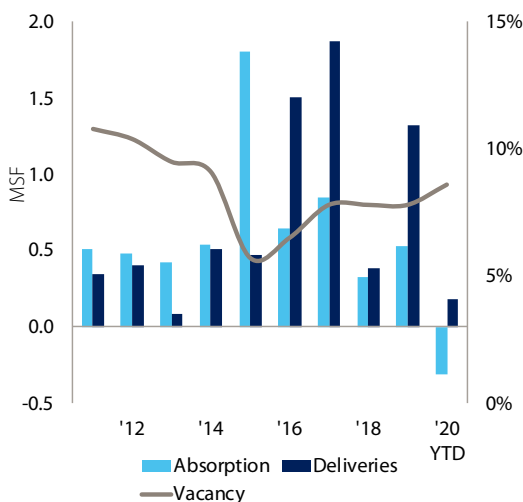




### Market Snapshot

	1Q19	1Q20
Inventory	43.2 msf	43.8 msf
Vacancy	7.7%	8.6%
YTD Net Absorption	22,786 sf	(311,882) sf
YTD Deliveries	156,384 sf	179,396 sf
Under Construction	4.2 msf	4.0 msf
Avg. Asking Rents	\$28.40 psf	\$29.07 psf
Unemployment	2.5%	2.8%

### Absorption, Deliveries & Vacancy



**While Nashville businesses and residents rebuild from a powerful tornado that touched down in Middle Tennessee, they must also brace for what economists are predicting will be an upcoming global recession due to the financial headwind effects that widespread closures in response to COVID-19 are creating throughout the nation and globe.**

Average asking rents in the Nashville office market increased by 2.3% year-over-year to \$29.07 per square foot (psf) in the first quarter. Asking rents for Class A space continue to plateau as new construction and more space becomes available, rising by just 0.4% year-over-year to \$31.24 psf. Class B asking rents kept climbing during the quarter, increasing 3.4% to \$26.42 psf year-over-year. While tenants across the board are paying more psf for office space, they are managing occupancy costs in part through smaller footprints and more efficient utilization of space.

Office vacancy continued to trend upward, ending the first quarter at 8.6%, up 90 basis points (bps) year-over-year. Class A vacancy ended the quarter up 160 bps year-over-year reaching 10.4%, while Class B vacancy recorded little improvement, down 10 bps to 7.1% in the same time period.

After a strong performance in 2019, Nashville's office market dipped during the first three months of 2020, registering negative YTD net absorption of 311,882 square feet (sf). Leasing activity remained healthy, however, with many notable leases inked during the quarter. iHeartRadio, the nation's largest radio network, signed a 40,000-sf lease at the recently delivered 1200 Broadway mixed-use development in the CBD. Announced at the end of 2019, the Nashville location will serve as the company's second headquarters for its digital division.

At the end of the first quarter, the Nashville office market had almost four million square feet (msf) under construction. The CBD accounts for more than 68% of current construction. Urban periphery submarkets such as Midtown and MetroCenter have seen a recent increase in construction activity, with numerous new developments offering creative office space to tenants in the market. Expected deliveries in 2020 will add over 1.5 msf to existing inventory, creating a more competitive leasing environment for tenants in the Nashville market.

