

MARKETBEAT

Nashville

Office Q4 2018



NASHVILLE OFFICE

Economic Indicators

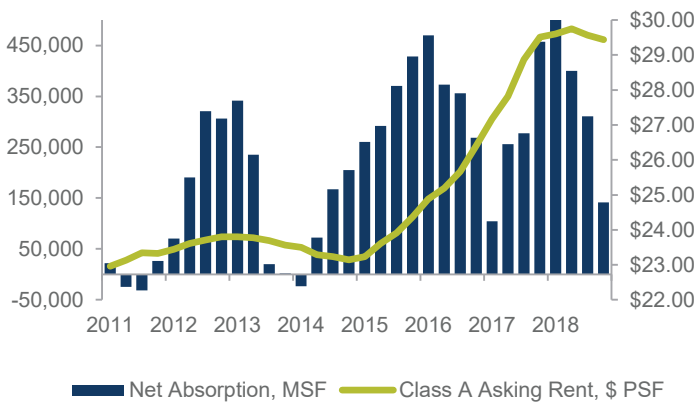
	Q4 17	Q4 18	12-Month Forecast
Nashville Employment	988k	1007.8k	▲
Nashville Unemployment	2.6%	2.9%	▼
U.S. Unemployment	4.1%	3.7%	▼

Market Indicators (Overall, All Classes)

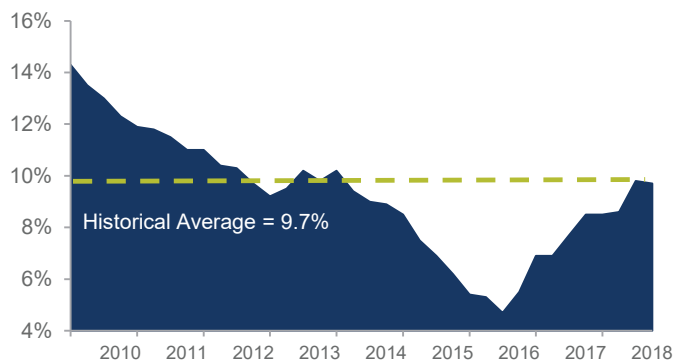
	Q4 17	Q4 18	12-Month Forecast
Vacancy	8.5%	9.7%	▲
Net Absorption (sf YTD)	909K	233K	■
Under Construction (sf)	1.7M	2.9M	■
Average Asking Rent*	\$26.99	\$26.71	▲

*Rental rates reflect weighted gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

In 2018, Nashville's increasing employment and population placed it amongst the healthiest economies in the U.S. Low unemployment and a tight housing market helped differentiate Nashville from its regional and national competitors. Employment topped 1.0 million for the first time, with projections that the population will exceed 2.0 million within three years. All this translated into booming commercial and residential real estate sectors. The development community demonstrated an optimistic outlook on Nashville's future that led to speculative construction in traditional and emerging parts of the metropolitan area.

Market Overview

Nashville's overall office vacancy rate finished 2018 at 9.7%, a 120-basis point (bps) increase from one year ago. This jump was driven by an increase in vacant new construction and an influx of sublease space. Cool Springs had the largest year-over-year difference, with a 520-bps increase to 12.3%, including an 80-bps increase between third and fourth quarter. A large concentration of newly constructed vacant space in the market led to the increase. Meanwhile, vacancy continued to tighten in the CBD as the rate decreased for the fourth straight quarter to 9.3%, down 410 bps from the end of 2017. Strong leasing activity and tenant move-ins contributed to the submarket's robust year. Class A vacancy decreased 50 bps quarter-over-quarter to 10.0%. Meanwhile, Class B vacancy increased 50 bps quarter-over-quarter to 10.5% and is up 230 bps from the end of 2017.

Overall absorption for the year totaled just over 232,000 square feet (sf). The CBD market was the primary driver during 2018, with over 359,000 sf of absorption. Verizon vacated its 180,000-sf call center at 455 Duke Drive in October, which created a chunk of negative absorption in Cool Springs. Notable large occupancies during the year included WeWork moving in to 66,000 sf at One Nashville Place and Nissan taking a 55,000-sf sublease space at Cool Springs V. Nine tenants, including Bank of America, E+Y, and Silicon Ranch, moved into 222 Second Avenue South during 2018, bringing the building close to complete occupancy.

