

INVESTMENT FORECAST

Office
Nashville Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Nashville's Popularity to Travelers and New Residents Extending to Retailers, Investors

Robust tourism a key force behind market's performance. Nashville's retail sector continues to stand out on a national scale, boasting a low vacancy rate and rent growth pace that each lie within the top 15 of major metros this year. These favorable metrics are bolstered by levels of household formation and retail sales growth that surpass the U.S. measures. Nashville's hospitality sector has also gained notable prominence, leading the country in hotel room demand growth since 2019 at nearly 17 percent. The next closest market is Austin at 12 percent. Greater tourism is, in turn, supporting retailers in Downtown, Midtown and surrounding suburbs, with sub-3 percent vacancy rates in Bellevue, Donelson-Hermitage and Green Hills-Belle Meade late last year. Operations are also tight in the metro's surrounding, smaller towns – including those in Montgomery, Robertson and Rutherford counties. The dual-strength of both small town and major thoroughfare retailers underscores Nashville's sustained positive momentum.

Dynamic landscape engaging buyers across both core and outer areas. While not as ubiquitous as in 2019, new lease signings are still frequent across Nashville, encouraging investors despite higher borrowing costs. Popular areas for transactions last year, such as Murfreesboro, Gallatin, Hendersonville, the Southeast Corridor and North Nashville, are also focal points for recent and planned move-ins. Active leasing in the CBD, especially around The Gulch and Pie Town, could draw more buyers this year after a fewer-than-normal number of downtown assets changed hands in 2023. Fast food and other types of dining could appeal most to active investors, following strong retail spending growth in that category nationally last year. While in-state investors are most engaged, relatively higher cap rates are also drawing buyers from major coastal metros.

2024 MARKET FORECAST

+1.9%



EMPLOYMENT: The 22,000 new jobs in 2024 produce a growth rate that falls just outside the top 10 of major markets. Recent hiring has been strongest in construction and business services.

900,000
sq. ft.



CONSTRUCTION: A mixed-use redevelopment in Nashville's meat-packing district, along with the Marketplace at Savannah Ridge, lead a four-year high annual delivery slate.

+30 bps



VACANCY: The metro's vacancy rate rises to 3.7 percent, a three-year high, as the single-tenant rate inches up from its 2.2 percent historic low in 2022. The multi-tenant rate is higher, but falling.

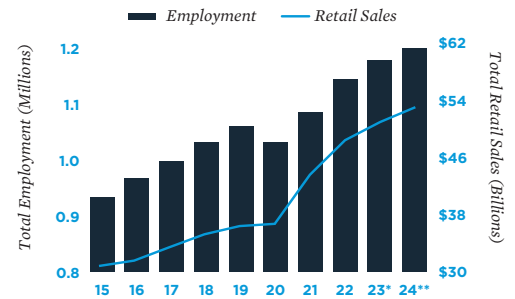
+3.0%



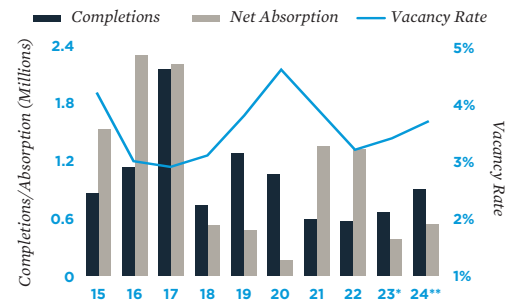
RENT: Climbing to a mean of \$24.15 per square foot, the market's pace of asking rent growth will fall short of marks from 2022 and 2023, but exceed the 2024 national rate by 80 basis points.

INVESTMENT: *Implied returns of up to 8 percent for auto repair facilities that changed hands last year may prompt investors specifically focusing on yields to look for similar opportunities in the months ahead.*

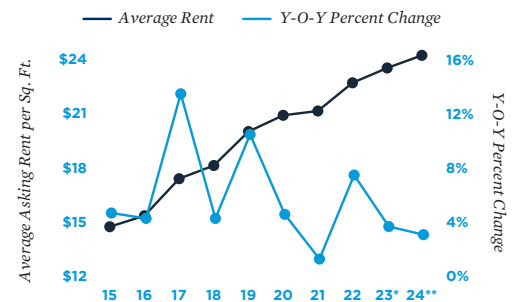
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 3/ 2023. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.