

Industrial Q4 2021

3.0%
Vacancy Rate



7.1M
YTD Net Absorption, SF



\$6.13
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2021

1.05M
Nashville Employment



3.5%
Nashville Unemployment Rate



4.2%
U.S. Unemployment Rate



Source: BLS

ECONOMY

Nashville's unemployment rate dropped to 3.5%, down 40 basis-points (bps) from Q3 2021. This marks the lowest level since March 2020, showing positive signs of Nashville returning to a state of normal. Nashville's economy contributes to the southeast's trend of fast paced recovery compared to the United States as a whole. Industrial employers are navigating tight labor markets as e-commerce shows no signs of slowing down especially with the economy reopening.

DEMAND

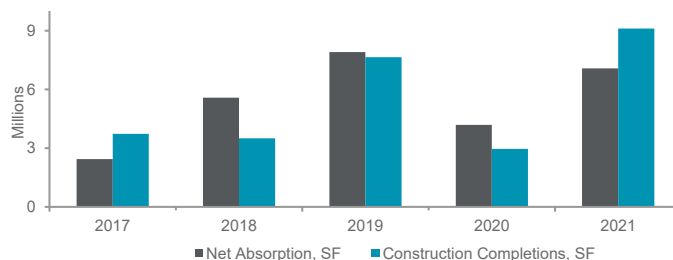
Nashville's industrial market recorded more than 3.0 million square feet (msf) of leasing activity for Q4 2021, bringing annual transaction volume to nearly 9.5 msf. This is 11.1% higher than what was recorded last year and a market record for most leasing volume to ever occur in a single year. For Q4 2021, the majority of transactions occurred in the Southeast and East submarkets. New significant deals included Wal-Mart – 925,336 sf at Central 840 Logistics Center, New Balance – 355,000 sf at Speedway Industrial Park – Bldg 8, and Linex – 301,320 sf at Speedway Industrial Park – Bldg 2. Wal-Mart's deal was the largest lease of 2021, and the retail giant plans to occupy its space upon completion of Central 840 Logistics Center, which is targeted for a Q2 2022 delivery. Renewal activity was very strong as well for Q4 2021 with more than 1.4 msf recorded. Tenants looked to retain their space given the lack of options for available space to relocate within the market. The largest renewal occurred at Interchange Distribution Center - 9 where the healthcare services giant Cardinal Health inked 307,200 sf in the Southeast submarket.

Since 2019, leasing activity has outpaced new deliveries demonstrating high tenant demand towards warehouse/distribution space in Nashville. The majority of this demand has come from third party logistics and e-commerce companies who strive to benefit from Nashville's geographical distribution advantages.

PRICING

Overall asking rents posted at \$6.13 per square foot (psf) for Q4 2021, up 21.4% from last quarter. With many new "shallow bay" deliveries in the Southeast submarket such as Hamilton Creek, 12605 Old Hickory, and Airport Logistics Park, rents have spiked due to consistent leasing activity. In the East, a submarket dominated by bulk buildings, rents have also increased due to demand and increased construction costs for both the base building and tenant improvements.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ABSORPTION & VACANCY

Net absorption recorded more than 1.7 msf for Q4 2021, bringing the year-to-date (YTD) occupancy gains to over 7.0 msf. This marks the fourth consecutive year in which net absorption posted above 5.0 msf for Nashville’s industrial market. For Q4 2021, the largest occupancy occurred at Beckwith Farms – Building 7, where Amazon moved into 609,600 sf of new Bulk A space. The e-commerce giant also moved into its build-to-suit off Armory Drive in the 65-South submarket. In total, Amazon now occupies just over 8.8 msf across Nashville and continues to actively seek additional space in the market. Other significant move-ins included Talos Engineering which took an additional 291,379 sf at Midway 840 and Solotech, which occupied 124,539 sf at newly constructed Interchange Distribution Center – B4.

Even with 2021 breaking a new delivery record with more than 9.1 msf of construction, overall vacancy remained low and posted at 3.0% for the year. This was made possible due to high preleasing of product prior to completion. For example, since 2020, 7,223,169 sf of speculative construction has delivered with 71.0% of that being preleased. Nashville remains one of the tightest markets in the U.S. as supply races to meet increased tenant demand.

