

Industrial Q4 2022

	YoY Chg	12-Mo. Forecast
3.0% Vacancy Rate	▬	▬
2.6M Net Absorption, SF	▲	▲
\$7.15 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
1.1M Nashville Employment	▲	▲
2.7% Nashville Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY

Nashville’s unemployment rate ended the year at 2.7%, remaining 100 basis-points (bps) below the U.S. average. Industrial activity, construction, and job growth has showed no signs of slowing down despite economic concerns. The Nashville economy is poised to maintain an upward trend of a strong labor market, consistent company relocations, and strong population migration from northern and western states.

DEMAND

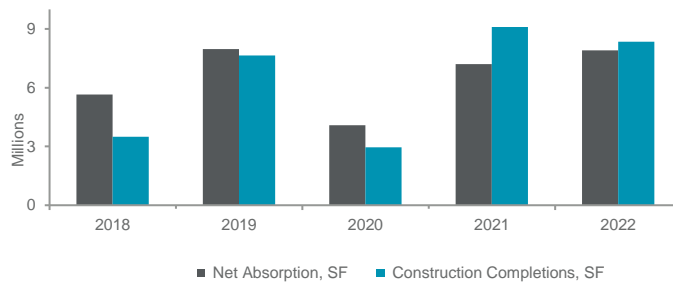
Nashville’s industrial market recorded more than 1.7 million square feet (msf) of leasing activity throughout Q4 2022, bringing the year-to-date transaction volume to just shy of 8.8 msf. The majority of transactions occurred within the Southeast submarket with 1.3 msf transacted in Q4 2022. A large contributor to the robust demand was the 844,480 square-foot (sf) lease inked by McNeilus Corporation. The truck manufacturer took the newly constructed Parkway Place building, marking the largest deal of the quarter. Also in the Southeast, HD Supply Facilities Maintenance signed a 317,000-sf renewal at 50 Teledyne Place. Hillwood’s Airport Business Park – Building 4 is now 100.0% leased with tenants Armstrong Relocation (107,500 sf), Zwanenburg Food Group (89,845 sf), and Venture Logistics (89,760 sf) all signing deals this past quarter. As the market’s near-historic low vacancy kept relocation options limited for existing users, annual renewal activity was robust at 4.5 msf

Supply still raced to match demand with 2022 marking the third consecutive year where leasing activity outpaced new construction deliveries. In 2019 and 2020, leasing demand was dominated by third-party logistics and e-commerce companies. In fact, throughout 2020, 56.0% of Nashville’s total leasing activity was comprised of these two sectors. However, 2022 has seen a much more diverse tenant type with significant deals from Webstaurant (food/beverage), McNeilus (truck manufacturing), ModusLink (supply chain management), and Aarons, LLC (furniture manufacturing).

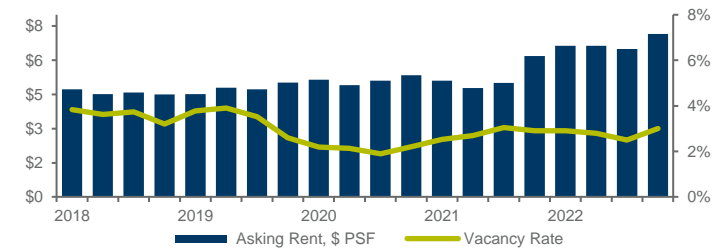
PRICING

Overall asking rents climbed 17.0% from the previous quarter to \$7.15 per square foot (psf). Rents continued to rise in both bulk and shallow-bay buildings due to new speculative deliveries, high demand, and limited available space. High construction costs for both base building and tenant improvements also helped contribute towards higher rates.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ABSORPTION & VACANCY

Nashville’s industrial market recorded more than 2.6 msf of positive absorption for Q4 2022, bringing the year-to-date (YTD) occupancy gains to nearly 8.0 msf. This marks the fifth consecutive year in which net absorption surpassed 5.0 msf for Nashville’s industrial market. In Q4 2022, the largest occupancies came from the North and Southeast submarkets with over 1.0 msf of net gains registered in each submarket. In the North, Amazon drove absorption, moving into its 1.0 msf build-to-suit in Clarksville. However, in the Southeast, significant move-ins came from McNeilus who occupied Parkway Place in full as well as Airport Logistics Park tenants Freeman Expositions, Richelieu America, and Restaurant Technologies.

Overall vacancy rose 50 bps from last quarter to 3.0%. The increase is directly related to an influx of new construction which delivered this past quarter. Despite the expected rise, Nashville remains 30 bps below the national vacancy average.

