

## Industrial Q1 2022

	YoY Chg	12-Mo. Forecast
<b>2.9%</b> Vacancy Rate	▲	▬
<b>1.4M</b> Net Absorption, SF	▲	▲
<b>\$6.55</b> Asking Rent, PSF	▼	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
<b>1.09M</b> Nashville Employment	▲	▲
<b>2.9%</b> Nashville Unemployment Rate	▼	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

### ECONOMY

Nashville's economy has returned to pre-pandemic levels with unemployment posting at 2.9%, down 1,290 basis-points (bps) from the pandemic high of 15.8%. Nonfarm employment increased by 59,000 jobs in the past year, and more than 400 new jobs were announced in corporate relocations by the Nashville Chamber of Commerce. The economy is poised to maintain an upward trend with employees returning to work, relocations remaining consistent, and strong migration from northern and western states. Nashville's industrial demand has been fueled by e-commerce's development cycle (both in Nashville and nationally) as well as new tenants to the market chasing Nashville's steady population growth.

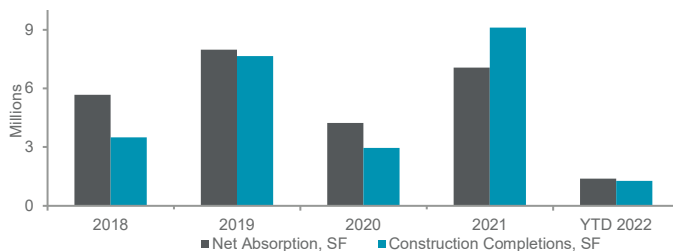
### DEMAND

Nashville's industrial market jumpstarted 2022 with nearly 2.0 million square feet (msf) of leasing activity. The East submarket recorded the highest volume with more than 900,000 sf of transactions for Q1 2022, which equates to 46.0% of Nashville's total activity. The submarket was led by deals from Hello Fresh, who inked 600,000 sf at Cedar Farms II and ThredUp, who subleased 142,000 sf at Commerce Farms 4. In the Southeast, activity posted at nearly 520,000 sf with Fergusons, Dent Wizard Holdings, and Omni Logistics all signing deals in newly constructed buildings. Nashville's renewal activity remained strong year-over-year (YOY) recording 1.2 msf of transactions for Q1 2022. Large renewal transactions included TA Operating who signed a 207,500 sf renewal at Three Oaks II and Geodis, who extended their 274,000 sf at 840 Business Center. With limited industrial space, renewal activity is expected to remain active until new supply balances demand. Nashville continues to gain massive interest and leases from third-party logistics and e-commerce companies. For example, 3PL's made up 30.0% of top deals (leases above 50,000 sf) for Q1 2022. This trend is largely due to Nashville's central location as a gateway to the Southeast, cost of living, and right-to-work advantages. We continue to see increased tenant activity and interest in newly constructed buildings but with Nashville's low vacancy rate, options are still relatively limited. In Q1 2022, 1.5 msf or 75.0% of deals were completed in buildings either constructed since 2019 or still under construction. Nashville's industrial market saw no setbacks from the pandemic and activity is expected to stay robust despite high inflation and supply-chain constraints.

### PRICING

Overall asking rents posted at \$6.55 per square foot (psf) for Q1 2022, up 27.0% YOY. Nashville has followed the national trend of spiked rates due to rising construction costs and low vacancy. Asking rents for warehouse/distribution buildings has seen the most change across all product types with rates recording at \$7.32 psf, up 25.3% from last quarter.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## ABSORPTION & VACANCY

The market recorded more than 1.3 msf of net absorption for Q1 2022, up almost 400.0% from this time last year. Similar to leasing activity, the majority of positive absorption occurred in newly constructed buildings. For example, the Southeast submarket recorded the greatest occupancy gains and posted nearly 800,000 sf of positive absorption. Tenants that moved into new construction included FedEx who took 375,000 sf at Elam Farms, Fergusons who occupied 189,000 sf at Airpark East – Building 1, and Geodis and Procraft, both of whom moved into Interchange Center for a total of 132,488 sf. PGIM’s Interchange Center is now 95.0% leased. In the East, entertainment/media company Christie Lites Enterprises occupied 141,000 sf at newly constructed Cedar Creek, bringing the total submarket’s absorption to nearly 300,000 sf for Q1 2022. Across the market, other significant move-ins included Ghost and QT1 at SHIP – Building 1 for 178,749 sf, Shoals Technology at 109 Kirby for 220,000 sf, and Cumberland Trucks who occupied 170,000 sf at 641 Massman Drive.

The trend of high absorption and low vacancy is expected to continue well into 2022. Overall vacancy posted at 2.9%, 40.0 bps below the U.S. national average. Though new construction historically drove higher vacancy rates due to an influx of available space, Nashville has experienced the opposite, especially during the pandemic.

