

	YoY Chg	12-Mo. Forecast
<b>19.8%</b> Vacancy Rate	▲	▼
<b>-404K</b> Net Absorption, SF	▼	▲
<b>\$33.11 FSG</b> Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
<b>1.11M</b> Nashville Employment	▲	▲
<b>2.6%</b> Nashville Unemployment Rate	▼	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

## ECONOMY

Nashville's economy remains robust as Q2 2022 unemployment reached its lowest rate since the pandemic of 2.6%. The tech sector drove an increase in the metro's already healthy economic development with recent expansions from Oracle, Amazon, and TikTok. With consistent economic development, strong migration from northern and western states, and company relocations, the economy is poised to maintain an upward trend.

## DEMAND

More than 655,000 square feet (sf) of new leasing transactions were signed in the Nashville office market during Q2 2022, bringing the year-to-date (YTD) total to nearly 1.1 million square feet (msf). Activity is up 56.9% from last quarter when transactions posted at 417,857 sf. The urban core, which includes both the CBD and Midtown submarkets, hosted the majority of activity by collectively recording more than 400,000 sf of deals. The most significant and largest transaction so far this year came from Bass, Berry, & Sims. The legal services giant took more than 195,000 sf at Pinnacle Tower – Nashville Yards. Both Bass, Berry, & Sims and Pinnacle Partners will be the anchor tenants for the 650,000 sf tower which will sit next to Amazon's two build-to-suit towers. In the suburbs, the Cool Springs/Franklin submarket also remained very active with nearly 113,000 sf of activity being recorded. Diakonia Group inked the largest deal for the submarket when it secured 27,000 sf at The Factory at Franklin, a creative office/repurpose project that Holladay Properties plans to deliver in Q3 2022.

Since the pandemic, Nashville has started to see a change in demand where tenants are looking to lease space quickly in order to become operational within 30-90 days. As a result, speculative (spec) suites have become very popular and cater towards this demand. Spec suites are built out and move-in ready office spaces that allow for quick occupancy. Many landlords are looking to take advantage of this new trend in the CBD, Midtown, and Cool Springs/Franklin submarkets.

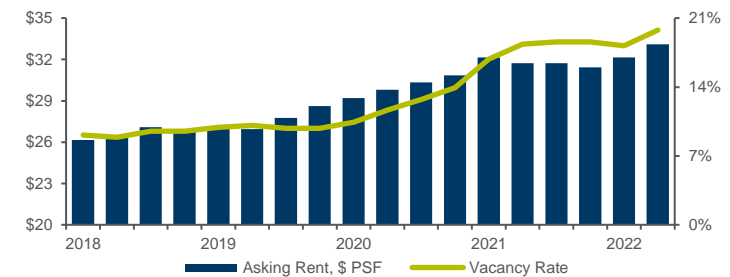
## PRICING

Overall gross asking rents continued to grow and posted at \$33.11 per square foot (psf), up 5.8% year-over-year (YOY). Midtown posted the highest rates at \$45.34 psf, driven by the recent delivery of highly-amenitized new buildings delivering where landlords are quoting roughly \$48.00 - \$53.00 psf full-service gross. Class A rents also increased from last year and recorded at \$38.26 psf, a 7.8% increased YOY.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## SUPPLY AND ABSORPTION

In Q2 2022, overall vacancy rose to 19.8%, up 120 basis points (bps) from last quarter. This spike in vacancy was due to an influx of new sublease space with many companies putting their space on the sublease market. For example, Ford Motor at the Carothers Building (174,167 sf), Bridgestone at Bridgestone Tower (162,222 sf), and The General Insurance at Lakeview Ridge III (75,653 sf) were the most recent and significant subleases to occur this quarter. Many of these subleases could be linked to current economic impacts regarding inflation, stock values, work-from-home flexibility, and recession concerns. In terms of direct space, which excludes sublease space, Nashville remained healthy and posted 15.6% for direct vacancy.

