

1Q14 JACKSONVILLE RETAIL MARKET

Newmark Grubb
Phoenix Realty Group

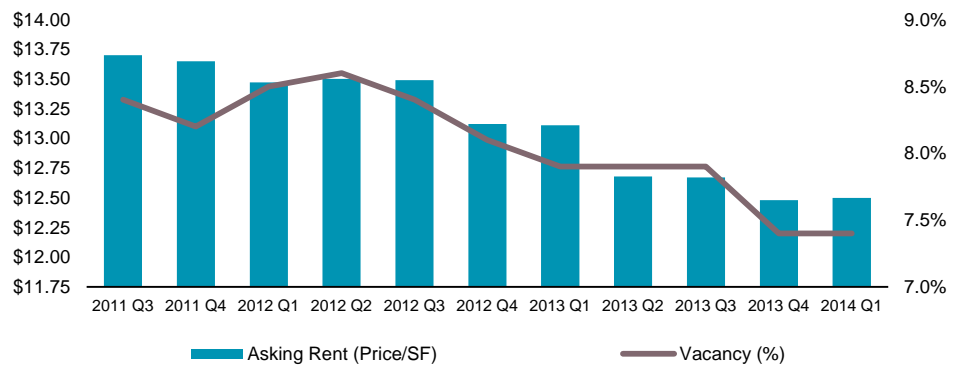
DESPITE RISING VACANCY RATES, WE SEE NEW DEVELOPMENT.

As deliveries occur on new development projects, the overall vacancy rate has increased slightly. This, however, will not affect growth. The Southside and Butler / Baymeadows sectors continue to provide many of the opportunities while the Beaches, Downtown South Bank and San Marco sectors are experiencing new growth. The Southside and St Johns County sectors are poised for tremendous retail advancement with the extension of the 9B expressway in 2014. The Westside and Northside submarkets have also received a boost through big box expansion.

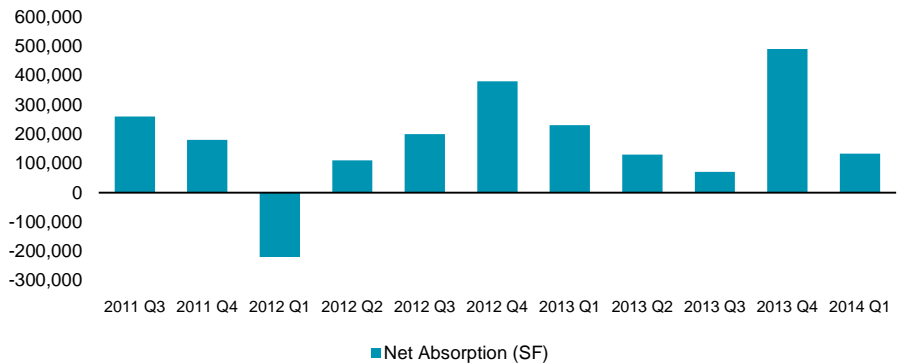
Although two key indicators regressed slightly, the other three moved in a positive direction. Vacancy rates pushed up to 7.4% after hitting a 3 year low of 7.2% in the previous quarter. Net absorption for this quarter declined to a negative 133,145 square feet. The average quoted rental rates have ticked up to \$12.50 per square foot, from \$12.45 the previous quarter. The employment rate increased by 3 percentage points to 6.1%. The capitalization rate for sales transactions remained constant at 7.49%.

As the new grocery stores begin to open within the market, the big boxes have moved back into the forefront, specifically Walmart Stores. With a new 186,000 sf Supercenter at Collins Road and a 39,000 sf re-development of a Food Lion

Asking Rent and Vacancy



Absorption



Key Indicators			
Total Inventory (SF)	89,554,373		
	4Q13	3Q13	1Q14
Asking Rent (Price/SF)	\$12.48	\$12.67	\$12.58
Vacancy Rate (%)	7.4%	7.9%	7.4%
Under Construction (SF)	28,854	63,017	158,000
	4Q13	3Q13	1Q14
Net Absorption (SF)	485,356	70,166	133,145
Deliveries (SF)	28,921	59,934	40,000

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into a Neighborhood Market at Wilson Square shopping center, Walmart Stores has been most active in the Westside submarket.

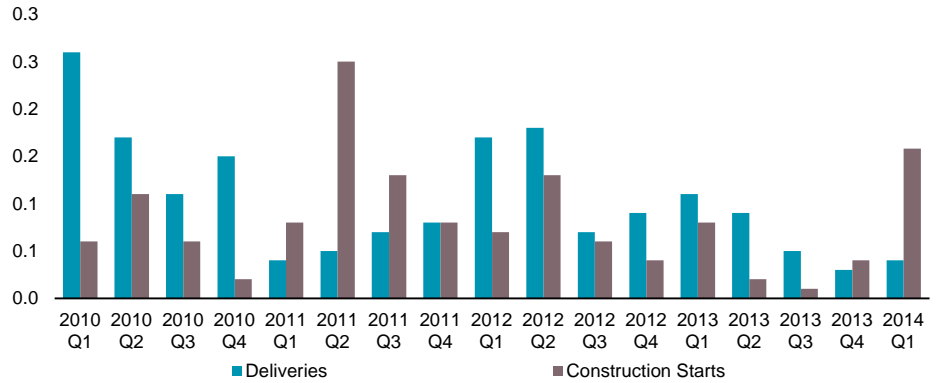
The Parkway Shops, adjacent to the River City Marketplace on the Northside has announced the construction of Phase Two. This will consist of 214,000 sf of retail space that will include two large boxes of 135,000 sf and 42,000 sf plus 37,000 sf of small shop space. LA Fitness took over a 44,000 sf portion of the old Walmart at Bolton Plaza in Orange Park. Petsmart finished off the vacancy left by Kmart at the Seabridge Square shopping center, occupying the 14,000 sf adjacent to Ulta, Staples, Ross and Aldi. Other large lease signings came from Youfit Gym for 17,676 sf at the Gateway shopping center on the north side and Happy Hounds for 15,260 sf at the Riverside Village shopping center in the Riverside submarket.

