

# Slowed completions allow vacancy stabilization ahead of oncoming supply

▼ 3.0%

Vacancy Rate

▲ 886K

SF Net Absorption

▲ 5.2M

SF Under Construction

▼ 218K

SF Completions

▲ \$9.81

Avg. Direct Asking Rent / NNN

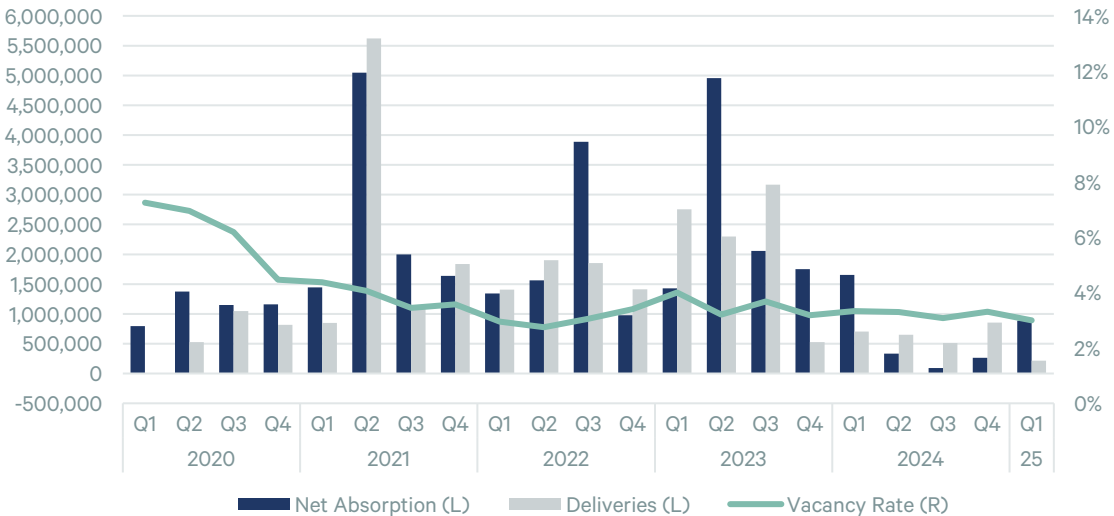
Note: Arrows indicate change from previous quarter.

### Key Takeaways

- The average direct asking rent increased to \$9.81 per sq. ft. triple net, a growth rate of 13.1% year-over-year.
- Net absorption was four times greater than the inventory added to the market and allowed a 31-basis-point quarter-over-quarter reduction in total vacancy.
- New leases outweighed renewals by number of deals and space leased for the third consecutive quarter, while being 6.7% larger on average.

The Nashville industrial market started 2025 with positive net absorption outstripping construction completions to compress market vacancy back to 3.0%, a level not seen since mid-2022. New leases consistently surpassing renewals served as a beacon for future absorption of oncoming new construction supply which is notably dependent on in-market relocations or expansions and new-to-market leasing activity. With a growing construction pipeline, the pace of absorption will be crucial in determining the trajectory of the market’s historically low vacancy levels.

FIGURE 1: Vacancy Rate, Deliveries and Net Absorption



Source: CBRE Research, Q1 2025

In Q1 2025, Prologis’s City View Building 1 in the MetroCenter/Cockrill Bend submarket was the only construction completion in Nashville totaling 218,000 sq. ft. and marked the first sizeable addition to the submarket since 2022. Completions throughout Nashville were at the lowest level since Q1 2020, which finalized a banner 5-year period of 21.2% market inventory growth and allowed existing vacancies to absorb. Quarterly net absorption was four times greater than the inventory added to the market and allowed a 31-basis-point quarter-over-quarter reduction in total vacancy to start the year.

The construction pipeline totaled 5.2 million sq. ft. and was 21.4% preleased as of Q1 2025. In submarket I-840, two projects totaling 859,000 sq. ft. began vertical construction, including a fully preleased 542,000 sq. ft. building. Although the construction pipeline ticked up slightly from the quarterly average of 4.4 million sq. ft. maintained throughout 2024, the amount of space underway was still below historical levels. The Nashville industrial market should expand another 2.4% based on the current construction pipeline slated to deliver through mid-2026.

Leasing activity slowed after year-end 2024, on par with historical activity, yet the number of deals signed increased 34.9% year-over-year in Q1 2025. New leases outweighed renewals by number of deals and space leased for the third consecutive quarter, while being 6.7% larger on average. Deals within new construction properties built since 2015 accounted for roughly half the space leased, while most renewals were in older properties as occupiers prioritized top-quality availabilities for new operations.

FIGURE 4: Key Leasing Transactions

Tenant	Location	Leased SF	Submarket	Lease Type
Modular Power Solutions	Beckwith Farms Bldg 9	527,100	Elm Hill Pike / I-40	New Lease
NDC, Inc.	Mid South Logistic Center III	460,000	Interchange City	Renewal
CEVA Logistics	Beckwith Farms Bldg 8	458,136	Elm Hill Pike / I-40	Renewal
Optoro	Park 840 Logistics Center	207,518	I-840	New Lease
Fuse Technical Group	300 Oak Bluff Ln	207,080	Northeast / I-65N Corridor	New Lease

FIGURE 2: Rentable Sq. Ft.

