CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

Nashville, TN

3rd Quarter Report 2017

OFFICE

Market Trends

Nashville Office Overview

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Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate decreased 0.6 percentage points from 3.9% in July 2016 to 3.3% in July 2017. The overall unemployment rate for Tennessee was 3.4% for July 2017, which was a decrease from 4.8% in July 2016. The Nashville metropolitan statistical area job creation showed an increase of 2.8% totaling 26,400 nonfarm jobs over the past year, from July 2016 to July 2017. Office using jobs (information, financial activities, professional and business services) gained 7,600 jobs from July 2016 to July 2017.

Market Overview

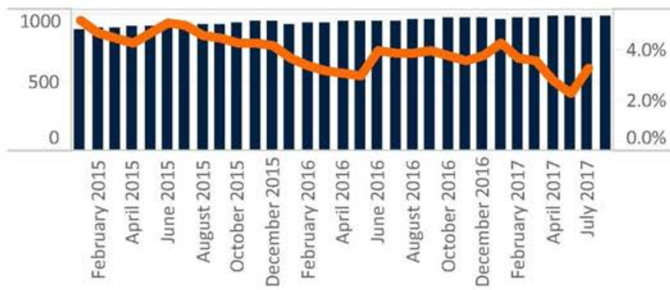
The Nashville office market recorded 681,986 square feet (sf) of positive absorption during 3Q 2017 and 586,190 sf year-to-date (ytd). Absorption was up from 397,181 sf recorded during 3Q 2016. The total vacancy rate has increased from 5.4% in 3Q 2016 to 8.1% at the close of 3Q 2017. Direct vacancy rates increased 1.9 percentage points during the same time period. Weighted average rent growth continued to improve during 3Q 2017. Weighted average asking rents in all classes increased by 5.7% recording $26.71 per square foot (psf) at the close of 3Q 2017 compared to 3Q 2016.

Market Highlights

The Nashville office market recorded its second consecutive quarter of positive activity. Most of the momentum during third quarter 2017 was due to the completion of Bridgestone's HQ, delivering 514,000 sf to the downtown market. Other contributors to the positive finish include Accredo leasing 20,553 sf at 41 Rachel Dr. and Invinsion Healthcare leasing 22,061 sf at Burton Hills III. Additional positive activity that will not impact absorption, until completion, include: Bank of America announcing their move from 414 Union to 222 2nd Ave and taking a total of 65,000 sf, while Vaco announced their new 37,000 sf HQ at Virginia Springs I which is scheduled to break ground in 4Q 2017. MyNexus leased the former Brookdale Senior Living space with 27,064 sf at Harpeth on the Green V, keeping the building 100% leased.

Nashville Employment

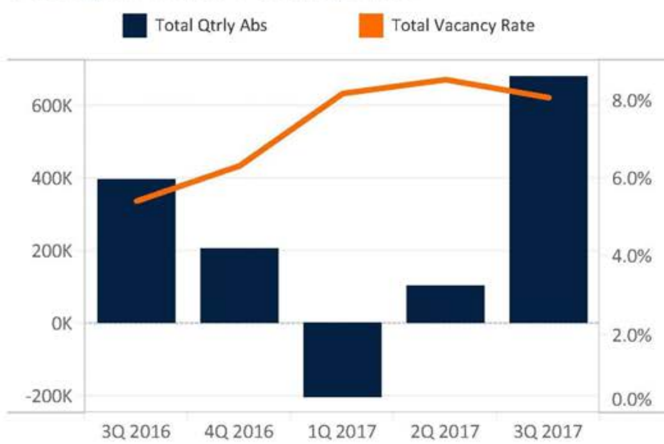
Source: BLS



Market Recap

Inventory (sf)	35,745,595
# of Bldgs	409
Qrtly Abs (sf)	681,986
Total Avail Rate	14.3%
Total Vacancy Rate	8.1%
U/C Inventory (sf)	1,801,321
Delivered (sf)	533,000
Weighted Average Asking Rate (FSG)	$26.71

Absorption and Vacancy Rate



Overview by Class (Total)

