

# Jacksonville

## Sustained Economic Performance and Healthy Market Fundamentals Fueled Jacksonville's Office Market During 2019

While 2019 got off to a slow start, the year did not disappoint. Downtown Jacksonville is seeing a resurgence of interest in the urban core, with Florida Blue, Fidelity National Information Services and VyStar all announcing major new projects downtown or in the immediate periphery, and multiple new residential and commercial developments are proposed or underway throughout the metro area. The I-95/9A corridor, always a perennial performer, had another strong year, and 2020 should see the development of new class A office space in St. Johns County's growing Nocatee area. Additionally, Fuqua Development revealed plans for a \$300 million mixed-use project near the St. Johns Town Center, and the Mayo Clinic continues to invest in bringing cutting-edge treatments and therapies to Jacksonville, which could result in additional office-using demand.

Leasing activity was brisk during the fourth quarter, with several deals over 10,000 sf taking place. Significant lease transactions included Stillwater Insurance Group's lease of 26,648 sf at 6800 Southpoint Pky, a 22,775-sf lease signed by AmWINS Group, Inc. at One Deerwood Center, and TSYS's lease of 21,900 sf at Summit at Southpoint I. Rental rate growth remains consistent, rising 4.5% over the trailing 12-month period, with class A rates increasing by 1.6% during the same period of time. Cautious optimism continues to prevail in Jacksonville, even as net absorption has remained well below previous years, and continued healthy investment sales activity during the final quarter of the year bodes well for 2020. Even with a contentious upcoming election year looming, Jacksonville's office market is expected to remain healthy in 2020.



Downtown Jacksonville's urban core continues to evolve with several transformational projects proposed for future development.

### Office Market Snapshot

- Fidelity National Information Services, Inc. ("FIS") is seeking the necessary approvals to construct a brand new \$145 million, 12-story riverfront headquarters on Riverside Avenue near the urban core. The 300,000-sf building is needed to accommodate its existing 1,200+ employees and the 500 new jobs it will be adding following its \$43 billion acquisition of Worldpay during the summer of 2019. The Jacksonville City Council had previously approved nearly \$30 million in city and state-backed incentives. The combined company provides technology for financial institutions and payment services.
- Florida is on track to create more than 200,000 jobs during 2020, due to rising consumer sentiment and approximately 900 new residents per day, according to the Florida Chamber Foundation. Fittingly, the Jacksonville metro area ranked 18th in the top 20 metros in the U.S. for residential construction permits in 2019. Duval County itself accounted for \$2.6 billion in total value of all permits filed during the year, which numbered 33,500 and included both residential and commercial permits. The largest share of new permits issued were to Lennar Homes, Summit Contracting Group, Inc. and The Conlan Company.
- Jacksonville Jaguars owner Shad Khan has proposed a \$450 million mixed-use development in downtown Jacksonville that would consist of a 300-unit, luxury high-rise apartment building, mid-rise multifamily units, a 200-key boutique hotel and up to 120,000 sf of class A office space.
- The Landing on Jacksonville's waterfront, once a thriving shopping center, is being demolished in order to pave the way for a future redevelopment of the site, although those plans are not yet determined.
- West-Coast based financial services platform SoFi, has opened its new operations center in Jacksonville's Southside neighborhood. The company committed 300 high-wage jobs and a capital investment of \$5.5 million in the new office space, the company's only location in the state.
- The Vestcor Companies continues to move forward with new affordable housing projects in downtown Jacksonville, with the 133-unit Lofts at Brooklyn the latest development to break ground. Recent projects announced have included Lofts at Cathedral, Lofts at Monroe, Lofts at LaVilla and Lofts at Jefferson Station. Even with the quickened pace of construction, it is unlikely that the new supply underway will be able to keep pace with the demand for affordable housing in the immediate area, which is critical to help drive demand for new retail and restaurant businesses in the urban core.

