

	YoY Chg	12-Mo. Forecast
2.6% Vacancy Rate	▼	▬
987K Net Absorption, SF	▲	▲
\$6.32 Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2020

	YoY Chg	12-Mo. Forecast
929.4K Nashville Employment	▼	▲
13.6% Nashville Unemployment Rate	▲	▼
13.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY:

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#). Since the Financial Crisis, the U.S.'s last recession, the Nashville economy has grown in population, industry diversity, and economic development. As trade and transportation makes up 22.0% of Nashville's employment, eCommerce and third-party logistics industries have seen little disruption regarding service and distribution.

SUPPLY AND DEMAND:

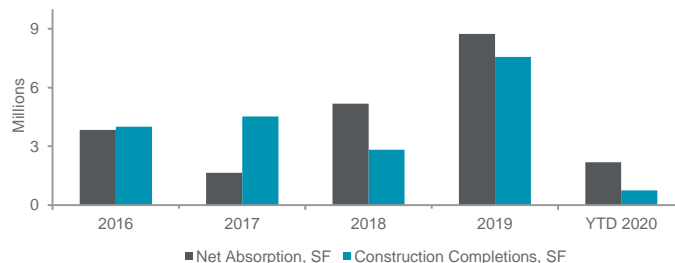
Nashville recorded more than 4.4 million square feet (msf) of industrial leasing activity in the first half of 2020, exactly on par with activity completed this time last year. For second quarter 2020, the Southeast and East submarkets ranked among the highest for leasing volume, together combining for over 1.4 msf. This was driven by FedEx's and Oporto's leases at Park 840, both of whom were victims of the tornado that hit Nashville in early March. Despite being affected by the tornado, FedEx has expanded its footprint in the Nashville region; the third-party logistics giant has leased over 1.0 msf of warehouse/distribution space since the beginning of 2020.

Though many industries have been negatively impacted by COVID-19, third-party logistics and eCommerce companies in Nashville have seen little effect on distribution, allowing them to continue service, transportation, and delivery. As a result, logistics companies such as Amazon, GEODIS, National Distribution and Contracting, FedEx, and Sprint Logistics have all either signed new or renewed their leases, keeping them operational and stable locally.

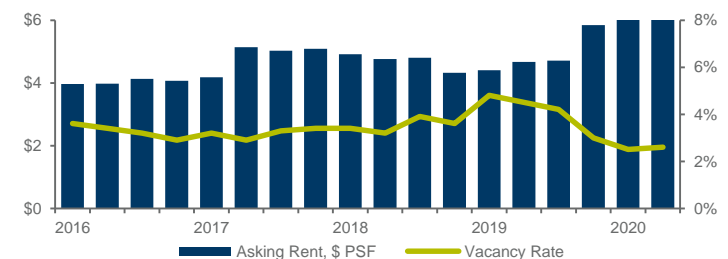
PRICING:

Overall triple net asking rents finished second quarter 2020 at \$6.32 per square foot (psf), a 35.0% increase over second quarter 2019 when rents were at \$4.67 psf. With the consistent delivery of new construction, higher rental rates have been driven by new supply of both "big box" and "shallow bay" buildings. "Big box" buildings are asking between \$3.50 psf and \$5.50 psf and "shallow bay" buildings are asking between \$4.25 psf and \$7.50 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ABSORPTION & VACANCY

Net absorption remained strong with over 980,000 sf of net occupancy gains in second quarter 2020, a massive increase of 240% from absorption recorded this time last year. This brings the year-to-date absorption total to 2.2 msf, putting the Nashville market on track for another record-breaking year of positive absorption. The largest gains occurred in the East submarket where FedEx occupied both 558,600 sf at Park 840 East and 443,968 sf at Speedway Industrial Park. The Southeast submarket ranked second with over 333,000 sf of absorption where Solotech, Mayker, Paperchef, and Home Depot all moved into their speculative space at newly constructed Park 24. Other key move-ins for the Southeast included Hills Pet Food at SouthPark 24 and Avani at 521 Harding Industrial.

As COVID-19 has impacted the economy and various real estate sectors, Nashville’s industrial market has not experienced changes in tenant attitude and vacancy. In fact, the overall vacancy rate fell to 2.6%, a 440-basis point (bps) drop from second quarter 2019. This is the third consecutive quarter in which vacancy posted below 3.0%, putting Nashville 270 bps below the U.S. industrial average of 5.3%. Even with an influx of 7.5 msf of new construction hitting the market by the end of 2019, Nashville’s vacancy has remained consistently low with strong tenant demand and supply still racing to catch up.

