

Jacksonville market fundamentals

FLORIDA INDUSTRIAL MARKET REPORT
Q3 2021

Key industrial takeaways



Economic conditions

- Jacksonville’s pivotal location as a logistics hub, coupled with the proximity of a major regional deep-water port, has contributed to a steadily falling unemployment rate, currently **4.3%**, which is down 720 basis points from the height of the pandemic.
- The steady rise in e-commerce activity combined with labor shortages and pandemic-induced disruptions to the global supply chain are creating backlogs at several key U.S. ports. As a result, Florida’s governor and the state’s port leaders are making an active pitch to companies to send their cargo to Florida.



Recovery rate

- As of August 2021, the state of Florida had recovered 974,000 jobs, equivalent to **77%** of all job losses incurred due to the pandemic.
- The Biden administration’s intention to begin allowing foreign nationals to travel from Europe, China, Brazil, and India as of this November will help propel the Jacksonville economy as the influx of travelers will serve to boost the still-recovering tourism and hospitality sector.



Industrial demand

- Leasing activity has been sustained throughout the pandemic, and currently totals **+67.6%** of all volume recorded in 2020. Year-end activity should easily eclipse the total for 2019.
- Significant leasing transactions for distribution space during Q3 include supply chain management company CJ Logistics America’s (formerly DSC Logistics) renewal for **546,000 sf** at 9767 Pritchard Road on the Westside and the U.S. Postal Service’s new lease for 240,000 sf at 10089 N Main St in the Ocean Way submarket for 240,000 sf.

Key industrial takeaways



Industrial supply

- As logistics requirements and e-commerce needs forge ahead in Jacksonville, developers continue their search for prime sites to stay ahead of demand. There are currently 14 industrial properties under construction totaling **3.6 million sf**, six of which are situated in the Westside submarket.
- Developers are attracted to Jacksonville in large part due to the area's logistics infrastructure, including the growth of the port, and its pivotal location in the Southeast.
- Total vacancy is currently **3.9%**, which remains the second lowest in Florida behind Miami.



Pricing trends

- Base rents have increased by **14.5%** since the start of the pandemic and have generally remained on an upward trajectory for the last decade.
- Healthy demand and tightening leasing fundamentals have led to rental rate growth, with four of the past six years recording healthy increases in asking base rents following a year where **1+ million sf** delivered.



Capital markets

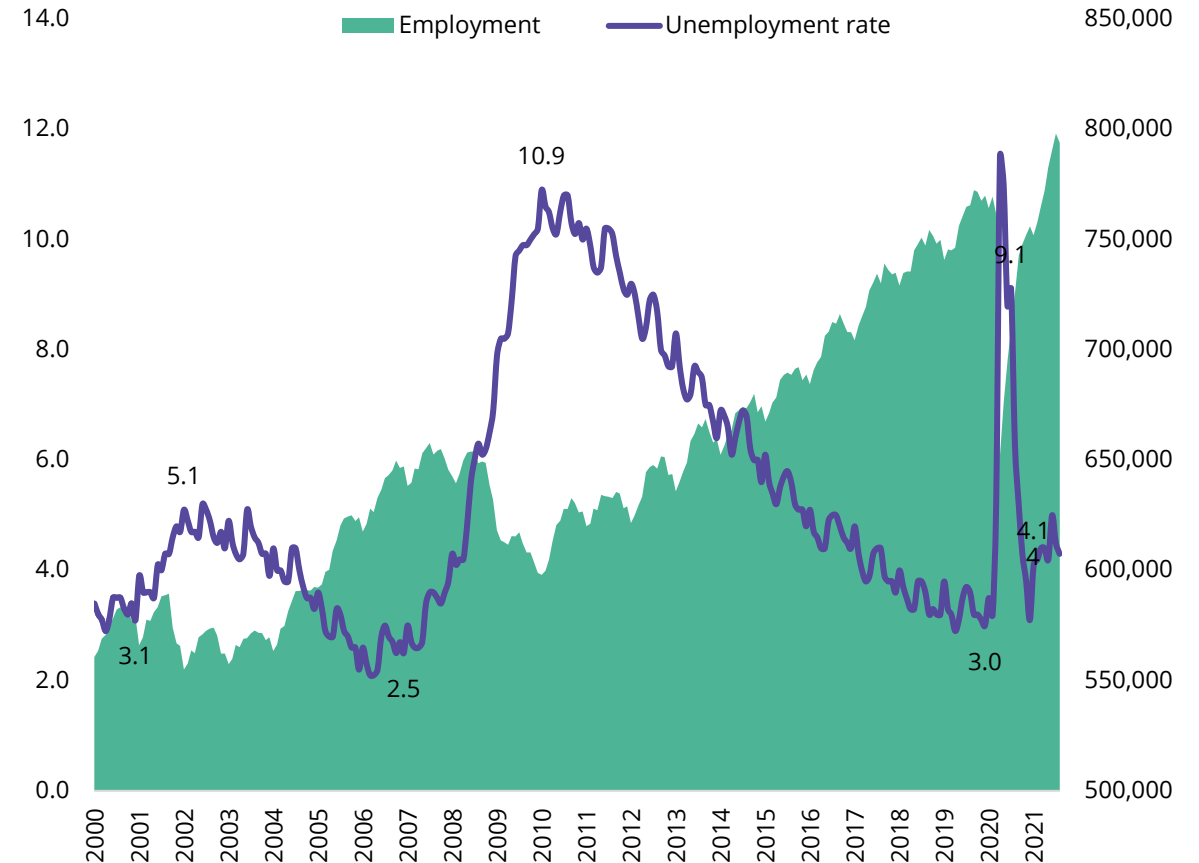
- Jacksonville's industrial investment activity has been healthy, totaling **\$0.5B** year-to-date through the third quarter as investors are attracted to the sector's strong post-pandemic fundamentals.
- Pricing for Jacksonville industrial assets has risen incrementally since 2016, although it dipped to **-17.6%** during the third quarter in large part due to a shortage of high-quality industrial properties on the market. Investors continue to seek properties that can accommodate the rise of e-commerce distribution.

