

Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
2.1% Vacancy Rate	▼	▲
268K SF Net Absorption, SF	▲	▼
\$7.42 Asking Rent, PSF	▲	▼

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
1.0M Nashville Employment	▼	▲
5.3% Nashville Unemployment Rate	▲	▲
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

As the situation regarding COVID-19 remains very fluid and unpredictable, the Nashville economy has already made great strides towards recovery. Nashville's unemployment rate decreased to 5.3% at the end of 2020, a 990-basis point (bps) drop from April's recorded unemployment rate of 15.2%. With economic development still on the rise with trends of West Coast companies relocating to Music City, residential and commercial real estate remain valuable assets for businesses, investors, and individuals.

DEMAND

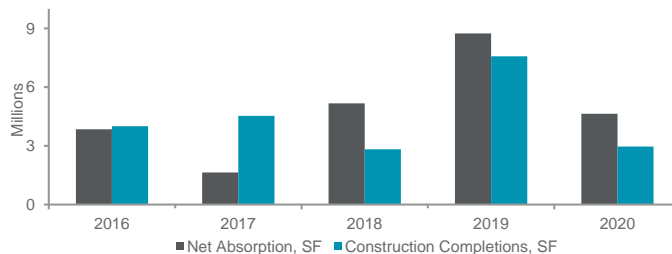
Nashville's industrial market has remained resilient throughout 2020; a year that saw a combination of devastating tornadoes coupled with economic impacts from COVID-19. Nashville recorded nearly 1.5 million square feet (msf) of leasing activity for fourth quarter 2020. This brought the annual total to 8.5 msf of new activity, 6.1% higher than what was recorded in 2019. The highly active Southeast submarket alone accounted for 59.8% of Nashville activity in the fourth quarter with significant deals such as Quanta Computer, Sinomax USA, and Material Handling Resources. The East submarket recorded healthy activity among existing occupiers with more than 1.5 msf of renewals signed during Q4 2020, including a 680,000-sf renewal by Starbucks – Nashville's largest transaction of the year. Cold Chain Technologies also inked a 250,000 sf lease in Building 5 at Speedway Industrial Park. The CBD submarket also saw strong activity led by a new lease with Dart Warehouse Corporate signing for 128,000 sf at Cumberland Distribution Center.

Nashville's industrial market performance has remained strong throughout the pandemic and has seen no changes in tenant demand. Throughout 2020, leasing volume averaged over 2.0 msf per quarter. This was heavily linked to an increase in e-commerce and third-party logistics demand, which are industries that have remained somewhat immune to the global shutdown. Given Nashville's highly desirable geographic location for distribution and delivery, both locally and regionally, Cushman & Wakefield Research forecasts for leasing activity to remain active and robust to accommodate for increased demand in e-commerce.

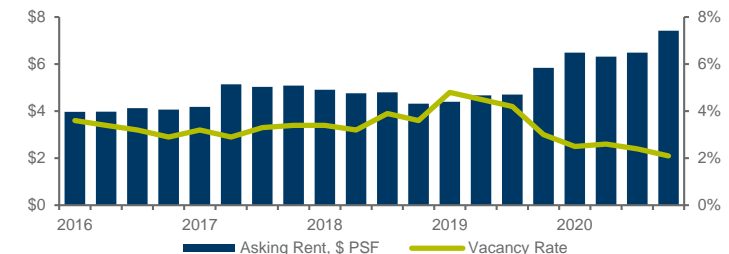
PRICING

For fourth quarter 2020, overall asking rents climbed 14.3% year-over-year (YOY) to \$7.42 per square foot (psf). This increase was heavily influenced by a rare sublease vacancy containing heavy build-out and a record-high asking rate of \$17.59 psf in the 65 South submarket. However, the direct asking rate, which excludes sublease space, was less volatile and posted at \$7.15 psf. This rate can be linked to newly delivered "shallow bay" buildings asking between \$6.00 psf and \$8.50 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ABSORPTION & VACANCY

Net absorption recorded over 268,000 sf for Q4 2020, bringing the year-to-date occupancy gains to more than 4.6 msf. This is significantly less than what was recorded in 2019 but is a direct reflection of limited space and record low vacancy across the market. Supply is still racing to meet demand. Throughout 2020, the Southeast and East submarkets both posted over 2.0 msf of positive absorption with large move-ins by Amazon, FedEx, UPS, and Talos Engineering. Amazon expanded its Nashville footprint by 1.0 msf this past year and made up a shocking 21.0% of Nashville's total market absorption.

Even though there has been over 10.5 msf of new product delivered over the past two years, Nashville's overall vacancy remains historically low and posted at 2.1% for Q4 2020. This is the lowest vacancy rate Nashville's industrial market has posted on record, making it one of the tightest markets in the U.S.

