

Jacksonville

Overall office market fundamentals relatively stable for now with headwinds beginning to build

Jacksonville's office market is relatively diversified, with employment in the professional & business services and education & health services outpacing leisure and hospitality jobs by three to one. As a result, while the market continues to recover from the damage inflicted by COVID-19 beginning this past spring the overall picture is not as bleak as previously feared. Local unemployment rose as high as 11.2% in May of this year, but fell to 5.7% as of August, according to the Bureau of Labor Statistics. Further decline is expected in September, however the rate of decline will likely slow.

Restrained development persists

Speculative construction remains very restrained, with VanTrust's 125,000-sf Park Place at Nocatee office project the only active development underway. Cranes will also soon rise in the urban core with the pending construction of JEA's new 153,000-sf build-to-suit headquarters at 325 W Adams St, and in Riverside with the imminent construction of a new 386,613-sf headquarters for Fidelity National Information Services.

The calm before the storm

While leasing picked up a bit during the third quarter, the current pandemic interrupted tenant demand over the summer and has resulted in the addition of several large blocks of space that will soon land on the market as vacant. Florida Blue is marketing nearly half a million square feet of not-yet vacant space in its campus and Comcast has elected to keep some of its operation

remote, opting not to renew 106,000 sf of class A space in Deerwood North when its lease expires. The expected glut of sublease space has not yet fully appeared, although that will likely begin to change as we head toward the year's end. Total vacant sublease space at the close of the third quarter was actually down 54 basis points over the same time one year prior.

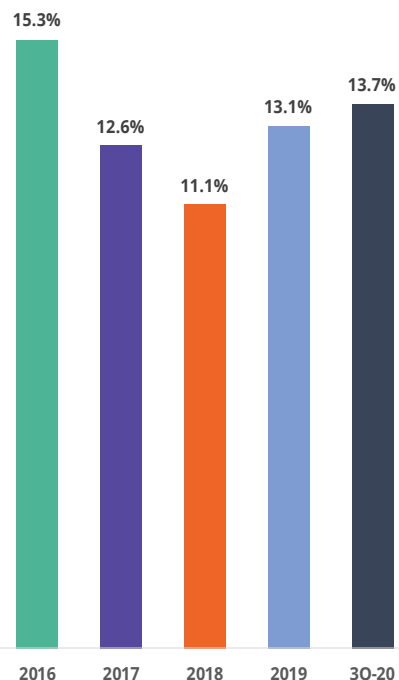
Investment activity down slightly

Total investment volume for the trailing 12-month period ending September 2020 was -19.5% at \$448.6 million, which is a smaller percentage decline than in most of Florida's primary markets. Opportunistic investors hoping to secure significant deals have so far been disappointed, and over half of the transactions closed during the period were acquired by private investors.

Looking ahead toward 2021

The fear that personified the beginning of the current pandemic is starting to subside, however many questions remain. The hope is that any negative effects of the virus on the office market will be short-lived in the long run. In the meantime, an exit to the suburbs is possible for some tenants in the coming year as they begin to weigh the benefits of leaving the CBD for better parking, lower overall densities and more competitive rental rates against remaining in a steadily revitalizing urban core. Headwinds will likely persist into 2021 as companies further evaluate their business plans and future space needs once the pandemic ends.

