

NASHVILLE | RETAIL
4th Quarter 2017

Nashville Makes ULI's Top Ten U.S. Market to Watch in 2018

Nashville Retail Market

In its Emerging Trends in Real Estate 2018 Survey, Urban Land Institute (ULI) named Nashville the “#9 U.S. Market to Watch for 2018.” Factors contributing to Nashville’s emergence in the top ten markets in ULI’s report over the last three years include a re-emergent downtown, strong population growth, attractiveness of the market to millennials, and low cost of living. These factors—along with game-changing urban retail developments and an unmatched creativity of the culinary scene—have elevated Nashville’s retail market over the last few years.

New major skyline-altering mixed-use developments are underway. In 2017, Spectrum | Emery broke ground on the new \$430 million Fifth + Broadway mixed-use project, the site of the former Nashville Convention Center, that will encompass retail and entertainment (235,000 SF), apartments (over 350 units), and Class A office (385,000 SF), and the National Museum of African- American Music. International fashion retailer H&M will occupy 27,000 square feet at this location, with scheduled opening in fall 2019. The Nashville Yards Project, a \$1 billion development positioned at the gateway of downtown, is a 15-acre site formerly occupied by Lifeway Christian Resources. Nashville Yards is a multiphase office, retail, hospitality, entertainment and residential project that will be environmentally sustainable, technologically advanced, and service-oriented. AEG signed a deal to open a Regal movie theatre, a bowling club, and a concert venue on this site.

Nashville’s hotel and retail scene is exploding. Older generation office space is being renovated into boutique hotels. Projects including the Bobby and Noelle will revitalize an area on 4th Avenue North. Inside these hotels include new cafes and small retail concepts. Nashville currently has 3,109 hotel rooms under construction, with an additional 3,733 hotel rooms planned. The majority of these hotels contain a retail component. **According to Nashville Downtown Partnership’s 2017 annual report, 64 new retail businesses opened or announced opening plans in 2017.**

Nashville’s retail market closed out the fourth quarter with 3.4% vacancy, a slight increase of 40 basis points since 3Q 2017. 310,516 square feet of retail space were absorbed during the fourth quarter, bringing the 2017 total net absorption to 1,036,464 square feet. Retail market fundamentals are strong in the Nashville region; multiple mixed-use developments with retail playing a predominant role are underway. Absorption and rental rates are likely to continue on an upward trajectory as projects deliver, indicative of the current strength of the market.

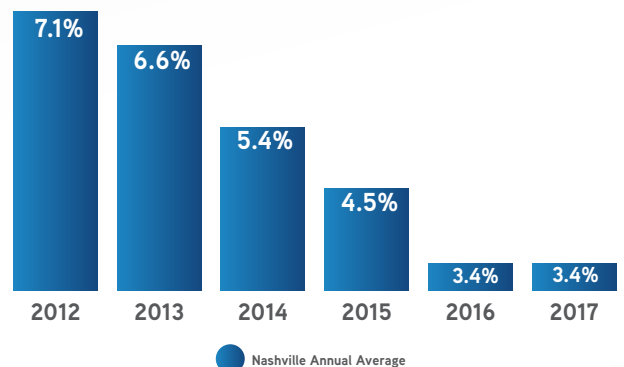
Market Indicators

Relative to prior period	4Q 2017	1Q 2018*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE	↑	↑

Summary Statistics

4Q 2017 Nashville Retail Market	Entire Market
Total Vacancy Rate	3.4%
Change From 3Q 2016 (basis points)	-30
4Q Absorption	310,516
2017 Net Absorption	1,036,464
Under Construction (SF)	1.18M
Market Asking Rental Rate	\$26.50

Total Vacancy



Retail Construction

A total of 186,621 square feet of space was added to the retail inventory in the Nashville market during the fourth quarter, bringing the total deliveries of 2017 to 991,389 square feet. Despite the addition of this new space, vacancy continued to trend downward as tenants competed for quality retail space throughout the year.

Some of the notable 2017 deliveries include: 2126 Abbott Martin Rd, a 180,000-square-foot facility that delivered in first quarter 2017 and is now fully occupied, and 1214 Liberty Pike, a 105,600-square-foot building that delivered in fourth quarter 2017 and is now fully occupied.

