

YoY Chg      12-Mo. Forecast

**19.5%**  
Vacancy Rate



**56.3K**  
Net Absorption, SF



**\$32.29 FSG**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2022

YoY Chg      12-Mo. Forecast

**1.13M**  
Nashville Employment



**2.7%**  
Nashville Unemployment Rate



**3.7%**  
U.S. Unemployment Rate



Source: BLS

## ECONOMY

Nashville's economy continued to remain strong recording unemployment at 2.7%, 100 basis-point (bps) below the U.S. average. Nashville was one of the fastest markets in the country to recover from pandemic lows as tourism, healthcare, and business services returned to pre-COVID-19 levels in terms of volume and productivity. Despite the housing market projected to enter a correction period, Nashville's diverse economy continues to gain new jobs and strong population migration from northern and western states.

## DEMAND

Nashville's office market recorded more than 616,000 square feet (sf) of leasing activity for Q4 2022, bringing total annual activity to nearly 2.7 million square feet (msf). Nashville's suburban submarkets performed exceptionally in Q4 2022 with Brentwood and Cool Springs/Franklin ranking highest regarding transaction volume. Landmark Recovery inked the largest deal of the year with 263,600 sf at Highwood's Cool Springs V. The addition service provider will relocate its HQ from Arizona and plans to create 1,300 new jobs and invest \$7.5M in Williamson County approximately one year after becoming operational. Brentwood also remained a top submarket with more than 167,000 sf of leasing activity. Many significant deals were focused within the Seven Springs office complex where subleases were executed by Delek – (56,141 sf), Surgery Partners – (29,670 sf), and Lifeline Systems – (28,733 sf). Healthcare company Monogram Health also renewed and expanded totaling 53,331 sf. With increased activity throughout the year, Brentwood recorded more than 524,000 sf of total leasing volume for 2022, up 90.0% from last year and showing a huge increase in submarket demand, while also removing sublease space from the market.

With more tenants seeking move-in ready space, spec suites remained an ongoing trend in Nashville. Since the start of 2021, roughly 44 spec suite deals have been executed, totaling more than 127,000 sf. The average requirement and deal size range from 3,000 sf – 5,000 sf. Both new and second-generation buildings are adjusting floor plans to accommodate for this new type of office demand. Spec suites average roughly \$1.00 - \$2.00 per square foot (psf) above direct space net asking rents.

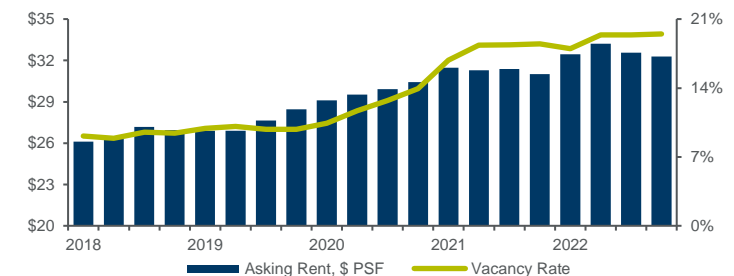
## PRICING

Overall gross asking rents posted at \$32.29 psf for Q4 2022, up 4.7% YOY. Urban core submarkets continue to drive high asking rents with the CBD posting at \$34.28 psf and Midtown recording \$45.42 psf. Overall Class A asking rents posted at \$37.12 psf, up 5.0% from last year and reaching another Nashville record.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



# NASHVILLE

Office Q4 2022



## SUPPLY AND ABSORPTION

In Q4 2022, overall vacancy dropped 20.0 bps from the prior quarter, posting at 19.5%. Even with sublease vacancy dropping to 3.6%, subleases remain a primary driver of record high vacancy. Throughout 2022, large sublease vacancies included Ford Motor Credit at the Carothers Building (170,000 sf), The General Auto Insurance at Lakeview Ridge III (75,000 sf), and Bridgestone at Bridgestone Tower (162,000 sf). Direct vacancy, which excludes sublease vacancy, remained unchanged from last year posting at 15.9%.

