

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Nashville

ECONOMY

- » Future economic growth—and consequently, demand for logistics space—will largely hinge on how companies and consumers respond once low-tariff inventory runs out. If companies absorb tariff costs, they may cut expenses, including jobs, which would reduce retail spending and logistics demand. If they pass costs to consumers, spending may still fall, lowering revenues and prompting similar employment cuts.
- » Amid broader workforce reductions, Saks Fifth Avenue announced in April that it will close its 564,300 SF fulfillment center in La Vergne, TN, resulting in the layoff of approximately 450 employees.
- » On the flip side, Gap Inc. has announced a \$58 million investment in its Gallatin, TN campus to enhance operational capabilities. The upgrades will support brands such as Old Navy, Gap, Banana Republic, and Athleta, with a focus on infrastructure improvements, automation, and robotics.
- » National warehouse and storage employment dipped slightly by 25,600 employees between May 2024 and May 2025, yet it remains 503,200 employees above the pre-pandemic peak in February 2020.

VACANCY

- » As of the second quarter of 2025, Nashville's vacancy rate totaled 3.3%, a 50-basis point (bp) increase quarter-over-quarter (QOQ) and a 60-bp increase year-over-year (YOY). The current rate remains 410 bps below the long-term average of 7.4%.
- » The Southeast submarket reported a low vacancy rate for Q2 2025 with just 2.6% vacant. The East and Nashville Core submarkets reported the highest vacancy at just 4.4%, which is 330 bps below the national average.
- » Sublease space continues to remain low. In Q2 2025, sublease space totaled 1.9 million square feet (M SF) making up just 0.8% of total available inventory.

RENT

- » The Nashville logistics market continued to see strong YOY growth in asking rents as of Q2 2025, with an increase of 12%. Nashville saw one of the highest growth rates seen by any market in the U.S at mid-year.
- » Asking rents in the Nashville industrial market averaged \$9.56 per square foot (/SF) in Q2 2025, significantly exceeding the 10-year average of \$5.90/SF (2015–2024). The Nashville Core submarket continues to command the highest average asking rent at \$11.68/ SF.

TRENDS: LOGISTICS PROPERTIES

	Q2 2024	Q2 2025	Chg YOY
Vacancy	2.7%	3.3%	▲
Net Asking Rents	\$8.40	\$9.56	▲
Net Absorption, SF	810K	-203K	▼
Under Construction, SF	2.6M	4.5M	▲
New Deliveries, SF	874K	1.5M	▲

ECONOMIC INDICATORS

	May 24	May 25	Delta
National Warehousing Employment (thousands)	1,850	1,827	-1.2% ▼

	2024	2025p	Delta
Nashville Population	1,333	1,350	1.3% ▲

▲ Increases / Decreases YOY

VACANCY VS. NNN ASKING RENTS



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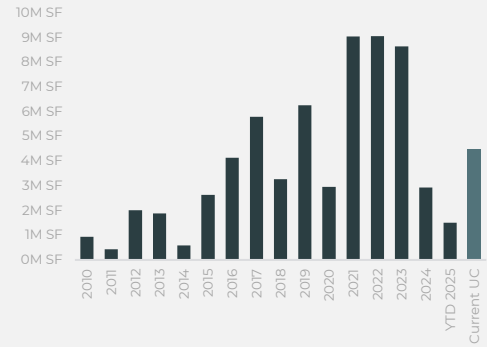
DEMAND

- » The second quarter ended with a net absorption of -202,875 square feet (SF), bringing the year-to-date (YTD) total to -843,993 SF. While this represents a significant decline, it is not unexpected given the historically low vacancy rates—such tight markets tend to experience more pronounced negative swings when space is returned.
- » Industrial leasing activity in Nashville reached 1.0M SF in the second quarter. The largest transactions took place in the East Submarket, where DART Logistics leased 224,985 SF at Wilson Commerce Center, and True Up Companies leased 205,747 SF at the newly completed 575 Maddox Simpson. The Southeast Submarket recorded 467,556 SF of activity, with an average lease size of 69,000 SF.
- » Tenant activity remains steady, with multiple groups often competing for the same spaces. The tenant pool is notably diverse—including 3PLs, construction material suppliers, office supply companies, retailers, and automotive firms—all actively seeking logistics space across the Nashville market. The average square footage in highest demand is approximately 105,000 SF.
- » Capital markets remain active in Nashville, with industrial investor sentiment exceptionally strong. Multiple capital groups are actively pursuing opportunities—ranging from existing buildings to land sites—driving up land prices and beginning to compress cap rates. One of the most notable second-quarter transactions was the sale of 1301 Richard Petty Way, a 618,912 SF warehouse in Lebanon, which traded for \$116 million (\$187/SF). Unlike most recent deals, this was a user acquisition rather than an investor purchase. Additionally, Stonelake Capital Partners sold a three-building portfolio in the East submarket to BGO for \$149/SF at a 4.89% cap rate, further underscoring continued investor demand for well-located industrial assets.

