

	YoY Chg	12-Mo. Forecast
<b>18.1%</b> Vacancy Rate	▲	▼
<b>-278K</b> Net Absorption, SF	▼	▲
<b>\$31.42</b> Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
<b>1.06M</b> Nashville Employment	▼	▲
<b>4.3%</b> Nashville Unemployment Rate	▲	▼
<b>6.0%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

## ECONOMY

Nashville's economy continues to recover with an unemployment rate of 4.3%, 170 basis points (bps) under the U.S. average. Corporate relocations and expansions remain active with the likes of NTT Data, Revance Therapeutics, and DailyWire choosing Music City for their long-term operations. With economic growth remaining steady, home values hitting new record highs, and rapid vaccine distribution across Tennessee, Nashville is accelerating towards a bright post-pandemic future.

## DEMAND

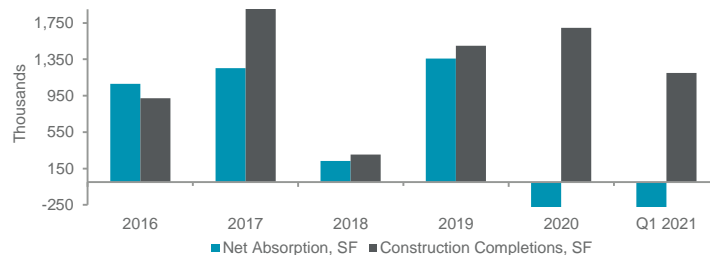
Nashville's office market recorded nearly 300,000 square feet (sf) of new leasing transactions for Q1 2021. Despite slowdown in some submarkets, Midtown maintained activity and secured a large sublease from NTT Data at Capitol View-Block E. The Japan-based IT service company will occupy Bridge Connectors' previous 34,685-sf space and plans to create 350 new jobs for Nashville. Also in Midtown, newly constructed buildings continue to see interest with deals signed by Southern Orthodontics at Three-Thirty-Three, Roundhill Music at 18<sup>th</sup> & Chet, and Conquest Cyber at One Music Circle.

Throughout 2020, several tenants grew uncertain of their operation plans with many companies dictating a temporary "work from home" order. However, large companies such as Premise Health, Labcorp of America, Bohan Agency, and Vanderbilt University renewed their leases, showing the importance of office space and how it remains a valuable asset for operations and productivity. In fact, Nashville's total renewal transactions posted at 309,000 sf, a 68.0% increase from this time last year.

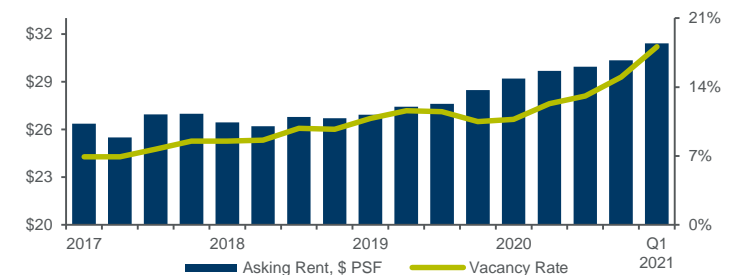
## PRICING

Despite an increase in available space, overall gross rents held steady at \$31.42 per square foot (psf) for Q1 2021. This is a 7.6% increase year-over-year (YOY), driven by new construction in the urban core with speculative buildings such as Broadwest and Voorhees/Antiques Building delivering this quarter. Landlords remain confident in Nashville's long-term growth and have not decreased asking rates for new Class A product as tenant demand begins to gain momentum for post-pandemic work environments.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



# NASHVILLE

Office Q1 2021



## SUPPLY AND ABSORPTION

Overall vacancy rose to 18.1% for Q1 2021 as high volumes of sublease availabilities added more empty space to the Nashville market. Vacancy in the Cool Springs/Franklin submarket continued to grow due to large subleases at One Franklin, Cool Springs V, and Moore's Crossing. Nashville's total direct vacancy, which excludes sublease space, posted at 14.5%. The Midtown and CBD submarkets posted high vacancy rates; however, this was driven not by sublease vacancy additions but by recent deliveries within the last six months like Broadwest, 501 Commerce, Three-Thirty-Three, Gulch Union, and Voorhees/Antiques Building. With the majority of these projects posting strong preleasing activity, vacancy in the urban core should gradually decrease throughout 2021 as space buildouts are completed. Large tenants such as AllianceBernstein, Revance Therapeutics, Mechanical Licensing Collective, and Baker Donelson are all expected to occupy their new space throughout 2021.

