

	YoY Chg	12-Mo. Forecast
2.4% Vacancy Rate	▼	▬
2.3 MSF Net Absorption, SF	▲	▲
\$6.49 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
980.4K Nashville Employment	▼	▲
9.4% Nashville Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

The COVID-19 pandemic has impacted the U.S. and Nashville real estate markets significantly. As the situation still remains very fluid and unpredictable, the Nashville economy has continued the recovery process by progressing to Phase 3. Nashville's unemployment rate decreased to 9.4% in August from its peak in April, and commercial real estate interest has started to regain momentum. Music City entered the pandemic in a healthy position with a young workforce and strong employment in diverse industries such as healthcare and technology, which have remained stable during market shutdowns. With economic development still on the rise with the likes of SmileDirect Club and Amazon expanding once again in Middle Tennessee, residential and commercial real estate remain valuable assets for businesses, investors, and individuals.

DEMAND

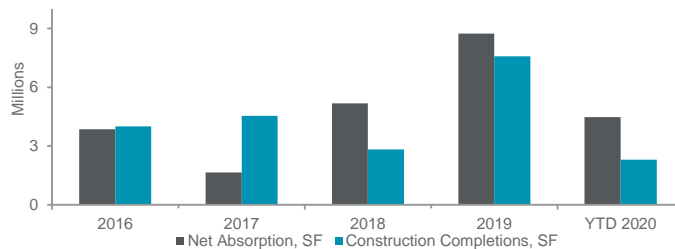
Even with COVID-19 forcing an economic shutdown across the U.S., Nashville's industrial market has seen little disruption, with demand remaining very high. During the third quarter of 2020, Nashville recorded over 1.6 million square feet (msf) of leasing activity, up 3.3% year-over-year (YOY). The Southeast submarket was very active with nearly 1.0 msf of new leasing transactions recorded. Significant leases from Amazon, Talos Engineering, and Walmart collectively made up just shy of 50.0% of the submarket's activity. The East submarket posted strong activity as well with FedEx inking 380,000 square feet (sf) at Midway 840. This marks the fourth new lease FedEx has signed this year; the third-party logistics giant expanded its footprint in Nashville by 1.5 msf in 2020 alone.

As many industries have been negatively impacted by the pandemic, e-commerce and third-party logistics companies in Nashville have seen little setbacks regarding distribution and operations. In fact, throughout 2020, 56.0% of total leasing activity in Nashville has been completed by tenants in these two sectors. With Nashville geographically considered the "gateway to the south," demand will remain high as the city provides distribution and logistics advantages for the southern portion of U.S.

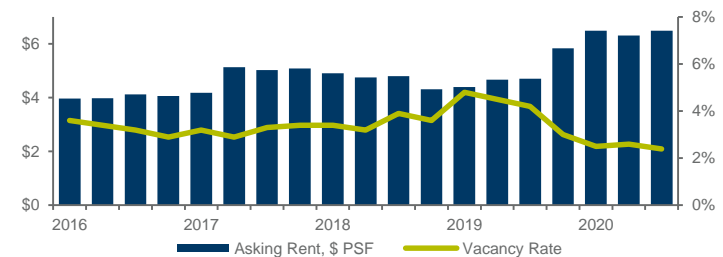
PRICING

Overall triple net asking rents finished third quarter 2020 at \$6.49 per square foot (psf), a 38.0% increase over third quarter 2019 when rents posted at \$4.71 psf. With limited existing space, 78.0% of all 2020 completions preleased, and rising construction cost, asking rents continue to increase. Newly constructed "shallow bay" buildings, which are asking between \$5.50 psf and \$8.50 psf, have also been a major contributor in increased rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ABSORPTION & VACANCY

Overall net absorption finished over 2.2 msf for third quarter, bringing the year-to-date occupancy gains to 4.7 msf. This puts Nashville's industrial market on pace to potentially break last year's absorption record of 8.7 msf. Unsurprisingly, Amazon has been leading the Nashville market in both lease transactions and large absorption figures. For the third quarter, the e-commerce giant made up just under 50.0% of the total market's positive absorption with 1.0 msf of physical occupancy at Speedway Industrial Park and Park 24. With Amazon setting the trend in Nashville, third-party logistics companies like FedEx and UPS continue to follow suit. Together they accounted for 527,000 sf of positive absorption with move-ins at Midway 840 and Airport Business Park.

There was over 7.5 msf of new construction completed by the end of 2019 and nearly 2.3 msf already delivered in 2020. Vacancy remains low at 2.4%, while Nashville's overall vacancy rate reached its lowest point on historical record making it one of the tightest metros in the U.S.

