

MARKETVIEW

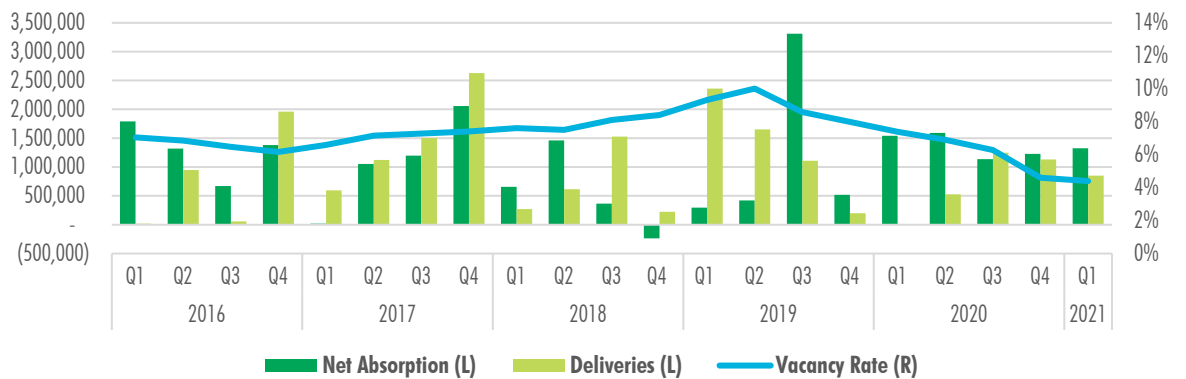
NASHVILLE INDUSTRIAL, Q1 2021

# Strong demand pushes rents upward while vacancy declines

▼ Vacancy Rate 4.4%
▲ Lease Rate \$6.01
▲ Net Absorption 1,323,692 SF
▲ Construction 8,352,630 SF
▼ Completion 849,140 SF

\*Arrows indicate change from previous quarter.

Figure 1: Vacancy Rate, Deliveries and Net Absorption



Source: CBRE Research, Q1 2021

The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter, just over 40% of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

As social distancing measures subside much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared

to 5% for total employment (excluding leisure and hospitality).

As the economy continues to reopen, it is expected to support near 7% GDP growth this year – the strongest pace seen since the early 1980s. This expansion is poised to be broad-based, with personal consumption being a critical factor. Overall, the U.S. economy is projected to create an upward of 7 million total new jobs in 2021.

Nashville’s industrial market continues to experience momentous growth fundamentals. With demand outpacing supply, industrial market conditions will likely remain tight through 2021.

As the Nashville economy continues to recover, the industrial market hasn't skipped a beat as it continues to foster positive market dynamics entering Q1 2021. Unwavering demand for industrial space is outpacing supply, reducing available space options, and driving rent growth.

Over 1.3 million sq. ft. of positive net absorption was recorded in Q1, while only 849,140 sq. ft. of new product delivered to the market. With demand continuing to outweigh supply, the overall vacancy rate declined to 4.4% in Q1 2021, leaving tenants left with limited available options to fit their space requirements. However, some supply relief is forthcoming. With more than 8.3 million sq. ft. of industrial space under construction, this could help provide additional space options for tenants over the next few years.

Investment activity remains active for the industrial market as investors continue to look for opportunities to deploy capital into the Nashville market. With a central, highly accessible location in the Southeastern United States and a growing population, Nashville will continue to be a highly desirable market for companies to establish and grow their operations. And with the increasing use of online shopping portals and demand for last-mile distribution facilities, the Nashville industrial market will continue to benefit from these exceptional drivers.

