



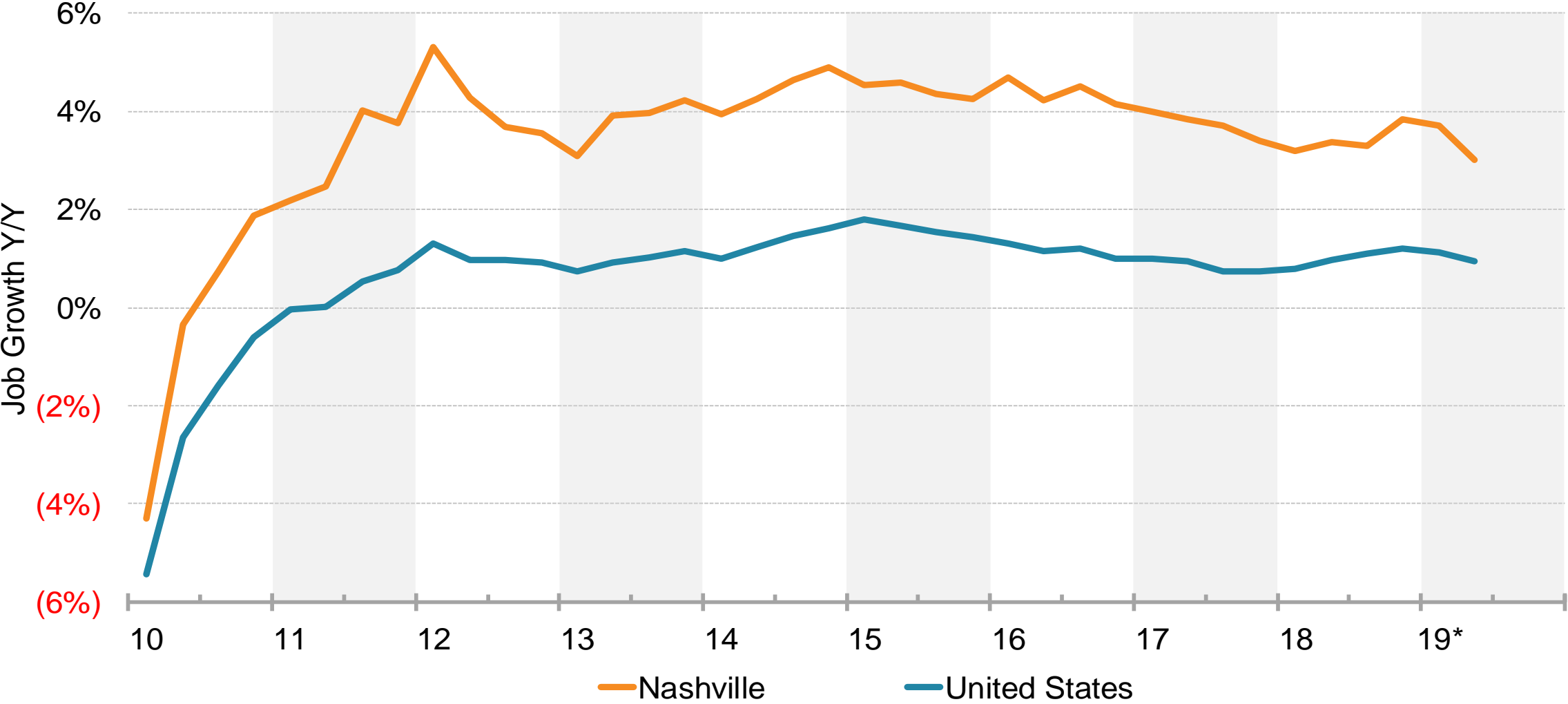
Nashville Market Update – Office 19Q3

Alexander Tkac – Market Analyst

Economy

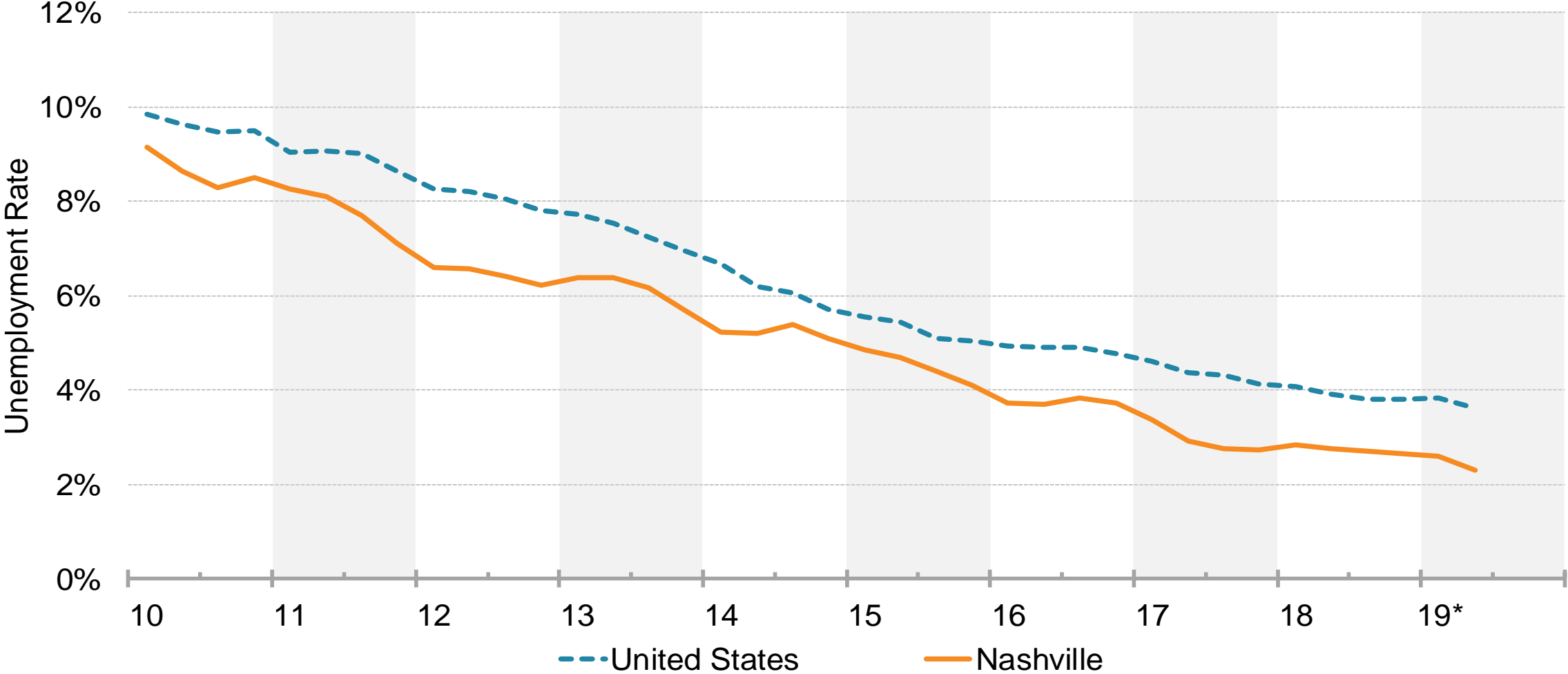


Economy Continues To Outperform Nation



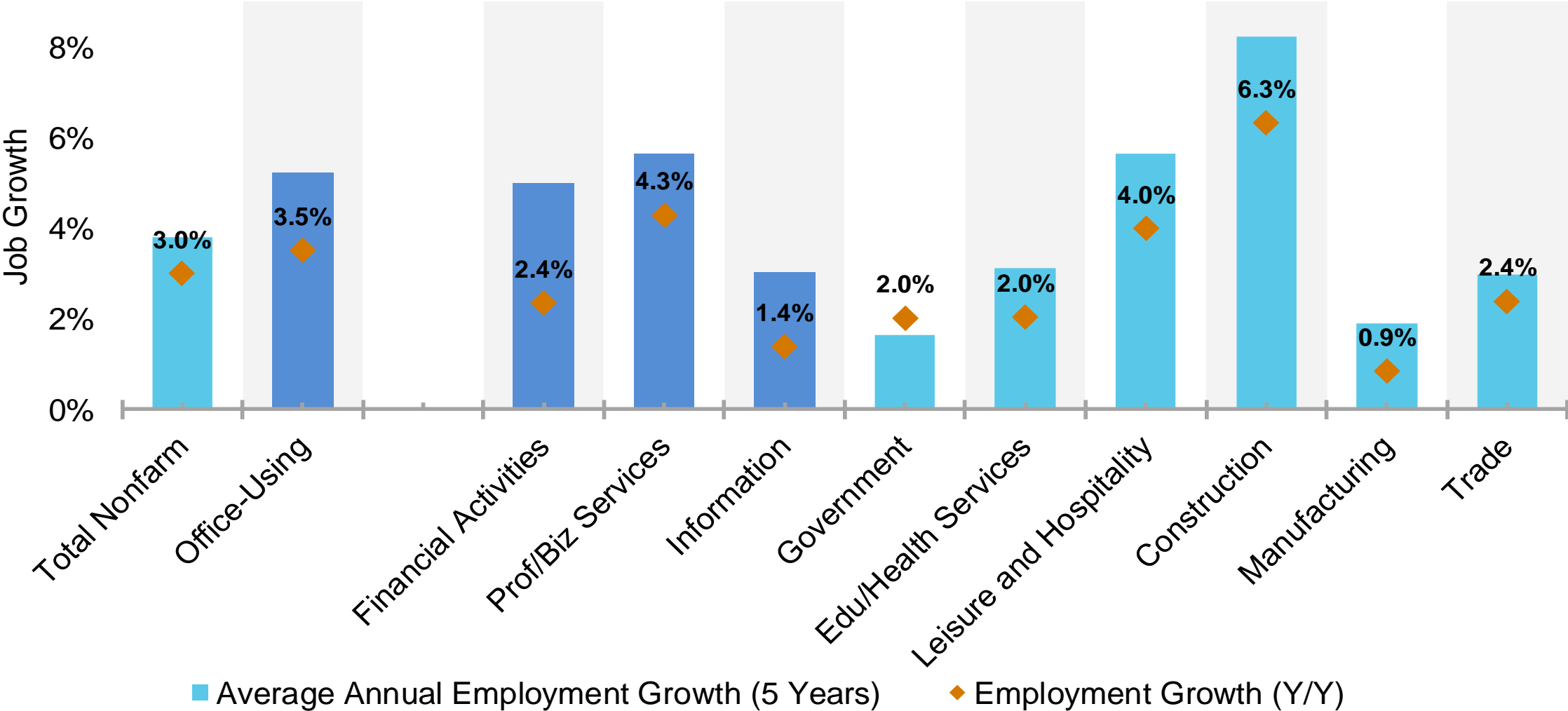
Source: CoStar, Oxford Economics
* Year-to-Date

