



Colliers

Research & Forecast Report

Nashville Office

Q1 2022

Accelerating success.

Key Takeaways

- Nashville's office absorption was positive for a fourth consecutive quarter, showing continued signs of recovery for Music City's office market.
- Market vacancy remained flat over the previous quarter, with minimal increases in suburban submarkets.
- Construction projects exceed 2.1M square feet at the close of Q1 2022.



Nashville Office Sector Projected to grow 5.6% in 2022

Nashville has seen an acceleration in job growth over the past few quarters, and this growth has occurred across a diverse set of industries. Multiple sectors that experienced tremendous growth prior to the pandemic are growing again. According to data from Oxford Economics, finance and insurance added 3,100 jobs (+6%) from Q1 2020 to Q1 2022. Total office jobs have grown 6.5% in this time frame, and the office sector is projected to grow 5.6% in 2022 and 1.3% annually from 2023 to 2026. Additionally, Nashville's unemployment rate decreased to 2.8% at the end of the first quarter, just shy of 20 basis points compared to the metro's pre-pandemic record low. As such, Nashville's office market continued to progress in the first few months of 2022, with move-ins totaling over 227,000 SF and strong rental rates. Construction tops 2M square feet, and vacancy held steady over the quarter. Office investment totaled \$77.6M for the quarter, an increase of 34% over the Q1 2021 volume. Nashville's office market continues to make strides, as employees are making the return to the office and companies are relocating to the metro.

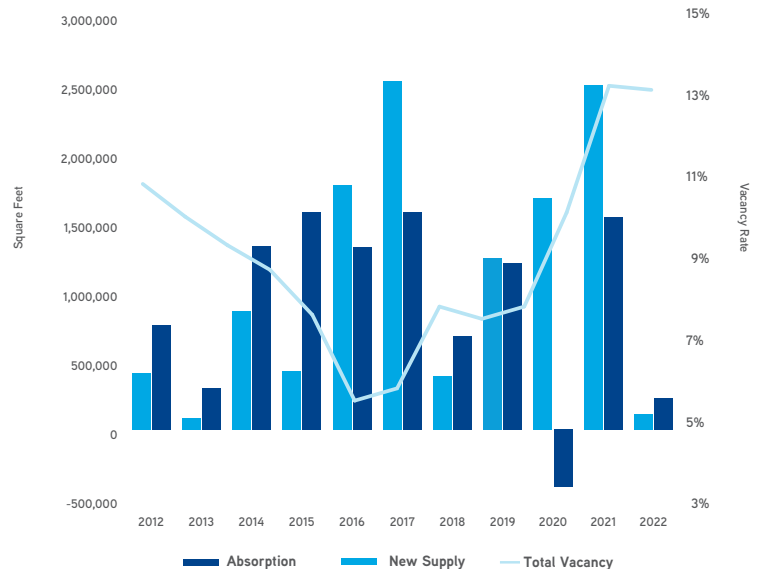
Market Indicators



Historic Comparison

	21Q3	21Q4	22Q1
Total Inventory (in Millions of SF)	60.6	61.0	61.1
New Supply (in Thousands of SF)	0	1,002.5	112.7
Net Absorption (in Thousands of SF)	899.3	582.6	227.0
Overall Vacancy	12.6%	13.1	13.0
Under Construction (in Thousands of SF)	2,996.1	2,274.4	2,161.6
Overall Asking Lease Rates (FSG)	\$30.52	\$30.57	\$30.60

Absorption, New Supply & Vacancy



Vacancy leveled off during Q1 2022, following near-record office deliveries in 2021. Absorption is expected to remain positive in the coming year, as it has reached 20% of its 10-year average during the first quarter.

