

In the News

- > Florida ranks second among the 50 states for having the best business climate, according to a survey conducted by the Development Counsellors International (DCI). 22% of the U.S. corporate executives surveyed named Florida as the state having the most favorable business climate due to the state's pro-business environment, favorable tax climate and its strategic location. *(Source: Jaxusa.org)*
- > Two proposed office buildings along Gate Parkway appear to be on the short list for Project Milan, a health care company matching the description for McKesson Corp., a global supplier of health care products and services. City Council adopted a resolution for a \$700,000 ReCapture Enhanced Value grant for Milan, described as an expansion of an existing company. According to city legislation, Milan committed to retain 428 jobs and create at least 10 more full-time positions by the end of 2021. McKesson has not indicated it is Milan. *(Source: Karen Mathis, Daily Record)*
- > The Downtown Development Review Board unanimously approved the design for the Barnett Bank building, part of a massive redevelopment project in the heart of downtown Jacksonville. The Barnett portion of the project will see most of the 157,000 square-foot building be developed into 108 apartment units. Plans call for a national bank tenant to take the ground floor, with some commercial retail space built into the project as well. *(Source: Derek Gilliam, Jacksonville Business Journal)*

Market Indicators

	Q3 2017	Q4 2017*
VACANCY	↓	↓
VACANCY SUBLEASE	↓	↓
NET ABSORPTION	↓	↑
RENTAL RATE	↓	↑
CONSTRUCTION	↑	↑

* Q4 2017 Projections
Source: CoStar Property

Office Statistics | Q3 2017

Northeast Florida Office Market

Office Building Inventory	63,404,243 SF
Vacancy Rate	7.8%
YTD Net Absorption	714,016 SF
Under Construction	290,920 SF
Asking Rents - Full Service (Per Square Foot Per Year)	Class A - \$22.22/SF Class B - \$17.96/SF Class C - \$16.20/SF
Est. Operating Expenses	All Classes \$5.50 - \$10.25/SF
Est. Tenant Improvement Cost	\$25 - \$40/SF (1st Generation) \$10 - \$25/SF (2nd Generation)
Office Cap Rates	Class A - 7.4% Class B & C - 7.8%

Source: CoStar Property

Absorption

- Overall net absorption for Jacksonville in Q3 2017 was positive 201,502 SF.
- The central business district experienced a negative net absorption of 161,122 SF in Q3 2017.
- Q3 2017 net absorption for the suburban markets was positive 362,624 SF.

Vacancy

- Vacancy dropped from 8.0% to 7.8% by the end of Q3 2017.
- Sublease vacancy decreased to 237,271 SF by the end of Q3 2017, compared to 249,679 SF at the end of Q2 2017.

