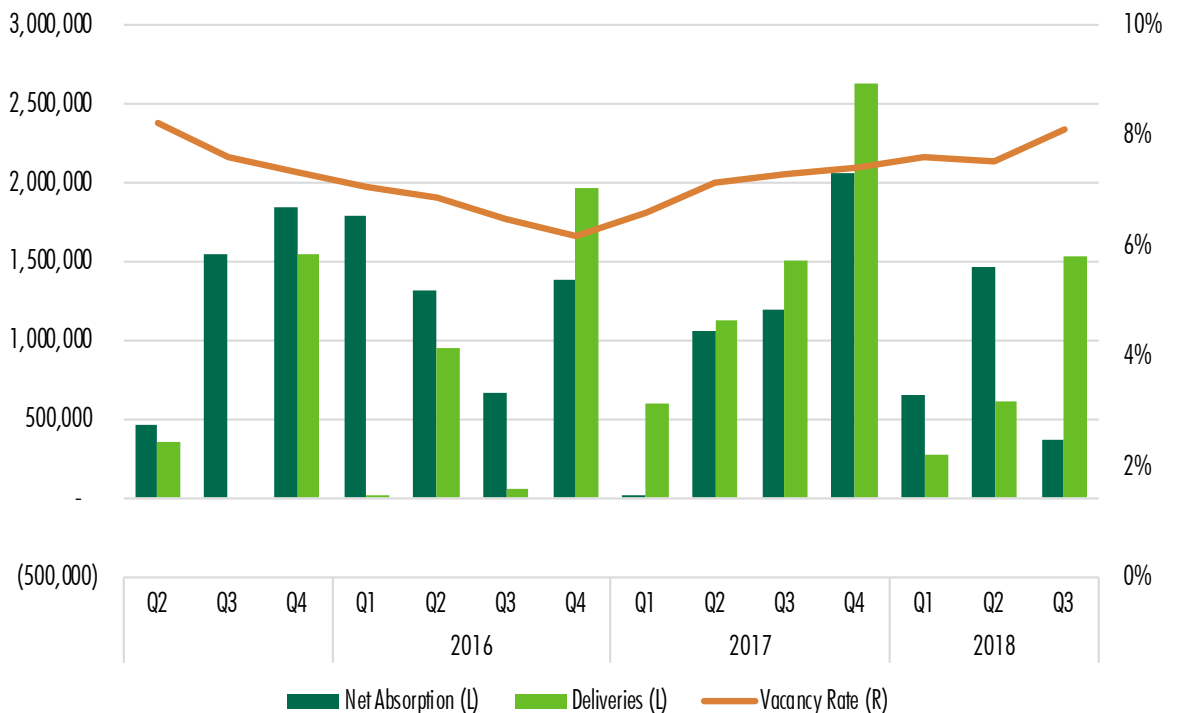


Nashville Industrial & Logistics, Q3 2018

Rise in speculative construction reflects developer confidence and tenant activity

▲ Vacancy Rate 8.1%
▲ Lease Rate \$4.74 PSF
▼ Net Absorption 364,025 SF
▼ Construction 4,002,180 SF
▲ Deliveries 1,526,600 SF

Figure 1: Net Absorption, Deliveries, Vacancy Rate *Arrows indicate change from previous quarter.



STABLE VACANCY, STRONG SPEC CONSTRUCTION

The Nashville industrial market had another quarter of strong inventory gains, ending Q3 2018 with an added 1.5 million sq. ft. of new construction. This reflects the high level of developer confidence as they hope to benefit from the large volume of active tenants in the market. Of the 1.5 million sq. ft. delivered, 1 million sq. ft. is speculative space. USPS accounted for over 450,000 sq. ft. of absorption as they occupied their new distribution center in the Elm Hill Pike/I-40

