

Jacksonville's Vacancy Increases to 9.8%

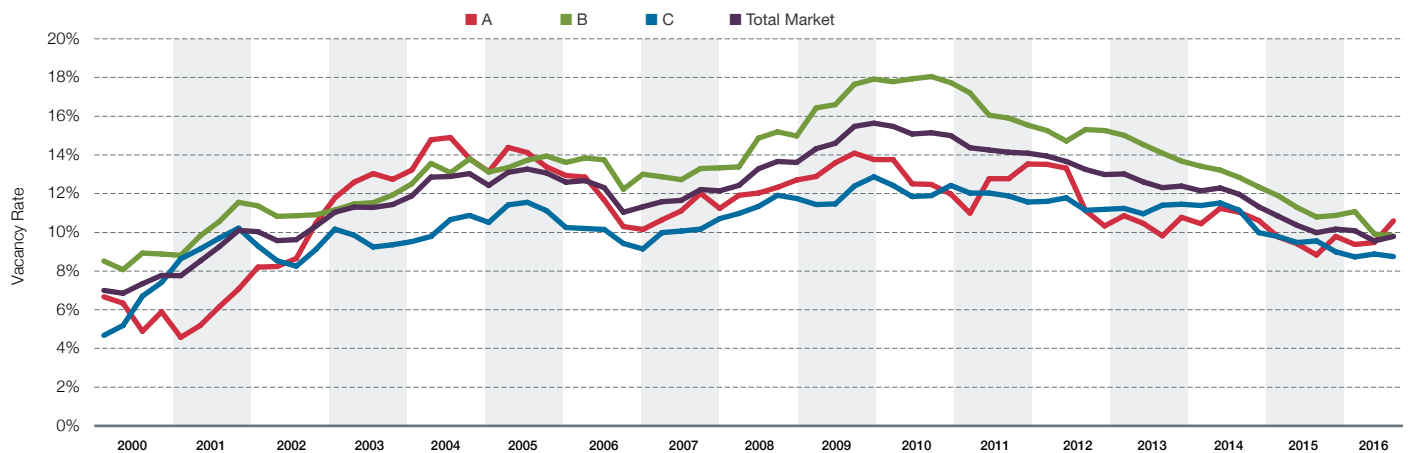
Net Absorption Negative (61,166) SF this Quarter



Market Overview

The Jacksonville Office market ended the third quarter 2016 with a vacancy rate of 9.8%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (61,166) SF in the third quarter. Vacant sublease space increased in the quarter, ending the quarter at 198,751 SF. Rental rates ended the third quarter at \$18.50, an increase over the previous quarter. A total of four buildings delivered to the market in the quarter totaling 84,361 SF, with 98,752 SF still under construction at the end of the quarter.

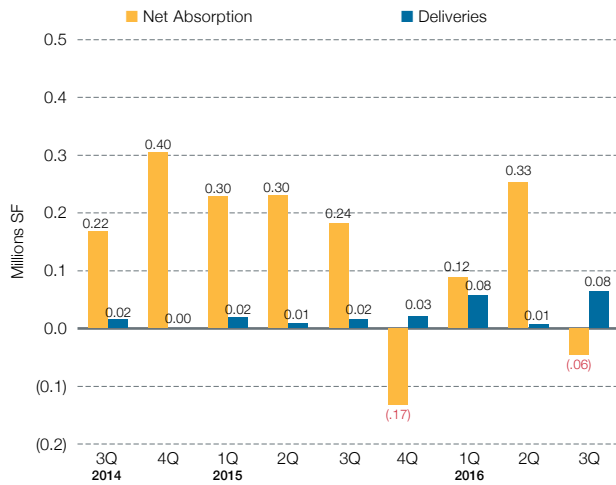
Vacancy Rates by Class



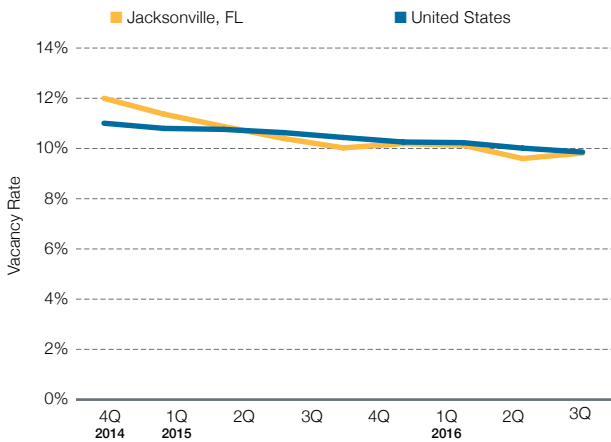
6675 Corporate Center Parkway, Suite 100
Jacksonville, Florida 32216
+1 904 363 9002

