

**MARKETVIEW**

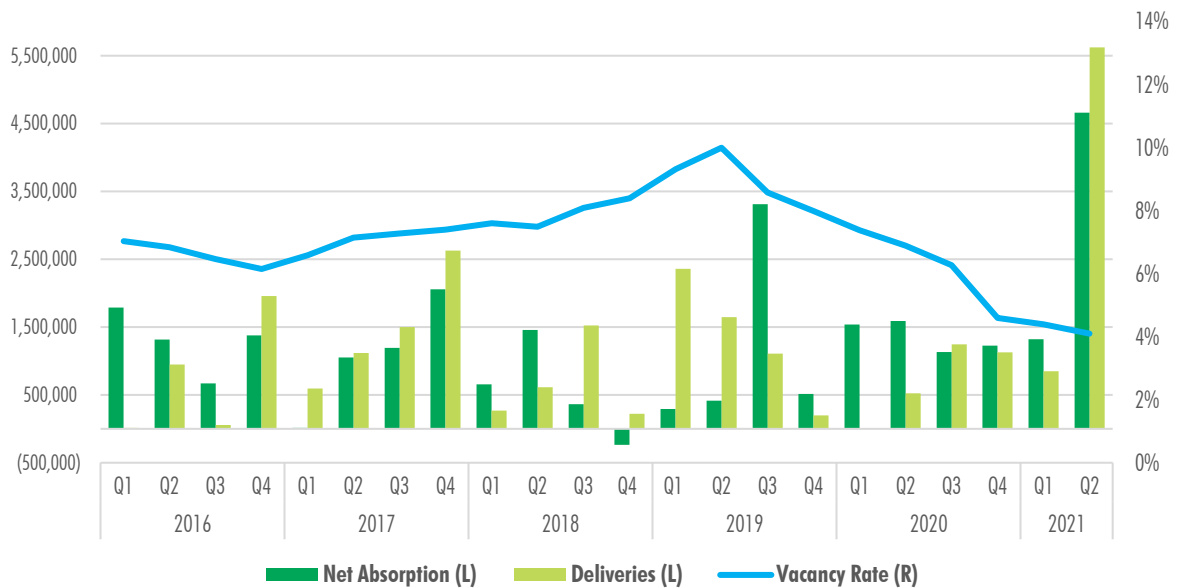
NASHVILLE INDUSTRIAL, Q2 2021

**Strong positive absorption puts downward pressure on vacancy despite new construction deliveries**

▼ **Vacancy Rate** 4.1%    
 ▲ **Lease Rate** \$6.12    
 ▲ **Net Absorption** 4,663,472 SF    
 ▼ **Construction** 5,899,798 SF    
 ▲ **Completion** 5,623,931 SF

\*Arrows indicate change from previous quarter.

Figure 1: Vacancy Rate, Deliveries and Net Absorption



Source: CBRE Research, Q2 2021

Economists forecast that 2021 will exhibit the highest economic growth since the early 1980s, with GDP growth hitting 7% as the pandemic fades and society and commerce normalize. However, a key impediment to increasing growth is a shortage of critical inputs, such as labor, microchips, and raw materials – a direct repercussion of the economic slowdown due to the pandemic.

Spending on consumer goods remained steady during 2020, and households are now shifting consumption to services. Despite the shift to services, continued spending on consumer goods expands the e-commerce market, resulting in unwavering demand for industrial space. In the face of scarce raw material supply, industrial construction completion in Nashville increased 85% since Q1 2021.

In May, Nashville lifted its mask mandate and reopened at full capacity at the discretion of individual businesses, helping to improve and expand economic activity throughout the market. Nashville’s economy has proven resilient in its recovery since the pandemic, with the industrial market displaying consistent expansion. Company relocations to Nashville, a growing population, and improving economic conditions have continued to bolster the strength of the industrial market.

In Q2, the Nashville market recorded 4,663,472 sq. ft. of positive net absorption. Amazon’s Project Sam absorbed 3.6 million sq. ft. upon delivery this quarter, more than doubling the tech giant’s footprint in the market. Even with over 5.6 million sq. ft. of new construction delivered, Nashville’s overall vacancy rate trended downward to 4.1% in Q2. More than 5.9 million sq. ft. of industrial space is under construction, which should provide tenants with additional space options over the coming quarters.

Investors continue to pursue Nashville as a top choice for new projects for its clear geographic and logistical advantages. From Nashville, 72% of the US population is reachable in two-day ground delivery. Additionally, with Nashville International Airport’s \$1.4 billion expansion underway, this will add new terminals and increase the number of direct flights to Nashville, allowing for expanded cargo capabilities to support Nashville’s growing industrial market.

