

## New lows launch Nashville to national high

### Positive vibes: absorption, construction and the economy

Despite having the lowest vacancy in the country, Nashville's absorption is on track for another year over 1 million square feet. This quarter absorption was 217,464 square feet. By year's end, 8 more projects, totaling 1.4 million square feet, are expected to deliver with a positive absorption of 961,884 square feet. Outlook is promising due to business growth. Since 2015, unemployment rate has dropped to 4.4 percent from 4.7 percent, while year over year personal income growth has grown 7.6 percent from 6.1 percent. The cost of doing business is still below national averages, and the value of a dollar in Nashville continues to have more purchasing power. Compared to larger metros, Music City's office rents remain more attractive; however, for Nashville, they've reached historic highs. Nashville rents sit at \$22.58 for the overall market and \$28.47 for Class A space.

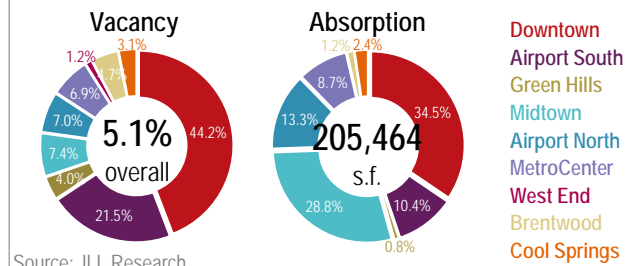
### Unutilized opportunity? Downtown is Nashville's second most vacant submarket

Office tenants often complain that there is no viable space in Nashville. With a vacancy of 9.5 percent in the Downtown submarket, the office core's vacancy is nearly double that of the market's overall vacancy of 5.1 percent. Vacancy by class in the Downtown submarket provides powerful insight as to why the city's CBD is lagging behind. The Downtown Class A vacancy is 4.3 percent, and the Class B vacancy is 14.0 percent. Office users today seek modern, sleek space, which the typical Class B space is not able to provide. Herein lies the opportunity: with 526,628 square feet of Class B space available Downtown, landlords of Class B space are faced with the need to renovate, decrease rents and/or increase TI packages to attract tenants. If landlords take advantage of this opportunity, Class B space is perhaps Nashville's biggest area of opportunity to increase what tenants consider viable space in the market.

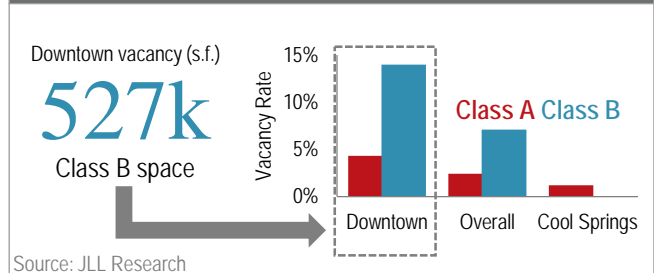
### Nashville embraces the trending office frontier: coworking space

No longer is coworking space thought as the realm of tech startup incubators. In Nashville, 17 coworking providers offer professionals concierge offices and a range of amenities. The current 17 providers have 27 locations, totaling close to 366,923 square feet. In terms of the overall office market, coworking space in Nashville represents 1.1 percent of the inventory, which is on par nationally, where coworking space accounts for 0.7 percent of the market share. In other words, roughly 1 out of every 10 office space users are utilizing coworking space. Coworking providers are seeking to expand their presence in Nashville. At least 2 coworking vendors are seeking to join the market. With membership opportunities between hourly to monthly subscriptions, coworking space could be an alternative that companies utilize as Nashville office rents continue to rise or as a temporary solution as users wait for new product to come online.

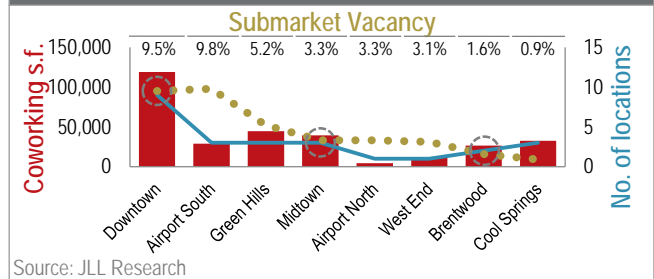
### Submarket vacancy and absorption as a percentage of totals



### Core vacancy vis-à-vis overall and least vacant submarket

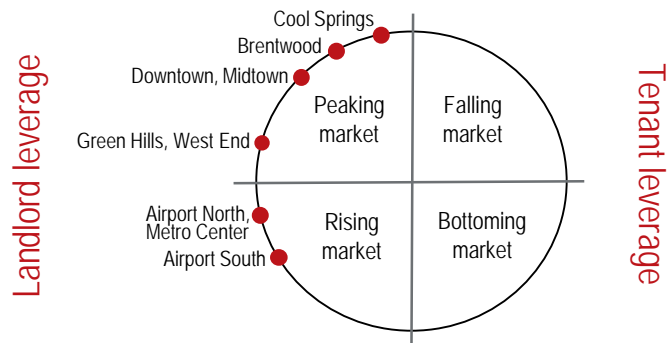


### Submarket vacancy vs. coworking space



33,470,801 Total inventory (s.f.)	205,464 Q1 2016 net absorption (s.f.)	\$22.58 Direct average asking rent	3,459,802 Total under construction (s.f.)
5.1% Total vacancy	547,629 YTD net absorption (s.f.)	6.3% 12-month rent growth	62.4% Total preleased

