



Nashville industrial market report

Q4 2023

**AVISON
YOUNG**

Nashville industrial market trends

14.1%

Sublease space accounts for greatest share of availability in recent history

Nashville's industrial market has over 14.8 msf available on the market. While this total is below the high reached back in 2010 of 17.5 msf, availability has risen drastically due to the addition of several large sublease opportunities. As demand has decelerated from the exponential surge seen at the onset of the pandemic, available sublease space is now topping 2.0 msf, making up a record 14.1% of available space.

4.9 msf

Nashville industrial demand remains robust amidst economic pressures

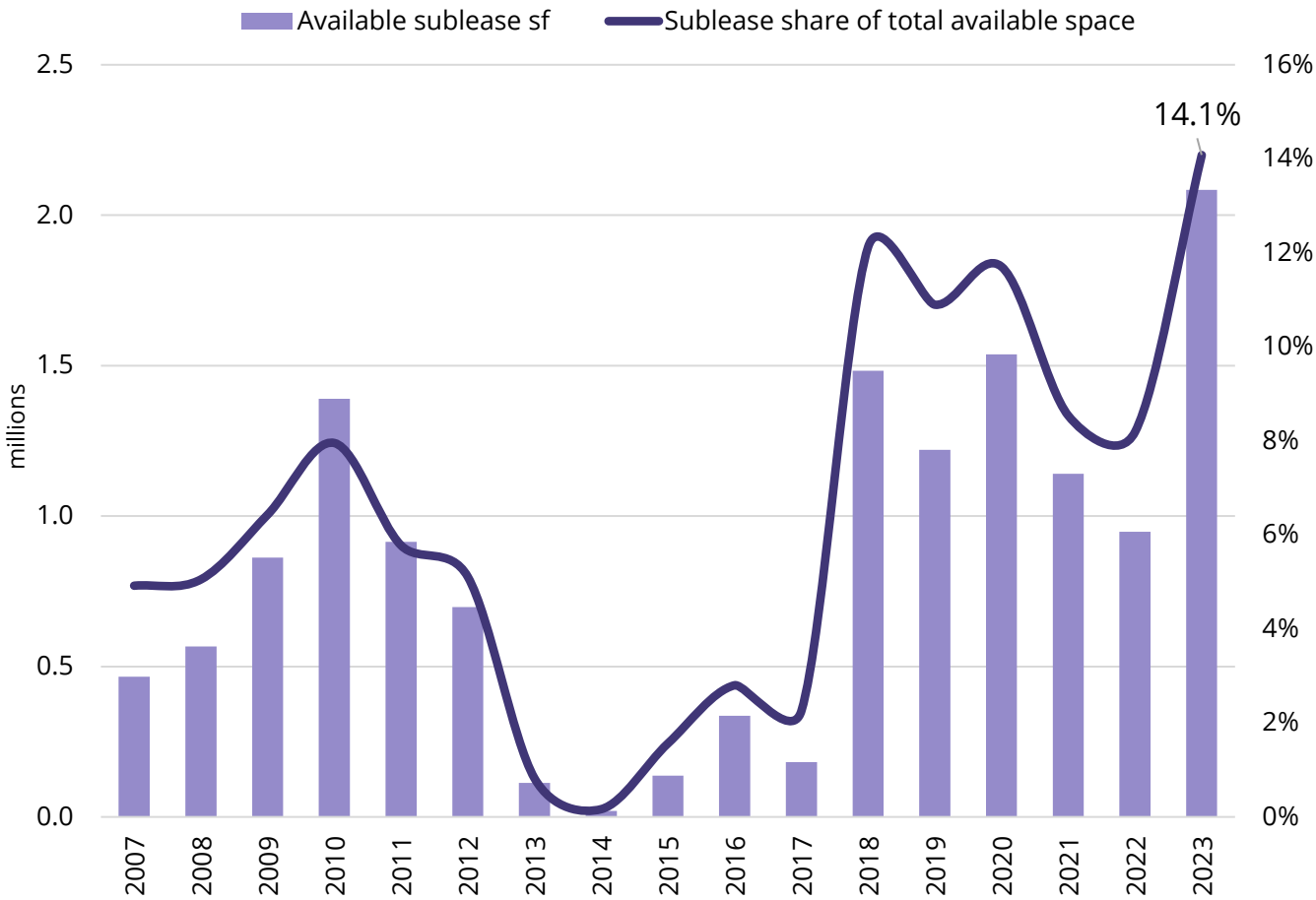
Nashville industrial activity remains steady despite economic pressure. Net absorption totaled 4.9 msf at year end, slowing from the record absorption reached in the last two years; however, some of this decline can be attributed to occupancy losses as sublet space was added to the market throughout the year. Demand remains unwavering, even still, with robust leasing activity and a pipeline of tenants in the market keeping market activity at healthy levels.

