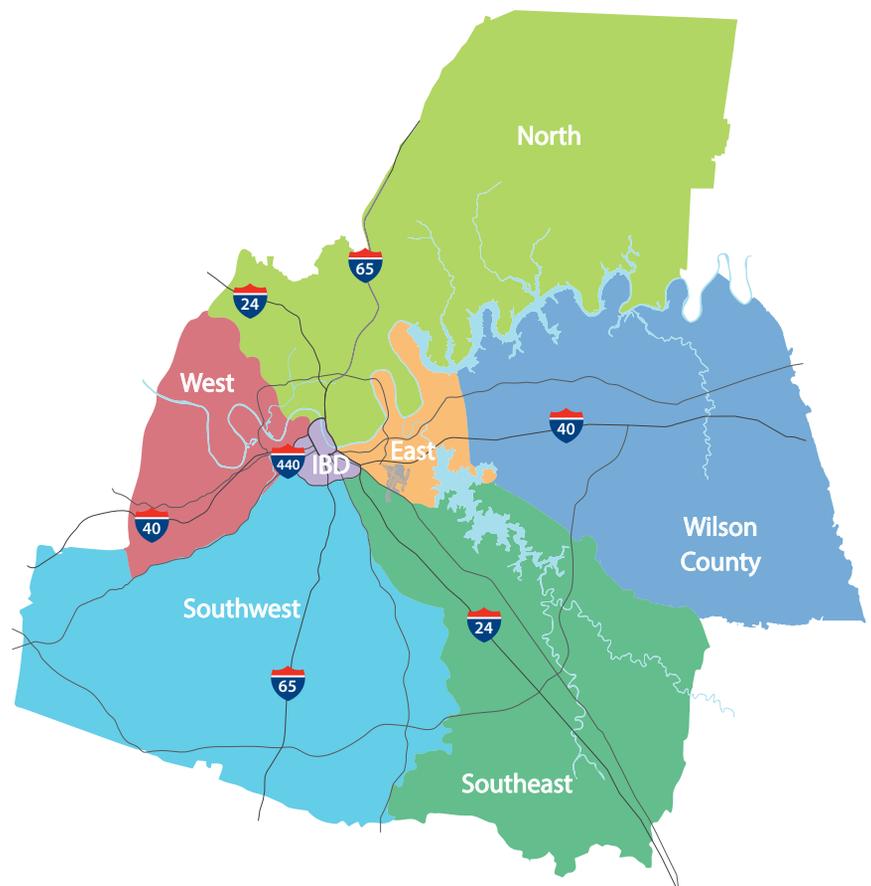


# Nashville

## Industrial Market 1Q 2018

In 2014, *TIME* Magazine named Nashville as the South's Red-Hot Town, stating that the city had seen the strongest employment growth since the Great Recession of any large metropolis. Even after four years, the dynamism and prosperity of Nashville's economy continues to demand the national spotlight, with the city recently ranking #7 on Forbes' list of the Top 25 Fastest-Growing Cities of 2018, jumping up from #20 in 2017.

With the latest unemployment rate at 2.4%, the unprecedented economic growth is a testament to Nashville's diverse market. The area's pro-business environment has not only helped grow the industry staples like healthcare, music, education, and transportation, but has also been a catalyst for corporate relocations. Since the *TIME* 2014 headline, Nashville has experienced 450 relocations and expansions bringing over 43,000 jobs to the city.



### Construction

Strong demand has caused a surge in development activity in the Nashville industrial market, with a record amount of speculative space in the pipeline. Of the approximately 3.9 million square feet (msf) currently underway, 80% is speculative construction, marking that developers remain bullish on the market and are banking on the dynamic tenant demand. The most notable construction project is Cedar Farms, Phase I in Wilson County. This eye-popping 900,000-square foot (sf) development is the largest speculative project the Nashville market has seen to date. Nashville's industrial development pipeline is expected to remain strong throughout the remainder of the year, with all 3.9 msf completing this year.

