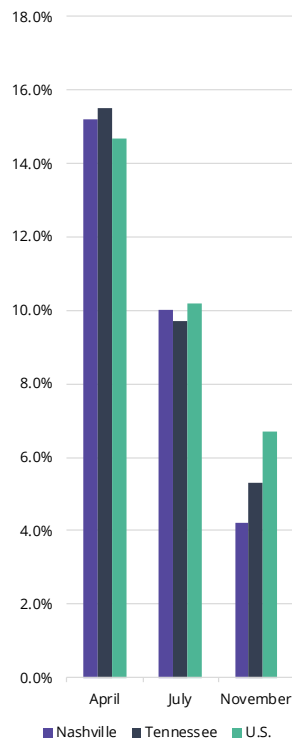


Nashville

2020 Unemployment Trends



Nashville's local unemployment figures show positive movement, falling to 4.2% in November, recovering from the largest spike in unemployment rates seen in the city's history back in April.



Industrial construction reaches record high as tight vacancies continue across market

Nashville's tourism industry saw record highs in 2019. While the early months of 2020 showed many signs of topping these prior records, the COVID-19 pandemic hit many sectors directly tied to Nashville's tourism and hospitality industries hard. Despite the uncertainty surrounding the pandemic, the region remained successful in attracting new businesses and as well as growing existing ones, with over 60 expansions and/or relocations to Nashville announced in the last 12 months.

Vacancy

Nashville's industrial market showed unmatched resilience during the year. The sector took a major hit when a powerful tornado damaged over 5 million square feet of industrial space back in early March. Just months later, insatiable demand for warehouse space spurred by the COVID-19 pandemic helped Nashville's industrial market rebound quickly. Industrial vacancy ended the year at 3.6%, falling 160 basis points (bps) year-over-year. Warehouse vacancy ended the quarter at 3.4%, down 190 bps from the previous year. Flex vacancy rose 200 bps to 5.4% in the same time period. All submarkets continue to post low vacancies in the low single digits.

Absorption & Demand

Healthy absorption gains seen during the year brought YTD net absorption to nearly 3.0 million square feet (msf) at the end of the year, a slight improvement from the moderate activity seen at the end of 2019. Activity remained concentrated in the Southeast and Wilson County submarkets, with a combined total net absorption of over 3.4 msf at year-end. In a significant fourth quarter transaction, Starbucks, renewed their 680,000-sf distribution space at Park 840 East in Wilson County. The submarket also witnessed numerous large

move-ins during the year including Amazon who inked and moved into 600,000 sf at the newly completed Speedway Industrial Park-Building 3. The space will serve as a last mile facility for the global retail giant.

Rental Rates

Persistent tight vacancies and high land and construction costs continue to place upward pressure on rental rates. Nashville's average asking rent ended the year at \$6.24 per square foot (psf), an increase of 10.2% year-over-year. Prominent submarkets, such as IBD and Southeast, witnessed impressive rent growth within the year- recording 13.0% and 9.3% increases respectively. Most notably, the Wilson County submarket recorded an astonishing 97.0% increase in asking rents during the same time period, as the wealth of activity and new construction in the area drive rents to new highs. Nashville's warehouse asking rents averaged \$5.76 psf at the end of the year, up 12.5% year-over-year. The average flex rate fell 8.4% in the same time period, ending the year at \$11.71 psf.

Construction

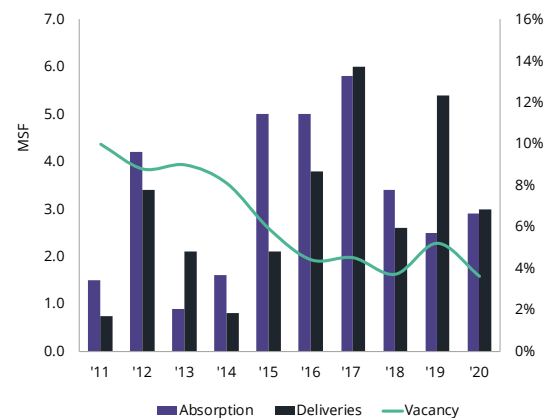
Developers continue to push forward with new projects to satisfy demand from industrial users. Construction deliveries totaled approximately 3 msf at the end of the year, focused in the Southeast and Wilson County submarkets. Speculative construction continues to drive a sizable portion of the development activity in the region. Of the 8.6 msf currently underway, including two single tenant build-to-suits and numerous speculative projects, 53% of the space is preleased. Looking forward, a staggering 7.7 msf of industrial space is expected to deliver across the market in 2021.