CONSTRUCTION

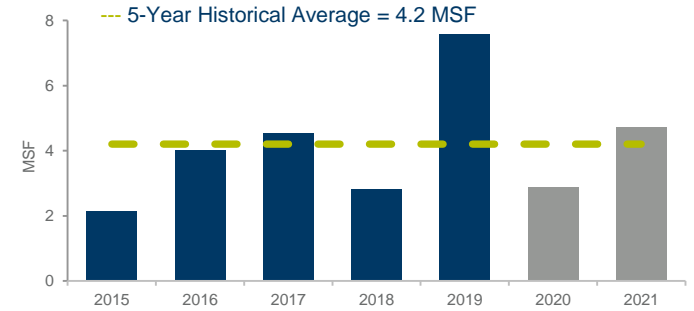
As city and state officials deemed construction as “essential” labor and exempt from shutdowns, nearly 700,000 sf of new industrial product was delivered in second quarter 2020. Large projects such as Speedway Industrial Park’s Building 4 – (443,968 sf), 421 Mason Road – (165,829 sf), and Maddox Road – (80,024 sf) all completed within the Southeast and East submarkets.

In spite of pandemic uncertainty, both local and institutional developers and investors have persisted with development, demonstrating confidence and economic resilience in the Nashville industrial market. Construction remains underway on 7.6 msf, a 57.0% increase over the previous year. Large speculative projects include Speedway Industrial Park, Interchange Distribution Center, and Hamilton Creek where plans involve both “bulk A” and “shallow bay” buildings. As Nashville’s central location provides logistic and distribution advantages, eCommerce giant Amazon is underway with its 3.6 msf distribution facility, Project Sam. Once completed, this will rank as one of the largest industrial complexes in Tennessee.

Outlook

- Despite shutdowns and economic setbacks, the U.S. and Nashville industrial markets show no signs of slowing down as Amazon and other eCommerce businesses continue to drive high demand for distribution/warehouse space.

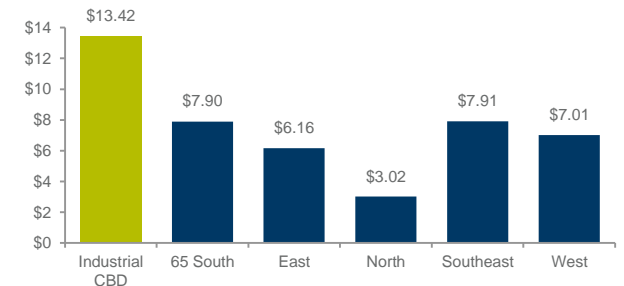
NEW SUPPLY



SUBMARKET COMPARISON



RENT BY MARKET (\$ PSF, NNN)



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	CURRENT QTR LEASING ACTIVITY	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Industrial CBD	48,840,969	1,115,742	2.3%	-344,206	-275,218	45,323	0	0	\$13.42
65 South	12,950,063	175,732	1.4%	-25,486	-118,016	11,661	0	0	\$7.90
East	32,519,281	731,571	2.2%	1,042,580	1,256,098	806,130	4,675,292	523,992	\$6.16
North	41,463,057	1,728,162	4.2%	-132,134	18,805	158,066	200,000	0	\$3.02
Southeast	66,269,638	1,911,543	2.9%	333,393	1,194,195	616,473	2,715,302	223,829	\$7.91
West	16,623,408	0	0.0%	112,900	112,900	124,900	0	0	\$6.97
NASHVILLE TOTALS	218,666,416	5,662,750	2.6%	987,047	2,188,764	1,762,553	7,590,594	747,821	\$6.32

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

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1000 Hixson – Park 840 East	East	FedEx	558,600	New Lease
578 Aldi Blvd	East	GEODIS	550,000	Renewal*
407 New Sanford	Southeast	National Distribution and Contracting	460,000	Renewal/Expansion
549 Aldi Blvd	East	GEODIS	270,400	Renewal*
801 Swan Drive	Southeast	Goggin Warehouse	229,504	Renewal*