CONSTRUCTION

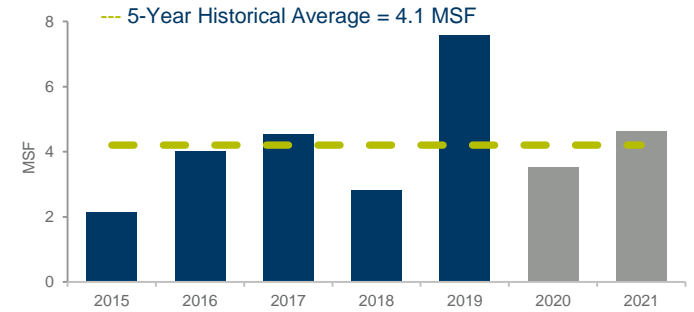
Investor and developer confidence has remained high throughout the pandemic, and developers continue to add more supply to the Nashville market to meet the continued demand. More than 1.5 msf of new product was delivered in third quarter 2020, including large projects at Speedway Industrial Park's Buildings 3 and 5 (850,000 sf) and Park 24's Buildings 5, 7, and 10 (527,000 sf). Construction of Hamilton Creek continues, although Building A (57,310 sf) was delivered in third quarter. The four-building park which totals 366,000 sf is owned by StateStreet Group and is located near Nashville International Airport.

Over 5.8 msf is currently under construction, up 78.0% YOY. Large "big box" projects such as Interchange Distribution Center, Airpark East, and Amazon's build-to-suit Project Sam, make up the majority of construction in the East and Southeast submarkets. Holladay Properties' Airport Logistics Park has begun phase three of their eleven-building project with buildings 600-1000 currently under construction and expected to deliver in 2021. Phases one and two of the project recently sold for an industrial market record of \$62.3 million or \$156 per square foot (psf) to Starwood REIT. This is the second record-breaking sale that Starwood has inked in Nashville, preceded by the purchase of the downtown office tower 222 for \$264 million.

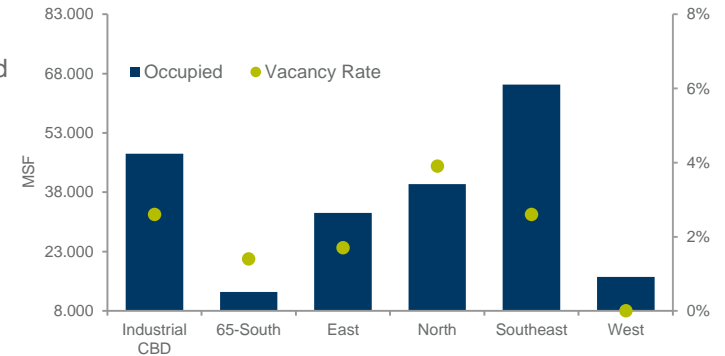
Outlook

- Despite economic setbacks due to COVID-19, the U.S. and Nashville industrial markets have remained stable and not impacted as Amazon, third-party logistics companies, and other e-commerce businesses continue to drive high demand for distribution/warehouse space.

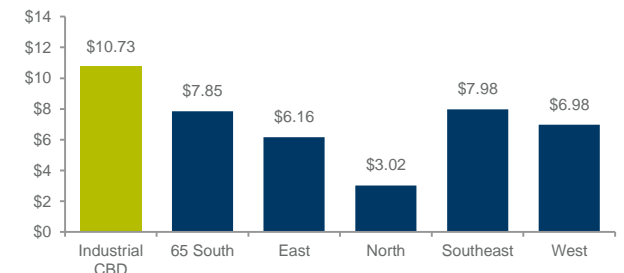
NEW SUPPLY



SUBMARKET COMPARISON



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)	CURRENT YTD LEASING ACTIVITY	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Industrial CBD	49,010,537	1,257,101	2.6%	41,179	-239,967	614,583	0	0	\$10.73
65 South	12,950,063	179,432	1.4%	-3,700	-121,716	11,661	0	0	\$7.85**
East	33,369,673	562,687	1.7%	1,019,276	2,275,374	2,297,378	3,824,900	1,374,384	\$6.16
North	41,718,557	1,628,162	3.9%	342,000	360,805	648,566		0	\$3.02
Southeast	66,969,804	11,772,811	2.6%	898,939	2,080,536	3,088,572	2,015,136	923,995	\$7.98
West	16,623,408	0	0.0%	0	112,900	142,150	0	0	\$6.98**
NASHVILLE TOTALS	220,642,042	5,662,750	2.4%	2,297,694	4,467,932	6,802,910	5,840,036	2,298,379	\$6.49

*Rental rates reflect weighted net asking \$psf/year

**Given the current vacancy rate, asking rental rates are estimated based on market conditions

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Midway 840	East	FedEx	379,080	New Lease
1706 Heil Quaker Blvd	Southeast	Talos Engineering	245,912	New Lease
412-414 Brick Church Park Drive	ICBD	CHEP	148,500	Renewal*
533 New Paul Road	Southeast	Walmart	110,848	New Lease
501 Mason Road	Southeast	LKQ Corporation	105,600	Renewal*

