



Office Q3 2021

	YoY Chg	12-Mo. Forecast
19.1% Vacancy Rate	▲	▼
250.9K Net Absorption, SF	▲	▲
\$31.33 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
1.03M Nashville Employment	▲	▲
3.9% Nashville Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

Nashville's unemployment rate continues to decrease from pandemic highs and posted at 3.9%, down 130 basis-points (bps) compared to 5.2% across the country. As the population quickly approaches 2.0 million, the competitive housing market, consistent job growth, and decline in unemployment contribute to allure of Nashville business and lifestyle. Nashville's diverse industry breakdown aides its success in pandemic recovery. Financial activities are on track to fully recover in 2021, while construction, healthcare, hospitality, and transportation trail closely behind with 2022 recoveries.

DEMAND

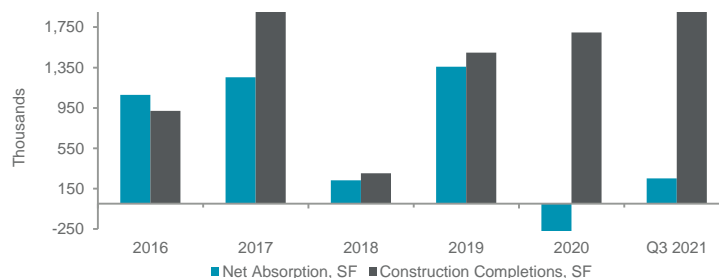
Nashville's office market recorded more than 460,000 square feet (sf) of new leasing activity throughout third quarter of 2021. Large transactions occurred within the Cool Springs/Franklin submarket with two new-to-market relocation deals including Integrated Biometric Technology subleasing 28,000 sf at One Franklin Park and Kaiser Aluminum inking 27,000 sf at The McEwen Building. These companies will join the list of Nashville's most recent new-to-market relocations along with Revance Therapeutics (which expanded its space by 30,000 sf at Gulch Union), DailyWire, and iHeartRadio who all established new HQ's last year.

The CBD, Midtown, and Brentwood submarkets all posted above 70,000 sf in leasing transactions for third quarter 2021. In the CBD, new construction deals included Kimley-Horn at Peabody Plaza for 24,000 sf and K&L Gates at 501 Commerce for 28,000 sf. Brookfield's 501 Commerce has significantly changed downtown's dynamic of "work, live, play" and is now 77.0% leased. Also in the CBD, Tik Tok, another new-to-market company, leased three floors from coworking giant WeWork at One Nashville. Due to this deal occurring in coworking space, it does not get factored into the market's leasing activity figure but serves as yet another example of Nashville's increased office demand. With more employees returning to the office and higher vaccinations rates, leasing activity is expected to increase throughout the remainder of the year, especially in new Class A buildings.

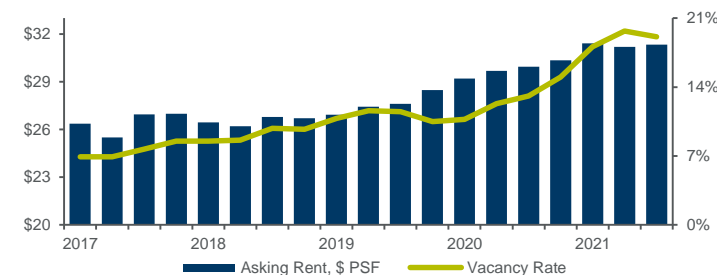
PRICING

Overall gross asking rents posted at \$31.33 per square foot (psf) for third quarter 2021, up 5.5% year-over-year (YOY). Class A rents continued to surge and recorded at \$35.63 psf with urban core submarkets Midtown, CBD, and Green Hills/W. Nashville posting the highest rates in the market. Of note, Airport South posted Class A rates at \$37.59, relatively high compared to the submarkets historical rates but is directly related to the new deliveries of Nashville Warehouse and 3040 Sidco.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



NASHVILLE

Office Q3 2021



SUPPLY AND ABSORPTION

Throughout the pandemic, Nashville saw vacancy rise across the entire market with an influx of new sublease space being the major driver. However, overall vacancy dropped 60 bps to 19.1% since last quarter. Cool Springs/Franklin, a submarket that struggled during the pandemic, saw a 110-bps drop in vacancy from last quarter with large blocks of space being occupied by Educational Media Foundation, Crestmark Bank, PennyMac, and Landmark Recovery. Nashville's direct vacancy, which excludes sublease space, posted at 15.8%, which puts it below vacancy averages for the South and Midwest regions of the U.S.