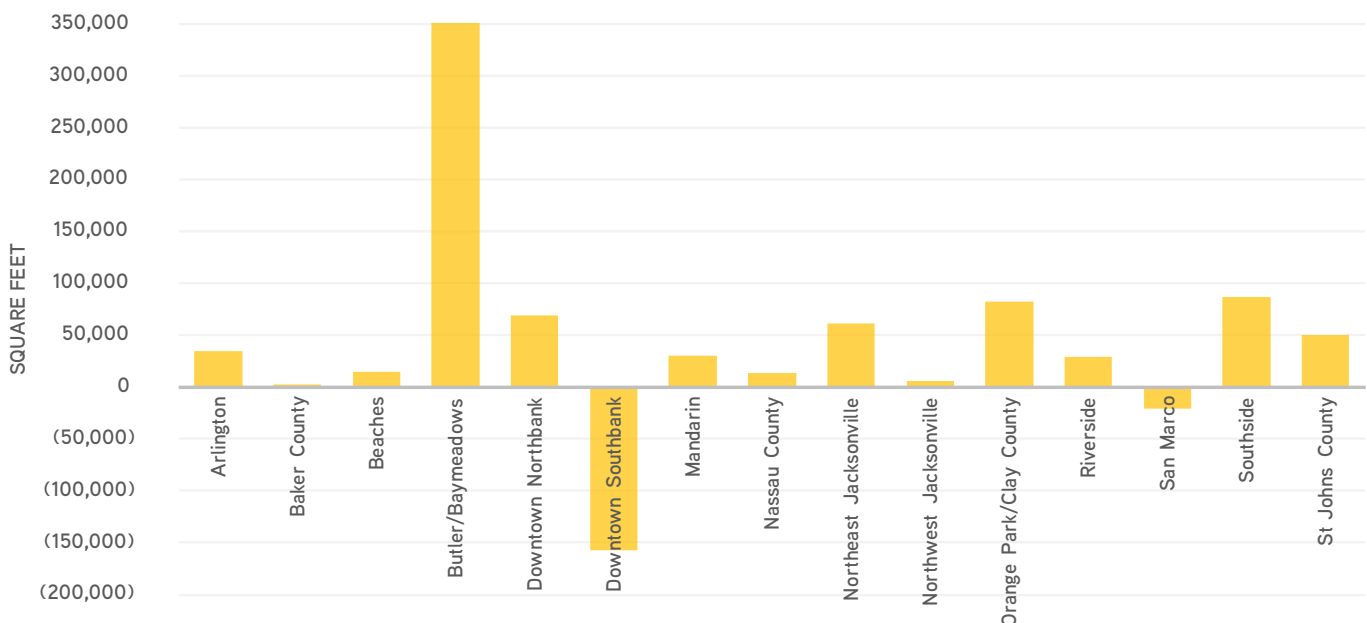
Rental Rates

- Average quoted asking rental rate for all classes was \$18.91/SF/YR, which is a 0.2% decrease in rental rates quoted for Q2 2017.
- Average quoted asking rental rates in the central business district decreased to \$20.19/SF/YR.
- The suburban market asking rental rate decreased to \$18.53 SF/YR from \$18.66/SF/YR at the end of Q3 2017.

Construction/Development

- In Q3 2017, the Jacksonville area completed one (1) building totaling 3,000 SF.
- 290,920 SF of office space was under construction at the end of Q3 2017.

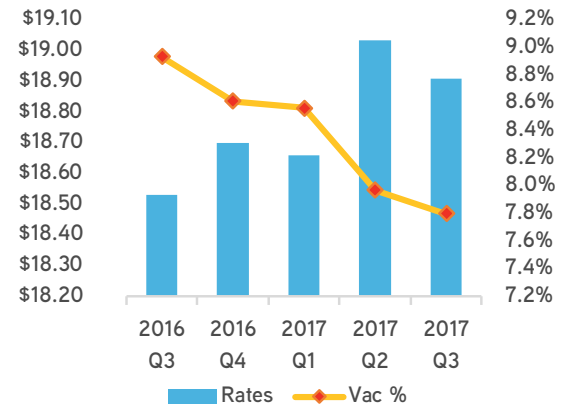
