



GAINESVILLE

EXECUTIVE SUMMARY

- Gainesville serves as an expanding research center for biomedical firms affiliated with the University of Florida and a growing healthcare and innovation cluster.
- Several key retail projects were recently delivered along Archer Road, most notably the Butler Town Center and Celebration Pointe developments.
- Industrial rents showed a moderate uptick between 2017 and 2019, and healthy leasing over the trailing 3-year period has resulted in a decline in the vacancy rate of 300 basis points.
- There are approximately 4,500 student “beds” under construction or in the planning stages in the Midtown area, a majority of which include a retail component.

Gainesville, once a quiet college town best known as the home of the University of Florida, is quickly transforming into a vibrant live/work/play community intent on retaining its small-town charm while developing its fast-growing innovation district, biomedical cluster, healthcare sector and mixed-use retail projects, along with several new luxury multifamily developments planned for 2020.

The Gainesville market, which is smaller than Florida’s primary metropolitan areas and best known for being the home of the University of Florida, tends to weather economic cycles more easily given the stabilizing effects of university and city government employment. Additionally, the region serves as an expanding research center for biomedical firms affiliated with the university, the metro area’s largest employer, and a growing healthcare and innovation cluster.

Total investment volume in Gainesville has been relatively flat since 2017, with multifamily and retail properties comprising the majority of investment sales activity. It now appears that interest rates will remain low for longer than was previously anticipated, creating the possibility of additional yield compression in the capital markets. Investors in search of yield are increasingly turning their attention from larger markets like those in South Florida to the state’s secondary and tertiary markets, which would include Gainesville.

Explosive growth within the e-commerce industry is transforming the way companies are viewing supply chains, which in turn is influencing the development of warehouse, distribution and fulfillment space. While new industrial development has been slow to materialize in the Gainesville area in recent years, the market is well positioned along the I-75 corridor to grow its industrial sector in the future as it also offers a direct connection with a growing

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑	→	→
Vacant Space	↓	↑	↑
Construction Levels	→	→	→
Leasing Volume	→	↓	↓
Investment Volume	↓	→	→

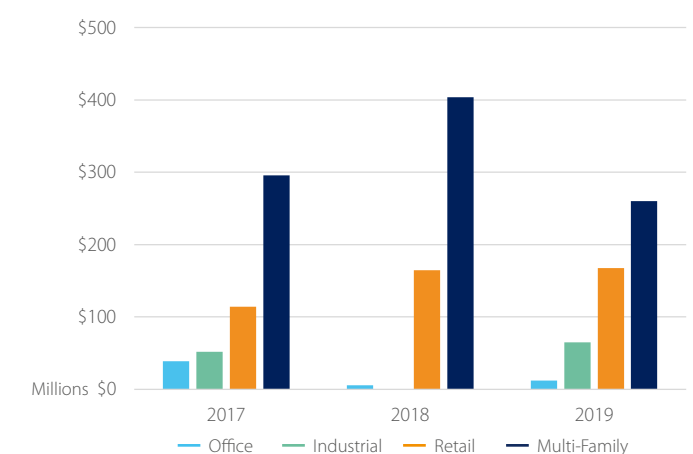
industrial market in neighbouring Ocala. For now, industrial rents showed a moderate uptick between 2017 and 2018 before flattening during 2019, and healthy leasing over the trailing 3-year period has resulted in a decline in the vacancy rate of 300 basis points (bps) with no significant speculative construction on the immediate horizon.

A majority of Gainesville’s office inventory of 2.7 million sf is older and not built out effectively with the amenities and finishes necessary to attract many of the financial and tech tenants that target larger markets. The overall vacancy has dropped 140 bps over the last three years with no key speculative office construction planned outside of a key project known as Innovation Square on a 16-acre site in the Gainesville Innovation District that connects the University of Florida to the downtown area. Situated adjacent to the UF Innovate building, an on-campus incubator for technology start-ups, the Innovation District is described as a place for leading-edge enterprises and research institutions to connect with fast-growing startups, industry behemoths, and business incubators.

Retail is alive and well in Gainesville with several key projects recently delivered along Archer Road, most notably the Butler Town Center and Celebration Pointe developments. Both projects continue to add new to market retailers and restaurants as well as relocations from the Oaks Mall, and the final phase of development at Butler Town Center is planned for completion in 2022. Robust development in the midtown area of Gainesville adjacent to the University of Florida’s main campus also continues. There are approximately 4,500 student “beds” under construction or in the planning stages and a majority of these projects include a retail component. While retailers proximate to the university are more susceptible to seasonality, the overall market remains well positioned for slow but steady growth in 2020.

The Gainesville metro area serves as an expanding research center for biomedical firms affiliated with the University of Florida and a growing healthcare and innovation cluster. Robust development in the midtown area of Gainesville adjacent to the university’s main campus also continues, with approximately 4,500 student “beds” under construction or in the planning stages.

TOTAL INVESTMENT VOLUME



Source: Real Capital Analytics