

	YoY Chg	12-Mo. Forecast
<b>18.4%</b> Vacancy Rate	▼	▲
<b>32.1 K</b> Net Absorption, SF	▼	▼
<b>\$33.53</b> Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

### ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
<b>1.1M</b> Nashville Employment	▲	▲
<b>2.4%</b> Nashville Unemployment Rate	▼	▲
<b>3.7%</b> U.S. Unemployment Rate	▲	▲

Source: BLS

### ECONOMY

The Nashville economy continues to flourish despite macroeconomic concerns. While the national unemployment rate rose 10.0 basis points (bps) quarter-over-quarter (QOQ) to 3.7%, Nashville's rate decreased to 2.4% in Q3. Businesses remained bullish on Music City as a corporate hub, as Southwest Airlines announced a new crew base at BNA Airport creating over 1,300 jobs for the region. The diversification of Nashville's economy places the metro in favorable position to weather any economic headwinds in both the short and long term.

### DEMAND

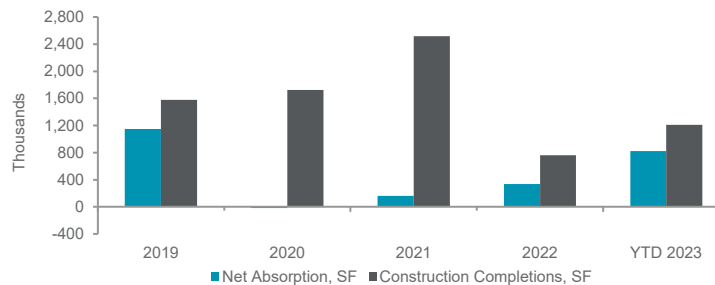
Nashville's office market finished the third quarter with more than 450,000 square feet (sf) of new leasing activity. Deal volume was up 23.0% QOQ with the Central Business District (CBD) and Midtown accounting for the majority of activity. Co-working firm E-Spaces expanded its footprint to Midtown, inking 33,000 sf at Hall Emery's 17<sup>th</sup> & Grand. The lease created E-Space's fourth location in Nashville and its largest space to date. Nashville's iconic 333 Commerce Street welcomed video game developer Iron Galaxy, which signed for 25,694 sf. The MetLife-owned building continued to build on a successful 2023, following notable deals from Deloitte (renewal) and Sirius XM earlier this year. As tenants continued evaluating their space needs, expansions were on the rise. At Propst Properties' Broadwest in Midtown, Barnes & Thornburg grew by nearly 10,000 sf from its short-term deal at the newly delivered Moore Building. Also in Midtown, PNC Bank announced a move to Radius as it inked 15,000 sf of new office space. Upon occupancy, the commercial banking firm will operate in over double the space it currently occupies at 615 3<sup>rd</sup> Avenue South.

Nashville experienced growth in a variety of industries this quarter, as 13.0% of new deals were attributed to entertainment companies, 11.0% to financial institutions, and 10.0% to design/architecture firms. The market is expected to see an increase in the diversity of tenant business types as it continues to grow at historic rates.

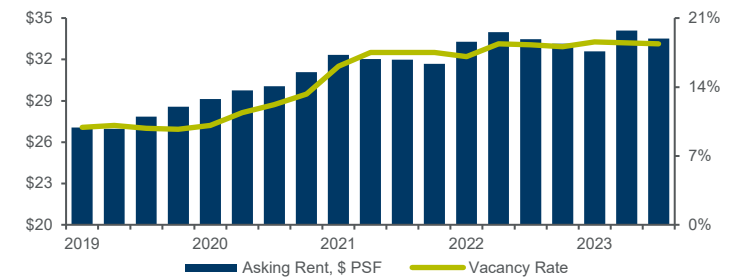
### PRICING

Overall gross asking rents posted at \$33.53 per square foot (psf), up 2.7% year-over-year (YOY). Midtown finished the quarter with the highest overall asking rate at \$47.07 psf, marking the fourth consecutive quarter in which the submarket demanded premium asking rents. As landlords navigate steep construction costs and potential amenity additions, expect asking rents to increase at the end of 2023 and into 2024.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## SUPPLY AND ABSORPTION

