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YOUNG

Jacksonville market fundamentals

FLORIDA INDUSTRIAL INSIGHT REPORT
Q2 2021

Key industrial takeaways



Economic conditions

- Jacksonville’s pivotal location as a logistics hub, coupled with the proximity of a major regional deep-water port, have contributed to a steadily falling unemployment rate, currently **4.2%**, which is down 730 basis points from the height of the pandemic.
- Oxford Economics projects that Jacksonville is expected to see job growth of **3.2%** in 2021, 2.7% in 2022, and should recover all of its lost jobs in Q3 2021.
- Jacksonville’s GDP has grown at a faster rate than that of the U.S. and it is expected to outpace its Florida peers.



Recovery rate

- Florida was ranked **#4** in a WalletHub study of the top U.S. states for their rates of recovery, with industries gaining the most jobs over the year including leisure and hospitality, professional and business services, and trade, transportation and utilities.
- A major project to deepen the harbor at the Port of Jacksonville in order to accommodate larger container ships traveling through the Panama Canal is expected to be complete before the end of 2022, 3 years ahead of schedule.



Industrial demand

- Leasing activity has been sustained throughout the pandemic, and currently totals **+59.8%** of all volume recorded in 2020.
- Significant leasing transactions during Q2 include Cra-Z-Art’s lease for **315,840 sf** at Imeson Industrial Park in the Northside submarket and Carparts.com taking 179,970 sf at Crossroads Distribution Center. Both properties are currently under construction and scheduled to deliver before the end of the year and will therefore have a positive impact on net absorption for 2021.

Key industrial takeaways



Industrial supply

- As logistics requirements and e-commerce needs forge ahead in Jacksonville, developers continue search for prime sites to stay ahead of demand. There are currently 11 industrial properties under construction totaling **3.5 million sf**, 6 of which are situated in the Westside submarket.
- Developers are attracted to Jacksonville in large part due to the area's logistics infrastructure, including the growth of the port, and its pivotal location in the Southeast.
- Total vacancy currently totaling **5.0%**, which is the second lowest in Florida behind Miami.



Pricing trends

- Base rents have increased by **11.6%** since the start of the pandemic and have generally remained on an upward trajectory for the last decade.
- Healthy demand and tightening leasing fundamentals have led to rental rate growth, with 4 of the past 6 years recording healthy increases in asking base rents following a year where **1+ million sf** delivered.



Capital markets

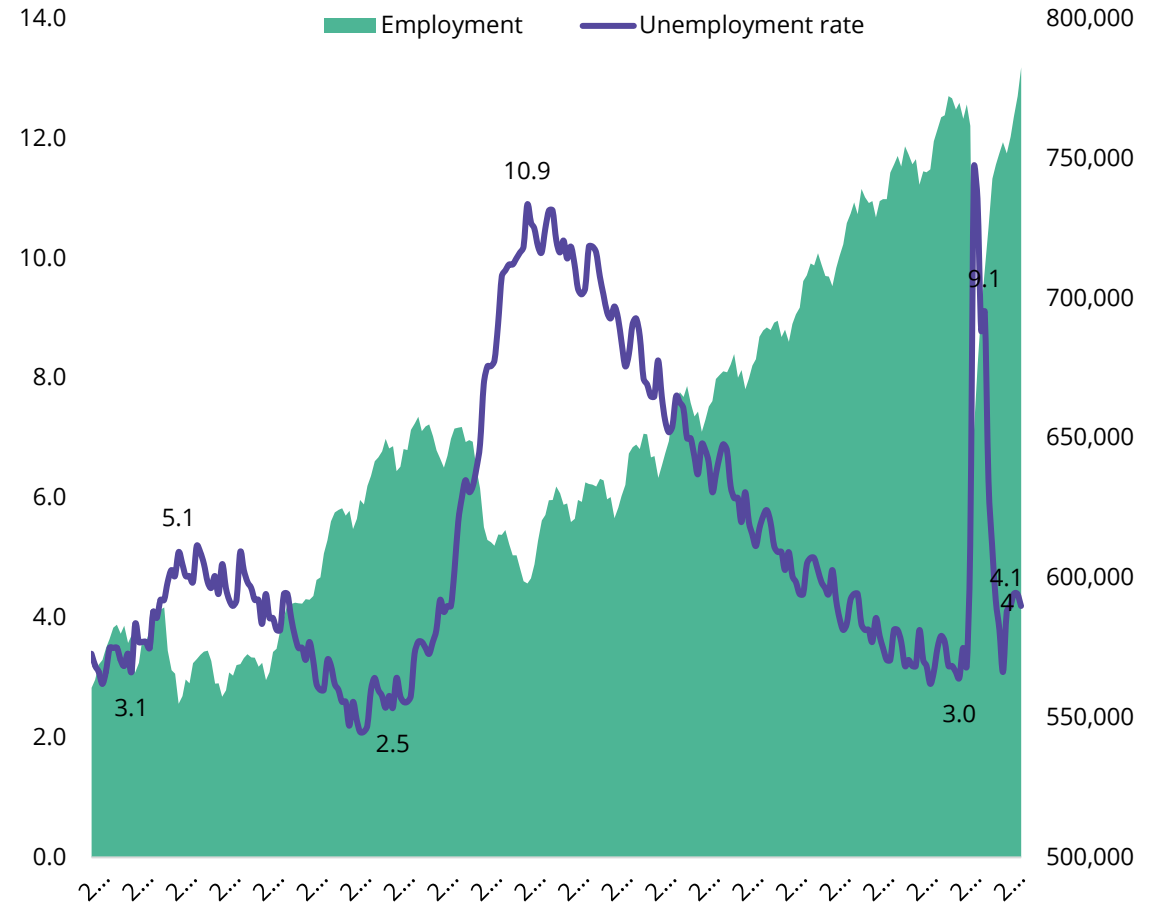
- Jacksonville's industrial investment activity has been healthy, totaling **\$680.8M** since 2020 as investors are attracted to the sector's strong post-pandemic fundamentals.
- Pricing for Jacksonville industrial assets has risen incrementally since 2016, with a marked uptick during Q1 2020 - Q3 2020, as an influx of investors continue to seek properties that can accommodate the rise of e-commerce distribution.

