



	YoY Chg	12-Mo. Forecast
15.0% Vacancy Rate	▲	▲
-156.3K Net Absorption, SF	▼	▲
\$30.34 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
100.6M Nashville Employment	▼	▲
5.3% Nashville Unemployment Rate	▲	▲
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

As the situation regarding COVID-19 still 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

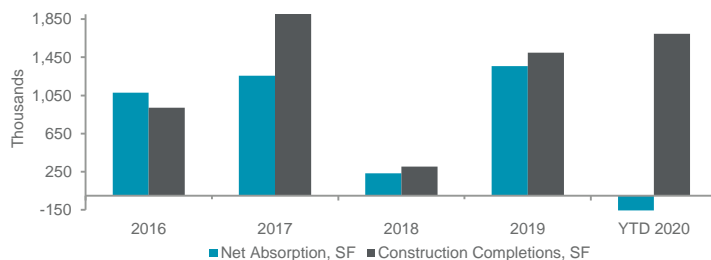
The Nashville office market finished 2020 with a total of 1.9 million square feet (msf) of new leasing activity signed throughout the year. As office occupier companies continue to evaluate their post pandemic space needs, Nashville benefited from an ongoing trend of corporate relocations from the West Coast. The most recent example being Revance Therapeutics, a San Francisco based biotechnology company that signed for 41,000 square feet (sf) at the recently completed Gulch Union project for their new HQ. Additionally, DailyWire, a Los Angeles based media company, inked a 17,000 sf sublease near Wedgewood Houston. They plan to select a significantly larger long-term location in the near future as they awarded Nashville their new headquarters. Both relocation deals were completed during fourth quarter 2020.

As market uncertainty persisted throughout 2020, Nashville recorded a 24.0% decrease in YTD leasing activity compared to 2019. However, the market still saw significant transactions and momentum from large companies such as Genesco, BlueCross Blue Shield, HCA, iHeartMedia, and FirstBank, who all signed leases of 40,000 sf or larger throughout the year.

PRICING

Despite a slowdown in leasing activity, Nashville's overall average rents have been bolstered by recently delivered projects and remained high at \$30.34 per square foot (psf) for fourth quarter 2020, a 6.6% year-over-year (YOY) increase. Class A rents continue to rise and climbed to \$35.44 psf. This is a 10.6% increase from fourth quarter 2019 and the sixth consecutive quarter in which Class A rents have reached a record high.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



SUPPLY AND ABSORPTION

Overall vacancy rose to 15.0% for fourth quarter 2020, the highest rate recorded since the Great Recession for Nashville's office market. As the economy is still seeing impacts of COVID-19, Nashville's sublease vacancy rate increased to 2.8% of the overall inventory with the Cool Springs/Franklin submarket comprising the majority of vacated space across the market. Despite this increase, only 24.0% of all sublease availability has been directly linked to COVID-19. Aside from sublease space, new deliveries have also played a major role towards a spike in overall vacancy. For example, the Brentwood submarket posted at 14.7% vacancy rate, a 310-basis point (bps) increase, which can be linked to Virginia Springs II delivering at only 6.0% preleased.

Nashville recorded -156,309 sf of net losses in the fourth quarter 2020, only the third time the market has experienced negative absorption since first quarter 2017. However, the Midtown submarket continued to record positive absorption with 17,000 sf of gains during the fourth quarter. At Gulch Union, tenants DHG, Insight Global, and Cahaba Wealth Management all occupied their spaces. Direct absorption, which excludes sublease impacts, remained positive during 2020, posting at 30,00 sf year-to-date (YTD).

Despite the temporary negative impact the pandemic has had on Nashville's office market throughout 2020, occupancy is expected to increase in 2021 with major tenants such as Amazon, AllianceBernstein, and Baker Donelson all planning to occupy their office spaces.

CONSTRUCTION

Almost 1.7 million square feet (msf) of new office product completed in Nashville throughout 2020. The CBD saw more than 650,000 sf of deliveries with large projects like 501 Commerce and Peabody Plaza completing during the year. The Brentwood submarket also showed significant construction momentum during 2020 with over 314,000 sf of completions as Virginia Springs II, Brentwood Commons IV, and Hill Center – Building H all delivered. For fourth quarter 2020, just over 450,000 sf of Class A space delivered with Gulch Union – 325,000 sf, Virginia Springs II – 111,000 sf, and Stocking 51 (Building 6) – 16,000 sf all completing.