Unemployment Trending Lower



Source: Oxford Economics
* Year-to-Date

Office Employment Slowing, But Still Strong

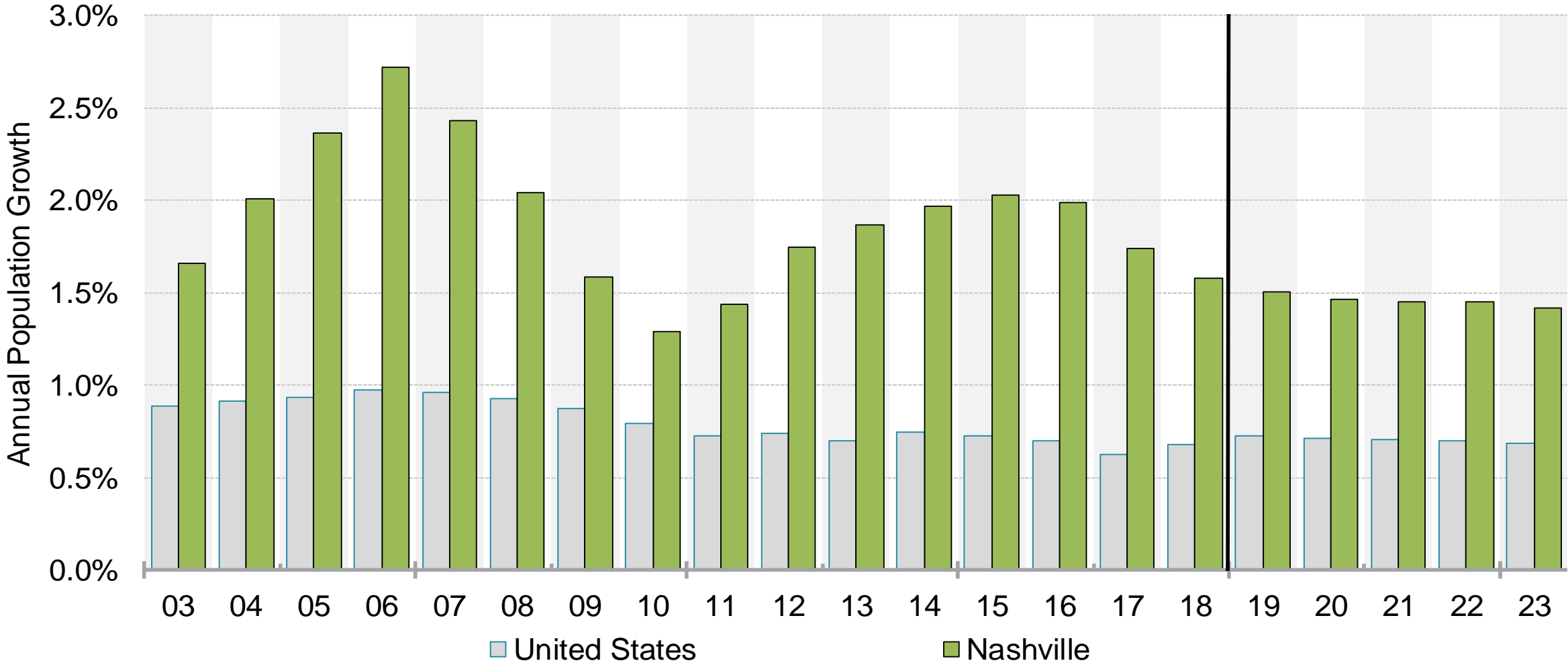


Source: Oxford Economics

As of 19Q3

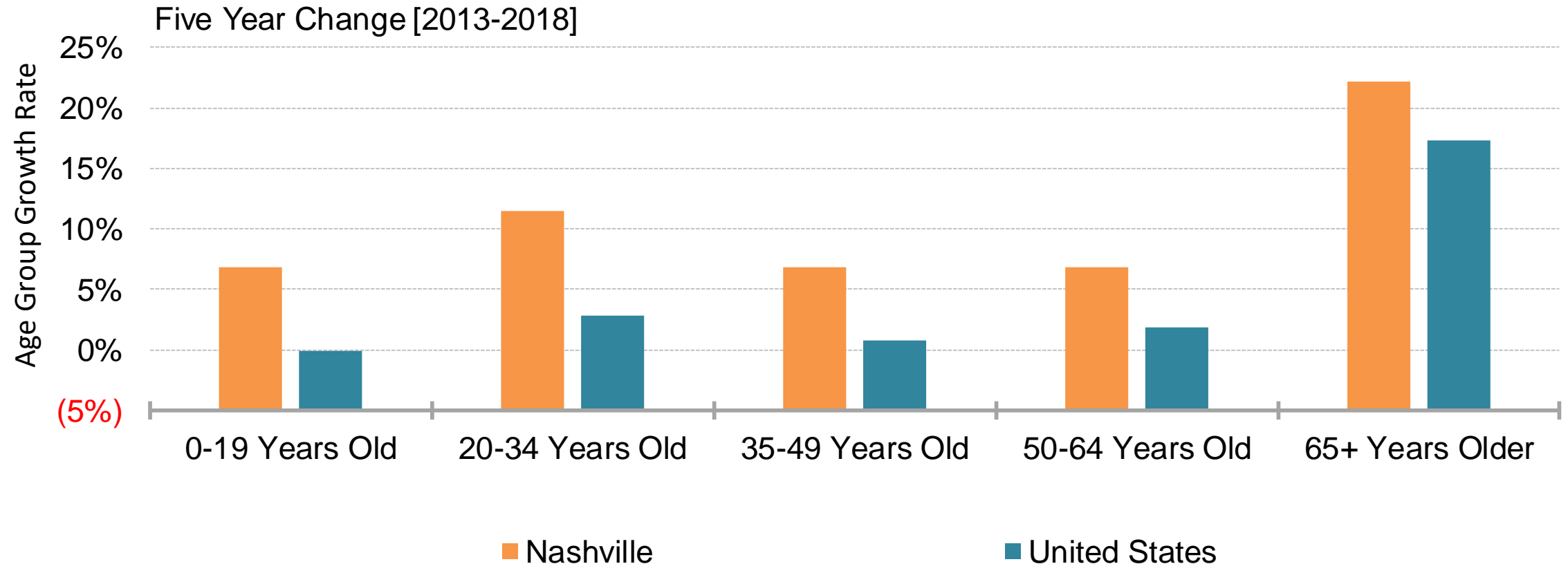


Population Growth Outperforming National Avg



Source: Oxford Economics
* Year-to-Date







All Cohorts Experiencing Strong Growth



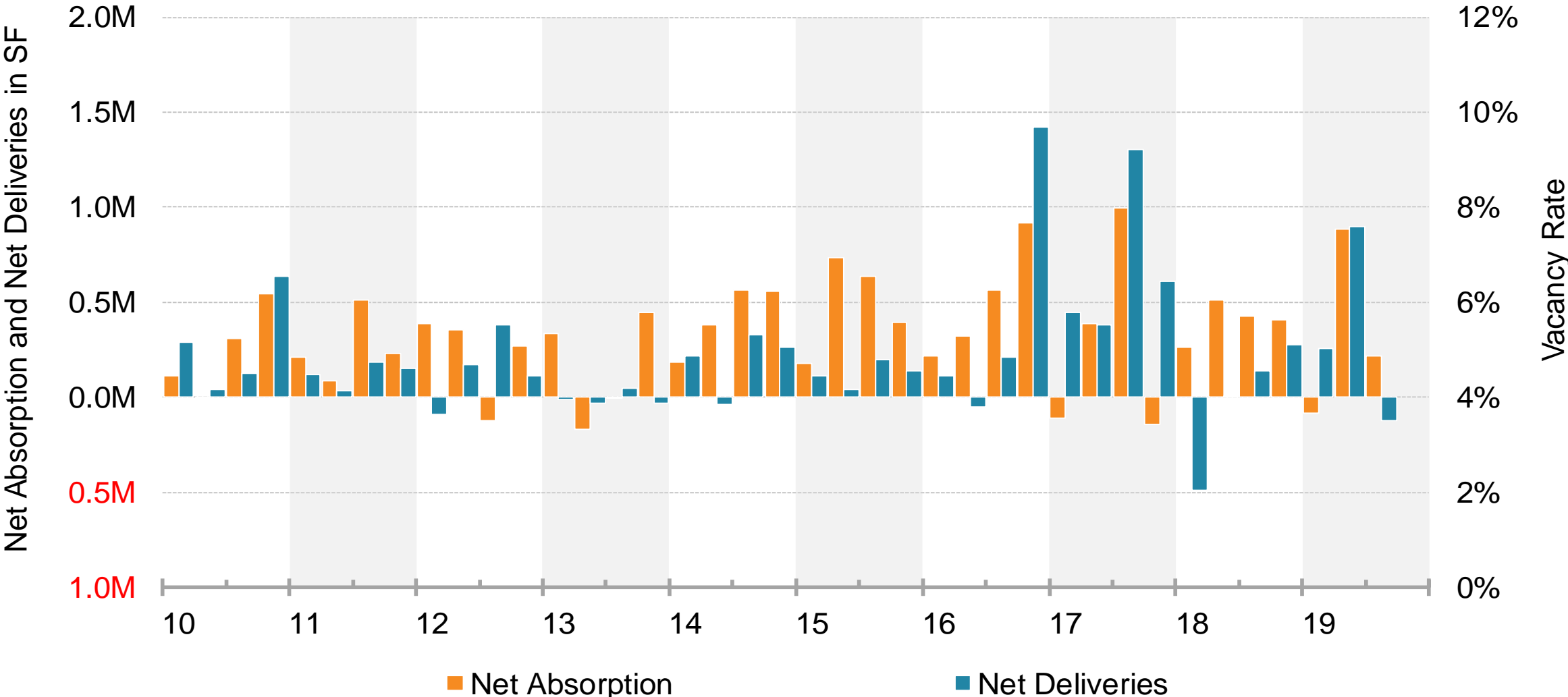
Source: U.S. Census Bureau

Fundamentals



	19Q2	19Q3*	
Vacancy	6.1%	5.9%	
Net Absorption	885,000 SF	175,000 SF	
Annual Rent Growth	4.4%	3.3%	
Deliveries	900,000 SF	36,000 SF	
Under Construction	5.8m SF	7.1m SF	
Sales	\$202/SF	\$199/SF	

