



Office Q2 2020

| | YoY Chg | 12-Mo. Forecast |
|-------------------------------------|---------|-----------------|
| 12.3% Vacancy Rate | ▲ | ▲ |
| -50.7K Net Absorption, SF | ▼ | ▲ |
| \$29.68 Asking Rent, PSF | ▲ | ▬ |

(Overall, All Property Classes)

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](#). As uncertainty continues due to COVID-19's natural unpredictability, the Nashville economy is in a strong and healthy position to weather the pandemic storm. With a stable and diverse economy, Nashville contains large employment in industries such as healthcare and technology which have historically performed well in past downturns. Both commercial and residential real estate remain in high demand with population growth pairing closely with persistent economic development.

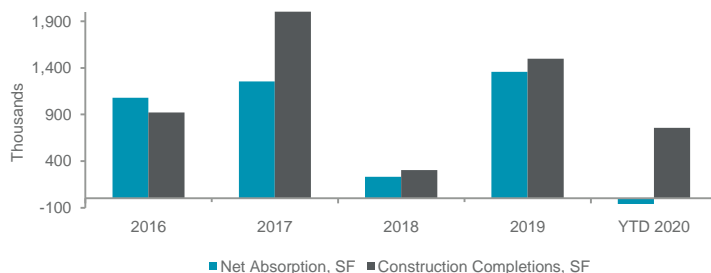
SUPPLY AND DEMAND:

Nashville's office market recorded more than 1.2 million square feet (msf) of new leasing transactions year-to-date with the majority of activity being in Class A product. Quarterly Non-CBD demand reached over 300,000 square feet (sf), remaining consistent and equal to leasing activity from the same period in 2019. Due to COVID-19 and market uncertainty, leasing volume has slowed in the urban core for the second quarter of 2020. However, businesses are showing their confidence in Nashville's economic resilience with large transactions from FirstBank who preleased 52,000 sf at One22One and Insight Global who also preleased and will be expanding into 17,000 sf at Gulch Union. With the possibility of an increase in sublease availabilities, small to mid-size tenants could see these as attractive options for cheaper and short-term lease solutions.

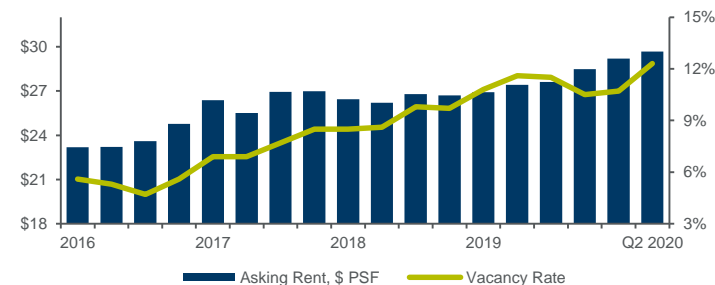
PRICING:

Despite a national slowdown, Nashville's overall average asking rent continued to climb to \$29.68 per square foot (psf) for the end of second quarter 2020, an 8.2% year-over-year (YOY) increase. Class A rents in particular surged to another historic high, posting \$33.33 psf, a 9.0% increase YOY. The CBD and Midtown submarkets have been the major rent drivers with recent deliveries and the construction of Peabody Plaza, Three Thirty Three, 1200 Broadway, and One Music Circle, where asking rents range from \$38.00 psf to \$46.50 psf full service gross.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



NASHVILLE

Office Q2 2020

ABSORPTION

Due to large project deliveries and recent sublease vacancies, Nashville’s overall vacancy rate rose 180 basis points (bps) YOY to 12.3%. Nashville’s fastest-growing suburban submarkets, Brentwood and Cool Springs/Franklin, saw the largest quarterly increase in vacancy. Though sublease volume has slightly increased, the spike in vacancy is strongly correlated to the recent deliveries of Brentwood Commons IV, McEwen Northside, and Hill Center Brentwood – Building H, where tenants have delayed occupancy but plan to move into their spaces by the end of 2020 and early 2021. In fact, only about 100,000 sf of sublease space can be directly linked to the COVID-19 virus and tenant vacancy.

