



Colliers

Research & Forecast Report

Nashville Office

Q4 2023

Accelerating success.

Colliers

Nashville

Office

23Q4

Key Takeaways

- Nashville's office absorption exceeded 541,171 SF in Q4, bringing the 2023 total absorption to 1,201,325 SF.
- Overall office vacancy decreased slightly in Q4, down 70 basis points over Q3.
- Sublease office availability experienced a decline of 9.6% during Q4 the largest quarterly decline since 2020.



Vacancy Rate
15.6%

YOY

FORECAST



Net Absorption
541K SF

YOY

FORECAST



Under Construction
1.9M SF

YOY

FORECAST



Overall Class A Asking Lease Rates (FSG)
\$37.08/SF

YOY

FORECAST

Nashville Market Highlights of 2023

Nashville's economy posted one of the highest job growth rates in the nation at 3.7%, ranking in the top 5 of the largest 50 metros. Of note, Nashville's technology sector continued to perform, experiencing tech employment growth of 9.4% in 2023. Forecasted by Oxford economics, overall jobs are projected to grow 1.2% in 2024 and by 0.8% per year in 2025 through 2028, outpacing the U.S. average of 0.5%. Confidence in Nashville's commercial real estate market is unmatched, as the metro ranked the #1 Market to Watch by *Urban Land Institute* for the third consecutive year. The report credits Nashville and other Supernova cities as having above-average level of economic diversity and high-wage jobs that attract investors' appeal, and the confidence in sustaining high growth in the coming years. Nashville's office market posted 1.2M square feet in move-ins in 2023, returning to its annual average absorption of about a million square feet. New supply volume in the next few years is limited compared to the previous 5 years, based on current office demand and vacancy levels. Class A+ space and creative office continue to be a huge draw for tenants that are looking to relocate and right-size their current space.

Market Indicators



2.9%
Unemployment Rate



3.17%
GDP - Quarterly % change yr/yr

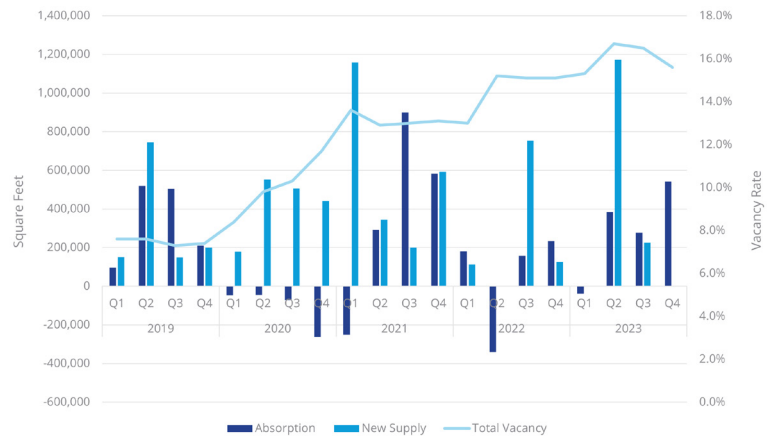


3.881%
U.S. 10 Year Treasury Note

Historic Comparison

	23Q2	23Q3	23Q4
Total Inventory (in Millions of SF)	62.4	62.6	62.6
New Supply (in Thousands of SF)	1,173.0	225.0	0
Net Absorption (in Thousands of SF)	384.1	275.9	741.1
Overall Vacancy	16.7%	16.5%	15.6%
Under Construction (in Thousands of SF)	1,437.3	1,642.5	1,910.6
Overall Asking Lease Rates (FSG)	\$31.97	\$32.57	\$34.05

Absorption, New Supply & Vacancy



Nashville's office market finished Q4 2023 with absorption reaching 541,000 square feet, bringing the 2023 net absorption to 1.2M square feet. The overall vacancy decreased marginally due to multiple large move-ins and no new supply. New supply will be limited in the next two years, compared to previous years, which should help to level off vacancy in the next 12 to 24 months.