\$154 psf

Industrial: lone sector recording YTD investment sales pricing growth

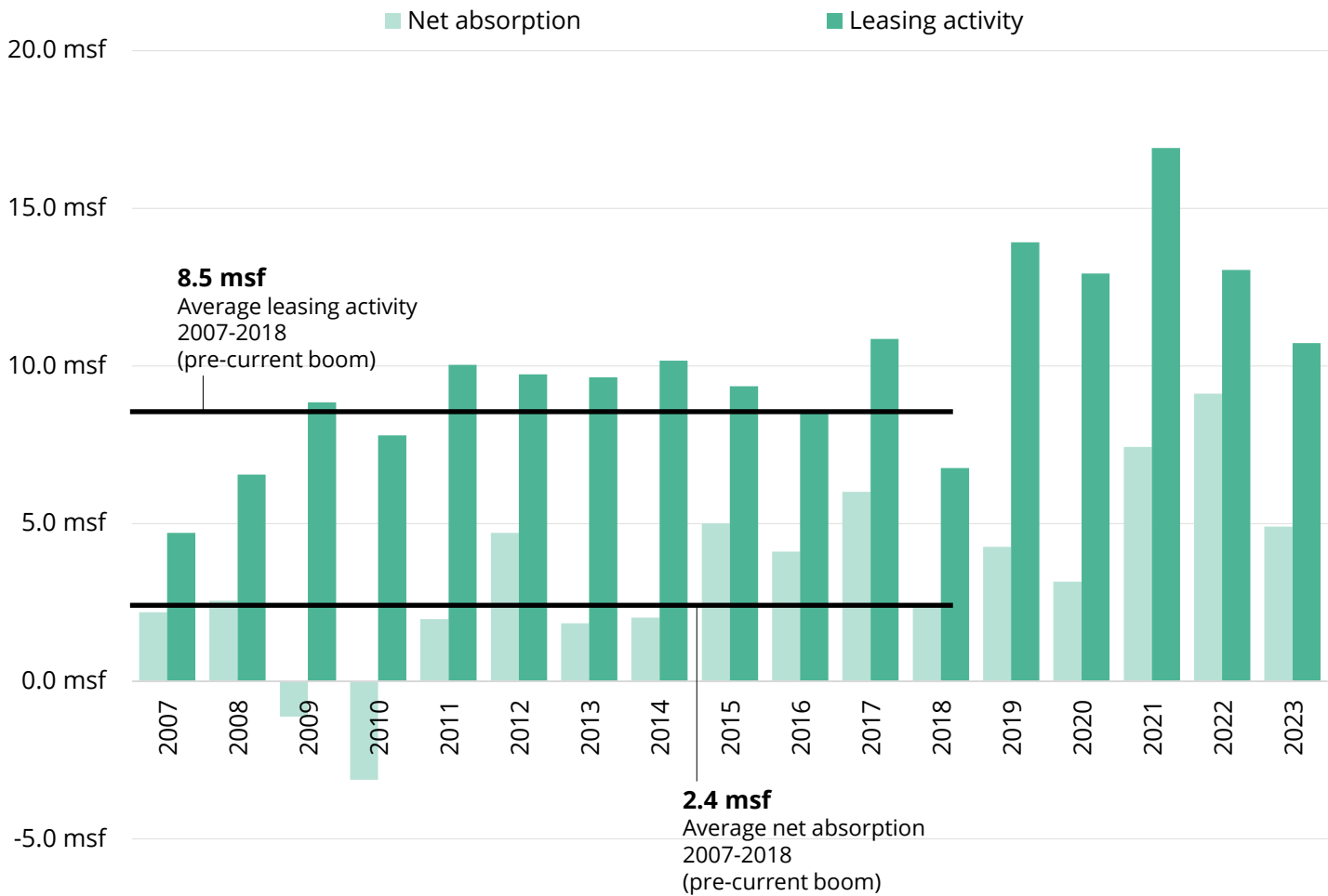
While investment sales deal volume certainly fell across all sectors in 2023 amidst the current economic climate, industrial was the sector of choice for many buyers/ funds due to the tremendous growth and resilience it has witnessed since the pandemic. Nashville's industrial investment sales totaled nearly \$620 million at year-end, down 52% year-over-year. However, average psf pricing saw growth of 40% during the same time, ending the year at \$154 psf.

