

Industrial Q2 2021

	YoY Chg	12-Mo. Forecast
2.6% Vacancy Rate	▼	▲
4.5 MSF Net Absorption, SF	▲	▼
\$5.32 Asking Rent, PSF	▼	▼

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
1.03M Nashville Employment	▲	▲
4.3% Nashville Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

Nashville's economy continues to improve with unemployment posting at 4.3%, 160 basis points (bps) below the U.S. average. Over the past decade, Nashville recorded the highest job growth in the country and has already regained 93.0% of jobs that were lost during the pandemic, standing out among its peer cities. Net-migration remains very strong and has resulted in Nashville's housing market hitting record high values. As economic development remains robust with the likes of GM's proposed battery plant and Amazon's growing footprint, the Nashville industrial market is accelerating towards new highs and greater success.

DEMAND

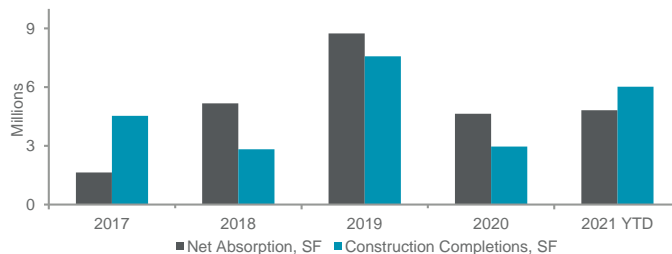
Nashville's industrial market remained resilient through pandemic shutdowns and has continued to boom in 2021. In Q2 2021 alone, Nashville recorded more than 1.2 million square feet (msf) of leasing activity, bringing the total transaction volume to 3.4 msf for 2021, up 54.4% year-over-year (YOY). The Southeast submarket ranked highest for Q2 2021 with more than 850,000 sf of new transactions. The largest deal of the quarter involved FedEx, where the third-party logistics giant inked 373,000 sf for its build-to-suit at Elam Farms II, which is currently under construction and expected to deliver early next year. Also of significance was Quanta Manufacturing, which signed a long-term deal at 1706 Heil Quaker after subleasing a portion of the space since early 2018. The East submarket has remained very active throughout 2021, recording nearly 750,000 sf of leasing activity year-to-date (YTD). In Q2 2021, the submarket landed Amazon at Speedway Industrial Park for 257,000 sf and Sunrise Medical which completed a 134,000-sf deal at Beckwith Farms I. Sunrise Medical plans to occupy in September of this year.

With the industrial market currently showing a shortage of available space and low vacancy, a substantial portion of new leasing activity has been concentrated within newly constructed buildings. In 2021, more than 1.6 msf of leasing has been completed in new inventory which makes up 42.0% of all transactions that has occurred so far in 2021. With demand so high, preleasing and quick building lease up of new construction are expected to remain prevalent for the rest of the year.

PRICING

Overall asking rents posted at \$5.32 per square foot (psf) for Q2 2021, down 15.8% YOY. A major driver in this decrease was in the ICB submarket where space with higher market asking rates were leased. However, with an influx of new construction targeted to deliver by the end of 2021, rates are expected to jump again by the end of the year.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ABSORPTION & VACANCY

Nashville recorded nearly 4.5 msf of positive net absorption in Q2 2021, bringing the YTD occupancy gains to 4.8 msf, up 119.0% YOY. The majority of absorption was caused by Amazon's Project Sam. The ecommerce giant finished and occupied its behemoth 3.6-msf build-to-suit in the East submarket. This large occupancy drove absorption to outweigh leasing activity so far in 2021. At Speedway Industrial Park, Amazon also occupied 257,000 sf of new space at building 6 along with Hill's Petcare, who moved into 356,000 sf at building 7. In the Southeast submarket, Cortes Distributors and LaserShip occupied space at Interchange Distribution Center buildings B3 and B4, together totaling more than 133,000 sf of positive gains.

Overall vacancy remained at record lows and posted at 2.6% for Q2 2021, remaining stable since this time last year. Nashville's vacancy still ranks as one of the lowest in the U.S., posting 190 bps below the nations average of 4.5%. Vacancy is expected to increase slightly due to new supply that is racing to meet demand.

CONSTRUCTION

More than 5.1 msf was completed in Q2 2021, bring the YTD total to over 6.0 msf of new product. With an additional 4.5 msf targeted to deliver by the end of the year, 2021 is on track to set a new supply record. More than 1.5 msf of speculative product delivered during Q2 2021 in addition to Amazon's Project Sam. Large speculative projects included Cedar Creek (226,240 sf), Airpark I & II (391,500 sf), and Speedway Industrial Park – Building 7 (614,880 sf).