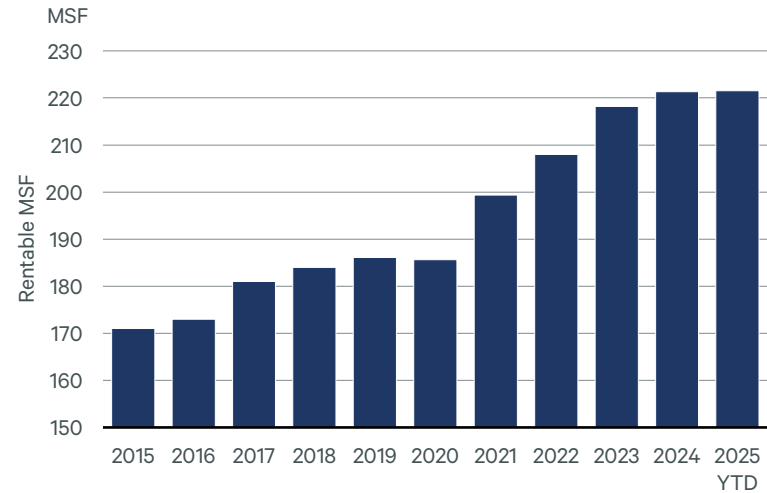
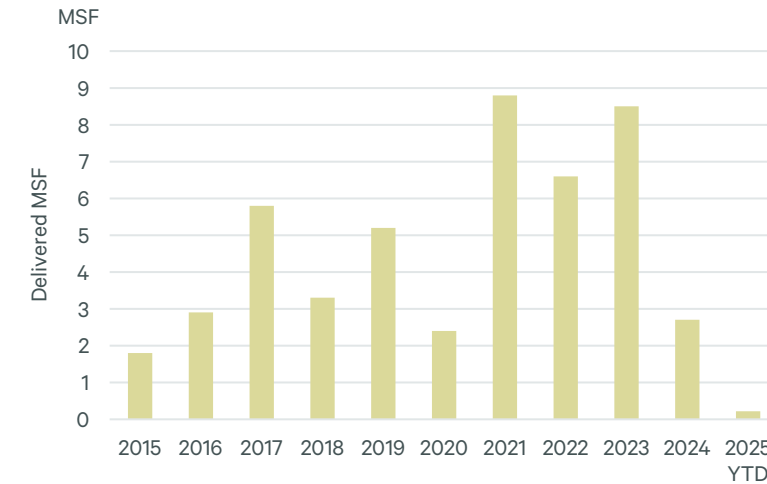


FIGURE 3: Annual Deliveries

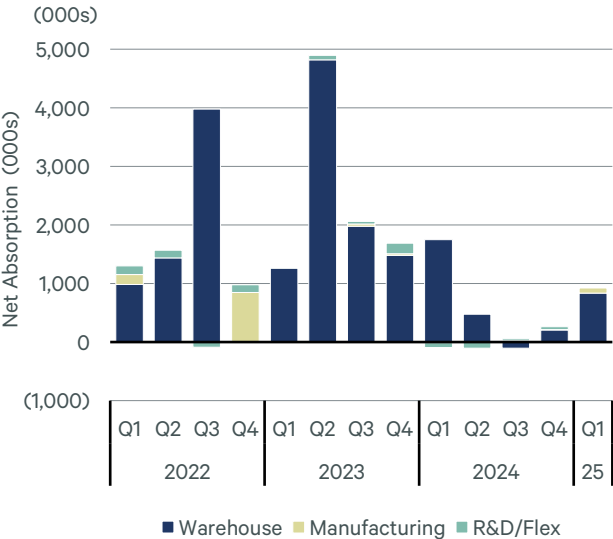


Source: CBRE Research, Q1 2025

## Absorption

Net absorption totaling 886,000 sq. ft. in Q1 2025 began to offset lower absorption levels from the previous three quarters as vacancies increased through year-end 2024. New vacancies during the quarter were minimal and ranged from 15,000-50,000 sq. ft. without impacting strides in occupancy. The bifurcation between new construction and older properties widened as properties built since 2015 absorbed 18.3 times the space of properties built pre-2015. For the first time since Q1 2024, net absorption outweighed construction completions and returned vacancy levels to the lowest point since Q2 2022 of 3.0%.

