



NASHVILLE

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	→	↑↑	→
Vacant Space	↑↑	→	↓
Construction Levels	↓↓	↑↑↑	↓↓↓
Leasing Volume	→	→	↓
Investment Volume	→	→	→

resulted in developers rushing to keep up with demand. After years of heightened activity, Nashville's industrial market saw construction hit a multi-year high at the end of 2019 even as developer trends have shifted from big-box distribution to smaller warehouse developments.

Nashville's retail market continues to respond to demand caused by surging population and tourism growth seen in the region. This growth has translated into an expanded consumer base, driving retail sales and demand for space. The city continues to attract new tenants to the area, including luxury retailers such as Gucci, Golden Goose, and Ralph Lauren's luxurious urban western line Double RL. Due to a rapid increase in multifamily and office construction in the urban core, ground-floor retail availabilities have greatly increased. Following such, suburban communities are implementing a strong retail presence within live-work-play developments that will compete with the urban core.

Investor activity remained on the rise in 2019 as corporations and investors demonstrated strong interest in the Nashville market. Increased sales volume was recorded in the office and industrial sectors, with total office sales breaking the previous year's record high, hitting approximately \$1 billion in total sales. Top sales in the market included several large skyline

Nashville is ranked No. 3 in the nation for overall real estate prospects in 2020, according to the latest Urban Land Institutes and PricewaterhouseCoopers' Emerging Trends in Real Estate Report. This marks the fifth consecutive year the city has made the Top 10 market list.

office towers. In recent years, rising rents and construction costs have directly impacted sales prices across the market, causing exponential psf pricing growth in urban areas in particular. Opportunity Zones (the federal program that encourages investment in select areas through preferential tax treatment of capital gains) will present an attractive investment vehicle for Nashville developers in the years to come. While investment is likely to cool in 2020, Nashville's solid market fundamentals will continue to draw capital.

EXECUTIVE SUMMARY

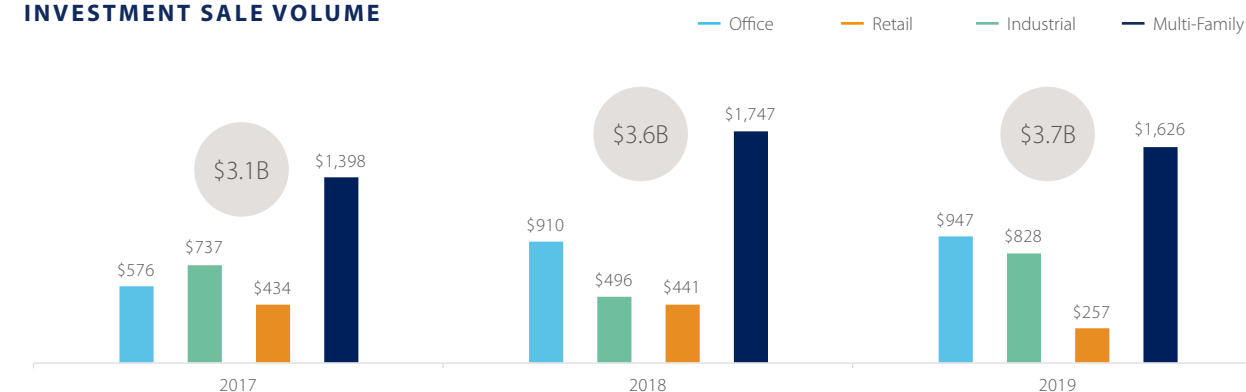
- More than 3.0 msf of new office product is under construction and set to deliver in the next 24 months, putting Nashville among the top office construction markets in the U.S.
- To keep up with the growing demands of e-commerce consumers, distributors have expanded at an accelerated pace within the Nashville market.
- Due to a rapid increase in multifamily and office construction in the urban core, ground floor retail availabilities have greatly increased.
- As Nashville continues to experience soaring home prices, multifamily developments are positioned to benefit into the coming years.
- Nashville's top sales for 2019 included many large skyline office towers helping office investment sales reach a new benchmark of approximately \$1 billion.

The Nashville market has changed drastically in the past decade. The city's business friendly environment and rapidly growing population are supporting strong leasing fundamentals across all commercial sectors. One of the most popular destinations for vacations and corporate relocations, Nashville's appeal as a global leisure and meeting destination will continue to bring activity and development to the city in 2020.

Several high-profile corporate relocations, the completion of new speculative office buildings and robust leasing activity all contributed to an active office market in 2019. Centralized in the CBD, new developments have garnered record-setting rents as tenants seek higher levels of efficiency as well as sophisticated workspaces and amenities. Vacancy is expected to trend higher in 2020 as more than 1.3 msf is set to be delivered during the year, with only 29% preleased. The rapid growth witnessed in Nashville's urban core could quickly become a stress on the city's aging infrastructure. Within just three years, Downtown's daytime population has increased by 25%, creating longer commute times for many employees.

Nashville's ongoing population boom is driving demand from industrial users, particularly e-commerce suppliers as online shopping grows in popularity. To keep up with the growing demands of e-commerce consumers, distributors have been expanding within the Nashville market at an accelerated pace. Nationwide logistics companies such as CEVA, GEODIS, and XPO have expanded their presence in the region exponentially, leasing over 3.1 msf in the last 24 months. A historic amount of construction activity during the past few years has been met with record-breaking leasing activity and absorption, which

INVESTMENT SALE VOLUME



Source: Real Capital Analytics