Employment and unemployment rate

4.2%

Jacksonville unemployment rate as of May 2021, down 730 bps since the record high reached in April 2020

Historically tightened labor market conditions were halted by the pandemic with nearly 118,000 job losses between February and April 2020. However, reopening efforts have enabled the economy to add nearly 131,000 jobs since then.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Property type job gains and losses

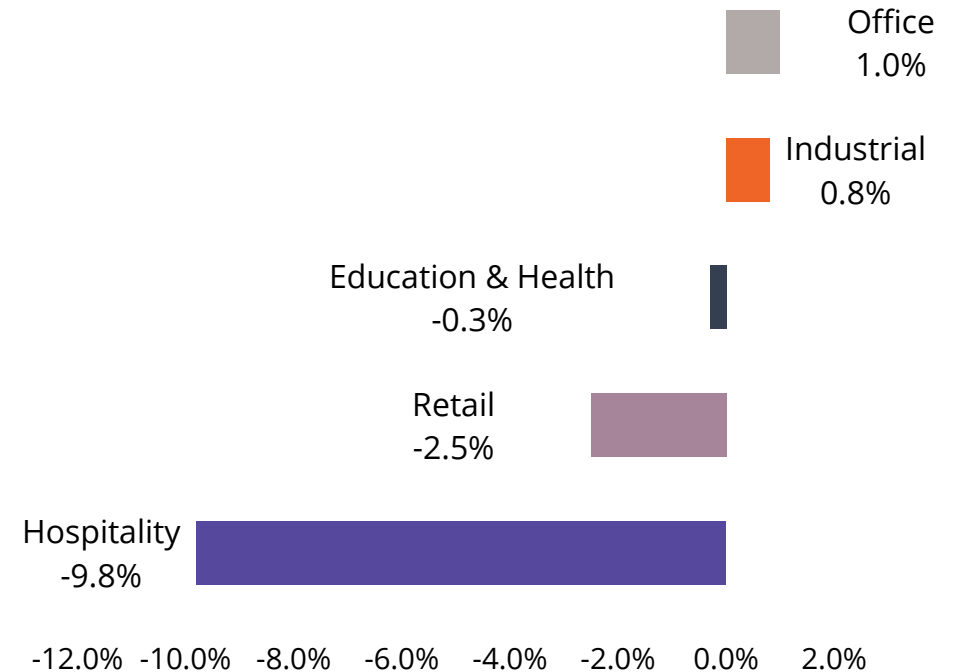
-1.0%

Change in total employment during the pandemic

The Jacksonville metro area has lost 1.0% of its total labor force since the pandemic began, the vast majority of which has occurred in the hospitality sector, although the industrial and office sectors have reported job gains over the same period.

Total change in Jacksonville MSA* job gains/(losses)

February 2020 to May 2021



Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

+0.8%

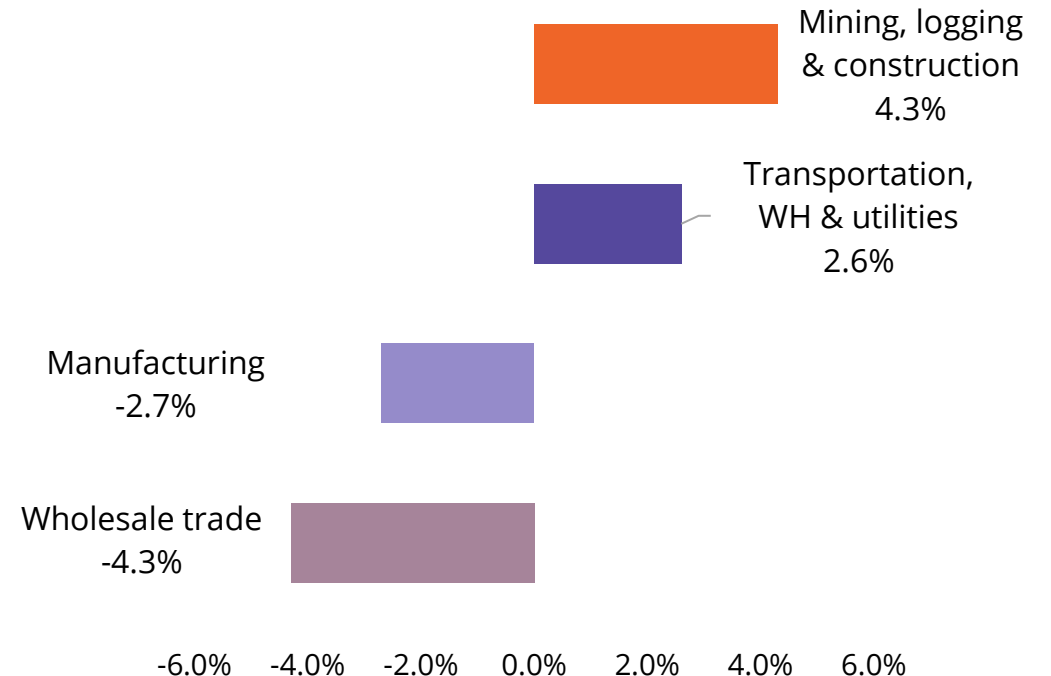
Change in industrial employment during the pandemic

Jacksonville MSA job losses have declined slightly since the start of the pandemic, though industrial jobs have reported gains of 0.8%. This recession's impact on the industrial labor market has been considerably less severe than the global financial crisis, when total job losses hit 17.4%.

[VIEW DASHBOARD](#)

Total change in Jacksonville MSA* job gains/(losses)

