CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

Nashville, TN

4th Quarter 2016

OFFICE

Market Report

Nashville Office Market

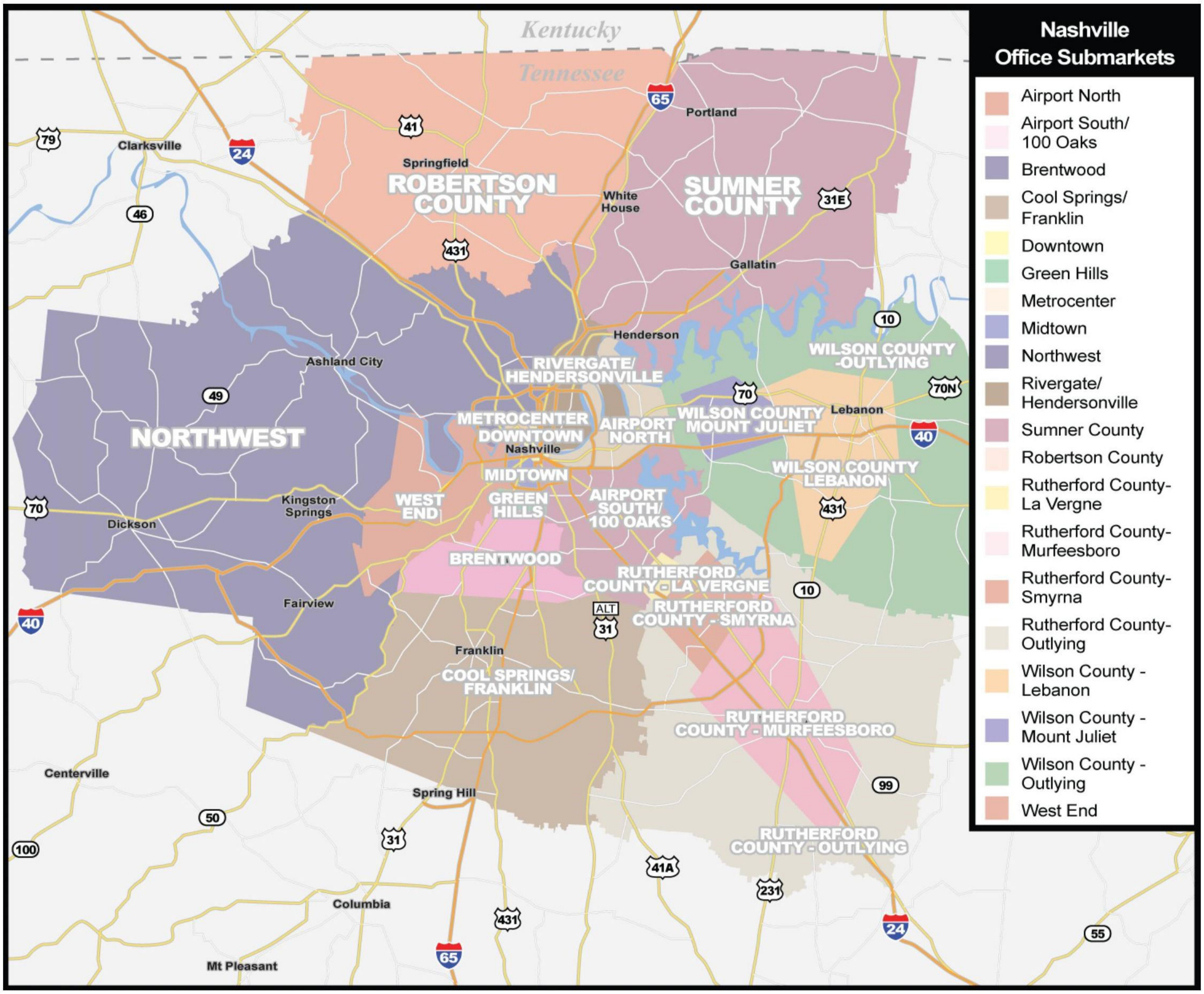
CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

The Nashville tracked set consists of an inventory of buildings considered to be competitive within the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for each market area.

