INVESTMENT FORECAST

Industrial

Jacksonville

IPA INSTITUTIONAL PROPERTY ADVISORS

2022

Advantageous Position and a Growing Populace Spearhead Industrial Demand in Jacksonville

Regional in-migration drives leasing. Jacksonville's geographical location provides relatively quick access to most of Florida and a significant portion of the Eastern Seaboard via same-day round trips. Furthermore, in-migration to Florida has surged since the onset of the pandemic, and the trend is expected to continue, with the state's population projected to rise by an average of 300,000 residents in each of the next five years. In conjunction with this population expansion, industrial demand in Jacksonville is skyrocketing, with tenants absorbing nearly 3 million square feet in 2021. Although the rise in development this year is expected to place upward pressure on vacancy in the short run, several factors indicate the recent demand surge can be sustained long term. The metro offers lower rental rates relative to other major markets within the state. Additionally, the Port of Jacksonville is undergoing dredging efforts to make it the deepest port on the East Coast. The project will conclude this summer, and is likely to lure additional tenants to the area.

Investors target assets on the West Side. Robust rent growth and relative affordability are heightening buyer interest in Jacksonville. Trading velocity in 2021 nearly doubled the previous year's pace, resulting in the largest annual transaction total in over two decades. This momentum will likely be sustained, as cap rates in Jacksonville are at least 50 basis points higher, on average, than other major Florida markets. Buyers are targeting distribution and warehouse assets larger than 100,000 square feet in the West Side submarket, due to the area's proximity to major interstates and intermodal facilities, with yields averaging in the mid-6 percent range. Assets in the Butler Corridor have recently garnered investor interest as well. Buyers here are targeting smaller warehouses suited for last-mile delivery, with returns ranging from the mid-5 percent to mid-7 percent span.

2022 Market Forecast

Employment up 4.0% — Firms will bolster headcounts by adding 29,500 new positions to the workforce in 2022.

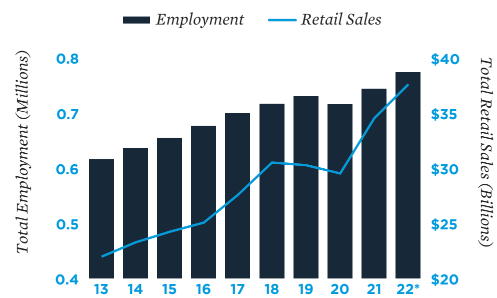
Construction 5.5 million sq. ft. — Annual delivery volume increases by more than 4.8 million square feet relative to last year. Over 85 percent of the pipeline is split between the Ocean Way and West Side submarkets.

Vacancy up 30 bps — The surge in development will place upward pressure on availability this year, pushing the rate up to 4.2 percent. In 2021, vacancy retreated 180 basis points.

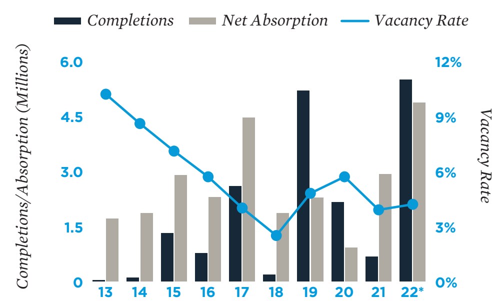
Rent up 7.7% — After rising more than 17 percent last year, the metro's average asking rent will climb to a record high in 2022, reaching $7.00 per square foot by year-end.

Investment — Sub-3 percent vacancy and robust rent growth will likely elevate buyer interest in the North Side submarket. Entry costs here often fall below the market average of $93 per square foot.

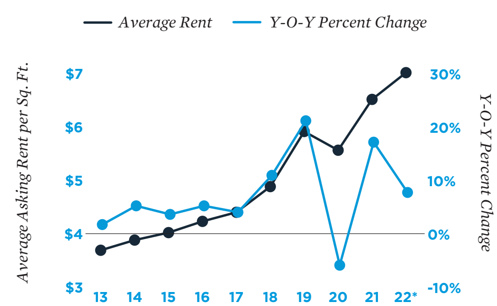
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Al Pontius

Senior Vice President

Director IPA Industrial

Tel: (415) 963-3000 | apontius@ipausa.com