

Market Shows Resilience as Vacancies Decline, Foot Traffic Rebounds

Q2-21 JACKSONVILLE RETAIL HIGHLIGHTS

The Jacksonville retail market, consisting of Baker, Clay, Duval, Nassau and St. Johns counties, has seen strong signs of recovery including a return to pre-pandemic vacancy rates and a significant increase in investment activity. The market's healthy fundamentals are supported by increases in retail foot traffic, steadily rising tourism from both in-state and out-of-state visitors and unemployment rates that have remained below the national average.

RETAIL PERFORMANCE

Jacksonville retail vacancies have recovered, ending Q2-21 at 4.3%, which is the lowest vacancy rate the market has seen since Q3-2019.

Net absorption remains positive at 473,000 square feet, supported by influxes of leasing activity at neighborhood and community centers. Community centers posted a 4.7% vacancy rate while neighborhood centers posted a 7.4% vacancy rate with over 177,000 square feet of space under construction. Regional malls lagged relative to other retail assets, with a 20% vacancy rate.

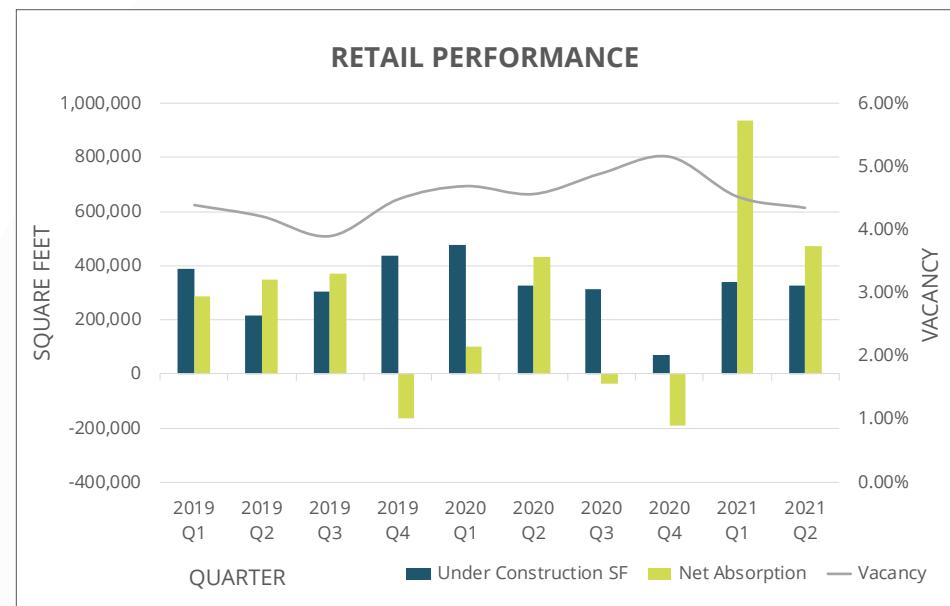
Overall, the market's healthy vacancy and absorption rates should easily support the more than 325,000 square feet of new retail construction currently under way.

