INVESTMENT FORECAST

Retail

Nashville

IPA INSTITUTIONAL PROPERTY ADVISORS

2026

Investment Builds in Outlying Areas, as Growing Residential Base Supports Downtown Retailers

Downtown growth extends south as first-ring suburbs soften. Retailer bankruptcies drove a bifurcation in Nashville's retail market last year, with vacancy at properties over 50,000 square feet rising above 6 percent, while smaller buildings remained near 2 percent. Inner-ring suburbs such as Madison and Antioch have faced the most pressure, while vacancy in faster-growing outer areas like Franklin and Murfreesboro held below 4 percent. With limited construction, well-located space is expected to be steadily backfilled, though closer-in suburbs may lag as tenants remain hesitant to lease larger floor plans. Meanwhile, retail vacancy in the urban core dropped below 5 percent last year after record net apartment absorption of more than 4,000 units helped strengthen daily foot traffic. Just south of downtown, Wedgewood-Houston continues to evolve from an industrial district into a higher-end commercial hub, underscored by Hermès opening its first Nashville boutique there and signaling growing tenant interest in locations with consistent pedestrian flow and street-level activity.

Southeastern nodes post record sales. Buyers and sellers appear increasingly aligned after Nashville recorded one of the largest increases in its average price per square foot among major markets last year. Transactions above $10 million also hit an all-time high, reflecting the metro's ability to attract larger capital flows. With single-tenant vacancy near 3 percent versus more than 6 percent at multi-tenant buildings, net-leased assets are likely to remain favored. A deepening industrial base may continue to draw investors southeast into cities such as Smyrna and Murfreesboro, where sales activity approached record highs last year. FedEx's plan to build a $190 million distribution center with 200 full-time jobs in Murfreesboro should reinforce that momentum.

2026 MARKET FORECAST

+1.3% — **Employment:** Hiring will strengthen, with roughly 16,000 new roles created. The metro may continue to see broad-based gains after healthcare, office-using, and retail sectors added jobs last year.

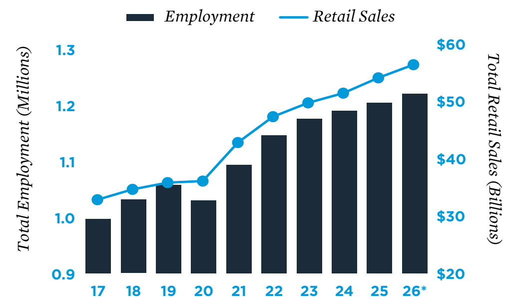
550,000 *sq. ft.* — **Construction:** Deliveries in 2026 will reach only about half of last year's total, nearing all-time lows, with project openings concentrated in outlying northeast and southeast suburbs.

+30 bps — **Vacancy:** Vacancy rises for a third straight year, though minimal completions should limit the increase. At 4.3 percent, the metro's rate will stand 70 basis points above its past decade average.

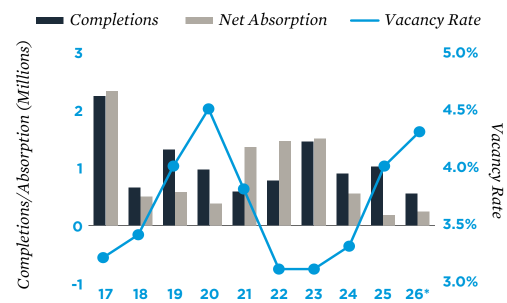
+1.9% — **Rent:** Vacancy holding below the national rate will reinforce rent levels. The average asking rate inches up to $25.56 per square foot, standing roughly 24 percent above the 2020 level.

INVESTMENT: *Clarksville could attract investors as LG Chem's $3.2 billion cathode plant begins production in 2026, creating over 850 jobs, while record retail leasing in Montgomery County signals growing tenant demand.*

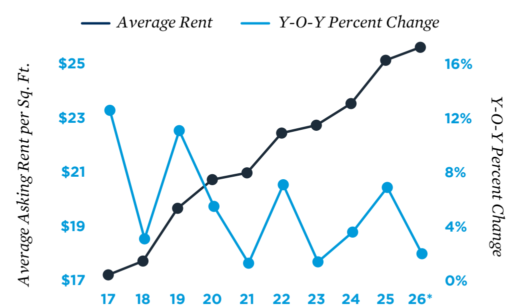
Economic Trends



Supply and Demand



Rent Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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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 2026. 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 office 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.