Recent Transactions



Lease
Park Center I
Suburban | 95,254 SF



Lease
Nashville Yards Creative
Urban | 74,179 SF



Lease
Carothers Building
Suburban | 49,707 SF



Sale
211 Commerce
Urban | \$328/SF



Sale
Ramparts of Brentwood
Suburban | \$243/SF

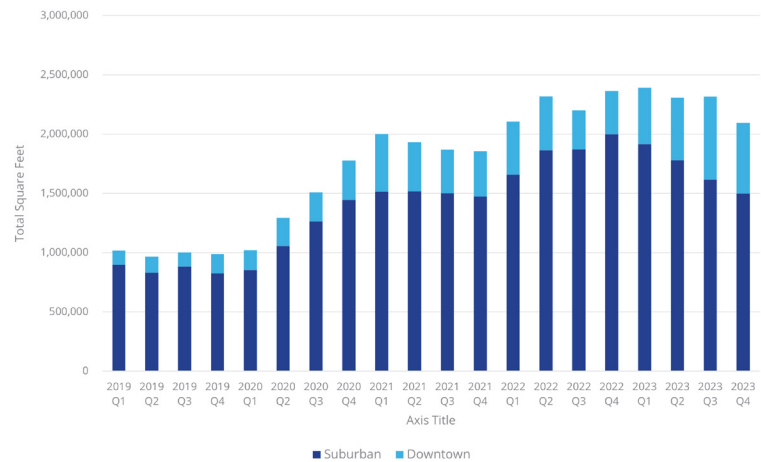


Sale
330 Charlotte
Urban | \$153/SF

Availability + Demand

The final quarter of 2023 showed continued improvement for Nashville's office market, with 541,171 square feet absorbed in Q4, bringing the 2023 total to 1,201,325 square feet. The vast majority of the occupancy gains occurred in Class A product, with multiple move-ins in new construction. This uptick in absorption resulted in the quarterly decline in vacancy to 15.6%, down from 16.3% in Q3. Despite the positive absorption of 2023, the delivery of 1.4M square feet and elevated sublease availability, have kept market vacancy levels elevated. However, office sublease availability fell 9.6% at the close of Q4, marking the largest decline in sublease space since 2020. Overall sublease availability stands at 3.3%, with the average sublease size of 23,190 square feet. Sublease availability is currently tracking at 4.4% in the Downtown submarket, with the suburban submarkets posting 4.8% at the end of Q4.

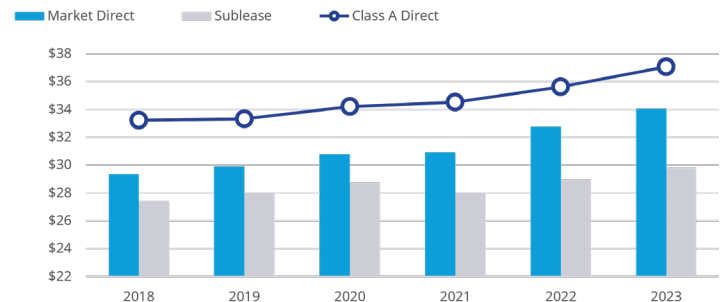
Sublease Availability
Suburban vs. Downtown



Rental Rates

Despite the elevated office vacancy, Nashville's office rental rates have held steady throughout the market. Rent growth has slowed in Nashville over the previous few years, coinciding with the doubling of the market wide vacancy rate. Rents have grown by 0.7% in each quarter of 2023, compared to the quarterly average of 1.5% from 2015 through 2019. The demand for Class A space continues to push rates beyond previous records, reaching an average of \$37.08 per square foot, full service gross. 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 \$29.80 per square foot represent a 14% discount when compared to direct rental rates.

