



Research & Forecast Report

Nashville Office

Q1 2024



Nashville Office 24Q1

Key Takeaways

- Nashville's office absorption totaled 145,510 SF at the end of Q1 2024, the metro's fourth consecutive quarter of positive absorption.
- Overall office vacancy decreased slightly in Q1, down 4 basis points over Q4 2023.
- Sublease office availability experienced its second consecutive quarter of decline, decreasing 2.2% in Q1.



Moderate Start to 2024 for Nashville's Office Market

Nashville experienced moderate job gains across multiple sectors, ending its 2023 job growth rate of 3.2%, outpacing the U.S. average of 2.3%. Of note, Nashville's tech sector experienced 9.3% in total tech job growth for 2023, nearly tripling the U.S. tech job growth of 3.2%. This statistic contributed to Nashville ranking #6 in Milken Institute's Best Performing Cities of 2024, up from #15 in 2014. Gross domestic product in Nashville also grew 4.8% in 2023, led by gains in retail trade, arts and recreation, and real estate. Nashville's office market continued to progress in the first few months of 2024, posting 145,510 square feet of positive absorption, resulting in the vacancy rate dropping marginally to 15.9% since Q4. No new inventory was added in Q1, and 1.9M square feet is currently under construction. Rental rates remain at an all-time high, despite elevated vacancy. Occupiers continue to evaluate their office footprints, while exploring strategies to attract and retain employees. As such, amenity-rich options with flexible lease terms are becoming more prevalent going into 2024.

Market Indicators

3.2% Unemployment Rate
2.47% GDP - Quarterly % change yr/yr
4.192% U.S. 10 Year Treasury Note

Historic Comparison

	23Q3	23Q4	24Q1
Total Inventory (in Millions of SF)	62.6	62.6	61.0*
New Supply (in Thousands of SF)	225.0	0	0
Net Absorption (in Thousands of SF)	275.9	741.1	145.5
Overall Vacancy	16.5%	16.3%	15.9%
Under Construction (in Thousands of SF)	1,642.5	1,910.3	1,910.3
Overall Asking Lease Rates (FSG)	\$32.57	\$34.05	\$34.22

*Medical Inventory removed

Absorption, New Supply & Vacancy



Nashville's office market finished Q1 2024 with absorption exceeding 145,000 square feet. The overall vacancy decreased marginally due to multiple sizable move-ins and no new supply.

Recent Transactions

Lease
Moore Building
Urban | 143,610 SF

Lease
1316 Adams Street
Urban | 32,621 SF

Lease
Nashville Yards Creative
Urban | 30,119 SF

Sale
McEwen Building
Suburban | \$48.8M

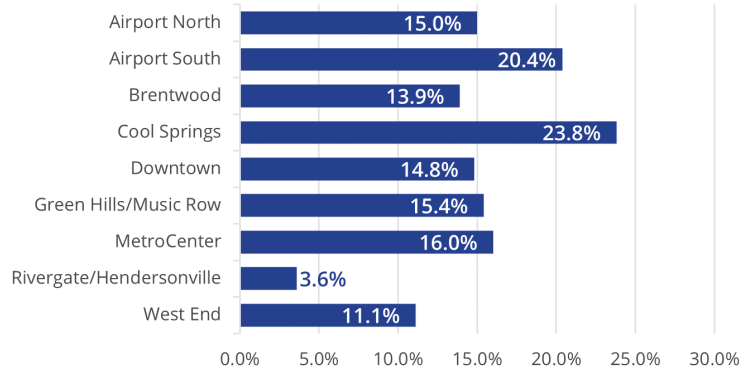
Sale
2953 Elm Hill Pike
Suburban | \$8M

Sale
2105 Elm Hill Pike
Suburban | \$4.8M

Availability + Demand

The first three months of 2024 showed minimal movement in Nashville's office market, with Q1 ending in a slight decline in overall vacancy to 15.9%. Nashville experienced 145,510 square feet of absorption in Q1, down from its pre-pandemic quarterly average of 250,00 SF. Class A vacancy stands at 19.8%, relatively unchanged over Q4 2023. Average vacancy is highest in the Cool Springs submarket at 23.8%, with most of the availability in Class A product. However, office sublease availability fell 2.2% at the close of Q1 2024 for the second consecutive quarter. This represents a 14% decrease since Q1 2023. Overall sublease availability stands at 3.3% (2M SF) with an average sublease size of 21,955 square feet. The vast majority of available sublease space is in the suburban submarkets, with 27% of the total located in the Downtown submarket.