The direct average gross asking rent in Nashville finished 2018 at \$26.91 per square foot (psf), down \$0.28 psf from this time last year. Four of Nashville's nine statistical markets posted Class A direct rents greater than \$30.00 psf, including Cool Springs/Franklin which jumped \$0.91 psf year-over-year. Midtown was the highest at \$34.38 psf, with Green Hills/West Nashville closely behind at \$33.67 psf. cushmanwakefield.com 1 1

North Nashville remained the most affordable Class A market at \$21.16 psf.

Over 302,000 sf of newly constructed space was completed in 2018, primarily in the latter half of the year. 3401 Mallory Lane was the largest completion, with 179,000 sf of Class A space added to the Cool Springs/Franklin market. 4000 Hillsboro Pike (60,000 sf) and Capitol View Block D (40,000 sf) also completed during the third quarter. CitiView II in the Airport South submarket delivered in the fourth quarter with 24,000 sf. Over 21.0% of the newly constructed space was preleased.

An additional 2.9 million square feet (msf) of space was under construction at the end of the year. Over 1.2 msf is set to deliver in early 2019, including 302,000 sf at Capitol View Block E, and MarsPetcare's 224,000 sf build-to-suit headquarters in Cool Springs. Other large projects include Fifth + Broadway (385,000 sf), Gulch Union (323,000 sf) and Peabody Plaza (280,000 sf), which are slated for delivery in mid-2020. Preleasing activity has been strong in these projects, with over 24.4% of the square footage pre-leased.

Nashville leasing activity totaled almost 1.7 msf of new deals in 2018. During fourth quarter, Amazon selected Nashville for its new Center of Excellence. The ecommerce giant will be taking an as-yet undisclosed amount of space at Nashville Yards in a building which has not begun construction. AllianceBernstein signed a 205,000 sf lease at Fifth + Broadway to relocate its operations center from New York City. Additional large new leases of the year include Asurion leasing 550,000 sf at 1100 Broadway and Philips taking 107,700 sf at 414 Union Street, now called Philips Plaza. Several large renewals also occurred in 2018, including Community Health Services renewing its 179,000-sf space at 9009 Carothers Boulevard in Cool Springs. HireRight LLC also renewed 86,000 sf at 100 Centerview Drive in Airport North.

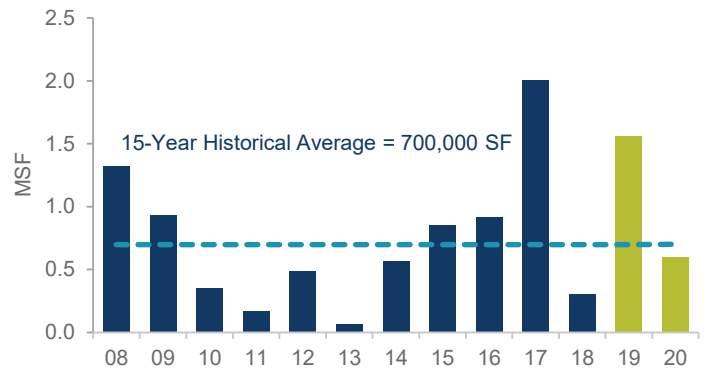
Unico Properties completed the largest sale of the year with the \$139.5-million, \$354-psf acquisition of One Nashville Place. Earlier in the year, Caterpillar purchased 2120 West End Avenue, a building it had been occupying since its completion in 1999, for \$90 million (\$290.88 psf).

Outlook

- Average direct rents should continue to climb in 2019 as newly constructed buildings come online
- Class B vacancy could continue to rise as tenants have opportunities in new Class A buildings