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Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
A	18,487,787	2,489,334	1,097,272	5.9%	631,777	774,453
B	13,871,125	2,039,282	1,426,862	10.3%	31,257	-201,313
C	3,386,683	600,769	363,258	10.7%	18,952	13,050
Overall	**35,745,595**	**5,129,385**	**2,887,392**	**8.1%**	**681,986**	**586,190**

Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
Airport North	A	1,880,606	393,873	81,824	4.4%	69,903	-10,033
	B	1,551,113	115,168	42,138	2.7%	12,353	19,499
	C	257,930	31,576	30,576	11.9%	34,074	37,765
	Subtotal	**3,689,649**	**540,617**	**154,538**	**4.2%**	**116,330**	**47,231**
Airport South	A	825,359	143,088	26,628	3.2%	-346	0
	B	2,506,582	498,697	446,529	17.8%	3,548	-18,375
	C	794,587	182,514	182,514	23.0%	-774	-113
	Subtotal	**4,126,528**	**824,299**	**655,671**	**15.9%**	**2,428**	**-18,488**
Brentwood	A	2,899,455	343,140	174,321	6.0%	8,719	249,219
	B	2,747,749	362,141	243,315	8.9%	-25,268	-136,366
	C	573,574	234,108	34,831	6.1%	-6,842	-27,357
	Subtotal	**6,220,778**	**939,389**	**452,467**	**7.3%**	**-23,391**	**85,496**
Cool Springs/ Franklin	A	4,693,506	849,910	434,641	9.3%	46,210	77,284
	B	840,804	208,665	12,522	1.5%	13,384	-5,840
	Subtotal	**5,534,310**	**1,058,575**	**447,163**	**8.1%**	**59,594**	**71,444**
Downtown	A	4,350,664	396,822	140,024	3.2%	503,793	596,024
	B	3,685,374	605,452	483,460	13.1%	26,498	-11,775
	C	487,582	55,592	53,856	11.0%	0	4,686
	Subtotal	**8,523,620**	**1,057,866**	**677,340**	**7.9%**	**530,291**	**588,935**
Green Hills	A	700,607	58,085	6,700	1.0%	23,659	37,961
	B	487,933	14,969	6,938	1.4%	4,338	2,460
	C	101,525	0	0	0.0%	0	0
	Subtotal	**1,290,065**	**73,054**	**13,638**	**1.1%**	**27,997**	**40,421**
MetroCenter	A	369,257	39,066	39,066	10.6%	0	-28,679
	B	857,231	112,177	102,830	12.0%	12,409	-57,139
	C	436,050	11,282	11,282	2.6%	4,774	0
	Subtotal	**1,662,538**	**162,525**	**153,178**	**9.2%**	**17,183**	**-85,818**
Midtown	A	2,382,929	242,730	173,136	7.3%	-2,512	-128,875
	B	945,887	72,652	53,769	5.7%	-7,344	14,884
	C	408,658	31,500	13,802	3.4%	4,426	8,399
	Subtotal	**3,737,474**	**346,882**	**240,707**	**6.4%**	**-5,430**	**-105,592**
Rivergate	A	51,680	0	0	0.0%	0	0
	B	79,452	28,600	14,600	18.4%	-14,600	-14,600
	Subtotal	**296,185**	**80,397**	**48,597**	**16.4%**	**-31,856**	**-27,839**
Overall		**35,745,595**	**5,129,385**	**2,887,392**	**8.1%**	**681,986**	**586,190**

Overview by Market Cont'd

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Overview by Market (Total) Cont'd

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Rivergate	C	165,053	51,797	33,997	20.6%	-17,256	-13,239
	Subtotal	**296,185**	**80,397**	**48,597**	**16.4%**	**-31,856**	**-27,839**
West End	A	333,724	22,620	20,932	6.3%	-17,649	-18,448
	B	169,000	20,761	20,761	12.3%	5,939	5,939
	C	161,724	2,400	2,400	1.5%	550	2,909
	Subtotal	**664,448**	**45,781**	**44,093**	**6.6%**	**-11,160**	**-9,600**
Overall		**35,745,595**	**5,129,385**	**2,887,392**	**8.1%**	**681,986**	**586,190**

