



## Office Q4 2019

YoY Chg      12-Mo. Forecast

**10.5%**

Vacancy Rate



**143.5K**

Net Absorption, SF



**\$28.45**

Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q4 2019

YoY Chg      12-Mo. Forecast

**1.04M**

Nashville Employment



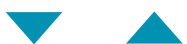
**2.7%**

Nashville Unemployment Rate



**3.6%**

U.S. Unemployment Rate



Source: BLS

### ECONOMY

Nashville's rapidly growing economy finished 2019 strong and shows no signs of a slowdown in the new decade. Nearly 20,000 new jobs have been generated since 2018, and Nashville's population is projected to exceed 2.0 million within the next two years. Both commercial and residential real estate remain in high demand with employment growth pairing closely with persistent economic development. "Music City's" national recognition as the "It City" continues to draw relocations of major corporations such as iHeartRadio, Mitsubishi, and AllianceBernstein.

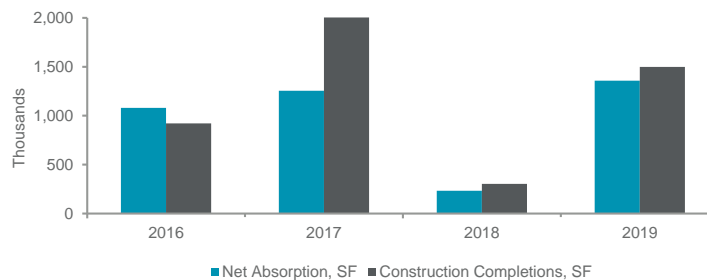
### SUPPLY AND DEMAND

Leasing activity in the Nashville office market finished the year with a total of over 2.6 million square feet (msf). This was double the amount reached by the end of 2018 as companies continued to relocate and expand. For fourth quarter 2019, Midtown and Cool Springs/Franklin submarkets ranked among the highest for leasing activity, both totaling just over 300,000 square feet (sf). Key leases included Baker Donelson and Robert Baird at Broadwest, Mitsubishi at McEwen Northside, and Accenture at Sylvan Supply. Airport South, a historically slow submarket, reached 137,000 sf of leasing transactions for the year, which was an 87.0% increase over 2018. This was largely due to the growth of the Wedgewood-Houston neighborhood where new housing and adaptive reuse office projects like 517 Hagan and WeHo Crossing reached an all-time high. As developers raced to increase supply for Nashville's CBD, office space remained limited with the submarket posting 57,000 sf of leasing activity for the fourth quarter. However, new supply is coming to the CBD with over 1.6 msf currently under construction and 52.0% of it preleased going into 2020.

### PRICING

Overall gross asking rents held steady at \$28.45 per square foot (psf) at the end of fourth quarter 2019, up 6.5% from \$26.71 psf at the same time last year. Class A rents reached another historic high, posting \$32.04 psf, a 7.7% increase year-over-year. The Midtown submarket recorded asking rents at \$37.27 psf, the highest in Nashville's history. This number was driven by new construction in the growing submarket as 1200 Broadway, One Music Circle, and Capitol View ranged between \$38.00 psf to \$42.25 psf full-service gross.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# NASHVILLE

Office Q4 2019

## Absorption

Overall vacancy in the CBD dropped 290 basis points (bps) year-over-year to 6.4%, while vacancy in the Non-CBD rose from 9.3% to 11.5%. Large companies continued to favor space in Nashville’s urban core in order to attract a young millennial workforce that prefers short commutes and a lifestyle close to downtown attractions. For fourth quarter 2019, over 144,000 sf of positive absorption occurred in Nashville, which demonstrated a notable bounce back from fourth quarter 2018 when Nashville’s absorption recorded -1,298 sf.

Low vacancy rates reflected the robust absorption number of 84,000 sf in the CBD, where Gibson and Industrious completed their move-ins at Cummins Station. After a strong third quarter 2019, Cool Springs/Franklin’s absorption was mild as Aetna vacated its 60,000-sf space at Corporate Centre. The healthcare giant completed its relocation into 83,000 sf at 1021 Reams Fleming Blvd. Cool Springs/Franklin ranked first as the submarket with the highest positive absorption in 2019 with almost 480,000 sf, followed by Midtown’s 325,000 sf and CBD’s 259,000 sf. Absorption is expected to remain high in the beginning of 2020 as tenants such as WeWork, Accenture, and Bridge Connector plan to open their new offices. Airport North performed well in fourth quarter 2019 with almost 40,000 sf of positive absorption, which can be directly linked to Postmates occupying its new space at Royal Parkway Center.