Figure 2: Annual Deliveries

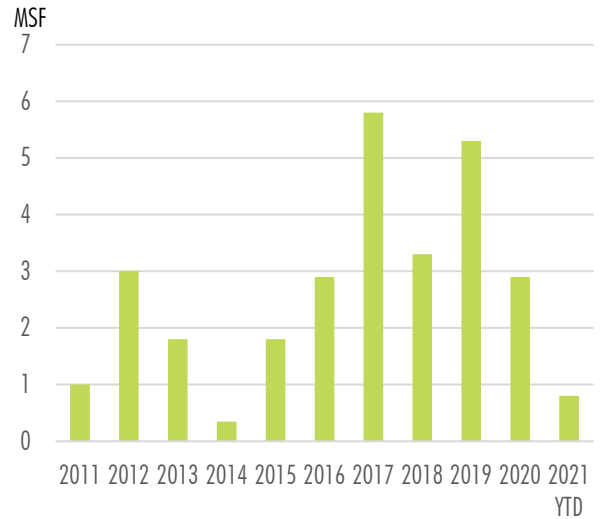
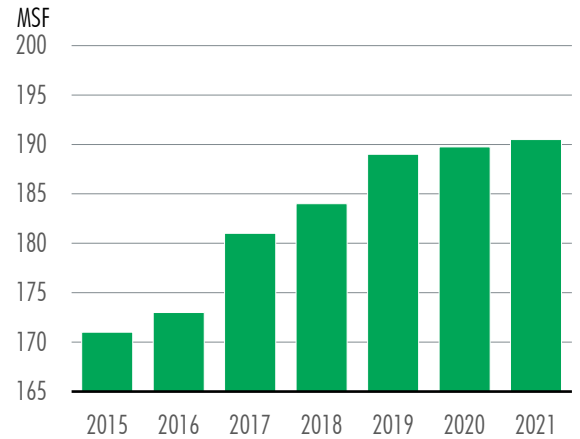


Figure 3: Rentable Sq. Ft.



Source: CBRE Research, Q1 2021

Figure 4: Key Leasing Transactions

Tenant	Location	Size (Sq. Ft.)	Submarket	Transaction Type
Southerland Sleep	6050 Dana Way	314,503	Interchange City	New Lease
Sinomax East, Inc.	1714 Heil Quaker Blvd	276,526	Interchange City	New Lease
Southshore USA	7950 Eastgate Blvd	132,500	Elm Hill Pike/I-40	Renewal
XPO Logistics	1115 Vaughn Pkwy	126,539	Northeast/I-65N Corridor	Renewal
Confidential	3870 Logistics Way	124,290	Interchange City	New Lease

Source: CBRE Research, Q1 2021

**INDUSTRIAL ABSORPTION**

The Nashville industrial market recorded 1.3 million sq. ft. of positive net absorption in Q1 2021. The I-840 and Northeast/I-65N Corridor submarkets posted the highest net absorption figures across the market at 629,288 sq. ft. and 262,087 sq. ft. respectively. With an increasing number of industrial requirements, this strong demand will continue to drive positive absorption and keep Nashville’s industrial market a hub for continued growth.

**INDUSTRIAL RENTAL RATES**

In Q1 2021, the industrial average asking rate was \$6.01 per sq. ft. triple net, a 16% increase year-over-year. Strong demand from existing and new-to-market companies, coupled with limited available space options, have helped drive rent growth and keep the industrial market highly competitive.

**INDUSTRIAL VACANCY RATES**

Despite 849,140 sq. ft. of new construction deliveries this quarter, Nashville’s overall vacancy rate continued to trend downward to 4.4% in Q1 2021. Limited available options have tenants competing for space, and in some cases, searching an expanded geographical area in search of a building to fit their space needs. Increasing tenant demand and positive market fundamentals will continue to foster a landlord-favorable market for the foreseeable future.

