



JACKSONVILLE 4Q15 OFFICE MARKET

HEALTHY LEASING ACTIVITY AND A POSITIVE OUTLOOK

Jacksonville saw record leasing activity in 2015, its strongest performance since the current economic recovery period began in 2009. This resulted in a substantial reduction in vacancy rates from this time one year ago, facilitating a total net absorption of ±808,894 SF. Additionally, average asking rental rates continue to increase steadily across all submarkets, increasing 0.7% in this quarter and 3.5% from one year ago. These indicators, along with the recent sale of many of Jacksonville's major downtown office towers to other domestic entities, paints a positive outlook for Jacksonville's future.

Interest in Jacksonville as a regional hub continues to attract more companies to the area as the cost of business remains low, existing and new development opportunities are plentiful, and the quality of life afforded to employees is exceptional.

Key Indicators

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory	62MSF	62MSF	62MSF
Vacancy Rate	10.2%	9.9%	11.4%
Average Asking Rent	\$18.35	\$18.23	\$17.70
Under Construction	96,803	59,962	24,041

Market Analysis

Asking Rent and Vacancy



Significant Leasing Transactions

Tenant	Property	Submarket	Type	Size (SF)
S.E Grocers	8928 Freedom Commerce Pkwy	Southside	B	159,810
PHH Mortgage	8800 Baymeadows Way	Southside	A	93,226
Digital Risk *	8900 Freedom Commerce Pkwy	Southside	B	57,108
RP Funding *	8381 Dix Ellis Trl	Southside	B	26,500

Significant Sales Transactions

Property	Submarket	Type	Price	Price/ SF	Size (SF)
1301 Riverplace Blvd	Downtown	B	\$29.0 MM	\$58.14	498,808
245 Riverside Ave	Downtown	A	\$25.1 MM	\$185.53	135,286
4500 Salisbury Rd	JTB Corridor	B	\$12.0 MM	\$76.41	157,040
10739 Deerwood Park Blvd *	JTB Corridor	A	\$7.35 MM	\$167.12	43,980

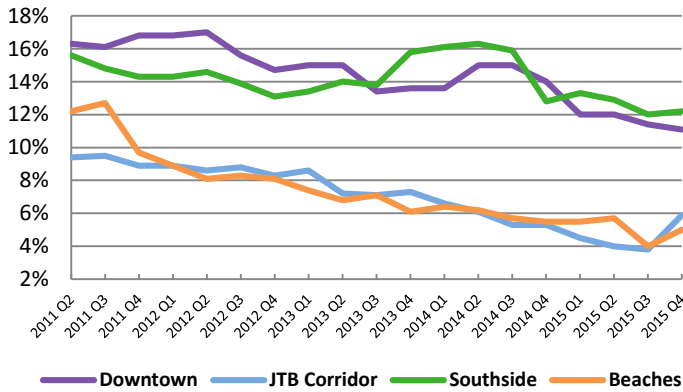
Jacksonville's office market vacancy rates are consistently lower than the national average (10.2% and 13.8%, respectively), coupled with that are lower asking rental rates than the national average (\$18.35 and \$28.93 PSF), respectively.

Given the city's lower rates, lower cost of living, and up-an coming metropolitan nature, there exists the potential that larger companies could source Jacksonville for their next office headquarters, consolidation, or relocation.

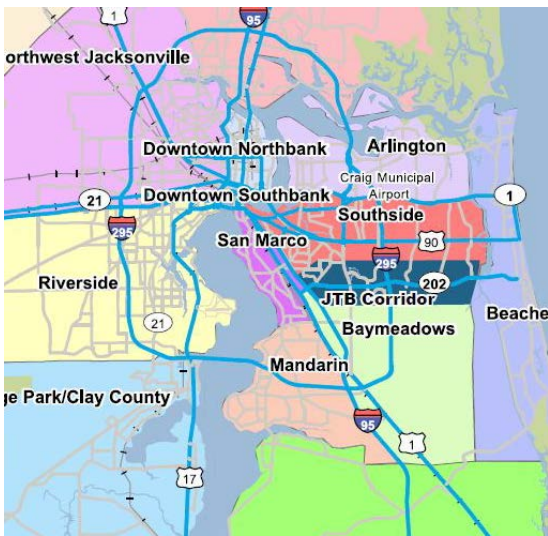
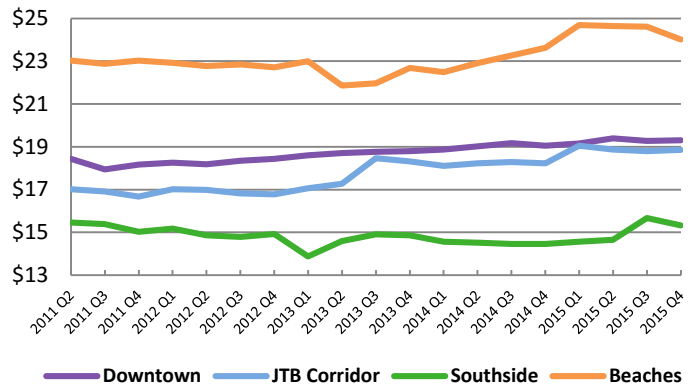
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SUBMARKET ANALYSIS

