

3.5%
Vacancy Rate



1.3M
Net Absorption, SF



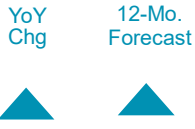
\$7.84
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2023

1.2M
Nashville Employment



2.9%
Nashville Unemployment Rate



3.5%
U.S. Unemployment Rate



Source: BLS

ECONOMY

Nashville's unemployment rate remained steady in Q1 at 2.7%, remaining 60 basis points (bps) below the U.S. average. Nashville's industrial market continued to post record activity supported by strong job growth and rising employment in the industrial sectors. The market is poised to remain resilient with robust consumer sentiment, healthy labor markets, and significant net migration from both midwestern and northern states.

DEMAND

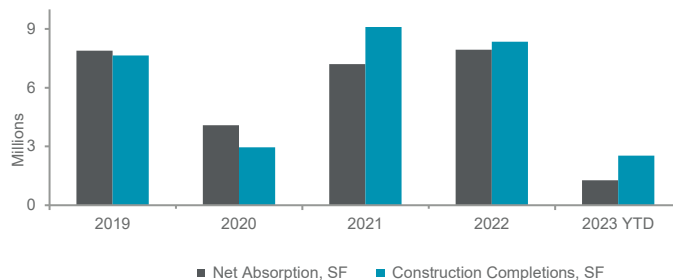
Nashville's industrial market kicked off 2023 with more than 1.6 million square feet (msf) of leasing activity, on par with leasing activity last quarter. The East submarket posted the highest volume with nearly 1.1 msf of transactions, resulting in roughly 70.0% of the total transactional volume. Leasing activity was led by the Midway 840 – Building 2 where Geodis signed for 633,000 square feet (sf) with plans to occupy the entire building in June 2023. Central Logistics Park buildings East and West recorded significant activity during Q1 2023 with leases from Averitt Express (291,000 sf) and Kloeckner Metals (151,000 sf). Averitt Express officially occupied the entire building at the start of the quarter while Kloeckner Metals plans to occupy its space June 2023. In the Southeast submarket, 4Wall inked more than 200,000 sf at Airpark East – Building II and plans to occupy the entire building in April 2023. More than 661,000 sf of renewals were recorded for Q1 2023 and overall activity is expected to remain steady throughout the year as tenant space options become more limited and occupancy increases across the market.

During the pandemic, the Nashville industrial market recorded significant activity from the e-commerce and 3PL industries; however, within the last year, demand has become more diverse. For example, Wal-Mart (consumer goods), Kloeckner Metals (manufacturing), American Furniture (furniture) and TwentyThree (software) all signed deals throughout the quarter. The continued diversification of Nashville's industrial market fortifies both its current status and potential as an economic hub for the Southeast region.

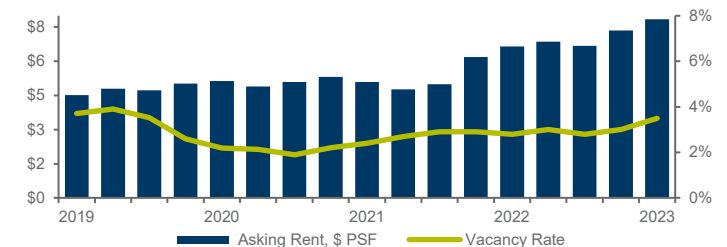
PRICING

Overall asking rents continued to rise ending the quarter at \$7.84 per square foot (psf); up 18.0% year-over-year (YOY) to a new historic high. Landlords have maintained elevated rental rates due to robust demand, high-quality new deliveries, and high construction costs. The increased demand in shallow-bay product has also played a role in rising asking rents, quoting on average \$12.00 - \$13.00 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ABSORPTION & VACANCY

The market recorded nearly 1.3 msf of net absorption for Q1 2023, remaining consistent with absorption this time last year. Similar to last quarter, the East and Southeast submarkets together contained the entirety of Nashville’s quarterly occupancy gains, offsetting losses registered in other submarkets. Tenants continued to show interest in newly constructed bulk product with Geodis and Lasership occupying 633,000 sf and 400,000 sf at Midway 840 – Building 2 and Speedway Industrial Park – Building 10 respectively. JR Automation took 150,000 sf of space at Dalfen’s 700 Airpark Commerce Drive Building D-1, while Venture Logistics, Armstrong and Zwanenburg Food Group all occupied space in Hillwood’s Smyrna, TN project, Airport Business Park – Building 4, accounting for 287,000 sf of positive absorption collectively.

