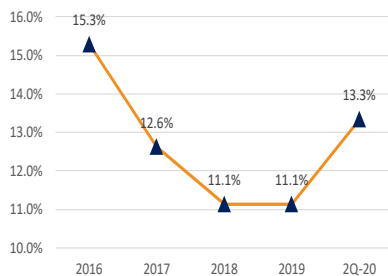


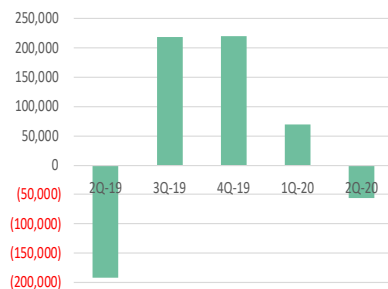
Jacksonville

After several years of record-setting economic growth, Florida's real estate markets abruptly paused in mid-March due to the spread of the novel coronavirus (COVID-19). While the full impact is yet to be felt, second quarter statistics provide an indication of the Jacksonville market's health. Third quarter activity is expected to provide greater clarity.

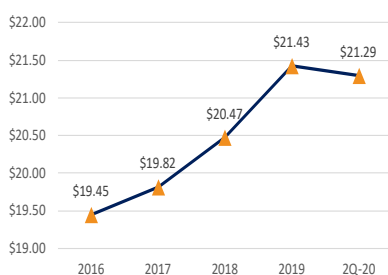
Vacancy Rate



YTD Net Absorption (SF)



Average Asking Rent Rate (\$/SF/FS)



So Far So Good in Jacksonville's Office Market with an Uptick in Vacancy Possible During the Third Quarter

- Jacksonville-based healthcare technology company Forcura recently announced in May that it plans to add 115 jobs and open a new corporate headquarters in the city by the end of 2022.
- New York-based Cantor Fitzgerald, an international financial services firm, announced it is opening a new 9,226-sf office in Capital Plaza at Deerwood Park, creating 80 high-wage jobs, and will use its Jacksonville office to handle some of the company's securities processing activities. Jacksonville has long been a top U.S. relocation city for financial institutions and several other banking giants including Citi, Deutsche Bank, Bank of America and Macquarie Group have already moved significant operations from pricey financial centers to Northeast Florida.
- Year-over-year vacancy for the period ending with 2Q-2020 is up slightly at 32 basis points and the average asking rent is up 0.9% over the same period.
- The bulk of the negative net absorption recorded during the second quarter was principally located in the Baymeadows, Southside, and Downtown Northbank submarkets, with the majority occurring in a handful of buildings that had larger blocks of space come back onto the market. Leasing activity was slow due in part to hesitation regarding the future impact of the pandemic.
- The largest investment sale during the first quarter was the acquisition of Lakeside III and IV in the I-95 Corridor submarket for \$49.0 million, or \$199 per sf. The two class A office assets were purchased by Ally Financial, Inc.

Trends to Watch



Wellness is Key

Wellness is a relatively new trend in commercial real estate, but it has now become a top priority for the long-term after the COVID-19 pandemic.



Exit to the Suburbs?

A larger shift of tenants relocating from the CBD to suburban office markets due to lower density and rental rates is increasingly possible.



Return to Normal

The strong economic fundamentals that were in place pre-shutdown may allow for a more robust recovery than previous recessions.

26.0 MSF

Total office inventory in the Jacksonville office market

(55,266) SF

Direct Y-T-D net absorption as of 2Q-2020

13.73%

Overall Vacancy

\$23.43/SF/FS

Average rental rate for class A space

JACKSONVILLE OFFICE MARKET STATISTICS

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	12,769,985	1,607,252	77,041	\$23.43	87.41%	12.59%	0.60%	13.19%	125,000	101,615
Class B	13,211,651	1,557,097	325,511	\$19.09	88.21%	11.79%	2.46%	14.25%	0	(156,881)
Total	25,981,636	3,164,349	402,552	\$21.29	87.82%	12.18%	1.55%	13.73%	125,000	(55,266)

Arlington

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	984,575	100,409	7,190	\$17.06	89.80%	10.20%	0.73%	10.93%	0	(2,945)
Total	984,575	100,409	7,190	\$17.06	89.80%	10.20%	0.73%	10.93%	0	(2,945)

