

Industrial Q4 2023

4.2%
Vacancy Rate



884K
Net Absorption, SF



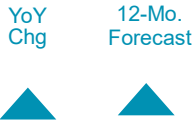
\$7.86
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2023

1.2M
Nashville Employment



2.7%
Nashville Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

ECONOMY

Nashville's economy continued to surge as the unemployment rate fell 30 basis points (bps) quarter-over-quarter and remained 70 bps below the U.S. average. In Q4, Hankook Tire announced plans to expand its existing facility. Once completed, the project will double production and bring 2,200 more jobs to the area, making Hankook the largest private employer in Clarksville. A continuous stream of announcements by industrial tenants bringing jobs to the market keep Nashville in an advantageous position moving into 2024.

DEMAND

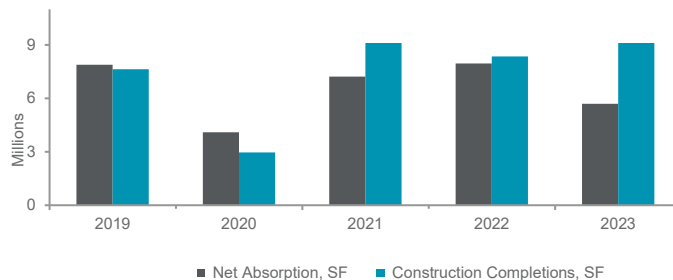
Nashville's industrial market recorded more than 991,000 square feet (sf) of leasing activity for Q4, bringing year-to-date (YTD) transaction volume to nearly 7.0 million square feet (msf). Though quarterly deal volume was down, five leases 100,000 sf or larger were signed during Q4, up from the previous quarter, including Monster Energy (201,072 sf) CAM International (137,058 sf), and New Basis (125,440 sf). Demand was centered in the Southeast submarket, where over 404,000 sf of deals were signed. This marked the third consecutive quarter in which the Southeast registered the highest leasing totals throughout the Nashville market. Renewal activity was extremely strong in the fourth quarter as tenants navigated the constrained supply of new and existing product. The more than 1.0 msf of renewals signed in Q4 2023 marked a year-over-year (YOY) increase of 86.9%. This pushed the annual 2023 renewal activity total up 33.5% compared to 2022 figures.

The industrial market continued to experience an influx of diverse tenant types, with 12.0% of leasing in Q4 by 3PL/logistics companies, 11.0% construction firms, 7.0% manufacturers, and 6.0% home improvement/repair companies. Tenant diversification is expected to increase in tandem with Nashville's population growth entering 2024 as companies look to capitalize on a rising consumer base.

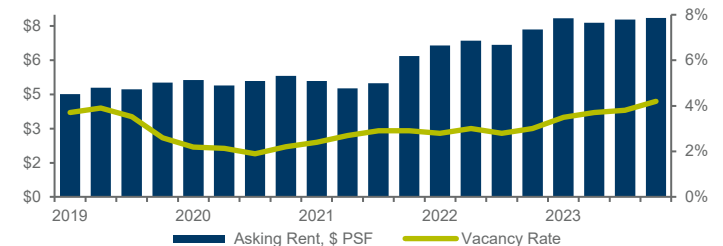
PRICING

Overall net asking rents continued to rise, ending the quarter at \$7.86 per square foot (psf); up 7.3% YOY. The North submarket recorded the most substantial growth, increasing an astounding 50.0% YOY as several premier new construction projects delivered fully available. The robust demand in new speculative industrial product from prospective tenants will likely push asking rates to new historic highs.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ABSORPTION & VACANCY

The market recorded over 884,000 sf of positive absorption in Q4 2023, pushing YTD occupancy gains to more than 5.7 msf. The Southeast submarket rounded out the quarter with nearly 499,000 sf of positive net absorption, attributed to move ins from 4Wall (202,000 sf) at Airpark East – Building 2 and Aisin (165,240 sf) at SouthPark II – Building 9. The majority of occupancy gains throughout 2023 occurred in the Southeast and East regions, where over 86.0% of Nashville’s net collective gains were registered. Flight-to-quality trends remained prevalent as 96.0% of occupancy gains occurred in Bulk A product, speaking to tenant preferences to operate out of newly delivered industrial product.

Overall vacancy rose 40 bps in Q4 to 4.2%. The increase was driven by the delivery of various vacant speculative projects, specifically in the North submarket. However, Nashville’s sublease vacancy rate remained unchanged, finishing the quarter at only 1.0%. Vacancy is expected to decrease in the first half of 2024 due to tentative move-ins from Bridgetown Natural Foods (307,200 sf), Assurant (259,000 sf), CAM International (137,058 sf), and New Basis (125,440 sf).

