



## Rental Rates

Nashville's annual change in Class A rental rates are among the highest in the South, according to Colliers International's 3Q 2018 U.S. Office Market Report. Nashville's Downtown Class A rental rate grew by 11.6% from Q3 2017 to Q3-2018, second to Fort Lauderdale (14.3%). On the suburban side, annual rates for Class A grew by 6.9% in the same time frame.

Nashville developers have added over 5 million square feet of Class A new construction to the inventory since 2015, where the asking rental rates were \$10 over the existing Class A rate. This spike in rental rates became evident starting in late 2015 when pre-leasing began on these newly constructed buildings. New construction, high occupancy, and client demand ushered in significant rental rate increases over the last two years especially. Rents are beginning to peak in Nashville, exceeding \$30 per square foot for Class A space in multiple submarkets.

The suburban Class A rental rate experienced gradual increases since Q4 2016, closing 4Q 2018 at \$29.57 per square foot. Class A suburban rent growth is tracking at an average of 2.3% annual growth.

## Vacancy & Availability

Fourth quarter 2018 closed with a market-wide vacancy rate of 7.8%, a slight decrease of 10 basis points over last quarter. Overall vacancy was fairly level through 2018 in response to record development of office space in 2017. Class A vacancy declined by 110 basis points over the last 12 months as tenants began filling up these new office buildings.

Availability of shadow space created by the relocating tenants, however, is becoming minimal. Industrious will backfill the majority of the HealthStream space at Cummins Station, Comcast of Nashville moved into Colliers International's former headquarters at 523 3rd Avenue, and Philips leased the majority of Bank of America's former footprint at 414 Union.

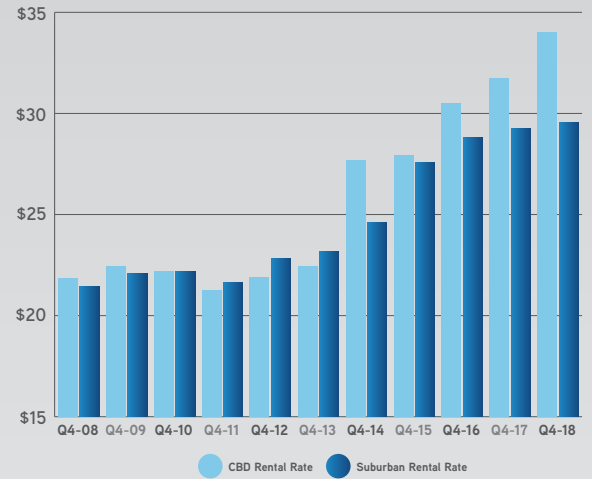
The submarket posting the largest vacancy at 4Q 2018 is Cool Springs with 914,709 square feet of vacant space. Seventy percent of that space is Class A. There are currently nine options for space in Cool Springs over 50,000 square feet available for lease. The largest vacancy created this quarter was the 180,147 square foot move-out of Verizon Wireless at 455 Duke Drive.

Of note, Cool Springs is positioned to have 524,000 square feet of vacant space over the next 12 months as tenants relocate to new construction. Large blocks of space that will be vacant in this time frame include Mars Petcare's location at Aspen Grove Office II at 315 Cool Springs Boulevard (120,000 SF), Aetna's space at Three Corporate Centre, and Dave Ramsey's headquarters at 1749 Mallory Lane (56,084).

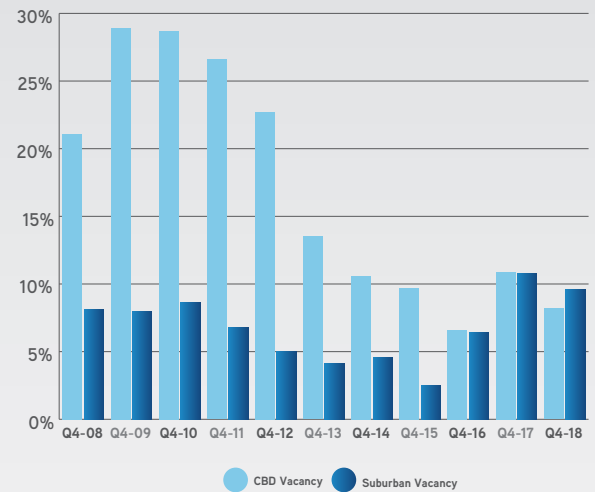
The high-demand submarkets\* posting the lowest overall vacancies during 4Q 2018 are Green Hills/Music Row (4.8%), West End (5.9%), and Brentwood (9.5%).

