AVISON YOUNG

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 millon 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.

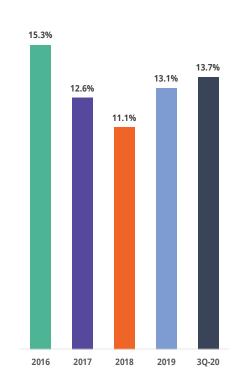
Investment activity down slightly

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 aquired 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



664,613 sf of new office space is expected to be underway during the fourth quarter.

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



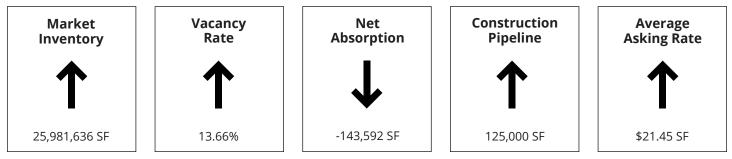
Average rental rate for class A space

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Market by the numbers

	Total BSE	Diroct Vecant 2						CV 06 Tetal View	u Undor Constructi	
Class Breakdown Class A	Total RSF 12,769,985	1,635,916	Sublet Vacant SF 58,886	Asking Rate \$23.40	% Occupied 87.19%	% Vacant 12.81%	% Sublet Vacan 0.46%	cy % lotal Vacanc 13.27%	y Under Construction 125,000	n Net Absorpti 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)
lotal	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 Vacan	cy % Total Vacanc	y Under Constructio	n Net Absorpt
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B Total	984,575 984,575	119,279 119,279	7,190 7,190	\$16.96 \$16.96	87.89% 87.89%	12.11% 12.11%	0.73% 0.73%	12.85% 12.85%	0	(21,815) (21,815)
		,	.,							(
					Beaches					
Class Breakdown	Total RSF		Sublet Vacant SF	Asking Rate	% Occupied	% Vacant			y Under Constructio	
Class A Class B	695,634 142,397	52,069 7,702	1,845 0	\$27.78 \$34.32	92.51% 94.59%	7.49% 5.41%	0.27% 0.00%	7.75% 5.41%	0	(304) (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 SE	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacan	ry % Total Vacanc	y Under Constructio	n Net Absornt
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
				Dowr	town - Northk	ank				
Class Breakdown	Total RSF		Sublet Vacant SF	Asking Rate	% Occupied	% Vacant			y Under Constructio	
Class A	3,663,906	682,963	50,884	\$22.75	81.36%	18.64%	1.39%	20.03%	0	1,713
Class B Total	1,303,424 4,967,330	163,943 846.906	0 50,884	\$19.41 \$22.10	87.42% 82.95%	12.58% 17.05%	0.00% 1.02%	12.58% 18.07%	0	(29,202) (27,489)
				Dowr	town - Southb					
Class Breakdown	Total RSF		Sublet Vacant SF	Asking Rate	% Occupied	% Vacant			y Under Construction	
Class A Class B	2,097,832 235,094	146,613 11,653	0 0	\$23.27 \$19.00	93.01% 95.04%	6.99% 4.96%	0.00% 0.00%	6.99% 4.96%	0	1,890 3,158
Total	2,332,926	158,266	0	\$22.96	93.22%	6.78%	0.00%	6.78%	0	5,048
					95 / 9A Corrido					
Class Breakdown Class A	Total RSF 5,671,166	Direct Vacant SF 657,880	Sublet Vacant SF 6,157	Asking Rate \$23.85	% Occupied 88.40%	% Vacant 11.60%	% Sublet Vacan 0.11%	cy % Total Vacanc 11.71%	y Under Constructio	n Net Absorpt 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 Vacan	cy % Total Vacanc	y Under Constructio	n Net Absorpt
Baymeadows Deerwood Park	4,722,989 3,959,113	570,197 362,396	217,578 11,197	\$20.55 \$24.77	87.93% 90.85%	12.07% 9.15%	4.61% 0.28%	16.68% 9.44%	0 0	<mark>(69,922)</mark> 18,336