Base Case Forecast: Supply, Demand and Vacancy

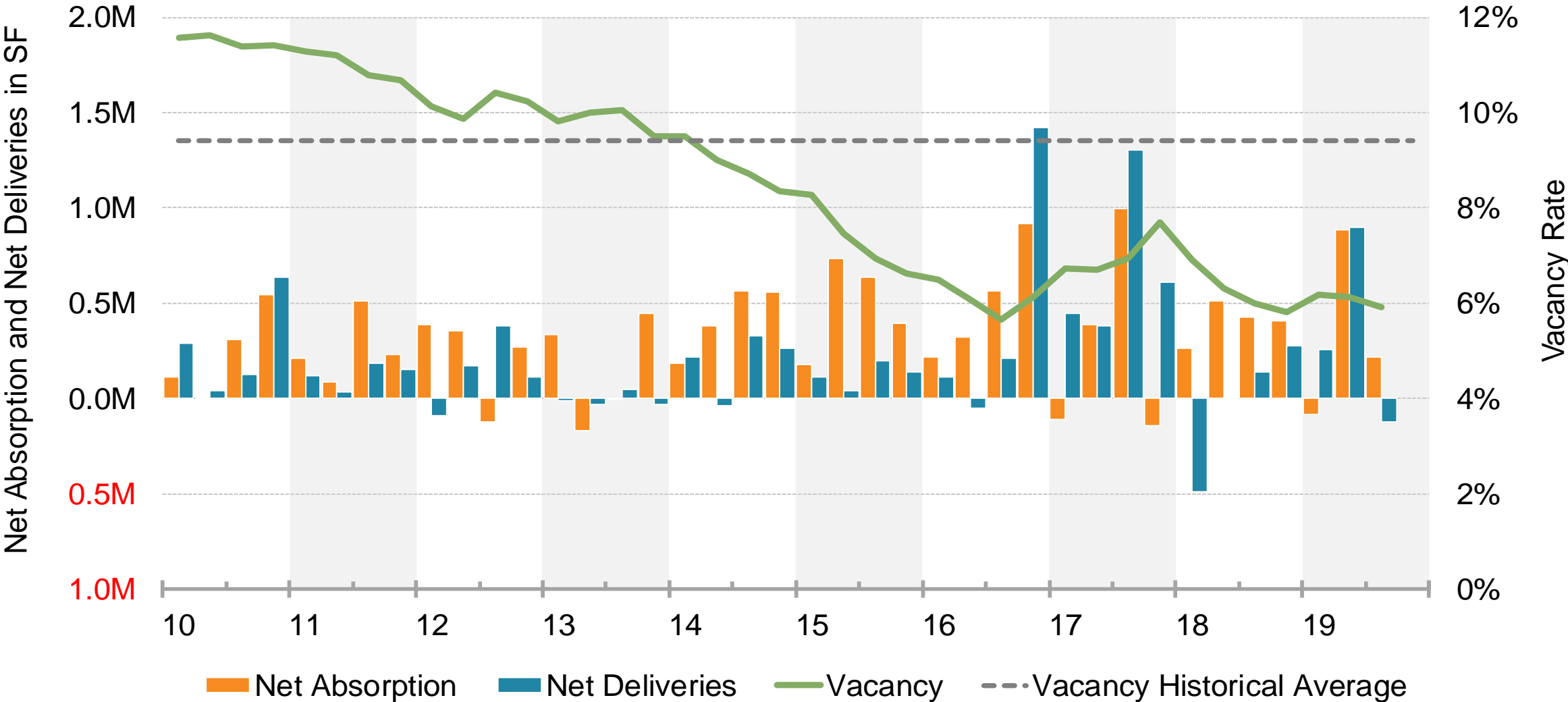


Source: CoStar

End of 19Q2



Base Case Forecast: Supply, Demand and Vacancy

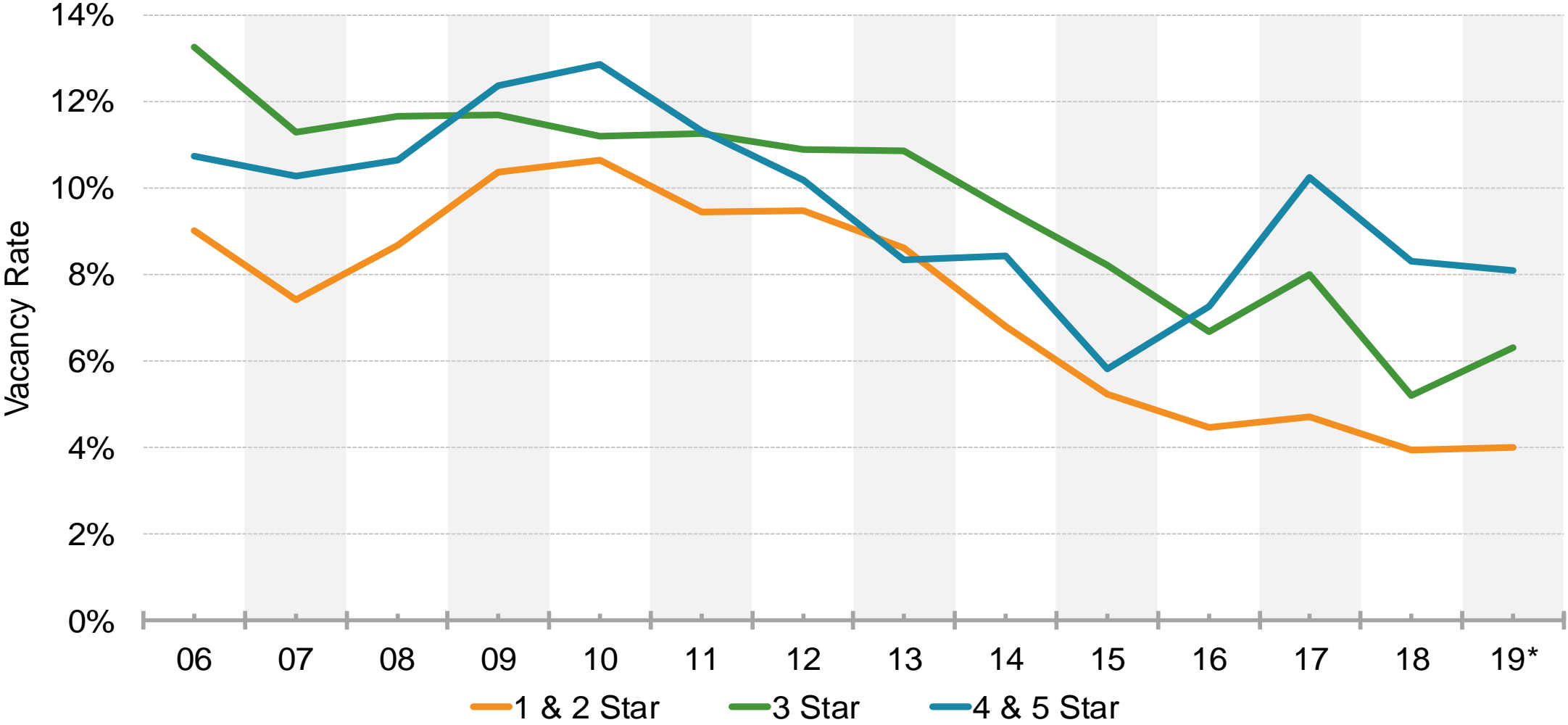


Source: CoStar

End of 19Q2



Office Vacancy By Star Rating

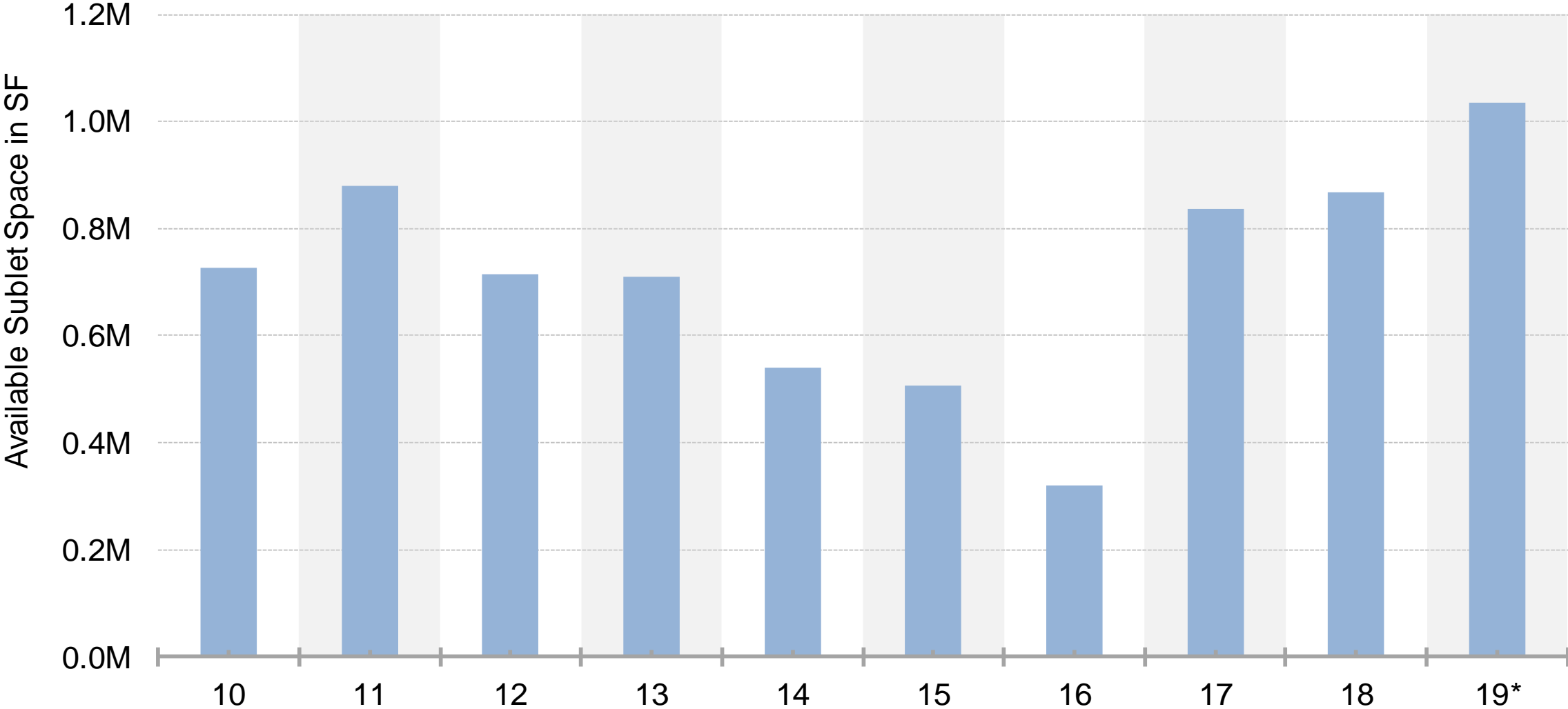


Source: CoStar
* Year-to-Date

As of 19Q3



Sublet Space Reaches New High



Source: CoStar
* As of 19Q2

Recent Leases

Gibson Guitars: 40,000 SF



Peabody Plaza

Concord Music: 60,000 SF



Broadwest

FirstService Bancshares: Over 20,000 SF



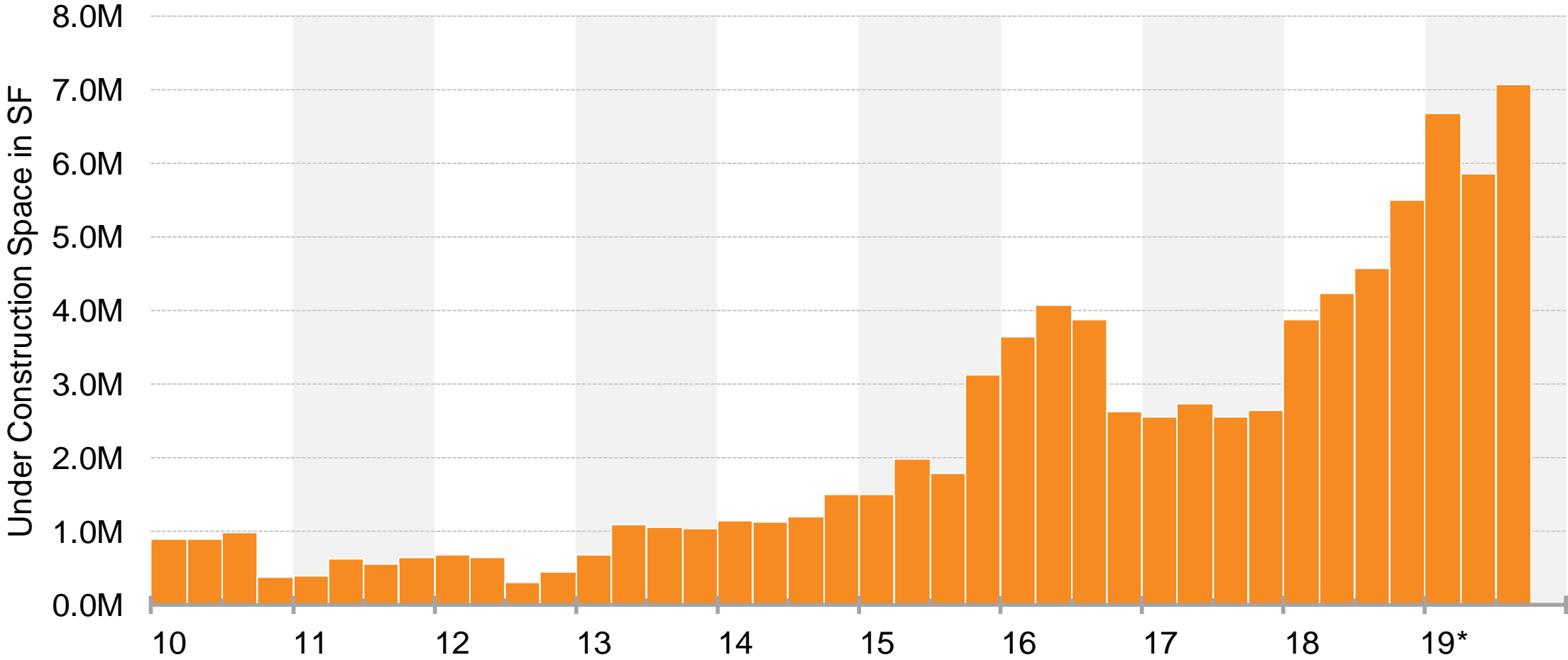
Nashville Yards
Amazon: 1 million SF+



Construction



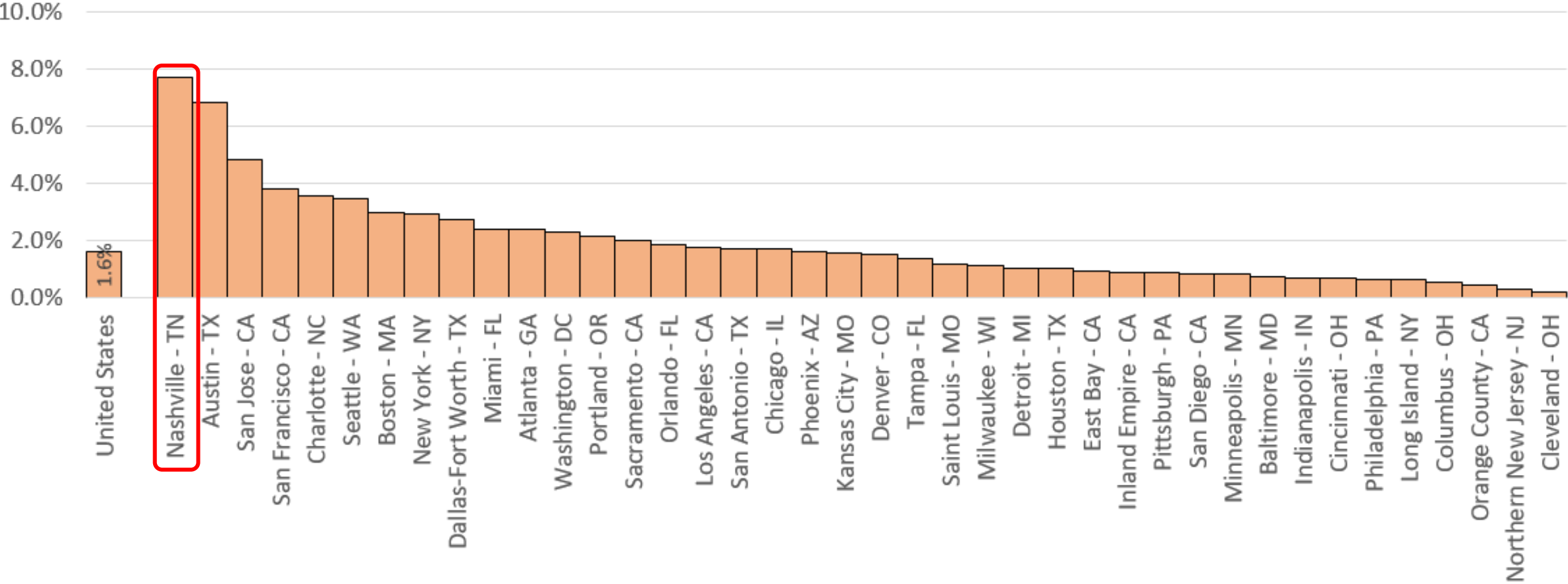
Construction Continues To Rise



Source: CoStar
* Through 19Q2

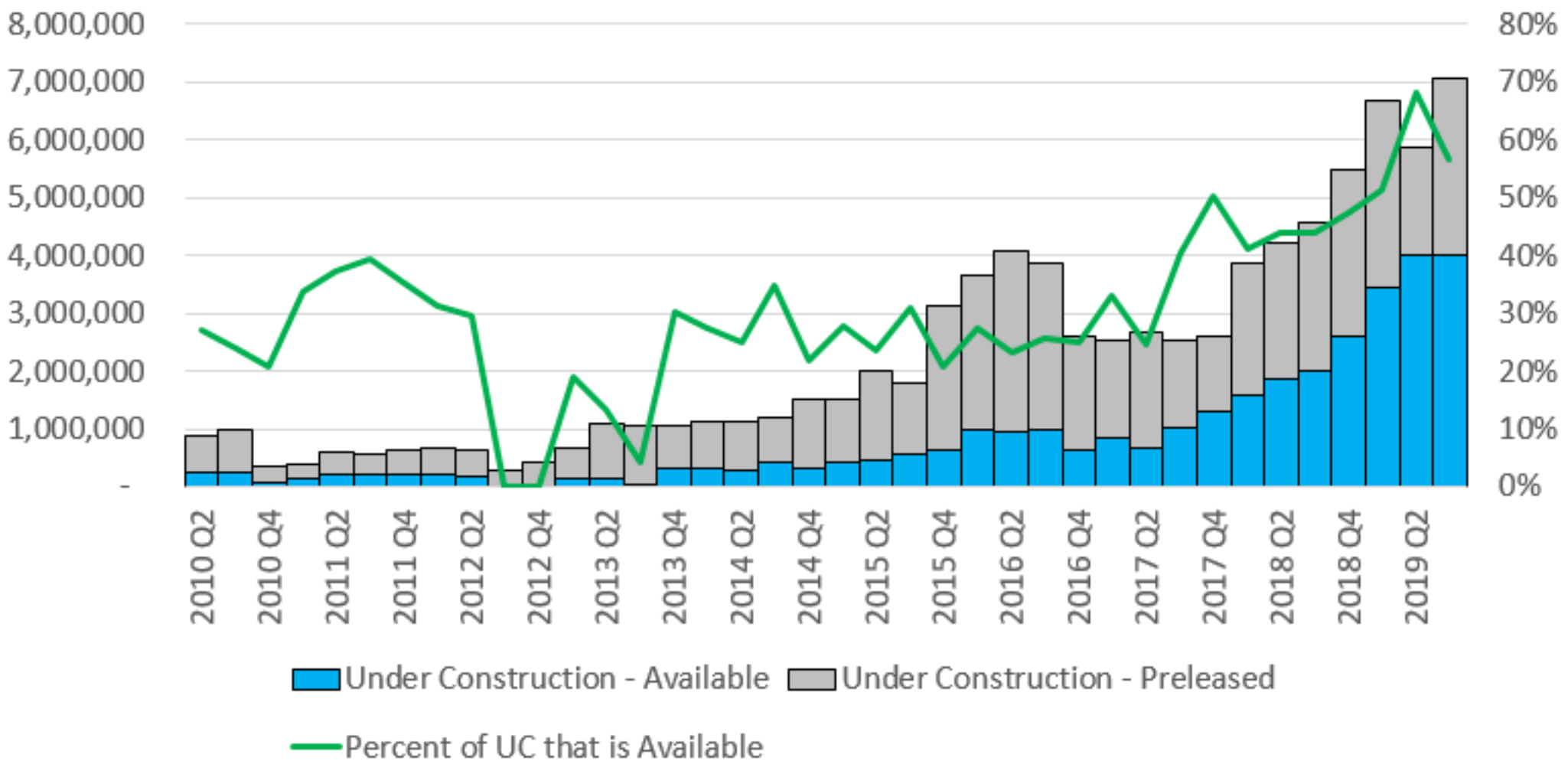
Nashville Leading Nation in Office Construction

