



YoY
Chg

12-Mo.
Forecast

13.5%

Vacancy Rate

**-51,000**

YTD Net Absorption, SF

**\$21.08**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY
Chg

12-Mo.
Forecast

738kJacksonville
Employment**2.7%**Jacksonville
Unemployment Rate**3.6%**U.S.
Unemployment Rate

Numbers above are monthly figures, FL Dept. Economic OPP

ECONOMY: Job Growth Decrease Unemployment Rate

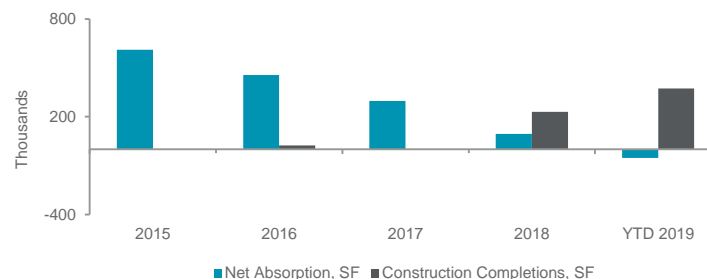
The Jacksonville region produced solid job numbers throughout 2019, adding 24,400 jobs year-over-year (YOY). The region continued to be a magnet for business relocations and expansions which fueled solid gains in population and employment. The unemployment rate fell to 2.7% in November, down 50 basis points (bps) YOY, for an impressive job growth rate of 3.4%. Professional & Business Services added 9,400 jobs for an annual increase of 8.8%, the fastest annual job growth rate compared to all metro areas in the state. Tight labor markets will continue to drive demand for office space throughout the region.

SUPPLY: Build-To-Suit Assets Delivered

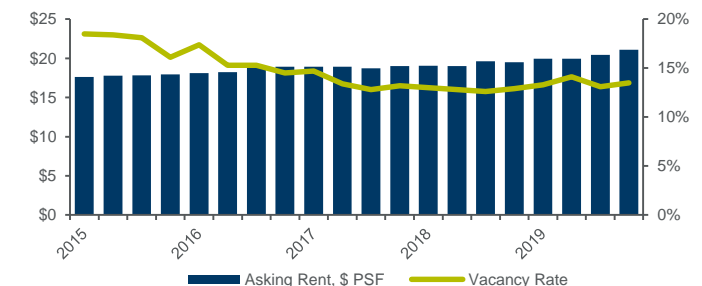
Overall vacancy ended the year at 13.5%, an increase of 70 bps over last year. Approximately 1.4 million square feet (msf) of Class A space was available in the market at yearend, due to tenants downsizing and vacating space. This represented a vacancy of 13.1%, up 190 bps over last year. The vacancy for Class B assets increased 60 bps to 15.0% YOY as tenants gave back 270,000 sf of space. Overall vacancy levels in the central business district (CBD) rose by 140 bps YOY to 12.8%. The downsizing of BB&T, increased vacancy in the Northbank of the CBD to 14.8%, up 170 bps over last year, while the Southbank had a slight uptick to 8.0%, an increase of 0.6%. Although the vacancy rate increased in the short term, the overall vacancy rate has trended downward over the past decade as the CBD showed an 880 bps decrease in vacancy from 21.6% in 2009 to 12.8% 2019.

As market fundamentals continued to challenge new speculative office development, build-to-suit activity in Jacksonville increased in 2019, all of which took place in the preeminent office submarket of Deerwood. At the end of the year, over 343,000 sf was delivered, the largest amount of new inventory recorded in one year in the past decade. VanTrust Real Estate developed a six-story, 217,900-sf building for Web.com with SoFi subleasing space in the building. In addition, Hines developed a 125,000-sf Class A building within Southside Quarter for McKesson's Medical-Surgical business.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