Beaches

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	695,634	67,987	0	\$26.76	90.23%	9.77%	0.00%	9.77%	0	(16,222)
Class B	142,397	3,950	0	\$30.61	97.23%	2.77%	0.00%	2.77%	0	(3,950)
Total	838,031	71,937	0	\$26.97	91.42%	8.58%	0.00%	8.58%	0	(20,172)

Clay County

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	85,000	0	0	\$0.00	100.00%	0.00%	0.00%	0.00%	0	0
Class B	516,169	9,634	0	\$15.37	98.13%	1.87%	0.00%	1.87%	0	2,595
Total	601,169	9,634	0	\$15.37	98.40%	1.60%	0.00%	1.60%	0	2,595

Downtown - Northbank

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	3,663,906	682,207	50,884	\$23.00	81.38%	18.62%	1.39%	20.01%	0	2,469
Class B	1,303,424	164,483	0	\$19.30	87.38%	12.62%	0.00%	12.62%	0	(29,742)
Total	4,967,330	846,690	50,884	\$22.28	82.95%	17.05%	1.02%	18.07%	0	(27,273)

Downtown - Southbank

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	2,097,832	140,916	0	\$22.93	93.28%	6.72%	0.00%	6.72%	0	7,587
Class B	235,094	7,892	0	\$19.00	96.64%	3.36%	0.00%	3.36%	0	6,919
Total	2,332,926	148,808	0	\$22.72	93.62%	6.38%	0.00%	6.38%	0	14,506

I-95 / 9A Corridor

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,671,166	630,947	26,157	\$23.79	88.87%	11.13%	0.46%	11.59%	0	92,716
Class B	7,045,596	820,888	309,433	\$20.51	88.35%	11.65%	4.39%	16.04%	0	(32,741)
Total	12,716,762	1,451,835	335,590	\$21.94	88.58%	11.42%	2.64%	14.06%	0	59,975

Park Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Baymeadows	4,722,989	555,290	304,393	\$20.42	88.24%	11.76%	6.44%	18.20%	0	(55,015)
Deerwood Park	3,959,113	302,498	31,197	\$24.90	92.36%	7.64%	0.79%	8.43%	0	78,234
I-95 Corridor	1,101,398	125,810	0	\$22.85	88.58%	11.42%	0.00%	11.42%	0	(3,319)
Southpoint	2,933,262	468,237	0	\$21.58	84.04%	15.96%	0.00%	15.96%	0	40,075

Mandarin

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	644,137	47,875	8,888	\$19.03	92.57%	7.43%	1.38%	8.81%	0	(6,498)
Total	644,137	47,875	8,888	\$19.03	92.57%	7.43%	1.38%	8.81%	0	(6,498)

Nocatee

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	142,751	16,264	0	\$28.00	88.61%	11.39%	0.00%	11.39%	125,000	8,742
Class B	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Total	142,751	16,264	0	\$28.00	88.61%	11.39%	0.00%	11.39%	125,000	8,742

Northside

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	94,608	2,198	0	\$14.00	97.68%	2.32%	0.00%	2.32%	0	(468)
Total	94,608	2,198	0	\$14.00	97.68%	2.32%	0.00%	2.32%	0	(468)

St Johns County

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	141,916	38,752	0	\$18.61	72.69%	27.31%	0.00%	27.31%	0	6,323
Class B	303,479	21,301	0	\$23.74	92.98%	7.02%	0.00%	7.02%	0	(3,024)
Total	445,395	60,053	0	\$20.43	86.52%	13.48%	0.00%	13.48%	0	3,299

