

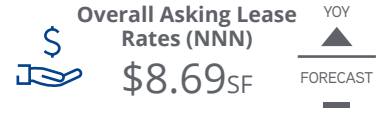


Nashville

Industrial 23Q2

Key Takeaways

- Industrial absorption exceeded positive 1.2M square feet for Q2 2023.
- Market vacancy stands at 3.8%, remaining under 4% over the last 15 consecutive quarters.
- Nashville development total remains elevated, with nearly 6.3M square feet under construction.



Manufacturing Sector to Help Fuel Long-Term Growth

According to data from Oxford Economics, Nashville experienced healthy job growth of 1.4% from Q4 2022 to Q2 2023, exceeding the US growth of 1.1%. The metro's net job change from Q1 2020 (pre-pandemic peak) to Q2 2023 was 9.3%, well above the US net growth of 2.8%. Looking at job performance by industrial-space users, Nashville's trade, transportation, and utilities sector employment increased by 3.6% from June 2022 to June 2023 while manufacturing grew 2.7% in the same time frame. Nashville's industrial market had a solid Q2 performance, ending with positive 1.2M SF absorption, and demand kept has vacancy below 4% despite the wave of new industrial supply that delivered at mid-year 2023. Recorded from the Nashville Area Chamber of Commerce, industrial-using companies announced a combined 3,336 new jobs from FY 2022-2023. Of note, 60% of all announced relocations and expansions during this time frame were in the manufacturing sector. Notable announcements YTD include United Record Pressing (209 jobs) and The Webstaurant Store (225 jobs). With already a thriving auto manufacturing industry, Middle Tennessee is also experiencing robust activity in electronic vehicle manufacturing. Dongwha Electrolyte USA, a producer of electric vehicle lithium batteries, will open its first operation in the nation in Clarksville. General Motors and LG Energy are currently building a \$2.4B electric vehicle battery plant in Maury County (1,300 jobs), and electric vehicle charger manufacturer Tritium (500 jobs) located in Lebanon at mid-year 2022.

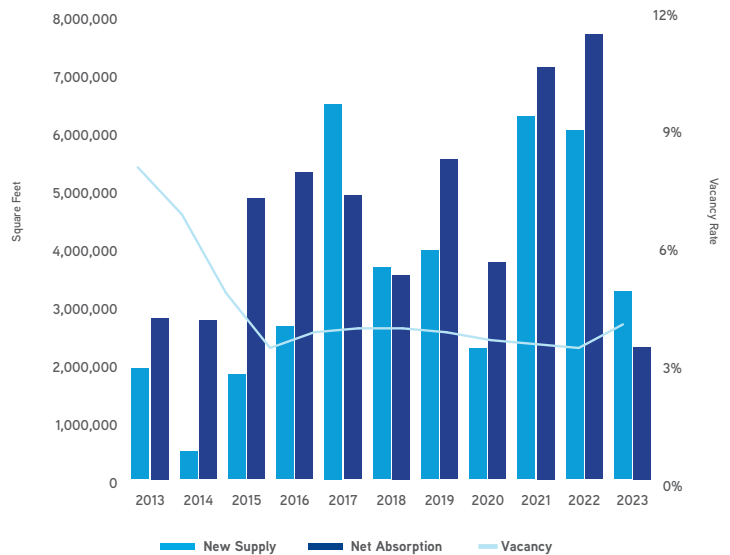
Market Indicators



Historic Comparison

	22Q4	23Q1	23Q2
Total Inventory SF	213.1M	214.5M	217.6
Net Absorption SF	3.0M	1.0M	1.2M
Overall Vacancy	3.2%	3.4%	3.8%
Under Construction SF	4.2M	7.2M	6.3M
Overall Asking Rates (NNN)	\$7.36	\$8.12	\$8.69