naihallmarkpartners.com

Absorption & Deliveries



U.S. Vacancy Comparison



Total Jacksonville Office Market Statistics

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Arlington	206	1,591,768	130,620	132,776	8.3%	22,279	0	0	\$15.03
Baker County	31	112,612	24,091	24,091	21.4%	2,000	0	0	\$12.81
Beaches	364	3,078,902	201,935	201,935	6.6%	11,949	77,851	4,552	\$24.31
Butler/Baymeadows	265	9,961,098	1,008,392	1,047,119	10.5%	433,756	24,000	0	\$18.81
Downtown Northbank	343	13,080,797	1,607,944	1,613,171	12.3%	(70,023)	0	0	\$19.33
Downtown Southbank	139	3,017,680	190,819	199,569	6.6%	42,977	0	0	\$21.61
Mandarin	268	2,446,314	160,362	162,687	6.7%	10,815	10,060	10,000	\$16.88
Nassau County	230	1,160,461	74,059	75,864	6.5%	10,340	0	0	\$20.99
Northeast Jacksonville	71	837,740	83,653	83,653	10.0%	96,968	46,014	30,000	\$13.33
Northwest Jacksonville	179	1,163,705	42,924	144,924	12.5%	(91,702)	0	35,200	\$14.56
Orange Park/Clay County	384	2,988,735	370,469	372,469	12.5%	(19,363)	0	0	\$19.40
Riverside	601	2,857,055	165,136	166,436	5.8%	75,692	0	0	\$17.51
San Marco	246	2,025,571	205,223	205,223	10.1%	(1,309)	0	0	\$16.18
Southside	711	15,787,183	1,507,355	1,541,816	9.8%	(149,683)	0	19,000	\$18.01
St Johns County	429	2,946,667	221,771	221,771	7.5%	13,420	9,500	0	\$18.87
Totals	4,467	63,056,288	5,994,753	6,193,504	9.8%	388,116	167,425	98,752	\$18.50

Vacancy

The office vacancy rate increased to 9.8% at the end of the third quarter 2016. The vacancy rate was 9.6% at the end of the second quarter 2016, 10.1% at the end of the first quarter 2016, and 10.2% at the end of the fourth quarter 2015.

Net Absorption

Net absorption was negative (61,166) SF in the third quarter 2016. That compares to positive 333,458 SF in the second quarter 2016, positive 115,824 SF in the first quarter 2016, and negative (173,412) SF in the fourth quarter 2015.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$18.50 per SF per year at the end of the third quarter 2016. This represented a 0.5% increase in quoted rental rates from the end of the second quarter 2016, when rents were reported at \$18.40 per SF.

Construction Activity

During the third quarter 2016, four buildings totaling 84,361 SF were completed. There were 98,752 SF of office space under construction at the end of the third quarter 2016.

Class A Market Statistics

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Arlington	0	0	0	0	0.0%	0	0	0	\$0.00
Baker County	0	0	0	0	0.0%	0	0	0	\$0.00
Beaches	8	473,751	98,979	98,979	20.9%	10,702	62,751	0	\$25.65
Butler/Baymeadows	15	1,920,202	282,524	308,109	16.0%	63,861	24,000	0	\$22.88
Downtown Northbank	13	5,533,469	708,345	713,572	12.9%	(69,434)	0	0	\$21.04
Downtown Southbank	6	1,965,405	136,889	143,389	7.3%	37,954	0	0	\$22.09
Mandarin	0	0	0	0	0.0%	0	0	0	\$0.00
Nassau County	0	0	0	0	0.0%	0	0	0	\$0.00
Northeast Jacksonville	1	46,014	0	0	0.0%	46,014	46,014	0	\$0.00
Northwest Jacksonville	0	0	0	0	0.0%	0	0	0	\$0.00
Orange Park/Clay County	3	245,066	0	0	0.0%	0	0	0	\$0.00
Riverside	0	0	0	0	0.0%	0	0	0	\$0.00
San Marco	0	0	0	0	0.0%	0	0	0	\$0.00
Southside	50	6,611,663	459,832	483,633	7.3%	(98,726)	0	0	\$22.05
St Johns County	4	306,840	71,465	71,465	23.3%	(7,868)	0	0	\$17.69
Totals	100	17,102,410	1,758,034	1,819,147	10.6%	(17,497)	132,765	0	\$21.82