Nashville recorded -50,000 sf of net losses in the second quarter 2020, the first time the region has reported negative absorption since first quarter of 2017. Both Green Hills/West Nashville and Midtown submarkets posted positive absorption with Accenture and InVivolink completing their move-ins into Sylvan Supply and Capitol View – Block E. Absorption is expected to increase towards the end of 2020 with 55% of under construction product currently preleased in the urban core.

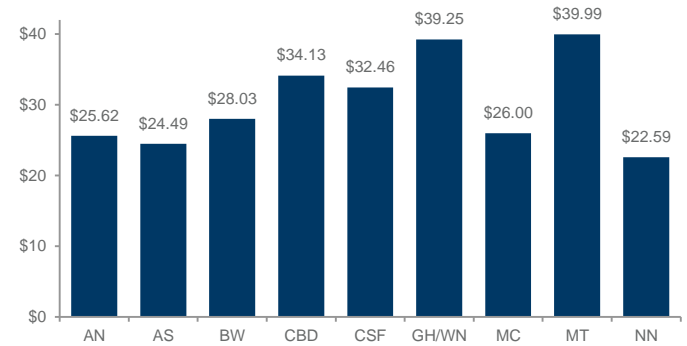
CONSTRUCTION

More than 3.1 million square feet (msf) of office space was under construction at the close of the second quarter of 2020. The pandemic has not affected construction as city and state officials deemed it as “essential” labor and exempt from shutdowns. As some development projects have been put on hold, local developers and investors have been able to secure new construction loans and believe demand levels will remain high for office space. For example, within the last few months, Nashville developer GBT was able to secure financing, begin construction, and prelease 14% of One22One, a 365,000-sf office tower located in Midtown. Other significant speculative projects in the urban core include 501 Commerce (372,000 sf), Gulch Union (324,000 sf), and Silo Studios (80,000 sf) which are all expected to complete by the end of the year. In Brentwood, both Hill Center – Building H and Brentwood Commons IV delivered in second quarter 2020 for a total of 200,000 sf; each was over 50% preleased prior to completion. More than 750,000 sf of new product has delivered in Nashville in the first half of 2020, roughly the same amount completed this time last year. Class A development was distributed evenly between suburban and urban core submarkets which shows a diverse and consistent demand throughout the Nashville region.

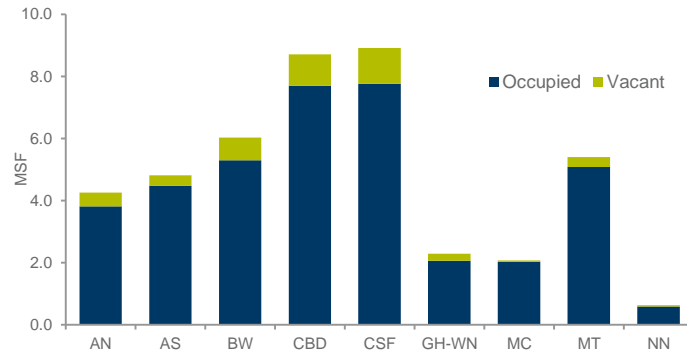
Outlook

- As investment sales have slowed due to COVID-19, Nashville still remains attractive to investors and developers with the PwC and Urban Land Institute ranking it the third best city for real estate investment.
- Although office occupancy is permitted within Davidson and Williamson Counties, only 10%-20% of occupants have returned. Thus, many leasing tours and transactions have been from local and regional businesses from 2,000 sf – 15,000 sf with tenants looking for “move in ready” space and flexible terms.

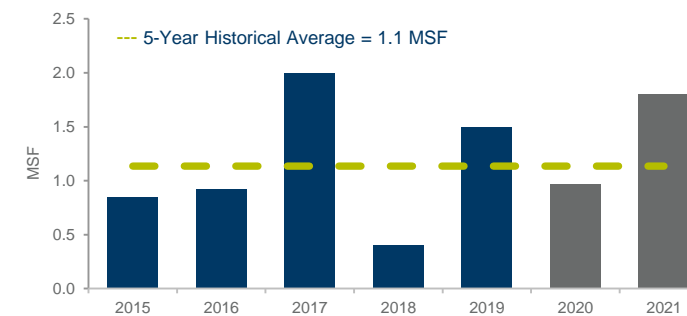
CLASS A ASKING RENT – SUBMARKET COMPARISON