DEMAND: Leasing Diminishes After Strong 2018

Tenants leased approximately 975,000 sf of space leased year-to-date (YTD) which was a slight softening compared to last year. Leasing activity predominantly focused on the suburban submarkets which represented 86% of all market activity. The bulk of new leases signed occurred in Class B assets which represented approximately 50% of all market leasing. Activity slowed for Class A assets during the year as tenant and internal market movement by tenants accounted for most activity. Over 600,000 sf of office space was leased in the Butler/Baymeadows submarket where Southpoint drove the bulk of leasing activity. The submarket ended the year with 17,000 sf of positive absorption as tenants quickly backfilled space previously occupied by Ally Financial, Voya Financial and Florida East Coast Railway. Notable leases in the submarket that took occupancy during the year included McKeeson, Allegis Global and Web.com. In the past decade over 2.5 msf of space was absorbed in the market, with over half in the Butler/Baymeadows submarket.

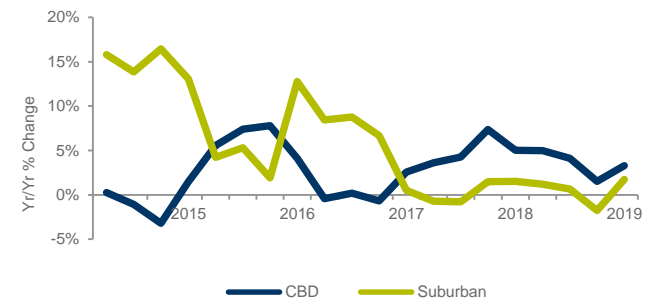
MARKET PRICING: Rental Rates Gain Momentum

Landlords negotiated higher rental rates on newly available space which increased the overall asking rents by 8.1% to \$21.08 per square foot (psf) full-service gross. Cycle high asking rents were achieved with Class A rents increasing 3.1% to \$23.63 psf and Class B rental increase of 7.6% to \$19.86 psf. The bulk of the rent growth was in the suburban markets where rents rose 9.7% to \$20.47 psf YOY, marking the first time the overall suburban asking rent averaged over \$20.00 psf. The CBD recorded a 4.4% YOY increase to \$22.53, the highest average CBD asking rent on record. Two suburban submarkets experienced significant rental increases in the fourth quarter. Southpoint, within the greater Butler/Baymeadows area with predominantly Class B inventory, posted a notable gain of 11.5% in 12 months to \$21.12 psf on 579,000 square feet (sf) of available space. Baymeadows, another submarket in Butler/Baymeadows, had rental gains of 8.2% YOY to \$19.82 psf. Sales activity remained steady with investor sales totaling 3.5 msf YTD. Strong fundamentals in asking rental rates and longer lease terms attracted both corporate users and investment management firms. Approximately, 50% of sales were for Class A assets. Over 52.0% of this investment activity occurred in the Deerwood Park submarket, as investors looked to capitalize on well-occupied office properties in the suburban submarket.

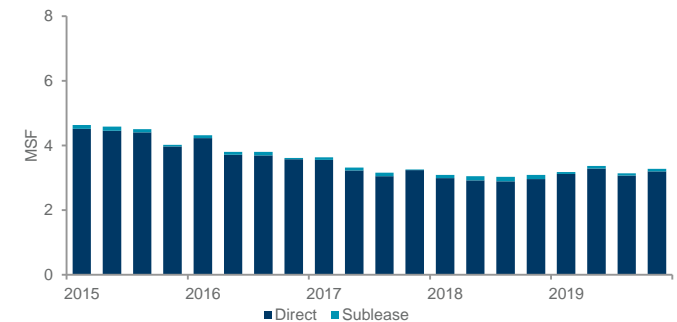
OUTLOOK

- The regions office market will continue to benefit from strong economic gains and business expansion. The tight labor market showed that the area remained a job generator which will have a positive impact on office demand, especially in the Professional & Business Services sector.
- The overall sentiment of the Jacksonville office market remains positive despite limited absorption, the market is expected to trend positive into 2020 as tenants occupy leased space later in the year.
- Cushman & Wakefield forecasts growth in office market occupancies on strengthening tenant demand which will feed into rental rate gains in both Class A and B assets.