**25.9 MSF**

Total office inventory in the Jacksonville office market

**219,359 SF**

Direct Y-T-D net absorption as of 4Q-2019

**13.10%**

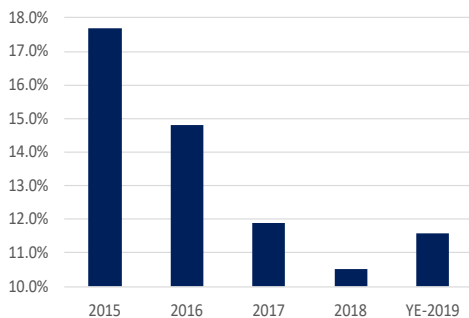
Overall Vacancy

**\$23.18/SF/FS**

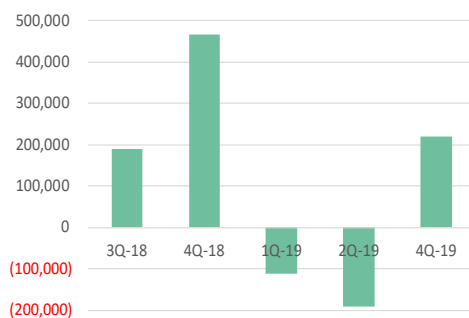
Average rental rate for class A space

## Statistical Snapshot

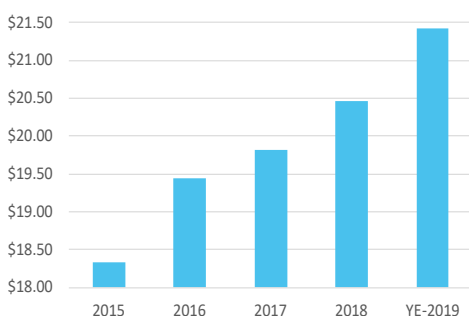
## Direct Vacancy Rate



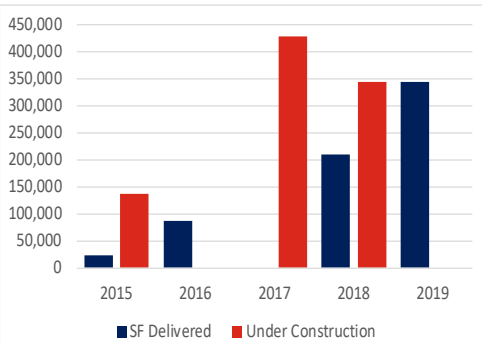
## Net Absorption (SF)



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



## Construction Pipeline



## Jacksonville Office Market At A Glance

## Demographics &amp; Economy



Jacksonville is ranked in the top 20 best tech cities in the U.S. for IT jobs

**3.1%**  
NOV-2018



**2.6%**  
NOV-2019

change in Jacksonville's unemployment rate

**33,630**  
increase in total non-farm employment over T-24 months ending 4Q19

**80**

industry headquarters located in Jacksonville

**#1**



Jacksonville has been ranked by EMSI as the top city for talent attraction



The Port of Jacksonville ("JAXPORT") is the 4th fastest growing import port in the United States

## Development

**\$145 million**

Fidelity National Information Services, Inc. ("FIS") is seeking approval for a new riverfront headquarters



Jacksonville ranks among the top 20 metros in the nation for the number of residential building permits issued to developers (single and multifamily).



The cost of building new facilities in Jacksonville is **15%** below the national average

**\$2.6 billion**

Total value of the 33,500+ permits filed during 2019 in Duval County alone



## Market Influencers



**\$561 million**  
in total office sales volume during the T-12 months ending 4Q19



**4.5%**  
average rental rate increase over the trailing 12-months ending 4Q-2019



**55,000**  
number of employees working in Downtown Jacksonville



**94%**  
of all office sales activity during 2019 has been to institutional and private investors



**4th Place**

Manpower Group North America's *Employment Outlook Survey* ranked Jacksonville as the 4th best market in the country for 2019

## 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	12,001,579	1,273,546	60,648	\$22.80	89.39%	10.61%	0.51%	11.12%	343,700	270,919
Class B	13,047,551	1,357,878	97,794	\$18.28	89.59%	10.41%	0.75%	11.16%	0	196,839
<b>Total</b>	<b>25,049,130</b>	<b>2,631,424</b>	<b>158,442</b>	<b>\$20.47</b>	<b>89.49%</b>	<b>10.51%</b>	<b>0.63%</b>	<b>11.14%</b>	<b>343,700</b>	<b>467,758</b>

## 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	79,234	2,231	\$17.33	91.95%	8.05%	0.23%	8.27%	0	5,460
<b>Total</b>	<b>984,575</b>	<b>79,234</b>	<b>2,231</b>	<b>\$17.33</b>	<b>91.95%</b>	<b>8.05%</b>	<b>0.23%</b>	<b>8.27%</b>	<b>0</b>	<b>5,460</b>