## Construction and Sales Activity

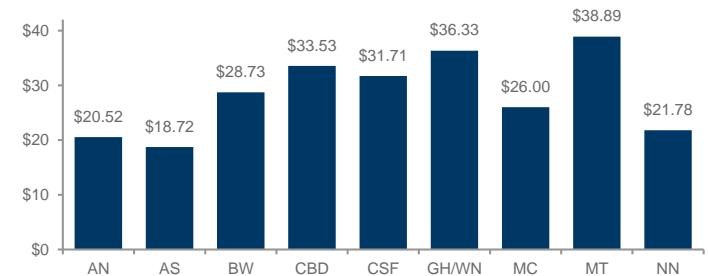
Almost 1.5 msf of new office product was delivered in Nashville in 2019. Development was evenly distributed between suburban and urban core markets demonstrating healthy and diverse demand for office space across the region. Over 237,000 sf of new Class A product delivered during fourth quarter 2019. With 1200 Broadway – 66,000 sf and Sylvan Supply – 136,000 sf completing in Midtown, both properties brought the submarket to 730,000 sf of new construction, the highest delivering submarket in Nashville for 2019. As demand remains high, over 3.7 msf of office space is currently under construction with 72.0% being speculative.

After a slow third quarter, just over 1.2 msf of office investment product traded during the last quarter of 2019. Blackstone Group closed on the largest sale transaction of the quarter, acquiring Fifth Third Center, a 489,000-sf Class A building. Two Greenway, Highland Ridge Tower, and Highland Ridge III also traded at the end of 2019, bringing the year-end investment sales to just over 4.0 msf, double the amount of sales in fourth quarter 2018.

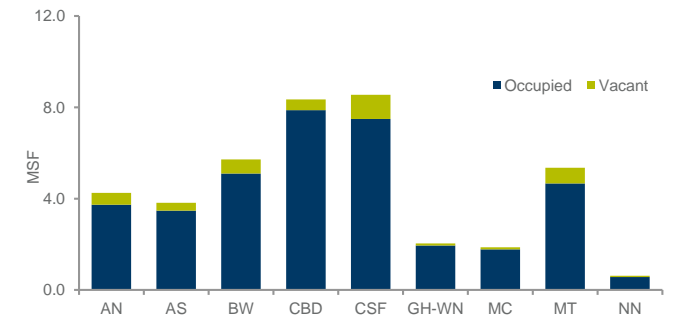
## Outlook

- With large projects such as Broadwest, Nashville Yards, and 501 Commerce all expected to deliver in the next two years, Nashville’s growth shows no signs of slowing down.
- Under construction buildings in the CBD and Midtown have achieved an average of 55.0% pre-leasing activity and are posting asking rents from \$42.50 psf to \$46.00 psf full-service gross.

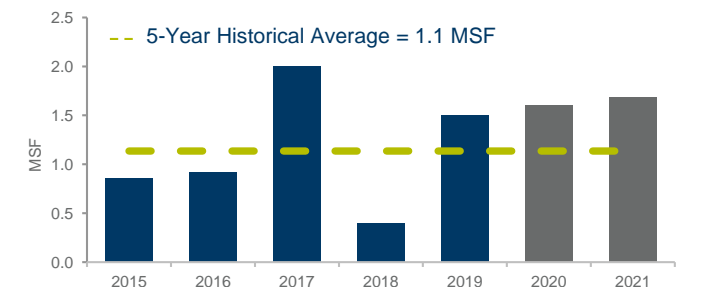
## SUBMARKET CLASS A – ASKING RENT



## SUBMARKET COMPARISON



## NEW SUPPLY



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Airport North	4,249,236	97,179	513,870	14.4%	39,905	-10,156	136,272	0	\$20.52	\$21.51
Airport South	3,816,933	26,600	344,833	9.7%	8,335	118,627	136,860	0	\$18.72	\$26.80
Brentwood	5,717,745	47,308	615,827	11.6%	22,603	79,090	215,401	313,500	\$27.13	\$28.73
CBD	8,346,448	58,149	473,720	6.4%	84,322	259,008	1,132,871	1,661,570	\$30.53	\$33.53
Cool Springs/Franklin	8,548,550	65,877	1,056,054	13.1%	-19,787	479,386	463,450	180,000	\$31.47	\$31.71
Green Hills/West Nashville	2,038,648	17,551	89,260	5.2%	-8,364	48,010	57,895	126,090	\$33.00	\$36.33
MetroCenter	1,871,717	0	90,546	4.8%	0	59,426	94,384	0	\$23.79	\$26.00
Midtown	5,353,118	11,424	685,284	13.0%	14,192	324,559	380,517	1,495,935	\$37.27	\$38.89
North Nashville	620,544	0	56,205	9.1%	2,314	37	5,880	0	\$20.86	\$21.78
<b>TOTALS</b>	<b>40,562,939</b>	<b>324,088</b>	<b>3,925,599</b>	<b>10.5%</b>	<b>143,520</b>	<b>1,357,987</b>	<b>2,623,530</b>	<b>3,777,095</b>	<b>\$28.45</b>	<b>\$32.04</b>

## KEY LEASE TRANSACTIONS Q4 2019

\* Includes sublease space and only existing buildings with vacant space.