*Renewals not included in leasing activity statistics

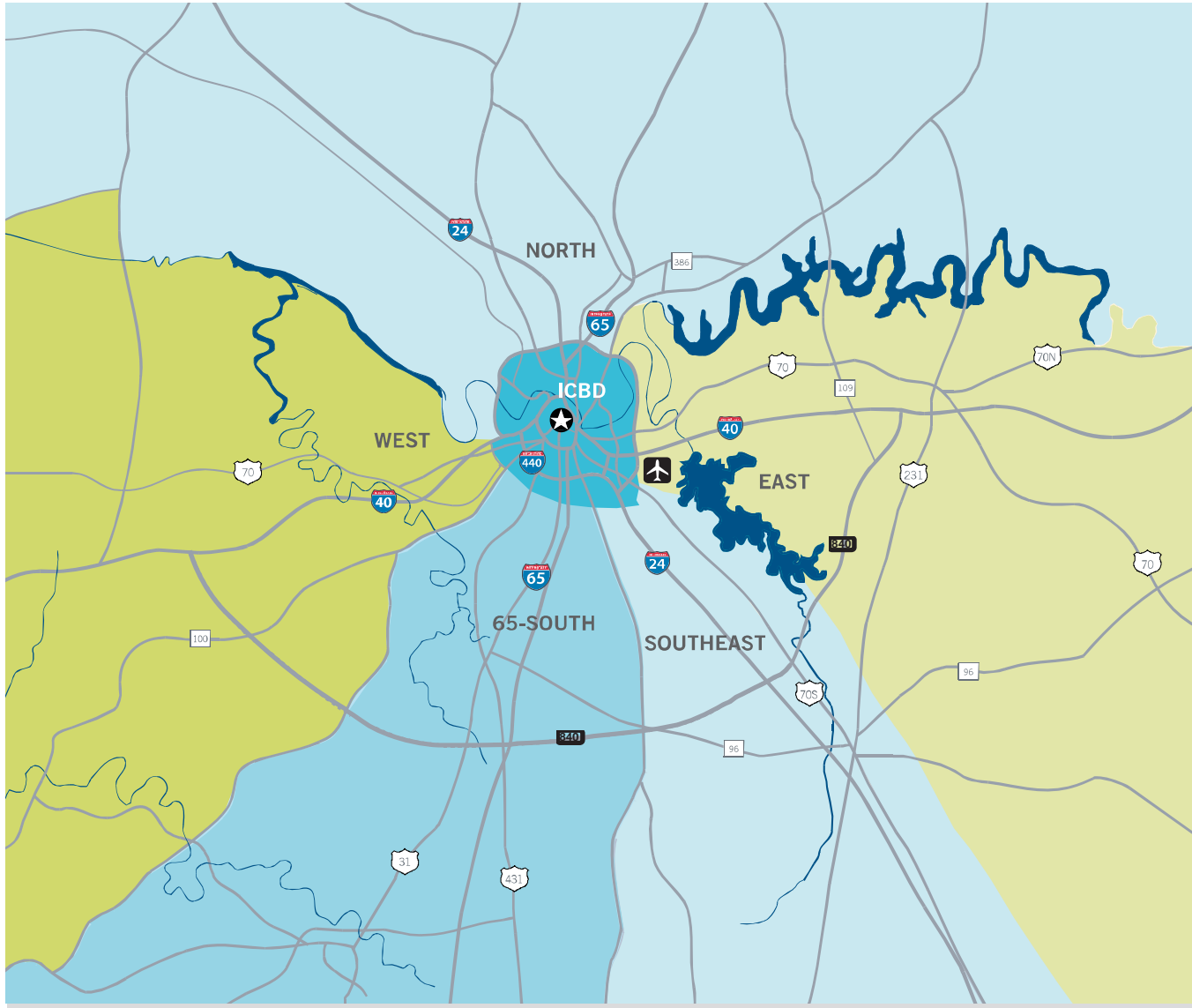
KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CONSTRUCTION TYPE	SF	OWNER / DEVELOPER
Athletes Way N & East Division – Project Sam	East	Build-to-Suit	3,600,000	Panattoni
Interchange Distribution Center – Buildings B1-C	Southeast	Speculative	832,500	DRG Realty
Airport Logistics Park – Buildings 600 - 1000	Southeast	Speculative	328,500	Holladay Properties
Hamilton Creek – Buildings B-D	Southeast	Speculative	306,250	StateStreet Group

KEY CONSTRUCTION COMPLETIONS Q3 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Speedway Industrial Park - Building 3 and 5	East	Bldg 3 - Amazon	850,392	Panattoni
Park 24 – Buildings 5,7, and 10	Southeast	Bldg 7 and 10 - Amazon	526,856	Panattoni/Clarion
Airport Logistics Park – Building 100	Southeast	Legend's Brands / 1-800 Pack Rat	116,000	Holladay Properties
Hamilton Creek – Building A	Southeast	Baker Bearing Company / Home Depot	57,310	StateStreet Group

INDUSTRIAL SUBMARKETS



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