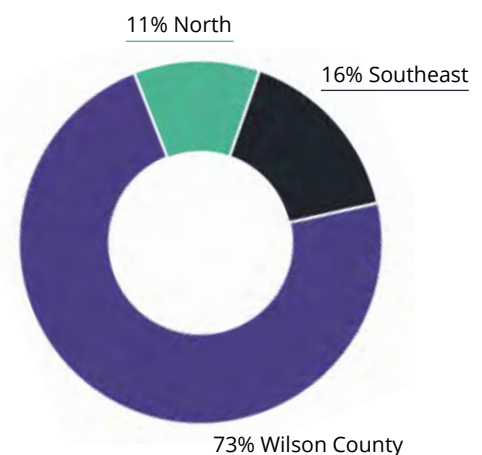
2020 Market Highlights

- As 3PL and e-commerce tenants have shifted into overdrive to meet surging consumer demand, Amazon's Nashville expansion continues at a breakneck pace, with eight deals executed in the last two years alone.
- Nashville industrial sales totaled \$77 million in the fourth quarter, bringing year-to-date sales volume up to \$714 million, down 35% from year end 2019. Industrial sales were bolstered by numerous large, new construction portfolio sales during the year.
- A significant sale during the year, Stockbridge purchased Hillwood's Airport Business Center 1- 3 in the Southeast submarket over multiple transactions totaling \$121 million (\$84 avg. psf). Additionally, a new benchmark was set in industrial sales when Starwood REIT paid \$62M (\$157 psf) for the first two phases of Holladay's Airport Logistics Park, setting a record for per-foot pricing on larger industrial properties in Davidson County.

Absorption, Deliveries & Vacancy



Construction



Nashville has shown its staying power, ranking for the second consecutive year as the third best place for real estate investment and development in 2021, according to ULI and PwC's most recent Emerging Trends in Real Estate survey.

Market by the numbers

				Year-to-Date		Average Asking Rate	
	Inventory	Vacancy	Under Construction	Absorption	Deliveries	All Classes	Class A
Submarket							
East	11,866,497	5.6%	0	(242,853)	0	\$10.96	\$7.09
IBD	13,687,155	2.5%	0	(108,419)	0	\$12.12	\$6.25
North	41,625,918	2.4%	982,000	159,076	0	\$10.88	\$4.65
Southeast	67,974,058	4.2%	1,402,650	1,135,205	1,623,666	\$11.59	\$5.38
Southwest	13,813,020	5.0%	0	(341,798)	0	\$14.63	\$9.59
West	7,385,198	1.0%	0	(50,127)	0	\$16.25	\$6.98
Wilson County	31,086,684	3.5%	6,282,108	2,362,571	1,374,360	\$15.00	\$7.51
Market Totals							
Warehouse	174,386,638	3.4%	7,684,758	3,238,217	2,998,026	\$5.76	
Flex	13,051,892	5.4%	982,000	(324,562)	0	\$11.71	
Totals	187,438,530	3.6%	8,666,758	2,913,655	2,998,026	\$6.24	

Trends to watch

As businesses try to define the “new normal” heading into the new year, Avison Young is monitoring the following areas:

**Last mile facilities**

An ever-expanding regional consumer base and surging online sales is driving increased demand for infill properties.

