

	YoY Chg	12-Mo. Forecast
19.7% Vacancy Rate	▲	▼
-469K Net Absorption, SF	▼	▲
\$31.19 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

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 rebound with unemployment posting at 4.3%, 160 basis points (bps) below the US average. Over the past decade, Nashville recorded the highest job growth in the US and has already regained 93.0% of jobs that were lost from 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.

DEMAND

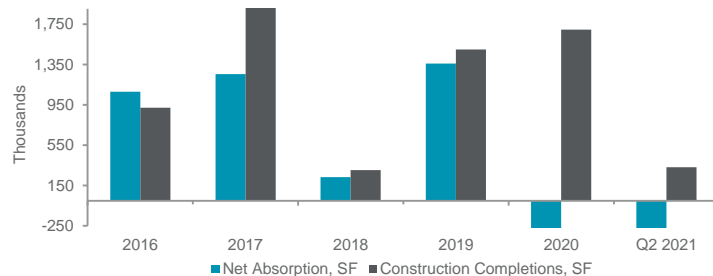
Leasing activity in the Nashville office market finished Q2 2021 with over 950,000 square feet (sf) of transactions, bringing the year-to-date (YTD) total to nearly 1.6 million square feet (msf). This is a drastic improvement over the previous quarter's activity and is a key indicator that the Nashville office market is rebounding fast from pandemic lows. The CBD submarket performed well throughout the second quarter and ranked highest for transactions with over 635,000 sf of activity. A major driver in this spike was Amazon's second lease at the Nashville Yards. The e-commerce giant plans to occupy 588,000 sf in its second HQ tower which is now under construction and expected to deliver Q4 2023. Wellpath also topped the list of Q2 2021 transactions; the healthcare company took 72,000 sf in the Airport South submarket.

The Cool Springs/Franklin submarket saw an increase in activity in Q2 2021 with 226,000 sf of transactions, up 45.8% year-over-year (YOY). This submarket was among Nashville's hardest-hit throughout the pandemic with an influx of sublease vacancies and tenant move-outs. However, large sublease deals were signed at Two Franklin, Carothers Building, and The McEwen Building during the second quarter, totaling over 66,000 sf. As employees return to the office, sublease space is expected to decrease across the entire the market.

PRICING

Overall gross asking rents continued to grow and posted at \$31.19 per square foot (psf), up 5.0% YOY. Landlords predict Nashville's office activity to recover faster than other market's due to vaccine distribution, high net-migration, and low case numbers, opting not to decrease rates and yielding no negative impacts from the pandemic on rents. Class A rents posted at \$35.47 psf, up 6.4% YOY, with new construction driving rates up in the CBD and Midtown submarkets.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



SUPPLY AND ABSORPTION

Overall vacancy rose to 19.7% in Q2 2021 with the CBD, Cool Springs/Franklin, and Midtown submarkets posting the highest vacancy rates. However, for the first time since the pandemic, Nashville's sublease vacancy rate decreased 10.0 (bps) since last quarter to 3.5%. In Midtown, direct vacancy remained high, and absorption posted at -150,000 sf due to previously owner-occupied Lifeway Plaza officially becoming competitive-speculative real estate. The building recently sold to Rubicon Equities for \$95.0M and Lifeway still occupies two floors, but the remaining 250,000 sf of the building sits vacant and is available immediately. After the large 550,000-sf Amazon move-in last quarter, the CBD reported -151,000 sf of absorption, primarily due to Baker Donelson relocating to Midtown and Loews Hotels relocating to Cool Springs/Franklin. However, absorption in the CBD remains positive on the year and posted at 188,000 sf YTD.

The Cool Springs/Franklin submarket led the market in second quarter occupancy gains with 63,000 sf of positive absorption recorded. This positive absorption, along with healthy leasing activity in Cool Springs/Franklin is an early sign that the submarket is bouncing back from pandemic setbacks. As previously mentioned, subleases from Regent Surgical Health at The McEwen Building and Educational Media Foundation at Two Franklin totaled roughly 42,000 sf of absorption. Loews Hotels and Galileo Education Services also occupied their new spaces, together totaling over 54,000 sf of positive absorption.

CONSTRUCTION

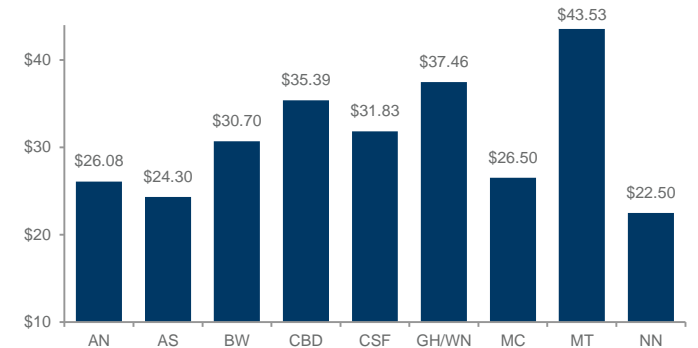
Just under 3.0 msf of office space was under construction at the close of Q2 2021. Most new development is focused around the urban core in both the CBD and Midtown submarkets. Along with leasing activity and plateauing sublease vacancy, Nashville's development pipeline demonstrates another sign that the market is returning to pre-Covid-19 levels with developers and investors beginning projects that were put on hold during the pandemic. For example, Portman Holdings' The Moore Building and Boyle's McEwen Northside-Block A both broke ground this past quarter and are expected to complete in 2023.