Figure 5: Quarterly Net Absorption

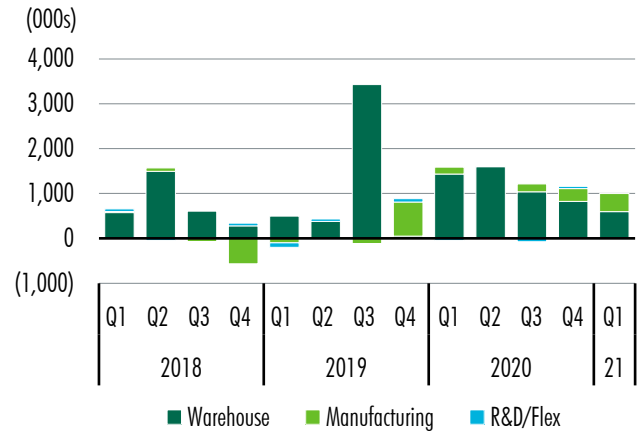


Figure 6: Asking Rates by Property Type

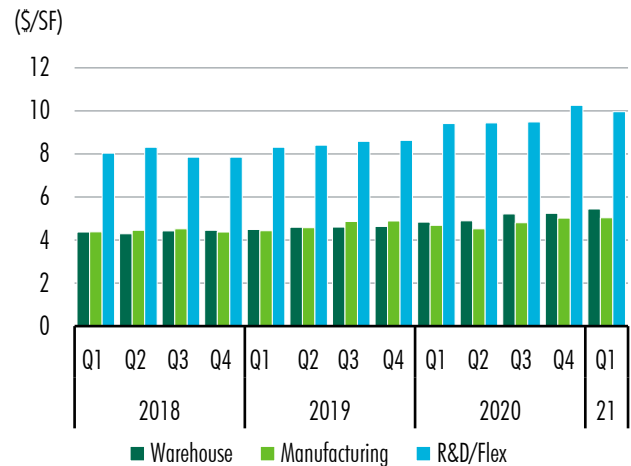
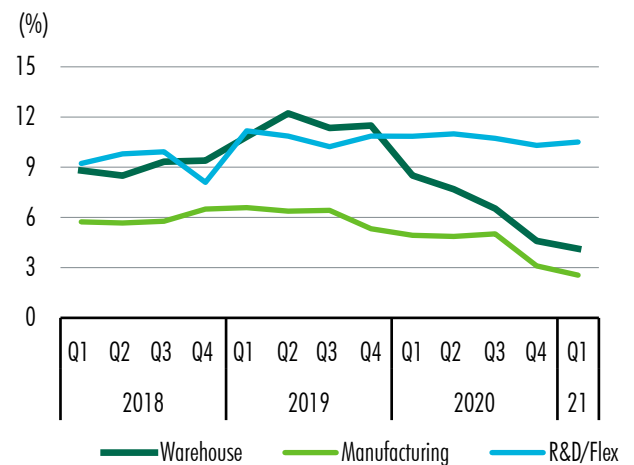


Figure 7: Vacancy by Property Type

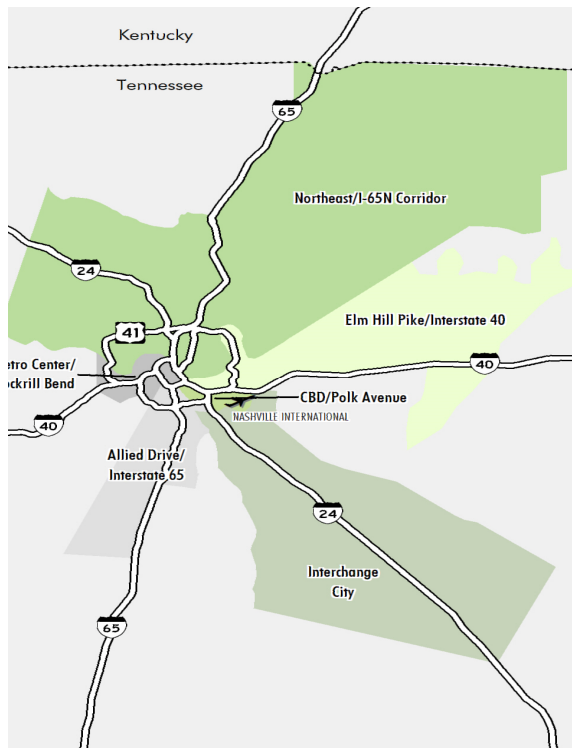


Source: CBRE Research, Q1 2021

Figure 8: Market Statistics

Submarket	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Avail. Rate (%)	Q1 2021 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. NNN Asking Lease Rate (\$/SF/yr)
Allied Drive/I-65	19,094,146	5.0	5.2	8.2	29,124	29,124	0	8.06
CBD/Polk Avenue	13,239,746	5.4	5.4	7.2	169,618	169,618	0	7.08
Elm Hill Pike/I-40	23,919,654	4.2	4.6	5.8	-19,823	-19,823	4,680,935	7.73
I-840	13,531,570	4.0	4.0	5.1	629,288	629,288	1,900,769	5.00
Interchange City	67,494,709	4.2	4.3	4.8	246,198	246,198	1,627,926	5.86
MetroCenter/Cockrill Bend	13,067,290	0.9	0.9	2.0	7,200	7,200	0	7.30
Northeast/I-65N Corridor	40,145,942	5.2	5.2	9.0	262,087	262,087	143,000	4.44
Warehouse/Distribution	107,919,564	4.0	4.1	5.7	593,510	593,510	8,352,630	5.44
Manufacturing	67,876,025	2.5	2.6	4.2	402,756	402,756	0	5.03
R&D/Flex	10,893,609	9.9	10.5	14.1	-27,213	-27,213	0	9.96
<b>NASHVILLE</b>	<b>190,493,057</b>	<b>4.3</b>	<b>4.4</b>	<b>6.1</b>	<b>1,323,692</b>	<b>1,323,692</b>	<b>8,352,630</b>	<b>6.01</b>

Source: CBRE Research, Q1 2021



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