Sublease space accounts for greatest share of availability in recent history



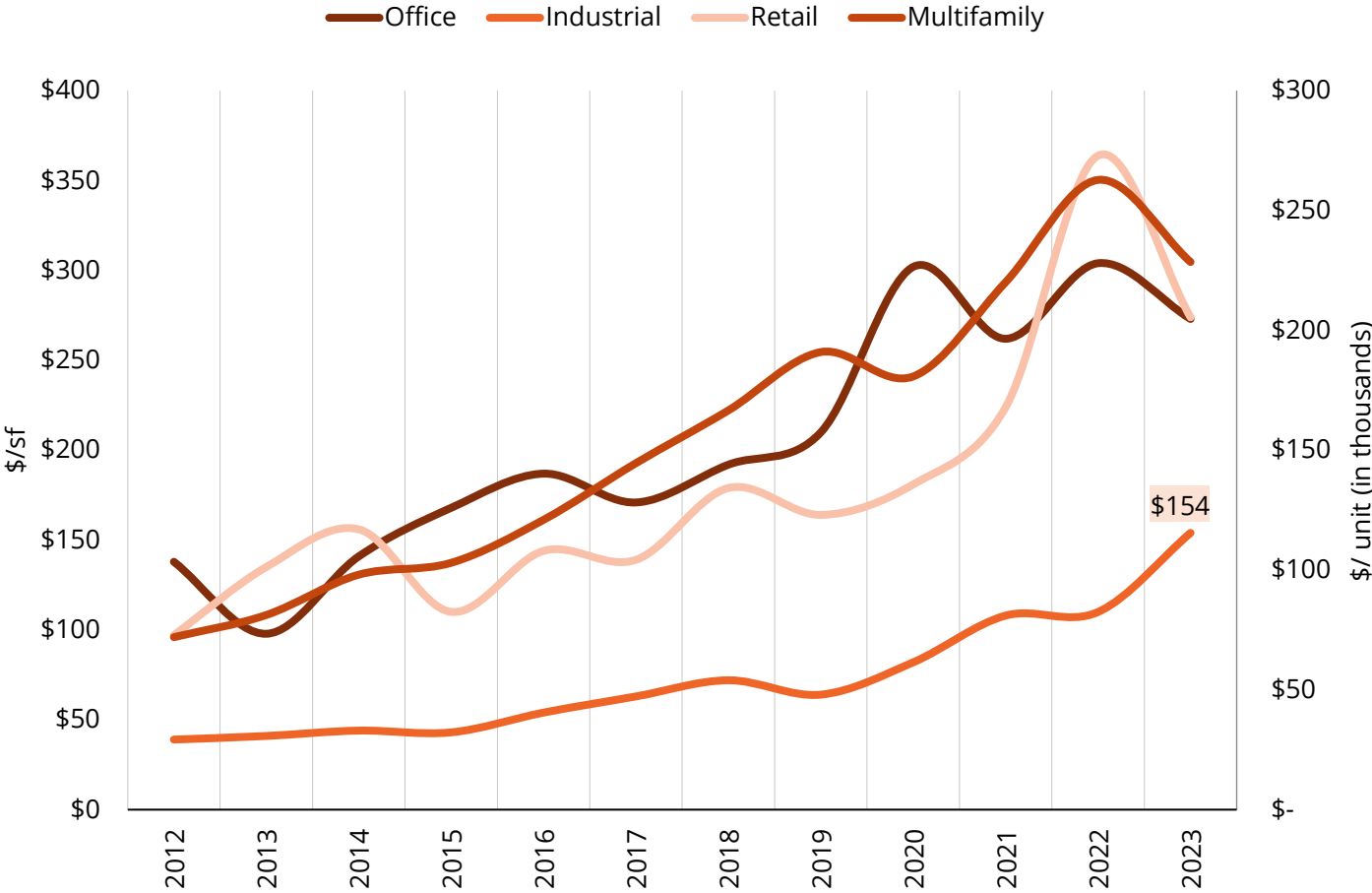
While (total available space) is below the high reached back in 2010 of 17.5 msf, availability has risen drastically due to the addition of several large sublease opportunities.

Nashville industrial demand remains robust amidst economic pressures



Net absorption totaled 4.9 msf at year end, slowing from the record absorption reached in the last two years; however, some of this decline can be attributed to occupancy losses as sublet space was added to the market throughout the year.

