

	YoY Chg	12-Mo. Forecast
13.1% Vacancy Rate	▲	▲
-35.8K Net Absorption, SF	▼	▲
\$29.94 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
980.4K Nashville Employment	▼	▲
9.4% Nashville Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

The COVID-19 pandemic has impacted the U.S. and Nashville real estate markets significantly. As the situation still remains very fluid and unpredictable, the Nashville economy has continued the recovery process by progressing to Phase 3. Nashville's unemployment rate decreased to 9.4% in August from its peak in April, and commercial real estate interest has started to regain momentum. Music City entered the pandemic in a healthy position with a young workforce and strong employment in diverse industries such as healthcare and technology, which have remained stable during market shutdowns. With economic development still on the rise with the likes of SmileDirect Club and Amazon expanding once again in Middle Tennessee, residential and commercial real estate remain valuable assets for businesses, investors, and individuals.

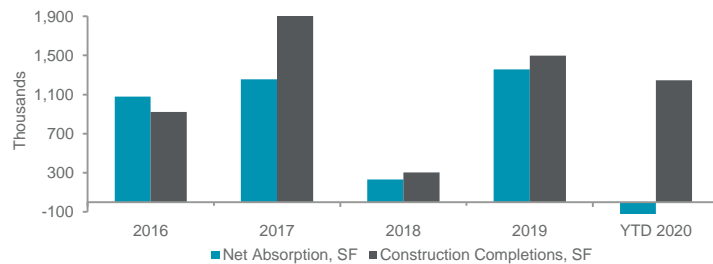
DEMAND

As the pandemic has taken its toll on both the U.S. and Nashville office markets, tenant uncertainty has resulted in 1.6 million square feet (msf) year-to-date leasing activity, a 26.0% decrease from this time last year. Despite tenant hesitancy downtown to commit to leasing and occupancy, three of the largest deals of the quarter occurred in Nashville's urban core, suggesting confidence in Nashville's post-COVID long-term growth. At Three-Thirty-Three, the Gulch's newest office building, Mechanical Licensing Collective signed for 18,000 square-feet (sf). The media/entertainment company has chosen Music City for its headquarter location and plans to add 100 full-time employees. At Sylvan Supply, which delivered at the end of 2019, residential real estate giant Keller Williams Realty inked 14,000 sf.

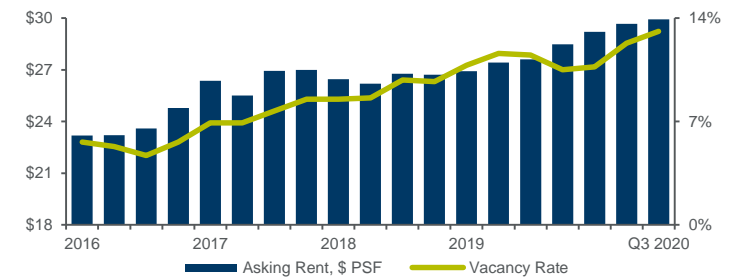
PRICING

Despite a slowdown in leasing activity, Nashville's overall average rents have seen no changes and remained high at \$29.94 per square foot (psf) for third quarter 2020. This is 2.5% higher than when the global pandemic started in March. With an influx of new construction deliveries over the last six months, Class A rents have jumped to another market record of \$34.10 psf, a 9.6% increase (YOY). The Midtown submarket recorded Class A asking rents at \$40.32 psf, breaking last quarter's record of \$39.99 psf; it now ranks as the highest rate in Nashville's history. Asking rents among new construction projects in the urban core such as Three-Thirty-Three, 1200 Broadway, and 501 Commerce range between \$38.00 psf to \$49.00 psf full-service gross.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



NASHVILLE

Office Q3 2020

SUPPLY AND ABSORPTION

Overall vacancy in Nashville rose to 13.1% for third quarter 2020, a 150 basis-point (bps) increase from one year prior. As sublease space becomes a prime focus in the office sector, Nashville saw a 1.2% increase in sublease vacancy YOY. However, only roughly 26.0% of all sublease space was directly linked to COVID-19. Nashville's direct vacancy, which excludes sublease space, remained largely unchanged since third quarter 2019 at 10.8%.

Nashville recorded -36,000 sf of overall net losses in the third quarter of 2020, only the second time the market has experienced negative absorption since first quarter of 2017. Much of these losses were concentrated within the Cool Springs/Franklin and MetroCenter submarkets, with CHS and Cigna vacating over 200,000 sf collectively. However, excluding sublease vacancies, Nashville's direct absorption posted at 115,706 sf a significant improvement from the start of 2020 where direct occupancy posted in the negatives.

Despite tenant occupancy delays, over 138,000 sf of net occupancy gains were recorded in Airport North, a historically quiet submarket with BlueCross BlueShield moving into over 85,000 sf at One Century Place. The urban core submarkets also showed strong absorption for third quarter with large occupancies from iHeartRadio, Guaranty Home Mortgage, and Fourth Capital.