Recent Transactions

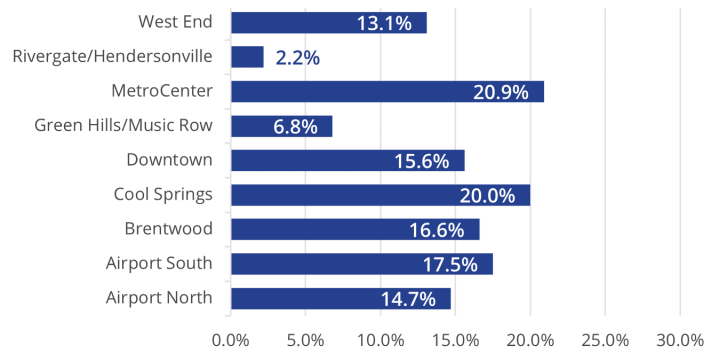


Vacancy + Absorption

The first quarter of 2022 showed continued improvement for Nashville's office market, with positive 227,026 square feet absorbed in Q1. Market-wide vacancy remained relatively flat over the previous quarter, decreasing by 10 basis points to 13.0%. Though the office vacancy is at a near-record high, vacancy has decreased by 60 basis points over the previous 12 months. Class A vacancy stands at 17.0%, with the majority of this vacant space located in the suburban submarkets. Airport North experienced the greatest drop in vacancy in Q1 due to the occupancy of Genesco (182,000 SF) at 535 Marriott Drive. Class A also decreased in the West End submarket with the move-ins of Adams & Reese and Shore Capital at Broadwest. Nashville currently has 2.1M square feet of available sublease space on the market, with 1.6M located in the suburban submarkets.

Vacancy Rates

By Submarket

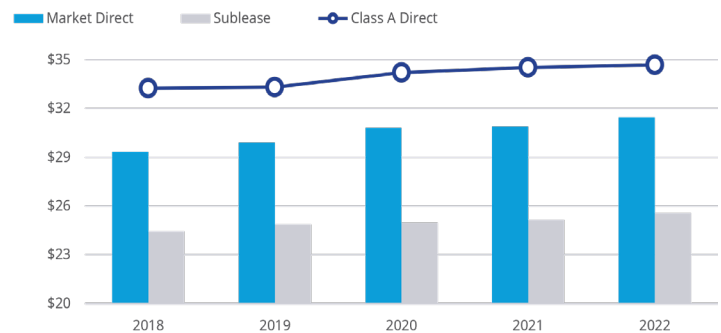


Rental Rates

Demand for Class A office space and the delivery of new construction have kept Nashville's rental rates elevated over the last few years. Overall Class A rental rates reached an average of \$34.70/SF gross at the close of Q1. Asking rates for new construction in the Downtown submarket remain the highest in the city, with asking rates ranging in the low-\$40s per square foot, triple net. The market-wide average of \$30.60 per square foot represents an increase of 1.3% over 4Q, and 2.7% over the previous 12 months. Average rental rates for sublease space are priced at a discount ranging from 17-20% off the current asking rate for direct space.

Class A Rental Rates (FSG)

Class A vs. Market vs. Sublet

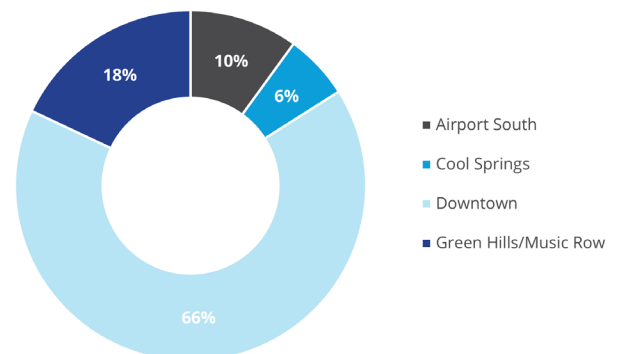


Office Development

The Nashville market experienced a surge of new construction in 2021 of nearly 2.5 million square feet, the second highest injection of new space in the market's history. As of Q1 2022, construction is underway on nearly 2.16M square feet throughout the market. Sixty-five percent is located in the Downtown submarket, where work continues on Amazon's second tower at Nashville Yards (588,000 SF), Neuhoof (448,000 SF) and ONE 22 ONE (357,000 SF). Developers are projected to deliver over 635,000 SF in 2022, followed by an additional 1.5M square feet in 2023. Proposed projects in the region exceed 3.1M square feet, with the majority concentrated in the Downtown submarket.