## CONSTRUCTION

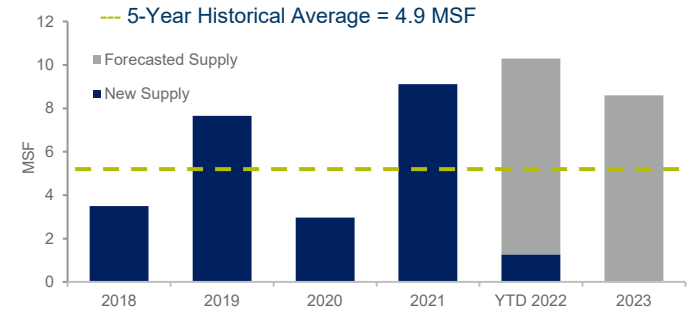
Nashville’s industrial development pipeline surged into 2022 with more than 1.2 msf of new construction completions in the first quarter, up 50.1% YOY. All deliveries were speculative and included significant projects such as Park 109 – Buildings A-D – 375,000 sf, 370 New Sanford Road – 184,580 sf, and Speedway Industrial Park – Building 2 – 301,320 sf which is 100.0% leased to Line-X. Nashville is projected to deliver 10.2 msf by the end of 2022, which would break the market’s record of 9.1 msf constructed in 2021.

The construction pipeline remains very active with nearly 14.0 msf underway. This figure breaks last quarter’s construction record of 11.4 msf. Historically, development has been focused towards the Southeast and East submarkets; however, construction projects are currently underway in five out of the six submarkets across the market. The East saw the most groundbreakings in Q1 2022 with Panattoni starting phase 2 at Speedway Industrial Park with buildings 10, 11, and 12 totaling 1.5 msf. Al Neyer also broke ground on Alligood Industrial Park with buildings 1 and 2 totaling 411,000 sf which are expected to deliver December 2022. In Clarksville, Amazon continues to expand its Tennessee footprint where the e-commerce giant has begun construction on a 1.0 msf facility called Project Alice. Once completed, Project Alice will become Amazon’s 16<sup>th</sup> industrial location and will bring their total footprint to 9,911,028 sf.

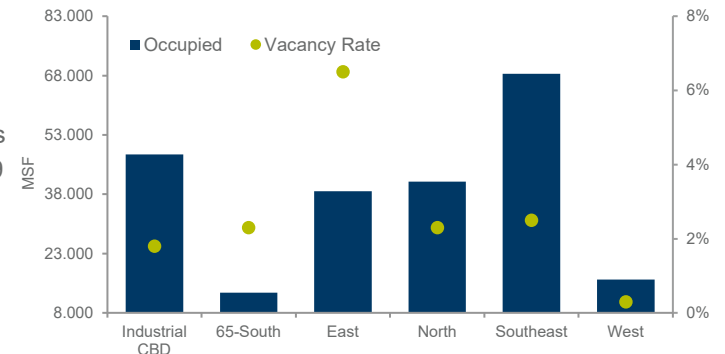
## Outlook

- Rental rates are expected to continue to rise through 2022 due to the combined effects of new construction, increased tenant improvement costs, and supply constraints.

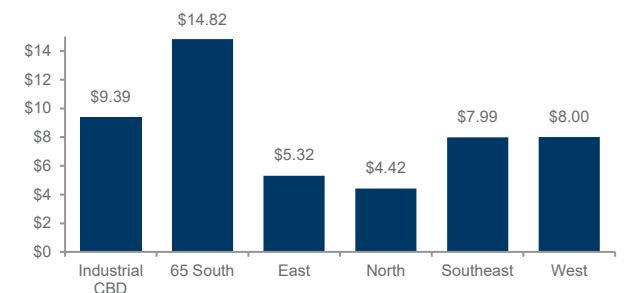
## NEW SUPPLY



## 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	48,991,679	894,184	1.8%	14,416	14,416	91,935	0	0	\$9.39
65 South	13,413,303	308,812	2.3%	62,129	62,129	150,610	3,082,877	0	\$14.82
East	41,452,769	2,697,103	6.5%	288,372	288,372	932,834	5,704,256	676,320	\$5.32
North	42,140,454	955,898	2.3%	219,767	219,767	274,715	1,078,840	276,000	\$4.42
Southeast	70,199,125	1,760,973	2.5%	804,048	804,048	526,075	3,757,974	319,580	\$7.99
West	16,528,048	53,000	0.3%	0	0	142,948	300,000	0	\$8.00*
<b>NASHVILLE TOTALS</b>	<b>232,725,378</b>	<b>6,669,970</b>	<b>2.9%</b>	<b>1,388,732</b>	<b>1,388,732</b>	<b>2,119,117</b>	<b>13,923,947</b>	<b>1,271,900</b>	<b>\$6.55</b>

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Cedar Farms II	East	Hello Fresh	600,285	New Lease
Three Oaks II	Southeast	TA Operating, LLC	415,000	Renewal
840 Business Center	East	Geodis	270,400	Renewal
109 Kirby Dr	North	Shoals Technology	219,767	New Lease
Airpark East – Building 1	Southeast	Fergusons	189,000	New Lease

