

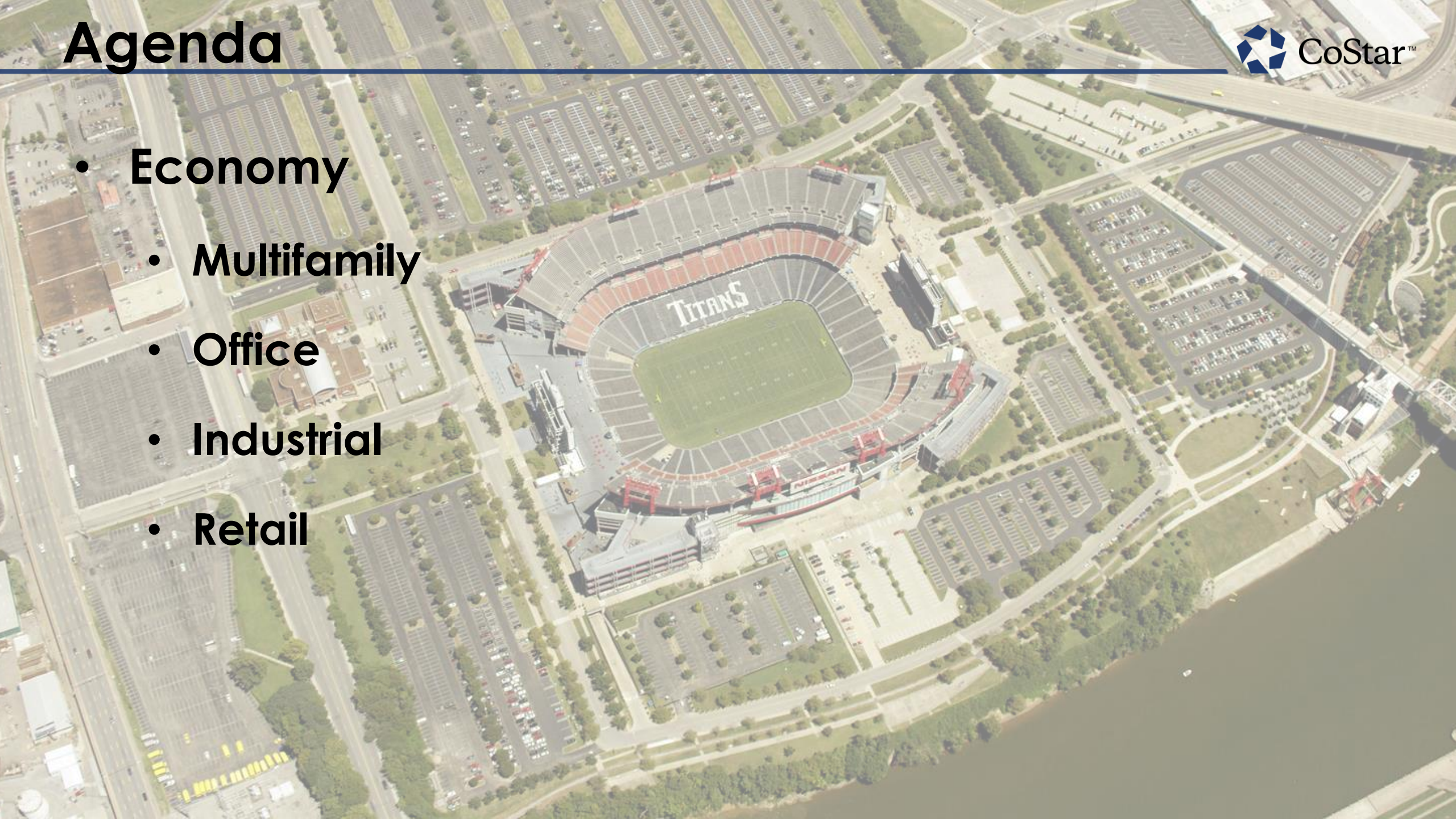


State of the Market – Nashville 19Q2

Alexander Tkac – Market Analyst

Agenda

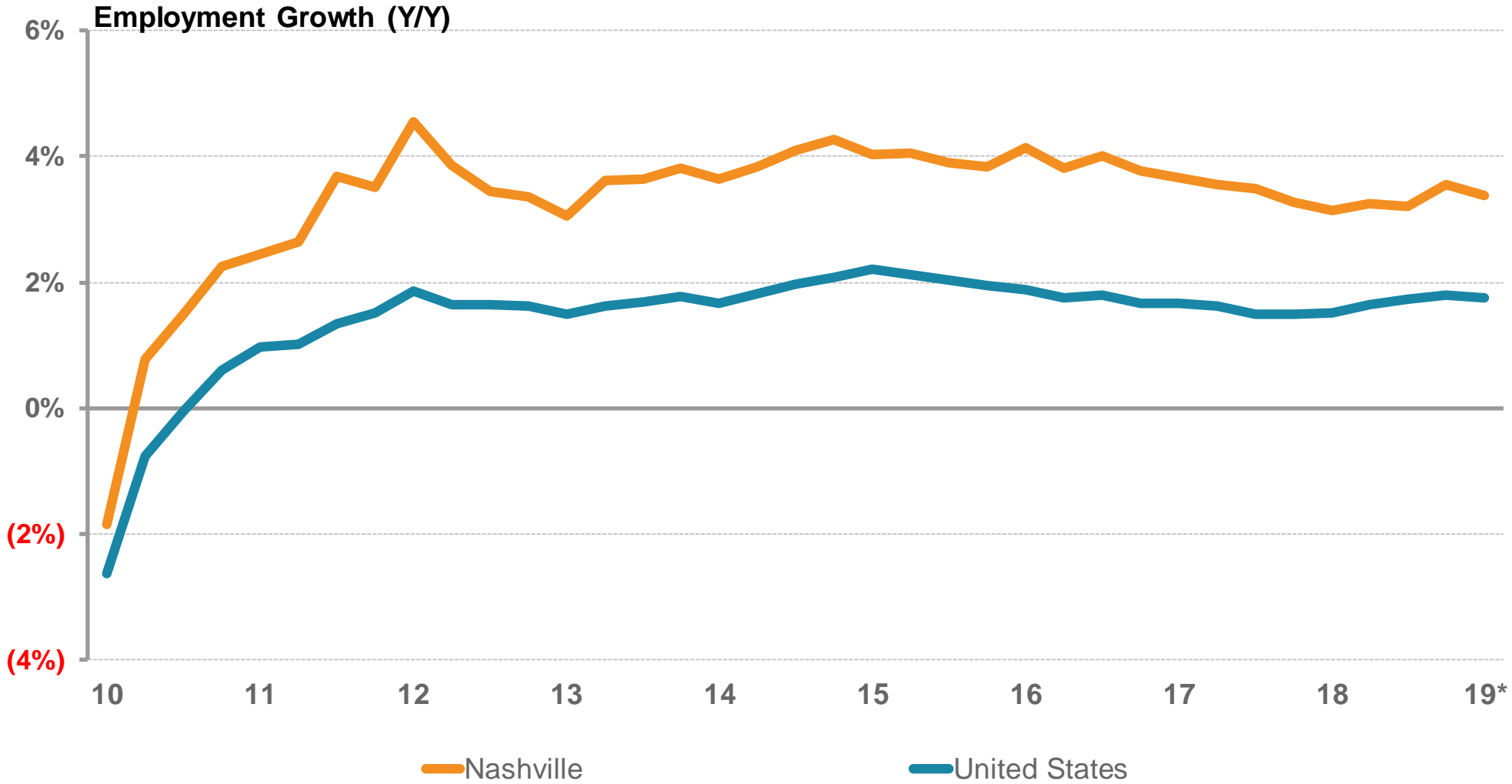
- **Economy**
 - **Multifamily**
 - **Office**
 - **Industrial**
 - **Retail**