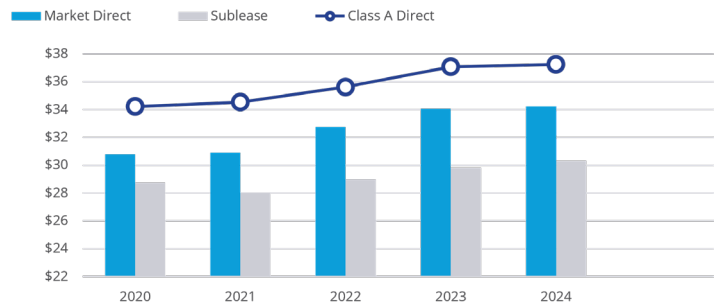
Vacancy Rates
By Submarket



Rental Rates

Despite the moderation in net absorption during the first quarter, Nashville's overall office rents continued to climb, closing Q1 at \$34.22 per square foot, a year-over-year increase of 7%. Average Class A rates ended the quarter at \$37.23 full service gross per square foot. Trophy assets remain in high demand and command the highest rents in the market, with Downtown and urban properties quoting NNN rates in the mid-\$40s per square foot, an asking rate 15% higher than overall asking rates. Landlord concessions will continue to be extremely beneficial in attracting tenants that are looking for longer term deals, and will be a considerable deal driver in the current market.

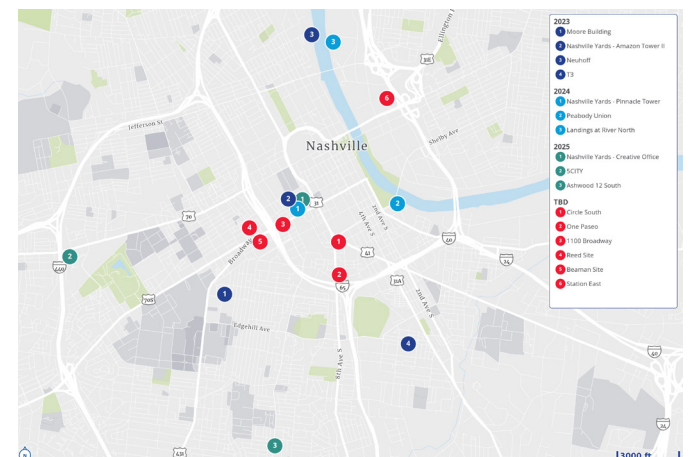
Class A Rental Rates (FSG)
Class A vs. Market vs. Sublet



Office Development

Following the delivery of nearly 1.4M square feet in 2023, Nashville's office market currently has 1,910,301 square feet of space under construction, with 68% concentrated in the Downtown core. Southwest Value Partners' Nashville Yards project is the largest in the region, with 967,000 square feet underway between Pinnacle Tower and Nashville Yards Creative Office. Over 800,000 square feet of office space is slated for delivery in 2024, all in the downtown submarket and fringe areas. Of note, buildings that have delivered since 2020 are tracking at 71% leased, while current projects under construction are 26% pre-leased. Five million square feet are currently proposed, ranging from 100,000 square feet to 1.3M square feet.

New Construction
Office Development



Leasing Activity

Office

Property	Tenant	Lease Type	SF	Submarket
The Moore Building	Undisclosed	New Lease	143,610	Green Hills / Music Row
Perimeter Park II	KIMC	Renewal	45,060	Airport South
Neuhoff	Undisclosed	New Lease	32,621	Downtown
Neuhoff	Undisclosed	New Lease	30,953	Downtown
Nashville Yards Pinnacle Tower	PriceWaterhouseCoopers (PwC)	New Lease	30,119	Downtown
Roundabout	e spaces	New Lease	24,807	West End