Employment and unemployment rate

4.3%

Jacksonville unemployment rate as of August 2021, a sharp decline from the height of the pandemic

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 142,000 jobs since then.



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

Industrial job gains and losses

+4.2%

Change in industrial employment from July 2020 to July 2021

The Jacksonville metro area has experienced job additions totaling 4.2% in 2020, especially in the critical areas of transportation and logistics. These job gains have remained steady throughout 2021, with the transportation, warehousing & utilities sector up 6.5% over the previous 12-month period.

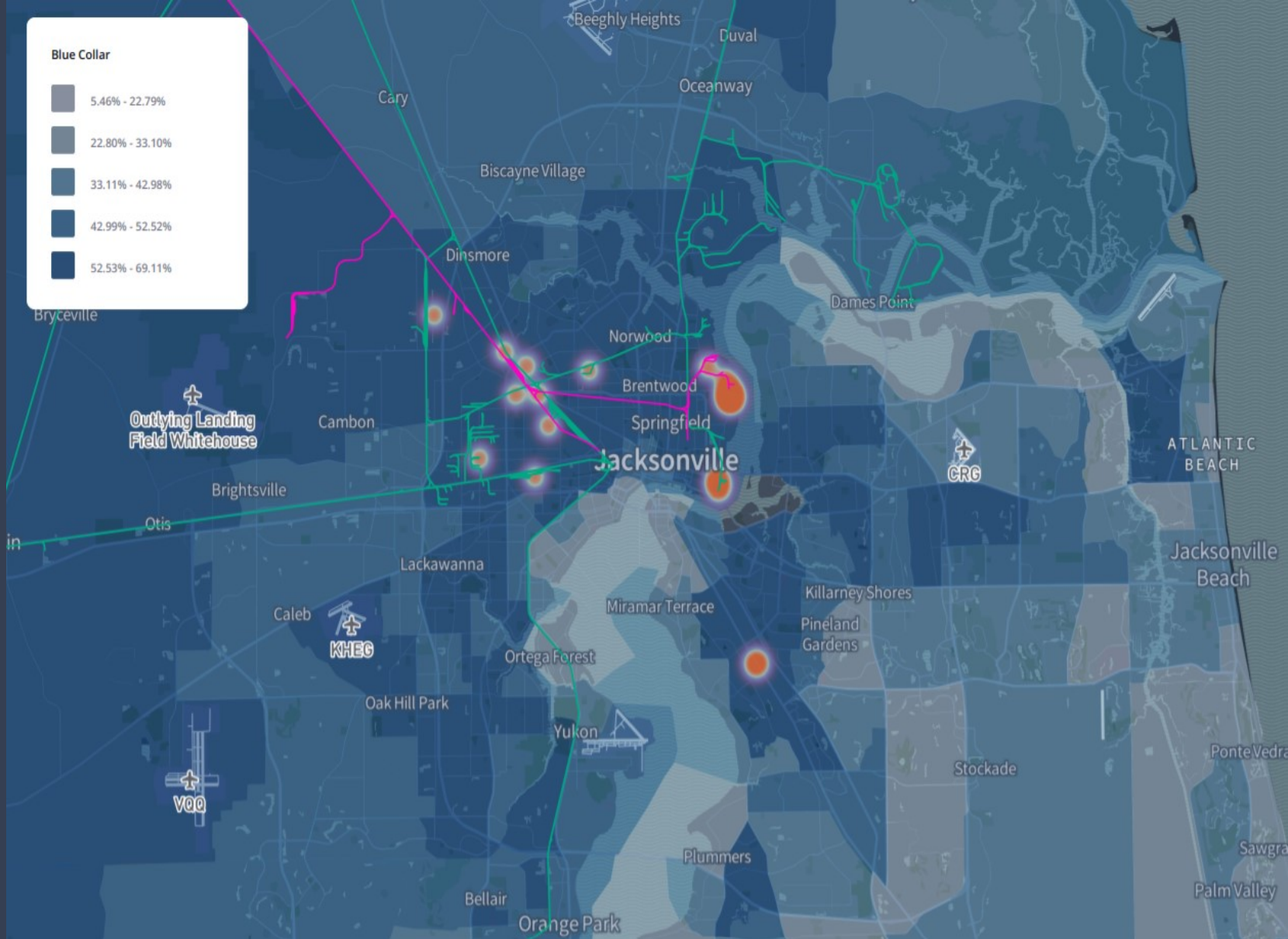
Total change in Jacksonville MSA* job gains/(losses) July 2020 to July 2021



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

Freight rail & intermodal facilities

Source: AVANT by Avison Young, ESRI
Intermodal facilities are clustered around seaport submarkets and major throughout corridors, with Class I rail lines providing connectivity throughout the country