Economy



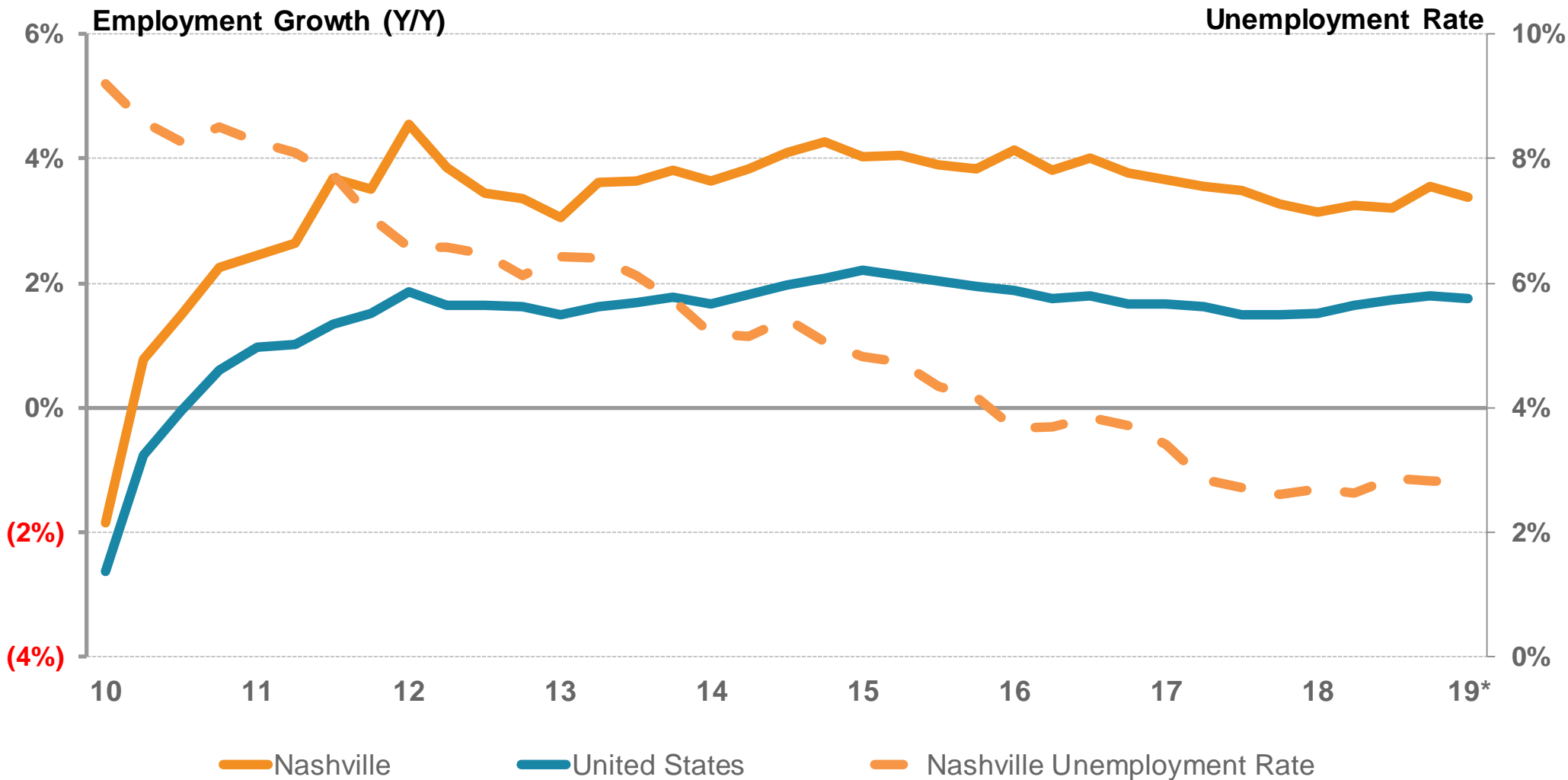
Employment Growth Remains Strong



Source: Oxford Economics
* Year-to-Date

As of 19Q2

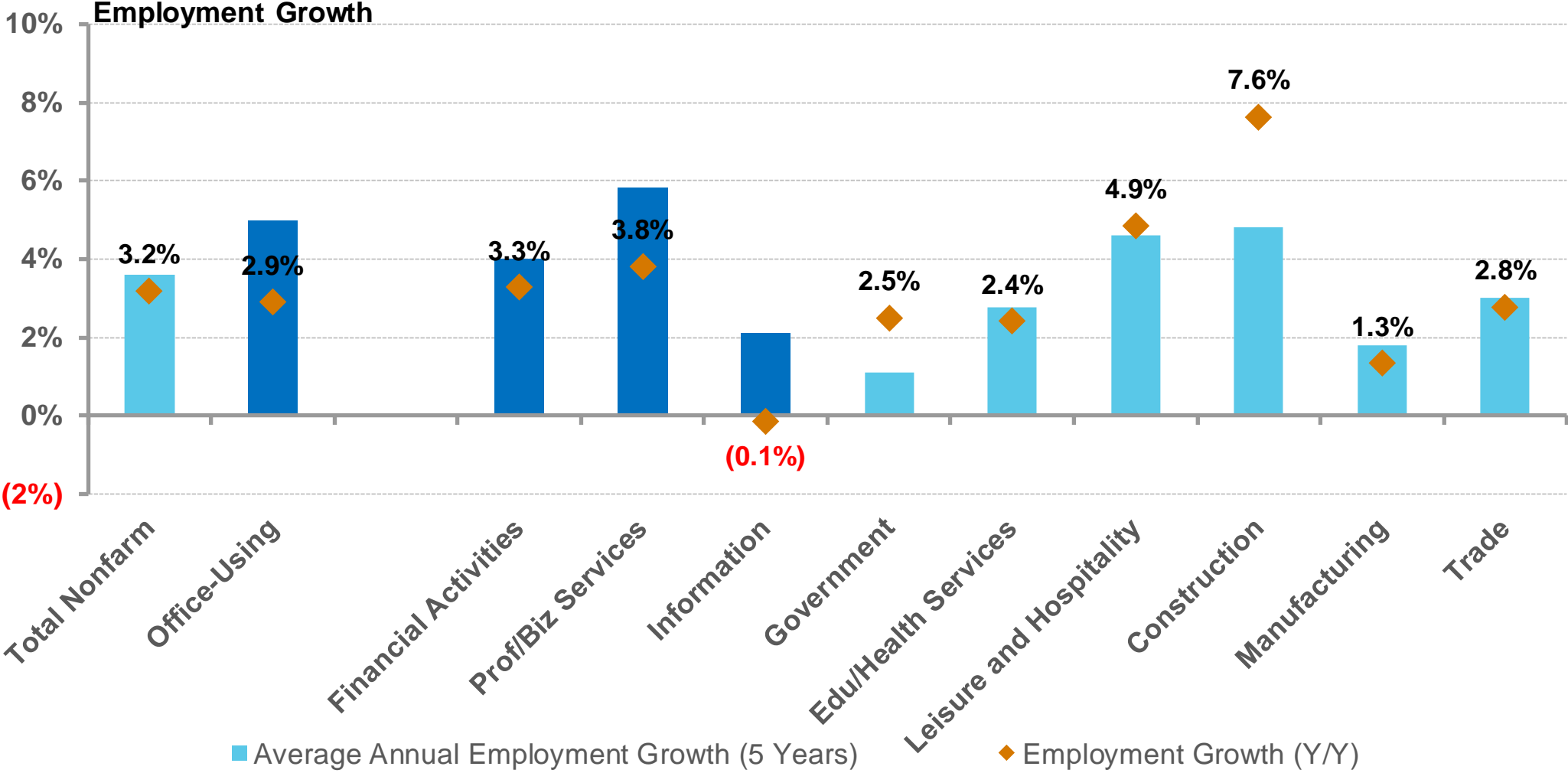
And Labor Market Is Still Very Tight



Source: Oxford Economics
* Year-to-Date

As of 19Q2

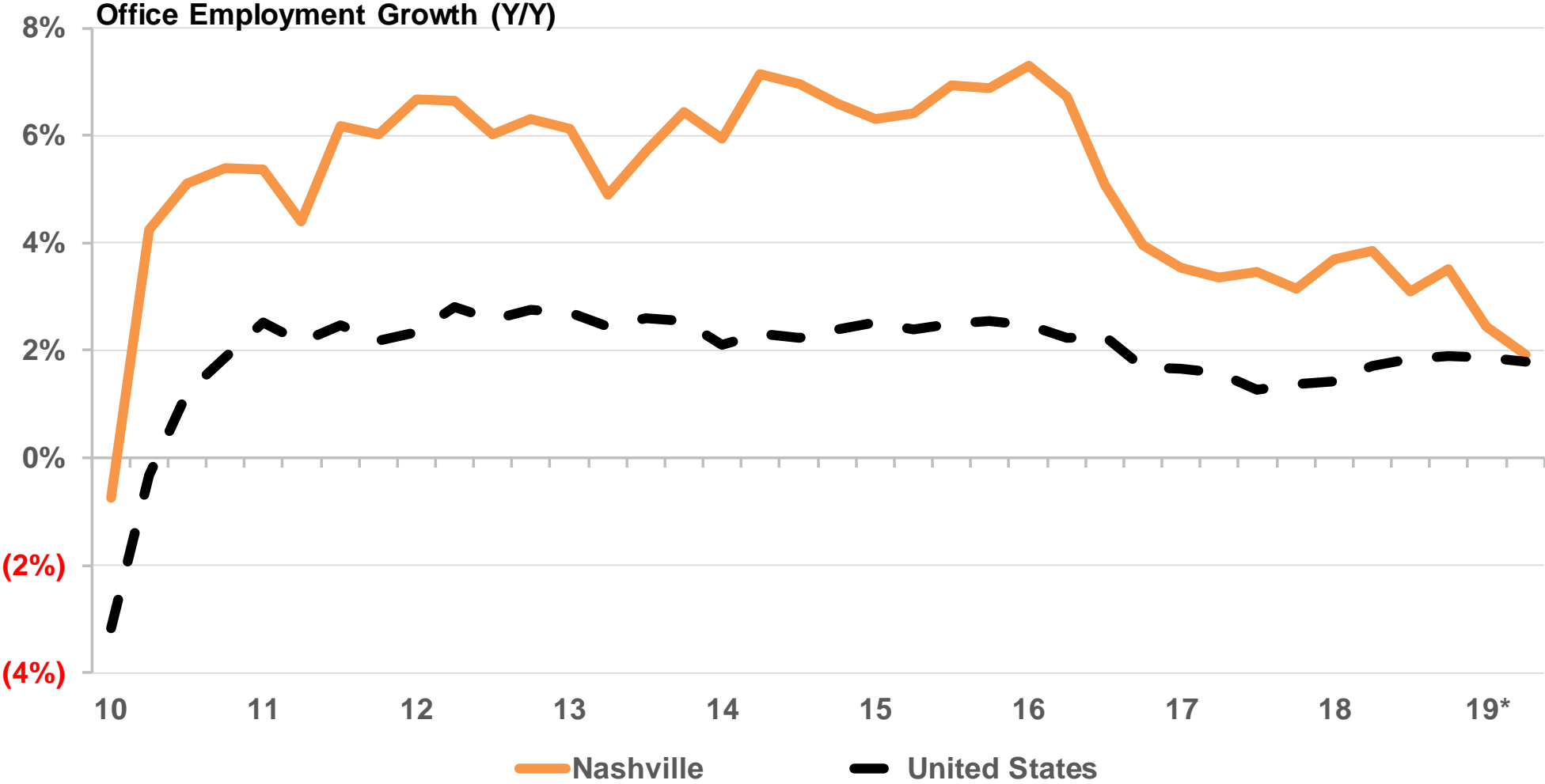
Broad-Based Job Gains



Source: Moody's Analytics

As of 19Q2

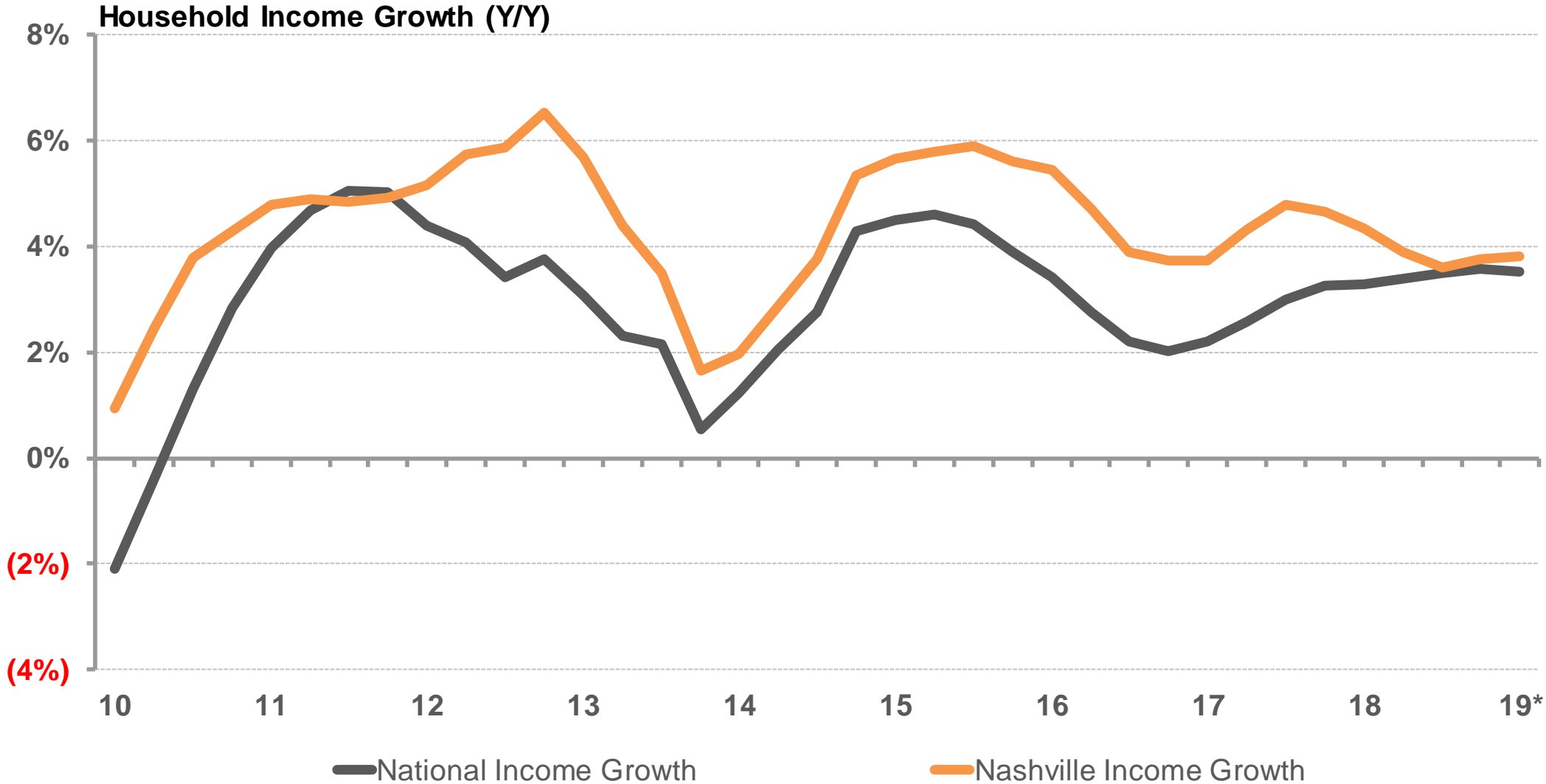
Office Job Growth Continues To Compress



Source: CoStar Market Analytics

As of 19Q2*

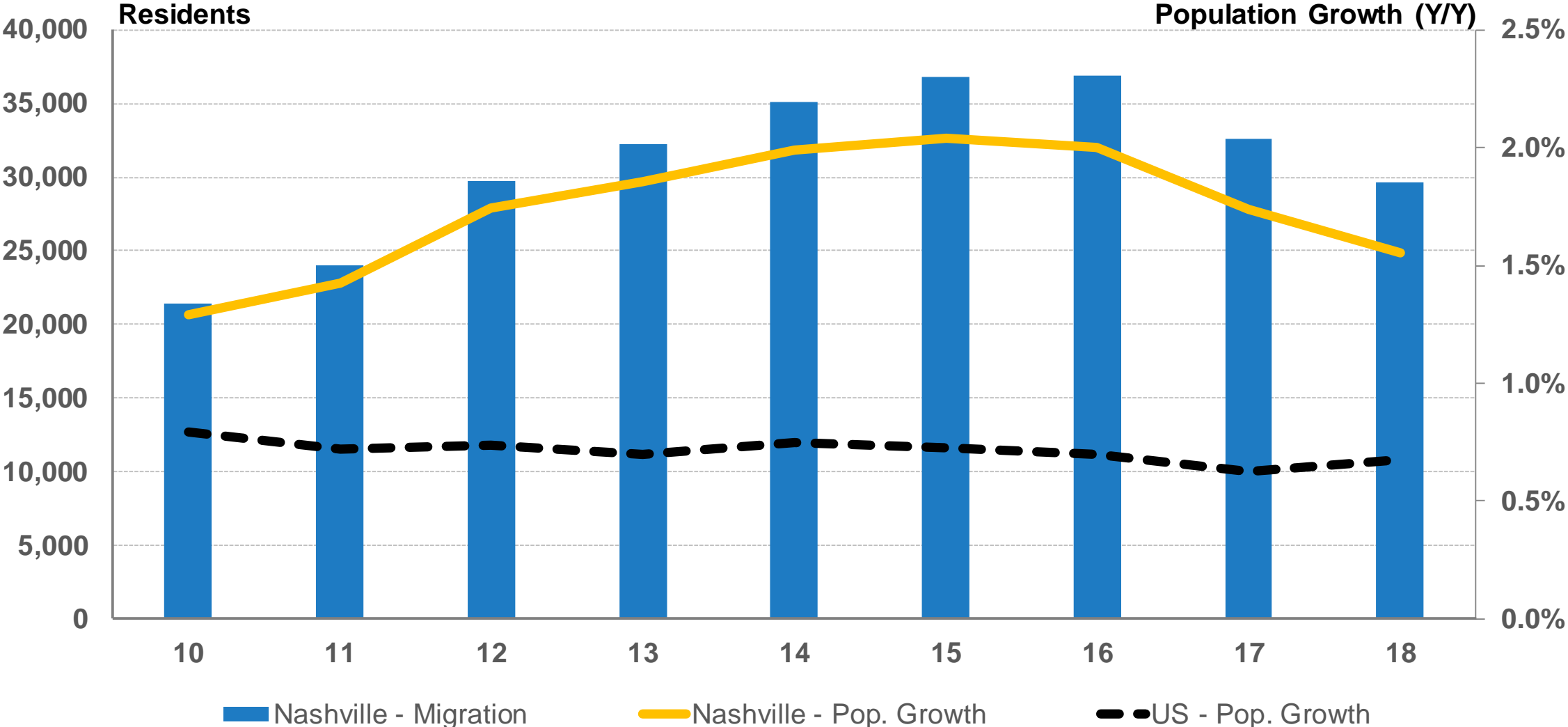
Income Growth Remains Strong



Source: Oxford Economics
* Year-to-Date

As of 19Q2

Population Growth Still Strong, But Slowing



Source: U.S. Census Bureau

End of 19Q1

Fundamentals





Market Overview



	18Q4	19Q1	
Vacancy	5.8%	6.2%	A red arrow pointing upwards, indicating an increase in the vacancy rate from 18Q4 to 19Q1.