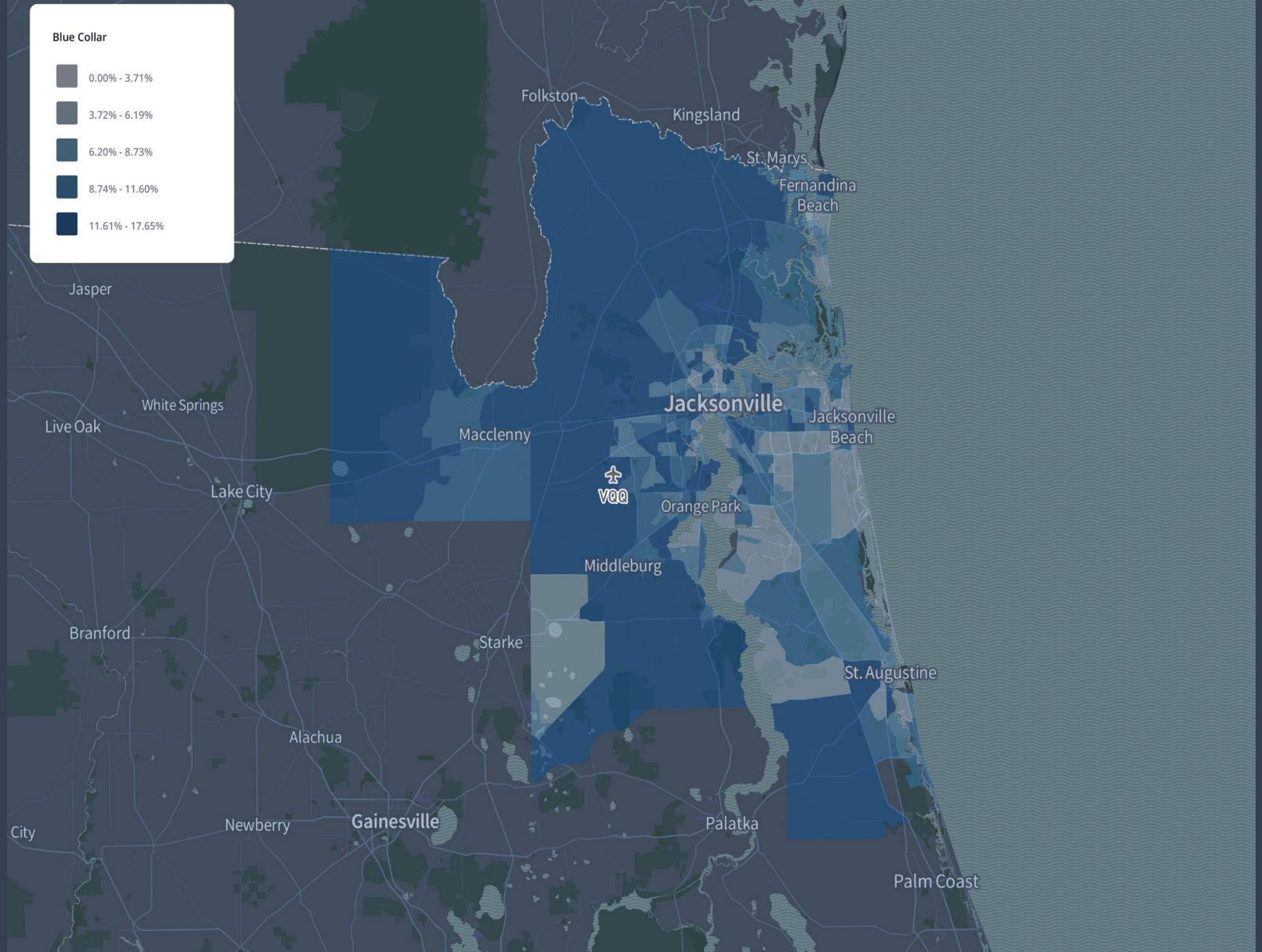
February 2020 to May 2021



Note: Not seasonally adjusted data. *Metropolitan statistical area.
Source: Bureau of Labor Statistics

Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI
Large pockets of blue-collar workforce are found
throughout Jacksonville's largest industrial submarkets.

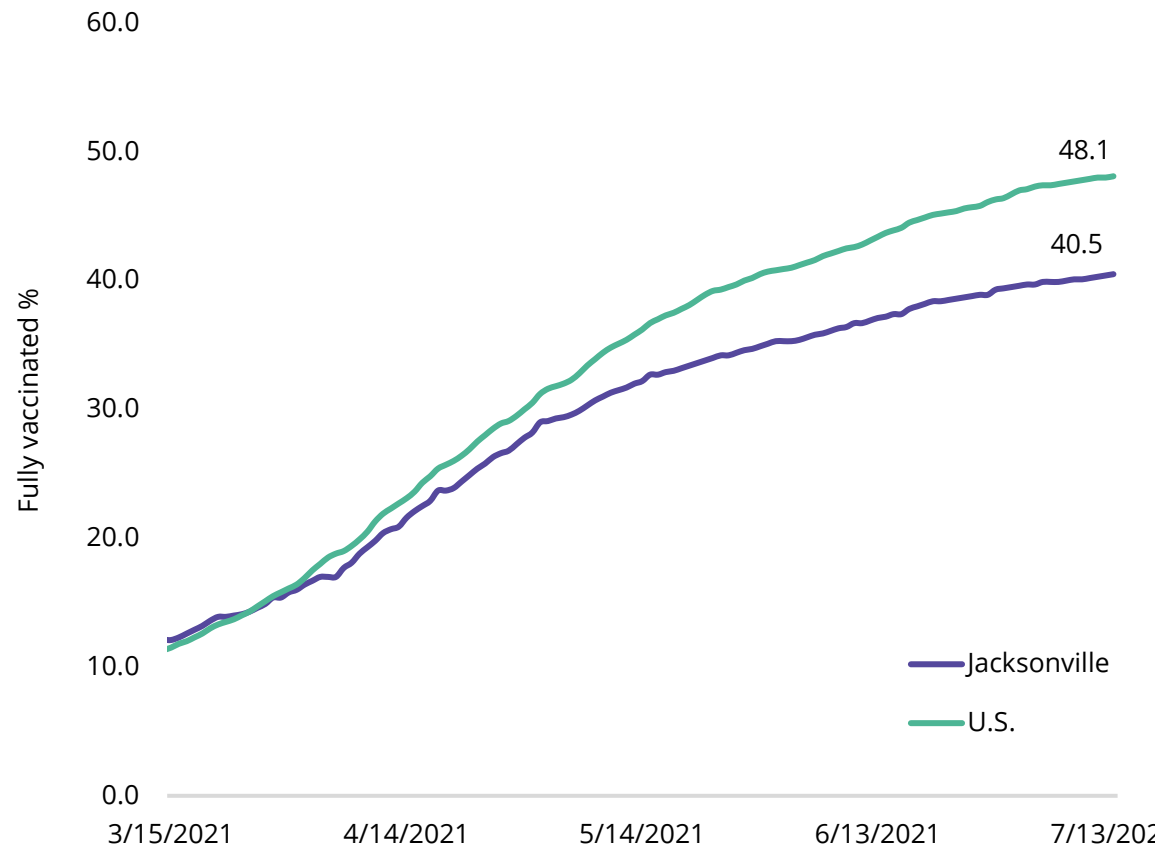


Vaccination rates

40.5%

Share of total Jacksonville population that is fully vaccinated

While the data seems to indicate that the proportionate vaccination rate for Jacksonville lags the U.S. average, it only covers which residents got vaccinated in the county in which they reside. As many traveled to adjacent counties, exact numbers are difficult to determine.