4.34%
Vacancy Rate

4.5%
Jacksonville Unemployment

473,700 SF
Absorption

\$194,403,922
Total Investment Sales



Source: CoStar

FranklinSt.com

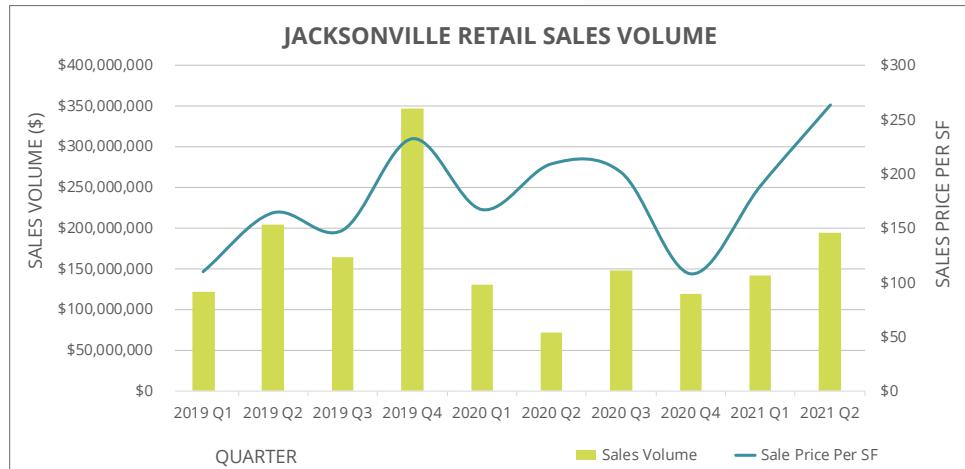
INVESTMENT/LEASING ACTIVITY

Investment activity saw a significant increase of 37% from Q1 to Q2 of 2021. At over \$194M, sales activity reached its highest point since before the pandemic. This increase is strongly attributed to the substantial increases in sales price per square foot, which increased by 39.15% to \$263.

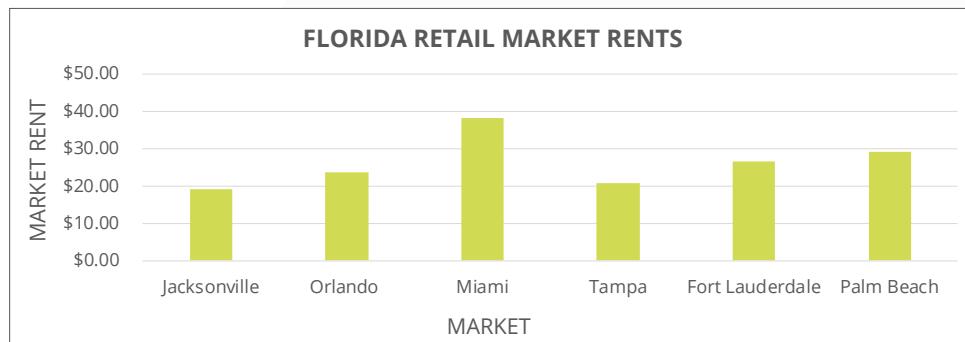
Notably, Q2-21 saw the strongest leasing activity since Q4-19 with just under 500,000 square feet of retail space leased over the quarter. Neighborhood centers led leasing activity, with 206,553 square feet leased in Q2. Strip centers and community centers leased 110,330 square feet and 79,943 square feet, respectively.

MARKET RENT

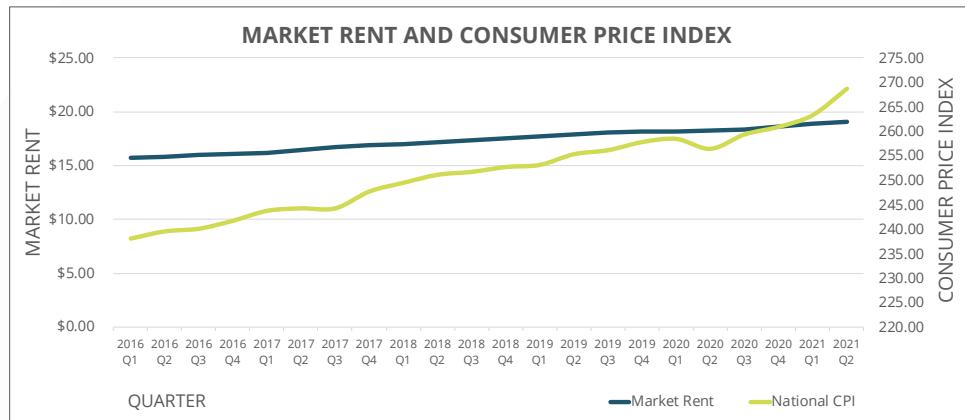
Retail rents in Jacksonville have continued to gradually increase. Supporting increases in rents are substantial increases in consumer price index. The National consumer price index has seen tremendous increases and is currently just below 270. CPI has long been used as a measuring tool for annual rent increases and with large increases in the consumer price index, we believe rental rates will continue to increase. However, with average retail rents currently valued at just over \$19 per square foot, Jacksonville continues to offer the most economical rents among Florida's major markets.