Under Construction as % of Inventory

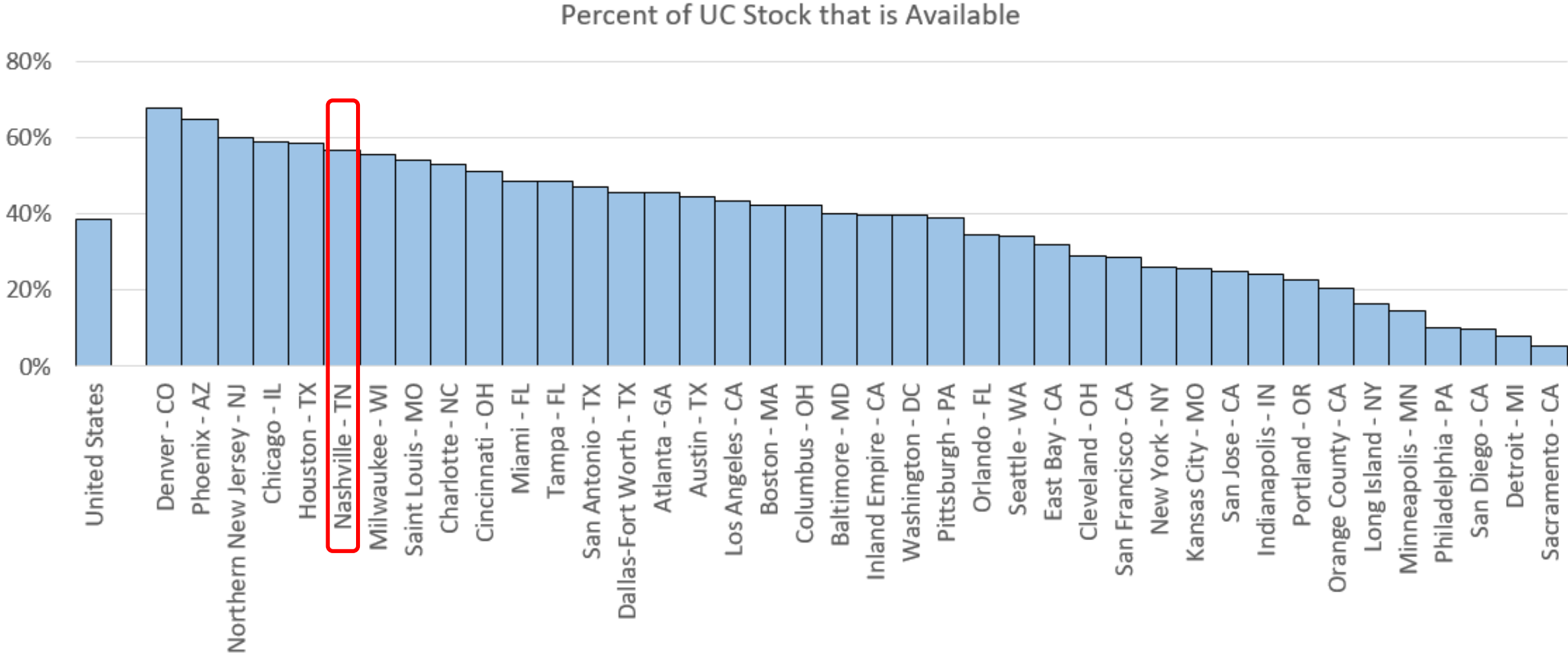


Spec Construction Holds Steady

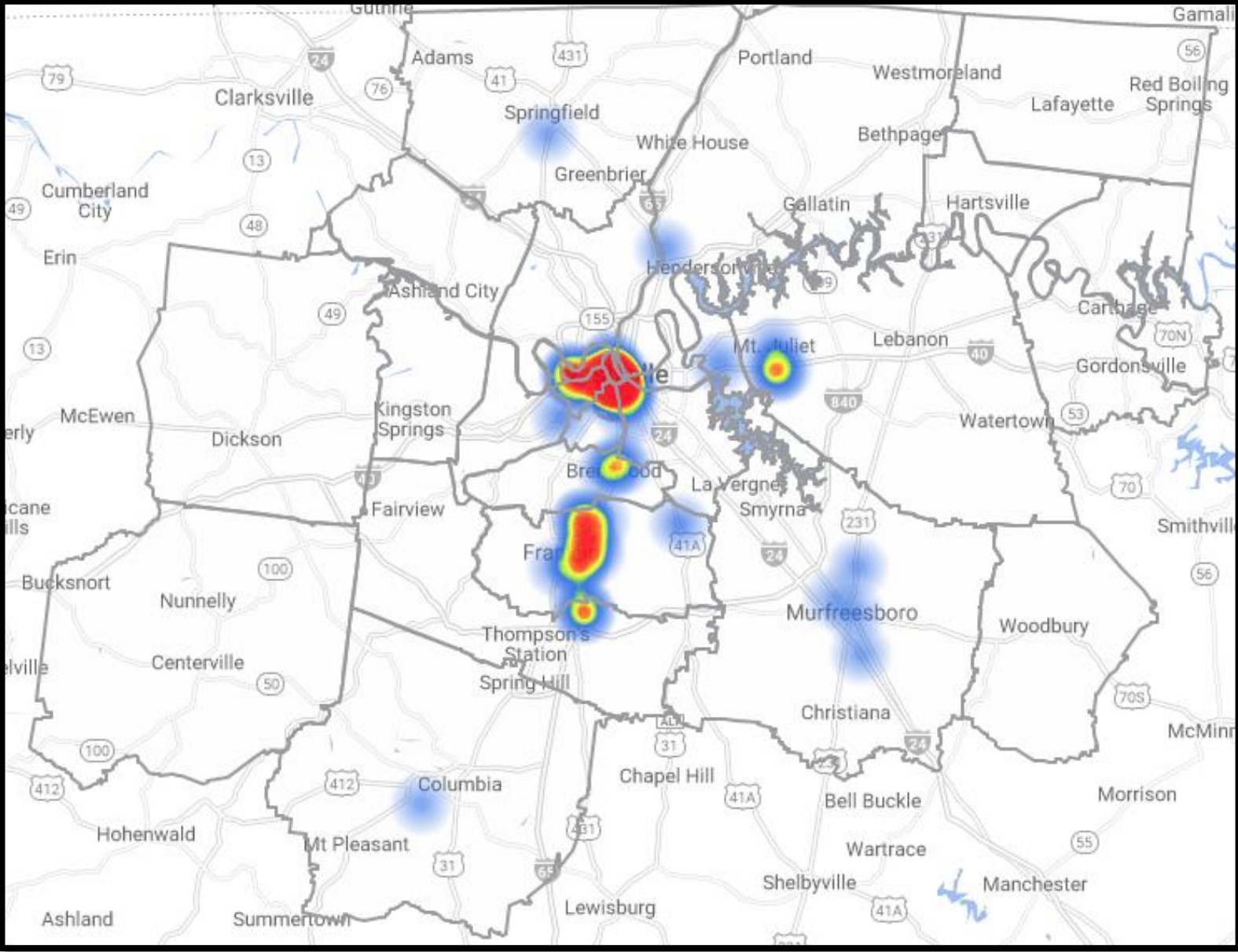
Construction: Available vs. Preleased



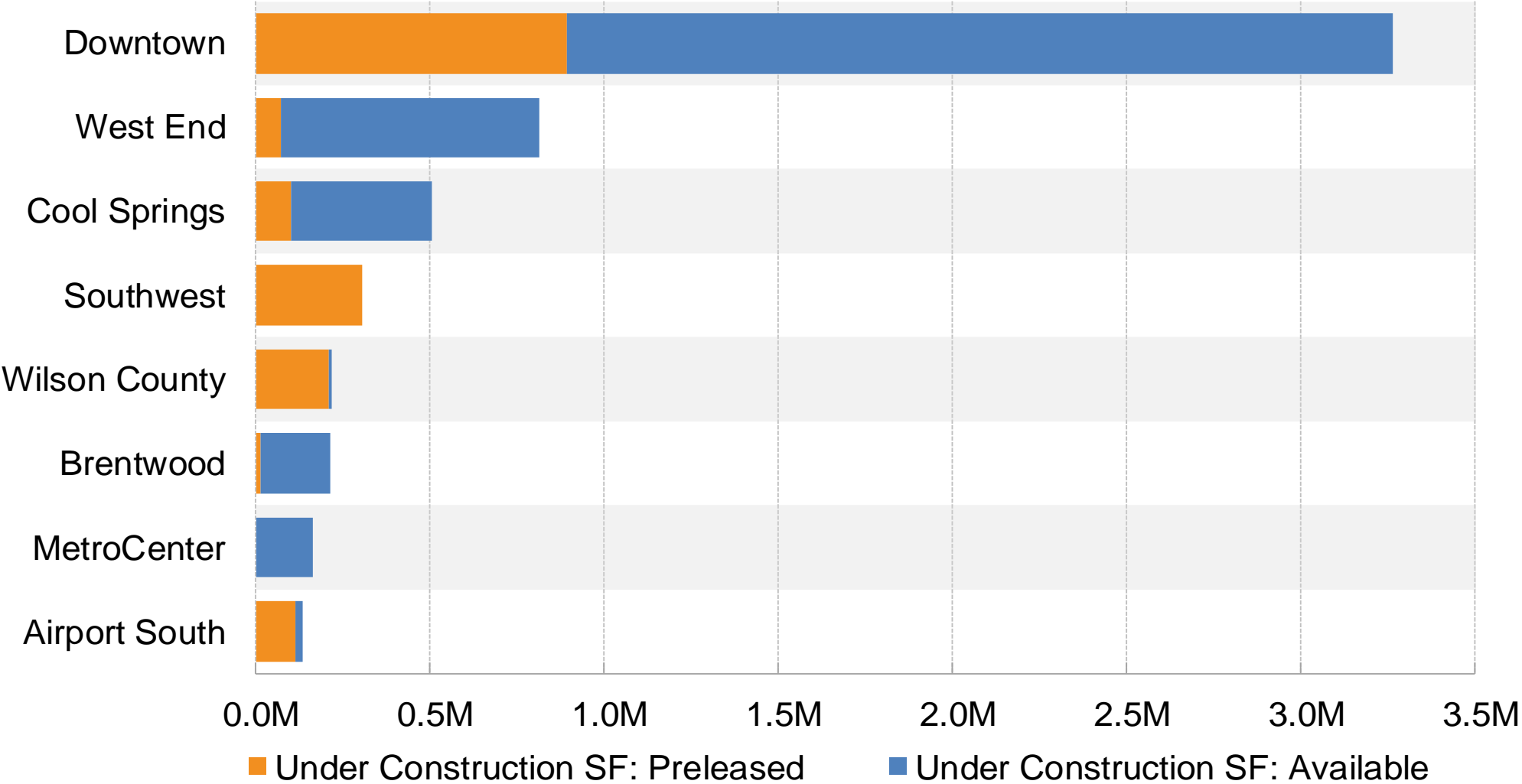
One Of Largest Spec Pipelines In US



