

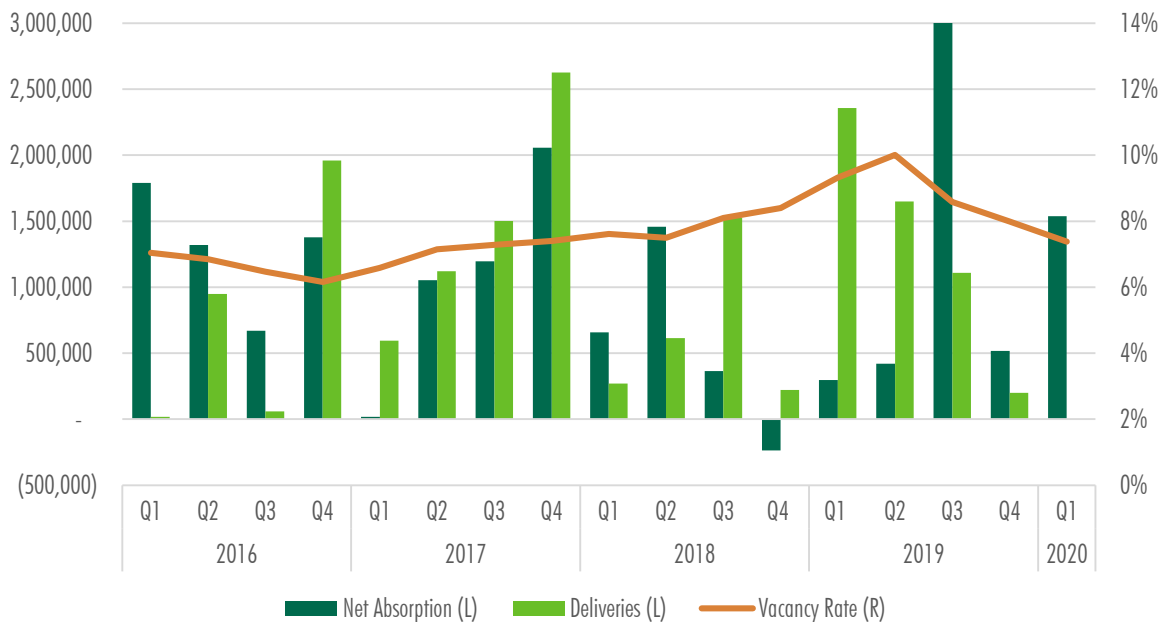
Nashville Industrial & Logistics, Q1 2020

High net absorption figure speaks to market resiliency

▼ Vacancy Rate 7.4%
▲ Lease Rate \$5.19 PSF
▲ Net Absorption 1,539,066 SF
▼ Construction 2,101,832 SF
▼ Deliveries 0 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption, Deliveries, Vacancy Rate



Source: CBRE Research, Q1 2020

The Nashville industrial market ended the Q1 2020 quarter posting stable rent growth, healthy leasing and sales activity, and a decreased vacancy rate. Despite the positive market performance throughout the first quarter of 2020, there are outside factors putting strain on the Nashville industrial market and will likely continue to affect many industries throughout. On March 3rd, a tornado hit Nashville leaving a trail of severe damage in its wake. Ultimately, over 3.5 million sq. ft. of industrial product was damaged or destroyed in the tornado. Efforts to restore the affected buildings are currently

underway, with developers aiming to rebuild the vast majority of damaged inventory by Q4 2020. The most concentrated industrial damage is located in the Elm Hill Pike/ I-40 submarket. Where over 3 million sq. ft. of inventory was either partially or fully destroyed.

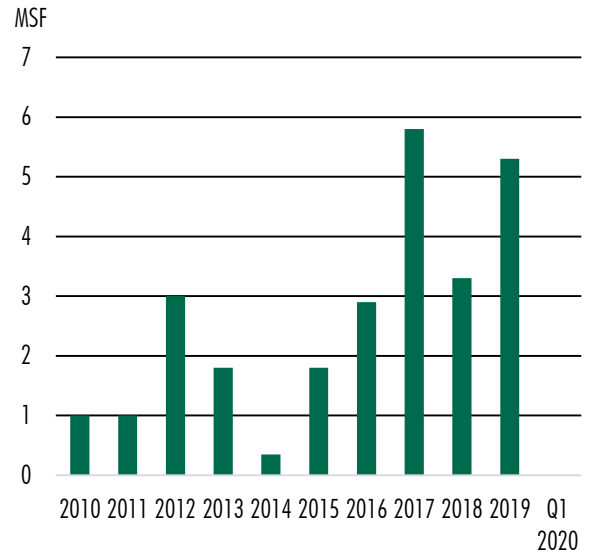
Recent implications of COVID-19 are also being felt throughout the industrial market and the overall Nashville economy. COVID-19 has slowed transaction activity market-wide and will likely continue to affect the Nashville industrial market throughout 2020.

