

	YoY Chg	12-Mo. Forecast
18.9% Vacancy Rate	▲	▼
-73.0K Net Absorption, SF	▼	▲
\$32.58 FSG Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
1.1M Nashville Employment	▲	▲
2.6% Nashville Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY

Nashville's economy remains in a strong position heading into a potential economic downturn. Unemployment held steady at 2.6%, showing a strong job market and significant population growth. Nashville and Southeast region are projected to see continued net migration as individuals and companies look to take advantage of lower cost of living such as real estate prices and no state income tax.

DEMAND

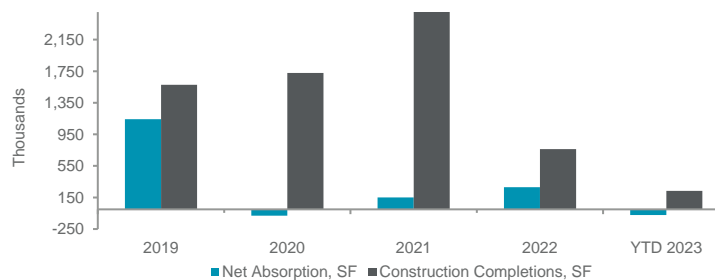
Nashville's office market kicked off 2023 with more than 405,000 square feet (sf) of leasing activity for Q1, which is in line with activity recorded this time last year. Midtown, one of Nashville hottest submarkets, posted the largest number of transactions with 161,000 sf of activity. Significant deals occurred at Radius, the former Lifeway Christian Resources building where tech giant Oracle signed an expansion of 68,000 sf. Radius will act as a temporary home to Oracle until construction completes for its 1.2 million-square-foot (msf) campus located on the East Bank. Radius also reeled in CoreTrust who plans to occupy a full floor at 31,500 sf. Like many markets across the nation, Nashville continues to experience flight-to-quality trends with Sherrard & Roe being the most recent example. The law firm plans to move from The Pinnacle Building to newly constructed Broadwest for 32,000 sf. In fact, 82.0% of total Q1 leasing activity across Nashville occurred in Class A product.

Since the pandemic, the Nashville office market has not been immune to economic shifts regarding leasing and tenant demand. With an economic recession likely to begin in 2023, the market is expected to see a slight slowdown in leasing and capital markets activity. Companies are evaluating their office needs and continue to exercise a hybrid work schedule for employees.

PRICING

Overall gross asking rents posted at \$32.58 per square foot (psf), up 2.0% year-over-year (YOY). The Midtown submarket posted the highest rates in Nashville at \$46.54 psf. The submarket has seen a huge influx of new speculative construction with projects such as One22One, 1030 Music Row, and The Moore Building all driving record breaking asking rents in Midtown. Landlords are also investing in speculative suite programs and build-outs which typically require a higher asking rate at roughly \$1.50 to \$2.00 more than direct space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



NASHVILLE

Office Q1 2023



SUPPLY AND ABSORPTION

For Q1 2023, overall vacancy posted at 18.9%, up 30.0 basis-points (bps) YOY. Sublease vacancies continued to be the primary driver of escalated vacancy with many tenants looking to shed excess office space. Especially for Class B and Class C buildings, both sublease and direct vacancy could remain high due to tenants work-from-home (WFH)/hybrid strategies. Landlords of this type of product will likely have to consider interior renovations and improvements to remain competitive as many tenants look to lease newer buildings. Distressed buildings that may have catered to call center or customer services tenants will have to evaluate possible full conversions into multifamily or flex space.

Overall net absorption posted at -73,000 sf for Q1 2023, down significantly from 160,000 sf recorded this time last year. Net losses remained consistent across the market with subleases acting as the primary driver. Some of the largest subleases came from BlueCross Blue Shield (55,000 sf), Willis Tower Watson (33,000 sf), and Anthem Entertainment who gave up 43,000 sf at 333 Commerce in downtown. In the Central Business District (CBD), some of the move-outs were offset by CliftonLarsonAllen LLP and Hometown Logistics collectively occupied 22,000 sf in One Nashville. Cool Springs/Franklin was the one submarket to post positive absorption where Omnia Partners occupied 75,000 sf at McEwen Northside.

CONSTRUCTION

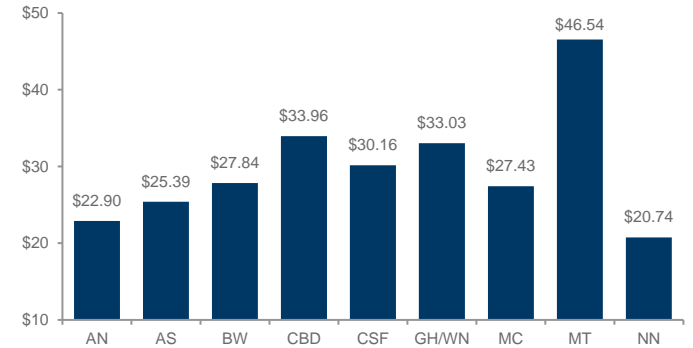
Nashville closed out Q1 2023 with The Moore Building delivering at 10.0% preleased in the Midtown submarket. Portman Holdings was able to secure financing and finish construction without experiencing any significant delays regarding economic and supply chain constraints during the pandemic. New construction projects have been slow to lease up, causing vacancy to stay above historical averages. For example, 17th & Grand, Midtown's newest office project, still remains under 20.0% leased.