\* Suburban submarkets with total Class A inventory totaling over 1M square feet.

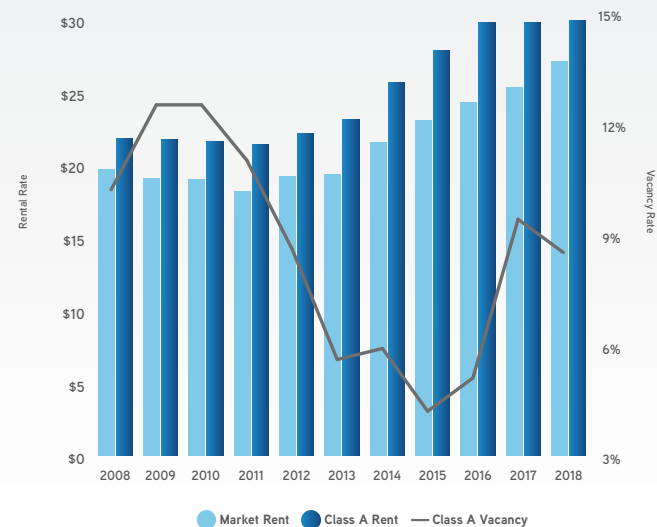
### CBD vs Suburban Class A Rental Rates



### CBD vs Suburban Class A Vacancy Rates



### Historical Vacancy & Rental Rates



Of the 633 existing buildings in our office inventory, 29 have 50,000 square feet or more of contiguous space available for lease or sublease. Further, nine buildings have 100,000 square feet or more of contiguous space available.

Citywide, available sublease space totals 922,273 square feet, or 1.6% of Nashville's total office inventory. Available space includes space that is currently being marketed for lease or space that may be occupied at a future date.

## Absorption & Leasing Activity

Nashville's office market absorbed positive 203,928 square feet during 4Q 2018, bringing the total net absorption for 2018 to positive 679,481 square feet. Comparatively lower than the previous years' annual absorption, this year marks the first year since 2015 that absorption exceeded deliveries.

Nashville's 10-year average absorption of 1,057,522 square feet continues to outpace the 10-year average delivery of 1,016,785 square feet.

Downtown experienced the largest move-ins of 4Q 2018, closing the quarter with positive 163,351 square feet absorbed. The majority of the absorption occurred in Class A space. Among the largest downtown occupancies of 2018 include over 160,000 square feet in the move-ins of Bank of America and Ernst & Young at 222; and Philips (41,000 SF) at 414 Union.

The suburban submarkets experienced significant occupancy gains during the fourth quarter including LKQ (100,000 SF), at 5846 Crossings Road in Airport South; Wesley Financial Group (24,689 SF) at 9009 Carothers in Cool Springs; and InfoSys (24,372 SF) at 110 Westwood Place in Brentwood.

The Cool Springs submarket experienced the largest negative absorption of the quarter at negative 183,720 square feet with the move-out of Verizon Wireless at 455 Duke in October.

