANT by Avison Young

Vacant sublease space

0.7 msf

Sublease vacant space nearing levels of prior recessions

The share of sublease-to-total vacant space of 13.6% is nearing the peak levels seen during the global financial crisis (14.0%), and the early 2000's recession (14.9%).



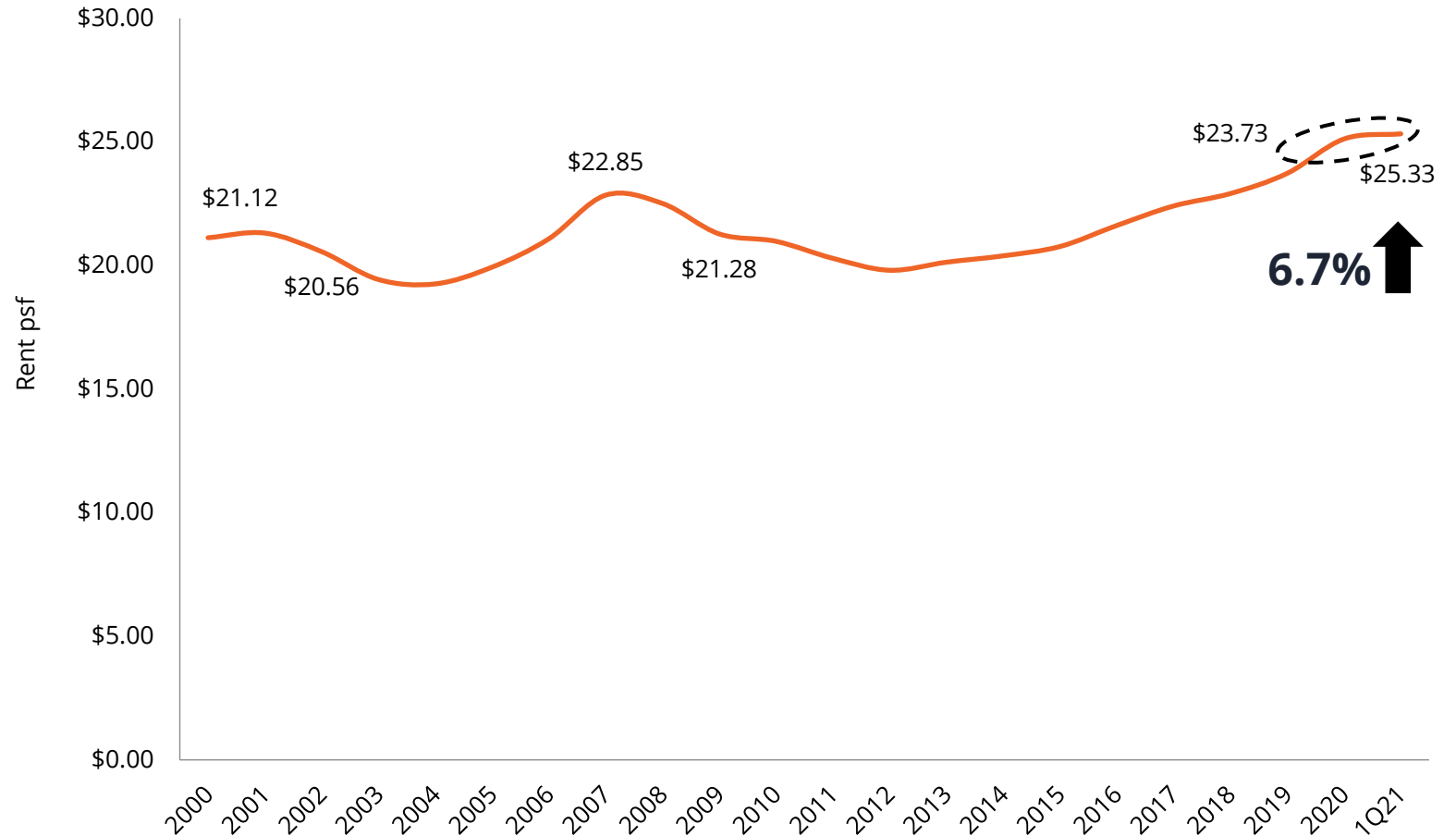
Source: AVANT by Avison Young

Base rents

6.7%

Peak-to-trough change in rents since the onset of the pandemic

Base rents have increased notably since the onset of the pandemic and the resulting recession due in part to an increased supply of class A space, which is the opposite of what occurred in the prior two recessions.



Source: AVANT by Avison Young

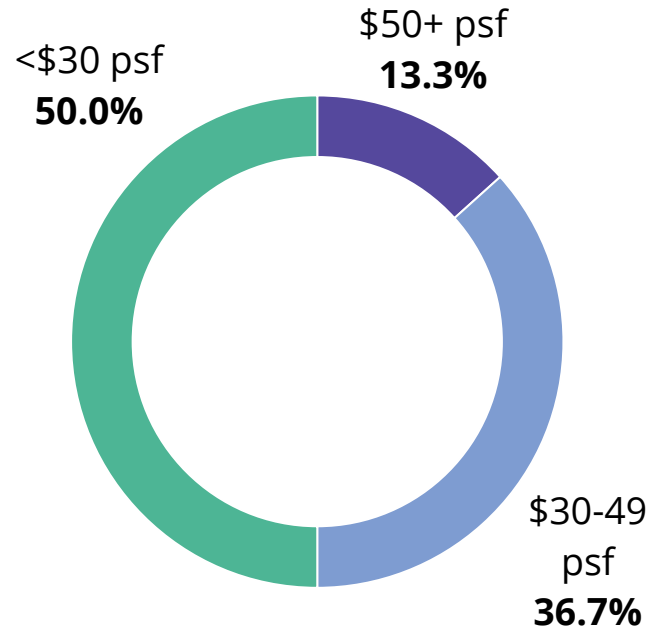
Concession trends pre-COVID vs. post-COVID

11.8%

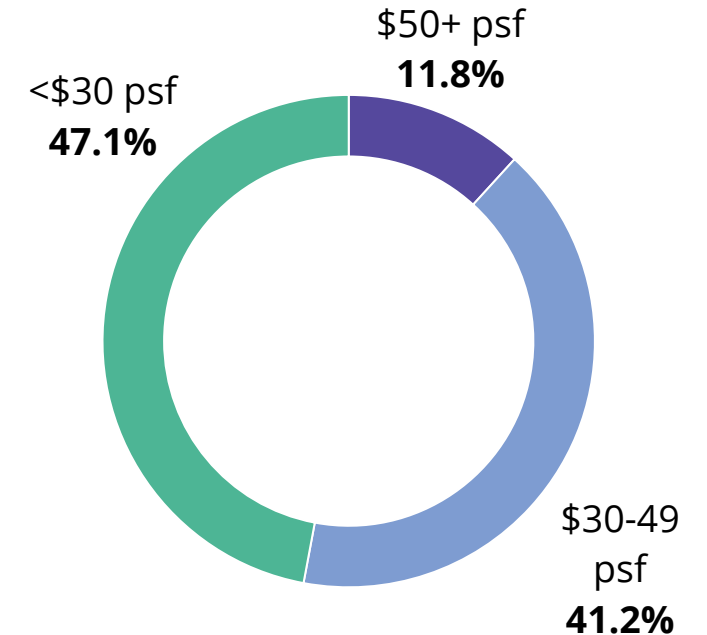
Number of all class A deals since March 2020 with TI allowances above \$50 per sf

While renewals are common and allow tenants time to evaluate their future floor plate needs, some tenants are now more willing to extend deal terms in order to secure higher TI allowances on new deals.

