

	YoY Chg	12-Mo. Forecast
3.0% Vacancy Rate	▼	▲
2.1M Net Absorption, SF	▲	▲
\$5.84 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
1.04M Nashville Employment	▲	▲
2.7% Nashville Unemployment Rate	▲	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY

Nashville continues to showcase one of the healthiest economies in the U.S. due to low unemployment, an increasing population, and growth in local and regional economic development. Fueled by a diverse economy of healthcare, manufacturing/distribution, technology and entertainment, Music City is easily differentiated from its regional and national competitors. Nashville's momentum shows no signs of slowing down as companies continue to expand and relocate to the "It City". Developers are racing to catch up with steady demand resulting in a record number of construction projects underway.

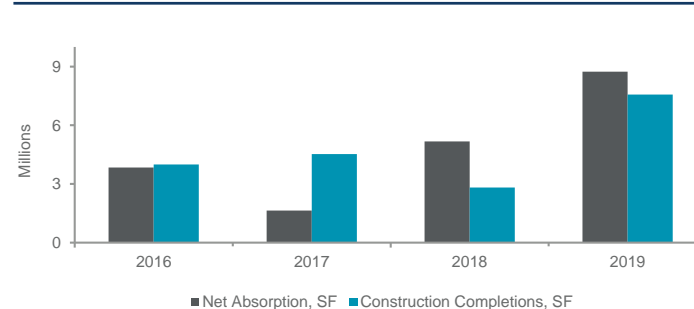
SUPPLY AND DEMAND

The Nashville industrial market finished 2019 with just over 8.0 million square feet (msf) of leasing activity, a 70.0% increase over activity recorded in 2018. During the fourth quarter of 2019, the Southeast submarket ranked among the highest for leasing volume with over 700,000 square feet (sf). Significant transactions in this submarket included Store Opening Solutions' sublease of 377,000 sf at CentrePointe – Building 2 and Walmart's direct lease of 120,568 sf at Prologis' CentrePointe 5. Most of the leasing activity occurred with tenants in the 40,000-sf to 130,000-sf range. Companies continued to expand their businesses and used Nashville's central location and distribution/logistics advantages to better serve customers both regionally as well as for local delivery and fulfillment services. A prominent example is Amazon with its commitment to the Nashville market with over 3.0 msf currently occupied and an additional 3.5 msf of new construction starting first quarter 2020.

RENTAL RATES AND SALES

Overall triple net asking rents finished Q4 2019 at \$5.84 per square foot (psf), a 35.0% increase over Q4 2018 when rents were at \$4.67 psf. As labor and construction costs continued to rise, landlords steadily increased asking rents of newly delivered product. For example, newly constructed "shallow bay" buildings are asking between \$5.15 psf and \$6.50 psf triple net, while recently delivered "big box" buildings are asking between \$3.85 psf and \$4.25 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Sale Activity

Over \$605 million of product traded in Nashville in 2019, including major institutional portfolio, investment, and user occupied assets. Over \$131 million of industrial properties traded in the fourth quarter alone. The largest was Amazon’s purchase of 2960 Armory Drive, a grocery warehouse formally occupied by Harry’s Fresh Foods. Although Amazon has not commented on its plans for this facility, the eCommerce giant has proposed using industrial warehouses for grocery store pickups in major markets following its purchase of Whole Foods. Local company Nashville Sash & Door sold its 184,727-sf building to Forstone Capital. The boutique real estate investment firm paid \$12.0 million for the asset with plans for redevelopment from industrial to mixed use.

Absorption & Vacancy

Nashville’s absorption continued its record setting pace with over 2.1 msf occupied in fourth quarter 2019. This number brings the overall market absorption for 2019 to 8.7 msf, the highest level in Nashville’s industrial market history. Major move-ins for the quarter were primarily located within the Southeast submarket and included Amazon occupying 517,000 sf at Interchange Center A and Project Worldwide opening its 416,000-sf new facility at Airport Business Park.

Overall vacancy in Nashville finished the year at 3.0%, a historic low and a 60-basis-point drop from year-end 2018. Nashville’s steady climb of leasing activity and its continued positive net absorption has resulted in a near-term shortage in supply. This will be short-lived given the recent surge in new development activity.