Source: CoStar



Source: CoStar



Source: CoStar

FOOT TRAFFIC

Foot traffic has nearly returned to pre-pandemic levels in the Jacksonville DMA. Supporting rises in foot traffic were significant increases in medical and healthcare retail visits. This particular retail category surpassed pre-Covid levels of foot traffic by approximately 25%. Shop and service retail visits also performed relatively strong, surpassing pre-Covid levels by 8%. Although majority of the categories listed are still lagging, leisure visits are trailing the most. Unsurprisingly, leisure visits are at 61% of their pre-Covid levels. Notably, office supplies also lagged immensely, which can likely be related to remote work. Overall, total retail visits have recovered to approximately 97% of pre-pandemic levels.

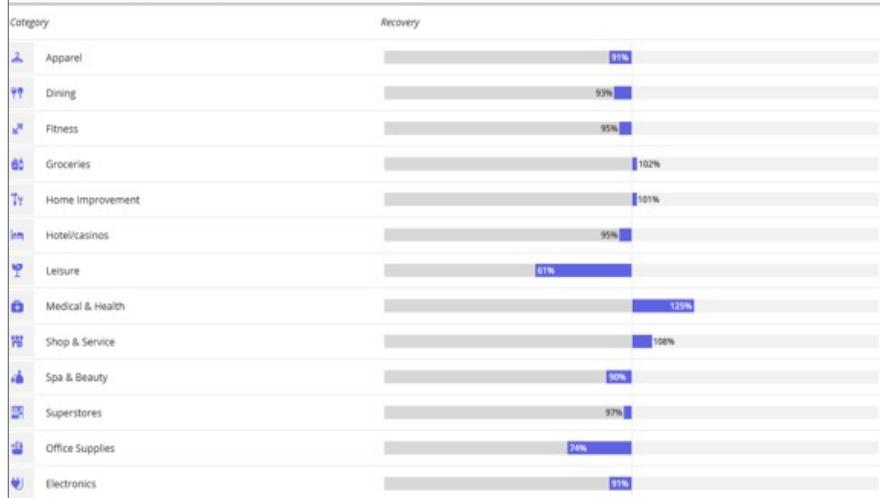
“Fitness retail is one category performing exceptionally well in Jacksonville and we have seen a significant increase in fitness concepts entering our market. Some examples include D1 Fitness, which recently signed its first local lease, and Row House, the newest concept by Xponential Fitness to open in Jacksonville. An increase in franchise sales along with in-person fitness classes ramping up again are both good indicators that fitness retail will continue trending upward.”

- Abby Walsh, Senior Associate, Retail Tenant Representation

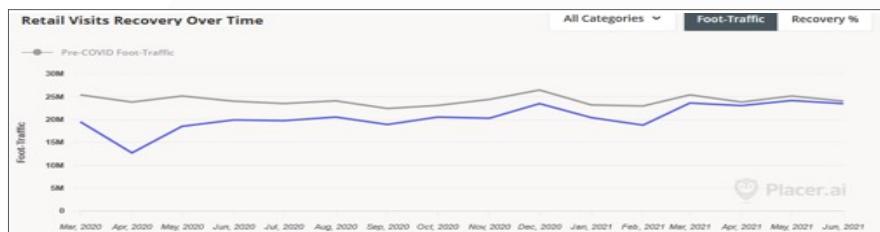
UNEMPLOYMENT RATES

Jacksonville unemployment rates remained significantly low relative to national unemployment rates. Even during the height of the pandemic, when national rates hovered at 14.8%, Jacksonville unemployment was 11.5%. Currently, Jacksonville unemployment rates have averaged 4.5% for Q2, while national unemployment rates averaged 5.93% over the same time frame.