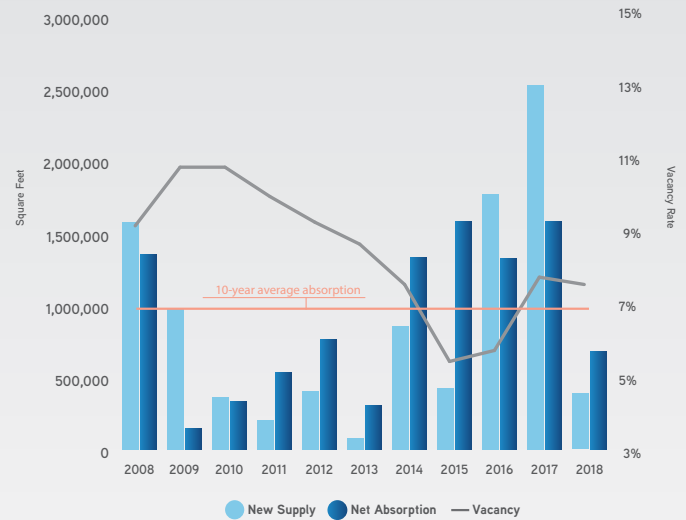
The positive 795,858 square feet of net annual absorption was accompanied by more than 2.1 million square feet in leasing in 2018. Downtown experienced a vast amount of new deals in 2018 including Asurion (550,619 SF), AllianceBernstein (205,000 SF), Philips (207,700 SF), Ernst & Young (38,031 SF), and UMG Nashville (38,000 SF). Notable renewals include **Eventbrite (26,172 SF)**, **IQ Talent Partners (22,980 SF)**, **HealthStream (20,783 SF)** and Louisiana Pacific (19,000 SF).

The majority of deals signed in the suburban submarket over the last 12 months ranged between 20,000 to 35,000 square feet, with the majority of new deals located in Cool Springs. **Compupay**, Regus, **Southwestern Investment Services**, Spaces, EnableComp and Fresenius signed a total of 162,165 square feet across multiple Class A buildings.

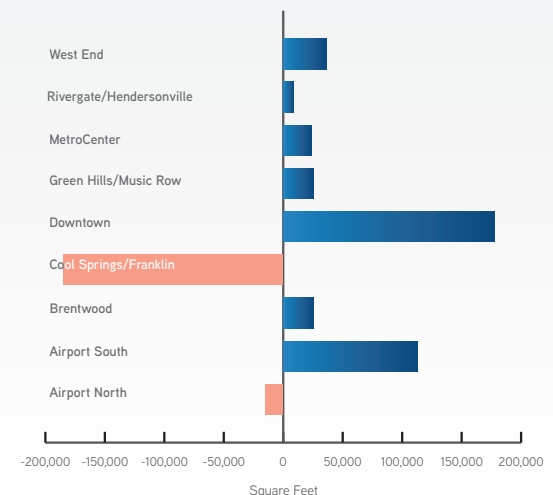
## Historical Office Sublease Availability



## NASHVILLE MARKET New Supply, Net Absorption, and Vacancy



## 4Q 2018 Absorption by Submarket



## 2018 Office Development

New construction and quick absorption of office space were dominant themes throughout 2018. Elevated rental rates have not slowed leasing momentum, evidenced by big deals in new space throughout the market. 387,286 square feet completed in 2018, and 50% is leased. **Nashville had 3,664,119 square feet of space under construction at the end of 2018, compared to 1.35M square feet at the close of 2017.**

Boyle's 44,000 square foot **Capitol View Block D** in the Downtown submarket delivered in 4Q 2018, the third office building to deliver in the Capitol View development after the new headquartered buildings of Hospital Corporation of America and Lifeway. **Capitol View Block E (300,000 SF)** is the next office building to deliver at this location, slated to deliver in 2Q 2019. **HealthStream** will occupy 28% of the building.

Developers broke ground on multiple projects this year totaling over 2.3 million square feet, with most of the square footage located in the Downtown submarket. New to the Nashville market, Endeavor Real Estate broke ground on **1200 Broadway (66,150 SF)**, a mixed-use project with apartments and anchored by Whole Foods; and **Gulch Union (330,129 SF)**. **501 Commerce (375,000 SF)** broke ground in 1Q 2018, where AllianceBernstein will occupy 205,000 SF in 2020. Southwest Value Partners broke ground on **Nashville Yards (475,000 SF)** this year. The site was formerly occupied by Lifeway Christian Resources, which was demolished in January. Eakin Partners began spec construction on **Peabody Plaza (280,000 SF)** in the second half of 2018, with expected delivery in 2020. Propst Development's **Broadwest (500,000 SF)** project in the West End submarket kicked off in the second half of 2018, the largest speculative office development in the market.