Inventory	The total square feet (sf) of all existing single and multi tenant office buildings greater than 10,000 (sf), excluding government buildings, owner occupied buildings, medical buildings, and office condo buildings. Only includes 100% office properties.
Class A	Most prestigious buildings competing for premier office users with rents above the market average. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.
Class B	Buildings competing for a wide range of office users with average market rents. Building finishes are fair to good for the area and systems are adequate, but the property does not compete with Class A product.
Class C	Buildings competing for office users requiring functional office space at rents below the market average for the area.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Direct Net Absorption	The net change in fiscally occupied space from quarter to quarter, expressed in (sf).
Total Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in (sf).
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Weighted Average Rent	The weighted average of all direct asking lease rents expressed as a full service/gross rental rate and weighted on total direct available (sf).

Nashville Office Map

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES



Nashville Office Overview

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

Overview

- The Nashville office market continued its positive growth during 4Q 2016, with 291,000 square feet (sf) of direct positive absorption for the quarter and over 1.1 million sf year-to-date.
- Office leasing activity was hot this quarter. Universal Health Services (UHS) announced plans to lease nearly 65,000 sf at Boyle's new Brentwood Commons III building, scheduled to complete 1Q 2017; while Capella Healthcare leased 21,000 sf at Two Meridian, Deloitte took 19,000 sf at 333 Commerce and Warner Music Group leased 18,000 at Nashville City Center.
- There were quite a few properties that delivered in 4Q 2016: HCA's Capitol View completed their 500,000 sf building downtown, while 1201 Demonbreun delivered 75% occupied, Hill Center Brentwood delivered 100% occupied and Two Greenway delivered 6% occupied adding another 140,000 sf of available space to the Franklin market.
- One notable building sale during 4Q 2016 was located at 333 Commerce and traded for $17.3 million to AmCorp Realty Corp.

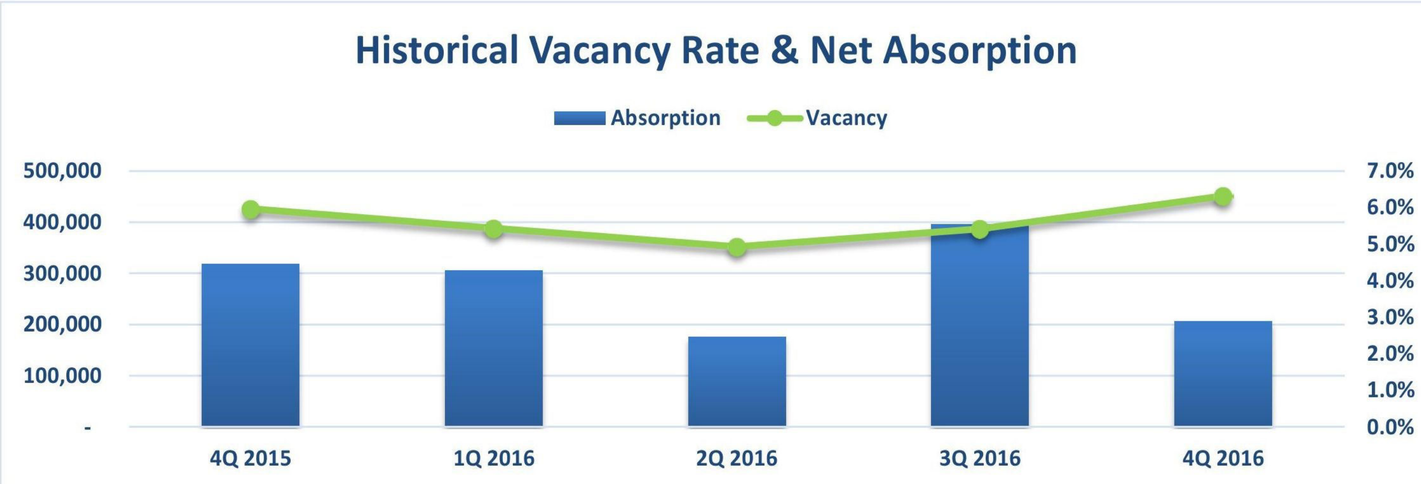
	# of Bldgs	Inventory (sf)	Direct Available (sf)	Direct Vacant (sf)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (sf)	YTD Direct Net Absorption (sf)
A	119	17,390,591	1,663,341	644,289	3.7%	289,359	665,921
B	195	13,929,313	1,510,175	1,065,589	7.6%	-8,013	476,779
C	90	3,253,293	555,134	329,330	10.1%	10,110	46,474
Overall	**404**	**34,573,197**	**3,728,650**	**2,039,208**	**5.9%**	**291,456**	**1,189,174**

