



Nashville, Tennessee

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

The overall vacancy rate for office space in Nashville is down from 13.2% at the end of 2010 to 10.5%. Nashville ends the year with a very respectable 730,000 SF in office absorption. While this is down from the 1,000,000 SF absorbed at the peak of the economy, Nashville can boast an office market that is mostly in line with the market needs. Most submarkets have a vacancy under 10%, which is considered the point of equilibrium in an office market. Highlights of the quarter include: LifePoint's 200,000 SF build-to-suit, as well as substantial leases for Health Management Systems, Tractor Supply, and HCA.

Market Trends

- The largest blocks of space continue to be found in the CBD.
- Spaces of 20,000 SF or more continue to be relatively scarce.
- Tight submarkets are forcing relocations to other areas and build-to-suits.
- Rental rates are mostly steady.
- Cool Springs is the only submarket with speculative construction.

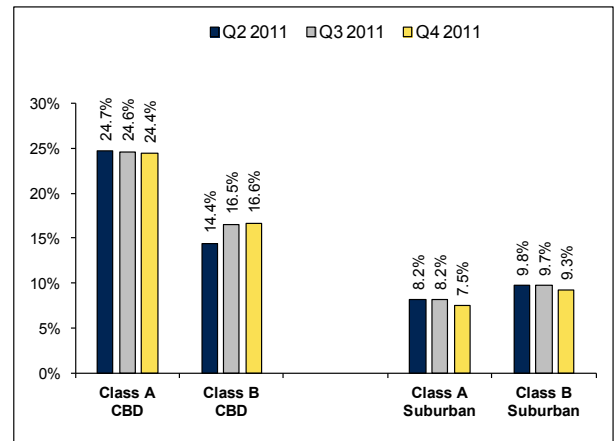
Tenant's Perspective

The lack of available space in select submarkets is forcing some tenants to consider relocating to other areas of the city. Submarkets with low vacancies include Brentwood, Cool Springs, Green Hills, West End, and MetroCenter. Those markets with high vacancies reflecting a tenant's market include the CBD, Airport North, and Airport South. Tenants should be prepared to move to their back up building choice because of the healthy activity and dwindling choices. With continued absorption and few buildings coming out of the ground, look for rental rates to rise slightly during 2012.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Correct Care Solutions	47,600	Office	Lease
Service Source	30,000	Office	Lease
TN Hospital Assoc.	30,000	Office	Build-to-suit
Frost Brown Todd	29,771	Office	Lease
Harwell Hyne Manner	26,500	Office	Lease
Viacom	23,000	Office	Lease
First Bank	21,948	Office	Lease
Forterus	14,545	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$21.62	\$21.32	\$21.41
Class B Office	\$16.57	\$16.49	\$16.60
Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$21.32	\$21.63	\$21.50
Class B Office	\$18.15	\$18.28	\$18.09