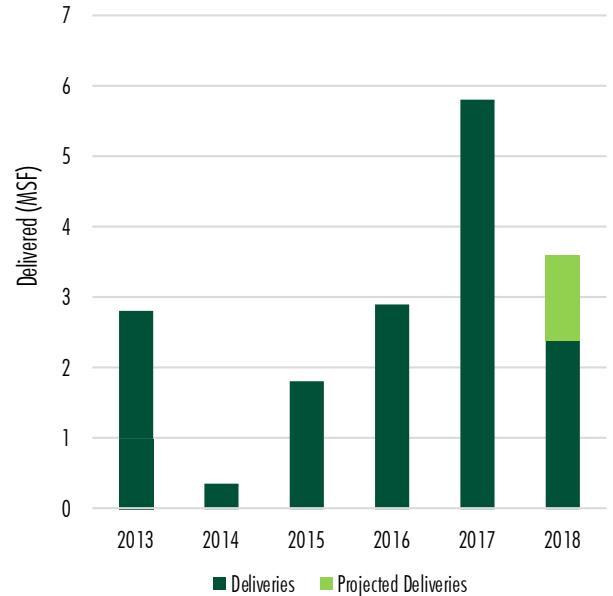
submarket. Market activity stayed steady during Q3 2018 as leasing and absorption reported strong activity with absorption exceeding 360,000 sq. ft. Other market indicators were also positive, as averaged rental rates continued to trend upward in all property types. In addition development activity remains robust with a significant number of bulk warehouse/distribution build-to-suit projects underway in multiple submarkets. Speculative construction activity has skyrocketed in 2018, totaling over 4 million sq. ft.

The Nashville industrial market has seen a high level of speculative construction since early 2017. Of the 4 million sq. ft. under construction, just 2% is preleased. That number is expected to rise throughout Q4 2018 as leasing and tenant demand shows no signs of slowing down. Approximately 1 million sq. ft. was leased during Q3 2018. XPO Logistics committed to over 312,000 sq. ft. in Portland, Tennessee and Fedex leased 81,000 sq. ft. in 127 Athens Way located in the Northeast/I-65 North submarket.

Market wide vacancy slightly increased from 7.5% to 8.1% as new speculative construction delivered and remains vacant. Over the last twelve months vacancy has fluctuated between a high of 8.1% and low of 6.2%. During the same time period, over 11.5 million sq. ft. has been completed and absorbed into the market. The submarkets with the lowest vacancy are MetroCenter/Cockrill Bend (2.6%) and Allied Drive/I-65 South (5.7%). The overall availability rate increased to 9.9%.

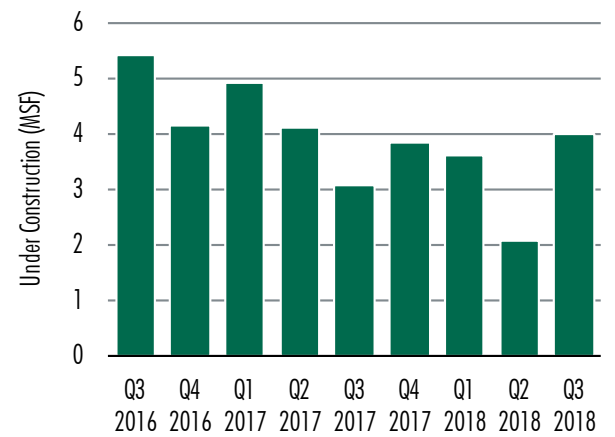
Positive net absorption of 364,000 sq. ft. was recorded in Q3 2018, pushing the year-to-date net absorption to 2.4 million sq. ft. For comparison, the year-end net absorption in 2017 was 4.3 million sq. ft. So far this year absorption has been led by tenants occupying new warehouse-distribution product. The Elm Hill Pike/I-40 submarket saw the most activity this quarter, recording over 487,000 sq. ft. of positive net absorption.

Figure 2: Annual Deliveries



Source: CBRE Research, Q3 2018.

Figure 3: Quarterly Construction Activity



Source: CBRE Research, Q3 2018.