With increased sublease vacancies, Nashville recorded -278,460 sf of net absorption for Q1 2021. However, the CBD submarket remained positive and posted over 335,000 sf of overall gains with Amazon's HQ I tower completing at the end of March. The Midtown submarket also showed positive absorption with preleased tenants Robert Baird and ServisFirst occupying Broadwest upon completion.

## CONSTRUCTION

Nashville's development pipeline kicked off 2021 with over 1.2 million square feet (msf) of new office product delivering. This is an 83.0% increase YOY, which is mainly driven by Broadwest – 520,000 sf, Amazon HQ I – 553,000 sf, and Voorhees/Antiques Building – 48,000 sf. Propst's Broadwest delivered 28.0% preleased and their 98,000 sf creative office phase is expected to complete next quarter. Somera Road's Voorhees/Antiques Building delivered in the South Gulch district where the NY-based equity firm sees further potential with two mixed-use towers currently proposed for the area.

More than 2.3 msf of office product remained under construction at the close of Q1 2021. Significant projects include Neuhoff – 385,000 sf, one2zone – 365,000 sf, and Asurion's HQ – 551,000 sf. Hall Emery's 17<sup>th</sup> & Grand broke ground this quarter in the Midtown submarket where Cooper Steel plans to occupy 18,000 sf. With new Class A leasing activity remaining consistent throughout the pandemic, developers and investors target Nashville for long-term growth, especially in the urban core. In fact, since the pandemic, over 2.2 msf of new product has delivered in the urban core and is currently leased at an average of 52.0%.

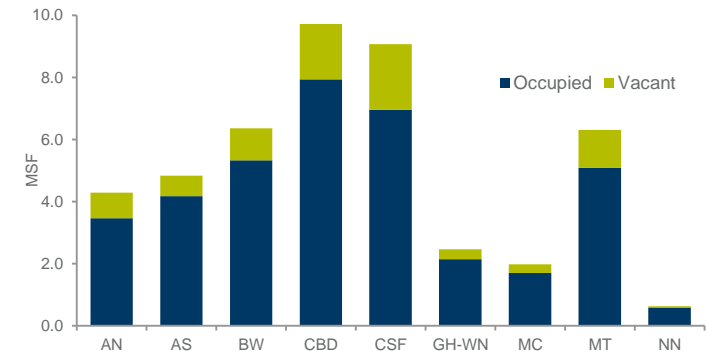
## Outlook

- With Nashville leading the nation in job recovery, low unemployment, and rapid vaccine distribution, office space remains a valuable asset for both small and larger companies.

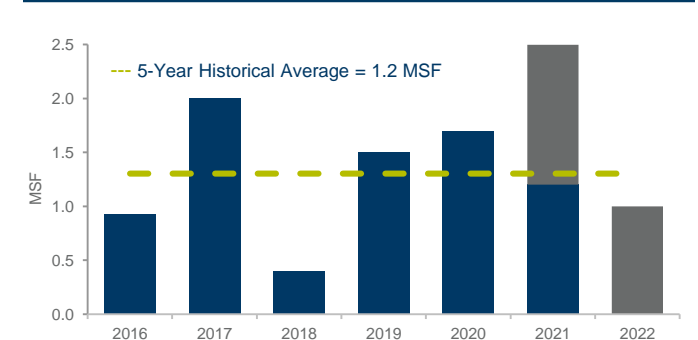
## CLASS A OVERALL ASKING RENT – SUBMARKET COMPARISON