2018-3/2020



Post-COVID



Source: AVANT by Avison Young

Orlando's construction pipeline

23 properties

proposed or under construction

3.8 msf

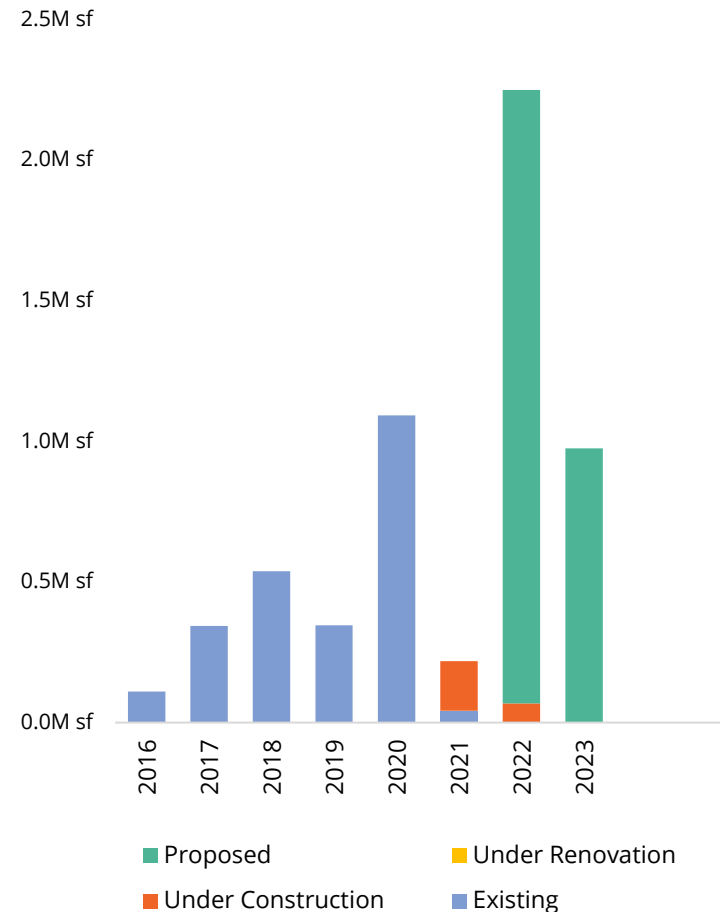
proposed or under construction

8.9%

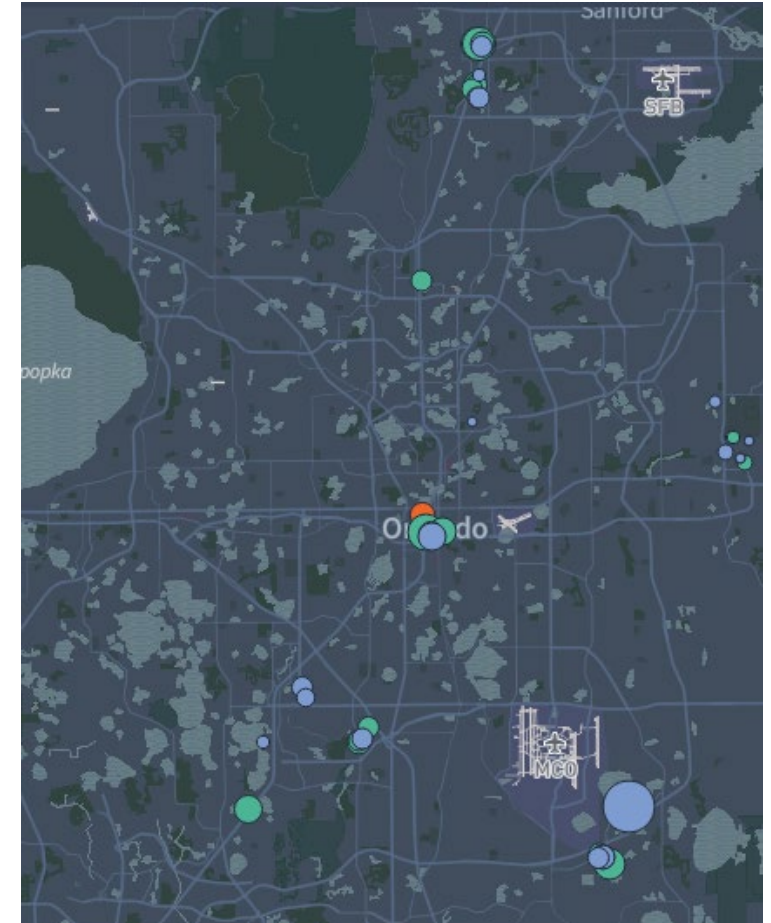
share of office inventory

2.4 msf

New construction deliveries
in Orlando since 2016



Source: AVANT by Avison Young

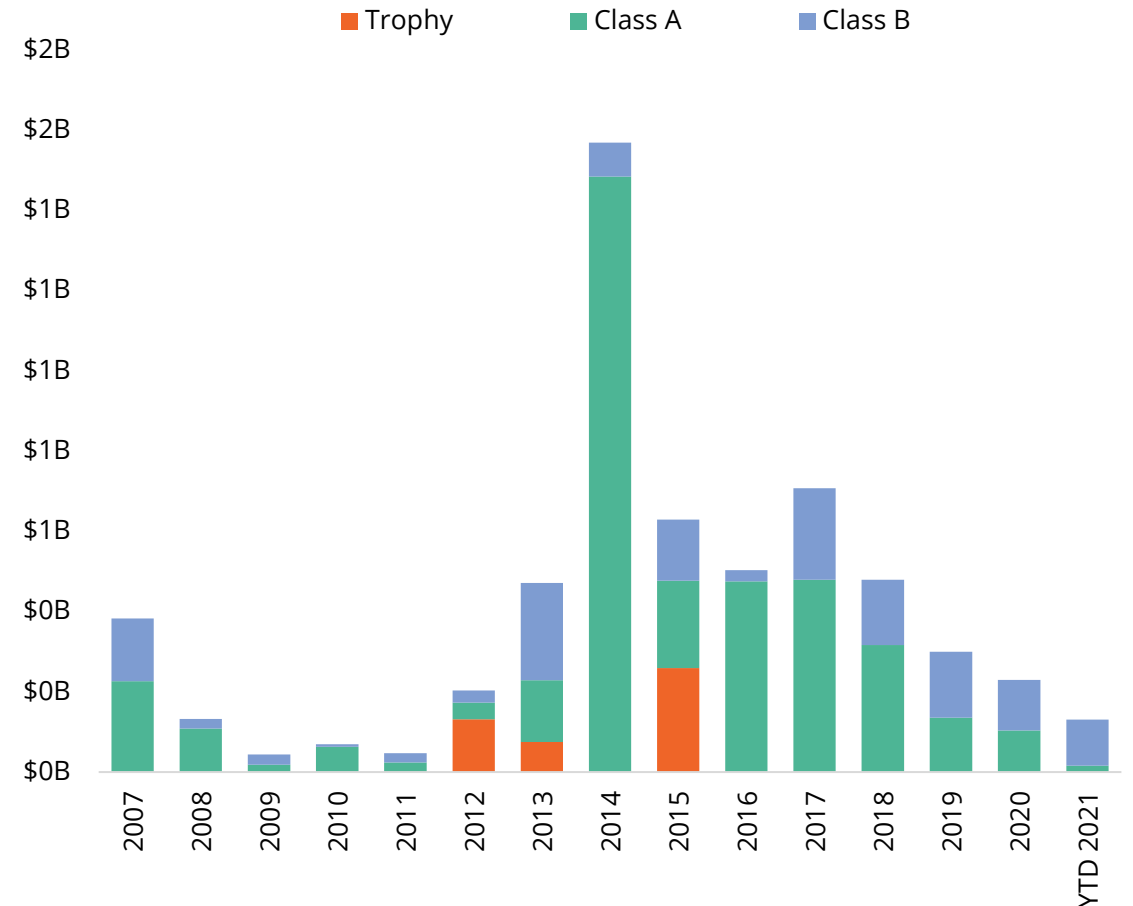


Office investment dollar volume

\$359.3M

Orlando office dollar volume 2020 to present

Office sales activity temporarily paused during the pandemic and, as a result, total sales volume from 2020 through year-to-date 2021 remains down 31.4% compared to the prior five-year average dollar volume.



