

FIGURES | JACKSONVILLE OFFICE | Q4 2023

# Vacancy rises as tenants give back large blocks of space

▲ 22.2%  
Vacancy Rate

▼ (289,575)  
SF Net Absorption

▲ 38,408  
SF Under Construction

▼ 0  
SF Deliveries

▲ \$22.54  
Full-Service / Lease Rate

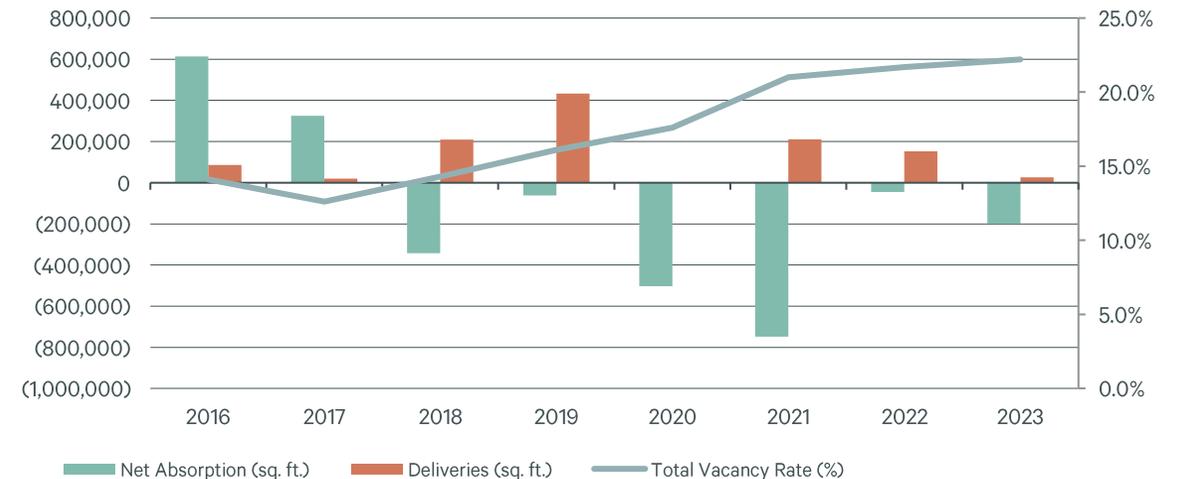
Note: Arrows indicate change from previous year.

## OVERVIEW

- Total vacancy sits at 22.2%. Vacating and downsizing by Aetna, Genpact, Computershare, Wells Fargo and Kemper Insurance caused vacancy to rise 50 basis points compared to year-end 2022.
- According to Real Capital Analytics, the sale of investment-grade properties during 2023 totaled approximately \$122.5 million across 1,008,369 sq. ft. (\$121.46 per sq. ft.) compared to \$458.7 million across 3,051,423 sq. ft. (\$150.33 per sq. ft.) during the same period in 2022.
- According to the Bureau of Labor Statistics, the unemployment rate in November was 3.0%, a 50 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 (2.9%) and the U.S. (3.7%).

Office space headwinds including inflation, recession fears and hybrid schedules/work from home have slowed office demand during 2023. New leases and expansions are down while total vacancy has remained elevated, consistently above 20% over the past year. Space needs decisions by major office occupiers are expected to fluctuate over the next few years as companies decide how to navigate occupancy challenges.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

## DEMAND

As leases expire, some companies have downsized their footprint which has led to an outsized vacancy rate. During fourth quarter 2023, Jacksonville's office space absorption was a negative 289,575 square feet. Genpact (87,418 sf), Computershare (67,245 sf), Wells Fargo (54,213 sf), Aetna (52,209 sf) and Kemper Insurance (50,971 sf) were among the large tenants who vacated or downsized their space. 202 leases totaling 1,769,450 square feet were signed during 2023, with renewals accounting for 37.4 percent of the total. The average lease size for new leases and expansions during 2023 was 7,103 square feet compared to 6,836 sq. ft during the same period in 2022. Stellar Energy (18,965 sq. ft.), Hueman People Solutions (42,303 sq. ft.), Truist (16,305 sq. ft.), JSO (58,959 sf) and Jacksonville University College of Law (47,355 sq. ft.) will take occupancy of more than 180,000 sq. ft. during 2024. Demand should start increasing during 2024 with over 380,000 sq. ft. of tenants in the market looking for space.

## VACANCY

The quarter closed with a vacancy rate of 22.2%, rising 50 basis points on the year. The addition of sublease space played a role in this increase, with sublease inventory growing by 52.5% over the past year. Currently, 1,012,286 sq. ft. of sublease space is available with 617,001 sq. ft. vacant. As tenants make space needs decisions, fluctuations in vacancy and absorption are expected during 2024. Now is the time for small to mid-sized companies to upgrade their office space needs.

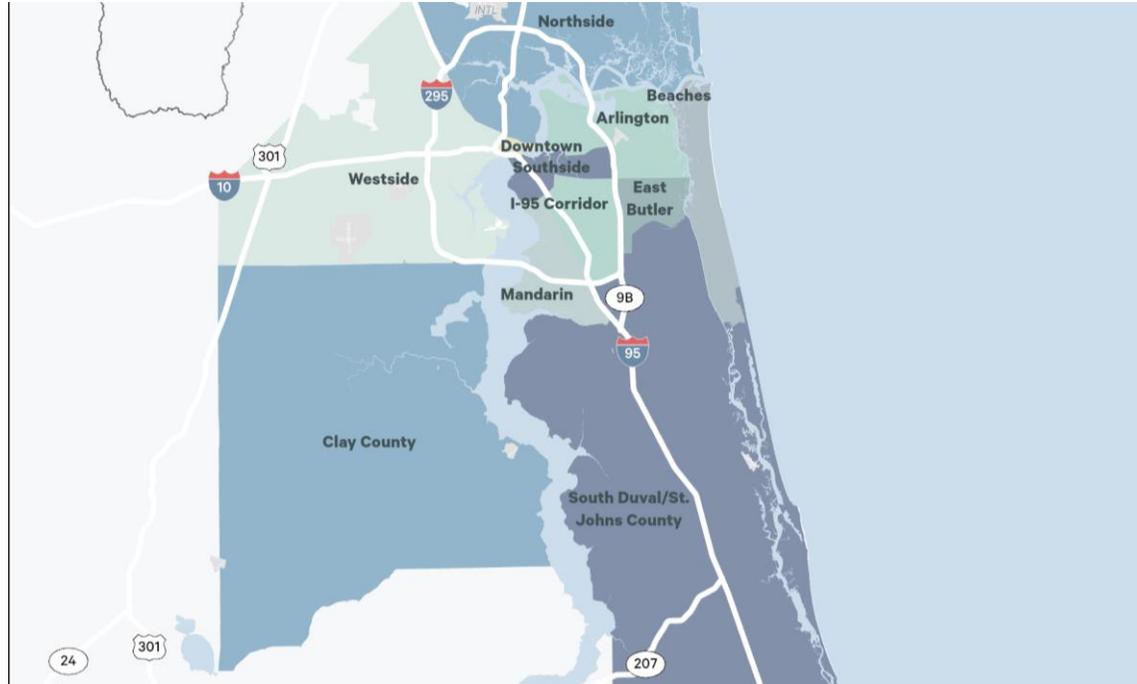
## PRICING

The direct average asking lease rate rose, closing 2023 at \$22.54 per sq. ft., a year-over-year increase of 0.2%. Rental rates in class A office space rose to \$24.38 per sq. ft. while class B rents increased to \$20.62 per sq. ft.

FIGURE 2: Statistical Snapshot Q4 2023

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2023 Net Absorption (Sq. Ft.)	2023 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/FSG/G/MG)
CBD	7,948,546	24.0	26.1	18,993	34,327	0	22.99
Northbank	5,738,582	24.5	25.9	(757)	21,719	0	22.78
Southbank	2,209,964	22.7	26.5	19,750	12,608	0	23.41
Arlington	438,028	17.3	17.3	2,043	7,746	0	17.07
Beaches	837,867	3.4	3.4	4,060	30,834	14,000	31.27
Clay County	475,747	4.9	4.9	0	130,000	0	21.00
East Butler	516,425	27.6	27.6	21,089	(112,162)	0	31.13
I-95 Corridor	13,050,659	19.5	22.9	(233,536)	(228,914)	0	22.16
Baymeadows	3,772,617	24.6	31.3	(85,829)	(14,341)	0	20.50
Deerwood Park	4,560,650	19.4	21.7	1,842	4,700	0	24.18
South 95 Corridor	1,489,639	6.7	9.8	(48,110)	(50,325)	0	24.40
Southpoint	3,227,753	19.5	20.8	(101,439)	(168,948)	0	21.48
Mandarin	439,373	7.0	7.0	0	0	0	18.84
Northside	46,160	14.1	14.1	0	0	0	15.76
South Duval/St. Johns	1,681,648	20.5	20.7	(54,008)	1,921	24,408	23.33
Southside	661,039	12.8	12.8	(43,739)	(67,924)	0	17.00
Westside	202,818	22.0	22.0	(4,477)	5,040	0	21.07
<b>Suburban Total</b>	<b>18,349,764</b>	<b>18.1</b>	<b>20.6</b>	<b>(308,568)</b>	<b>(233,459)</b>	<b>38,408</b>	<b>22.24</b>
<b>Jacksonville Total</b>	<b>26,298,310</b>	<b>19.9</b>	<b>22.2</b>	<b>(289,575)</b>	<b>(199,132)</b>	<b>38,408</b>	<b>22.54</b>

## Market Area Overview



## ECONOMIC OUTLOOK

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation.

This backdrop will likely translate into the Fed only slowly lower its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

**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: government and medical buildings.

## Contact

### Tommie Reilly

Managing Director  
+1 904 630 6352  
tommie.reilly@cbre.com

### Marc L. Miller

Associate Field Research Director  
+1 305 381 6428  
marc.miller1@cbre.com

### Kyle Koller

Research Manager  
+1 813 273 8422  
kyle.koller@cbre.com

### Steve Harriss

Senior Field Research Analyst  
+1 904 630 6348  
steve.harriss@cbre.com