## OCCUPANCY & VACANCY – SUBMARKET COMPARISON



## NEW SUPPLY



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANCY RATE	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	CURRENT QTR DIRECT NET ABSORPTION (SF)	CURRENT QTR LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Airport North	4,283,950	7.0%	524,144	19.2%	-240,223	-32,647	18,351	0	\$22.28	\$25.96
Airport South	4,830,183	0.3%	646,061	13.7%	12,925	3,240	15,924	357,000	\$18.09	\$24.37
Brentwood	6,352,493	3.9%	780,589	16.2%	-150,644	18,128	48,648	0	\$28.09	\$31.33
CBD	9,713,520	3.6%	1,427,576	18.3%	335,202	500,066	25,301	467,699	\$33.13	\$36.36
Cool Springs/Franklin	9,069,504	6.1%	1,562,044	23.3%	-224,926	-255,071	50,972	192,000	\$31.90	\$31.97
Green Hills/West Nashville	2,457,873	0.3%	308,181	12.8%	19,912	20,457	12,019	23,000	\$35.43	\$37.41
MetroCenter	1,974,650	4.3%	187,660	13.9%	-60,582	-19,922	0	0	\$19.82	\$26.50
Midtown	6,308,790	1.0%	1,160,049	19.4%	27,524	19,818	113,486	1,281,501	\$42.60	\$43.86
North Nashville	620,544	0.0%	32,634	5.3%	2,352	2,352	16,363	0	\$20.50	\$22.50
<b>NASHVILLE TOTALS</b>	<b>45,611,502</b>	<b>3.6%</b>	<b>6,629,938</b>	<b>18.1%</b>	<b>-278,460</b>	<b>256,421</b>	<b>301,064</b>	<b>2,321,200</b>	<b>\$31.42</b>	<b>\$36.10</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5500 Maryland Way – Gateway Plaza II	Brentwood	Premise Health	63,121	Renewal*
201 Summit View Drive – The Summit Building	Brentwood	Labcorp of America	55,945	Renewal*
6840 Carothers Pkwy – Cool Springs IV	Cool Springs/Franklin	Idemia	54,526	Renewal* (Short Term)
124 12 <sup>th</sup> Ave South – Bohan Building	Midtown	Bohan Agency, Inc	36,842	Renewal
500 11 <sup>th</sup> Ave North – Capitol View Block E	Midtown	NTT Data	34,685	Sublease
340 Seven Springs Way – Seven Springs West	Brentwood	Healthcare Bluebook	29,670	Sublease**

\*Renewals not included in leasing statistics

\*\*Leasing activity recorded last quarter

## KEY UNDER CONSTRUCTION PROJECTS Q1 2021

PROPERTY	SUBMARKET	OWNER / DEVELOPER	SF	CONSTRUCTION TYPE
11 <sup>th</sup> Ave S. at Church Street - Asurion Headquarters	Midtown	Highwoods Properties	551,000	Build-to-Suit
1300 Adams Street – Neuhoff – Phase I	CBD	New City	385,000	Speculative
1221 Demonbreun St. - one2zone	Midtown	GBT	365,000	Speculative
1131 4 <sup>th</sup> Ave. South - Nashville Warehouse	Airport South	AJ Capital Group	200,000	Speculative

