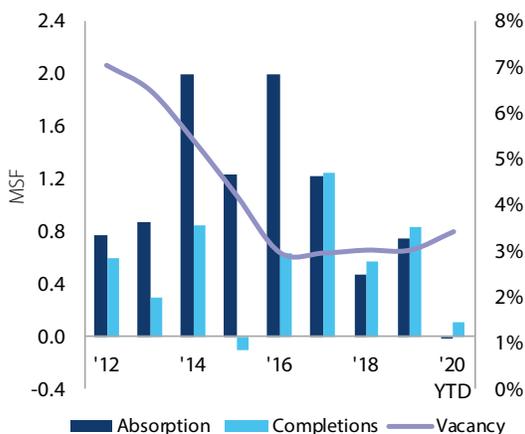




Market Snapshot

	1Q19	1Q20
Inventory	114.4 msf	115.2 msf
Vacancy	3.0%	3.4%
YTD Net Absorption	312,474 sf	(11,662) sf
YTD Deliveries	249,164 sf	108,784 sf
Under Construction	1.5 msf	1.2 msf
Unemployment	2.5%	2.8%

Absorption, Deliveries & Vacancy



While Nashville businesses and residents rebuild from a powerful tornado that touched down in Middle Tennessee, they must also brace for what economists are predicting will be an upcoming global recession due to the financial headwind effects that widespread closures in response to COVID-19 are creating throughout the nation and globe.

Nashville's retail market ended the first quarter on an unsettled tone as numerous national and local retailers began to witness stress on their businesses from COVID-19. As real estate is often a lagging indicator, the true impact of this pandemic will likely not begin to show in the numbers until later this year. The following report is a reflection of how Nashville's retail market was positioned heading into the current crisis facing the world. While the depth and duration still remain to be seen, the Nashville retail market is sure to see negative impacts of differing degrees due to some trade area's heavy dependence on tourism and hospitality- both currently shut down during this period of isolation.

Vacancy remained among the lowest in the country, ending the first quarter at 3.4%, up 40 basis points (bps) year-over-year. Disciplined construction

activity is helping to mitigate the impact of rising vacancies across the Nashville market. Completions totaled 108,784 sf during the quarter, down 56% since the first quarter of 2019. Retail projects totaling nearly 1.2 million square feet (msf) are currently under construction. The largest concentration of development is underway in the Downtown/Midtown/Hillsboro Village submarket, where infill, adaptive-reuse and mixed-use projects are coming out of the ground in rapidly densifying neighborhoods such as Germantown, Wedgewood-Houston, the Gulch and the Broadway corridor.

With a record breaking 16.1 million visitors coming to Nashville in 2019, developers in the market are targeting areas where the city's robust tourism sector gathers, opening numerous entertainment venues and attractions near the urban core for tourists and locals alike. In Germantown, Brooklyn Bowl, a music venue and state-of-the-art bowling alley, planned to open during the first quarter. However, concerns surrounding the coronavirus pandemic have postponed those plans.

