



Jacksonville industrial market report

Q2 2023

**AVISON
YOUNG**

Jacksonville industrial market trends

\$5.93 psf

Asking rents rise moderately compared to other Florida markets

One of the key strengths of the Jacksonville industrial market is its logistical advantage. The city's strategic location provides easy access to major highways, rail lines and the Port of Jacksonville, which is one of the busiest ports in the United States. Notably, Jacksonville offers a cost-effective industrial market, with asking rates experiencing a moderate growth of 7.7% year over year, distinguishing it from other pricier Florida markets. This affordability has spurred increased development activity, including speculative projects and customized facilities, to cater to the rising demand in the market.

1.5 msf

Demand temporarily softens, inflating vacancy rates

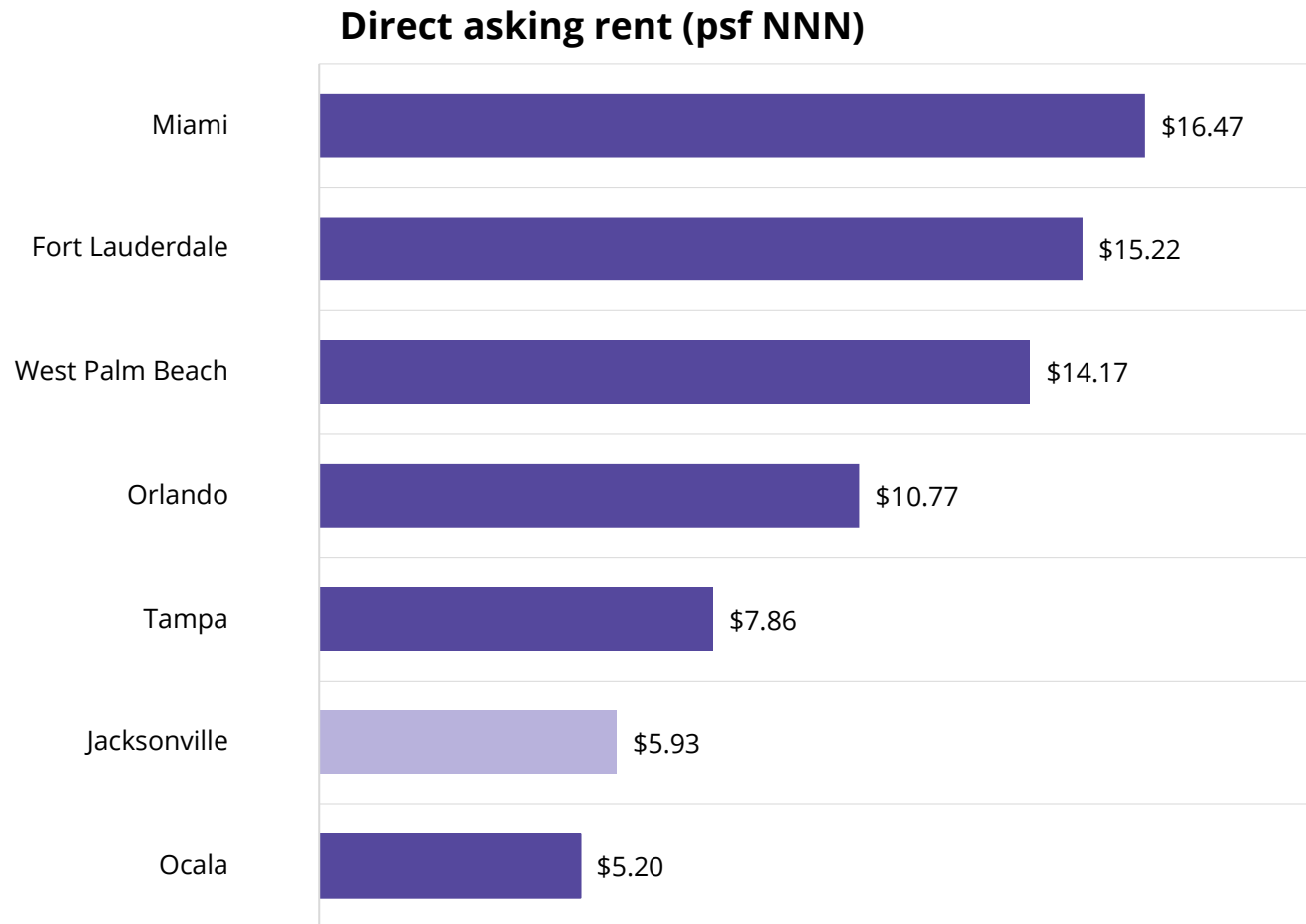
By the end of the second quarter, Jacksonville's net absorption stood at +1.5 million square feet (sf) year to date. Temporary leasing decision pullbacks from companies amidst economic headwinds have resulted in a slight uptick in the vacancy rate to 4.1%. The market has experienced substantial development activity recently, with several million square feet of industrial space delivered this year and more under construction, indicating a sustained growth trajectory. This growth can be attributed to robust market fundamentals, strong tenant demand, and developers confidence in the region's economic outlook.