CONSTRUCTION

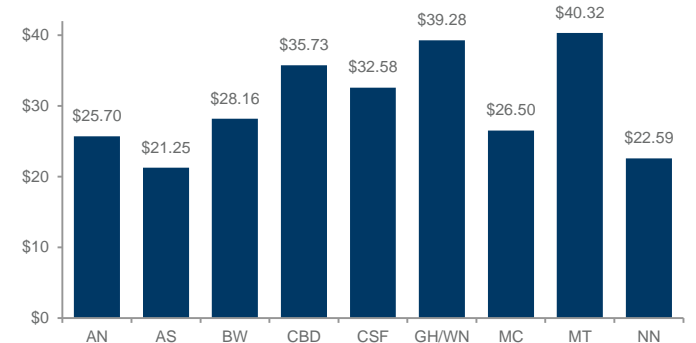
Nashville construction and investor/developer interest have remained high with anticipation for further office demand despite the pandemic. Over 3.1 million square feet (msf) remained under construction during the third quarter including large projects like Broadwest, Gulch Union, and both Asurion's and Amazon's build-to-suits, which are all expected to deliver by the end of 2020 and early 2021. Even with limited leasing activity, preleasing has remained strong for speculative buildings in the urban core. For example, 45,000 sf has been preleased at Gulch Union during the economy's shutdown.

Nearly 500,000 sf of new construction delivered during the third quarter, bringing the year-to-date completion amount to 1.2 msf. This is 58.0% higher than what was completed this time last year with projects delivering such as 501 Commerce, Silo Studios, and Stocking 51. 501 Commerce delivered 63.0% preleased, the highest pre-completion leasing activity in the urban core since Gulch Crossing delivered 69.0% occupied in 2015.

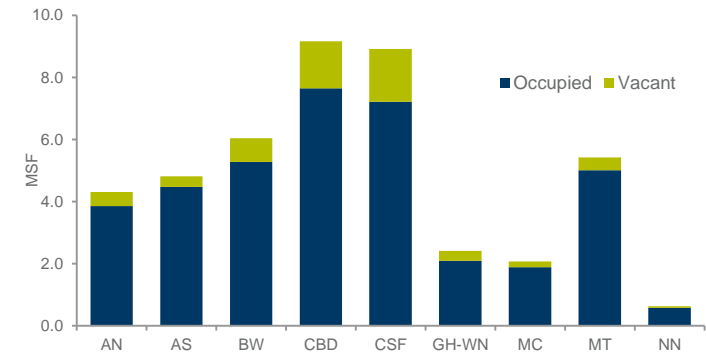
Outlook

- With the PwC and Urban Land Institute ranking Music City third best market for real estate investment, developers and investors still remain highly interested and are looking beyond the pandemic for continued future growth.

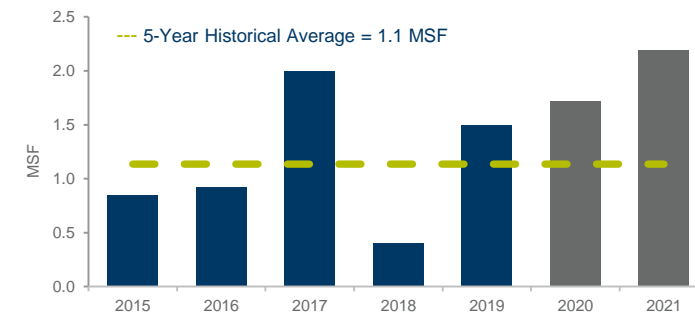
CLASS A ASKING RENT – SUBMARKET COMPARISON



OCCUPANCY & VACANCY – SUBMARKET COMPARISON



NEW SUPPLY



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANCY RATE (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	4,300,509	1.0%	405,035	10.4%	138,144	91,521	445,728	0	\$23.03	\$25.70
Airport South	4,813,624	0.6%	313,455	7.1%	23,313	-4,763	92,620	200,000	\$17.35	\$21.25
Brentwood	6,041,266	1.7%	661,434	12.7%	11,827	52,927	283,996	111,000	\$26.38	\$28.16
CBD	9,160,747	1.8%	1,342,173	16.5%	36,239	-206,131	196,080	578,000	\$33.09	\$35.73
Cools Springs/Franklin	8,915,486	6.4%	1,131,627	19.1%	-155,898	-209,670	235,486	272,000	\$31.35	\$32.58
Green Hills/West Nashville	2,405,341	0.6%	307,753	13.4%	27,550	81,745	75,121	23,000	\$36.46	\$39.28
MetroCenter	2,071,717	2.3%	137,843	9.0%	-116,730	-95,132	5,906	0	\$21.92	\$26.50
Midtown	5,416,024	0.6%	383,204	7.6%	2,008	152,214	267,700	1,960,638	\$38.38	\$40.32
North Nashville	620,544	0.0%	43,587	7.0%	-2,313	-5,340	6,362	0	\$21.32	\$22.59
TOTALS	43,745,258	2.3%	4,726,111	13.1%	-35,860	-142,629	1,608,999	3,144,638	\$29.94	\$34.10

