

FIGURES | JACKSONVILLE OFFICE | Q4 2024

# Large office space contractions are expected to stabilize in 2025

▲ 23.9%

Vacancy Rate

▲ (101,763)

SF Net Absorption

▲ 121,424

SF Under Construction

► 0

SF Deliveries

▲ \$22.97

Full-Service / Lease Rate

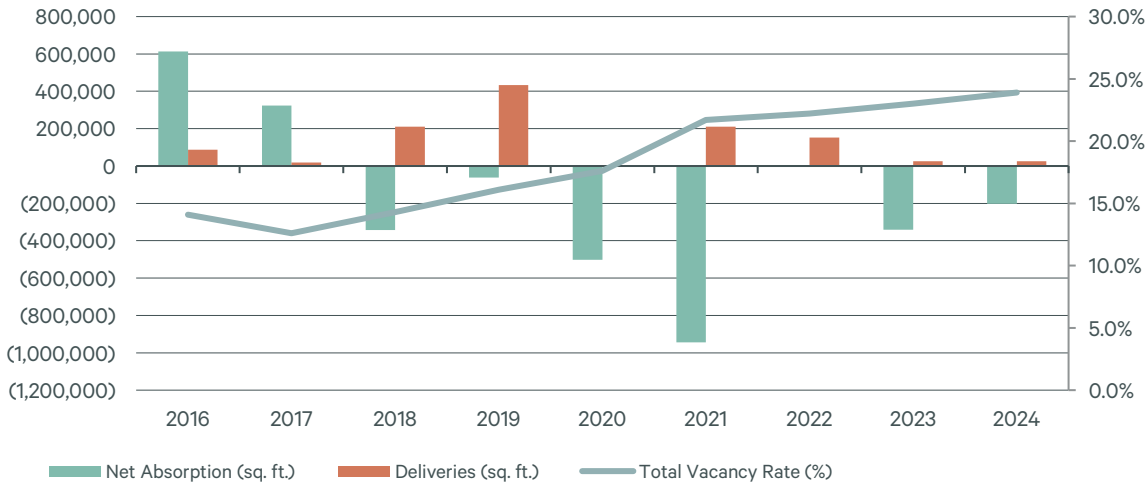
Note: Arrows indicate change from previous year.

OVERVIEW

- Total office vacancy sits at 23.9% after increasing 40 basis points quarter over quarter and 90 basis points year over year.
- According to Real Capital Analytics, the sale of investment-grade properties during 2024 totaled approximately \$125.7 million across 1,559,283 sq. ft (\$80.60 per sq. ft.) compared to \$108.2 million across 936,036 sq. ft. (\$115.57 per sq. ft.) during the same period in 2023.
- According to the Bureau of Labor Statistics, the unemployment rate in November was 3.6%, 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 (3.4%) and the U.S. (4.2%).

Office space headwinds including inflation, recession fears and hybrid schedules/work from home have slowed office demand during 2024 as leasing activity and capital markets velocity remained constricted. Total vacancy has remained consistently above 23% over the past year with companies taking longer to make decisions on their space needs. These decisions by major office occupiers are expected to fluctuate over the next few years as companies decide how to implement occupancy changes.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE Research

DEMAND

During fourth quarter 2024, Jacksonville's office space absorption was a negative 101,763 square feet. Bank of America (52,470 sq. ft.), Changing Homelessness (32,804 sq. ft.) and Regency Electric (15,666 sq. ft.) were among the large tenants who occupied space but were not able to overcome downsizes by Wells Fargo (76,652 sq. ft.), a medical company (36,105 sq. ft.) and Treace Medical (27,000 sq. ft.). Leasing activity totaling 1.6 million square feet in 2024 was an 18.7% decrease compared to 2023, with renewals accounting for 45.8 percent of overall activity. Renewals since October 1, 2023 totaled 891,182 sq. ft. with same size renewals accounting for 76.3% while renewal/contractions accounted for 20.5% of the total. Conversely, renewal/expansions accounted for 3.2% of the total. Contractions continue adding vacant space and are a big contributor to the negative absorption and increased vacancy in Jacksonville since the pandemic began.

VACANCY

The quarter closed with a vacancy rate of 23.9%, rising 40 basis points from Q3 2024 and 90 basis points year over year. Class A vacancy is 19.8% while class B vacancy is 27.0%. However, the vacancy rate for available space is only 23.3%. 0.6 percentage points (over 158,000 sq. ft.) of the vacant space in Jacksonville has been leased but will not be occupied until future quarters. Sublease space decreased 13.5% over the past year. Currently, 876,716 sq. ft. of sublease space is available with 713,042 sq. ft. vacant.