## SUBURBAN

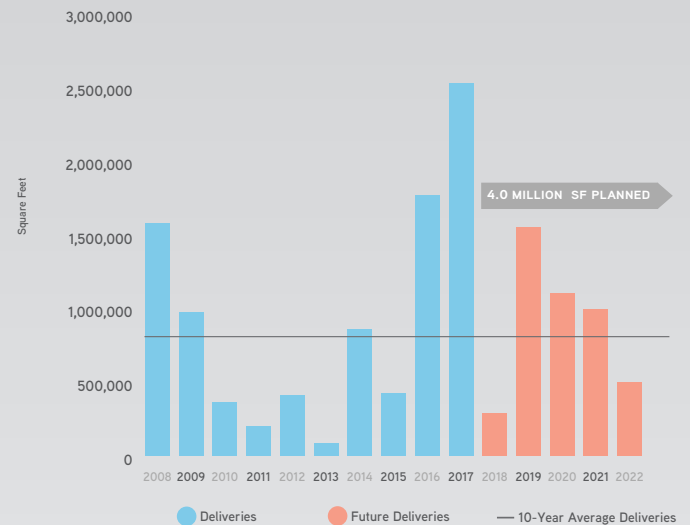
Nashville's suburban markets have 1,772,840 square feet under construction, with 2.2 million square feet on the drawing board.

A third of the development is currently concentrated in the Cool Springs submarket, where construction continues on **Dave Ramsey's headquarters (150,000 SF)**, **Mars Petcare (224,000 SF)**, and **McEwen Northside (180,000 SF)**.

The Green Hills/Music Row submarket has experienced a wave of new construction and proposed development, as **1MCS (107,840 SF)** and the **Chet & 18th (120,000 SF)** are under construction and set to deliver in 2019. Proposed new construction in this submarket includes Panattoni's **1030 Music Row (108,522 SF)** and Creed Investment's **Moore Building (226,000 SF)**.

Office development in Brentwood totals 316,000 square feet. Slated to deliver in 2019 include **Virginia Springs (113,000 SF)** and **Hill Center Brentwood H1 (84,000 SF)**. Construction began in the Brentwood Commons office park on **Brentwood Commons IV (119,000 SF)**, with expected delivery of 2Q 2020.

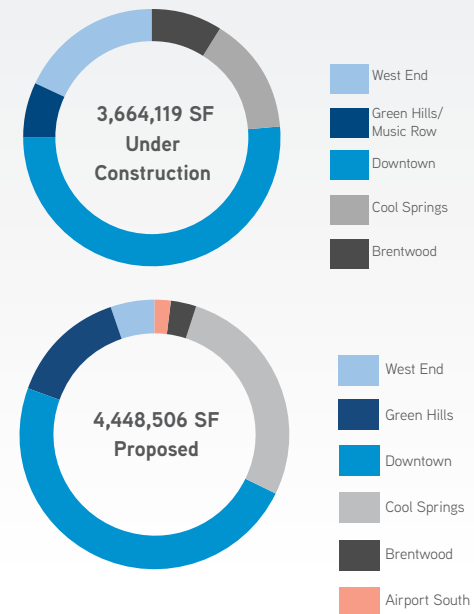
## Nashville Market New Deliveries



## Nashville Yards



## 2018 Development Snapshot



## Office Outlook

In the midst of this current real estate cycle, Nashville continues to be one of the strongest markets in the Southeast. According to Moody's Analytics, Nashville's booming tech scene will be a vital driver of growth in the coming years, as the metro's high-tech employment has risen 25% over the last five years, ahead of the 12% national growth rate. Multiple health-tech starts have chosen to locate in Nashville, attracting workers to the region. Office-using industries will likely propel Nashville's economy over the next few years, as the metro's educated workforce, central location, and affordable office space make it an attractive location to relocating and expanding headquarters. Nashville experienced a surge in new leases from relocations and expansions in 2018 signed by industry giants Asurion, AllianceBernstein, Ernst & Young, and Philips. These companies will absorb 926,507 square feet in new construction over the next 2 years. These deals, accompanied by Amazon's announcement of an additional 500,000+ square feet are game-changers for Nashville's office market. In the short term, rent growth is likely to slow due to increased speculative development, and vacancy may trend slightly upward, as 3 million square feet are projected to deliver through 2020.