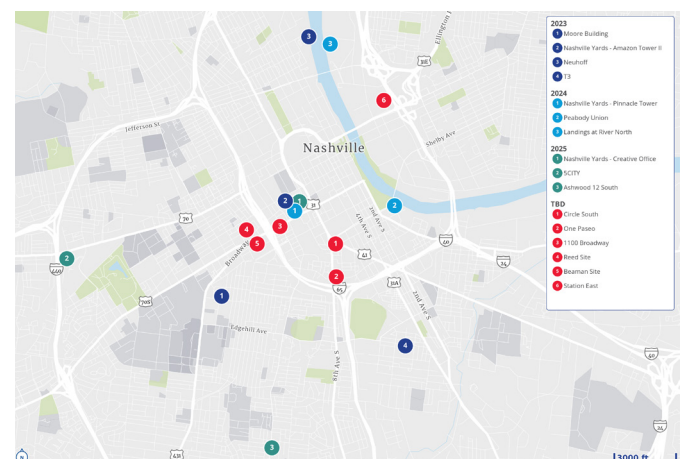
Class A Rental Rates (FSG)
Class A vs. Market vs. Sublet



Office Development

Nashville's office market experienced a wave of new office construction this year, with over 1,428,000 square feet added to the inventory in 2023. These projects are located in the Downtown and fringe areas and are a collective 52% leased. Construction is underway on nearly 2M square feet across the Downtown, Cool Springs, West End, and Green Hills/Music Row submarkets. New office deliveries in 2024 and 2025 are roughly half of the volume of 2023, with only the completions of Pinnacle Tower at Nashville Yards and Landings at River North in 2024. With this historically limited supply coming online compared to recent volumes, this should help demand catch up with supply.

Under Construction
Office Development



Leasing Activity

Office

Property	Tenant	Lease Type	SF	Submarket
Park Center I	DVA Renal Healthcare, Inc.	95,254	Renewal	Brentwood
Nashville Yards Creative Office	Creative Artists Agency	74,179	New	Downtown
The Carothers Building	Wesley Financial Group LLC	49,707	Renewal	Cool Springs
Bowers Park II	The Travelers Indemnity Corp.	39,512	Renewal	Cool Springs
One Century Place	Cummins Inc.	28,699	New	Alrport North
810 Broadway	USA	23,837	Renewal	Downtown