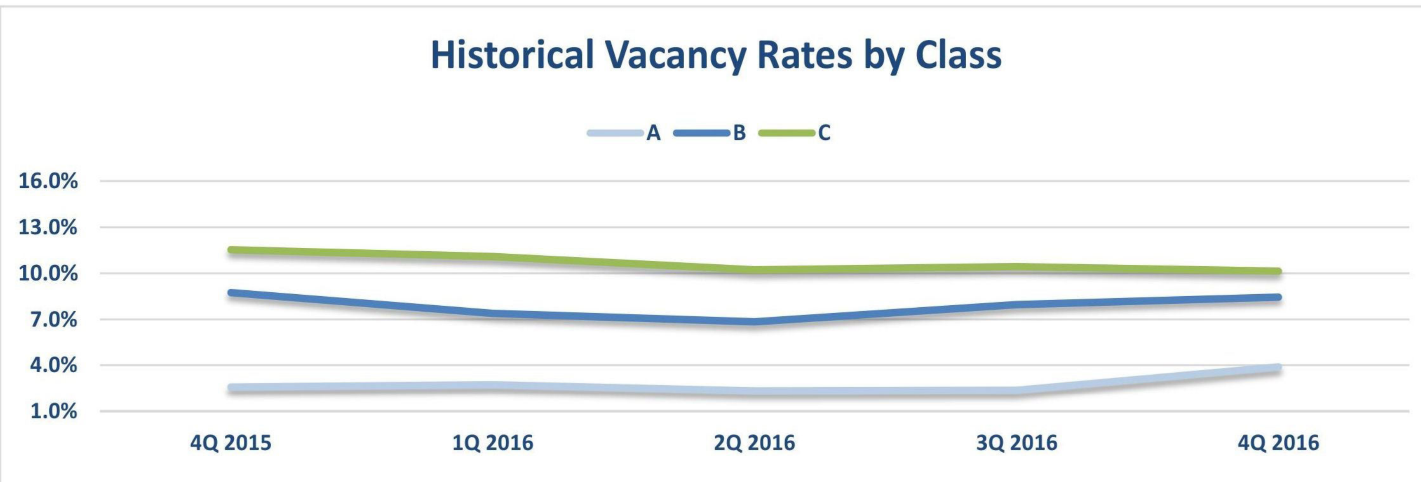
	# of Bldgs	Inventory (sf)	Total Available (sf)	Total Vacant (sf)	Total Vacancy Rate (%)	Quarterly Net Absorption (sf)	YTD Net Absorption (sf)
A	119	17,390,591	1,788,021	677,836	3.9%	265,677	671,707
B	195	13,929,313	1,668,490	1,177,064	8.5%	-69,734	365,304
C	90	3,253,293	581,211	329,330	10.1%	10,110	46,474
Overall	**404**	**34,573,197**	**4,037,722**	**2,184,230**	**6.3%**	**206,053**	**1,083,485**