Overall net absorption posted at 56,311 sf for Q4 2022, putting total occupancy gains for 2022 at 136,110 sf. This is a drastic increase from last year when Nashville recorded -101,962 sf of absorption losses. Airport North and Midtown submarkets performed well throughout 2022 with both submarkets posting strong occupancy figures. In Airport North, Genesco completed its relocation into Highland Ridge Tower where the retail giant will occupy just shy of 200,000 sf. In Midtown, Nashville's strongest performing submarket, positive absorption was led by many significant move-ins such as Louisiana Pacific, Capgemini, and Adams & Reese all moving into Broadwest. At Radius, the former Lifeway building, Oracle moved into 30,000 sf in order to become operational in Nashville prior to main campus construction. Endeavor's Gulch Union saw many move ins from a variety of tenants throughout 2022 such as AI Neyer, Epstein Becker & Green, and BIP Wealth. In the urban core, absorption is expected to remain positive with construction and suite build-outs expected to finish by early 2023. For example, Bradley (103,000 sf), Polsinelli (37,429 sf), IQTalent (68,000 sf), and FirstBank (52,000 sf) all plan to occupy space in 2023.

## CONSTRUCTION

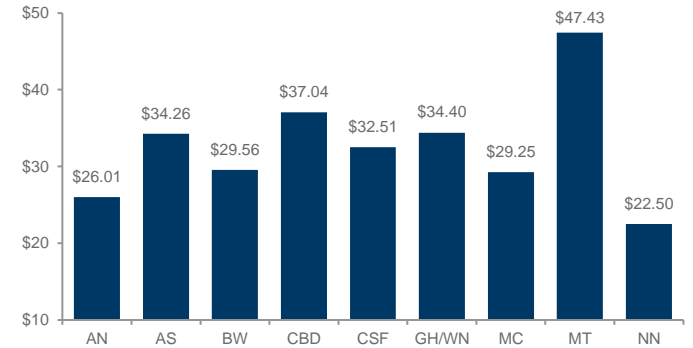
Nashville finished 2022 with nearly 764,000 sf of new Class A deliveries. Aside from Boyle's 124,000 sf McEwen Northside – Block A in Cool Springs/Franklin, all new construction completed in the Midtown submarket. 17<sup>th</sup> & Grand (165,629 sf), 1030 Music Row (108,522 sf), and GBT Realty's one2one (365,000 sf) all delivered this past year. Together, these Midtown buildings averaged 21.0% preleased due to significant tenants such as Bradley, Cooper Steel, and FirstBank.

Nashville's development pipeline remained robust with 3.4 msf of office product recorded as under construction. Significant speculative projects included Southwest Value Partners' Pinnacle Tower (650,000 sf) and Creative building – A (406,357 sf) with both buildings expected to finish in 2024 and 2025. Pinnacle Financial Partners, Bass, Berry, Sims, and EVO have signed significant sized leases at Nashville's largest development project. NewCity and JPMorgan's Neuhoff is expected to deliver Q2 2023. The project will contain a 108,000-sf rehabilitated office structure, 280,000 sf of Class A ground-up new construction, and two multi-family mid-rise buildings. In Wedgewood-Houston, Hines is well underway with T3 Finery which will contain 192,000 sf of Class A creative office space and has preleased 44,000 sf to Capitol Christian Music.

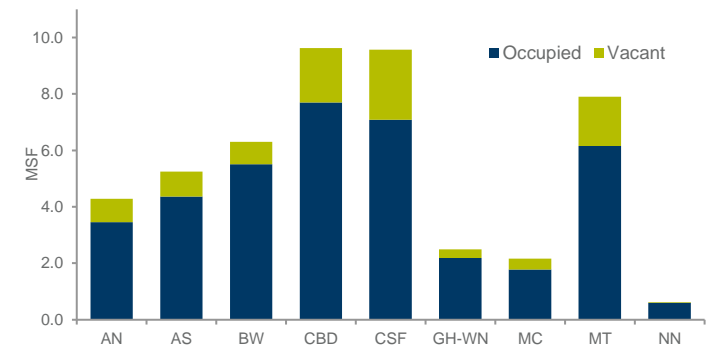
## Outlook

- Nashville is expected to see spec suite activity continue to rise due to consistent tenant demand with the need of becoming operational within 30-90 days.