## 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	650,634	41,672	7,690	\$26.61	93.60%	6.40%	1.18%	7.59%	0	7,734
Class B	142,397	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	3,790
<b>Total</b>	<b>793,031</b>	<b>41,672</b>	<b>7,690</b>	<b>\$26.61</b>	<b>94.75%</b>	<b>5.25%</b>	<b>0.97%</b>	<b>6.22%</b>	<b>0</b>	<b>11,524</b>

## 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	30,535	0	\$18.13	94.08%	5.92%	0.00%	5.92%	0	32,968
<b>Total</b>	<b>601,169</b>	<b>30,535</b>	<b>0</b>	<b>\$18.13</b>	<b>94.92%</b>	<b>5.08%</b>	<b>0.00%</b>	<b>5.08%</b>	<b>0</b>	<b>32,968</b>

## 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	3,603,906	539,373	0	\$22.38	85.03%	14.97%	0.00%	14.97%	0	79,976
Class B	1,462,240	111,687	0	\$20.12	92.36%	7.64%	0.00%	7.64%	0	66,148
<b>Total</b>	<b>5,066,146</b>	<b>651,060</b>	<b>0</b>	<b>\$21.99</b>	<b>87.15%</b>	<b>12.85%</b>	<b>0.00%</b>	<b>12.85%</b>	<b>0</b>	<b>146,124</b>

## 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	2,049,908	155,808	0	\$22.57	92.40%	7.60%	0.00%	7.60%	0	2,563
Class B	235,094	14,380	0	\$19.00	93.88%	6.12%	0.00%	6.12%	0	15,781
<b>Total</b>	<b>2,285,002</b>	<b>170,188</b>	<b>0</b>	<b>\$22.26</b>	<b>92.55%</b>	<b>7.45%</b>	<b>0.00%</b>	<b>7.45%</b>	<b>0</b>	<b>18,344</b>

## 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	5,327,464	465,236	52,958	\$23.22	91.27%	8.73%	0.99%	9.73%	343,700	172,225
Class B	6,673,059	626,898	95,563	\$19.18	90.61%	9.39%	1.43%	10.83%	0	62,603
<b>Total</b>	<b>12,000,523</b>	<b>1,092,134</b>	<b>148,521</b>	<b>\$20.90</b>	<b>90.90%</b>	<b>9.10%</b>	<b>1.24%</b>	<b>10.34%</b>	<b>343,700</b>	<b>234,828</b>

Park Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Baymeadows	4,420,549	310,164	48,513	\$18.79	92.98%	7.02%	1.10%	8.11%	0	124,870
Deerwood Park	3,559,380	397,263	31,272	\$23.02	88.84%	11.16%	0.88%	12.04%	343,700	65,540
I-95 Corridor	1,101,398	86,130	0	\$23.82	92.18%	7.82%	0.00%	7.82%	0	16,670
Southpoint	2,919,196	298,577	68,736	\$19.44	89.77%	10.23%	2.35%	12.58%	0	27,748

## 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	65,966	0	\$19.16	89.76%	10.24%	0.00%	10.24%	0	23,917
<b>Total</b>	<b>644,137</b>	<b>65,966</b>	<b>0</b>	<b>\$19.16</b>	<b>89.76%</b>	<b>10.24%</b>	<b>0.00%</b>	<b>10.24%</b>	<b>0</b>	<b>23,917</b>

## 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	24,016	0	\$28.00	83.18%	16.82%	0.00%	16.82%	0	8,421
Class B	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
<b>Total</b>	<b>142,751</b>	<b>24,016</b>	<b>0</b>	<b>\$28.00</b>	<b>83.18%</b>	<b>16.82%</b>	<b>0.00%</b>	<b>16.82%</b>	<b>0</b>	<b>8,421</b>

## 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	29,460	0	\$12.00	68.86%	31.14%	0.00%	31.14%	0	(26,100)
<b>Total</b>	<b>94,608</b>	<b>29,460</b>	<b>0</b>	<b>\$12.00</b>	<b>68.86%</b>	<b>31.14%</b>	<b>0.00%</b>	<b>31.14%</b>	<b>0</b>	<b>(26,100)</b>