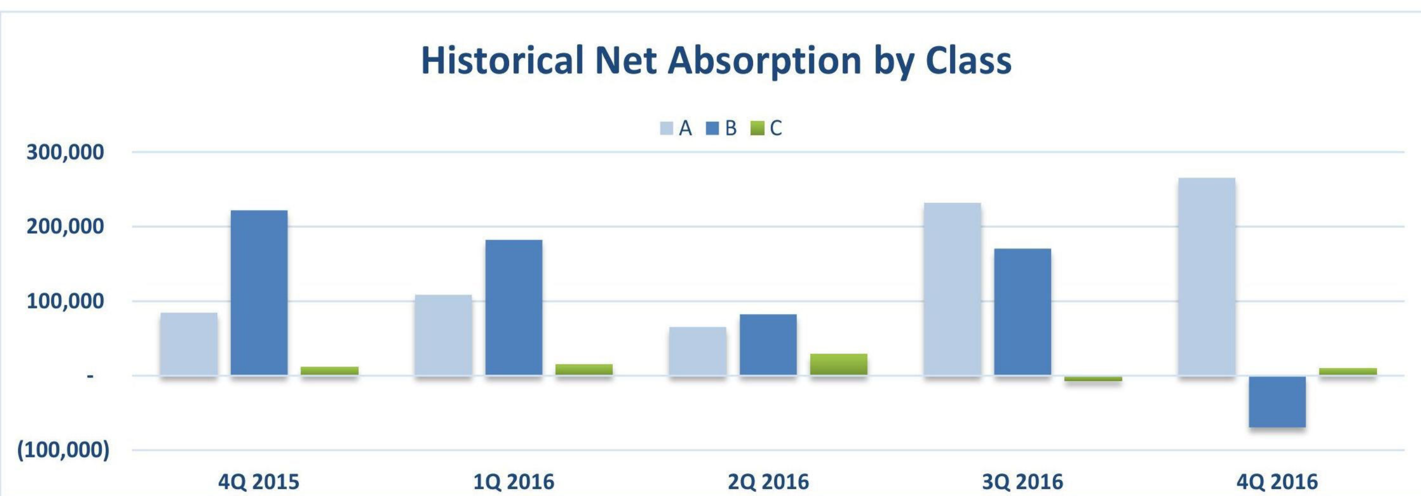
	# of Bldgs	Inventory (sf)	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (sf)	YTD Sublease Net Absorption (sf)
A	119	17,390,591	124,680	33,547	0.2%	-23,682	5,786
B	195	13,929,313	158,315	111,475	0.8%	-61,721	-111,475
C	90	3,253,293	26,077	-	0.0%	-	-
Overall	**404**	**34,573,197**	**309,072**	**145,022**	**0.4%**	**-85,403**	**-105,689**

Nashville Office Overview

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES







Statistics by Market

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

	# of Bldgs	Inventory (sf)	Total Vacant (sf)	Sublease Vacant (sf)	Total Vacancy Rate (%)	Direct Quarterly Absorption (sf)	YTD Direct Net Absorption (sf)
Airport North	**35**	**3,531,719**	**133,428**	**-**	**3.8%**	**3,510**	**49,809**
A	10	1,880,606	71,791	-	3.8%	-	20,627
B	22	1,551,113	61,637	-	4.0%	3,510	28,182
C	3	100,000	-	-	0.0%	-	1,000
Airport South/100 Oaks	**62**	**4,045,515**	**622,918**	**50,368**	**15.4%**	**10,084**	**169,799**
A	9	768,931	-	-	0.0%	-	11,237
B	25	2,457,457	419,154	50,368	17.1%	10,084	150,366
C	28	819,127	203,764	-	24.9%	-	8,196
Brentwood	**72**	**5,181,816**	**88,904**	**44,571**	**1.7%**	**126,979**	**345,210**
A	24	2,437,609	40,360	3,946	1.7%	113,548	290,770
B	37	2,170,633	41,070	40,625	1.9%	6,313	42,231
C	11	573,574	7,474	-	1.3%	7,118	12,209
Cool Springs/Franklin	**63**	**5,881,270**	**277,560**	**16,465**	**4.7%**	**-69,863**	**-35,054**
A	34	4,492,487	233,764	7,224	5.2%	-41,990	-7,577
B	29	1,388,783	43,796	9,241	3.2%	-27,873	-27,477
Downtown	**58**	**8,098,648**	**760,555**	**14,886**	**9.4%**	**218,711**	**439,926**
A	12	3,836,664	222,048	14,886	5.8%	211,275	231,416
B	31	3,774,402	479,965	-	12.7%	7,436	184,495
C	15	487,582	58,542	-	12.0%	-	24,015
Green Hills	**19**	**1,289,828**	**54,059**	**-**	**4.2%**	**1,512**	**22,061**
A	7	700,370	44,661	-	6.4%	-	5,055
B	10	487,933	9,398	-	1.9%	-914	11,719
C	2	101,525	-	-	0.0%	2,426	5,287
MetroCenter	**17**	**1,662,538**	**67,360**	**5,862**	**4.1%**	**-8,347**	**91,580**
A	3	369,257	10,387	-	2.8%	3,288	6,956
B	9	857,231	45,691	5,862	5.3%	-11,635	91,333
C	5	436,050	11,282	-	2.6%	-	-6,709
Midtown	**51**	**3,737,474**	**135,115**	**12,870**	**3.6%**	**6,823**	**103,420**
A	12	2,382,929	44,261	7,491	1.9%	880	111,696
B	23	945,887	68,653	5,379	7.3%	5,066	-4,558
C	16	408,658	22,201	-	5.4%	877	-3,718
Rivergate/Hendersonville	**16**	**511,941**	**28,838**	**-**	**5.6%**	**-688**	**-560**
A	4	201,014	8,080	-	4.0%	-	-4,360
B	5	145,874	-	-	0.0%	-	488
C	7	165,053	20,758	-	12.6%	-688	3,312
West End	**11**	**632,448**	**15,493**	**-**	**2.4%**	**2,735**	**2,983**
A	4	320,724	2,484	-	0.8%	2,358	101
B	4	150,000	7,700	-	5.1%	-	-
C	3	161,724	5,309	-	3.3%	377	2,882
Overall	**404**	**34,573,197**	**2,184,230**	**145,022**	**6.3%**	**291,456**	**1,189,174**

