CBRE

Demand for quality spaces propels rent growth and development momentum

▲ 3.1% Vacancy Rate

▼ 367K SF Net Absorption

▼ 4.4M SF Under Construction

▲ 852K SF Completions

▲ $9.52 NNN / Direct Asking Rent

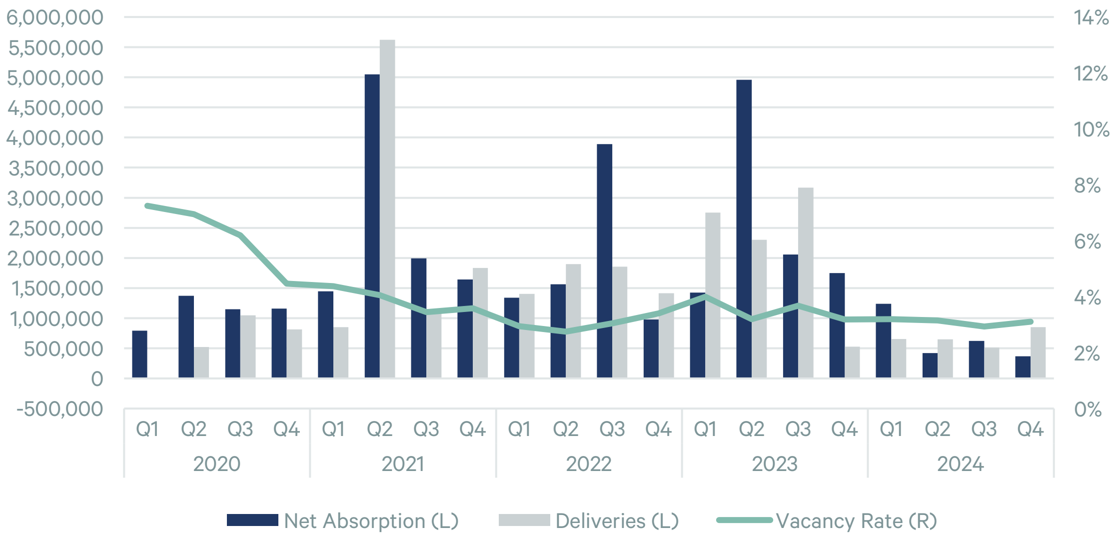
Note: Arrows indicate change from previous quarter.

Key Takeaways

- Growing ground-break momentum through year-end indicated a strengthening development pipeline.
- Occupier flight-to-quality drove positive absorption overwhelmingly in favor of new construction properties.
- Over the past five years, average asking rents nearly doubled with an 89.3% increase from $5.03 to $9.52 since 2019.

The Nashville industrial inventory gradually expanded in 2024 with future growth buoyed by a strengthening development pipeline to meet increasing active tenants in the market. Net absorption nearly matched new supply, reflecting closer alignment with demand. The average triple-net direct asking rent rose by 18.9% annually, reaching $9.52 per sq. ft., influenced by new construction availabilities. Total vacancy decreased annually despite a quarterly rise, with high demand for newer, better-quality spaces expected to continue influencing sustained growth.

FIGURE 1: Vacancy Rate, Deliveries and Net Absorption



Source: CBRE Research, Q4 2024

Total market inventory moderately expanded by 2.7 million sq. ft. in 2024 to round out a 5-year growth rate of 18.7%. The pace of construction completions slowed 68.2% annually, a notable deviation from the historical 10-year average of 4.4 million sq. ft. Completions in Q4 totaling over 852,000 sq. ft. were 46.5% preleased, an improvement from the previous quarter. Most preleasing occurred in Interchange City, where manufacturing and transportation companies occupied 255,000 sq. ft. and 122,000 sq. ft., respectively. Consistently active submarkets I-840 and Interchange City led deliveries for the third consecutive year. Annual net absorption nearly equaled completions to indicate that new supply was in line with overall demand.

