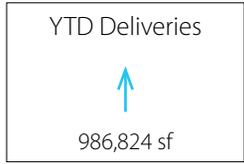
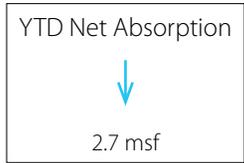


# Nashville



\*Arrow denotes year over year change

**Coming off several years of strong leasing and development activity as well as record-setting economic growth, the Nashville market reached an abrupt pause in mid-March due to the spread of the novel coronavirus (COVID-19). As buildings and businesses across the market closed and began the complex task of managing employee wellness and remote working arrangements, segments of the industrial market tied to e-commerce, groceries and household essentials saw a significant surge in demand.**

Supply constraints and increased speculative construction at much higher price points have placed substantial upward pressure on rental rates in the last few years. Nashville's average industrial asking rent reached \$5.68 per square foot (psf) at the end of second quarter, an increase of 2.0% from mid-year 2019. This growth is likely to ebb in following quarters as more space becomes available in the form of new deliveries as well as spaces available for sublease. The warehouse sector saw 2.2% rent growth over the past 12 months posting \$5.20 psf this quarter. Rents fell 4.9% year over year in the flex sector ending the quarter at \$12.18 psf.

Overall vacancy dropped 20 basis points (bps) from the previous quarter and 130 bps year over year, ending the second quarter at 3.1%. Warehouse vacancy ended the quarter at

3.0%, down 160 bps year over year; while flex vacancy rose 130 bps to 3.5% in the same period. Delays in construction timelines caused by COVID-19 mitigation efforts will provide some relief for rising vacancies in the near term, as all submarkets currently record sub-5% vacancies.

Net absorption climbed to 2.7 million square feet (msf) during the first half of the year. Demand from industrial tenants whose buildings were destroyed by a tornado that hit Nashville in early March caused a notable increase in leasing activity in late March and April. One such tenant, shipping provider FedEx, locked down over 600,000 square feet (sf) of space during the quarter in numerous locations as they replaced their space that was damaged. As e-commerce continues to surge, increased activity in the shipping, distribution and online-fulfillment space is likely to endure in some measure beyond the immediate crisis, accelerating demand for infill locations and cold-storage facilities.

Deemed an essential business activity in Nashville, construction was able to continue during the second quarter, although risk mitigation efforts including limiting the number of workers and hours on site will likely slow delivery timelines in coming quarters. The Nashville industrial market has seen nearly 1 msf deliver during the first half of the year, with an additional 6.9 msf still currently underway.