Vacancy Rates & Asking Rates

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

	Vacancy Rate %					Weighted Average Asking Rent (FSG)				
	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
Airport North	**5.2%**	**3.8%**	**3.0%**	**3.9%**	**3.8%**	**$8.61**	**$6.55**	**$10.39**	**$9.87**	**$10.64**
A	4.9%	2.6%	1.9%	3.8%	3.8%	$6.61	$4.24	$8.90	$8.11	$9.22
B	5.8%	5.6%	4.6%	4.2%	4.0%	$17.92	$20.88	$19.95	$19.28	$19.31
C	1.0%	-	-	-	-	-	-	-	-	-
Airport South/100 Oaks	**10.6%**	**9.3%**	**8.7%**	**14.4%**	**15.4%**	**$11.56**	**$11.09**	**$15.80**	**$11.40**	**$15.84**
A	1.5%	0.5%	0.4%	-	-	$21.48	$20.50	$21.00	-	-
B	8.1%	6.5%	5.9%	15.4%	17.1%	$9.06	$9.18	$15.54	$9.70	$15.99
C	25.8%	25.0%	23.8%	24.9%	24.9%	$18.83	$18.40	$16.14	$15.43	$15.49
Brentwood	**1.8%**	**1.5%**	**1.4%**	**2.4%**	**1.7%**	**$12.92**	**$23.11**	**$25.35**	**$26.89**	**$26.67**
A	1.3%	1.0%	1.0%	2.3%	1.7%	$26.70	$26.60	$26.82	$29.48	$29.08
B	2.0%	1.5%	1.4%	2.6%	1.9%	$23.92	$24.03	$25.19	$23.81	$23.63
C	3.4%	3.5%	2.7%	2.5%	1.3%	$2.29	$21.95	$24.87	$25.88	$26.00
Cool Springs/Franklin	**0.5%**	**1.3%**	**1.1%**	**0.6%**	**4.7%**	**$7.65**	**$11.60**	**$27.82**	**$29.06**	**$29.44**
A	0.6%	1.5%	1.5%	0.7%	5.2%	$7.44	$11.48	$27.97	$29.70	$29.79
B	0.5%	0.5%	-	0.5%	3.2%	$21.00	$21.00	$22.73	$25.39	$25.41
C	-	-	-	-	-	-	-	-	-	-
Downtown	**11.3%**	**10.4%**	**9.6%**	**8.6%**	**9.4%**	**$23.98**	**$22.81**	**$18.36**	**$25.25**	**$25.36**
A	4.1%	4.6%	4.0%	3.5%	5.8%	$27.92	$27.49	$29.20	$29.32	$29.38
B	17.4%	15.3%	14.5%	12.9%	12.7%	$21.41	$19.89	$15.10	$24.05	$23.53
C	16.9%	14.2%	12.0%	12.0%	12.0%	$18.04	$19.12	$17.29	$17.96	$18.28
Green Hills	**5.9%**	**4.6%**	**4.6%**	**4.3%**	**4.2%**	**$23.84**	**$26.18**	**$29.13**	**$28.81**	**$29.05**
A	7.1%	7.1%	7.1%	6.4%	6.4%	$30.50	$30.60	$30.61	$30.50	$30.66
B	4.3%	1.6%	1.6%	1.7%	1.9%	$13.72	$16.51	$21.25	$21.32	$21.39
C	5.2%	2.4%	2.4%	2.4%	-	-	-	-	-	-

