

Leasing activity resurgence complements gradual development reawakening

▼ 2.7%

Vacancy Rate

▲ 767K

SF Net Absorption

► 5.5M

SF Under Construction

▼ 510K

SF Completions

▲ \$8.94

NNN / Asking Rent

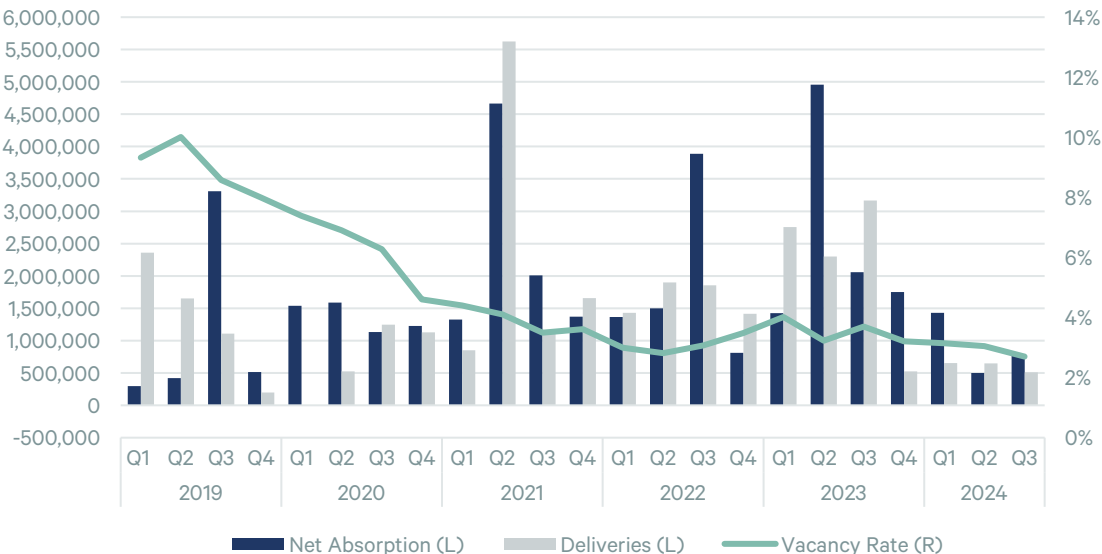
Note: Arrows indicate change from previous quarter.

Key Takeaways

- Construction starts resumed for the first time since 2023 across three speculative projects totaling 374,000 sq. ft. in Elm Hill Pike/I-40 and the Northeast/I-65N Corridor.
- A leasing activity resurgence of 43.3% quarterly growth contributed 1.3 million sq. ft. of new leases to positive net absorption of 767,000 sq. ft.
- Rent growth persisted despite inventory expansion, bringing average asking rents to \$8.94 per sq. ft. triple net

Strong leasing activity and positive net absorption outpaced new supply additions, compressing total vacancy to 2.7% in Q3 2024. Demand remained robust as new leases dominated total deal volume, accounting for a 69.7% share of deals signed in Q3, and overall net absorption year-to-date was 2.7 million sq. ft. Despite slower annual net absorption and completion trends, preleasing within the development pipeline and continued rent growth indicate sustained demand, particularly for modern, post-2015 built properties. This strong demand led to increased rents and decreased availability across space types.

FIGURE 1: Vacancy Rate, Deliveries and Net Absorption



Source: CBRE Research, Q3 2024

Construction starts resumed for the first time since 2023 across three speculative projects totaling 374,000 sq. ft. in Elm Hill Pike/I-40 and the Northeast/I-65N Corridor. Although spec-to-suits gained further traction as a development strategy by preparing pad-ready sites and awaiting preleasing activity before beginning vertical construction, the Q3 construction starts remained available. Overall construction activity has been consistent since late 2023 at 5.5 million sq. ft. under construction. The pipeline was 30.3% preleased, up from 27.8% in Q2 2024, to building supply, data center, and packaging occupiers. Excluding build-to-suits, speculative projects totaling 4.1 million sq. ft. were 6.3% preleased, up from 3.3% in Q2 2024.