CONSTRUCTION

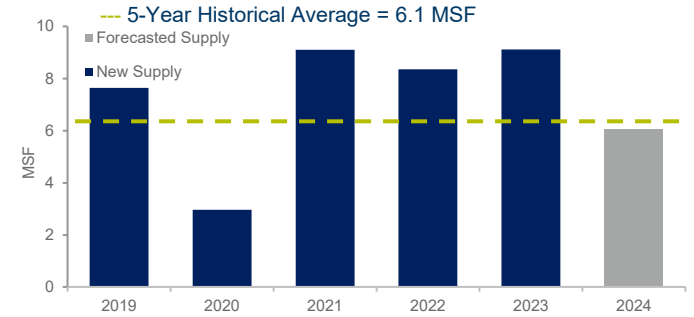
Nashville ended 2023 with more than 9.0 msf of new construction completions. The East submarket had the highest number of completions with 4.7 msf in 2023. Most notable were Panattoni Development Co.’s Speedway Industrial Park — Buildings 10-13 accounting for over 2.1 msf of deliveries. The four buildings were a collective 86.0% leased, with tenants WebstaurantStore, Lasership, and Ferguson all occupying space. The Southeast submarket produced the most completions quartering Q4, all of which were built on a speculative basis. The five buildings that delivered in this submarket totaled 809,570 sf and were 51.0% preleased.

The year ended with 9.6 msf of construction underway. The industrial pipeline is 70.4% speculative product with projects including Earhart Industrial Park — Building One and Two (2,015,158 sf) and Stateline Commerce Center — Building B (754,050 sf). The Southeast submarket continued to have the most activity for under construction product on a building-by-building basis with 11 buildings totaling to 1.2 msf. Other major projects include Prologis’ City View Industrial Park, as the development firm broke ground on Buildings 1, 5, and 7 (594,780 sf) slated to deliver in the third quarter of 2024. The 9 building, 3.4 msf development is Nashville’s first new industrial park in the urban core in over 20 years.

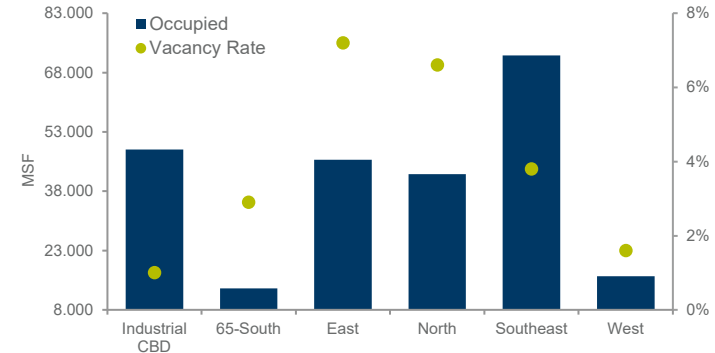
OUTLOOK

- Limited existing supply and the rapid lease-up of newly delivered, quality properties is projected to continue as the market shows no signs of slowing down.
- Overall deal activity is expected to remain robust as Nashville’s location and economic fundamentals provide ample opportunities for new businesses and industrial users.

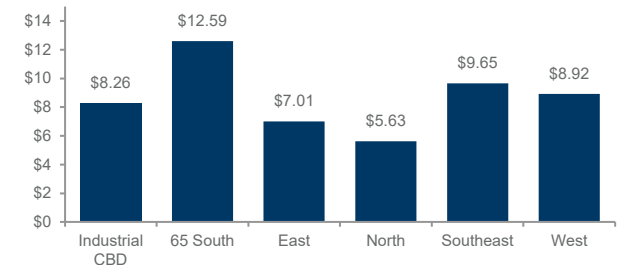
NEW SUPPLY



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	49,007,741	465,728	1.0%	49,968	-12,889	446,168	0	0	\$8.26
65 South	13,846,038	402,418	2.9%	112,787	313,599	389,780	3,326,530	432,735	\$12.59
East	49,581,716	3,588,702	7.2%	291,685	3,242,743	2,934,361	3,469,232	4,671,619	\$7.01
North	45,357,475	3,010,547	6.6%	-68,681	500,863	52,817	1,064,010	1,906,355	\$5.63
Southeast	75,170,271	2,848,480	3.8%	498,277	1,671,489	2,928,953	1,190,450	2,111,590	\$9.65
West	16,805,146	264,755	1.6%	0	-11,700	166,755	594,730	0	\$8.92
NASHVILLE TOTALS	249,768,387	10,580,630	4.2%	884,036	5,704,105	6,918,834	9,644,952	9,122,299	\$7.86

*Rental rates reflect weighted net asking \$psf/year **Statistics not reflective of U.S. MarketBeat.