## KEY CONSTRUCTION COMPLETIONS YTD 2021

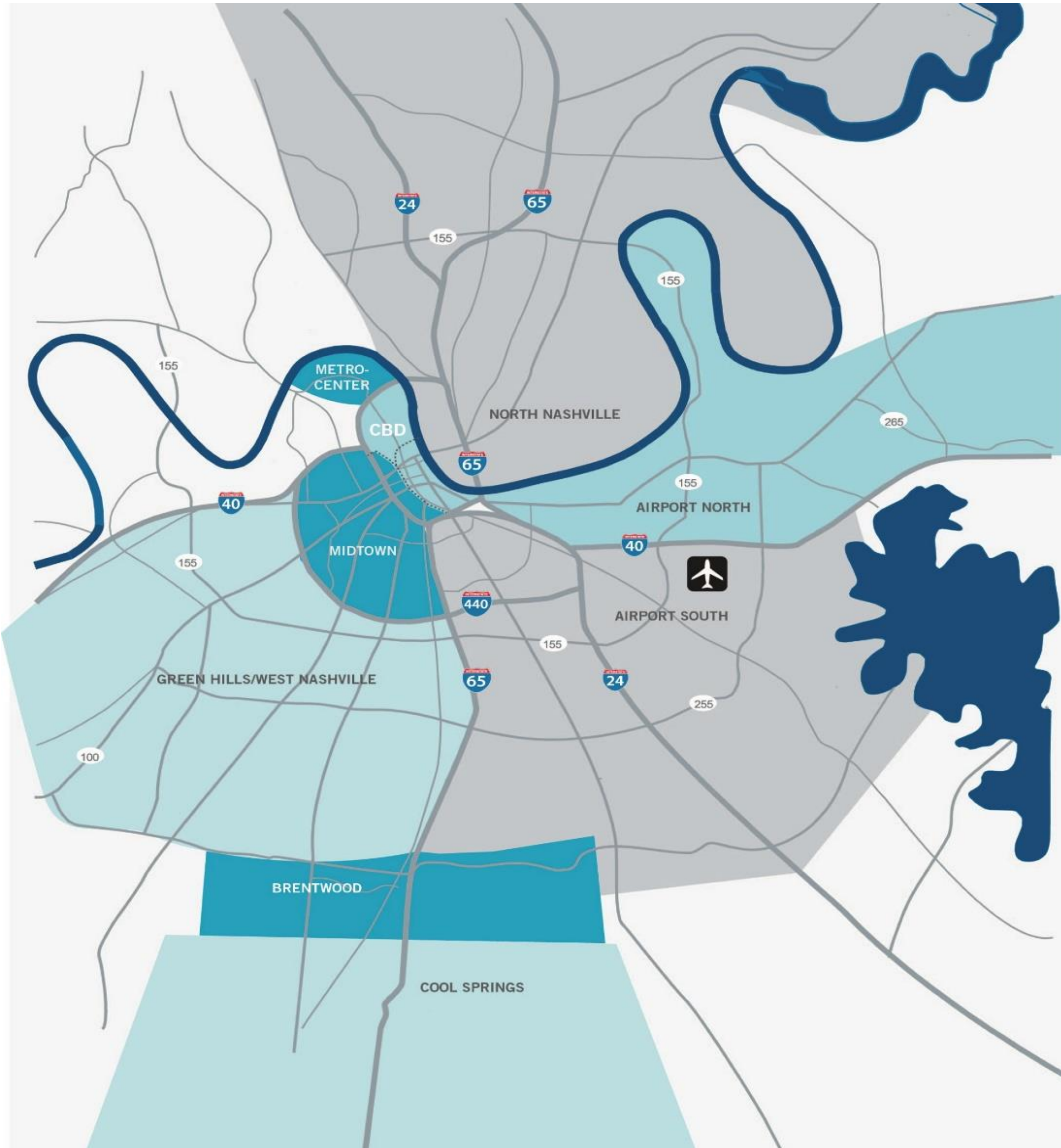
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
200 10 <sup>th</sup> Ave North - Amazon HQ I	CBD	Amazon	552,773	Southwest Value Partners
1600 West End - Broadwest	Midtown	Baker Donelson	520,420	Propst Properties
4027 Rural Plains - Two Town Center - Berry Farms	Cool Springs/Franklin	N/A	80,000	Boyle Investment Co.

# NASHVILLE

Office Q1 2021



## OFFICE SUBMARKETS



### Zander El-Hindi

Senior Research Analyst

Tel: +1 615 301 2826

[zander.elhindi@cushwake.com](mailto:zander.elhindi@cushwake.com)

### A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

*©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.*

[cushmanwakefield.com](http://cushmanwakefield.com)