-2.5%

Construction material costs showing signs of declining

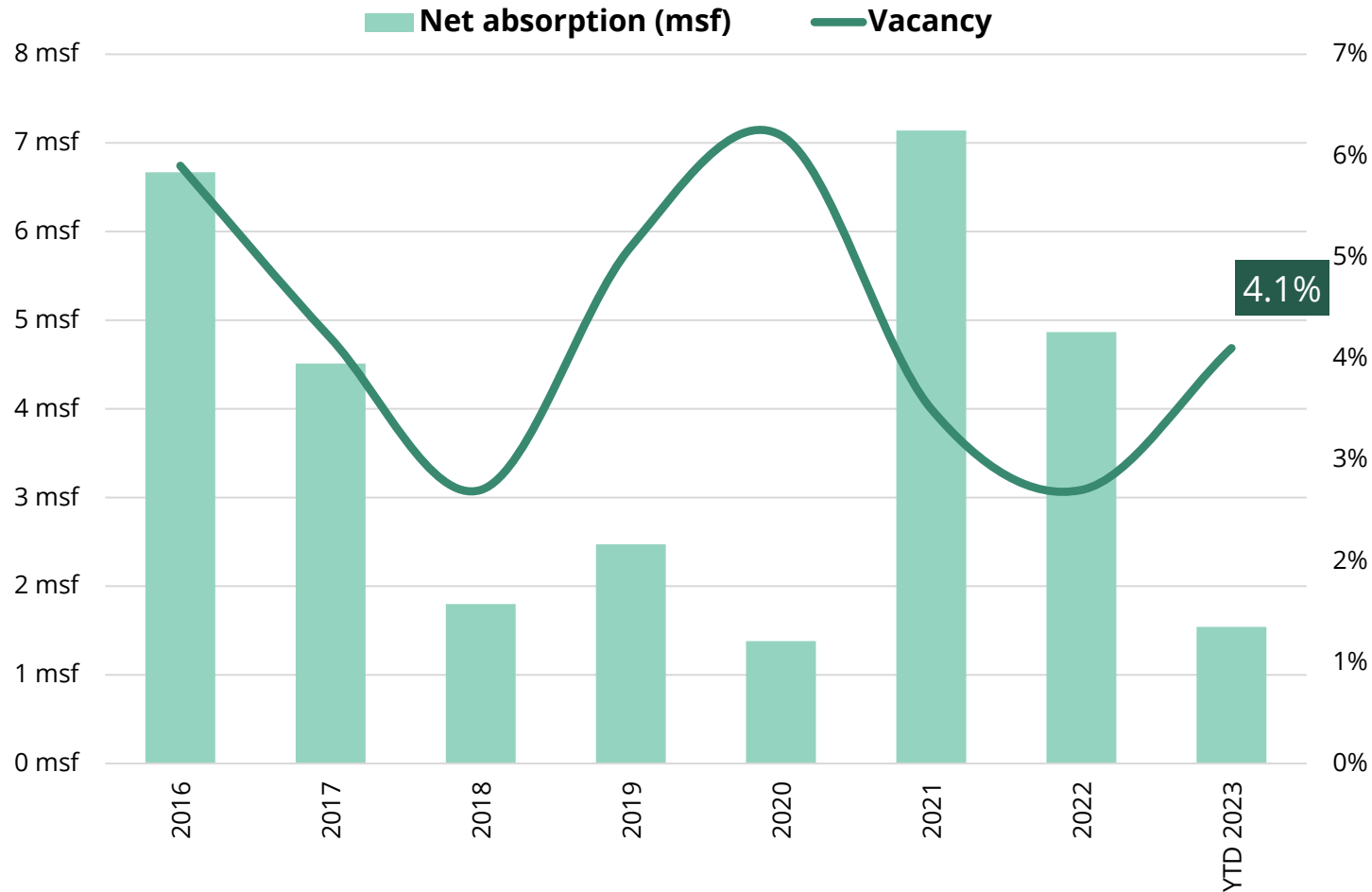
The U.S. witnessed a substantial rise in construction costs during the pandemic, but there has been a slight decrease in construction material costs, down 2.5% from last year. In Jacksonville's industrial market, there are 4.3 million square feet under construction to meet growing demand. As construction prices continue to ease, it will open up more development opportunities and potentially result in rent softening. Notable projects currently under development include Imeson Park South – Building E and Florida Gateway Logistics – Building 8, both totaling over 1 million square feet each.