Overall net absorption mirrored vacancy for Q2 2022, posting -404,711 sf of occupancy losses. This brings total absorption to -213,314 sf for 2022 YTD. As previously mentioned, Bridgestone, The General Insurance, and Ford Motor subleases were the main contributors towards the net losses. Even though absorption remains negative, YTD absorption is still much higher compared to what was reported this time last year when occupancy losses posted at -722,091 sf. Excluding sublease space, Nashville performed well with more than 420,000 sf of positive direct absorption. In Q2 2022, significant positive absorption drivers were Wellpath, which occupied 72,000 sf in the Airport South submarket and Oracle (30,065 sf), Capgemini (25,669 sf), and Triumph Orthopedics (6,788 sf) which all occupied their spaces in Midtown.

## CONSTRUCTION

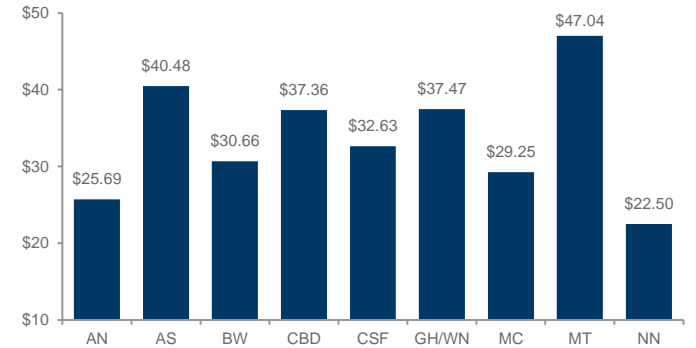
Nashville recorded more than 2.8 msf of product currently under construction at the close of Q2 2022. The majority of development is speculative and focused in the CBD and Midtown submarkets. The largest project currently underway is Pinnacle Tower – Nashville Yards with the building being 44.0% preleased due to in town tenants leaving the current Pinnacle Tower in SoBro. The project is being developed by Southwest Value Partners', along with the adjacent Amazon towers. The first Amazon building delivered in 2021 and construction remains underway on the second tower, where the e-commerce giant will move into 588,000 by the second half of 2023. Another significant project is NewCity and JPMorgan's Neuhoff, a 385,000-sf mixed use development including creative office, retail, and multifamily units. The project will eventually provide a pedestrian bridge connecting Germantown to the East Bank and Oracle's future campus.

Nashville delivered two speculative buildings this quarter, both located in the Midtown submarket. Nashville-based GBT completed one22one in The Gulch which is 15.0% leased due to anchor tenant FirstBank signing 52,000 sf back in 2020. GBT has been active in the market with the acquisitions of the 8.0-acre Beaman dealership site as well as 3.7 acres along the East Bank for a record sale price. The other speculative building that completed this quarter was Panattoni's 1030 Music Row located in the heart of Music Row.

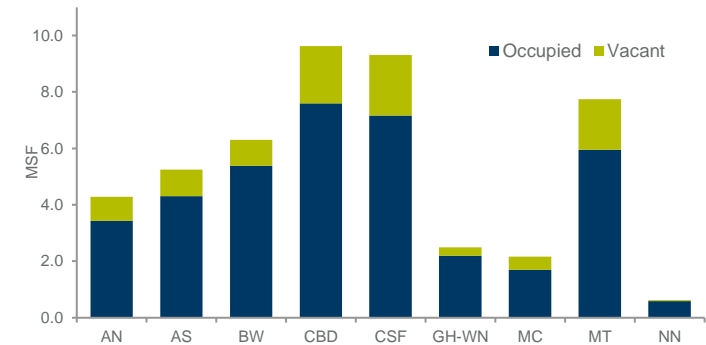
## Outlook

- With an expected spike in sublease space and new construction deliveries, Nashville's overall vacancy could continue to grow throughout 2022. However, unlike The Great Recession back in 2009, tenant default rates are very minimal across the market.