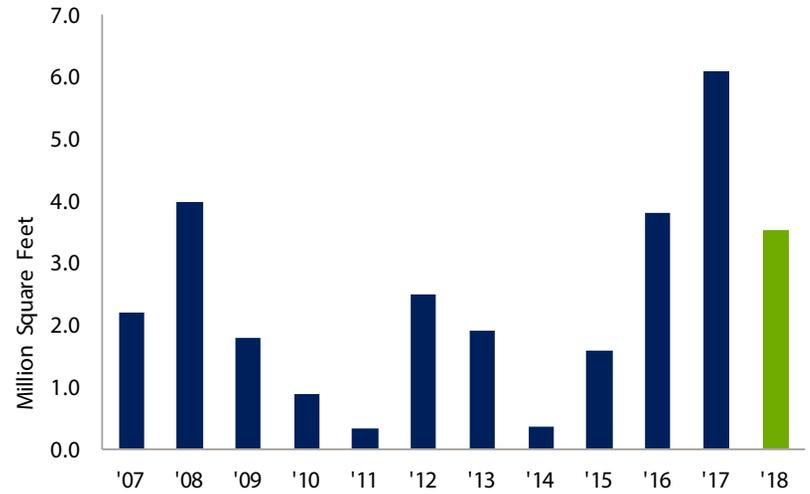
First quarter brought the addition of the 269,000 sf Medline Industries build-to-suit building located in the Beckwith Farms Industrial Park. The medical-grade distribution center is expected to add about 50 jobs as the company expands its footprint in the Nashville area.

### Absorption & Leasing Activity

After a blockbuster 2017, when net absorption soared to over 5.0 msf, the Nashville industrial market began to slow during first quarter 2018, registering absorption of 283,870 sf. The Southeast submarket led the way with over 575,000 sf of absorption, while the North and IBD submarkets recorded negative absorption of over 100,000 sf respectively.

The largest lease signed in the quarter was CEVA Logistics, who took 399,000 sf in the Beckwith 9 development that is expected to deliver next quarter. XPO Logistics, another supply chain solutions company, leased 280,000 sf in Commerce Farms Five. This recently delivered Wilson County project is now fully occupied just six months after completion.

### Construction Deliveries\*



\*Based on projects currently under construction

### Absorption, Deliveries, & Vacancy

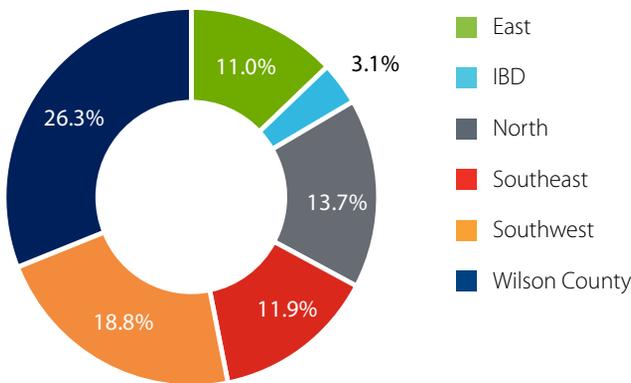


**In the last 5 years average asking rents have risen 57%. While all sectors have seen dramatic increases in the Nashville area, the industrial market records the largest increase for this time period.**

### Vacancy

Nashville’s construction boom is beginning to alleviate the tight industrial market. Due to several tenants either moving or reducing their footprint, vacancy increased by 60 basis points year over year to 4.2%. Although vacancy is up, the industrial market has endured years of supply deficit that struggled to meet tenant demand, resulting in a tight market with sound fundamentals but little room for tenant movement. The Wilson County submarket is most vulnerable to these effects, having the largest construction activity in the last 24 months. This submarket now has the highest vacancy rate of all submarkets, but still remains in single digits at 7.0%.

