

Nashville

Industrial market snapshot | Q3 2024

Recognized by the Urban Land Institute as the top city for real estate and investment activity for a third year in a row, Nashville continues to be a major growth market in the Southeast. Strong tenant demand for newly delivered, quality properties are driving market activity, with Nashville's development pipeline remaining one of the most active in the Southeast region.

40k sf

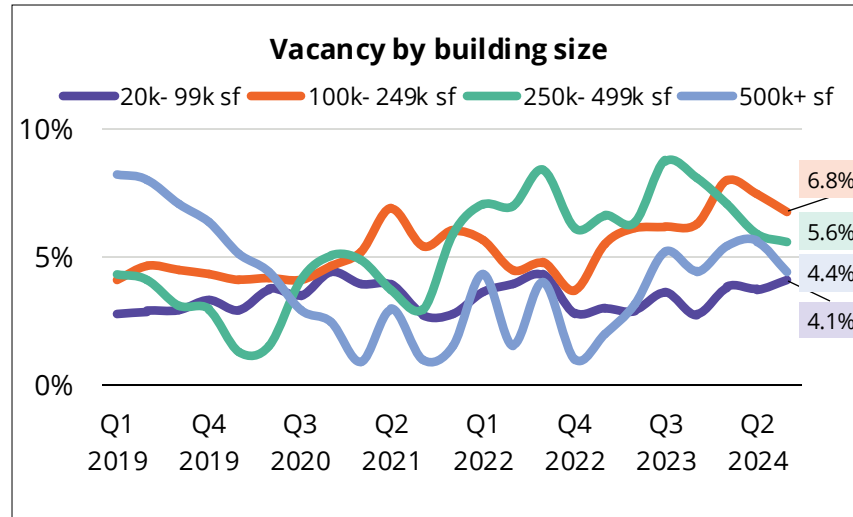
Industrial demand remains strong; **smaller lease sizes**, averaging 40,000-sf, have **attributed to muted absorption year-to-date**.

5.2%

A slow down in construction starts has helped market **vacancy drop to 5.2%** at the end of the quarter, a decrease of 60 basis points year-over-year.

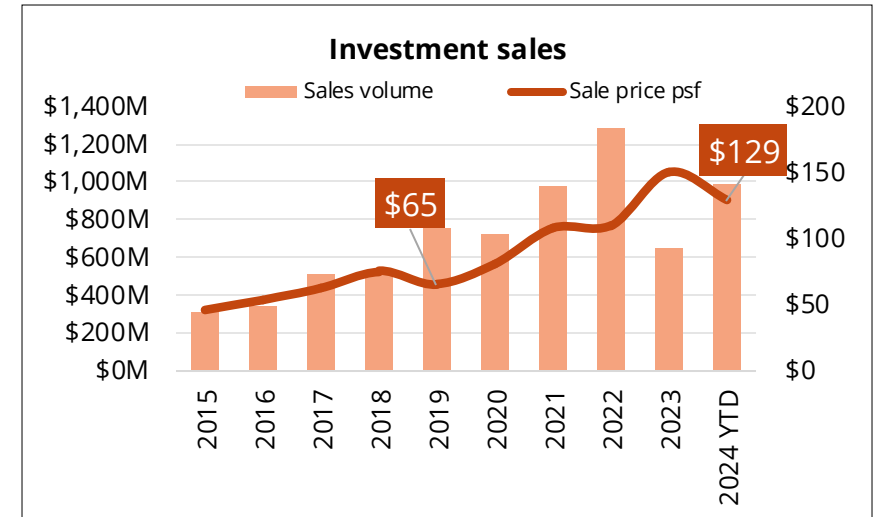
\$986M

Despite a challenging economic environment, **industrial investment sales continue to outperform all other sectors**.



Small-bay (sub-100k sf) industrial properties have seen the lion's share of recent leasing activity, making up over 60% of the total number of deals year-to-date. This small-bay activity has made availability in these properties tight, keeping vacancy below 5% for over five years.