Investment Activity

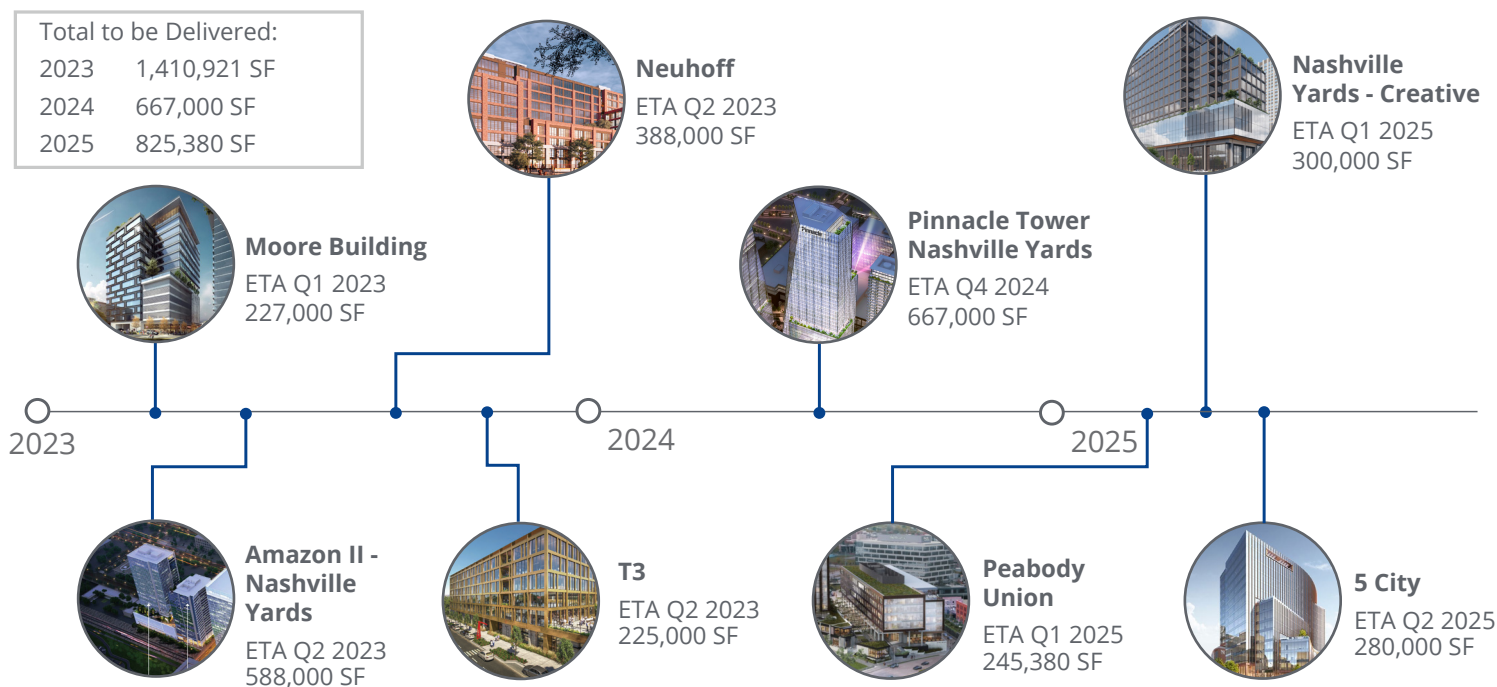
Office

Property	SF	Price	Price/SF	Submarket
211 Commerce Street*	228,567	\$75,000,000	\$328	Downtown
The Ramparts of Brentwood	126,842	\$32,000,000	\$153	Brentwood
330 Charlotte Avenue*	65,116	\$10,000,000	\$92	Downtown
2303 21st Avenue S	14,800	\$5,800,000	\$392	West End
1881 General George Patton Dr	11,582	\$4,000,000	\$345	Cool Springs

*Planned conversion to a hotel

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 2023	Under Construction	Deliveries YTD	Avg Direct Asking Rate (FSG)
Downtown											
A	10,227,865	14.6%	4.4%	19.0%	22.4%	22.4%	661,301	879,222	1,290,380	976,000	\$41.86
B	5,054,989	18.8%	3.4%	22.2%	19.2%	19.1%	-15,382	-1,686	0	0	\$34.45
C	3,048,849	3.5%	0.0%	3.5%	3.4%	3.4%	0	-3,296	0	0	\$27.50
TOTAL	18,331,703	13.9%	3.4%	17.3%	13.3%	18.7%	645,919	874,240	1,290,380	976,000	\$36.52
Suburban											
A	19,931,561	19.8%	4.8%	24.6%	21.6%	20.6%	-166,650	202,905	620,221	452,000	\$33.08
B	20,028,236	14.3%	2.5%	16.8%	13.5%	13.3%	72,639	175,274	0	0	\$27.19
C	3,822,361	10.1%	0.3%	10.4%	7.0%	7.4%	-10,737	-51,094	0	0	\$22.75
TOTAL	43,782,158	16.3%	3.6%	19.9%	16.1%	16.7%	-104,748	327,085	620,221	452,000	\$28.79
Total											
A	30,359,426	18.1%	4.7%	22.8%	18.8%	21.5%	494,651	1,082,127	1,910,601	1,428,000	\$37.08
B	25,383,225	15.2%	2.6%	17.8%	14.7%	14.9%	57,257	173,588	0	0	\$28.26
C	6,871,210	7.2%	0.2%	7.4%	5.4%	5.4%	-10,737	-54,390	0	0	\$23.60
TOTAL	62,613,861	15.7%	3.3%	19.0%	15.6%	16.3%	541,171	1,201,325	1,910,601	1,428,000	\$34.05