Over 800,000 sq. ft. of projects started vertical construction in Q4 2024, concentrated in I-840. Growing ground-break momentum through year-end indicated a strengthening development pipeline. Roughly 4.4 million sq. ft. under construction were 13.0% preleased in Q4, entirely within build-to-suit projects. Further preleasing of the construction pipeline should be supported by limited bulk availabilities and increased market-wide occupier demand. Leasing activity grew 30.9% quarterly, or 8.6% annually, and new leases continued a majority share of square feet leased in 2024. Leases sub-100,000 sq. ft. made up 83.0% of deals signed in 2024, reflecting the necessity to supply the market based on size segment trends.

FIGURE 2: Rentable Sq. Ft.

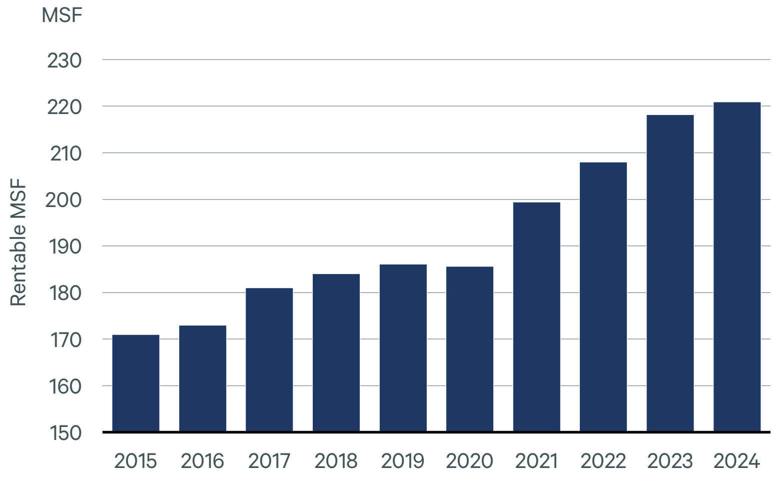
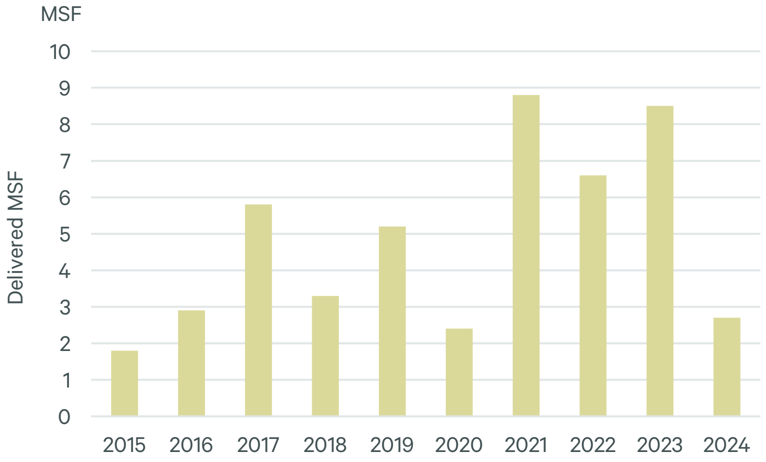


FIGURE 4: Key Leasing Transactions

Tenant	Location	Leased SF	Submarket	Lease Type
Geodis	Speedway Industrial Bldg 1	1,015,040	I-840	Renewal
Store Opening Solutions	800 Middle Tennessee Blvd	644,078	Interchange City	Renewal
Troax	Gateway65 Bldg C	306,280	Northeast / I-65N Corridor	New Lease
Denso	Wilson Commerce Center Bldg A	165,980	I-840	Renewal
Access	3258 Ezell Pike	106,710	Interchange City	Renewal

FIGURE 3: Annual Deliveries



Source: CBRE Research, Q4 2024

Absorption

Annual net absorption totaled 2.6 million sq. ft., 367,000 sq. ft. of which was absorbed in Q4 2024. The signing of roughly 5.4 million sq. ft. in new leases significantly bolstered positive absorption throughout the year, offsetting the effects of new vacancies. Despite an increase in move-outs that tempered net absorption, occupiers in I-840 absorbed the most space on a net basis. Occupier flight-to-quality drove positive absorption overwhelmingly in favor of new construction properties. Properties built since 2022 absorbed almost ten times the space than those constructed before 2000 as occupiers expressed a preference for premier availabilities.