Market Overview



	18Q4	19Q1	
Vacancy	5.8%	6.2%	
Net Absorption	313,000 SF	30,000 SF	





Market Overview



	18Q4	19Q1	
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Net Absorption	313,000 SF	30,000 SF	
Annual Rent Growth	3.6%	3.3%	

Market Overview



	18Q4	19Q1	
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Net Absorption	313,000 SF	30,000 SF	
Annual Rent Growth	3.6%	3.3%	
Deliveries	190,200 SF	413,000 SF	

Market Overview



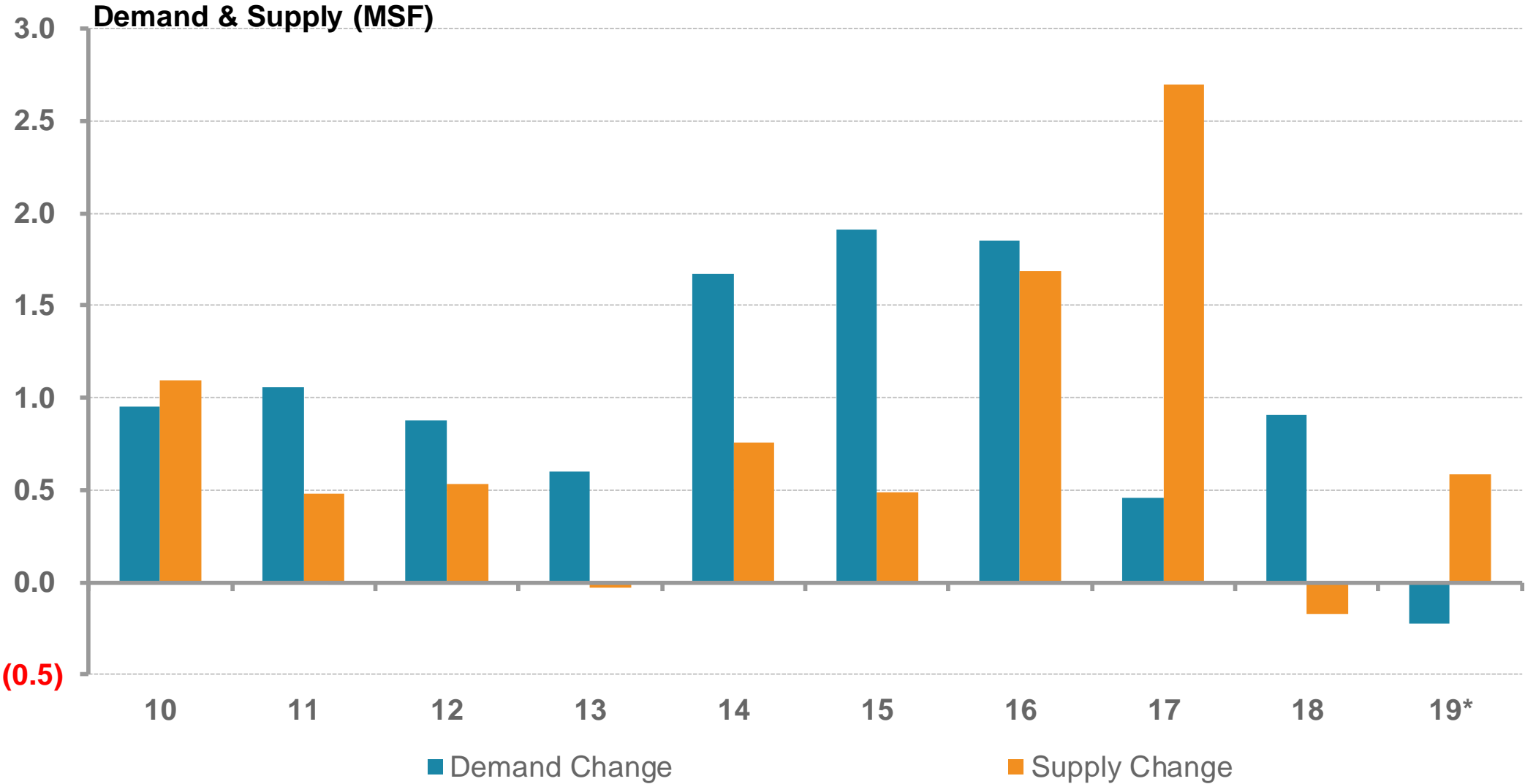
	18Q4	19Q1	
Vacancy	5.8%	6.2%	↑
Net Absorption	313,000 SF	30,000 SF	↓
Annual Rent Growth	3.6%	3.3%	↓
Deliveries	190,200 SF	413,000 SF	↑
Under Construction	5.65 million SF	6.72 million SF	↑

Supply-Side Pressures Impacting Market



	18Q4	19Q1	
Vacancy	5.8%	6.2%	↑
Net Absorption	313,000 SF	30,000 SF	↓
Annual Rent Growth	3.6%	3.3%	↓
Deliveries	190,200 SF	413,000 SF	↑
Under Construction	5.65 million SF	6.72 million SF	↑
Sales	\$286 million (\$166/SF)	\$599 million (\$223/SF)	↑

Office Fundamentals

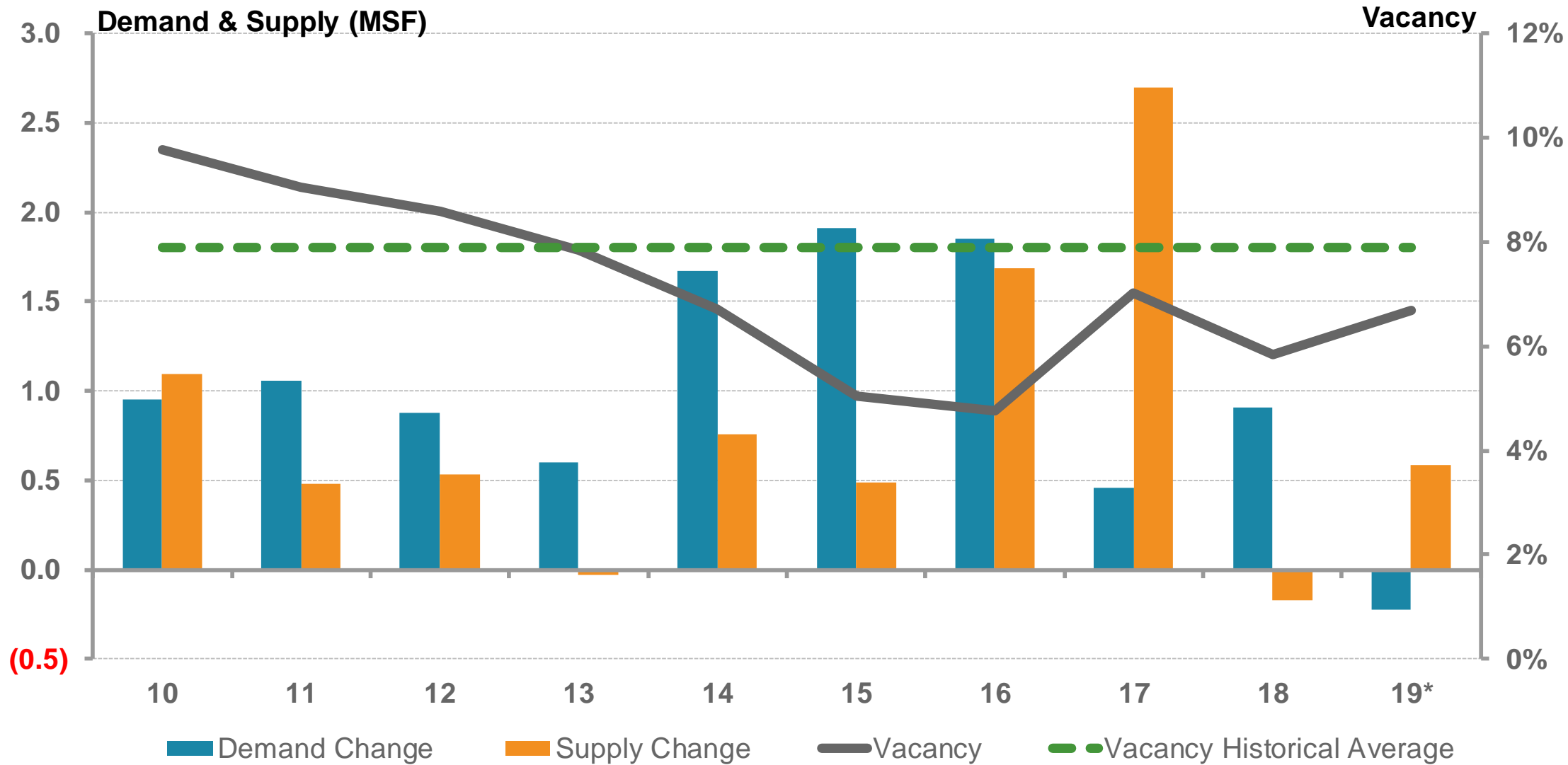


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Source: CoStar
* Year-to-Date

As of 19Q2

Vacancies Ticking Up

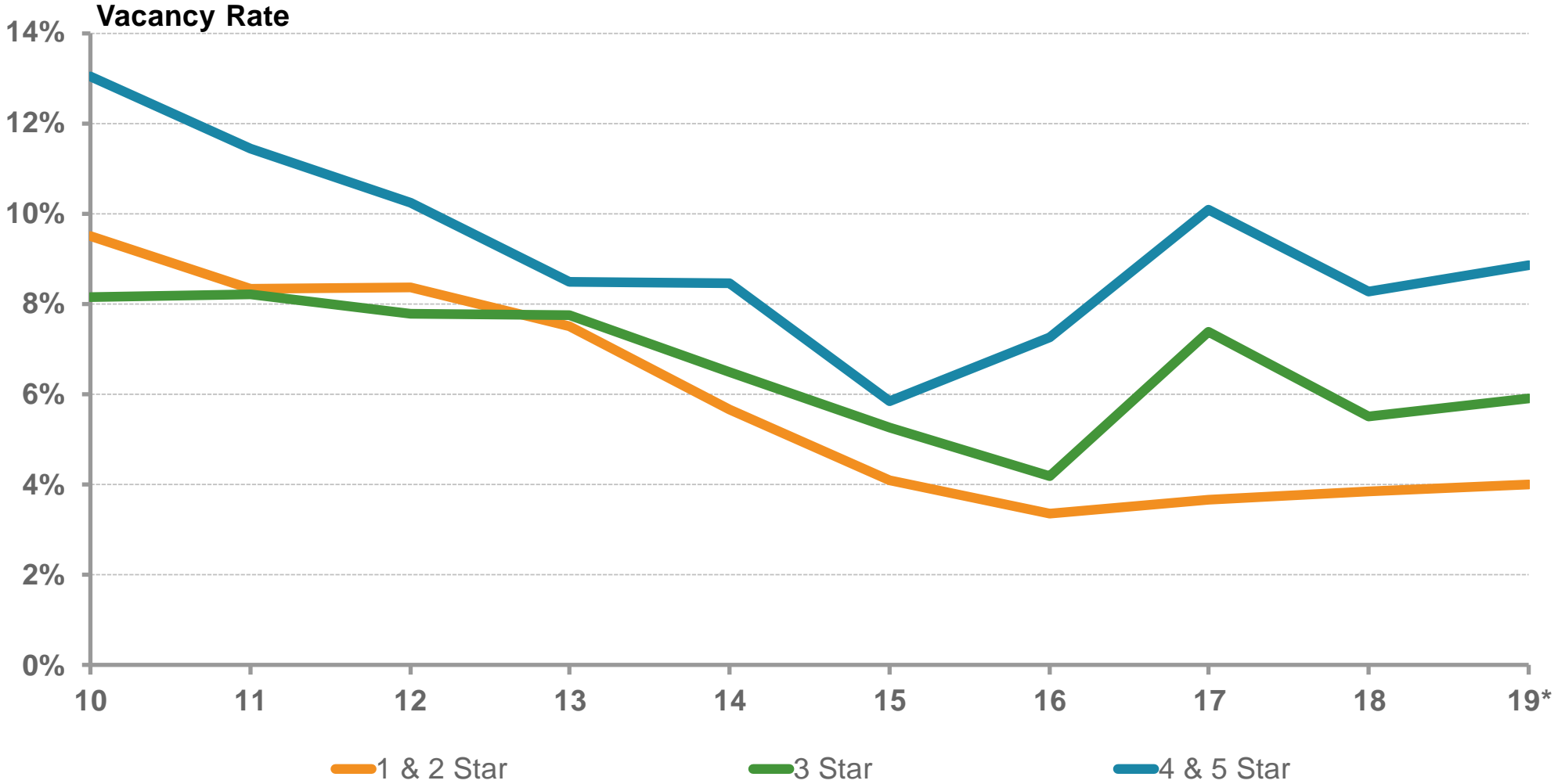


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Source: CoStar
* Year-to-Date