Nashville recorded more than 250,000 sf of positive absorption for third quarter 2021, a healthy sign of the office market rebounding from 2020. Cool Springs/Franklin led the market with 270,000 sf of positive gains which was driven by Ramsey Solutions occupying phase II (192,000 sf) of its new Nashville headquarters. Other significant absorption movers included PennyMac who occupied 28,000 sf at Cool Springs IV and Censis Technology who moved into 15,000 sf at newly constructed McEwen Northside. The CBD recorded nearly 76,000 sf of positive absorption with AllianceBernstein officially occupying 220,000 sf at 501 Commerce after announcing its relocation from New York City back in 2018. The CBD also experienced several large move-outs that offset some of these gains, with 63,000 sf of new vacancy at Parkway Towers and 32,000 sf at UBS Tower.

CONSTRUCTION

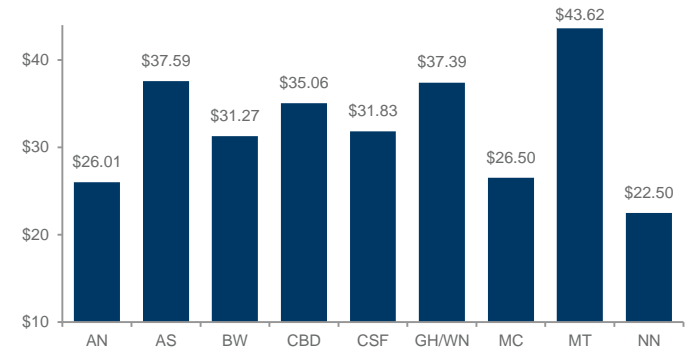
Nearly 400,000 sf of new office product completed in Nashville during third quarter 2021, bringing year-to-date (YTD) deliveries to 1.9 million square feet (msf). In Wedgewood-Houston, A.J. Capital's Nashville Warehouse delivered (200,000 sf) 20.0% preleased with LiveNation as the building's anchor tenant. Throughout 2021, the majority of new development has been focused in the urban core with significant projects such as Broadwest (611,770 sf), Taylor Place (83,000 sf), Voorhees/Antiques (48,000 sf), and Amazon HQ I (552,773 sf) all delivering this year.

This trend shows no sign of slowing down with over 2.5 msf currently under construction and 92.0% of the development being located in the CBD and Midtown submarkets. Significant speculative projects include Neuhoff (385,000 sf), 17th & Grand (165,522 sf), and 1030 Music Row (108,522 sf). Build-to-suit projects of Asurion and Amazon HQ II are also under construction with Asurion expected to complete by the end of 2021. Along with Amazon's two HQ towers, Southwest Value Partners has recently proposed Platform 2000, which will be a 650,000-sf Class A speculative building located in the Nashville Yards projects. The building has already attracted and secured Pinnacle Bank and Bass, Berry & Sims as its anchor tenants.

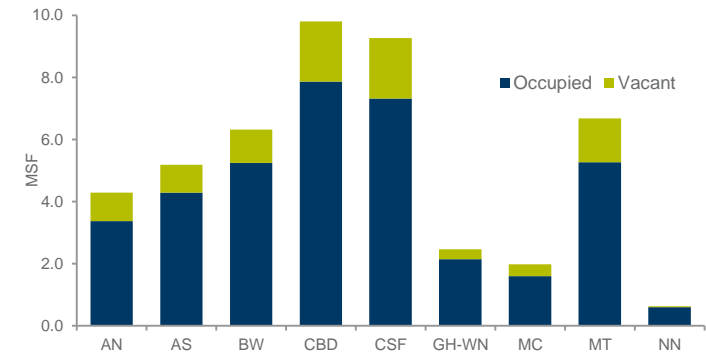
Outlook

- With an increase in sublease leasing activity and occupancy, overall vacancy is expected to gradually decrease in the upcoming quarters.

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	6.0%	656,557	21.3%	-16,447	-312,514	112,114	0	\$22.86	\$26.01
Airport South	5,186,183	0.3%	887,721	17.4%	-37,550	-104,365	151,396	0	\$27.46	\$37.59
Brentwood	6,313,477	3.9%	820,701	16.9%	55,868	-222,771	217,255	0	\$28.57	\$31.27
CBD	9,796,219	3.5%	1,594,883	19.7%	75,781	264,719	858,861	973,000	\$32.46	\$35.06
Cool Springs/Franklin	9,261,504	5.6%	1,428,498	21.0%	271,330	167,906	526,386	126,000	\$31.73	\$31.83
Green Hills/West Nashville	2,457,873	0.4%	311,381	13.1%	-33,979	-11,350	43,076	23,000	\$35.85	\$37.39
MetroCenter	1,974,035	4.0%	303,126	19.4%	-100,889	-163,046	15,708	0	\$21.27	\$26.50
Midtown	6,679,910	1.0%	1,352,870	21.2%	38,350	-69,798	306,980	1,424,014	\$42.10	\$43.62
North Nashville	620,544	0.0%	28,446	4.6%	-1,552	6,540	18,981	0	\$20.62	\$22.50
NASHVILLE TOTALS	46,573,695	3.3%	7,384,183	19.1%	250,912	-444,679	2,250,757	2,546,014	\$31.33	\$35.63