### 2018 NOTABLE LEASING ACTIVITY

PROPERTY	TENANT	LEASE TYPE	SF	SUBMARKET	LEASE SIGNED
1100 Broadway	Asurion	New	550,619	Downtown	3Q 2018
501 Commerce	AllianceBernstein	New	205,000	Downtown	4Q 2018
Carothers Building	CHS	Renewal	178,000	Cool Springs	2Q 2018
414 Union Street	Philips	New	107,700	Downtown	2Q 2018
Commerce Center East	HireRite	Renewal	85,564	Airport North	1Q 2018
The Chet	Ernst & Young	New	63,188	Music Row	4Q 2018
601 Bakertown	ASI - Progressive Insurance	New	47,200	Airport South	2Q 2018
5410 Maryland Way	Premise Health	New	42,892	Brentwood	4Q 2018
441 Donelson Pike	Remington College	Renewal	41,154	Airport North	3Q 2018
Point Place II	Inovalon Inc.	New	40,615	Airport North	1Q 2018
1801 West End	Gannett	New	39,851	West End	3Q 2018
222 2nd Avenue	Ernst & Young	New	38,031	Downtown	2Q 2018
222 2nd Avenue	UMG Nashville	New	38,000	Downtown	2Q 2018
Hill Center Brentwood II	State Volunteer Mutual Insurance	New	37,000	Brentwood	1Q 2018
<b>Aspen Grove Corporate 300</b>	<b>Compupay</b>	<b>Renewal</b>	<b>34,880</b>	<b>Cool Springs</b>	<b>3Q 2018</b>
Cummins Station	Industrious	New	32,124	Downtown	3Q 2018
Cool Springs III	Regus	Renewal	27,100	Cool Springs	3Q 2018
<b>Cummins Station</b>	<b>Eventbrite</b>	<b>Ren/Exp</b>	<b>26,172</b>	<b>Downtown</b>	<b>2Q 2018</b>
300 10th Avenue South	Jump Crew	New	26,000	Downtown	4Q 2018
<b>Cool Springs Corporate Center 5</b>	<b>Southwestern Investment Services</b>	<b>New</b>	<b>25,865</b>	<b>Cool Springs</b>	<b>2Q 2018</b>
Mallory Green	Spaces	New	25,533	Cool Springs	3Q 2018
Wallace Place	EnableComp	New	25,480	Cool Springs	3Q 2018
Highland Ridge I	AKZO Noble Codings	New	25,430	Airport North	4Q 2018
<b>9009 Carothers</b>	<b>Wesley Financial Group</b>	<b>New</b>	<b>24,689</b>	<b>Cool Springs</b>	<b>4Q 2018</b>
Capitol View - Block D	Confidential	New	23,802	Downtown	4Q 2018
One Meridian	Fresenius	Renewal	23,307	Cool Springs	4Q 2018
<b>Fourth &amp; Church</b>	<b>IQ Talent Partners, LLC</b>	<b>Ren/Exp</b>	<b>22,980</b>	<b>Downtown</b>	<b>3Q 2018</b>
<b>Seven Corporate Centre</b>	<b>Omnia Partners</b>	<b>New</b>	<b>22,939</b>	<b>Cool Springs</b>	<b>1Q 2018</b>
Dover Center	Civil & Environmental Consultants	New	21,641	Cool Springs	4Q 2018
<b>Capitol View</b>	<b>HealthStream</b>	<b>Expansion</b>	<b>20,783</b>	<b>Downtown</b>	<b>2Q 2018</b>

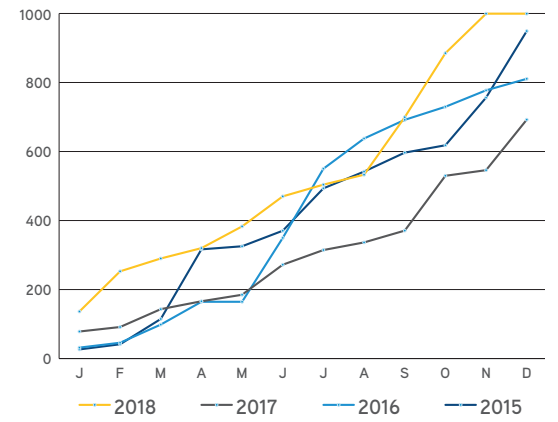
\*Bold text denotes Colliers International transaction.