Construction Focused In Key Submarkets



Submarkets Exposed To Spec Construction



Source: CoStar

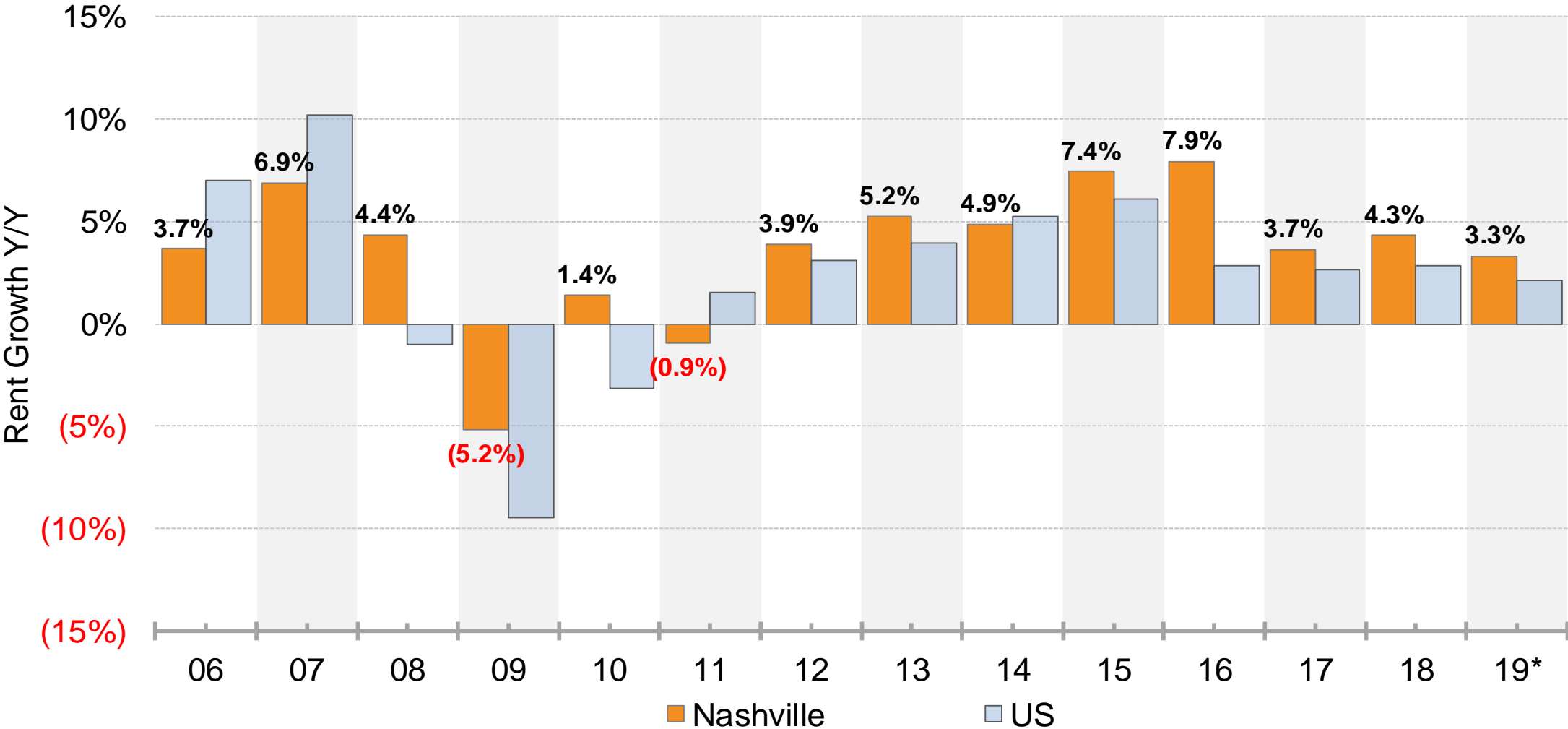
End of 19Q2



Rents

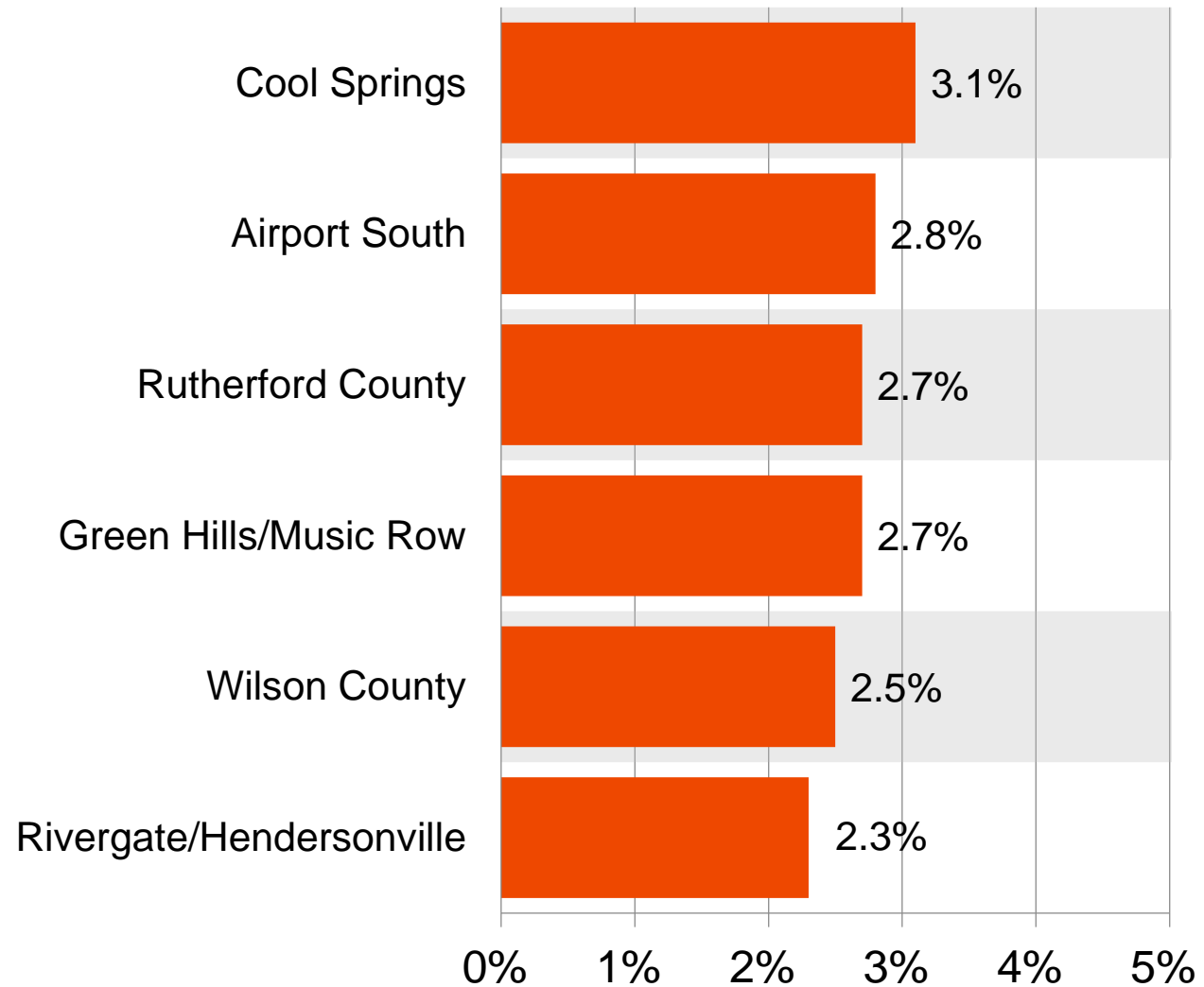
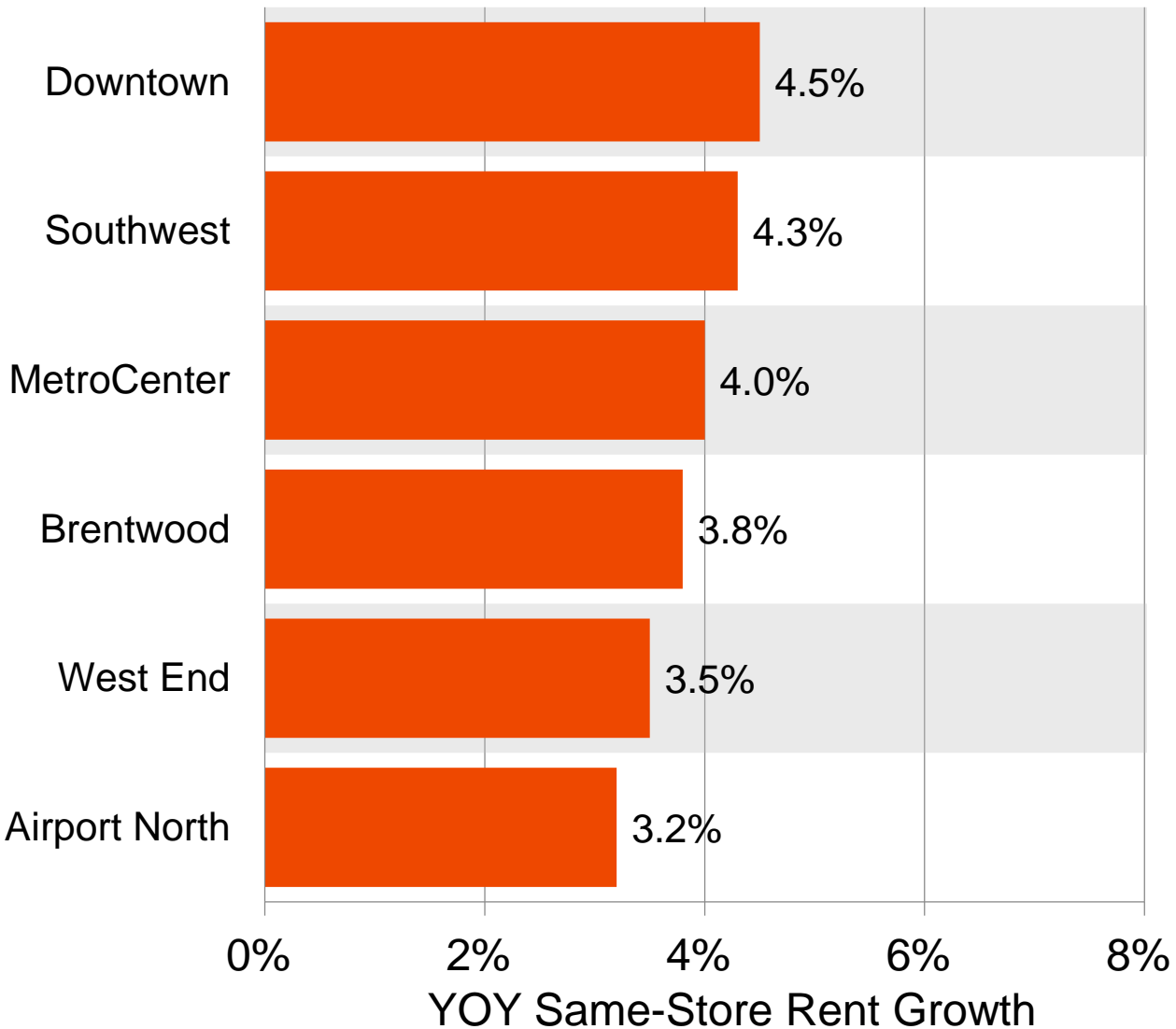