Retail Visits Recovery By Category

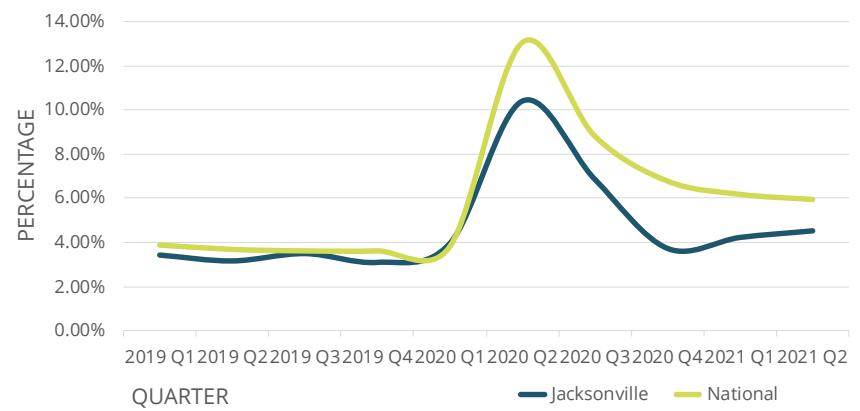


Source: PlacerAi



Source: PlacerAi

UNEMPLOYMENT RATES



Source: BLS.gov

POPULATION CHANGE

Jacksonville has shown significant increases in total population change. Over the past two years, St. Johns County produced the greatest percentage increase in population with an overall increase of 6.4%. Duval county had the greatest increase in terms of volume, increasing its population by 22,287 people. Of the five listed counties, only Clay County posted a negative population change of -0.08% or -161 people. Overall, more people are migrating to Jacksonville than leaving. The state of Florida as a whole has experienced a 2.4% increase in population.

“Rising land prices and construction costs, along with a relatively limited inventory, are driving rental rates for Jacksonville retail. However, despite the current landlord’s market, demand from tenants remains exceptionally strong and we continued to see many new-to-market retailers coming to the First Coast, as well as local and regional retailers expanding and opening new locations in our market.”

- Ricky Ostrofsky, Director, Retail Landlord Services



COUNTY NAME	STARTING POPULATION (6/1/19)	ENDING POPULATION (6/1/21)	PERCENTAGE CHANGE
St. Johns	248,738	264,663	6.40%
Nassau	85,662	90,293	5.41%
Duval	943,444	965,731	2.36%
Clay	209,593	209,432	-0.08%
Baker	28,617	29,684	3.73%