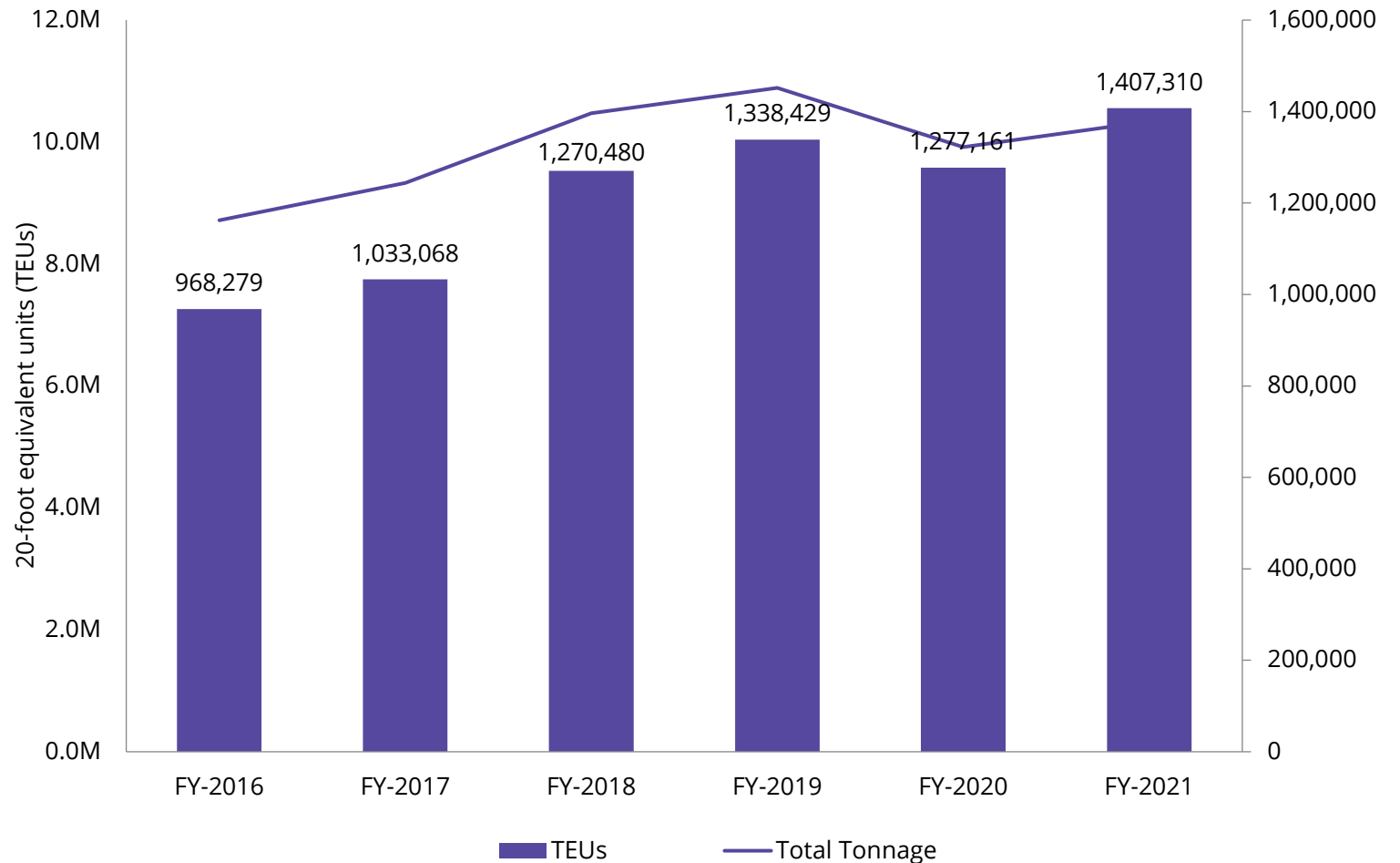


Port of Jacksonville total cargo volume

1.4 M

TEUs for FY-2021

Although cruise ship sailings have largely halted since the spring of 2020, the Port of Jacksonville (JAXPORT) recorded brisk business during fiscal year 2021. JAXPORT set a port record for container volumes in May, with total container movements increasing 37% over the same month in 2020.