Investment Activity

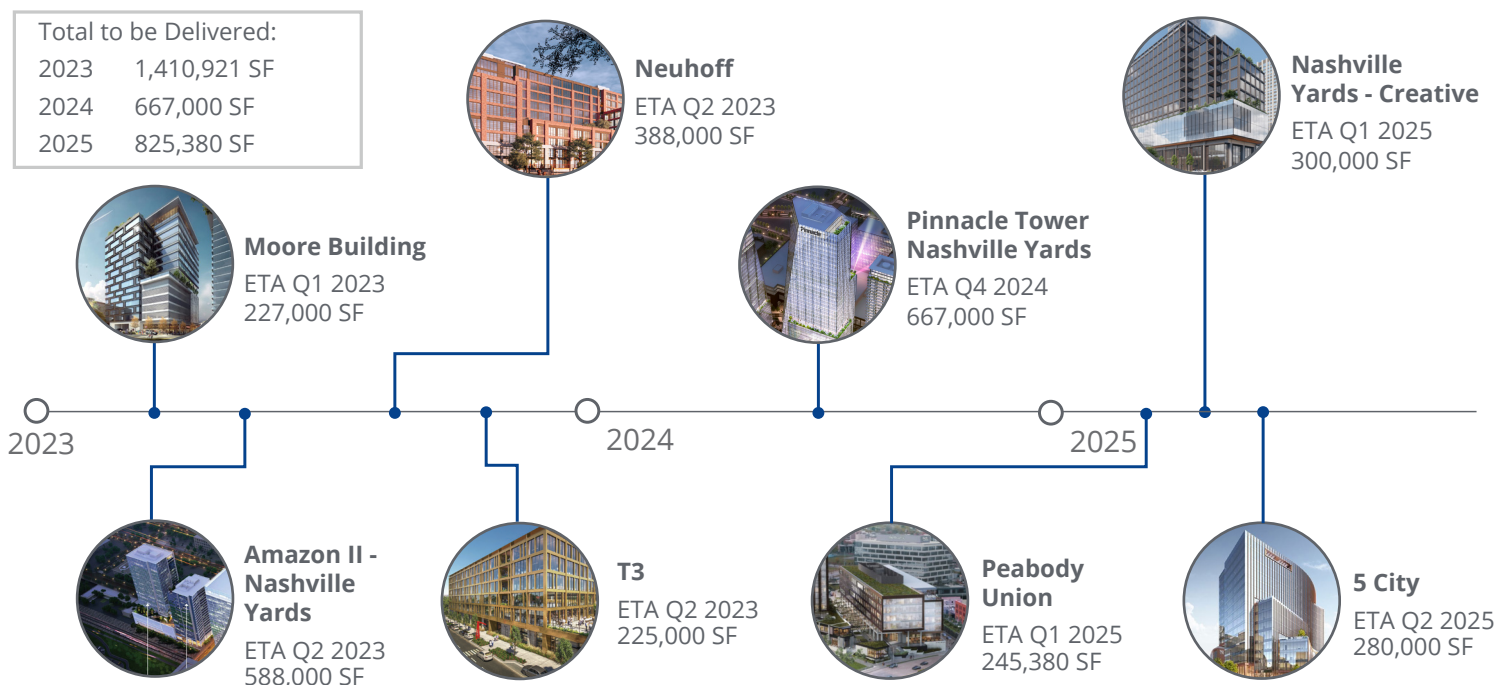
Office

Property	SF	Price	Price/SF	Submarket
McEwen Building	175,262	\$48,750,000	\$278	Cool Springs
2953 Elm Hill Pike	81,950	\$7,950,000	\$97	Airport North
Elm Hill Professional Building	43,494	\$4,817,500	\$107	Airport North
940 Oldham Drive*	6,857	\$3,099,808	\$452	Cool Springs

*Medical Office

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	9,941,767	16.7%	3.6%	20.3%	16.1%	16.8%	64,190	64,190	1,290,080	0	\$38.72
B	5,337,788	17.6%	4.0%	21.6%	18.8%	19.0%	21,430	21,430	0	0	\$34.58
C	3,002,943	3.8%	0.0%	3.8%	3.6%	3.4%	-3,650	-3,650	0	0	\$27.85
TOTAL	18,282,498	14.9%	3.1%	18.0%	14.8%	15.3%	81,970	81,970	1,290,080	0	\$35.52
Suburban											
A	19,570,229	17.7%	4.8%	22.5%	21.7%	21.6%	-32,220	-32,220	620,221	0	\$33.08
B	19,485,399	13.4%	2.5%	15.9%	12.9%	13.5%	88,968	88,968	0	0	\$27.19
C	3,729,633	10.3%	0.3%	10.6%	7.6%	7.6%	6,792	6,792	0	0	\$22.75
TOTAL	42,785,261	15.1%	3.6%	18.7%	16.5%	16.7%	63,540	63,540	620,221	0	\$28.79
Total											
A	29,511,996	17.4%	4.7%	22.1%	19.8%	20.0%	31,970	31,970	1,910,301	0	\$37.23
B	24,823,187	14.3%	2.6%	16.9%	14.2%	14.9%	110,398	110,398	0	0	\$28.35
C	6,732,576	7.4%	0.2%	7.6%	5.8%	5.8%	3,142	3,142	0	0	\$24.88
TOTAL	61,067,759	15.0%	3.3%	18.3%	15.9%	16.3%	145,510	145,510	1,910,301	0	\$34.22