40 bps

increase YOY vacancy

108K sf

YOY deliveries

1.2 msf

under construction

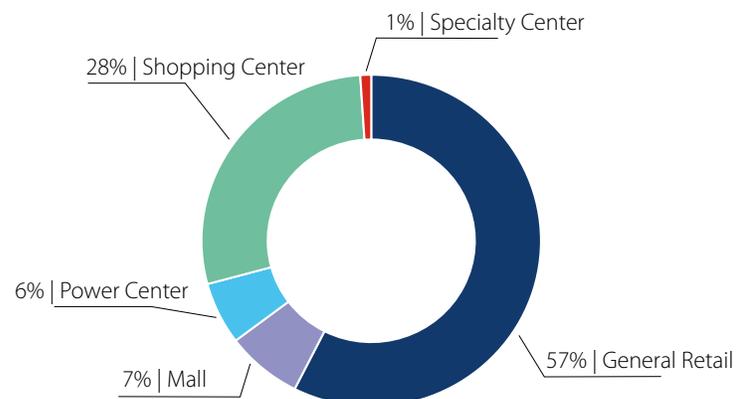
Market Highlights

- On March 3rd, a powerful tornado reaching EF-4 intensity touched down in Middle Tennessee. Pockets of Nashville's up-and-coming retail market sustained great damage, with more than 30 businesses damaged or destroyed in East Nashville alone.
- Grocery retail continues to evolve to meet changing consumer habits as well as opening new stores in fast-developing neighborhoods across Nashville. Downtown's second national grocer, Whole Foods, opened during the quarter in the newly delivered 1200 Broadway mixed-use development. The grocery chain will be a needed amenity for tenants iHeartRadio and PNC Bank in addition to the residents in the 313 apartment units located in the building.
- Robust multifamily development and a healthy job market are fueling demand for retail near the urban core. In Downtown Nashville, there are 3,138 residential units currently under construction, most of which include a retail element on the ground floor of the project.
- YTD retail sales volume totaled \$54.3 million, down 66% from this time last year. The largest sale YTD, investment management firm Stockbridge Capital Group purchased the Trader Joe's anchored Lion's Head Village in Nashville from Boyle Investment Co. for \$45.3 million (\$243 psf). The retail center is the newest location of only two Trader Joe's in the Nashville area. The 186,000-sf property is shadow-anchored by Target.
- Trend to watch in 2020: Omni-channel retail. A survey from the International Council of Shopping Centers found a "halo effect" between bricks-and-mortar stores and online shopping, with online shopping often providing a boost to that same retailer's physical store, and vice versa.
- Nashville retailers must start to brace for the repercussions that numerous convention and music festival cancellations will bring to their bottom lines. CMA Fest, one of Nashville's largest annual tourism draws, is canceled this year due to coronavirus concerns. In 2019, the music festival brought in a record \$65 million in direct visitor spending over the four-day event.

Top Sale: Lion's Head Village



Under Construction

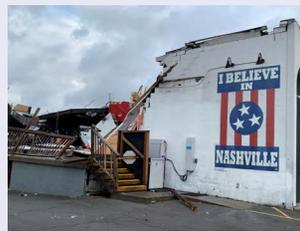


Market by the Numbers

	Inventory	Vacancy	YTD Net Absorption	YTD Deliveries	Under Construction SF
Submarket					
Antioch	5,509,973	5.6%	(6,058)	6,000	8,000
Belle Meade	4,460,553	1.6%	(11,509)	0	0
Bellevue	2,025,965	1.7%	4,765	0	0
Brentwood	2,343,724	2.8%	(5,367)	0	0
Cool Springs/ Franklin	11,728,660	2.4%	22,938	0	23,060
Donelson/ Hermitage	6,702,250	2.3%	(10,568)	0	27,000
Downtown/ Midtown/ Hillsboro Village	8,719,486	2.5%	57,995	104,500	312,028
East Nashville	3,371,908	2.9%	26	0	106,345
Gallatin	3,292,220	1.6%	47,515	0	56,350
Green Hills	2,455,111	1.8%	(24,440)	0	0
Hendersonville	5,645,805	3.7%	(44,130)	15,738	27,250
Lebanon	4,706,294	3.4%	2,702	0	5,000
Mt. Juliet	3,834,647	2.0%	483	22,300	9,400
Murfreesboro	11,925,797	4.3%	43,773	17,083	45,184
Nolensville Rd/ Airport	7,320,346	3.0%	(5,372)	0	18,800
Rivergate	7,896,120	9.3%	(26,211)	0	0
Smyrna/ La Vergne	3,933,865	1.4%	5,384	0	6,400
Spring Hill	2,565,263	2.5%	6,867	9,000	0
Totals	115,177,044	3.4%	(7,326)	162,784	719,172

Nashville's March 3rd Tornado

In the early hours of March 3rd, 2020 an EF-4 tornado with winds up to 170 mph touched down in Nashville, leaving widespread damage that stretched through the Davidson, Wilson and Putnam counties in Middle Tennessee. The path of the storm included many areas of recent development including East Nashville, Germantown and Mt. Juliet. It is still unclear the cost of all the damage or how long it will take to fully rebuild.



