

MARKETBEAT NASHVILLE



Office Q3 2022

YoY Chg 12-Mo. Forecast

19.7%
Vacancy Rate ▲ ▼

98.2K
Net Absorption, SF ▼ ▲

\$32.66 FSG
Asking Rent, PSF ▲ ▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

YoY Chg 12-Mo. Forecast

1.16M
Nashville Employment ▲ ▲

2.6%
Nashville Unemployment Rate ▼ ▲

3.5%
U.S. Unemployment Rate ▼ ▲

Source: BLS

ECONOMY

Nashville's economy has remained steady with no changes to unemployment posting at 2.6%. As new jobs grow, Music City remains an attractive hotspot for office development and investment opportunity. With population migration remaining strong, Nashville's diverse economy has fully recovered from pandemic lows and is in a healthy position for a potential macro-downturn.

DEMAND

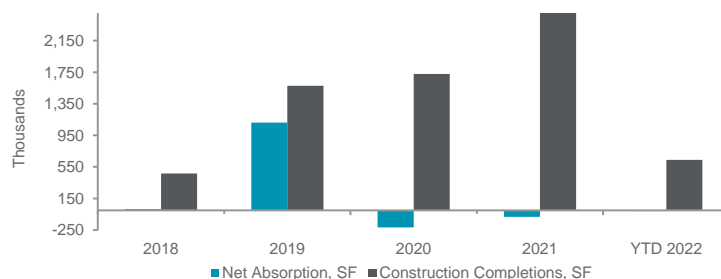
Nashville's office market recorded more than 670,000 square feet (sf) of new leasing activity throughout third quarter of 2022. Activity is up 47.2% year-over-year (YOY) with the Central Business District (CBD) and Midtown submarkets leading transaction volume. The largest deal of the quarter came from Bradley which inked 103,000 sf at GBT's newly constructed one22one. The law firm will be relocating from Eakin's Roundabout Plaza to the Gulch in 2023. Also in Midtown, Gulch Union completed more than 36,000 sf of leasing activity from multiple tenants. Other significant deals included IQTalent, Polsinelli, and Kimley Horn (expansion), all executed in the CBD submarket. In Brentwood, Ardent Health executed a direct new deal for over 86,000 sf at Seven Springs West, former home to AIG which subleased and vacated the space back in 2020.

Nashville's flight-to-quality continues with many of these large transactions occurring at newly constructed buildings. For second generation buildings, landlords could be forced into significant renovations, improvements, or conversions in order to compete for tenant interest. For example, UBS Tower is currently in the process of a \$2.0M renovation which includes speculative suites, lobby upgrades, and repainting of the building. As a result, new-to-market tenants Iron Galaxy and Stampfli have leased space in the tower and are planning to expand into additional space in the coming years.

PRICING

Overall gross asking rents posted at \$32.66 per square foot (psf) for third quarter 2022, up 4.2% YOY. The Midtown submarket continues to record the highest rate across the market at \$45.51 psf which is directly related to the amount of new Class A space available. Alone, newly constructed buildings are asking \$47.00 - \$57.00 psf full-service gross. As developers plan to include significant amenities for new office buildings along with continued increases in construction costs, we can expect Class A rents to increase throughout 2022 and into 2023.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



NASHVILLE

Office Q3 2022



SUPPLY AND ABSORPTION

In Q3 2022, overall vacancy remained consistent posting at 19.7%, a 10.0 basis-point (bps) drop from last quarter. Sublease vacancy continues to be the primary driver of historically high vacancy across the market. With the pandemic sparking a new flexible/work-from-home model, companies are reevaluating their space needs but still demanding an office presence. Direct vacancy, which excludes sublease space, posted at 15.8% indicating a healthy sign of newly completed buildings seeing strong leasing activity and occupancy.

Overall net absorption posted at 98,193 sf for Q3 2022, bringing total 2022 absorption to an almost flat -10,895 sf. The Midtown and Brentwood submarkets led occupancy gains with tenants moving into newly completed product. In Midtown, Louisiana Pacific completed its move from Philips Plaza to Broadwest's creative office building. At 1030 Music Row, Elmington Capital, Energybox, and Smile Doctors together occupied 37,000 sf, the building is now 43.0% leased. In Brentwood, Virginia Springs II saw multiple tenants move into space such as Keyence Corporation, Bernhard Capital, and Health Velocity Capital. Virginia Springs II is Brentwood's newest building delivering in 2020 and is now 100.0% leased. Net absorption is expected to increase in the CBD by the end of 2022 and into 2023 with large tenants such as Amazon (588,000 sf), IQTalent (67,500 sf), Polsinelli (38,000 sf), and Kimley Horn (31,000 sf – expansion) all expected to occupy their new spaces.