As of 19Q2

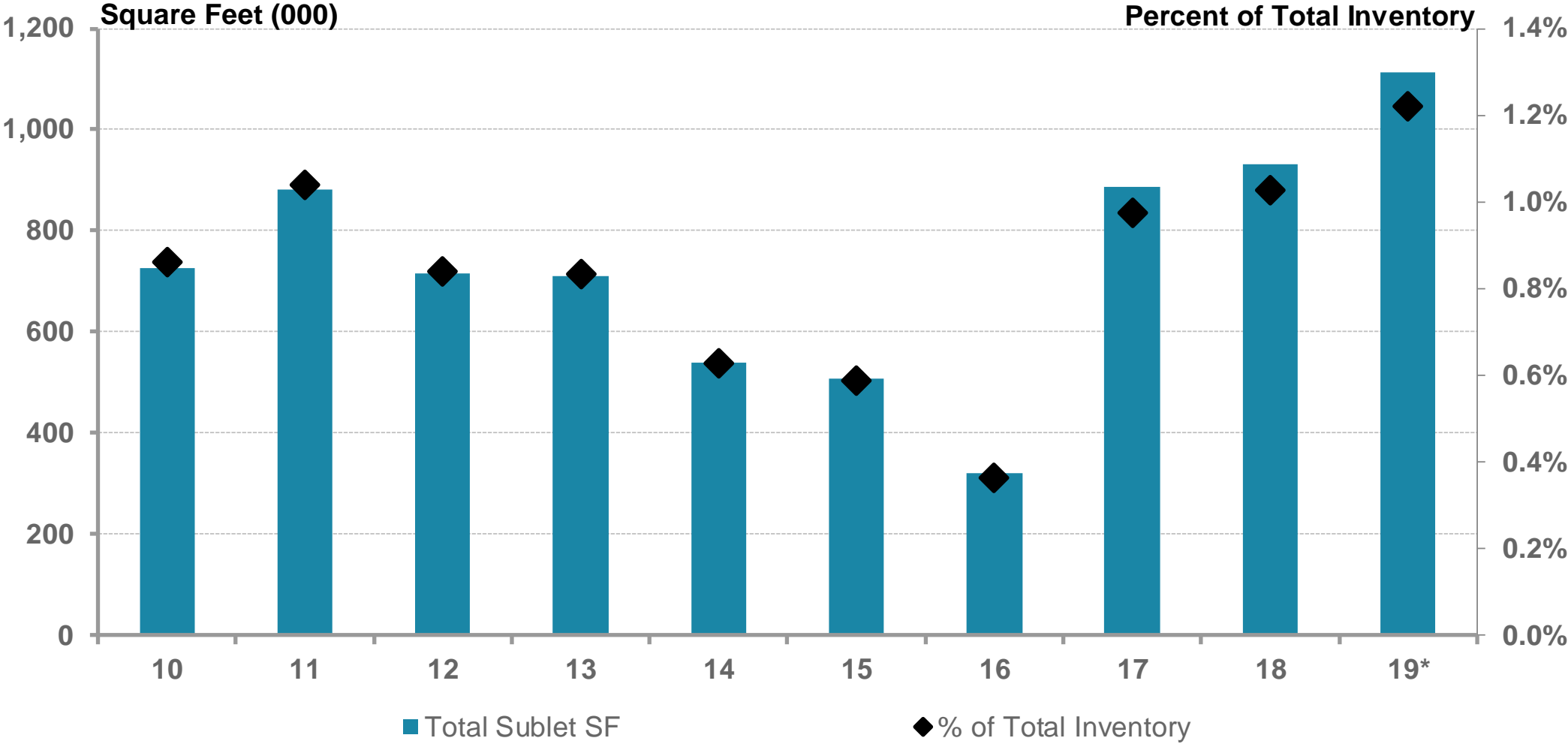
Vacancies Rising Across All Office Cohorts