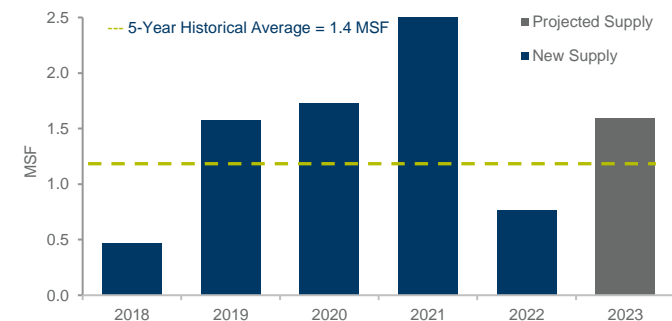
## CLASS A OVERALL ASKING RENT – SUBMARKET COMPARISON



## 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	7.7%	828,447	19.3%	31,080	97,669	195,771	0	\$22.03	\$26.01
Airport South	5,243,147	0.4%	883,334	16.8%	4,435	-80,617	88,961	223,000	\$25.36	\$34.26
Brentwood	6,303,477	2.5%	798,672	12.7%	96,422	166,751	524,450	0	\$27.17	\$29.56
CBD	9,627,806	3.8%	1,931,291	20.1%	24,542	-6,160	618,830	2,347,357	\$34.28	\$37.04
Cool Springs/Franklin	9,569,178	7.7%	2,482,694	25.9%	-171,510	-371,203	612,308	152,000	\$30.37	\$32.51
Green Hills/West Nashville	2,488,899	0.8%	305,544	12.3%	5,579	20,337	70,213	86,326	\$32.82	\$34.40
MetroCenter	2,156,732	0.4%	379,461	17.6%	28,798	33,202	124,055	0	\$27.35	\$29.25
Midtown	7,903,305	1.3%	1,745,450	22.1%	36,965	277,545	456,215	593,863	\$45.42	\$47.43
North Nashville	620,544	0.0%	29,860	4.8%	0	-1,414	4,096	0	\$20.36	\$22.50
<b>NASHVILLE TOTALS</b>	<b>48,197,038</b>	<b>3.6%</b>	<b>9,384,753</b>	<b>19.5%</b>	<b>56,311</b>	<b>136,110</b>	<b>2,694,899</b>	<b>3,402,546</b>	<b>\$32.29</b>	<b>\$37.12</b>

\*Rental rates reflect full-service gross asking

\*\*Airport South includes Wedgewood-Houston area

## KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Cool Springs V – 701 Cool Springs Blvd	Cool Springs/Franklin	Landmark Recovery	263,598	New Deal
Seven Springs II – 310 Seven Springs Way	Brentwood	Delek US Energy, Inc	56,141	Sublease
Seven Springs West – 340 Seven Springs Way	Brentwood	Surgery Partners, Inc	29,670	Sublease
Seven Springs II – 310 Seven Springs Way	Brentwood	Lifeline Systems Company	28,733	Sublease
Commerce Center East – 100 Centerview Drive	Airport North	Deloitte	27,500	Sublease

\*Renewals not included in leasing statistics

## KEY UNDER CONSTRUCTION PROJECTS Q4 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
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