Construction by Market

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Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	18,487,787	1,953,490	953,235	5.2%	626,165	884,943
B	13,871,125	1,794,456	1,277,631	9.2%	31,597	-163,557
C	3,386,683	577,633	352,884	10.4%	6,224	23,424
Overall	35,745,595	4,325,579	2,583,750	7.2%	663,986	744,810

Overview by Class (Sublease)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	18,487,787	535,844	144,037	0.8%	5,612	-110,490
B	13,871,125	244,826	149,231	1.1%	-340	-37,756
C	3,386,683	23,136	10,374	0.3%	12,728	-10,374
Overall	35,745,595	803,806	303,642	0.8%	18,000	-158,620

Direct Vacancy Rates

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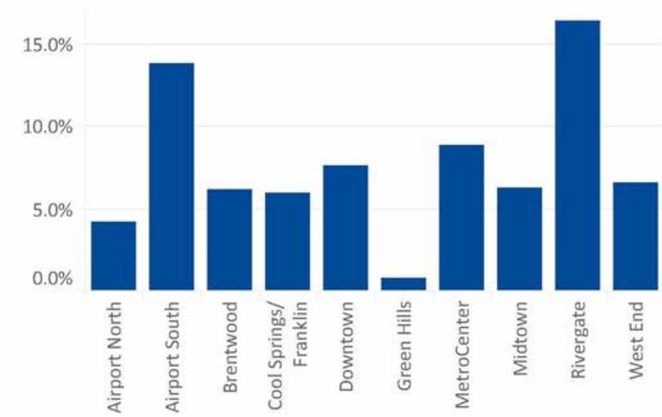
Direct Vacancy Rates