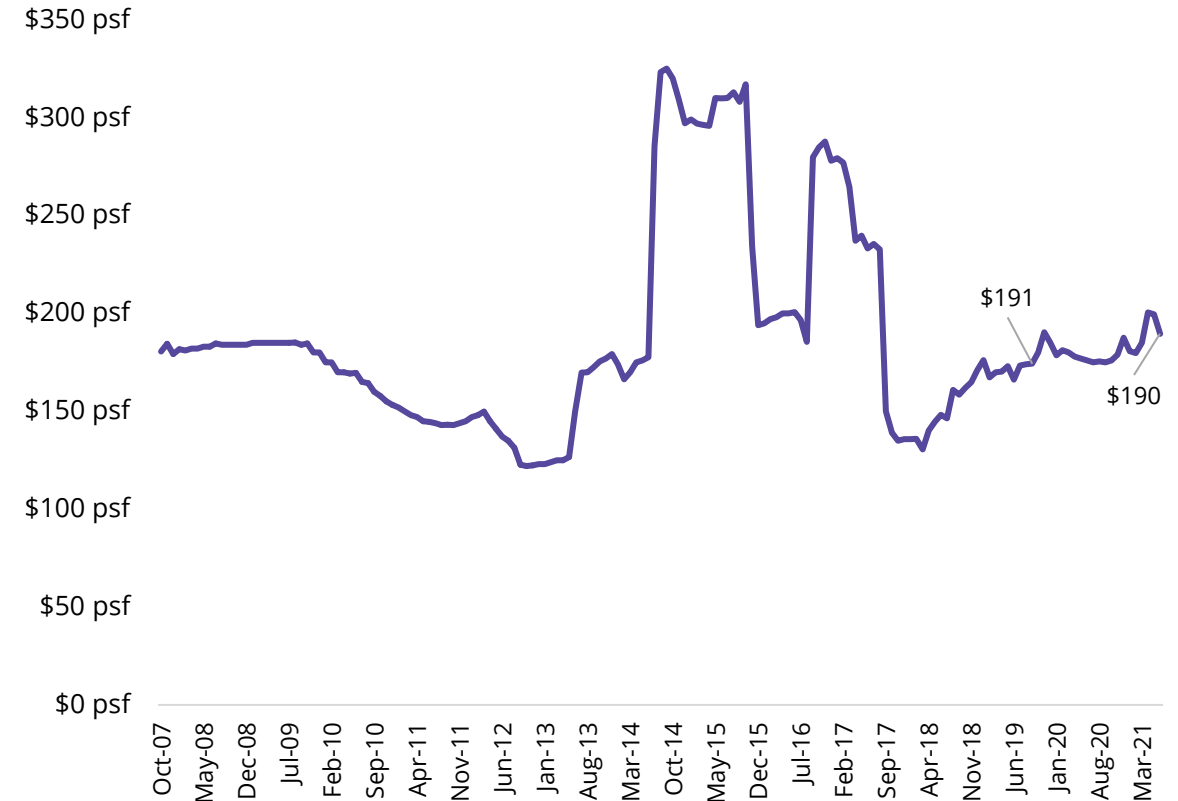
Source: AVANT by Avison Young

Office asset pricing

-0.4%

Orlando office pricing from November 2019 to present

Orlando's office pricing was minimally impacted during the pandemic as investors briefly put sales on hold. As investment activity has begun to pick back up, office pricing has recovered well in 2021, decreasing from \$191 psf in November 2019 to \$190 psf in June 2021.



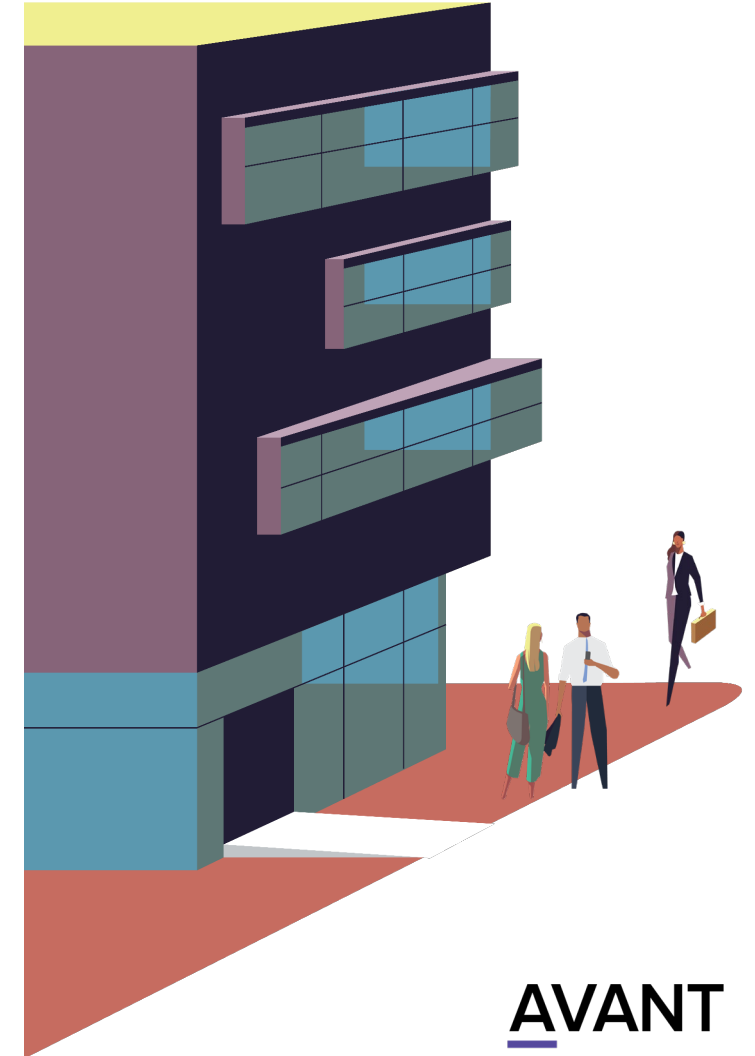
Source: AVANT by Avison Young

Looking forward



Here's what we can expect

- More sublease space is on the way, including 450,000 sf in the University area formerly occupied by Siemens, that will come online in July and will adversely impact an already **saturated sublease market**. Fortunately, that submarket is one of Orlando's strongest, driven by well-capitalized tech and defense tenants, which will assist in the lease-up of the newly listed space.
- Investment activity is expected to remain steady as a **strong flow of available capital** chases deals in Orlando. Private equity will remain a strong player for deals and a seller's market will continue to prevail as the delta between the number of deals brought to market and the number of active investors will remain.
- **Office leasing momentum** will build through the end of the year, and the increase in activity will help to offset some of the new space coming to the market. Larger deals will continue to move slowly as companies re-envision their future floor plates, leaving vacant spaces on the market for longer.
- The passage of Florida Senate Bill 50 will have **positive implications for commercial real estate** as it will dramatically cut the state tax portion of the business rent tax from 5.5% to 2.0% once Florida's Unemployment Compensation Trust Fund is replenished to pre-pandemic levels. While every tenant will save on their overall business costs, considerable cost savings will be realized by larger occupiers in Florida.





AVISON
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Jacksonville Office Insight Report

Q2 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- Reopening efforts and steadily rising vaccination rates have enabled Jacksonville's unemployment rate to rebound from a high of 11.5% to **4.4%**, although work from home strategies still vary widely by company.
- Office-using job gains have totaled **1.1%** compared with job losses of 3.1% for other industries, underscoring the disproportionate impact the pandemic had on the discretionary segments of the local economy.



Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- While the pandemic has had a considerable effect on Florida's population, its effect on the business economy was lessened (compared to markets like New York and California) as the state has been largely open for the last few quarters, enabling the business base to return to work and begin to move deals forward.



Office demand

- A majority of current leasing activity is comprised of smaller deals under **10,000 sf**, requiring multiple deals to backfill larger floor plates that have been placed on the market.
- Sublease opportunities will continue to come on the market for the remainder of the year, coming primarily from large corporate users looking to downsize their footprints.
- Dun & Bradstreet announced in May that it would be moving its headquarters to Jacksonville, bringing **500** jobs. It was later announced that the company would acquire Town Center II to house its new operations.

Key takeaways



Office supply

- Direct and sublease vacancy are at their highest point in nine years, totaling **19.2%**.
- At first glance, the sublease market in Jacksonville appears to be one of the most saturated in Florida, comprised of nearly **800,000 sf**. A closer look reveals that many sublease listings are comprised of larger blocks of space, the most notable of which is 500,000 sf through Florida Blue, along with another block of 130,000 sf in Deerwood North as Comcast elected to remain remote and did not elect to renew its lease.



Pricing trends

- Base rents have increased by **1.0%** from peak-to-trough as landlords secured new tenant commitments and lease renewals through favorable lease terms, and much of the increase is due to an increase in higher-priced class A space.
- Some caution regarding lease term remains but there is a trend back toward normal with lease terms from 3 – 10 years back on the table. Concessions of 3 months on a 5-year term are also common.



