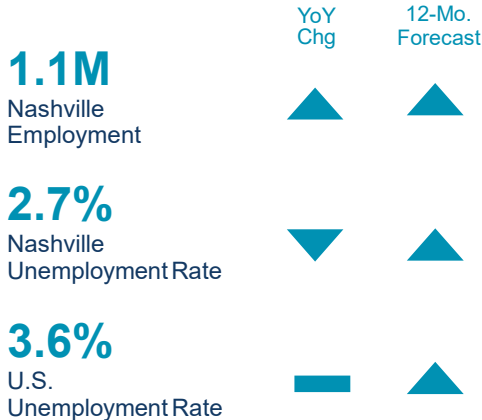


(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023



Source: BLS

ECONOMY

Nashville's economy remained strong despite economic headwinds as unemployment hit 2.7%, well below the U.S. average of 3.6%. Noteworthy new business migration to Nashville continued with In-N-Out Burger announcing its plans for a new 100,000 square foot (sf) HQ to oversee the Southeast. Ultimately, robust consumer sentiment, a healthy labor market, and a business-friendly environment place Music City in an advantageous position amid national economic uncertainty.

DEMAND

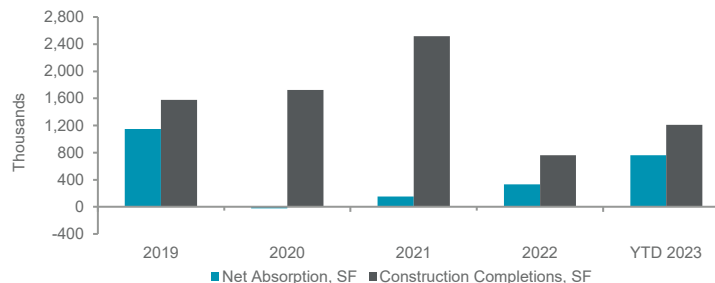
Nashville's office market recorded more than 360,000 sf of leasing activity throughout the second quarter, down 9.0% from Q1 2023. Airport South, a growing submarket southeast of downtown Nashville, finished as the top submarket for transaction volume with its quarterly total bolstered by FEMA's 50,600-sf lease at 550 Metroplex, the metro's largest new lease of the quarter. AJ Capital's Nashville Warehouse boasted 23,000 sf of collective leasing activity, with New York co-working firm The Malin (16,000 sf) and Tred Management (7,000 sf) signing deals. Midtown continued its streak, finishing the quarter with 83,505 sf of leasing activity. Covenant Physician Partners inked a 31,586-sf deal at Radius, Lifeway Christian Resources' former building, joining both Oracle and CoreTrust. The healthcare firm downsized from its former space at Truist Plaza, leaving 42,886 sf up for sublease. The Malin (12,000 sf) took additional space in Midtown's The Voorhees building bringing its total presence in the Nashville market to 28,000 sf.

Interest in premium office product remained the primary motivator for tenants, as 59.0% of deals occurred in Class-A product throughout the second quarter. Slowdowns in both leasing and capital markets activity are expected to continue as companies navigate the nation's current economic environment.

PRICING

Overall gross asking rents posted at \$34.09 per square foot (psf), up 3.0% year-over-year (YOY). Flight to quality trends drove urban core asking rents to record highs, with the CBD and Midtown recording \$38.62 psf and \$47.05 psf, respectively. New speculative construction such as The Moore Building, One22One, and 1030 Music Row all have contributed to the rise in asking rents throughout Midtown.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



SUPPLY AND ABSORPTION

Vacancy dipped modestly in Q2 to 18.6% — a 30 basis point (bp) decrease from the previous quarter. Although large move-ins negated an increase in overall vacancy, new sublease space paired with the delivery of vacant speculative construction projects such as Neuhoff (385,000 sf) continue to hold vacancy above a 10-year average. Large sublease vacancies in Q2 included Delek at MAPCO Place (51,200 sf), Amazon at Truist Plaza (46,975 sf), and Smile Direct Club at Philips Plaza (30,272 sf). The vacancy rate is expected to increase throughout the remainder of the year as tenants assess space requirements amid work-from-home trends.

