

MARKETBEAT

Jacksonville

Office Q3 2017



JACKSONVILLE OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Jacksonville Employment	674K	689K	▲
Jacksonville Unemployment	4.7%	3.9%	■
U.S. Unemployment	4.9%	4.4%	▼

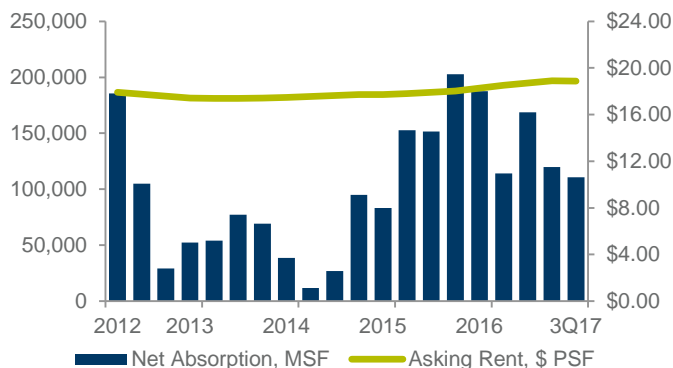
Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	15.3%	12.8%	▼
Net Absorption (sf)	-64K	45K	▲
Under Construction (sf)	62K	205K	▲
Average Asking Rent*	\$18.78	\$18.72	▲

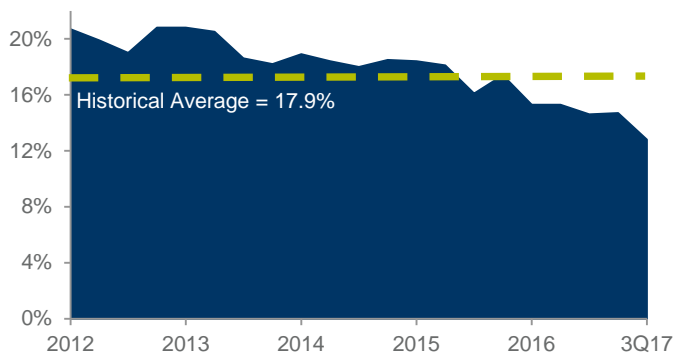
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Hurricane Irma had significant impact to Jacksonville's office market, causing massive flooding in the downtown core and knocking out a major office tower on the Northbank. The closure of the Wells Fargo building temporarily displaced tenants, but caused no major relocations and limited business interruptions. Pre-hurricane, the overall economy continued to grow with the area's unemployment rate falling 0.8 percentage points (PPS) from a year prior to 3.9% on the addition of 16,900 new. The three major office-using sectors, financial services, business services and information, drove employment gains and accounted for over 28% of new jobs added. The overall sentiment for the near term indicated Jacksonville should maintain healthy economic fundamentals.

Market Overview

Despite declining space options throughout the market, leasing activity year-to-date (YTD) exceeded 825,000 square feet (SF). A majority of the activity occurred within the Butler/Baymeadows macro submarket which accounted for 62% of the leases signed in the market. Activity was slightly lower than the numbers posted in third quarter 2016, however, activity is projected to improve in the near term as tenants may seek to take advantage of new space options coming online early next year. YTD absorption remained positive for the sixth quarter in a row with over 407,000 SF. Based on current activity, the market was on track to exceed 2016's absorption milestone of 460,000 SF.

Overall direct vacancy rates trended downwards for the sixth consecutive year, falling 2.4 PPS year-over-year to 12.3%. CBD vacancy rate declined 2.2 PPS to 12.4%, the lowest rate since 2000. The suburbs experienced an even larger drop in vacancy decreasing 2.6 PPS year-over-year to 13%. Overall asking rental rates experienced a slight year-over-year reduction of 0.4 % to \$18.72 per square foot (PSF). Asking rates were expected to return to normal growth rates in response to ongoing demand in the market. Class A landlords pushed rental rates which resulted in a 1.3% uptick in overall rental rates to \$21.56 PSF over the last 12 months.

