Colliers

Research & Forecast Report

Nashville Office

Q4 2022

Accelerating success.

Key Takeaways

- Nashville's office absorption recorded positive 233,653 square feet in Q4, bringing the total 2022 absorption to 287,885 SF.
- Market vacancy remained relatively unchanged this quarter, closing Q4 at 15.1%.
- Average rental rates continued to climb at the close of 2022, despite the elevated vacancy.

		YOY	Forecast
Vacancy Rate	15.1%	▲	—
Net Absorption	233.6K SF	▲	—
Under Construction	2.7M SF	—	—
Overall Class A Asking Lease Rates (FSG)	$36.95 SF	▲	▲

Nashville office market closes out 2022 on multiple high notes

Nashville's economy experienced some of the healthiest growth in the nation in 2022, with an annual job growth rate of 5.8%, exceeding the U.S. growth of 4.1%. Of note, its tech sector saw job growth of 14.9% in 2022, a token of Nashville's ability to attract and retain tech companies in previous years. Nashville also received high marks from the Urban Land Institute, ranking the #1 Market to Watch in its 2023 Emerging Trends in Real Estate Report. The report credited Nashville's tremendous and sustained job and population growth, and its economic diversity. Nashville's market fundamentals are unchanged and they will continue to keep Nashville's office market on track, evidenced by strong absorption in the second half of 2022, solid demand for quality office space, and overall confidence in the market.

Market Indicators

2.8% Unemployment Rate

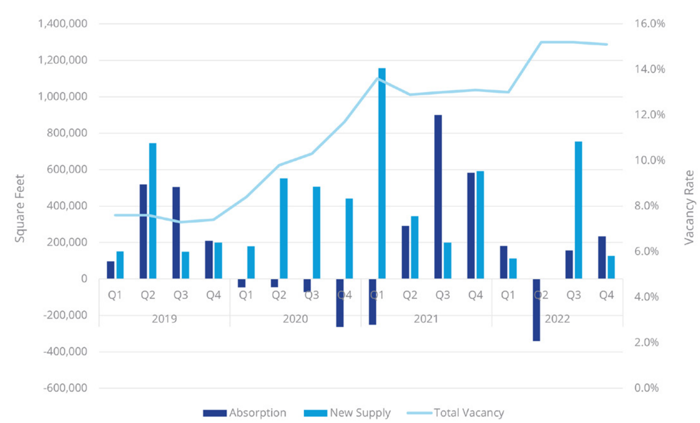
2.8% GDP - Quarterly % change yr/yr

3.198% U.S. 10 Year Treasury Note

Historic Comparison

	22Q2	22Q3	22Q4
Total Inventory (in Millions of SF)	60.1	60.5	60.7
New Supply (in Thousands of SF)	0	753.6	126.0
Net Absorption (in Thousands of SF)	-341.0	157.7	233.6
Overall Vacancy	15.2	15.1	15.1
Under Construction (in Thousands of SF)	3,348.6	2,818.0	2,712.0
Overall Asking Lease Rates (FSG)	$31.71	$31.75	$31.80

Absorption, New Supply & Vacancy



Nashville experienced its strongest quarterly absorption of 2022 in Q4, resulting in over 287,000 SF for the year. Vacancy remained elevated throughout 2022, due to additional sublease space and 768,395 square feet of new supply coming online.