Overall net absorption posted at 691,470 sf for Q2 2023, putting total occupancy gains for 2023 YTD at 764,768 sf. The large increase is primarily due to the completion of Amazon’s HQ II tower, resulting in a positive swing of 588,000 sf. Midtown recorded just over 172,000 sf of positive absorption, as First Bank and Slalom both moved into One22One accounting for 52,302 sf of collective absorption. CoreTrust at Radius (31,580 sf), WhiteHardt at The Moore Building (20,315 sf), and Farris, Self & Moore at 1 Music Circle South (10,165 sf) also occupied this quarter. Even without the delivery of Amazon’s second tower, overall net absorption would sit at 103,470 sf with other large move ins such as Ardent Health at Seven Springs West in Brentwood (86,721 sf) and Service Source at Corners II in Metrocenter (52,302 sf).

CONSTRUCTION

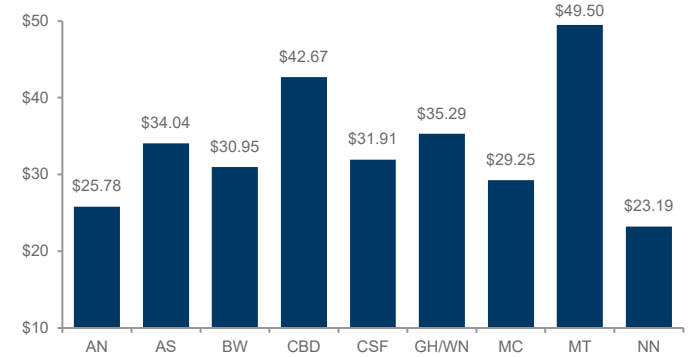
Nashville rounded out Q2 2023 with 973,000 sf of newly delivered product as Amazon HQ II (588,000 sf) and Neuhoff (385,000 sf) finished construction. New Cities’ mixed-use Neuhoff offers 100,000 sf of rehabilitated office space in addition to 280,000 sf of Class A creative office space, making it the first of its kind in Nashville. Creative office product remained in high demand with close to 390,000 sf under construction and 30% already preleased.

Nashville’s development pipeline recorded more than 2.2 msf of product under construction at the end of Q2. The entire pipeline is speculative with several projects such as T3 Finery (192,000 sf), Stateline (86,236 sf) and The Factory at Franklin (80,000 sf) slated to deliver in the second half of this year. Southwest Value Partners is responsible for nearly half of all under construction product, with their Nashville Yards project accounting for more than 1.0 msf of the current pipeline. Headlining the development is Pinnacle Tower (650,000 sf) which is currently 46.0% preleased and expected to deliver at the start of 2024.

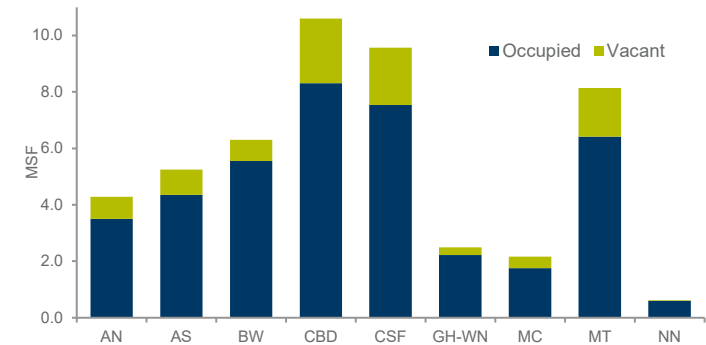
Outlook

- Like the rest of the nation, high interest rates continue to put pressure on the Nashville office market. Landlords will have to get creative to attract tenants, with options such as speculative suites becoming increasingly popular.
- Class A asking rates will continue to rise in Midtown, and could eclipse \$50 psf within the next year. The growing submarket is highly desired by tenants due to its location and wealth of new office product.

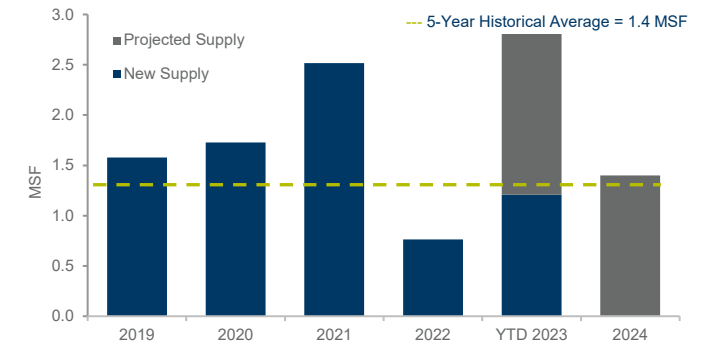
CLASS A OVERALL ASKING RENT – SUBMARKET COMPARISON



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%	784,837	18.3%	11,048	25,627	104,957	0	\$23.47	\$25.78
Airport South	5,243,147	0.2%	895,602	17.1%	-56,525	-73,925	145,379	223,000	\$25.22	\$34.04
Brentwood	6,303,477	1.3%	752,878	11.9%	79,924	587	125,697	0	\$28.18	\$30.95
CBD	10,603,806	4.3%	2,292,321	21.6%	483,862	495,398	55,562	1,374,357	\$38.62	\$42.67
Cool Springs/Franklin	9,569,178	7.5%	2,037,812	21.3%	-31,583	110,939	107,860	80,000	\$29.73	\$31.91
Green Hills/West Nashville	2,488,899	1.0%	269,112	10.8%	-24,355	-14,272	20,153	86,326	\$33.73	\$35.29
MetroCenter	2,156,732	0.0%	400,025	18.5%	57,062	48,596	30,255	0	\$27.86	\$29.25
Midtown	8,142,452	1.0%	1,731,875	21.3%	172,037	-5,851	253,586	432,000	\$47.05	\$49.50
North Nashville	620,544	0.0%	28,028	4.5%	0	0	0	0	\$20.40	\$23.19
NASHVILLE TOTALS	49,412,185	3.4%	9,192,490	18.6%	691,470	760,604	843,449	2,195,683	\$34.09	\$39.38

*Rental rates reflect full-service gross asking

**Airport South includes Wedgewood-Houston area

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
550 Metroplex Drive	Airport South	FEMA	50,600	New Lease
McEwen Northside Block B – 4031 Aspen Grove Drive	Cool Springs/Franklin	Design Conveyor Systems	46,245	New Lease
Creekside Crossing III – 8 Cadillac Drive	Brentwood	Serendipity Labs	34,232	New Lease
Radius – 601 11 th Ave N.	Midtown	Covenant Physician Partners	31,586	New Lease
333 Commerce Street	CBD	Deloitte	21,245	Renewal

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q2 2023

PROPERTY	SUBMARKET	OWNER / DEVELOPER	SF	CONSTRUCTION TYPE
201 Platform Way S – Nashville Yards: Platform 2000	CBD	Southwest Value Partners	650,000	Speculative
1001 Church Street – Nashville Yards: Creative Office A	CBD	Southwest Value Partners	406,357	Speculative
5 City Boulevard	Midtown	Convexity Properties	360,000	Speculative
36 Peabody Street – Peabody Union	CBD	Stiles/Hensler	240,000	Speculative

