

Downtown Nashville office market rallies

Tenants pour into city's core during recent months

By Getahn Ward

The Tennessean

Downtown Nashville's office real estate market is making a comeback after several years of lagging the suburbs and posting double-digit vacancy rates.

The city's core posted the area's biggest occupancy gains in the first quarter, while overall net leasing remained flat, largely reflecting a tight supply of space, according to a pair of first-quarter market reports.

"I hear more now about tenants in other submarkets now talking about looking downtown," said Nate Greene, managing partner with Colliers International's Nashville office. "We're very quickly going to run into a situation where we just don't have space, or where we have very limited choices for tenants who want to move downtown."

Colliers' first-quarter report showed tenants moved into a net of 215,000 square

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feet of first-class office space in downtown Nashville, the highest absorption rate in five years. That included the **Butler Snow** law firm, which relocated its local offices to more than 46,000 square foot of space at The Pinnacle at Symphony Place office building, as well as

moves by U.S. Bank and Regions Bank to new downtown addresses.

Overall, Colliers put the marketwide direct vacancy at 7.9 percent, the lowest rate since the third quarter of 2007.

A separate report by Cassidy Turley showed downtown Nashville with only an 8.9 percent direct vacancy of first-class office space for the first quarter. That's a 12.3 percent improvement from the peak of 21.2 percent three years ago.

"Basically, what it's saying is that things are still good here, even though it was a softer quarter as far as absorption goes," said Doug Brandon, regional managing principal with Cassidy Turley, citing relatively flat positive absorption of 146,394 square feet in the overall market for the first quarter. "It goes back to the fact that we don't have inventory."

Speculative space

With quality space in high demand, Class "A" vacancy in the Nashville area is at an all-time low of 5.2 percent and the pressure has shifted to add speculative space, Cassidy said. Average asking rates continue to rise, exceeding \$30 per square foot in the tight Green Hills submarket.

Greene sees strong demand from tech startups, small tech firms and others for renovated or

remodeled space near downtown similar to what was created with redevelopment of the Trolley Barns at Rolling Mill Hill. Those users want affordable rents in the \$16 to \$18 per square foot range with cheap or free parking, something that isn't available in new Class "A" office towers, he said.

"We could probably use about 10 Trolley Barns right now," Greene said. "That's what people want. They like the activity, the energy, the renovation of downtown — they really are attracted to it. They like funky space. They like unusual kinds of chic spaces. They don't want the run-of-the-mill. They don't want office towers. It's just an energy and excitement that I've just never seen before."

Tom Frye, managing director for the Nashville office of commercial real estate firm CBRE, is also seeing interest from "pretty significant lookers" with downtown in their sights.

"It's been slow, but it's starting to look pretty positive," he said, citing inquiries from companies in states such as California and Illinois that are raising taxes or passing restrictions, including on gun ownership.

"States that have low taxes and tolerance for guns seem to be popular."





A first-quarter report from Colliers showed that downtown Nashville office space had its highest absorption rate in five years.

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