Overall vacancy climbed 60 bps from Q4 to 3.5%. Due to market indicators, this uptick in vacancy could be temporary with several large tenants planning to occupy new construction throughout 2023. While the vacancy rate increased, Nashville’s rate sits 10 bps below the national vacancy rate of 3.6%.

CONSTRUCTION

Nashville delivered more than 2.5 msf of new industrial product in Q1 2023 containing 95.0% bulk and 5.0% shallow-bay. The majority of deliveries were speculative including Midway 840 – Building 2 (633,410 sf), Speedway Industrial Park – Building 10 (400,064 sf), and HighPointe 24 – Building 300 (137,700 sf). Speedway Industrial Park – Building 11 (444,000 sf) was the only build-to-suit (BTS) delivery of the quarter which was sold to Ferguson Enterprises. Nashville is projected to deliver roughly 13.0 msf of new product throughout 2023, on track to break last year’s record total of 8.4 msf.

With nearly 11.0 msf of new product underway, Nashville’s construction pipeline remains robust. The 65-South submarket contains the most activity with over 4.1 msf of product under construction. The majority of this supply comes from GM’s battery plant in Spring Hill (2.8 msf); however, DRG, Charles Hawkins, and Griffin Partners have roughly 1.2 msf of combined speculative development currently underway. The Southeast submarket continues to be a hotspot for new development with projects such as Southpark II – Buildings 5-7 (837,500 sf), HighPointe 24 – Building 400, 500 & 600 (540,192 sf), and Gateway 24 – Buildings I and II (448,760 sf) all progressing along. Bulk A product continues to yield high levels of preleasing activity, with Webstaurant taking all of Speedway Industrial Park – Building 12 and Averitt Express taking 291,000 sf at Central Logistics Park East – Building 1.

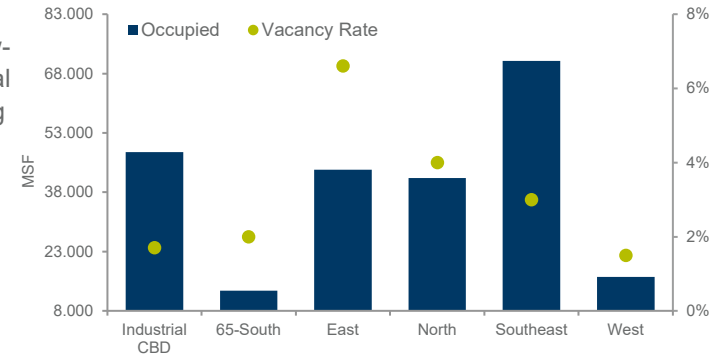
Outlook

With higher interest rates, more lender scrutiny, and continued projections for economic headwinds near-term, Nashville is starting to see some development projects pause temporarily. However, unlike other CRE sectors, industrial demand has outpaced supply since 2019 putting Nashville in a strong position heading into any potential downturn.

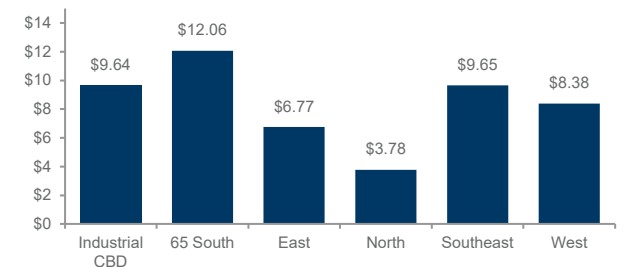
NEW SUPPLY



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	849,905	1.7%	-75,924	-75,924	85,759	0	0	\$9.64
65 South	13,413,303	265,678	2.0%	0	0	0	4,101,265	0	\$12.06
East	46,791,648	3,100,041	6.6%	839,032	839,032	1,075,470	2,147,895	2,203,772	\$6.77
North	43,301,324	1,711,328	4.0%	-112,273	-112,273	33,817	1,931,275	0	\$3.78
Southeast	73,392,201	2,227,235	3.0%	626,474	626,474	478,263	2,714,700	333,580	\$9.65
West	16,828,048	247,155	1.5%	0	0	0	0	0	\$8.38
NASHVILLE TOTALS	242,731,968	8,401,342	3.5%	1,277,309	1,277,309	1,673,309	10,895,135	2,537,352	\$7.84

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1485 Couchville Pike - Midway 840 – Bldg II	East	Geodis	633,410	New Lease
501 Hixon Boulevard – Central Logistics Park East	East	Averitt Express	290,860	New Lease
533 New Paul Road – CentrePointe 5	Southeast	Wal-Mart	231,416	Renewal
1001 CentrePointe Drive – CentrePointe 1	Southeast	Cooper General Global	234,300	Renewal
2601 Couchville Pike – Airpark East – Building II	Southeast	4Wall	202,000	New Lease