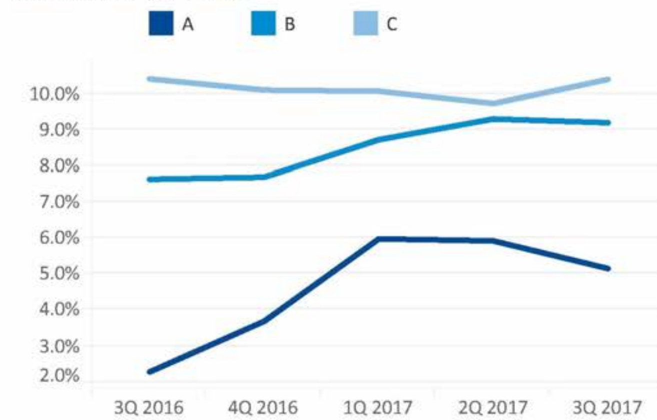
By Market and Class

		Quarter Year				
Market Name	Class	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Airport North	A	3.8%	3.8%	5.7%	8.1%	4.4%
	B	4.2%	4.0%	3.9%	3.5%	2.7%
	C	0.0%	0.0%	0.0%	1.3%	11.9%
	Subtotal	**3.9%**	**3.8%**	**4.7%**	**5.9%**	**4.2%**
Airport South	A	0.0%	0.0%	0.0%	3.2%	3.2%
	B	15.6%	15.2%	14.8%	14.7%	14.4%
	C	24.9%	24.9%	25.3%	24.8%	23.0%
	Subtotal	**14.4%**	**14.2%**	**14.0%**	**14.4%**	**13.8%**
Brentwood	A	2.2%	1.4%	3.2%	5.3%	5.6%
	B	0.2%	1.0%	6.3%	6.6%	7.3%
	C	2.5%	1.3%	1.0%	1.7%	4.3%
	Subtotal	**1.3%**	**1.2%**	**4.4%**	**5.6%**	**6.2%**
Cool Springs/ Franklin	A	0.7%	5.1%	8.1%	8.0%	6.8%
	B	0.8%	0.8%	0.8%	1.7%	1.4%
	Subtotal	**0.7%**	**4.4%**	**7.0%**	**7.0%**	**6.0%**
Downtown	A	3.5%	5.4%	5.5%	3.0%	2.9%
	B	12.9%	12.7%	13.5%	13.5%	12.8%
	C	12.0%	12.0%	13.0%	11.0%	11.0%
	Subtotal	**8.6%**	**9.2%**	**9.7%**	**8.4%**	**7.7%**
Green Hills	A	6.4%	6.4%	5.7%	4.3%	0.6%
	B	1.7%	1.9%	1.8%	2.3%	1.4%
	C	2.4%	0.0%	1.5%	0.0%	0.0%
	Subtotal	**4.3%**	**4.2%**	**3.9%**	**3.2%**	**0.8%**
MetroCenter	A	3.7%	2.8%	10.1%	10.6%	10.6%
	B	3.3%	4.6%	5.3%	12.8%	11.3%
	C	2.6%	2.6%	2.6%	2.6%	2.6%
	Subtotal	**3.2%**	**3.7%**	**5.6%**	**9.6%**	**8.9%**
Midtown	A	1.6%	1.5%	8.1%	7.2%	7.3%
	B	7.2%	6.7%	3.8%	4.4%	5.2%
	C	5.6%	5.4%	4.3%	4.5%	3.4%
	Subtotal	**3.5%**	**3.3%**	**6.6%**	**6.2%**	**6.3%**
Rivergate	A	0.0%	0.0%	0.0%	0.0%	0.0%
	B	0.0%	0.0%	0.0%	0.0%	18.4%
	C	12.2%	12.6%	11.7%	10.1%	20.6%
	Subtotal	**6.8%**	**7.0%**	**6.5%**	**5.7%**	**16.4%**
West End	A	1.5%	0.8%	0.5%	1.0%	6.3%
	B	5.1%	5.1%	5.1%	5.1%	12.3%
	C	3.5%	3.3%	1.5%	1.8%	1.5%
	Subtotal	**2.9%**	**2.4%**	**1.9%**	**2.2%**	**6.6%**
Overall		**5.3%**	**5.9%**	**7.5%**	**7.6%**	**7.2%**

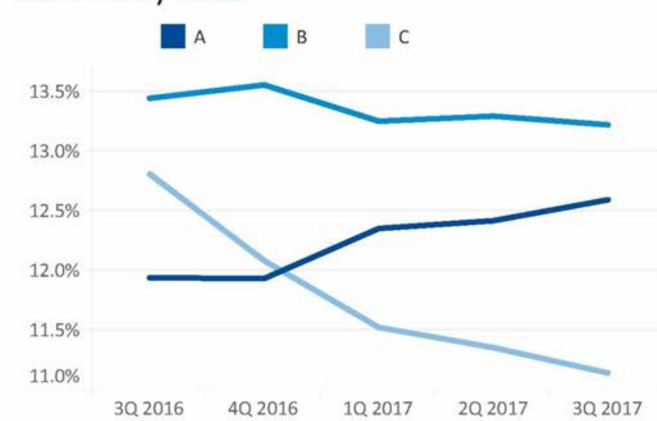
By Market



Nashville by Class



National by Class



Direct Weighted Average Asking Rates (FSG)

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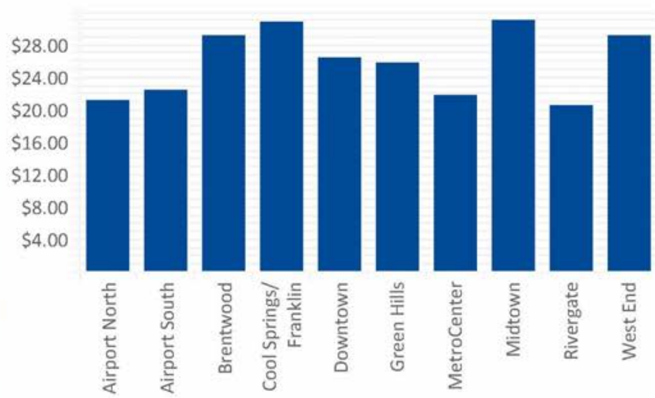
Direct Weighted Average Asking Rates (FSG)

