

# JACKSONVILLE

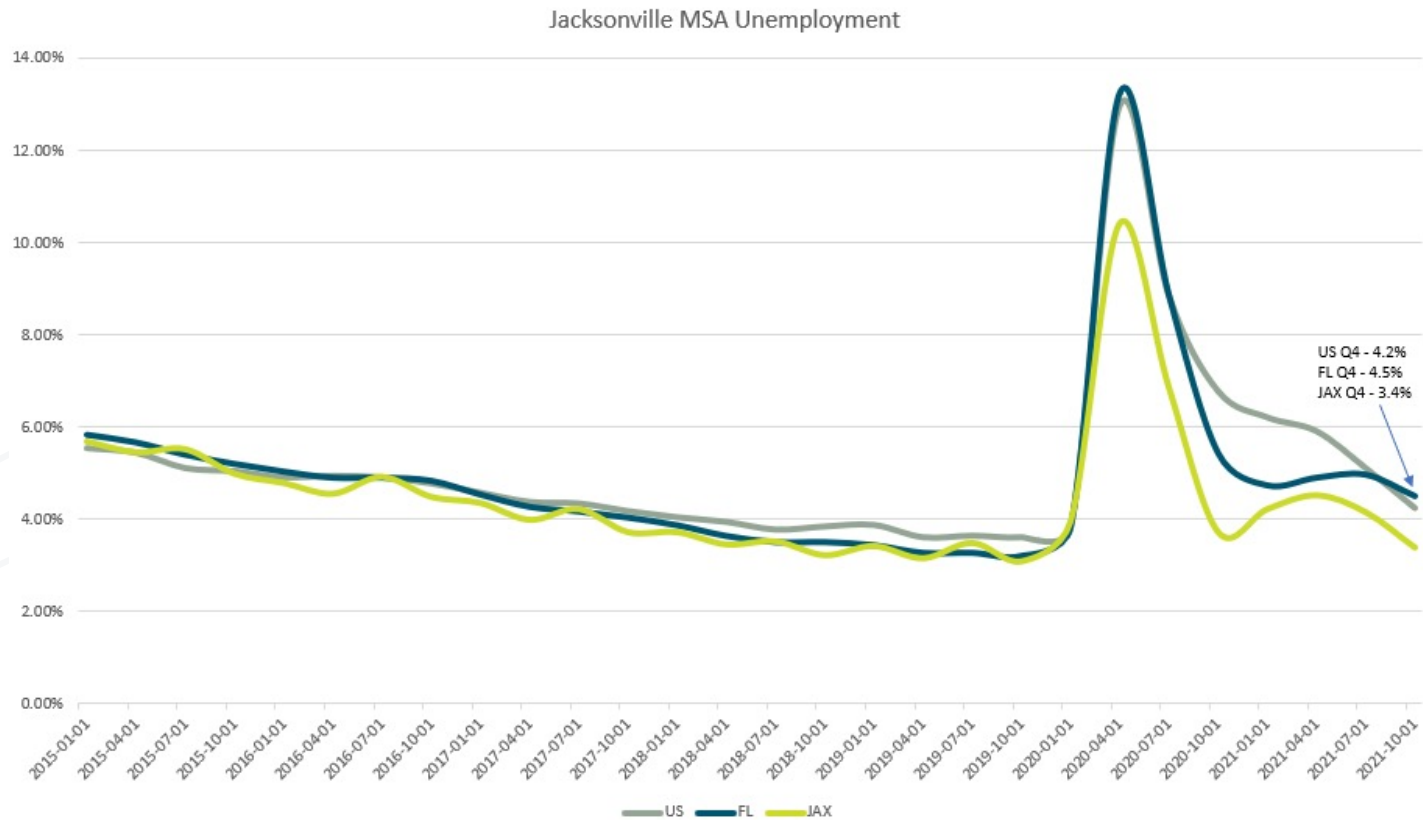
Q4-21 OFFICE REPORT

## Market Overview

Top employers and professionals are increasingly viewing Jacksonville as an ideal market to live and work. People and companies are drawn to the area for its cost of living, which is more affordable than most major metro areas around the country, along with its favorable weather, miles of beaches and overall quality of living.