Jacksonville remains a cost-efficient logistics option in Florida



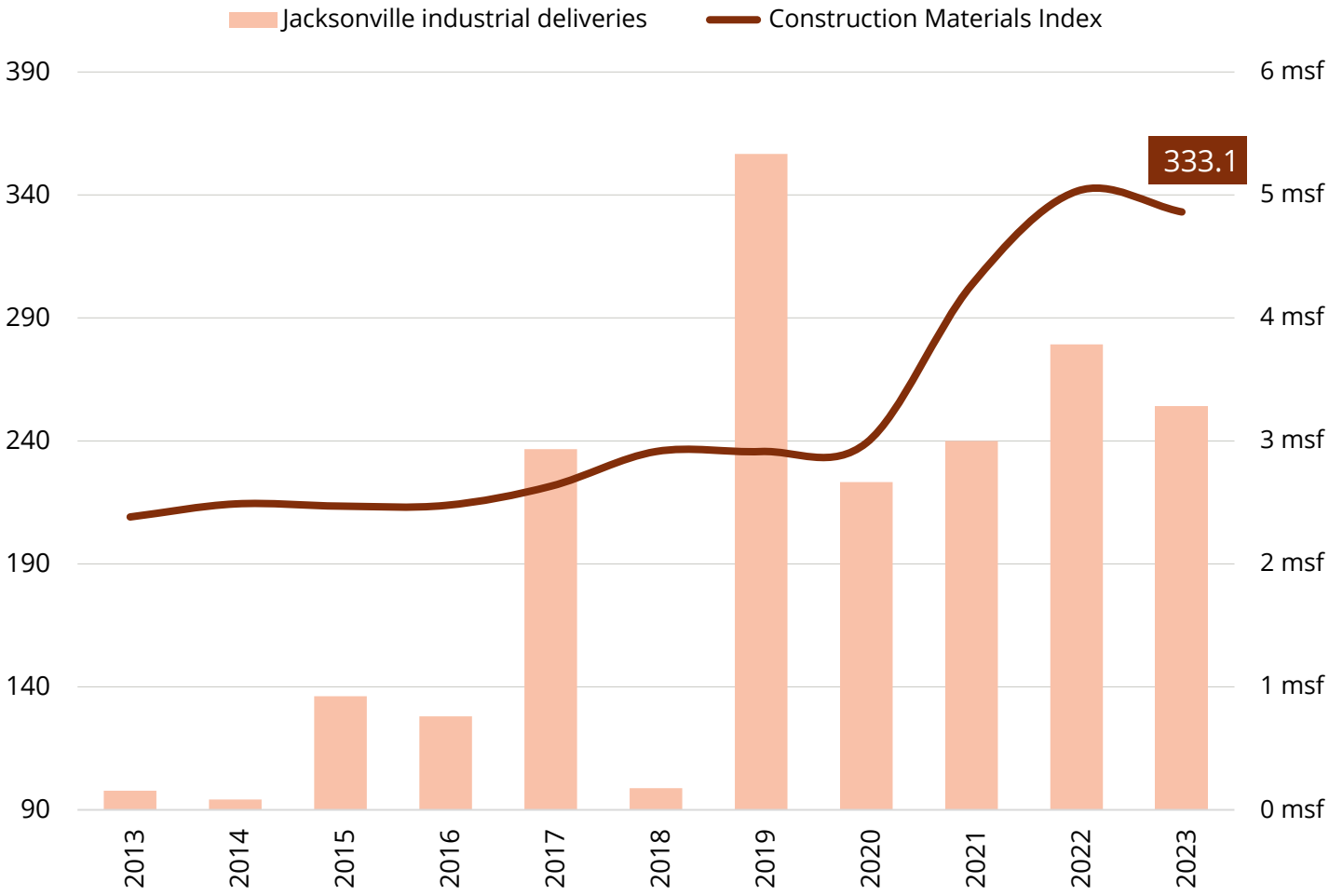
Despite a 7.7% year-over-year increase, Jacksonville's industrial rents remain one the most cost-effective logistics options in the state.