CONSTRUCTION

More than 1.4 msf of new construction was completed in Q4 2021, boosting total deliveries to more than 9.1 msf for 2021. This is a Nashville record for most new supply completed in a single year in the industrial sector. For Q4 2021, speculative deliveries included both Prologis’s Eastgate I – 272,720 sf and Eastgate II – 268,000 sf and Stonelake Capital Partners’ Central Logistics Park West – 250,041 sf in the East submarket. Also, in Q4 2021, two build-to-suits completed with Amazon’s – 200,000 sf on Armory Drive and Elam Farms, FedEx’s newest 375,000-sf warehouse in Nashville.

Nashville recorded more than 11.4 msf of product under construction to close 2021, another Nashville record for the highest development recorded in one year. For the first time in market history, product is being constructed in every submarket except the I CBD. This is a direct indicator of increased demand across the entire market. Significant speculative projects currently underway include Speedway Industrial Park: Building 8 – 614,880 sf, HighPointe 24: Buildings 100, 200, 300, 700 – 589,700 sf, and Highway 109 Business Park: Buildings 1-3 – 509,250 sf. Two build-to-suits are also under construction, GM’s Battery Plant of 2.8 msf in Spring Hill and First Rockdale V, where Chewy plans to occupy 692,000 sf.

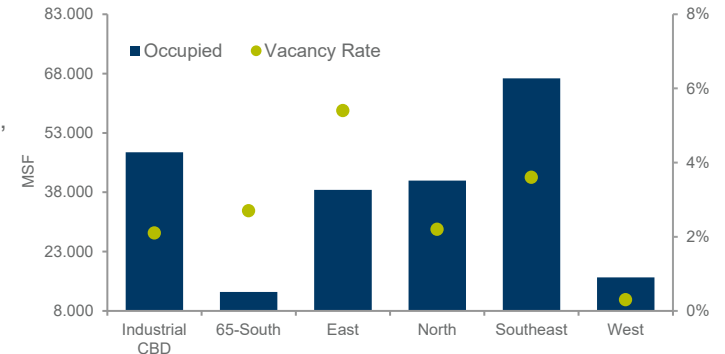
Outlook

- After record preleasing in 2021, high demand and new construction projects are not expected to slow down in 2022 or 2023.
- Rental rates are likely to continue climbing as new construction enters in the market.

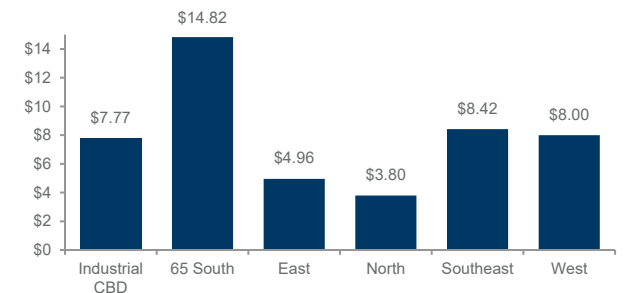
NEW SUPPLY



SUBMARKET COMPARISON



OVERALL 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	49,157,816	1,035,219	2.1%	155,382	51,361	954,390	0	0	\$7.77
65 South	13,155,453	349,331	2.7%	216,254	240,267	320,594	3,082,877	378,749	\$14.82*
East	40,776,164	2,182,032	5.4%	951,699	5,684,796	4,618,176	4,464,450	7,098,141	\$4.96
North	41,864,454	903,665	2.2%	0	231,350	387,042	354,840	115,000	\$3.80
Southeast	69,272,964	2,475,192	3.6%	437,760	912,683	3,167,596	3,240,354	1,516,860	\$8.42
West	16,527,648	53,000	0.3%	-53,000	-53,000	72,087	300,000	0	\$8.00*
NASHVILLE TOTALS	230,754,499	6,998,439	3.0%	1,708,095	7,067,457	9,519,885	11,442,521	9,108,750	\$6.13

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

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Central 840 Logistics Center	East	Wal-Mart	925,336	New Lease
Beckwith Farms – Building 7	East	Amazon	609,600	New Lease
Speedway Industrial Park – Building 8	East	New Balance	355,000	New Lease
Interchange Distribution Center – Building 9	Southeast	Cardinal Health	307,200	Renewal
Speedway Industrial Park – Building 2	East	Linex	301,320	New Lease

