

MARKET REPORT

Retail
Nashville Metro Area

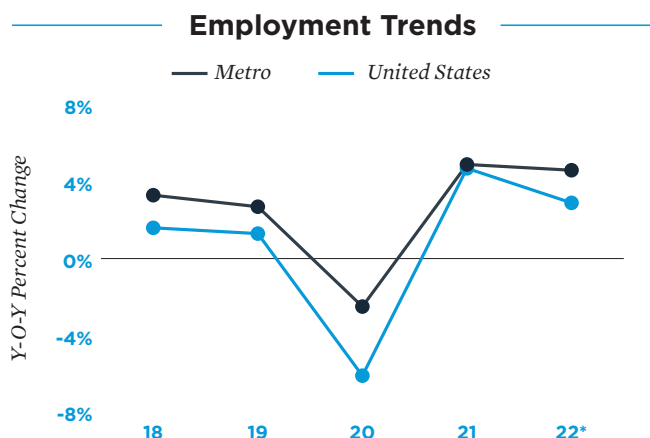
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2Q/22

Population Gains Facilitate Absorption; Downtown Fundamentals Improving

Builders follow household formation patterns. Developers are set to complete more space this year than they did in 2021, with the complexion of the pipeline indicative of an expansion-friendly retail market. Much of the construction is built-to-suit and in the metro's fastest-growing areas. In the core, most of the retail space being added is part of mixed-use developments. Urban living is becoming more popular in Nashville as the number of corporate and tech jobs in the CBD rises. In response, retailers have eagerly leased space in foot traffic-heavy areas, looking to support the rise in Downtown's population. Recent commitments by these vendors have reduced the core's vacancy rate below the local year-end 2019 recording.

High-growth suburbs record diminished availability. The population is growing at twice the national rate, translating to leasing by grocery stores and restaurants. Some of the fastest-growing communities in the state, like Murfreesboro and Hendersonville-Gallatin, are hot spots for expanding retailers. Both locales have vacancy rates below the pre-pandemic level in March of this year. Additionally, higher-income suburbs like Brentwood and Green Hills-Belle Meade have seen leasing activity climb. Brentwood is recording vacancy below the 2019 norm, and Green Hills-Belle Meade experienced a 180-basis-point year-over-year vacancy contraction. Suburban Nashville is attracting new national retailers due to both population growth and rising incomes, exemplified by Dutch Bros. Coffee, which opened four stores in suburbs last year.



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**50,000
JOBS**
will be created

EMPLOYMENT:

Employers in Nashville will grow the local job count by 4.6 percent in 2022. The slowdown in hiring relative to last year is a result of the unemployment rate sitting at just 2.7 percent in March, as the metro surpassed pre-pandemic job counts last year.



**750,000
SQ. FT.**
will be completed

CONSTRUCTION:

Developers increase activity this year compared to 2021, but the construction slate is still modest, taking population growth and historic levels into account. The 2022 total is roughly 280,000 square feet below the five-year trailing average.



**40
BASIS POINT**
decrease in vacancy

VACANCY:

Following 2021's 70-basis-point reduction in vacancy, strong leasing will result in another plunge this year. This puts metrowide retail vacancy at 3.7 percent, 40 basis points below the end of 2019 level, as incomes and retail spending grow in Nashville.

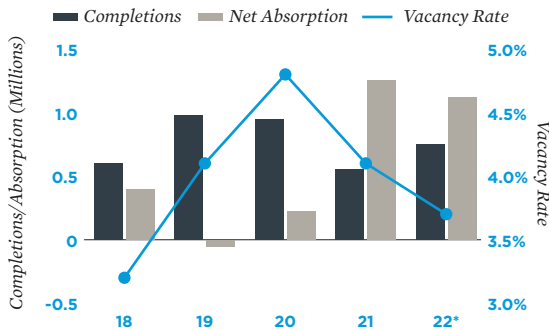


**4.3%
INCREASE**
in asking rent

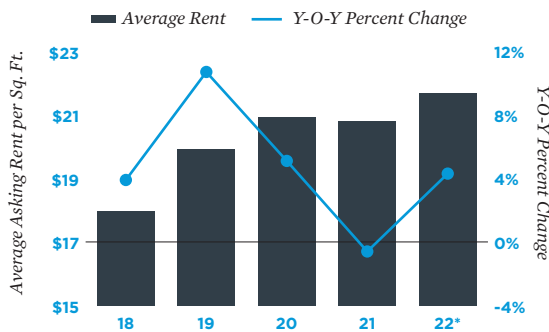
RENT:

After falling last year for the first time since 2012, the average asking rent will reestablish upward momentum and climb to \$21.70 per square foot by year-end. Marketed rents will have grown nearly 9 percent in Nashville since the end of 2019.

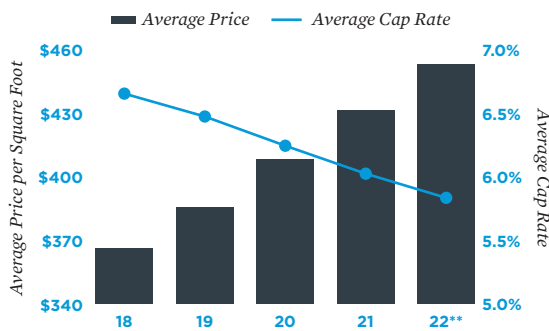
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

467,000 sq. ft. completed

- During the past year ended in March, builders were most active in Hendersonville-Gallatin. This is the only submarket where inventory grew more than 0.6 percent in the last 12 months.
- Developers have more than 875,000 square feet currently under construction in Nashville, suggesting a rise in completions in the next 12 months.



VACANCY

70 basis point decrease in vacancy Y-O-Y

- A leasing surge in the single-tenant segment lowered sector availability to 2.9 percent, a rate below the year-end 2019 level. This compression reduced the overall retail vacancy rate to 3.9 percent in March.
- Multi-tenant vacancy is sub-2 percent in 13 of the metro's 21 submarkets, highlighted by a 1.9 percent rate Downtown.



RENT

3.3% increase in the average asking rent Y-O-Y

- Growth in the first quarter raised the average asking rent to \$21.31 per square foot, after a nominal rent gain in the prior yearlong span.
- Multi-tenant asking rents climbed 2.1 percent during the last year to \$19.71 per square foot. For single-tenant properties, the marketed asking rent rose 3.7 percent to \$21.81 per square foot.

Investment Highlights

- Transaction velocity was higher during the 12-month period ended in March than in any annual period on record in Nashville, excluding the 2021 calendar year. Both multi-tenant and single-tenant assets have changed hands more frequently of late. Population growth in Brentwood and Downtown is attracting new investors, while rising incomes are bringing attention to professional hubs in the core and affluent suburbs.
- Single-tenant trades occur frequently in Rutherford County, North and West Nashville, as well as Cool Springs-Franklin. Entry costs vary based on tenant specifics, with buildings filled by national chains often selling above \$1,000 per square foot with cap rates near 4 percent. Assets here with less prominent tenants trade closer to the metro mean of \$496 per square foot, with yields as high as 6 percent.
- Multi-tenant assets in Rutherford County and Cool Springs-Franklin are reporting heightened activity, with sales pricing near \$322 per square foot on average and cap rates between 6 percent and 7 percent. Investors looking to pay below-average entry costs have been targeting neighborhood centers in South Nashville and Antioch, with per-unit pricing below \$200 per square foot on occasion and cap rates nearing 8 percent.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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