Demand again outpaced new supply added to inventory as net absorption outweighed construction completions. Over 510,000 sq. ft. of construction completions were 36.8% preleased, including a 158,000 sq. ft. purchase of Speedway Industrial Building 17 by In-N-Out, leaving 322,000 sq. ft. of vacant available space. The annual completion trendline significantly slowed since 2023. Even if the 1.4 million sq. ft. of projects slated for Q4 2024 achieve their delivery target dates, annual completions would remain well below the historical 5-year average of 6.5 million sq. ft. Continued strong leasing activity should help maintain a supply-demand balance able to withstand added vacancies to the market.

FIGURE 4: Key Leasing Transactions

Tenant	Location	Leased SF	Submarket	Lease Type
EFP, LLC	HighPointe Bldg 600	254,912	Interchange City	New Lease
Fidelitone	6200 E Division St	234,262	Elm Hill Pike / I-40	Renewal
Titeflex	1116 Vaughn Pkwy	153,600	Northeast / I-65N Corridor	Renewal
Columbus McKinnon Corporation	8500 Centre Pointe Way	141,960	Interchange City	Renewal
Confidential	421 McNally Dr	140,000	Allied Drive / I-65N	Sublease

FIGURE 2: Rentable Sq. Ft.

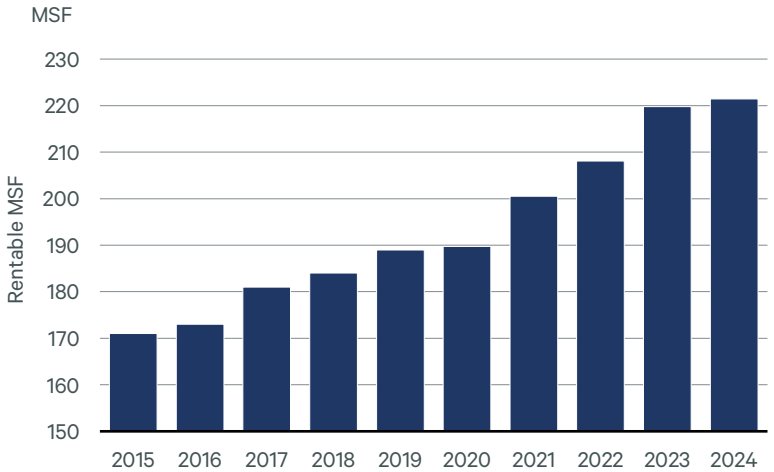
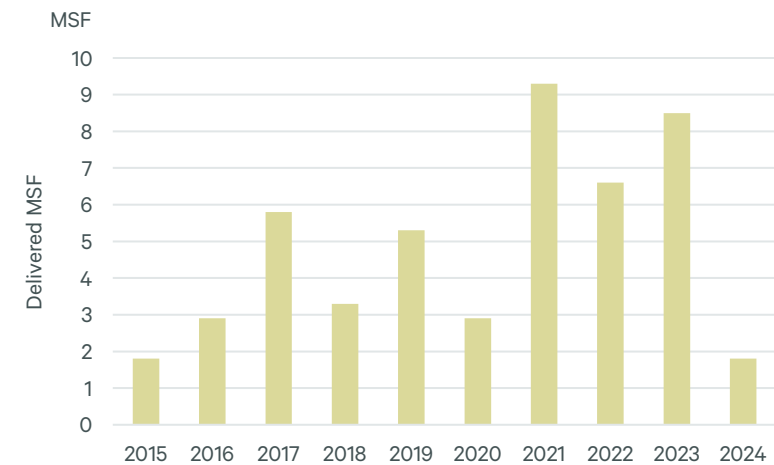


