



Nashville

Industrial

22Q1

Key Takeaways

- Industrial absorption exceeded positive 1.1M square feet for Q1 2022, a new record for Nashville's industrial market.
- Market vacancy stands at 3.8%, remaining under 4% over the last 10 consecutive quarters
- Nashville development total remains elevated, with over 5.86M square feet under construction



Vacancy Rate

3.8%

YOY

FORECAST



Net Absorption

1.1M SF

YOY

FORECAST



Under Construction

5.8M SF

YOY

FORECAST



Overall Asking Lease Rates (NNN)

\$7.01 SF

YOY

FORECAST

Nashville Industrial Market Continues to Hit Records

Nashville has seen an acceleration in job growth over the past few quarters, and this growth has occurred across a diverse set of industries. Sectors that experienced tremendous growth prior to the pandemic continue to grow. According to data from Oxford Economics, Nashville's job growth is projected to grow 4.4% in 2022, and 1% annually from 2023 to 2026. Additionally, Nashville's unemployment rate decreased to 2.4% at the end of the first quarter, just shy of 10 basis points compared to the metro's pre-pandemic record low. Looking at job performance by industry, Nashville's Trade, Transportation, and Utilities sector increased a remarkable 6.1% from March 2021 to March 2022 while manufacturing grew 1.2% in the same time frame. Nashville's industrial market had a solid Q1 performance, with strong leasing demand and continued interest in the market. Recorded from the Nashville Area Chamber of Commerce, industrial-using companies announced a combined 1,763 new jobs in Q1, with 61% being in the manufacturing sector. Notable announcements include Monogram Assembled Foods in Dickson (400 jobs); and REI's new 400,000 SF distribution center and Tritium's manufacturing operation, both located in Lebanon. The Nashville MSA experienced 1.1M square feet of positive absorption in Q1, keeping the metro on track to meet its 10-year annual average absorption for 2022.

Market Indicators



2.4%

Unemployment Rate



4.6%

GDP - Quarterly % change yr/yr



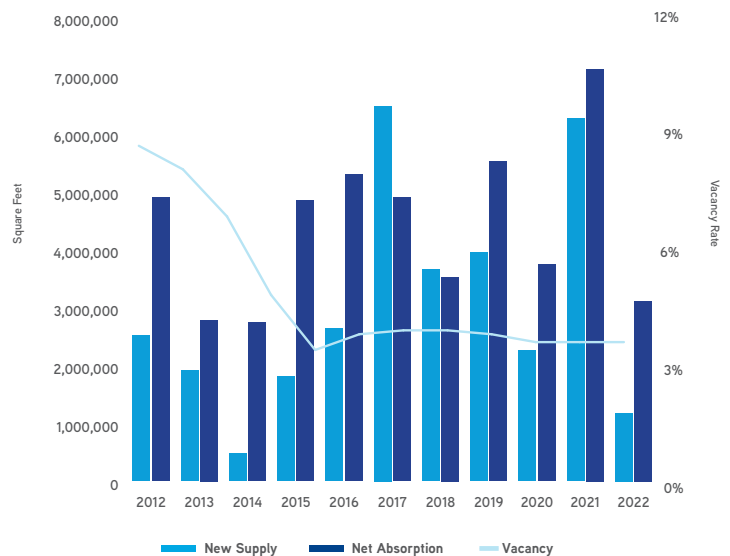
1.514%

U.S. 10 Year Treasury Note

Historic Comparison

| | 21Q3 | 21Q4 | 22Q1 |
|----------------------------|--------|--------|--------|
| Total Inventory SF | 207.2M | 208.9M | 209.7 |
| Net Absorption SF | 4.8M | 2.4M | 1.1M |
| Overall Vacancy | 3.5% | 3.6% | 3.8% |
| Under Construction SF | 7.4M | 6.3M | 5.8M |
| Overall Asking Rates (NNN) | \$6.95 | 6.97 | \$7.01 |