New deliveries will continue in 2021 with over 3.0 msf of Class A space currently under construction. The CBD and Midtown submarkets collectively have over 2.6 msf of space under construction, which is just under 50.0% preleased. Nashville's construction and development did not slow down due to the pandemic. Developers and investors believe that demand for office space will re-emerge in 2021 and have been successful securing construction loans. Notably, New City recently broke ground in the CBD with Phase I of its Neuhoff project, which will total 385,000 sf.

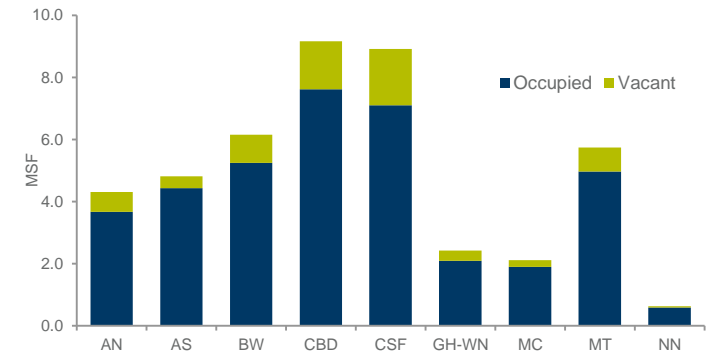
Outlook

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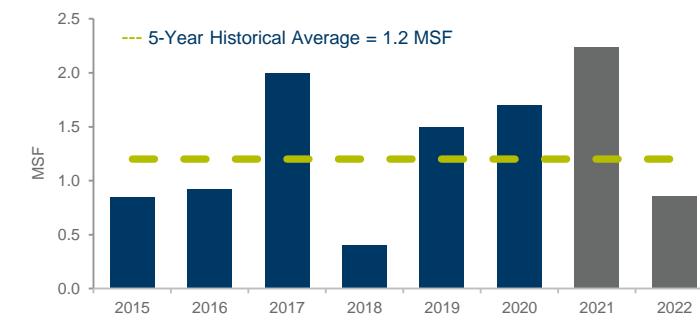
CLASS A OVERALL ASKING RENT – SUBMARKET COMPARISON



OCCUPANCY & VACANCY – SUBMARKET COMPARISON



NEW SUPPLY



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANCY RATE	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	2.4%	530,550	14.7%	-85,958	-14,190	507,949	0	\$21.95	\$26.18
Airport South	4,813,624	0.6%	360,064	8.1%	-11,277	-56,482	98,160	200,000	\$17.70	\$22.42
Brentwood	6,152,266	1.7%	800,470	14.7%	-11,503	25,454	363,382	0	\$26.86	\$29.72
CBD	9,160,747	2.4%	1,324,307	16.9%	-18,367	-258,923	233,325	967,699	\$33.49	\$36.21
Cool Springs/Franklin	8,913,806	6.9%	1,198,080	20.4%	-17,018	-272,869	309,168	272,000	\$31.50	\$32.62
Green Hills/West Nashville	2,421,329	0.3%	323,864	13.7%	-123	87,640	99,113	23,000	\$36.76	\$39.79
MetroCenter	2,107,402	2.3%	171,026	10.4%	-29,050	-128,315	19,235	0	\$18.92	\$26.50
Midtown	5,470,370	2.2%	647,557	13.5%	16,987	116,117	348,378	1,636,292	\$40.26	\$41.96
North Nashville	620,544	0.0%	40,021	6.4%	0	-1,774	6,362	0	\$21.32	\$22.59
NASHVILLE TOTALS	44,230,597	2.8%	5,395,939	15.0%	-156,309	-503,342	1,985,072	3,098,991	\$30.34	\$35.44

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1222 Demonbreun St. – Gulch Union	Midtown	Revance Therapeutics, Inc	40,661	New Lease
26 Century Blvd – One Century Place	Airport North	American President Lines	40,653	Renewal*
402-404 BNA Drive	Airport North	NDC	32,082	Renewal/Expansion
801 Crescent Centre Drive – Five Corporate Centre	Cool Springs/Franklin	Mapco Express	27,085	New Lease
1600 West End Ave - Broadwest	Midtown	Adams & Reese, LLP	25,762	New Lease

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q4 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
1312 Adams - Neuhoff	CBD	New City	385,000	Speculative
1221 Demonbreun St. – one2zone	Midtown	GBT	365,000	Speculative