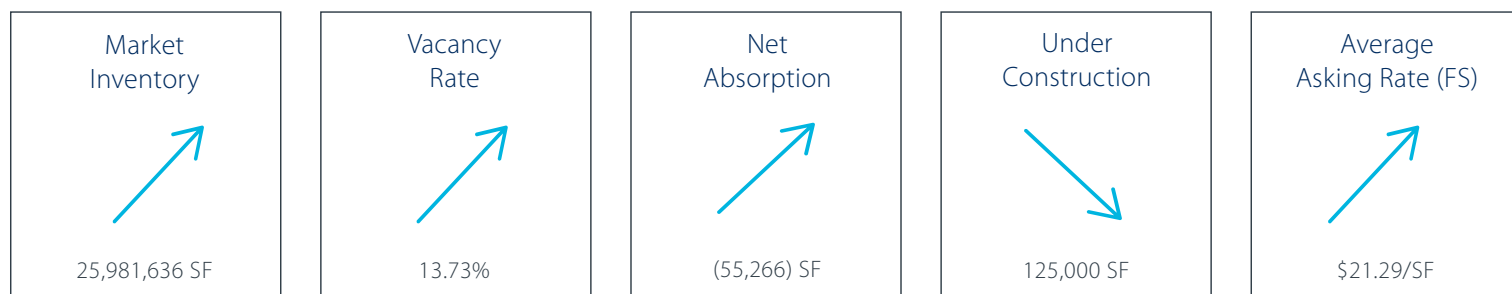
Southside

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	271,780	30,179	0	\$24.00	88.90%	11.10%	0.00%	11.10%	0	0
Class B	1,565,392	358,908	0	\$16.05	77.07%	22.93%	0.00%	22.93%	0	(88,474)
Total	1,837,172	389,087	0	\$16.66	78.82%	21.18%	0.00%	21.18%	0	(88,474)

Westside

Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	0	0	0	\$0.00	0.00%	0.00%	0.00%	0.00%	0	0
Class B	376,780	19,559	0	\$19.37	94.81%	5.19%	0.00%	5.19%	0	1,447
Total	376,780	19,559	0	\$19.37	94.81%	5.19%	0.00%	5.19%	0	1,447

Leading Indicators (Y-O-Y 2Q-2019 to 2Q-2020)



CBD										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	5,761,738	823,123	50,884	\$22.99	85.71%	14.29%	0.88%	15.17%	0	10,056
Class B	1,538,518	172,375	0	\$19.29	88.80%	11.20%	0.00%	11.20%	0	(22,823)
Total	7,300,256	995,498	50,884	\$22.35	86.36%	13.64%	0.70%	14.33%	0	(12,767)

Non-CBD / Suburban										
Class Breakdown	Total RSF	Direct Vacant SF	Sublet Vacant SF	Asking Rate	% Occupied	% Vacant	% Sublet Vacancy	% Total Vacancy	Under Construction	Net Absorption
Class A	7,008,247	784,129	26,157	\$23.88	88.81%	11.19%	0.37%	11.56%	125,000	91,559
Class B	11,673,133	1,384,722	325,511	\$19.07	88.14%	11.86%	2.79%	14.65%	0	(134,058)
Total	18,681,380	2,168,851	351,668	\$20.81	88.39%	11.61%	1.88%	13.49%	125,000	(42,499)

Reporting Methodology: This report includes all class 'A' and 'B' office buildings and parks 20,000 SF and greater in the Jacksonville MSA that are not owner occupied, office medical, or government owned. All rents are reported on a full-service gross basis. The information in this report has been collected by the Avison Young research team via sources that are deemed reliable but is not guaranteed.

