

Q1 2021 MARKET REPORT

Jacksonville Office



Q1 2021 JACKSONVILLE Office Market Report

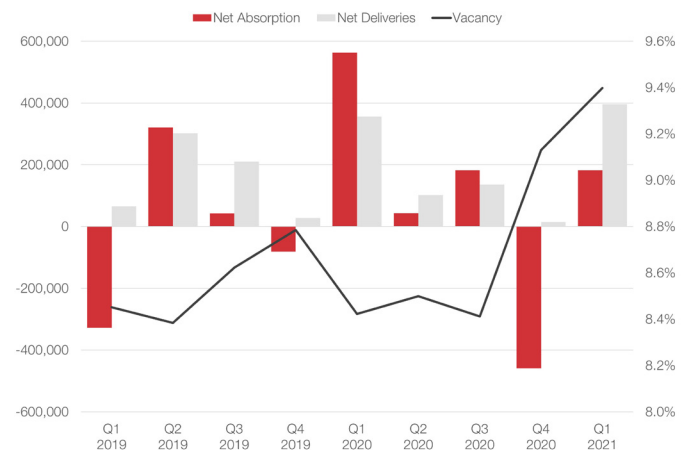
MARKET INDICATORS

	Current Q1 2021	Prior Q4 2020		Year Ago Q1 2020	
Vacancy	9.3%	9.1%	↑	8.4%	↑
Net Absorption (SF)	(171,819)	376,239	↓	567,260	↓
Construction (SF)	1,209,062	1,180,098	↑	646,242	↑
Deliveries (SF)	483,394	769,298	↓	711,414	↓
Average Asking Rent (PSF)	\$21.70	\$21.63	↑	\$21.37	↑
Average Cap Rate	8.3%	8.4%	↓	8.3%	-

OFFICE OVERVIEW

After nearly a full year into the COVID-19 Pandemic, the Jacksonville Office Market has certainly felt the effects of the fallout and an uncertain outlook. Despite only a modest uptick in vacancy over the last 3 quarters, new work-at-home policies have prevented tenants from committing to space on longer basis as future office needs remain unclear.

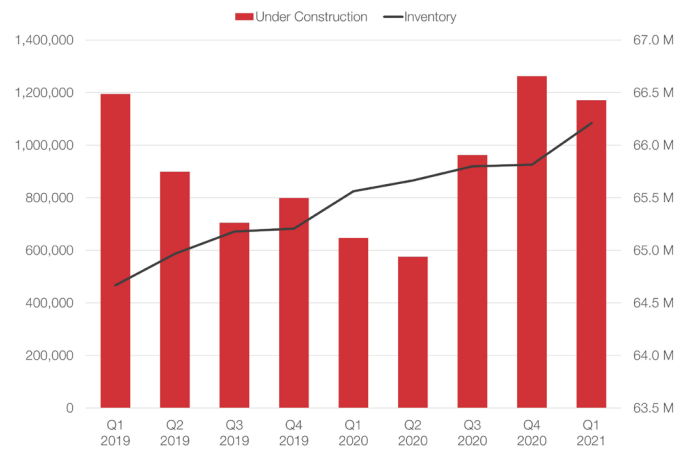
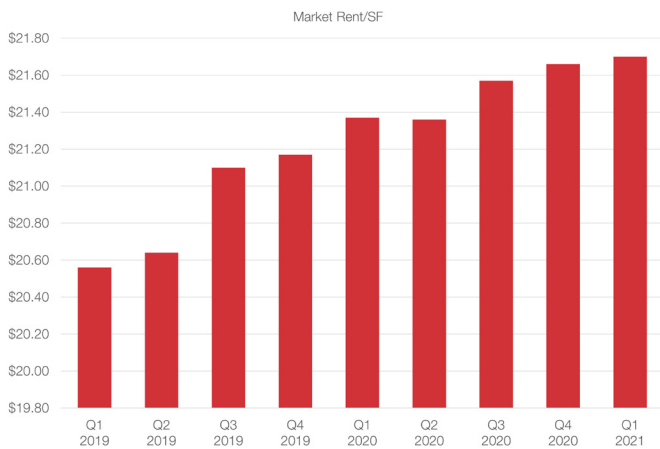
One of the biggest effects can be seen in the increase in sublease availability. Since the beginning of 2020 the sublease availability has increase nearly 100 bps to over 1 million square feet. The Downtown submarket faces the toughest challenges with several large blocks of direct and sublease space hitting the market with high-rises offering a less COVID-friendly office experience.



Despite the challenges that the Jacksonville Office Market faces, encouraging signs of recovery can be seen. With the strong rollout of COVID-19 vaccines, an increase in leasing velocity and activity has been seen in the 1st quarter and looks to continue through 2021.