Capital markets

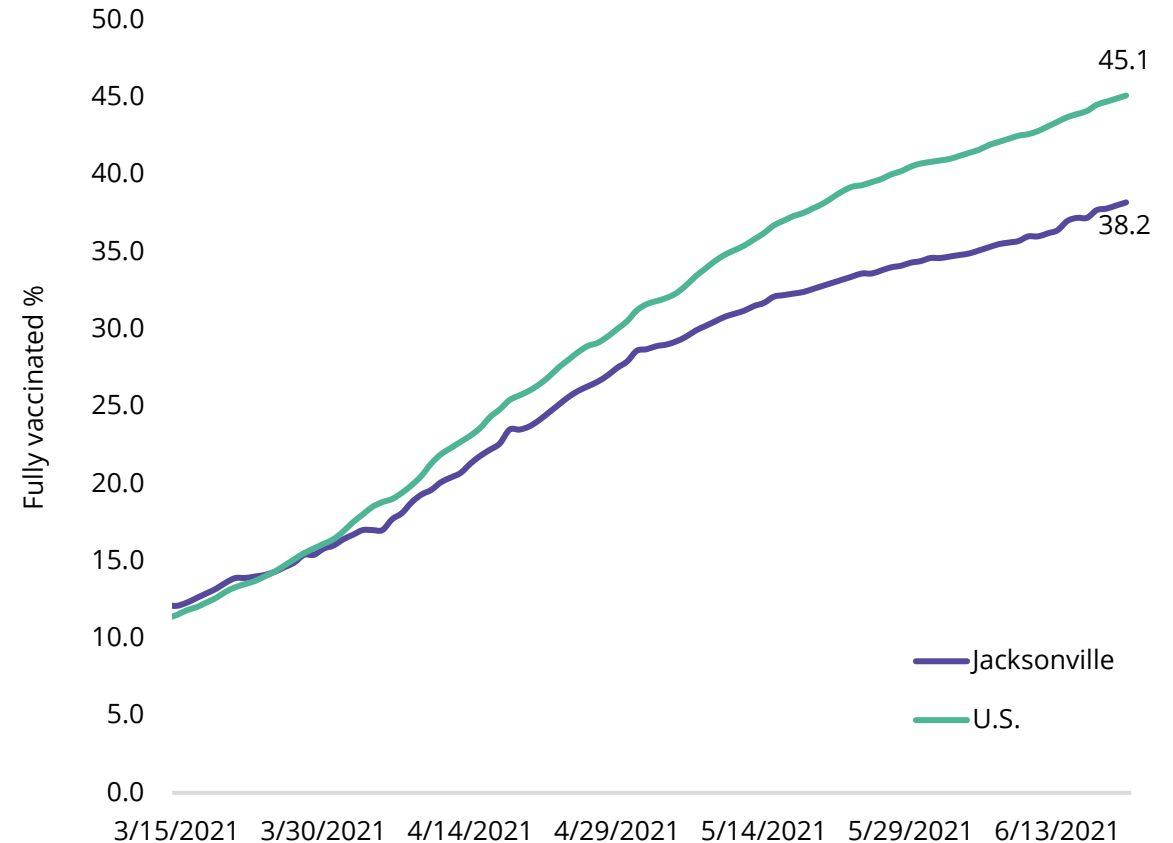
- Office investment activity has been steady in Jacksonville, with total transaction volume of **\$372 million** for the period from Jan 2020 through Jun 2021.
- The most prominent sale during 2Q 2021 was the acquisition of the 218,700-sf Town Center II building in Deerwood Park by Dun & Bradstreet for its newly announced Jacksonville HQ. While the sales price has not yet been recorded, the building previously sold to TPG Real Estate in early 2020 for \$64.5 million and is currently home to SoFi.

Vaccination rates

38.2%

Share of total Jacksonville population that is fully vaccinated

While the data seems to indicate that the proportionate vaccination rate for Jacksonville lags the U.S. average, it only covers which residents got vaccinated in the county in which they reside. As many traveled to adjacent counties, exact numbers are difficult to determine.



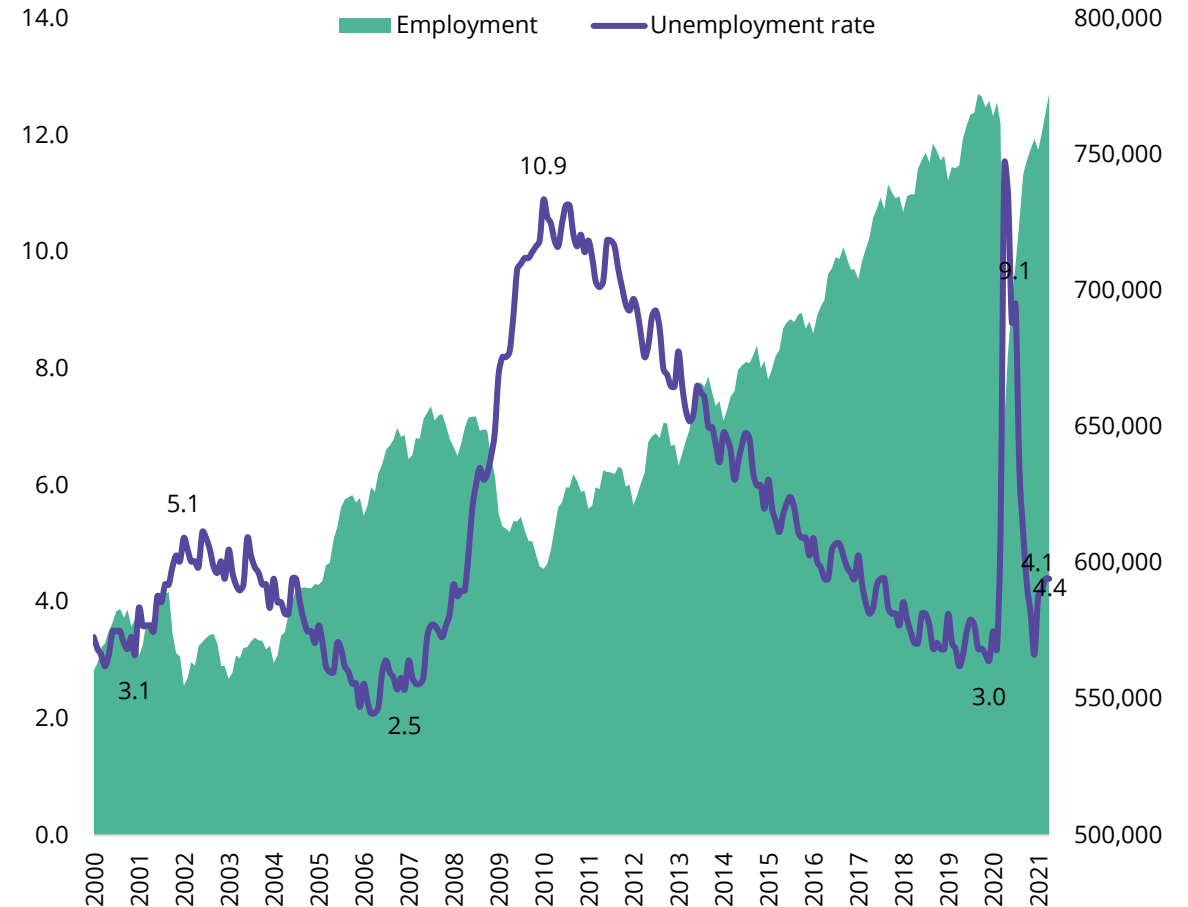
Source: CDC

Employment and unemployment rate

4.4%

Jacksonville unemployment rate as of April 2021, down 1700 bps since the record high reached in April 2020

Historically tightened labor market conditions were halted by the pandemic with nearly 118,000 job losses between February and April 2020. However, reopening efforts have enabled the economy to add over 120,000 jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