## 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	47,441	0	\$18.25	66.57%	33.43%	0.00%	33.43%	0	0
Class B	265,838	22,865	0	\$20.77	91.40%	8.60%	0.00%	8.60%	0	5,172
<b>Total</b>	<b>407,754</b>	<b>70,306</b>	<b>0</b>	<b>\$19.07</b>	<b>82.76%</b>	<b>17.24%</b>	<b>0.00%</b>	<b>17.24%</b>	<b>0</b>	<b>5,172</b>

## 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	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	1,652,654	346,876	0	\$16.47	79.01%	20.99%	0.00%	20.99%	0	(15,313)
<b>Total</b>	<b>1,652,654</b>	<b>346,876</b>	<b>0</b>	<b>\$16.47</b>	<b>79.01%</b>	<b>20.99%</b>	<b>0.00%</b>	<b>20.99%</b>	<b>0</b>	<b>(15,313)</b>

## 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	29,977	0	\$17.99	92.04%	7.96%	0.00%	7.96%	0	22,413
<b>Total</b>	<b>376,780</b>	<b>29,977</b>	<b>0</b>	<b>\$17.99</b>	<b>92.04%</b>	<b>7.96%</b>	<b>0.00%</b>	<b>7.96%</b>	<b>0</b>	<b>22,413</b>

Oxford Economics research finds that Jacksonville has seen strong economic growth over the last 5 years, growing around 1% faster annually than the national average.

### Leading Indicators (Y-O-Y 4Q-2018 to 4Q-2019)

Vacancy Rate	Net Absorption	Average Asking Rate (FS)	New Construction	Total Employment
13.10%	219,359 SF	\$21.43	0 SF	0.77 MM

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	5,653,814	695,181	0	\$22.42	87.70%	12.30%	0.00%	12.30%	0	82,539
Class B	1,697,334	126,067	0	\$19.99	92.57%	7.43%	0.00%	7.43%	0	81,929
<b>Total</b>	<b>7,351,148</b>	<b>821,248</b>	<b>0</b>	<b>\$22.05</b>	<b>88.83%</b>	<b>11.17%</b>	<b>0.00%</b>	<b>11.17%</b>	<b>0</b>	<b>164,468</b>

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	6,347,765	578,365	60,648	\$23.26	90.89%	9.11%	0.96%	10.07%	343,700	188,380
Class B	11,350,217	1,231,811	97,794	\$18.10	89.15%	10.85%	0.86%	11.71%	0	114,910
<b>Total</b>	<b>17,697,982</b>	<b>1,810,176</b>	<b>158,442</b>	<b>\$19.75</b>	<b>89.77%</b>	<b>10.23%</b>	<b>0.90%</b>	<b>11.12%</b>	<b>343,700</b>	<b>303,290</b>

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 Fourth Quarter 2019 Lease Transactions - Sorted by SF

Tenant	Property	SF	Type	Submarket
Confidential Tenant	Prominence - Bldg 400	56,605	Sublease	Baymeadows
Stillwater Insurance Group	6800 Southpoint Pky	26,648	New	Southpoint
AmWINS Group, Inc.	One Deerwood Center	22,775	New	Deerwood Park
TSYS	Summit at Southpoint I	21,900	New	Southpoint
Beeline	Flagler Center 100	21,002	Expansion/Renewal	I-95 Corridor
BCR Environmental	Oaks at Southpoint	12,221	Sublease	Southpoint
Streamline Imaging*	Quadrant at Southpoint I	9,897	New	Southpoint
Tetra Tech*	Prominence - Bldg 400	9,869	New	Baymeadows
Softwink Inc*	Quadrant at Southpoint I	7,242	Expansion/Renewal	Southpoint
Petros Financial Group LLC*	Quadrant at Southpoint I	4,986	Renewal	Southpoint