Reassured by strong positive indicators, smaller speculative construction projects expanded within Butler/Baymeadows macro market and saw an additional 45,000 SF break ground. Developers decided to move forward with the project on sustained job growth, rising occupancies and trending up rental rates. Current demand for class A space in the submarket suggests that a majority of the available space could be preleased before completion.

Outlook

Office dynamics in the Jacksonville market should stay positive going into the fourth quarter as existing and new-to-market companies anticipate solid growth in hiring and positive economic fundamentals. Confidence in the market attracted developers and resulted in the groundbreaking of multiple speculative projects. Going forward, Cushman & Wakefield foresees new occupancy highs and further rental rate increases in the final quarter of the year.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Northbank	5,447,767	21,602	822,522	15.5%	-12,783	110,687	96,963	0	\$20.08	\$20.55
Southbank	2,160,231	10,500	92,211	4.8%	-2,538	-12,318	92,130	0	\$22.26	\$22.07
CBD	7,607,998	32,102	914,733	12.4%	-15,321	98,369	189,093	0	\$20.33	\$20.75
Arlington	1,024,265	2,156	340,777	33.5%	11,816	34,982	22,666	0	\$13.15	N/A
Southside	2,041,299	0	358,516	17.6%	2,935	15,497	24,278	0	\$15.56	\$28.70
Beaches	646,662	0	56,840	8.8%	11,353	16,712	19,278	0	\$27.55	\$28.00
Northside	127,326	0	3,360	2.6%	0	16,747	1,302	0	\$12.00	N/A
Mandarin	1,461,244	0	95,850	6.6%	2,313	29,889	7,574	0	\$21.02	\$25.50
St. John's County	554,474	0	117,758	21.2%	25,213	23,712	27,490	0	\$17.44	N/A
Clay County	555,387	3,170	101,365	18.8%	8,963	14,454	14,454	0	\$20.90	N/A
Westside	97,720	0	2,056	2.1%	5,749	3,693	5,749	0	\$22.12	N/A
Butler/Baymeadows	10,606,050	71,020	1,053,265	10.6%	-7,700	153,475	513,522	205,857	\$19.51	\$22.49
Deerwood Park	3,646,462	0	293,769	8.1%	2,323	28,223	159,121	160,857	\$23.38	\$23.69
Southpoint	2,974,182	65,638	301,136	12.3%	-11,760	-11,588	193,037	0	\$18.69	\$22.18
Baymeadows	3,985,406	5,382	458,360	11.6%	1,737	136,840	161,364	45,000	\$17.77	\$21.50
Suburbs	17,114,427	76,346	2,129,787	12.9%	60,642	309,161	636,313	205,857	\$18.07	\$23.79
JACKSONVILLE TOTALS	24,722,425	108,448	3,044,520	12.8%	45,321	407,530	825,406	205,857	\$18.72	\$21.56

*Rental rates reflect gross asking \$psf/year

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPETIONS (SF)	DIRECT AVERAGE ASKING RENT*
Class A	10,037,693	32,102	921,147	9.5%	-6,819	82,728	468,294	205,857	0	\$21.59
Class B	11,387,103	76,346	1,635,191	15.0%	45,546	245,185	316,775	0	0	\$18.08
Class C	3,297,629	0	488,182	14.8%	6,594	79,617	40,337	0	0	\$15.75

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
76 South Laura Street	19,039	Morgan & Morgan PA	Renewal/Expansion	Northbank
6500 Bowden Road	17,247	Early Learning Coalition	Direct	Southpoint
4348 Southpoint Boulevard	11,666	Compass Consulting Group	Renewal	Southpoint
9550 Regency Square Boulevard	9,401	Harry Pepper & Associates	Direct	Arlington

Key Sales Transactions Q3 2017

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
1845 Town Center Boulevard	145,776	Interra Capital Group	\$10,500,000/\$72	Clay County
9487 Regency Square Boulevard	113,529	SunTrust Robinson Humphrey	\$20,136,552/\$177	Arlington
4348 Southpoint Boulevard	46,469	BrokerNation Real Estate	\$4,900,000/\$106	Southpoint

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About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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