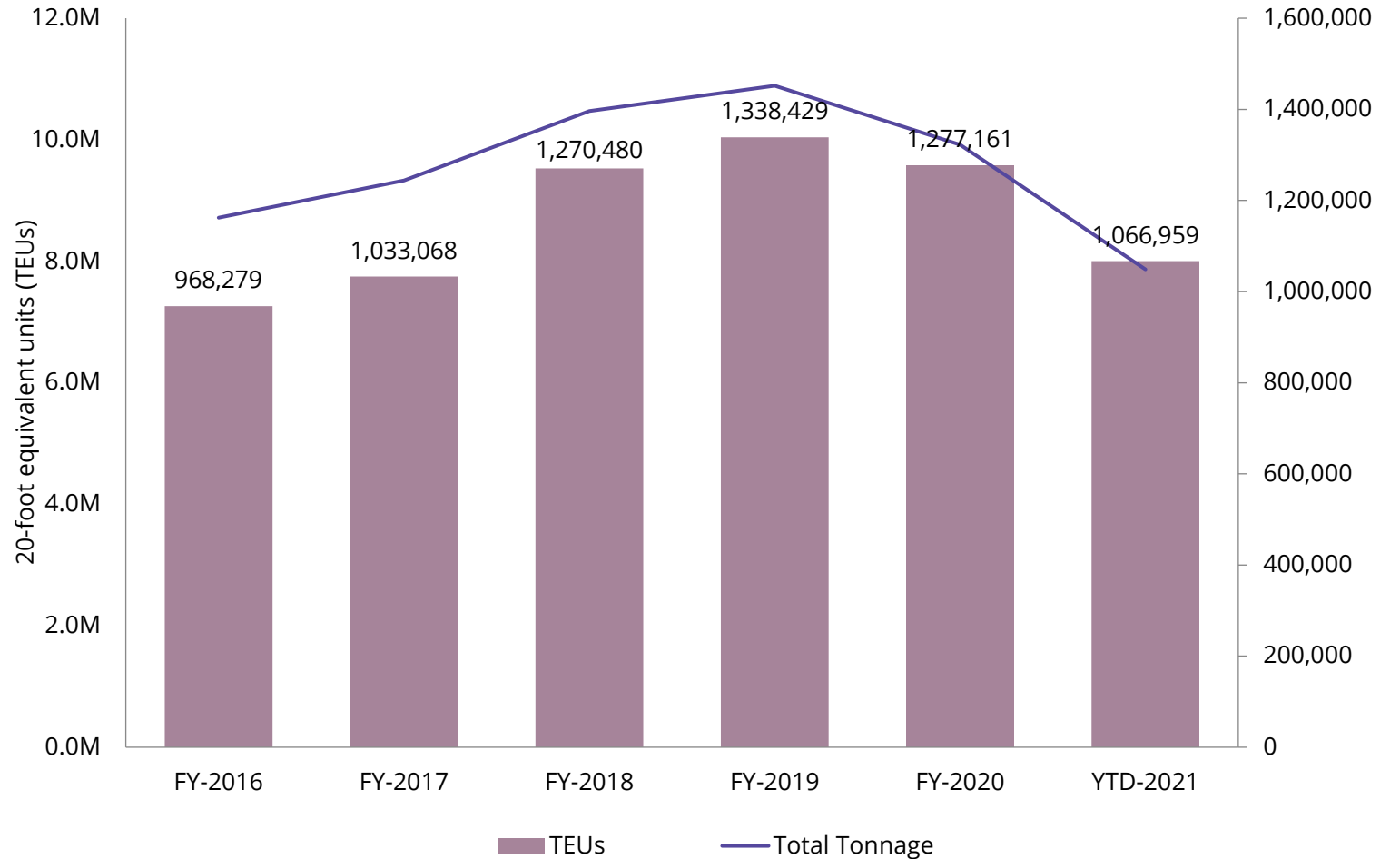
Source: CDC

Port of Jacksonville total cargo volume

1.1 M

TEUs for YTD-2021

Although cruise ship sailings have largely halted since the spring of 2020, the Port of Jacksonville (JAXPORT) has recorded brisk business during 2021 with 3 months left to go in its fiscal year. JAXPORT set a port record for container volumes in May, with total container movements increasing 37% over the same month in 2020.