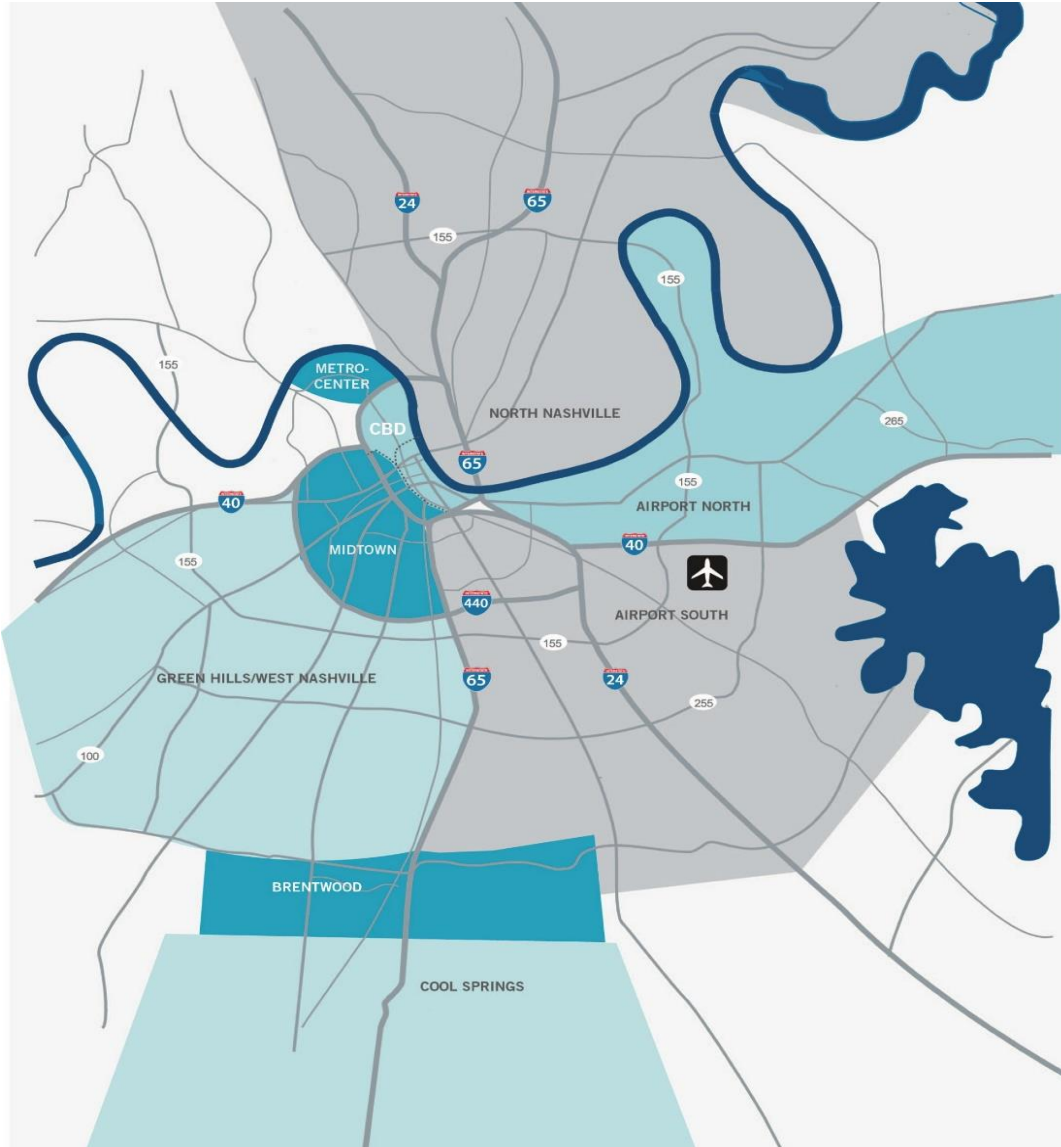
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1221 Broadway – one22one	Midtown	Bradley	365,000	GBT
1001 17 <sup>th</sup> Ave – 17 <sup>th</sup> & Grand	Midtown	Cooper Steel	165,629	Hall Emery
1030 16 <sup>th</sup> Ave S – 1030 Music Row	Midtown	Elmington Capital	108,522	Panattoni

# NASHVILLE

Office Q4 2022



## OFFICE SUBMARKETS



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