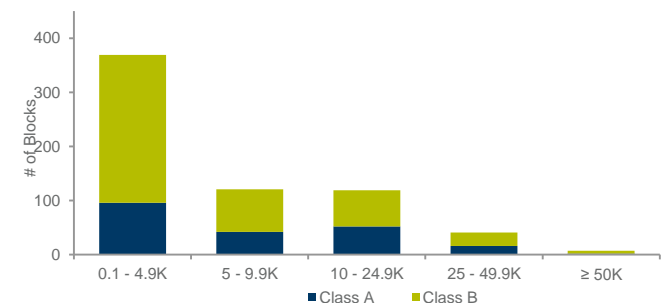
CLASS A ASKING RENT



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



BLOCKS OF CONTIGUOUS SPACE





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
North Bank	5,164,900	6,295	756,435	14.8%	-34,316	9,045	113,382	0	\$22.35	\$22.91
South Bank	2,154,674	0	171,670	8.0%	-6,099	-3,084	23,358	0	\$23.38	\$23.81
CBD	7,319,574	6,295	928,105	12.8%	-40,415	-5,961	136,740	0	\$22.53	\$23.08
Arlington	892,131	7,190	101,518	12.2%	5,546	-23,932	5,895	0	\$15.96	\$0.00
Southside	1,863,196	0	271,142	14.6%	-9,082	-44,462	14,645	0	\$16.28	\$0.00
Beaches	470,332	2,671	44,886	10.1%	-7,865	-1,283	15,766	0	\$28.22	\$28.96
Northside	30,000	0	1,730	11.8%	475	-770	1,435	0	\$12.00	\$0.00
Mandarin	1,500,254	8,888	168,469	11.8%	5,808	-26,264	172,338	0	\$21.69	\$27.50
St. John's County	348,901	0	60,755	17.4%	0	5,961	13,739	0	\$18.54	\$0.00
Clay County	490,077	0	4,643	0.9%	-3,589	16,238	13,343	0	\$18.00	\$0.00
Westside	121,249	0	0	0.0%	0	0	0	0	\$0.00	\$0.00
Butler/Baymeadows	11,174,136	64,102	1,609,261	15.0%	-276,243	17,147	601,149	0	\$21.29	\$24.09
Deerwood Park	4,096,599	20,000	416,349	10.7%	-19,591	358,408	186,485	0	\$23.81	\$24.85
Southpoint	3,250,898	6,897	578,856	18.0%	-100,719	-116,461	281,553	0	\$21.12	\$24.14
14Baymeadows	3,826,639	37,205	614,056	17.0%	-155,933	-224,800	133,111	0	\$19.82	\$22.40
Non CBD	16,890,276	82,851	2,262,404	13.9%	-284,950	-57,365	838,310	0	\$20.47	\$24.46
JACKSONVILLE TOTALS	24,209,850	89,146	3,190,509	13.5%	-325,365	-51,404	975,050	0	\$21.08	\$23.63

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
12808 Gran Bay Parkway West	Mandarin	Ally Financial (submarket relocation)	112,306	Direct
8171 Baymeadows Way West	Baymeadows	Amerihealth Caritas Health Plan	66,202	Renewal

*Renewal – Not included in Leasing Activity Statistics.

KEY SALES TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Deerwood North (11 Property Portfolio)	Deerwood Park	TPG Capital/Starwood Real Estate Income Trust	1,313,190	\$231M/\$176
Capital Plaza at Deerwood Park (4 Property Portfolio)	Deerwood Park	Starwood Property Trust/Somerset Properties	448,096	\$51.5M/\$114

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
5335 Gate Parkway	Deerwood Park	Web.com	218,700	VanTrust Real Estate
6651 Gate Parkway	Deerwood Park	McKesson Corporation	125,000	Real Capital Solutions

