



Nashville's Commercial Real Estate Sector Sending Mixed Signals

Colliers Nashville CRE Vitality Index rises 7 points in Q2.

NASHVILLE, Tenn. (August 1, 2023) – While the Colliers Nashville Commercial Real Estate Vitality Index was expected to decline during the first half of 2023 due to global economic conditions, the opposite has happened, sending mixed signals on the local commercial real estate sector. According to the Index, 2023 mid-year results are seven points higher than where the Index stood in Q4 2022 and are only three points lower than Q3 2017, the Index's highest peak. With the Index hitting pre-pandemic levels during these uncertain times, it's safe to say that the commercial real estate environment is in a state of flux.

The Colliers Index, launched in January of 2019, uses key economic indicators to track the health and vitality of Middle Tennessee's commercial real estate sector from 2001 to the present. These indicators include local & regional financials, rent escalations, de-escalations, job growth, vacancies, population growth, gross domestic product, market sentiment, investment, and other factors. The combined variables factor into a weighted algorithm that creates a measurement tool to monitor the relative health of Nashville's commercial real estate sector over time.

Top national economists have widely varying opinion on the GDP's future trajectory. Banks are also uncertain about the economy's direction and with the rapid rise in interest rates, they have tightened lending dramatically in the first six months of the year. There are several other key contributing drivers to Index fluctuations, plus offsetting factors, to consider for what has yielded an unclear and sometimes contradictory picture of the state of the Nashville's commercial real estate environment at mid-year 2023.

- **Key positive drivers** – Office absorption – the amount of net new space that tenants lease – is higher at mid-year 2023 than 2022's total annual absorption. Manufacturing is also a key driver resulting in the uptick in the Index, particularly due to job creation and investment in the electronic vehicle industry.
- **Offsetting factors** – Nashville's office market experienced a rise in vacancy with 1.17M square feet of new supply added at mid-year 2023. At the end of Q1 2023, sublease office space was at 3.6% of the total office space inventory compared to 2.3% in Q1 2002, the highest sublease vacancy rate in the past twenty years. Sublease industrial space stands at a healthy 1% of total inventory, while record multifamily units were delivered during the first half of 2023.
- **Job Growth, Population Growth, and Cost of Living** – Nashville ranks as the third fastest growing city in the nation for year-over-year employment growth in the leisure, hospitality, and tourism industry. At mid-year 2023, Nashville's population grew with an estimated 22,000 new residents. Annualized, the metro's population growth is on track to outpace 2022's population increase. Nashville's property values are also increasing contributing to an affordability crisis. In 2019, the median sales price for an average residential home was \$319,990. In recent years, residential home values have increased with a median sales price of \$474,000 – a 48% climb in the past four years.

On Tuesday, August 1, 2023, Colliers hosted an event at its local office where the latest findings of the Colliers Nashville Index 2023 mid-year results were presented. Conversation was also held that introduced

the leaders behind 'Imagine Nashville,' a recently launched year-long grassroots initiative that will establish a bold set of shared values and vision for the Nashville of twenty years from now.

Imagine Nashville Leaders included:

- Dr. Alex Jahangir, MD, Vanderbilt University Medical Center
- Dr. John Faison, Sr., Watson Grove Baptist Church
- Hal Cato, CEO, The Community Foundation of Middle Tennessee
- Janet Miller, CEO, Colliers Nashville (Moderator)

Details of the Index and Tuesday's discussion can be found at www.colliersindexnashville.com.

About Colliers International

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 66 countries, our 18,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 28 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of \$4.5 billion and \$98 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](https://twitter.com/Colliers) or [LinkedIn](https://www.linkedin.com/company/colliers).

About Colliers Nashville

Colliers International Nashville, LLC is a leading commercial real estate services firm in the Nashville area and Middle Tennessee. With over 80 years of experience and 70 professionals, Colliers' interdisciplinary specialist provide expert counsel across multiple lines of business including advisory solutions, brokerage, valuation, debt & equity, project management, and property management. The firm has ranked in the top five commercial real estate services firms in the city for the last five years. Learn more at colliers.com/nashville, or Instagram [@colliers_nashville](https://www.instagram.com/colliers_nashville).

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