

FIGURES | JACKSONVILLE OFFICE | Q1 2025

Office market rebounds as large transactions occur during first quarter 2025

▲ 24.6%

Vacancy Rate

▲ 106,521

SF Net Absorption

▲ 102,424

SF Under Construction

▲ 19,000

SF Deliveries

▲ \$23.15

Full-Service / Lease Rate

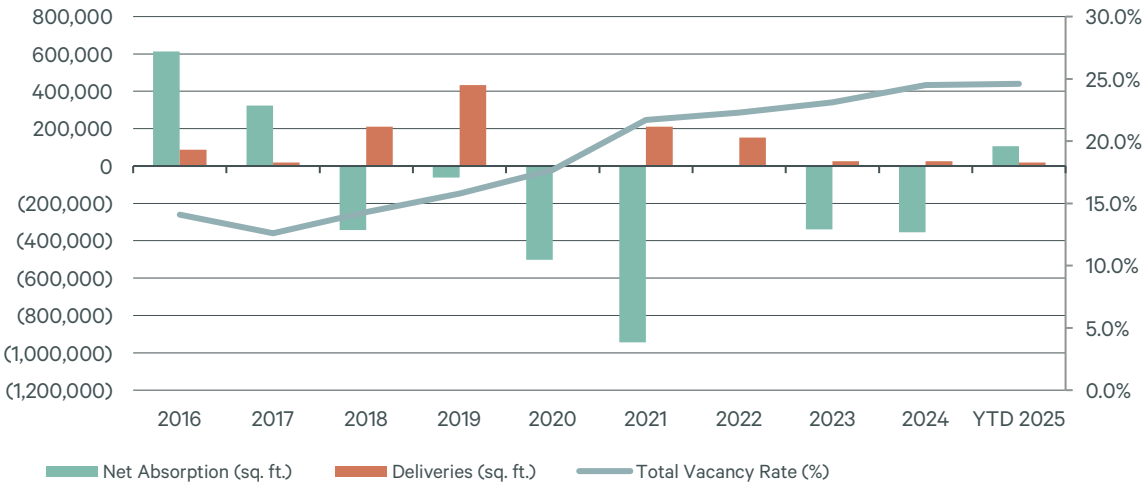
Note: Arrows indicate change from previous year.

OVERVIEW

- The quarter closed with an overall vacancy rate of 24.6%, rising 80 basis points year over year.
- According to Real Capital Analytics, the sale of investment-grade properties during first quarter 2025 totaled approximately \$75.3 million across 1,194,780 sq. ft (\$63.03 per sq. ft.) compared to \$5.6 million across 51,544 sq. ft. (\$108.42 per sq. ft.) during the same period in 2024.
- According to the Bureau of Labor Statistics, the unemployment rate in February was 3.8%, a 60 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 (3.6%) and the U.S. (4.1%).

There are still a number of obstacles facing the office market in 2025, effects of the federal government terminating leases for Jacksonville buildings and reducing staff. Moreover, the effects of higher interest rates over a longer duration than anticipated. These obstacles will have a significant impact on how landlords and tenants respond in 2025. At the beginning of the year, there is a 24.6% vacancy rate. Over the previous year, the overall vacancy rate has continuously maintained over 23%, as business take longer to assess their space requirements.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

The first quarter saw a number of significant transactions. Intercontinental Exchange bought the former Merrill Lynch campus at 4800 E Deer Lake Drive (464,645 sq. ft.), Haskell leased over 120,000 sq. ft. at 701 San Marco Blvd and Wideman Company bought Citigroup’s Jacksonville campus (515,997 sq. ft.) leasing back over 229,000 sq. ft. At 6651 Gate Parkway, Acosta Inc. secured a sublease of 60,204 sq. ft.

During first quarter, more than 106,500 square feet were absorbed by ADT Security Services (37,272 sq. ft.), Acosta Inc. (60,204 sq. ft.), Momentum Transportation (24,669 sq. ft.), ABA Center (14,750 sq. ft.) and Gran Ocean, which was constructed with ATP Tour, Foundation Risk Partners and Elease Medical Spa occupying 14,969 sq. ft.

VACANCY

The quarter closed with an overall vacancy rate of 24.6%, rising 80 basis points year over year. Class A vacancy is 22.0% while class B vacancy is 26.7%. However, the vacancy rate for available space is only 24.0%. 0.6 percentage points (over 186,000 sq. ft.) of the vacant space in Jacksonville has been leased but will not be occupied until future quarters. Sublease space decreased 9.0% over the past year. Currently, 789,323 sq. ft. of sublease space is available with 707,346 sq. ft. vacant.