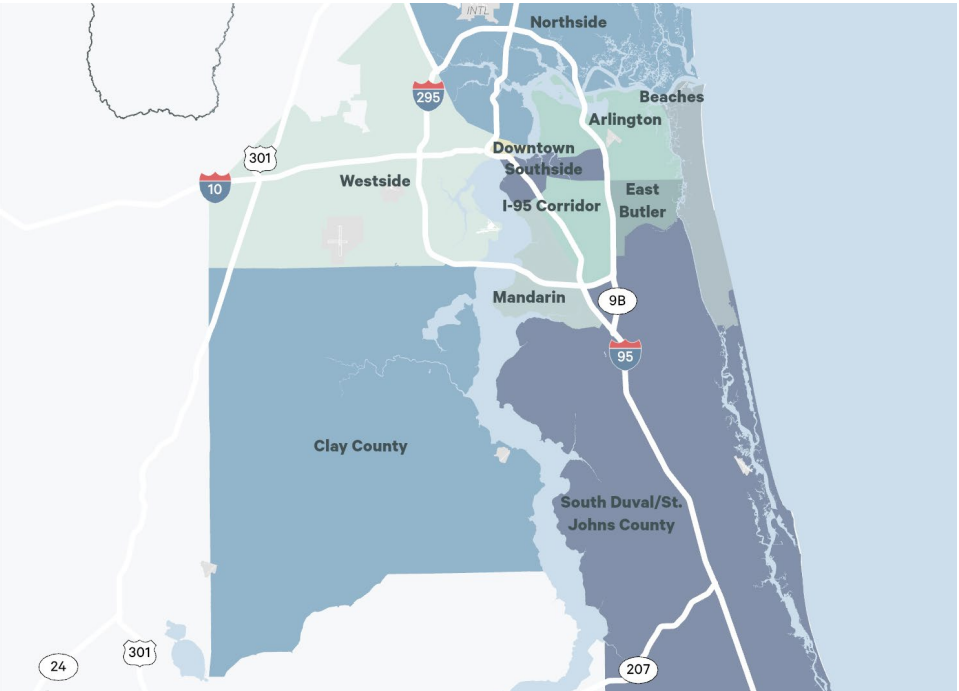
PRICING

The direct average asking lease rate rose, closing 2024 at \$22.97 per sq. ft., a year-over-year increase of 1.6%. Rental rates in class A office space rose to \$25.18 per sq. ft., while class B rents increased to \$21.59 per sq. ft. Tenant improvement costs continue increasing due to increased labor costs, materials and elevated interest rates.

FIGURE 2: Statistical Snapshot Q4 2024

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2024 Net Absorption (Sq. Ft.)	2024 Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/SF/FSG/G/MG)
CBD	8,069,546	25.7	27.3	(56,362)	9,735	102,424	23.64
Northbank	5,859,582	26.2	27.3	(55,290)	43,942	102,424	23.70
Southbank	2,209,964	24.3	27.4	(1,072)	(34,207)	0	23.50
Arlington	438,028	28.9	28.9	11,388	(27,399)	0	17.38
Beaches	837,867	4.6	4.6	2,309	(10,293)	19,000	33.05
Clay County	475,747	5.6	5.6	0	(3,500)	0	21.00
East Butler	516,425	11.5	12.5	10,308	78,028	0	33.04
I-95 Corridor	13,267,422	20.6	24.7	(52,702)	(167,221)	0	22.32
Baymeadows	3,785,385	27.3	33.8	(41,891)	(63,059)	0	21.01
Deerwood Park	4,751,531	19.9	23.7	(67,389)	(122,678)	0	24.09
South 95 Corridor	1,489,639	3.8	6.4	52,470	105,465	0	25.04
Southpoint	3,240,867	21.4	24.1	4,108	(86,949)	0	21.53
Mandarin	439,373	9.6	9.6	(2,122)	(11,591)	0	19.63
Northside	46,160	14.1	14.1	0	0	0	15.76
South Duval/St. Johns	1,706,056	19.7	21.2	(15,631)	10,826	0	24.06
Southside	661,039	25.2	25.2	0	(82,525)	0	17.00
Westside	202,818	21.3	21.3	1,049	1,404	0	17.42
Suburban Total	18,590,935	19.2	22.4	(45,401)	(212,271)	19,000	22.48
Jacksonville Total	26,660,481	21.2	23.9	(101,763)	(202,536)	121,424	22.97

Market Area Overview



ECONOMIC OUTLOOK

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

**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.

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