Industrial: lone sector recording investment sales pricing growth in 2023

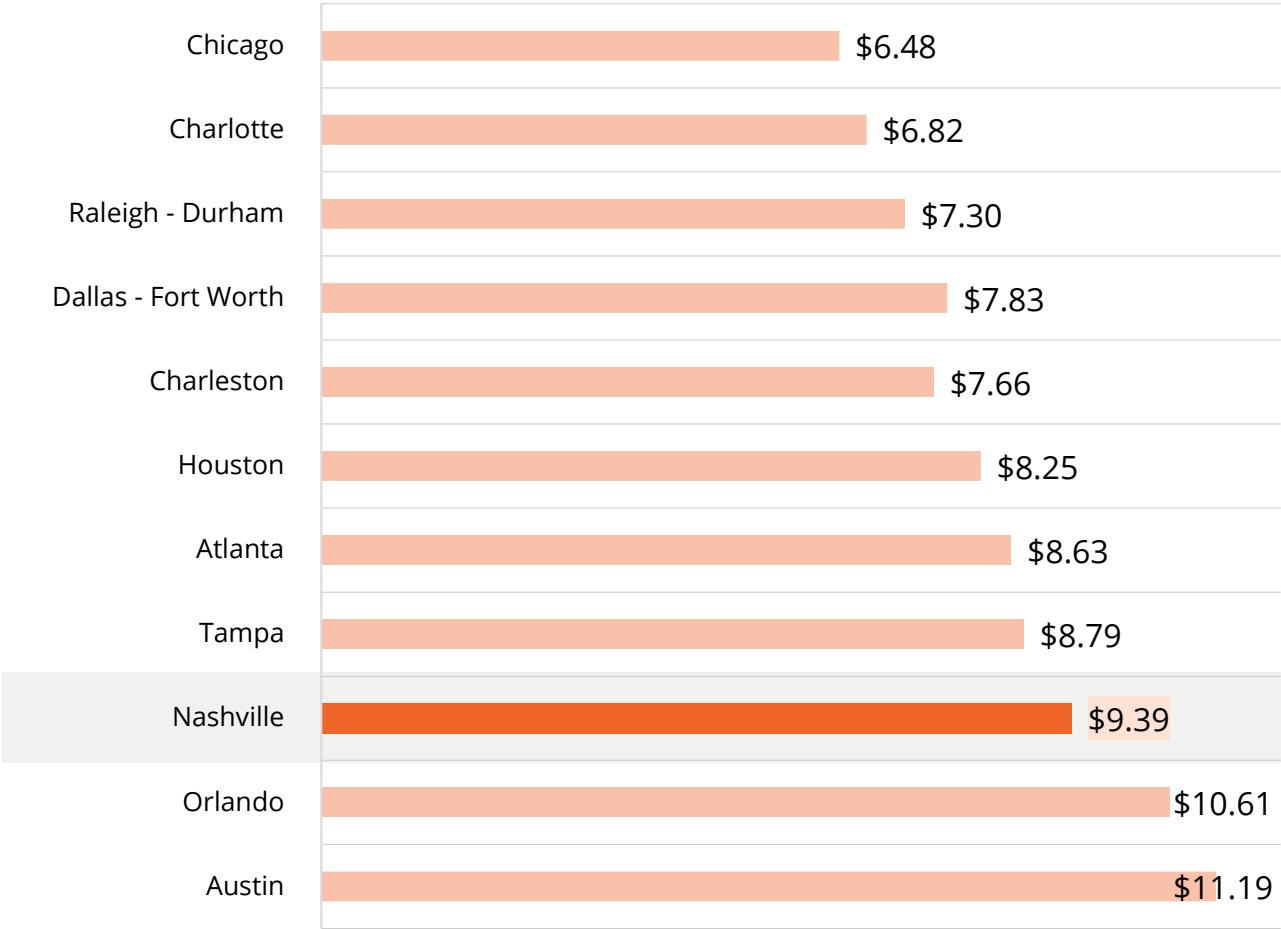


Industrial has been the sector of choice for many buyers/funds due to the tremendous growth and resilience it has witnessed since the start of the pandemic.

Let's examine more prevailing industrial trends



Hitting historic highs, Nashville industrial rents among highest across south & central markets