CONSTRUCTION

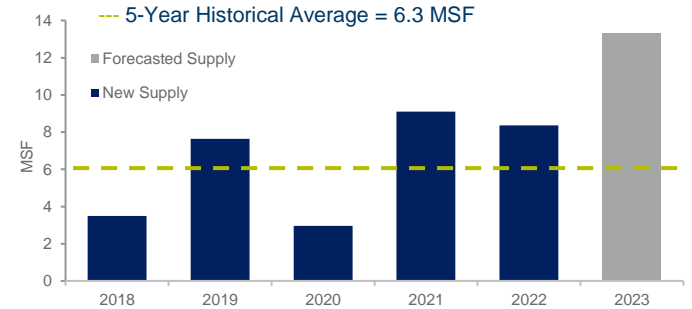
Nashville ended 2022 with more than 8.0 msf of new construction completions. The East submarket posted the highest number of deliveries with just shy of 4.0 msf completing in 2022. Most notable are Central 840 Logistics Center (925,680 sf) in which Walmart pre-leased in full, and Chewy’s 692,000-sf. In the Southeast, Airpark Nashville, also known as 700 Airpark Commerce Drive, had buildings I, II, and III deliver. While bulk construction naturally made up the majority completions, Nashville also saw a significant amount of shallow-bay buildings deliver throughout 2022 as the demand for smaller industrial spaces remained elevated. A total of 17 buildings equating 1.3 msf of shallow-bay product were completed, making up 17.0% of the Nashville total deliverables.

Nashville yielded more than 13.3 msf of product under construction at the end of Q4 2022. Speculative product makes up 71.0% of the pipeline with significant projects including Midway 840 – Building II (633,400 sf), Highpointe 24 – Buildings 300-700 (873,192 sf), and Prologis’ Southpark – Buildings 5-7 (887,700 sf). Panattoni is also underway with Speedway Industrial Park – Building 12, totaling 981,568 sf and 100.0% preleased to Webstaurant. Building 10 (400,064 sf) is close to completion and is 100.0% preleased to Lasership while Building 11 (443,968 sf) is close to shell completion and is under contract for sale. Lincoln Property Company has begun construction on Gateway 24 which will consist of one shallow-bay building (Building I – 70,000 sf) and one bulk building (Building II – 380,000 sf). Regarding build-to-suits, GM’s battery plant in Spring Hill (2.8 msf) and Arrowhead’s (590,000 sf) facility in Portland are set to both complete in 2023.

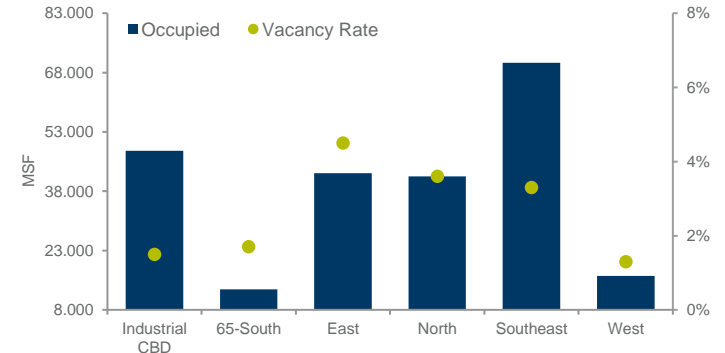
Outlook

- Overall vacancy is expected to remain flat for 2023 with strong demand expected to outpace new supply.

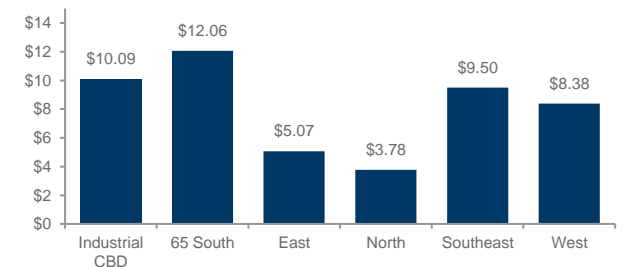
NEW SUPPLY



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	48,996,444	755,334	1.5%	118,349	456,484	679,611	0	0	\$10.09
65 South	13,413,303	234,485	1.7%	99,127	134,722	330,877	4,101,265	0	\$12.06
East	44,587,876	2,009,417	4.5%	151,580	3,784,086	3,889,801	4,370,099	3,748,120	\$5.07
North	43,295,294	1,554,025	3.6%	1,140,221	700,480	636,088	1,931,345	1,354,840	\$3.78
Southeast	72,956,603	2,443,345	3.3%	1,127,575	2,701,168	3,089,511	2,945,080	2,954,058	\$9.50
West	16,828,048	213,855	1.3%	0	139,145	166,448	0	300,000	\$8.38
NASHVILLE TOTALS	240,077,568	7,210,461	3.0%	2,603,887	7,916,085	8,792,336	13,347,789	8,357,018	\$7.15

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Richard Reeves Drive – Parkway Place	Southeast	McNeilus Corporation	844,480	New Lease
Interline National Distribution	Southeast	HD Supply Facilities Maintenance, LTD	317,085	Renewal
424 Liberator Lane – Airport Business Park Building 4	Southeast	Armstrong	107,500	New Lease
7500 Eastgate Boulevard – Prologis Eastgate II	East	Westrock	100,880	New Lease
6000 Reliance Dr - CenterPointe Distribution 3	Southeast	Home Depot	98,700	Renewal