Class B Market Statistics

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Arlington	33	716,068	88,891	91,047	12.7%	14,585	0	0	\$15.68
Baker County	8	25,942	0	0	0.0%	0	0	0	\$0.00
Beaches	163	1,664,351	63,174	63,174	3.8%	16,754	15,100	4,552	\$25.50
Butler/Baymeadows	174	7,272,731	621,224	634,366	8.7%	360,136	0	0	\$17.84
Downtown Northbank	108	6,085,682	726,231	726,231	11.9%	(3,286)	0	0	\$17.21
Downtown Southbank	16	604,472	8,925	8,925	1.5%	2,302	0	0	\$18.57
Mandarin	155	1,766,104	116,392	118,717	6.7%	16,294	10,060	10,000	\$16.90
Nassau County	95	491,911	48,075	49,880	10.1%	9,696	0	0	\$21.86
Northeast Jacksonville	28	565,176	28,962	28,962	5.1%	48,204	0	30,000	\$15.81
Northwest Jacksonville	27	612,964	20,300	122,300	20.0%	(89,916)	0	35,200	\$14.85
Orange Park/Clay County	173	1,612,916	278,762	280,762	17.4%	(20,125)	0	0	\$20.29
Riverside	137	1,006,513	39,347	39,347	3.9%	28,038	0	0	\$16.90
San Marco	59	1,067,586	125,904	125,904	11.8%	8,107	0	0	\$16.82
Southside	270	5,874,265	678,996	688,808	11.7%	(44,445)	0	19,000	\$16.30
St Johns County	309	2,262,873	136,038	136,038	6.0%	24,698	9,500	0	\$19.09
Totals	1,755	31,629,554	2,981,221	3,114,461	9.8%	371,042	34,660	98,752	\$17.57

Class C Market Statistics

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Arlington	173	875,700	41,729	41,729	4.8%	7,694	0	0	\$13.39
Baker County	23	86,670	24,091	24,091	27.8%	2,000	0	0	\$12.81
Beaches	193	940,800	39,782	39,782	4.2%	(15,507)	0	0	\$20.47
Butler/Baymeadows	76	768,165	104,644	104,644	13.6%	9,759	0	0	\$15.50
Downtown Northbank	222	1,461,646	173,368	173,368	11.9%	2,697	0	0	\$15.53
Downtown Southbank	117	447,803	45,005	47,255	10.6%	2,721	0	0	\$20.44
Mandarin	113	680,210	43,970	43,970	6.5%	(5,479)	0	0	\$16.78
Nassau County	135	668,550	25,984	25,984	3.9%	644	0	0	\$19.81
Northeast Jacksonville	42	226,550	54,691	54,691	24.1%	2,750	0	0	\$10.94
Northwest Jacksonville	152	550,741	22,624	22,624	4.1%	(1,786)	0	0	\$12.39
Orange Park/Clay County	208	1,130,753	91,707	91,707	8.1%	762	0	0	\$17.02
Riverside	464	1,850,542	125,789	127,089	6.9%	47,654	0	0	\$17.71
San Marco	187	957,985	79,319	79,319	8.3%	(9,416)	0	0	\$15.38
Southside	391	3,301,255	368,527	369,375	11.2%	(6,512)	0	0	\$14.89
St Johns County	116	376,954	14,268	14,268	3.8%	(3,410)	0	0	\$20.79
Totals	2,612	14,324,324	1,255,498	1,259,896	8.8%	34,571	0	0	\$15.97

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Our Brokerage Team



Keith Goldfaden
+1 904 363 9002
kg@naihallmarkpartners.com



Christian Harden
+1 904 404 4449
ch@naihallmarkpartners.com



Patrick Thornton
+1 904 404 4454
pt@naihallmarkpartners.com



Bryan J. Mickler
+1 904 404 4452
bjm@naihallmarkpartners.com



Carmen Mantay
+1 904 404 4450
cm@naihallmarkpartners.com



Daniel Burkhardt
+1 904 404 4455
db@naihallmarkpartners.com

NAI Hallmark Partners

Commercial Real Estate Services, Worldwide.

6675 Corporate Center Parkway, Suite 100
Jacksonville, Florida 32216
+1 904 363 9002
naihallmarkpartners.com