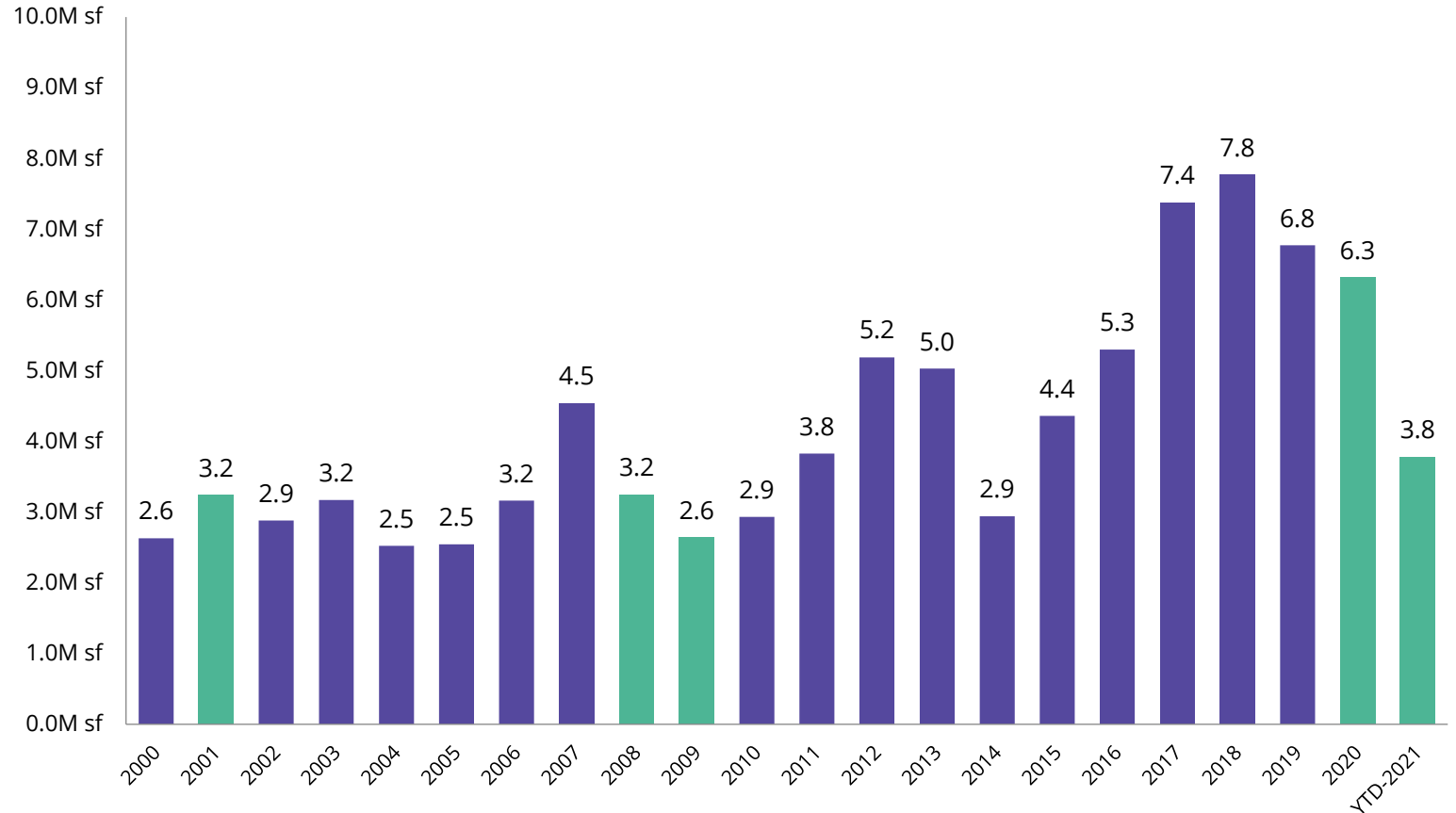
Source: Port of Jacksonville

Industrial leasing activity

59.8%

**Year-to-date 2021
leasing activity
compared to YE-2020**

Leasing activity has been strong through 2Q 2021, following on the heels of 6 straight years of strong leasing that collectively averaged 6.3 sf per year.



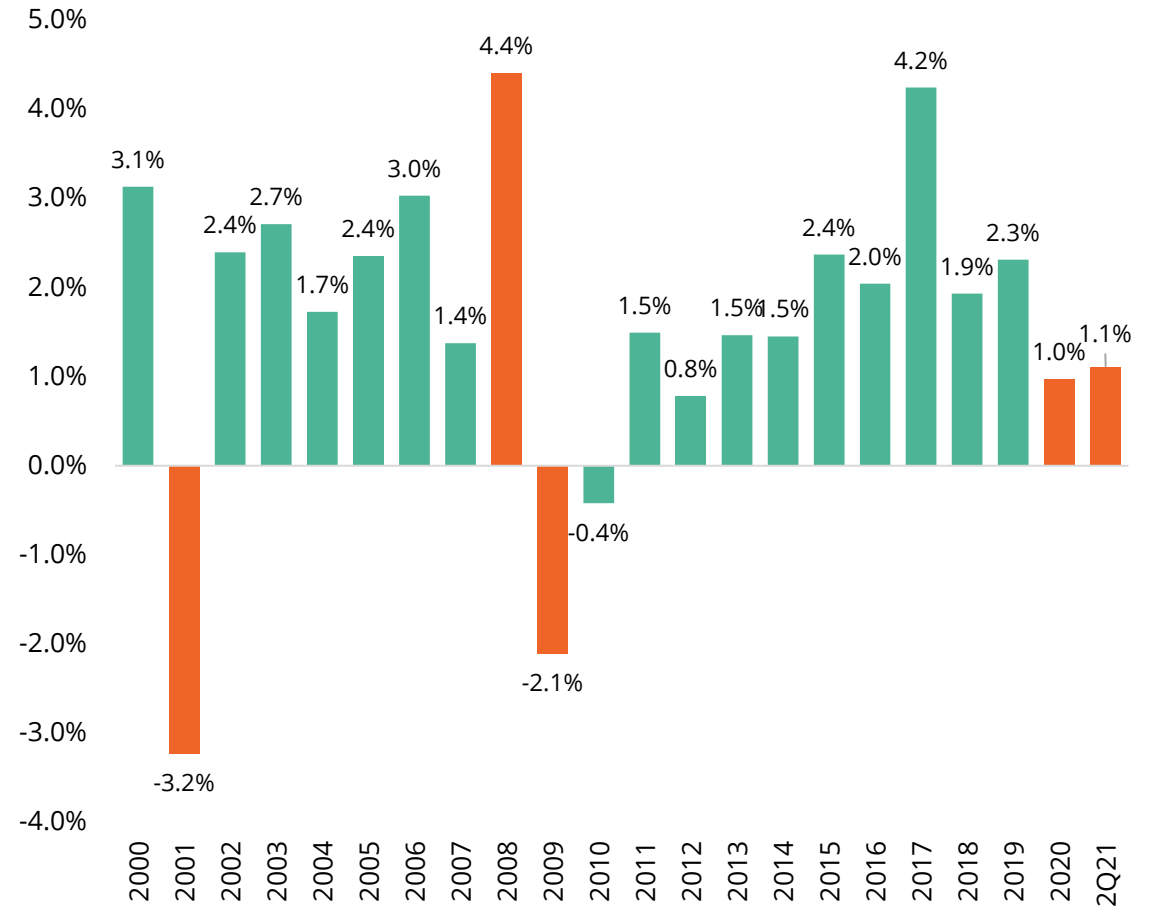
Note: Green represents recession years.
Source: CoStar.

Industrial net absorption

2.1%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Absorption through mid-year remains healthy and has already eclipsed the total net absorption recorded in 2020. Totaling 1.3 million sf as of Q2 2021, absorption for this year is on pace to match 2019 performance, which was aided by the steady lease up of recently delivered distribution space.