Historical 5-Year Vacancy Trend



26.0 MSF

Total office inventory in the Jacksonville office market

(143,592) SF

Direct Y-T-D net absorption as of 3Q-2020

13.66%

Overall vacancy






\$23.40/SF/FS

Average rental rate for class A space

Market by the numbers

JACKSONVILLE OFFICE MARKET STATISTICS										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	12,769,985	1,635,916	58,886	\$23.40	87.19%	12.81%	0.46%	13.27%	125,000	72,951
Class B	13,211,651	1,616,759	238,808	\$19.49	87.76%	12.24%	1.81%	14.04%	0	(216,543)
Total	25,981,636	3,252,675	297,694	\$21.45	87.48%	12.52%	1.15%	13.66%	125,000	(143,592)
Arlington										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	984,575	119,279	7,190	\$16.96	87.89%	12.11%	0.73%	12.85%	0	(21,815)
Total	984,575	119,279	7,190	\$16.96	87.89%	12.11%	0.73%	12.85%	0	(21,815)
Beaches										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	695,634	52,069	1,845	\$27.78	92.51%	7.49%	0.27%	7.75%	0	(304)
Class B	142,397	7,702	0	\$34.32	94.59%	5.41%	0.00%	5.41%	0	(7,702)
Total	838,031	59,771	1,845	\$28.62	92.87%	7.13%	0.22%	7.35%	0	(8,006)
Clay County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	85,000	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Class B	516,169	9,040	0	\$15.40	98.25%	1.75%	0.00%	1.75%	0	3,189
Total	601,169	9,040	0	\$15.40	98.50%	1.50%	0.00%	1.50%	0	3,189
Downtown - Northbank										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	3,663,906	682,963	50,884	\$22.75	81.36%	18.64%	1.39%	20.03%	0	1,713
Class B	1,303,424	163,943	0	\$19.41	87.42%	12.58%	0.00%	12.58%	0	(29,202)
Total	4,967,330	846,906	50,884	\$22.10	82.95%	17.05%	1.02%	18.07%	0	(27,489)
Downtown - Southbank										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	2,097,832	146,613	0	\$23.27	93.01%	6.99%	0.00%	6.99%	0	1,890
Class B	235,094	11,653	0	\$19.00	95.04%	4.96%	0.00%	4.96%	0	3,158
Total	2,332,926	158,266	0	\$22.96	93.22%	6.78%	0.00%	6.78%	0	5,048
I-95 / 9A Corridor										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,671,166	657,880	6,157	\$23.85	88.40%	11.60%	0.11%	11.71%	0	65,783
Class B	7,045,596	857,274	231,618	\$20.73	87.83%	12.17%	3.29%	15.45%	0	(69,127)
Total	12,716,762	1,515,154	237,775	\$22.08	88.09%	11.91%	1.87%	13.78%	0	(3,344)
Park Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Baymeadows	4,722,989	570,197	217,578	\$20.55	87.93%	12.07%	4.61%	16.68%	0	(69,922)
Deerwood Park	3,959,113	362,396	11,197	\$24.77	90.85%	9.15%	0.28%	9.44%	0	18,336
I-95 Corridor	1,101,398	125,810	0	\$22.85	88.58%	11.42%	0.00%	11.42%	0	(3,319)
Southpoint	2,933,262	456,751	9,000	\$21.66	84.43%	15.57%	0.31%	15.88%	0	51,561
Mandarin										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	644,137	38,183	0	\$19.05	94.07%	5.93%	0.00%	5.93%	0	3,194
Total	644,137	38,183	0	\$19.05	94.07%	5.93%	0.00%	5.93%	0	3,194
Nocatee										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	142,751	16,264	0	\$28.00	88.61%	11.39%	0.00%	11.39%	125,000	8,742
Class B	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Total	142,751	16,264	0	\$28.00	88.61%	11.39%	0.00%	11.39%	125,000	8,742
Northside										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	94,608	670	0	\$21.00	99.29%	0.71%	0.00%	0.71%	0	1,060
Total	94,608	670	0	\$21.00	99.29%	0.71%	0.00%	0.71%	0	1,060
St Johns County										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	141,916	49,948	0	\$20.30	64.80%	35.20%	0.00%	35.20%	0	(4,873)
Class B	303,479	19,510	0	\$23.89	93.57%	6.43%	0.00%	6.43%	0	(1,233)
Total	445,395	69,458	0	\$21.31	84.41%	15.59%	0.00%	15.59%	0	(6,106)
Southside										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	271,780	30,179	0	\$24.00	88.90%	11.10%	0.00%	11.10%	0	0
Class B	1,565,392	369,946	0	\$17.07	76.37%	23.63%	0.00%	23.63%	0	(99,512)
Total	1,837,172	400,125	0	\$17.59	78.22%	21.78%	0.00%	21.78%	0	(99,512)
Westside										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	376,780	19,559	0	\$19.37	94.81%	5.19%	0.00%	5.19%	0	1,447
Total	376,780	19,559	0	\$19.37	94.81%	5.19%	0.00%	5.19%	0	1,447

Leading Indicators (Y-O-Y Q3-2019 to Q3-2020)

Market Inventory  25,981,636 SF	Vacancy Rate  13.66%	Net Absorption  -143,592 SF	Construction Pipeline  125,000 SF	Average Asking Rate  \$21.45 SF
---	--	---	---	---

CBD vs. Suburban Submarket Summary

CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,761,738	829,576	50,884	\$22.84	85.60%	14.40%	0.88%	15.28%	0	3,603
Class B	1,538,518	175,596	0	\$19.39	88.59%	11.41%	0.00%	11.41%	0	(26,044)
Total	7,300,256	1,005,172	50,884	\$22.24	86.23%	13.77%	0.70%	14.47%	0	(22,441)

Non-CBD / Suburban										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	7,008,247	806,340	8,002	\$23.97	88.49%	11.51%	0.11%	11.62%	125,000	69,348
Class B	11,673,133	1,441,163	238,808	\$19.50	87.65%	12.35%	2.05%	14.39%	0	(190,499)
Total	18,681,380	2,247,503	246,810	\$21.10	87.97%	12.03%	1.32%	13.35%	125,000	(121,151)

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in the Jacksonville MSA that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Significant Third Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	SF	Type	Submarket
Freedom Mortgage	8787 Baypine Rd	46,200	New	Baymeadows
Akerman	Bank of America Tower	17,980	Renewal	Downtown Northbank
Made in Space	Baymeadows Business Center 100	17,866	New	Baymeadows
CSX	One Enterprise Tower	15,927	New	Downtown Northbank
Circle K	North Regency 1	11,147	New	Arlington
Radiology Partners	Prominence 600	8,358	New	Baymeadows
TLC Engineering	Riverplace Tower	7,661	New	Downtown Southbank
CTVSA	Dyal Upchurch Building	6,652	New	Downtown Northbank

Significant Third Quarter 2020 Sales Transactions - Sorted by SF

Property	SF	Sale Price	Price/SF	Buyer	Submarket
6805 Southpoint Pky	117,870	\$15,400,000	\$131	Miller Electric Company	Southpoint
7825 Baymeadows Way	107,554	\$10,500,000	\$98	Realife Real Estate Group	Baymeadows





Mark Montgomery, CCIM
Senior Vice President
904.512.0545
mark.montgomery@avisonyoung.com