One of Nashville's biggest retail projects expected to break ground in early 2019 is a 341,000 square foot IKEA in Southeast Nashville. This store will be part of a 300-acre mixed-use development at I-24 and Hickory Hollow Parkway with completion in late 2020.

Nashville has 1,329,245 square feet of retail space under construction, and 68% is pre-leased. The Downtown and Bellevue submarkets have a combined 676,000 square feet under construction, about 65% of the total square footage under construction throughout the market. Notable projects in these submarkets include One Bellevue Place (400,000 SF) and Fifth + Broadway (180,000 SF).

Absorption & Leasing Activity

- › The Nashville retail market continues to expand after posting its fourth consecutive year exceeding a million square feet of positive absorption. 310,516 square feet were absorbed during the fourth quarter, bringing the year-to-date absorption to 1,036,464 square feet.
- › Notable 4Q 2017 lease signings include State of Tennessee (20,890 SF) at Madison Square Shopping Center, Home Furniture & More (30,000 SF) in North Nashville, Planet Fitness (23,852 SF) in Bellevue, and A&C (22,000 SF)
- › The suburban submarkets that experienced the most demand in 2017 were Hendersonville/Gallatin, Green Hills/Belle Meade, and Bellevue/West Nashville. These areas accounted for 80% of the 2017 total net absorption. The move-ins of Floor Decor & Outlets and Conn's Home Plus contributed to 244,874 square feet of absorption in the Southeast Corridor during 4Q 2017.

Shopping Center Market Update

- › The shopping center inventory in the Nashville market is 31,006,488 square feet across 1,169 buildings.
- › Rental rates reached \$15.50 per square foot at the close of the fourth quarter, up from \$15.09 per square foot at the end of 4Q 2016.
- › The shopping sector closed out 2017 with 270,945 square feet of positive net absorption. After these new occupancies, vacancy dropped from 5.1% at the end of the third quarter to 4.6% in the fourth quarter.

#8

Best-Performing City of 2017

- Milken Institute (Jan 2018)

#4

Metro in American City Business Journal 2017 Index

- American City Business Journals (Oct 2017)

#6

City for Young Professionals

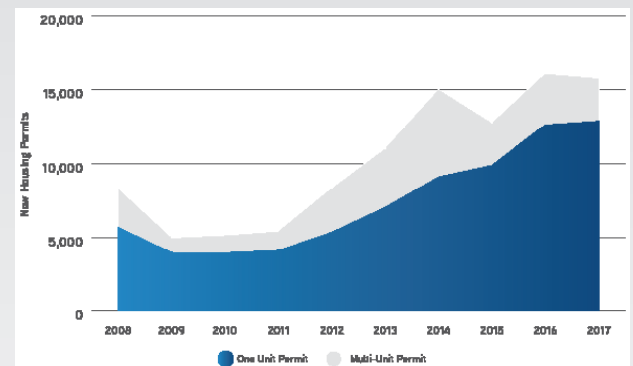
- SmartAsset (Sep 2017)

#7

Best City for Millennials

- The Penny Hoarder (July 2017)

Nashville MSA | Housing Permit Activity



Source: U.S. Census Bureau

Demographics | Nashville MSA

POPULATION

1.95M (2020)
 1.84M (2016) 1.5% annual population growth
 1.67M (2010)