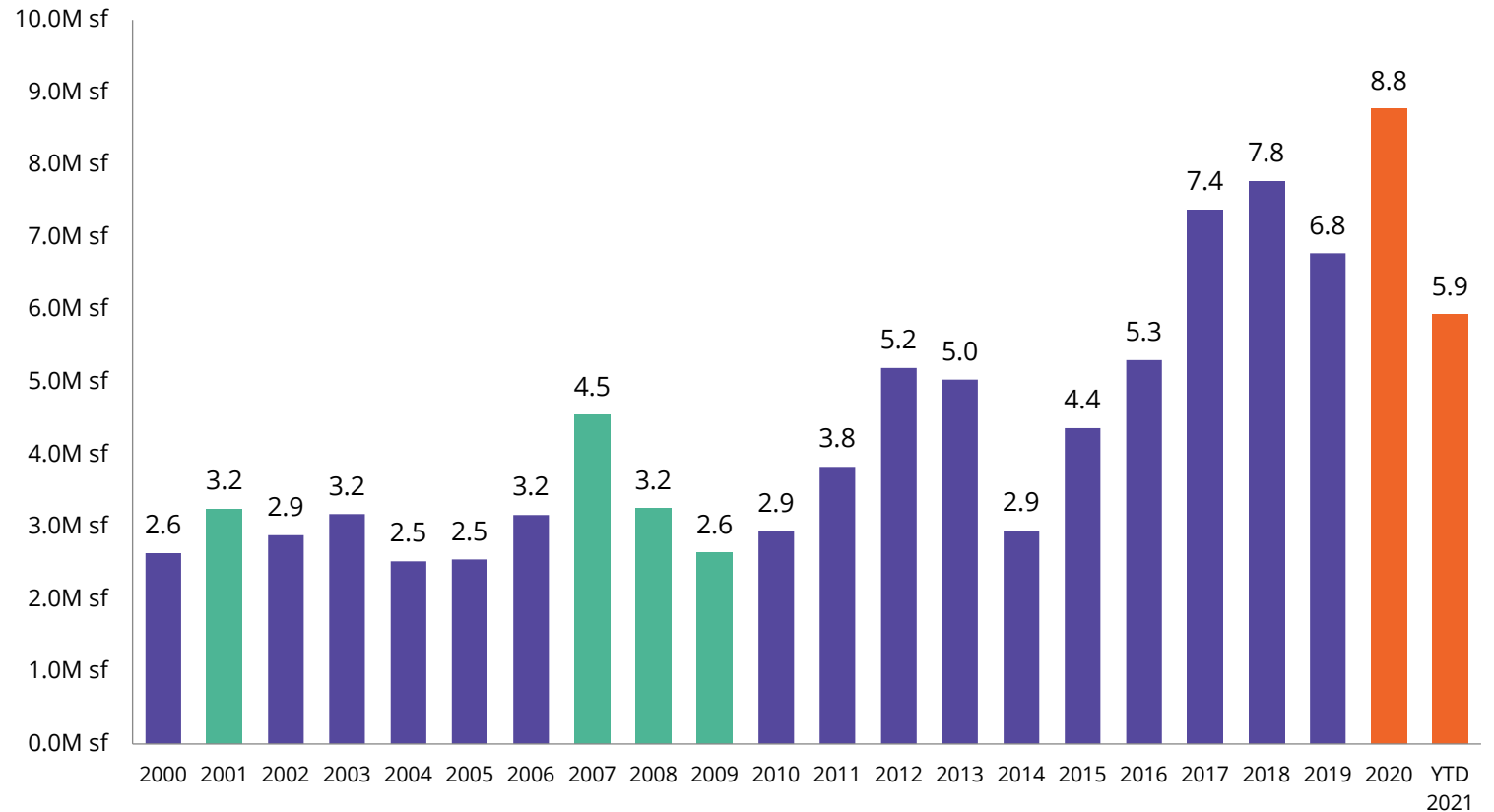
Source: Port of Jacksonville

Industrial leasing activity

67.6%

Year-to-date 2021 leasing activity compared to year-end 2020

Leasing activity has been strong through Q3 2021, following on the heels of six straight years of strong leasing that collectively averaged 6.3 sf per year, and remains on pace to eclipse all activity recorded during 2019.



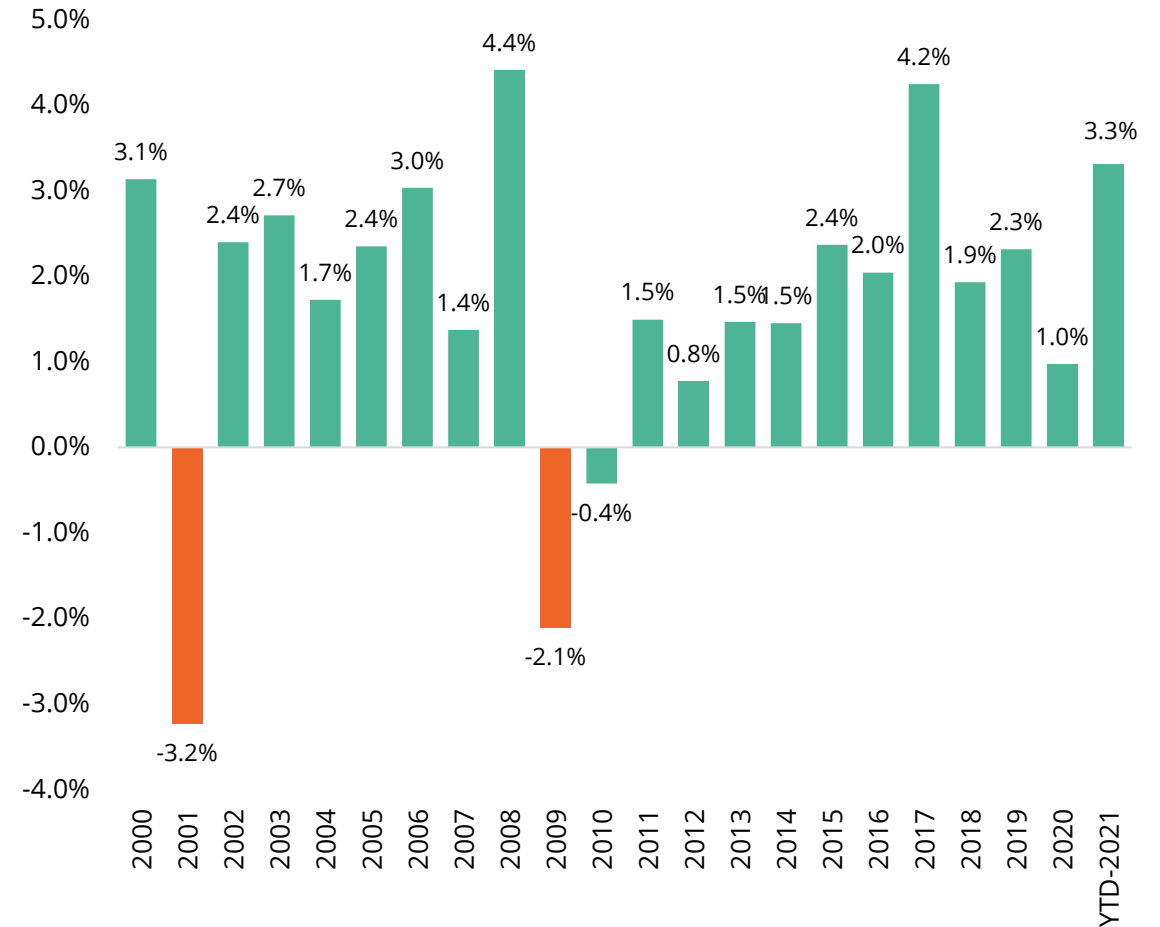
Note: Green represents recession years.
Source: CoStar.