Asking Rents

The average triple-net direct asking rent increased by 3.5% quarterly, or 18.9% annually, reaching $9.52 per sq. ft. Over the past five years, average asking rents nearly doubled with an 89.3% increase from $5.03 to $9.52 since 2019. New construction availabilities bolstered the overall market, outweighing older, less expensive availabilities, and posted 27.3% growth since 2023. An annual increase in direct availability from new construction supply additions should counterbalance potential moderation in rent growth from new vacancies. Continuation of supply and demand alignment should encourage stability in rental rates through 2025.

Vacancy

Total vacancy compressed 30 basis points annually despite a quarterly increase to 3.1% due to construction completions and a higher rate of move-outs. Demand for newly completed spaces may influence higher vacancies in older buildings as companies prioritize better-quality options. Although there was a short-term shock to new construction vacancy with the onset of new supply since 2022, those properties absorbed at a faster pace annually than properties built before 2000. Given the total lack of vacancy in certain submarkets like MetroCenter / Cockrill Bend, occupiers should benefit from upcoming added supply.

FIGURE 5: Quarterly Net Absorption

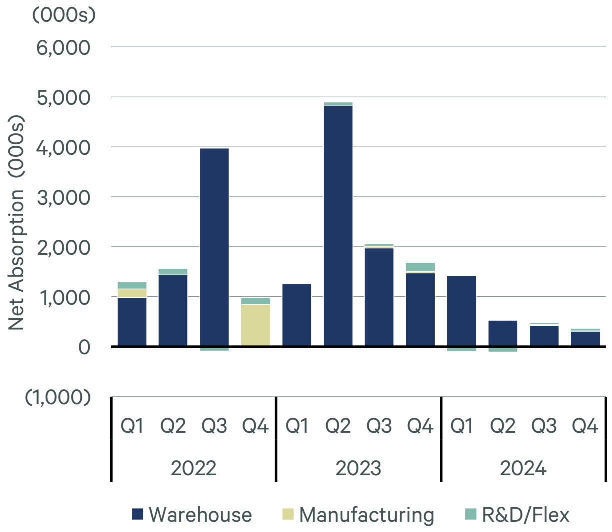


FIGURE 6: Asking Rates by Property Type

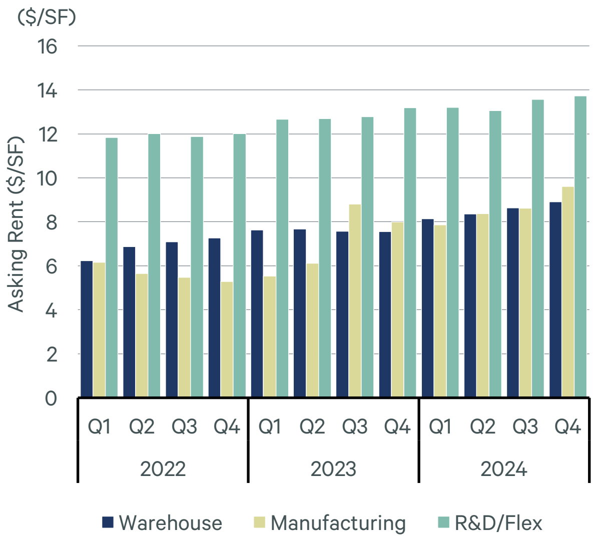
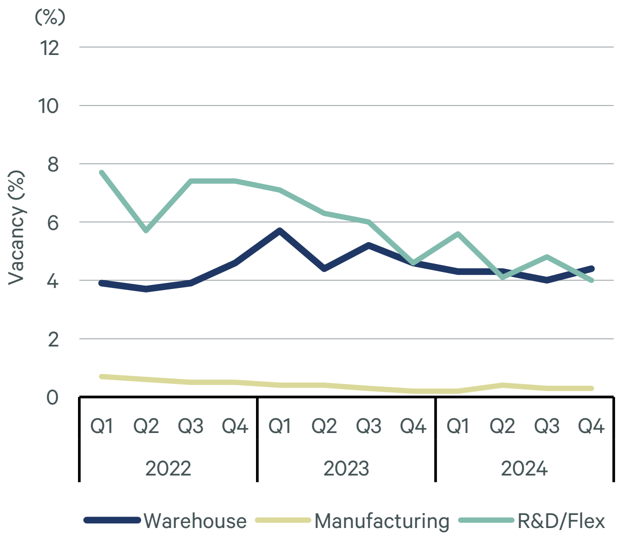