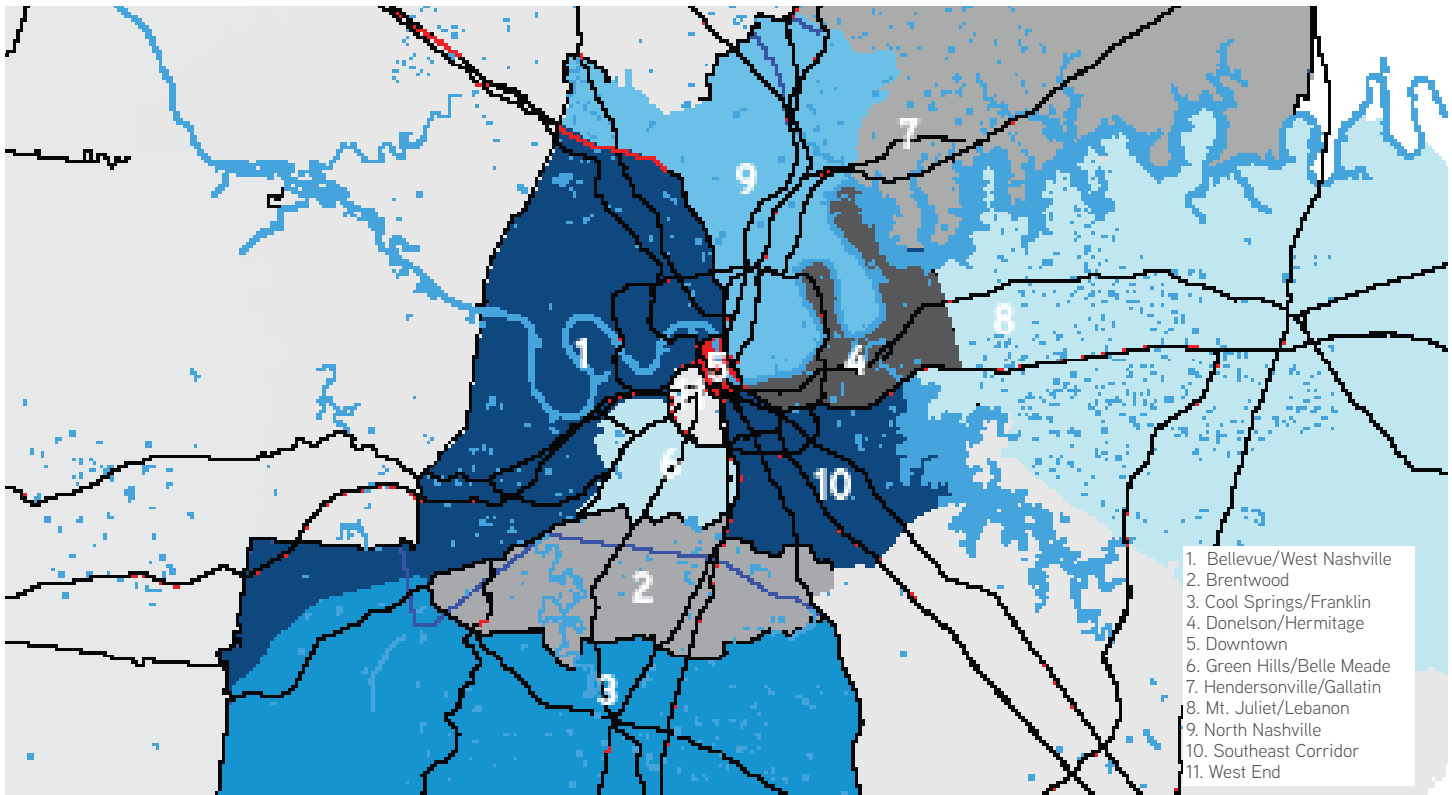
AGE DISTRIBUTION

Age Group	% of Total Population
0-19	26.0%
20-29	14.5%
30-39	14.2%
40-64	32.9%
+65	12.3%

MEDIAN HOUSEHOLD INCOME (\$ ths)

\$64.7 (2020)
 \$56.5 (2016)
 \$49.3 (2010)