Demand begins to soften



Industrial assets are experiencing the impact of economic headwinds, leading to a slowdown in demand and a slight increase in the vacancy rate.

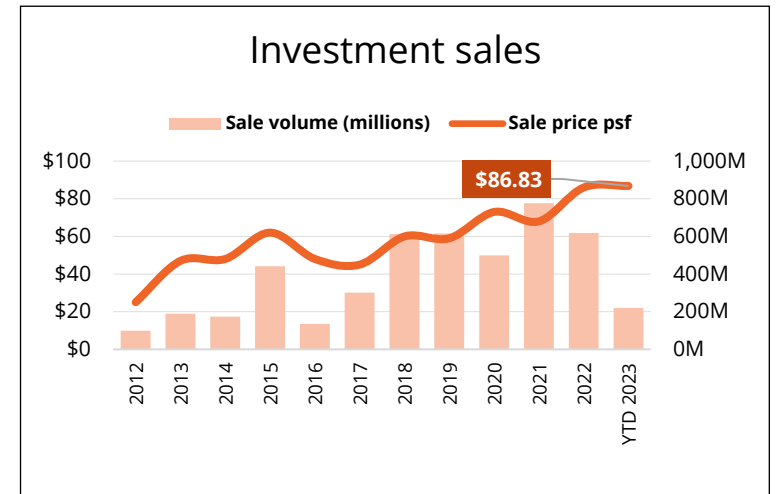
