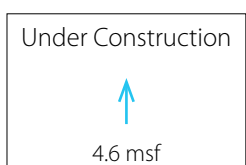
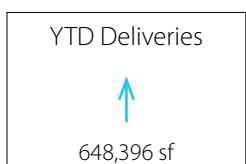
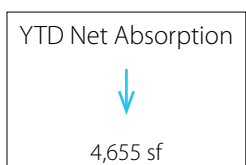
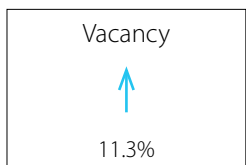
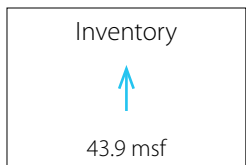


Nashville



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). Office buildings across the market closed and businesses began the complex task of managing employee wellness, remote working arrangements and beginning the daunting task of trying to plan for what the post-COVID-19 office environment would look like.

After 25 consecutive quarters of single digit market vacancy, stalled leasing activity pushed Nashville’s office vacancy further into double digits ending the quarter at 11.3%, up 130 basis points (bps) from the previous quarter and 210 bps year over year. Class A vacancy ended the quarter up 230 bps year over year reaching 12.6%. Class B vacancy recorded similar movement ending the quarter at 10.6%, an increase of 200 bps year over year.

Faced with uncertainty as to their future performance, numerous tenants across the market are opting to renew or expand in place versus initiate a search for new space. Leasing activity was tepid during the quarter as many large deals in process have been

delayed, as both tenants and landlords adopt a “wait and see” attitude. A large move during the quarter included Concord Music who occupied 58,000 sf in the CBD’s newly delivered Peabody Plaza.

Average asking rates in Nashville’s office market continue to climb, increasing by 3.3% year over year to \$30.94 per square foot (psf) at the end of the quarter. As there is no longer a shortage of Class A space in the pipeline, Class A rates rose just slightly, increasing 1.1% in the past year to \$33.46 psf. Class B asking rates ended the quarter at \$26.97 psf, up 2.9% year over year.

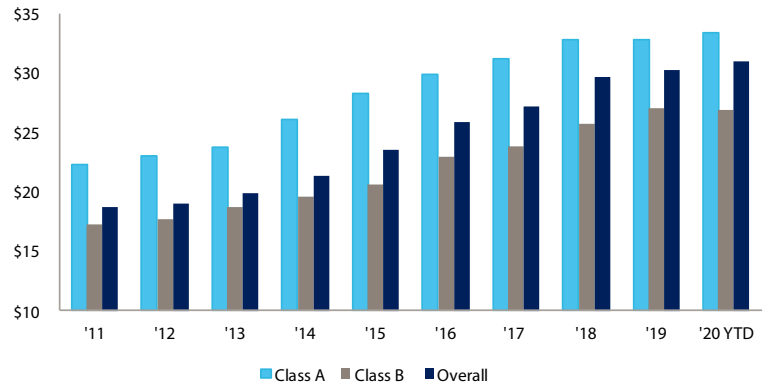
Deemed an essential business activity in Nashville, construction was able to continue during the second quarter, although risk mitigation efforts including limiting the number of workers and hours on site will likely slow delivery timelines in coming quarters. Nonetheless, Nashville’s development pipeline remains full, with over 4.6 million square feet (msf) currently under construction. The CBD submarket accounts for more than 70% of current construction with a notable project One22One breaking ground during the quarter.