Figure 4: Key Leasing Transactions

Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
XPO Logistics	1125 Vaughn	312,000	Northeast/I-65 N	New
Adient	2206 Oakland Parkway	162,500	Maury County	New
RJ Schinner	601 Space Park Drive Bldg. 12	94,000	Interchange City	New
Fedex	127 Athens Way	81,000	Northeast/I-65	New
All Parts/Phillips	565 Brick Church Pike	75,000	Northeast/I-65	New

Source: CBRE Research, Q3 2018.

INDUSTRIAL ABSORPTION

Nashville posted just over 527,000 million sq. ft. of positive net absorption in Q3 2018. The submarket with the largest net absorption increase for the quarter was Elm Hill Pike/I-40, posting nearly 487,000 sq. ft. of positive absorption as USPS occupied its 451,00 sq. ft. build-to-suit distribution center. Q3 2018 notably marks the fourteenth consecutive quarter Nashville’s industrial market has posted positive absorption.

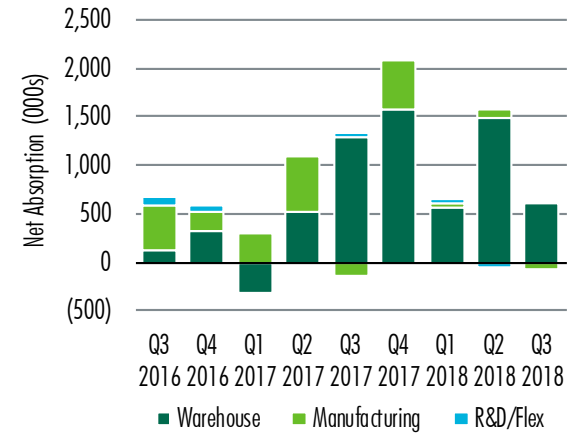
INDUSTRIAL RENTAL RATES

Nashville’s overall industrial asking rental rates have grown over the past 12 months by 8% to their current levels at \$4.74. This rent growth has been spurred by new Class A projects delivering across all submarkets. With over 7.5 million sq. ft. of Class A space being delivered since Q2 2017, Nashville’s industrial market has also maintained consistent rent growth across all property types. In the last quarter manufacturing rental rates increased by \$0.07 to \$4.52, R&D/flex rates jumped by \$0.46 to \$7.85, and warehouse/distribution rates saw a slight increase to \$4.72, all on a triple-net basis.

INDUSTRIAL VACANCY RATES

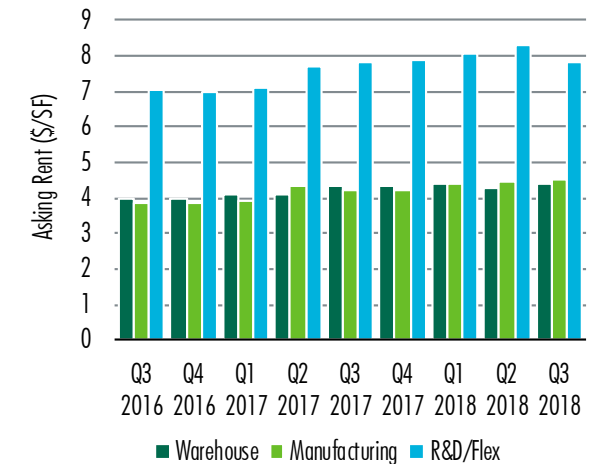
Over the past two years, Nashville’s overall industrial vacancy has risen by 110 basis points from 7.0% in Q1 2016 to 8.1% in Q3 2018. It is important to note that the warehouse/distribution vacancy has grown by nearly 300 basis points from Q4 2016 to Q3 2018 as new speculative product has been delivered consistently in the last seven quarters. In terms of property type, warehouse-distribution vacancy rates increased 80 basis points from the previous quarter to 9.3%, R&D/flex saw a 10 basis point increase to 9.9%, and manufacturing had a 10 basis point vacancy rate increase to 5.8%.