\* Avison Young handled this transaction

### Significant Fourth Quarter 2019 Sales Transactions - Sorted by Sale Price

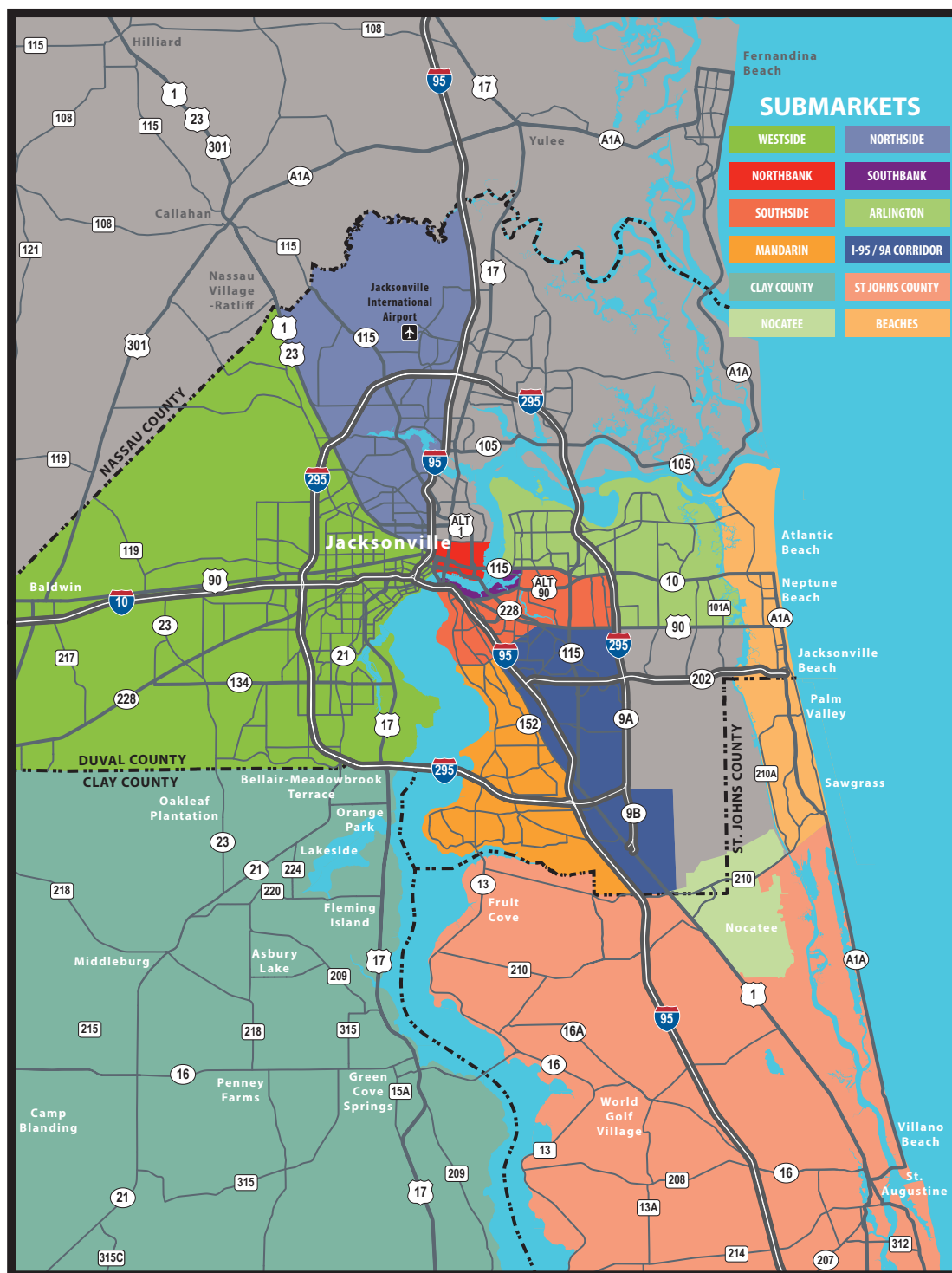
Property	SF	Sale Price	Price/SF	Buyer	Submarket
Butler Plaza	242,360	\$37,900,000	\$156	TPG Global LLC	Southpoint
5201 Gate Pky	150,000	\$27,750,000	\$185	SOP 5201 Gate Pky, LLC	Deerwood Park

### Investment Sales Slow During the 4th Quarter but Y-O-Y Total Volume up 28.0%

There were only two notable office sales during the fourth quarter as shown in the table above. Sales volume for the final quarter of 2019 totaled only \$87.3 million, however year-over-year volume was up markedly (+22%) due in large part to increased portfolio volume over the course of the year. A total of 32 properties traded hands during 2019 totaling 4.1 million sf and 94% of all transactions were to institutional and private buyers.



Butler Plaza



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