

MARKETBEAT INDUSTRIAL SNAPSHOT



JACKSONVILLE, FLORIDA

A Cushman & Wakefield Research Publication

Q1 2014



ECONOMIC OVERVIEW

The unemployment rate for the Jacksonville metro area was 6.2% in March 2014. The rate dropped one percentage point from this time last year and was two-tenths of a percentage points lower than the statewide rate of 6.4%.

Jacksonville's employment base has grown 3.2% from a year ago, led by strong gains in professional/business services, leisure/hospitality industry sectors. Additionally, Jacksonville continued to see a healthy rebound in construction-related jobs, gaining over 1,400 jobs new jobs during the past twelve months.

POSITIVE MOMENTUM IN ABSORPTION

Compared to the first quarter of 2013, overall absorption in Jacksonville ended the current quarter up 5.0% as compared to the first quarter of 2013. This is a significant turnaround from the considerable negative absorption recorded in the previous quarter. One of the primary reasons for the quarter's positive absorption was higher levels of warehouse/distribution leasing activity in the Westside and Southside submarkets.

The overall vacancy rate was down slightly from year-end, but has consistently been around the 10.0% mark for the past five quarters. Warehouse/distribution and manufacturing space had modest decreases in vacancy, while office service product experienced an increase of 2.3 percentage points from the end of 2013. This was mainly due to several blocks of space going dark in the Southside submarkets during the first three months of the year.

STEADY LEASING ACTIVITY

The majority of the first quarter's leasing volume was concentrated in the Westside submarket, which contained several significant manufacturing and warehouse/distribution leases. In fact, manufacturing users have been the most active in the overall Jacksonville market with several relocations and expansions. Likewise, warehouse/distribution space in the Southside submarket also posted significant new and expansion leasing numbers, in addition to, several large renewals during the quarter.

BROAD INVESTMENT SALES INTEREST

The first quarter of 2014 was the strongest first quarter over the last five years in terms of total square footage traded but the combined 608,000 square feet (sf) of sales were less than 30.0% of the volume from the previous quarter. All of the quarter's sales transactions were limited to warehouse/distribution space and were concentrated within the Northside and Southside submarkets.

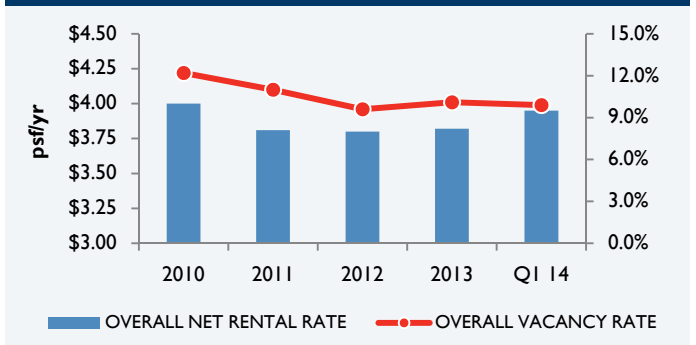
OUTLOOK

The industrial market in Jacksonville started 2014 on solid footing. Vacancy remains under 10.0% and asking rental rates have increased after several quarters of incremental declines. Construction remains muted, with build-to-suits being the most active and smaller speculative projects by local developers starting to test the waters. As such, supply remains relatively tight with potential users that require large blocks of space generating interest within the development community for additional construction opportunities. For the rest of 2014, Cushman & Wakefield expects the market to see continued improvement in the market's key fundamentals

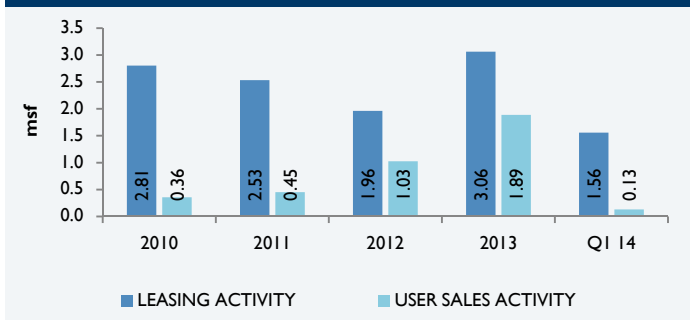
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.6%	9.9%	+0.3pp	▼
Direct Asking Rents (psf/yr)	\$3.76	\$3.95	+5.0%	▲
YTD Leasing Activity (sf)	991,681	1,558,384	+57.1%	◀▶

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



JACKSONVILLE, FL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT	MF	OS	W/D
Downtown	7,963,573	8.3%	0	0	0	0	(46,000)	(46,000)	N/A	N/A	N/A	\$2.38
Northside	21,358,393	21.2%	56,100	90,000	99,305	0	19,100	19,100	N/A	\$3.15	\$5.53	\$3.87
Westside	45,688,691	5.6%	1,046,630	39,350	297,246	0	165,657	165,657	N/A	\$2.91	N/A	\$2.81
Southside	23,800,103	8.1%	434,404	0	0	100,000	159,805	117,805	N/A	\$5.53	\$8.41	\$4.46
Clay County	2,066,274	11.6%	21,250	0	0	0	21,250	21,250	N/A	N/A	N/A	\$3.50
Beaches	821,611	0.0%	0	0	0	0	0	0	N/A	N/A	N/A	N/A
St. John's County	1,575,851	16.8%	0	0	0	0	(74,097)	(74,097)	N/A	\$3.63	N/A	\$4.19
TOTAL	103,274,496	9.9%	1,558,384	129,350	396,551	100,000	245,715	203,715	N/A	\$3.24	\$8.35	\$3.58

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
9200 West Beaver Street *	Westside	Michaels Stores, Inc.	Warehouse/Distribution	505,170
9431 Florida Mining Boulevard East *	Mandarin	Ranbaxy Pharmaceuticals Inc.	Warehouse/Distribution	244,000
5344 Overmyer Drive *	Westside	Colomer USA	Manufacturing	149,500
1411 Huron Street *	Westside	Coca-Cola Enterprises, Inc.	Manufacturing	100,000
5820 Commonwealth Avenue	Westside	Tectron Engineering Company	Manufacturing	31,407
3700 Port Jacksonville Parkway	Northside	Air Locker, Inc.	Manufacturing	23,300
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
14500 Hyatt Road	Northside	Sabal Financial Group	\$3,600,000 / \$12	278,982
6611 Southpoint Parkway	Southside	Acorn Pky LLC	\$2,000,000 / \$10	200,000
13350 International Parkway	Northside	Tradeport North, LLC	\$3,450,000 / \$38	90,000
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
7500 Centurion Parkway	Southside	Vistakon	Q1 2014	100,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
13509-13564 Waterworks Street	Westside	FedEx	Q4 2014	297,246 (100%)
10751 Alta Drive Building 300	Northside	Speculative	Q3 2014	70,300

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS