

YoY Chg 12-Mo. Forecast

18.2%
Vacancy Rate

▼ ▲

168.7 K
Net Absorption, SF

▲ ▼

\$33.84
Asking Rent, PSF

▲ ▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

1.2M
Nashville Employment

▲ ▲

2.7%
Nashville Unemployment Rate

▲ ▲

3.7%
U.S. Unemployment Rate

▲ ▲

Source: BLS

ECONOMY

The Nashville economy remained robust with unemployment declining 10 basis points (bps) year-over-year (YOY) to 2.7%. Both healthcare and tech firms continued to take advantage of the opportunities offered in Music City—most notably, Summit Behavioral Healthcare announced a \$4.5 million investment to expand its current headquarters. Over the next five years, the healthcare company projects to create 125 new jobs for Franklin, TN and Williamson County. Nashville’s diverse economy continues to position the market to overcome future economic headwinds.

DEMAND

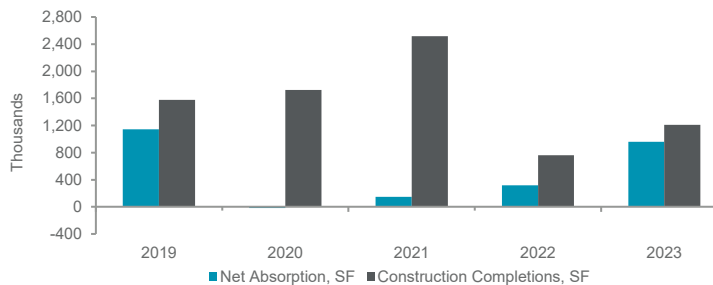
Nashville’s office market finished the fourth quarter with more than 315,000 square feet (sf) of new transactional volume, bringing the year-to-date (YTD) total to nearly 1.8 million square feet (msf). The Central Business District (CBD) and Cool Springs/Franklin recorded the highest Q4 demand, including notable deals from TMPartenrs (20,000 sf), Metropolis Tennessee (12,998 sf), and Husch Blackwell (11,106 sf). The Green Hills/West Nashville submarket finished Q4 2023 with nearly 47,000 sf of leasing activity and increased an astounding 68.0% quarter-over-quarter (QOQ). The jump is directly related two leases in Burton Hills Office Park, where Truxton Trust Company (20,688 sf) and E-Spaces (20,000) signed new deals.

Flight-to-quality trends continued to drive demand during Q4 as 63.3% of new leasing activity occurred in Class-A office product. More than 74.0% of new leases signed in 2023 were for Class-A office space, which accounted for over 1.3 msf of leasing activity in total. Nashville experienced a high volume of renewal activity in Q4 2023 finishing the quarter with nearly 320,000 sf of activity and four of the top five leases being renewals. This marks the busiest quarter for renewals since Q1 2021 and a 15.0% increase from this time last year. Impressive renewal figures are highly attributed to tenant’s decisions regarding occupancy needs, as companies continue to attract employees back into the office amid work-from-home trends.

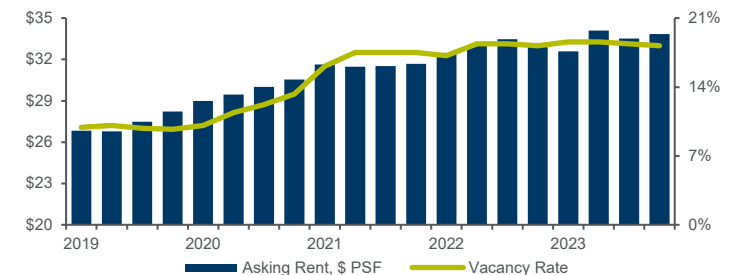
PRICING

Overall gross asking rents posted at \$33.84 per square foot (psf), up 2.0% YOY. Urban core submarkets demanded premium asking rates compared to the suburbs, as the CBD posted \$38.29 psf and Midtown recorded \$48.01 psf. Nashville’s Overall Class A asking rents continued to rise, up 3.2% from Q4 2022 to \$38.44 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



SUPPLY AND ABSORPTION

Overall vacancy improved in Q4, dropping 20 bps quarter-over-quarter to 18.2%. Vacancy in Nashville’s office market has experienced a tempered but steady decline throughout 2023 due to significant move ins from notable tenants. However, sublease space vacated in prior quarters remained a fundamental driver in the market’s elevated vacancy.

Overall net absorption posted nearly 170,000 sf for Q4 2023—one of only five metros in the U.S. to record more than 150,000 sf of quarterly occupancy gains. The Midtown submarket accounted for the majority of these gains as several tenants occupied large blocks of space. Endeavor Real Estate Group’s Gulch Union recorded over 100,000 sf of positive absorption alone, with move-ins from Revance (48,000 sf), Tennessee Valley Authority (30,160 sf), and Nelson Mullins Riley & Scarborough (22,500 sf). Also in Midtown, Covenant Physician Partners occupied 31,600 sf at Rubicon’s Radius building completing its move from Truist Plaza. The healthy Q4 performance drove Nashville’s annual net absorption figure to more than 960,000 sf in total. Overall net absorption is expected to remain positive moving into 2024 with tenants such as Bradley Arant Boult Cummings (112,380 sf), Primeritus Financial Services (41,219 sf), Serendipity Labs (34,232 sf), and SVP Worldwide (30,812 sf) expected to occupy in the coming quarters.