Absorption, New Supply & Vacancy



Recent Transactions



Renewal
130 Maddox Rd.
East | 700,000 SF



Renewal
578 Aldi Blvd.
East | 550,000



New Lease
5501 CentrePointe Dr.
Southeast | 377,220 SF



Sale
Midway840
East | \$66.7M



Sale
5018 Murfreesboro Rd.
Southeast | \$15.6M

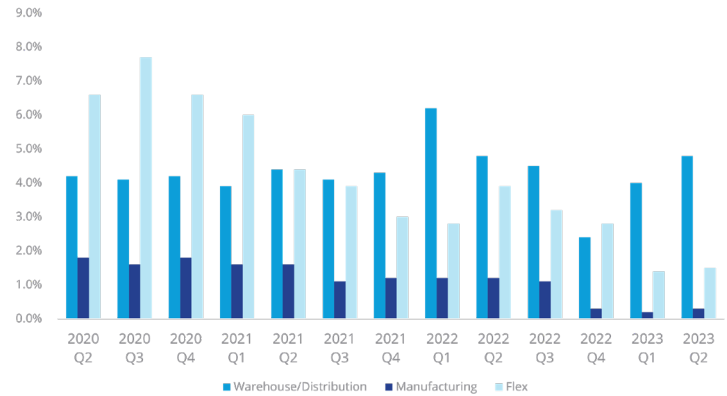


Sale
920 Cherokee Ave.
North | \$10.0M

Vacancy + Availability

New supply outpaced demand for the second consecutive quarter, resulting in the market wide vacancy increasing to 3.4%. This represents a 40-basis point increase over Q2 2022. Despite the uptick in vacancy, Q2 2023 marks the 15th consecutive quarter of sub-4% market vacancy, despite the delivery of over 13M square feet of new space during the same time frame. New deliveries, coupled with a 22% slowdown in leasing SF volume YOY, could lead to slight increases the overall vacancy rate in the short term. However, continued interest in the Nashville market as a supply & logistics hub, coupled with the region becoming a hub for electric vehicle manufacturing, should propel demand for industrial space in the coming quarters. In terms of availability, Nashville's direct availability rate stands at 2.9%, down 30 basis points over Q1.

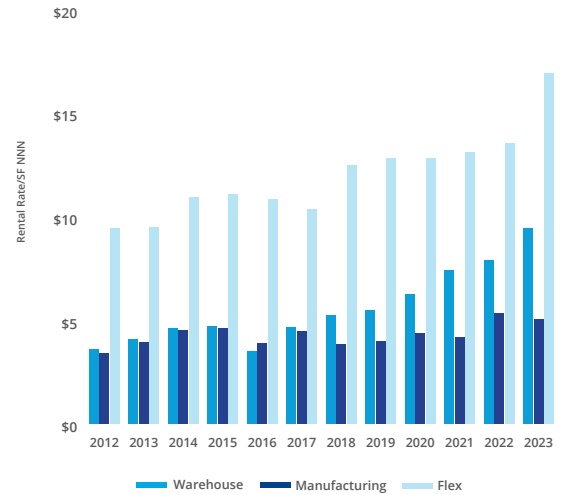
Vacancy Rates
By Subtype



Rental Rates

Given Nashville's long-term low vacancy rates, the metro has registered some of the strongest rent growth in the nation. Nashville ended Q2 2023 with an average rental rate of \$8.69 per square foot, a record high. Four-quarter trailing rent growth remains well above historical norms at about 9.6%. Warehouse rates increased to \$9.45 per square foot, up 7% since Q1. Within the new construction segment of the market, particularly in bulk warehouses, asking rents have reached the \$10-12 range. This represents roughly a \$4 gap between second generation product and new builds. The East submarket, with the most deliveries YTD, exceeded \$10/SF for the first time, ending Q2 at \$10.83.