90 bps

increase YOY vacancy

2%

YOY rent growth

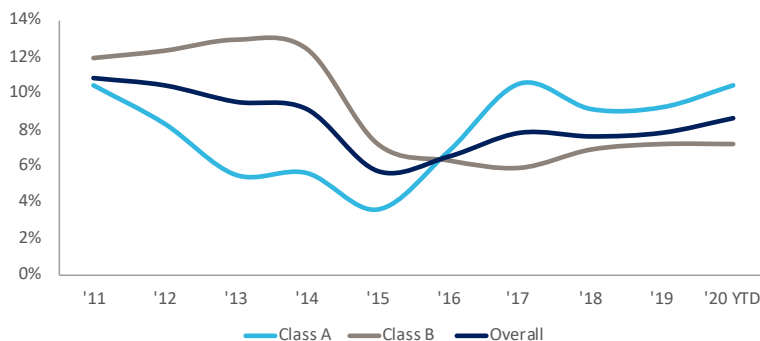
4.0 msf

under construction

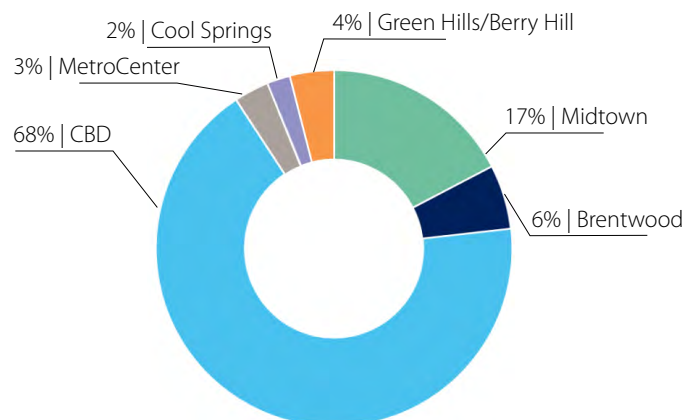
## Market Highlights

- Spirit Airlines announced plans to move the low-cost airline's operations center to Williamson County. While a specific location has not yet been announced, the company said it chose the Nashville region due to the geographic location, business climate and growing aviation sector. Spirit will move more than 240 employees from its Florida facility by early next year and plans to add an additional 100 over the next five years.
- Shoe retailer, Genesco, solidified a lease during the quarter for their 180,000 sf headquarter relocation to Highland Ridge Tower in the Airport North submarket. The space is Bridgestone's previous headquarter location before moving to their current Downtown building.
- Accounting firm, Dixon Hughes Goodman LLP signed a lease within the speculative office building, Gulch Union, currently under construction. RSM US LLP, another accounting firm, is also said to be taking space within the building.
- The first mixed-use office building in Boyle's master-planned McEwen Northside in Cool Springs completed during the quarter. Block B which includes 180,000 sf of office space, will be the future home of Mitsubishi Motor's North American headquarter relocation in the coming months.
- Following a record-breaking year for Nashville investment sales, the office market remained active in the first three months of the year. Investors spent \$467 million in the first quarter, down 25% from first quarter 2019 when numerous large skyline towers traded.
- In the largest sale YTD, global investment firm Starwood Capital Group purchased the 222 2nd Avenue South office high-rise located in the CBD for \$264.1 million (\$729 psf). Built in 2017 by Hines, the 25-story, multi-tenant building was fully leased at the time of sale. This sale set a new benchmark for Downtown Nashville's largest investment sale, more than doubling the total sale price and price psf set by the previous record holder back in 2018.

## Vacancy by Property Type



## Under Construction



## Market by the Numbers

	Inventory	Vacancy	Under Construction	Year-to-Date		Average Asking Rates	
				Absorption	Deliveries	All Classes	Class A
<b>Submarket</b>							
Airport North	4,222,179	13.0%	0	(58,143)	0	\$25.26	\$26.39
Airport South	2,887,600	11.5%	0	(24,080)	0	\$21.12	-
Brentwood	6,633,860	10.0%	231,000	18,771	0	\$28.91	\$30.70
Cool Springs	7,300,888	10.9%	83,000	(30,141)	179,396	\$30.68	\$31.18
CBD	11,087,804	8.3%	2,667,133	(249,190)	0	\$32.49	\$34.14
Green Hills/ Berry Hill	3,534,427	5.2%	157,000	37,032	0	\$27.75	\$30.68
MetroCenter	2,003,647	1.3%	126,090	11,335	0	\$24.07	\$26.00
Midtown	4,862,592	4.5%	686,270	(29,535)	0	\$33.38	\$35.48
North	1,219,365	4.4%	0	12,069	0	\$20.14	\$22.71
<b>Market Totals</b>							
Class A	20,146,282	10.4%	3,950,493	(256,203)	179,396	\$31.24	
Class B	18,945,873	7.2%	0	13,895	0	\$26.42	
class C	4,660,207	6.3%	0	(69,574)	0	\$24.83	
<b>Totals</b>	<b>43,752,362</b>	<b>8.6%</b>	<b>3,950,493</b>	<b>(311,882)</b>	<b>179,396</b>	<b>\$29.07</b>	

### Nashville’s March 3rd Tornado

In the early hours of March 3rd, 2020 an EF-4 tornado with winds up to 170 mph touched down in Nashville, leaving widespread damage that stretched through the Davidson, Wilson, and Putnam counties in Middle Tennessee. The path of the storm included many areas of recent development including East Nashville, Germantown and Mt. Juliet. It is still unclear the cost of all the damage or how long it will take to fully rebuild.