With a large amount of space already delivering in 2021, Nashville's development pipeline remains robust with more than 7.6 msf of product under construction. The product type is split with 20.0% being new build-to-suits and 80.0% speculative. The majority of construction is underway in the East submarket with significant projects like Core 5's Central 840 Logistics Center (925,680 sf), Speedway Industrial Park – Building 8 (614,880 sf), and Cedar Farms II (600,000 sf), all expected to complete by the end of 2021 or early 2022. However, in the Southeast submarket, many projects broke ground this quarter including 110 Airpark Center East – Building A & B (135,000 sf), Airpark East – Building III (231,250 sf), and Prologis' 370 New Sanford (184,580 sf). Even with an influx of new construction hitting the market, developers and investors are still proceeding with new development, demonstrating the market confidence, long-term growth potential, and tenant demand Nashville continues showcase.

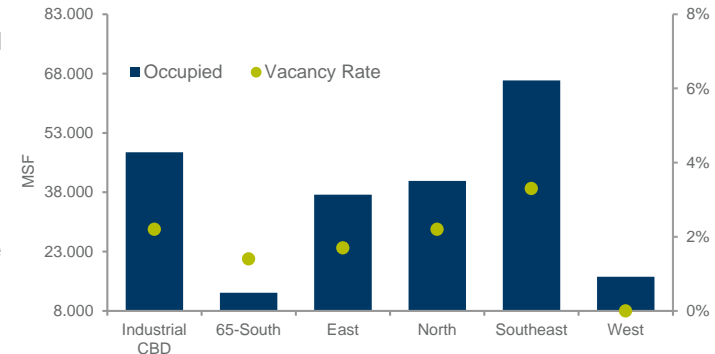
Outlook

- With low vacancy and high net absorption, supply races to match demand with Nashville's industrial market on track towards setting a new delivery record for 2021.

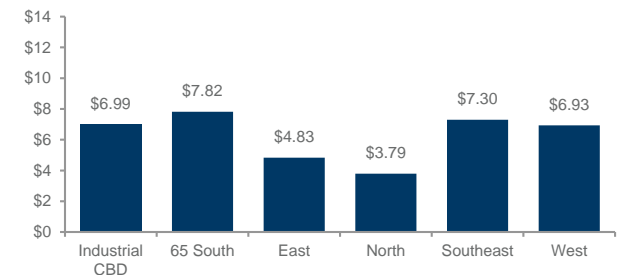
NEW SUPPLY



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)	YTD LEASING ACTIVITY	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Industrial CBD	49,197,376	1,099,037	2.2%	-2,651	-41,115	368,876	0	0	\$6.99
65 South	12,955,453	375,176	2.9%	13,168	-1,908	165,953	391,000	178,749	\$7.85*
East	38,339,003	956,073	2.5%	4,159,398	4,352,934	748,728	5,378,001	4,696,820	\$4.83
North	41,749,454	899,665	2.2%	53,475	120,350	285,150	469,840	0	\$3.79
Southeast	68,897,964	2,628,896	3.8%	269,871	386,968	2,146,982	1,135,830	1,141,860	\$7.30
West	16,623,408	0	0.0%	0	0	72,087	300,000	0	\$6.93*
NASHVILLE TOTALS	227,762,658	5,958,847	2.6%	4,493,261	4,817,229	3,787,776	7,674,671	6,017,429	\$5.32

Table differs from national statistics

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Beckwith Farms – Building 2	East	CEVA Logistics	706,500	Renewal*
Beckwith Farms – Building 3	East	CEVA Freight	480,000	Renewal*
Elam Farms - BTS	Southeast	FedEx	375,000	New Lease
1706 Heil Quaker Blvd	Southeast	Quanta Manufacturing	259,200	New Lease
Speedway Industrial Park – Building 6	East	Amazon	257,040	New Lease