FIGURE 3: Annual Deliveries

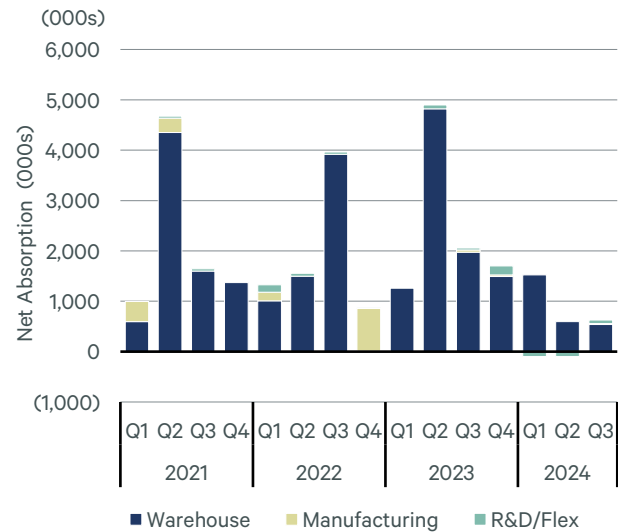


Source: CBRE Research, Q3 2024

Absorption

A leasing activity resurgence of 43.3% quarterly growth contributed 1.3 million sq. ft. of new leases to positive net absorption of 767,000 sq. ft. Occupiers continued to sign more new leases than renewals, dominating a 69.7% share of deals signed in Q3 and further tightening availability. New construction properties built post-2015 absorbed a net 2.3 million sq. ft. year-to-date, while pre-2015 built properties absorbed a net 281,000 sq. ft., exemplifying a flight to quality availabilities. Annual net absorption year-to-date of 2.7 million sq. ft. was the lowest level since 2018 despite increased activity. Yet, a lack of construction completions allowed existing supply to absorb and maintain downward pressure on vacancy.

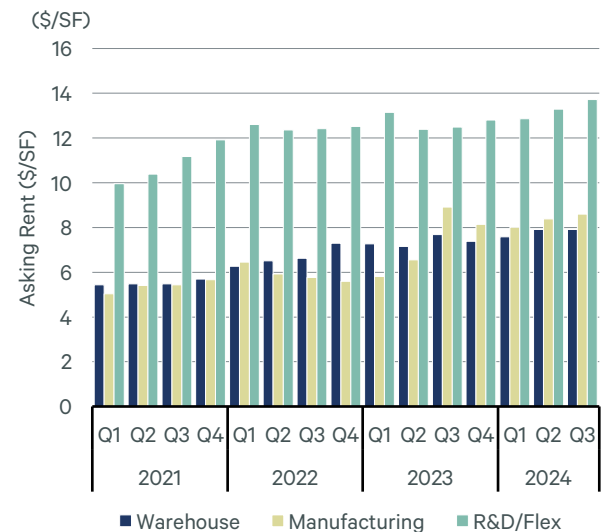
FIGURE 5: Quarterly Net Absorption



Asking Rents

Rent growth persisted despite inventory expansion, bringing average asking rents to \$8.94 per sq. ft. triple net, a 2.4% quarterly or 15.3% annual increase. Big box asking rents in properties larger than 200,000 sq. ft. also increased 1.8% quarterly and 18.0% annually to \$7.65 per sq. ft. Three deals within big box properties took 722,000 sq. ft. off the market in Q3 2024. Leases sub-200,000 sq. ft. remained the best-performing size range year-over-year, with an 87.9% share of deals signed. Availability trended downward across space type, with direct availability lowering ten basis points annually to 5.2% and sublease by 50 basis points to 0.7%.