OCCUPANCY & VACANCY – SUBMARKET COMPARISON



NEW SUPPLY



MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | Q2 OVERALL NET ABSORPTION | YTD LEASING ACTIVITY (SF) | YTD CONSTR COMPLETIONS (SF) | UNDER CONSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|----------------------------|-------------------|--------------------|--------------------|----------------------|---------------------------|---------------------------|-----------------------------|-------------------|--|------------------------------------|
| Airport North | 4,251,950 | 124,139 | 441,047 | 13.3% | 5,857 | 408,787 | 0 | 0 | \$23.70 | \$25.62 |
| Airport South | 4,805,842 | 54,494 | 335,225 | 8.1% | -3,397 | 93,020 | 0 | 0 | \$18.64 | \$24.49 |
| Brentwood | 6,032,009 | 90,910 | 733,684 | 13.7% | -19,748 | 232,445 | 202,500 | 111,000 | \$26.42 | \$28.03 |
| CBD | 8,704,756 | 175,903 | 1,006,049 | 13.6% | -13,505 | 131,507 | 280,000 | 949,570 | \$31.86 | \$34.13 |
| Cool Springs/Franklin | 8,915,486 | 387,195 | 1,155,398 | 17.3% | -59,030 | 155,157 | 180,000 | 80,000 | \$31.21 | \$32.46 |
| Green Hills/West Nashville | 2,287,287 | 0 | 234,880 | 10.3% | 20,307 | 58,950 | 0 | 149,090 | \$35.45 | \$39.25 |
| MetroCenter | 2,071,717 | 25,809 | 44,374 | 3.4% | -6,762 | 5,906 | 0 | 0 | \$22.80 | \$26.00 |
| Midtown | 5,398,024 | 14,639 | 419,768 | 8.0% | 27,328 | 196,755 | 93,000 | 1,852,116 | \$38.96 | \$39.99 |
| North Nashville | 620,544 | 0 | 42,482 | 6.8% | -1,787 | 3,953 | 0 | 0 | \$21.31 | \$22.59 |
| TOTALS | 43,087,604 | 873,089 | 4,412,907 | 12.3% | -50,737 | 1,286,480 | 755,500 | 3,141,776 | \$29.68 | \$33.33 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|-------------------------------------|-----------------------|------------------------|--------|-----------------------|
| 1221 Broadway – one22one | Midtown | FirstBank | 52,000 | New Lease |
| 455 Duke Drive | Cool Springs/Franklin | Loews Hotels | 32,461 | New Lease |
| 801 Royal Parkway - MAC I | Airport North | CLEAResult Consulting | 25,306 | New Lease |
| 615 3 rd Ave – 615 Third | Nashville CBD | Barge Design Solutions | 18,272 | New Lease / Expansion |
| 1222 Demonbreun St. – Gulch Union | Midtown | Insight Global | 16,908 | New Lease |

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q2 2020

| PROPERTY | SUBMARKET | OWNER / DEVELOPER | SF | CONSTRUCTION TYPE |
|---|-----------|----------------------------|---------|-------------------|
| 1600 West End Ave. – Broadwest | Midtown | Propst Properties | 611,770 | Speculative |
| 11 th Street at Church Street – Asurion Headquarters | Midtown | Highwoods Properties | 551,000 | Build-to-Suit |
| 200 10 th Ave N. – Amazon Headquarters (Phase I) | CBD | Southwest Value Partners | 500,000 | Build-to-Suit |
| 501 Commerce Street – Fifth + Broad | CBD | Brookfield Properties | 371,570 | Speculative |
| 1221 Demonbreun St. – one22one | Midtown | GBT | 365,000 | Speculative |
| 1222 Demonbreun St. – Gulch Union | Midtown | Endeavor Real Estate Group | 324,346 | Speculative |

KEY CONSTRUCTION COMPLETIONS Q2 2020

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER / DEVELOPER |
|--|-----------|---------------|---------|-------------------|
| 10 Lea Ave. – Peabody Plaza | CBD | Concord Music | 280,000 | Eakin Partners |
| 333 11 th Ave S. – Three Thirty Three | Midtown | N/A | 71,000 | MarketStreet |