The Basement East, a popular music venue in East Nashville, was among the buildings damaged by the tornado

450
commercial
buildings



1,542
residential
homes



50,000
without power



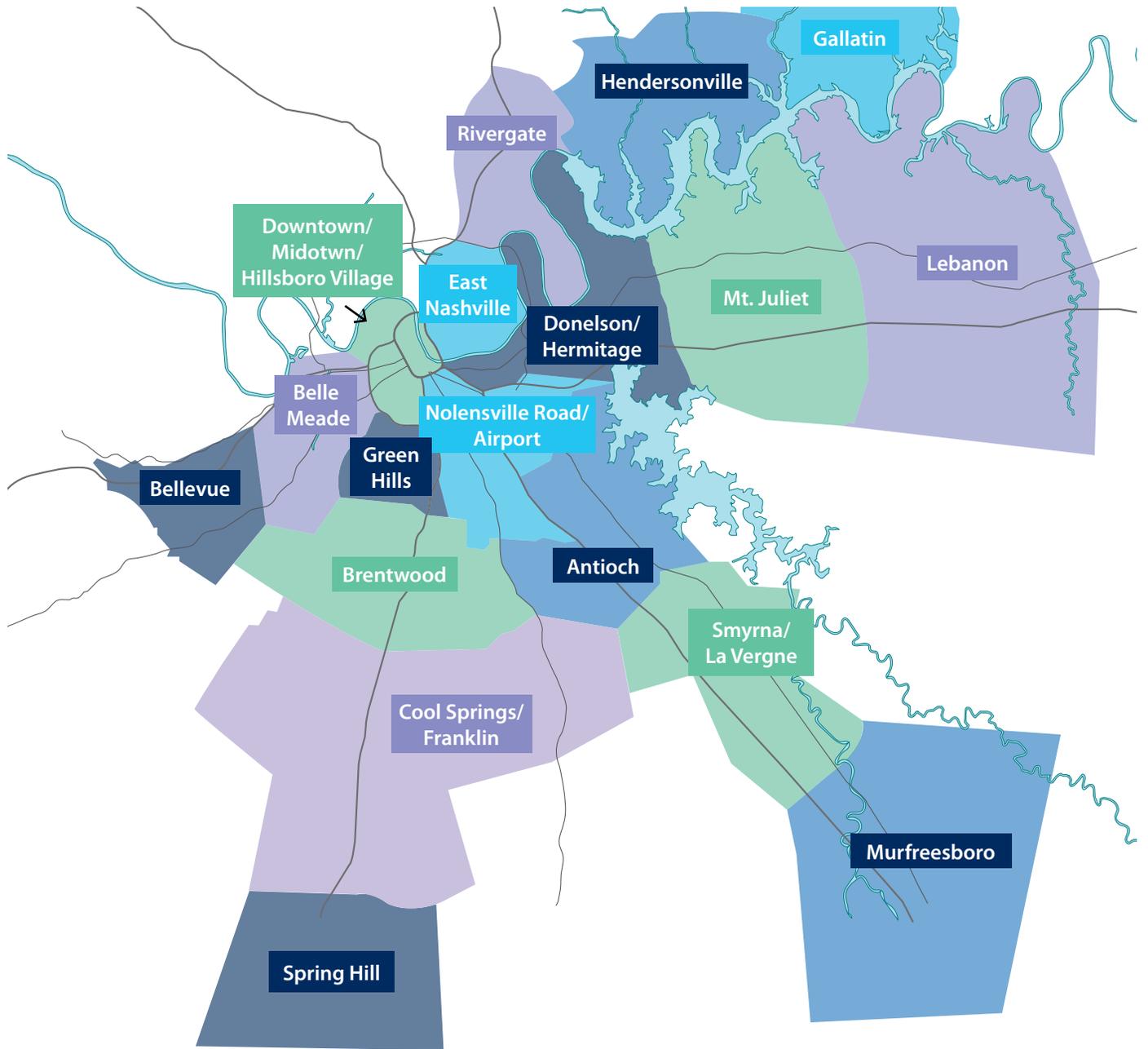
112
roads closed



700+
power poles



Retail Submarket Map



Platinum member

avisonyoung.com

For more information, please contact:

Warren Smith
Principal, Managing Director
D 615 727 7409
warren.smith@avisonyoung.com

Brennan Forster
Director of Research
D 615 727 7430
brennan.forster@avisonyoung.com

Avison Young
700 12th Avenue S, Suite 302
Nashville, TN 37203
615 727 7400