Industrial net absorption

3.3%

Net absorption as a percentage of inventory, through Q3 2021

Absorption through mid-year remains quite healthy and on pace with levels throughout the prior decade. While there are several projects planned, particularly in the Northside, the market is not overbuilding, and large tenants remain attracted to newer developments on the way. At 3.8 million sf for the year-to-date, net absorption is at its highest point since 2017.



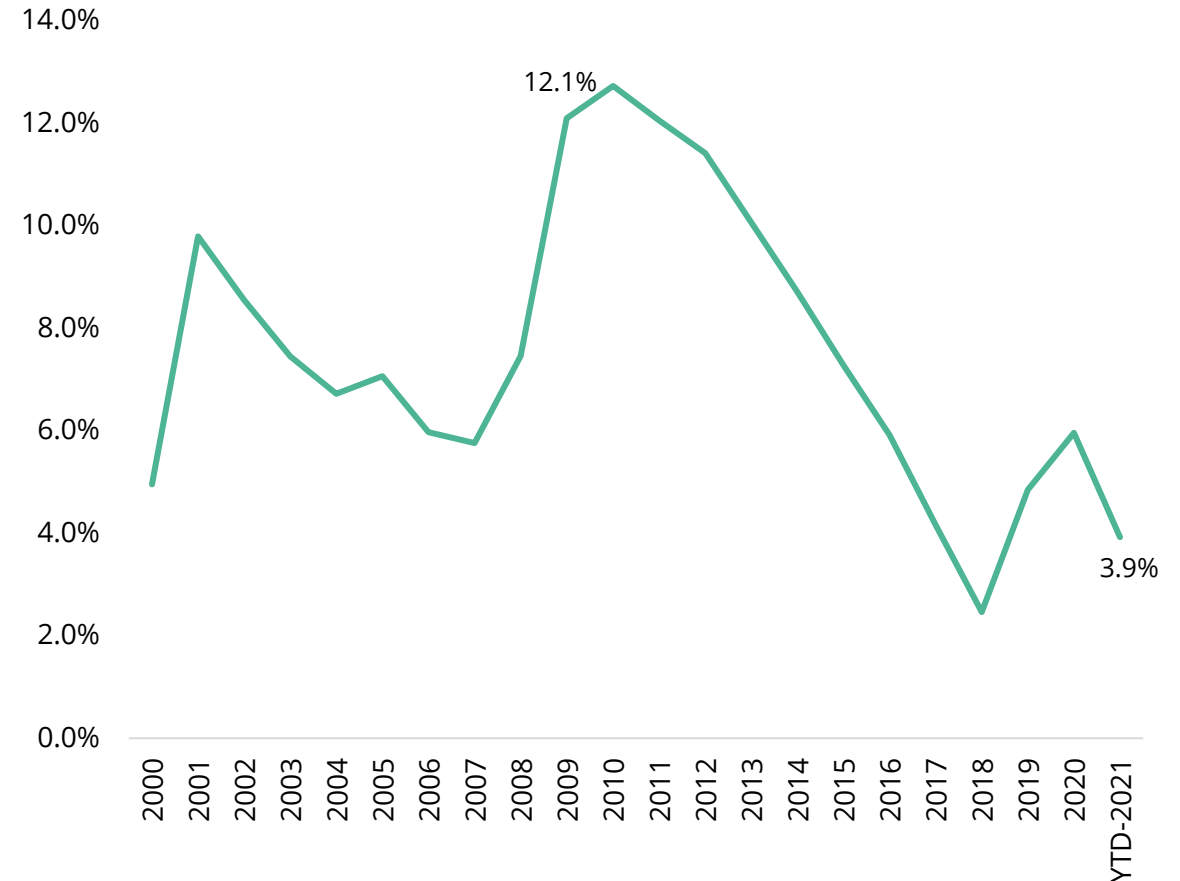
Note: Absorption is measured as the year-over-year change in occupied square feet.
Source: CoStar

Industrial vacancy rate

3.9%

Vacancy experiences further decline in Q3 2021

The Q3 2021 total vacancy rate of 3.9% reflects the lowest rate recorded since 2018, and the second lowest in the previous 20-year period. At this point, the development of high-quality new distribution space is necessary in order to lure large new-to-market tenants to Jacksonville.



