

Forecast 2021



Nashville, TN

**AVISON
YOUNG**

Nashville, TN



2021 Market Projections

Office



Vacancy



Rental rate growth

Industrial



Vacancy



Rental rate growth

Retail



Vacancy



Rental rate growth

Nashville's tourism industry saw record highs in 2019. While the early months of 2020 showed many signs of topping these prior records, the COVID-19 pandemic hit many sectors directly tied to Nashville's tourism and hospitality industries hard. Even still, the region remained successful in attracting new businesses and as well as growing existing businesses, with over 60 expansions and/or relocations to Nashville announced in the last 12 months.

Nashville's growing office market faced mounting pressure during 2020. At the end of the year, sublease space reached over 1.7 msf, an all-time high for the office market. The run-up in available sublease space is adding more options for tenants in a market that already has sizable speculative construction underway, with almost 700,000 sf of speculative space expected to deliver in the first half of 2021. Even still, Nashville's national popularity remains strong with many active prospects circling the market.

While office vacancy is expected to nudge higher in the early months of 2021, robust regional job growth and unquenched tenant demand should keep the market on solid footing in the years to come.

Development and leasing activity continued at a strong pace in Nashville's industrial sector throughout the year, as e-commerce and logistics businesses tried to keep pace with demand fuelled by the area's strong population growth and escalated home deliveries as many residents are shopping online to meet their needs. Amazon's presence in Nashville continues to grow, with the online retail giant adding 6.1 msf to their regional industrial portfolio in the last 12 months. Their impact on business growth and the labor market will be an influential factor in the continued industrial growth in Nashville in coming years.

A sharp drop in tourism foot traffic, social distancing mandates and economic shifts in consumer shopping behavior softened Nashville's retail landscape during 2020, causing vacancies to rise

“Nashville has shown its staying power, ranking for the second consecutive year as the third best place for real estate investment and development in 2021, according to ULI and PwC’s most recent Emerging Trends in Real Estate survey.”

across the market. However, retailers and landlords adapted quickly and while Nashville’s retail sector faces strong headwinds in the near term, the negative impacts of COVID-19 have been mitigated by the area’s strong demographics, expanding workforce and modest retail development activity. In the coming year, retail demand is expected to remain hot in Nashville’s high-growth urban and suburban neighborhoods most notably.

Investor interest in Nashville remained steady during 2020 despite the global pandemic. While YTD totals are down considerably from 2019, many record-breaking sales closed during the year. Nashville’s office investment sales were bolstered by two notable transactions that each broke the \$200M threshold in both the CBD and suburbs. A new benchmark was set in industrial sales when Starwood REIT paid \$62M (\$157 psf) for the first two phases of Holladay’s Airport Logistics Park, setting a record for per-foot pricing on larger industrial properties in Davidson County. On the retail front, the sale of super regional mall, The Avenue Murfreesboro, recorded the country’s highest per-foot rate paid for an outdoor shopping center this year. Expectations for investment sales in 2021 are dependent on a vaccine and the economy in the wake of a presidential policy shifts, but many expect Nashville’s sales volume to recover quickly.

Trend watch



Hyper-local

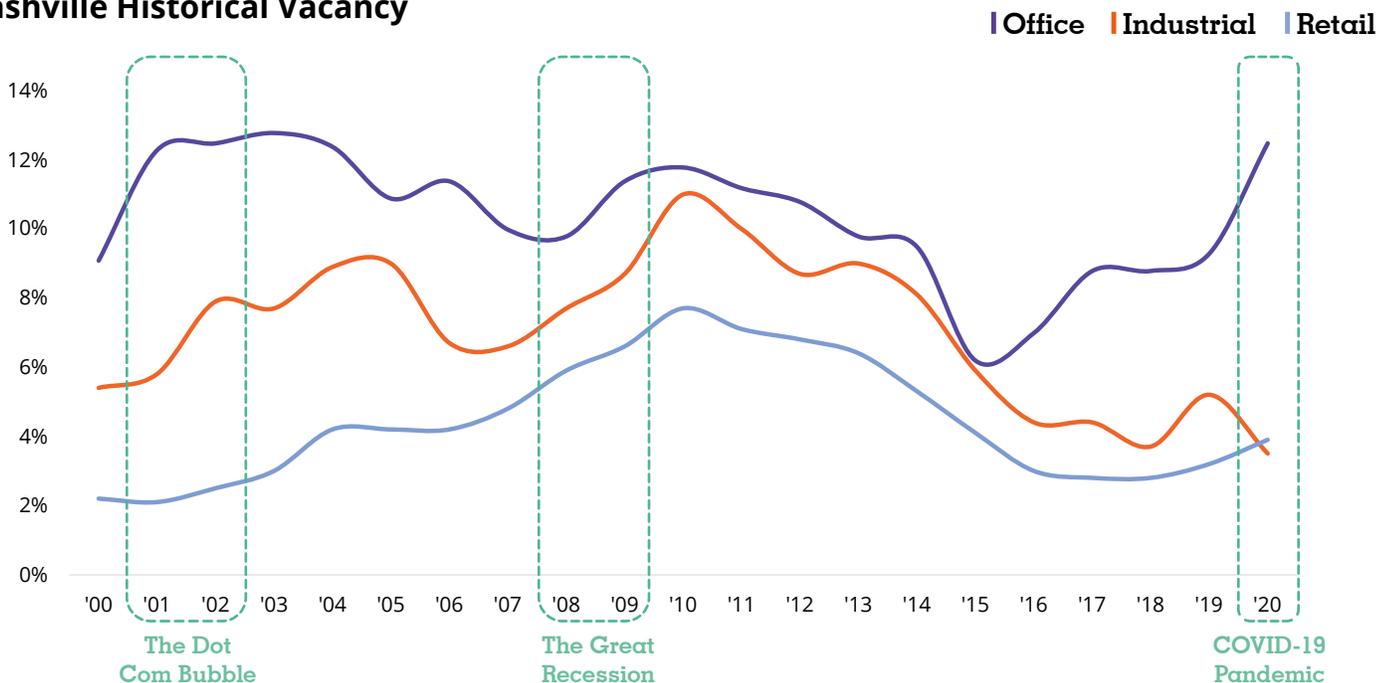
Accelerated by the COVID-19 pandemic, many retailers of all kinds across the market who had not already adopted an online presence scrambled to adapt. Many of the structural changes to retailer’s business models are likely to remain once the pandemic subsides.



No place like home

With large amounts of office space being put back on the market, it is evident numerous Nashville companies have begun to embrace remote working for the immediate future. The exponential increase in rent growth seen across the Nashville market, coupled with cost constraints and the market’s ever-growing commute times could all be a major factors in companies’ decisions to shift to a flexible work options in the future.

Nashville Historical Vacancy



Get more market information

Warren Smith

Principal, Managing Director
warren.smith@avisonyoung.com
+1 615 727 7400

Brennan Forster

Director of Research
brennan.forster@avisonyoung.com
+1 615 727 7430

Visit us online

avisonyoung.com/2021-forecast