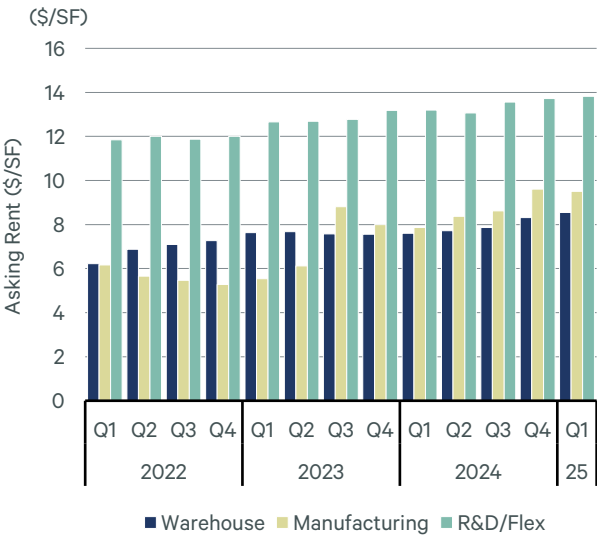
FIGURE 5: Quarterly Net Absorption



## Asking Rents

In Q1 2025, the average direct asking rent increased to \$9.81 per sq. ft. triple net, a growth rate of 13.1% year-over-year. Sublease availability increased quarter-over-quarter to 1.4%, leading to availabilities primarily in the sub-100,000 sq. ft. size segment and four blocks larger than 200,000 sq. ft. throughout Nashville. Direct availability increased quarter-over-quarter to 5.2%, partly due to City View Building 1, which remained available upon construction completion. New construction Warehouse/Distribution properties drove significant asking rent growth of 14.3% year-over-year that outpaced the overall market growth rate.

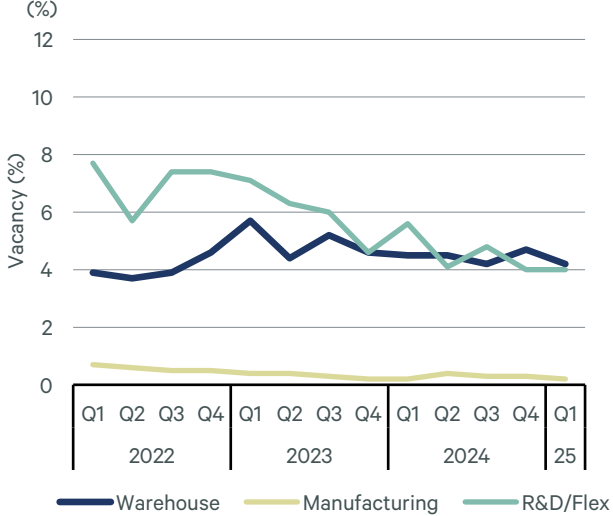
FIGURE 6: Asking Rates by Property Type



## Vacancy

Total vacancy compressed 31 basis points to 3.0% in Q1 2025. Properties in the 300,000-700,000 sq. ft. size segment had the largest vacancy compression quarter-over-quarter, from 5.5% in Q4 2024 to 4.5% in Q1 2025, a result of movements like the Modular Power Solutions occupancy at Beckwith Farms Building 9. As occupiers focused on the sub-100,000 sq. ft. size range, the lack of speculative development in the size segment kept vacancy lower than the rest of the market at 2.1%. New supply additions continued to inflate vacancy and should benefit from a markedly faster pace of absorption pending future leasing activity.

FIGURE 7: Vacancy by Property Type



Source: CBRE Research, Q1 2025

Market Area Overview



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Survey Criteria

Includes all classes of competitive Warehouse/Distribution, Manufacturing, and R&D/Flex properties larger than 10,000 sq. ft. within the geographic submarket boundaries defined in the "Market Area Overview."

FIGURE 8: Market Statistics

Submarket	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Avail. Rate (%)	Q1 2025 Net Absorption (SF)	2025 YTD Net Absorption (SF)	Under Construction (SF)	Avg. Direct Asking Rent (\$/SF/Yr NNN)
Allied Drive/I-65	18,924,439	1.8	1.8	7.8	-15,000	-15,000	0	11.27
CBD/Polk Avenue	12,805,608	0.9	0.9	3.2	0	0	0	9.81
Elm Hill Pike/I-40	34,201,470	3.1	3.1	6.2	622,325	622,325	297,000	11.35
I-840	23,823,703	4.8	4.8	8.2	0	0	3,770,487	7.84
Interchange City	74,899,600	2.7	2.8	6.7	280,608	280,608	145,639	9.79
MetroCenter/Cockrill Bend	13,450,892	1.6	1.6	2.9	0	0	348,320	13.83
Northeast/I-65N Corridor	43,402,769	2.9	3.9	7.2	-1,841	-1,841	654,216	8.69
Warehouse/Distribution	139,998,088	3.8	4.2	8.0	832,572	832,572	4,799,246	8.55
Manufacturing	66,456,129	0.2	0.2	2.7	89,250	89,250	416,416	9.51
R&D/Flex	11,364,644	4.0	4.0	9.6	-10,875	-10,875	0	13.82
<b>NASHVILLE</b>	<b>221,508,481</b>	<b>2.8</b>	<b>3.0</b>	<b>6.5</b>	<b>886,092</b>	<b>886,092</b>	<b>5,215,662</b>	<b>9.81</b>

Source: CBRE Research, Q1 2025

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