



Colliers

Research & Forecast Report

Nashville Office

Q2 2024

Accelerating success.

Colliers

Nashville Office 24Q2

Key Takeaways

- Nashville's office absorption totaled positive 512,030 SF at the end of Q2 2024, the metro's fifth consecutive quarter of positive absorption.
- Overall office vacancy decreased in Q2 to 17.7%, down 9% over Q1 2024.
- Office investment volume reached \$362M at mid-year 2024, more than double the volume of the first half of 2023.



Uptick in Leasing Activity in Second Quarter 2024

The Nashville market made multiple headlines in the second quarter, including an announcement that Oracle will move its world headquarters to Nashville, as well as the opening of TruGreen's new corporate office in Franklin, Tennessee. These companies are among several industry giants who recently relocated, renewed or expanded in Middle Tennessee in 2024 including Tik Tok, PricewaterhouseCoopers (PwC), Apple Music, and Brookdale Senior Living. Nashville's office market experienced a solid Q2, as leasing volume gained momentum with over one million square feet in deals executed, and sizable move-ins across the market resulted in 512,030 SF of positive absorption.

Nashville continued to see steady job growth across most sectors in the first half of 2024, with hospitals, restaurants, and ambulatory healthcare adding the most jobs. Oxford Economics forecasts job growth of 1.1% in 2024 and average annual growth of 0.9% in 2025 through 2028.

Market Indicators



Historic Comparison

	23Q4	24Q1	24Q2*
Total Inventory (in Millions of SF)	61.0	61.0	56.0
New Supply (in Thousands of SF)	0	0	0
Net Absorption (in Thousands of SF)	541.1	145.5	512.0
Overall Vacancy	15.6%	15.9%	17.7%
Under Construction (in Thousands of SF)	1,910.0	1,910.3	2,037.3
Overall Asking Lease Rates (FSG)	\$34.05	\$34.22	\$34.07

*Owner-occupied properties removed from inventory, now include properties over 10,000 SF

Absorption, New Supply & Vacancy



Nashville's office market finished Q2 2024 with absorption exceeding 500,000 square feet, as the overall vacancy decreased for a third consecutive quarter due to multiple move-ins and no new supply.

Recent Transactions



Availability + Demand

Nashville's office market hit its stride in Q2, ending the quarter with positive 512,030 square feet, bringing the YTD net absorption total to 655,286 square feet. Market-wide availability stands at 21.4%, with much of the availability located in the suburban submarkets. Broken down by size requirements, there are minimal size restraints across the market for direct space. Sublease availability ended Q2 at 3.8%, unchanged over the previous quarter but down 40 basis points year-over-year.

Leasing exceeded over 1M square feet in Q2, outpacing last quarter's leasing by 52%. Average deal size in Nashville's office is tracking between 7,000 to 8,000 square feet, on par with the last three quarters.

Direct + Sublet Office Availability

By Size Requirement

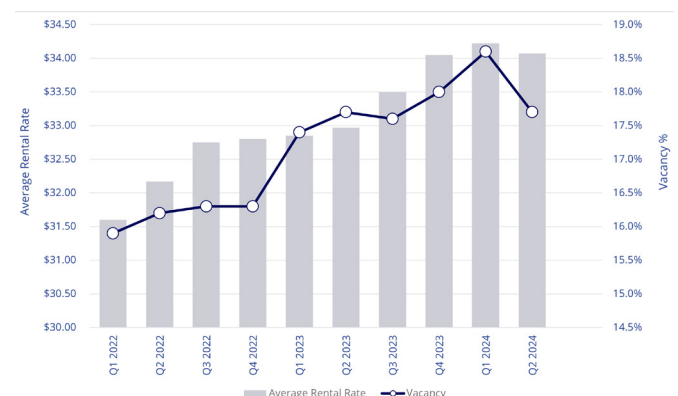


Rental Rates

Overall rental rates in Nashville continue to hover in the \$34.00 range per square foot. The average asking rent increased 3.3% year-over-year to \$34.07 at the end of Q2. Class A trophy product remains in high demand, with asking rates upwards of \$10-15 per square foot more than the rates of existing inventory. The market Class A rate of \$36.17 is a 6% premium from the market's average.