Source: CoStar
* Year-to-Date

As of 19Q2

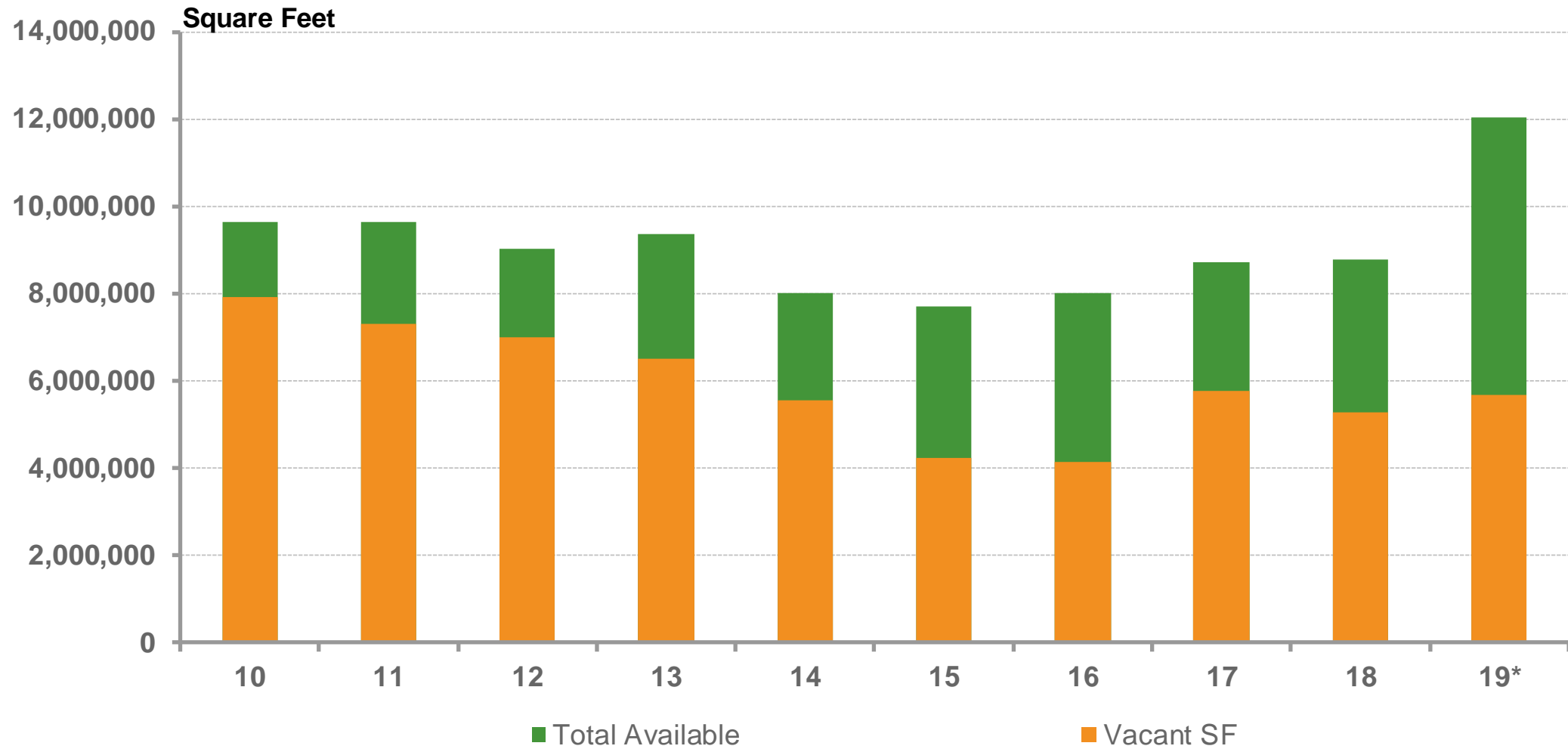
Sublet Space Reaches Cycle Record



Source: CoStar
* As of 19Q1

As of 19Q2

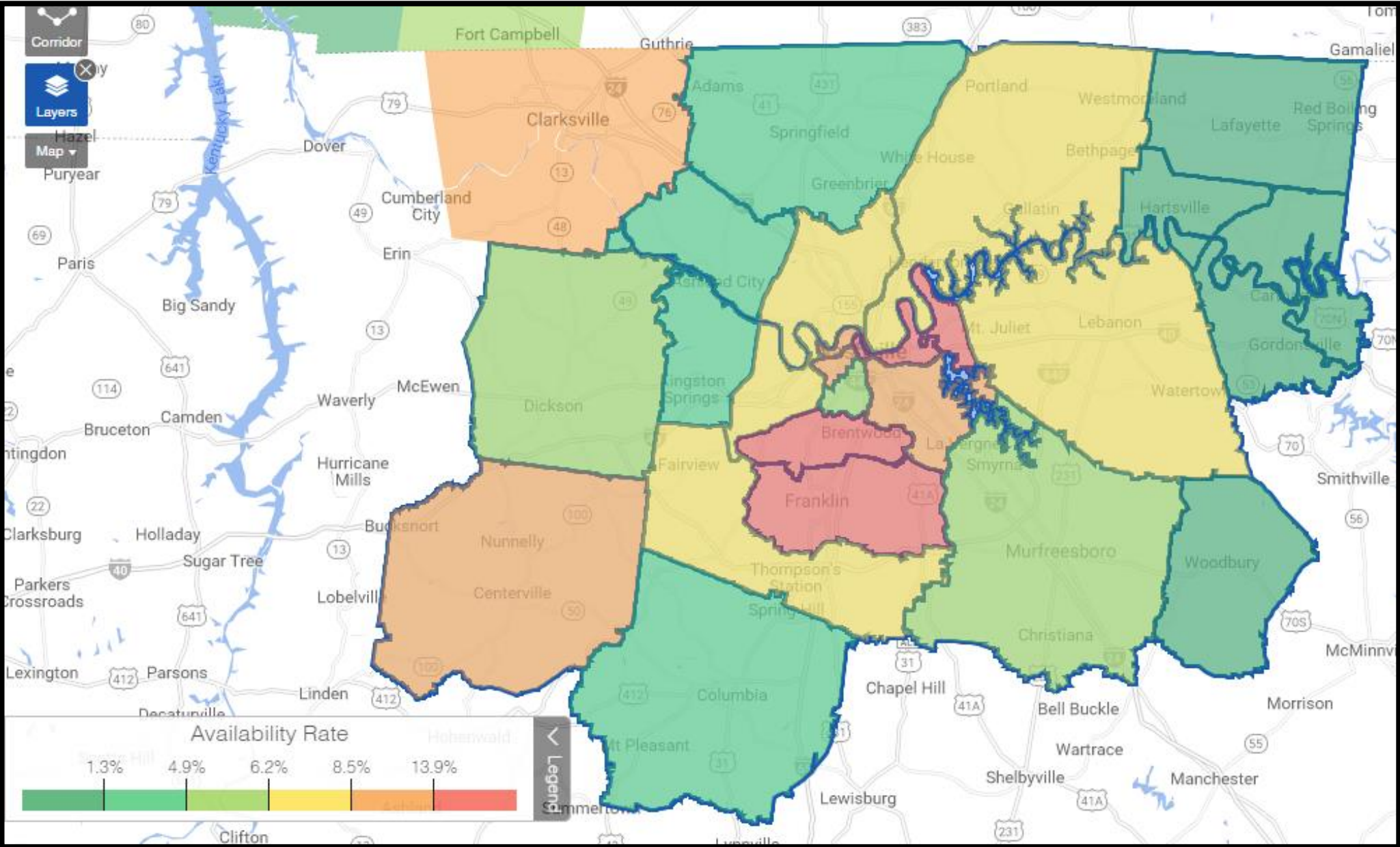
Availabilities Also Highest In Decade



Source: CoStar

As of 19Q2

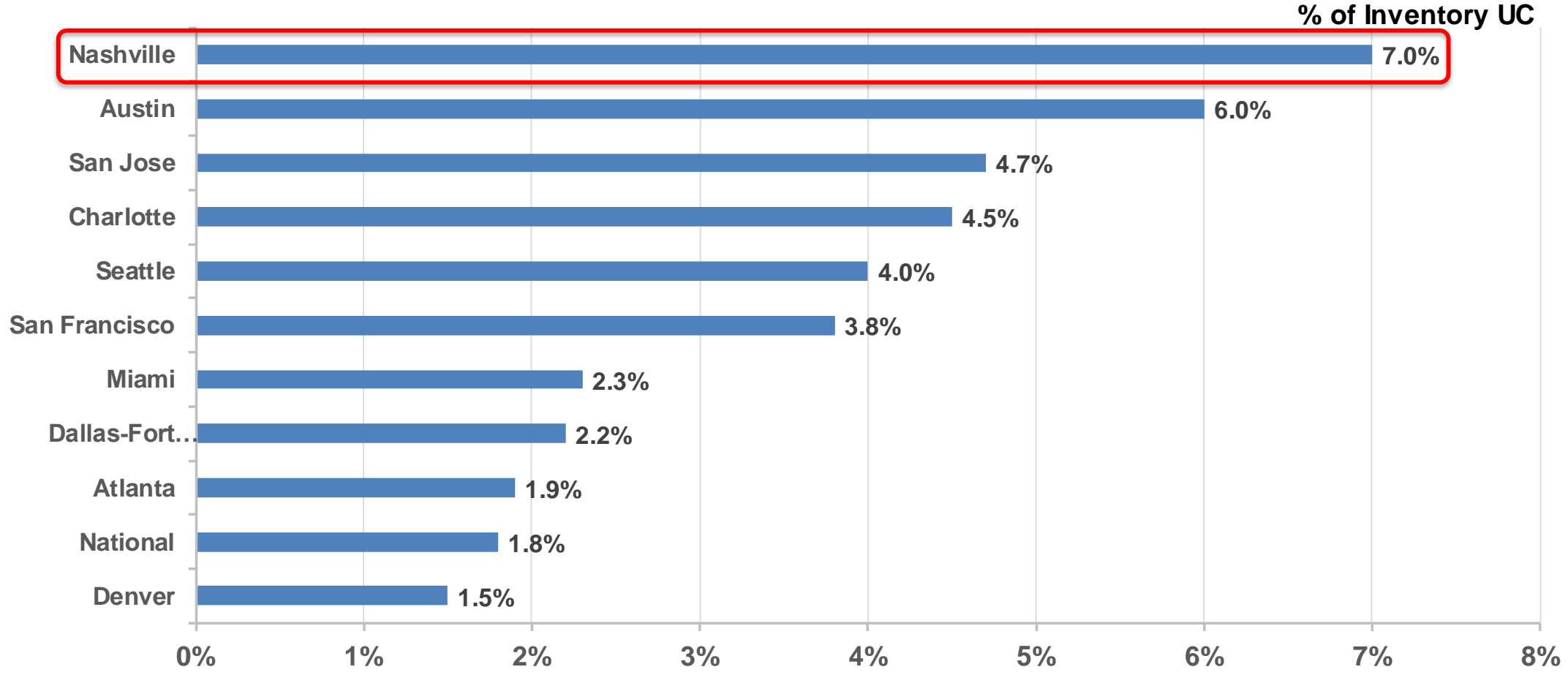
Availabilities Rising In Key Submarkets



Construction



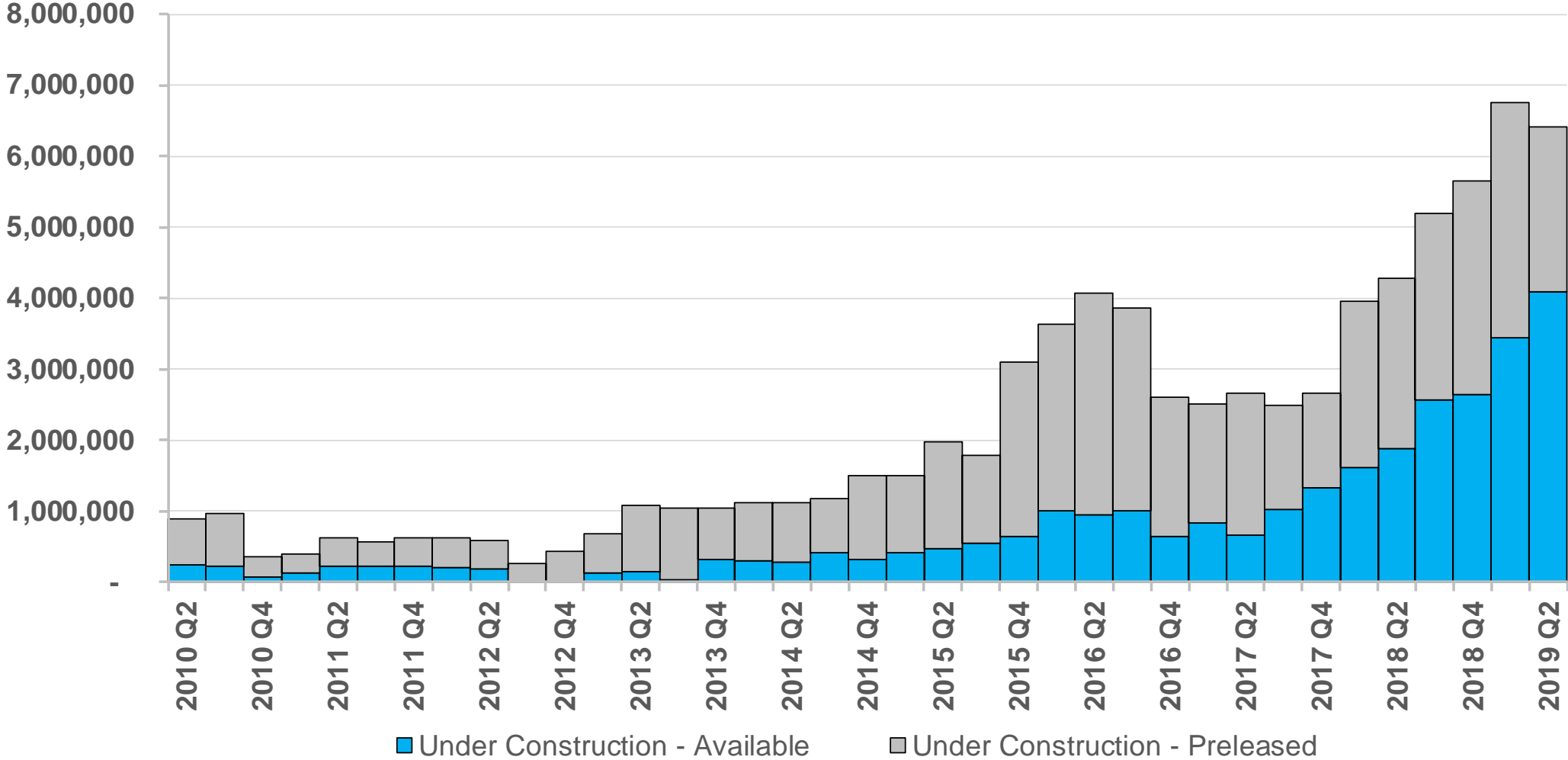
Nashville Expanding Supply At Record Pace



Source: CoStar Market Analytics

As of 19Q2

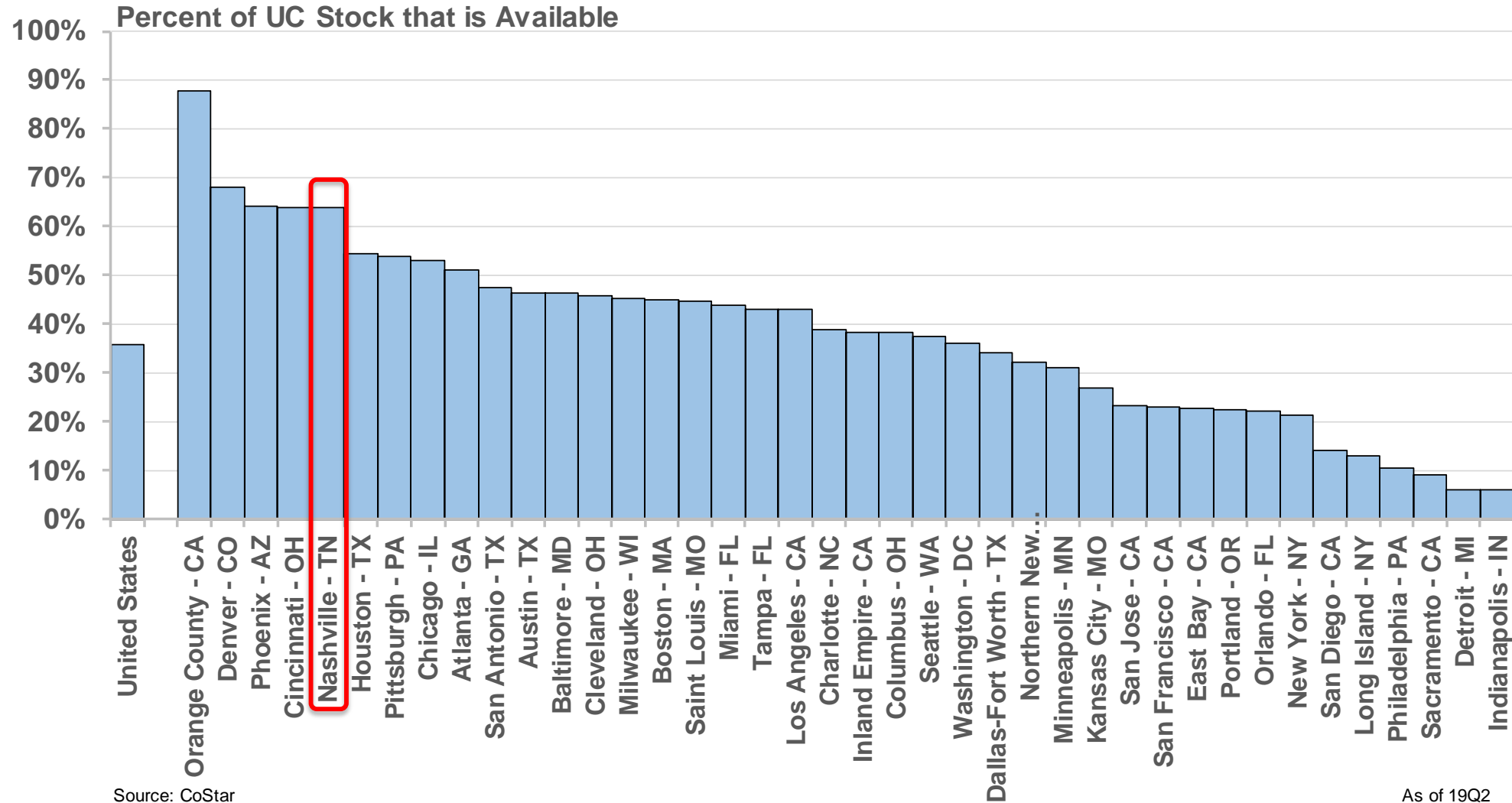
Spec Construction Dominates Pipeline



Source: CoStar

As of 19Q2

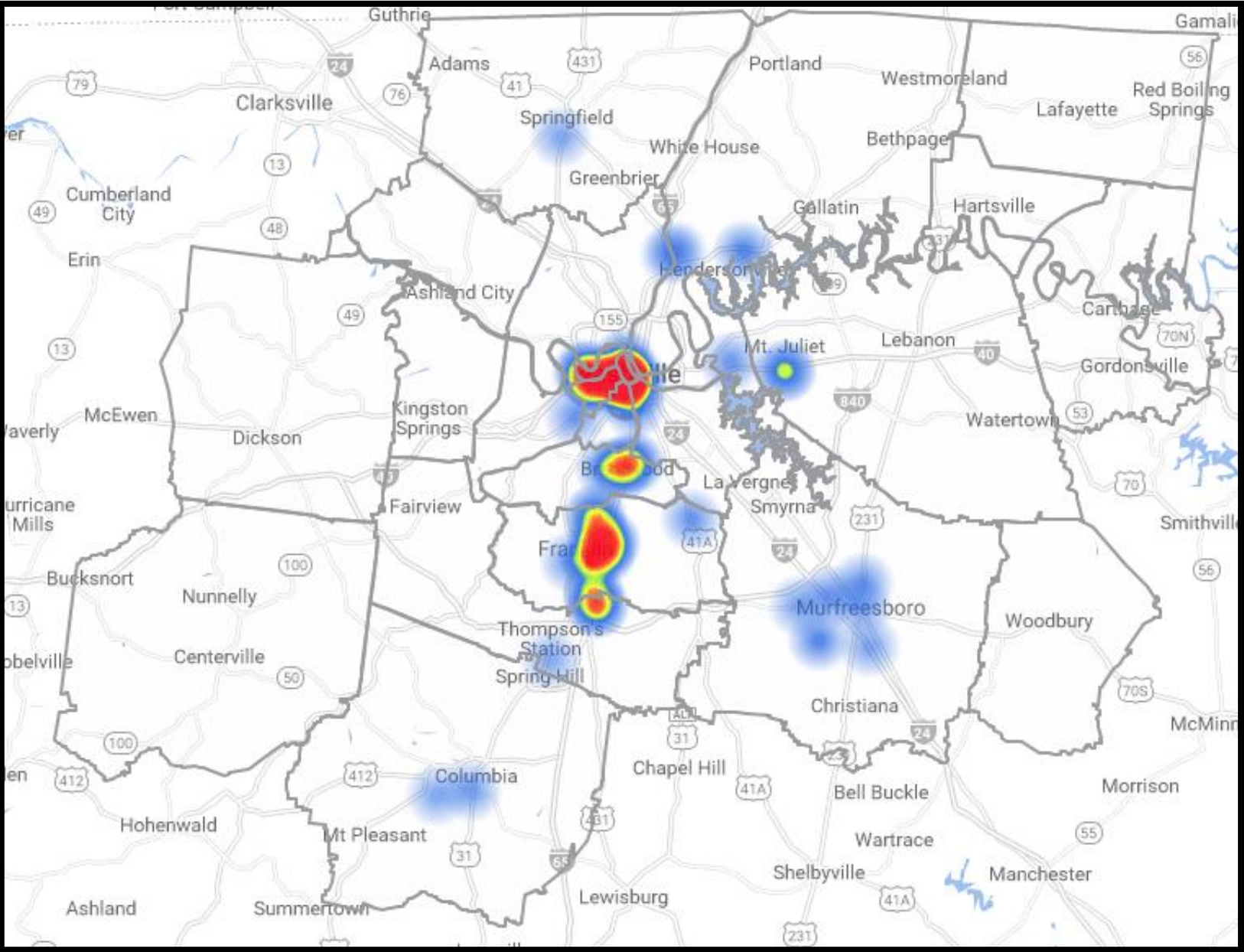
Spec Additions Also Among Highest In Nation