Submarkets by Class

Airport North											
A	2,224,078	22.5%	3.1%	25.6%	15.0%	16.6%	53,099	53,099	0	0	\$30.10
B	2,503,475	15.8%	1.8%	17.6%	15.7%	17.4%	37,631	37,631	0	0	\$25.59
C	265,216	9.7%	0.0%	9.7%	8.5%	8.0%	-1,310	-1,310	0	0	\$16.38
TOTAL	4,992,769	18.5%	2.3%	20.8%	15.0%	15.6%	89,420	89,420	0	0	\$25.04
Airport South											
A	1,043,019	23.9%	0.0%	23.9%	28.3%	29.4%	9,116	9,116	0	0	\$36.52
B	4,036,854	21.3%	5.6%	26.9%	20.7%	24.2%	22,174	22,174	0	0	\$24.36
C	1,071,975	16.0%	0.0%	16.0%	11.3%	10.3%	10,043	10,043	0	0	\$20.53
TOTAL	6,151,848	23.3%	3.6%	26.9%	20.4%	23.1%	41,333	41,333	0	0	\$25.20
Brentwood											
A	3,372,751	12.6%	3.0%	15.6%	17.0%	16.1%	-30,295	-30,295	0	0	\$32.60
B	3,590,300	14.0%	1.7%	15.7%	11.3%	11.7%	33,212	33,212	0	0	\$29.98
C	216,371	6.8%	3.8%	10.6%	9.9%	9.9%	0	0	0	0	\$26.76
TOTAL	7,179,422	13.1%	2.4%	15.5%	13.9%	14.1%	2,917	2,917	0	0	\$31.23
Cool Springs											
A	6,878,572	16.5%	8.7%	25.2%	27.0%	24.1%	-64,422	-64,422	268,021	0	\$33.56
B	2,773,067	15.8%	4.2%	20.0%	16.2%	15.9%	-9,705	-9,705	0	0	\$31.51
C	48,292	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$30.09
TOTAL	9,699,931	16.2%	7.4%	23.6%	23.8%	21.7%	-74,127	-74,127	268,021	0	\$32.95
Green Hills/ Music Row											
A	1,637,685	24.4%	1.0%	25.4%	32.8%	32.9%	11,690	11,690	72,200	0	\$42.90
B	2,034,311	3.0%	1.1%	4.1%	4.3%	4.3%	732	732	0	0	\$35.45
C	665,950	7.1%	0.0%	7.1%	6.8%	7.2%	2,254	2,254	0	0	\$29.59
TOTAL	4,337,946	10.9%	0.9%	11.8%	15.4%	15.5%	14,676	14,676	72,200	0	\$37.58
MetroCenter											
A	466,680	25.2%	0.0%	25.2%	23.9%	23.9%	0	0	0	0	\$29.50
B	1,323,952	14.3%	3.0%	17.3%	10.3%	10.1%	-2,280	-2,280	0	0	\$27.96
C	130,624	57.7%	0.0%	57.7%	44.7%	44.7%	0	0	0	0	\$24.82
TOTAL	1,921,256	19.9%	2.1%	22.0%	16.0%	15.8%	-2,280	-2,280	0	0	\$27.21
Rivergate / Hendersonville											
A	511,569	3.9%	0.0%	3.9%	4.1%	9.5%	27,955	27,955	0	0	\$30.10
B	1,197,734	2.6%	2.5%	5.1%	5.0%	4.9%	-1,250	-1,250	0	0	\$23.75
C	809,062	2.9%	0.0%	2.9%	1.4%	0.7%	-5,500	-5,500	0	0	\$14.75
TOTAL	2,518,365	3.0%	0.0%	3.0%	3.6%	4.5%	21,205	21,205	0	0	\$25.20
West End											
A	3,435,875	15.0%	1.9%	16.9%	15.0%	13.6%	-39,363	-39,363	280,000	0	\$37.59
B	2,025,706	6.9%	0.6%	7.5%	7.2%	7.8%	8,454	8,454	0	0	\$34.31
C	522,143	0.0%	0.7%	0.7%	0.7%	1.0%	1,305	1,305	0	0	\$32.00
TOTAL	5,983,724	10.9%	1.4%	12.3%	11.1%	10.6%	-29,604	-29,604	280,000	0	\$34.54

501 offices in 65 countries around the world



\$4.3B
in revenue



2B
square feet under management



17,000 +
professionals and staff

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