### Current conditions – submarket



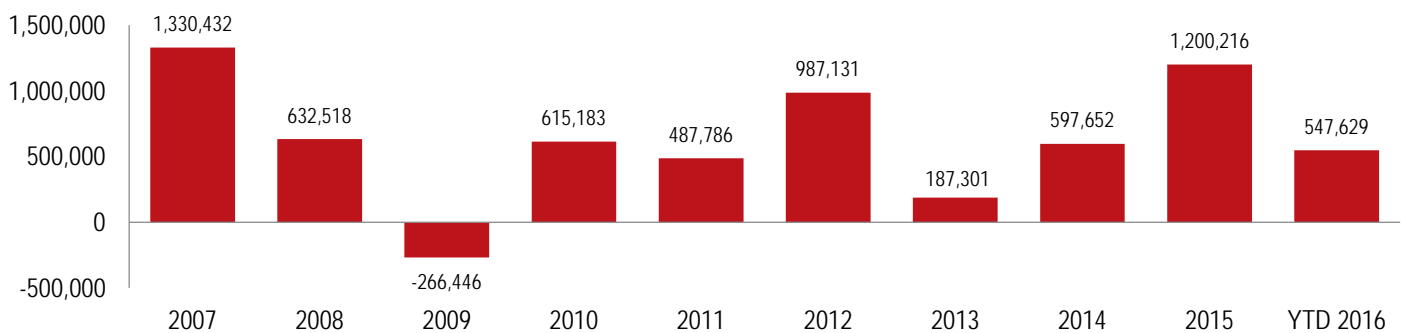
Source: JLL Research

### Q2 2016's top lease transactions ranked by size

Tenant	s.f.	Address	Submarket
Alfa Insurance	65,000	Berry Farms	Cool Springs
Allstate Insurance	57,000	Highland Ridge II	Airport North
CKE Restaurants Inc.	48,000	Two Franklin Park	Cool Springs
SpecialtyCare	20,573	902 Airpark	Airport South
SmileCare	20,372	Bank of America	Downtown
Lipscomb University	20,100	4th & Commerce	Downtown
NovaCopy	20,000	Sylvan Station	West End
Lyft	18,161	Nashville Sash & Door	Downtown

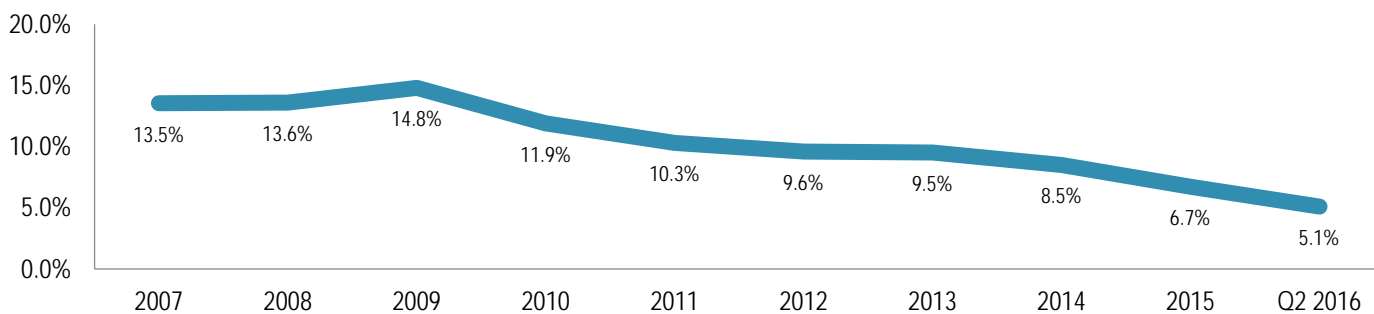
Source: JLL Research

### Total net absorption (s.f.)



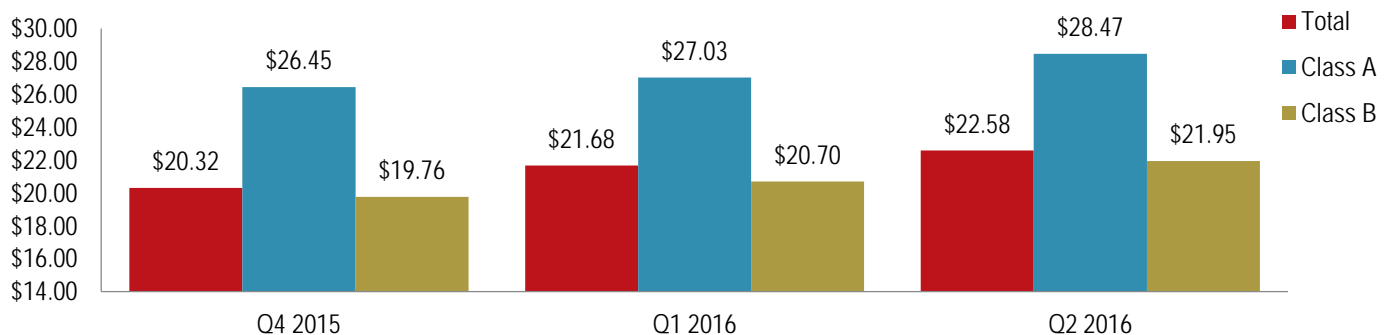
Source: JLL Research

### Total vacancy rate (%)



Source: JLL Research

### Direct average asking rent (\$ p.s.f.)



Source: JLL Research