*Renewals not included in leasing statistics

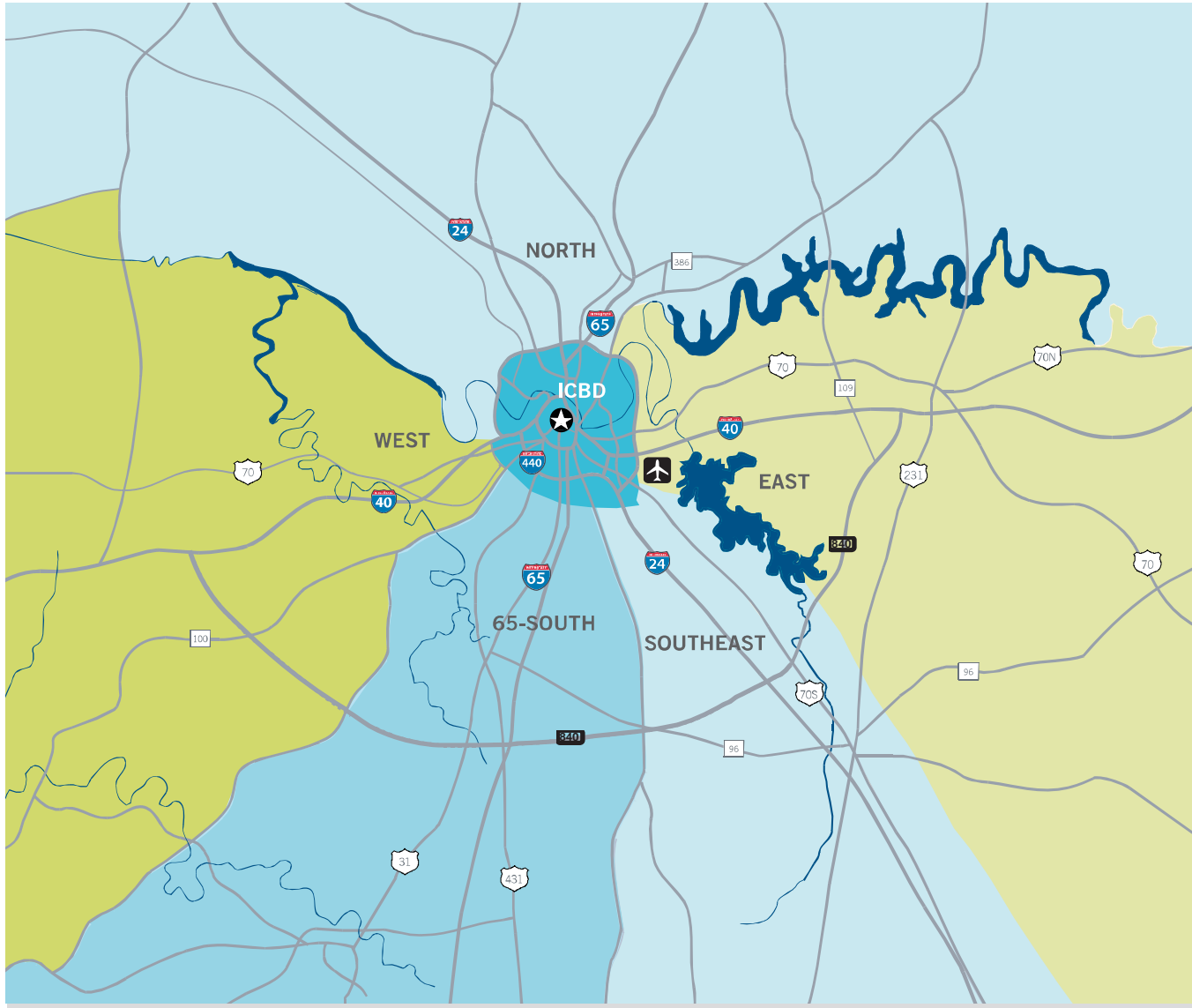
KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER / DEVELOPER
Athletes Way N & East Division – Project Sam	East	Build-to-Suit	3,600,000	Panattoni
Speedway Industrial Park – Buildings 3 and 5	East	Speculative	850,392	Panattoni
Interchange Distribution Center – Buildings B1-C	Southeast	Speculative	832,560	DRG Realty
Park 24 – Buildings 5,7, and 10	Southeast	Speculative	526,856	Panattoni
Airport Logistics Park – Buildings 100 and 600 - 1000	Southeast	Speculative	444,500	Holladay Properties
Hamilton Creek – Buildings A-D	Southeast	Speculative	363,560	StateStreetGroup

KEY CONSTRUCTION COMPLETIONS Q2 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Speedway Industrial Park - Building 4	East	FedEx	443,968	Panattoni
421 Mason Road	Southeast	N/A	165,829	Molto Properties

INDUSTRIAL SUBMARKETS



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