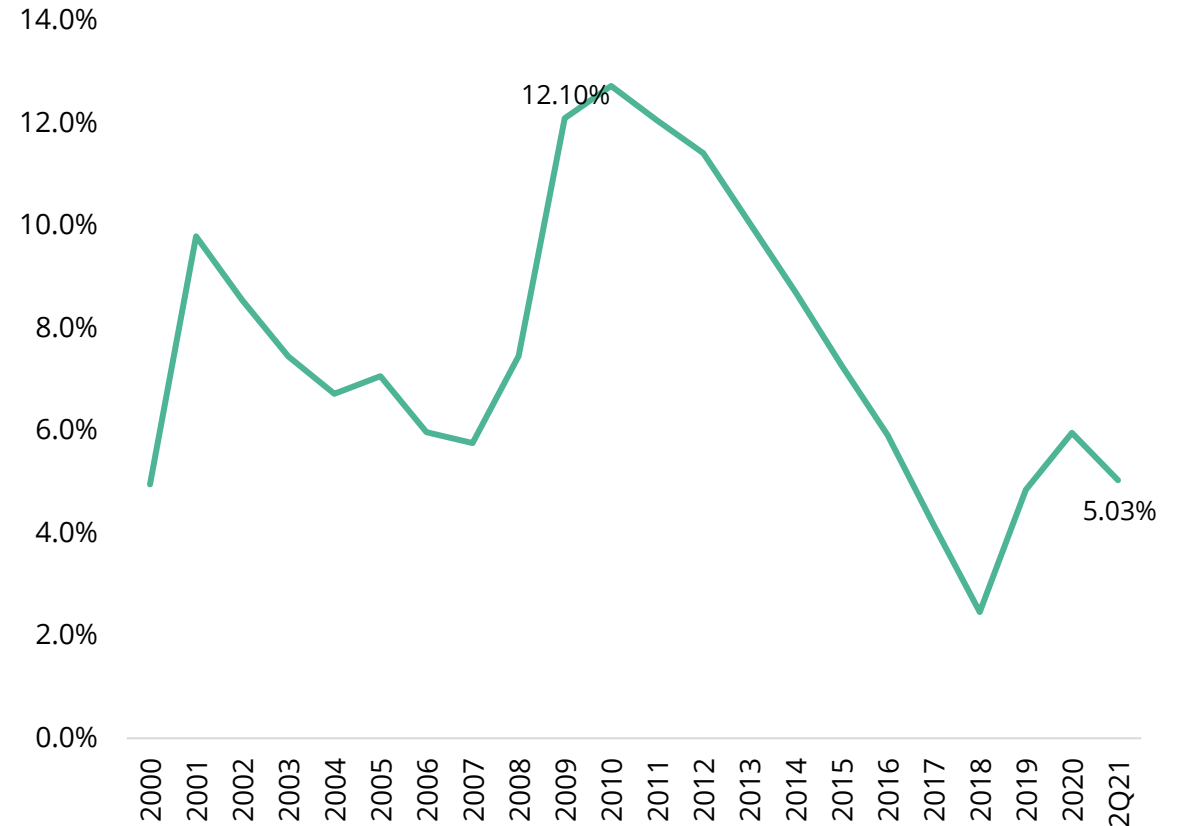
Note: Absorption is measured as the year-over-year change in occupied square feet. Orange represents recession years. Source: CoStar

Industrial vacancy rate

5.3%

Total vacancy in Jacksonville is only 20 basis points short of YE-2019

The Q2 2021 total vacancy rate of 5.0% reflects the lowest rate recorded since 2019, and the fourth lowest in the previous 20-year period. Only the period from 2017 to 2019—when inventory grew dramatically by 5.6 million sf—reported lower total vacancy rates.



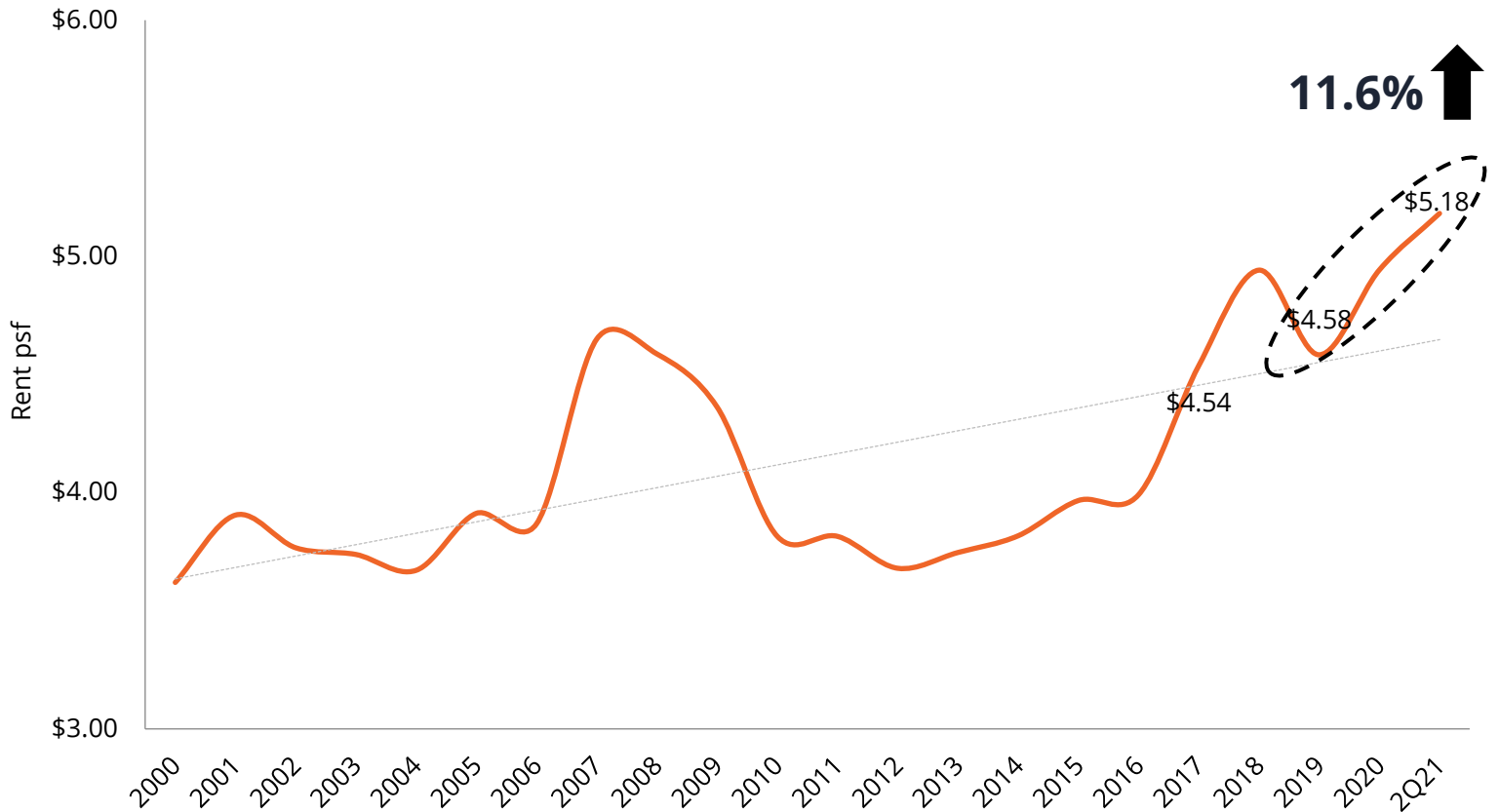
Source: CoStar

Base rents

+ 11.6%

Base asking rents since the onset of the pandemic

Base asking rents, which have grown by 11.6% since the beginning of the pandemic and by 6.6% over the last quarter alone, have risen by 24.5% over the last two decades, underscoring how much industrial demand has increased in Jacksonville.