Sources: Nashville Area Chamber of Commerce, Moody's Analytics



Nashville Retail Market								
MARKET	BUILDINGS	INVENTORY (SF)	TOTAL VACANT (SF)	VACANCY RATE	4Q ABSORPTION	2017 NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RATE PSF (NNN)
BELLEVUE/WEST NASHVILLE	120	4,616,370	164,917	3.6%	-37,952	445,156	279,600	\$18.20
BRENTWOOD	64	2,614,104	60,753	2.3%	12,233	84,832	56,000	\$24.50
COOL SPRINGS/FRANKLIN	244	10,186,028	204,196	2.0%	-8,132	76,793	30,240	\$23.00
DONELSON/HERMITAGE	99	4,990,107	242,653	4.9%	1,072	-101,270	13,600	\$20.00
DOWNTOWN	116	2,562,286	86,447	3.4%	-4,505	68,000	396,428	\$34.50
GREEN HILLS/BELLE MEADE	68	3,165,324	107,683	3.4%	298	153,704	53,500	\$37.50
HENDERSONVILLE/GALLATIN	177	6,108,646	189,998	3.1%	3,045	102,507	285,000	\$30.00
MT. JULIET/LEBANON	171	5,831,733	128,868	2.2%	77,222	17,080	4,500	\$25.25
NORTH NASHVILLE	216	7,468,847	329,995	4.4%	26,401	21,979	19,850	\$19.75
SOUTHEAST CORRIDOR	223	8,551,758	450,439	5.3%	244,874	127,179	3,866	\$23.50
WEST END	82	2,028,403	15,115	0.7%	-4,040	40,504	38,276	\$35.00
MARKET TOTAL	1580	58,123,606	1,981,064	3.4%	310,516	1,036,464	1,180,860	\$26.50

Source: CoStar & Colliers International Research

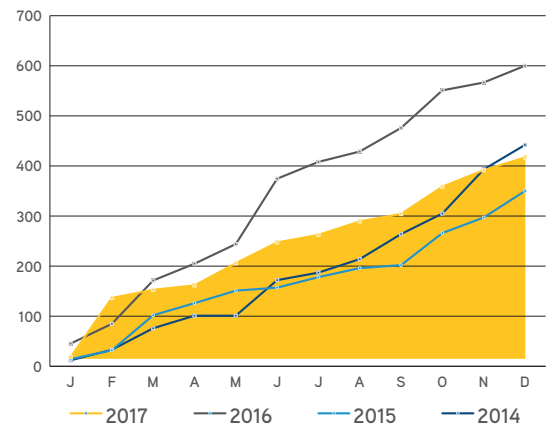
Colliers Inventory - Statistical set consists of all retail properties above 10,000 SF, including owner-occupied. While Colliers attempts to provide the most accurate data at the end of every quarter, revisions are made throughout the year accounting for discrepancies in past reporting.

Investment Activity

Investor interest remains strong due to the city's hip factor and a diverse economy driven by health care, technology, tourism, and education.

- Retail investment topped \$113.5 million in the fourth quarter, bringing the cumulative volume of the year to \$417.6 million. The sale of Crossings Plaza at 5318 Hickory Hollow Parkway to Knowledge Academies Inc. FOR \$22.4 million was the largest sale of 4Q. The 42,394 square foot Paradise Park Trailer Resort in the Downtown submarket traded at \$637 per square foot, the highest cost per square foot of 2017.
- The Providence Marketplace, totaling 828,007 square feet, is the largest sale of the year at \$114.6 million. The property sold in October at \$179 per square foot.

Cumulative Monthly Volume (\$mil)



2017 NOTABLE INVESTMENT ACTIVITY

PROPERTY	BUYER	SF	PRICE	PRICE/SF	SUBMARKET	DATE SOLD
Providence Marketplace	Ramco-Gershenson	828,007	\$114,650,000	\$138	Mt. Juliet/ Lebanon	Feb-17
Paradise Park Trailer Resort	The Mathews Co, Clay Travis	42,394	\$27,000,000	\$637	Downtown	Aug-17
Edgehill Village	Asana Partners	57,650	\$26,000,000	\$451	Airport South	Jun-17
Crossings Plaza	Knowledge Academies Inc	99,909	\$22,420,684	\$224	Downtown	Nov-17
Towne Centre Murfreesboro	Integrus Acquisitions	107,992	\$18,350,000	\$170	Southeast	Oct-17
Jackson Downs	Divaris Real Estate	134,868	\$16,250,000	\$120	Donelson/Hermitage	Dec-17
Caldwell Square	Publix Supermarket	70,750	\$16,000,000	\$226	North Nashville	May-17



Colliers Nashville Retail Services Group

FOR MORE INFORMATION

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