Recent Transactions

Lease
530 Great Circle Road
Suburban | 99,000 SF

Sublease
Seven Springs II
Suburban | 56,141 SF

Expansion
1030 Music Row
Suburban | 32,758 SF

Sale
5th & Broadway
Urban | $658/SF

Sale
741 Cool Springs Blvd.
Suburban | $233/SF

Sale
2525 21st Ave S.
Suburban | $200/SF

Nashville

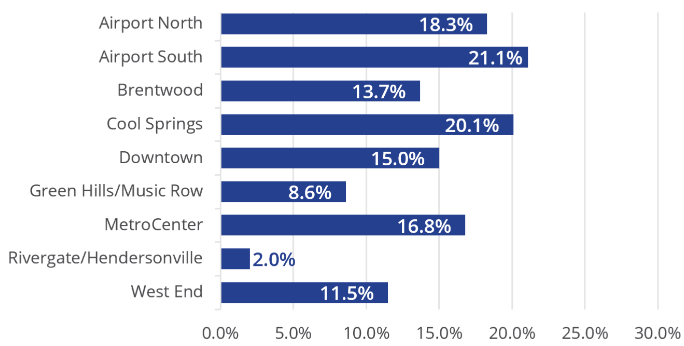
Office

22Q4

Vacancy + Absorption

The final quarter of 2022 showed continued improvement for Nashville's office market, with 233,653 square feet absorbed in Q4. Flight-to-quality was a dominant theme in 2022, as Class A space led the market with 601,976 SF of absorption, while Class B space was negative 375,132 SF. The fringe areas within Music Row and West End performed especially well, as tenants moved into new construction in those submarkets throughout the year. Despite the positive absorption in Q3 and Q4, Q2's occupancy loss of 341,051 square feet, combined with the delivery of 768,395 square feet throughout the year, has kept market vacancy levels elevated. Overall urban and suburban level vacancies are tracking closely at 15.0% and 15.2%, respectively. Looking ahead, there is still room for vacancy to rebound in the Downtown submarket, as no new multitenant inventory is slated to deliver in that submarket until 2024.

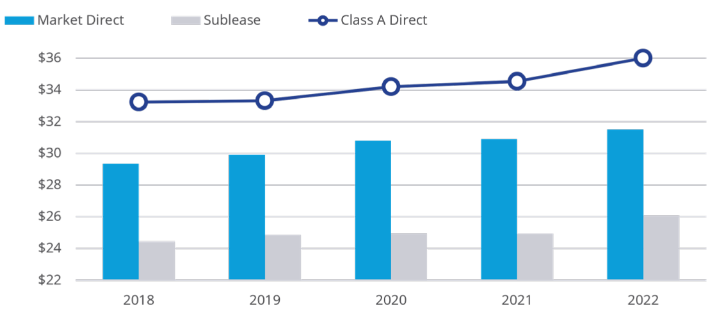
Vacancy Rates
By Submarket



Rental Rates

Nashville's overall office rents rose 2.7% year-over-year, closing Q4 at $31.80 per square foot. The demand for Class A space continues to push rates beyond previous records, despite the vacancies across the market. Average Class A rates reached $36.95 per square foot, up 5.8% year-over-year. Drilling down to Class A product that delivered after 2015, there is a 25.3% difference in asking rates between this Class A+ space and inventory that delivered prior to 2015. Multiple new and proposed developments are quoting NNN rates in the low/mid-$40s, the majority located in the urban/fringe areas. Average sublease rents at $25.35 per square foot represent a 17% discount when compared to direct rental rates.

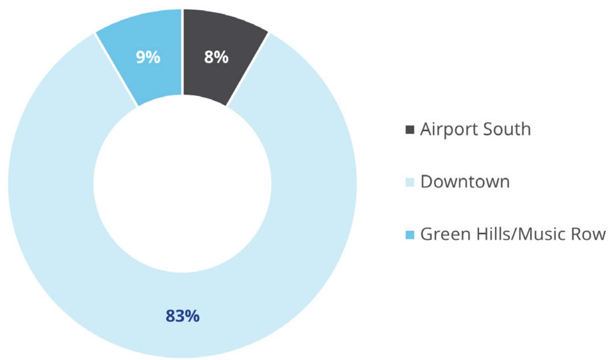
Class A Rental Rates (FSG)
Class A vs. Market vs. Sublet



Office Development

The Nashville market experienced 768,395 square feet of new office construction in 2022, and 50% of this space is pre-leased. The three projects that completed in Q4 were GBT's One 22 One (365,000 SF) in the Downtown submarket; McEwen Northside Block A (126,000 SF) in Cool Springs; and 17th & Grand (165,400 SF) in the Green Hills/ Music Row submarket, following the delivery of 1030 Music Row in Q1. Developers have 2,712,000 square feet in projects currently under construction. The largest project in the region is Southwest Value Partners' combined 967,000 square feet between an office tower and a creative office building at Nashville Yards. Another wave of construction is slated to deliver in the fringe areas in the first half of 2023 totaling 837,000 square feet with the anticipated deliveries of T3, Neuhoff, Moore Building, and Amazon Tower II. Over 5.3M square feet are at the proposed stage, but these projects are unlikely to break ground without an anchor tenant.