I-95 Corridor	1,101,398	125,810	0	\$22.85	88.58%	11.42%	0.28%	9.44% 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 Vacan	cv % Total Vacanc	y Under Constructio	n Net Absorpt
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B Total	644,137 644,137	38,183 38,183	0	\$19.05 \$19.05	94.07% 94.07%	5.93% 5.93%	0.00% 0.00%	5.93% 5.93%	0	3,194 3,194
Total	044,137	36,165	U	\$15.05	54.07%	5.95%	0.00%	5.55%	U	3,194
					Nocatee					
Class Breakdown	Total RSF		Sublet Vacant SF	Asking Rate	% Occupied	% Vacant			y Under Constructio	
Class A Class B	142,751	16,264	0	\$28.00 \$0.00	88.61% 0.00%	11.39% 0.00%	0.00% 0.00%	11.39% 0.00%	125,000	8,742
Total	142,751	16,264	0	\$28.00	88.61%	11.39%	0.00%	11.39%	125,000	8,742
					Northside					
Class Breakdown Class A	Total RSF 0	Direct Vacant SF 0	Sublet Vacant SF 0	Asking Rate \$0.00	% Occupied 0.00%	% Vacant 0.00%	% Sublet Vacan 0.00%	cy % Total Vacanc 0.00%	y Under Construction 0	n Net Absorpt 0
	94,608	670	0	\$21.00	99.29%	0.71%	0.00%	0.71%	0	1,060
Class B	94,608	670	0	\$21.00	99.29%	0.71%	0.00%	0.71%	0	1,060
				-	t Johns County					
					101111153001111111					
Total	Total BSE	Direct Vacant CE	Sublet Vacant SE			% Vacant	% Sublet Vaces	cv % Total Vacane	Under Construction	n Not Abcorred
Total Class Breakdown	Total RSF 141,916		Sublet Vacant SF 0	Asking Rate	% Occupied	% Vacant 35.20%		cy % Total Vacanc 35.20%	y Under Constructio	
Total Class Breakdown Class A Class B	141,916 303,479	49,948 19,510	0 0	Asking Rate \$20.30 \$23.89	% Occupied 64.80% 93.57%	35.20% 6.43%	0.00% 0.00%	35.20% 6.43%	0 0	(4,873) (1,233)
Total Class Breakdown Class A Class B	141,916	49,948	0	Asking Rate \$20.30	% Occupied 64.80%	35.20%	0.00%	35.20%	0	(4,873)
Total Class Breakdown Class A Class B	141,916 303,479	49,948 19,510	0 0	Asking Rate \$20.30 \$23.89	% Occupied 64.80% 93.57%	35.20% 6.43%	0.00% 0.00%	35.20% 6.43%	0 0	(4,873) (1,233)
Total Class Breakdown Class A Class B Total	141,916 303,479	49,948 19,510 69,458	0 0	Asking Rate \$20.30 \$23.89	% Occupied 64.80% 93.57% 84.41%	35.20% 6.43%	0.00% 0.00% 0.00%	35.20% 6.43% 15.59%	0 0	(4,873) (1,233) (6,106)
Total Class Breakdown Class A Class B Total Class Breakdown Class A	141,916 303,479 445,395 Total RSF 271,780	49,948 19,510 69,458 Direct Vacant SF 30,179	0 0 0 Sublet Vacant SF 0	Asking Rate \$20.30 \$23.89 \$21.31 Asking Rate \$24.00	% Occupied 64.80% 93.57% 84.41% Southside % Occupied 88.90%	35.20% 6.43% 15.59% % Vacant 11.10%	0.00% 0.00% 0.00% % Sublet Vacan 0.00%	35.20% 6.43% 15.59% cy % Total Vacanc 11.10%	0 0 0 y Under Construction 0	(4,873) (1,233) (6,106) n Net Absorpt 0
Total Class Breakdown Class A Class B Total Class Breakdown Class A Class B	141,916 303,479 445,395 Total RSF 271,780 1,565,392	49,948 19,510 69,458 Direct Vacant SF 30,179 369,946	0 0 0 Sublet Vacant SF 0 0	Asking Rate \$20.30 \$23.89 \$21.31 Asking Rate \$24.00 \$17.07	% Occupied 64.80% 93.57% 93.57% 84.41% Southside % Occupied 88.90% 76.37%	35.20% 6.43% 15.59% % Vacant 11.10% 23.63%	0.00% 0.00% % Sublet Vacan 0.00% 0.00%	35.20% 6.43% 15.59% cy % Total Vacanc 11.10% 23.63%	0 0 0 y Under Constructio 0 0	(4,873) (1,233) (6,106) n Net Absorpt 0 (99,512)