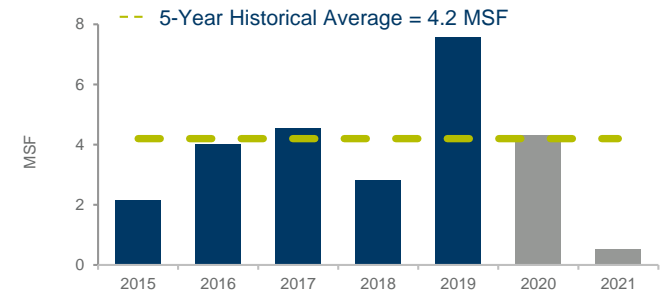
Construction

Over 4.8 msf of new product was under construction at year-end, with 95% being speculative. The largest projects are buildings 3-5 at Speedway Industrial Park, Interchange Center’s buildings B1-B4 and C, and buildings 5-10 at Park 24, all of which are expected to complete in 2020. After an active third quarter, Nashville completed 268,000 sf of new construction in Q4 2019, bringing the year-end total to 7.6 msf of new construction. Dorman and LG Electronics both completed the largest build-to-suits of the year, totaling 1.8 msf in the North submarket. Just under 5.0 msf of speculative projects were completed in 2019 including Speedway Industrial Building 1, Midway 840, and Cedar Farms.

Outlook

- With absorption matching deliveries, rental rates are expected to remain at historic highs.
- Large eCommerce companies such as Amazon will continue to drive demand.
- Nashville’s industrial market continues to boom and set new milestones despite U.S. and global industrial markets expecting a slow-down.

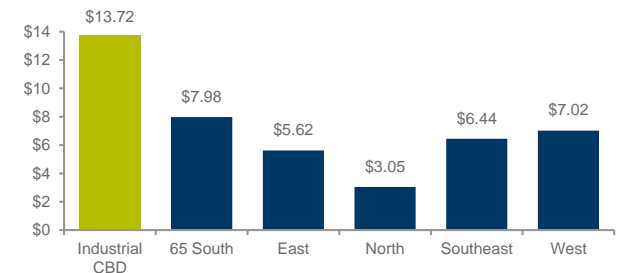
NEW SUPPLY



SUBMARKET COMPARISON



RENT BY MARKET (\$ PSF, NNN)



Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	Q4 CNSTR COMPLETIONS (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Industrial CBD	49,412,270	964,533	2.0%	279,956	438,507	594,043	0	0	0	\$13.72
65 South	13,077,158	30,000	0.2%	15,906	63,650	177,976	0	0	0	\$7.98
East	32,952,689	1,351,159	4.1%	571,851	3,629,647	2,131,007	1,974,384	100,000	3,454,980	\$5.62
North	41,293,877	1,743,620	4.2%	149,315	2,390,066	1,975,614	200,000	0	2,065,670	\$3.05
Southeast	65,399,763	2,552,807	3.9%	1,121,227	2,191,209	3,149,917	2,631,640	168,359	2,052,625	\$6.44
West	16,204,220	0	0.0%	0	28,272	28,272	0	0	0	\$7.02
Nashville Totals	218,339,977	6,642,119	3.0%	2,138,255	8,741,351	8,056,829	4,806,024	268,359	7,573,275	\$5.84

*Rental rates reflect weighted net asking \$/psi/year

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
245 Couchville Pike	East	Electrolux	471,851	Direct
5501 CentrePointe	Southeast	Store Opening Solutions	377,220	Sublease
525 Steam Plant Rd	North	YAPP USA Automotive	131,500	Renewal
533 New Paul Road	Southeast	Walmart	120,568	Direct
3099 Barry Drive	North	Hatch Stamping	109,058	Direct

