

Emerging Industrial Markets: Nashville

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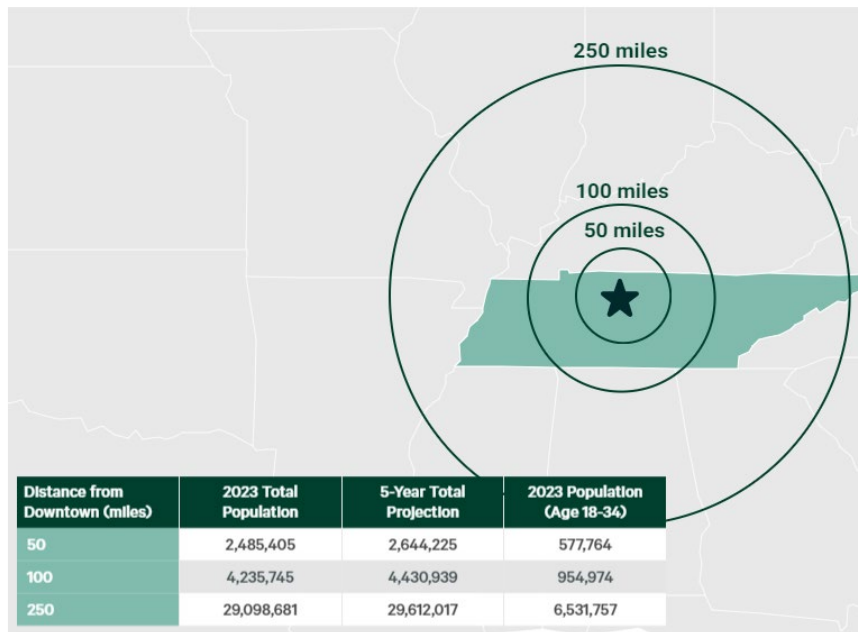
“Nashville is a key industrial market because most of the U.S. population is accessible by two-day ground delivery. As a result, strong demand has outpaced record inventory expansion, leading to low vacancy. Positive market fundamentals and pro-business government policies attract investors and developers, which should fuel further investment this year.”

Elizabeth Goodwin
Senior Managing Director - Nashville

Demographics

Just over 2.4 million people live within 50 miles of the market’s core, with a projected five-year growth rate of 6.4%. There is a population of 29.1 million within 250 miles, more than Houston, St. Louis and Memphis.

Figure 1: Nashville Population Analysis



Source: CBRE Location Intelligence, 2024.

The local warehouse labor force of 54,204 is expected to grow by 13% by 2034, according to [CBRE Labor Analytics](#). The average wage for a non-supervisory warehouse worker is \$17.86 per hour, just above the national average.

Figure 2: Nashville Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics, 2024.

Location Incentives

Over the past five years, there have been more than 120 economic incentives deals totaling more than \$260 million for an average of \$9,300 per new job in metro Nashville, according to fDi Intelligence.

[CBRE’s Location Incentives Group](#) reports that top incentive programs in Tennessee include the Job Tax Credit. It offers a one-time corporate income tax credit to businesses that create at least 25 new jobs within three years and make a minimum capital investment of \$500,000. The tax credit may offset up to 50% of franchise and excise taxes. Any unused credits may be carried forward for up to 15 years.

Figure 3: Top Incentive Programs

Sales Tax Exemptions

Discretionary sales tax exemption for HQ facilities, manufacturing, and data centers

Property Tax Abatements

Discretionary abatement of real estate and personal property taxes

Deal Closing Fund/Job Training Grant

Discretionary cash grant/discretionary job training grant

Source: CBRE Location Incentives Group, 2024.

Note: The extent of state and local incentive offerings depends on location and scope of the operation.

Logistics Drivers

Nashville’s central location means 72% of the U.S. population can be reached within two days via ground delivery. It is one of six U.S. cities with three major intersecting interstate highways, creating a transportation network that attract top global logistics and distribution firms. With a

\$1.4 billion expansion project underway, [Nashville International Airport](#) continues growing its cargo-handling capabilities and has six air carriers servicing the market.

Supply & Demand

Nashville was one of the U.S.'s top-performing and fastest-growing industrial markets in 2023. However, there may be an increase in available space this year due to a high volume of construction completions.

The market consists of 218 million sq. ft. of space, making it the U.S.'s 30th largest industrial market. Despite this, it had the U.S.'s eighth-most net absorption last year, at 9.7 million sq. ft., making it the country's fourth-highest growth market (net absorption/existing inventory). Significant demand for space kept vacancy rates at 3.4% at year-end, 140 basis points lower than the national average. This led to asking rents hitting a record high of \$7.84 per sq. ft., a 5.8% year-over-year increase. Developers noticed Nashville's strong fundamentals and increased construction activity to 10.3 million sq. ft. by the end of last year, with most of it being speculative and available space. This will likely increase the vacancy rate in the near term. However, continued strong demand and slowdown in construction activity should make the vacancy increase relatively short-lived. Overall, Nashville has the potential to be one of the U.S.'s top emerging industrial markets for the foreseeable future.

Figure 4: Nashville, Historical Data

	2023	2022	2021	2020	2019
Inventory (SF)	218,189,471	208,067,426	200,538,957	189,753,891	188,921,645
Overall Vacancy Rate	3.4%	3.5%	3.6%	4.6%	7.9%
YTD Net Absorption (SF)	9,667,402	7,682,506	9,645,105	5,483,111	5,004,363
Average Asking Rental Rates (Direct/SF/Yr)	\$7.84	\$7.41	\$6.38	\$5.59	\$5.02
YTD Construction Completions (SF)	8,767,237	6,572,874	8,589,562	2,622,526	2,219,932
Under Construction (SF)	10,324,151	9,879,673	11,460,066	7,635,479	2,330,962

Source: CBRE Research, 2024.

Figure 5: Nashville, Size Range Comparison

Size Range (SF)	Q4 2023 Existing Inventory	Q4 2023 Overall Vacancy Rate	Q4 2022 Existing Inventory	Q4 2022 Overall Vacancy Rate
< 49,999	28,324,673	3.7%	28,298,868	3.8%
50k-99,999	24,148,376	2.9%	23,888,524	4.7%
100k-249,999	55,810,955	3.6%	52,764,029	3.5%
250k-499,999	37,753,545	3.8%	33,806,481	5.3%
500,000+	72,151,922	3.0%	69,297,024	2.0%

Source: CBRE Research, 2024.