Rental Rates
By Subtype

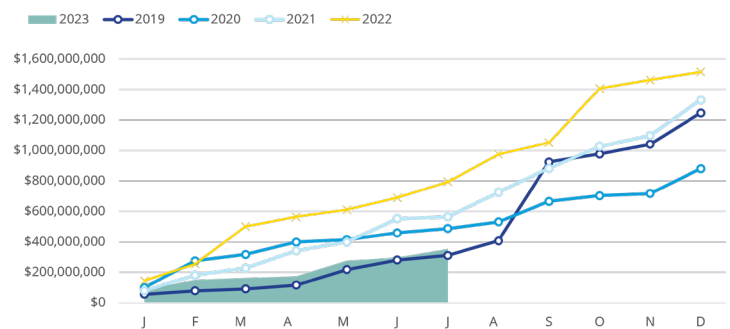


Industrial Development + Investment

Industrial developers remain very active in Middle Tennessee, as nearly 6.3M square feet are underway across the market, with the majority concentrated in the East and Southeast submarket, where the industrial inventory is dominated by larger logistics facilities. The largest projects underway in the region include General Motor's manufacturing plant (2.8M SF) and FaceBook's Data Center (982,000 SF) in Sumner County.

Elevated borrowing costs continue to impact capital markets, coupled with the record-breaking that Nashville's industrial market experienced in 2022, Nashville's investment volume was down 35% year-over-year. Occurring across the nation, industrial property price growth also slowed as volume has declined. Nashville's YOY price change of -19%, faring better than the national average of -57%.

Industrial Investment
Cumulative Monthly



Source: Colliers, Real Capital Analytics

Leasing Activity

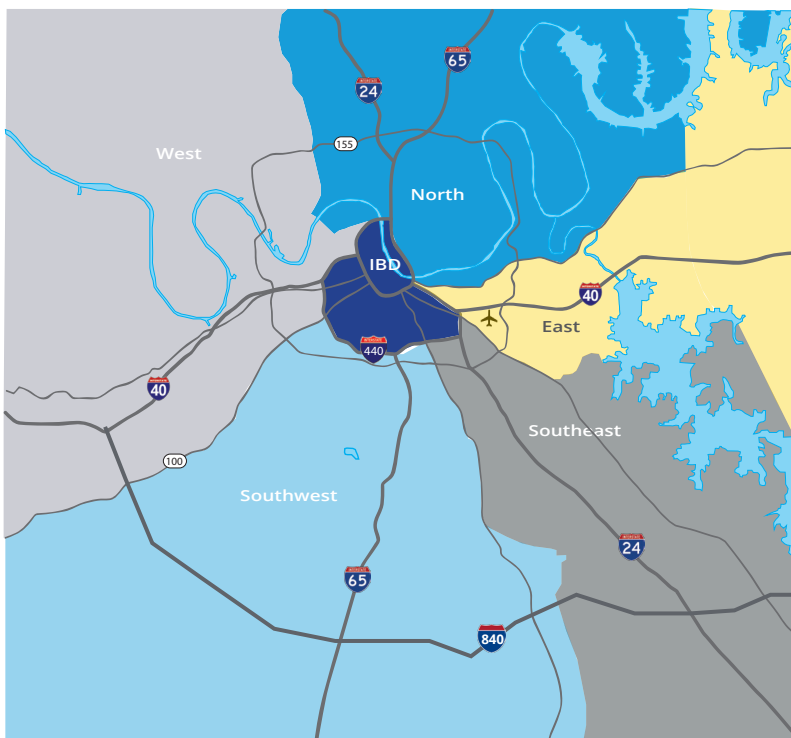
Industrial

Property	Tenant	Lease Type	SF	Submarket
Rockdale Distribution Center III	Vi-Jon	Renewal	700,000	East
Rockdale Distribution Center I	Geodis	Renewal	550,000	East
CentrePoint I	Store Opening Solutions	New Lease	377,220	Southeast
700 Airpark Commerce Drive	Wilson Sporting Goods	New Lease	252,262	Southeast
801 Swan	Goggin Warehousing LLC	Renewal	229,504	Southeast
7650 Eastgate Boulevard	Expedito	New Lease	217,080	East

Investment Activity

Industrial

Property	SF	Price	Price/SF	Buyer	Submarket
Midway 840	670,680	\$66,755,125	\$100	GTIS Partners	East
5018 Murfreesboro Road	227,166	\$15,600,000	\$69	Josh S Kaufman	Southeast
920 Cherokee Avenue	89,707	\$10,000,000	\$111	Timothy Johnson	North
464 Craighead Street	29,699	\$5,200,000	\$175	Matthew A Mckinney	IBD
100 Cummings Court	27,600	\$2,800,000	\$101	Samuel Mejia	Southeast
2005 Elm Hill Pike	30,616	\$2,740,000	\$89	Medven Real Estate LLC	East



Definitions

Colliers Inventory – All industrial and flex properties of more than 10,000 SF including owner-occupied. Research subject to revisions due to discrepancies in past reporting.

Flex – A type of building designed to be versatile, which may be used in combination with office R&D, quasi-retail sales, and industrial warehouse and distribution uses.

Leasing Activity – The square footage that is committed to and signed for under a lease obligation in each quarter, including direct leases, subleases, renewals of existing leases, and pre-leasing activity for buildings under construction or planned.

Absorption (Net) – The net change in occupied space between the current quarter and the previous quarter, calculated by summing all the positive changes and subtracting all the negative changes.

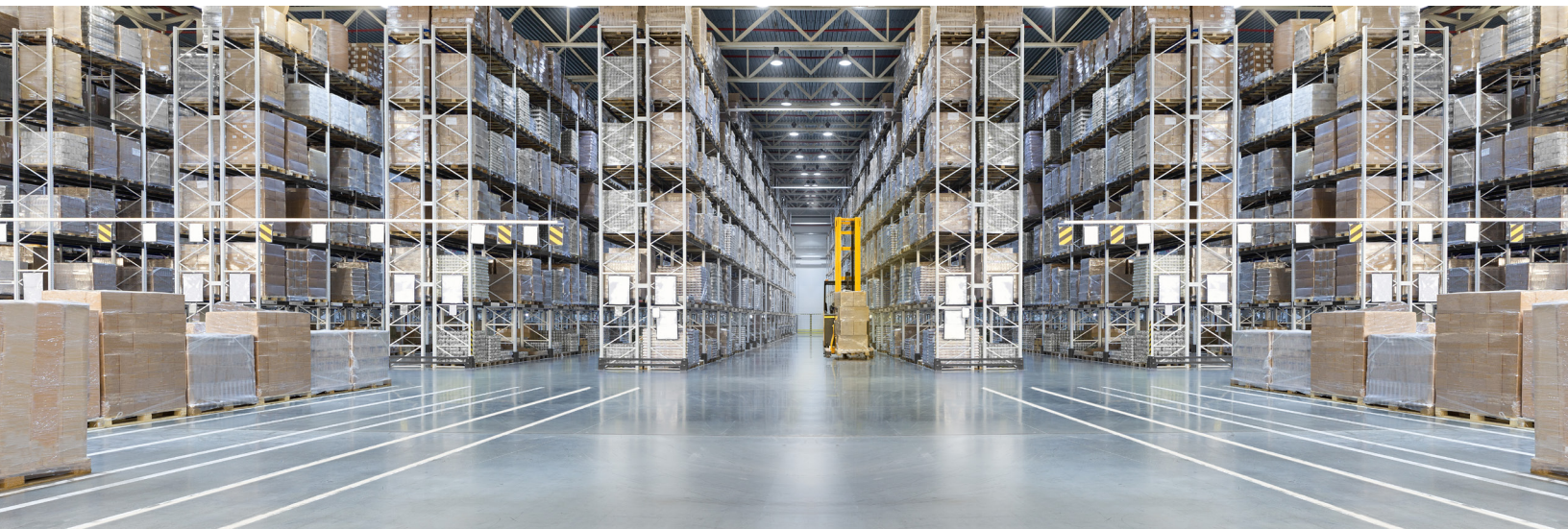
Vacancy Rate – Percentage rate of the total amount of vacant space divided by the total amount of existing inventory.

Build-To-Suit – Property that can be leased or owned by a tenant that was developed specifically for them.

Triple Net Rent (NNN) – Includes rent payable to the landlord and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities. All industrial and high-tech/R&D rents in this report are quoted on an annual, triple net per square foot basis in U.S. dollars.

New Construction – Includes completed speculative and build-to-suit construction. New construction quoted on a net basis after any demolitions or conversions.

