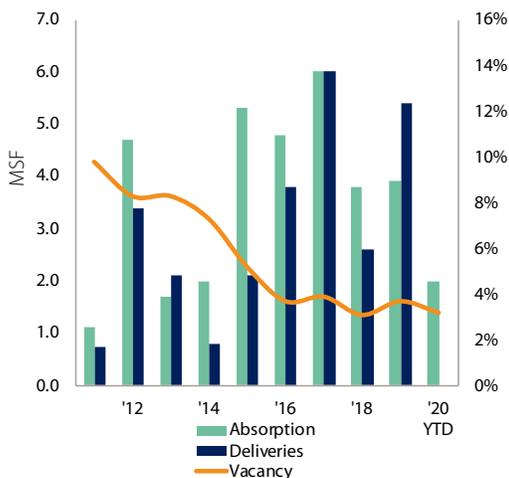




Market Snapshot

	1Q19	1Q20
Inventory	183 msf	186 msf
Vacancy	4.4%	3.2%
YTD Net Absorption	(145,000 sf)	2.0 msf
YTD Deliveries	1.5 msf	0
Under Construction	4.0 msf	3.6 msf
Avg. Asking Rents	\$5.43 psf	\$5.74 psf
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 asking rates in the warehouse and flex sectors trended upward during the first quarter largely due to heavy demand and new product being built at a significantly higher price point. Year-over-year rent growth in the warehouse sector reached 4.7% as asking rates ended the quarter at \$5.14 per square foot (psf). Within the flex sector, year-over-year growth posted at 3.5% as asking rates reached \$13.14 psf.

Overall vacancy dropped to 3.2% during the first quarter, down 60 basis points (bps) from the previous quarter and 120 bps year-over-year. Nashville's warehouse space remains particularly tight, with vacancy down 120 bps year-over-year to 3.3%. Flex vacancy rose 80 bps in the same time period, ending the quarter at 2.8%. Most submarkets saw declining vacancies as space continued to be absorbed. Submarkets with the largest year-over-

year decreases were Southeast and Wilson County, down 220 and 160 bps respectively.

With no slowdown in positive momentum, healthy demand across the Nashville industrial market brought over 1.9 million square feet (msf) in YTD net absorption during the first three months of 2020. The Southeast and North submarkets experienced the strongest activity by far during the quarter, recording over 2.4 million square feet (msf) of net absorption combined. Some unplanned movement came and will continue in coming months as a result of tenants whose buildings were damaged or destroyed by the tornado on March 3rd. Displaced tenants across the market include CEVA Logistics, FedEx Distribution, Optoro, Aramark Uniform Services and Western Express to name a few.

The Nashville industrial market currently has 3.6 msf under construction focused mostly in the Southeast and Wilson County submarkets. Motivated by steady tenant demand and tight market conditions, speculative construction continues to dominate the market. All of the projects currently underway are speculative with minimal preleasing in place.