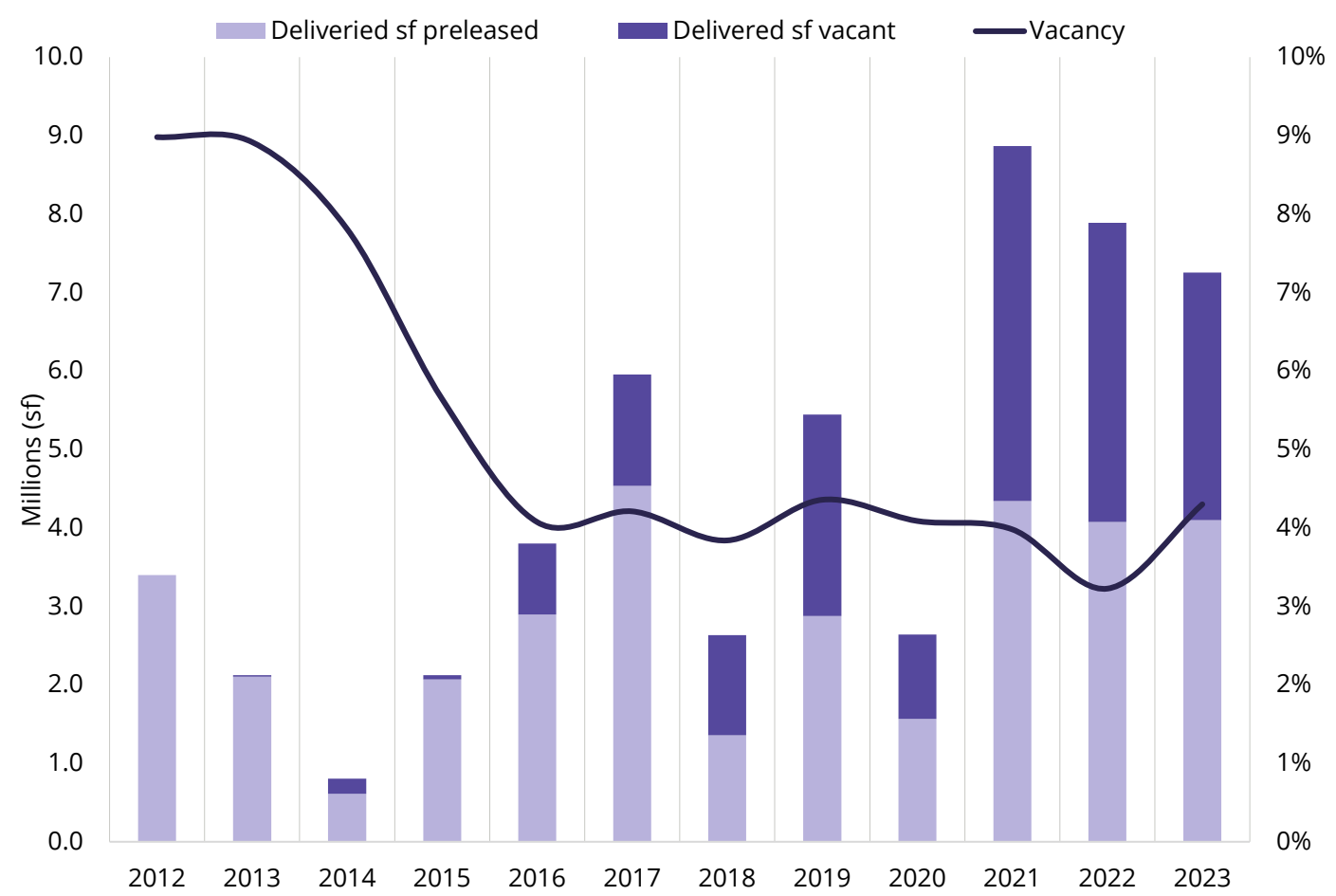
Brought on by the surge in new construction and market demand, Nashville’s industrial rents have risen by nearly 75% in the last five years.

Continued market wide rent growth



Nashville industrial rents continue to trend upward- shown in unbelievable five-year rent growth, driven by healthy tenant demand, flight to quality and new construction commanding significantly higher price points.

Healthy demand continues to keep vacancy in check during recent construction boom



A robust pipeline of tenants in the market and tenants’ flight to quality despite the high costs has kept vacancy within a healthy range amidst the recent construction boom and rise in speculative development.

