

MARKETBEAT

Jacksonville

Industrial Q2 2019



JACKSONVILLE INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Jacksonville Employment	708k	782k	▲
Jacksonville Unemployment	3.4%	3.0%	■
U.S. Unemployment	3.9%	3.6%	▼

*Numbers above are monthly figures, May 2019, FL Dept. Economic OPP

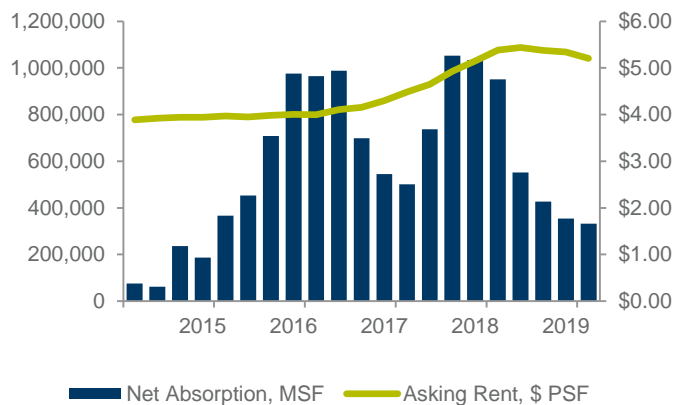
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	2.9%	3.6%	▼
YTD Net Absorption (sf)	224k	137k	▼
Under Construction (sf)	1.3M	5.6M	▲
Average Asking Rent*	\$5.67	\$5.11	▲

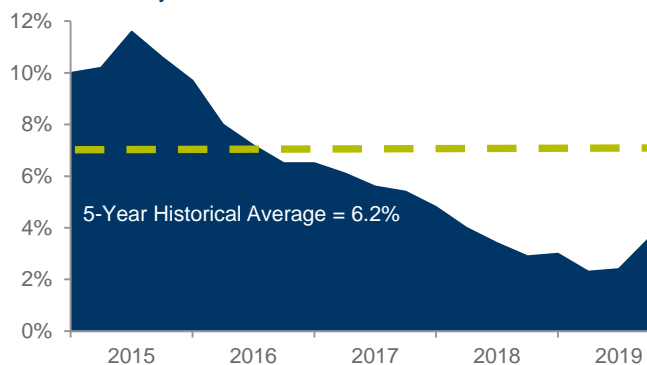
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Jacksonville region posted solid economic growth throughout the first half of 2019, adding +14,300 jobs over the trailing 12-month period, for a 2.0% growth rate. Expansion by business service firms and the area's growing population pushed the unemployment rate down 30 basis points (bps) to 3.0%, 40 bps less than the national average.

The Leisure & Hospitality sector had the second fastest job growth rate compared to all the metro areas in the state adding 5,600 jobs, an increase of 6.5% over last year. The region continued to be a magnet for logistics and other warehouse users which fueled solid gains in jobs as well as population. New hires that impacted positively on the industrial market included those in Manufacturing and in the Trade, Transportation and Utilities sector which, when combined, accounted for 600 jobs.

Market Overview

During the first half of 2019, developers added nearly 1.6 million square feet (msf) of industrial product to the local inventory in build-to-suit and speculative warehouse/distribution projects. The Northside submarket led in completions, delivering 860,000 square feet (sf) at the midyear mark. Over 4.1 msf of warehouse industrial space was currently under construction with notable projects underway at Imeson International Park and Freebird Commerce Centre in the Northside as well as several sites in Westlake Distribution Center, Cecil Commerce Center and Crossroads Distribution Center on the Westside.

The overall vacancy rate for industrial space rose to 3.6%, an increase of 20 bps over last year. Most of the vacancy increase was due to the 750,000 sf former Sears distribution center in the Northside. This unique asset pushed the vacancy rate in that submarket up by 440 bps to a 7.7%. The St. John's County submarket to the south had the strongest YOY occupancy gains in warehouse/distribution space, falling 340 bps to 0.2% while Downtown also recorded a 270 bps decrease to 0.6%. Manufacturing YOY vacancy declined by 60 bps to 0.7% and office services fell to 5.47%, lower by 190 bps.

Overall asking rental rates for warehouse/distribution space posted a decrease of 3.2%, to \$5.11 per square foot (psf) YOY due to new available warehouse space that was priced below market. Overall rent growth for warehouse/distribution space in the Westside submarket posted significant advances, up by 10.0% to \$3.84 psf. Overall rent growth in the Southside dominated the market over the last four quarters, up 3.7% to \$6.16, with rents in warehouse/distribution space achieving some of its highest levels this cycle.