Nashville's average vacancy rate decreased to 17.7% in Q2, following the market's peak of 18.6% in Q1. Though vacancy is higher in Class A product overall, Class A buildings experienced a 1.4% decline in vacancy in Q2, with move-ins accounting for 75% of absorption for the quarter.

Historical Rent and Vacancy



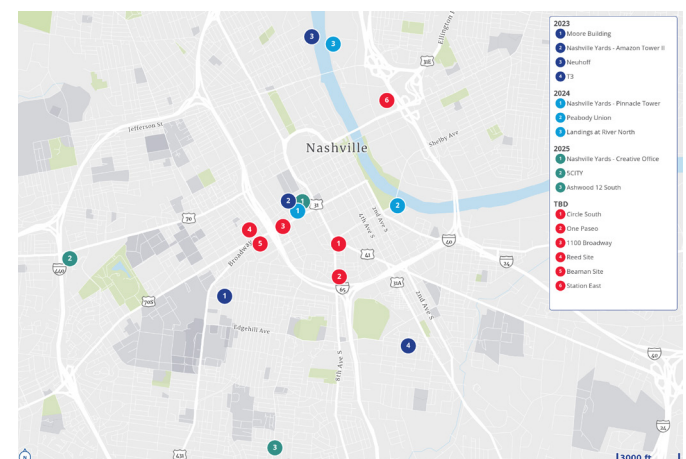
Office Development + Investment

Construction is underway on 2.0M square feet of office product in Middle Tennessee, and 61% of this space is pre-leased. The vast majority of the new construction is concentrated in the urban core and surrounding fringe submarkets, accounting for 84% of the development activity. 820,700 square feet are predicted to complete in the second half of 2024, followed by over 960,000 SF in 2025.

The Nashville market saw marked improvement in icapital markets during Q2, as office investment volume reached \$361,957,513 in the first six months of 2024, more than doubling the volume of 2023 in the same time frame. The sale of Truist Plaza was largest sale in Q2, trading for \$84.5M (\$249/SF) to Menlo Equities. This was the second high-rise building sold in the Downtown submarket in the last 5 months.

New Construction

Office Development Activity



Leasing Activity

Office

Property	Tenant	Lease Type	SF	Submarket
Harpeth on the Green V	Brookdale Senior Living	New Lease	52,755	Brentwood
Cool Springs V	TruGreen	New Lease	37,000	Cool Springs
Creskide Crossing IV	Confidential	New Lease	26,000	Brentwood
May Hosiery	Apple Music	Renewal	25,000	Airport South
Aspen Grove Office Center II	Logo Brands	New Lease	20,180	Cool Springs
UBS Tower	Stampli	Renewal	19,741	Downtown