Overall vacancy fell to 18.4% in Q3 2023, down 20.0 bps from last quarter. While large move-ins the past two quarters have prevented Nashville’s vacancy rate from rising, the continued addition of sublease space has prompted vacancy to linger above historic highs across the market. Companies are continuing to reassess their spacing needs, aiming to “right-size” in order to match employee hybrid work trends. Nashville’s direct vacancy rate, which excludes sublease space, posted at 15.1% reflecting strong leasing activity and occupancy gains within newer office buildings. Continued economic pressure paired with ongoing office trends will likely push overall vacancy higher towards the end of 2023.

Overall net absorption posted at 32,066 sf for Q3 2023, bringing Nashville to 823,421 sf of net occupancy gains in 2023 year-to-date. Nashville’s urban core accounted for the majority of occupancy gains with several large move-ins in both Midtown and the CBD. Polsinelli occupied 37,000 sf at Fifth + Broadway, making the Brookfield Properties owned building 90% occupied. At 1030 Music Row, Ampersand Studios completed its move into 26,000 sf of creative office space. The co-working firm will operate on the second floor offering content studios, private offices, and event space. Other notable move-ins include Carter Haston (13,000 sf), Lewis, Brisbois, Bisgaard & Smith (10,000 sf), and Valtruis (10,000 sf) all of which are located in Midtown. Overall net absorption is expected to increase by the end of 2023 with Revance Therapeutics (47,408 sf), Design Conveyor Systems (46,245 sf), and Sirius XM (21,415 sf) all expected to occupy their new spaces.

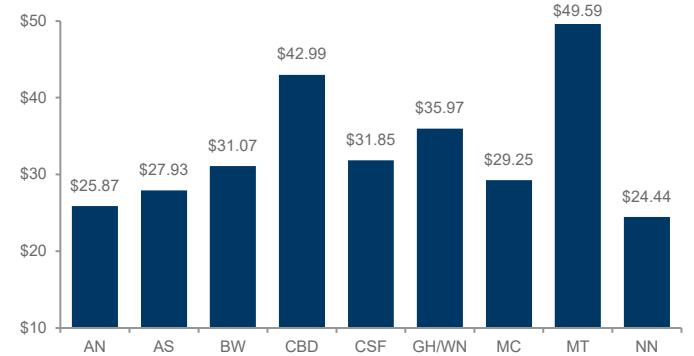
## CONSTRUCTION

Nashville recorded nearly 2.2 million square feet (msf) of Class A product under construction for Q3 2023 with just over 1.0 msf attributed to Southwest Value Partner’s Nashville Yards Development. The majority of under construction product is centered in the urban core with 82.0% of the development pipeline located in both Midtown and the CBD. Significant projects include 5 City Boulevard, a 360,000-sf office development slated to deliver at the end of 2024. Turnbridge Equities’ mixed-use project Ashwood 12 South is making way with 72,000 sf dedicated to creative office space. Measuring 120,000 sf in total, the remaining 48,000 sf will host a variety of upscale retail brands and restaurant space. MRP Realty continues its historic redevelopment of Nashville’s East Bank converting 12 acres of existing warehouse space into a bustling mixed-use development. The site will be anchored by a 78,000-sf office building ready for occupancy in the second quarter of 2024.

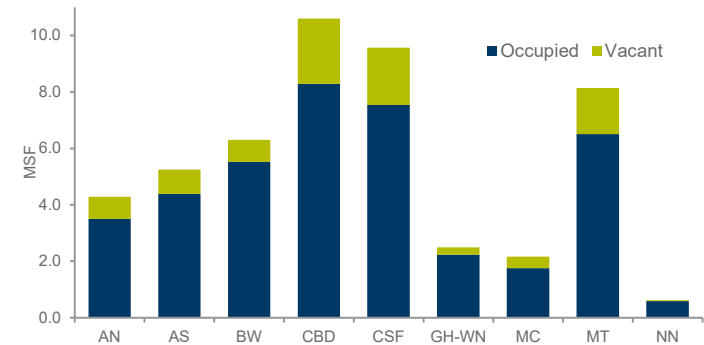
## Outlook

- Fluctuating office market trends are forcing landlords to become innovative to attract tenants, with options such as speculative suites becoming increasingly popular. The move-in ready office spaces allow flexibility for tenants by providing shorter lease terms, an attractive option for new-to-market, and company expansions.

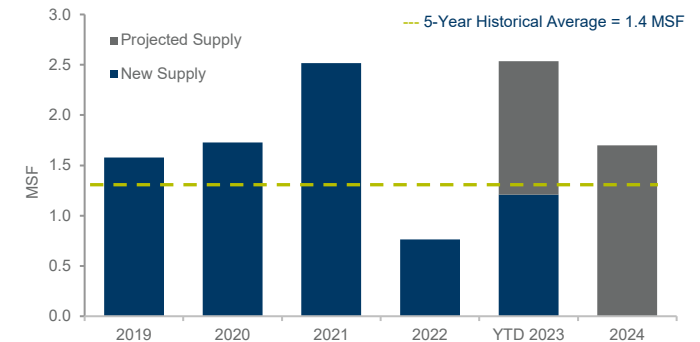
## CLASS A OVERALL ASKING RENT – SUBMARKET COMPARISON



## 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	6.6%	784,352	18.3%	485	26,112	142,244	0	\$23.01	\$25.87
Airport South	5,243,147	0.2%	860,091	16.4%	-15,799	-38,414	153,293	223,000	\$23.44	\$27.93
Brentwood	6,303,477	1.2%	789,428	12.5%	-31,669	-42,730	187,566	0	\$28.65	\$31.07
CBD	10,603,806	4.8%	2,320,766	21.9%	25,494	464,319	286,884	1,374,357	\$38.43	\$42.99
Cool Springs/Franklin	9,569,178	6.9%	2,027,994	21.2%	-8,643	131,521	180,353	80,000	\$29.83	\$31.85
Green Hills/West Nashville	2,488,899	0.8%	254,810	10.2%	-3,361	30	35,033	86,326	\$34.01	\$35.97
MetroCenter	2,156,732	0.0%	408,450	18.9%	0	48,596	43,847	0	\$27.83	\$29.25
Midtown	8,142,452	1.3%	1,632,778	20.1%	71,303	239,741	389,736	432,000	\$47.07	\$49.59
North Nashville	620,544	0.0%	33,772	5.4%	-5,744	-5,744	0	0	\$21.35	\$24.44
<b>NASHVILLE TOTALS</b>	<b>49,412,185</b>	<b>3.4%</b>	<b>9,112,441</b>	<b>18.4%</b>	<b>32,066</b>	<b>823,431</b>	<b>1,418,956</b>	<b>2,195,683</b>	<b>\$33.53</b>	<b>\$38.49</b>

\*Rental rates reflect full-service gross asking

\*\*Airport South includes Wedgewood-Houston area

## KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
17 <sup>th</sup> & Grand – 1001 17 <sup>th</sup> Ave	Midtown	E-Spaces	33,000	New Lease
The Ragland Building – 300 2 <sup>nd</sup> Ave S.	Midtown	SVP Worldwide	30,812	New Lease
333 Commerce Street	CBD	Iron Galaxy	25,694	New Lease
Four Corporate Centre– 810 Crescent Centre Drive	Cool Springs/Franklin	Atmos Energy Corporation	23,177	Renewal
Broadwest – 1600 West End Ave	Midtown	Barnes & Thornburg	20,000	New Lease