Source: AVANT by Avison Young

Big-box demand drives construction

48 properties

Proposed or under construction

22.7 msf

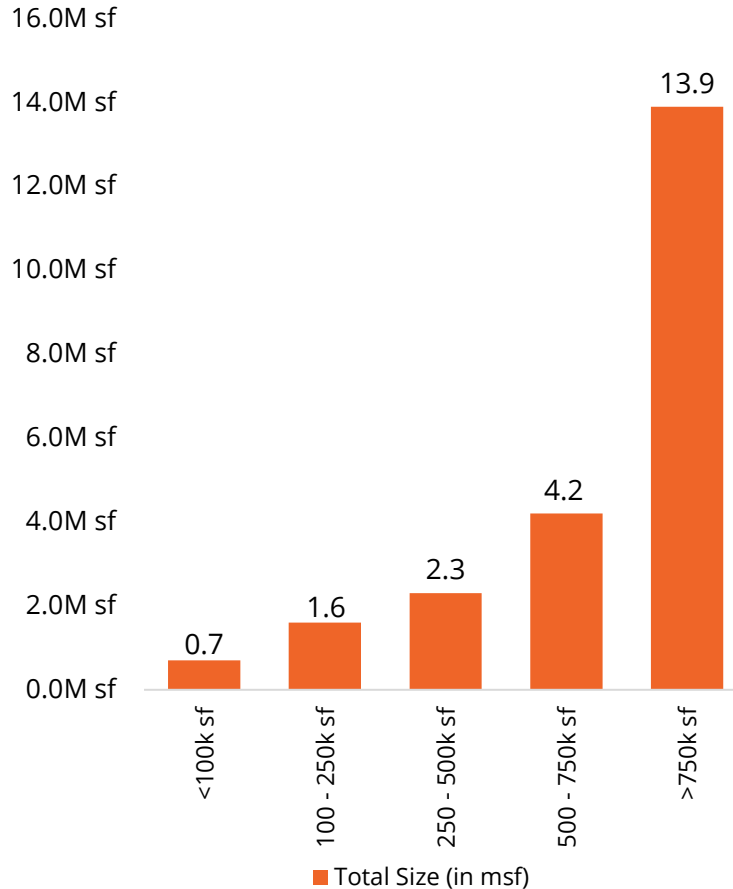
Proposed or under construction

7.8%

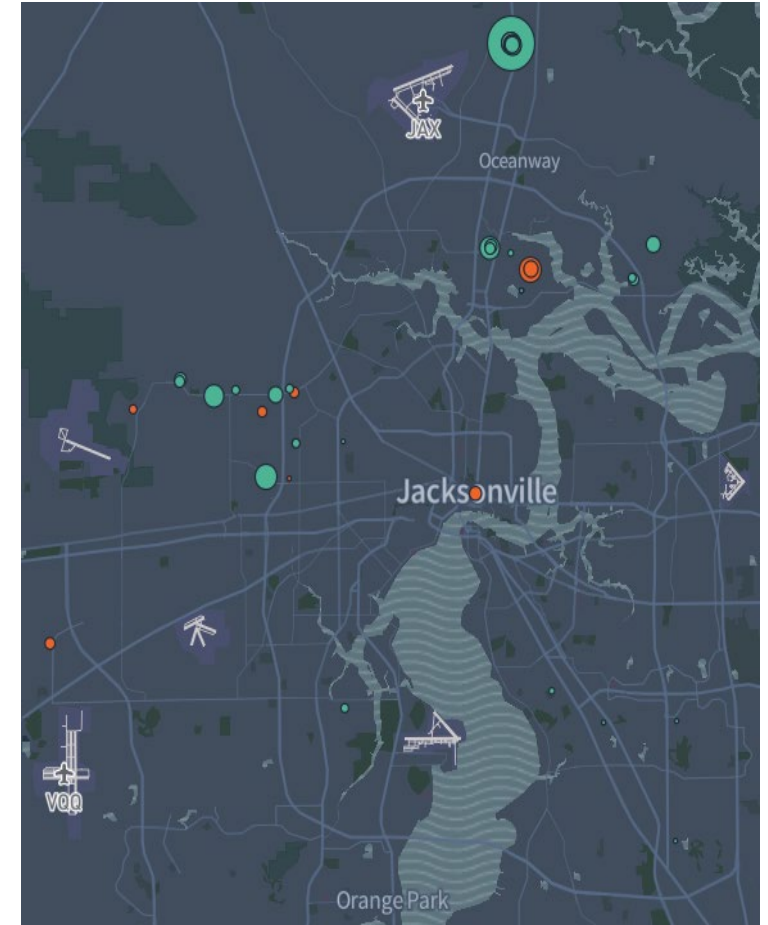
Share of industrial inventory

Westside

Submarket with the most projects under construction at 6



Source: AVANT by Avison Young



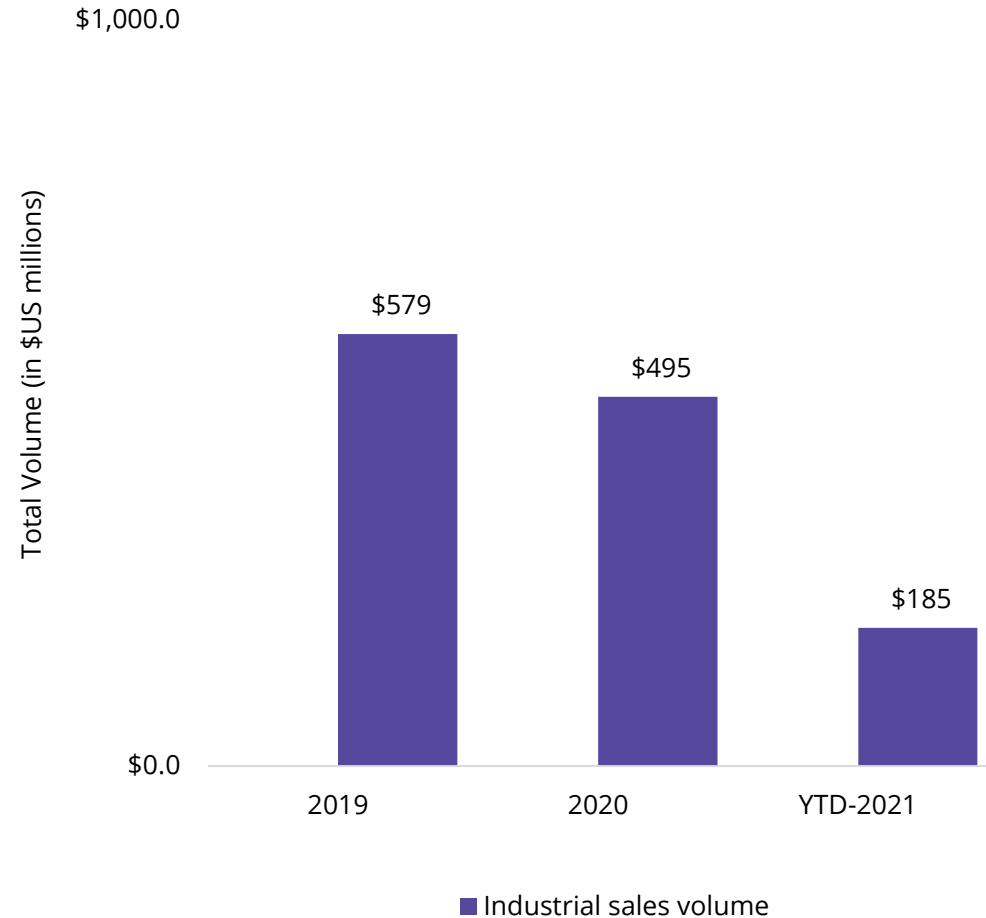
● Under construction ● Proposed

Investment dollar volume

\$680.8M

Industrial dollar volume, 2020 to Q2 2021

While total industrial investment sales activity in Jacksonville has been somewhat muted, sales volume for the trailing 18-month period ending June 2021 well exceeds pre-pandemic activity from 2019.



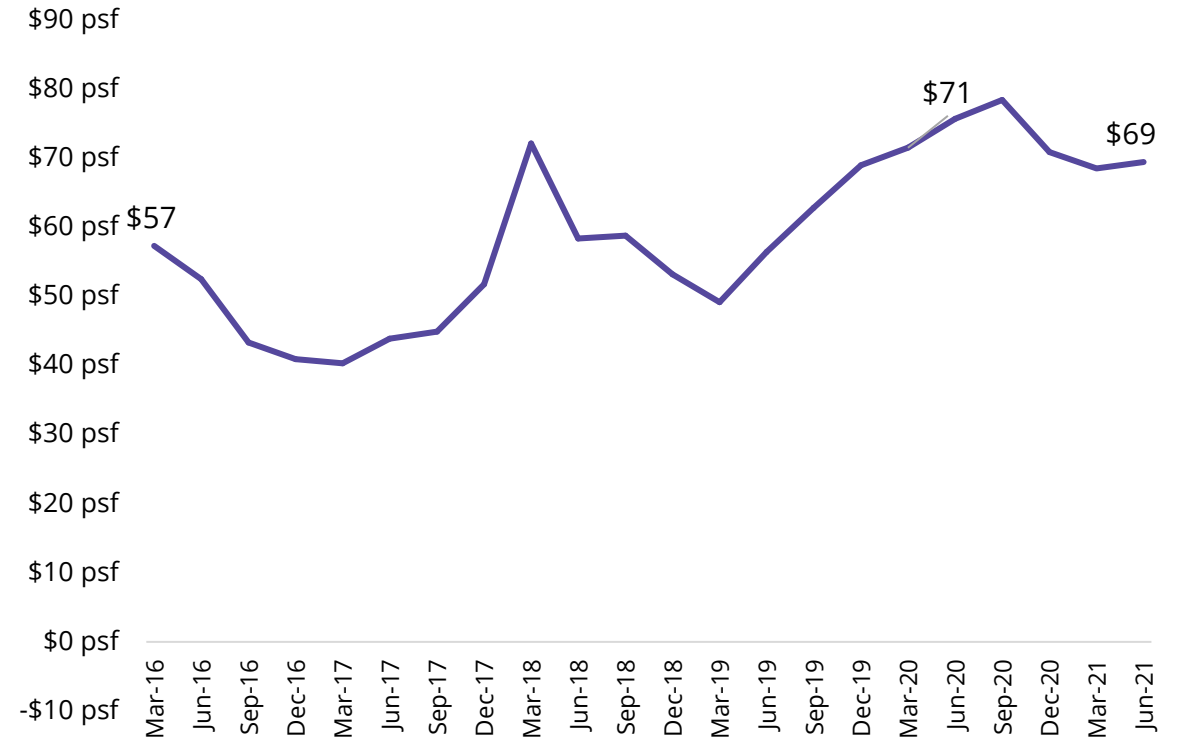
Source: AVANT by Avison Young
RCA

Industrial asset pricing

-2.9%

Jacksonville industrial pricing, March 2020 to June 2021

Pricing for Jacksonville industrial assets has risen incrementally since 2016, with a marked uptick during Q1 2020 - Q3 2020, as an influx of investors continue to seek properties that can accommodate the rise of e-commerce distribution. Pricing for the current quarter is in line with performance at the end of 2019.



Source: AVANT by Avison Young
RCA



Here's what we can expect

- CT Realty, in a joint venture with Diamond Realty Investments, is planning a massive 250-acre, 3.2 million-sf distribution complex on the Westside called Florida Gateway Logistics Center. The company's initial development plans call for 3 buildings together comprising 1.7 million sf although the site is planned for a total 6. One of the first buildings will be able to accommodate a **1 million-sf user**, and the project is one of the biggest speculative distribution projects in the state of Florida.
- **Logistics, transportation and construction** will continue to drive leasing activity as the impact of e-commerce deepens.
- **Industrial leasing demand has been strong** and will likely remain so for the balance of 2021, and while an increase in speculative construction will provide options for industrial occupiers it is unlikely to shift leverage towards tenants given the market's strong fundamentals.
- Solid leasing fundamentals have driven investment interest to industrial, and **e-commerce penetration** will continue to reinforce the need for last-mile facilities near the core of Jacksonville's population.



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Let's talk

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