Rent Growth: Nashville vs. National Average

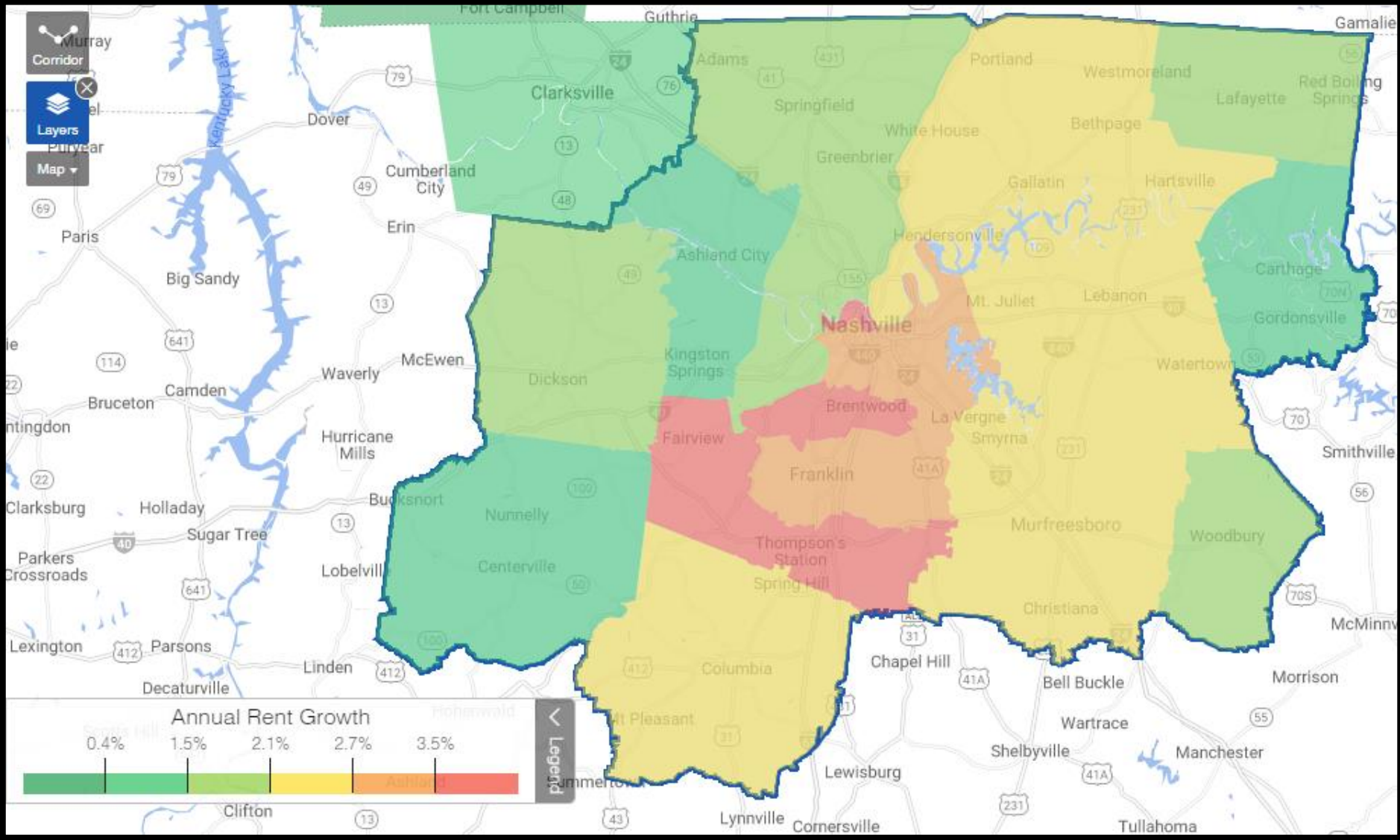


Source: CoStar
* Y/Y as of 19Q2

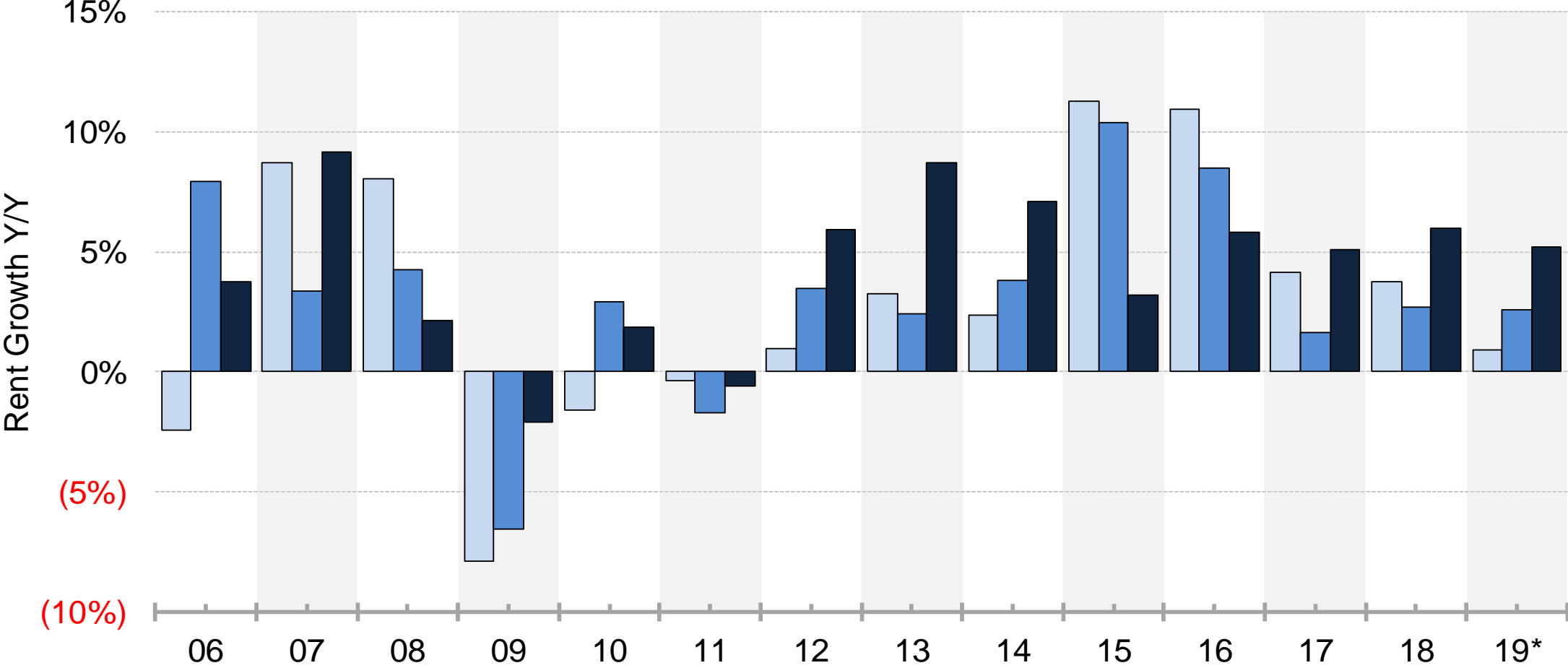
Top and Bottom Rent Growth Submarkets



Rent Growth Map



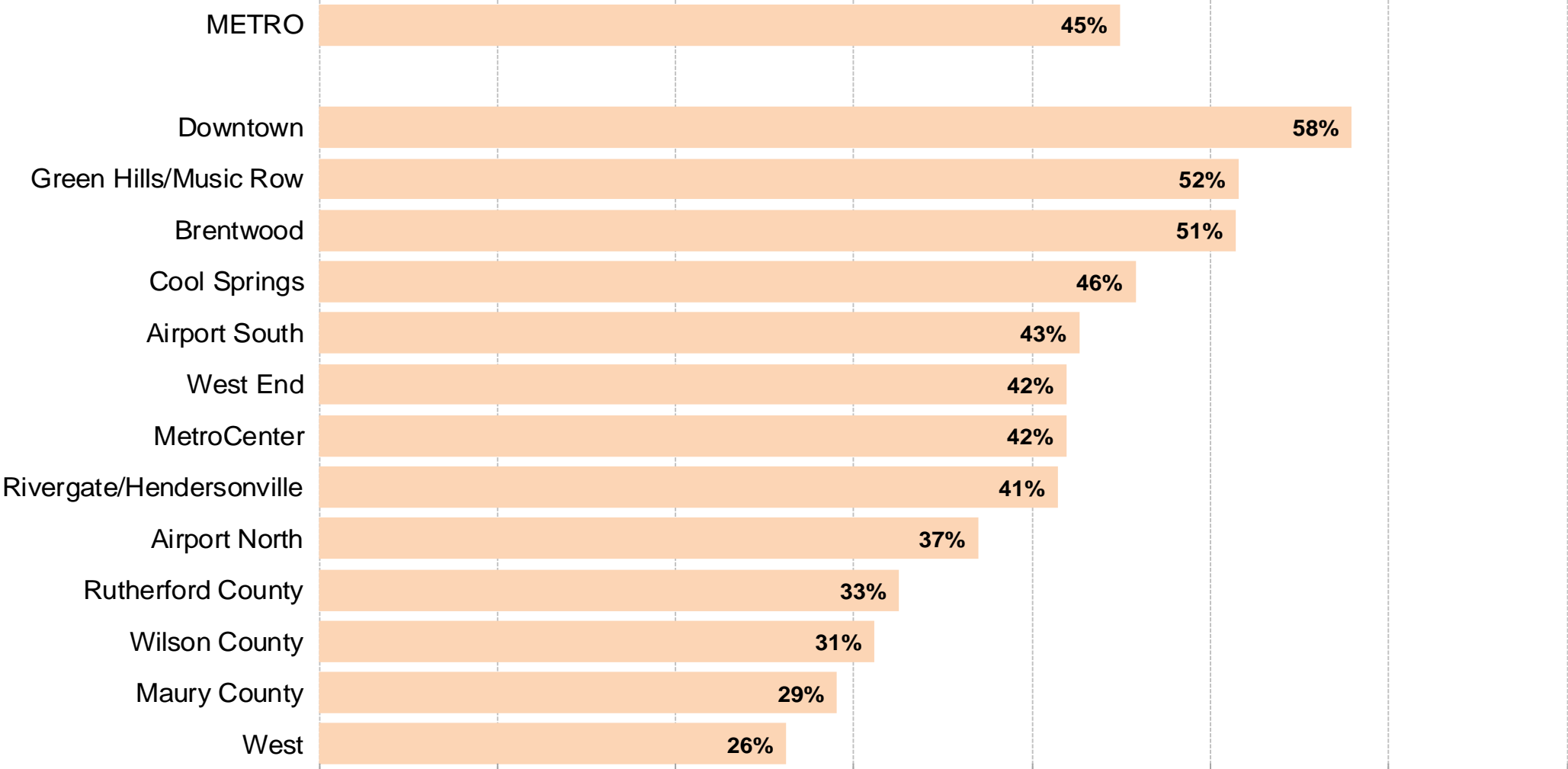
Rent Growth By Star Rating



Source: CoStar
 * Y/Y as of 19Q2

□ 1 & 2 Star ■ 3 Star ■ 4 & 5 Star

Cumulative Rent Growth Since Peak Of Last Cycle

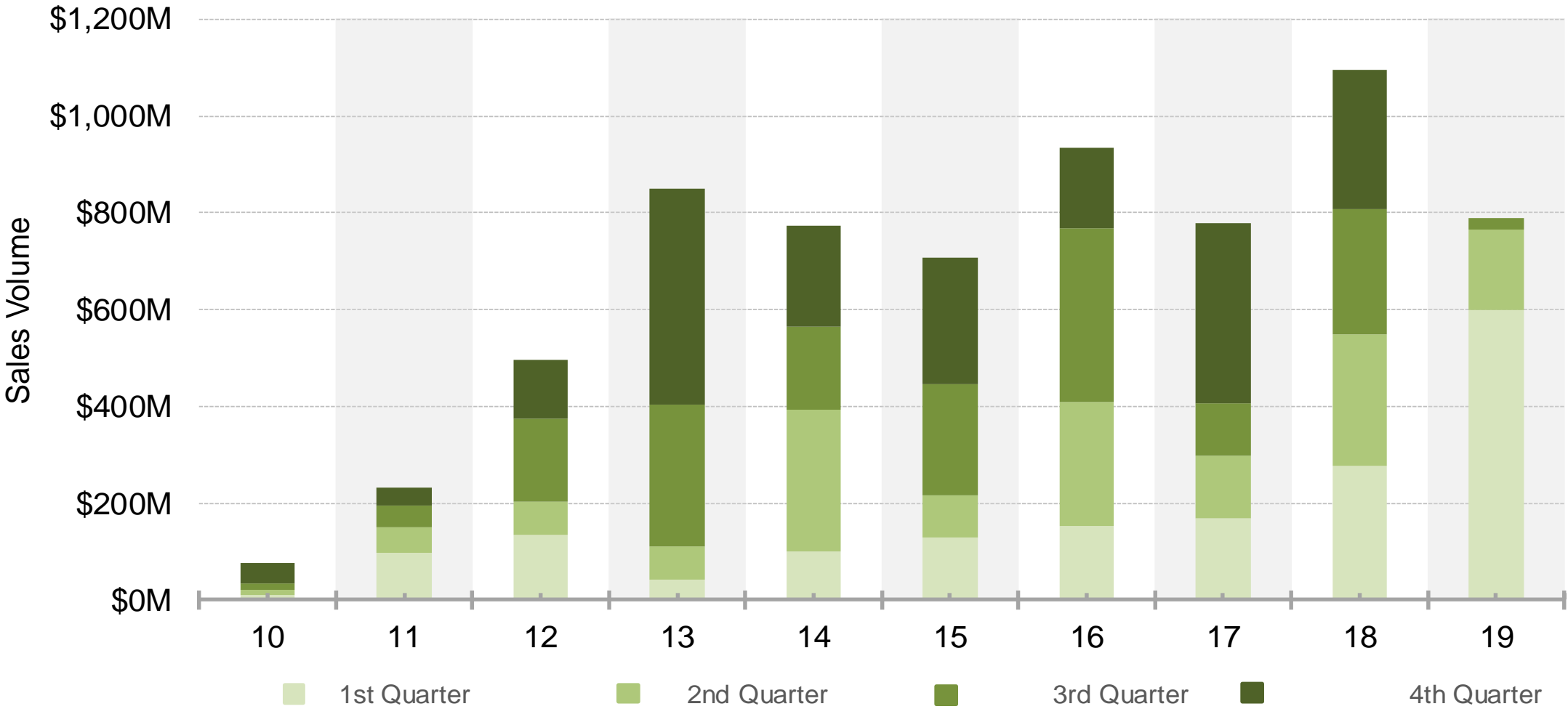


Source: CoStar

Sales



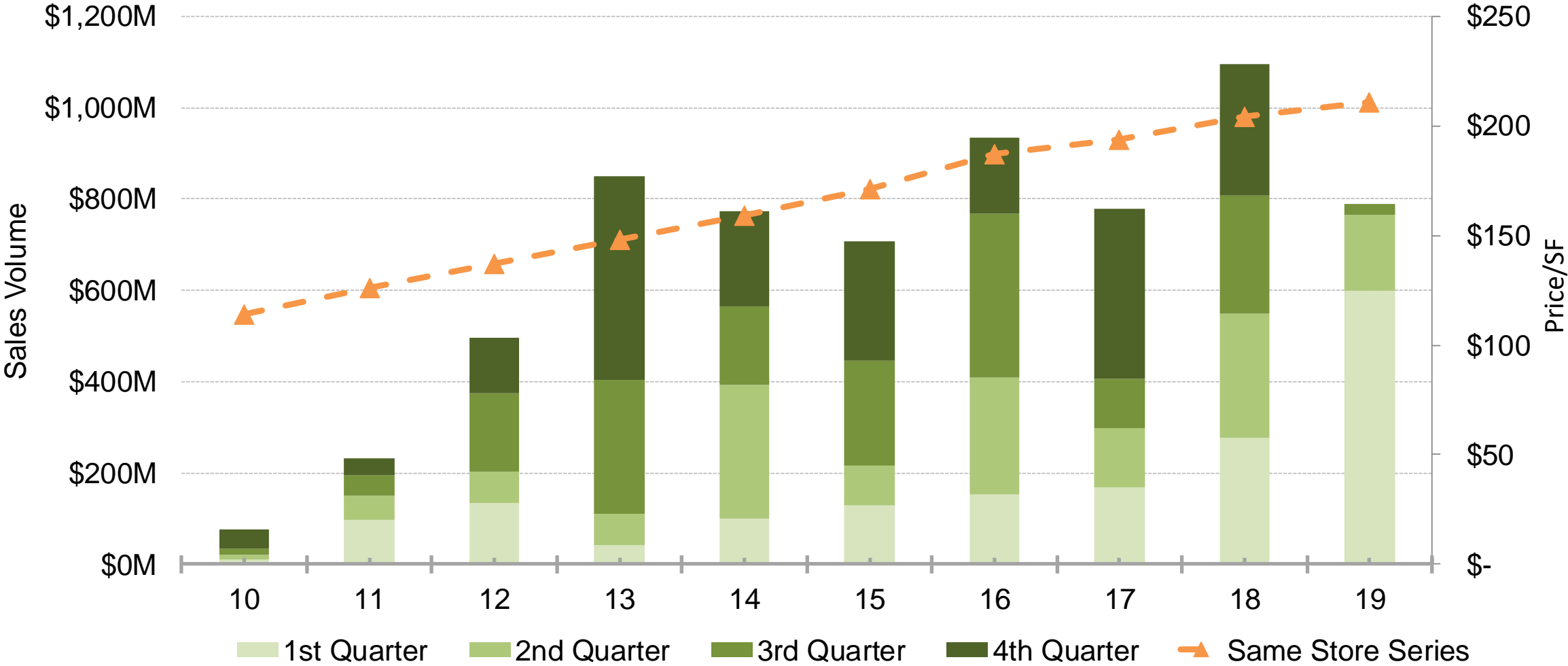
Record First Half of 2019



Source: CoStar