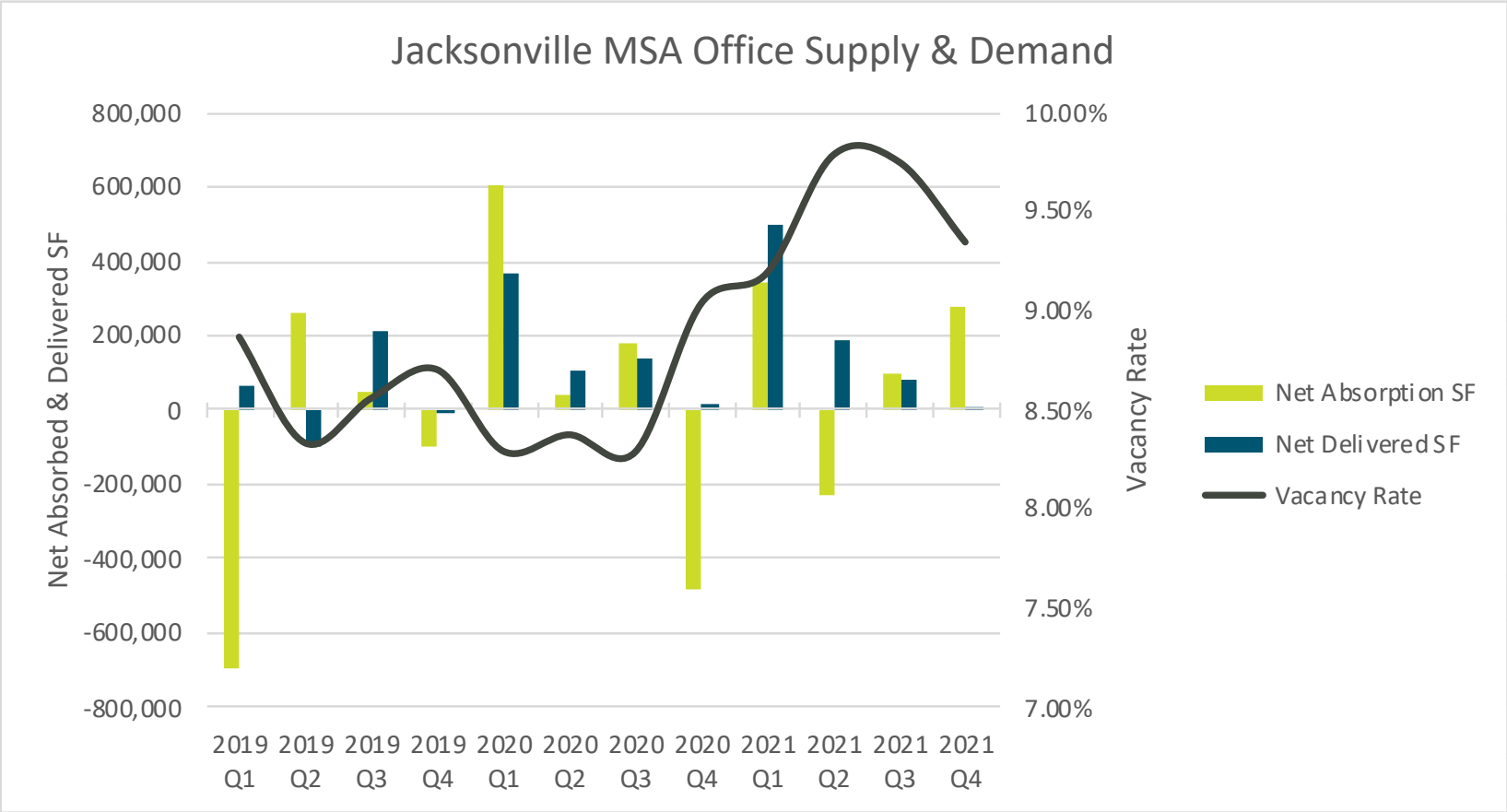
Jacksonville's business-friendly environment is also a differentiator, as employers and investors have ample access to tax incentives as well as grants for the renovation and rehabilitation of older buildings.