Net Absorption by Submarket | YTD



Sources: CoStar Property & Colliers International Northeast Florida

Vacancy vs. Rent

Northeast Florida | Q3 2017



Sources: CoStar Property & Colliers International Northeast Florida

Sales Activity

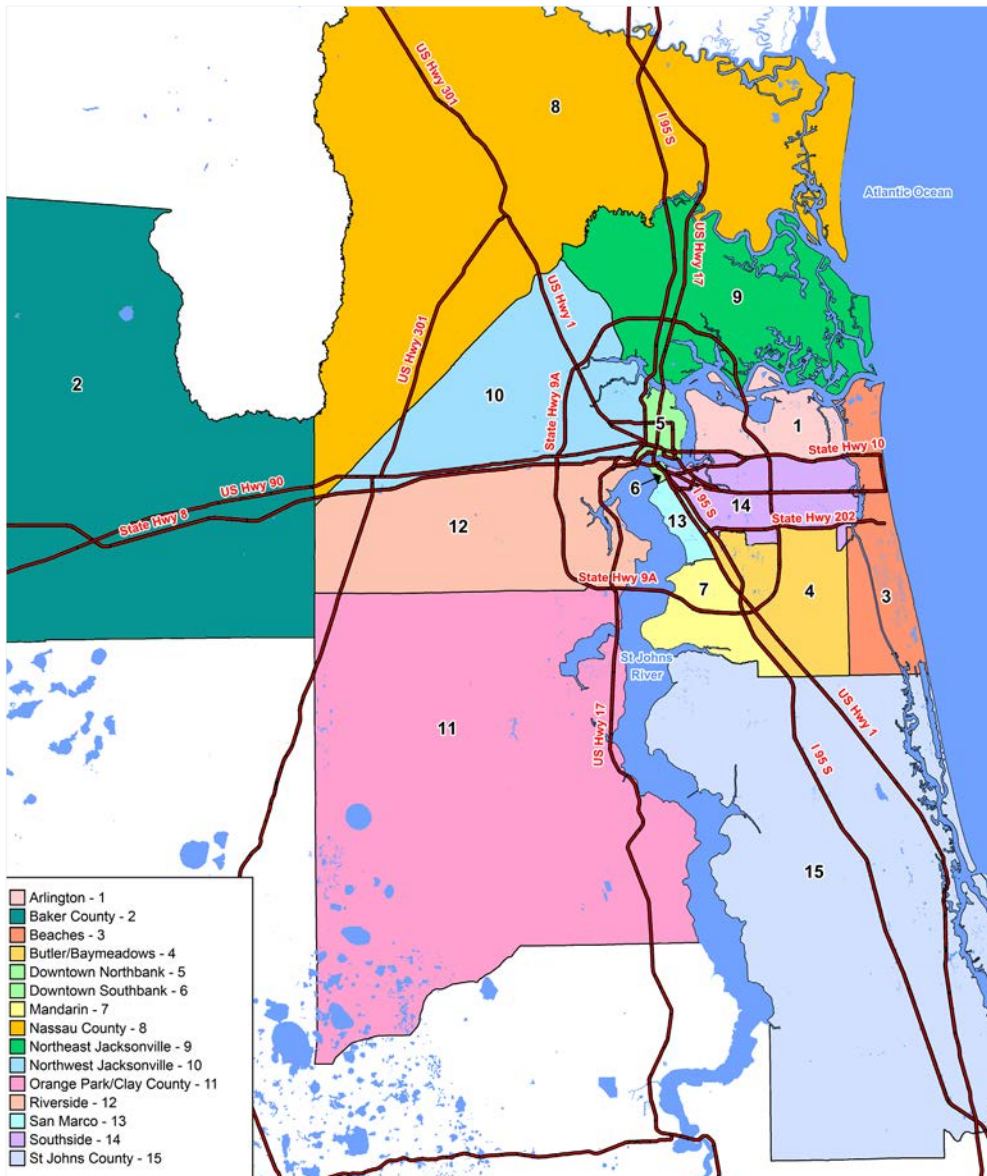
- The most notable sales in Q3 was a 37,863 SF medical office building in Emerson Medical Plaza sold by Harrison Street Real Estate Capital to MedProperties Holdings for \$16 million, and a 120,191 SF office building sold by Fleming Island Business Park LLP to Interra Capital Group for \$10.5 million.

