

INVESTMENT FORECAST

Office
Nashville Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS





2025

Nashville's Continued Popularity With Diverse Employer Base May Attract Affluent Investors

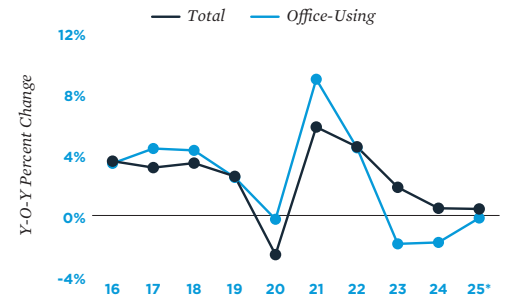
Strong demand will help offset some supply-side pressure. Several 100,000-plus-square-foot, triple-net move-ins will occur this year. These include Bass Berry & Sims and Pinnacle both moving into the Nashville Yards Pinnacle Tower downtown and TikTok occupying space in Music Row. The latter submarket, which also includes Greenhill, has gained in popularity with companies since 2023, with vacancy dropping 380 basis points in 2024 to 9.4 percent. Here, local tenants benefit from their proximity to both Midtown and Vanderbilt University, which aids in recruiting efforts. This favorable location and falling vacancy support the highest average asking rents in the metro. Meanwhile, the CBD may report another year of vacancy increase. The leases set to begin this year may not be sufficient to counterbalance the 1.6 million square feet slated to come online downtown in 2025. Locations with less new supply pressure, like Southeast Nashville, are poised to see vacancy contraction amid demand for Class B/C floorplans.

Relatively higher-value assets available in market. Sales activity last year was centered around submarkets outside of the CBD, with Cool Springs and the area south of the airport accounting for the largest share of deal flow. Both submarkets' transactions involved a mix of post-2000 and pre-1990s-built buildings, with many assets either highly occupied or positioned for conversion. Looking ahead, if investors with deeper capital pools return, they could target submarkets with higher average asking rents like Downtown or Greenhill-Music Row. The latter may particularly interest larger investors, as assets traded here have tended to be well-leased buildings that often command more than \$10 million. The West End may also attract this type of investor after a nearly 7 percent rise in average asking rent last year pushed the local mean to a record mark.

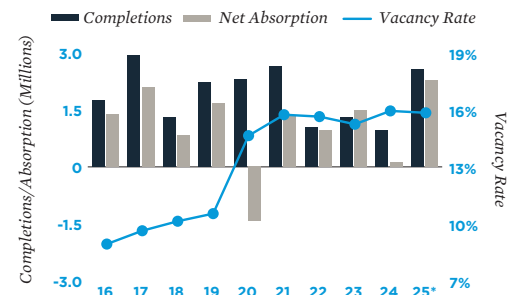
2025 MARKET FORECAST

- +0.4%**  **EMPLOYMENT:** The metro's total job count is expected to grow by 5,000 positions this year, though the traditionally office-using sector will continue to decline, shedding 500 roles.
- 2,569,000 sq. ft.**  **CONSTRUCTION:** The 2025 construction pipeline will exceed the prior 24-month delivery total, growing inventory by 2.9 percent — the second-largest expansion among major metros.
- 10 bps**  **VACANCY:** Tenant demand keeps pace with a four-year high for supply additions, translating to the largest net absorption recording since at least 2007. Vacancy will inch down to 15.9 percent as a result.
- +1.0%**  **RENT:** Building upon a long-term upward trend, the average asking rent will grow to \$29.20 per square foot by year-end. Rent gains are likely to be most pronounced in the Greenhill-Music Row area again.
- INVESTMENT:** *The Rivergate-Hendersonville submarket may attract investors searching for well-leased suburban offices. This area entered 2025 with 4.1 percent vacancy, the lowest rate among larger local submarkets.*

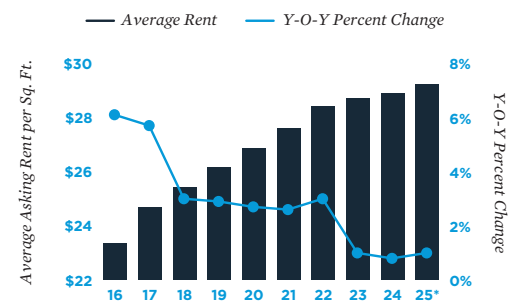
Employment Trends



Supply and Demand



Rent Trends



* 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 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.