CONSTRUCTION

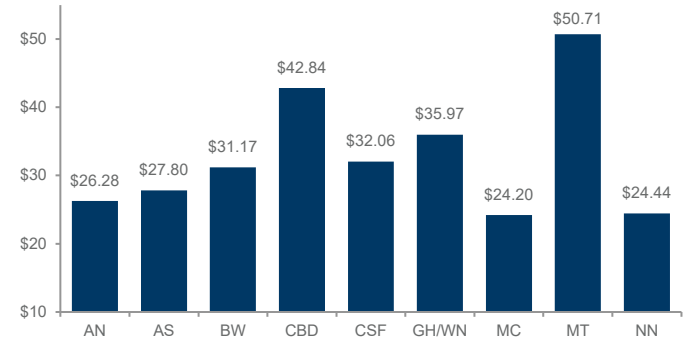
More than 1.2 msf of construction projects delivered in 2023, all of which were centered in the urban core. Amazon HQ II (588,000 sf) was the lone build-to-suit completion of the year, along with speculative projects Neuhoff (385,000 sf) and The Moore Building (233,900 sf). Both buildings have experienced strong leasing activity with nearly 100,000 sf of collective transactions in 2023.

The development pipeline remained strong with over 2.4 msf of Class A product under construction at the end of the year. The entirety of the pipeline is speculative, with significant projects such as Southwest Value Partners’ Nashville Yards development (1.1 msf), Convexity’s 5 City Boulevard (360,000 sf), and Stiles/Hensler’s Peabody Union (240,000 sf) all underway. MRP continues to make way on its redevelopment of Nashville’s East Bank, which includes a 78,000-sf office building slated to deliver in the second quarter of 2024. In addition to the office portion, Phase I of the mixed-use development will include two residential buildings and various retail locations throughout its 12.7 acres.

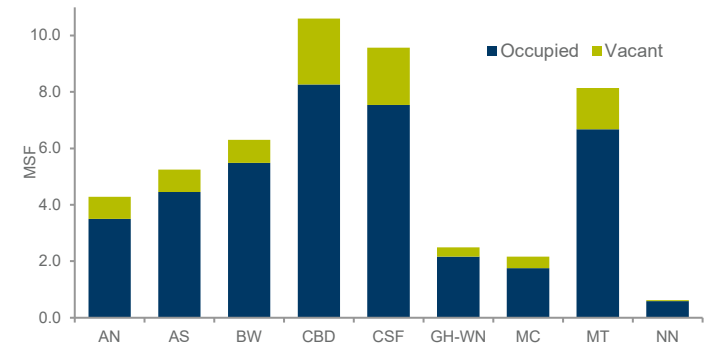
Outlook

- Class A asking rents in Nashville’s urban core are expected to push above historic highs moving into 2024. The increase is fueled by tenant flight-to-quality trends towards newly delivered office product and rising construction costs.

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	6.1%	786,025	18.3%	5,795	24,439	184,880	0	\$23.19	\$26.28
Airport South	5,243,147	0.2%	793,811	15.1%	32,427	9,969	178,750	223,000	\$23.44	\$27.80
Brentwood	6,303,477	1.6%	816,924	13.0%	-29,417	-58,656	226,546	0	\$28.96	\$31.17
CBD	10,603,806	4.8%	2,339,897	22.1%	6,777	448,161	346,020	1,374,357	\$38.29	\$42.84
Cool Springs/Franklin	9,569,178	6.9%	2,033,380	21.2%	18,979	132,574	241,362	306,000	\$30.48	\$32.06
Green Hills/West Nashville	2,488,899	0.6%	322,038	12.9%	-40,474	-46,510	81,787	86,326	\$35.02	\$35.97
MetroCenter	2,156,732	0.0%	405,767	18.8%	7,257	55,853	72,944	0	\$27.38	\$24.20
Midtown	8,142,452	1.3%	1,472,655	18.1%	167,343	400,296	444,934	432,000	\$48.01	\$50.71
North Nashville	620,544	0.0%	33,772	5.4%	0	-5,744	0	0	\$21.64	\$24.44
NASHVILLE TOTALS	49,412,185	3.4%	9,004,269	18.2%	168,687	960,382	1,777,223	2,421,683	\$33.84	\$38.44