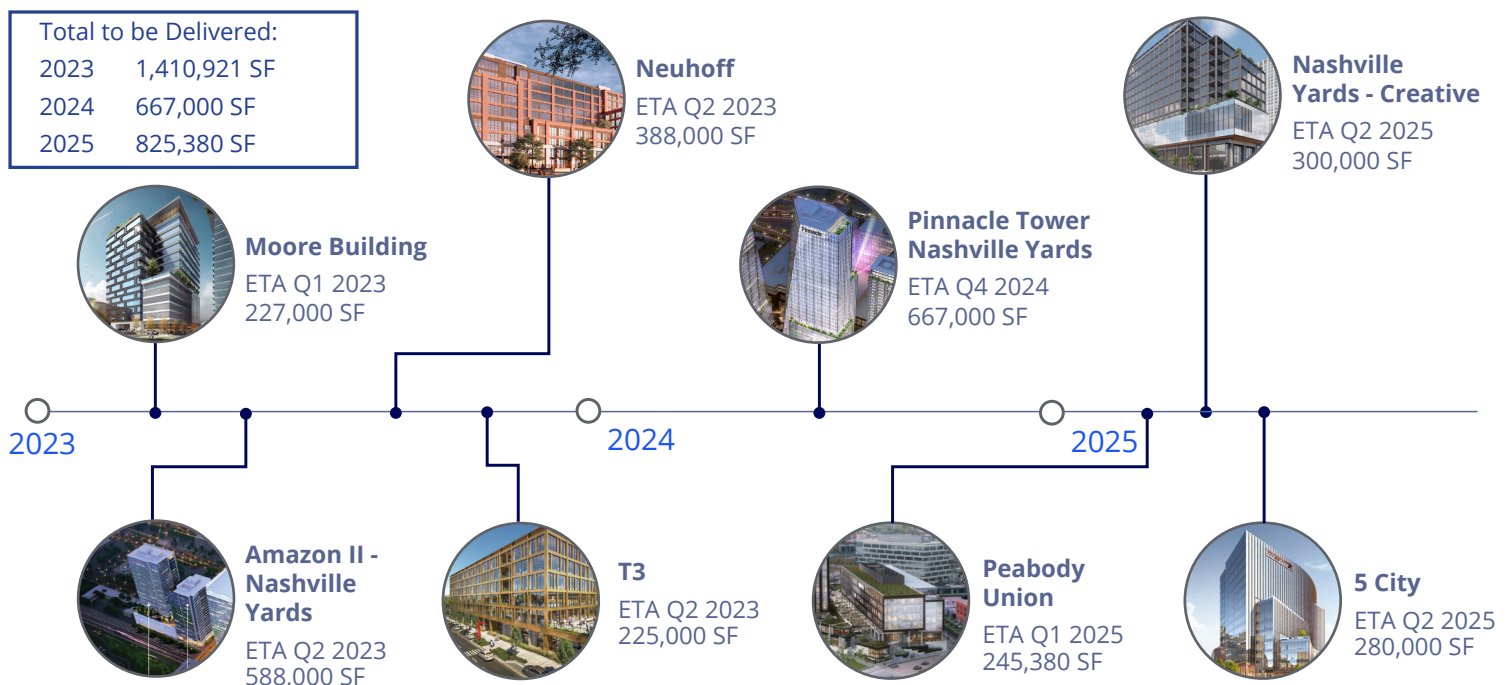
Investment Activity

Office

Property	SF	Price	Price/SF	Submarket
Truist Plaza	340,000	\$84,500,000	\$249	Downtown
490 Metroplex Drive	84,620	\$11,050,000	\$131	Airport South
512 Autumn Springs Court	22,996	\$6,900,000	\$300	Cool Springs
1161 Murfreesboro Boulevard	74,365	\$6,200,000	\$83	Airport South
1325 West Main Street	20,386	\$4,700,000	\$231	Cool Springs
30 Rachel Drive	32,264	\$4,100,000	\$127	Airport North

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 Q2	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (FSG)
Downtown											
A	9,941,767	21.8%	3.9%	25.7%	16.3%	17.6%	124,677	188,867	1,290,080	0	\$38.64
B	4,747,550	21.0%	5.1%	26.1%	23.1%	23.2%	3,034	24,464	0	0	\$33.44
C	1,396,072	9.0%	0.6%	9.6%	7.9%	7.9%	-106	-3,756	0	0	\$28.70
TOTAL	16,085,389	17.2%	3.8%	21.0%	17.2%	18.0%	127,605	209,575	1,290,080	0	\$34.59
Suburban											
A	17,970,208	18.6%	3.9%	22.5%	23.0%	24.5%	260,948	228,728	620,221	0	\$32.75
B	17,733,855	15.2%	1.4%	16.6%	14.3%	14.8%	88,987	177,955	0	0	\$27.14
C	4,302,339	9.7%	0.3%	10.0%	7.4%	8.2%	34,490	39,028	0	0	\$24.58
TOTAL	40,006,402	16.1%	3.6%	19.7%	17.5%	18.5%	384,425	445,711	620,221	0	\$29.48
Total											
A	27,911,975	20.2%	2.8%	23.0%	21.0%	22.4%	385,625	417,595	2,037,301	0	\$36.17
B	22,481,405	16.1%	3.5%	19.6%	16.1%	16.5%	92,021	202,419	0	0	\$28.21
C	5,698,411	9.5%	0.2%	9.7%	7.5%	8.1%	34,384	35,272	0	0	\$25.65
TOTAL	56,091,791	17.6%	3.8%	21.4%	17.7%	18.6%	512,030	655,286	2,037,301	0	\$34.07

