Net Absorption Strengthens as Vacancy Edges Lower

▼24.2%	▲233,121	▲124,609	▼0	▲$23.67
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	FSG/YR Direct Lease Rate

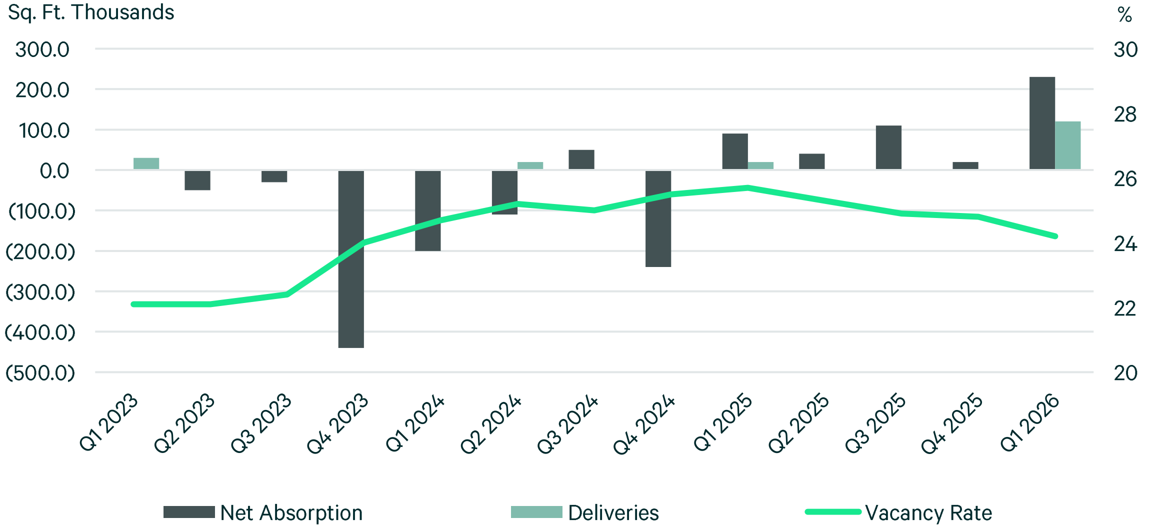
Note: Arrows indicate change from previous quarter.

Market Overview

By Q1 2026, the office market recorded materially stronger fundamentals than in prior years. Net absorption totaled negative 492,000 sq. ft. in 2024 and 264,000 sq. ft. in 2025, a 756,000 sq. ft. improvement. In Q1 2026 alone, tenants absorbed 233,000 sq. ft., 139,000 sq. ft. more than in Q1 2025. This shift corresponded with lower vacancy, which decreased 1.5 percentage points year-over-year to 24.2% in Q1 2026, including a 0.6 percentage-point decline from Q4 2025. Availability also fell 1.1 percentage points over the year to 26.9%.

Construction activity changed notably over the same period. Construction completions totaled 125,000 sq. ft. in Q1 2026. While vacancy stood at 24.2% in Q1 2026, average asking rents reached $23.67 per sq. ft., up 2.5% from Q1 2025 and 0.9% above Q4 2025.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

Total vacancy in Class A buildings rose 40 bps quarter-over-quarter to 22.3% in Q1 2026, while total Class B vacancy fell 140 bps to 25.7%. Year-over-year, Class A vacancy edged down 40 bps and Class B declined 230 bps, narrowing the Class A–Class B vacancy spread from 530 bps a year ago to 340 bps currently.

The quarter closed with an overall vacancy rate of 24.2%, dropping 120 basis points year over year. Class A vacancy is 22.3% with class B at 25.7%. However, the vacancy rate for available space is only 22.3%, 1.9 percentage points (approximately 500,000 sq. ft.) of the vacant space in Jacksonville has been leased but will not be occupied until future quarters. Sublease vacancy totals 636,000 sq. ft. and is concentrated in the I-95 Corridor, which holds 477,000 sq. ft. across Class B (279,000 sq. ft.) and Class A (198,000 sq. ft.), with Downtown Jacksonville Class A adding 104,000 sq. ft.; remaining sublease space is modest, leaving most other submarkets dominated by direct vacancy.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q1 2026

Asking Rent

The overall average direct asking lease rate in Q1 2026 is $23.67 per sq. ft., up 0.9% from the prior quarter's $23.45 and 2.5% above the $23.10 recorded in Q1 2025. Class A office asking rents increased from $25.15 per sq. ft. to $25.48 per sq. ft. quarter-over-quarter, a 1.3% gain, and are up 1.0% year-over-year from $25.23 per sq. ft. Deerwood North and South and 5011 Gate Parkway (totaling 1.3 million sq. ft.) in Deerwood Park increased asking rents from $25.00 per sq. ft. to $27.00 per sq. ft. during Q1 2026. Class B asking rents edged up 0.1% quarter-over-quarter from $22.26 per sq. ft. to $22.28 per sq. ft. but climbed 3.2% year-over-year from $21.60 per sq. ft., outpacing both Class A and the overall market.

The Beaches submarket commands the highest quoted rates in the metro, with Class A space averaging $37.45 per sq. ft. and Class B at $31.93 per sq. ft. in Q1 2026. At the value-oriented end of the spectrum, Class B space in South Duval/St. Johns County averages $15.80 per sq. ft., with Arlington and Northside also offering relatively low-cost options at $17.04 and $17.14 per sq. ft., respectively.

Figure 3: Average Direct Asking Rate by Class

Source: CBRE Research, Q1 2026

Net Absorption

Net absorption turned strongly positive in Q1 2026, with the overall market posting 233,000 sq. ft. of gains. This total, driven by 40,000 sq. ft. of Class A absorption and 193,000 sq. ft. in class B, exceeded the 18,000 sq. ft. recorded in Q4 2025 and was more than double the 94,000 sq. ft. gain achieved in Q1 2025.

Positive net absorption for Q1 2026 was concentrated primarily in the Downtown Jacksonville submarket (Class B) with 307,000 sq. ft. for the quarter, and Downtown Jacksonville (Class A) with 77,000 sq. ft. Major occupancies by JSO (176,598 sq. ft.), CSX (127724 sq. ft.), Jacksonville Jaguars (74,481 sq. ft.), Blocker Boulders (44,920 sq. ft.), Brightway Insurance (20,154 sq. ft.), Foth Infrastructure (12,291 sq. ft.) and RS&H (9,531 sq. ft.). Major tenants vacating space included Southeastern Grocers vacating 159,810 sq. ft. in a move to their headquarters, HTS Logistics vacating 26,368 sq. ft. and Hueman People Solutions vacating 18,479 sq. ft. of sublease space.

Figure 4: Net Absorption Trend

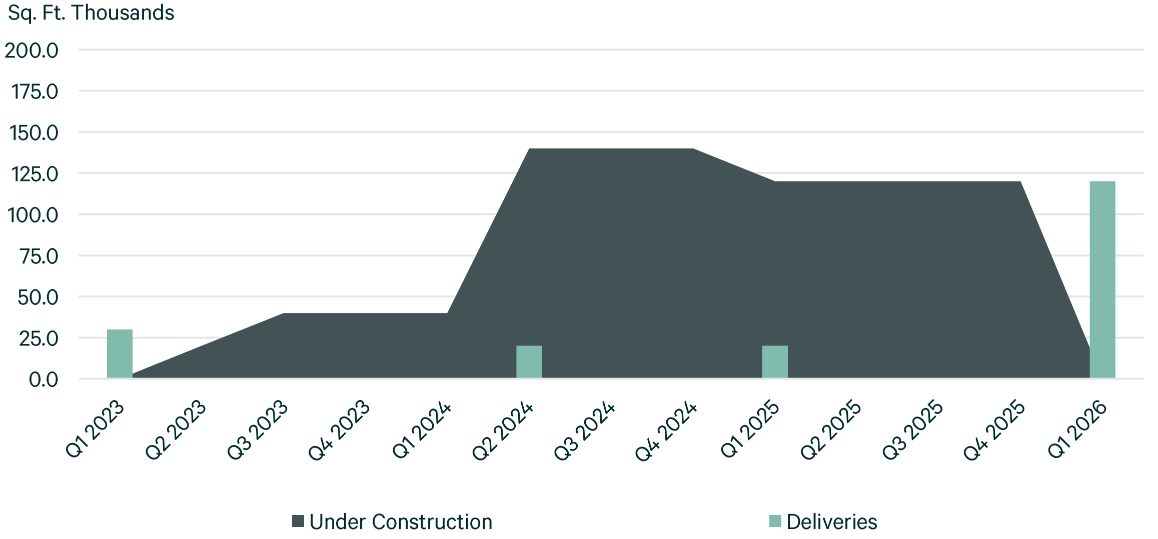
Source: CBRE Research, Q1 2026

Construction Activity

Construction activity culminated in Q1 2026, when 125,000 sq. ft. of Class A product delivered and the under-construction pipeline fell to 0 sq. ft. from 125,000 sq. ft. in Q4 2025. This reflected a decline of 125,000 sq. ft. in under-construction inventory quarter-over-quarter and year-over-year as 125,000 sq. ft. delivered, while quarterly deliveries increased by 125,000 sq. ft. versus Q4 2025 and 106,000 sq. ft. versus Q1 2025. In full-year 2025, 19,000 sq. ft. delivered, down 5,000 sq. ft. from 24,000 sq. ft. in 2024, with all activity confined to Class A product and no Class B development.

With no space under construction in Q1 2026 and no active projects reported, no submarket recorded positive construction activity. As a result, there are no large under-construction projects to highlight across the market this quarter.

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

Leasing Activity

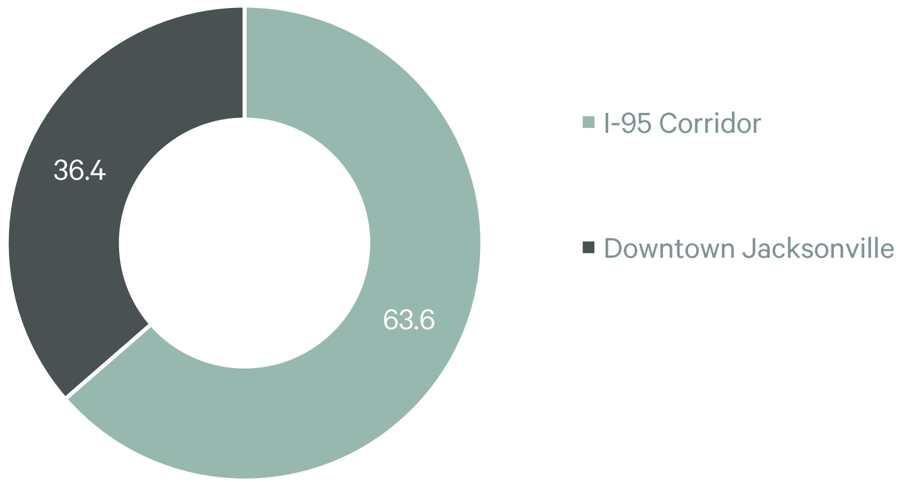
Overall leasing activity dropped by 696,658 sq. ft. in 2026 compared to the same period in 2025, totaling 233,320 square feet with renewals accounting for 19.2 percent. The average lease size for new leases and expansions was 5,655 square feet compared to the median of 2,828 sq. ft.

Within Q1 2026 leasing, the I-95 Corridor was the most active submarket with 75,000 sq. ft. transacted across Class A and Class B assets, followed by Downtown Jacksonville with 43,000 sq. ft. of Class A deals.

Figure 6: Leasing Activity Trend

Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Orbis Education Services	26,000	New Lease	8800 Baymeadows Way W	I-95 Corridor
Foley and Lardner LLP	25,000	New Lease	1406 Gator Bowl Blvd	Downtown Jacksonville
Pax Technology	19,000	Renewal	8800 Baymeadows Way W	I-95 Corridor
NA Transportation Hold Company	18,000	New Lease	10151 Deerwood Park Blvd	I-95 Corridor
NLP Logix	11,000	New Lease	9000 Southside Blvd	I-95 Corridor