1.1%

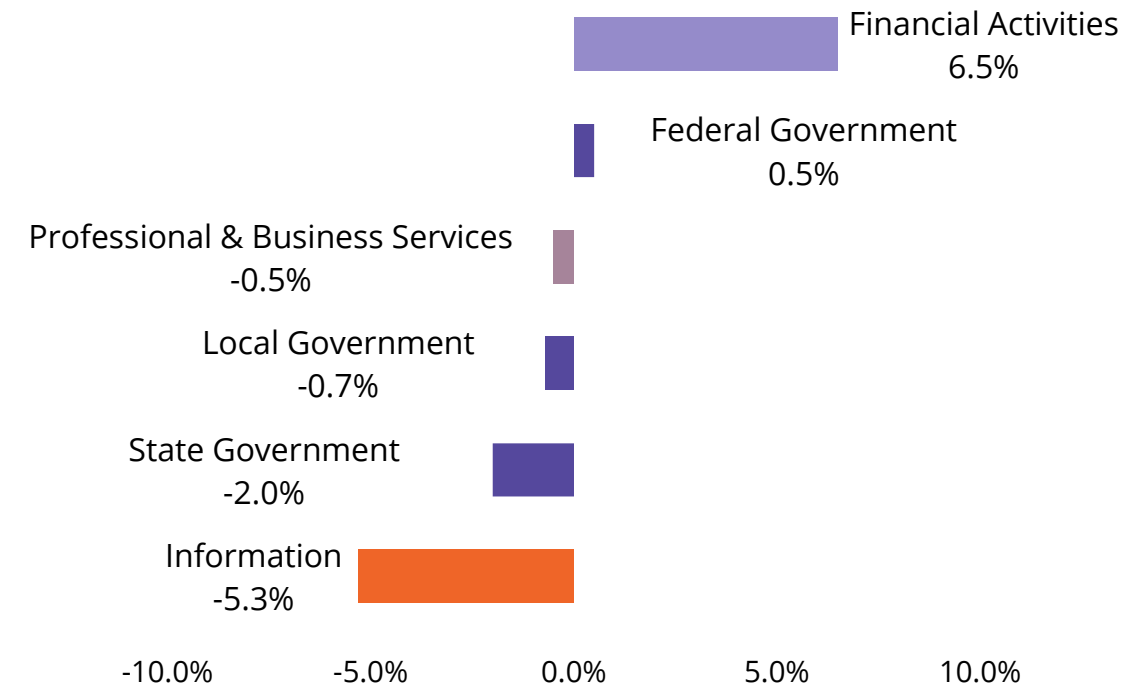
Change in office-using employment during the pandemic

Office-using jobs in the Jacksonville MSA have grown by 1.1% since the start of the pandemic, with the greatest increase in Financial Activities – a sector that contracted significantly during the previous recession when job losses totaled -8.8%.

[VIEW DASHBOARD](#)

Total change in Jacksonville* job gains/(losses)

February 2020 to April 2021



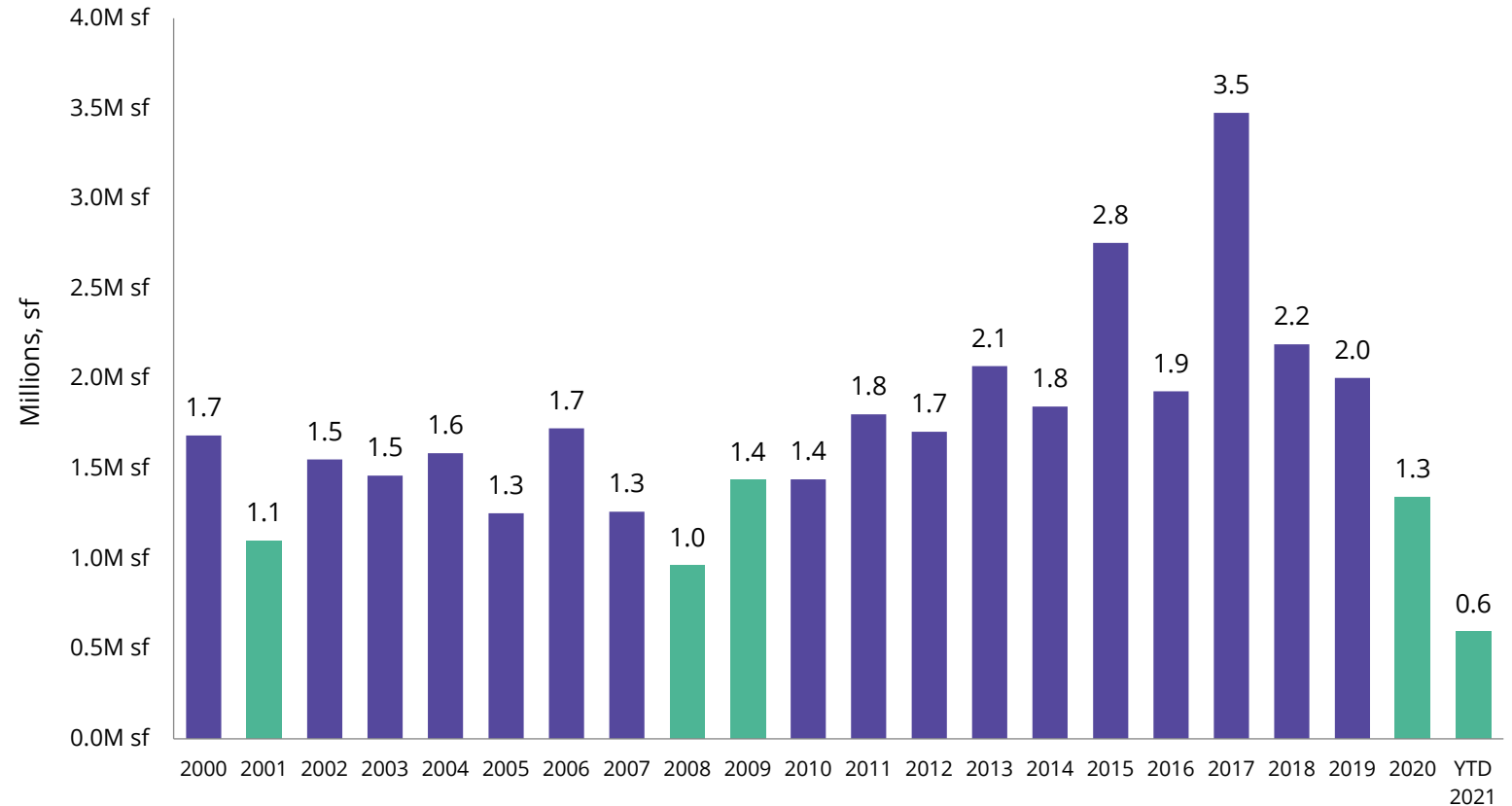
Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

44.3%

**Year-to-date 2021
leasing activity
compared to YE-2020**

While leasing activity at the midway point of the year has fallen short of being half of the prior year's activity, leasing interest remains steady and should pick up through the remainder of the year.



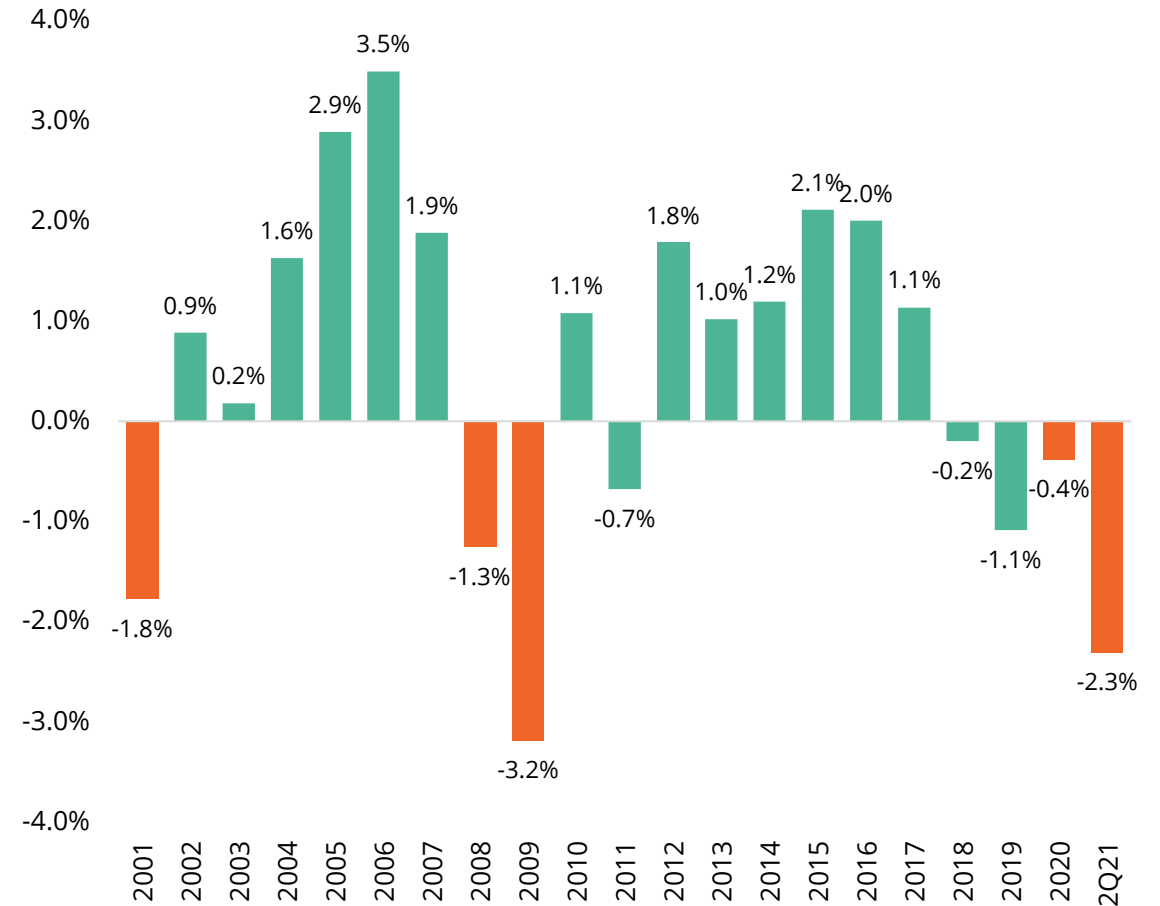
Source: AVANT by Avison Young

Absorption

-2.7%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Negative absorption from 2020 to 2Q21 has totaled 717,090 sf, totaling -2.7% of the existing stock. This negative absorption has not yet reached the low of the global financial crisis (-3.2%) but has surpassed the low of the early 2000's recession (-1.8%).



