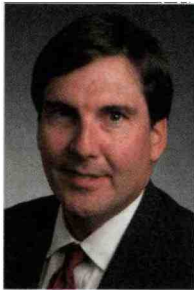


MAJOR DEVELOPMENTS UNDER WAY TO MEET PENT-UP OFFICE DEMAND IN NASHVILLE



Jim Smith
 SIOR, Senior Managing
 Director, Cassidy Turley

The Nashville office market may have good cause to be the envy of the commercial real estate world. Despite a sluggish economic recovery for most of the United States, Nashville's economy and office market have experienced a surge of growth fueled by a diverse business climate that includes healthcare firms, legal firms and corporate headquarters. That surge puts overall office vacancy at a 10-year low and Class A vacancy at record lows, 9.9 percent and 6.3 percent, respectively. Moreover, the types of development and transactions that are shaping the office market and economy are economic development homeruns, bringing or retaining growing firms' corporate headquarters to Nashville and driving job growth.

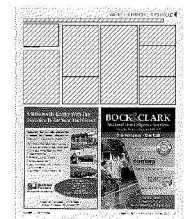
By any measure, 2012 was a banner year for Nashville's office market. The CBD submarket has seen the most leasing activity, as many of Nashville's major law firms and banks have secured homes for the next decade. Butler Snow's deal at the Pinnacle building placed the 520,000-square-foot Class A office tower at 80 percent leased, and this building — which has the highest rents in the city — was closing in on full lease-up at the end of the year. Additionally, with the majority of downtown office space committed and prices of developable land near record highs, the CBD's Gulch will draw adaptive reuse and redevelopment that's attractive to tech and creative firms that desire distinctive in-town space.

In terms of corporate headquarters,

Tractor Supply committed to remain in Brentwood with a 250,000-square-foot build-to-suit at Virginia Springs, a 55-acre office development, while Highwoods Properties is building LifePoint Hospitals' 203,000-square-foot build-to-suit, also in the Brentwood submarket. Even though Tractor Supply and LifePoint's new leases will leave behind large blocks of vacant space, that's not necessarily a negative factor in a submarket that has a vacancy rate of 5.7 percent and pent-up demand. Similarly, AmSurg Corp. decided to remain in Davidson County and signed a build-to-suit lease for its new 110,000-square-foot headquarters in the last available site in the Burton Hills office park in the Green Hills submarket.

Two other projects on the horizon will shape Nashville's economy and office market for decades to come. The 1.2 million-square-foot Music City Center is scheduled to open in the second quarter of this year. As one of the largest convention centers in the Southeast, it already is drawing attention from national and international convention and event planners and will lead to ancillary job creation in the Nashville CBD and beyond.

While Music City Center is a big deal, its long-term impact may be outpaced by Davidson County's biggest economic development win since the early 1990s, HCA's prelease of approximately 500,000 square feet in separate buildings at West End Summit. The West End Summit development has been on the drawing board for nearly a decade and broke ground in 2007, only to have construction halted while anchor tenants were pursued. With HCA affiliates Parallon Business Solutions' prelease of 350,000 square feet and Sarah Cannon Research Institute's prelease of 150,000 square feet, developer Alex S. Palmer & Co. was able to arrange financing for West End



Summit. This development is expected to deliver more than 800,000 square feet of Class A office space and 2,800 parking spaces in the spring of 2015. The HCA affiliates plan to bring 2,000 high-paying jobs to Nashville's core.

Going forward, it will be interesting to observe the level of interest investors show for Nashville office properties. Duke Realty, Highwoods Properties and Boyle Investment Co. already are heavily invested in the

Nashville office market, and 2012 saw several acquisitions from new buyers. With strong fundamentals and several headquarters build-to-suits, Nashville and Davidson County are likely to draw more attention from other institutional investors in the next three years and further enhance the Music City's economy and profile on the national commercial real estate landscape.