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Early renewals along with new tenants to the market contributed to a rise in leasing activity to 2.5 msf during the first half of the year. Prime locations and desirable features in new buildings drove tenant demand in Northside, Southside and Westside markets. Combined, the three accounted for 2.4 msf of space leased year-to-date (YTD). New tenants to the market taking occupancy accounted for over +136,000 sf of positive absorption YTD. Northside ended the second quarter with negative absorption due to the Sears vacancy. Despite the increase in available space, tenant interest was expected to stay peaked and new availabilities were expected to quickly backfill. Manufacturing tenants absorbed +81,000 sf over the last 12 months. Office service accounted for +20,000 sf of positive absorption in Jacksonville.

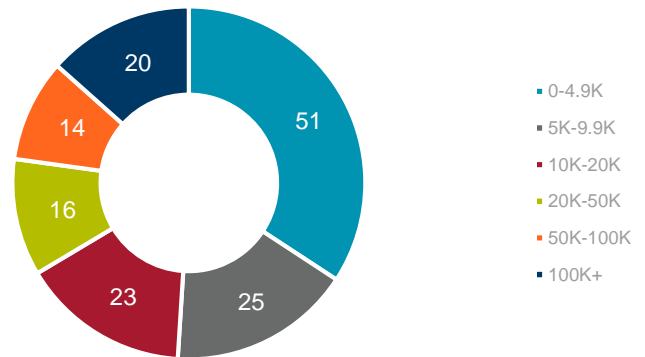
Over 10.9 msf of industrial space was absorbed in the Jacksonville region within the last 5-year period.

Investment sales volume for industrial product in the Jacksonville region slowed during the first six months compared to midyear 2018. Sales for all industrial asset classes totaled 2.7 msf YTD, a significant decline from the 6.1 msf that traded hands at this time last year. Market fundamentals throughout the Jacksonville region, including solid population and job growth, will continue to attract industrial tenants. The industrial market will expand, and market dynamics will remain healthy through year-end. Expect Jacksonville's already low vacancy rate to remain steady or decline slightly, even on new construction deliveries. Asking rental rates should continue to trend upward.

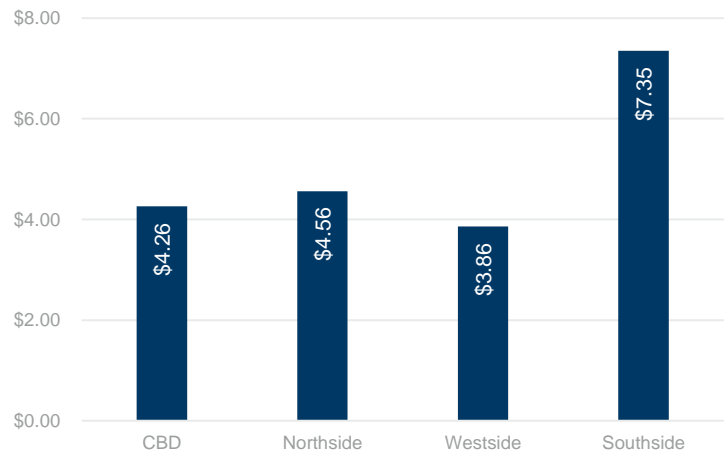
Market Outlook

- Over 3.0 msf of speculative warehouse/distribution space will deliver by yearend 2019.
- The region's economy will further support improvement for the industrial market.
- Cushman & Wakefield anticipates forecast solid performance as population and job growth rates exceed statewide and national averages.

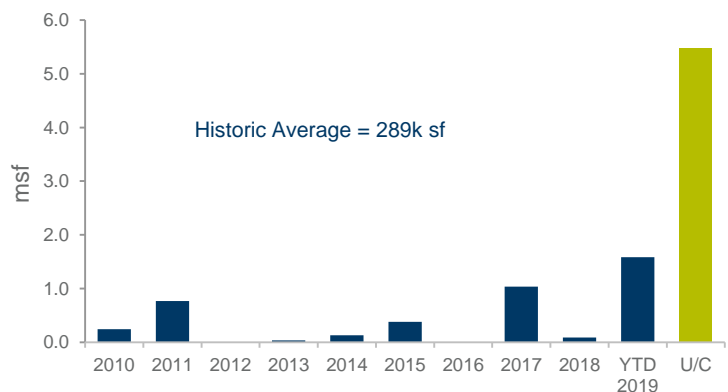
Availability by Size Segment



NNN Asking Rents by Submarkets



New Supply



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
Downtown	165	7,528,848	0	0.5%	71,885	0	0	\$4.60	\$0.00	\$4.25
Northside	148	23,195,339	1,342,457	7.7%	-439,608	2,476,050	860,568	\$0.00	\$6.32	\$4.54
Westside	601	49,282,470	1,373,500	2.2%	514,438	2,610,375	722,480	\$4.25	\$0.00	\$3.84
Southside	513	23,633,267	0	3.8%	-96,639	351,333	0	\$4.95	\$9.82	\$6.16
Orange Park Clay	25	2,173,048	0	1.4%	60,000	0	0	\$0.00	\$11.50	\$0.00
Beaches	21	821,611	0	0.0%	0	31,500	0	\$0.00	\$0.00	\$0.00
St Johns County	29	1,603,051	0	1.9%	26,560	0	0	\$6.50	\$0.00	\$10.00
JACKSONVILLE TOTALS	1,502	108,237,634	2,715,957	3.6%	136,636	5,469,258	1,583,048	\$4.96	\$9.74	\$4.59