RECENT CONSTRUCTION COMPLETIONS

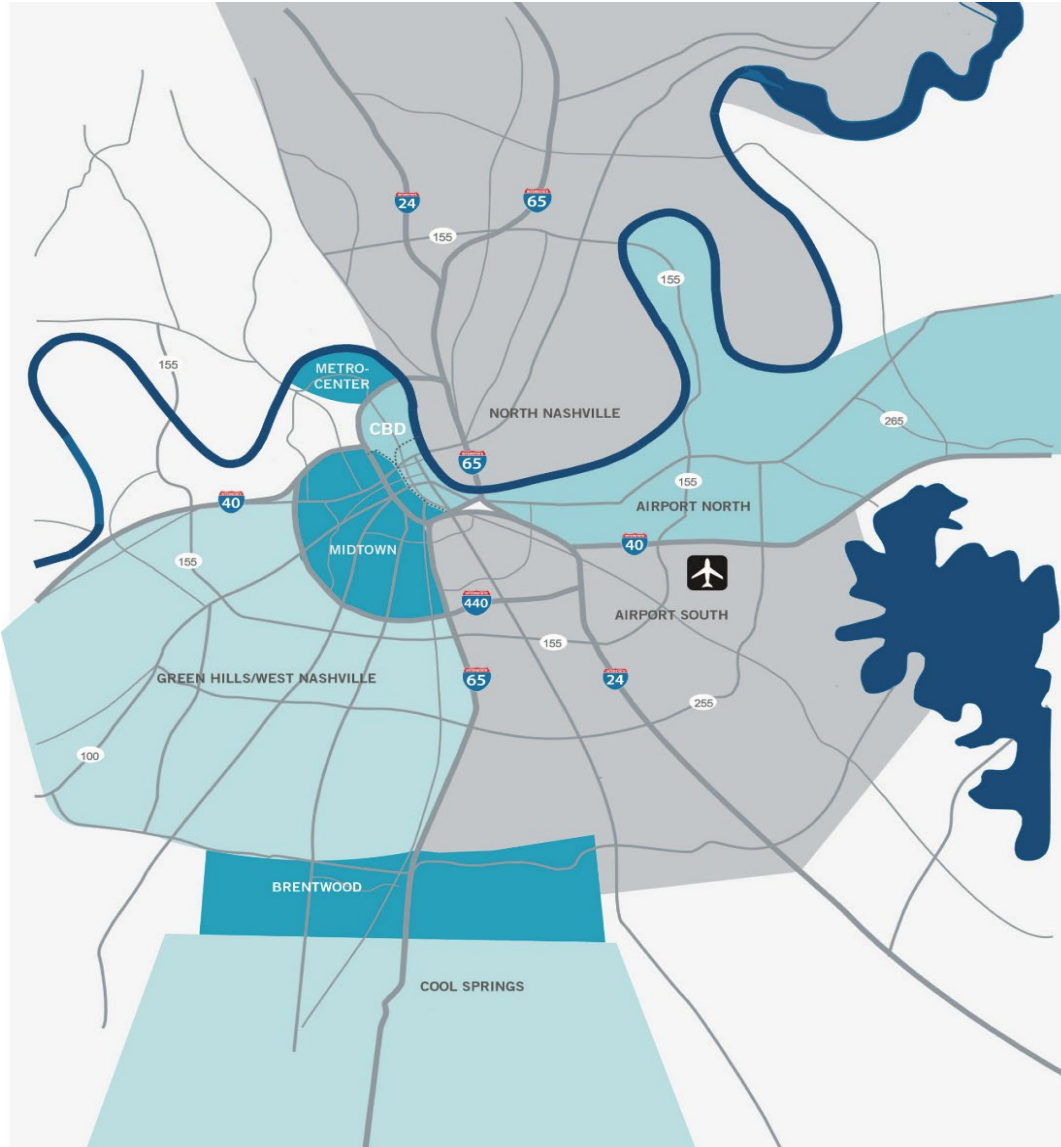
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
200 10 th Ave N – Nashville Yards: Amazon HQ II	CBD	Amazon	588,000	Southwest Value Partners
1300 Adams Street – Neuhoff – Phase I	CBD	-	380,000	New City
827 19 th Ave – Moore Building	Midtown	WhiteHardt	233,863	Creed Investment/Portman Holdings

NASHVILLE

Office Q2 2023



OFFICE SUBMARKETS



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