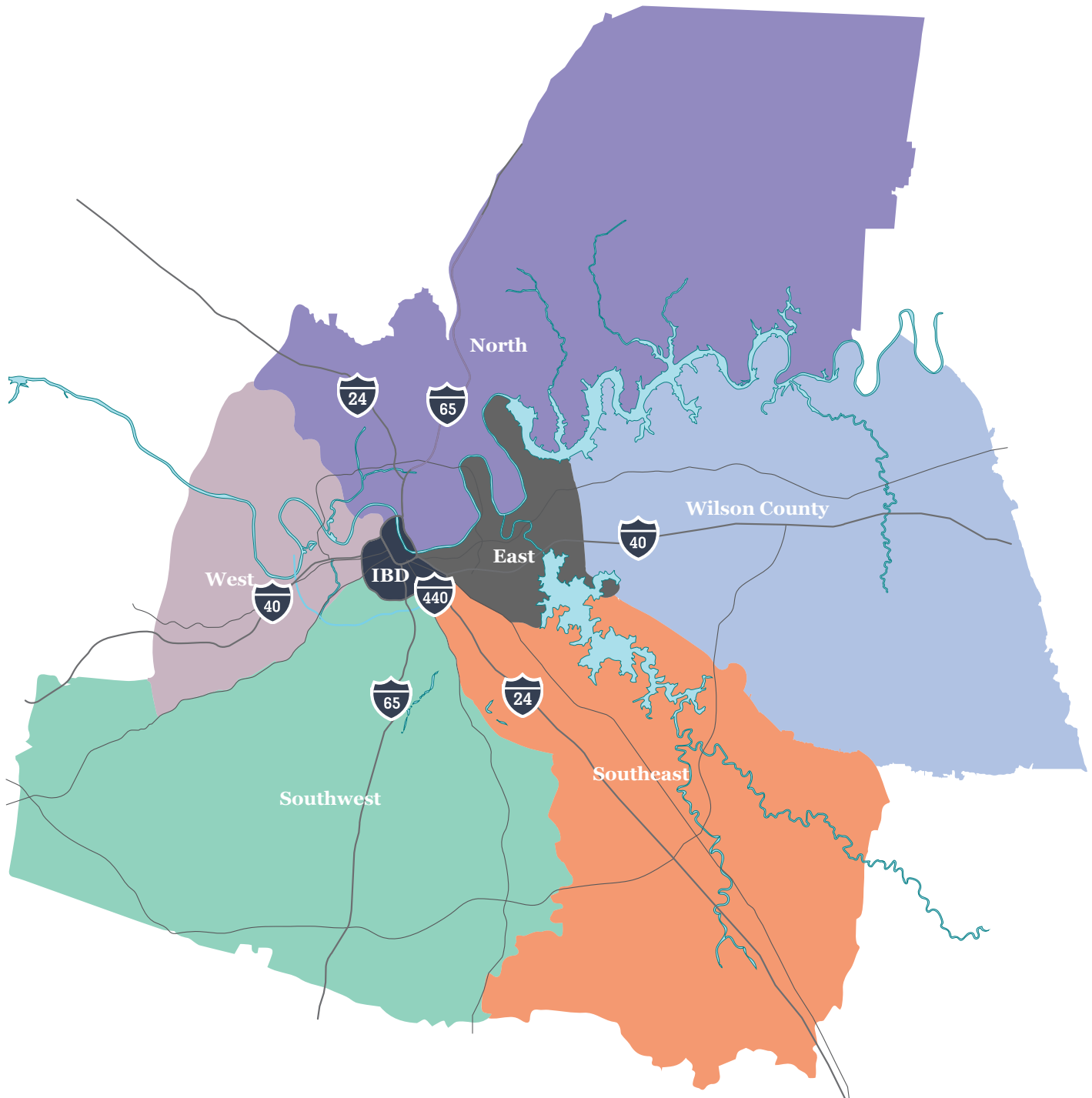
**Construction**

As developers remain bullish on the future of Nashville's industrial growth, the market has seen a shift in the overall footprints of developments, with many new projects featuring industrial product under 250,000 sf.

**Employment**

Few Nashville sectors saw more job growth in 2020 than the warehouse and distribution market, this velocity is expected to continue in the coming years.

Submarkets



**Get more
market
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