Submarkets by Property Class

Airport North											
A	2,224,078	22.4%	3.1%	25.5%	15.9%	16.1%	3,703	56,802	0	0	26.37
B	2,057,212	19.4%	2.2%	21.6%	18.5%	17.9%	-12,896	24,735	0	0	24.53
C	265,216	9.7%	0.0%	9.7%	8.5%	8.0%	-1,374	-2,684	0	0	20.65
TOTAL	4,546,506	20.3%	2.6%	22.9%	17.3%	17.1%	-10,567	78,853	0	0	\$24.85
Airport South											
A	1,043,019	24.0%	0.0%	24.0%	29.2%	29.4%	2,010	11,126	127,000	0	\$35.14
B	3,684,846	22.1%	6.1%	28.2%	22.5%	22.8%	10,480	32,654	0	0	\$24.23
C	893,171	17.5%	1.0%	18.5%	9.5%	13.5%	35,931	45,974	0	0	\$22.19
TOTAL	5,621,036	21.7%	4.6%	26.3%	21.7%	22.6%	48,421	89,754	127,000	0	\$24.64
Brentwood											
A	3,112,751	17.7%	2.8%	20.5%	18.2%	19.4%	37,413	7,118	0	0	\$32.36
B	3,487,926	13.7%	1.7%	15.4%	11.5%	12.0%	18,544	51,756	0	0	\$30.77
C	263,132	12.4%	3.1%	15.5%	13.7%	16.5%	7,345	7,345	0	0	\$23.95
TOTAL	6,863,809	15.5%	2.3%	17.8%	14.6%	15.5%	63,302	66,219	0	0	\$31.55
Cool Springs											
A	6,155,234	18.0%	9.5%	27.5%	29.2%	29.9%	45,452	-18,970	268,021	0	\$33.95
B	2,940,355	17.2%	4.0%	21.2%	15.0%	15.3%	7,796	-1,909	0	0	\$31.40
C	217,931	4.6%	0.0%	4.6%	2.4%	1.2%	-2,670	-2,670	0	0	\$24.76
TOTAL	9,313,520	17.3%	7.1%	24.4%	24.1%	24.6%	50,578	-23,549	268,021	0	\$33.03
Green Hills/ Music Row											
A	1,637,685	22.0%	1.4%	23.4%	31.2%	38.4%	117,120	128,810	72,200	0	\$41.20
B	2,024,526	5.3%	1.0%	6.3%	4.8%	4.5%	-6,167	-5,435	0	0	\$35.91
C	877,529	6.9%	0.5%	7.4%	6.8%	7.1%	2,254	2,254	0	0	\$29.59
TOTAL	4,539,740	11.7%	1.0%	12.7%	14.5%	17.0%	113,207	125,629	72,200	0	\$37.31
MetroCenter											
A	466,680	23.2%	0.0%	23.2%	23.7%	23.8%	510	510	0	0	\$30.50
B	1,255,602	7.3%	3.1%	10.4%	9.0%	15.1%	76,648	74,368	0	0	\$27.14
C	176,600	41.9%	0.0%	41.9%	32.3%	33.0%	1,262	1,262	0	0	\$24.84
TOTAL	1,898,882	19.7%	2.1%	21.8%	14.8%	18.9%	78,420	76,140	0	0	\$26.34
Rivergate / Hendersonville											
A	337,183	6.2%	0.0%	6.2%	6.4%	6.1%	-851	27,104	0	0	\$30.07
B	912,255	2.6%	2.5%	5.1%	5.0%	4.3%	-6,434	-7,684	0	0	\$23.75
C	1,156,654	4.6%	0.0%	4.6%	7.8%	7.1%	-8,258	-13,758	0	0	\$20.25
TOTAL	2,406,092	5.2%	0.0%	5.2%	5.7%	5.1%	-15,543	5,662	0	0	\$24.74
West End											
A	2,993,578	15.2%	1.8%	17.0%	15.9%	17.8%	55,591	16,228	280,000	0	\$35.97
B	1,371,133	11.5%	0.0%	11.5%	11.9%	12.0%	1,016	9,470	0	0	\$34.03
C	452,106	1.4%	0.0%	1.4%	0.5%	0.5%	0	1,305	0	0	\$32.00
TOTAL	4,816,817	12.8%	0.7%	13.5%	13.3%	14.5%	56,607	27,003	280,000	0	\$34.78

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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