CONSTRUCTION

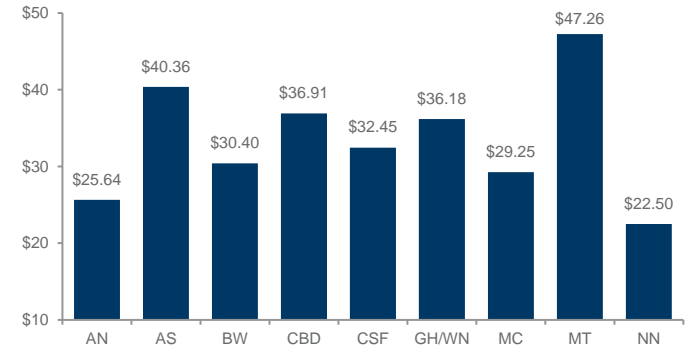
Throughout 2022, Nashville has delivered nearly 640,000 sf of new Class A product, all of which is located in the Midtown submarket. 17th & Grand is the newest addition to the Nashville office market, completing in July and containing 165,629 sf of space. In the Gulch, GBT's one22one completed last quarter and is now 43.0% leased with major tenants FirstBank and Bradley planning to occupy a combined 150,000 sf.

Development remains robust with more than 3.0 million square feet (msf) of product currently under construction. The CBD ranks as the top submarket recording 2.3 msf of development with Nashville Yards being the largest contributor. Southwest Value Partners plans to finish Amazon's second tower (588,000 sf) by the end of 2022. They are also underway with Pinnacle Tower (650,000 sf) and a second creative office low-rise building (406,000 sf). In Germantown, JPMorgan and New City's Neuhoff is expected to deliver by the end of 2022 with 385,000 sf of creative office. Neuhoff will soon benefit from a pedestrian bridge across the Cumberland River, a project led by the city and Oracle which will eventually connect Germantown to the East Bank and future Oracle campus. In Sobro, Hensler and Stiles kicked off construction with Peabody Union which will contain 250,000 sf of Class A office.

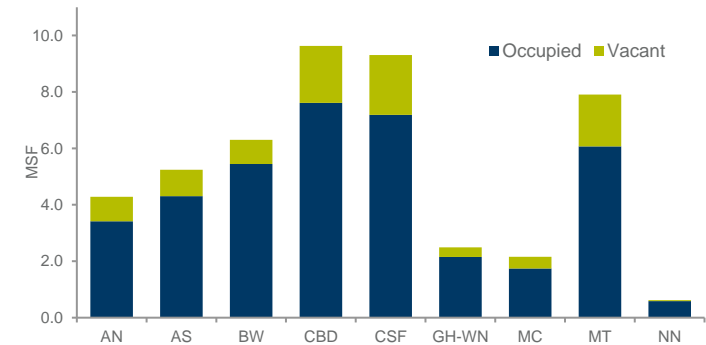
Outlook

- In the urban core, net absorption is expected to increase with large tenants such as Amazon, Bradley, IQTalent, and FirstBank targeting 2022 and 2023 move-ins.
- Nashville's creative office demand has spiked drastically due to a young workforce seeking collaborative and innovative workspace. Development for this product type is expected to increase with the likes of Neuhoff, T3 Finery, Stateline, The Factory, and Landings at River North all targeted to complete by the end of 2023.

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)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Airport North	4,283,950	8.3%	870,962	20.3%	-14,025	54,471	122,815	0	\$21.32	\$25.64
Airport South	5,243,147	0.4%	940,530	17.9%	-4,481	-97,239	75,878	223,000	\$27.49	\$40.36
Brentwood	6,303,477	2.9%	858,341	13.6%	42,993	114,939	327,175	0	\$27.33	\$30.40
CBD	9,627,806	4.5%	2,016,318	20.9%	-29,810	-55,312	552,996	2,347,357	\$34.21	\$36.91
Cool Springs/Franklin	9,304,082	7.3%	2,118,794	22.8%	42,449	-200,624	293,764	204,539	\$30.53	\$32.45
Green Hills/West Nashville	2,488,899	0.9%	340,246	13.7%	-31,033	-3,015	56,459	86,326	\$33.74	\$36.18
MetroCenter	2,156,732	3.2%	413,290	19.2%	1,146	-627	91,830	0	\$26.90	\$29.25
Midtown	7,903,305	1.2%	1,837,659	23.3%	91,314	182,022	326,363	233,863	\$45.51	\$47.26
North Nashville	620,544	0.0%	33,956	5.5%	0	-5,510	0	0	\$20.62	\$22.50
NASHVILLE TOTALS	47,931,942	3.9%	9,430,096	19.7%	98,193	-10,895	1,847,280	3,095,085	\$32.66	\$37.84

*Rental rates reflect full-service gross asking

**Airport South includes Wedgewood-Houston area

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
One22one – 1221 Broadway	Midtown	Bradley	103,000	New Deal
Seven Springs West – 340 Seven Springs Way	Brentwood	Ardent Health	86,721	New Deal
211 Commerce Center – 211 Commerce Street	CBD	IQTalent	67,498	New Deal
501 Commerce – 501 Commerce Street	CBD	Polsinelli	37,429	New Deal
Peabody Plaza – 10 Lea Avenue	CBD	Kimley Horn	30,715	Expansion