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
730 Cool Springs Blvd – Cool Springs II	Cool Springs/Franklin	EviCore	160,000	Renewal
1600 West End - Broadwest	Midtown	Baker Donelson	68,000	New Lease
4031 Aspen Grove Drive – McEwen Northside	Cool Springs/Franklin	Mitsubishi	38,995	New Lease
4101 Charlotte Ave – Sylvan Supply	Midtown	Accenture	28,201	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
424 Church Street – Fifth Third Center	CBD	Goldman Sachs / Blackstone Group	488,853	\$145M / \$297
535-545 Marriott Drive - Highland Ridge III & Tower	Airport North	Gaedeke Group / Angelo Gordon	461,541	\$85.5M / \$186
302 Innovation Drive – Two Greenway	Cool Springs/ Franklin	Crescent Communities / TA Realty LCC	155,362	\$43.5M / \$280
1 Cannery Row	CBD	Warner Partners LLC / Cannery Owner LLC	110,000	\$32M / \$291

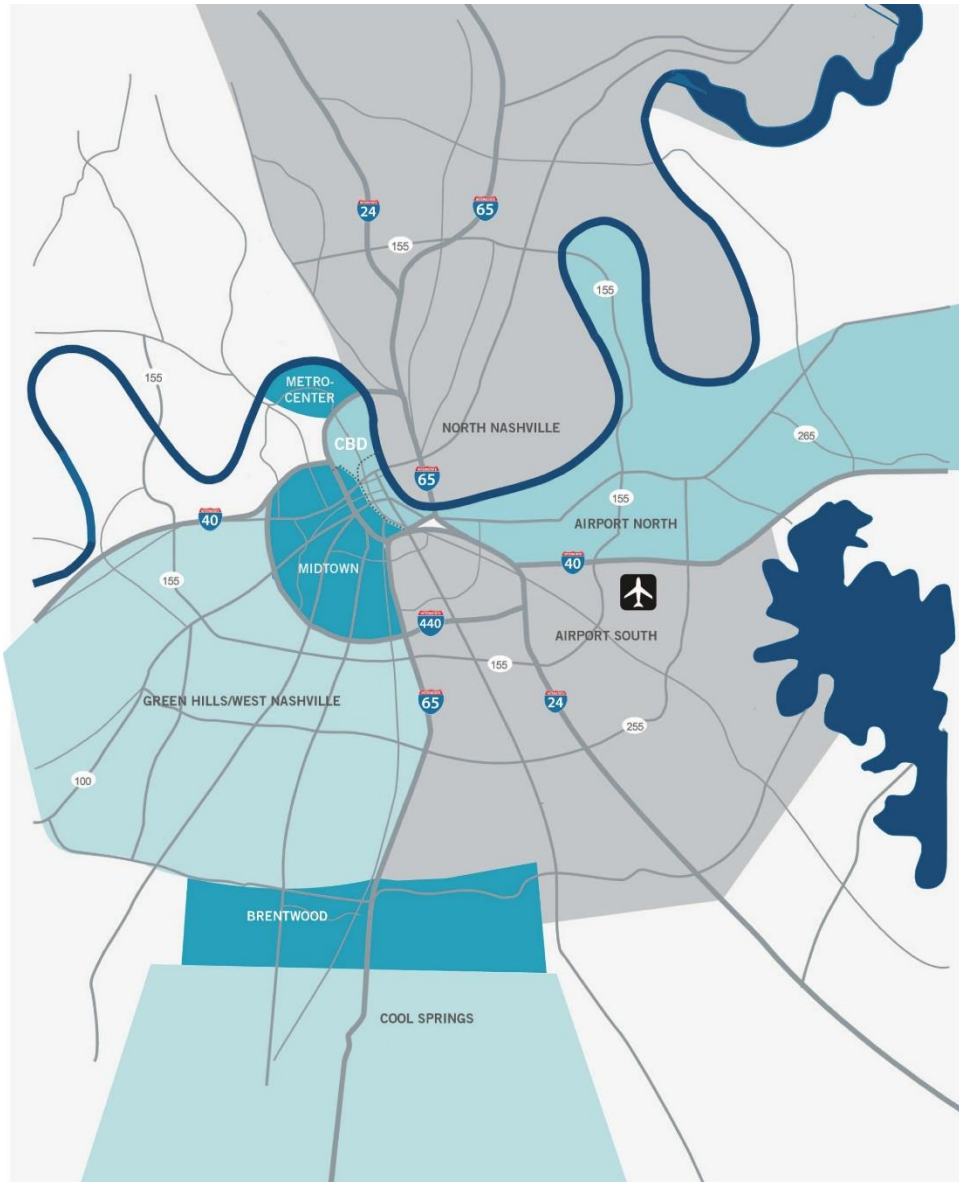
## KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
500 Eleventh Ave – Capitol View Block E	Midtown	Healthstream	300,000	Boyle Investment Group
2013 Ovation Pkwy - Ovation	Cool Springs/Franklin	Mars Petcare	224,000	Highwoods Properties
4101 Charlotte Ave – Sylvan Supply	Midtown	Accenture	135,000	Third & Urban
818 18 <sup>th</sup> Ave S - 18 <sup>th</sup> & Chet	Midtown	EY	120,000	Hall Emery





## OFFICE SUBMARKETS

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