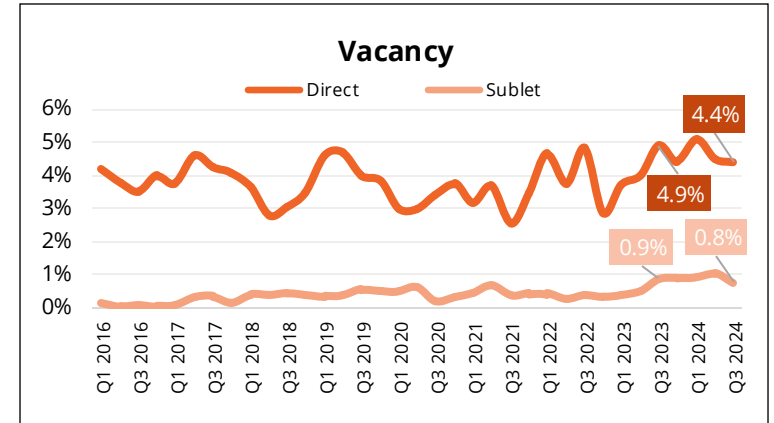
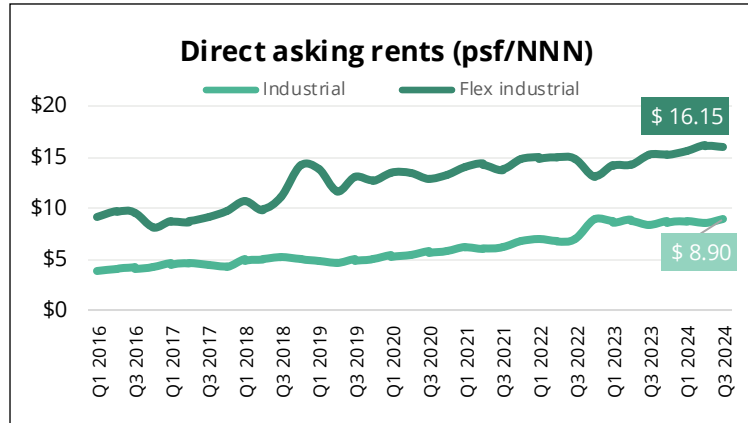
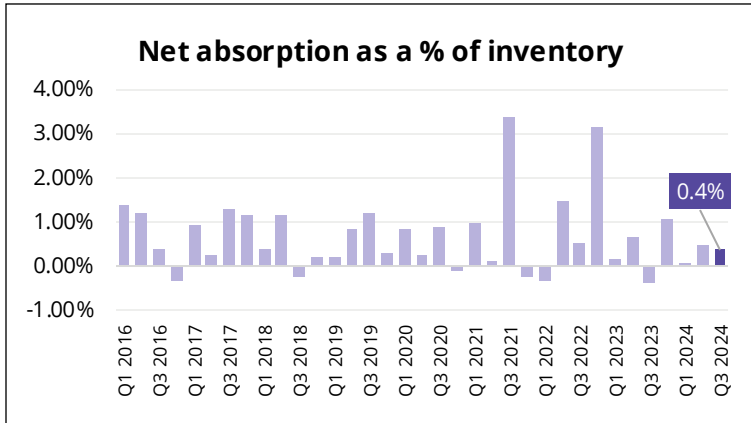
Note: Leasing activity includes relocations, renewals, expansions and subleases.
Source: AVANT by Avison Young, CoStar



Nashville's industrial investment sales totaled just under \$1 billion at the end of the third quarter. While asset pricing has fallen since the onset of the pandemic, average psf pricing is still 98% above pre-pandemic pricing.

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A quick note on absorption

Tenant activity in the industrial market remains strong even amidst lagging leasing volume, with year-to-date totals down from the 10-year average. Year-to-date net absorption has moderated from the record levels reached during the last few years. Smaller lease sizes, averaging approximately 40,000 sf, in addition to some large move outs can be attributed to some of the muted year-to-date absorption.

A quick note on asking rents

Slowing groundbreaks and steady tenant demand for new construction have allowed Nashville's industrial asking rents to remain at record highs. Average asking rents rose 5.6% year-over-year for industrial (warehouse, distribution & manufacturing) properties, while flex industrial year-over-year rent growth reached 5.9% at the end of the quarter.

A quick note on vacancy

A slow down in construction starts during the year have helped Nashville's industrial vacancy drop, falling 60 basis points year-over-year.

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Get in touch

Brennan Forster
Senior Insight Analyst
brennan.forster@avisonyoung.com

Lisa Maki
Principal, Managing Director | Capital Markets
lisa.maki@avisonyoung.com

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
East	16,949,395	0	0	1.9%	0.1%	2.0%	(104,511)	(1.0%)	\$14.07
IBD	10,818,504	30,000	0	2.7%	2.1%	4.8%	(35,433)	(1.2%)	\$10.49
North	33,571,114	287,225	590,336	4.3%	1.5%	5.8%	568,446	1.4%	\$8.63
Southeast	71,261,188	48,000	744,692	4.7%	0.5%	5.2%	(189,323)	0.6%	\$8.64
Southwest	12,448,233	0	0	1.6%	1.5%	3.1%	(92,429)	(2.4%)	\$12.84
West	6,445,829	0	1,806,452	0.5%	1.5%	2.0%	0	(0.6%)	\$-
Wilson County	45,471,411	1,271,243	1,974,353	6.8%	0.1%	6.9%	620,158	3.7%	\$10.03
Market total	196,965,674	1,636,468	5,115,833	4.4%	0.8%	5.2%	766,908	1.0%	\$9.44

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Flex industrial	9,316,996	0	0	3.4%	1.2%	4.6%	(19,888)	(0.5%)	\$16.15
Warehouse	69,414,346	569,019	988,292	5.1%	1.3%	6.4%	(273,785)	0.7%	\$8.50
Distribution	78,441,043	1,067,449	3,631,205	5.1%	0.6%	5.7%	1,086,849	2.3%	\$8.71
Manufacturing	39,793,289	0	496,336	2.1%	0.0%	2.1%	(26,268)	(0.7%)	\$11.72
Market total	196,965,674	1,636,468	5,115,833	4.4%	0.8%	5.2%	766,908	1.0%	\$9.44