# Investment Activity

Investor interest in Nashville office properties—including medical office—exceeded \$999.4M, in 2018, surpassing 2017’s total by 44%. Momentum continued in 4Q 2018, totaling over \$276.8M in closed deals. Nearly half the 2017 investment volume occurred during 4Q, totaling \$317.6 million.

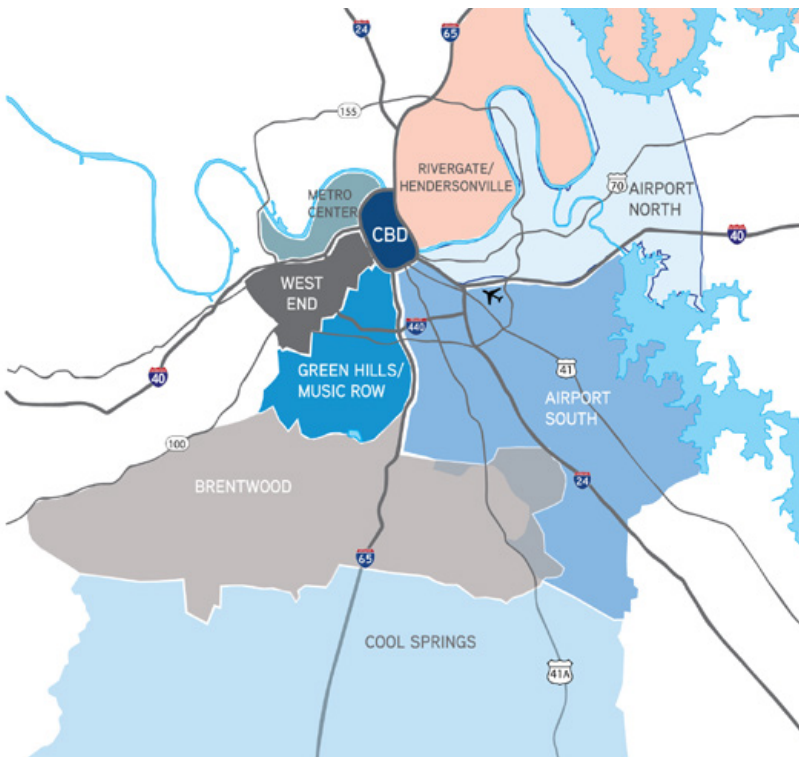
- > The largest office sale of the year was the purchase of One Nashville Place by The Agnew Company and Unico Properties in September for \$139.5 million, equating to about \$340 per square foot.
- > The majority of assets that traded in 2018 are properties located in the suburban markets. The sale of Caterpillar Financial Center in the West End submarket was 2018’s largest suburban office deal, trading at \$90.9 million for \$291 per square foot.
- > Medical office properties accounted for about 8% of the total transaction volume in 2018, totaling over \$77 million at an average of \$298 per square foot.

Cumulative Monthly Investment Volume (\$ mil)