Absorption, New Supply & Vacancy



Recent Transactions



Lease

Cedar Farms II
East | 600,852 SF

Lease

Speedway Industrial II
East | 301,320 SF

Lease

840 Business Center
East | 270,400 SF

Sale

Park 109
East | \$62.3M

Sale

Space Park North
North | \$76.5M

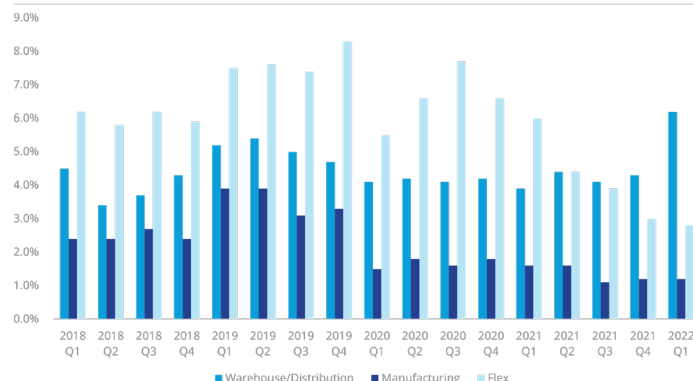
Sale

Maplehurst Bakery
East | \$33.0M

Vacancy + Availability

Occupancy outpaced deliveries this quarter as Nashville's industrial vacancy rate remained relatively unchanged at 3.8%, marking the 10th consecutive quarter of sub-4% vacancy. An injection of new warehouse supply in the East submarket resulted in a jump in vacancy to 8.6%. The North submarket commands the lowest vacancy, closing Q1 at 1.5%. Nashville has 11 million square feet of vacant industrial space, attributing to an uptick in construction across the market. Nashville's direct availability rate for warehouse/distribution space stands at 4.2%. Due to high demand, bulk warehouse options are limited. Nashville currently has 7 properties that can accommodate more than 200,000 SF.

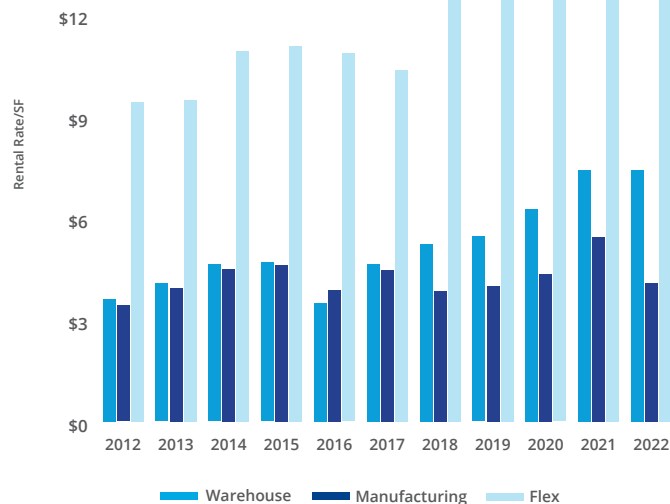
Vacancy Rates
By Subtype



Rental Rates

Nashville continues to outpace the national average on annual rent growth, coming in at 14.2%. Nashville ended Q1 2022 with an average rental rate of \$7.01 per square foot, a record high. Flex and manufacturing rates carried over from last quarter with minimal increases, while warehouse rates increased to \$7.42 per square foot. Multiple high-demand submarkets now exceed the \$8 per square foot for warehouse space. Limited options of bulk warehouse space and Nashville's remarkable presence as a regional distribution hub will keep rents elevated going into the next few quarters. Additionally, rising demand for distribution space and supply chain factors position Nashville favorably for tenants that are looking to relocate to the market. Rents are expected to remain elevated over the coming year, given the strong leasing that the market continues to experience.

Rental Rates
By Subtype

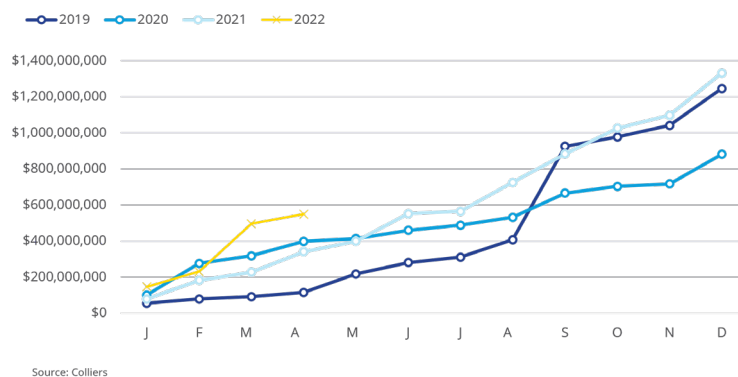


Industrial Development + Investment

Market fundamentals, infrastructure, and a plethora of available land continue to keep developers active in Nashville. Over 10.6 million SF delivered over the past few years, and the metro is building at a faster pace than the national average on a percentage basis. Nashville has 5.86M square feet of space under construction, with the majority concentrated in the East and Southeast submarkets.