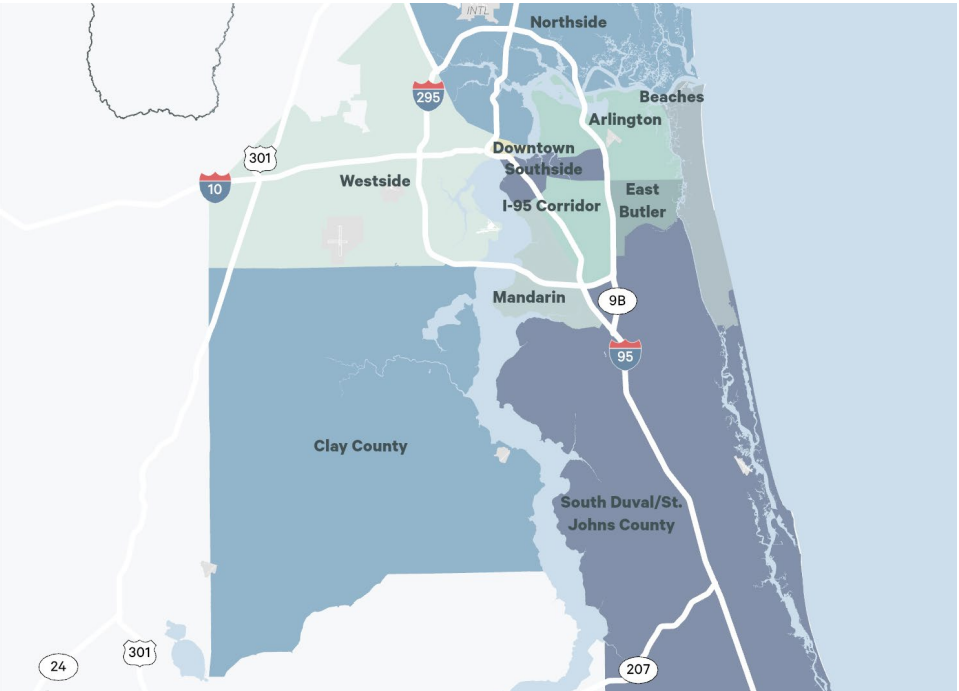
PRICING

The direct average asking lease rate rose, closing first quarter 2025 at \$23.15 per sq. ft., a year-over-year increase of 2.0%. Rental rates in class A office space rose to \$25.25 per sq. ft., while class B rents recorded \$21.64 per sq. ft. Tenant improvement costs continue increasing due to increased labor costs, materials and elevated interest rates.

FIGURE 2: Statistical Snapshot Q1 2025

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2025 Net Absorption (Sq. Ft.)	2025 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/FSG/G/MG)
CBD	8,070,444	25.8	27.6	9,639	9,639	102,424	23.88
Northbank	5,856,680	26.2	27.5	12,355	12,355	102,424	23.78
Southbank	2,213,764	24.9	28.0	(2,716)	(2,716)	0	24.15
Arlington	465,308	27.2	27.2	0	0	0	17.38
Beaches	753,367	5.1	5.1	14,035	14,035	0	33.40
Clay County	456,997	5.8	5.8	0	0	0	21.00
East Butler	524,344	13.4	14.4	0	0	0	32.93
I-95 Corridor	13,360,219	20.7	24.6	79,669	79,669	0	22.26
Baymeadows	3,845,591	27.9	33.8	(11,862)	(11,862)	0	21.00
Deerwood Park	4,781,175	19.7	22.8	52,074	52,074	0	24.14
South 95 Corridor	1,525,354	5.2	7.6	5,723	5,723	0	24.65
Southpoint	3,208,099	20.8	24.5	33,734	33,734	0	21.49
Mandarin	482,570	7.1	7.1	16,520	16,520	0	20.32
Northside	47,000	13.9	13.9	0	0	0	15.76
South Duval/St. Johns	2,059,768	29.0	30.3	(7,571)	(7,571)	0	24.64
Southside	661,476	25.2	25.2	0	0	0	17.00
Westside	194,543	25.1	25.1	(5,771)	(5,771)	0	17.23
Suburban Total	19,005,592	20.4	23.4	96,882	96,882	0	22.68
Jacksonville Total	27,076,036	22.0	24.6	106,521	106,521	102,424	23.15

Market Area Overview



ECONOMIC OUTLOOK

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

Survey Criteria: Includes all competitive Class A and Class B office buildings 10,000 sq. ft. and greater in size in Clay, Duval and St. Johns Counties. . Excludes: owner occupied, government and medical buildings.

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