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Elam Farms – Building 2	Southeast	InterMetro Industries Corporation	275,000	Renewal
SouthPark 2	Southeast	Asurion	240,000	Renewal
Central Logistics Park East – Building 2	East	Monster Energy	201,072	New Lease
1501 Corporate Place	Southeast	Marq Labs	144,474	Renewal
SouthPark II – Building 8	Southeast	CAM International	137,058	New Lease

*Renewals not included in leasing activity statistics

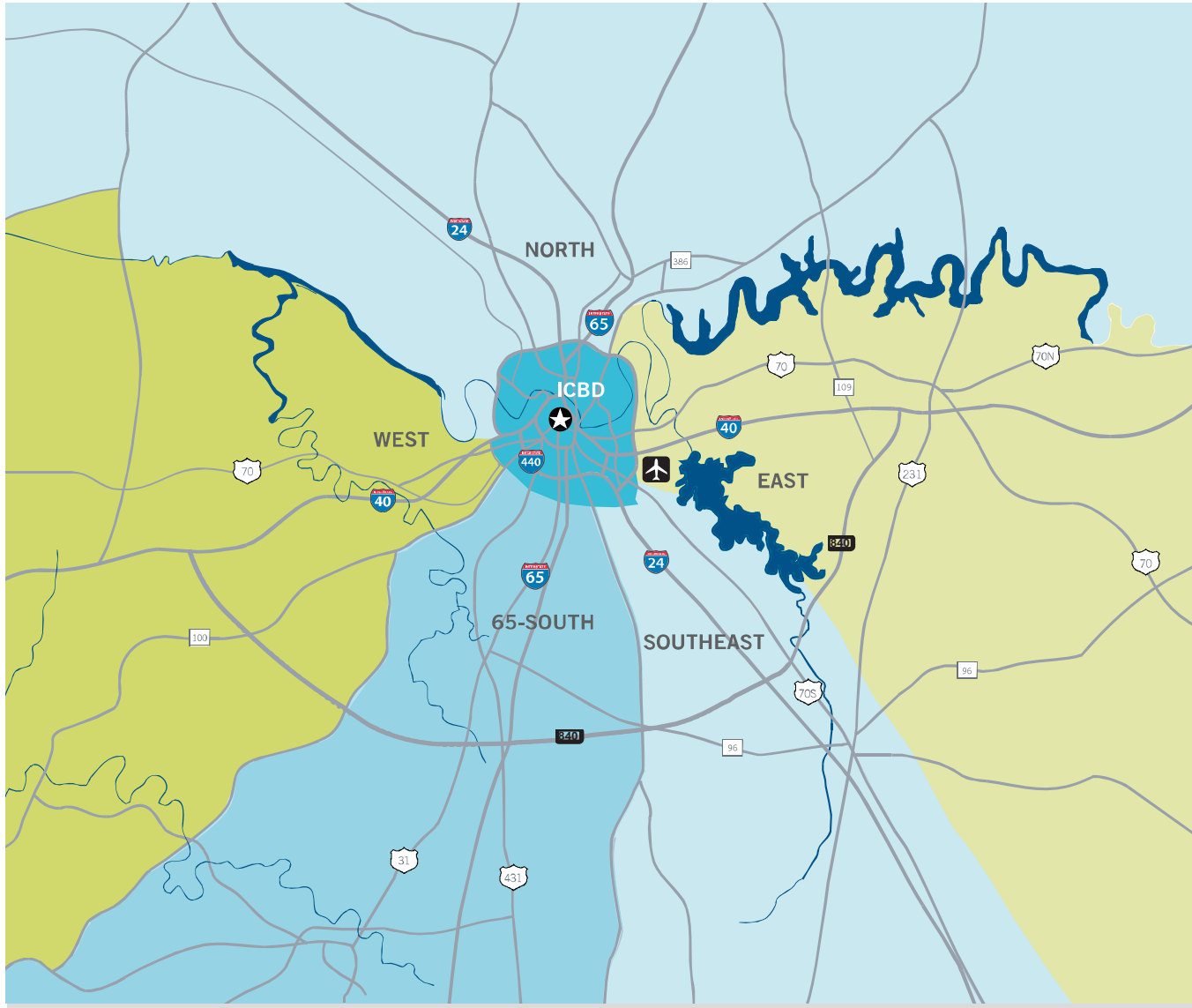
KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER / DEVELOPER
Spring Hill/GM Battery Site	65-South	Build-to-Suit	2,800,000	GM Motors
Earhart Industrial Park – Buildings 1 & 2	East	Speculative	2,015,158	Griffin Partners
Speedway Industrial Park – Buildings 14 & 17	East	Speculative	774,972	Panattoni
Stalene Commerce Center – Building II	North	Speculative	745,050	OTN
City View – Building 1,5 & 6	West	Speculative	594,730	Prologis

KEY CONSTRUCTION COMPLETIONS YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Speedway Industrial Park – Building 12	East	Webstaurant	981,568	Panattoni
SouthPark II – Buildings 7,8 & 9	Southeast	Pepsi, Aisin, CAM International	838,420	Prologis
Shoals Way Industrial	North	-	638,330	AI Neyer
Midway 840 – Building II	East	Geodis	633,410	Strategic Capital Partners

INDUSTRIAL SUBMARKETS



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