There has also been a natural slowdown in office deliveries, with only 1 multi-tenant office building

more than 100,000 SF scheduled to be delivered (VPark Place at Nocatee), which should help alleviate negative absorption. Moreover, the Florida office market, including Jacksonville, should see the benefit of companies relocating to the business-friendly environment and lower cost of living offered by the state.



"Over the past year we have seen a tremendous slowdown in leasing velocity and increase in sublease availability. While rates are holding fairly steady, look for Landlords to be more aggressive in deal structure and incentives as we look forward to a slight recovery towards the end 2021."



Kevin Vaughn
VICE PRESIDENT



NAI HALLMARK

Featured Office Transaction

Deerwood North

4600 Touchton Road
Jacksonville, FL 32246

Deerwood North is a four-star office building consisting of four office buildings totaling 500,000 SF located in the Southside submarket of Jacksonville. The property is situated between Gate Parkway North and Touchton Road with easy access to I-95, 9A, and the beaches.

In February 2021, Christian Harden, SIOR and Jason J. Purdy, MBA represented the tenant, APR Energy in a 15,000 SF lease. This space will be APR Energy's new headquarters in Jacksonville.

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NOTABLE SALE TRANSACTIONS

Property	Building Size	Sale Price	Price / SF	Cap Rate	Vacancy
2161 Kingsley Avenue	18,965 SF	\$5,000,000	\$264	8.0%	0%
The Parkwood Building 8160 Baymeadows Way West	43,406 SF	\$4,860,000	\$112	—	0%
Corners of Sawgrass 151 Sawgrass Corners Drive	20,800 SF	\$4,310,000	\$207	—	22.4%
510 A1A North	9,701 SF	\$3,000,000	\$309	—	0%

NOTABLE LEASE TRANSACTIONS

Property	Tenant	Leased SF	Building Class	Submarket
TIAA Bank 301 West Bay Street	Undisclosed	29,126	4 Star Office	Downtown Northbank
Office Centre at Southpoint 7011 AC Skinner Parkway	Undisclosed	25,300	2 Star Office	Southside
Oaks at Southpoint 6621 Southpoint Drive North	Sauer Incorporated	12,221	3 Star Office	Southside
10401 Deerwood Park Boulevard	Cantor Fitzgerald	12,000	4 Star Office	Southside
Belfort V 8001 Belfort Parkway	Interactive Resources	9,000	3 Star Flex	Butler Corridor

NOTABLE CONSTRUCTION PROJECTS

Property	Submarket	Size SF	Developer	Proj Delivery
FIS Headquarters 347 Riverside Avenue	Downtown Northbank	386,613	Hines	2022
JEA Headquarters 325 West Adams Street	Downtown Northbank	153,000	Ryan Companies	2022
5191 First Coast Tech Parkway	Southside	138,085	Dana B. Kenyon Real Estate Services	2021
Park Place at Nocatee 100 Palmetto Park Place	St Johns County	125,000	VanTrust Real Estate, LLC	2021
Dennis + Ives 1505 Dennis Street	Northwest	69,248	Undisclosed	2021

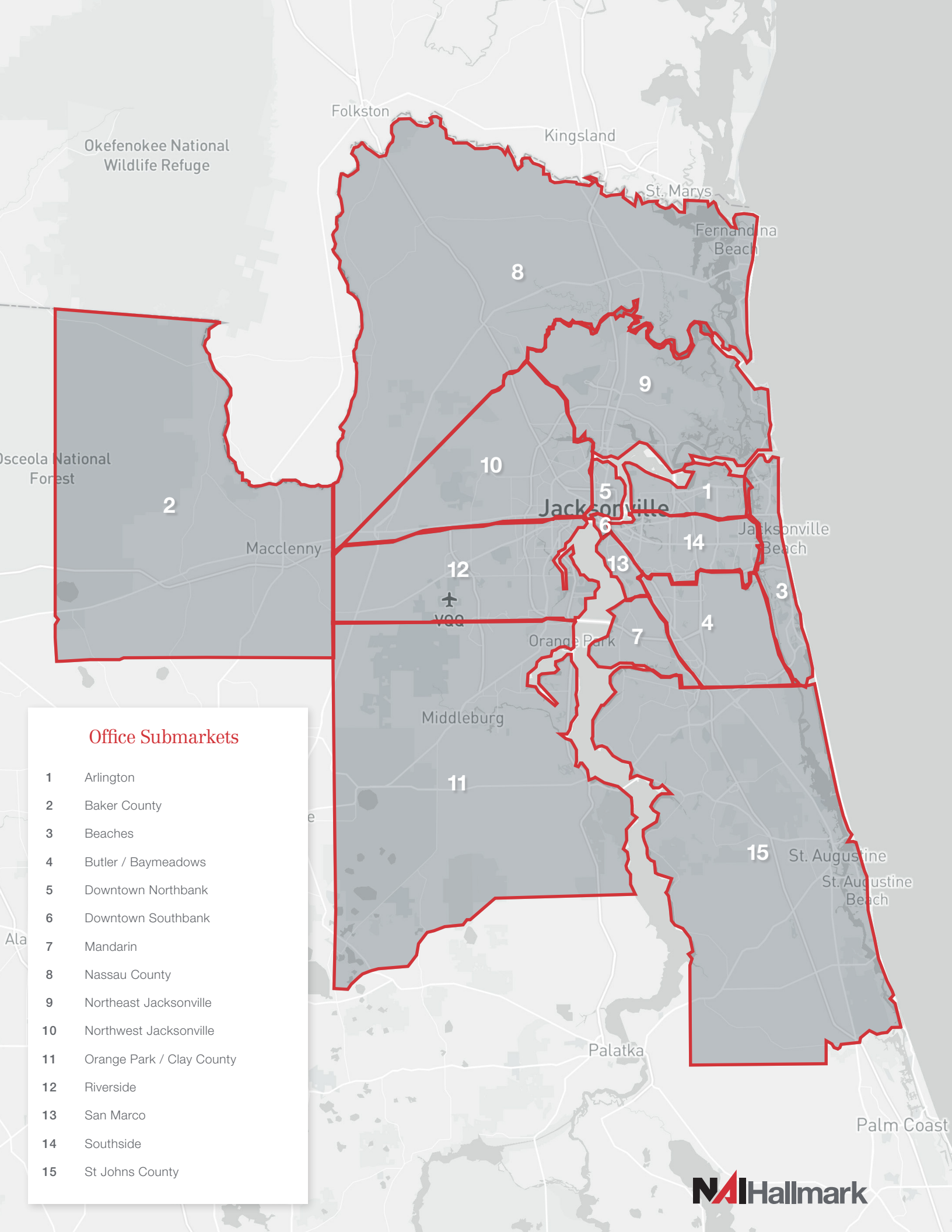
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	VACANCY RATE	MARKET RENT / SF	MARKET SALE PRICE / SF	UNDER CONSTRUCTION	INVENTORY SF	MARKET CAP RATE
Arlington	8.4%	\$18.35	\$122	—	1,828,141	8.8%
Baker County	4.0%	\$17.67	\$136	—	137,429	8.2%
Beaches	5.1%	\$27.00	\$204	84,569	3,395,484	7.8%
Butler/Baymeadows	12.9%	\$21.63	\$134	164,000	10,354,694	8.3%
Downtown Northbank	10.3%	\$22.19	\$123	539,613	12,766,867	8.1%
Downtown Southbank	7.1%	\$22.84	\$133	—	2,977,843	8.2%
Mandarin	5.2%	\$20.14	\$138	31,618	2,586,694	8.8%
Nassau County	3.2%	\$22.01	\$145	—	1,365,015	8.0%
Northeast Jacksonville	2.7%	\$20.40	\$147	—	613,132	8.3%
Northwest Jacksonville	11.8%	\$19.34	\$132	69,348	1,219,784	8.6%
Orange Park / Clay County	6.3%	\$21.03	\$152	87,204	3,653,286	8.3%
Riverside	4.1%	\$18.52	\$128	2,417	3,097,595	8.9%
San Marco	4.8%	\$18.90	\$127	—	1,818,248	9.0%
Southside	12.0%	\$21.80	\$145	138,085	17,056,096	8.4%
St Johns County	4.3%	\$22.29	\$179	92,208	3,339,802	8.0%
Jacksonville MSA	9.3%	\$21.70	\$141	1,209,062	66,210,110	8.3%
National Index	12.0%	\$34.28	\$317	153,841,927	8,138,967,155	7.1%

Source: NAI Hallmark, CoStar Property®, & ESRI®, Real Capital Markets®, RealPages®

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Okefenokee National Wildlife Refuge

Folkston

Kingsland

St. Marys

Fernandina Beach

8

9

Osceola National Forest

2

10

Jacksonville

Jacksonville Beach

Macclenny

12



5

1

6

14

3

13

4

Orange Park

7

Middleburg

11

15

St. Augustine

St. Augustine Beach

Ala

Palatka

Palm Coast

Office Submarkets

- 1 Arlington
- 2 Baker County
- 3 Beaches
- 4 Butler / Baymeadows
- 5 Downtown Northbank
- 6 Downtown Southbank
- 7 Mandarin
- 8 Nassau County
- 9 Northeast Jacksonville
- 10 Northwest Jacksonville
- 11 Orange Park / Clay County
- 12 Riverside
- 13 San Marco
- 14 Southside
- 15 St Johns County

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NAI Hallmark has a 28-year history of successfully managing commercial real estate to its highest performance. Our team is committed to providing best-in-class service to our clients and takes an owner's perspective approach to unlock the full potential of every deal.

It would be our privilege to work with you.



get in touch

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