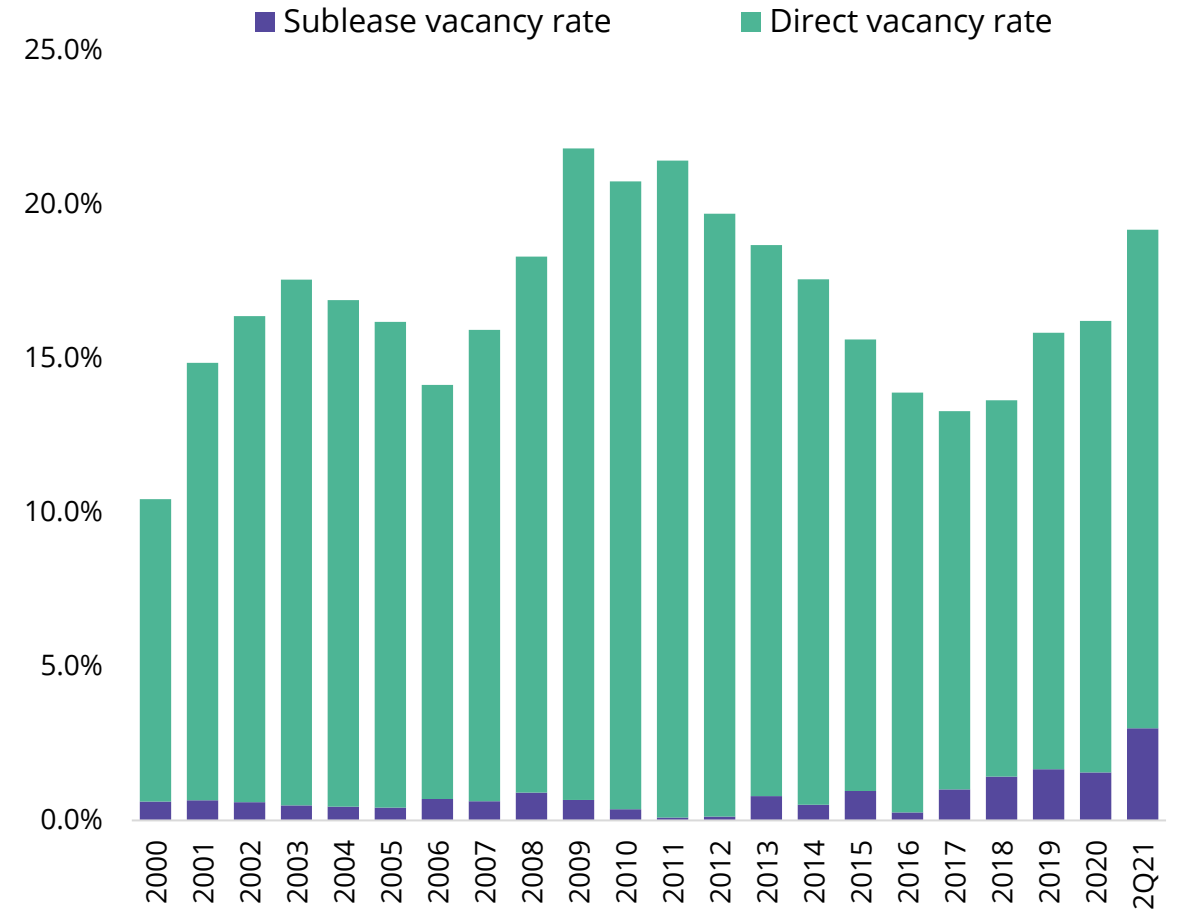
Source: AVANT by Avison Young

Vacancy rate

19.2%

Current vacancy at the highest level in 9 years

The Q2 2021 vacancy rate is at its highest point since 2012 but remains well below the 21.8% recorded in 2009, which was the highest rate in the previous 20-yr period. Overall rents for the current quarter have increased by 0.2% Y-o-Y.



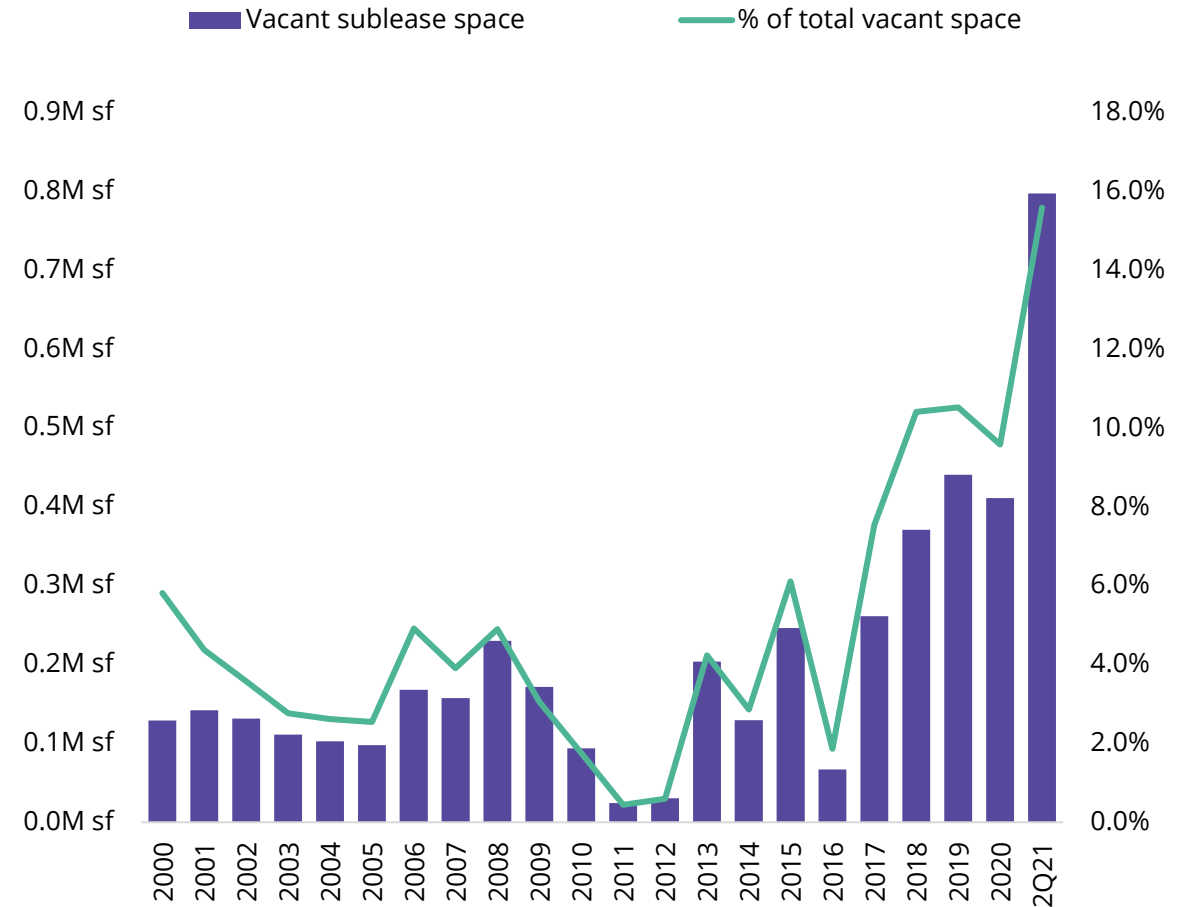
Source: AVANT by Avison Young

Vacant sublease space

0.8 msf

Record levels of sublease vacant space

The share of sublease-to-total vacant space of 15.6% has surpassed the peak of 4.9% from the global financial crisis and 5.8% from the early 2000's recession, however it is primarily comprised of a few large blocks of space.