In addition to the big box and inline signings, there have been several single tenant, free-standing developments. These have included such tenants as Dunkin Donuts, Krispy Kreme and Dollar General. They have occurred across several sectors.

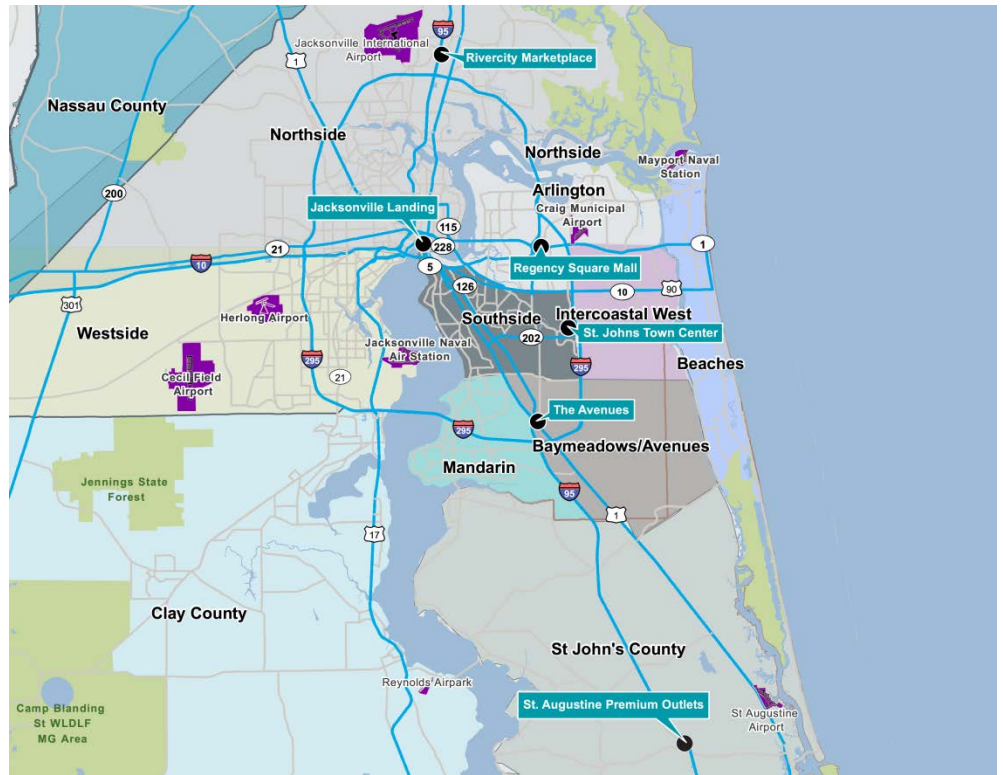
There were a few large investment sales transactions during this period. Namdar Realty Group and JV Mason Asset Management purchased the 1,000,000 sf Regency Square Mall for \$13,000,000. The purchasers specialize in repositioning distressed assets and, given that the mall was 40% occupied, it is assumed, they will convert some of the retail into other uses. Asbury Commons, a 55,273 sf Winn Dixie anchored shopping center located in Green Cove Springs, sold for \$8,300,000.

Construction and Deliveries

Square Feet, millions



Jacksonville Retail Submarket Map





Select Lease Transactions

Tenant	Building	Submarket	Square Feet
N/A	Gateway Town Center	Downtown Northbank	23,091
YouFit Gym	5290 Norwood Ave	Downtown Northbank	17,676
N/A	Gateway Town Center	Downtown Northbank	15,613
Happy Hounds	Riverside Village SC	Riverside	15,260
N/A	120 Everest Lane	St Johns County	7,004

Select Sales Transactions

Seller	Submarket	Square Feet	Sale Price	Price/SF
Asbury Commons	Green Cove Springs	55,273	\$8,300,000	\$150.16
Oak Hill Village	Westside	78,492	\$7,350,000	\$93.64
Retail South	Southside	14,984	\$4,330,000	\$288.97
1040 Golfair Blvd	Northside	3,319	\$3,100,000	\$934.02



Jacksonville

10739 Deerwood Park Blvd
Suite 310
Jacksonville, FL 32256
904.399.5222

Lee Stine

Director of Retail
904.224.5432
lstiner@Phoenixrealty.net

Matt Romero

Retail Specialist
904.421.4384
mromero@phoenixrealty.net

Rick Sutton

Retail Specialist
904.224.5434
rsutton@phoenixrealty.net

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

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