Under Construction
Submarket Breakdown



Nashville

Office

22Q4

Leasing Activity

Office

Property	Tenant	Lease Type	SF	Submarket
530 Great Circle Road	Confidential	New	99,000	MetroCenter
Seven Springs II	Delek US Energy Inc.	Sublease	56,141	Brentwood
1030 Music Row	Elmington Construction LLC	Expansion	32,758	Green Hills / Music Row
211 Commerce	FirstBank	Renewal	32,555	Downtown
Seven Springs West	Surgery Partners	Sublease	29,670	Brentwood
1030 Music Row	Ampersand Nashville LLC	New	26,124	Green Hills / Music Row

Investment Activity

Office*

Property	SF	Price	Price/SF	Submarket
Fifth + Broadway (Office)	372,000	$244,810,904	$658	Downtown
741 Cool Springs Boulevard	57,252	$13,350,000	$233	Cool Springs
2525 21st Avenue South	39,674	$10,750,000	$271	Green Hills / Music Row
1431 Perrone Way	21,000	$8,287,000	$395	Cool Springs
110 Winners Circle North	26,368	$5,000,000	$190	Brentwood

* Includes medical office

Office Development

Office Construction + 100k SF

Total to be Delivered:	
2022	643,166 SF
2023	1.4M SF
2024	912,380

ONE22ONE
ETA Q3 2022
365,000 SF

Neuhoff
ETA Q2 2023
388,000 SF

1030 Music Row
ETA Q3 2022
112,766 SF

Moore Building
ETA Q1 2023
227,000 SF

Pinnacle Tower Nashville Yards
ETA Q4 2024
667,000 SF

2022

2023

2024

2025

17th & Grand
ETA Q3 2022
165,400 SF

Amazon II - Nashville Yards
ETA Q2 2023
588,000 SF

Finery
ETA Q2 2023
225,000 SF

Nashville Yards - Creative
ETA Q3 2025
300,000 SF

Nashville | Q4 2022 | Office | Market Statistics

Submarket/ Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption 2022	Under Construction	Deliveries YTD	Avg Direct Asking Rate (FSG)
Downtown											
A	9,264,672	16.1%	2.0%	18.1%	16.0%	17.1%	32,435	4,136	2,240,000	365,000	$37.91
B	5,084,496	19.0%	3.5%	22.5%	18.4%	15.6%	-38,281	-293,547	0	0	$32.39
C	2,742,319	5.4%	0.0%	5.1%	5.1%	4.9%	-6,194	8,699	0	0	$27.01
TOTAL	17,091,487	15.6%	2.1%	17.7%	15.0%	14.4%	-12,040	-280,712	2,240,000	365,000	$35.64
Suburban											
A	18,881,901	17.2%	6.9%	24.1%	20.2%	20.0%	117,603	597,840	452,000	403,395	$34.22
B	20,527,067	14.2%	3.3%	17.5%	12.7%	13.2%	102,186	-81,585	0	0	$26.71
C	4,258,682	5.9%	0.1%	6.0%	5.3%	5.5%	25,904	52,342	0	0	$23.70
TOTAL	43,667,650	14.7%	4.6%	19.3%	15.2%	15.4%	245,693	568,597	452,000	403,395	$29.60
Total											
A	27,980,039	17.1%	5.3%	22.4%	18.8%	18.9%	150,038	601,976	2,692,000	768,395	$36.95
B	25,611,563	15.1%	3.3%	18.4%	13.8%	13.7%	63,905	-375,132	0	0	$27.40
C	7,001,001	5.7%	0.0%	5.7%	5.2%	5.2%	19,710	61,041	0	0	$24.09
TOTAL	60,592,603	15.0%	3.9%	18.9%	15.1%	15.1%	233,653	287,885	2,692,000	768,395	$31.80