Figure 2: Annual Deliveries

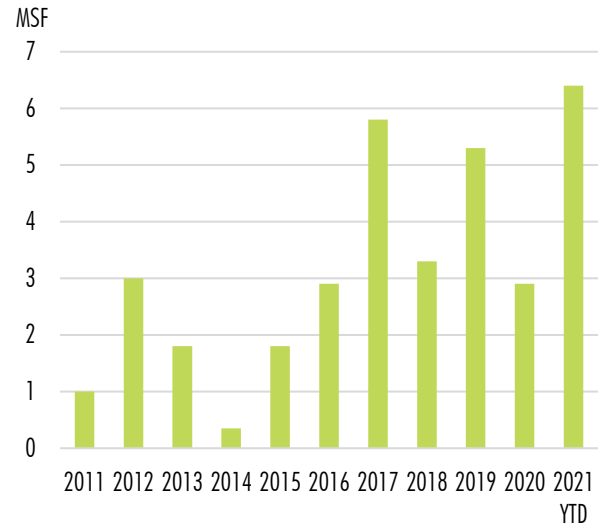
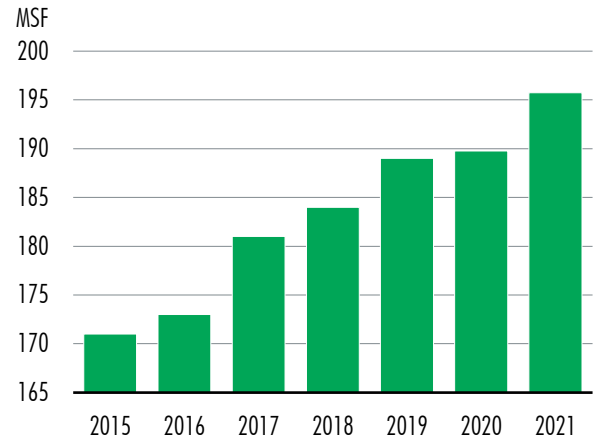


Figure 3: Rentable Sq. Ft.



Source: CBRE Research, Q2 2021

Figure 4: Key Leasing Transactions

Tenant	Location	Size (Sq. Ft.)	Submarket	Transaction Type
Amazon	Project Sam	3,600,000	Elm Hill Pike/I-40	New Lease
Confidential	First Rockdale V	691,920	I-840	New Lease
Hills Pet Nutrition	Speedway Industrial Building 7	355,488	I-840	New Lease
Quanta Manufacturing	Interchange Distribution Center	259,200	Interchange City	New Lease
Confidential	Speedway Industrial Building 6	257,040	I-840	New Lease

Source: CBRE Research, Q2 2021

**INDUSTRIAL ABSORPTION**

The Elm Hill Pike/I-40 and Interchange City submarkets posted the highest net absorption figures across the market at 3,508,954 sq. ft. and 732,010 sq. ft., respectively. A confidential tenant contributed to roughly 4.1 million sq. ft. of positive absorption across multiple locations. As additional tenant requirements enter the market and multiple construction projects near completion, absorption is projected to remain strong through the remainder of the year.

**INDUSTRIAL RENTAL RATES**

In Q2, the industrial average asking rate was \$6.12, a 17.5% increase year-over-year. MetroCenter saw the highest rent growth quarter-over-quarter due to a number of R&D/Flex space options coming online, which elevated the average asking rent for the submarket. Consistent demand and decreasing vacancy should keep industrial market conditions tight, continuing to nurture a landlord-favorable market.

**INDUSTRIAL VACANCY RATES**

Nashville’s overall vacancy trended downward to 4.1% in Q2, a 41% decrease year-over-year. Despite over 5.6 million sq. ft. of new construction deliveries in Q2, strong demand continues to place downward pressure on vacancy, leaving tenants on a constant hunt for industrial space to fit their requirements.