120 bps

decrease YOY vacancy

4.7%

YOY warehouse
rent growth

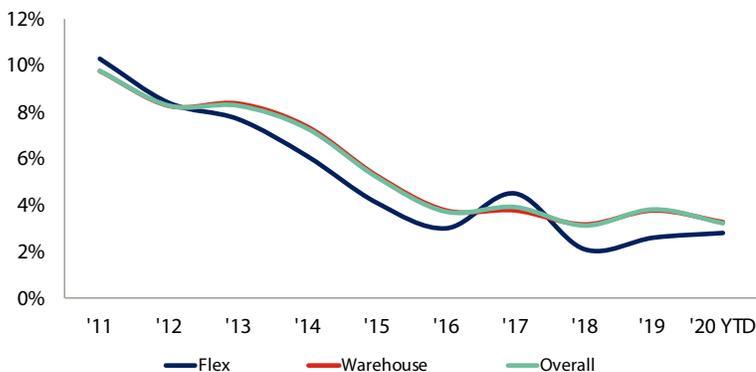
84%

increase in industrial
investment sales
from 1Q19

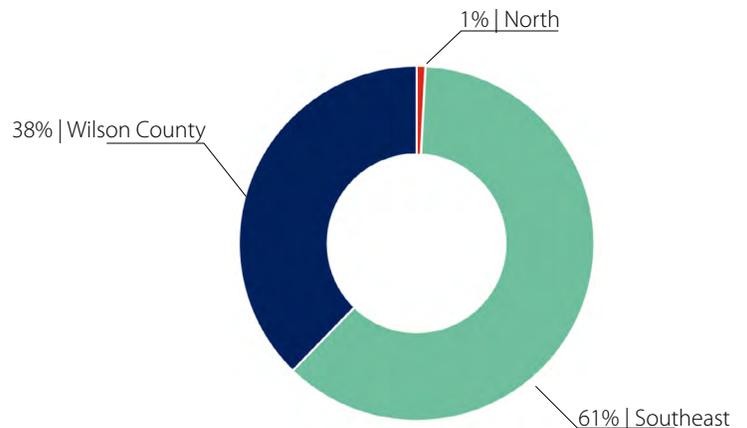
Market Highlights

- On March 3rd a powerful tornado reaching EF-4 intensity, touched down in Middle Tennessee. Nashville's industrial market took a large hit with an estimated five million square feet of inventory heavily damaged or destroyed throughout portions of the West and Wilson County submarkets. In this report and subsequent reports, tenants' tornado displacement movements will be noted.
- Many tenants displaced from the tornado are still in limbo, however, some have worked quickly to secure temporary space before buildings are renovated or rebuilt. It is rumored FedEx will be moving into the 550,000-sf warehouse at Park 840 East in the Wilson County submarket.
- Developers' confidence in the Nashville market has been made apparent with no slowdown in speculative development, even in the face of diluted preleasing. However, new construction completed within the last 24 months has seen considerable leasing velocity, with 75% of the 8 msf delivered now leased.
- Social media and tech giant, Facebook, is scouting locations in the Gallatin (North submarket) area for an extensive data center, which could span almost 800 acres of land. Spurred by continued global growth, the company currently has nine data centers in operation with an additional six under construction across the U.S.
- The Nashville industrial market witnessed substantial investor interest during the first quarter with sales totaling \$167 million, an increase of 84% from first quarter 2019. The strong performance was driven in large part by two large institutional sales. The largest transaction of the quarter, New Jersey based money-manager, PGIM Real Estate, paid \$40.5 million (\$78 psf) for the recently built Interchange Center I, a 517,000-sf distribution center leased to Amazon.
- Another noteworthy sale, Nuveen (US) purchased the 360,000-sf distribution property, Elam Farms 2, from Blackstone for \$33.2 million (\$91 psf). The warehouse is 100% leased to InterMetro Industries.

Vacancy by Property Type



Under Construction



Market by the Numbers

	Inventory	Vacancy	Under Construction	Year-to-Date		Average Asking Rates	
				Absorption	Deliveries	Flex	Warehouse
Submarket							
East	11,861,101	1.9%	0	(42,228)	0	\$11.85	\$6.70
IBD	13,873,612	2.6%	0	(135,820)	0	\$12.92	\$5.77
North	41,998,739	1.5%	30,000	1,115,406	0	\$14.73	\$4.40
Southeast	65,589,748	3.5%	2,564,211	1,346,778	0	\$11.62	\$4.91
Southwest	13,710,408	3.3%	0	(211,174)	0	\$14.36	\$9.53
West	7,703,710	0.3%	0	(7,900)	0	\$10.00	\$6.67
Wilson County	31,307,299	6.5%	1,374,360	(75,398)	0	\$15.00	\$4.56
Market Totals							
Warehouse	173,422,346	3.3%	3,968,571	2,044,418	0	\$5.14	
Flex	12,622,271	2.8%	0	(54,754)	0	\$13.14	
Totals	186,044,617	3.2%	3,968,571	1,989,664	0	\$5.74	

Note: Almost 1.6 msf of inventory has been removed due to tornado destruction and is reflected above.