## Jacksonville MSA Unemployment

The Jacksonville labor market has experienced favorable unemployment rates relative to the other large metropolitan markets within the state. When compared to the MSAs of Orlando, Tampa and Miami, Jacksonville's monthly unemployment rates were lower than each respective market each month in 2021. The unemployment rate has been below both the national and state level since July of 2021, and by the end of Q4-21 there has been a 3.22% YoY decrease in unemployment.



### Jacksonville Office Market Supply & Demand

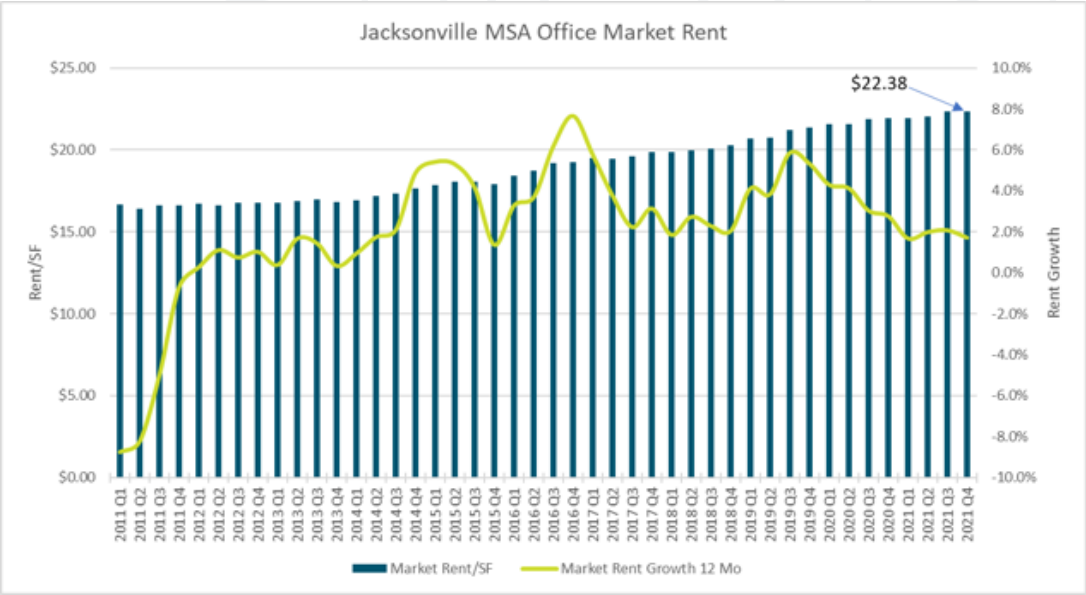
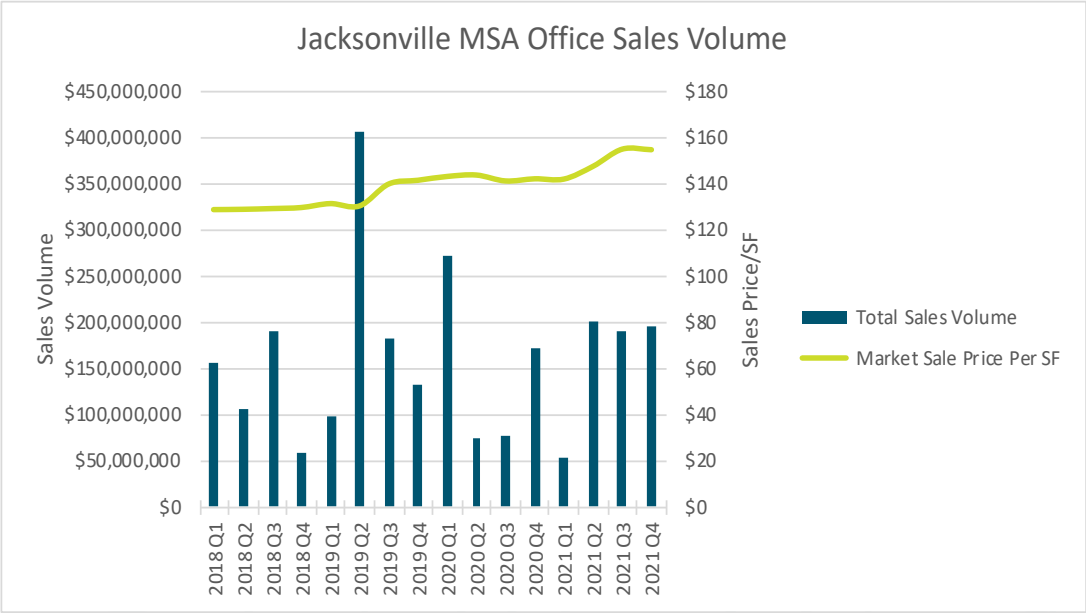
In 2021, the Jacksonville market experienced three fiscal quarters with positive net absorption, which in aggregate helped surmount the negative net absorption experienced in Q2-21. Still, vacancies are expected to remain in the mid 8-9% range for the next three to five years. Notably, owner-users were responsible for more than 25% for all office transactions in 2021.