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

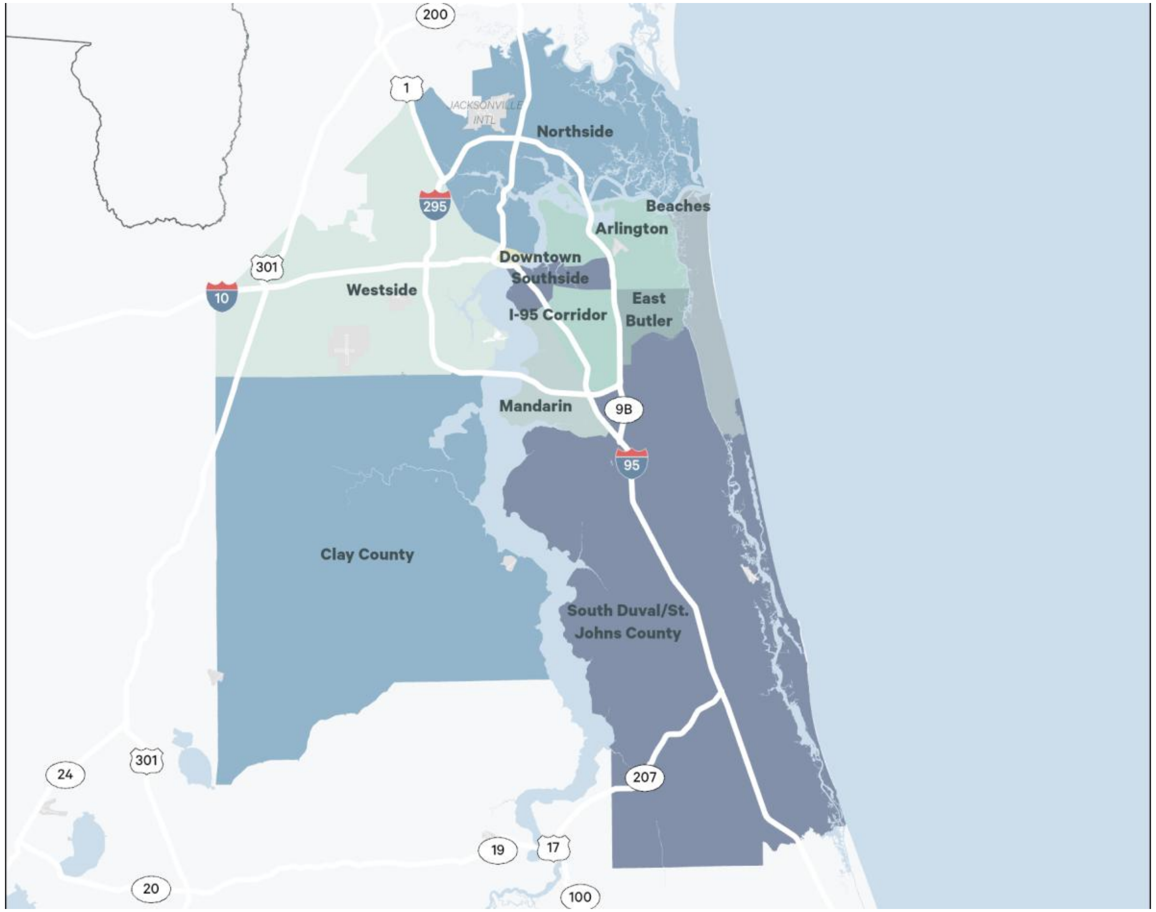
Figure 9

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q1 2026 Net Absorption (Sq. Ft.)	2026 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg. Direct Asking Rate ($/SF/FSG/G/MG)
CBD	8,240,752	23.8	25.1	384,167	384,167	0	124,609	24.52
Northbank	6,026,988	23.7	24.3	391,072	391,072	0	124,609	24.46
Southbank	2,213,764	24.1	27.1	(6,905)	(6,905)	0	0	24.72
Arlington	465,308	41.2	41.2	0	0	0	0	17.04
Beaches	734,968	4.8	4.8	10,942	10,942	0	0	35.41
Clay County	456,997	4.5	5.2	0	0	0	0	21.00
East Butler	524,344	11.1	15.6	(10,978)	(10,978)	0	0	34.62
I-95 Corridor	13,329,073	21.3	24.9	(133,100)	(133,100)	0	0	22.77
Baymeadows	3,727,980	27.3	33.0	(153,143)	(153,143)	0	0	22.00
Deerwood Park	4,821,140	20.4	22.2	32,472	32,472	0	0	24.41
South 95 Corridor	1,525,354	4.4	5.9	0	0	0	0	24.93
Southpoint	3,254,599	20.0	24.7	(12,429)	(12,429)	0	0	21.99
Mandarin	482,570	6.0	6.0	1,740	1,740	0	0	19.22
Northside	47,000	15.2	15.2	0	0	0	0	17.14
South Duval/St. Johns	2,104,768	27.4	28.6	(18,944)	(18,944)	0	0	24.39
Southside	676,781	31.7	31.7	(706)	(706)	0	0	22.09
Westside	194,543	14.4	14.4	0	0	0	0	21.11
Suburban Total	**19,016,352**	**21.1**	**23.8**	**(151,046)**	**(151,016)**	**0**	**0**	**23.04**
Jacksonville Total	**27,257,104**	**21.9**	**24.2**	**233,121**	**233,121**	**0**	**124,609**	**23.67**

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

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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