Submarkets by Class

Submarket/ Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption 2022	Under Construction	Deliveries YTD	Avg Direct Asking Rate (FSG)
Airport North											
A	2,176,291	18.6%	10.7%	29.3%	17.0%	17.1%	2,602	168,595	0	0	$26.74
B	2,769,094	24.2%	4.2%	28.4%	20.9%	16.7%	-11,991	-55,141	0	0	$23.01
C	324,748	5.0%	0.0%	5.0%	5.0%	5.0%	23,563	30,298	0	0	$18.22
TOTAL	5,270,133	20.7%	6.6%	27.3%	18.3%	16.6%	14,174	143,752	0	0	$24.29
Airport South											
A	820,101	20.5%	0.0%	20.5%	30.5%	34.8%	2,320	84,726	225,000	0	$36.25
B	4,393,776	22.1%	3.5%	25.6%	19.8%	22.9%	34,078	-146,444	0	0	$25.25
C	1,236,759	8.2%	0.0%	8.2%	7.1%	8.9%	2,627	27,137	0	0	$17.54
TOTAL	7,723,107	20.1%	2.5%	22.6%	21.1%	19.9%	39,025	-34,581	225,000	0	$26.54
Brentwood											
A	3,531,921	10.9%	5.0%	15.9%	13.9%	16.8%	73,807	118,001	0	0	$31.64
B	3,632,103	9.0%	4.1%	13.1%	12.1%	14.3%	55,383	90,600	0	0	$28.73
C	216,371	10.4%	0.0%	10.4%	8.3%	6.6%	-3,660	9,184	0	0	$23.50
TOTAL	7,380,395	10.7%	3.2%	13.9%	13.7%	13.9%	125,530	217,785	0	0	$30.11
Cool Springs											
A	6,592,004	16.3%	12.0%	28.3%	24.3%	24.0%	-23,569	-40,572	0	125,000	$33.97
B	2,964,659	12.7%	7.8%	20.5%	11.4%	11.9%	-44,097	-5,039	0	0	$29.00
C	79,500	7.6%	0.0%	7.6%	0.0%	0.0%	0	0	0	0	$19.00
TOTAL	9,636,163	15.1%	10.6%	25.7%	20.1%	20.3%	-67,666	-45,611	0	125,000	$32.33
Green Hills/ Music Row											
A	1,378,343	25.7%	5.4%	31.1%	25.8%	26.3%	35,554	15,902	227,000	278,395	$42.21
B	2,020,170	4.5%	0.0%	4.5%	3.6%	3.6%	318	23,016	0	0	$32.42
C	595,204	2.7%	0.0%	2.7%	2.5%	2.4%	-5,906	-20,697	0	0	$30.59
TOTAL	3,993,717	12.8%	1.9%	14.7%	8.6%	8.7%	29,966	18,221	227,000	278,395	$38.05
MetroCenter											
A	457,235	30.8%	0.5%	31.3%	23.9%	23.4%	-2,239	47,457	0	0	$28.50
B	1,465,580	18.6%	1.4%	20.0%	16.2%	20.3%	59,069	-5,711	0	0	$27.62
C	177,695	3.8%	0.0%	3.8%	3.8%	3.8%	0	0	0	0	$17.00
TOTAL	2,100,510	20.0%	1.1%	21.1%	16.8%	18.6%	56,830	41,746	0	0	$27.37
Rivergate / Hendersonville											
A	656,649	5.5%	0.0%	5.5%	5.3%	4.9%	-2,390	-4,619	0	0	$29.59
B	1,171,839	6.0%	0.0%	6.0%	2.4%	1.9%	-6,143	2,667	0	0	$23.84
C	1,108,671	0.7%	0.0%	0.7%	0.5%	0.7%	4,213	4,304	0	0	$14.50
TOTAL	2,937,159	13.0%	0.0%	13.0%	2.0%	2.2%	-4,320	2,352	0	0	$24.67
West End											
A	3,269,357	19.5%	3.1%	22.6%	15.4%	16.4%	31,518	208,350	0	0	$39.85
B	2,109,846	7.8%	0.8%	8.6%	7.6%	8.3%	15,569	14,467	0	0	$31.74
C	519,734	1.9%	0.5%	2.4%	2.6%	3.6%	5,067	2,116	0	0	$30.10
TOTAL	6,830,512	13.8%	14.2%	28.0%	11.5%	12.4%	52,154	224,933	0	0	$38.97
Nashville Quarterly Comparisons and Totals											
22Q4	60,592,603	15.0%	3.9%	18.9%	15.1%	15.1%	233,653	287,885	2,692,000	768,395	$31.80
22Q3	60,562,215	14.9%	3.9%	18.8%	14.8%	15.6%	157,770	7,000	2,818,000	643,395	$31.75
22Q2	60,111,842	15.7%	3.4%	19.1%	15.2%	15.0%	-341,051	-130,790	3,348,629	112,766	$31.71
22Q1	60,021,680	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

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

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 62 countries, our 17,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 27 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of 20% for shareholders. With annual revenues of $4.3 billion and $57 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

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