Industrial development pipeline

22 properties

under construction

6.0 msf

under construction

3.1%

share of industrial inventory

4%

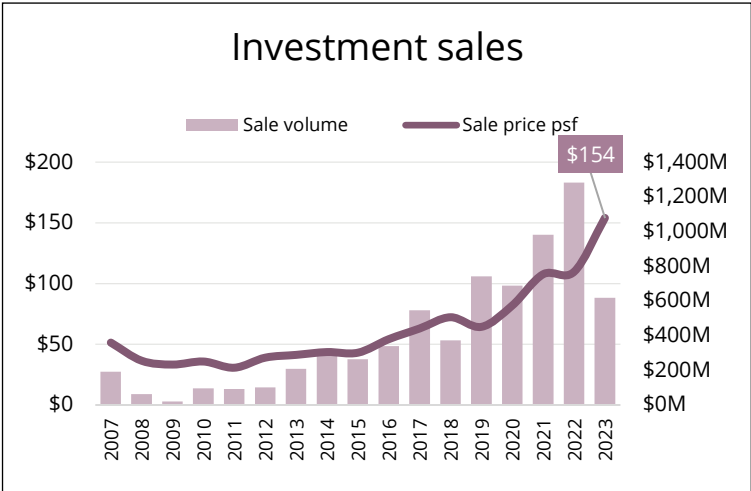
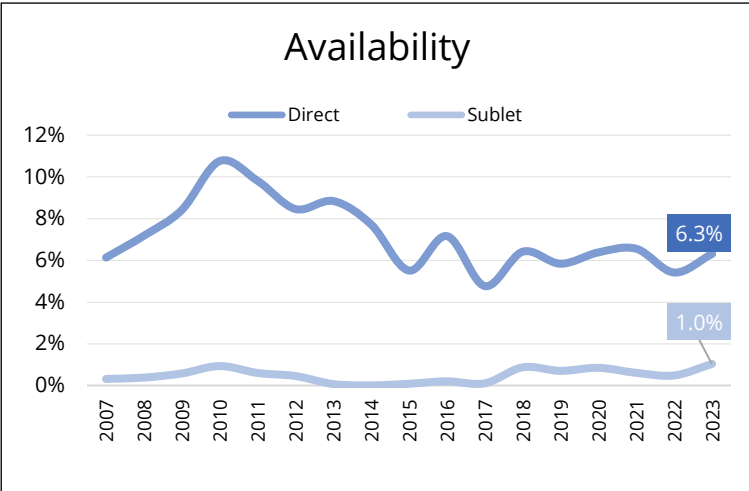
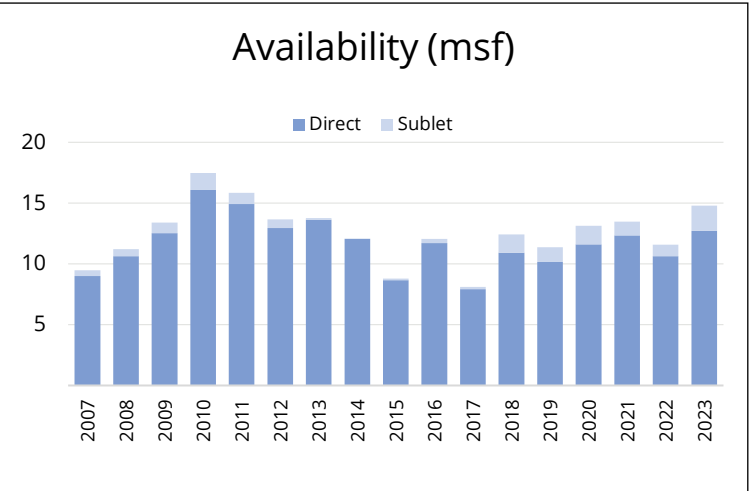
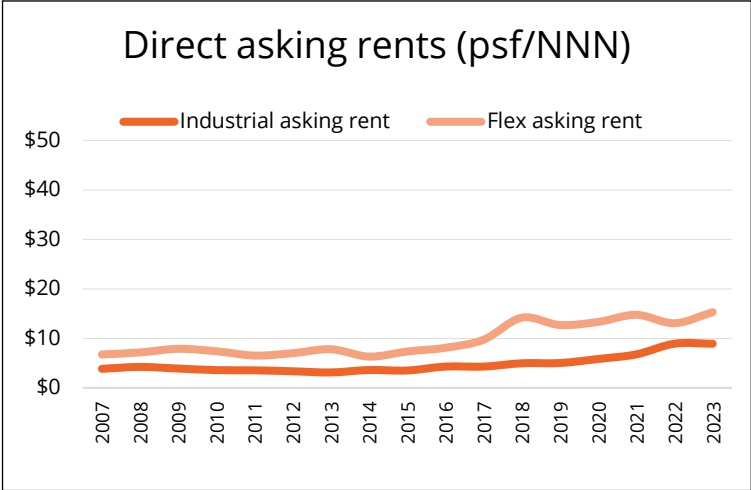
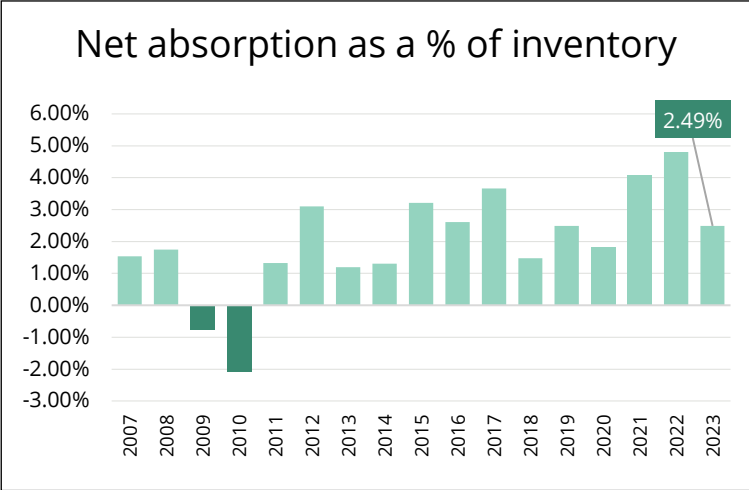
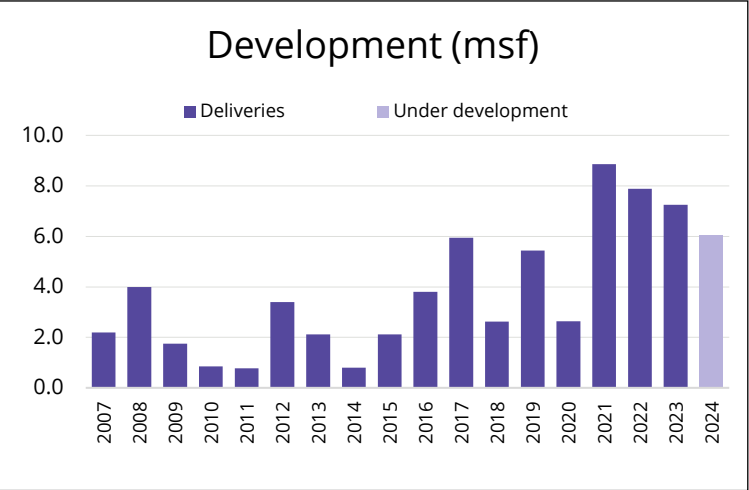
preleasing in-place