Significant Second Quarter 2020 Lease Transactions - Sorted by SF

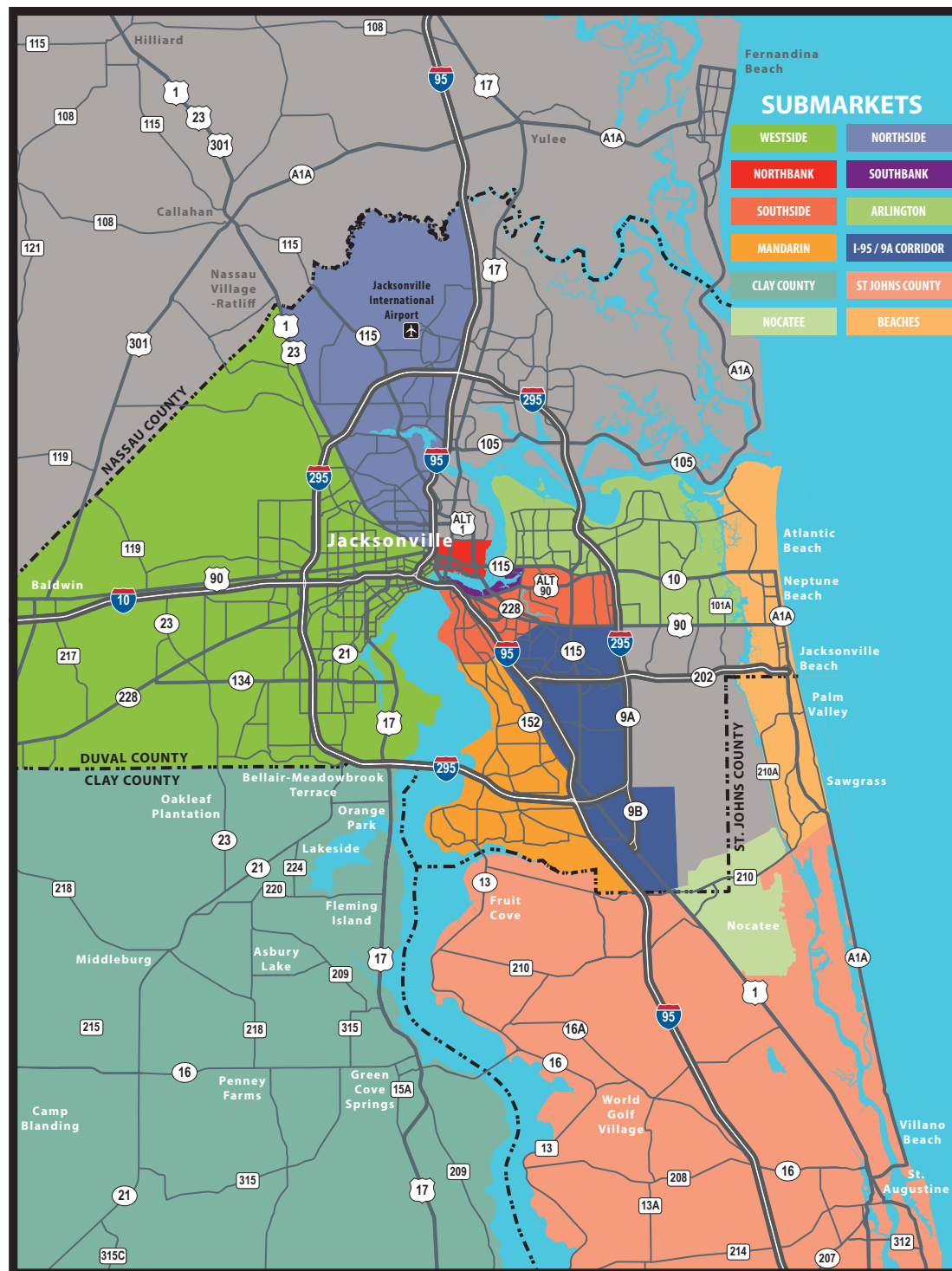
Tenant	Property	Type	SF	Submarket
Ascension St Vincent's	Butler Pointe at Southpoint	19,365	New	Southpoint
Cantor Fitzgerald	Capital Plaza at Deerwood Park	9,226	New	Deerwood Park
Visit Jacksonville	100 N Laura St	8,990	Sublease	Downtown Northbank
MasTec*	Gramercy Woods 100	5,100	New	Baymeadows

*Avison Young handled this transaction

Significant Second Quarter 2020 Sales Transactions - Sorted by Sale Price

Property	SF	Sale Price	Price/SF	Buyer	Submarket
Lakeside III/IV	246,000	\$49,000,000	\$199	Ally Financial, Inc.	I-95 Corridor
The Parkwood Building	43,406	\$4,860,000	\$112	Baymeadows Charter Property, LLC	Baymeadows





Contact Information

Mark Montgomery, CCIM
Senior Vice President
904.512.0545
mark.montgomery@avisonyoung.com

Lisa McNatt
Director of Research
813.444.0606
lisa.mcnatt@avisonyoung.com



avisonyoung.com