Total Class Breakdown Class A Class B Total Class Breakdown Class A Class B	141,916 303,479 445,395 Total RSF 271,780	49,948 19,510 69,458 Direct Vacant SF 30,179	0 0 0 Sublet Vacant SF 0	Asking Rate \$20.30 \$23.89 \$21.31 Asking Rate \$24.00	% Occupied 64.80% 93.57% 84.41% Southside % Occupied 88.90%	35.20% 6.43% 15.59% % Vacant 11.10%	0.00% 0.00% 0.00% % Sublet Vacan 0.00%	35.20% 6.43% 15.59% cy % Total Vacanc 11.10%	0 0 0 y Under Construction 0	(4,873) (1,233) (6,106) n Net Absorpt 0 (99,512)
Total Class Breakdown Class A Class B Total Class Breakdown Class A Class B	141,916 303,479 445,395 Total RSF 271,780 1,565,392	49,948 19,510 69,458 Direct Vacant SF 30,179 369,946	0 0 0 Sublet Vacant SF 0 0	Asking Rate \$20.30 \$23.89 \$21.31 Asking Rate \$24.00 \$17.07	% Occupied 64.80% 93.57% 93.57% 84.41% Southside % Occupied 88.90% 76.37%	35.20% 6.43% 15.59% % Vacant 11.10% 23.63%	0.00% 0.00% % Sublet Vacan 0.00% 0.00%	35.20% 6.43% 15.59% cy % Total Vacanc 11.10% 23.63%	0 0 0 y Under Constructio 0 0	(4,873) (1,233) (6,106) n Net Absorpt 0
Total Class Breakdown Class A Class B Total Class Breakdown Class A Class B Total Class B Total Class B Class	141,916 303,479 445,395 Total RSF 271,780 1,565,392 1,837,172 Total RSF	49,948 19,510 69,458 Direct Vacant SF 30,179 369,946 400,125 Direct Vacant SF	0 0 0 Sublet Vacant SF 0 0 0 0 Sublet Vacant SF	Asking Rate \$20.30 \$23.89 \$21.31 Asking Rate \$24.00 \$17.07 \$17.59 Asking Rate	% Occupied 64.80% 93.57% 84.41% Southside % Occupied 88.90% 76.37% 78.22% Westside % Occupied	35.20% 6.43% 15.59% % Vacant 11.10% 23.63% 21.78%	0.00% 0.00% 0.00% % Sublet Vacan 0.00% 0.00% 0.00%	35.20% 6.43% 15.59% cy % Total Vacanc 11.10% 23.63% 21.78% cy % Total Vacanc	0 0 0 y Under Constructio 0 0 0 y Under Constructio	(4,873) (1,233) (6,106) n Net Absorpt 0 (99,512) (99,512) n Net Absorpt
Total Class Breakdown Class A Class B Total Class Breakdown Class A Class B Total	141,916 303,479 445,395 Total RSF 271,780 1,565,392 1,837,172	49,948 19,510 69,458 Direct Vacant SF 30,179 369,946 400,125	0 0 0 Sublet Vacant SF 0 0 0	Asking Rate \$20.30 \$23.89 \$21.31 Asking Rate \$24.00 \$17.07 \$17.59	% Occupied 64.80% 93.57% 84.41% Southside % Occupied 88.90% 76.37% 78.22% Westside	35.20% 6.43% 15.59% % Vacant 11.10% 23.63% 21.78%	0.00% 0.00% 0.00% % Sublet Vacan 0.00% 0.00%	35.20% 6.43% 15.59% cy % Total Vacanc 11.10% 23.63% 21.78%	0 0 9 9 9 9 9 9 0 0 0 0 0 0	(4,873) (1,233) (6,106) n Net Absorpt 0 (99,512) (99,512)

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



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.

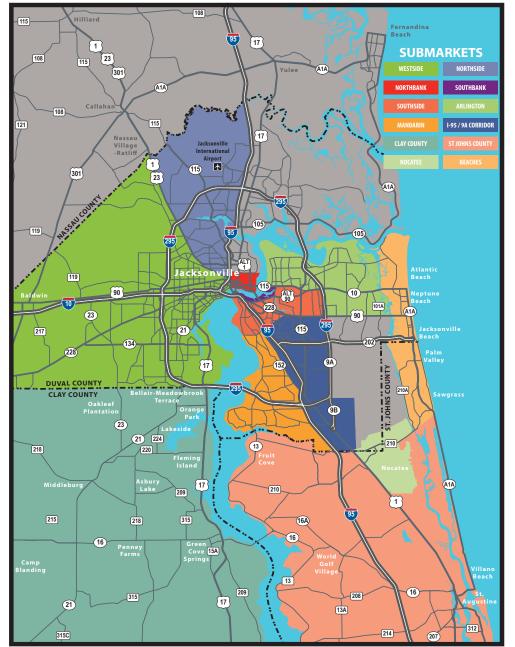
Significant Third Quarter 2020 Lease Transactions - Sorted by SF

Tenant	Property	SF	Туре	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





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