

# INVESTMENT FORECAST

Office  
Nashville Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Long-Term Need for Additional Supply Present Even as Headwinds Emerge in Nashville

**Demand for space accelerates farther from city center.** A handful of submarkets entered 2025 with vacancy rates below 1 percent, including Mt. Juliet-Lebanon as well as Dickson and Robertson counties. Already strong space demand in these outlying areas, combined with constrained supply, could lead to even greater rent gains; the average asking rate jumped at least \$10 per square foot in both Dickson County and Mt. Juliet-Lebanon last year. Multi-tenant space across multiple outlying areas has nearly reached complete occupancy, emphasizing the acute undersupply in these rural communities. Aggregated across the metro, however, local retailers have shown a preference for single-tenant space, as the marketwide segment vacancy rate entered this year 170 basis points below its multi-tenant counterpart. Single-tenant demand last year was highest in Bellevue-West Nashville, Hendersonville-Gallatin and Rutherford County, where 315,000 square feet was absorbed on net across the three submarkets.

**Minimal vacancy could alter investor strategies.** Sales activity over the last three years has been greatest in Rutherford County and North Nashville. The former area will likely continue to garner investor attention, as local vacancy has sat at or below 2 percent since late-2022. A shrinking construction slate should reinforce this dynamic. With sub-3 percent vacancy rates across two-thirds of local submarkets, the metro may continue to attract investors interested in value-add strategies. For this approach, areas closer to the city center — like Vanderbilt-West End — have been popular. Owners will renovate older buildings here to access the relatively higher asking rents common in these submarkets. That said, clusters of unrenovated pre-1950s buildings can be found in growing towns across the metro, such as Lebanon and Murfreesboro.

## 2025 MARKET FORECAST

+0.4%



**EMPLOYMENT:** Gains to employment will match last year as 5,000 roles are added on net. Job creation since 2022 has been highest in the education and health service sectors.

470,000  
sq. ft.



**CONSTRUCTION:** Completions will pull back slightly this year, growing inventory by 0.4 percent. Nearly half of this construction will be in Rutherford and Robertson counties.

+10 bps



**VACANCY:** Vacancy will maintain a slight upward trend, inching the rate up to 3.2 percent by year-end. This level is 20 basis points below the trailing 10-year average.

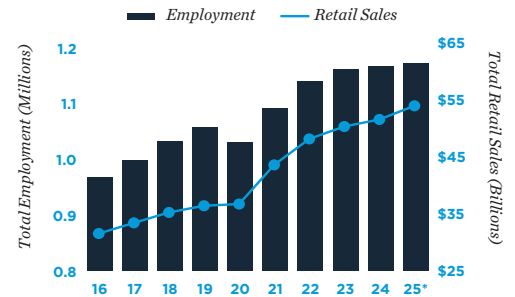
+1.2%



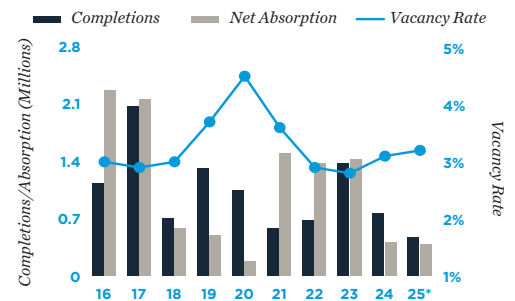
**RENT:** Gains to the average asking rent will grow from 2024, pushing the monthly rate to \$23.20 per square foot this year. Entering 2025, asking rents were highest in the Greenhills-Belle Meade area.

**INVESTMENT:** Investors with larger capital pools seeking assets near the CBD may be interested in Green Hills, which is poised to receive extra weekday foot traffic after a 380-basis-point office vacancy contraction in 2024.

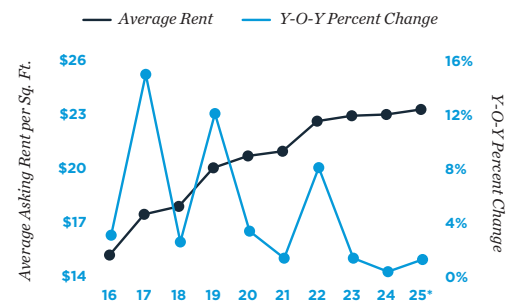
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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 December 2024. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.