MARKETBEAT

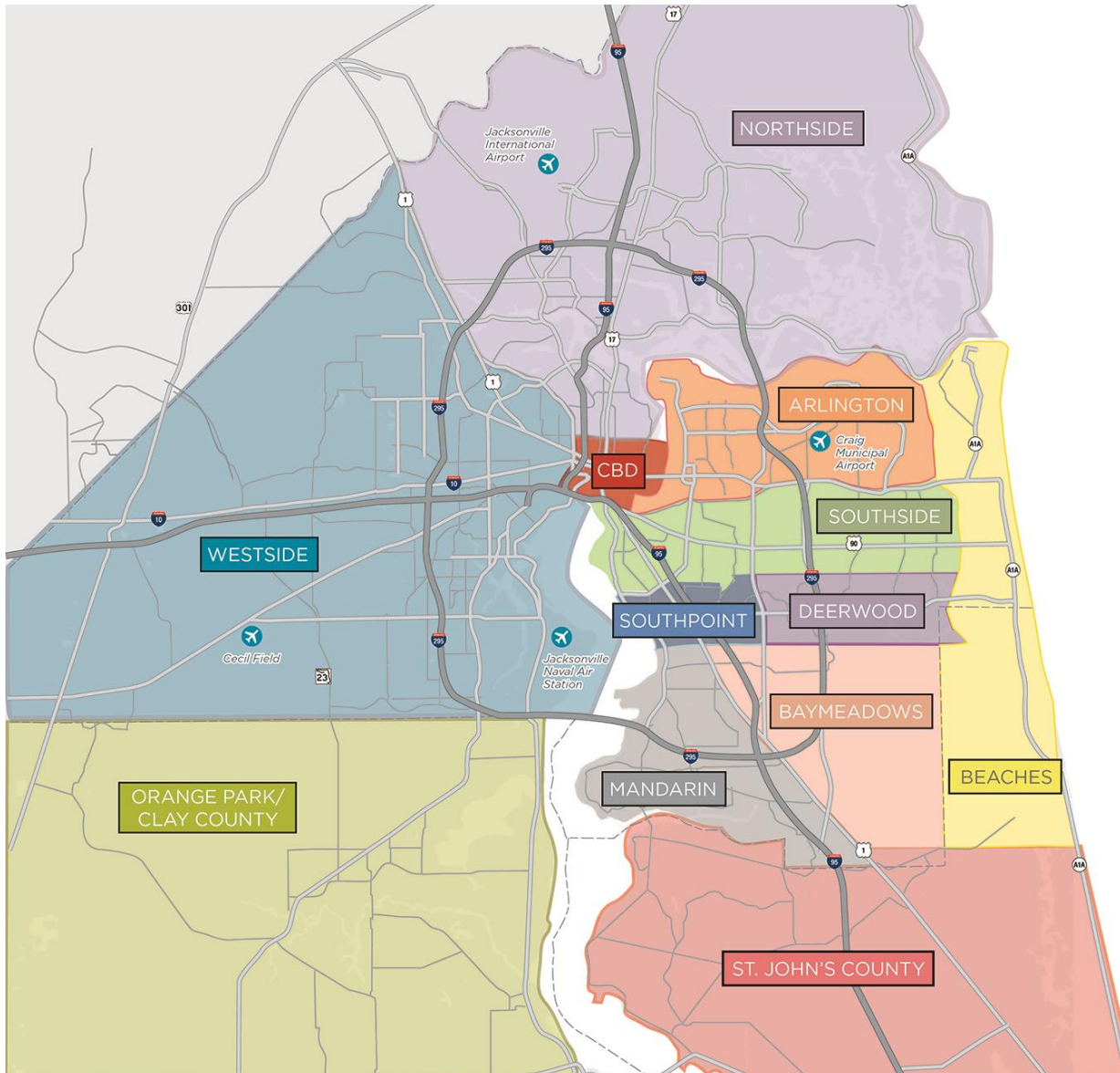
JACKSONVILLE

Office Q4 2019



CUSHMAN &
WAKEFIELD

OFFICE SUBMARKETS



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