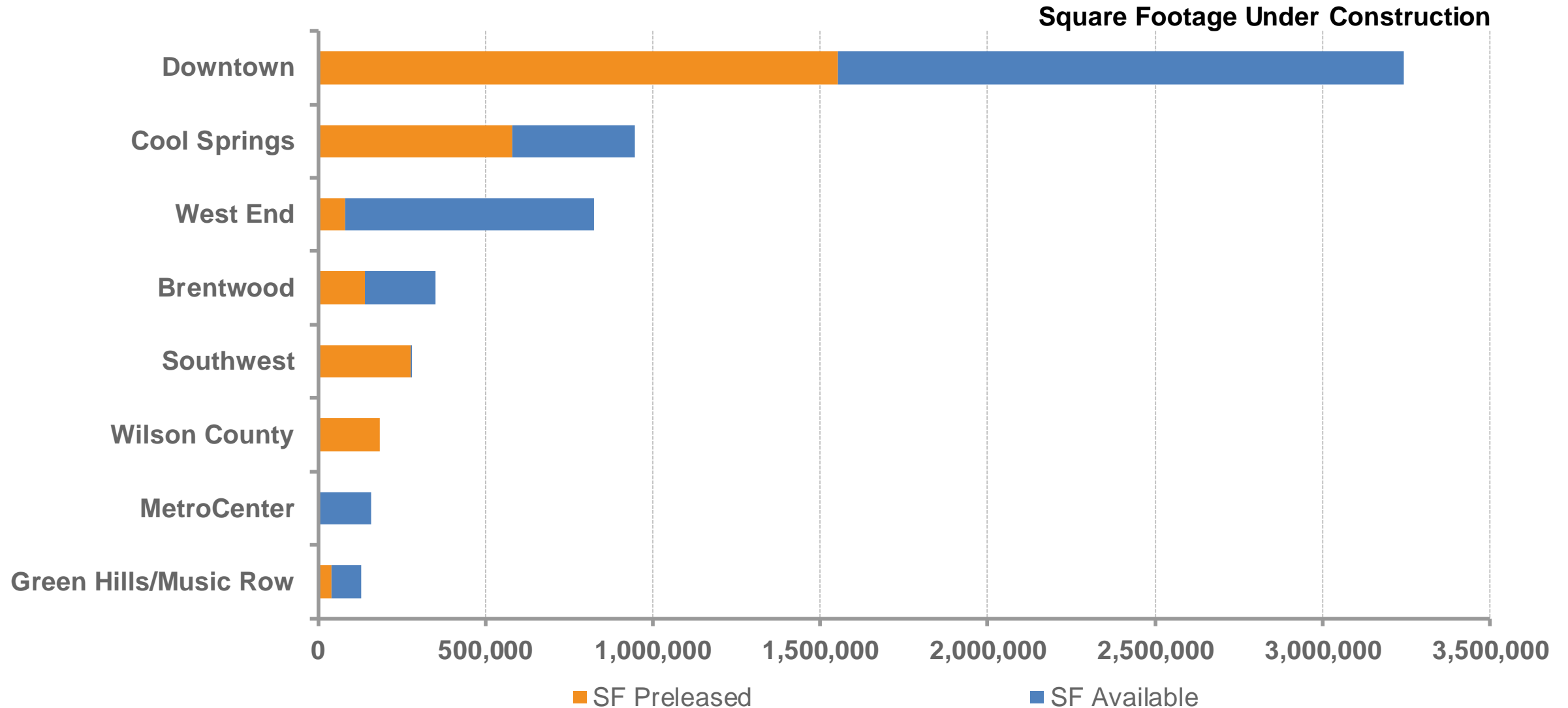
Source: CoStar

As of 19Q2

UC Stock focused along I-65, Downtown



Submarkets With The Most Construction



Source: CoStar

As of 19Q2

Rise In Co-Working Space



Capitol View



Delivered 19Q2

HealthStream: 87,000 SF

WeWork: 65,000 SF

18th & Chet



Delivered 19Q1

EY: 63,000 SF

WeWork: 32,000 SF

Notable Spec Projects Across Urban Core



Gulch Union



- Delivery: 2020
- 330,000 SF
- 100% Available

Broadwest



- Delivery: 2021
- 520,000 SF
- 100% Available

Peabody Plaza

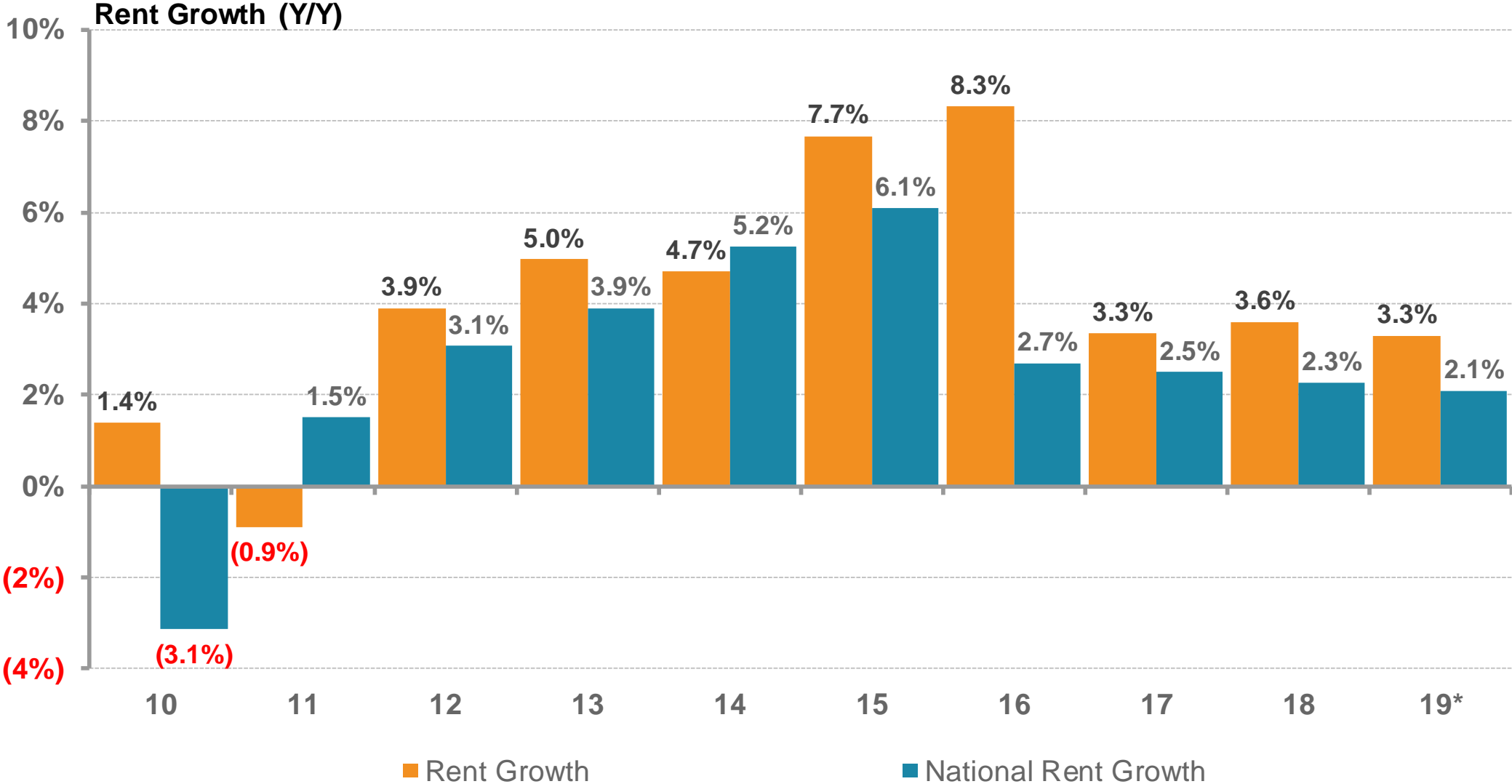


- Delivery: 2020
- 280,000 SF
- 100% Available

Rents

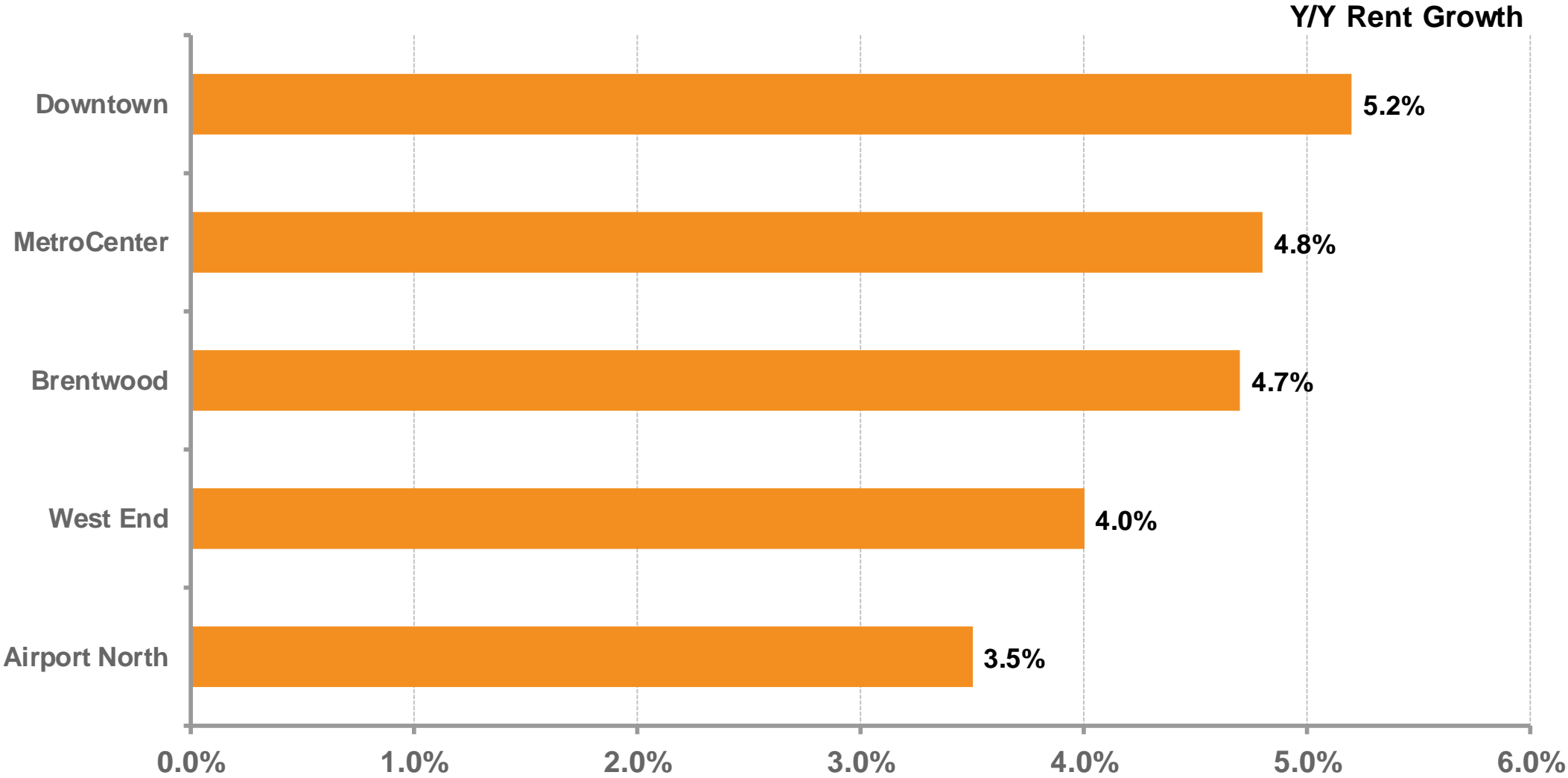


Rent Growth Outperforming Nation



Source: CoStar
* Y/Y as of 19Q1

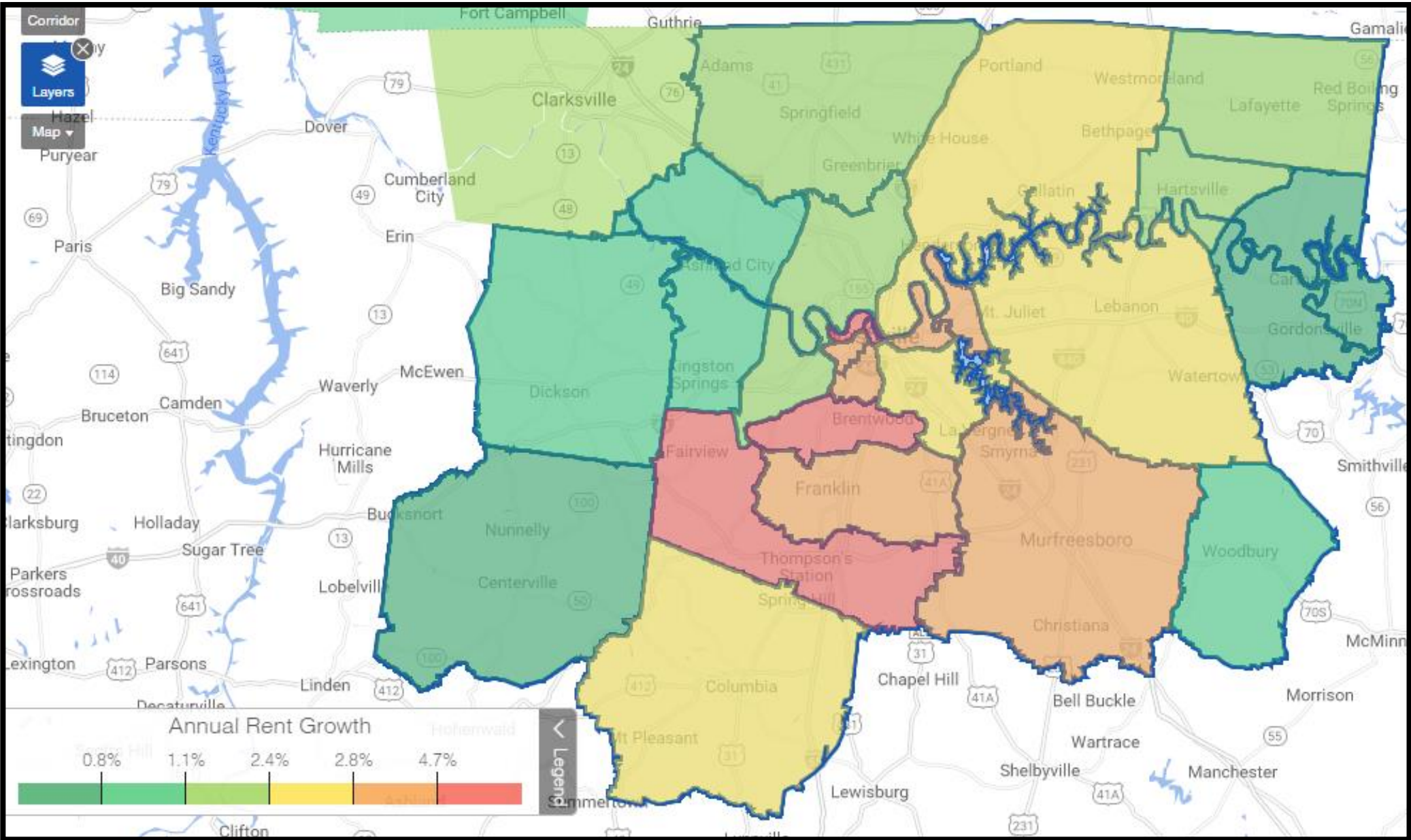
Major Submarkets Still Seeing Strongest Annual Growth