Vacancy Rates



Average Lease Rates (Gross)



Jacksonville Office Submarket Map

Vacancy rates continue their overall downward trend across all submarkets. There was, however, notable spaces that came on the market this year resulting in short-term negative absorption. Ceva Logistics vacated 51,000 SF at 10751 Deerwood Park Blvd. Citizen's Property Insurance Corporation moved out of 40,000 SF at 8120 Nations Way in favor of a consolidated location at the Everbank Center, Downtown; signing a 10-year \$41.6 MM, 236,250 SF lease in early 2015. Additionally, Baptist Health moved out of 34,200 SF at 3563 Philips Highway.

Those move-outs were countered by notable move-ins including the aforementioned Citizens Property Insurance Corporation move, Kemper Independence Insurance Agency moving into 82,107 SF at 12926 Gran Bay Parkway, Southeastern Grocers Leased 159,810 SF at 8928 Freedom Commerce Parkway, and Deutsche Bank leased 150,000 SF at 5201 gate Parkway

Overall, the Jacksonville Office market continues to observe decreases in vacancy rates and slight increases in asking rental rate, altogether indicating a positively trending market. With continued decline in available space and positive economic growth forecasted, we expect to continue to see rental rates climb slowly, vacancy rates continue to decline, and new space to develop to complement current projects underway at 2013 Fort Wade Rd. (62,751 SF) and 7768 Ozark Drive (24,000 SF).

Key Submarket Statistics

Submarket	Total Inventory (SF)	Total Vacancy (SF)	Vacancy Rate (%)	YTD Net Absorption	YTD Deliveries (SF)	Under Construction (SF)	Average Asking Rent (Price/SF)
Downtown	16,091,679	1,786,176	11.1%	441,879	0	0	\$ 19.31
JTB Corridor	11,169,411	658,995	5.9%	-69,655	0	0	\$ 18.86
Southside	3,928,104	472,789	12.0%	29,258	0	0	\$ 15.33
Beaches	3,014,722	135,033	4.5%	30,058	20,718	67,303	\$ 24.02
Total	62,428,556	6,341,003	10.2%	808,894	56,466	96,803	\$ 18.35



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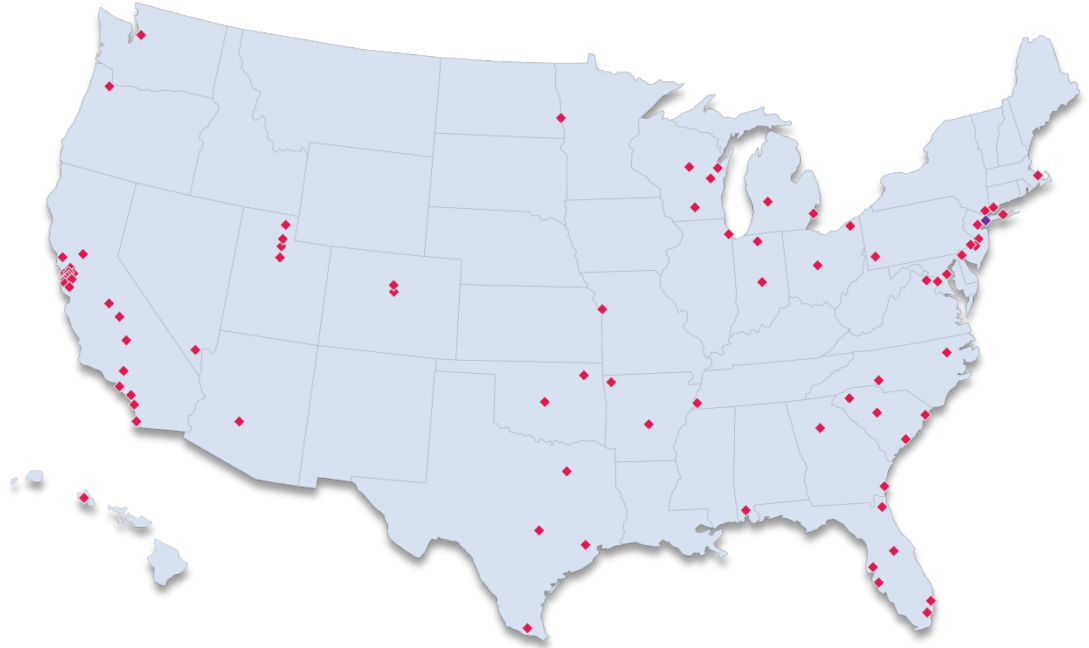
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Newmark Grubb Knight Frank United States Office Locations



Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

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