## CLASS A OVERALL ASKING RENT – SUBMARKET COMPARISON



## OCCUPANCY & VACANCY – SUBMARKET COMPARISON



## NEW SUPPLY



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANCY RATE	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	CURRENT QTR LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Airport North	4,283,950	8.4%	808,621	19.9%	-75,726	66,766	37,705	0	\$21.16	\$25.69
Airport South	5,243,147	0.5%	876,924	17.9%	-103,177	-94,862	5,416	192,000	\$28.36	\$40.48
Brentwood	6,303,477	3.3%	978,833	14.6%	-13,688	51,482	47,481	0	\$27.90	\$30.66
CBD	9,627,806	5.3%	1,907,425	21.1%	-106,171	-114,326	303,859	1,941,000	\$34.60	\$37.36
Cool Springs/Franklin	9,304,082	7.4%	1,997,739	23.0%	-181,178	-192,444	112,827	204,539	\$30.53	\$32.63
Green Hills/West Nashville	2,488,899	0.9%	344,231	11.9%	41,477	41,318	35,706	86,326	\$34.56	\$37.47
MetroCenter	2,156,732	4.9%	489,437	21.4%	23,476	-31,393	14,072	0	\$26.24	\$29.25
Midtown	7,737,676	1.3%	1,343,465	23.1%	14,372	65,655	98,487	399,492	\$45.34	\$47.04
North Nashville	620,544	0.0%	31,278	5.5%	-4,096	-5,510	0	0	\$20.62	\$22.20
<b>NASHVILLE TOTALS</b>	<b>47,766,313</b>	<b>5.3%</b>	<b>8,777,953</b>	<b>19.8%</b>	<b>-404,711</b>	<b>-213,314</b>	<b>655,553</b>	<b>2,823,357</b>	<b>\$33.11</b>	<b>\$38.26</b>

\*Rental rates reflect full-service gross asking

\*\*Airport South includes Wedgewood-Houston area

## KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
201 Platform Way – Pinnacle Tower: Nashville Yards	CBD	Bass, Berry, & Sims	195,000	New Lease
230 Franklin Road – The Factory at Franklin	Cool Springs/Franklin	Diakonia Group, LLC	27,300	New Lease
1030 16 <sup>th</sup> Ave S – 1030 Music Row	Midtown	Elmington Capital	23,669	New Lease
315 Deaderick Street – UBS Tower	CBD	Iron Galaxy Studios	19,092	New Lease
150 4 <sup>th</sup> Ave North – One Nashville	CBD	Clifton, Larson, Allen	17,547	Renewal/Expansion

\*Renewals not included in leasing statistics

## KEY UNDER CONSTRUCTION PROJECTS Q2 2022

PROPERTY	SUBMARKET	OWNER / DEVELOPER	SF	CONSTRUCTION TYPE
201 Platform Way S – Nashville Yards: Platform 2000	CBD	Southwest Value Partners	650,000	Speculative
200 10 <sup>th</sup> Ave N – Nashville Yards: Amazon HQ II	CBD	Southwest Value Partners	588,000	Build-to-Suit
1300 Adams Street – Neuhoff – Phase I	CBD	New City	385,000	Speculative
36 Peabody Street – Peabody Union	CBD	Stiles/Hensler	240,000	Speculative