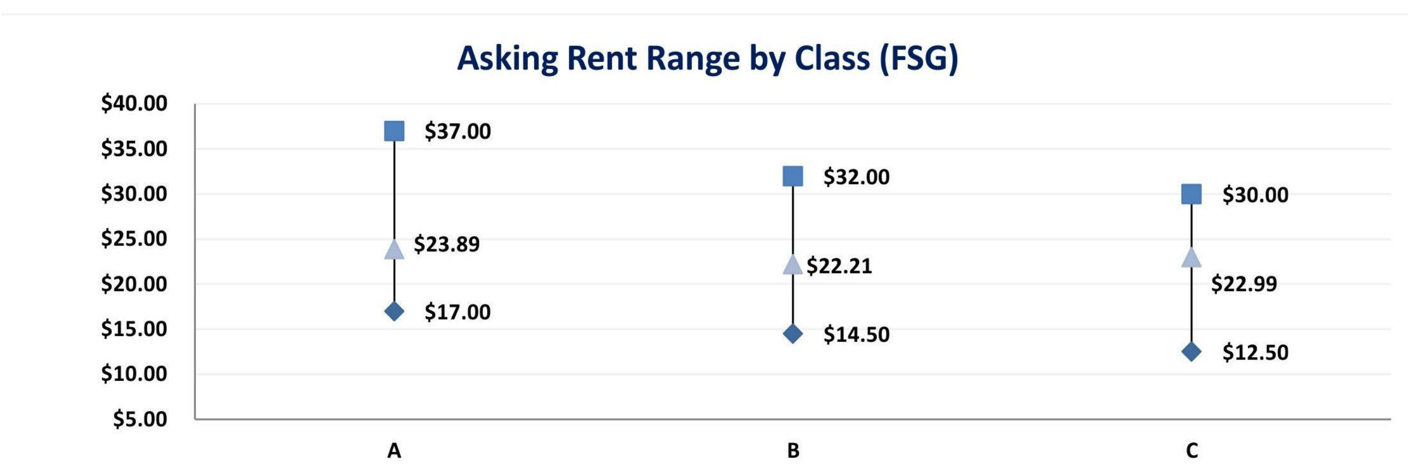
Vacancy Rates & Asking Rates

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

	Vacancy Rate %					Weighted Average Asking Rent (FSG)				
	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
MetroCenter	**9.2%**	**6.8%**	**6.0%**	**3.2%**	**4.1%**	**$18.00**	**$18.45**	**$19.06**	**$19.17**	**$19.14**
A	4.7%	4.7%	3.7%	3.7%	2.8%	$20.00	$20.00	$20.00	$20.00	$20.00
B	15.3%	9.8%	8.6%	3.3%	5.3%	$17.80	$17.75	$17.83	$18.02	$18.51
C	1.0%	2.6%	2.6%	2.6%	2.6%	-	-	$22.00	$22.00	$21.02
Midtown	**3.6%**	**4.3%**	**3.6%**	**3.7%**	**3.6%**	**$27.19**	**$27.75**	**$28.68**	**$29.47**	**$30.34**
A	2.3%	3.1%	2.1%	2.0%	1.9%	$31.78	$32.09	$31.03	$31.44	$31.52
B	6.2%	6.8%	6.8%	7.2%	7.3%	$23.25	$23.55	$24.65	$24.62	$29.35
C	4.5%	5.0%	5.2%	5.6%	5.4%	$20.54	$19.04	$18.82	$21.37	$21.45
Rivergate/Hendersonville	**5.5%**	**5.6%**	**5.1%**	**5.5%**	**5.6%**	**$19.30**	**$19.31**	**$22.09**	**$24.43**	**$23.22**
A	1.9%	2.5%	3.1%	4.0%	4.0%	$21.79	$22.09	$22.09	$22.09	$22.09
B	0.3%	0.3%	-	-	-	$12.50	$12.50	-	-	-
C	14.6%	14.0%	12.2%	12.2%	12.6%	$14.03	$14.03	-	$27.75	$24.48
West End	**2.9%**	**3.1%**	**3.2%**	**2.9%**	**2.4%**	**$25.46**	**$25.13**	**$27.60**	**$28.15**	**$29.52**
A	0.8%	1.1%	1.5%	1.5%	0.8%	$29.00	$29.00	$28.91	$29.70	$30.39
B	5.1%	5.1%	5.1%	5.1%	5.1%	-	-	-	-	-
C	5.1%	5.4%	4.8%	3.5%	3.3%	$19.50	$20.00	$20.00	$20.00	$20.00
Overall	**6.0%**	**5.4%**	**4.9%**	**5.4%**	**6.3%**	**$16.68**	**$18.30**	**$20.24**	**$22.75**	**$23.32**

