

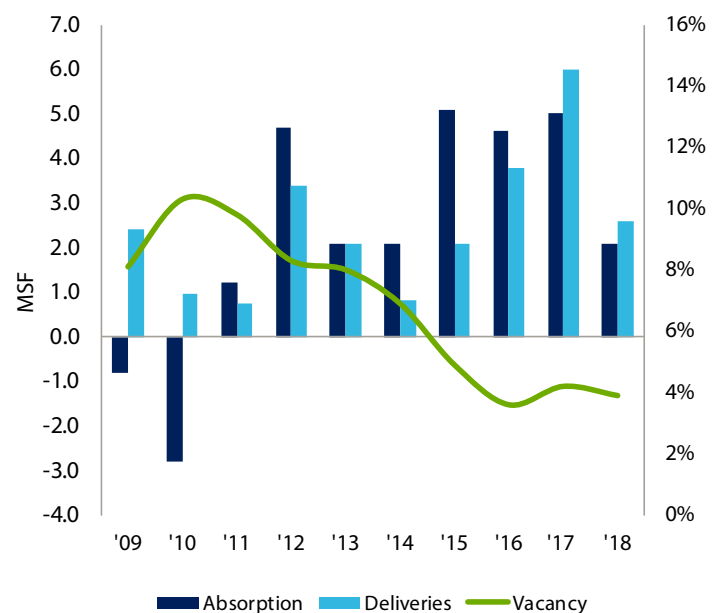


Nashville

Industrial Market 4Q 2018

Following three years of record setting activity, the pace of activity began to moderate in 2018. Activity remained concentrated in the Southeast and Wilson County submarkets, with a combined net absorption of 2.2 million square feet (msf) at year-end. Healthy absorption gains this year were mainly the result of significant occupancies in newly delivered product, most notably CEVA who occupied 529,000 square feet (sf) in the speculative Beckwith Farms Building 9, that delivered this year in Wilson County. E-commerce is still a driving factor in the market as numerous logistics companies, including XPO and CEVA, have expanded their presence in the region in response to Amazon and many other retailers' growing online presence.

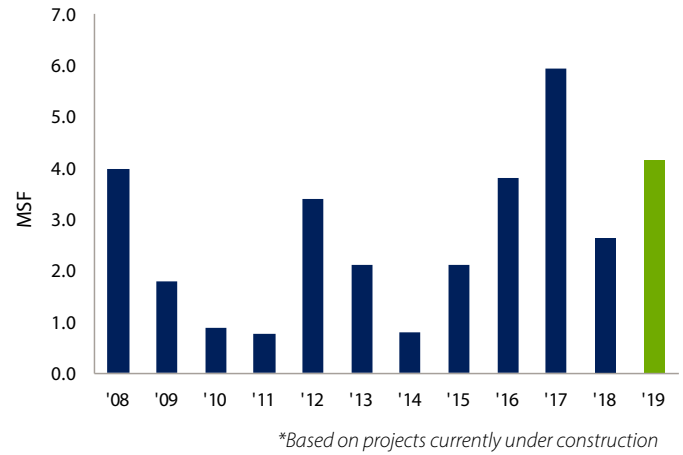
Absorption, Deliveries, & Vacancy



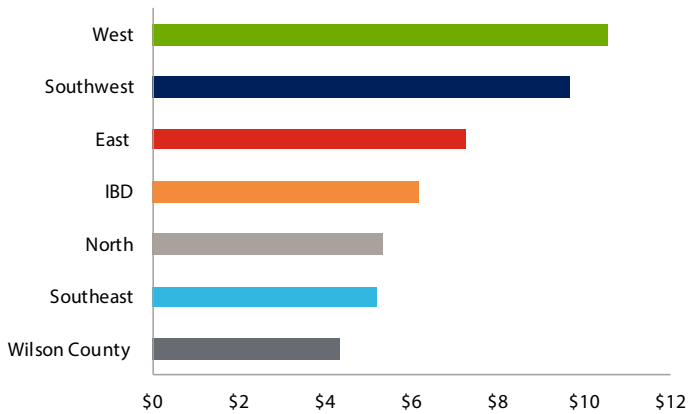
Construction

Years of tremendous levels of tenant demand and leasing activity have developers scurrying to meet inventory needs, with the recent construction cycle representing Nashville's largest in decades. The Nashville industrial market currently has over 4.1 msf under construction focused solely in the Southeast and Wilson County submarkets. **All of the current construction is speculative with only 10% preleasing in place at the end of the year, indicating strong developer and investor faith in the market.** Over 2.6 msf of new product was added to the inventory during 2018, with 52% of the space preleased. New deliveries have totaled more than 11 msf in the current construction cycle, representing 6% of current inventory.

Construction Deliveries



Rental Rates by Submarket



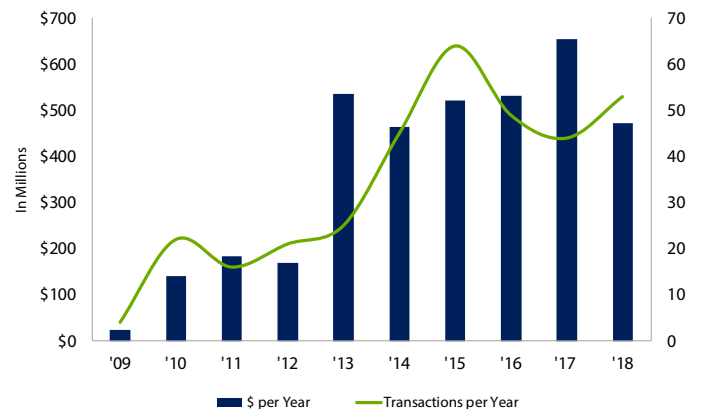
Rental Rates

Average asking rates have increased substantially in recent years due to the growing economy and robust tenant demand. At the end of fourth quarter, Nashville warehouse rates averaged \$5.11 per square foot (psf), an increase of 6.7% year-over-year. The average flex rate rose 6.9% in the same period, ending the year at \$12.53 psf. The West and North submarkets witnessed the greatest year-over-year rent growth due to less product availability and no construction activity.

Investment Sales

Industrial investment sales totaled \$144 million in the fourth quarter, bringing year-to-date volume to \$472 million. Following years of robust transaction activity, volume was down by 36% at the end of 2018. A notable fourth quarter sale and the largest sale of the year included the Tennessee Book Company and Interchange Distribution Center portfolio sale for \$62 million (\$81/psf). The two industrial properties were part of a larger 117 property portfolio which was located mostly in the Southeast purchased by Blackstone Group from MDH Partners and Harvard Endowment Fund.

Investment Sales



Nashville placed in the **Top Five Overall Real Estate Prospects** in **Urban Land Institute's** latest *Emerging Trends in Real Estate* report.



Top Lists of 2018

Top Construction Completions

Property	Square Feet	Submarket	Major Tenant	Completion Quarter
Park 840 East- Building 100	558,600	Wilson County	N/A	4Q18
Beckwith North 9	529,000	Wilson County	CEVA	2Q18
Interchange Center A	517,000	Southeast	N/A	3Q18

Top Under Construction

Property	Square Feet	Submarket	Major Tenant	Completion Quarter
Cedar Farms Phase I	902,385	Wilson County	N/A	1Q19
Speedway Industrial Park- Bldg 1	689,440	Wilson County	N/A	1Q19
Airport Business Park- Bldg 3	564,404	Southeast	N/A	1Q19

Top Sale Transactions

Property	Price	Price/ SF	Sale Date	Submarket	Buyer	Seller
1150-1706 Heil Quaker Blvd	\$61,510,984	\$81	November-18	Southeast	Blackstone Group	MDH Ptnrs; Harvard Mgmt Co.
Flex/ Office Portfolio	\$41,200,000	\$100	May-18	North/East/MetroCenter	CCP Commercial RE	Albany Road Partners
701-715 Beechcroft Road	\$39,749,985	\$80	June-18	Maury County	Legacy Prop. Group	NorthPoint Development
1000-1015 Herman Street	\$38,000,000	\$174	October-18	IBD	U.S. Smokeless Tobacco Co.	Goodwill Ind. of Middle TN
Park 840 Building 200	\$25,537,500	\$63	October-18	Wilson County	O'Reilly Auto Parts	Huntington Industrial Partners



Cedar Farms Phase I



Speedway Industrial Park

	Inventory	Vacancy	Absorption	Deliveries	Under Construction	Average Asking Rates	
						Flex	Warehouse
Submarket							
East	14,332,663	1.0%	(58,449)	0	0	\$11.07	\$6.38
IBD	14,495,805	2.3%	(9,142)	0	0	\$11.56	\$6.02
North	41,336,645	3.5%	114,086	0	0	\$12.30	\$4.52
Southeast	62,136,942	4.1%	978,822	1,274,530	2,117,966	\$11.17	\$4.92
Southwest	13,223,822	4.4%	(192,214)	0	0	\$19.50	\$7.26
West	7,581,751	1.4%	(23,734)	0	0	\$5.23	\$11.45
Wilson County	28,810,865	6.6%	1,301,870	1,356,600	2,049,961	-	\$4.32
Market Totals							
Warehouse	169,651,443	4.0%	1,859,313	2,631,130	4,167,927		\$5.11
Flex	12,267,050	2.2%	248,926	0	0		\$12.53
TOTAL	181,918,493	3.9%	2,108,239	2,631,130	4,167,927		\$5.70

5,600 New Jobs Announced... All Before Lunch

Nashville continues to experience solid economic momentum, demonstrated by steady tenant demand and vigorous job growth. In its November 13th announcement, Amazon reported that the company plans to make Nashville the home of their new East Coast operations hub, which will house the tech and management functions of the company's Retail Operations division. The Amazon hub is now the largest job announcement in the history of the state of Tennessee, and will bring an estimated 5,000 new jobs to Nashville.

Within hours of the Amazon announcement, news of EY, formerly called Ernst & Young, opening a 600-person office near Music Row was reported from multiple news outlets. The office will serve as EY's Exceptional Delivery Growth Engine Center and will specialize in tech-enabled tax-managed services, software development, as well as design and testing. EY and Amazon join the ranks of numerous major corporations who have reaffirmed their confidence in Nashville, including AllianceBernstein and GlockStore.com who are also in the process of relocating their corporate headquarters to Nashville.



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