

MARKET REPORT

INDUSTRIAL

Jacksonville Metro Area

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Population Expansion Builds Foundation For Investment in Big-Box Industrial Space

Steady population growth promotes industrial expansion throughout the metro. Net migration into Jacksonville will reach over 16,000 people this year and the population will grow at nearly double the national rate. Jacksonville manufacturing and distribution companies are drawn here as they seek to service the growing community. Firms are locating in the northern and western areas of Jacksonville to be near other major logistics companies already established in the area. For example, Cra-Z-Art will be moving into a 300,000-square-foot built-to-suit manufacturing facility and UPS will be adding a custom 370,000-square-foot distribution space in this part of the metro. As more industrial users enter the market, developers will deliver the largest amount of new building stock this cycle. Speculative construction is most prominent around the metro's major interstates as these provide easy access for distributors. These locations have had an increase in property value due to new tenants targeting space here, which allows market rents to adjust higher. One of the largest speculative deliveries this year will be the Imeson International Park. This development will include a 477,000-square-foot manufacturing space in northern Jacksonville, near I-95 and I-295.

Reasonable acquisition cost attracts investment near major Jacksonville highways and port. Capital is drawn to the metro both nationally and regionally as investors seek industrial buildings that are more affordable than their primary investment markets, specifically southern Florida investors. Jacksonville has the most affordable price per square foot out of all major Florida markets and is posing high returns for investors that are choosing to reallocate money regionally. In areas with accessibility to the port and interstates, older industrial buildings are trading in the mid-9 percent cap rate range and newer stock is sold in the upper-7 percent cap rate range. As the market's stability as a logistics hub strengthens, several investors target assets over 100,000 square feet with appropriate amenities to sustain long-term leases.

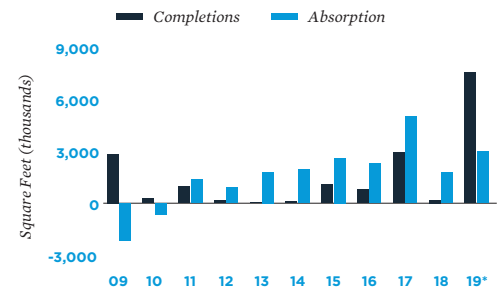
2019 Market Forecast

- Employment** up 1.5%
Low unemployment keeps hiring passive for the second consecutive year as companies add 11,000 workers in 2019.
- Construction** 7.5 million sq. ft.
Construction is expected to reach its highest level since 2008 when developers completed 6.2 million square feet. The greatest delivery of 2019 will be a 1 million-square-foot Wayfair distribution center.
- Vacancy** up 360 bps
A heavy construction pipeline will increase vacancy for the first time in nearly a decade, as the average rate rises to 6.0 percent.
- Rent** up 11.9%
In 2018, the average asking rent exceeded all previous annual gains since 2008, lifting 13.3 percent year over year. Growth is anticipated to remain strong in 2019, raising asking rent to \$5.45 per square foot.
- Investment**
Southern Jacksonville near I-95 is being highlighted by investors, as transactions have been steady in the area and property is selling at above average cost per square foot.

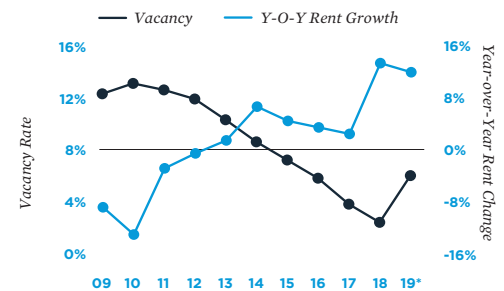
Employment vs. Retail Sales Trends



Industrial Completions



Asking Rent and Vacancy Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; Moody's Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. 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 industrial data are made during the third 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 guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.