*Arrow denotes year over year change

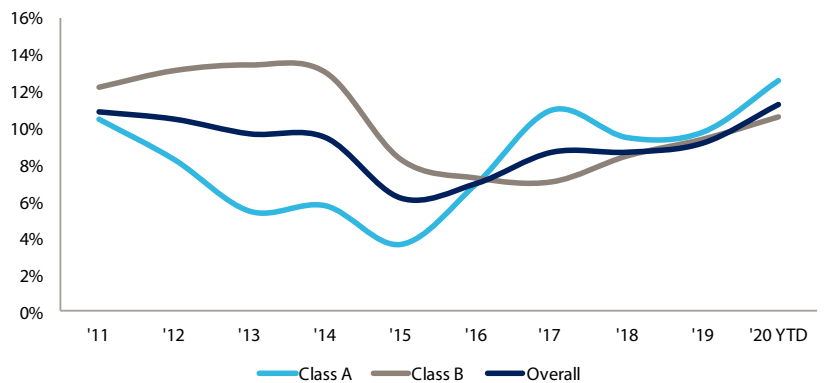
Market Highlights

- Of the office developments underway, which includes speculative projects and four build-to-suits, **50% of the space is preleased**. Among the speculative construction that totals 2.8 msf, approximately 17% is spoken for.
- FirstBank is set to relocate from Baker Donelson Center to GBT's One22One, leasing 52,000 sf of space in the office tower currently under construction. **FirstBank is the first preleasing tenant at One22One**—putting the office project at 16% preleased—and one of the first large leases signed during the COVID-19 pandemic in Nashville.
- Numerous development projects** across the city, including mixed-use redevelopment Taylor Place, Aspire Gulch apartments and the One22One office building, **secured large construction loans during the second quarter**. Even in the midst of a stalled economy that came as a result of containment measures during the COVID-19 pandemic, many see this as a sign that banks and developers are still bullish on Nashville.
- Nashville office sales totaled \$15 million in the second quarter, bringing **year to date sales volume up to \$479 million**. While demand for Nashville office was copious prior to the COVID-19 pandemic, uncertainty over the future of the market and recovery timeline has caused many investors and sellers to hit the pause button, with office sales volume down 37% from mid-year 2019.
- Starwood Capital Group's purchase of the 222 office high-rise for \$264.1 million (\$729 psf) in the CBD remains the largest sale year to date. **The sale set a new benchmark** for Downtown Nashville's largest investment sale, more than doubling the total sale price and price psf set by the previous record holder back in 2018.

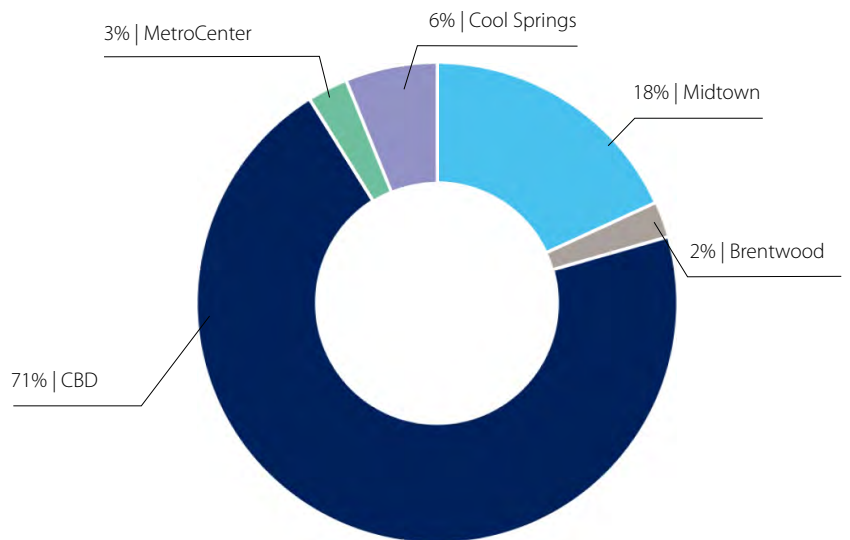
Rental Rates by Class



Vacancy by Class



Construction by Submarket

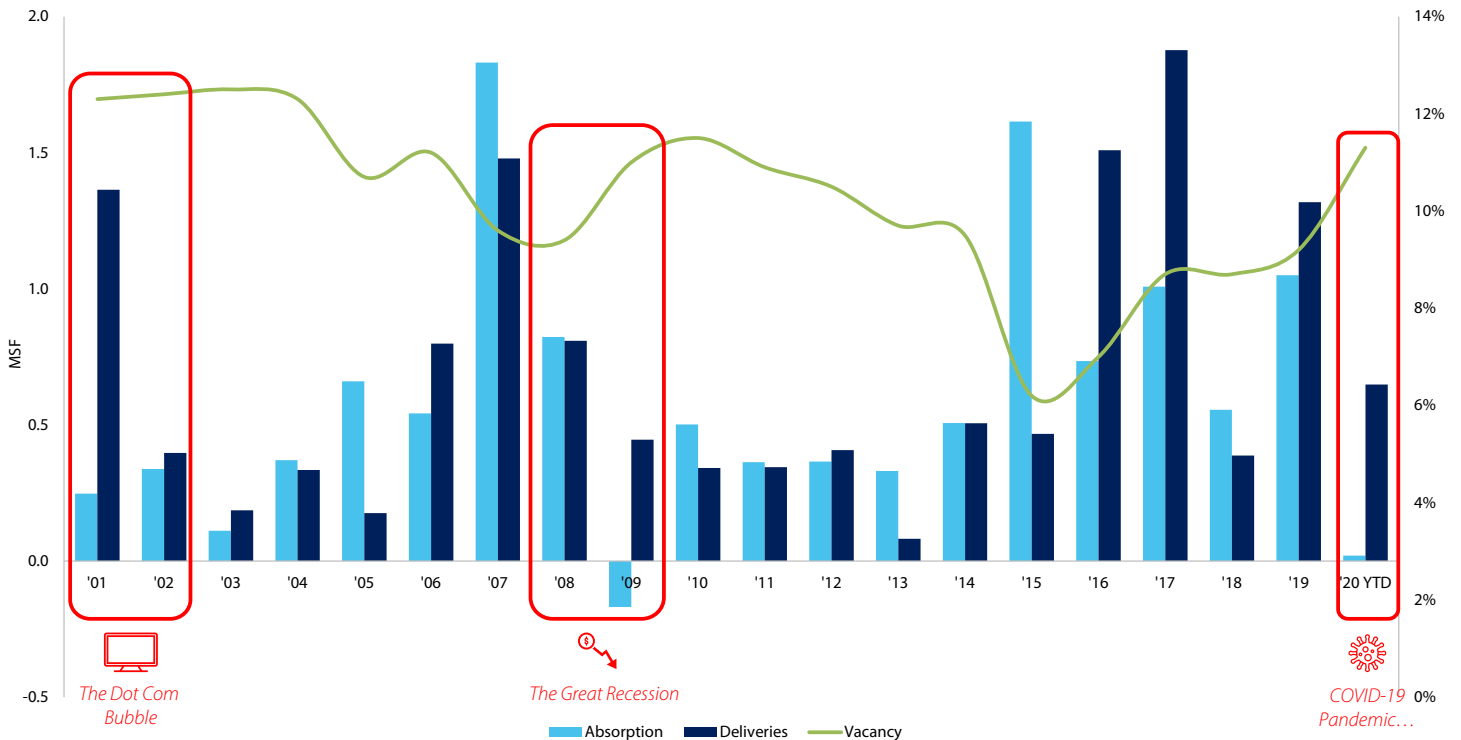


Market by the Numbers

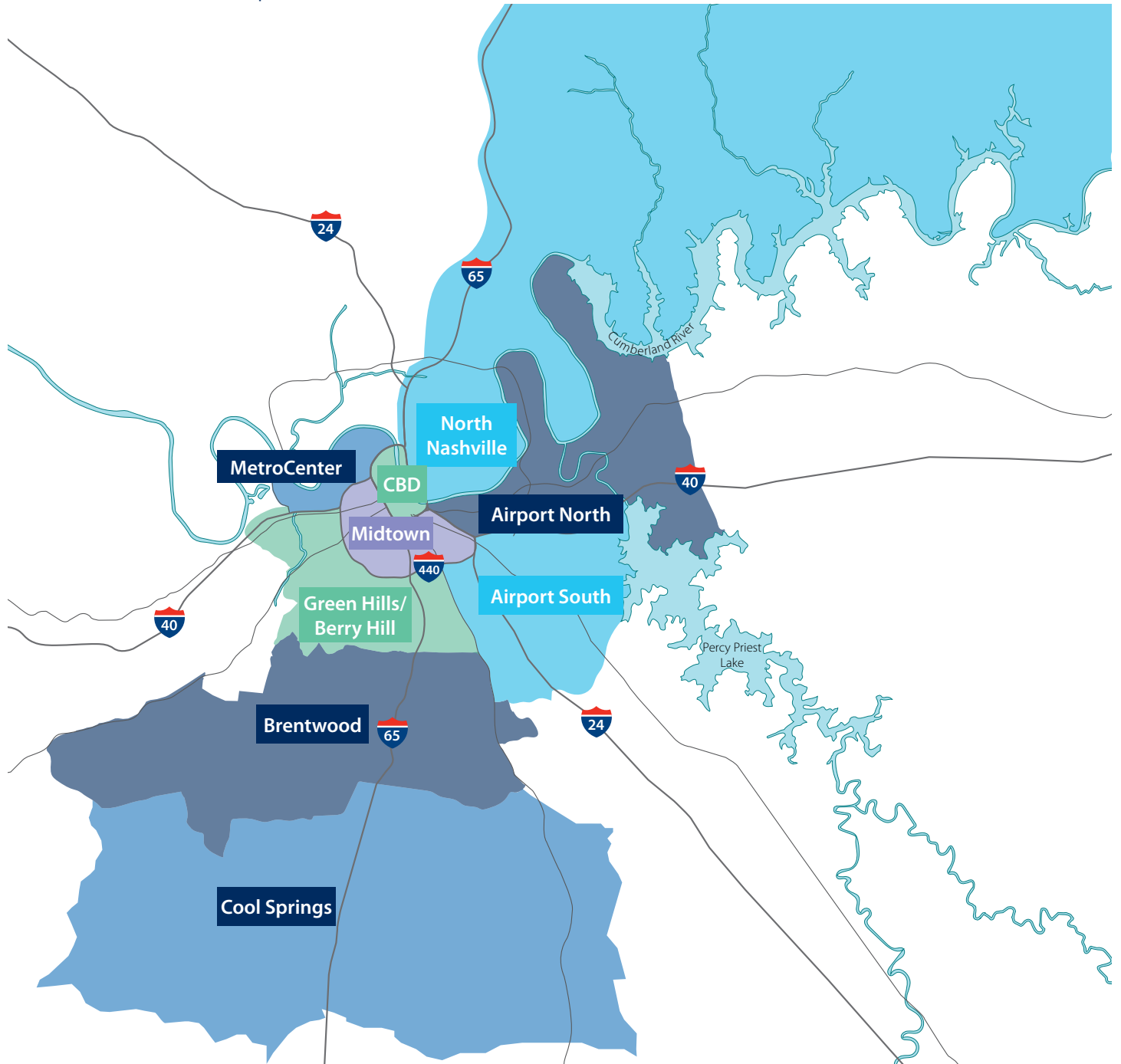
Submarket	Inventory	Vacancy	Under Construction	Year-to-Date		Average Asking Rates	
				Absorption	Deliveries	All Classes	Class A
Airport North	4,078,128	12.2%	0	24,455	0	\$25.60	\$26.85
Airport South	3,347,300	12.0%	0	(11,662)	0	\$21.86	-
Brentwood	6,441,790	13.6%	111,000	44,094	120,000	\$29.49	\$31.43
Cool Springs	7,875,232	15.6%	283,000	25,663	179,396	\$31.59	\$32.15
CBD	10,771,532	11.7%	3,249,133	(185,426)	349,000	\$34.06	\$35.71
Green Hills/ Berry Hill	3,607,191	8.2%	0	66,449	0	\$30.56	\$33.66
MetroCenter	1,655,067	1.2%	126,090	20,923	0	\$27.03	\$32.11
Midtown	4,835,067	7.4%	836,270	(543)	0	\$37.84	\$39.43
North	1,331,524	3.7%	0	20,712	0	\$21.38	\$22.71
Market Totals							
Class A	21,455,243	12.6%	4,605,493	24,326	648,396	\$33.46	
Class B	18,814,163	10.6%	0	(10,278)	0	\$26.97	
Class C	3,673,425	7.5%	0	(9,383)	0	\$25.73	
Totals	43,942,831	11.3%	4,605,493	4,665	648,396	\$30.94	

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.



Office Submarket Map



Platinum member

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