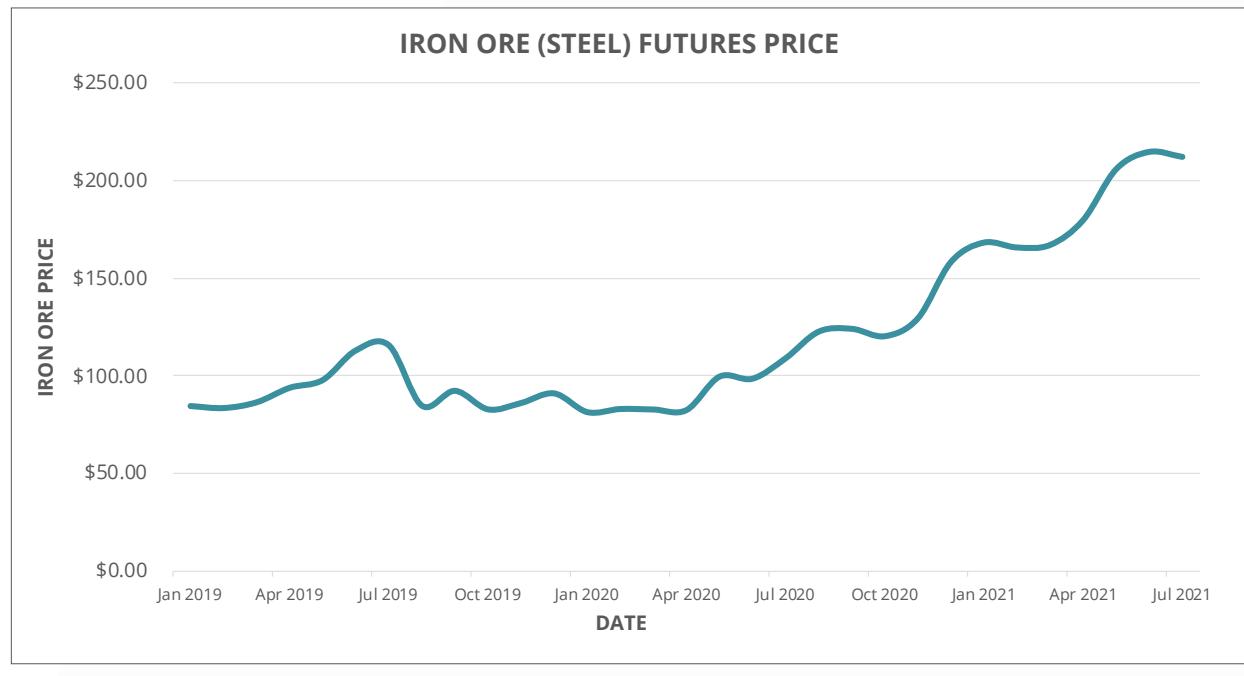
Source: PlacerAI

CONSTRUCTION

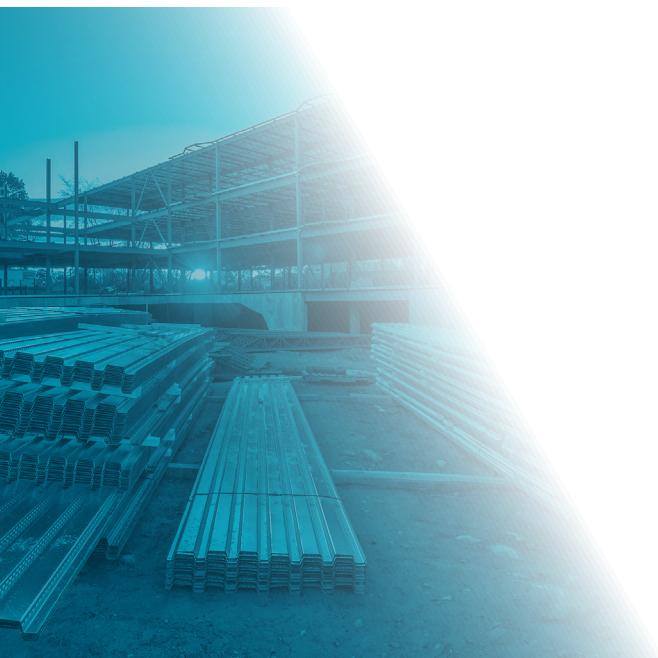
Prices of lumber and steel are all trading relatively high compared to pre-Covid levels. Lumber prices experienced the highest increase due to what experts thought was going to be a slump in ongoing construction. Sawmills shut down and the demand for lumber significantly increased while the supply lagged. Although lumber prices have decreased since their spike, lumber is still trading relatively higher than before the pandemic. Steel has also significantly increased trending upward in price.



Source: nasdaq.com



Source: Marketindex.com



RETAIL TYPE	INVENTORY BLDGS	INVENTORY SF	VACANT SF TOTAL	VACANT % TOTAL	NET ABSORPTION SF TOTAL	LEASING ACTIVITY DEALS TOTAL	DELIVERIES SF	UNDER CONSTRUCTION BLDGS	NNN RENT OVERALL
Community Center	409	15,374,454	723,823	4.7%	32,890	23	0	5	\$14.38
Lifestyle Center	19	731,673	14,728	2.0%	(3,043)	2	0	0	\$20.12
Neighborhood Centers	635	17,333,448	1,279,745	7.4%	139,826	65	6,633	12	\$13.50
Outlet Centers	5	658,216	-	0.0%	-	-	0	0	-
Power Center	127	4,282,806	314,244	7.3%	6,248	6	0	0	\$13.05
Regional Mall	17	832,530	166,512	20.0%	(4,458)	8	0	0	-
Strip Center	740	7,748,107	475,054	6.1%	(4,607)	44	15,395	0	\$14.92
Super Regional Mall	65	5,171,542	111,462	2.2%	5,304	-	0	0	-

Source: CoStar

DEVELOPMENT/NEWS

A major noteworthy project in Jacksonville is the \$114 million deal for the Jaguars Four Seasons-anchored project. The project will include a 176-room Four Seasons hotel, luxury condominiums and a six-story Class A office building.

FUQUA DEVELOPMENT: The Downtown Investment Authority has approved the advancement to review the \$182 million retail and multifamily project along Riverside Avenue. The project will consist of multifamily residential, retail space and a grocery store.

CONCLUSION

Jacksonville, the state of Florida's biggest city in terms of overall population, is continuing to serve as a retail hotbed. Supported by a highly employed economy, Jacksonville has shown its resilience to sustain a national pandemic and recover at a much faster pace than comparable cities. Driven by Jacksonville's vast population, retail visits will continue to recover and strengthen the general economy. With continuous increases in positive net absorption, as well as a major spike in investment activity, Jacksonville's retail market is well-positioned for continued recovery and future growth.

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