Source: RCA Analytics

2018 NOTABLE OFFICE INVESTMENT DEALS						
PROPERTY	SF	PRICE	PRICE/SF	BUYER	SUBMARKET	DATE
One Nashville Place	410,581	\$139,500,000	\$340	The Agnew Company, Unico Properties	Downtown	Sep-18
Caterpillar Financial Center	312,297	\$90,900,000	\$291	Caterpillar	West End	Jan-18
The Tennessean HQ	303,773	\$50,300,000	\$166	Highwoods Properties, Jim Caden	Downtown	Feb-18
ServiceSource Tower	306,628	\$43,595,119	\$142	Stoltz RE Partners	Downtown	May-18
One Greenway Center	164,000	\$42,500,000	\$259	Jackson National Life	Cool Springs	Feb-18
Eight Corporate Centre	161,000	\$37,669,842	\$234	KBS Strategic Opportunity REIT	Cool Springs	Jun-18
Comdata Building	201,237	\$36,410,000	\$181	Bridge Investment Grp	Brentwood	Jan-18
Nine Corporate Centre	151,000	\$35,330,100	\$234	KBS Strategic Opportunity REIT	Cool Springs	Jun-18
Plaza Tower	198,421	\$28,843,856	\$145	Albany Road RE Partners	MetroCenter	Nov-18
Plaza at MetroCenter	154,307	\$22,431,138	\$145	Albany Road RE Partners	MetroCenter	Nov-18
CitySpace	95,000	\$21,050,000	\$222	OakPoint	Downtown	Oct-18
2953 Elm Hill Pike	81,950	\$15,500,000	\$189	RW Holdings NNN REIT	Airport North	Apr-18
214 Overlook Circle	68,000	\$15,300,000	\$225	AmCorp Realty	Brentwood	Feb-18



**DEFINITIONS**

**Colliers Inventory** - Statistical set consists of all office properties of more than 20,000 SF, including owner-occupied. The data set excludes properties that are for educational, medical and government use. While Colliers attempts to provide the most accurate data at the end of every quarter, revisions are made throughout the year accounting for discrepancies in past reporting.

**Class A Building** - Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

**Class B Building** - Buildings competing for a wide range of users with average rents. Building finishes are fair to good for the area, and systems are adequate; but the building does not compete with Class A at the same price.

**Class C Building** - Buildings competing for tenants requiring functional space at rents below the average for the area.

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

**SF** - Square Feet

**Vacancy Rate** - Percentage rate of the total amount of physically vacant space divided by the total amount of existing inventory.