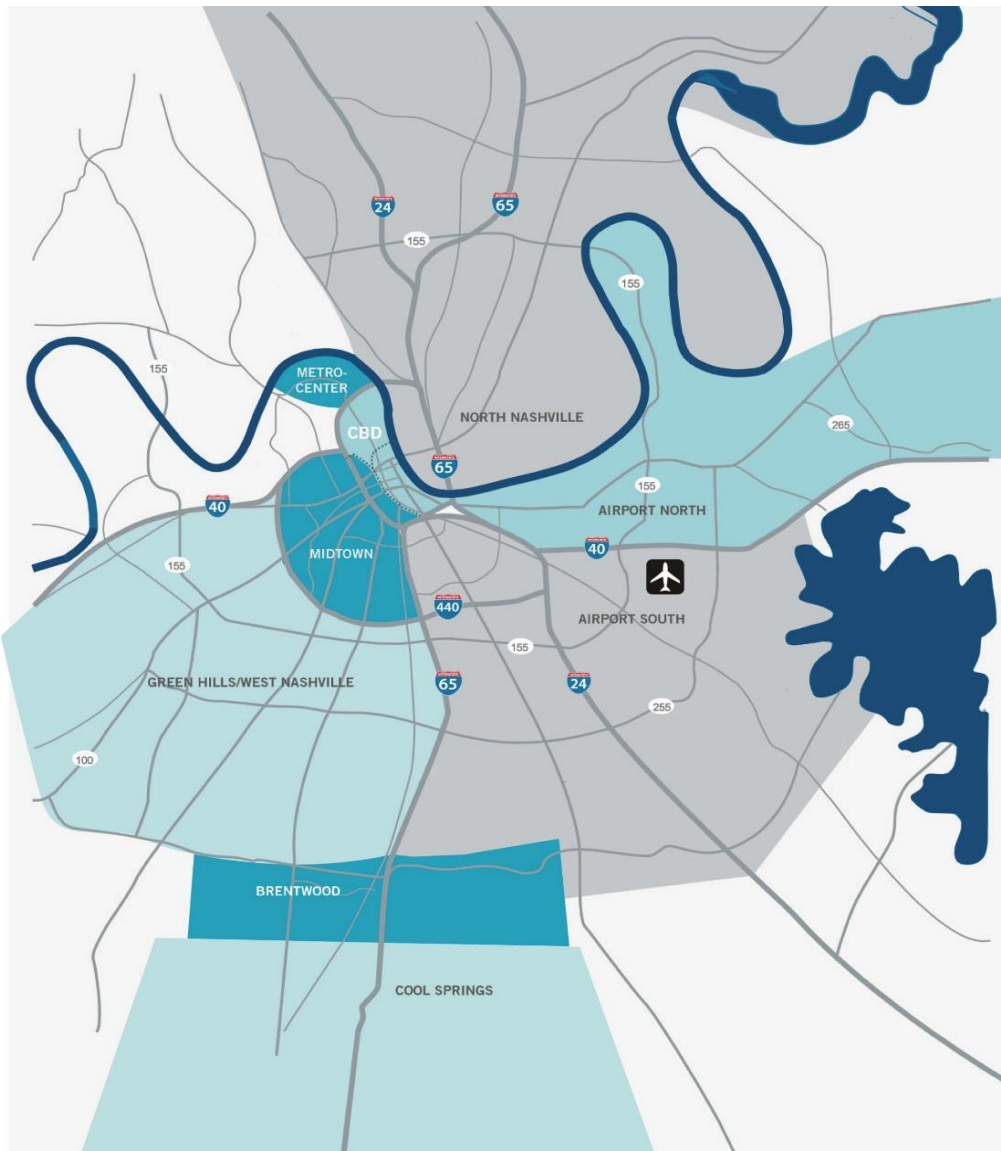
NASHVILLE

Office Q2 2020



CUSHMAN &
WAKEFIELD

OFFICE SUBMARKETS



Zander El-Hindi

Senior Research Analyst

Tel: +1 615 301 2826

zander.elhindi@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com