CONSTRUCTION

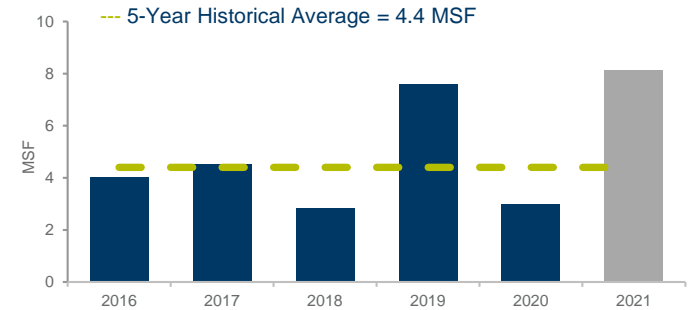
Over 650,000 sf of new construction was completed in Q4 2020 on a speculative basis. DRG Realty's Interchange Center Buildings B1-B4 all completed this quarter for a total of 590,000 sf. Hamilton Creek Building C also delivered for 75,000 sf; while Buildings B and D remain under construction and are expected to complete first quarter 2021. Throughout 2020, nearly 3.0 msf of new product was completed, including Speedway Industrial Park Buildings 3, 4, and 5 totaling 1.3 msf, which are fully leased to Amazon, FedEx, and Cold Chain Technologies respectively.

As the pandemic has impacted many industries across the country, Nashville's industrial development and demand has seen little changes and remains strong. In fact, at the end of 2020, over 8.1 msf of new product is currently under construction, more than double the amount that was recorded at the end of 2019. Large projects include Amazon's build-to-suit in the East submarket (3.6 msf), Beckwith Farms Building 7 (609,600 sf), Speedway Industrial Park Buildings 6 and 7 (857,040 sf), and Airpark East Buildings I and II (391,500 sf). With a huge influx of Bulk A product, developers and investors have accessed market demand for smaller building projects. Over 654,000 sf of "shallow bay" buildings are currently under construction including 1770 Callis Road, Hamilton Creek-Building B and D, and phase three of Airport Logistics Park, which is being developed by Nashville-based Holladay Properties. Phase one and two of the project were recently sold to Starwood REIT for an industrial market record of \$62.3 million (\$157.00/sf).

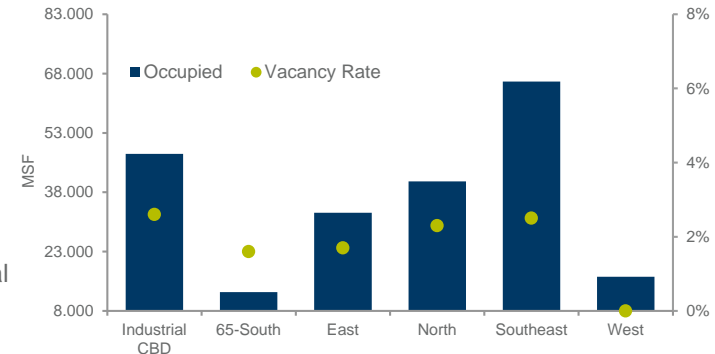
Outlook

Tenant demand is expected to remain active as e-commerce continues its record-breaking growth driven by industry leaders such as Amazon, FedEx, Geodis and a myriad of other e-commerce and third-party logistics providers entering the Nashville market.

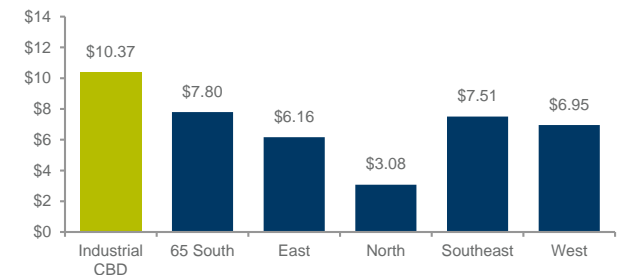
NEW SUPPLY



SUBMARKET COMPARISON



DIRECT 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 YTD LEASING ACTIVITY	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Industrial CBD	49,010,316	1,297,305	2.6%	53,737	-273,350	891,089	0	0	\$10.28
65 South	12,950,063	206,199	1.6%	-26,767	-140,357	71,673	0	0	\$17.50***
East	33,369,673	562,687	1.7%	0	2,275,374	2,547,586	6,786,540	1,374,384	\$6.16
North	41,718,454	969,983	2.3%	111,125	434,144	859,641	0	0	\$3.08
Southeast	67,672,634	1,679,246	2.5%	130,051	2,230,697	4,042,386	1,350,136	1,588,995	\$7.51
West	16,623,408	0	0.0%	0	112,900	142,150	0	0	\$6.95**
NASHVILLE TOTALS	221,344,548	4,715,420	2.1%	268,146	4,639,408	8,554,525	8,136,676	2,963,379	\$7.42

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

**Given the current vacancy rate, asking rental rates are estimated based on market conditions

***Rate significantly higher due to a sublease asking rate rarity

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Park 840 East	East	Starbucks	680,160	Renewal*
LaVergne Distribution Center	Southeast	Quanta Computer	518,178	Sublease
Wilson Commerce Center A	East	Industrial Cosmetics and Solutions	390,620	Renewal*
Speedway Industrial Park – Building 5	East	Cold Chain Technologies	250,208	New Lease
521 Harding Industrial	Southeast	Barry Film Products Company	190,000	Renewal*