Industrial investment set a record for deal volume in 2021 of \$1.3B, and Nashville kept that momentum going with \$548M of industrial product sold in Q1. This is an increase of 118% over the Q1 2021 total. Further data from Real Capital Analytics shows that the price per square foot reached a record high of \$144 at the close of Q1.

Industrial Investment
Cumulative Monthly



Source: Colliers

Leasing Activity

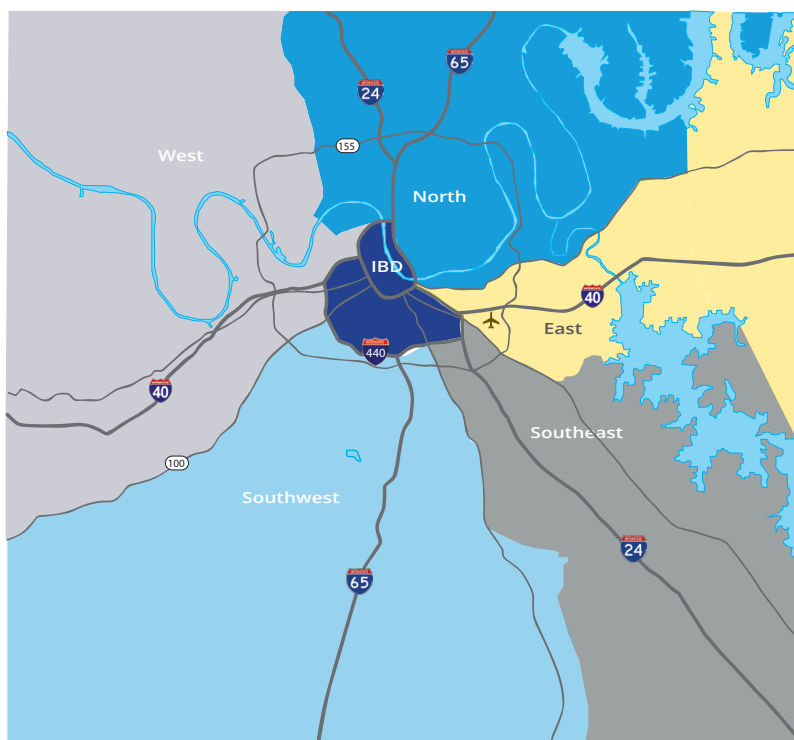
Industrial

| Property | Tenant | Lease Type | SF | Submarket |
|------------------------------|-------------------|------------|---------|-----------|
| Cedar Farms II | Hello Fresh | New Lease | 600,852 | East |
| Speedway Industrial Bldg II | Line-X | New Lease | 301,320 | East |
| 840 Business Center | Geodis | Renewal | 270,400 | East |
| Eastgate Distribution Center | Hollister inc. | Renewal | 240,000 | East |
| Three Oaks II | TA Operating, LLC | Renewal | 207,500 | Southeast |
| Airpark East Building I | Ferguson HVAC | New Lease | 189,000 | Southeast |
| Interchange Center - B3 | Confidential | New Lease | 162,473 | Southeast |
| Interchange Center - B3 | Chick-Fil-A | New Lease | 66,617 | Southeast |

Investment Activity

Industrial

| Property | SF | Price | Price/SF | Buyer | Submarket |
|------------------------------|---------|--------------|----------|-----------------------------|-----------|
| Park 109 | 374,946 | \$62,300,000 | \$166 | Principal RE Investors | East |
| Space Park North | 707,321 | \$76,500,000 | \$80 | Stonelake Capital Partners | North |
| Maplehurst Bakery | 180,000 | \$33,000,000 | \$183 | Caplink USA Inc | East |
| Airpark East Bldg 3 | 231,250 | \$31,050,000 | \$134 | EQT - Exeter Property Group | Southeast |
| Airpark Warehouse Building A | 67,500 | \$21,640,125 | \$321 | EverWest RE Investors | Southeast |
| 186 North 1st Street | 60,054 | \$21,500,000 | \$358 | Stillwater Capital | IBD |
| Almaville Building 1 | 172,420 | \$21,000,000 | \$122 | KKR | Southeast |
| 1101 63rd Avenue North | 203,705 | \$20,000,000 | \$98 | Vintage South | West |



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.