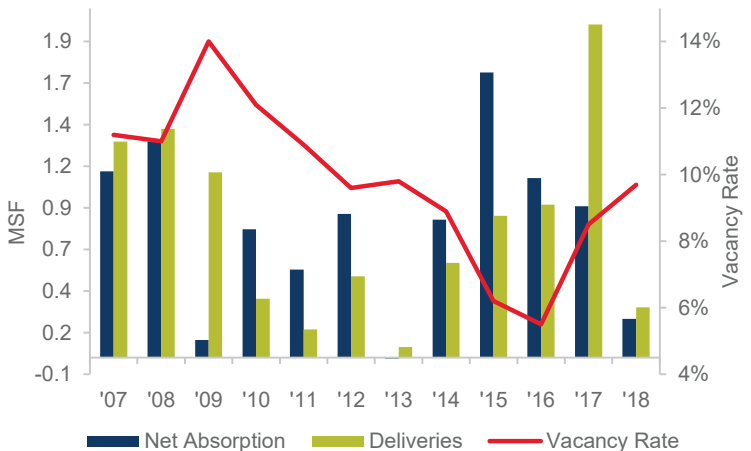
New Supply

NEW SUPPLY EXPECTED TO STAY AROUND HISTORICAL AVERAGE



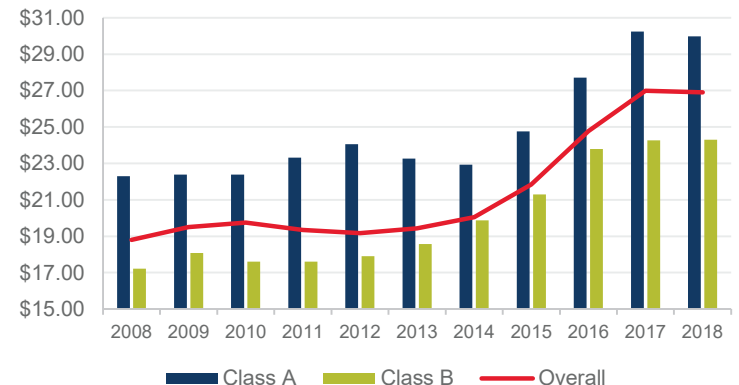
Net Absorption-Deliveries-Vacancy

VACANCY EXPECTED TO CONTINUE RISING



Rental Rate Growth

CLASS A RENT HAS SEEN A 29.4% GROWTH IN THE PAST 10 YEARS



MARKETBEAT
Nashville
Office Q4 2018



SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	Q4 18 DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD DELIVERIES (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT (ALL CLASSES)*	CLASS A DIRECT AVERAGE ASKING RENT*	CLASS B DIRECT AVERAGE ASKING RENT*
Airport North	4,255,752	433,332	10.2%	27,977	69,503	0	0	\$21.08	\$23.50	\$18.23
Airport South	3,633,218	382,646	10.5%	-47,923	-75,990	24,286	26,091	\$18.87	\$25.40	\$18.42
Brentwood	5,606,745	575,865	10.3%	-916	-170,950	0	0	\$27.65	\$29.60	\$26.92
CBD	8,384,224	702,457	8.4%	121,704	355,999	0	1,501,398	\$27.72	\$30.56	\$26.48
Cool Springs/Franklin	7,917,024	928,617	11.7%	-100,414	-78,979	178,638	522,000	\$30.40	\$30.80	\$28.08
Green Hills/West Nashville	2,007,648	86,646	4.3%	-3,894	10,177	60,000	31,000	\$32.62	\$33.67	\$24.00
MetroCenter	1,871,717	102,607	5.5%	1,796	41,896	0	0	\$22.53	\$24.00	\$22.10
Midtown	4,526,554	256,683	5.7%	372	25,499	40,000	853,328	\$32.09	\$34.38	\$29.70
North Nashville	620,544	54,174	8.7%	0	12,634	0	0	\$20.19	\$21.16	\$19.19
NASHVILLE TOTALS	38,823,426	3,523,027	9.1%	-1,298	189,789	302,924	2,933,817	\$26.91	\$29.98	\$24.31

*Rental rates reflect gross weighted asking \$psf/year, in buildings with available space

	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	Q4 18 DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD DELIVERIES (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*
Class A	18,958,103	1,721,065	9.1%	68,272	247,945	302,924	2,933,817	\$29.98
Class B	16,980,121	1,707,160	10.1%	-66,142	-58,851	0	0	\$24.31
Class C	2,885,202	94,802	3.3%	-3,428	695	0	0	\$19.51

