

2.06 Million Square Feet of New Construction Added at Mid-Year 2019

Nashville Economy

According to Colliers U.S. Q1 2019 Industrial Market Outlook, industrial property fundamentals remain exceptionally healthy, with record-breaking rents and high occupancy. Absorption, however, was the lowest since 2012 due to lack of new supply. Further, the Southern U.S. led the way in new development with 28.6 million square feet of new construction and about 130 million square feet under construction. Nashville's industrial market is mirroring this trend as its strong, diverse economy and its attractiveness to relocating and expanding e-commerce businesses have kept Nashville's market rents competitive and developers confident. In addition, Nashville has added nearly 3 million square feet at mid-year 2019 with an additional 1.29 million square feet under construction.

The report also showed that Nashville had the third lowest vacancy rate in the South among its peer cities at the close of 1Q 2019 at 4.8%, following Jacksonville (3.1%) and Tampa (4.7%). Additionally, Nashville's rental rates for warehouse/distribution space put the metro in the top two in the South for highest rent at \$5.67 per square foot. **At the close of 2Q 2019, Nashville's occupancy rate remained above 94% for the sixteenth consecutive quarter and rents increased to a new high of \$5.81 per square foot.**

According to FRED Economic Data, average non-farm employment in the metro area grew by 2.4% between May 2018 and May 2019, representing the net addition of 44,173 jobs. The Bureau of Labor Statistics reports that the Trade, Transportation, and Utilities sector had a 2.8% gain with 5,300 jobs added over the same time frame. Nashville continues to average 3% year over year job growth, indicative of the city's expansion and demand for workers.

Nashville also continues to be a magnet for relocating and expanding companies. As of April 2019, the Nashville Area Chamber of Commerce reported relocation and expansion projects in the supply chain management and advanced manufacturing industries representing 826 jobs and 722,000 square feet. Notable announcements in these sectors include Western Express, A&C Business Enterprises, Clayton Supply, and Togo North America.

SUMMARY STATISTICS

2Q 2019 Nashville Industrial Market

	Small/Mid Range	Bulk	Flex
Vacancy Rate	2.7%	6.5%	2.2%
Net Absorption	-69,353	313,442	50,100
New Supply	0	2.06M	0
Under Construction	1.29M	1.29M	0

ASKING RENTS

Per Square Foot Per Year

Overall Asking Rate	\$5.81
Flex	\$12.86
Bulk	\$4.49
Small/Mid-Range	\$7.83

JOB GROWTH & UNEMPLOYMENT

Unemployment	May-18	May-19
Nashville	2.4%	2.4%
Tennessee	3.6%	3.3%
U.S.	4.3%	3.6%

Job Growth	Annual Change	# of Jobs
Nashville	2.3%	44,173
Tennessee	1.6%	48,000
U.S.	0.7%	1.2M

Vacancy & Availability

- Nashville's industrial market closed mid-year 2019 with 5.2% vacancy, keeping Nashville's occupancy rate above 94% for the sixteenth consecutive quarter.
- The high-demand submarket posting the lowest flex vacancy of 2.3% is the North submarket, with less than only 47,697 square feet of direct vacant space.
- Vacancy is expected to level out throughout the second half of 2019 as the wave of supply that delivered this quarter has given tenants in the market opportunity for new Class A warehouse space.

Absorption & Leasing Activity

- The uptick in vacancy this quarter was met with 294,189 square feet of net absorption, bringing the YTD net absorption to 515,283 square feet. At a combined 343,527 square feet, Hypercountry Entertainment, BBB Industries, and Franke Foodservice were the largest absorptions of the quarter.
- The Southeast submarket accounted for 53% of the absorption. Activity along the I-840, Rutherford and Wilson County areas have been extensive over the last year, as new construction in those regions continues to attract large industrial-space users.
- Leasing activity exceeded 3.9 million square feet thus far in 2019, with notable leases signed by Hypercountry Entertainment (142,500 SF), Jacobson Warehouse Company (135,000 SF), and BBB Industries (100,587 SF) in Q2.

Rental Rates

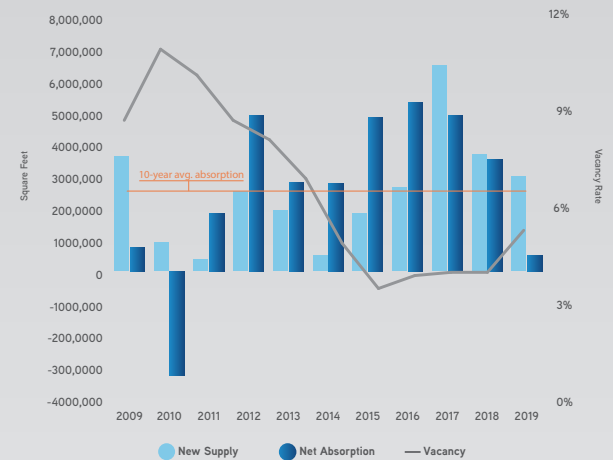
- High demand continued to push rental rates upward during the first half of 2019. **Average industrial rent reached \$5.81 per square foot, a 1.75% increase since last quarter and a 2.45% increase over the last 12 months.**
- The market average rental rate for flex product has reached a new record at \$12.86 per square foot, with the highest rate in the IBD submarket at \$17.30 per square foot followed by \$15.02 in the Southwest submarket.
- Rental rates for bulk product—industrial space exceeding 100,000 SF—closed 2Q 2019 at \$4.49 per square foot. The East submarket where the majority of new bulk construction has delivered in 2019, boasts the highest rent at \$5.03 per square foot.

Notable Development

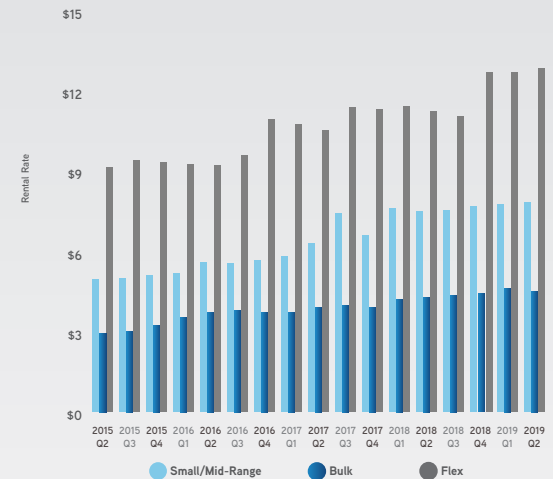
Rising rental rates and high occupancy fueled construction and development during the second quarter. Middle Tennessee welcomed 2.06 million square feet of new supply, bringing a YTD total to 2.9 million square feet.

1.29 million square feet are now under construction, all scheduled for completion by the end of 2019. The vast majority of the new development is located in the Southeast submarket.

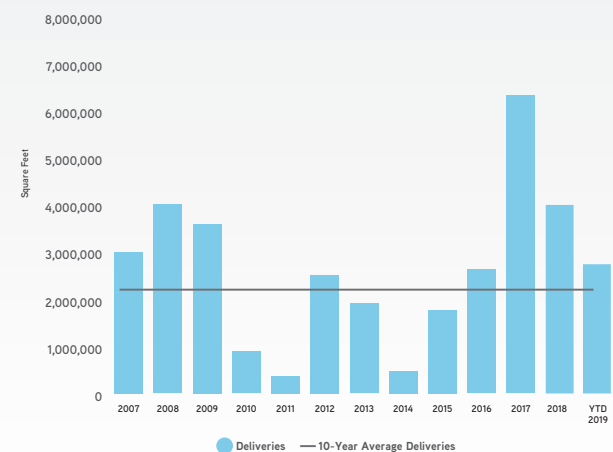
ABSORPTION, NEW SUPPLY & VACANCY RATES



RENTAL RATES BY TYPE



NASHVILLE MARKET NEW DELIVERIES



2Q 2019 SUBMARKET COMPARISON

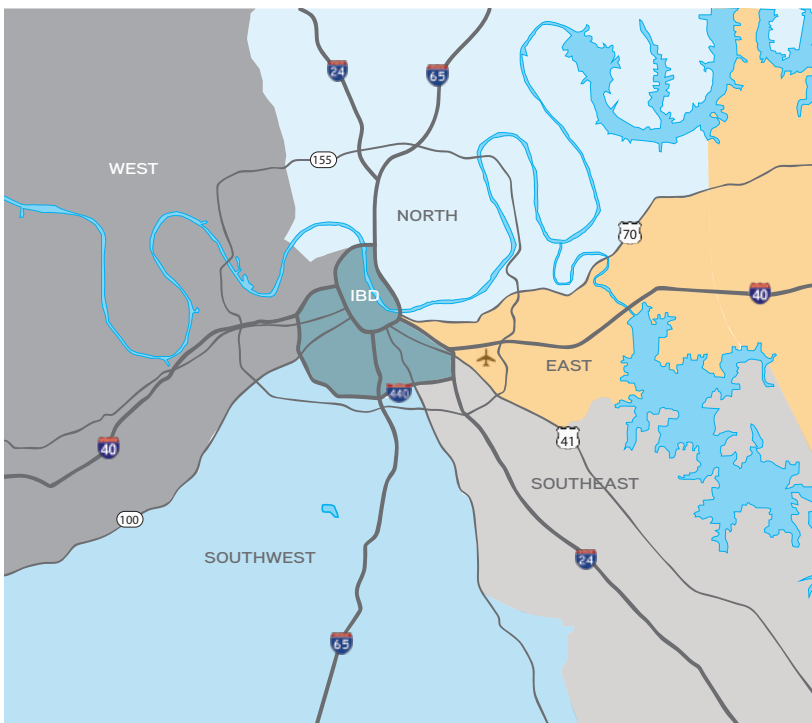
MARKET	BUILDINGS	TOTAL INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANCY RATE	2Q NET ABSORPTION	YTD NET ABSORPTION	AVERAGE ASKING RENTAL RATE (PSF)
EAST								
Small/Mid-Range	279	9,074,618	133,095	23,000	1.7%	-28,546	-38,446	\$7.02
Bulk	96	36,155,601	3,851,567	0	10.7%	33,525	470,997	\$5.03
Flex	53	1,688,069	8265	0	0.5%	1,265	18,200	\$9.65
East Total	428	46,918,288	3,992,927	23,000	8.6%	6,244	450,751	\$5.50
IBD								
Small/Mid-Range	352	9,524,883	200,822	21,293	2.3%	17,146	-999	\$8.12
Bulk	30	5,971,610	0	0	0.0%	34,473	29,205	\$5.31
Flex	44	1,473,601	50,015	0	3.4%	27,913	26,735	\$17.30
IBD Total	426	16,970,094	250,837	21,293	1.6%	79,532	54,941	\$8.13
NORTH								
Small/Mid-Range	477	16,170,251	438,248	25,000	2.9%	-145,167	-134,267	\$6.06
Bulk	134	33,551,672	934,202	18,000	2.8%	91,600	92,592	\$3.78
Flex	78	3,093,810	47,697	13,500	2.0%	32,750	27,304	\$14.98
North Total	689	52,815,733	1,420,147	56,500	2.8%	-20,817	-14,371	\$4.91
SOUTHEAST								
Small/Mid-Range	294	10,470,789	382,176	44,375	4.1%	39,778	69,911	\$7.41
Bulk	193	52,842,135	3,402,565	699,324	7.8%	159,383	-130,572	\$4.86
Flex	91	4,016,720	171,486	22,175	4.8%	-40,413	-33,634	\$10.80
Southeast Total	578	67,329,644	3,956,227	765,874	7.0%	158,748	-94,295	\$5.63
SOUTHWEST								
Small/Mid-Range	192	7,773,403	153,060	55,610	2.7%	-24,591	11,541	\$8.66
Bulk	37	6,391,868	254,616	0	4.0%	-5,539	-2,129	\$9.69
Flex	62	3,815,785	9,700	0	0.3%	28,585	36,818	\$15.02
Southwest Total	291	17,981,056	417,376	55,610	2.6%	-1,545	46,230	\$9.50
WEST								
Small/Mid-Range	118	3,419,474	35,000	0	1.0%	72,027	72,027	\$14.04
Bulk	21	6,491,614	0	0	0.0%	0	0	\$12.00
Flex	12	342,970	0	0	0.0%	0	0	\$4.03
West Total	151	10,254,058	35,000	0	0.3%	72,027	72,027	\$8.54
MARKET								
Small/Mid-Range	1,712	56,433,418	1,342,401	169,278	2.7%	-69,353	-20,233	\$7.83
Bulk	511	141,404,500	8,442,950	717,324	6.5%	313,442	460,093	\$4.49
Flex	340	14,430,955	287,163	35,675	2.2%	50,100	75,423	\$12.86
MARKET TOTAL	2,563	212,268,873	10,072,514	922,277	5.2%	294,189	515,283	\$5.81

Q2 2019 NOTABLE LEASING ACTIVITY

PROPERTY	TENANT	LEASE TYPE	SIZE SF	SUBMARKET
Commerce Farms IV	Hypercountry Entertainment	New	142,500	East
Commerce Farms IV	Jacobson Warehouse Company	Renewal	135,000	East
183 Industrial Road	BBB Industries	New	100,587	Southeast
104 Challenger Drive	Axiom Impressions	Renewal	80,000	North
Northfork Industrial Park	OSA International	New	67,000	North
104 Challenger Drive	Dedicated Imaging Solutions	New	60,000	North

Q2 2019 NOTABLE INVESTMENT ACTIVITY

PROPERTY	BUYER	TOTAL SF	SALE PRICE	PRICE/SF	SUBMARKET
1324 2nd Avenue N	New City	169,942	\$26,250,000	\$154	IBD
1520 Elm Hill Pike	State Street Group	126,000	\$14,100,000	\$112	East
1414 4th Avenue South	Somera Road Inc	110,132	\$9,250,000	\$84	IBD
707 Spence Lane	Reich Brothers	180,800	\$8,370,000	\$46	East
1601 Elm Hill Pike	One Liberty Properties	100,000	\$8,000,000	\$80	East



DEFINITIONS

Colliers Inventory – All industrial and flex properties of more than 10,000 SF including owner-occupied. Research subject to revisions due to discrepancies in past reporting.

Flex – A type of building designed to be versatile, which may be used in combination with office R&D, quasi-retail sales, and industrial warehouse and distribution uses.

Leasing Activity – The square footage that is committed to and signed for under a lease obligation in each quarter, including direct leases, subleases, renewals of existing leases, and pre-leasing activity for buildings under construction or planned.

Absorption (Net) – The net change in occupied space between the current quarter and the previous quarter, calculated by summing all the positive changes and subtracting all the negative changes.

Vacancy Rate – Percentage rate of the total amount of vacant space divided by the total amount of existing inventory.

Build-To-Suit – Property that can be leased or owned by a tenant that was developed specifically for them.

Triple Net Rent (NNN) – Includes rent payable to the landlord and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities. All industrial and high-tech/R&D rents in this report are quoted on an annual, triple net per square foot basis in U.S. dollars.

New Construction – Includes completed speculative and build-to-suit construction. New construction quoted on a net basis after any demolitions or conversions.

FOR MORE INFORMATION

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