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q3 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 th Ave N – Nashville Yards: Amazon HQ II	CBD	Southwest Value Partners	588,000	Build-to-Suit
1001 Church Street – Nashville Yards: Creative Office A	CBD	Southwest Value Partners	406,357	Speculative
1300 Adams Street – Neuhoff – Phase I	CBD	New City	385,000	Speculative

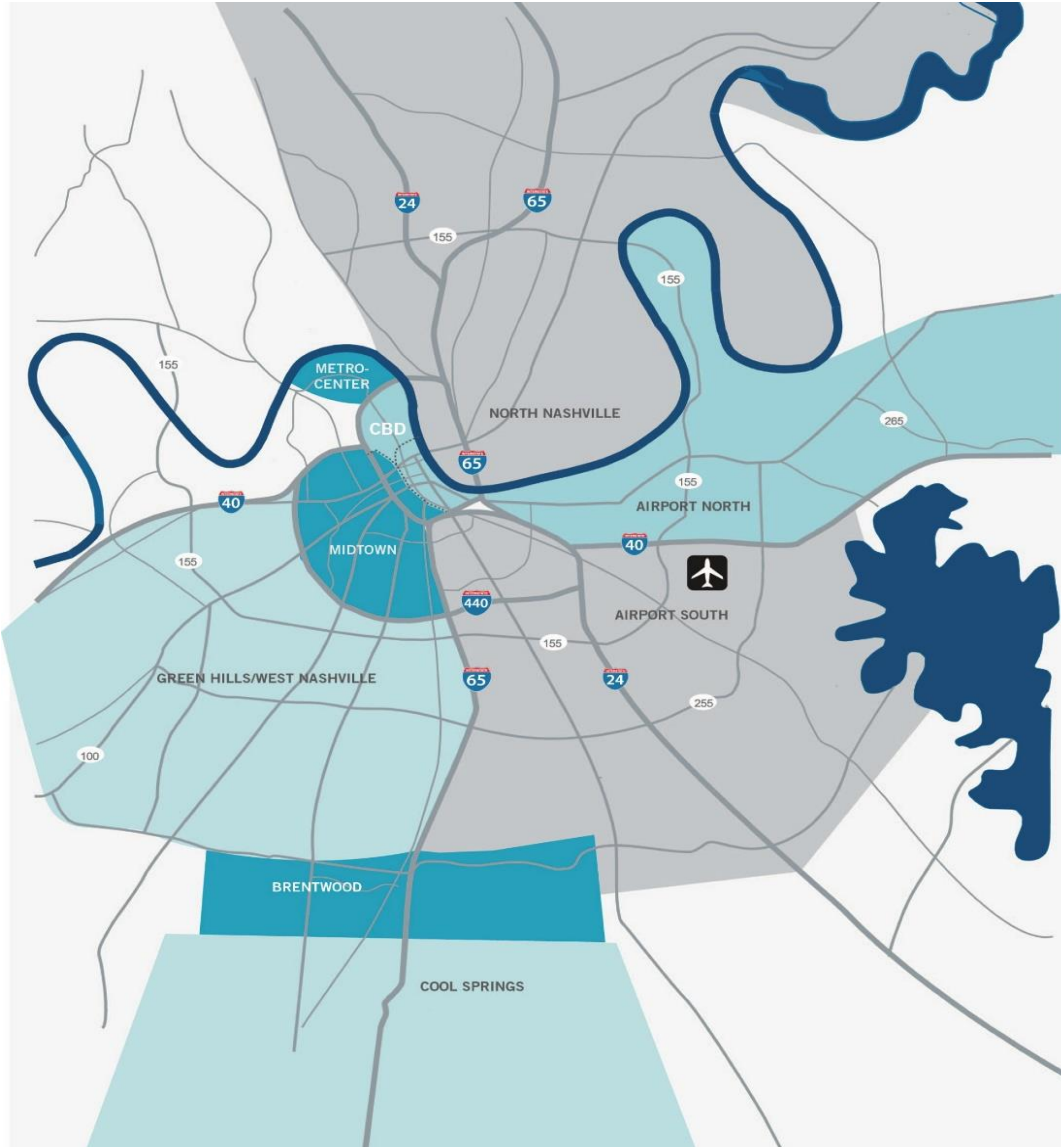
RECENT CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1221 Broadway – one22one	Midtown	Bradley	365,000	GBT
1001 17 th Ave – 17 th & Grand	Midtown	Cooper Steel	165,629	Hall Emery
1030 16 th Ave S – 1030 Music Row	Midtown	Elmington Capital	108,522	Panattoni

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OFFICE SUBMARKETS



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