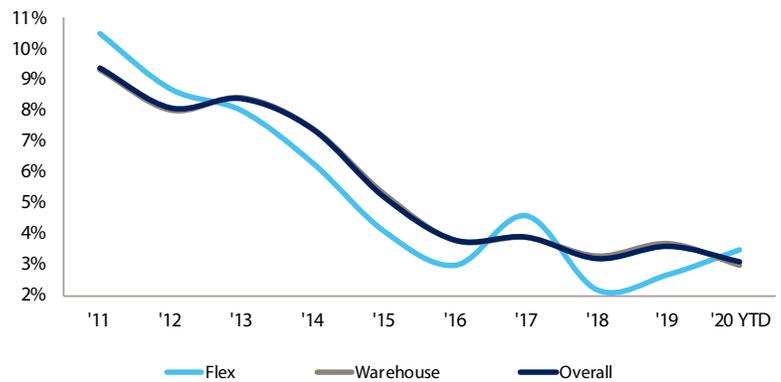
## Market Highlights

- 3PL providers and e-commerce tenants have shifted into high gear to meet increased consumer demand.** To combat the record levels of activity, Amazon announced efforts to hire 175,000 new U.S. employees within their fulfillment centers and delivery network. More than 2,000 of those jobs were spread across their Tennessee locations, an equivalent to 30% boost to its existing statewide headcount.
- Two buildings, 5 & 7, in the new Park 24 development delivered** during the second quarter, adding a combined 427,000 sf of new inventory to the Southeast submarket. Both buildings delivered vacant. In the Wilson County submarket, **Speedway Industrial Park- Building 4 delivered** during the quarter. The 443,000-sf industrial warehouse is 100% leased to FedEx.
- Coffee retailer, **Starbucks**, has plans to relocate their current distribution center in Park840 to a 1.3 msf build-to-suit at **Panattoni's Speedway Industrial Park**.
- After paying \$22.8 million for a 200,000-sf warehouse near the urban core, Amazon has submitted plans to demolish the existing warehouse and build a 250,000 sf "last-mile" shipping hub. The plans for this facility join an additional 4.6 msf of commercial space the online retail giant has under construction in the mid-state region. **Amazon's Nashville portfolio will reach 7 msf when "Project Sam", a 92' tall, next-generation distribution hub delivers next year.**
- Nashville industrial sales totaled \$86 million in the second quarter, bringing **year to date volume up to \$310 million**. Sales volume is up by 10% from the previous time last year due to numerous new construction properties trading for top dollar.
- Largest sale of the quarter-** Stockbridge's portfolio purchase of Hillwood's Airport Business Center 1 & 2 for \$73 million (\$79 psf).

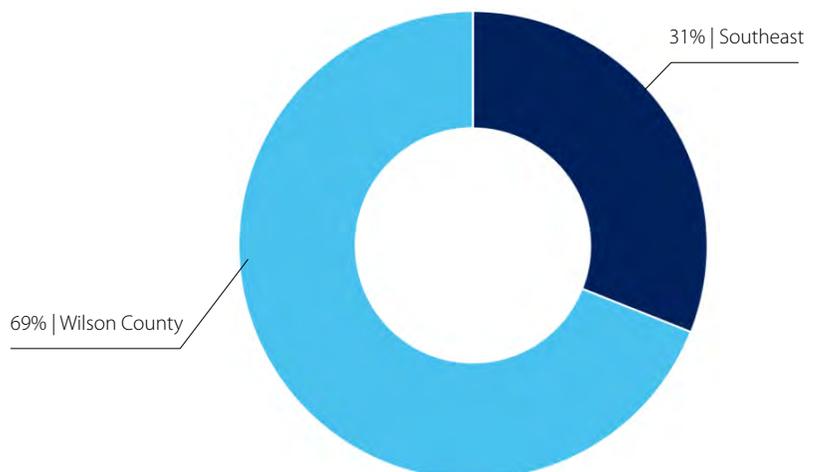
## Rental Rates by Class



## Vacancy by Class



## Construction by Submarket

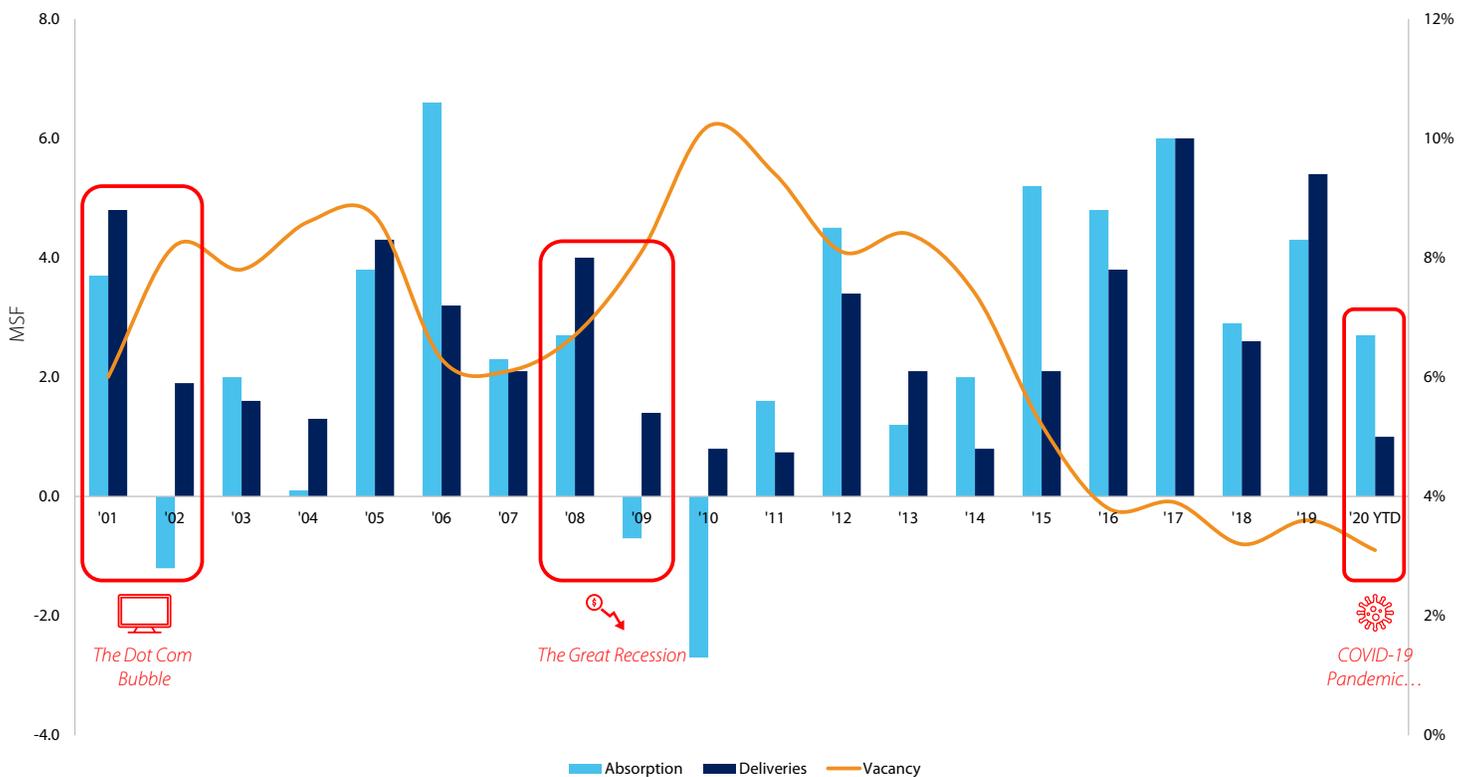


## Market by the Numbers

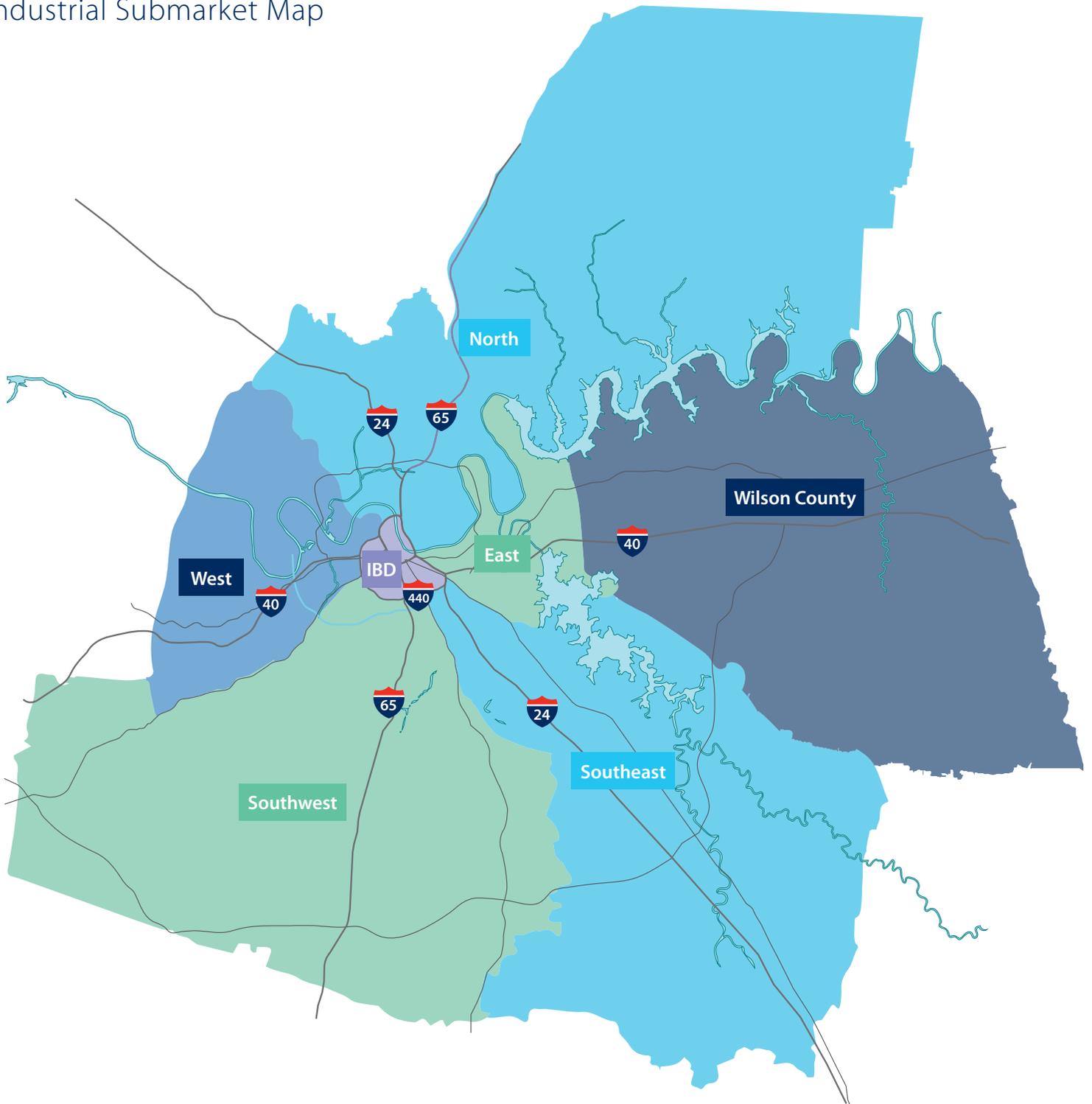
Submarket	Inventory	Vacancy	Under Construction	Year-to-Date		Average Asking Rates	
				Absorption	Deliveries	Flex	Warehouse
East	11,806,318	3.9%	0	48,021	0	\$11.94	\$7.03
IBD	13,741,008	2.8%	0	58,042	0	\$12.16	\$5.63
North	41,783,908	2.8%	0	631,850	0	\$11.94	\$4.45
Southeast	65,985,868	3.3%	2,138,865	590,466	542,856	\$11.90	\$4.81
Southwest	13,776,917	3.0%	0	18,882	0	\$15.37	\$9.18
West	7,239,840	0.2%	0	31,900	0	\$16.25	\$6.02
Wilson County	29,560,466	3.4%	4,755,292	1,393,327	443,968	\$15.00	\$7.52
<b>Market Totals</b>							
Warehouse	171,811,301	3.0%	6,894,157	2,816,429	986,824		\$5.20
Flex	12,083,024	2.8%	0	(43,941)	0		\$12.18
<b>Totals</b>	<b>183,894,325</b>	<b>3.1%</b>	<b>6,894,157</b>	<b>2,772,488</b>	<b>986,824</b>		<b>\$5.68</b>

## The Road to Recovery

Alongside the rest of the country, the COVID-19 pandemic has ended one of the longest economic cycles in Nashville's recent history. Uncertainty remains as to how long the road to recovery will be, however some state economists are projecting it could take two to seven years.



# Industrial Submarket Map



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