Nashville industrial market report

Q3 2022

AVISON YOUNG

Industrial market trends

01

Construction hitting historic levels

Tremendous tenant demand and leasing activity have developers scurrying to meet inventory needs, with the most recent construction cycle representing the Nashville industrial market's largest in decades. A surge of construction deliveries is expected in the coming months as an anticipated 5+ msf is expected to deliver by year-end.

02

Rising market standards

Nashville's average industrial annual lease escalation has hovered at 3% for the last decade. Following years of exceptional tenant demand and market growth, landlords have begun to push lease escalations to a new standard of 4%.

Industrial asking rents have increased by 24% from pre-pandemic levels, as new construction rents reach new market highs and construction costs continue to rise.

03

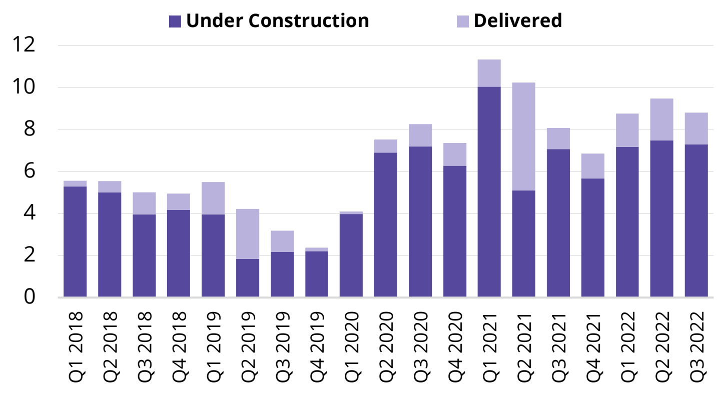
Supply meets demand

Amid higher rents and tight lease terms, YTD net absorption climbed to over 5.5 msf at the end of the third quarter. 3PLs and logistics companies have made up the lion's share of activity as Nashville remains a top growth market.

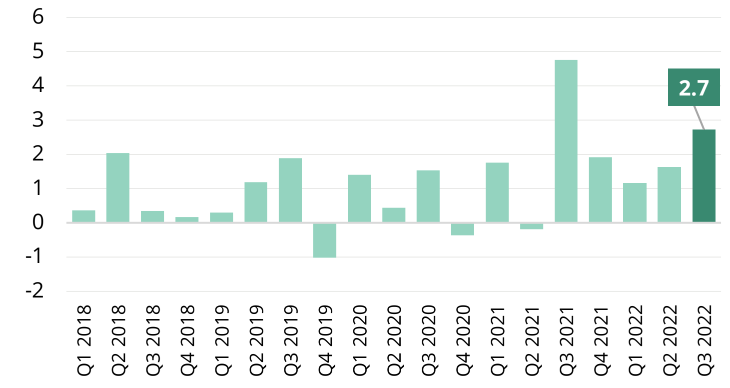
The construction pipeline continues to meet the surging tenant demand in the market, with new construction deliveries seeing the bulk of leasing activity.

Industrial market indicators

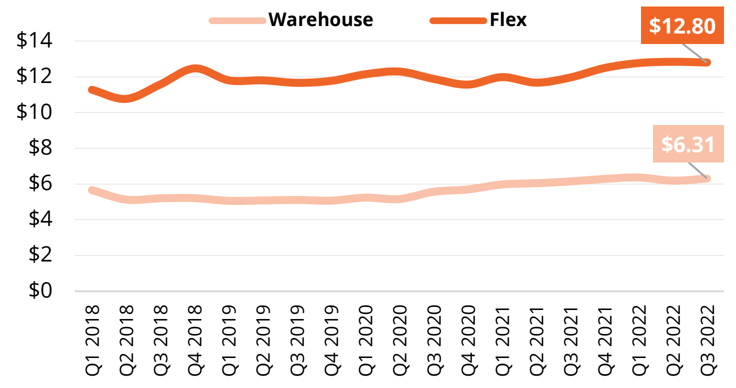
Construction (msf)



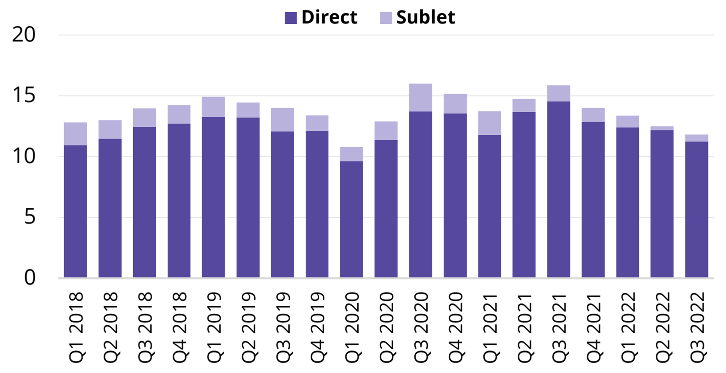
Net absorption (msf)