**Renewals not included in leasing activity statistics*

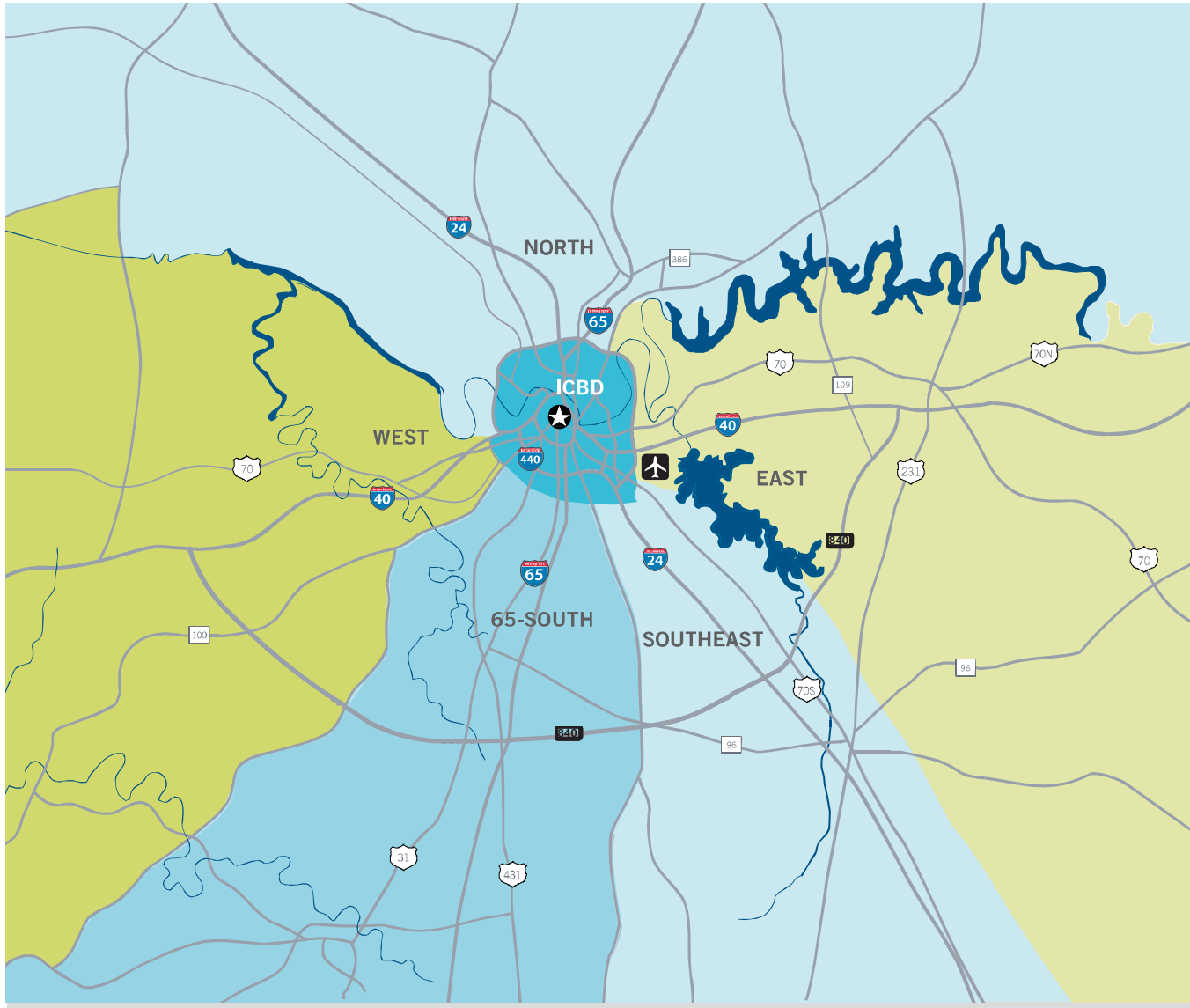
KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER / DEVELOPER
Central 840 Logistics Center	East	Speculative	925,680	Core 5 Industrial Partners
Speedway Industrial Park – Building 8	East	Speculative	614,880	Panattoni
Beckwith Farms – Building 7	East	Speculative	609,600	Panattoni / Clarion
Cedar Farms II	East	Speculative	600,000	Al Neyer / LBA Realty

KEY CONSTRUCTION COMPLETIONS YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Athletes Way N & East Division – Project Sam	East	Build-to-Suit	3,600,000	Panattoni
Speedway Industrial Park – Building 7	East	Speculative	614,880	Panattoni
Airpark East - Buildings I & II	Southeast	Speculative	391,500	Exeter Property Group
Interchange Distribution Center – Building C	East	Speculative	242,724	DRG Realty/Crow Holdings

INDUSTRIAL SUBMARKETS



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