\*Renewals not included in leasing activity statistics

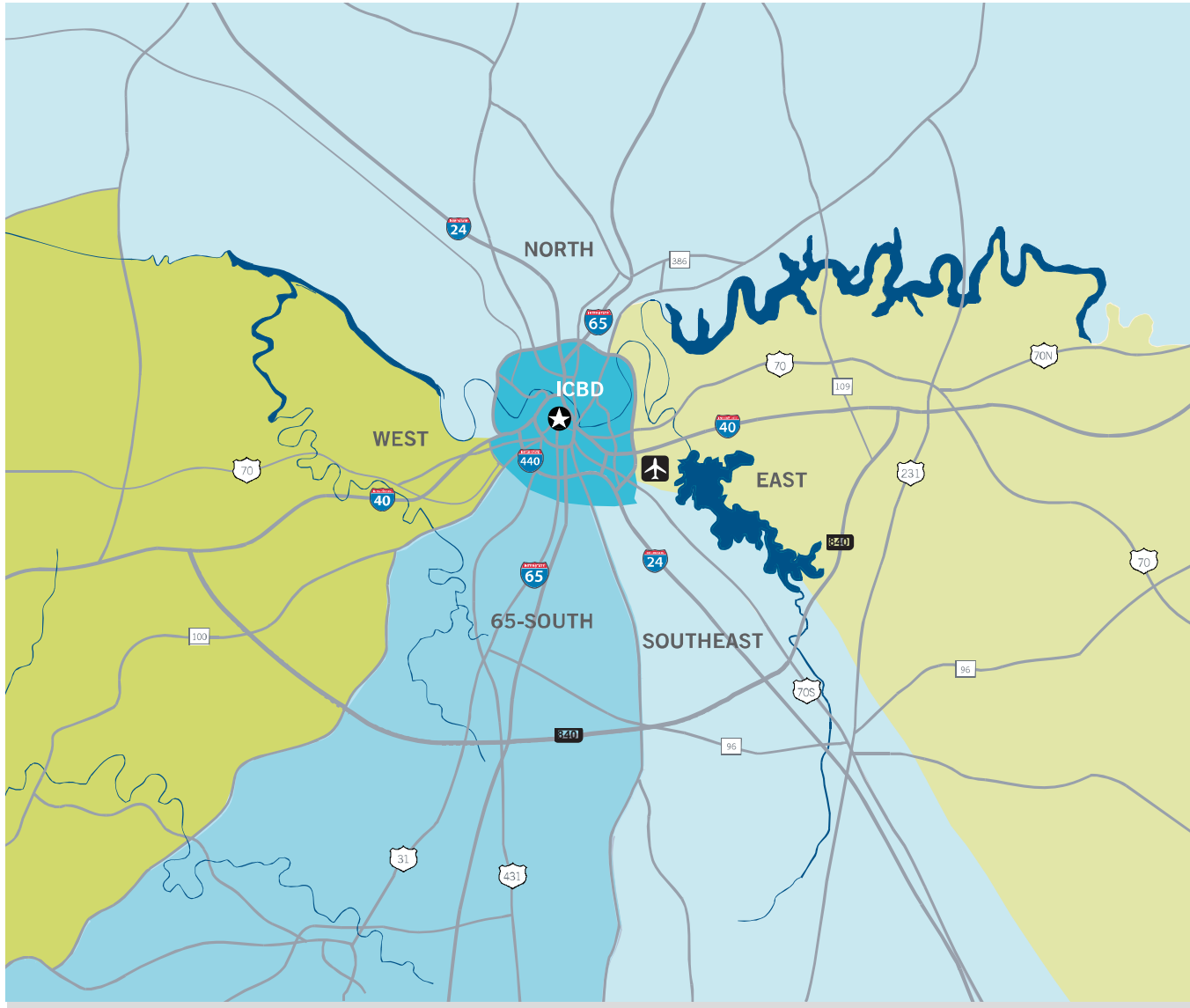
KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER / DEVELOPER
Spring Hill/GM Battery Site	65-South	Build-to-Suit	2,800,000	GM Motors
3875 Guthrie Highway/Project Alice	North	Build-to-Suit	1,000,000	Amazon
Central 840 Logistics Center / Walmart	East	Speculative	925,680	Core 5 Industrial Partners
Parkway Place	Southeast	Speculative	844,480	Granite Properties
First Rockdale IV / Chewy	East	Build-to-Suit	692,000	First Industrial Realty Trust

KEY CONSTRUCTION COMPLETIONS YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1770 Callis Rd/Park 109	East	Speculative	375,000	Principal
Speedway Industrial Park – Building 2	East	Speculative	301,320	Panattoni
370 New Sanford Rd	Southeast	Speculative	184,580	Prologis
2832 Whites Creek Pike – Building 2	North	Speculative	105,000	Scannel Properties

## INDUSTRIAL SUBMARKETS



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