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.



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

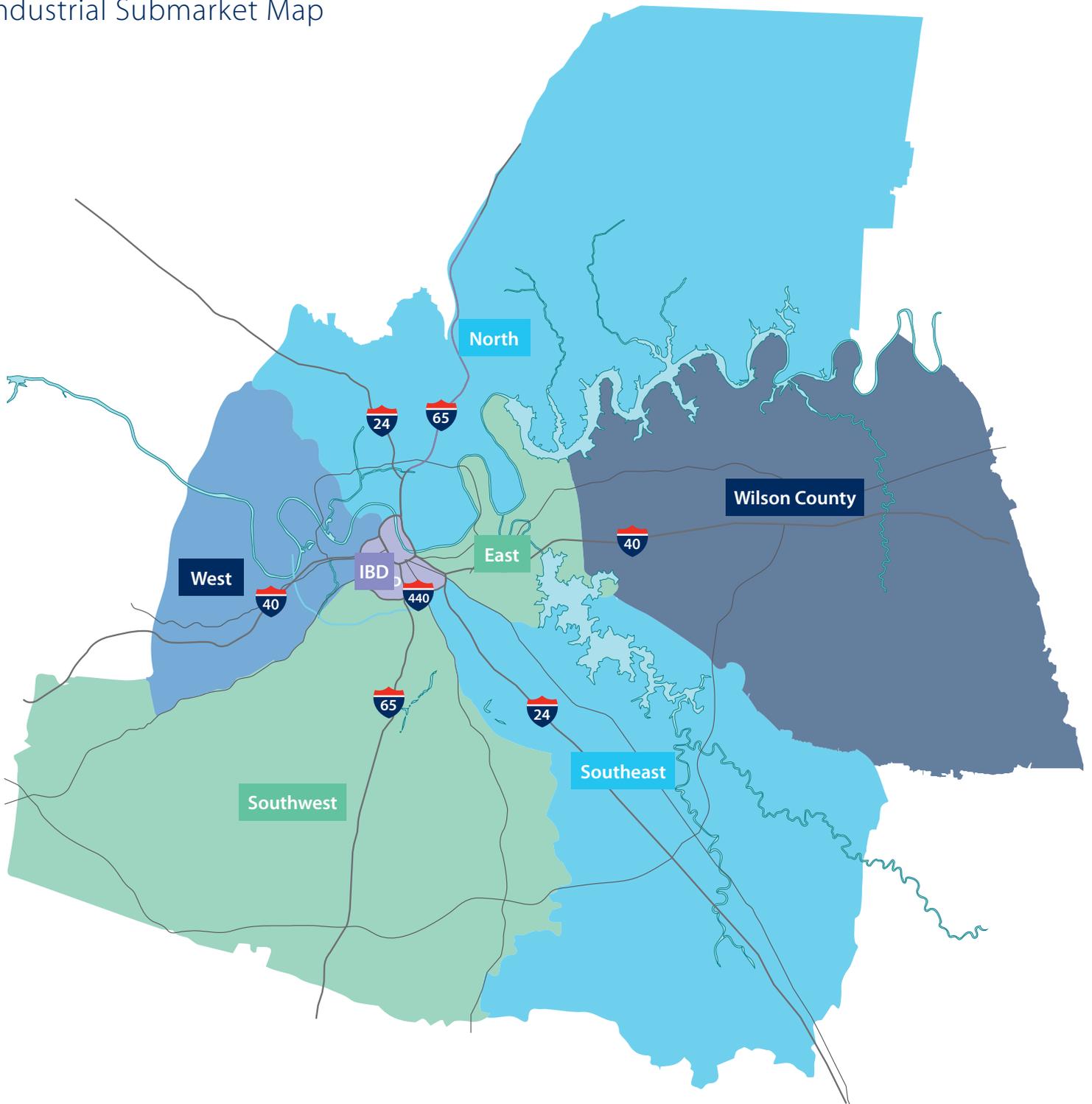


700+

power poles



Industrial Submarket Map



Platinum member

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