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
333 11 th Ave S - Three-Thirty-Three	Midtown	Mechanical Licensing Collective	17,726	New Lease
150 4 th Ave N – One Nashville Place	CBD	Nelson Mullins Riley & Scarborough	17,281	Renewal*
49 Music Square West	Midtown	Rural Media Group	16,657	Renewal*
4101 Charlotte Ave – Sylvan Supply	Green Hills/West Nashville	Keller Williams	14,352	New Lease
750 Old Hickory Blvd – Brentwood Commons II	Brentwood	Confidential Tenant	11,695	Renewal*

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q3 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
1221 Demonbreun St. – one2zone	Midtown	GBT	365,000	Speculative
1222 Demonbreun St. – Gulch Union	Midtown	Endeavor Real Estate Group	324,346	Speculative

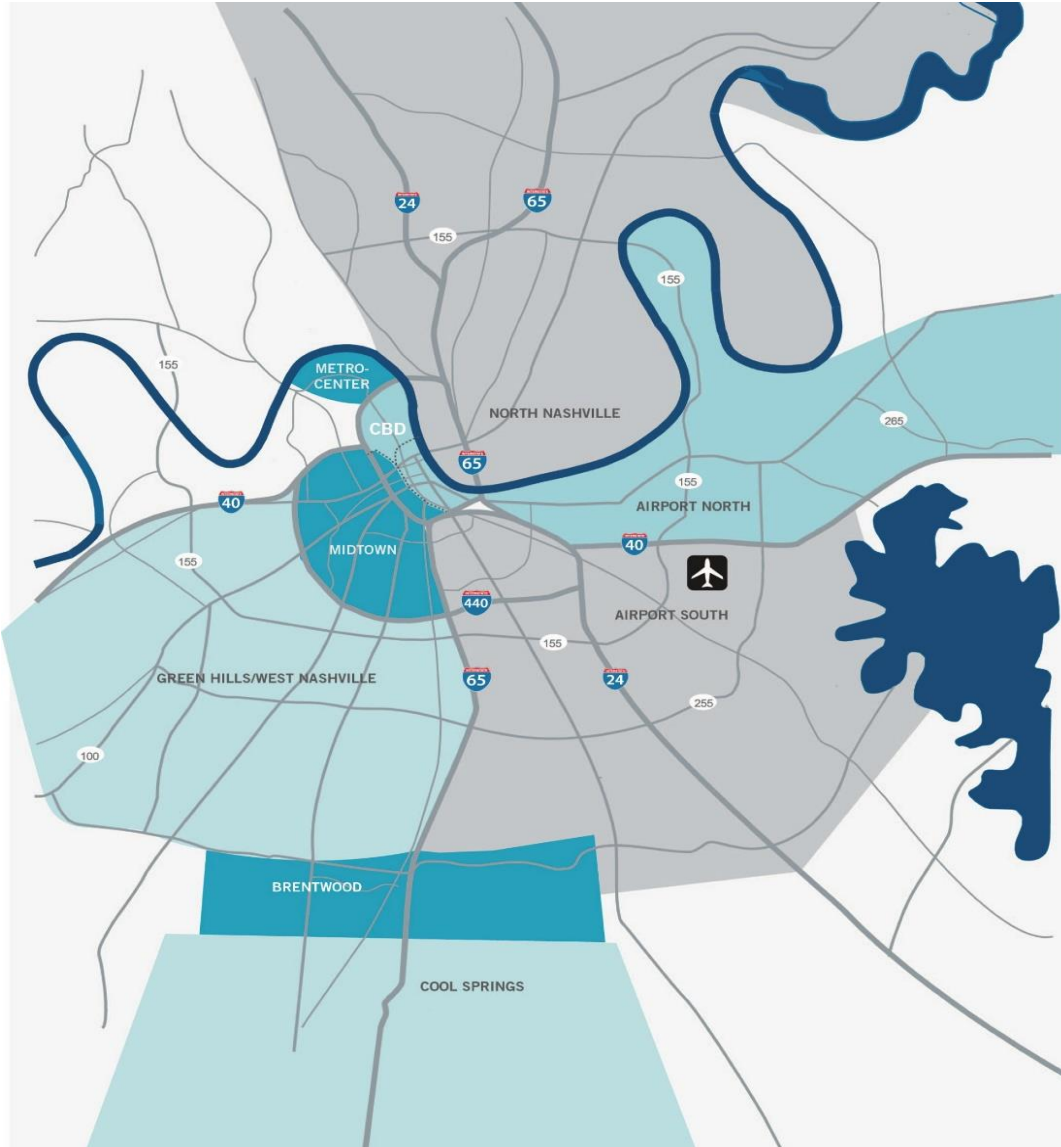
KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
501 Commerce Street – Fifth + Broadway	CBD	AllianceBernstein	371,570	Brookfield Properties
10 Lea Avenue – Peabody Plaza	CBD	Concord Music	280,000	Eakin Partners
4031 Aspen Grove – McEwen Northside – Block B	Cool Springs/Franklin	Mitsubishi	180,000	Boyle Investment Group

NASHVILLE

Office Q3 2020

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.