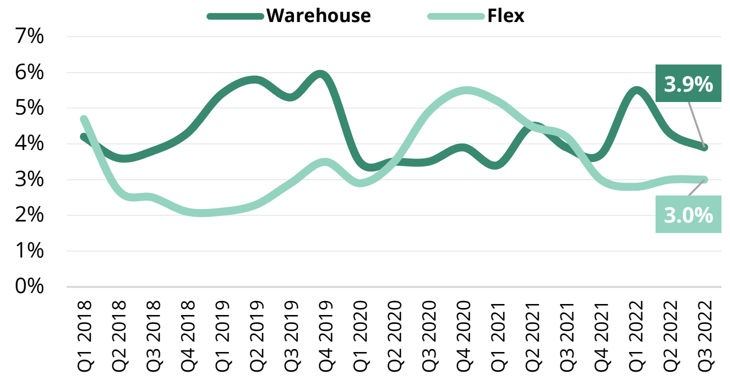
Direct asking rents (psf)



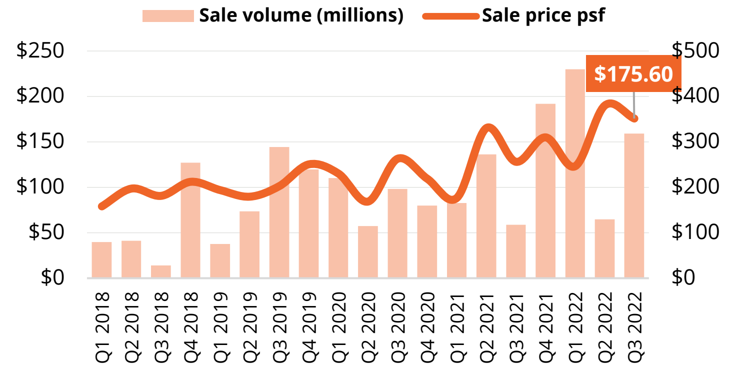
Availability (msf)



Vacancy



Investment sales



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Industrial market activity

Recent leasing activity

Tenant name	Property name	Address	Sign date	Size	Transaction type	Lease type
WebstaurantStore	Speedway Industrial Park Building 12	1225 Richard Petty Way	Q3 2022	981,568	Direct	New
Hello Fresh	Cedar Farms 2	135 Logistics Drive	Q1 2022	600,852	Direct	New
Supply Chain Warehouses		245 Couchville Industrial Blvd	Q2 2022	472,301	Direct	New
Carlex Glass	Commerce Farms 2	340 Bridgestone Pkwy	Q3 2022	456,048	Direct	Renewal
Dawson Logistics	Park 840	14840 Central Pike	Q2 2022	445,942	Direct	New

Recent sales activity

Buyer	Property	Sale date	Sale price	Sale price psf	Cap rate	Seller
BentallGreenOak	Central 840 Logistics Center	Aug- 22	$87,000,000	$94	N/A	Core5 Industrial Partners
Stonelake Capital Partners	Space Park East	Aug- 22	$57,500,000	$139	N/A	Brookside Properties, Gorney Realty Company
Mill Creek Residential Trust	Downtown Logistics Center	Aug- 22	$35,000,000	$212	N/A	Green & Little Properties
Lincoln Property Company	117 Southeast Pkwy	July- 22	$22,600,000	$113	N/A	Logo Chair Company

Significant construction

Property name	Address	Submarket	Industrial SF	Est. completion	Spec/ BTS	Developer
Facebook Data Center	1432 Gateway Drive	North	982,000	Q3 2023	BTS	Facebook
Parkway Place	2120 Logistics Way	Southeast	844,480	Q4 2022	Spec	Al Neyer
Speedway Industrial Park Bldg 12	1225 Richard Petty Way	Wilson County	650,944	Q4 2022	Spec	Panattoni Development
Midway 840 II	1731 Couchville Pike	Wilson County	633,410	Q4 2022	Spec	Strategic Capital Partners

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Industrial market stats by submarket

			Vacancy		Net absorption		SF under	Average asking rent		
By submarket	Inventory (sf)	Total %	W / D	Flex	Q2 '22	YTD	construction	Total	W / D	Flex
East	12,089,265	3.53%	3.53%	3.53%	243,173	-27,936	0	$9.22	$7.63	$11.16
IBD	12,387,687	0.49%	0.48%	0.65%	-87,888	-146,575	0	$13.73	$13.85	$12.17
North	41,472,530	1.28%	1.26%	1.66%	268,414	399,291	982,000	$5.30	$4.99	$14.73
Southeast	70,521,155	4.18%	4.05%	6.35%	977,917	2,627,712	2,002,228	$6.30	$5.61	$12.15
Southwest	13,808,523	1.75%	2.07%	0.87%	25,974	21,436	0	$10.44	$9.70	$17.85
West	7,141,925	3.04%	3.13%	0.00%	271,503	300,239	0	$8.01	$8.01	-
Wilson County	43,205,297	7.71%	7.72%	0.00%	1,017,986	2,336,863	4,300,798	$8.12	$8.12	-
Market Total	**200,626,382**	**3.90%**	**3.90%**	**3.00%**	**2,717,079**	**5,511,030**	**7,285,026**	**$6.83**	**$6.38**	**$12.71**

By product type	Inventory (sf)	Vacancy	Q2 absorption	YTD absorption	SF under construction	Available sublease
Warehouse / Distribution	188,395,022	3.90%	2,653,627	5,488,466	7,262,526	418,727
Flex	12,231,360	3.00%	63,452	22,584	22,500	169,158
Market Total	**200,626,382**	**3.90%**	**2,717,079**	**5,511,050**	**7,285,026**	**587,885**

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

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