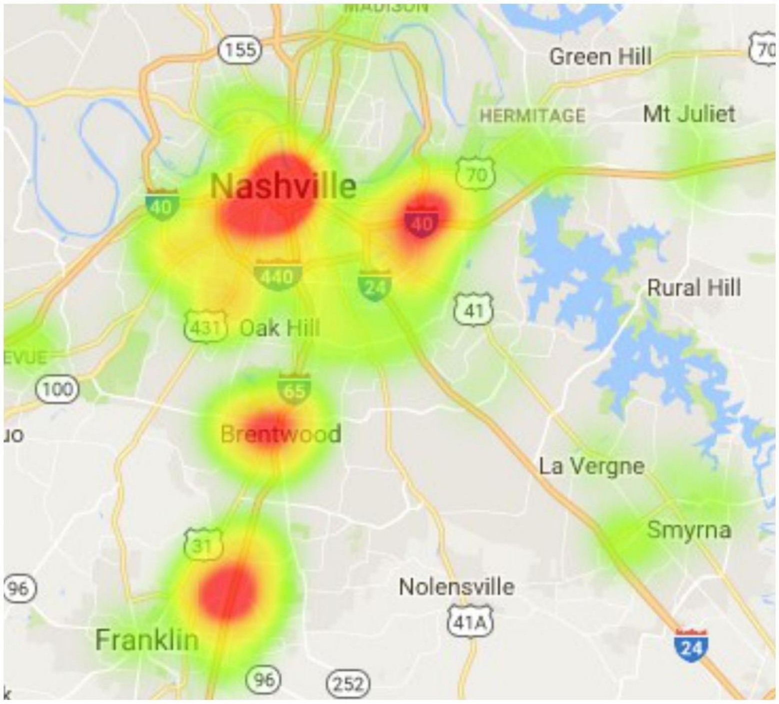
Vacancy Rate & Asking Rates

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES



Leading & Absorption

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES



Largest Absorption Changes				
Property Name	Occupied or Vacated (sf)	Tenant Name	Submarket	Building Class
Fifth Third Center	22,085	Dickinson Wright (expansion)	Downtown	A
Seven Springs West Tower	11,395	Rezult Group	Brentwood	A
Two Greenway Centre	7,596	Volkert	Cool Springs/Franklin	A
Quorum I	6,313	Regional Health	Brentwood	B
Seven Corporate Centre	-15,035	Nationwide Insurance	Cool Springs/Franklin	A
Cool Springs Commons II	-27,873	CHS	Cool Springs/Franklin	B
Five Corporate Centre	-30,860	Noranda	Cool Springs/Franklin	A
One Nashville Place	-33,020	Neal & Harwell	Downtown	A

Top Transactions						
Property Name	Sale Price	Sold (sf)	Buyer	Seller	Market	Building Class
330 Commerce St	$17,300,000	114,692	AmCorp Realty Corp	Commerce Street Nashville Partnership	Downtown	B
Gateway Plaza I	$16,000,000	89,000	Albany Road Real Estate Partners	Sun Life Assurance Company of Canada	Brentwood	A
2416 21st Ave S	$11,600,000	64,236	Elmington Capital Group	Welch Family Real Estate Holdings LLC	Midtown	B
Maryland Park Center	$10,000,000	45,000	Albany Road Real Estate Partners	Sun Life Assurance Company of Canada	Brentwood	B
1001 Hawkins St	$10,000,000	37,533	Pearlmark	The Buntin Group	Midtown	B

Current Construction by Submarket

CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES