

Jacksonville

Office market fundamentals weakened during the fourth quarter as headwinds are building

The office vacancy rate in Jacksonville continues to rise following a year of diminishing demand for office space as a shift to working remotely continues to impact the market. The current overall vacancy rate is up 133 basis points (bps) over the trailing 90-day period ending December 2020, with additional upward pressure expected during the first half of 2021. Tenant demand was fairly subdued during the fourth quarter, however there were a few significant lease transactions that are covered in page 3 of this report.

Flexibility expected to endure

2020 was a year like no other. The pandemic is accelerating structural shifts and changing how tenants view their office environments. While the trend of de-densification is beginning to take root, most companies are expected to return to the office with new objectives for how they will utilize their space. Moving forward, many new office developments are expected to focus on flexible building design, incorporating wellness into their footprints, and/or providing a mixed-use component in order to create a more 'livable' workspace for employees.

Dynamics are beginning to shift

Jacksonville's office market weathered the storm that was 2020 for several successive quarters, but the dynamics began to change near the end of the year. Vacancy began to inch up, rising by 129 basis points (bps) during the trailing 3-month period ending with December, and the expected glut of

sublease space is beginning to arrive. Total vacant sublease space at the close of the fourth quarter was nearly triple the amount from one year prior, with more expected in early 2021.

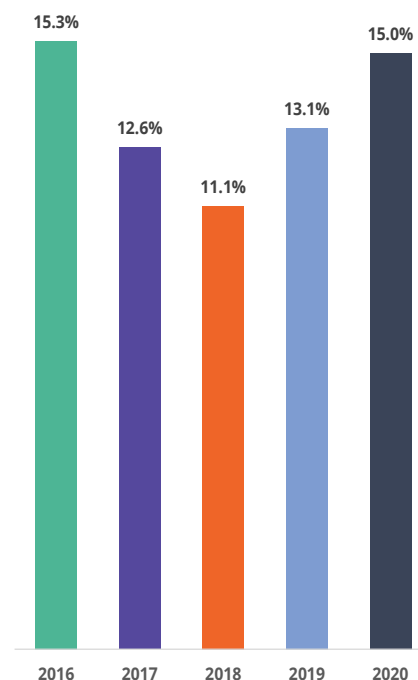
Private investors dominated in 2020

Total investment volume for the trailing 12-month period ending September 2020 was -24% at \$466.5 million, which remains a smaller percentage decline than in most of Florida's primary markets. Nearly two-thirds of all transactions over the past year were acquired by private investors, including the sale of the Bank of America Tower complex to New York-based Group RMC. The class A building in Downtown Northbank traded along with an adjacent annex building and a parking garage for \$75.5 million.

Looking ahead toward 2021

Tenants are increasingly willing to sign traditional term deals beyond the short-term renewals that dominated the conversation for two quarters, however many are price conscious and are in the driver's side at the moment when it comes to lease negotiations. For now, sublease space is on the rise and rental rates have the potential to decelerate in the near-term. The fear that personified the beginning of the current pandemic continues to fade and with a contentious election cycle behind us and COVID-19 vaccine distribution in front of us, attention can now turn to promoting job growth and reversing the occupancy losses sustained during 2020.

Historical 5-Year Vacancy Trend



26.0 MSF

Total office inventory in the Jacksonville office market

(339,010) SF

Direct Y-T-D net absorption as of 4Q-2020

14.99%

Overall vacancy






\$23.66/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	1,752,975	199,684	\$23.66	86.27%	13.73%	1.56%	15.29%	640,751	(44,108)
Class B	13,211,651	1,695,118	245,715	\$19.17	87.17%	12.83%	1.86%	14.69%	0	(294,902)
Total	25,981,636	3,448,093	445,399	\$21.45	86.73%	13.27%	1.71%	14.99%	640,751	(339,010)
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	116,762	7,190	\$16.97	88.14%	11.86%	0.73%	12.59%	0	(19,298)
Total	984,575	116,762	7,190	\$16.97	88.14%	11.86%	0.73%	12.59%	0	(19,298)
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	77,037	4,470	\$26.72	88.93%	11.07%	0.64%	11.72%	0	(25,272)
Class B	142,397	7,702	2,050	\$34.32	94.59%	5.41%	1.44%	6.85%	0	(7,702)
Total	838,031	84,739	6,520	\$27.42	89.89%	10.11%	0.78%	10.89%	0	(32,974)
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	12,437	0	\$14.12	97.59%	2.41%	0.00%	2.41%	0	(208)
Total	601,169	12,437	0	\$14.12	97.93%	2.07%	0.00%	2.07%	0	(208)
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	756,094	87,530	\$22.99	79.36%	20.64%	2.39%	23.03%	453,000	(71,418)
Class B	1,303,424	134,284	0	\$19.44	89.70%	10.30%	0.00%	10.30%	0	457
Total	4,967,330	890,378	87,530	\$22.45	82.08%	17.92%	1.76%	19.69%	453,000	(70,961)
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	84,038	\$25.09	93.01%	6.99%	4.01%	10.99%	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	84,038	\$24.64	93.22%	6.78%	3.60%	10.39%	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	680,289	23,646	\$23.89	88.00%	12.00%	0.42%	12.41%	0	43,374
Class B	7,045,596	943,441	236,475	\$20.29	86.61%	13.39%	3.36%	16.75%	0	(155,294)
Total	12,716,762	1,623,730	260,121	\$21.80	87.23%	12.77%	2.05%	14.81%	0	(111,920)
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	637,362	217,578	\$20.07	86.51%	13.49%	4.61%	18.10%	0	(137,087)
Deerwood Park	3,959,113	342,621	28,686	\$24.79	91.35%	8.65%	0.72%	9.38%	0	38,111
I-95 Corridor	1,101,398	157,251	0	\$23.54	85.72%	14.28%	0.00%	14.28%	0	(34,760)
Southpoint	2,933,262	486,496	13,857	\$21.39	83.41%	16.59%	0.47%	17.06%	0	21,816
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	31,192	0	\$19.13	95.16%	4.84%	0.00%	4.84%	0	10,185
Total	644,137	31,192	0	\$19.13	95.16%	4.84%	0.00%	4.84%	0	10,185
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%	187,751	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%	187,751	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	46,499	0	\$19.80	67.23%	32.77%	0.00%	32.77%	0	(1,424)
Class B	303,479	21,600	0	\$23.54	92.88%	7.12%	0.00%	7.12%	0	(3,323)
Total	445,395	68,099	0	\$20.99	84.71%	15.29%	0.00%	15.29%	0	(4,747)
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	391,870	0	\$16.64	74.97%	25.03%	0.00%	25.03%	0	(121,436)
Total	1,837,172	422,049	0	\$17.17	77.03%	22.97%	0.00%	22.97%	0	(121,436)
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	23,507	0	\$19.92	93.76%	6.24%	0.00%	6.24%	0	(2,501)
Total	376,780	23,507	0	\$19.92	93.76%	6.24%	0.00%	6.24%	0	(2,501)

Leading Indicators (Y-O-Y Q4-2019 to Q4-2020)

Market Inventory  25,981,636 SF	Vacancy Rate  14.99%	Net Absorption  -339,010 SF	Construction Pipeline  640,751 SF	Average Asking Rate  \$21.45 SF
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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	902,707	171,568	\$23.33	84.33%	15.67%	2.98%	18.64%	453,000	(69,528)
Class B	1,538,518	145,937	0	\$19.41	90.51%	9.49%	0.00%	9.49%	0	3,615
Total	7,300,256	1,048,644	171,568	\$22.78	85.64%	14.36%	2.35%	16.71%	453,000	(65,913)

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	850,268	28,116	\$24.00	87.87%	12.13%	0.40%	12.53%	187,751	25,420
Class B	11,673,133	1,549,181	245,715	\$19.15	86.73%	13.27%	2.10%	15.38%	0	(298,517)
Total	18,681,380	2,399,449	273,831	\$20.87	87.16%	12.84%	1.47%	14.31%	187,751	(273,097)

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 2020 Lease Transactions - Sorted by SF

Tenant	Property	SF	Type	Submarket
Guidewell Connect	8001 Baymeadows Way	66,250	New	Baymeadows
LogistiCare Solutions LLC	Gran Park at the Avenues 3	22,784	New	Baymeadows
New Rez*	Reflections II	21,553	New	Baymeadows
Gilbane Construction	One Deerwood Center	10,377	New	Deerwood Park
Concierge Home Care	Quadrant at Southpoint II	7,650	New	Southpoint

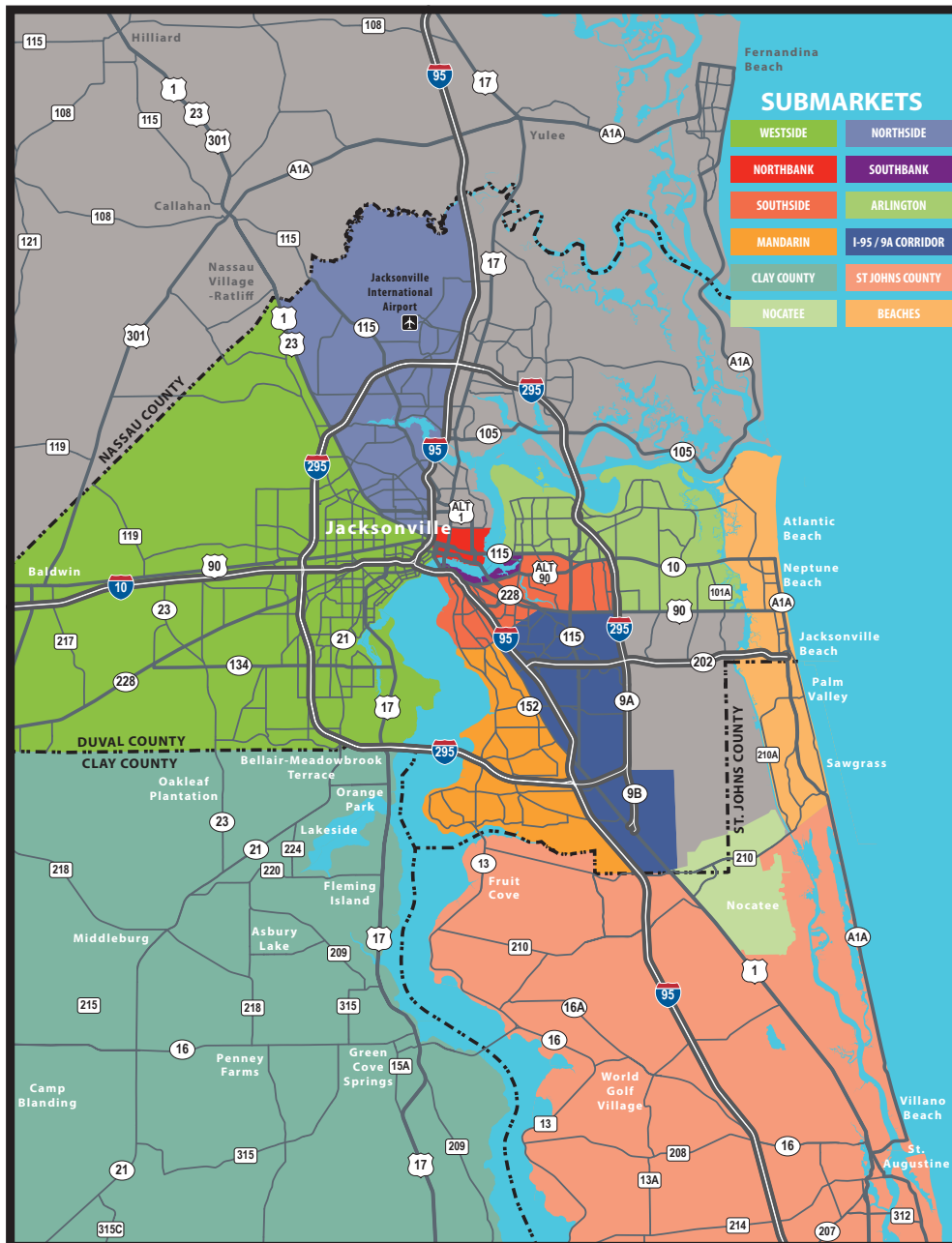
*Avison Young handled this transaction

Significant Fourth Quarter 2020 Sales Transactions - Sorted by Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Bank of America Tower Complex*	827,977	\$75,500,000	\$91	Group RMC	Downtown Northbank
Bank of America Tower	699,000			Group RMC	Downtown Northbank
Tower Annex	35,881			Group RMC	Downtown Northbank
2310 Village Square Pky	85,000	\$13,100,000	\$154	Baptist Health Properties	Clay County
95 Corporate Center - Bldg I	62,413	\$9,400,000	\$151	Axcel Development	Southpoint

*This sale also included an adjacent 93,096-sf parking garage





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**Get more
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