Submarkets by Class

Airport North											
A	2,210,499	22.5%	7.2%	29.7%	14.7%	13.9%	-16,511	21,056	0	0	\$25.99
B	2,857,281	18.4%	1.3%	19.7%	15.8%	15.2%	-5,299	12,121	0	0	\$24.30
C	357,944	5.9%	0.0%	5.9%	5.0%	5.0%	-3,369	-4,826	0	0	\$18.04
TOTAL	5,425,724	19.3%	3.6%	22.9%	14.7%	13.6%	-25,179	28,351	0	0	\$24.54
Airport South											
A	1,016,910	36.2%	0.0%	30.2%	30.2%	40.3%	39,017	74,682	0	225,000	\$36.18
B	4,144,283	24.8%	5.4%	30.2%	24.2%	24.2%	-5,122	-25,720	0	0	\$24.04
C	1,071,975	15.7%	0.0%	15.7%	9.6%	9.6%	-8,752	-6,753	0	0	\$19.98
TOTAL	6,233,168	25.1%	3.6%	28.7%	22.6%	25.9%	25,143	42,209	0	225,000	\$25.82
Brentwood											
A	3,836,081	13.5%	3.4%	16.9%	22.3%	16.1%	-232,289	-241,223	0	0	\$32.97
B	3,685,155	13.2%	1.4%	14.6%	11.0%	11.2%	23,696	55,257	0	0	\$29.78
C	216,371	14.5%	3.8%	18.3%	9.9%	9.7%	-586	-3,439	0	0	\$28.42
TOTAL	7,737,607	16.9%	1.8%	18.7%	16.6%	12.4%	-209,179	-189,405	0	0	\$30.71
Cool Springs											
A	6,848,648	16.3%	8.5%	24.8%	24.1%	23.3%	14,742	162,896	268,021	0	\$33.40
B	2,816,702	13.8%	3.9%	17.7%	13.4%	13.7%	28,527	56,147	0	0	\$31.67
C	48,292	52.6%	0.0%	52.6%	0.0%	0.0%	773	-6,122	0	0	\$30.94
TOTAL	9,713,642	15.8%	7.0%	22.8%	21.7%	19.5%	44,042	212,921	268,021	0	\$32.46
Green Hills/ Music Row											
A	1,635,562	31.0%	1.2%	32.2%	32.9%	33.2%	9,037	141,095	72,200	227,000	\$42.86
B	1,988,485	3.7%	1.1%	4.8%	4.0%	5.1%	12,653	2,976	0	0	\$36.35
C	665,950	7.5%	0.0%	7.5%	7.2%	7.2%	0	18,062	0	0	\$29.47
TOTAL	4,289,997	14.7%	1.0%	15.7%	15.5%	18.7%	21,690	162,133	72,200	227,000	\$38.28
MetroCenter											
A	466,680	25.2%	0.0%	25.2%	23.9%	23.1%	-3,516	-2,193	0	0	\$29.50
B	1,330,897	13.1%	3.0%	16.1%	17.4%	18.6%	12,014	49,979	0	0	\$27.44
C	130,624	57.7%	0.0%	57.7%	44.7%	44.7%	0	-51,574	0	0	\$24.82
TOTAL	1,928,201	19.0%	2.0%	21.0%	15.8%	15.7%	8,498	-3,788	0	0	\$26.84
Rivergate / Hendersonville											
A	511,569	6.7%	0.0%	6.7%	9.5%	11.0%	7,238	-61	0	0	\$30.07
B	1,197,734	2.5%	0.0%	2.5%	1.7%	1.1%	-10,406	11,036	0	0	\$23.76
C	809,062	2.2%	0.0%	2.2%	0.7%	0.8%	-983	-5,046	0	0	\$14.75
TOTAL	2,518,365	3.3%	0.0%	3.3%	3.0%	2.5%	-4,151	5,929	0	0	\$25.21
West End											
A	3,405,612	14.5%	3.8%	18.3%	13.7%	15.5%	15,632	46,653	280,000	0	\$38.40
B	2,007,699	8.3%	1.1%	9.4%	7.8%	8.3%	16,576	13,478	0	0	\$34.37
C	522,143	0.5%	0.5%	1.0%	1.0%	1.4%	2,180	8,604	0	0	\$32.00
TOTAL	5,935,454	11.3%	2.7%	14.0%	10.7%	11.6%	34,388	68,735	280,000	0	\$35.21

501 offices in 65 countries around the world



\$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 65 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.

Copyright © 2024 Colliers

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Market Contacts:

Katie Lester, CPRC

Principal & Executive Vice President
Director of Research
Nashville
615 850 2700
katie.lester@colliers.com

Janet Miller, CeCD, FM

Principal | CEO & Market Leader
Nashville
615 850 2700
janet.miller@colliers.com



615 3rd Avenue S, Suite 500
Nashville, TN 37201
+1 615 850 2700
colliers.com

