INVESTMENT FORECAST

Office

Jacksonville Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

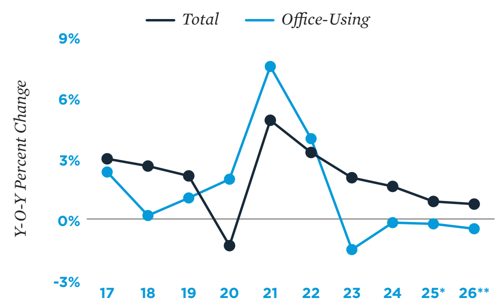
2026

Demand Consolidates Around Mid-Tier Properties as Pressures Mount in the Urban Core

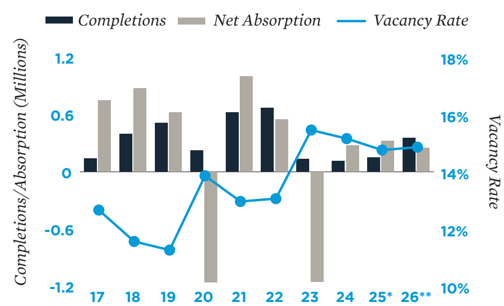
Leasing activity gravitates toward suburbs. After a strong first half, office absorption in Jacksonville slowed in late 2025 amid relinquishments at both the high- and low-quality ends of the spectrum. In contrast, mid-tier assets have remained the most resilient, posting consistent positive net absorption since late 2024. Geographically, Southside stands out, as tenants have increasingly favored commuter-friendly suburban locations with local amenities. Class B/C vacancy here tightened notably in 2025. Downtown Northbank experienced the opposite trajectory, as several large tenants vacated space late in the year. Citizens Property Insurance was the most prominent example. The firm returned over 200,000 square feet of space to the market upon relocating to Southside. These trends show a broader shift in demand toward suburban infill submarkets and away from the urban core heading into 2026.

Repositioning plays become increasingly attractive. Transaction velocity accelerated in Jacksonville in late 2025, led by the Southside and Butler-Baymeadows submarkets, which together accounted for more than half of the year's trades. In both areas, strengthening fundamentals among mid- to high-tier assets should continue drawing investor interest. Metrowide, newly adopted ordinances reducing parking and landscaping requirements for renovating older commercial properties will help lower redevelopment costs in 2026, supporting upgrades to aging office stock and making adaptive reuse more feasible. Combined with recent federal bonus depreciation incentives, these changes are setting the stage for increased value-add activity targeting older Class B and C buildings — particularly at a time when Class A asking-rent growth has outpaced the other tiers in each of the last two years.

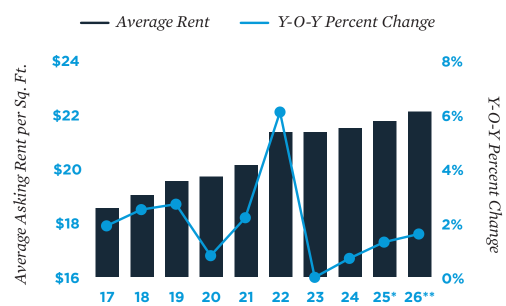
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2026 MARKET FORECAST

+0.7% — **Employment:** Employment growth ranks among the top 15 major markets this year, generating 6,000 new jobs. Even so, the traditional office-using sector is projected to shed 1,000 positions.

355,000 *sq. ft.* — **Construction:** The metro's inventory expands by 0.7 percent in 2026, its fastest growth since 2022. Roughly 60 percent of the incoming space is pre-leased as of the start of the year.

+10 bps — **Vacancy:** Speculative deliveries will contribute to vacancy edging higher in 2026. The rate ends the year at 14.9 percent — 100 basis points above its long-term mean.

+1.6% — **Rent:** Asking rent growth will accelerate modestly in 2026 for the third straight year. At $22.10 per square foot by year-end, the metro will remain the most affordable among Florida's major markets.

INVESTMENT: *Relative to most other major Southeast peer markets, Jacksonville offers one of the highest cap rates at 8.1 percent heading into 2026, positioning the market to continue attracting yield-oriented investment.*

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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 January 2026. 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 office 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.