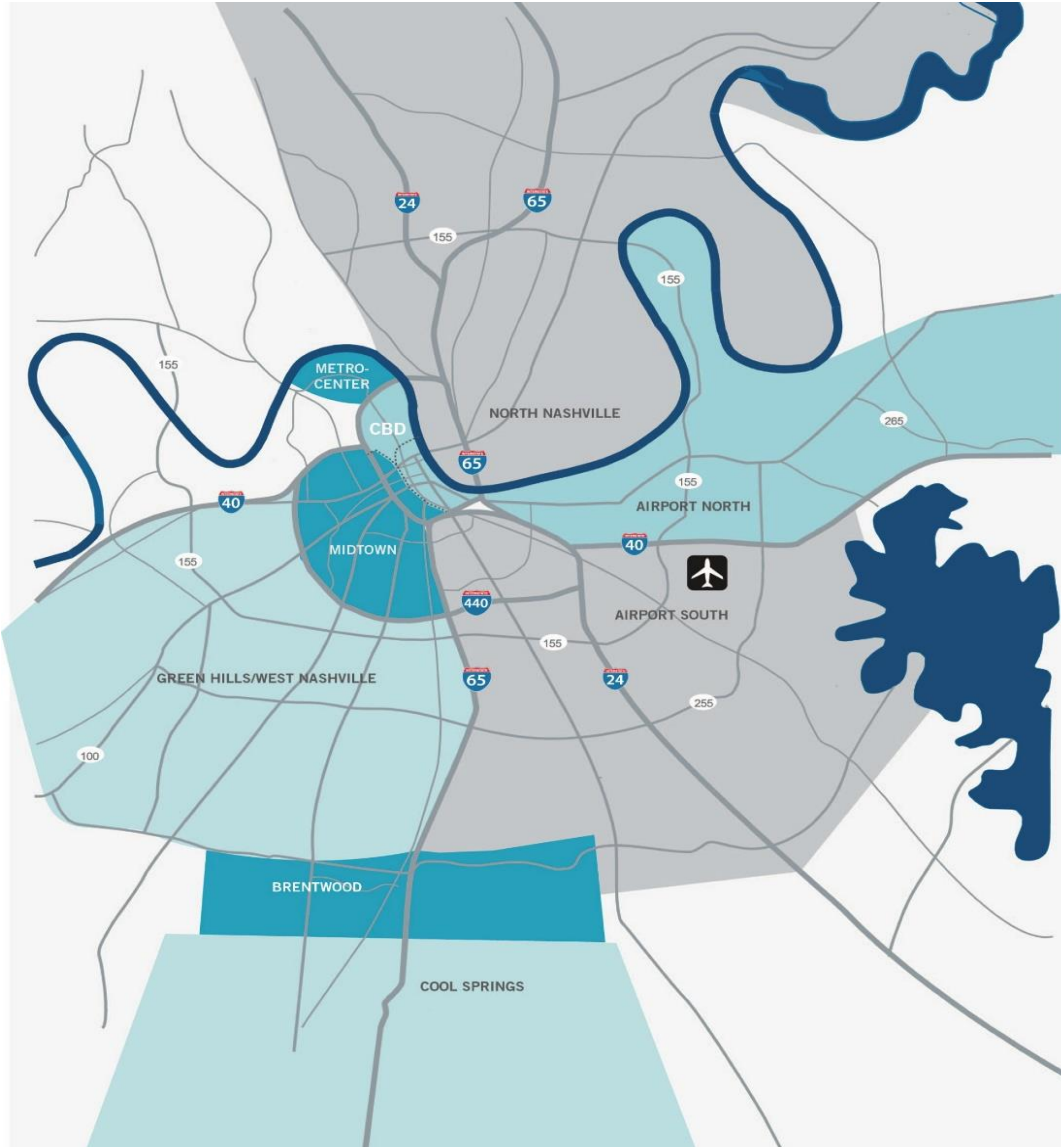
KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
501 Commerce Street – Fifth + Broadway	CBD	AllianceBernstein	371,570	Brookfield Properties
1222 Demonbreun Street – Gulch Union	Midtown	Revance Therapeutics	324,346	Endeavor Real Estate Group
10 Lea Avenue – Peabody Plaza	CBD	Concord Music	280,000	Eakin Partners

NASHVILLE

Office Q4 2020

OFFICE SUBMARKETS



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