Nashville's development pipeline remained robust with 3.2 million square feet (msf) of product under construction. More than 82.0% of the pipeline is speculative with significant projects including Nashville Yards where Southwest Value Partners currently has 1.0 msf of speculative product underway with Pinnacle Tower (650,000 sf) as well as 400,000 sf in Creative Building A. Both buildings are expected to complete in 2024 and 2025. In Germantown, NewCity and JPMorgan's mixed-use Neuhoff is expected to complete in Q2 2023. The first of its kind in the Nashville office market, the project will include 100,000 sf of rehabilitated office space as well as 280,000 sf of Class A ground-up new creative office construction. Currently in the pipeline, there is 1.3 msf of creative office space that is expected to compete in the next three years. Significant projects include Stateline (86,000 sf), The Factory (80,000 sf), and T3 Finery (192,000 sf). Preleasing has been very active in these projects with Capitol Christian Music and UMG collectively signing 90,000 sf at T3 Finery and Diakonia signing 27,000 sf at The Factory in the Cool Springs/Franklin submarket.

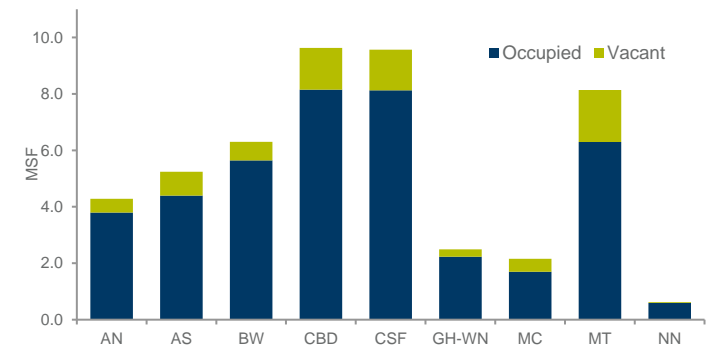
Outlook

- As flight-to-quality trends continue, Class A space remains in high demand but could cause further vacancy for Class B and Class C product as tenants opt to upgrade into higher quality space.

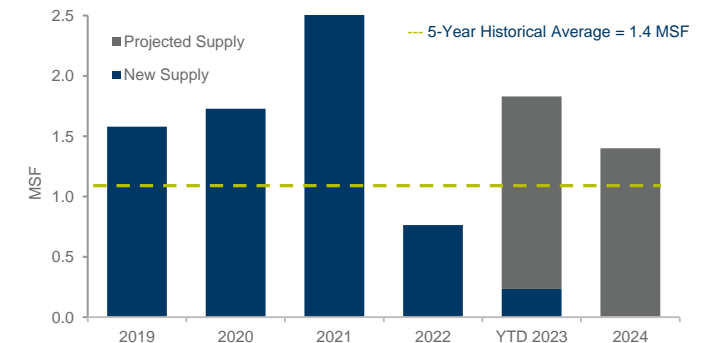
CLASS A OVERALL ASKING RENT – SUBMARKET COMPARISON



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	6.7%	828,447	18.1%	16,775	16,775	66,058	0	\$22.90	\$25.70
Airport South	5,243,147	0.0%	848,229	16.2%	-31,399	-31,399	56,332	223,000	\$25.39	\$33.98
Brentwood	6,303,477	2.9%	843,886	13.4%	-68,917	-68,917	51,795	0	\$27.84	\$30.88
CBD	9,627,806	4.0%	1,866,748	19.4%	-12,150	-12,150	21,415	2,347,357	\$33.96	\$36.59
Cool Springs/Franklin	9,569,178	7.1%	2,124,653	22.2%	33,771	33,771	25,112	152,000	\$30.16	\$32.30
Green Hills/West Nashville	2,488,899	0.7%	277,630	11.2%	6,143	6,143	13,890	86,326	\$33.03	\$34.11
MetroCenter	2,156,732	0.4%	468,703	21.7%	-11,470	-11,470	10,232	0	\$27.43	\$29.25
Midtown	8,137,168	1.0%	1,929,228	23.7%	-5,851	-5,851	160,971	432,000	\$46.54	\$48.76
North Nashville	620,544	0.0%	29,860	4.8%	0	0	0	0	\$20.74	\$23.77
NASHVILLE TOTALS	48,430,901	3.4%	9,166,105	18.9%	-73,098	-73,098	405,805	3,240,683	\$32.58	\$37.24