Key Lease Transactions 2018

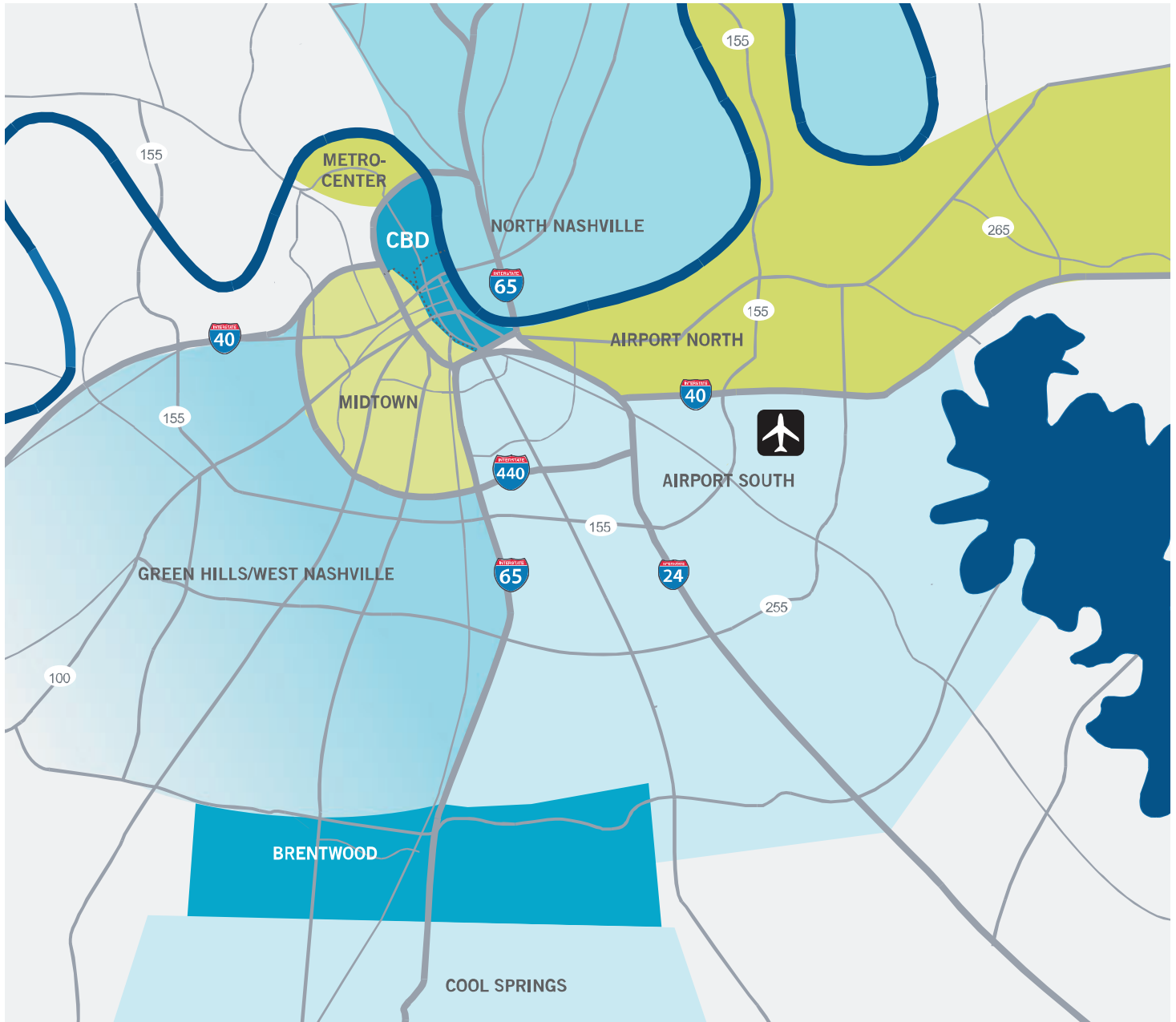
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1100 Broadway	550,619	Asurion	New Lease	Midtown
501 Commerce Street	205,000	AllianceBernstein	New Lease	CBD
9009 Carothers Boulevard	178,788	Community Health Services	Renewal	Cool Springs/ Franklin
414 Union Street	107,700	Philips	New Lease	CBD
100 Centerview Drive	85,564	HireRight LLC	Renewal	Airport North

Key Under Construction Projects 2018

PROPERTY	SF	TARGET COMPLETION	TYPE	SUBMARKET
501 Commerce St	385,000	Q2 2020	Speculative	CBD
Gulch Union	323,000	Q2 2020	Speculative	Midtown
Capitol View - Block E	302,000	Q1 2019	Speculative	Midtown
Peabody Plaza	280,000	Q2 2020	Speculative	CBD
Northside McEwen	180,000	Q2 2019	Speculative	Cool Springs/Franklin
18 th & Chet	121,500	Q1 2019	Speculative	Midtown
1 Music Circle	106,480	Q1 2019	Speculative	Midtown
1200 Broadway	66,150	Q3 2019	Speculative	Midtown

OFFICE SUBMARKETS

NASHVILLE



Cushman & Wakefield
1033 Demonbreun, Ste. 600
Nashville, TN 37203

For more information, contact:
Christine DelTufo, Research Analyst
Tel: +1 615 301 2816
christine.deltufo@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 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.