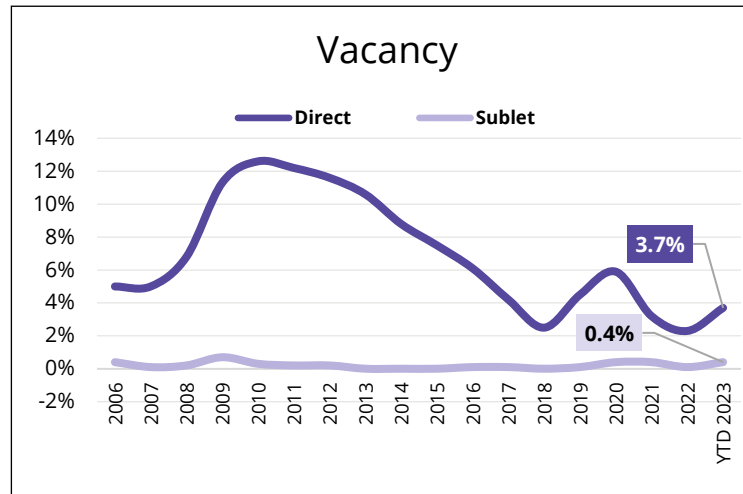
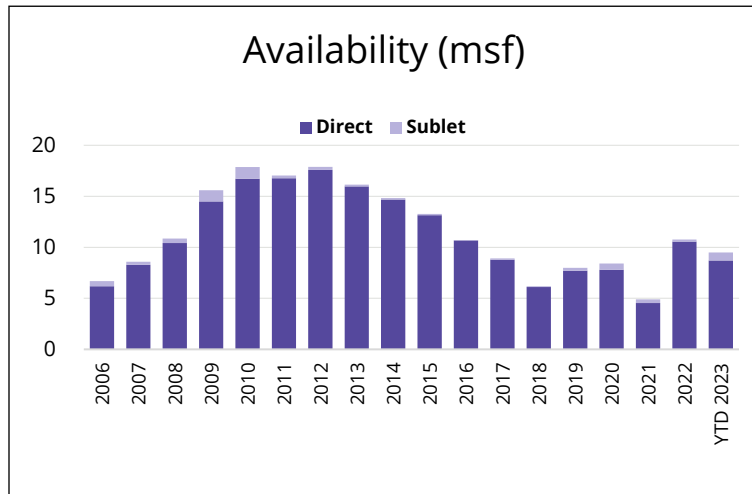
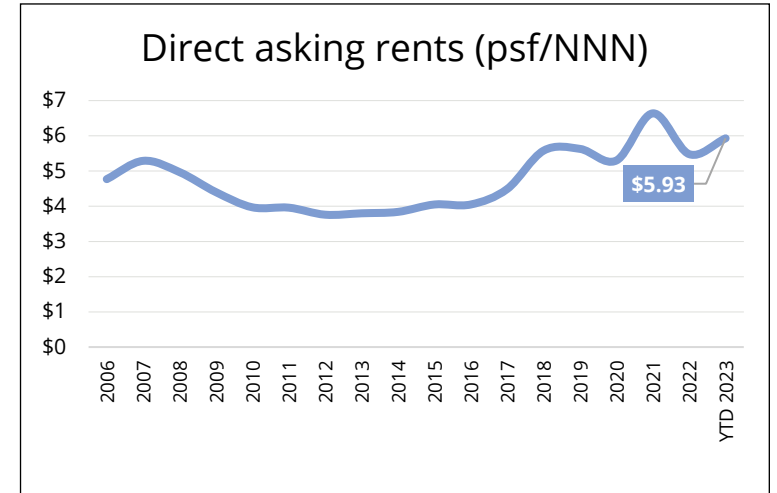
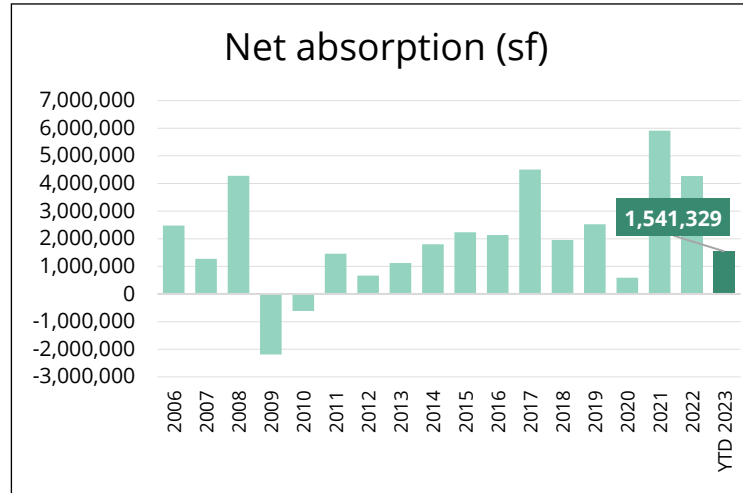
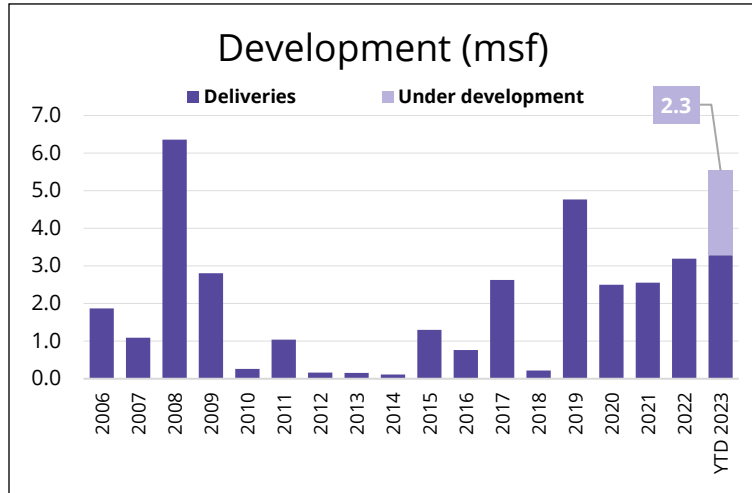
Cost of construction materials