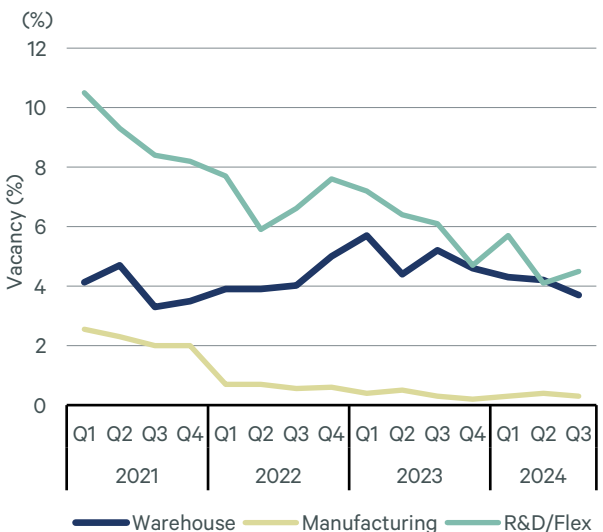
FIGURE 6: Asking Rates by Property Type



Vacancy

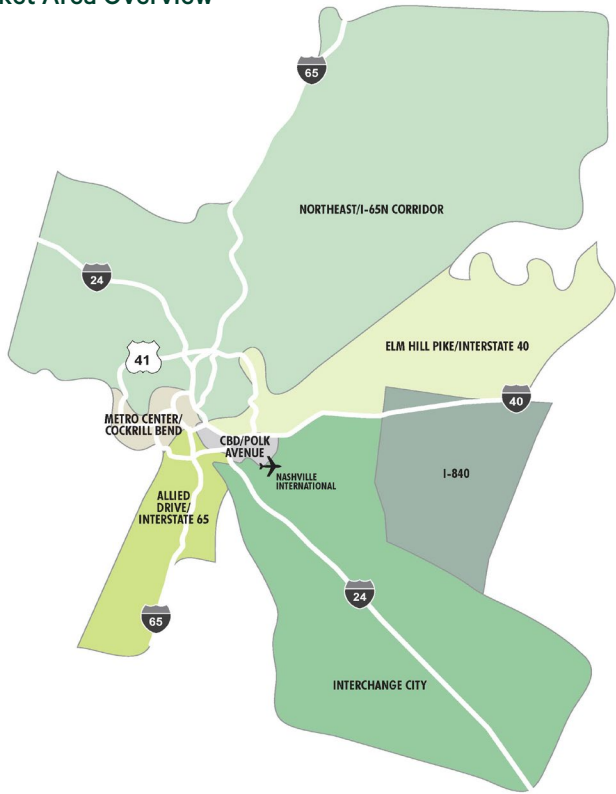
Total vacancy compressed to 2.7% in Q3 2024 after strong leasing activity and subsequent positive net absorption that outpaced vacant construction completions. Vacancies within older facilities throughout the market indicated occupiers opting for more modern amenities. New vacancies totaling -489,000 sq. ft. were concentrated in pre-2015 built Warehouse/Distribution properties. Direct and sublease vacancies lowered by ten basis points to 2.3% and 0.4%, respectively. Year-to-date construction deliveries were 16.1% leased as of Q3. Further leasing within existing properties and the construction pipeline should offset inventory additions and lower overall vacancy.

FIGURE 7: Vacancy by Property Type



Source: CBRE Research, Q3 2024

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.” *Note: As of Q1 2024, ground breaks are counted towards the Under Construction figure when vertical building construction begins, excluding pad-ready sites.

FIGURE 8: Market Statistics

Submarket	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Avail. Rate (%)	Q3 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	Under Construction (SF)	Avg. NNN Asking Rent (\$/SF/Yr)
Allied Drive/I-65	18,773,909	1.3	1.3	2.7	-77,028	-118,391	0	11.91
CBD/Polk Avenue	12,831,208	0.8	0.8	1.4	42,368	46,550	0	9.23
Elm Hill Pike/I-40	34,201,470	2.9	3.0	6.4	172,660	520,105	297,000	10.55
I-840	23,823,703	3.5	3.5	5.5	233,301	1,212,331	2,272,183	7.83
Interchange City	75,183,962	2.3	2.4	5.5	342,102	247,887	796,292	9.03
MetroCenter/Cockrill Bend	13,493,052	0.0	0.0	1.3	118,337	52,774	566,160	10.54
Northeast/I-65N Corridor	43,165,061	2.6	4.5	6.9	-64,295	647,530	1,531,216	7.49
Warehouse/Distribution	139,370,120	3.0	3.7	6.4	537,495	2,657,447	5,462,851	7.91
Manufacturing	66,675,789	0.3	0.3	2.0	23,088	3,920	0	8.60
R&D/Flex	11,364,644	4.0	4.5	8.5	65,324	-103,644	0	13.72
NASHVILLE	221,472,365	2.3	2.7	5.2	767,445	2,699,261	5,462,851	8.94

Source: CBRE Research, Q3 2024

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