## Nashville Office Market

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANCY RATE	4Q ABSORPTION	2018 NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVERAGE RENTAL RATE PSF (GROSS)*
<b>AIRPORT NORTH</b>									
Class A	12	2,304,434	343,850	33,043	16.4%	-14,858	5,979	0	\$25.95
Class B	37	2,466,652	97,758	0	4.0%	-5,903	-9,484	0	\$20.54
Class C	6	263,844	45,339	0	17.2%	688	8,743	0	\$16.96
<b>Total</b>	<b>55</b>	<b>5,034,930</b>	<b>486,947</b>	<b>33,043</b>	<b>10.3%</b>	<b>-20,073</b>	<b>5,238</b>	<b>0</b>	<b>\$23.67</b>
<b>AIRPORT SOUTH</b>									
Class A	5	482,121	6,906	0	1.4%	124,286	124,286	0	\$27.50
Class B	58	4,411,825	469,857	15,626	11.0%	-4,125	41,091	0	\$21.90
Class C	28	1,137,904	122,366	0	10.8%	-7,441	-34,838	0	\$20.56
<b>Total</b>	<b>91</b>	<b>6,031,850</b>	<b>599,129</b>	<b>15,626</b>	<b>10.2%</b>	<b>112,720</b>	<b>130,539</b>	<b>0</b>	<b>\$20.43</b>
<b>BRENTWOOD</b>									
Class A	30	3,324,946	275,849	39,141	9.5%	-608	41,627	316,000	\$30.25
Class B	53	3,367,598	347,641	77,135	12.6%	5,790	-31,009	0	\$26.82
Class C	6	239,924	7,389	0	3.1%	19,978	13,983	0	\$22.96
<b>Total</b>	<b>89</b>	<b>6,932,468</b>	<b>630,879</b>	<b>116,276</b>	<b>10.8%</b>	<b>25,160</b>	<b>24,601</b>	<b>316,000</b>	<b>\$28.20</b>
<b>COOL SPRINGS</b>									
Class A	43	6,369,990	627,506	103,841	11.5%	-834	217,563	554,000	\$30.59
Class B	61	2,550,949	285,523	0	11.2%	-183,720	-201,445	0	\$26.40
Class C	6	193,282	1,680	0	0.9%	-350	-2,380	0	\$23.12
<b>Total</b>	<b>110</b>	<b>9,114,221</b>	<b>914,709</b>	<b>103,841</b>	<b>11.2%</b>	<b>-184,904</b>	<b>13,738</b>	<b>554,000</b>	<b>\$29.55</b>
<b>DOWNTOWN</b>									
Class A	22	6,502,763	417,882	113,497	8.2%	163,351	386,242	1,891,279	\$34.02
Class B	45	4,175,433	275,101	5,197	6.7%	8,301	30,111	0	\$27.26
Class C	29	3,153,508	61,613	0	2.0%	6,054	3,345	0	\$22.49
<b>Total</b>	<b>96</b>	<b>13,831,704</b>	<b>754,596</b>	<b>118,694</b>	<b>6.3%</b>	<b>177,706</b>	<b>419,698</b>	<b>1,891,279</b>	<b>\$29.52</b>
<b>GREEN HILLS /MUSIC ROW</b>									
Class A	9	1,263,065	54,670	6,401	4.8%	18,488	13,218	258,840	\$34.70
Class B	38	1,694,052	28,813	0	1.7%	6,477	11,054	0	\$30.72
Class C	17	691,982	6,967	1,100	1.2%	103	5,893	0	\$25.79
<b>Total</b>	<b>64</b>	<b>3,649,099</b>	<b>90,450</b>	<b>7,501</b>	<b>2.7%</b>	<b>25,068</b>	<b>30,165</b>	<b>258,840</b>	<b>\$33.40</b>
<b>METROCENTER</b>									
Class A	2	495,311	0	0	0.0%	23,408	23,408	0	\$24.00
Class B	17	1,184,519	52,914	1,696	4.6%	100	-4,041	0	\$22.61
Class C	5	289,442	0	0	0.0%	0	-3,700	0	\$17.00
<b>Total</b>	<b>24</b>	<b>1,969,272</b>	<b>52,914</b>	<b>0</b>	<b>2.7%</b>	<b>23,508</b>	<b>15,667</b>	<b>0</b>	<b>\$23.02</b>
<b>RIVERGATE /HENDERSONVILLE</b>									
Class A	11	662,383	44,217	6,235	7.6%	-1,848	27,999	0	\$23.25
Class B	19	953,338	32,013	0	3.4%	807	6,586	0	\$19.25
Class C	15	780,723	9,538	0	1.2%	9,413	13,563	0	\$18.29
<b>Total</b>	<b>45</b>	<b>2,396,444</b>	<b>85,768</b>	<b>6,235</b>	<b>3.8%</b>	<b>8,372</b>	<b>48,148</b>	<b>0</b>	<b>\$20.15</b>
<b>WEST END</b>									
Class A	18	3,059,602	152,039	27,465	5.9%	-4,382	-5,805	644,000	\$32.09
Class B	28	2,043,748	37,401	0	1.8%	17,390	8,602	0	\$27.68
Class C	13	647,750	10,860	0	1.7%	23,363	-11,110	0	\$24.86
<b>Total</b>	<b>59</b>	<b>5,751,100</b>	<b>200,300</b>	<b>27,465</b>	<b>4.0%</b>	<b>36,371</b>	<b>-8,313</b>	<b>644,000</b>	<b>\$31.31</b>
<b>MARKET</b>									
Class A	152	24,464,615	1,922,919	329,623	9.2%	307,003	834,517	3,664,119	\$30.04
Class B	356	22,848,114	1,627,021	99,654	7.6%	-154,883	-148,535	0	\$24.45
Class C	125	7,398,359	265,752	1,100	3.6%	51,808	-6,501	0	\$20.78
<b>MARKET TOTAL</b>	<b>633</b>	<b>54,711,088</b>	<b>3,815,692</b>	<b>430,377</b>	<b>7.8%</b>	<b>203,928</b>	<b>679,481</b>	<b>3,664,119</b>	<b>\$26.90</b>

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# 554 offices in 66 countries on 6 continents

United States: **153**

Canada: **34**

Latin America: **24**

Asia Pacific: **231**

EMEA: **112**

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## \$2.5

billion in  
annual revenue

## 2

billion square feet  
under management

## 16,000

professionals  
and staff

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