FIGURE 7: Vacancy by Property Type



Source: CBRE Research, Q4 2024

Market Area Overview

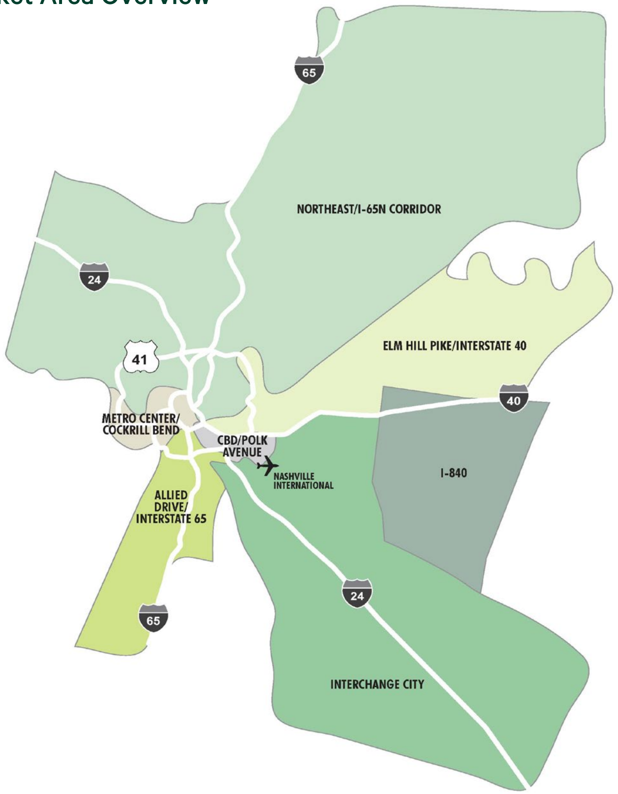


FIGURE 8: Market Statistics

Submarket	Market Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Avail. Rate (%)	Q4 2024 Net Absorption (SF)	2024 Net Absorption (SF)	Under Construction (SF)	Avg. NNN Asking Rent ($/SF/Yr)
Allied Drive/I-65	18,773,909	1.3	1.3	4.6	-5,340	-123,731	0	11.25
CBD/Polk Avenue	12,805,608	0.8	0.8	1.9	0	46,550	0	9.03
Elm Hill Pike/I-40	34,201,470	3.4	3.4	5.4	-129,671	356,409	297,000	11.07
I-840	23,823,703	4.8	4.8	6.3	-291,600	920,731	2,768,263	7.86
Interchange City	74,809,260	2.7	2.9	5.7	499,482	739,033	145,639	9.67
MetroCenter/Cockrill Bend	13,233,052	0.0	0.0	0.6	85,656	52,774	566,160	13.27
Northeast/I-65N Corridor	43,220,861	2.7	4.7	6.9	208,335	655,522	654,216	8.50
Warehouse/ Distribution	139,051,218	3.6	4.4	6.9	313,775	2,688,779	4,431,278	8.77
Manufacturing	66,415,789	0.3	0.3	1.5	6,000	9,920	0	9.61
R&D/Flex	11,364,644	3.9	4.0	8.1	47,087	-102,474	0	13.72
NASHVILLE	**220,867,863**	**2.7**	**3.1**	**5.3**	**366,862**	**2,647,288**	**4,431,278**	**9.52**

Source: CBRE Research, Q4 2024

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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.