\*Renewals not included in leasing statistics

## KEY UNDER CONSTRUCTION PROJECTS Q3 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

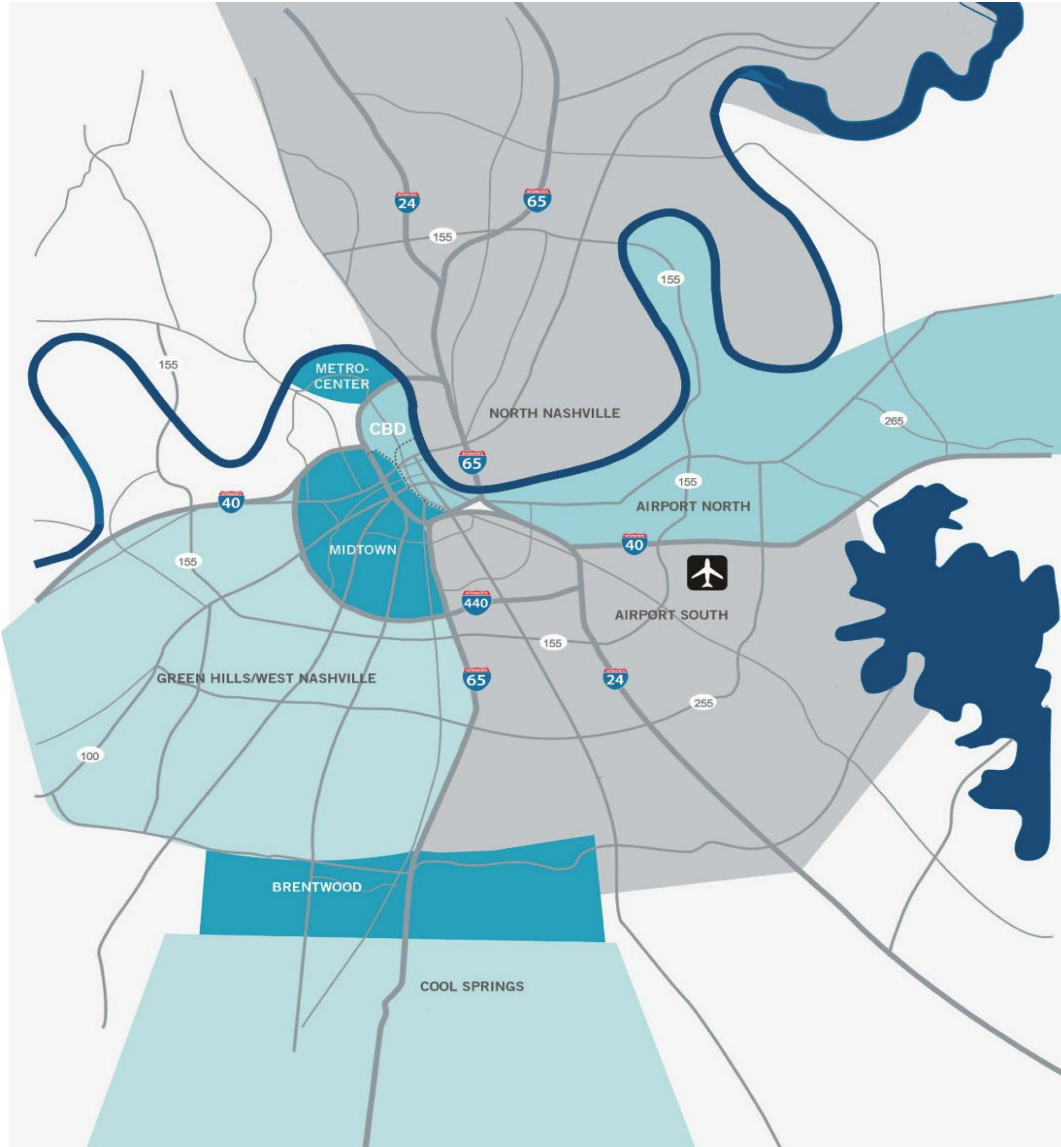
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
200 10 <sup>th</sup> Ave N – Nashville Yards: Amazon HQ II	CBD	Amazon	588,000	Southwest Value Partners
1300 Adams Street – Neuhoff – Phase I	CBD	JE Dunn	380,000	New City
827 19 <sup>th</sup> Ave – Moore Building	Midtown	WhiteHardt	233,863	Creed Investment/Portman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

# NASHVILLE

Office Q3 2023



## OFFICE SUBMARKETS



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