*Rental rates reflect full-service gross asking

**Airport South includes Wedgewood-Houston area

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Radius – 1100 Jo Johnson Ave	Midtown	Oracle	68,420	Expansion
Commerce Center East – 100 Centerview Drive	Airport North	Primeritus Financial Services	41,219	New Lease
Bohan Building – 124 12 th Ave South	Midtown	Bohan Agency	36,842	Renewal
Broadwest – 1600 West End Ave	Midtown	Sherrard & Roe	32,227	New Lease
Radius – 1100 Jo Johnson Ave	Midtown	CoreTrust	31,580	New Lease

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q1 2023

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	380,000	Speculative

RECENT CONSTRUCTION COMPLETIONS

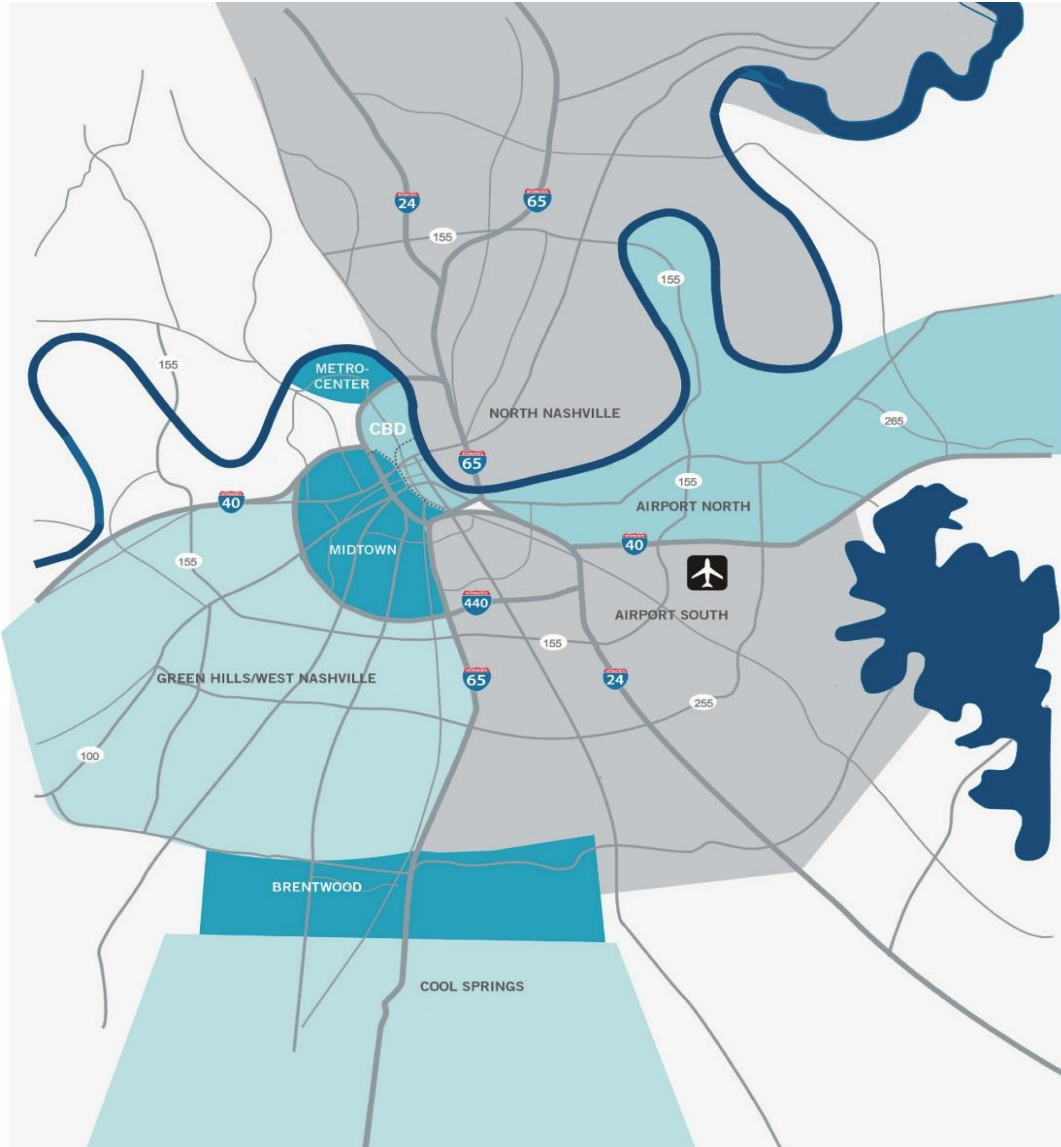
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1221 Broadway – one22one	Midtown	Bradley	365,000	GBT
827 19 th Ave – Moore Building	Midtown	WhiteHardt	233,863	Creed Investment/Portman Holdings
1030 16 th Ave S – 1030 Music Row	Midtown	Elmington Capital	108,522	Panattoni

NASHVILLE

Office Q1 2023



OFFICE SUBMARKETS



Zander El-Hindi

Research Manager

Tel: +1 615 301 2826

zander.elhindi@cushwake.com

Henry Sherer

Research Analyst

Tel: +1 214 519 3663

henry.sherer@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.