

FIGURES | JACKSONVILLE INDUSTRIAL | Q4 2023

Record leasing drives historically high absorption and deliveries



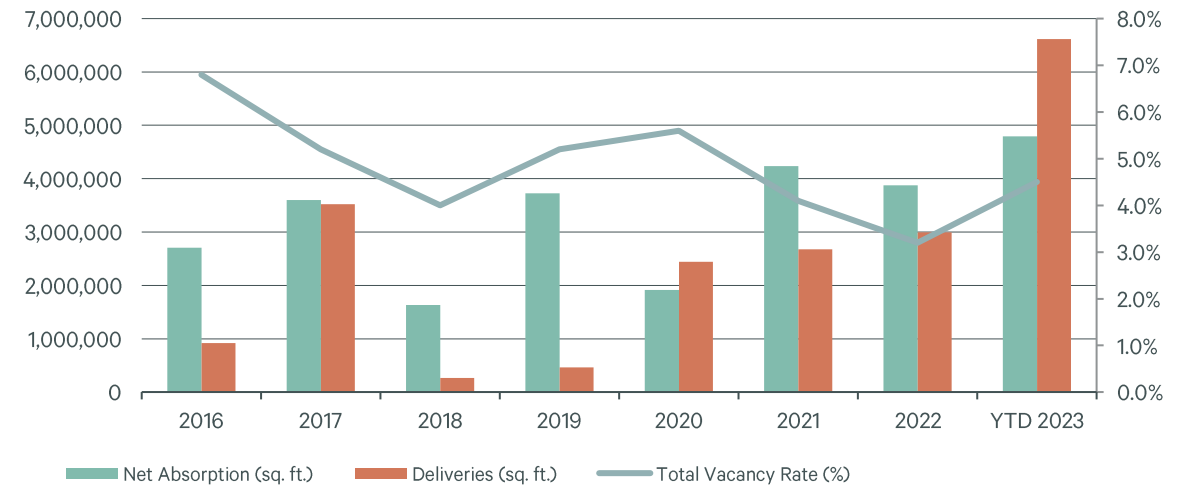
Note: Arrows indicate change from previous year.

OVERVIEW

- Total vacancy sits at 4.5%. Occupancies by Sam’s Club, Primark, RoadOne Logistics, Fridababy, and Kenco Logistics dropped vacancy 40 bps compared to Q3 2023.
- According to RCA the sale of investment-grade properties during 2023 totaled approximately \$685.5 million across 7.3 million sq. ft (\$93.67 per sq. ft.) compared to \$661.8 million across 7.8 million sq. ft. (\$85.28 per sq. ft.) during the same period in 2022.
- According to the Bureau of Labor Statistics, the unemployment rate in November was 3.0%, a 50 basis point increase compared to a year ago for Jacksonville. The rate is down from 10.8% in April 2020. The rate compares to Florida (2.9%) and the U.S. (3.7%).

The Jacksonville industrial market ended the year with strong fundamentals. With record absorption, asking rent appreciation and robust population growth, developers and tenants have leveraged the strength of the local economy. Approximately 4.7 million sq. ft. of speculative projects are under construction as developers have been aggressive in attempting to keep pace with tenant demand. The industrial vacancy rate rose 130 basis points over the past 12 months to 4.5% due to over 6.6 million sq. ft. of completions during 2023, allowing out of market tenants options to lease immediately rather than looking at build-to-suit options.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

Jacksonville recorded approximately 4.8 million sq. ft. of positive net absorption during 2023, which was met with 6.6 million sq. ft. of deliveries that are now 84.2% leased. Major occupiers of space during Q4 2023 included Sam’s Club (1,003,200 sq. ft.), Primark (547,200 sq. ft.), RoadOne Logistics (422,136 sq. ft.), Fridababy (270,716 sq. ft.), Kenco Logistics (217,268 sq. ft.) and Massy Distribution (173,600 sq. ft.). Leasing activity during 2023 increased 18.4% over the same period a year ago, totaling a record 11.3 million sq. ft. The average lease size was 56,044 per sq. ft. Several large tenants over 300,000 sq. ft. continue looking at the recently completed buildings and buildings under construction. Tenant demand is expected to remain strong next year.