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)**	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	1,017	80,112,058	2,715,957	4.3%	34,338	5,469,258	2,273,634	1,310,568	\$4.61	\$4.59
Manufacturing	332	22,287,204	0	0.7%	81,585	0	69,350	0	\$4.96	\$4.96
Office Service/Flex	153	5,838,372	0	5.4%	20,713	0	161,240	272,480	\$9.72	\$9.74

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
10920 New Kings Road	373,650	SanMar	New	Westside
6600 Suemac Place	272,480	Bacardi Rum	New	Westside

Key Sales Transactions Q2 2019

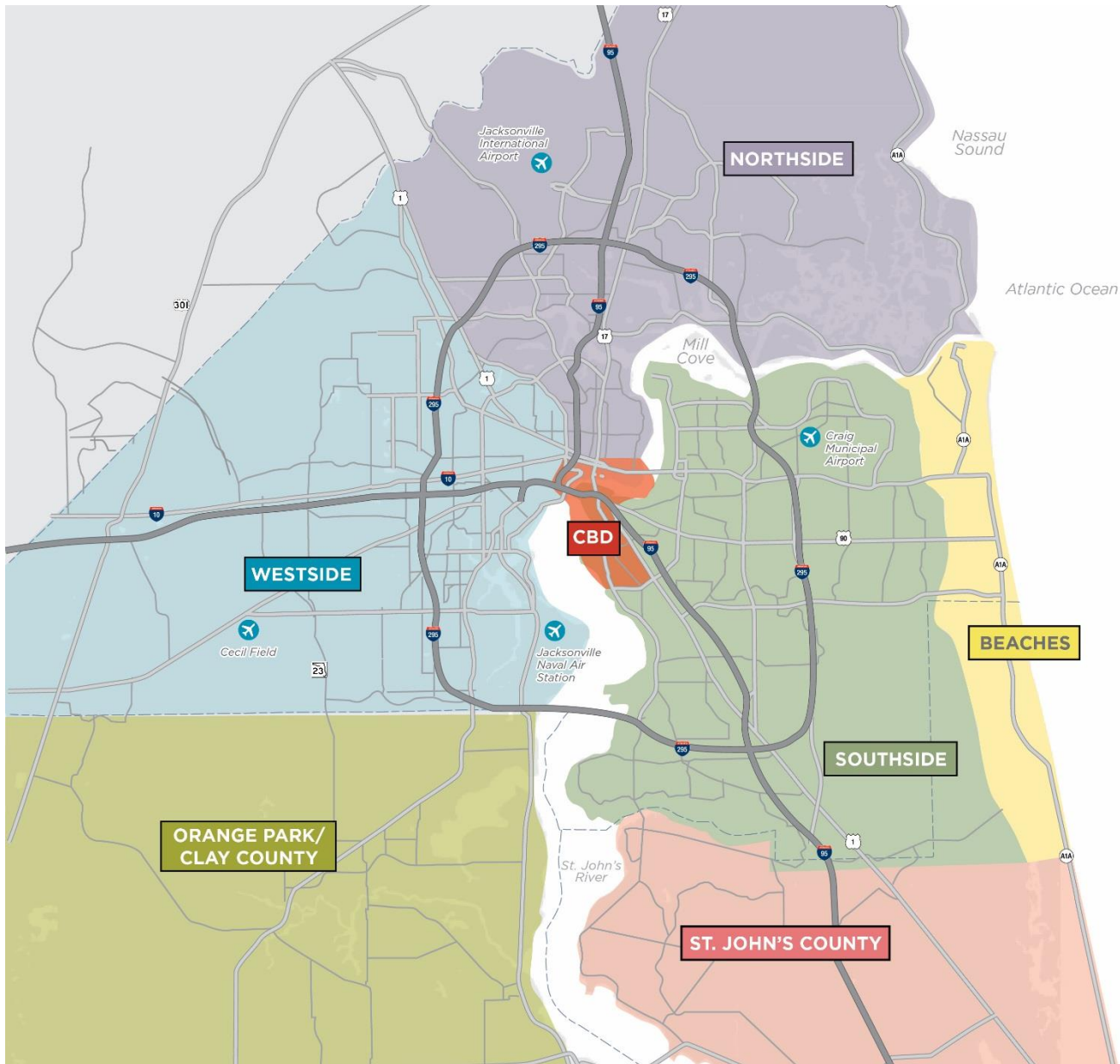
PROPERTY	SF	BUYER/SELLER	PRICE / \$PSF	SUBMARKET
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THERE WERE NO SIGNIFICANT TRANSACTIONS IN THE SECOND QUARTER

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