

2Q14 JACKSONVILLE OFFICE MARKET

Newmark Grubb
Phoenix Realty Group

THE TENANT'S MARKET IS (MAYBE) CHANGING

For over five years Jacksonville has been in an understood 'Tenant's Market' as high vacancy rates and shrinking demand made every transaction significant. However, continued job growth (area employment rate at 5.8%), lower vacancy rates and a total lack of any new development in the pipeline has allowed select landlords to begin holding the line on lease rates, tenant build-out allowances, and overall concessions. Asking lease rates in Class-A suburban buildings are once again over \$20.00 per sq. ft., and more importantly – landlords are getting them.

Significant new Leases with Selene Finance and AmeriHealth as well as expansions by local firms like Adecco, Wounded Warrior and Citizens pushed positive absorption figures in the suburbs for the fifth consecutive month.

Unfortunately for downtown Landlords, Northbank absorption was negative again in the 2nd quarter led by the final move of AT&T out of 301 West Bay Street.

Asking Rent and Vacancy



Key Indicators			
Total Inventory (SF)			
	2Q14	1Q14	2Q13
Asking Rent (Price/SF)	\$18.44	\$18.27	\$18.15
Vacancy Rate (%)	18.9%	19.4%	21.2%
Under Construction (SF)	0	0	14,200
	2Q14	1Q14	2013
Net Absorption (SF)	284,000 sf	142,000 sf	944,000 sf
Deliveries (SF)	7,200	0	27,500

Submarket Statistics					
	Class Type	Total Inventory (SF)	Total Vacancy (SF)	Vacancy Rate %	Average Asking Rate (Price/SF)
Downtown	A/B	13,900,000	2,950,000	21.2	\$18.24
Suburban	A/B	32,800,000	3,700,000	11.3	\$17.79
JTB Corridor	A/B	8,900,000	642,000	7.2	\$18.84
Total		61,700,000	7,292,000	11.9	\$18.09

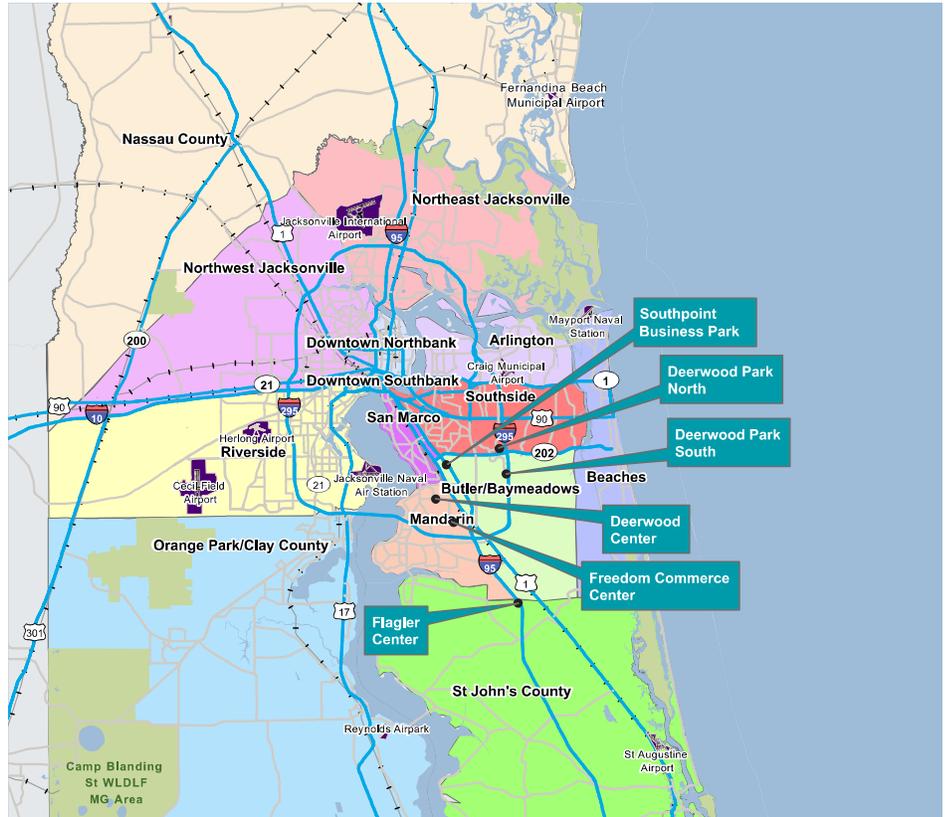
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This was partially offset by another expansion of two floors by Everbank, but continued consolidation and high parking costs make downtown office space less attractive to a majority of Jacksonville's employers.

Interestingly, there was significant investment activity in the 2nd quarter led by trophy properties being sold downtown. The common theme is that every property traded below replacement cost, but still signaled a positive national perspective of Jacksonville. The Aetna Building sale at year-end 2013 for \$112 psf started things off, but then Wells Fargo (\$121 psf) and Bank of America (\$126 psf) sales made 2014 a "mega-year" for investment sales. The 1 million sq. ft. Everbank Building remains up for sale, so the year could be even bigger.

Jacksonville Office Submarket Map



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
AmeriHealth Caritas	Cambridge	JTB	70,000
Selene Financial	8201 Cypress	JTB	34,000
Adecco*	Riverplace Tower	Downtown	32,000
Rayonier*	One Enterprise	Downtown	14,000

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Bank of America	Downtown	696,000	\$88,000,000	\$126.00
Wells Fargo	Downtown	662,000	\$79,000,000	\$122.00
Regions Bank Bldg.*	Downtown	10,918	\$2,000,000	\$183.00

* NGRG Brokered Transactions



Jacksonville

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Glossary of Terms**Absorption**

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.



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