By Market and Class

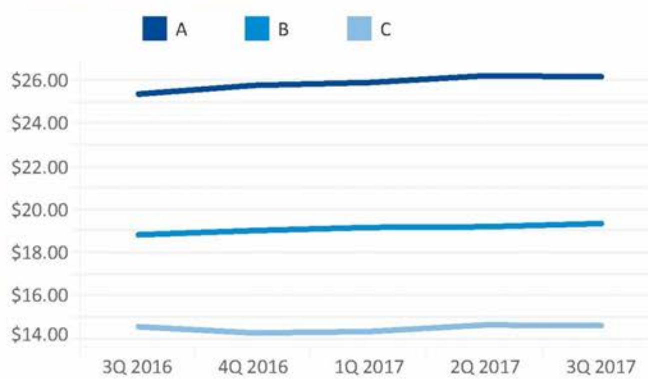
Market Name	Class	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Airport North	A	$19.82	$20.32	$20.97	$22.73	$22.94
	B	$19.28	$19.31	$19.02	$19.52	$20.21
	C	-	-	-	$21.00	$17.41
	Subtotal	**$19.64**	**$20.03**	**$20.53**	**$22.02**	**$21.26**
Airport South	A	-	-	$24.50	$28.88	$26.54
	B	$15.21	$22.24	$21.96	$22.21	$22.34
	C	$13.48	$13.56	$13.40	$14.13	$15.70
	Subtotal	**$14.36**	**$20.58**	**$20.42**	**$21.42**	**$22.39**
Brentwood	A	$29.48	$29.08	$29.68	$30.99	$30.46
	B	$25.64	$25.82	$30.47	$30.15	$29.75
	C	$25.88	$26.00	$26.26	$26.44	$26.46
	Subtotal	**$26.92**	**$26.75**	**$28.68**	**$29.29**	**$29.12**
Cool Springs/ Franklin	A	$29.50	$29.67	$31.28	$31.53	$31.31
	B	$20.00	$22.51	$23.43	$23.16	$25.00
	Subtotal	**$29.37**	**$29.47**	**$30.96**	**$31.23**	**$30.95**
Downtown	A	$29.42	$31.02	$31.40	$30.64	$31.75
	B	$24.74	$23.73	$23.84	$23.98	$24.60
	C	$18.39	$18.39	$18.59	$18.61	$18.61
	Subtotal	**$25.67**	**$26.39**	**$26.16**	**$25.21**	**$26.51**
Green Hills	A	$30.50	$30.66	$30.69	$30.76	$32.50
	B	$21.32	$21.66	$23.15	$22.68	$23.68
	C	-	-	-	-	-
	Subtotal	**$28.81**	**$28.99**	**$29.07**	**$28.15**	**$25.90**
MetroCenter	A	$20.00	$20.00	$20.00	$20.00	$22.00
	B	$18.02	$18.51	$18.32	$20.57	$21.89
	C	$22.00	$21.02	$21.02	$22.00	$22.00
	Subtotal	**$19.17**	**$19.14**	**$19.35**	**$20.53**	**$21.92**
Midtown	A	$31.44	$31.52	$32.22	$33.27	$32.19
	B	$25.95	$29.47	$29.57	$30.12	$29.93
	C	$21.44	$21.45	$21.07	$21.30	$22.48
	Subtotal	**$29.57**	**$30.34**	**$31.12**	**$30.88**	**$31.02**
Rivergate	A	-	-	-	-	-
	B	-	-	-	-	$18.50
	C	$22.71	$22.41	$22.41	$22.41	$21.41
	Subtotal	**$22.71**	**$22.41**	**$22.41**	**$22.41**	**$20.63**
West End	A	$29.70	$30.39	$31.00	$31.00	$31.00
	B	$29.53	$29.53	$29.53	$29.53	$29.53
	C	$20.63	$20.68	$21.50	$21.69	$21.50
	Subtotal	**$27.97**	**$29.10**	**$29.04**	**$28.83**	**$29.26**
Overall		**$25.26**	**$25.63**	**$26.15**	**$26.25**	**$26.71**