Figure 5: Quarterly Net Absorption



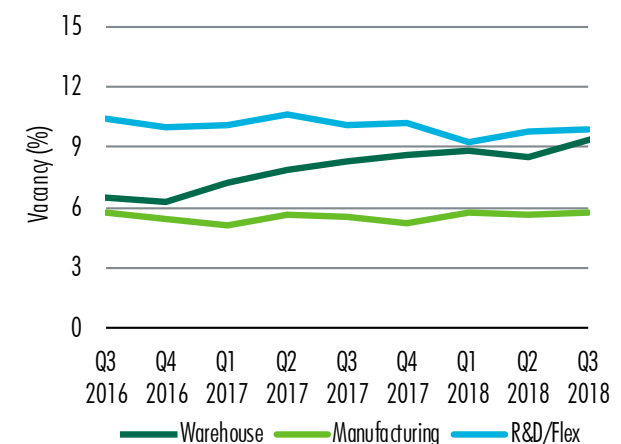
Source: CBRE Research, Q3 2018.

Figure 6: Asking Rental Rates by Property Type



Source: CBRE Research, Q3 2018.

Figure 7: Vacancy by Property Type

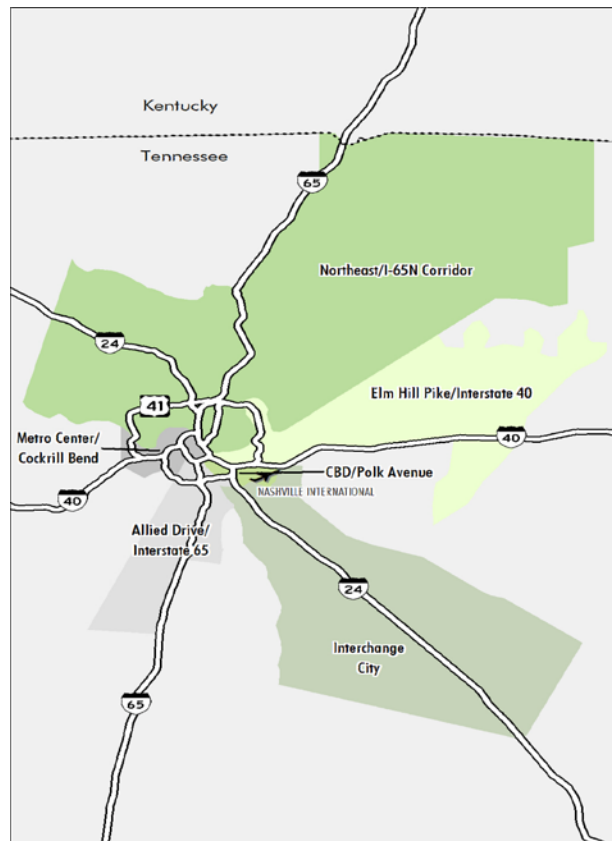


Source: CBRE Research, Q3 2018.

Figure 8: Market Statistics

Submarket	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Avail. Rate (%)	Q3 2018 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. NNN Asking Lease Rate (\$/SF/yr)
Allied Drive/I-65	19,404,476	5.5	5.7	8.7	(91,541)	(95,153)	0	6.94
CBD/Polk Avenue	14,100,148	7.2	7.2	11.1	0	32,000	295,000	5.43
Elm Hill Pike/I-40	34,575,196	9.4	9.5	10.5	487,621	486,722	1,906,701	4.78
Interchange City	62,299,725	8.4	8.7	10.0	182,495	606,528	1,800,479	4.38
MetroCenter/Cockrill Bend	13,231,024	2.7	2.7	4.6	(48,956)	(30,748)	0	6.52
Northeast/I-65N Corridor	40,205,081	9.2	9.2	11.4	(165,584)	21,487	0	4.05
Warehouse/Distribution	100,912,621	9.2	9.3	11.2	606,738	1,178,909	4,002,180	4.29
Manufacturing	68,801,289	5.6	5.8	7.4	(70,956)	(42,744)	0	4.52
R&D/Flex	11,036,609	9.3	9.9	12.5	(8,343)	48,075	0	7.85
NASHVILLE	183,815,650	7.4	8.1	10.0	364,025	2,479,549	4,002,180	4.74

Source: CBRE Research, Q3 2018.



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