*Renewals not included in leasing activity statistics

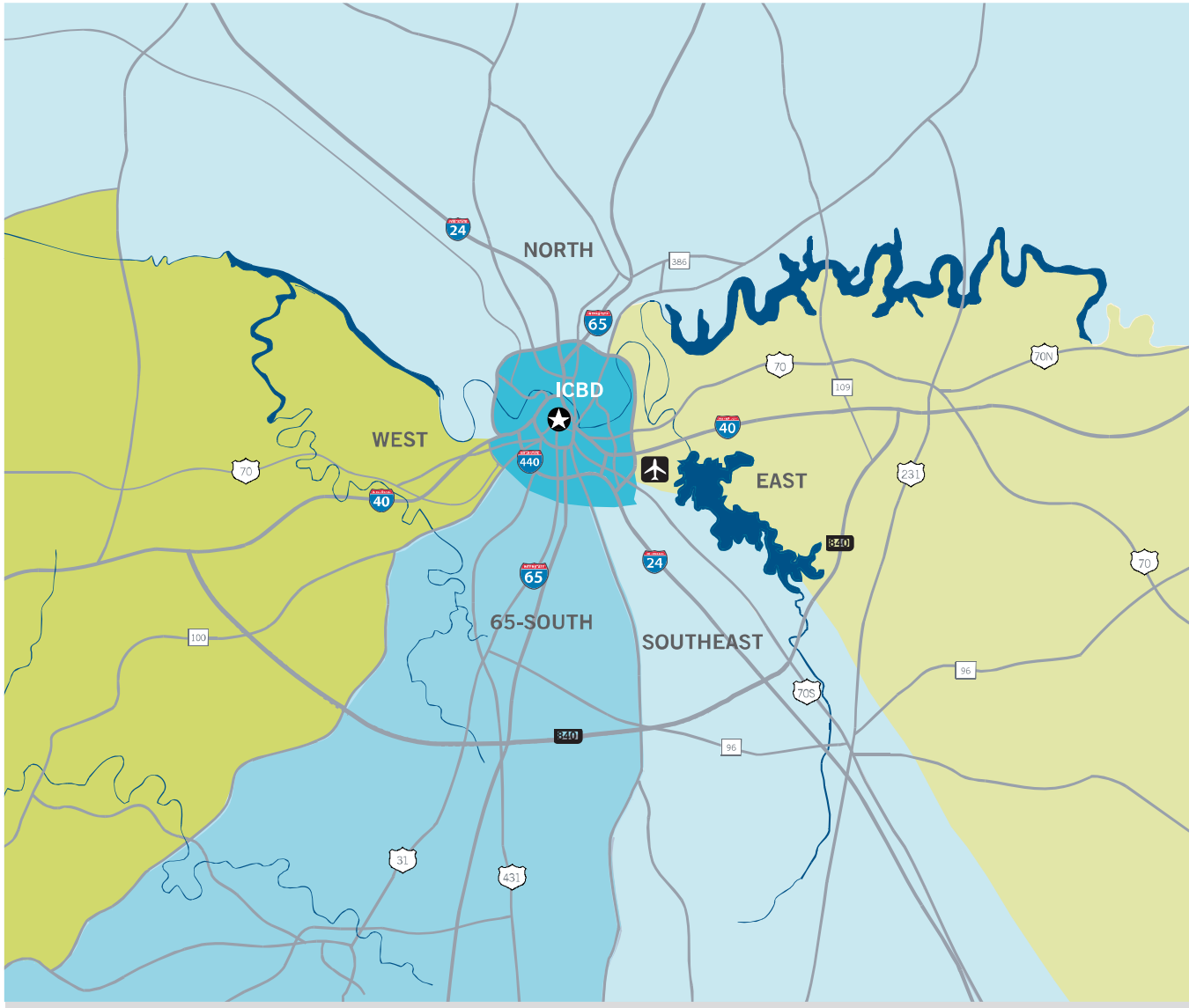
KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER / DEVELOPER
Spring Hill/GM Battery Site	65-South	Build-to-Suit	2,800,000	GM Motors
Southpark Buildings 5, 6, 7	Southeast	Speculative	887,700	Prologis
HighPointe 24	Southeast	Speculative	873,192	Panattoni
Beechcroft Industrial Park – Building I, II, III	65-South	Speculative	815,530	DRG
Shoals Way Industrial	North	Speculative	638,400	AI Neyer

KEY CONSTRUCTION COMPLETIONS YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
3875 Guthrie Highway – Project Alice	North	Amazon	1,000,000	Amazon
1015 Hixson Boulevard – Central 840 Logistics Center	East	Wal-Mart	925,680	Core 5 Industrial Partners
Richard Reeves Dr – Parkway Place	Southeast	N/A	844,480	Granite Properties
1125 Darnell Waltrip Dr – Speedway Industrial Park Bldg 8	East	New Balance	614,880	Panattoni

INDUSTRIAL SUBMARKETS



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