VACANCY

Due to over 6.6 million sq. ft. of construction completions and 1.5 million sq. ft. of vacant space, the vacancy rate for Q4 2023 rose 130 basis points year-over-year to 4.5%. However, the vacancy rate for available space is only 3.4%. 1.1 percentage points of the vacant space in Jacksonville has been leased but will not be occupied until future quarters. Only 20 existing buildings and 14 buildings under development can accommodate a user greater than 100,000 sq. ft. In addition, only 10 built options exist for users looking for 100,000 sq. ft. or greater in buildings with 28’ or greater clear heights. Only three buildings can accommodate a 300,000 sq. ft. user.

PRICING

High interest rates continue to impact rising asking rents. The direct weighted average asking lease rate was \$7.84 per sq. ft, an increase of 13.1% compared to one year ago. Regarding property sub-type, R&D/Flex recorded \$10.97 per sq. ft. while Warehouse/Distribution and Manufacturing assets rose to \$7.42 and \$5.19 per sq. ft., respectively.

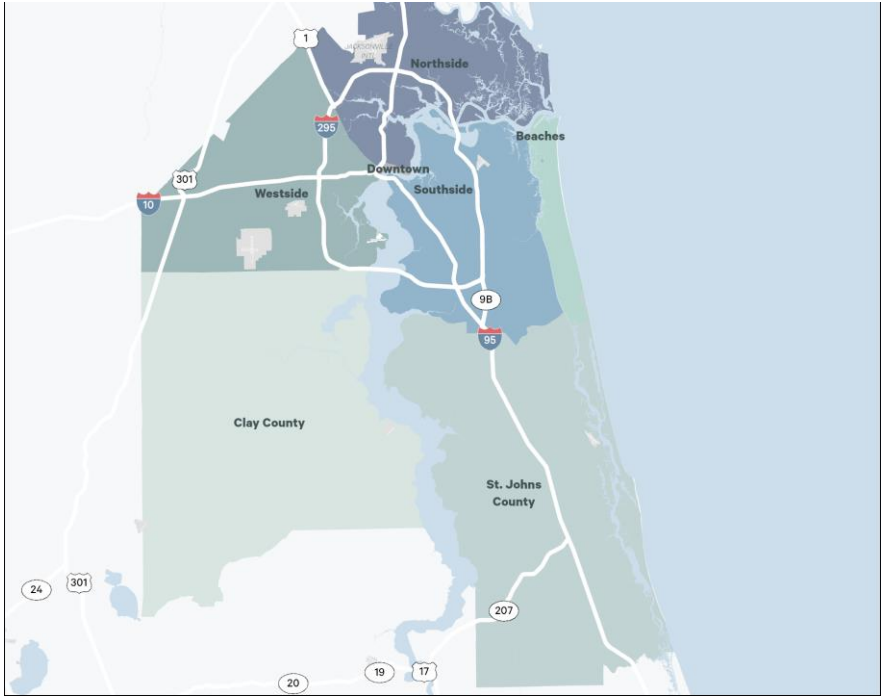
FIGURE 2: Statistical Snapshot Q4 2023

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2023 Net Absorption (Sq. Ft.)	2023 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/NNN)
Downtown	1,029,331	2.6	2.6	0	0	0	4.65
Beaches	188,007	0.7	0.7	5,400	5,400	0	14.00
Northside	44,209,439	2.9	2.9	2,391,919	2,665,104	2,510,137	8.45
Southside	22,376,863	4.4	5.0	(101,760)	(178,983)	235,920	9.05
Westside	50,740,122	3.5	5.0	323,083	2,536,128	1,776,610	6.49
Clay County	2,919,873	0.3	4.4	0	(120,000)	0	13.85
St. Johns County	2,190,295	17.7	21.0	30,641	(114,190)	1,040,374	9.50
Jacksonville Total	123,653,930	3.6	4.5	2,649,283	4,793,459	5,563,041	7.84
Manufacturing	19,002,251	2.4	2.4	(2,040)	(285,616)	0	5.19
Warehouse/Distribution	95,613,913	3.6	4.7	2,690,293	5,069,774	5,510,121	7.42
R&D/Flex	9,037,766	6.3	7.4	(38,970)	9,301	52,920	10.97

FIGURE 3: Notable Leases Q4 2023

Submarket	Property	Tenant	Transaction (SF)
St. Johns County	3800 Deerpark Blvd	KeHE Distributors	530,474
Northside	13470 International Pkwy	Mercedes Benz of North America	520,422
Northside	11801 Industry Dr	The Terminal Corporation	255,000
Southside	4911 Belfort Rd	Predator Group	52,920

Market Area Overview



ECONOMIC OUTLOOK

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation.

This backdrop will likely translate into the Fed only slowly lower its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

Survey Criteria: Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Clay, Duval and St Johns counties.

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