 * Year-to-Date as of August 2019

As of 19Q3

Market Pricing Trends Still Rising



Source: CoStar
 * Year-to-Date as of August 2019

As of 19Q3

Increased Activity In MetroCenter

Vantage Place



Price: \$26.5m (\$154/SF) @ 7% Cap

Buyer: Innovatus Capital

Occupancy At Sale: 90%

Sold In 2017: \$17.7m (\$103/SF)

*Purchased Highland Ridge Earlier In 2019

501 Great Circle Road



Price: \$16m (\$146/SF)

Buyer: Somera Road, Caden Holdings

Occupancy At Sale: 45%

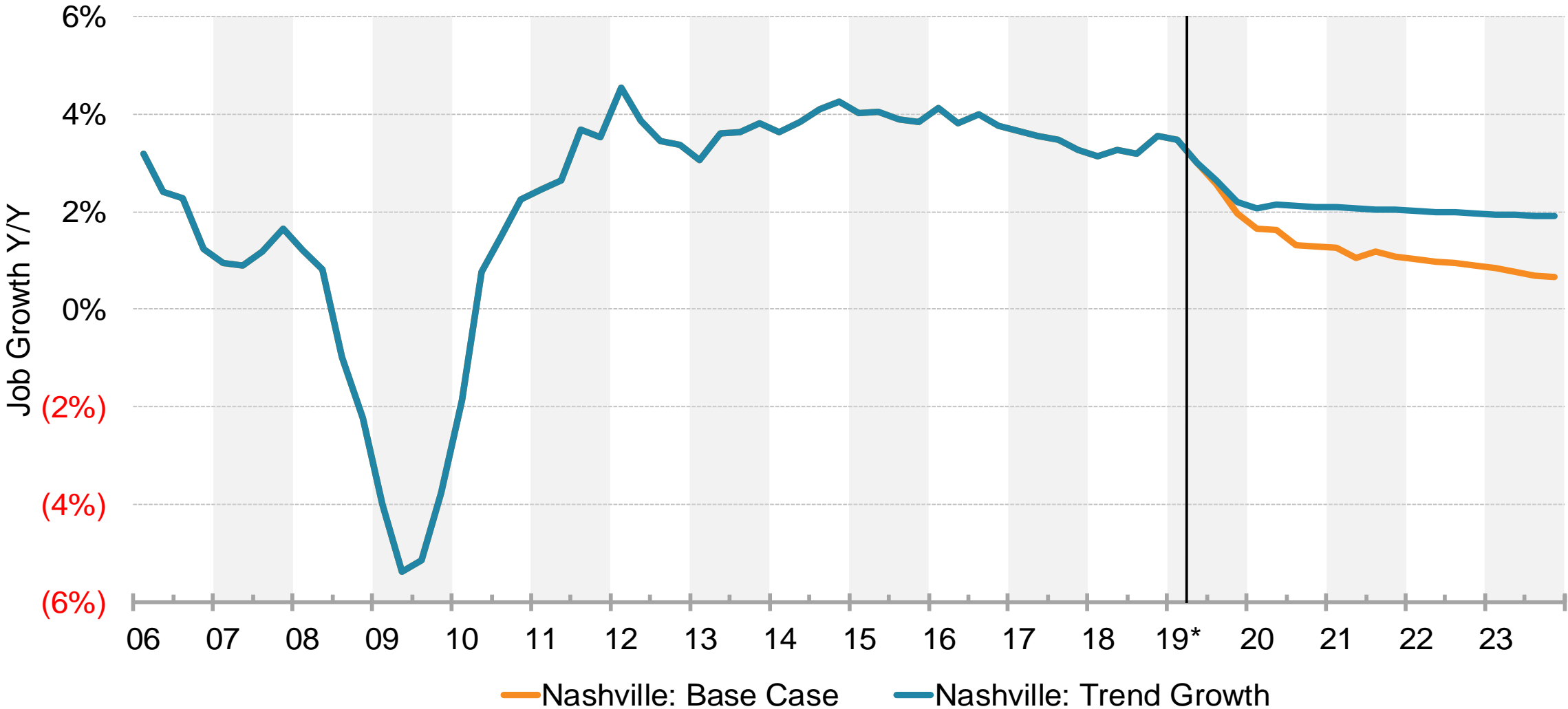
Sold In 2012: \$8.7m (\$80/SF)

*Sale/Leaseback With Aegis Science

Looking Ahead...