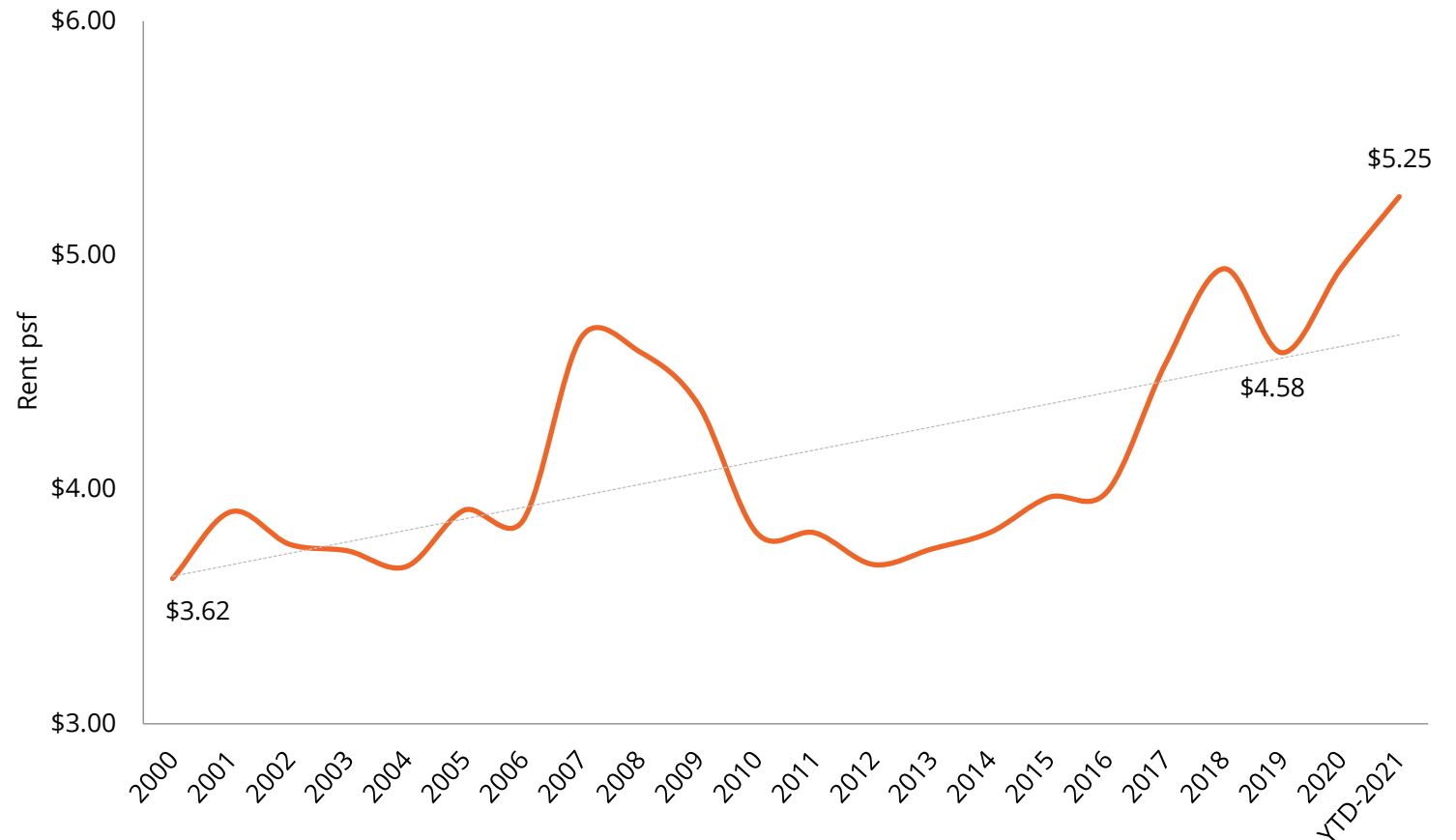
Source: CoStar

Asking rents

+14.5%

Asking rents since the onset of the pandemic

Base asking rents, which have grown by 14.5% since the beginning of the pandemic, have risen by 31.0% over the last two decades, underscoring how industrial demand has increased in Jacksonville.