Leasing Activity

- The largest lease transaction in Q3 was an expansion for SS&C Technologies, Inc., who leased an additional 24,653 SF at 9000 Southside Boulevard.

EXISTING PROPERTIES			VACANCY						CONSTRUCTION		RENTS
CLASS	BUILDINGS	TOTAL INVENTORY SF	DIRECT VACANT SF	SUBLEASE VACANT SF	TOTAL VACANT SF	% VACANT	YTD NET ABSORPTION	YTD DELIVERIES SF	SF UNDER CONSTRUCTION	QUOTED RATES	
DOWNTOWN NORTHBANK											
A	12	4,773,802	643,868	5,174	649,042	13.60%	47,658	0	0	\$20.86	
B	113	6,089,010	271,575	6,794	278,369	4.57%	12,088	0	0	\$17.21	
C	234	1,626,913	148,369	0	148,369	9.12%	13,314	0	0	\$12.06	
Total	359	12,489,725	1,063,812	11,968	1,075,780	8.61%	73,060	0	0	\$19.61	
DOWNTOWN SOUTHBANK											
A	6	2,018,736	244,963	0	244,963	12.13%	(148,857)	0	0	\$22.57	
B	16	604,472	9,800	0	9,800	1.62%	(7,200)	0	0	\$24.01	
C	112	429,452	42,785	0	42,785	9.96%	(3,460)	0	0	\$20.70	
Total	134	3,052,660	297,548	0	297,548	9.75%	(159,517)	0	0	\$21.92	
RIVERSIDE											
B	139	1,018,794	31,164	0	31,164	3.06%	14,909	1	1,400	\$22.01	
C	474	1,961,724	114,028	0	114,028	5.81%	14,996	0	0	\$13.30	
Total	613	2,980,518	145,192	0	145,192	4.87%	29,905	1	1,400	\$17.61	
SAN MARCO											
B	65	1,044,847	170,101	0	170,101	16.28%	(8,206)	0	0	\$13.25	
C	194	812,648	57,894	0	57,894	7.12%	(10,328)	0	0	\$15.14	
Total	259	1,857,495	227,995	0	227,995	12.27%	(18,534)	0	0	\$17.47	
ARLINGTON/REGENCY											
B	32	703,972	68,422	4,374	72,796	10.34%	(32,508)	0	0	\$15.47	
C	174	859,067	25,786	0	25,786	3.00%	15,708	0	0	\$14.10	
Total	206	1,563,039	94,208	4,374	98,582	6.31%	(16,800)	0	0	\$15.73	
BUTLER/BAYMEADOWS											
A	15	1,920,202	113,532	25,585	139,117	7.24%	137,179	0	45,000	\$21.95	
B	177	7,448,646	365,455	13,047	378,502	5.08%	298,876	1	0	\$18.76	
C	76	755,692	78,004	0	78,004	10.32%	(13,955)	0	0	\$15.76	
Total	268	10,124,540	556,991	38,632	595,623	5.88%	422,100	1	45,000	\$19.12	
SOUTHSIDE											
A	52	6,669,549	407,737	34,213	441,950	6.63%	(41,333)	0	160,000	\$22.64	
B	276	5,960,778	630,339	42,968	673,307	11.30%	89,423	2	9,000	\$16.66	
C	414	3,432,358	325,570	0	325,570	9.49%	3,125	0	0	\$11.30	
Total	742	16,062,685	1,363,646	77,181	1,440,827	8.97%	51,215	2	169,000	\$18.32	
NORTHSIDE (NORTHWEST)											
B	30	626,094	21,027	102,000	123,027	19.65%	5,704	0	0	\$17.44	
C	158	555,721	23,491	0	23,491	4.23%	(767)	0	0	\$12.72	
Total	188	1,181,815	44,518	102,000	146,518	12.40%	4,937	0	0	\$14.74	
NORTHSIDE (NORTHEAST)											
A	1	50,671	0	0	0	0.00%	0	0	0	-	
B	31	604,925	25,237	0	25,237	4.17%	33,325	1	0	\$12.00	
C	44	239,151	25,188	0	25,188	10.53%	26,479	0	0	\$16.25	
Total	76	894,747	50,425	0	50,425	5.64%	59,804	1	0	\$13.75	
ORANGE PARK											
A	2	201,066	0	0	0	0.00%	0	0	0	-	
B	185	1,848,251	279,820	0	279,820	15.14%	68,278	1	0	\$18.31	
C	209	1,141,601	78,477	0	78,477	6.87%	9,066	0	0	\$14.87	
Total	396	3,190,918	358,297	0	358,297	11.23%	77,344	1	0	\$19.19	
MANDARIN											
B	168	1,934,164	122,032	0	122,032	6.31%	21,314	8	16,840	\$23.50	
C	129	716,312	33,608	0	33,608	4.69%	3,313	0	0	\$12.83	
Total	297	2,650,476	155,640	0	155,640	5.87%	24,627	8	16,840	\$19.39	
BEACHES											
A	8	470,491	74,017	0	74,017	15.73%	4,427	0	0	\$27.54	
B	168	1,667,686	38,959	0	38,959	2.34%	7,674	4	34,043	\$29.58	
C	191	927,927	27,205	0	27,205	2.93%	1,300	0	0	\$13.73	
Total	367	3,066,104	140,181	0	140,181	4.57%	13,401	4	34,043	\$25.43	
ST JOHNS COUNTY											
A	4	299,476	50,724	0	50,724	16.94%	14,022	0	0	\$17.32	
B	313	2,331,318	98,841	0	98,841	4.24%	37,997	2	24,637	\$18.17	
C	119	380,563	9,914	0	9,914	2.61%	(2,047)	0	0	\$22.88	
Total	436	3,011,357	159,479	0	159,479	5.30%	49,972	2	24,637	\$19.04	
NASSAU COUNTY											
Nassau County	235	1,154,369	27,231	1,805	29,036	2.52%	13,426	2	0	\$12.14	
BAKER COUNTY											
Baker County	32	123,795	21,997	0	21,997	17.77%	3,514	0	0	\$13.14	
MARKET TOTAL											
A	100	16,403,993	1,534,841	64,972	1,599,813	9.75%	13,096	0	205,000	\$22.22	
B	1,821	32,423,018	2,146,955	170,988	2,317,943	7.15%	555,029	22	85,920	\$17.96	
C	2,687	14,577,232	1,025,364	0	1,025,364	7.03%	60,329	0	0	\$16.20	
Total	4,608	63,404,243	4,707,160	235,960	4,943,120	7.80%	714,016	22	290,920	\$18.91	

Source: CoStar Property



JACKSONVILLE OFFICE TEAM

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Preston Phillips
Executive Vice President

Fran Pepis
Executive Vice President

Lisa McLatchey
Senior Associate

W. Wade Powers
Senior Associate

Matt Caven
Associate

396 offices in
68 countries on
6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia: **36**

EMEA: **111**

\$2.6

billion in
annual revenue

2.0

billion square feet
under management

15,000

professionals
and staff

Recent Significant Transactions

Sales Activity Q3 2017

PROPERTY	SUBMARKET	CLASS	SIZE (SF)	SALE PRICE
4549 Emerson Street	Southside	B	37,863	\$16,000,000
1845 Town Center Boulevard	Orange Park/Clay County	B	120,191	\$10,500,000
7660 Centurion Parkway	Southside	B	72,590	\$6,300,000
4348 Southpoint Boulevard	Southside	B	46,469	\$4,900,000
701 W. Adams Street	Downtown Northbank	B	32,200	\$4,415,000

Leasing Activity Q3 2017

PROPERTY	SUBMARKET	CLASS	SF LEASED	TENANT
9000 Southside Boulevard	Butler/Baymeadows	B	24,653	SS&C Technologies, Inc.
6500 Bowden Road	Southside	B	17,247	N/A
1301 Riverplace Boulevard	Downtown Southbank	A	14,147	N/A

Source: CoStar Property & Colliers International Northeast Florida

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