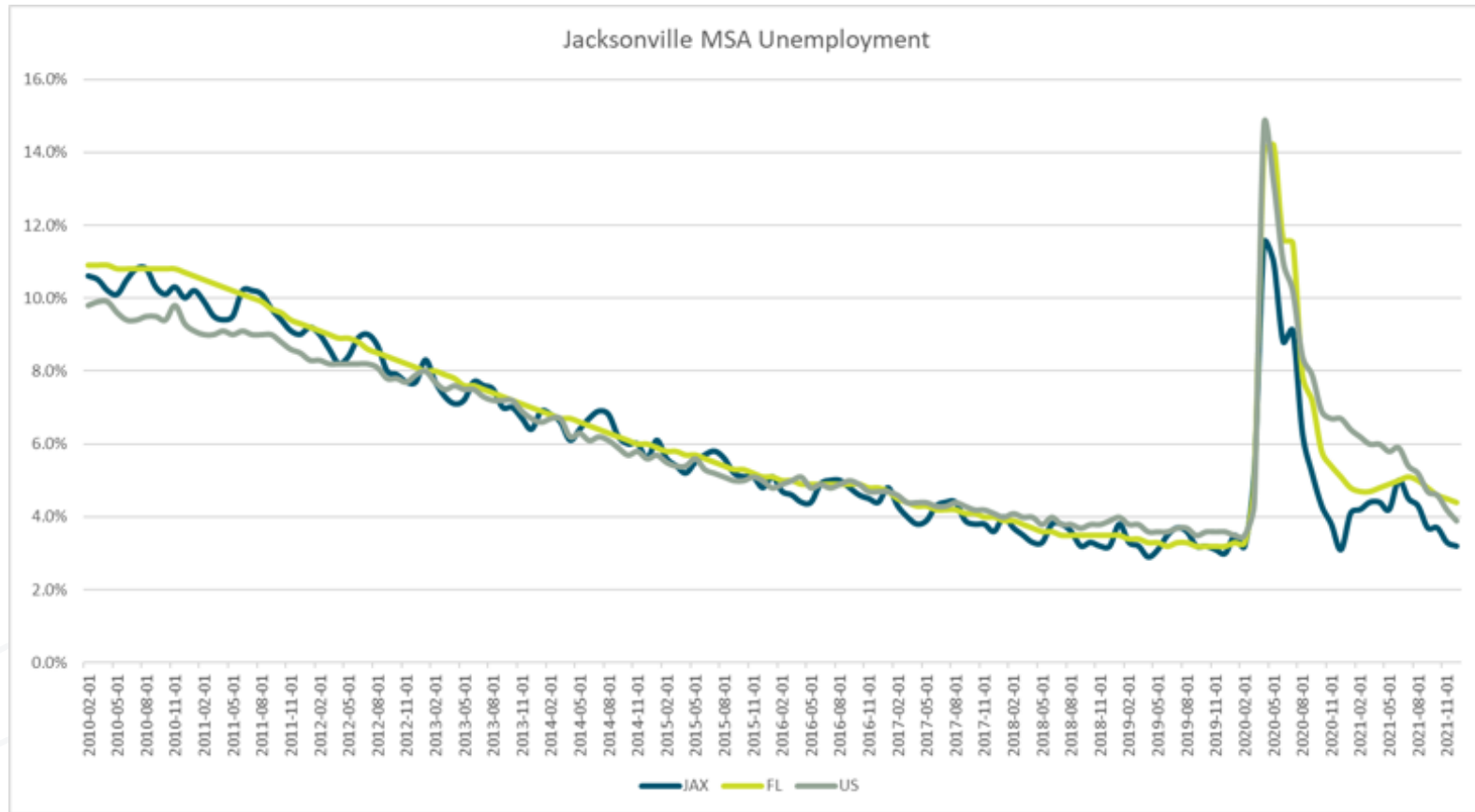
“While the full recovery of Jacksonville’s office market will not be instantaneous, we already have seen significant improvements. The last two quarters of 2021 performed well ahead of pre-pandemic levels, and this momentum should continue to increase throughout 2022. Office usage will evolve over time, but people-to-people business will never go away”.