Basement East, a popular music venue in East Nashville, was among the buildings damaged by the tornado

450

commercial buildings



1,542

residential homes



50,000

without power



112

roads closed

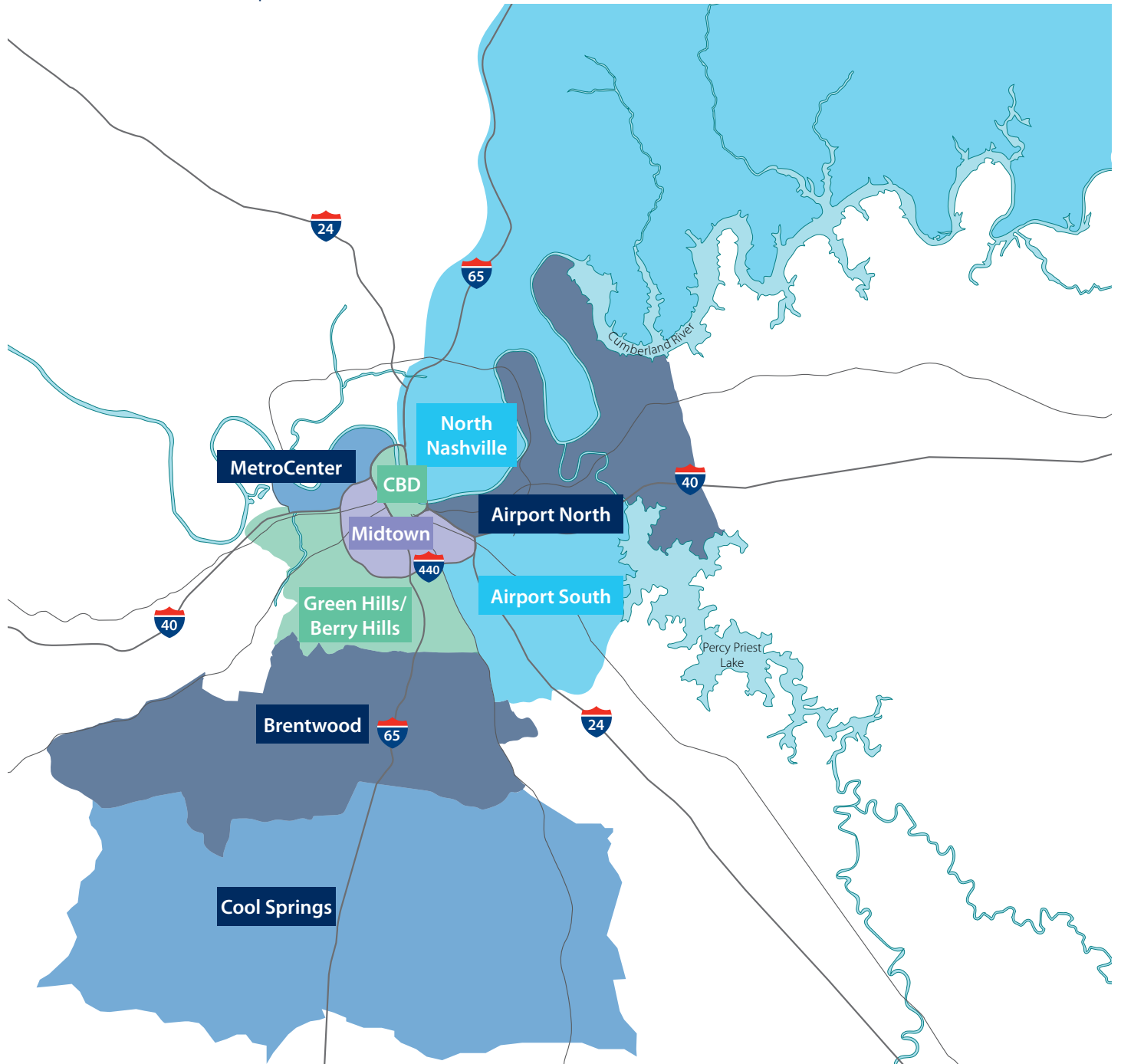


700+

power poles



# Office Submarket Map



Platinum member

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

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