The COVID-19 pandemic has forced some state governments to impose strict stay-at-home orders that are adversely affecting many industries. This is leading the U.S. economy into a recession that will result in very sharp declines in GDP for H1 2020 and in job losses, particularly in the retail, food & beverage and transportation sectors. Office-using employment may be less negatively affected than in recent recessions. But the unique nature of this downturn should result in an unusually swift recovery that could begin as early as Q3 2020. Assuming the coronavirus peaks this summer in the U.S.—mirroring China’s experience—the U.S. government’s fiscal and monetary stimulus will begin to bear fruit. This will be paired with pent-up private demand that could help the U.S. economy return to growth by year-end and drive stronger than previously expected growth in 2021.

Investors are expected to maintain their bullish outlook towards the Nashville industrial market due to the high tenant demand, a favorable distribution location, and strong economic fundamentals.

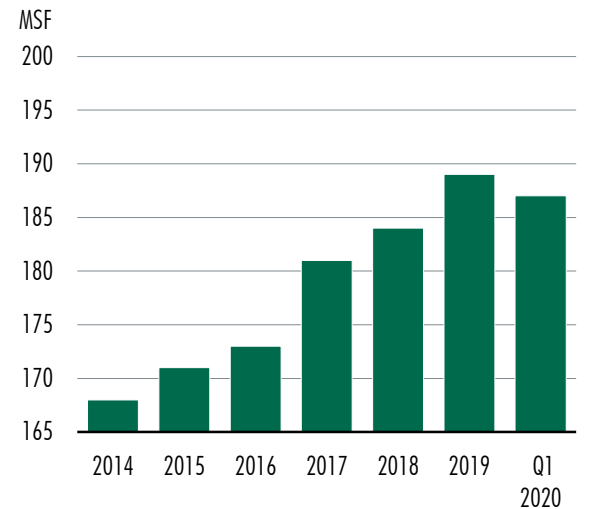
Nashville experienced more than 1.4 million sq. ft. of leasing activity and over 1.5 million sq. ft. of net absorption throughout the Q1 2020 quarter. It is important to note the 6.1 million sq. ft. of active tenants in the market- which equates to 3.3% of the overall market’s footprint.

Figure 2: Annual Deliveries



Source: CBRE Research, Q1 2020

Figure 3: Rentable Sq. Ft.



Source: CBRE Research, Q1 2020

Figure 4: Key Leasing Transactions

Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
DET Distributing	245 Great Circle Rd	273,664	Northeast/I-65N Corridor	Renewal/Expansion
ProPack Logistics	1125 Vaughn Parkway	273,664	Northeast/I-65N Corridor	New Lease
Regal Beloit	1539 Heil Quaker Blvd	187,930	Interchange City	Renewal
Fresh and Beautiful	1501 Corporate Place	109,000	Interchange City	New Lease
Confidential	234 Mason Rd	71,762	Interchange City	New Lease

Source: CBRE Research, Q1 2020

INDUSTRIAL ABSORPTION

Nashville recorded a total of 1,539,066 sq. ft. of positive net absorption in Q1 2020. The Northeast/I-65N submarket was the most active in the quarter, totaling over 960,000 sq. ft. of positive net absorption. The Interchange City submarket recorded the second highest absorption in the quarter, totaling more than 650,000 sq. ft. The largest deals which occupied this quarter were Electrolux (472,301 sq. ft.) and Comfort Supply (418,197 sq. ft.)

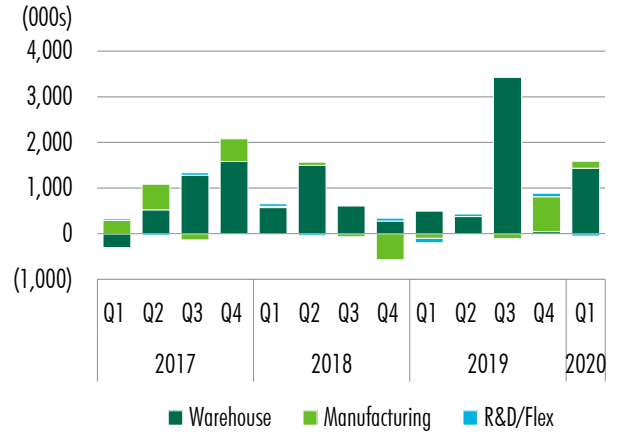
INDUSTRIAL RENTAL RATES

Nashville’s overall industrial asking rental rates have increased 25% from the first quarter of 2015 to their current level of \$5.19 per sq. ft. on a triple net basis. This rent growth has been spurred by new Class A projects, with over 19 million sq. ft. of Class A space being delivered since the first quarter of 2015. In Q1 2020 manufacturing rental rates decreased slightly to \$4.68 per sq. ft., R&D/flex increased to \$9.41 per sq. ft., and warehouse/distribution also saw an increase to \$4.83 per sq. ft.