Submarket/ Subtype	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD 2023	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
East											
Warehouse	47,190,447	4.4%	0.9%	5.3%	6.9%	6.3%	554,940	1,109,870	1,746,645	2,624,229	\$10.83
Manufacturing	8,121,114	0.4%	0.0%	0.4%	0.4%	0.2%	-16,980	-32,320	0	0	\$6.75
Flex	1,847,804	1.6%	1.5%	3.1%	3.1%	3.9%	14,326	15,254	0	0	\$14.91
TOTAL	57,159,365	3.8%	0.7%	4.5%	5.9%	5.4%	552,286	1,092,804	1,746,645	2,624,229	\$11.18
IBD											
Warehouse	8,360,492	2.8%	2.3%	5.1%	3.6%	1.4%	-178,608	-187,508	30,000	0	\$11.82
Manufacturing	3,104,024	3.6%	0.0%	3.6%	1.6%	0.0%	-50,420	-50,420	0	0	\$6.25
Flex	1,444,879	3.5%	0.0%	3.5%	1.8%	1.8%	0	-12,000	0	0	\$21.73
TOTAL	12,909,395	3.1%	1.5%	4.6%	2.9%	1.1%	-229,028	-249,928	30,000	0	\$10.21
North											
Warehouse	40,022,562	2.5%	2.9%	5.4%	4.0%	1.7%	50,000	74,386	2,201,221	0	\$9.26
Manufacturing	11,006,516	2.6%	0.0%	2.6%	0.5%	0.4%	-7,000	-14,223	0	0	\$5.03
Flex	2,566,685	5.4%	0.3%	5.7%	3.4%	2.9%	-10,764	1,216	0	0	\$15.66
TOTAL	53,595,763	2.6%	2.3%	4.9%	3.2%	1.4%	32,236	61,379	2,201,221	0	\$6.60
Southeast											
Warehouse	51,642,375	3.5%	0.8%	4.3%	4.4%	4.3%	874,231	1,224,782	2,333,064	610,820	\$8.26
Manufacturing	15,351,375	0.7%	0.0%	0.7%	0.0%	0.2%	27,429	81,429	0	0	\$7.00
Flex	3,433,751	1.9%	0.1%	2.0%	1.2%	1.8%	27,400	60,768	0	0	\$13.70
TOTAL	70,427,501	2.8%	0.6%	3.4%	3.0%	3.0%	929,060	1,366,979	2,333,064	610,820	\$9.09
Southwest											
Warehouse	7,832,863	1.7%	0.8%	2.5%	2.2%	2.0%	-12,236	66,990	0	0	\$11.93
Manufacturing	2,684,289	0.9%	0.7%	1.6%	1.5%	1.5%	434	434	0	0	\$16.59
Flex	3,969,841	0.6%	0.6%	1.2%	1.1%	1.6%	21,466	3,169	0	0	\$23.79
TOTAL	14,486,993	1.0%	0.4%	1.4%	1.3%	1.3%	9,664	70,593	0	0	\$12.96
West											
Warehouse	4,911,312	1.3%	0.6%	1.9%	4.5%	3.8%	-37,457	-54,957	0	0	\$9.15
Manufacturing	3,867,515	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$13.74
Flex	337,548	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$13.50
TOTAL	9,116,375	0.7%	0.3%	1.0%	2.4%	2.0%	-37,457	-54,957	0	0	\$9.27
Total											
Warehouse	159,960,051	3.3%	1.4%	4.7%	4.8%	4.0%	1,250,870	2,233,563	6,310,930	3,235,049	\$9.45
Manufacturing	44,134,833	1.2%	0.0%	1.2%	0.3%	0.2%	-46,537	-15,100	0	0	\$5.04
Flex	13,600,508	2.4%	0.3%	2.7%	1.5%	2.0%	52,428	68,407	0	0	\$16.90
TOTAL	217,695,392	2.9%	1.1%	4.0%	3.8%	3.1%	1,256,761	2,286,870	6,310,930	3,235,049	\$8.69



FOR MORE INFORMATION

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