

MARKETBEAT

NASHVILLE INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



4Q09

ECONOMY

Tennessee's unemployment rate posted an alarming 10.3%, once again surpassing the national average of 10.0% this past November. The Nashville MSA's unemployment rate showed modest signs of improvement reporting 9.0%, up 0.8% from third quarter 2009. Most layoffs continue in manufacturing, construction, entertainment and recreation. Local officials, however, remain positive for Nashville's economic outlook. Continued talks of the proposed new convention center and medical trade center could be a strong boost for many industries in the area.

OVERVIEW

Despite unemployment and overall economic woes, Nashville had a relatively strong year in the industrial market reporting over 4.6 million square feet (msf) of leasing activity. While the larger leases were signed earlier in the year, fourth quarter still saw consistent activity. Ozburn-Hessey Logistics signed a lease in Rockdale Distribution Center I for 325,000 square feet (sf) in Wilson County. In the Southeast, Asurion signed a lease for 122,198 sf at CentrePointe I. This submarket continues to be the strongest in leasing activity, posting 2.36 msf for the year, but Wilson County is showing major signs of improvement in leasing activity with 818,500 sf of activity for the year.

The overall vacancy rate was 9.3% at the end of fourth quarter, up slightly from the 8.9% vacancy last quarter. The Wilson County submarket has had the highest vacancy rate for the past year, resting at 25.5% this quarter. The majority of the other submarkets remain relatively stable either in single digits or just over 10.0% vacancy. Service Center overall vacancy rates posted 13.0%, up only 2.0% in over two years. There continues to be strong tenant demand in the sector as traditional office users are crossing over to seek lower overhead costs. In contrast, the warehouse sector continues to see the consolidation of multiple locations, putting pressure on the vacancy and impacting net absorption. Although subleases are still a factor, they only accounting for 0.6% of the availability.

Rental rates in the warehouse sector are down from 2008, from \$3.80 per square foot (psf) to \$3.47 psf this quarter. Service Center rates are holding steady posting \$8.79 psf this quarter. Overall, rental rates have remained steady throughout 2009, but pressure on landlords for increased incentives is palpable.

No industrial sales were recorded in the fourth quarter. Only 1.1 msf traded hands this year compared to 9.6 msf in 2007. Local experts are hopeful that the large gap between buyers and sellers expectations will shrink in 2010, and that some measure of normalcy will return to the capital markets.

FORECAST

Only one building was added to the inventory this quarter. Holladay Properties completed Ameriplex Business Park A this quarter. This 90,000-sf speculative building is the first phase of the park and the first LEED-certified industrial facility in Nashville. Two buildings are currently under construction, both of which are build-to-suit. Speculative developers are patiently waiting before breaking ground on new projects, which should help position Nashville's industrial market for recovery in 2010.

BEAT ON THE STREET

"While the market certainly has its share of challenges, we remain very bullish from a capital markets standpoint that Nashville, with its excellent fundamentals and market drivers, will be well positioned to take advantage of any upturn when it occurs."

– Donald G. Albright, Director of Capital Markets

ECONOMIC INDICATORS

	2008	2009F	2010F
National			
GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Regional			
Unemployment	7.3%	9.0%	10.2%
Employment Growth	-1.0%	-5.2%	-1.2%

Source: TN Dept of Labor & Workforce, Moody's | Economy.com

MARKET FORECAST

INVESTMENT ACTIVITY has all but stopped this year and will remain minimal the beginning of 2010.



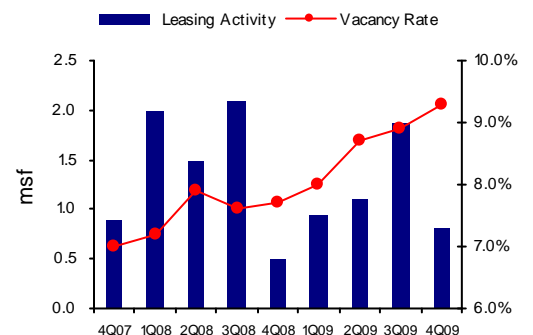
ASKING RENTAL RATES will remain stable for the next few quarters as tenant demand picks up.



SPECULATIVE CONSTRUCTION has stopped with only two built-to-suit projects underway.



LEASING ACTIVITY VS. VACANCY RATES



MARKET/SUBMARKET STATISTICS

SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL	YTD	UNDER CONSTRUCTION	YTD	YTD	DIRECT WEIGHTED AVERAGE			
			VACANCY RATE	LEASING ACTIVITY		CONSTRUCTION COMPLETIONS	OVERALL ABSORPTION	HT**	MF**	OS	W/D
East	17,457,712	211	3.2%	493,941	0	90,000	295,794	N/A	N/A	\$8.51	\$4.52
IBD	20,071,989	473	6.4%	285,720	0	0	(85,127)	N/A	N/A	\$11.74	\$3.61
Maury County	3,357,068	49	10.2%	7,000	0	0	45,775	N/A	N/A	\$13.00	\$3.43
North	36,656,326	429	8.5%	372,789	0	132,000	(678,444)	N/A	N/A	\$7.23	\$3.11
Southeast	52,550,393	452	10.2%	2,358,245	0	615,400	(287,281)	N/A	N/A	\$8.74	\$3.20
Southwest	15,322,093	278	6.5%	183,218	0	63,652	(232,791)	N/A	N/A	\$9.41	\$4.96
West	6,877,614	108	3.4%	145,900	0	41,000	65,542	N/A	N/A	\$3.60	\$4.91
Wilson County	17,630,354	139	25.5%	818,500	837,000	1,227,500	375,300	N/A	N/A	\$9.96	\$3.27
TOTAL	169,923,549	2,139	9.3%	4,665,313	837,000	2,169,552	(501,232)	N/A	N/A	\$8.79	\$3.47

*Rental rates reflect \$psf/year

HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

**HT & MF are not tracked in this market

MARKET HIGHLIGHTS

SIGNIFICANT 2009 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Couchville Pike Building 2	Wilson County	Nissan	717,000	Warehouse/Distribution
Rockdale I	Wilson County	Ozburn-Hessey Logistics	325,000	Warehouse/Distribution
Logistics Way Business Center	Southeast	Genco	319,375	Warehouse/Distribution
501 Mason Road	Southeast	Synnex Corporation	307,200	Warehouse/Distribution

SIGNIFICANT 2009 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
195 Spence Lane	North	Supreme Oil Central	178,472	\$5,000,000
2621 Eugenia	Southwest	Five Star Custom Foods	119,420	\$4,700,000
1045 Firestone Parkway	Southeast	1045 Firestone Parkway, LLC	171,743	\$4,150,000
2940 Kraft Drive	Southwest	ADH Partnership	76,275	\$3,300,000

SIGNIFICANT 2009 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Beckwith Farms 3	Wilson County	N/A	480,000	5/09
Rockdale Distribution Center III Expansion	Wilson County	Vi-Jon	400,000	3/09
Elam Farms 1	Southeast	InterMetro Industries	363,500	5/09
Beckwith Farms 1	Wilson County	N/A	247,500	3/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Couchville Pike Building 2	Wilson County	Nissan	717,000	4/10
Permobil Building	Wilson County	Permobil. Inc.	120,000	6/10



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

Nashville Commercial | Cushman & Wakefield Alliance
4560 Trousdale Drive | Suite 100 | Nashville, TN 37204
M. 615.727.7400 | F. 615.727.7427
www.nashvillecommercial.com

*Market terms & definitions based on BOMA and NAIOP standards.

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2010 Cushman & Wakefield, Inc. All rights reserved.

Please consider your environmental responsibility before printing this report.