Figure 5: Quarterly Net Absorption

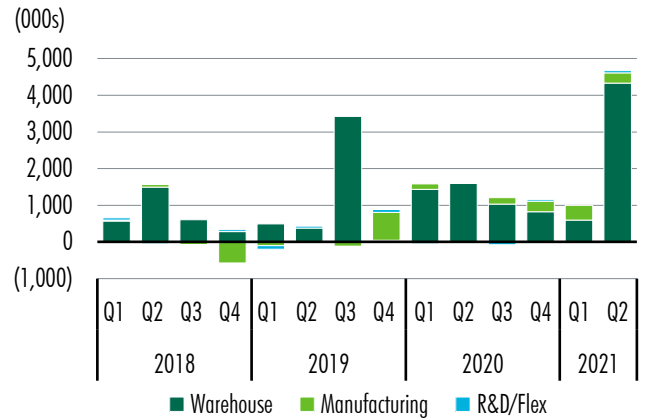


Figure 6: Asking Rates by Property Type

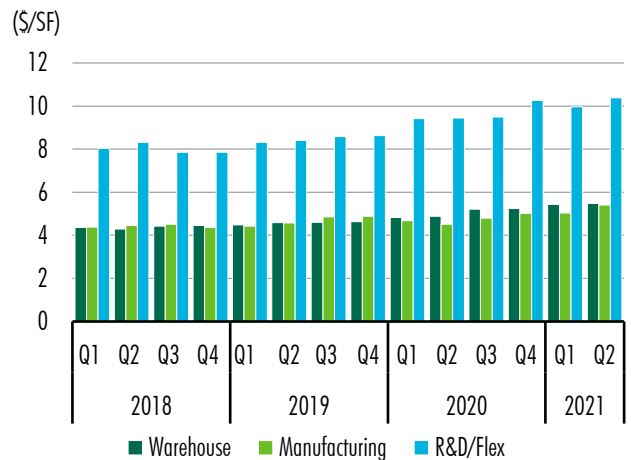
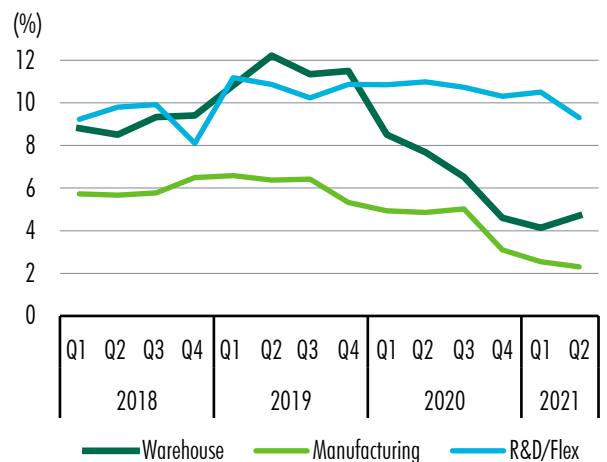


Figure 7: Vacancy by Property Type

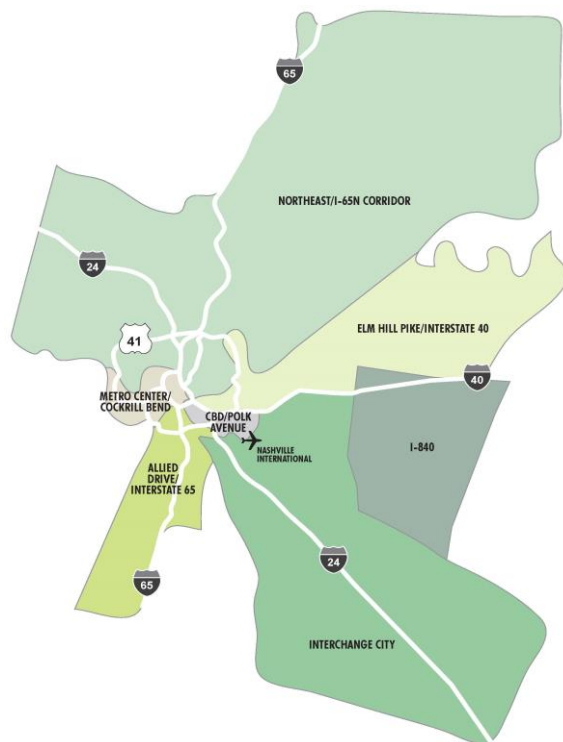


Source: CBRE Research, Q2 2021

Figure 8: Market Statistics

Submarket	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Avail. Rate (%)	Q2 2021 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. NNN Asking Lease Rate (\$/SF/yr)
Allied Drive/I-65	18,907,343	3.7	4.1	7.5	40,224	270,042	0	8.24
CBD/Polk Avenue	12,979,012	5.2	5.4	7.3	-12,000	157,618	0	7.25
Elm Hill Pike/I-40	27,042,171	3.1	3.6	4.6	3,508,954	3,514,431	2,187,996	7.86
I-840	14,923,379	3.7	3.7	8.0	257,040	886,328	2,151,022	4.66
Interchange City	68,869,939	4.3	4.5	4.9	732,010	1,077,156	1,430,780	6.31
MetroCenter/Cockrill Bend	12,937,071	0.9	1.0	3.4	17,034	24,234	0	7.76
Northeast/I-65N Corridor	40,063,149	4.4	4.4	8.0	120,210	358,297	130,000	4.52
Warehouse/Distribution	115,173,596	4.6	4.7	7.0	4,351,106	5,554,358	5,899,798	5.48
Manufacturing	67,065,210	2.1	2.3	3.5	283,465	686,221	0	5.41
R&D/Flex	10,535,865	8.5	9.3	12.1	38,667	19,594	0	10.38
<b>NASHVILLE</b>	<b>195,722,064</b>	<b>3.9</b>	<b>4.1</b>	<b>6.0</b>	<b>4,663,472</b>	<b>6,288,106</b>	<b>5,899,798</b>	<b>6.12</b>

Source: CBRE Research, Q2 2021



## CONTACTS

### STEPHEN KULINSKI

Managing Director  
 +615 248 1164  
[stephen.kulinski@cbre.com](mailto:stephen.kulinski@cbre.com)

### DIANA JOHNSON-O'BRIEN

Senior Research Analyst  
 +615 493 9256  
[diana.johnsonobrien@cbre.com](mailto:diana.johnsonobrien@cbre.com)

### JOANNA PASZEK

Research Analyst  
 +615 248 1108  
[joanna.paszek@cbre.com](mailto:joanna.paszek@cbre.com)

## CBRE OFFICES

Nashville Office  
 222 2<sup>nd</sup> Avenue South, Ste. 1800  
 Nashville, TN 37201

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.