Construction material costs are exhibiting indications of easing, as prices have declined 2.5% compared to 2022.

Note: Data not seasonally adjusted
Sources: AVANT by Avison Young, Bureau of Labor Statistics

Jacksonville industrial market indicators



Jacksonville industrial market activity

Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
Toyota	8040 Bayberry Rd.	April 2023	335,828	New	Direct	Southside
Article Furniture	10543 Canada Dr.	June 2023	319,000	Renewal	Direct	Northside
IPEX NA	Florida Gateway Logistics Park	June 2023	300,240	New	Direct	Northside
Suddath Logistics	9601 N. Main St.	May 2023	291,615	New	Direct	Northside
Kenco Logistics	2895 Ignition Dr. – Bldg. E	June 2023	217,268	New	Direct	Northside
Toyota	8019 Bayberry Rd.	April 2023	140,076	New	Direct	Southside

Recent sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
IWH Capital**	6 Property Portfolio - Bayberry Rd.	July 2023	288,397	\$35,000,000	\$121	GF Florida
RealOp Investments	8019 & 8040 Bayberry Rd.	April 2023	467,429	\$34,445,000	\$74	JM Family Enterprises
Sterling Investors	4150 Perimeter Industrial Pkwy. W.	May 2023	245,039	\$31,050,000	\$127	Blackstone

Top projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
Imeson Park South – Building E	1400 Zoo Pkwy.	July 2023	1,003,200	0%	VanTrust	Northside
Florida Gateway Logistics - Building 8	9980 Pritchard Rd.	October 2023	1,000,350	0%	CT Realty	Northside
Imeson Park South – Building C	1400 Zoo Pkwy.	Dec. 2023	547,200	0%	VanTrust	Northside