By Market



Nashville by Class

National by Class



Absorption Map

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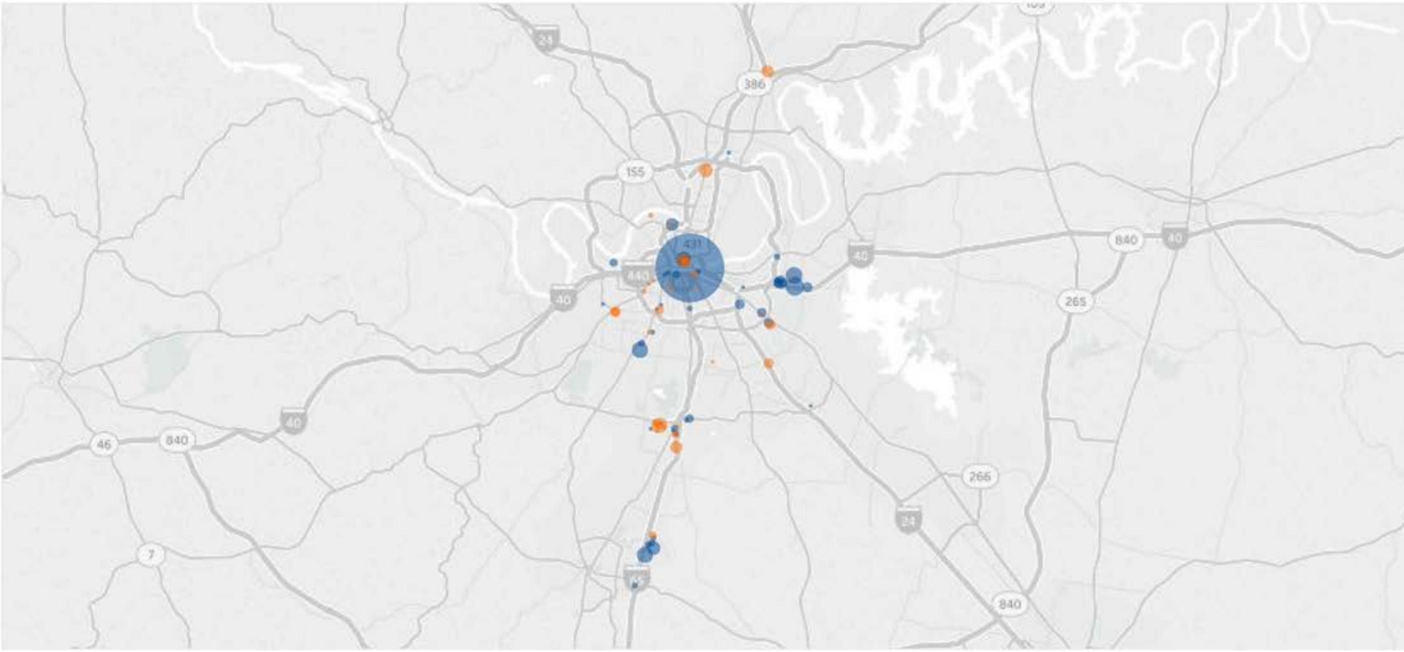
Absorption Map

Negative Positive



Largest Positives (Direct)

Property Name	Significant Transactions	Market Name	Class	
Bridgestone	Bridgestone delivered fully occupied	Downtown	A	514,000
41 Rachel Dr	Accredo 20,553 sf; undisclosed tenant 14,021 sf	Airport North	C	34,574
Lakeview Ridge III	Permanent General Cos.	Airport North	A	27,711
Burton Hills III	Invision Healthcare	Green Hills	A	26,466
Two Franklin Park	Acadia Healthcare 13,383 sf; CKE Restaurants 12,701 sf	Cool Springs/ Franklin	A	26,084
Eight Corporate Centre	RTS Administrative Services 8,023 sf; CGI Technology 11,579 sf	Cool Springs/ Franklin	A	19,602
UBS Tower	Houzz expansion	Downtown	B	18,675
Lakeview III	Paychex expansion	Airport North	A	17,133