Under Construction

Submarket Breakdown



Leasing Activity

Office

Property	Tenant	Lease Type	SF	Submarket
621 Mainstream Drive	ServiceSource	New	52,302	MetroCenter
200 Powell Place	Lifeway Christian Resources	New	46,144	Brentwood
601 11th Avenue North	Oracle	New	31,000	Downtown
Moore Building	Whitehardt	New	20,315	Green Hills/Music Row
Innovation Park - Bldg A	Vanderbilt University	New	18,184	Cool Springs
20 Burton Hills Boulevard	Velocity Risk Underwriters LLC	Renewal	18,156	Airport North

Investment Activity

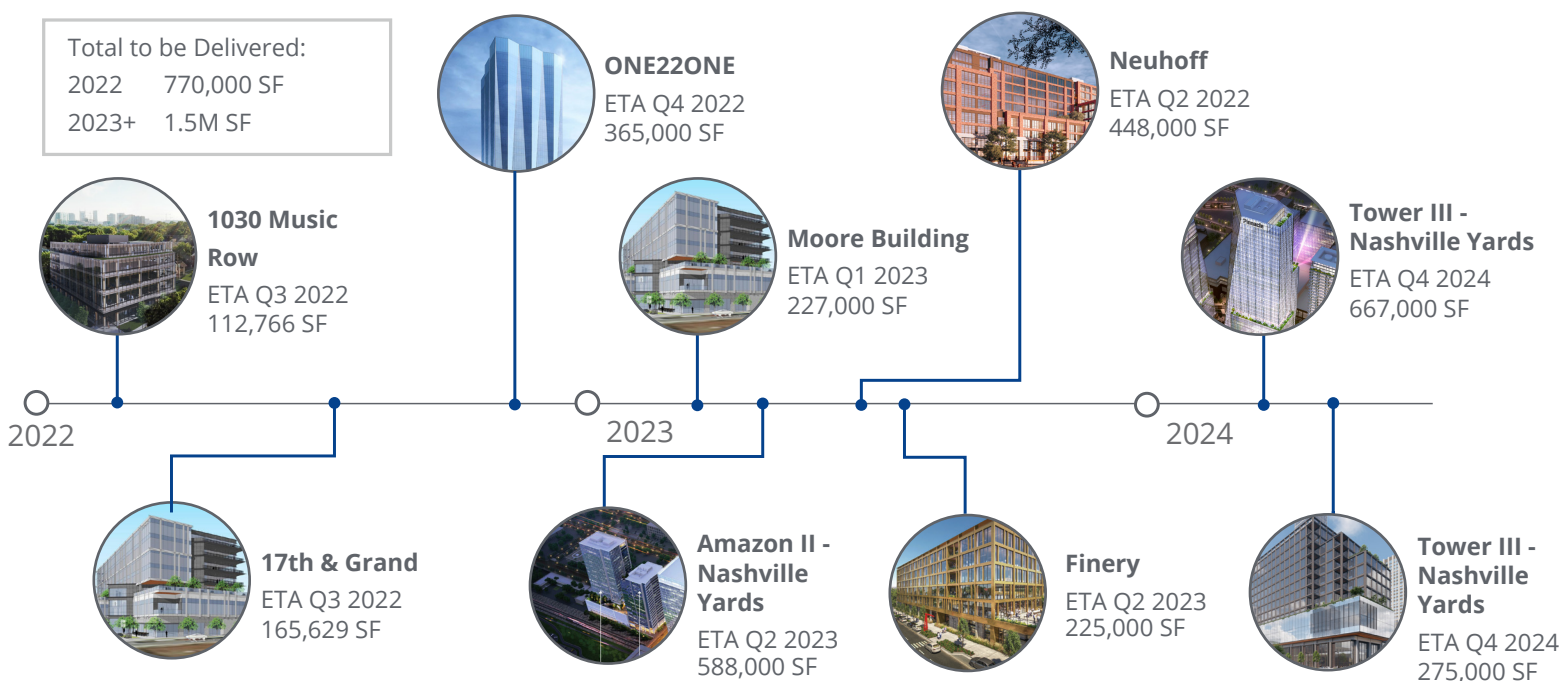
Office

Property	SF	Price	Price/SF	Submarket
Sylvan Supply*	158,000	\$73,072,166	\$462	West End
1200 Broadway*	74,659	\$57,100,000	\$765	Downtown
L&C Tower	274,226	\$50,500,000	\$184	Downtown
135 2nd Avenue North	11,220	\$7,770,250	\$693	Downtown
320 Billingsly Court	21,252	\$5,900,000	\$278	Cool Springs/Franklin
1025-1037 Jefferson Street	12,030	\$3,400,000	\$283	Downtown

*Part of a mixed-use portfolio sale. Figures include office portion only.

Office Development

Office Construction + 100k SF



Submarket/ Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (FSG)
Downtown											
A	8,858,467	18.4%	1.7%	20.1%	15.6%	15.6%	17,289	17,289	1,418,000	0	\$37.77
B	5,187,199	17.8%	6.0%	23.8%	11.8%	10.7%	-46,024	-46,024	0	0	\$32.17
C	2,742,313	5.1%	0.0%	5.1%	5.1%	5.4%	7,947	7,947	0	0	\$27.53
TOTAL	16,787,979	16.0%	2.7%	18.7%	12.7%	12.4%	-20,788	-20,788	1,418,000	0	\$35.06
Suburban											
A	18,969,856	16.5%	6.0%	22.5%	18.3%	17.7%	251,644	251,644	743,629	112,766	\$33.59
B	20,757,841	17.6%	2.5%	20.1%	14.5%	14.0%	-50,165	-50,165	0	0	\$26.34
C	4,506,004	10.8%	0.0%	10.8%	9.7%	9.0%	191	191	0	0	\$22.14
TOTAL	44,233,701	16.5%	3.8%	20.3%	15.7%	15.1%	201,670	201,670	743,629	112,766	\$29.40
Total											
A	27,828,323	16.9%	4.5%	21.5%	17.0%	17.2%	268,933	268,933	2,161,629	112,766	\$34.70
B	25,945,040	17.7%	3.1%	20.5%	14.3%	13.7%	-50,045	-50,045	0	0	\$27.22
C	7,248,317	8.7%	0.0%	8.7%	7.9%	7.7%	8,138	8,138	0	0	\$22.95
TOTAL	61,021,680	16.4%	3.5%	19.7%	13.0%	13.1%	227,026	227,026	2,161,629	112,766	\$30.60