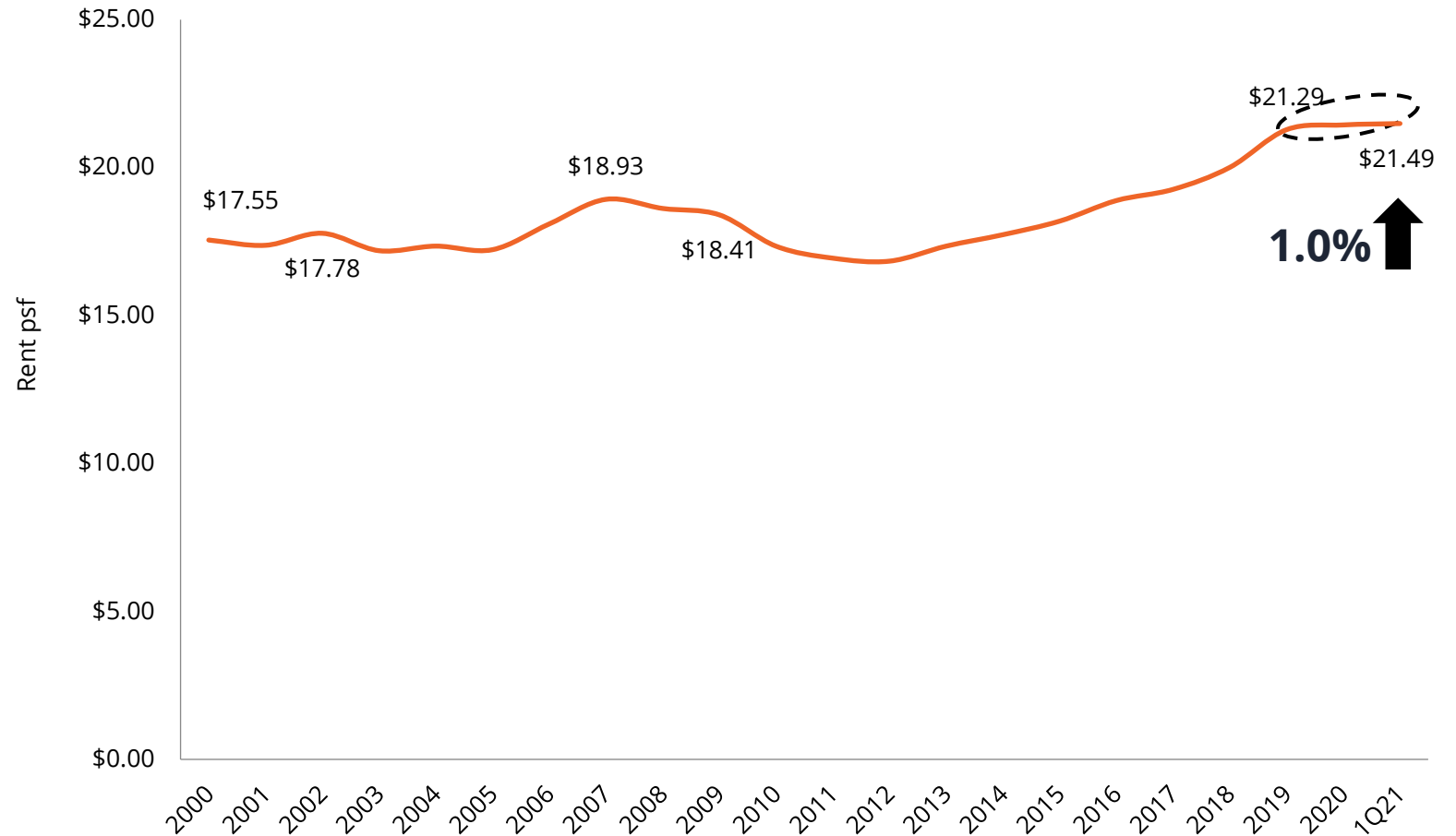
Source: AVANT by Avison Young

Base rents

1.0%

Peak-to-trough change in rents since the onset of the pandemic

Base rents have increased incrementally since the onset of the pandemic and the resulting recession due in part to an increased supply of class A space, which is the opposite of what occurred in the last recession.



Source: AVANT by Avison Young

Jacksonville's construction pipeline

6 properties

proposed or under construction

1.7 msf

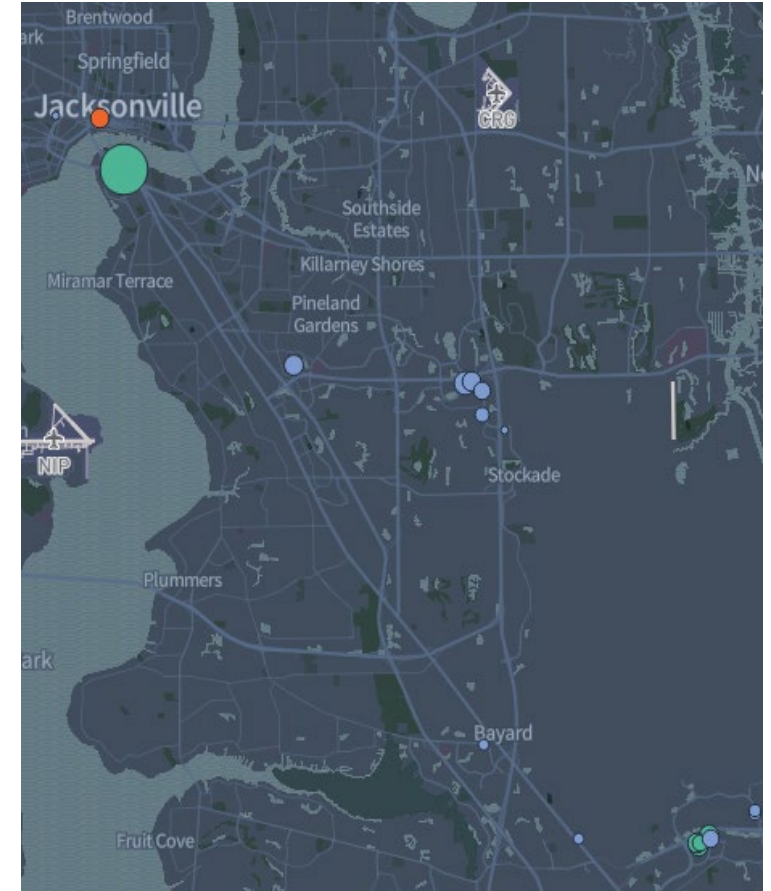
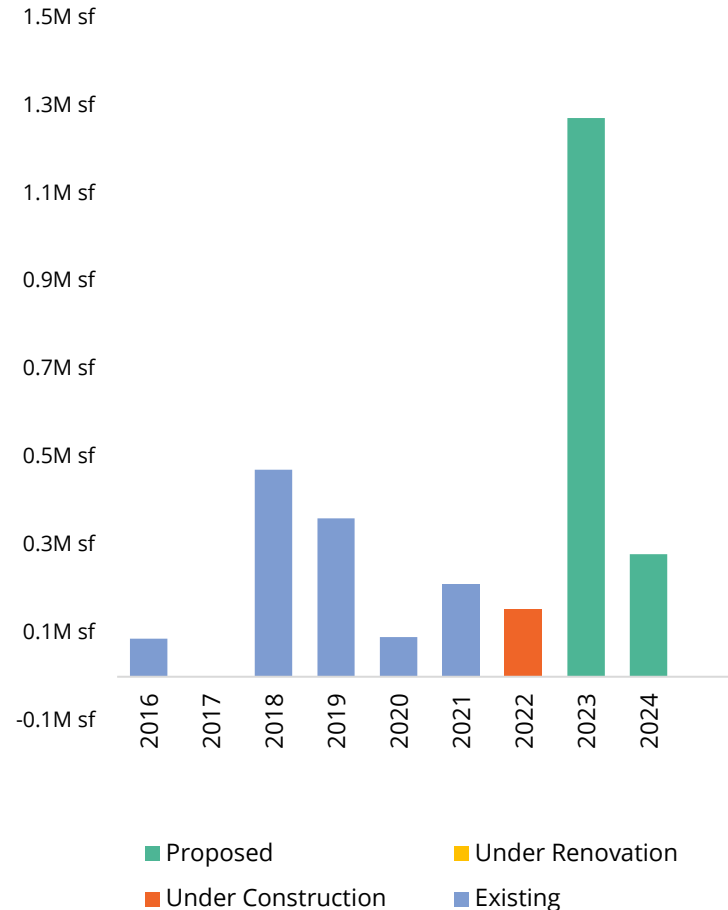
proposed or under construction