Over 331,000 sf of new product delivered in Q2 2021, bringing Nashville's new construction total to 1.5 msf YTD. Key projects such as Taylor Place (83,000 sf), 3040 Sidco Drive (157,000 sf), and Propst's creative office building at Broadwest (91,350 sf) delivered this past quarter. Louisiana Pacific recently signed for 61,000 sf at Broadwest's creative office building with plans to move its headquarters from downtown to Midtown. The building is now 67.0% leased and sits next door to the 550,000 sf office tower that delivered earlier this year.

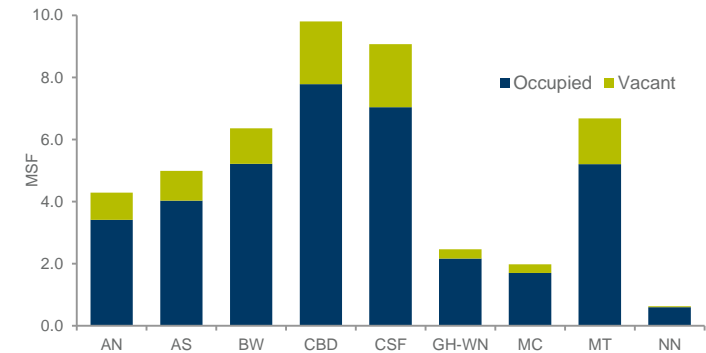
Outlook

- Increased tour activity and strong tenant demand indicate that Nashville's office recovery will accelerate throughout the second half of 2021.

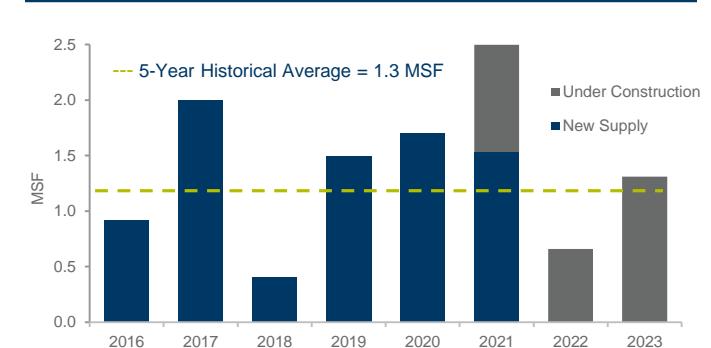
CLASS A OVERALL ASKING RENT – SUBMARKET COMPARISON



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 NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Airport North	4,283,950	7.2%	566,905	20.4%	-26,843	-296,973	52,474	0	\$22.82	\$26.08
Airport South	4,987,183	0.3%	939,711	19.2%	-79,437	-66,815	123,564	200,000	\$18.07	\$24.30
Brentwood	6,352,493	3.7%	780,589	18.0%	-138,707	-285,385	136,869	0	\$28.09	\$30.70
CBD	9,796,219	3.8%	1,640,949	20.6%	-151,669	187,516	667,928	973,000	\$32.96	\$35.39
Cool Springs/Franklin	9,069,504	5.9%	1,491,767	22.4%	71,110	-111,361	340,137	318,000	\$31.73	\$31.83
Green Hills/West Nashville	2,457,873	0.4%	283,637	11.9%	2,163	22,075	26,578	23,000	\$35.51	\$37.46
MetroCenter	1,974,650	4.0%	203,156	14.3%	-1,575	-62,157	0	0	\$19.71	\$26.50
Midtown	6,679,910	0.9%	1,419,368	22.1%	-149,927	-117,083	230,680	1,424,014	\$42.09	\$43.53
North Nashville	620,544	0.0%	26,894	4.3%	5,740	8,092	17,781	0	\$20.50	\$22.50
NASHVILLE TOTALS	46,222,326	3.5%	7,476,860	19.7%	-469,145	-722,091	1,596,011	2,938,014	\$31.19	\$35.47

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
200 10 th Ave N – Nashville Yards: Amazon HQ II	CBD	Amazon	588,000	New Lease
3340 Perimeter Hill Dr. – United Steelworkers Building	Airport South	Wellpath	72,000	New Lease
1600 West End Ave – Broadwest (creative office)	Midtown	Louisiana Pacific	60,586	New Lease
200 Powell Place – Financial Plaza	Brentwood	American Addiction	50,000	Renewal
3011-3051 Armory Drive – Armory Hill	Airport South	HUB Insurance	31,819	Renewal
6700 Tower Circle – Two Franklin Park	Cool Springs/Franklin	Educational Media Foundation	29,871	Sublease