INDUSTRIAL VACANCY RATES

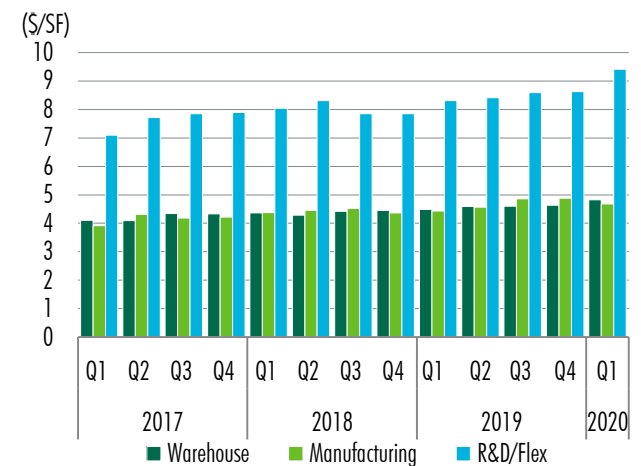
The market has an overall vacancy rate of 7.4%, which is a decrease of 61 basis points from the previous quarter. In terms of property type, warehouse/distribution vacancy rate decreased 90 basis points from the previous quarter, currently at 8.5%, R&D/flex increased to a rate of 10.9% and the manufacturing vacancy decreased to 4.9%. It is important to note that the overall vacancy rate has decreased year over year by 184 basis points.

Figure 5: Quarterly Net Absorption



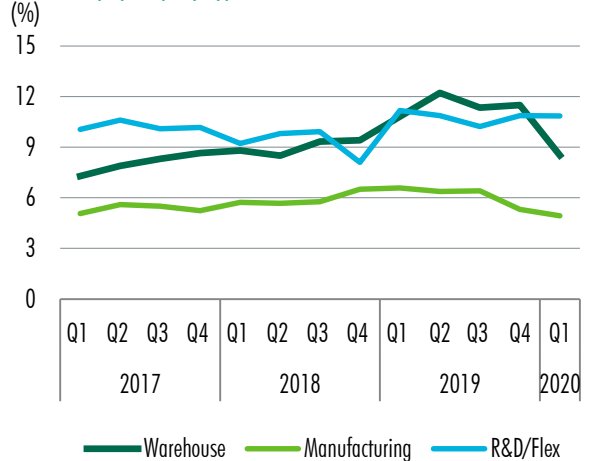
Source: CBRE Research, Q1 2020.

Figure 6: Asking Rental Rates by Property Type



Source: CBRE Research, Q1 2020.

Figure 7: Vacancy by Property Type



Source: CBRE Research, Q1 2020.

Figure 8: Market Statistics

Submarket	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Avail. Rate (%)	Q1 2020 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. NNN Asking Lease Rate (\$/SF/yr)
Allied Drive/I-65	19,404,476	6.9	7.1	9.9	(126,026)	(126,026)	0	7.40
CBD/Polk Avenue	14,127,606	7.3	7.3	11.1	(20,536)	(20,536)	0	6.11
Elm Hill Pike/I-40	35,811,431	5.3	5.4	6.7	49,417	49,417	130,800	5.70
Interchange City	64,620,058	9.5	9.6	11.5	652,678	652,678	1,971,032	4.76
MetroCenter/Cockrill Bend	12,828,058	2.5	2.5	4.5	22,800	22,800	0	6.66
Northeast/I-65N Corridor	40,273,306	7.2	7.3	11.8	960,733	960,733	0	4.34
Warehouse/Distribution	106,201,440	8.4	8.5	10.7	1,432,595	1,432,595	2,101,832	4.83
Manufacturing	68,761,465	4.9	4.9	8.0	155,202	155,202	0	4.68
R&D/Flex	10,893,609	10.4	10.9	13.2	(48,731)	(48,731)	0	9.41
NASHVILLE	187,064,935	7.9	7.4	10.0	1,539,066	1,539,066	2,101,832	5.19

Source: CBRE Research, Q1 2020



CONTACTS

Stephen Kulinski, Managing Director
 +1 615 248 1164
 stephen.kulinski@cbre.com

Will Goodman, Research Analyst
 +1 615 493 9256
 will.goodman@cbre.com

CBRE OFFICES

Nashville Office
 222 2nd Avenue South, Ste. 1800
 Nashville, TN 37219

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/researchgateway.

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.