*Rental rates reflect full-service gross asking

**Airport South includes Wedgewood-Houston area

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Park Center at Maryland Farms I – 5200 Virginia Way	Brentwood	DaVita	95,294	Renewal
The Carothers Building –9009 Carothers Blvd.	Cool Springs/Franklin	Wesley Financial Group	49,707	Renewal
Bowers Park II – 6550 Carothers Pkwy	Cool Springs/Franklin	The Travelers Indemnity Corp.	39,512	Renewal
One Century Place– 26 Century Blvd	Airport North	Cummins, Inc	28,699	New Lease
810 Broadway	CBD	The United States of America	23,837	Renewal

*Renewals not included in leasing statistics

KEY UNDER CONSTRUCTION PROJECTS Q4 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

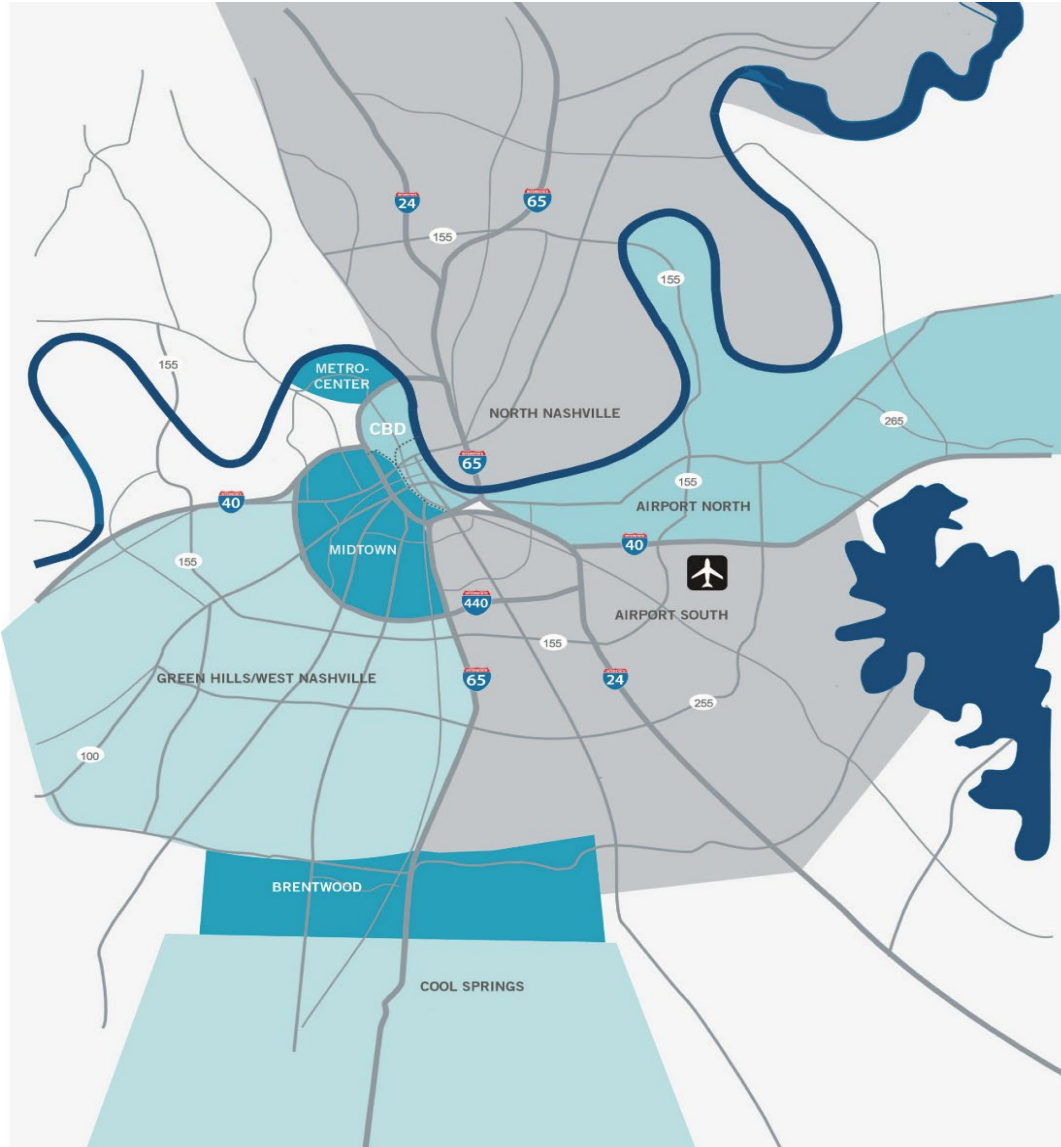
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
201 Platform Way N – Nashville Yards: Amazon HQ II	CBD	Amazon	588,000	Southwest Value Partners
1320 Adams Street – Neuhoff – Phase I	CBD	JE Dunn	280,000	New City
827 19 th Ave – Moore Building	Midtown	WhiteHardt	233,863	Creed Investment/Portman Holdings

NASHVILLE

Office Q4 2023



OFFICE SUBMARKETS



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