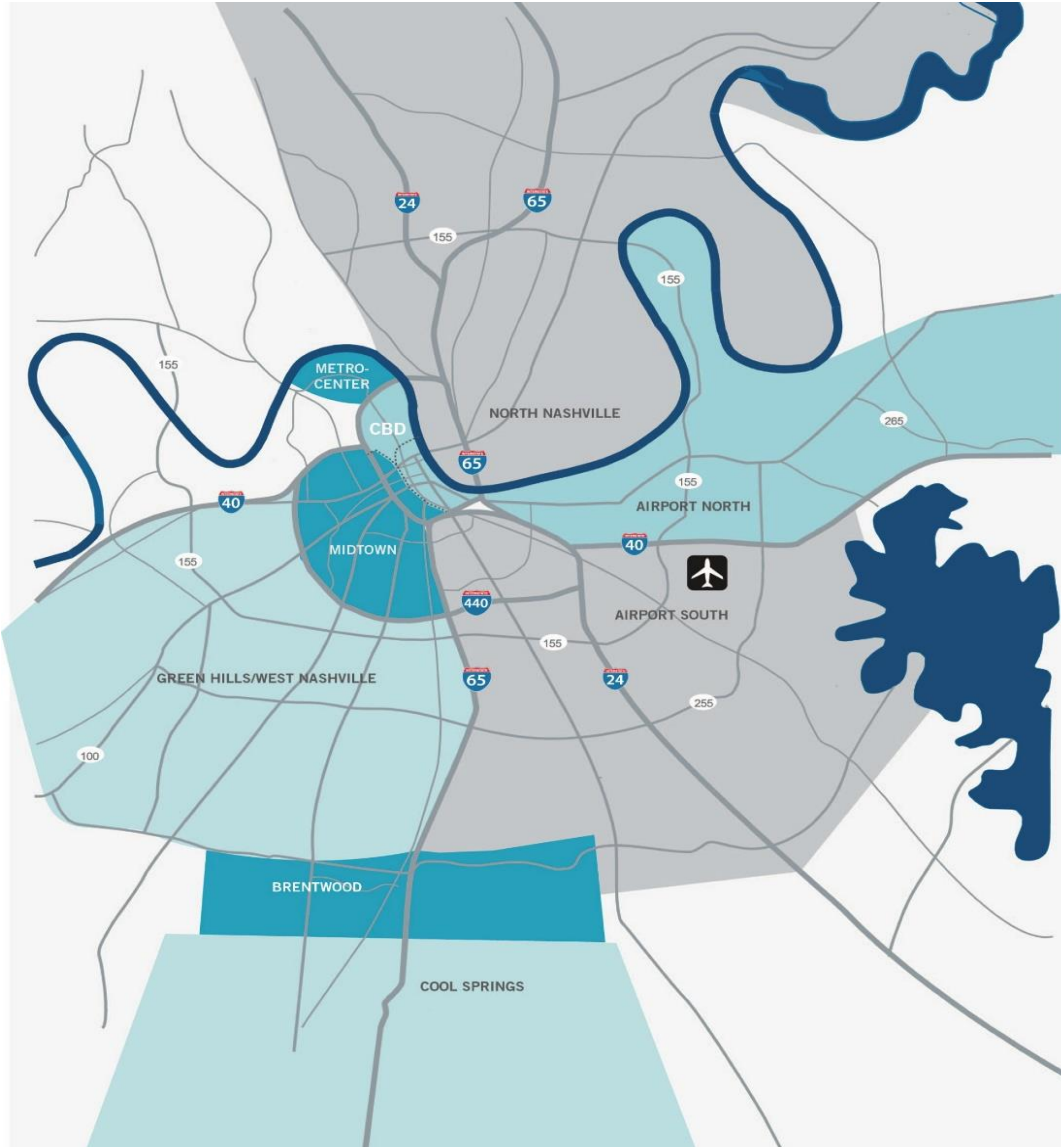
## RECENT CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
200 10 <sup>th</sup> Ave North - Amazon HQ I	CBD	Amazon	552,773	Southwest Value Partners
11 <sup>th</sup> Ave S. at Church Street - Asurion Headquarters	Midtown	Asurion	551,000	Highwoods Properties
1221 Broadway – one22one	Midtown	FirstBank	365,000	GBT
1030 16 <sup>th</sup> Ave S – 1030 Music Row	Midtown	Elmington Capital	108,522	Panattoni

# NASHVILLE

Office Q2 2022

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