Appendix



Nashville industrial market indicators



Nashville industrial market activity

Recent top leasing activity Q4 2023

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Simpson Strong-Tie	1585 Airport Road	North	November-2023	496,336	New	Direct
InterMetro Industries Corporation	Elam Farms 2	Southeast	October-2023	275,000	Renewal	Direct
Monster	Central Logistics Park East- Building 2	Wilson County	October-2023	201,072	New	Direct

Select top sales activity 2023

Buyer	Property name/ address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
XPO Logistics	7300 Centennial Boulevard	December-2023	150,783	\$115,173,150*	\$764*	Yellow
Fergusons	Speedway Industrial Park Building 11	January-2023	443,968	\$64,000,000	\$144	Panattoni Development
Boyd Watterson	Cumberland Business Center	July-2023	160,069	\$40,000,000	\$241	Continental Capital Partners

Top projects under development

Property name	Submarket	Delivery date	Building size sf	% Preleased	Developer
Earhart Industrial Park Building 2	Wilson County	Q4 2024	1,151,585	0%	Griffin Partners
Earhart Industrial Park Building 1	Wilson County	Q4 2024	863,573	0%	Griffin Partners
Speedway Industrial Park Building 14	Wilson County	Q1 2024	618,912	0%	Panattoni Development

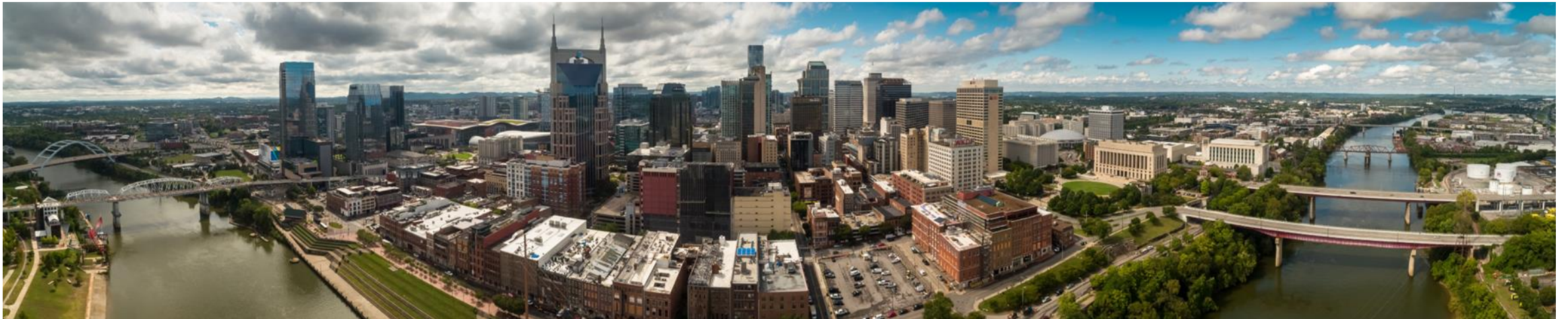
*part of 30-property Yellow bankruptcy sale