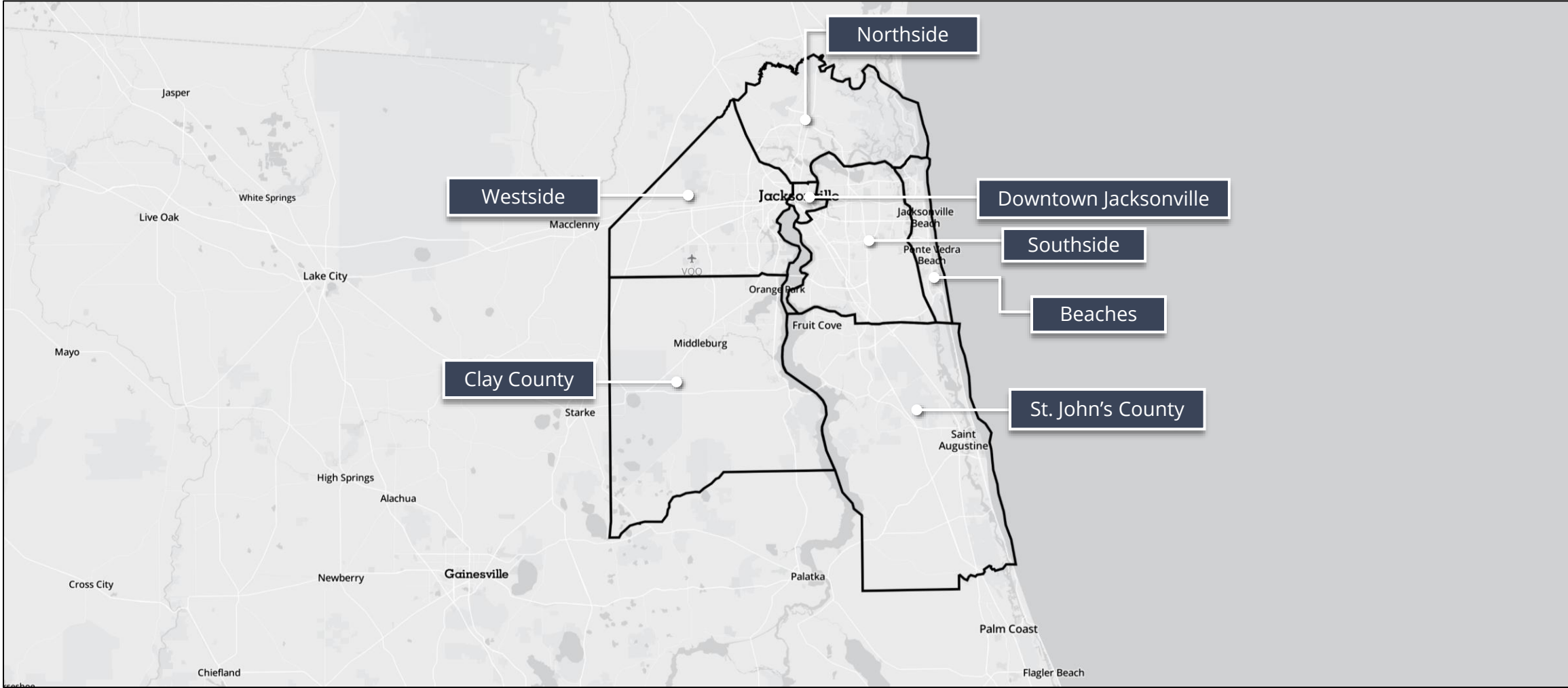
Jacksonville industrial market stats

By Submarket	Inventory (sf)	Total %	Vacancy		Net Absorption		SF Under Construction	Average Asking Rent		
			W / D	Flex	2Q23	YTD		Total	W / D	Flex
Beaches	168,135	0.0%	0.0%	-	0	2,650	-	-	-	-
Clay County	4,185,924	3.8%	3.8%	0.0%	0	-6,000	-	-	-	-
Downtown Jacksonville	7,609,430	1.6%	1.6%	0.0%	0	25,300	-	-	-	-
Northside	32,492,352	5.7%	5.7%	1.8%	189,143	548,800	3,383,450	\$4.98	\$4.96	\$12.50
Southside	20,151,913	2.3%	2.0%	3.7%	-21,493	147,670	39,750	\$12.06	\$12.87	\$11.50
St. Johns County	3,924,385	1.2%	1.3%	0.0%	8,408	147,504	0	\$11.90	\$11.90	-
Westside	55,330,961	4.3%	4.3%	4.2%	103,934	675,405	956,265	\$6.15	\$6.15	-
Market Total	123,863,121	4.1%	4.1%	3.4%	279,992	1,541,329	4,379,465	\$5.93	\$7.51	\$11.55

Jacksonville industrial market stats by class

By Product Type	Inventory (sf)	Vacancy	2Q Absorption	YTD Absorption	SF Under Construction	Available Sublease
Warehouse/distribution	119,213,914	4.1%	281,572	1,564,720	4,379,465	549,123
Flex	4,649,186	3.3%	-1,580	-23,391	-	11,082
Market Total	123,863,100	4.1%	279,992	1,541,329	4,379,465	560,205

Jacksonville submarket map



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and information visit **avisonyoung.com**

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