

# MARKET REPORT

INDUSTRIAL  
Nashville Metro Area

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ADVISORS






2H/19

## Net Migration is Erupting Industrial Sales Velocity Near Metro's Major Interstates

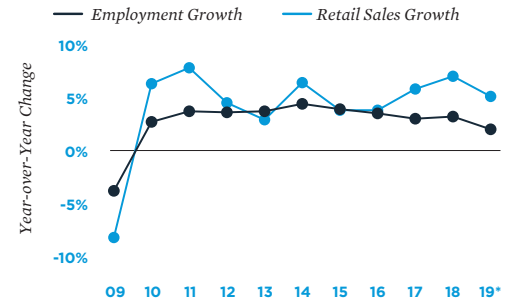
**Migration into the market promotes continued acceleration in hiring.** Nashville's unemployment rate has remained below the national average rate for nearly a decade. As of August, the metro unemployment rate was 2.7 percent, as the nation's rate sat at 3.5 percent. The trade, transportation and utilities service sector and the professional and business services sector continue to hire at a strong velocity as more logistics firms move to Nashville. Amazon is building a 1 million-square-foot facility in Nashville Yards and plans to become operational by year end. The company will create nearly 5,000 workers to the metro. Financial firm Alliance Bernstein has also recently added 1,000 jobs to the city, moving its headquarters from Manhattan to Nashville to preserve costs. As jobs continue to expand here, Nashville's population growth rate has more than doubled the nation's rate, lifting consumer spending. As a result, retailers and others are expanding their presence here to distribute goods quickly to Nashville residents as well as the region.

**Infrastructure for national distribution continues to propel investors into the metro.** Nashville is one of six major cities in the nation that connects three major interstates. The connection of the metro's highways will continue to pique investor interest for buildings spanning greater than 100,000 square feet. Rooms to Go recently opened in Wilson County, along I-840, purchasing a 900,000-square-foot building for warehouse and storage space. In addition, LG Electronics recently opened a 830,000-square-foot manufacturing facility along I-24 northwest of Nashville. Properties in these areas are trading for cap rates in the mid-6 percent range. Industrial investors have also been seeking southeast Nashville due to the large amount of development in the pipeline south along I-24. Aged industrial buildings in this area are being sought for prices lower than the metro's average cost per square foot, ranging from \$60-100 per square foot and newer buildings are trading slightly above the \$100 per square foot range. These are notable prices to investors as the metro's average sales price per square foot is \$144 per square foot.

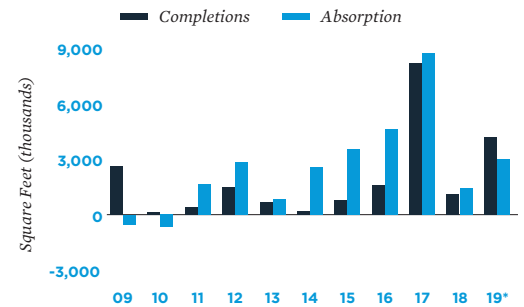
## 2019 Market Forecast

- Employment** up 2.0%  A lack of available workers will slow metro employment as 21,000 workers are hired in 2019.
- Construction** 4.2 million sq. ft.  The level of completions will rise this year, outpacing last year's growth by over 3 million square feet. Speedway Industrial Park will be one of the largest deliveries in 2019 as roughly 1 million square feet of space is added to inventory.
- Vacancy** up 60 bps  Pace of net absorption will fall short of Nashville's development pipeline this year, pushing vacancy up to a low 3.6 percent.
- Rent** up 9.8%  Following a double-digit rent surge last year, the average asking rent will continue to rise in 2019, expanding to \$7.05 per square foot.
- Investment**  Eastern areas of Nashville, near Wilson County, are being highlighted by investors nationally as major firms are establishing large manufacturing and warehouse hubs in this sector.

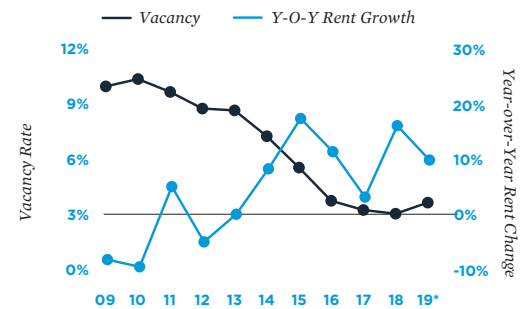
## Employment vs. Retail Sales Trends



## Industrial Completions



## Asking Rent and Vacancy Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; Moody's Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. 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 industrial data are made during the third 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.