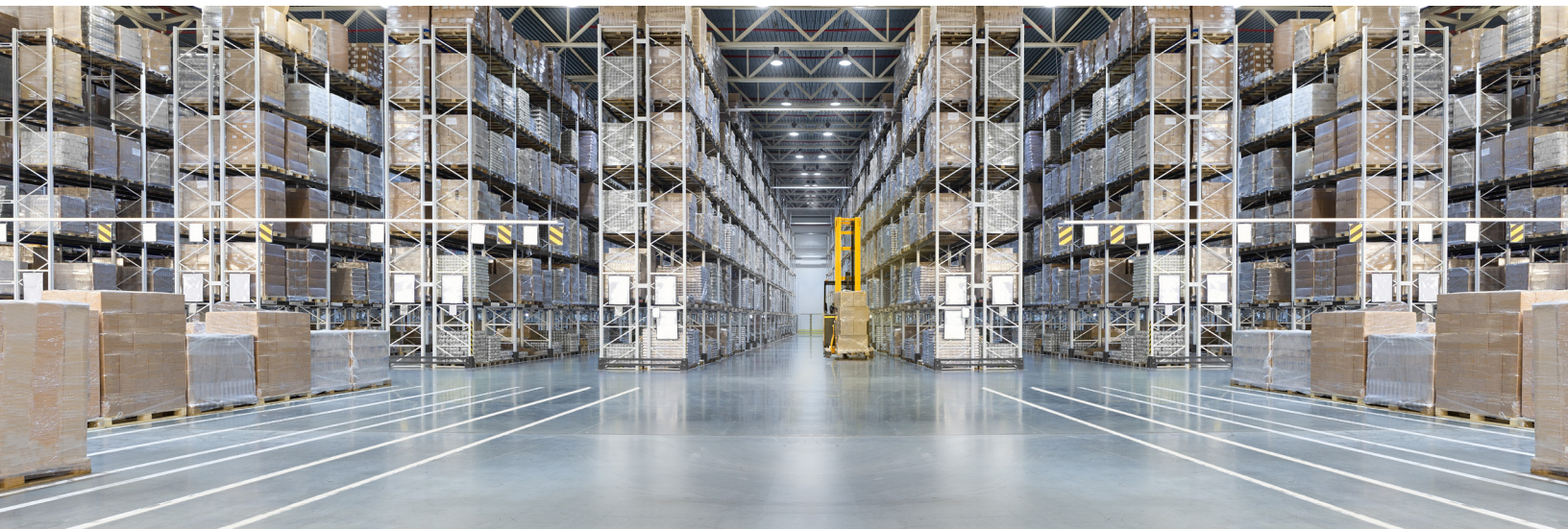
Vacancy Rate – Percentage rate of the total amount of vacant space divided by the total amount of existing inventory.

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.

| Submarket/ Subtype | Total Inventory SF | Direct Availability Rate | Sublease Availability Rate | Availability Rate | Vacancy Rate | Vacancy Rate Previous | Net Absorption Current | Net Absorption 2021 | Under Construction | Deliveries 2021 | Avg Direct Asking Rate (NNN) |
|-----------------------|-----------------------|--------------------------------|----------------------------------|----------------------|-----------------|-----------------------------|------------------------------|---------------------------|-----------------------|--------------------|------------------------------------|
| East | | | | | | | | | | | |
| Warehouse | 43,707,367 | 6.3% | 0.1% | 6.4% | 8.6% | 4.2% | 314,327 | 314,327 | 2,463,936 | 2,324,617 | \$8.11 |
| Manufacturing | 7,516,328 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 | 0 | \$6.85 |
| Flex | 1,905,880 | 7.7% | 0.5% | 8.2% | 6.3% | 6.7% | 8,348 | 8,348 | 0 | 0 | \$10.19 |
| TOTAL | 53,129,575 | 5.4% | 0.1% | 5.5% | 9.0% | 3.6% | 322,675 | 322,675 | | 2,324,617 | \$8.62 |
| IBD | | | | | | | | | | | |
| Warehouse | 8,525,760 | 4.7% | 2.1% | 6.8% | 1.7% | 2.1% | 35,417 | 35,417 | 0 | 0 | \$8.79 |
| Manufacturing | 3,217,399 | 4.5% | 0.0% | 4.5% | 2.9% | 2.9% | 0 | 0 | 0 | 0 | \$5.50 |
| Flex | 1,410,880 | 3.4% | 0.9% | 4.3% | 3.4% | 3.2% | -2,359 | -2,359 | 0 | 0 | \$19.55 |
| TOTAL | 13,154,039 | 4.5% | 1.5% | 6.0% | 2.2% | 2.4% | | 33,058 | 0 | 0 | \$16.55 |
| North | | | | | | | | | | | |
| Warehouse | 39,786,992 | 1.4% | 0.0% | 1.4% | 1.6% | 1.1% | -117,752 | 117,752 | 0 | 0 | \$6.19 |
| Manufacturing | 10,153,248 | 7.1% | 1.0% | 8.1% | 1.1% | 1.1% | 0 | 0 | 0 | 0 | \$3.62 |
| Flex | 2,501,793 | 2.2% | 0.0% | 2.2% | 1.7% | 1.8% | 2,509 | 2,509 | 0 | 0 | \$12.50 |
| TOTAL | 51,963,606 | 2.6% | 0.2% | 2.8% | 1.5% | 1.1% | -115,243 | 120,261 | 0 | 0 | \$5.24 |
| Southeast | | | | | | | | | | | |
| Warehouse | 48,826,567 | 4.3% | 0.9% | 5.2% | 7.4% | 7.4% | 691,562 | 691,562 | 2,319,138 | 780,150 | \$8.00 |
| Manufacturing | 15,501,431 | 0.5% | 0.3% | 0.8% | 0.9% | 1.5% | 98,122 | 98,122 | 0 | 0 | \$6.50 |
| Flex | 3,601,703 | 3.5% | 0.6% | 4.1% | 3.3% | 1.6% | -31,303 | -31,303 | 0 | 0 | \$13.25 |
| TOTAL | 67,929,701 | 3.5% | 0.8% | 4.3% | 5.7% | 5.8% | 758,381 | 758,381 | 2,319,138 | 780,150 | \$9.11 |
| Southwest | | | | | | | | | | | |
| Warehouse | 8,023,258 | 5.0% | 1.0% | 6.0% | 5.0% | 4.5% | -37,385 | -37,385 | 0 | 0 | \$9.57 |
| Manufacturing | 2,626,851 | 2.6% | 1.6% | 4.4% | 2.8% | 3.7% | -39,885 | -39,885 | 0 | 0 | \$12.66 |
| Flex | 3,972,248 | 1.0% | 0.8% | 1.8% | 1.1% | 1.2% | 2,773 | 2,773 | 0 | 0 | \$15.87 |
| TOTAL | 14,622,357 | 3.0% | 0.5% | 3.5% | 2.8% | 2.6% | -74,497 | -74,497 | 0 | 0 | \$9.80 |
| West | | | | | | | | | | | |
| Warehouse | 4,522,410 | 5.6% | 0.0% | 5.6% | 4.1% | 4.0% | 12,730 | 12,730 | 1,082,347 | 0 | \$7.46 |
| Manufacturing | 4,074,118 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 | 0 | \$13.74 |
| Flex | 337,548 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 | 0 | \$13.50 |
| TOTAL | 8,934,076 | 2.9% | 0.0% | 2.9% | 2.1% | 2.0% | 12,730 | 12,730 | 1,082,347 | 0 | \$7.75 |
| Total | | | | | | | | | | | |
| Warehouse | 153,392,354 | 4.2% | 0.5% | 4.7% | 6.2% | 4.2% | 898,899 | 1,134,403 | 5,865,421 | 3,104,767 | \$7.42 |
| Manufacturing | 43,089,375 | 2.2% | 0.4% | 2.6% | 0.8% | 1.0% | 58,237 | 58,237 | 0 | 0 | \$4.08 |
| Flex | 13,730,052 | 3.4% | 0.3% | 3.7% | 2.8% | 2.2% | -20,032 | -20,032 | 0 | 0 | \$13.41 |
| TOTAL | 209,733,354 | 3.8% | 0.5% | 4.2% | 3.8% | 3.9% | 937,104 | 1,172,608 | 5,865,421 | 3,104,767 | \$7.01 |



FOR MORE INFORMATION

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