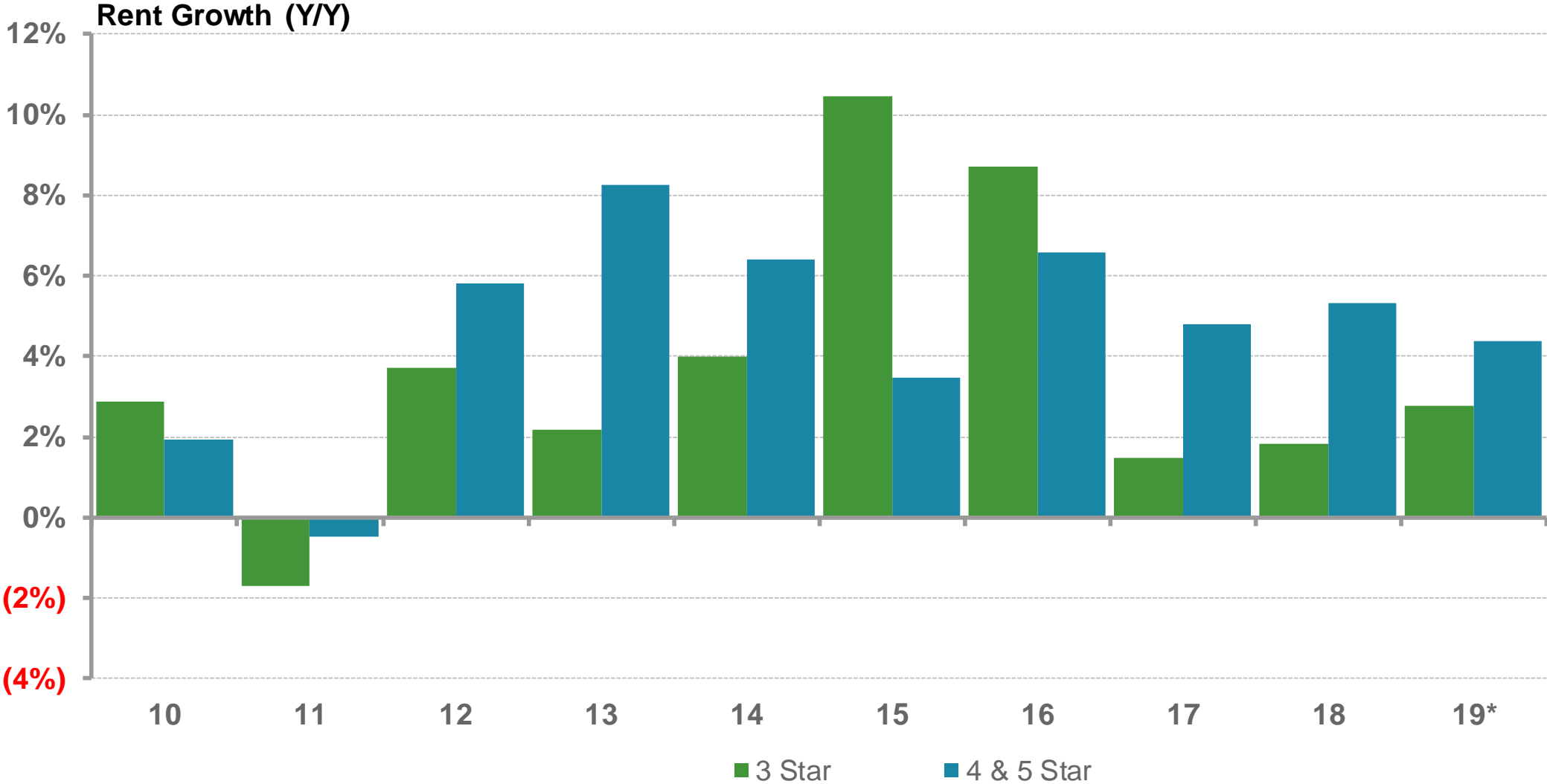
Source: CoStar

End of 19Q1

Rent Growth Across Nashville

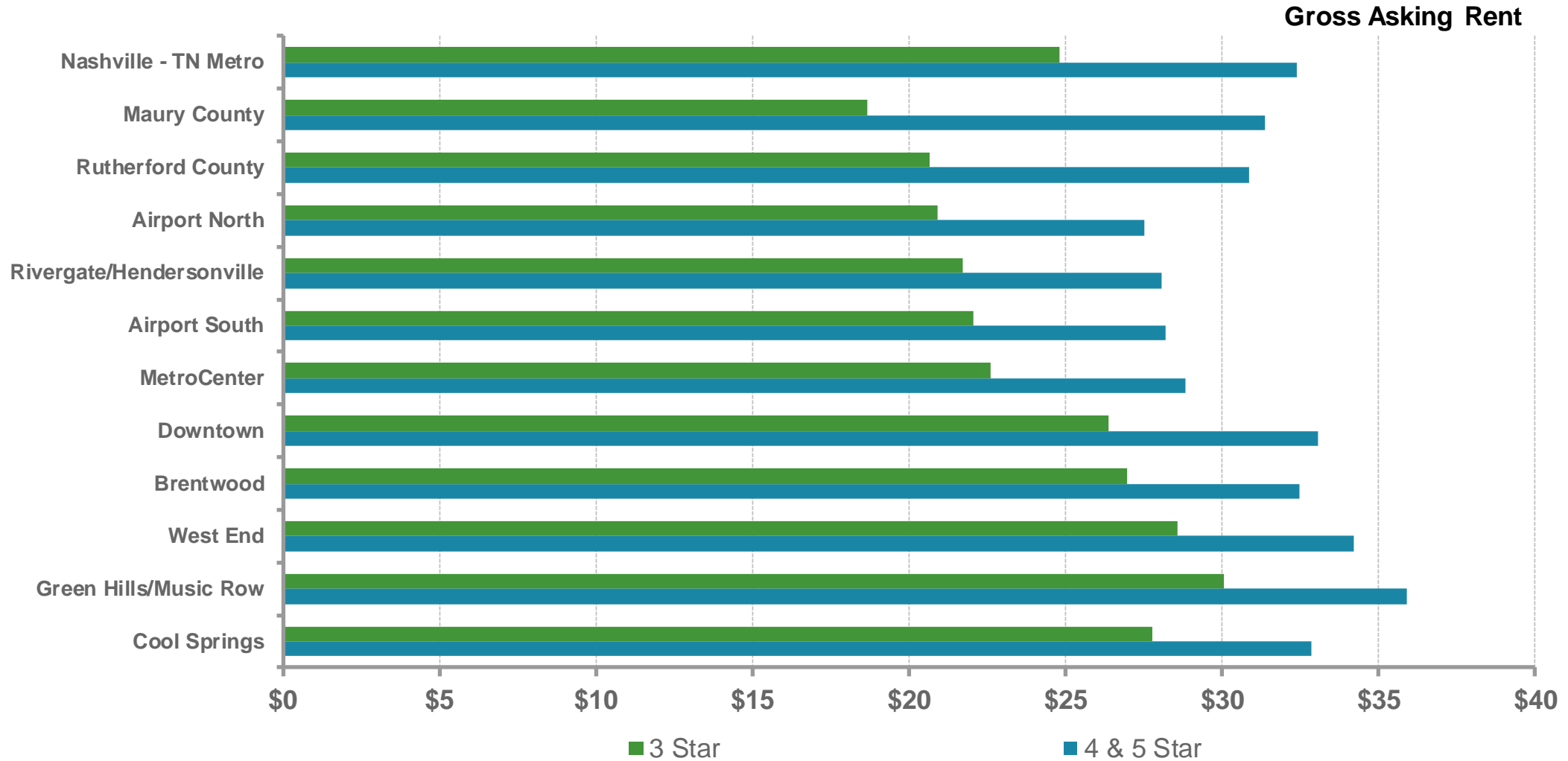


Flight To Quality Driving Class A Rent Growth



Source: CoStar
* Y/Y as of 19Q1

Tightest Rent Spreads In Major Submarkets



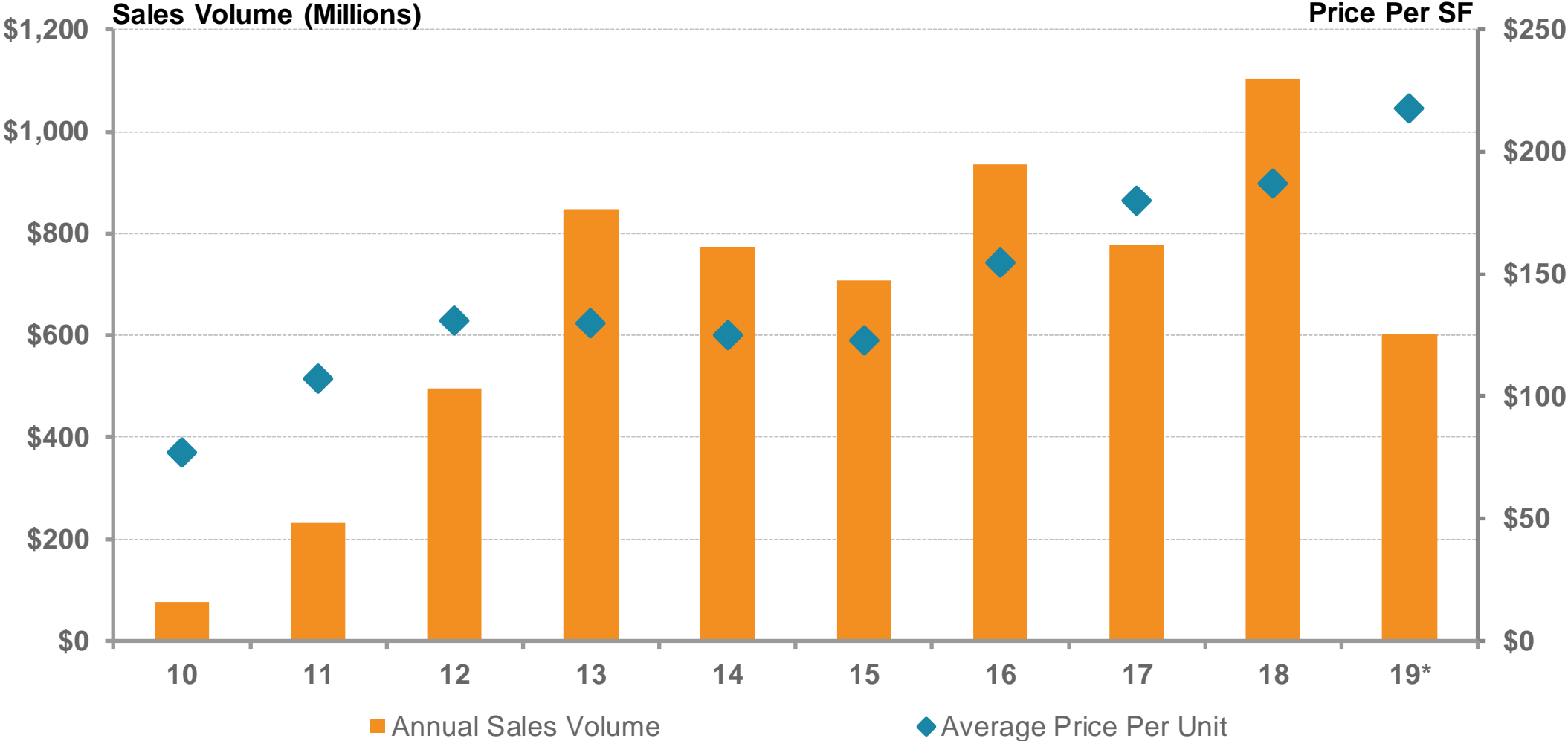
Source: CoStar

End of 19Q1

Investment



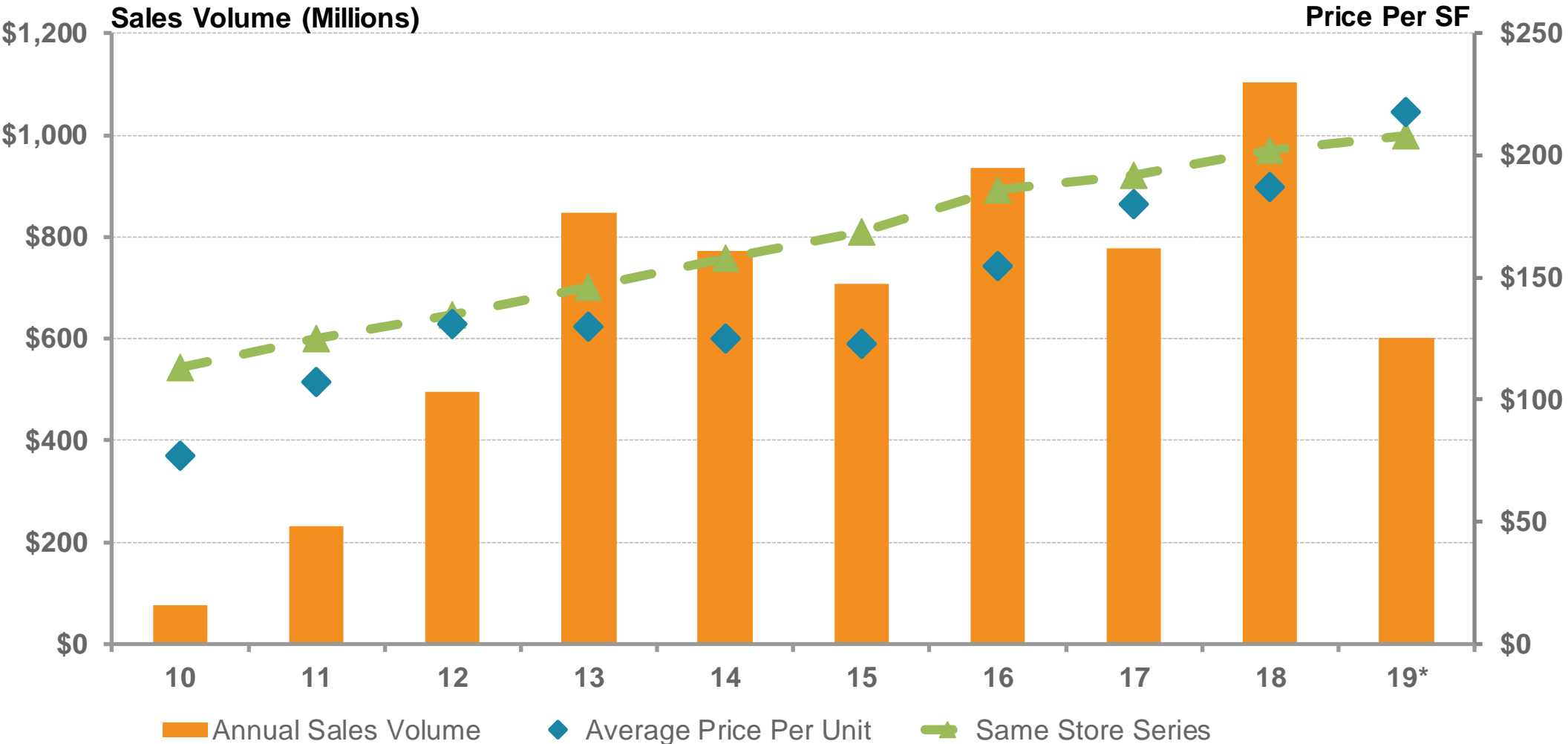
Volume and Pricing Continue To Increase



Source: CoStar
* Year-to-Date

End of 19Q1

Same Store Series Also Increasing



Source: CoStar
* Year-to-Date

End of 19Q1

Downtown Already Set Annual Sales Record



UBS Tower



Philips Plaza



City Center



Suburban Stock Also Seeing Strong Pricing



Highland Ridge I & II (1984)