Source: AVANT by Avison Young

Industrial development pipeline

55 properties

proposed or under construction

23.8 msf

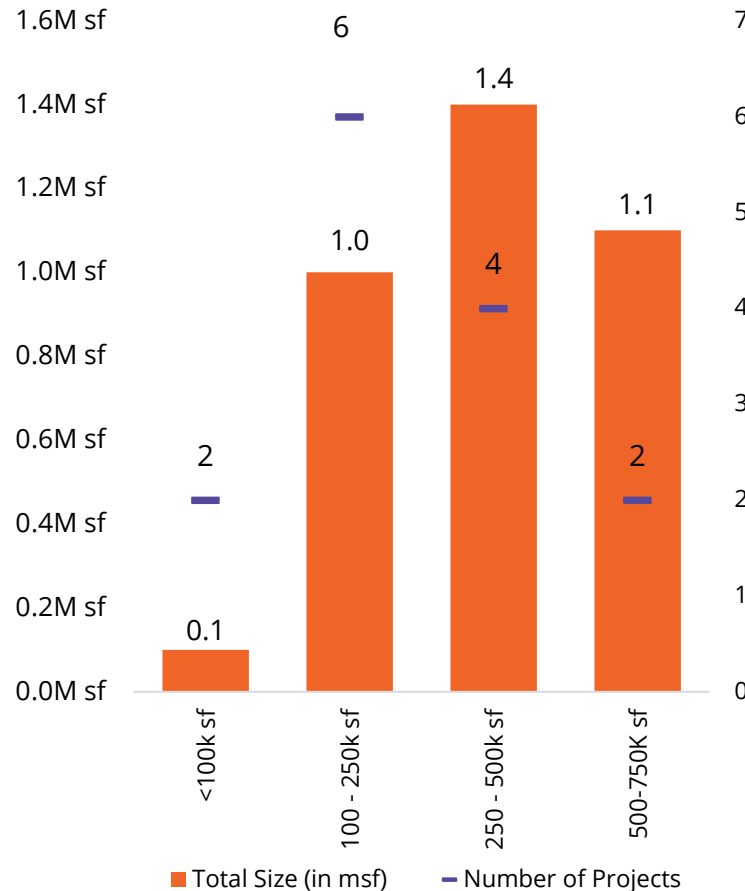
proposed or under construction

20.6%

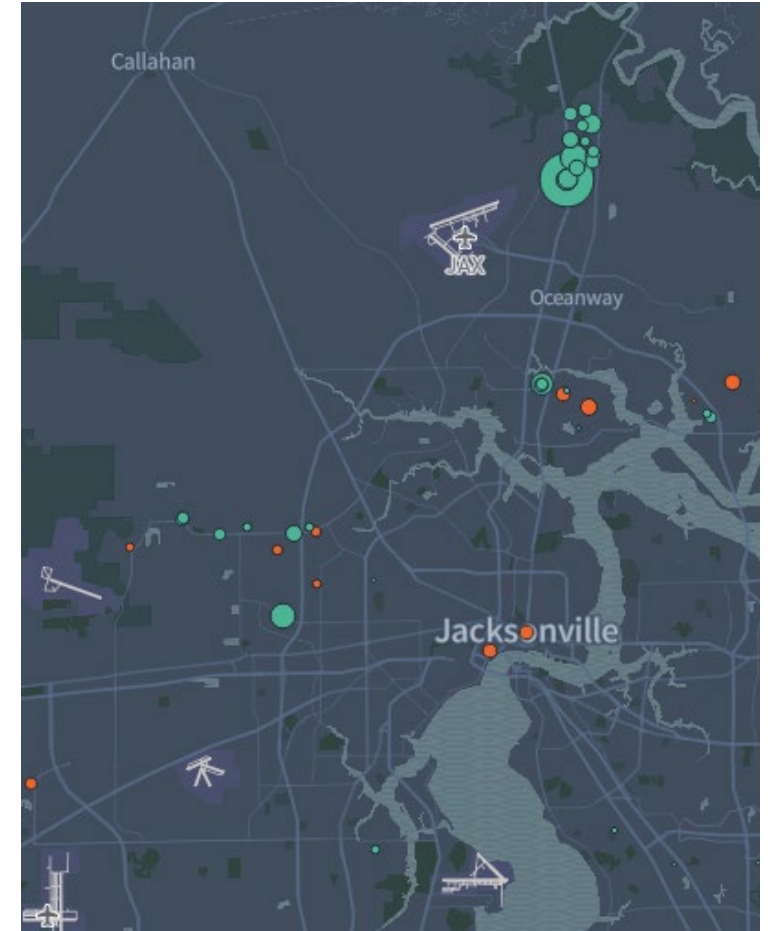
share of industrial inventory

Northside

submarket with the most development under construction at 1.5 msf



Source: AVANT by Avison Young

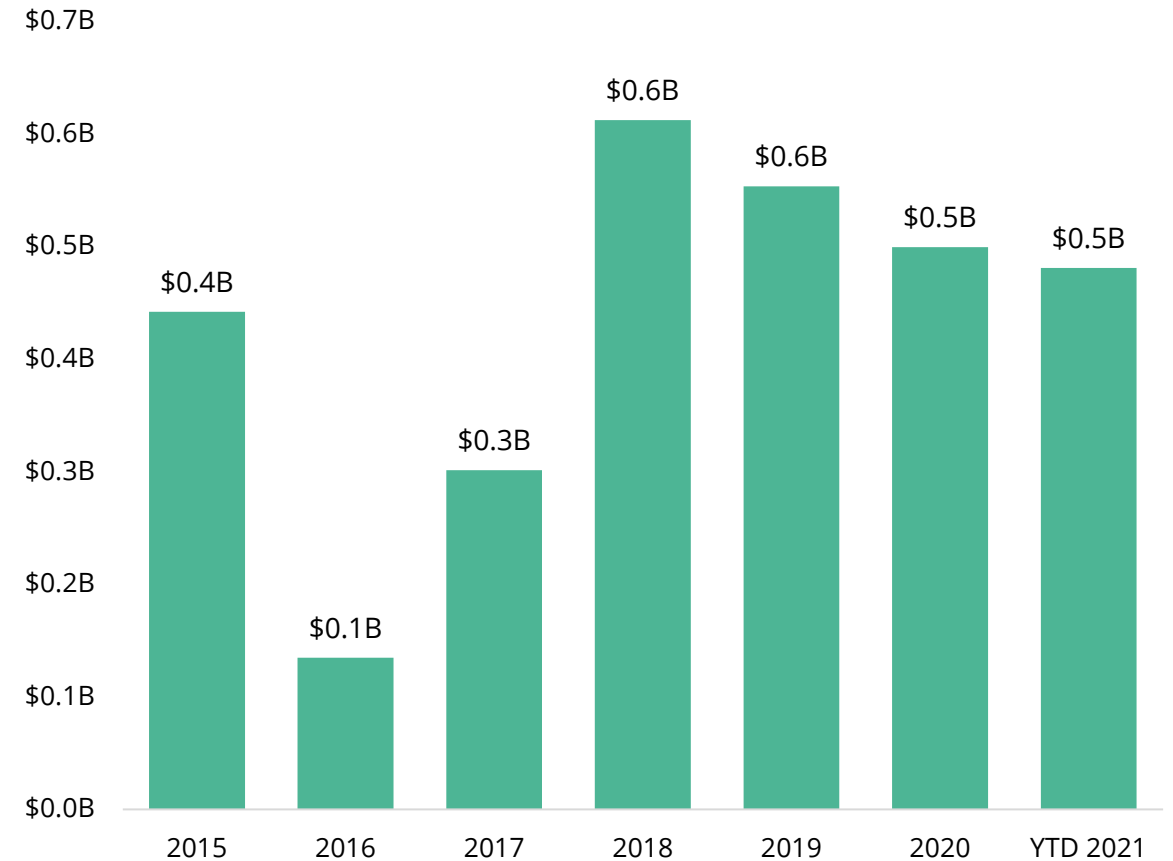


Investment dollar volume

\$0.5B

Industrial dollar volume,
year-to-date 2021

Industrial investment sales activity in Jacksonville through the third quarter of 2021 is on pace to exceed annual activity recorded during the previous two years. There is considerable investor appetite for high-quality distribution properties in Jacksonville but there are very few current opportunities.



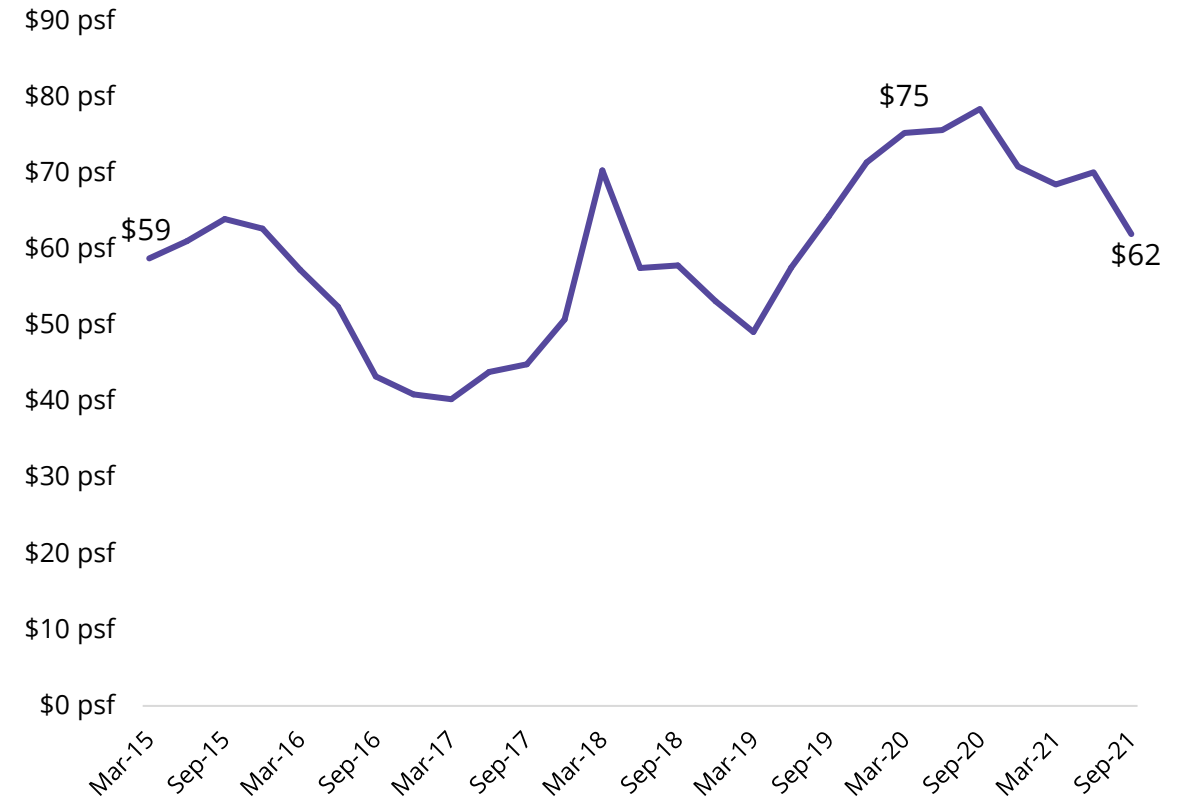
Source: AVANT by Avison Young
RCA

Industrial asset pricing

-17.6%

**Jacksonville industrial pricing,
March 2020 to September 2021**

Pricing for Jacksonville industrial assets fluctuated over the last five years. Even though current pricing is down 17.6% since the pre-pandemic period, it remains up 30.2% since Q3 2016 and the current dip is largely the result of a shortage of high-quality investment grade assets on the market.



Source: AVANT by Avison Young
RCA

Looking forward



Here's what we can expect

- While **supply chain disruption** was an issue at the beginning of the pandemic, semiconductor shortages coupled with the Suez Canal blockage further highlighted frailties within global supply chains. Moving forward, creating logistics, distribution and shipping efficiencies in and out of JAXPORT, in addition to general reshoring efforts, will be critical in preventing the kind of disruption that took place in 2020.
- Continued growth in the **logistics, transportation and construction** sectors will drive much of the industrial leasing activity in Jacksonville well into 2022.
- **New development of distribution and cold storage space** under construction and planned on the Northside will provide needed availability of large blocks of space that will allow Jacksonville to compete with other Southeast markets.
- Third party logistics ("3PL") companies are expanding their e-commerce distribution capabilities at a faster rate than any other major industrial occupier and will continue to comprise an increasing share of **industrial demand** as companies rethink their existing supply chains.



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Let's talk

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