*Renewals not included in leasing activity statistics

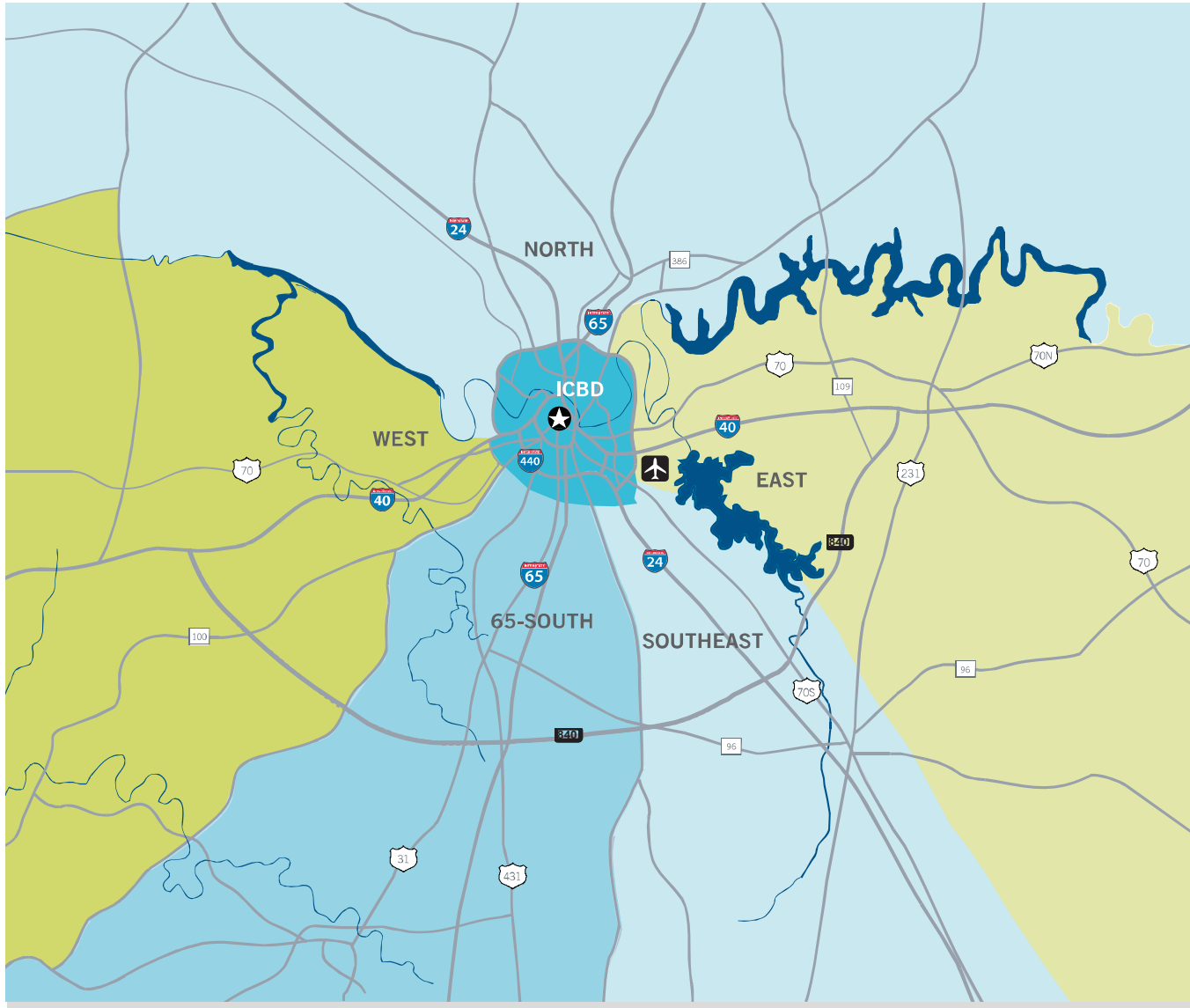
KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER / DEVELOPER
Spring Hill/GM Battery Site	65-South	Build-to-Suit	2,800,000	GM Motors
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
1485 Couchville Pike – Midway 840 – Bldg II	East	Geodis	633,410	GTIS
1025 McCrary Road – Speedway Industrial Park – Bldg 11	East	Ferguson	443,968	Ferguson / Panattoni
1000 McCrary Road – Speedway Industrial Park – Bldg 10	East	Lasership	400,064	Panattoni
7650 Eastgate Boulevard	East	N/A	217,080	Johnson Development

INDUSTRIAL SUBMARKETS



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