*Renewals not included in leasing statistics

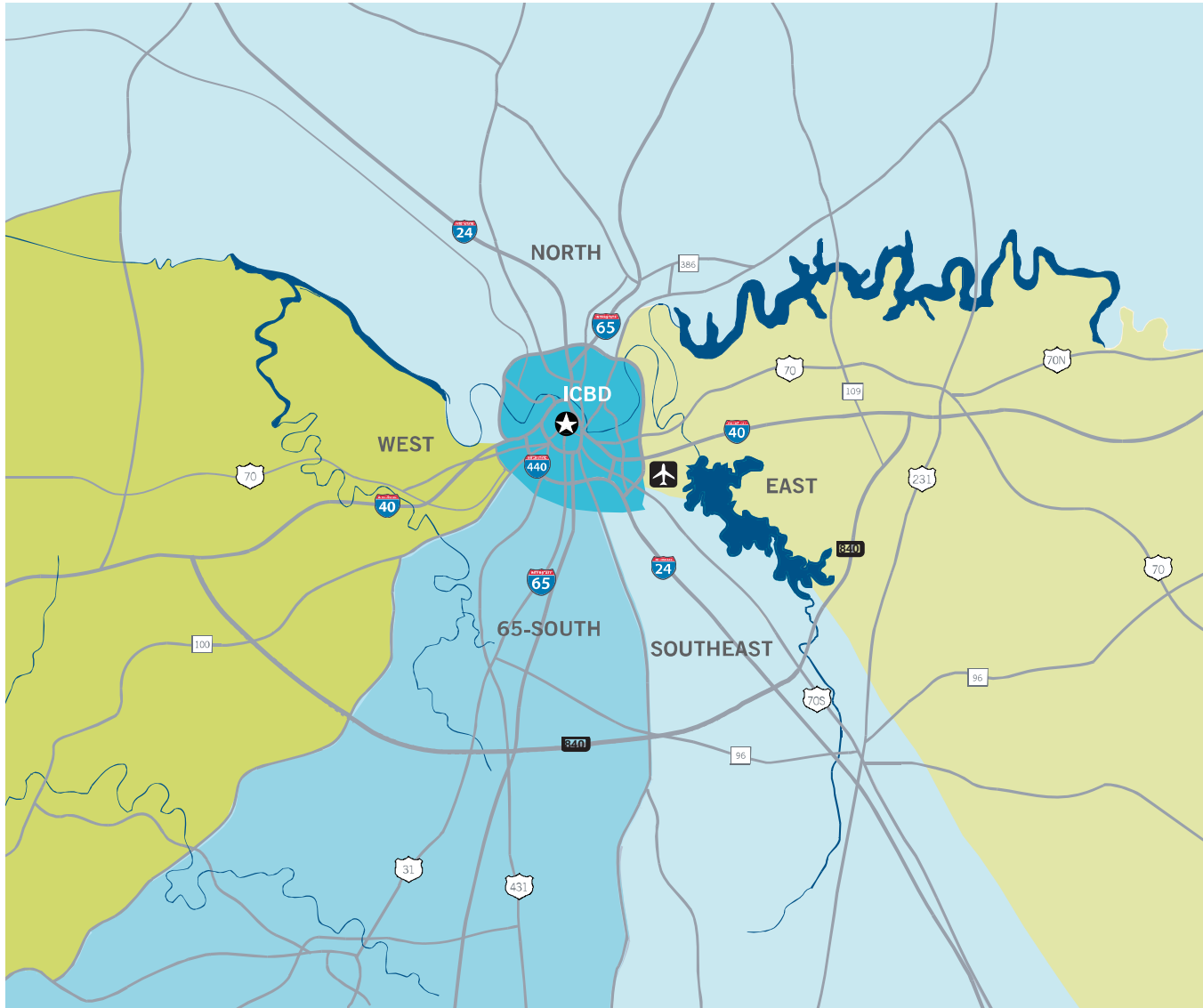
KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Haywood Oaks Business Park	Southeast	Albany Road / Elmington Capital Group	326,000	\$46.0M / \$141
3040 Sidco Drive – Nashville Sash & Door	65 South	McAlistor Properties / Forstone Capital	202,895	\$12.0M / \$59
2960 Armory Drive	65 South	Harry's Fresh Foods / Amazon	184,727	\$22.8M / \$123

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Speedway Industrial Park – Building 1	East	GEODIS	1,000,000	Panattoni
125 Logistics Drive – Cedar Farms	East	Rooms to Go	902,385	Rooms to Go
Midway 840	East	N/A	670,459	Strategic Capital Partners
Airport Business Park – Building 3	Southeast	Project Worldwide	564,404	Hillwood

INDUSTRIAL SUBMARKETS



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