Submarkets by Class

Airport North											
A	2,061,689	15.4%	7.1%	22.5%	4.3%	10.3%	181,556	181,556	0	0	\$26.23
B	2,851,938	24.4%	4.1%	28.5%	16.4%	14.5%	-30,963	-30,963	0	0	\$22.89
C	232,020	17.1%	0.0%	17.1%	17.1%	20.8%	6,874	6,874	0	0	\$17.53
TOTAL	5,145,647	20.5%	5.1%	25.6%	14.7%	13.1%	157,467	157,467	0	0	\$23.96
Airport South											
A	796,819	38.5%	0.6%	39.1%	36.3%	40.2%	41,000	41,000	225,000	0	\$35.33
B	4,569,677	28.4%	0.3%	28.7%	21.8%	19.8%	-2,447	-2,447	0	0	\$24.62
C	1,405,419	10.2%	0.0%	10.2%	8.6%	8.8%	4,702	4,702	0	0	\$18.80
TOTAL	7,723,107	23.2%	0.2%	23.4%	17.5%	18.8%	43,255	43,255	225,000	0	\$25.83
Brentwood											
A	3,562,444	12.8%	9.6%	22.4%	19.4%	15.6%	-83,558	-83,558	0	0	\$31.15
B	3,723,279	13.6%	4.7%	18.2%	14.3%	16.3%	21,689	21,689	0	0	\$28.32
C	216,371	7.1%	0.0%	1.7%	9.8%	11.2%	3,094	3,094	0	0	\$23.31
TOTAL	7,502,094	13.0%	6.9%	19.9%	16.6%	15.9%	-58,775	-58,775	0	0	\$29.25
Cool Springs											
A	6,689,174	717.5%	7.9%	25.4%	22.8%	23.0%	44,862	44,862	126,000	0	\$33.15
B	2,947,467	19.7%	2.0%	21.6%	16.4%	16.4%	75	75	0	0	\$31.52
C	79,500	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$19.00
TOTAL	9,716,141	17.4%	5.9%	23.3%	20.0%	20.1%	44,937	44,937	126,000	0	\$31.88
Green Hills/ Music Row											
A	1,326,254	24.5%	2.3%	26.8%	8.1%	6.9%	-3,100	-3,100	392,629	112,766	\$39.19
B	1,740,619	6.2%	0.7%	6.8%	6.2%	6.3%	2,140	2,140	0	0	\$30.99
C	656,556	12.9%	0.0%	12.9%	8.2%	6.9%	-8,504	-8,504	0	0	\$30.06
TOTAL	3,723,429	13.9%	1.1%	15.0%	6.8%	6.5%	-9,464	-9,464	392,629	112,766	\$33.72
MetroCenter											
A	480,256	13.7%	0.0%	13.7%	6.5%	10.6%	19,611	19,611	0	0	\$30.02
B	1,369,999	17.0%	6.9%	23.9%	21.7%	17.9%	-48,424	-48,424	0	0	\$27.15
C	288,785	40.8%	0.0%	40.8%	40.8%	40.8%	0	0	0	0	\$17.00
TOTAL	2,139,040	19.5%	4.4%	23.9%	20.9%	19.3%	-28,813	-28,813	0	0	\$27.27
Rivergate / Hendersonville											
A	647,810	3.4%	0.0%	3.4%	1.4%	1.3%	-867	-867	0	0	\$29.39
B	1,210,707	6.8%	0.5%	7.2%	4.3%	4.2%	963	963	0	0	\$23.03
C	1,138,671	1.5%	0.0%	1.5%	1.2%	1.0%	-2,583	-2,583	0	0	\$17.84
TOTAL	2,997,188	3.9%	0.2%	4.1%	2.2%	2.3%	-2,487	-2,487	0	0	\$24.12
West End											
A	3,405,410	15.2%	2.9%	17.6%	18.7%	19.0%	52,140	52,140	0	0	\$39.28
B	2,344,155	7.5%	0.7%	8.2%	7.4%	9.0%	6,802	6,802	0	0	\$29.92
C	488,682	2.1%	0.0%	2.1%	1.7%	1.0%	-3,392	-3,392	0	0	\$26.50
TOTAL	6,830,512	11.4%	1.9%	13.3%	13.1%	13.5%	55,550	55,550	0	0	\$38.42
Nashville Quarterly Comparisons and Totals											
22Q1	61,021,680	16.4%	3.5%	19.7%	13.0%	13.1%	180,882	180,882	2,161,629	112,766	\$30.60
21Q4	62,494,969	15.4%	2.7%	17.1%	13.1%	13.2%	582,610	1,540,588	2,274,395	2,249,864	\$30.57
21Q3	60,649,754	14.4%	2.8%	17.2%	12.6%	13.1%	899,369	995,731	2,996,195	0	\$30.52
21Q2	60,649,258	14.8%	3.1%	17.9%	12.9%	12.6%	291,771	86,929	2,846,195	1,508,338	\$30.50
21Q1	59,008,622	14.8%	3.4%	18.1%	13.6%	11.7%	-250,457	-250,457	2,325,533	1,098,000	\$29.80

351 offices in 62 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$4.3B
in revenue



2B
square feet under management



17,000 +
professionals and staff

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