**-Mike Salik, Director of Office & Industrial Services**

## Jacksonville Office Market Rent

Rental rates remain strong and consistent averaging around the \$23 level. Overall, office rents grew 1.7% YoY for 2021, only 0.2% below the historical annual growth rate. While rents have not quite returned to pre-pandemic levels, it is important to note that a negative trend in rent growth began to occur prior to the pandemic, in 2019. Ultimately, between the current vacancy rates and increasing costs of building out office spaces, tenants will continue to have leverage in the market.





## Jacksonville Office Investment Activity

With CAP rates averaging 8% for Jacksonville investment sales, office properties currently present a significant opportunity for investors.

Although sales have not reached pre-pandemic volume, it is important to note that the average quarterly sales volume in 2021 was the second highest in the past decade (\$159 million), behind only 2019 (\$204 million). Additionally, the market sale price per square foot saw an 8.84% increase in Q4-21, which is the largest YoY quarterly increase since the start of the pandemic.

“The current Jacksonville office market is an investment gold mine. Between the higher CAP rates and influx of major employers wishing to engage in long-term leases, spaces and buildings will stabilize, margins will increase, and investors will be happy”.

-Mike Salik, Director of Office & Industrial Services

## Conclusion

In 2022, we can expect to see the following trends:

**More “green” buildings:** We can expect an increase in new office buildings being designed to meet LEED standards. With its numerous architecture and engineering resources, Jacksonville will look for ways to decrease operating costs and carbon emissions in new builds.

**Demand for urban locations:** While suburban professional office parks were previously more in demand than urban core buildings, Jacksonville’s investment into its downtown and surrounding submarkets is encouraging many office users to relocate from suburban to urban spaces.

**Adaptive reuse:** With mixed-use development being a hot ticket, Jacksonville is seeing some of its older/ existing office buildings being redeveloped into mixed-use projects that also include retail and food services.

**Pro Tip:** Lease commencements and lease occupancy are very different when it comes to substantial completion of space and when a monthly lease payment should begin. Lessors/Lessees should always have language installed to protect each case scenario.

“The Jacksonville office market is full of opportunities and deals to be made. As the most expansive MSA in Florida, occupiers and investors have endless options when it comes to site selection. From suburban office parks to high-rise buildings in the Downtown Central Business District, Riverside and the Beaches, the Jacksonville market can accommodate a wide variety of business types and sizes.”

-Mike Salik, Director Office & Industrial Services

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