Largest Negatives (Direct)

Property Name	Significant Transactions	Market Name	Class	
Westwood Building	Universal Health Services Nashville Regional Office	Brentwood	B	-24,372
Levering Office Building	Syner -9,266 sf; Pro Nurse -9,266 sf	Rivergate	C	-18,532
Fifth Third Center	Dickinson Wright	Downtown	A	-17,272
Brentwood Bus Center Phse I	Unimin Corporation -4,500 sf; Multi-State Tax Group -2,265 sf	Brentwood	C	-14,719
NorthChase Professional Park	Dollar General Mission Park	Rivergate	B	-14,600
Woodmont Centre II	Travel Innovations Group	West End	A	-11,500
Airport Executive Plaza	Accurate Mortgage +5,128 sf; undisclosed tenant -21,302	Airport South	B	-11,029
CMT	NIC	Downtown	B	-9,559

Leasing Activity Trends

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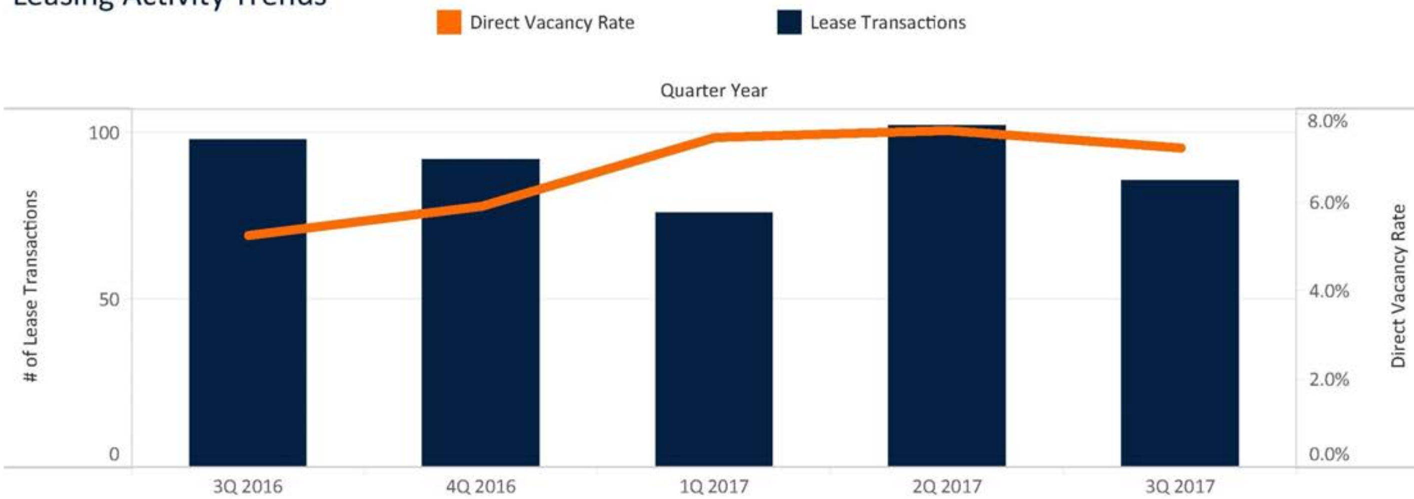
Leasing Activity Trends



Leasing Activity (# of New Deals)

Sales Volume vs. Price/SF

Top Sales

Property	Sale Date	Buyer	Sale Price
The Sheds on Charlotte	09/13/2017	Stoltz Real Estate Partners	$28,300,000
Parklane Building	07/26/2017	RMR Group	$18,175,000
408 2nd Ave N	07/11/2017	450-460 Bidco LLC	$8,925,000
501 Union St Unit 4A-4F	08/14/2017	Level Office	$8,850,000
610-614 5th Ave S	08/29/2017	Cosair Distillery	$6,200,000

Market Trends Map

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