

INVESTMENT FORECAST

Office
Jacksonville Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Strong In-Migration to North Florida Aids Outlook, Keeping Investors Off the Sidelines

Coastal suburbs in the strongest position. Jacksonville will record the sixth-fastest pace of 65-plus population growth among major metros this year, fueled in part by out-migration from New York and Miami-Dade. A lower cost of living bolsters the local retirement population, in turn lifting consumer spending and tenant demand for retail space, especially in Jacksonville's coastal communities. St. Johns County, the third-largest submarket by inventory, ended 2024 with vacancy at 1.9 percent — the second-lowest rate metrowide. With planned move-ins from Sprouts and various restaurants and health & beauty concepts, vacancy should stay tight here this year. The central parts of the market, however, face some challenges. Vacancy was above six percent across Downtown Northbank, Northeast and Northwest Jacksonville in 2024. Nevertheless, improving office occupancy, especially in Northeast and Northwest Jacksonville, may lift midweek foot traffic at local retailers, helping fundamentals.

Historically low vacancy and residential trends motivate investment. Despite elevated borrowing costs, transaction velocity last year was in line with both 2023 and the 2014-2019 annual average. This indicates that improving operating fundamentals are keeping investors engaged, with sales activity following performance trends. During the year, most assets changed hands in St. Johns County. Investors often acquired smaller restaurants and storefronts in St. Augustine, though some assets larger than 10,000 square feet traded as well. Residential growth is aiding sales activity here and elsewhere in the metro. The number of occupied apartments increased 60 percent since 2019 in St. Johns County and 40 percent in Nassau County. While there may be fewer listings in the latter county, this growth may keep investors' focused on the area.

2025 MARKET FORECAST

+2.0%



EMPLOYMENT: Hiring in Jacksonville picks up from last year, as the 16,000 net new jobs expected in 2025 lifts the total employment base 13 percent above the 2019 level.

360,000
sq. ft.



CONSTRUCTION: The pace of openings drops to nearly a third of 2024's slate, with completions concentrated in mixed-use and restaurant formats in St. Johns County.

-20 bps



VACANCY: This year's decrease will mirror 2024's, as vacancy has held within the same mid- to low-4 percent range since 2021 — an improvement from the 5.2 percent average in 2014-2019.

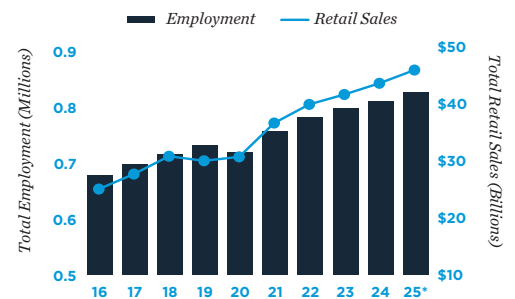
+2.5%



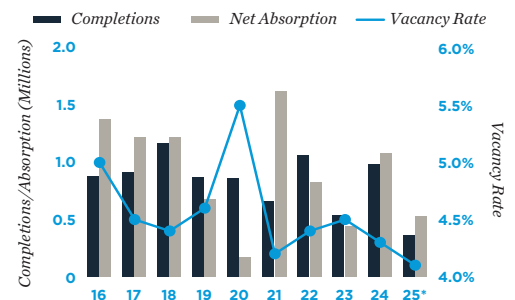
RENT: The pace of rent growth has pulled back from the double-digit gains recorded in 2022 and 2023. The average asking rate improves to \$20.56 per square foot this year.

INVESTMENT: As residents of higher-cost Florida metros move to Jacksonville, some investors may follow. Jacksonville had the lowest average entry cost and highest mean cap rate of Florida's major metros last year.

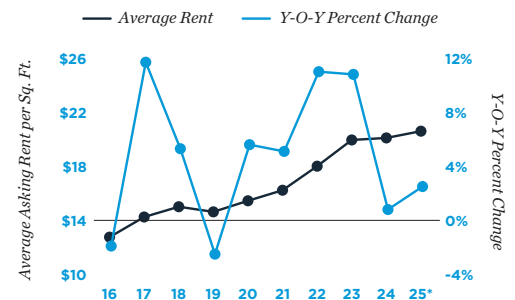
Economic Trends



Supply and Demand



Rent Trends



* Forecast

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.