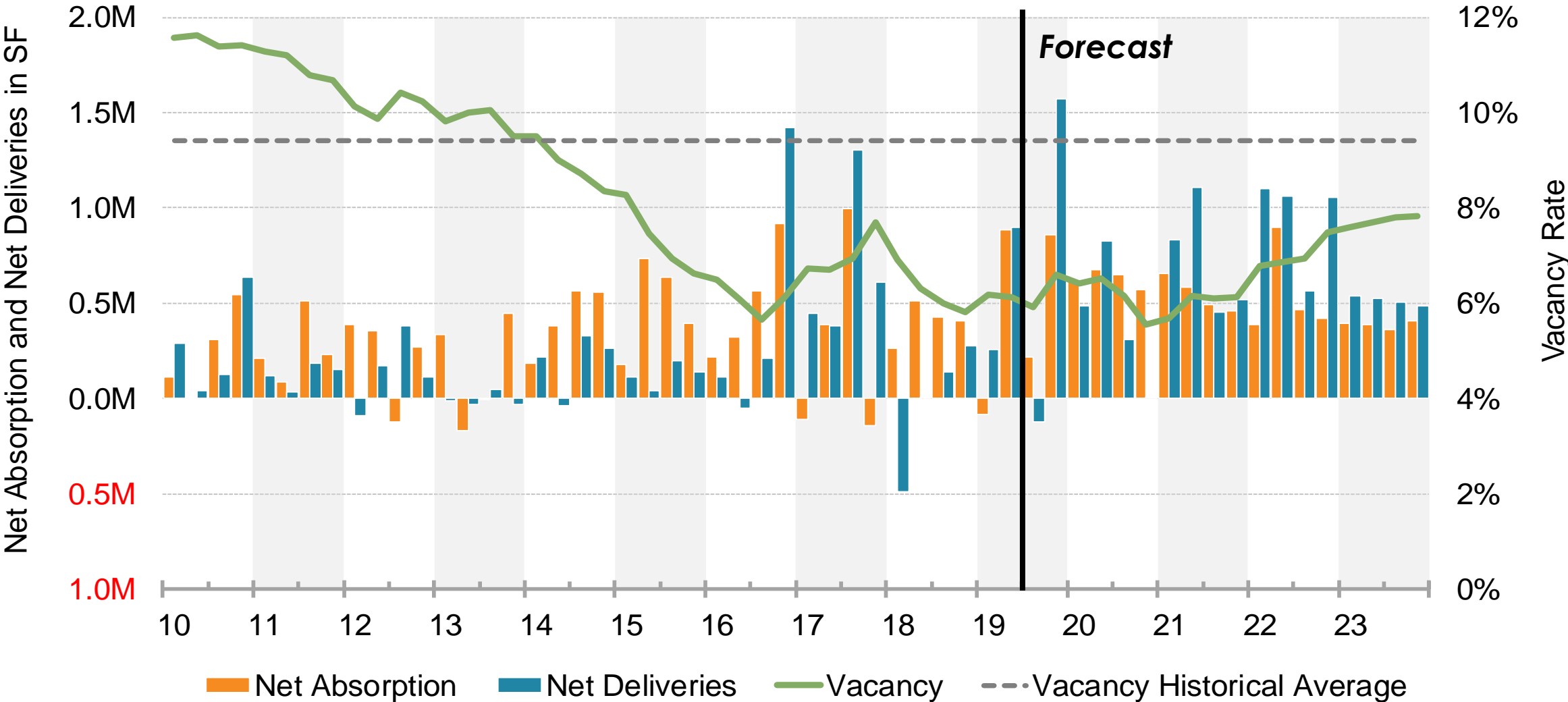


A Tale Of Two Forecasts



Source: CoStar, Oxford Economics
* Year-to-Date

Base Case Forecast: Supply, Demand and Vacancy

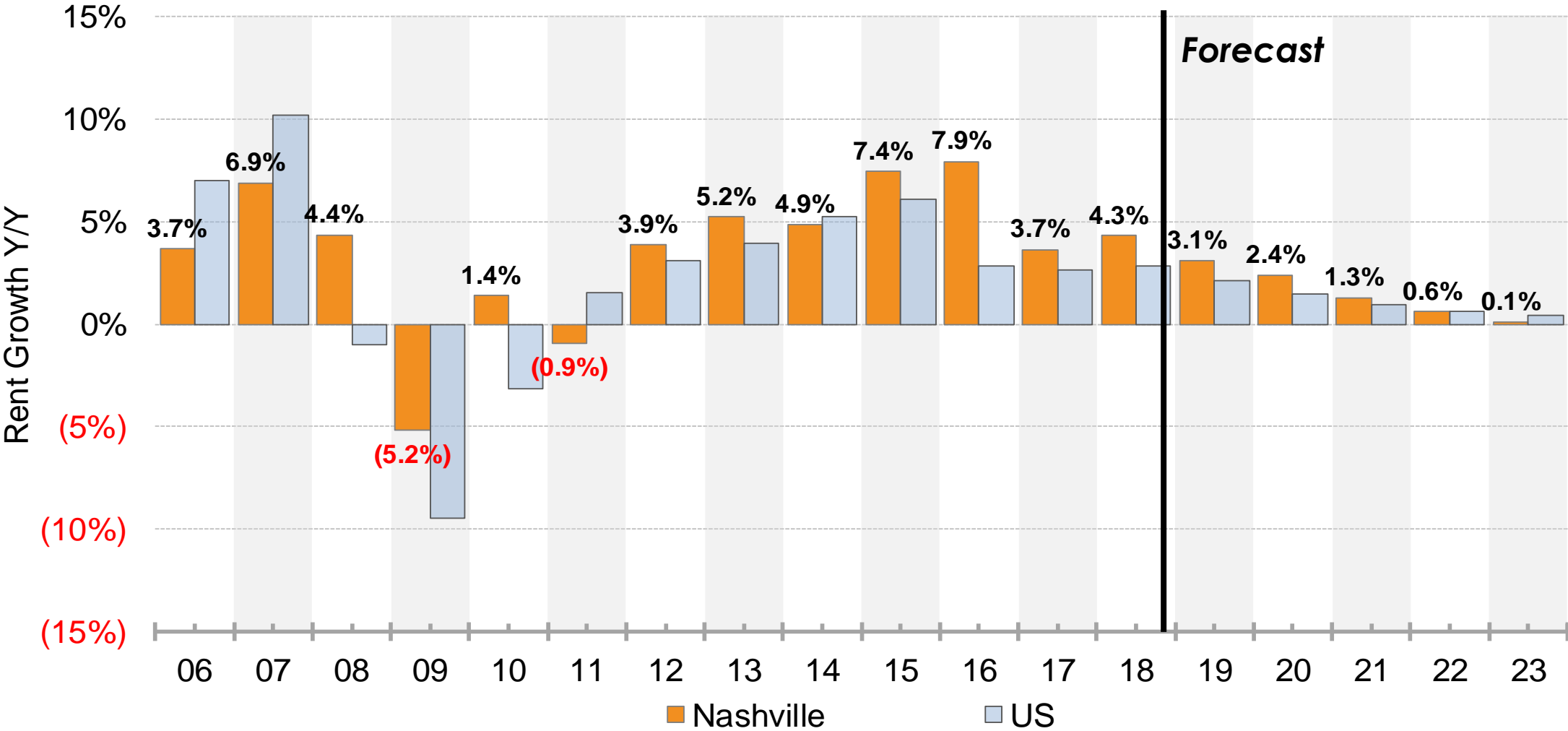


Source: CoStar

End of 19Q2

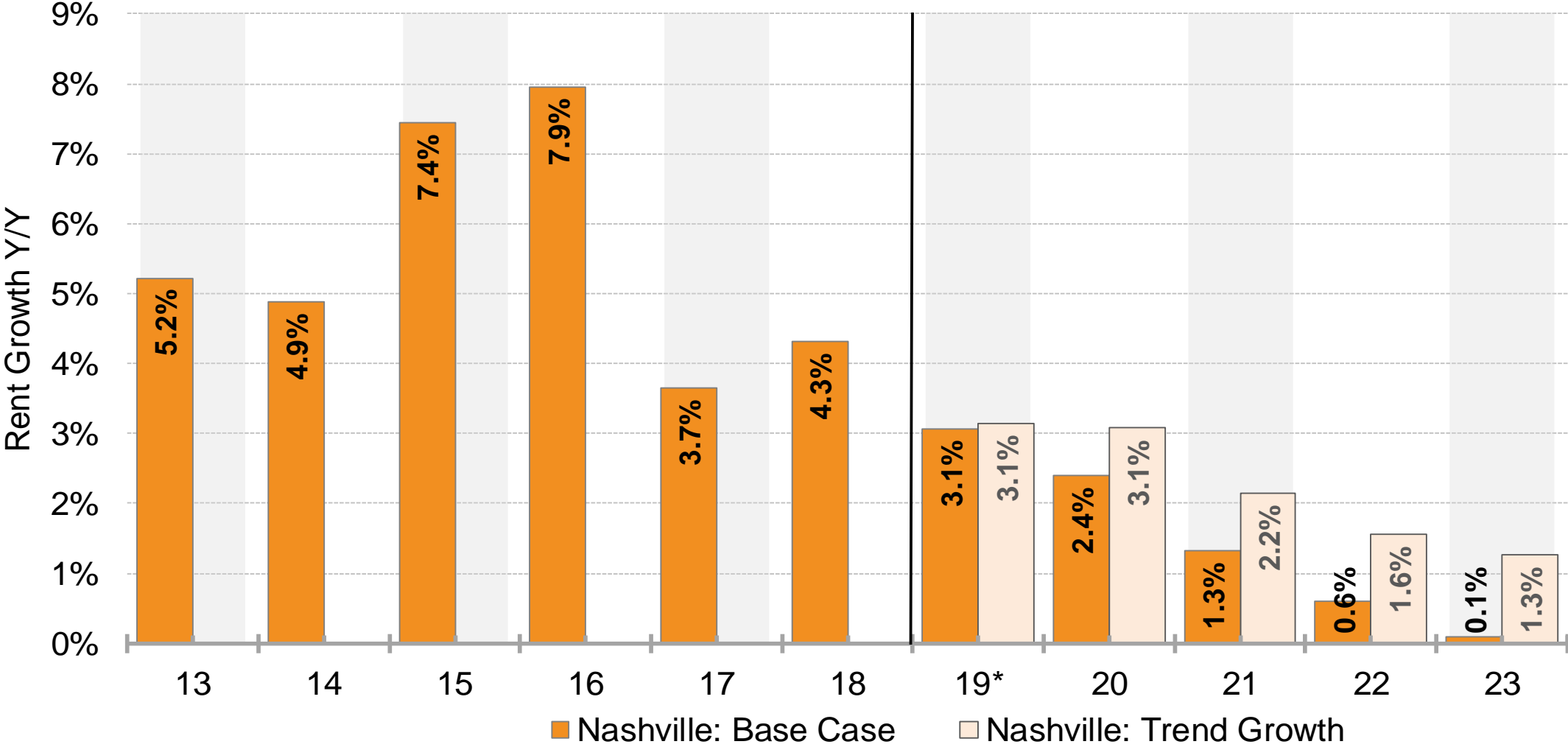


Rent Growth: Nashville vs. National Average



Source: CoStar
 * Y/Y as of 19Q2

Rent Growth Forecast: Base Case vs. Trend Growth



Source: CoStar
* Forecast



Questions?

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