### Annual Rent Growth

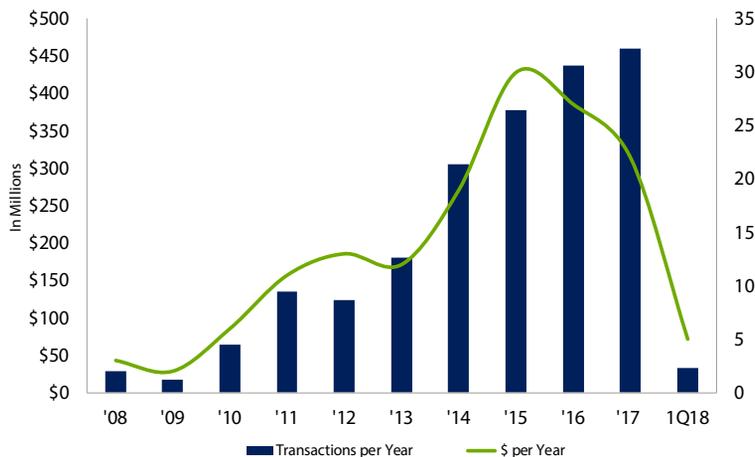


*No annual rent growth recorded in the West submarket*

### Rental Rates

Average asking rental rates in the Nashville industrial market continued to rise in the first quarter of 2018, ending the quarter at \$5.59 per square foot (psf), up 15% year over year. The average warehouse rate rose by 11% to \$4.84 psf in the same period, while flex rates have fallen to \$10.54 psf, a decrease of 7.5%. In the last 5 years average asking rents have risen 57%. While all sectors have seen dramatic increases in the Nashville area, the industrial market records the largest increase for this time period.

### Investment Sales



### Investment Sales

Nashville investment sales totaled \$33.15 million in the first quarter, a 31% drop year over year. In the largest transaction of the quarter, McLane of Suneast, Inc. purchased a 141,000 sf warehouse in the West submarket for \$10.2 million. The warehouse property is 100% leased to Horizon Wine & Spirits, Tennessee’s largest distributor of beverage alcohol products.

	Inventory	Vacancy	Under Construction	Absorption	Deliveries	Average Asking Rates	
						Flex	Warehouse
<b>Submarket</b>							
East	14,589,183	1.1%	0	(23,851)	0	\$10.26	\$6.59
IBD	14,583,849	3.3%	0	(121,052)	0	\$10.75	\$5.94
North	40,856,204	4.8%	0	(100,606)	0	\$12.39	\$4.52
Southeast	61,360,208	3.7%	1,531,404	575,861	0	\$8.46	\$4.43
Southwest	13,659,007	3.4%	0	(26,332)	0	\$18.16	\$6.92
West	7,369,244	1.7%	0	(38,650)	0	\$4.03	\$5.27
Wilson County	27,166,850	7.0%	1,989,985	18,500	269,000	\$14.00	\$4.83
<b>Market Totals</b>							
Warehouse	166,579,098	4.1%	3,521,389	77,805	269,000		\$4.84
Flex	13,005,447	3.8%	0	206,065	0		\$10.54
<b>TOTAL</b>	<b>179,584,545</b>	<b>4.4%</b>	<b>3,521,389</b>	<b>283,870</b>	<b>269,000</b>		<b>\$5.59</b>

## Nashville SCORES: Impact of Major League Soccer Expansion

Recognized as one of the nation’s premier cities for music and entertainment, Nashville will soon be adding a Major League Soccer (MLS) team to its thriving sports scene, beating out competing cities Detroit, Cincinnati, St. Louis and Sacramento for MLS’s most recent expansion. With the backing from influential Nashville locals including John Ingram and Bill Hagerty, the pitch was strengthened after the growing local soccer community broke back-to-back Tennessee records when Nissan Stadium hosted a CONCACAF Gold Cup soccer match and an English Premier League preseason match last year. The \$275 million, 27,500-seat stadium development is slated to begin construction in 2019 with completion estimated in 2021



and is expected to host not only soccer games but concerts and other community events. In addition to its economic impact, this development will garner additional prestige and visibility for Nashville, fostering future development in the area.



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