Sale Price: \$63.6 million (\$186/SF)

Buyer: Innovatus Capital

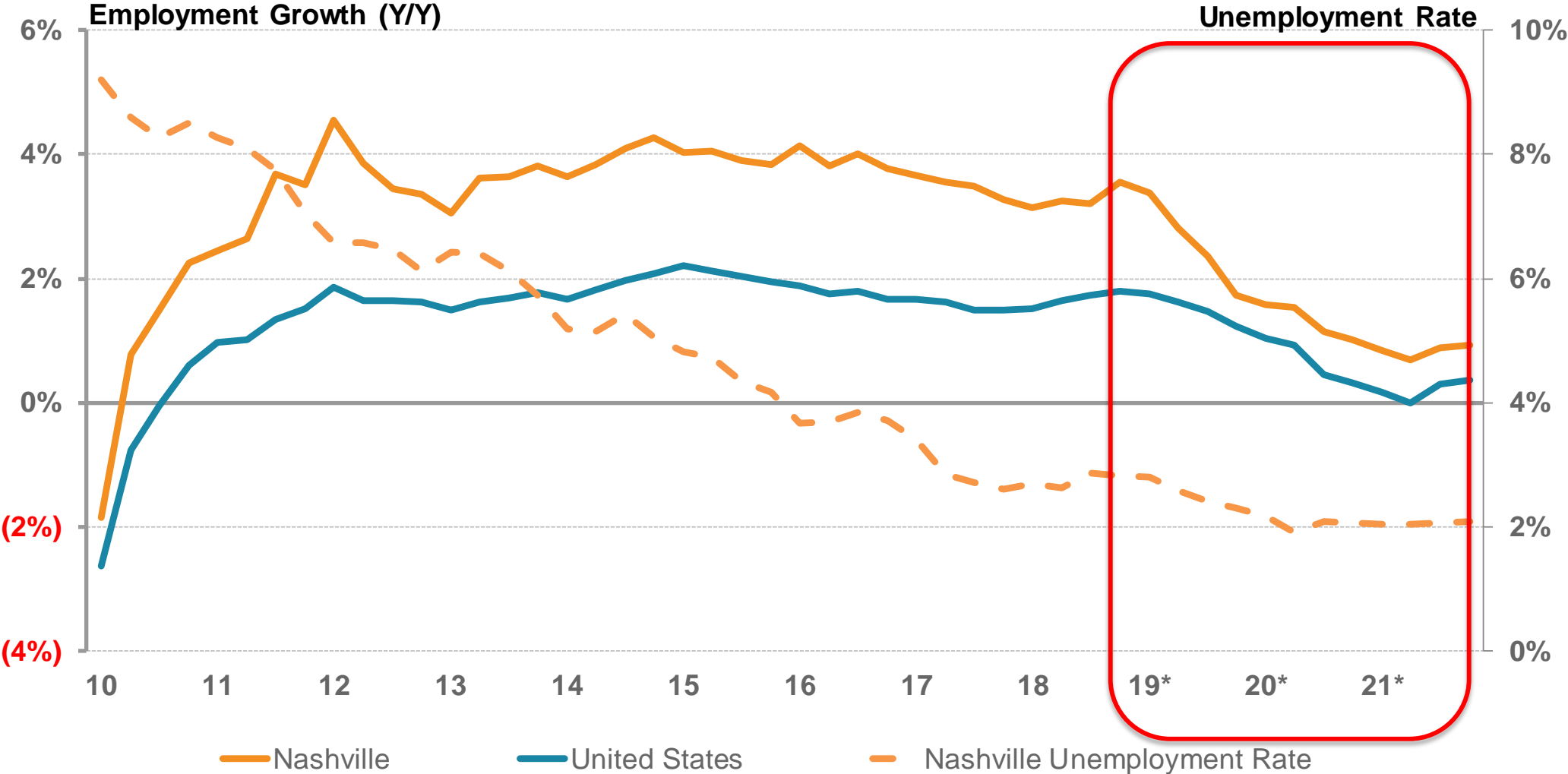
Seller: Smith/Halleman Partners

Occupancy: 97%

Looking Ahead



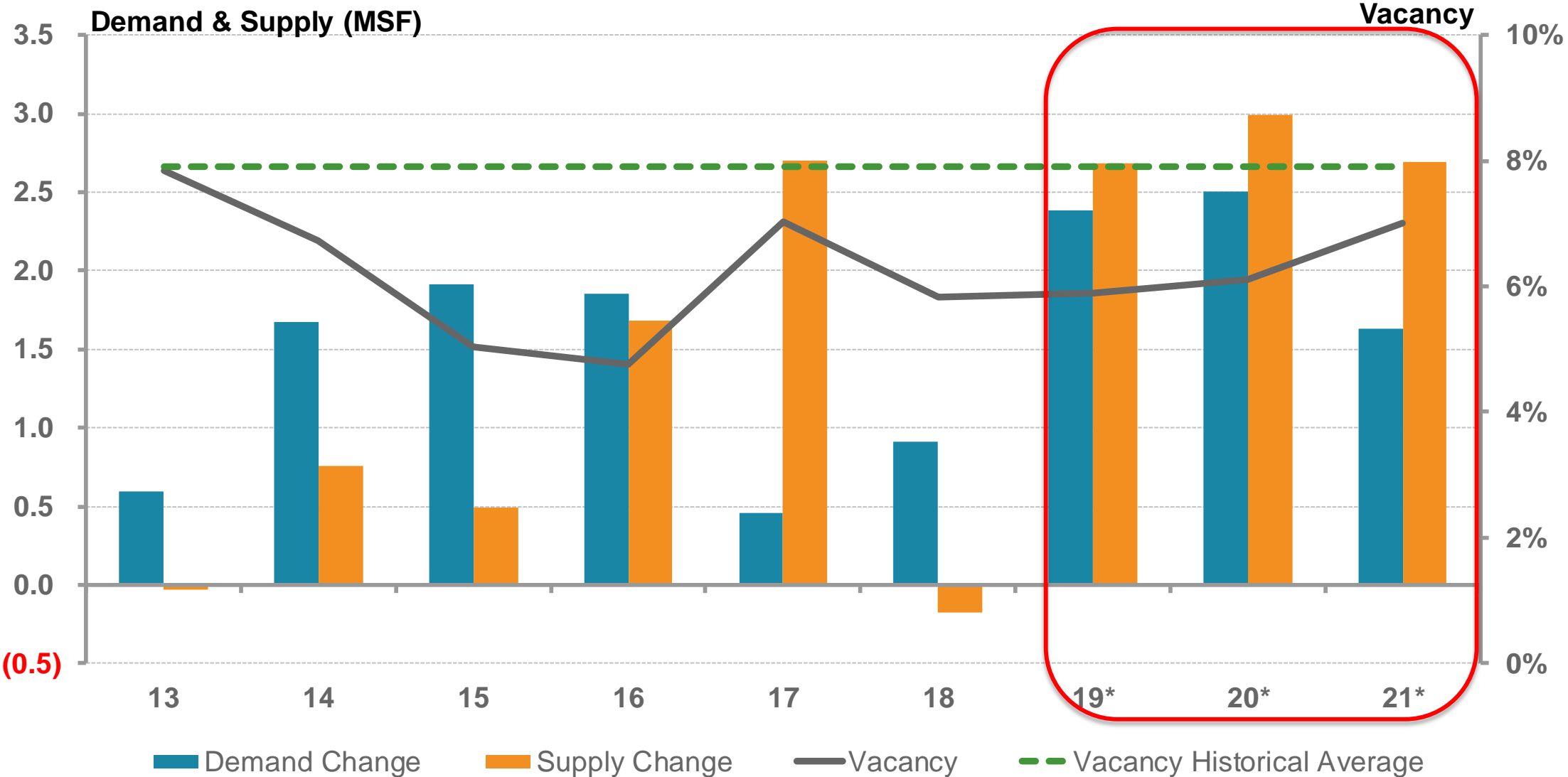
Job Growth Projected* To Slow



Source: Oxford Economics
*Forecasted

As of 19Q2

Vacancies Could Rise

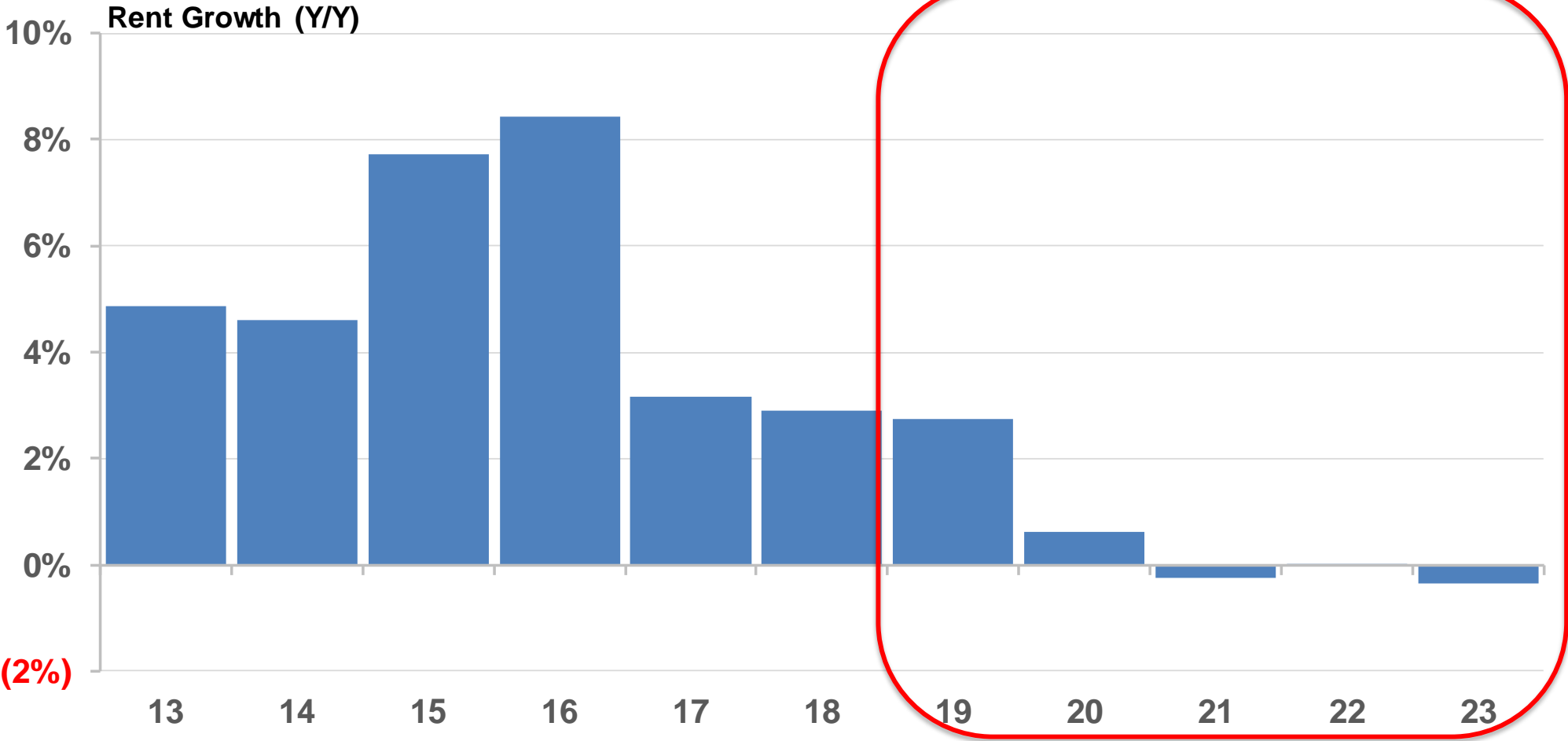


(0.5)

Source: CoStar
* Year-to-Date

End of 19Q1

Rent Growth Flattens Out In The Forecast



(2%)

Source: CoStar Market Analytics

As of 19Q1

Summary

- **Local economy still very strong**
- **Large amount of speculative supply delivering over next few years**
- **Strong demand drivers should keep office absorption stable**
- **Rent growth slowing, but stronger than national average**
- **Institutional investors continue to be attracted to the metro**



Questions?



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