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q2 2021

PROPERTY	SUBMARKET	OWNER / DEVELOPER	SF	CONSTRUCTION TYPE
200 10 th Ave N – Nashville Yards: Amazon HQ II	CBD	Southwest Value Partners	588,000	Build-to-Suit
11 th Ave S. at Church Street - Asurion Headquarters	Midtown	Highwoods Properties	551,000	Build-to-Suit
1300 Adams Street – Neuhoff – Phase I	CBD	New City	385,000	Speculative
1221 Demonbreun St. - one22one	Midtown	GBT	365,000	Speculative

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
200 10 th Ave North - Amazon HQ I	CBD	Amazon	552,773	Southwest Value Partners
1600 West End - Broadwest	Midtown	Baker Donelson	520,420	Propst Properties
3040 Sidco Drive	Airport South	N/A	157,000	Forstone Capital

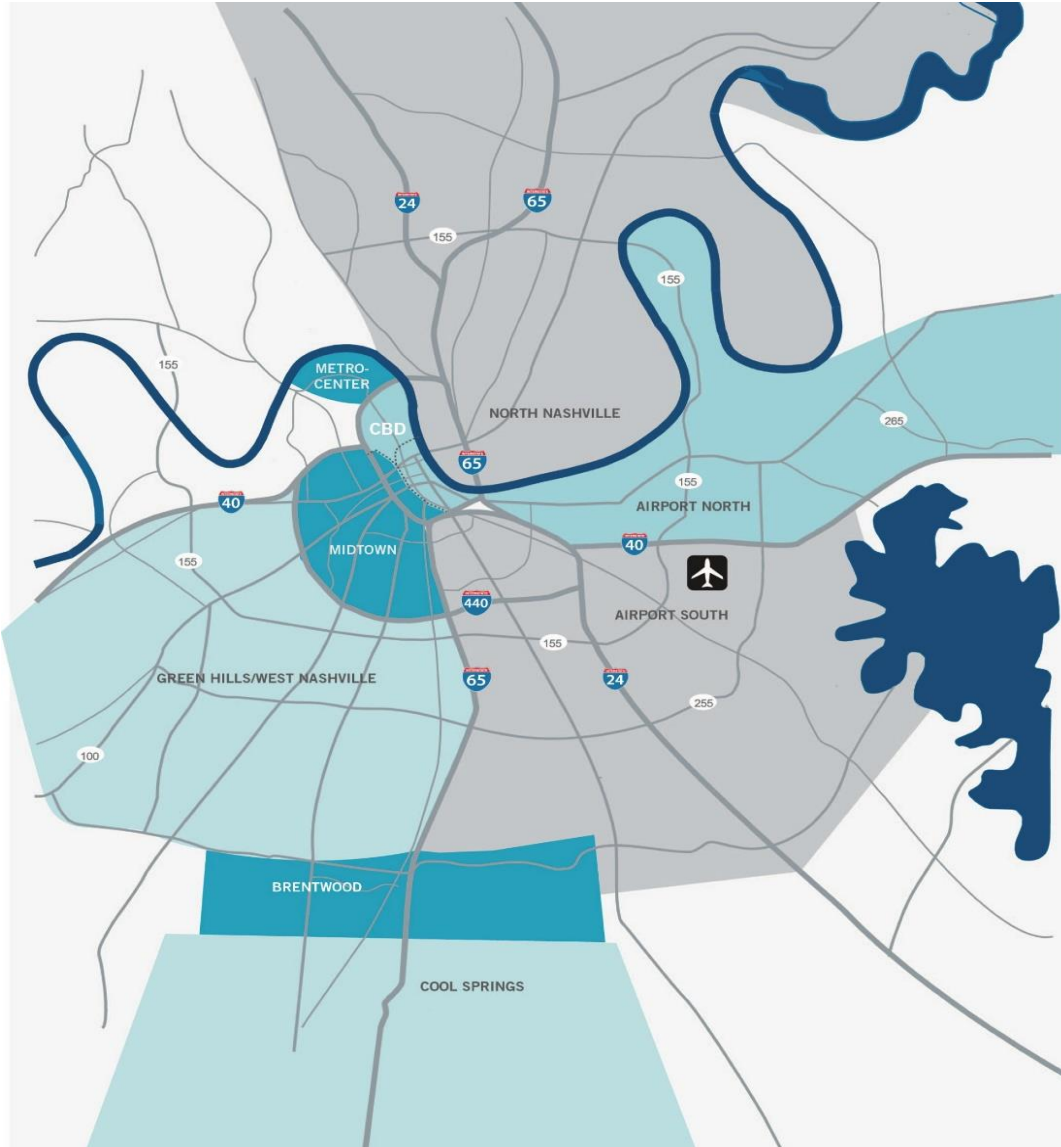
NASHVILLE

Office Q2 2021



CUSHMAN &
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OFFICE SUBMARKETS



Zander El-Hindi

Senior Research Analyst

Tel: +1 615 301 2826

zander.elhindi@cushwake.com

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