*Renewals not included in leasing activity statistics

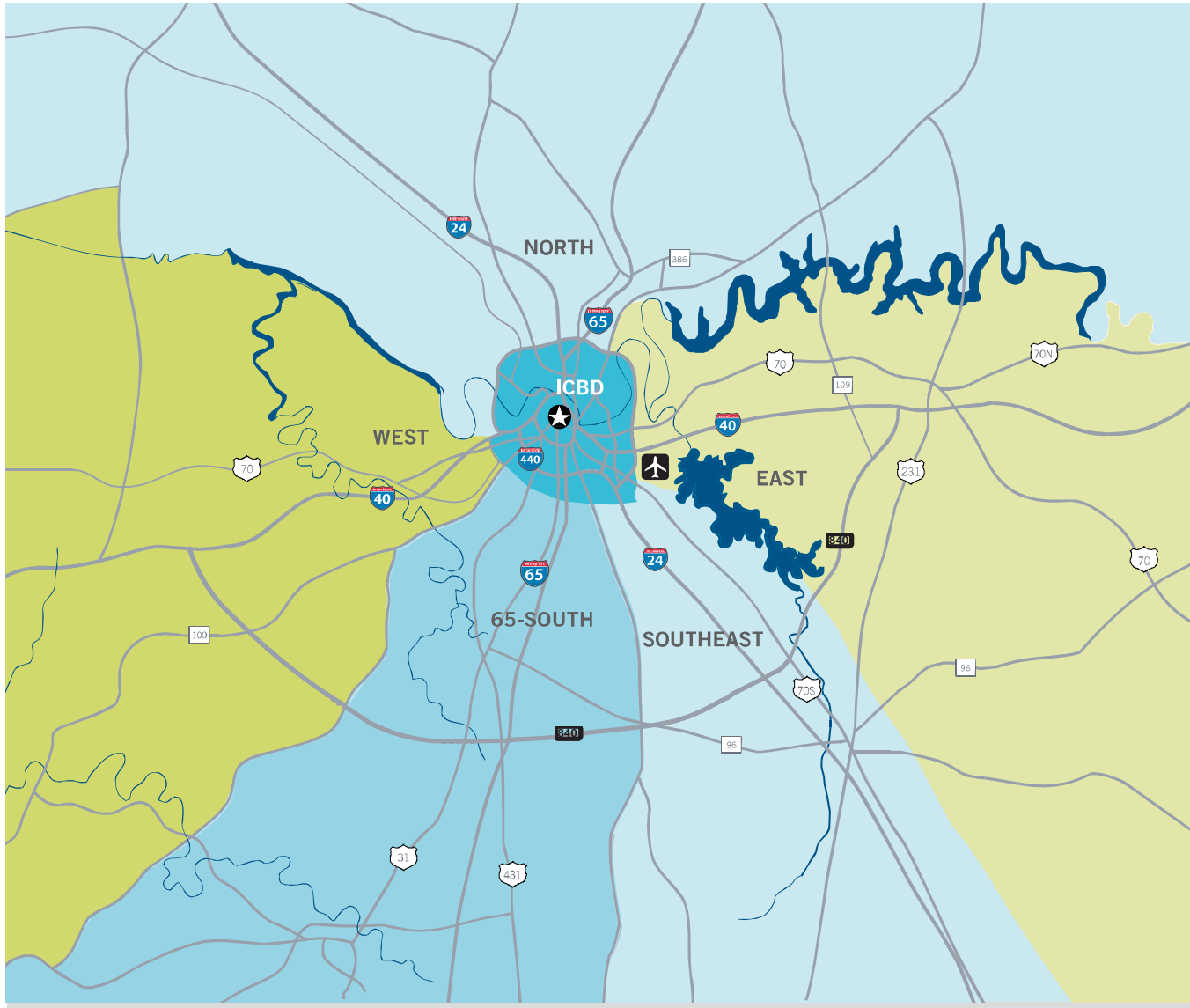
KEY UNDER CONSTRUCTION PROJECTS

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 6 and 7	East	Speculative	857,040	Panattoni
Cedar Farms II	East	Speculative	600,000	Al Neyer
Airpark East – Buildings I and II	Southeast	Speculative	391,500	Strategic Capital Partners

KEY CONSTRUCTION COMPLETIONS YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Speedway Industrial Park - Buildings 3, 4 and 5	East	Amazon / FedEx / Cold Chain Technologies	1,294,360	Panattoni
Interchange Center – Buildings B1-B4	Southeast	Confidential	590,000	DRG Realty
Park 24 – Buildings 5,7, and 10	Southeast	Amazon / Material Handling Resources	526,856	Panattoni/Clarion
Hamilton Creek – Buildings A and C	Southeast	Baker Bearing Company / Home Depot	132,310	StateStreet Group

INDUSTRIAL SUBMARKETS



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