6.3%

share of office inventory

1.2 msf

New construction deliveries
in Jacksonville since 2016



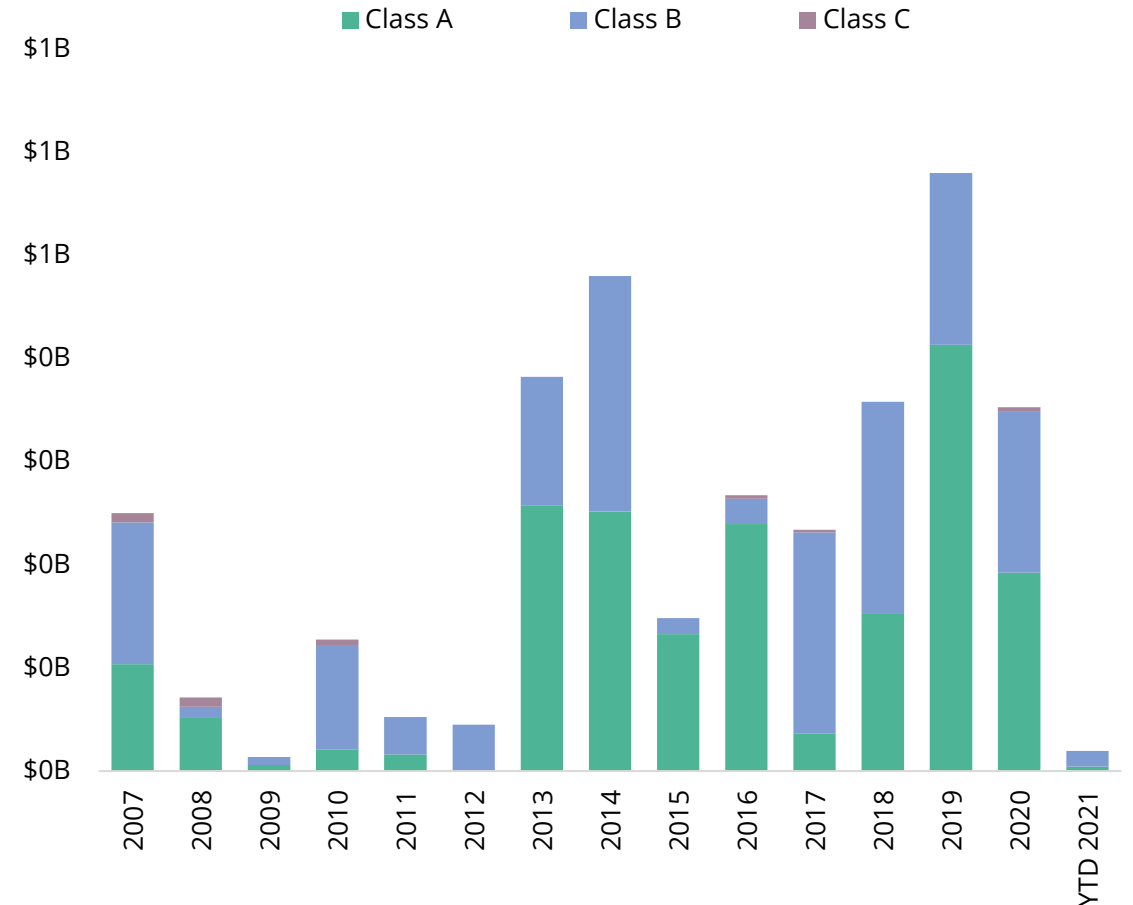
Source: AVANT by Avison Young

Office investment dollar volume

\$372.0M

Jacksonville office dollar volume 2020 to present

Office sales activity temporarily paused during the pandemic, however, total sales volume from 2020 through year-to-date 2021 is up 17.2% compared to the prior five-year average dollar volume. It should be noted that these numbers do not include the sale of Town Center II in Deerwood Park as that price has not yet been recorded.



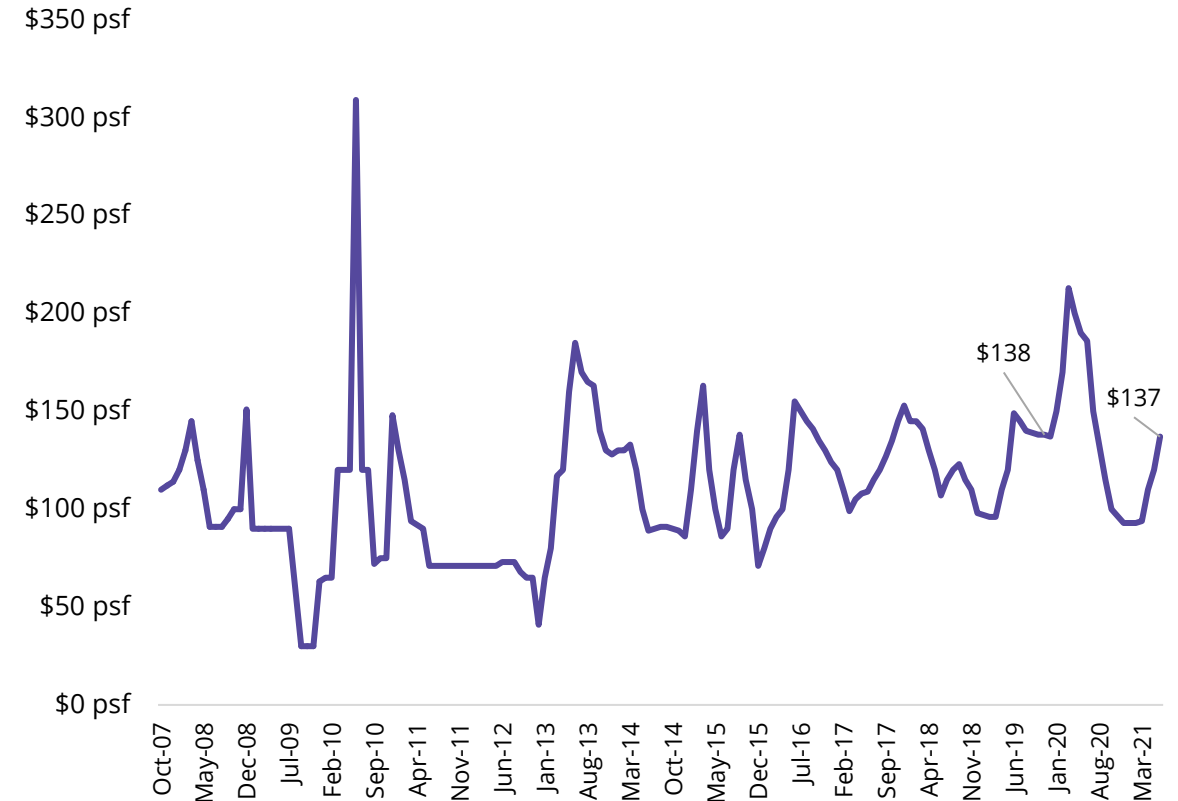
Source: AVANT by Avison Young

Office asset pricing

-0.7%

Jacksonville office pricing from November 2019 to present

Pricing has softened during the pandemic as investors have adopted more conservative underwriting approaches, decreasing from \$138 psf in November 2019 to \$137 psf in June 2021. However, asset pricing has begun to recover in recent months, indicating a potential stabilization.



Source: AVANT by Avison Young

Looking forward



Here's what we can expect

- **More sublease space is likely to hit the market** during 2021 and will adversely, if only temporarily, impact the market as larger users continue to reevaluate their future floor plate needs.
- The passage of Florida Senate Bill 50 will have **positive implications for commercial real estate** as it will dramatically cut the state tax portion of the business rent tax from 5.5% to 2.0% once Florida's Unemployment Compensation Trust Fund is replenished to pre-pandemic levels. While every tenant will save on their overall business costs, considerable cost savings will be realized by larger occupiers in Florida.
- **Office leasing momentum** will build through the end of the year, and the increase in activity will help to offset some of the new space coming to the market. Larger deals will continue to move slowly as companies re-envision their future floor plates, leaving vacant spaces on the market for longer.



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Let's talk

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