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
401 Commerce Street – SunTrust Plaza	CBD	Confidential	46,975	Renewal
1222 Demonbreun Street – Gulch Union	Midtown	Revance Therapeutics (expansion)	30,591	New Lease
6100 Tower Circle – One Franklin	Cool Springs/Franklin	Integrated Biometric Technology	28,223	Sublease
501 Commerce Street – 501 Commerce	CBD	K&L Gates	27,616	New Lease
1550 W. McEwen Drive – The McEwen Building	Cool Springs/Franklin	Kaiser Aluminum	27,356	New Lease
10 Lea Avenue – Peabody Plaza	CBD	Kimley Horn	23,600	New Lease

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q3 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
1131 4 th Ave South – Nashville Warehouse	Airport South	LiveNation	200,000	AJ Capital Group

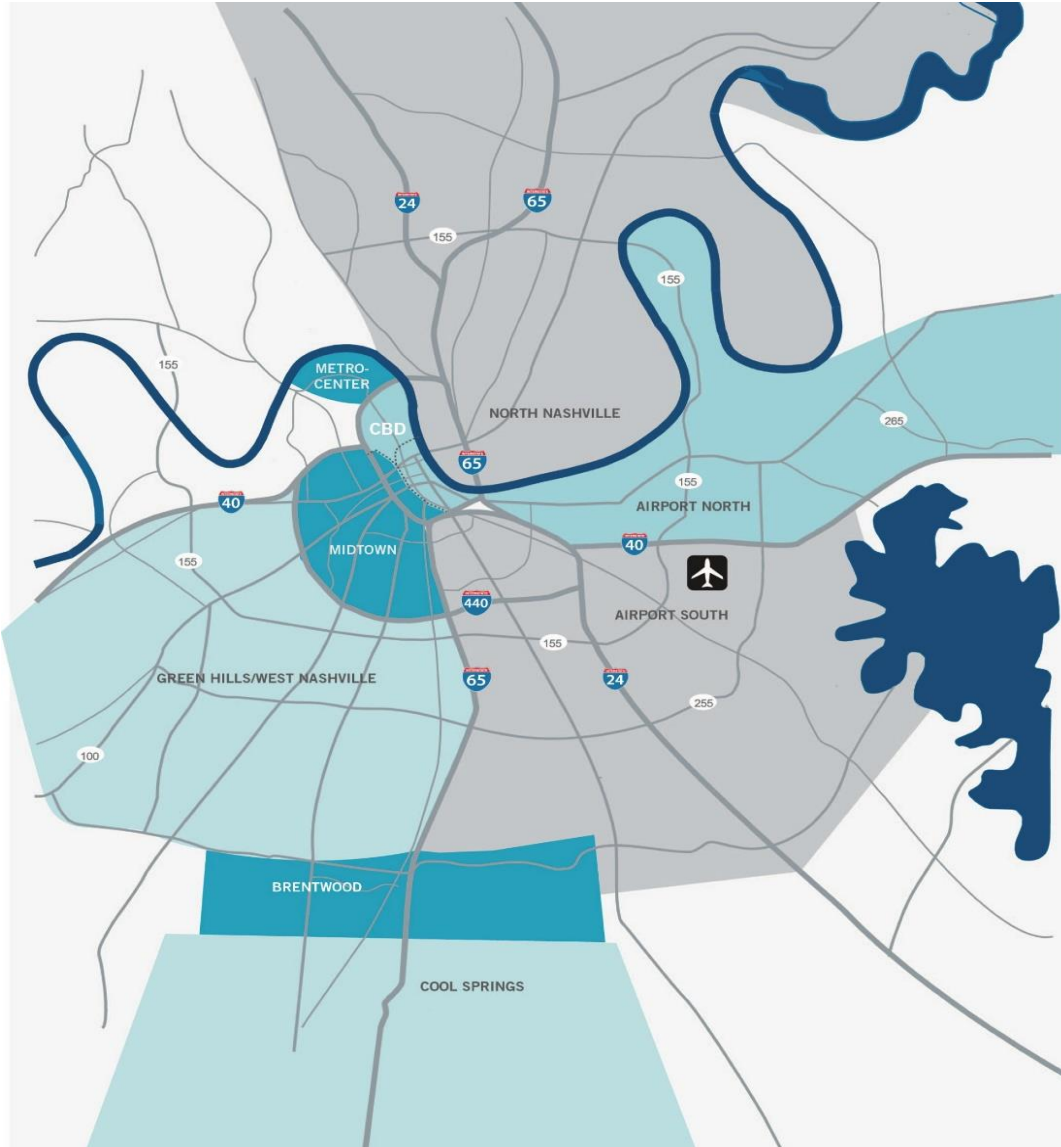
NASHVILLE

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OFFICE SUBMARKETS



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