Nashville industrial market stats

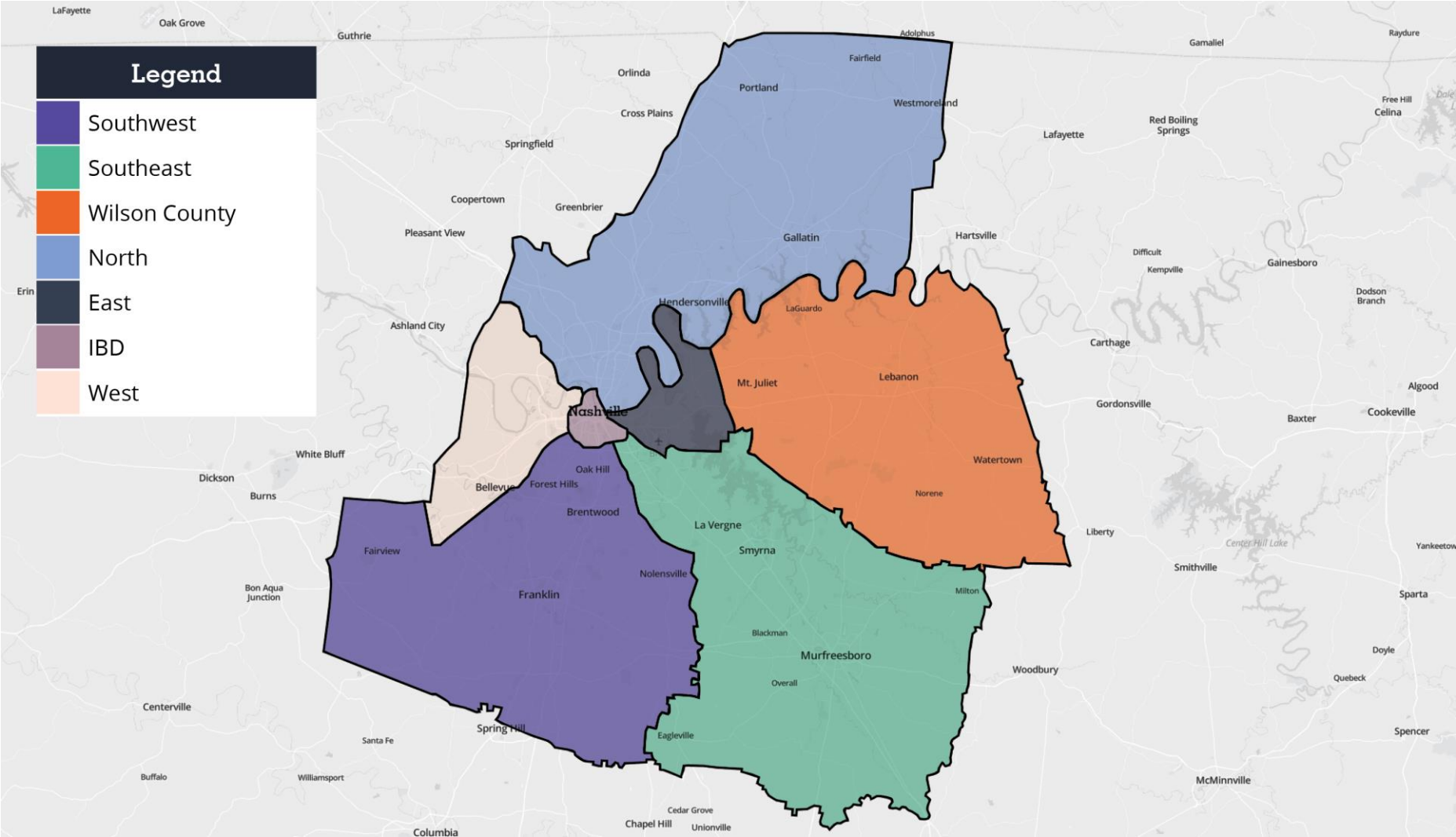
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
East	16,892,655	0	0	2.4%	0.0%	2.2%	(156,616)	(0.9%)	\$10.13
IBD	11,193,219	0	0	1.1%	2.0%	3.1%	(298,700)	(2.6%)	\$9.64
North	33,505,192	668,400	245,225	1.9%	1.3%	3.2%	54,591	0.2%	\$10.00
Southeast	71,183,443	2,376,863	792,692	4.0%	0.3%	4.3%	1,634,877	2.3%	\$8.35
Southwest	12,725,771	0	0	0.6%	0.3%	0.9%	37,282	0.3%	\$16.16
West	6,517,856	0	1,770,200	0.8%	0.6%	1.4%	106,484	1.6%	\$13.86
Wilson County	44,888,532	4,207,273	3,257,151	6.3%	1.3%	7.6%	3,522,636	7.9%	\$11.79
Market total	197,043,668	7,252,536	6,065,268	3.5%	0.8%	4.3%	4,900,554	2.5%	\$9.39

Nashville industrial market stats by property subtype

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Flex industrial	9,343,388	22,500	0	4.4%	1.6%	6.0%	(192,224)	(2.1%)	\$15.33
Distribution	78,088,567	3,661,005	5,271,699	4.8%	0.7%	5.5%	2,785,817	3.6%	\$7.93
General Warehouse	69,245,493	3,569,031	793,569	3.8%	1.2%	5.0%	2,433,518	3.5%	\$12.95
Manufacturing	40,366,220	0	0	0.5%	0.0%	0.5%	(126,557)	(0.3%)	\$10.00
Market total	196,242,354	7,252,536	6,065,268	3.5%	0.8%	4.3%	4,262,154	2.2%	\$9.39



Nashville submarket map



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship good with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

Brennan Forster

Senior Insight Analyst

brennan.forster@avisonyoung.com

Warren Smith

Managing Director

warren.smith@avisonyoung.com