*Renewals not included in leasing activity statistics

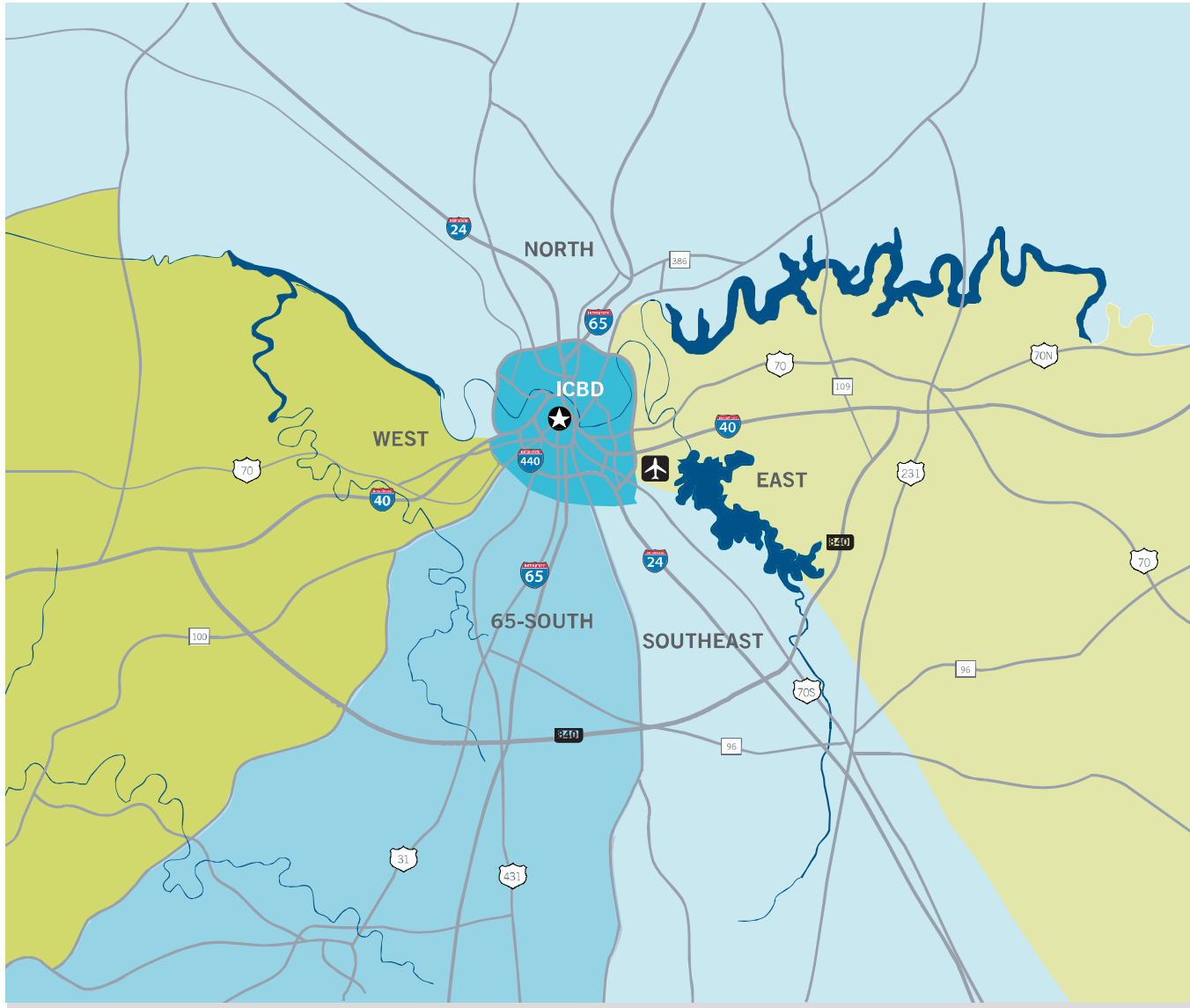
KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER / DEVELOPER
GM Battery Plant – Spring Hill	65-South	Build-to-Suit	2,800,000	General Motors
Central 840 Logistics Center	East	Speculative	925,336	Core 5 Industrial Partners
Parkway Place	Southeast	Speculative	844,480	Granite Properties
First Rockdale V	East	Build-to-Suit	692,000	First Industrial Realty Trust
First Rockdale IV	East	Speculative	500,240	First Industrial Realty Trust

KEY CONSTRUCTION COMPLETIONS YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Athletes Way N & East Division – Amazon	East	Build-to-Suit	3,600,000	Panattoni
Speedway Industrial Park – Building 7	East	Speculative	614,880	Panattoni / Clarion
Beckwith Farms – Building 7	East	Speculative	609,600	Panattoni / Clarion
Cedar Farms II	East	Speculative	600,000	AI Neyer / LBA Realty

INDUSTRIAL SUBMARKETS



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