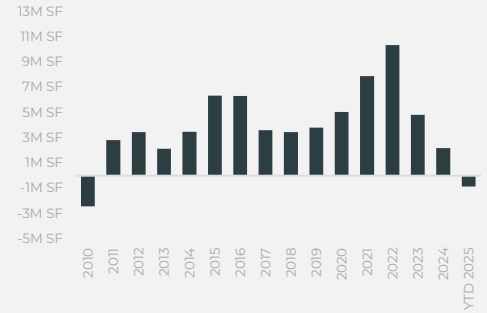
CONSTRUCTION

- » In the second quarter, Nashville saw 1.5M SF of completions, marking an increase of 69% QOQ and a 72% YOY. This is on track with the five-year quarter average of 1.6M SF for construction completions.
- » Only two submarkets recorded construction deliveries in the first quarter: the Nashville Core and the East submarket. The East submarket accounted for the majority of new space, with 1.2M SF delivered. The largest completions included 863,573 SF at Earhart Industrial Park (Griffin Partners) and 296,643 SF at 575 Maddox Simpson Parkway (Stag Industrial), both located in Lebanon. In the Nashville Core, Prologis completed two buildings totaling 348,320 SF, contributing to the limited—but notable—new supply in that submarket.
- » New construction starts for logistics space totaled just over 2.0M SF in Q2 2025, down 33% in the second quarter and down 4% comparing H1 2024 to H1 2025. This brought the pipeline to nearly 4.5M SF with the most notable project being Building 2 in the Earhart Industrial Park now under construction with 1.2M SF.

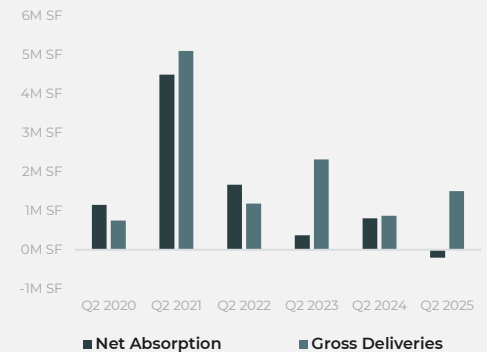
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q2 2025

Submarket Cluster	Total Inventory (SF)	Vacancy Rate	Availability Rate	Q2 2025 Overall Net Absorption (SF)	2025 YTD Overall Net Absorption (SF)	2025 YTD New Leasing Activity (SF)	Under Construction (SF)	2025 YTD Construction Completions (SF)	Overall Asking Net Rent
North	35,802,864	3.6%	5.1%	0	-76,500	207,080	454,120	0	\$7.78
Southwest	16,520,905	2.4%	4.2%	0	75,189	100,458	0	0	\$10.60
West	6,539,998	0.0%	1.5%	0	0	0	41,905	0	N/A
Southeast	64,923,081	2.6%	6.9%	82,360	920,600	1,431,594	383,738	0	\$9.24
East	51,865,615	4.4%	11.3%	-219,785	-1,027,408	1,152,941	2,906,929	1,160,216	\$8.72
Nashville Core	62,072,802	4.3%	6.4%	-65,450	-735,874	95,550	683,859	348,320	\$11.68
Montgomery	11,367,208	0.0%	0.0%	0	0	0	0	0	N/A
Nashville Market Total	249,092,473	3.3%	7.0%	-202,875	-843,993	2,987,623	4,470,551	1,508,536	\$9.56

Statistics reflect logistics buildings 20,000 SF and up.

SIGNIFICANT LEASE TRANSACTIONS Q2 2025

Property Address	Submarket	Tenant	Square Feet	Lease Type
Wilson Commerce Center Building D, Lebanon	East	DART	224,895	New Lease
575 Maddox Simpson Parkway 575 Maddox Simpson Parkway, Lebanon	East	True Up Companies	205,747	New Lease
2910 Old Franklin Road 2910 Old Franklin Road, Antioch	Southeast	Hyper Country Studios	142,400	New Lease
CentrePointe Distribution Park Building D, La Vergne	Southeast	VP Supply	71,157	New Lease
Alligood Industrial Building 3, Lebanon	East	duPont Registry Group	66,759	New Lease
Saturn X Crossing Building 1, Spring Hill	Southwest	GLS	50,229	New Lease

TOP PROJECTS UNDER CONSTRUCTION Q2 2025

Property Address	Submarket	Developer	Total Square Footage	Completion Date
Highway 109 at Cedar Creek Lane, Building 2	East	Griffin Partners LLC	1,151,585	Q3 2026
100 Maddox Road, Building VII	East	First Industrial Realty Trust	541,500	Q3 2025
Marty Robbins Drive, Building 15	East	Panattoni	400,064	Q4 2025
4808 Buena Vista Pike, Building 3	Nashville Core	Merus	366,664	Q4 2025
Maddox Road, Building VI	East	First Industrial Realty Trust	317,700	Q3 2025
1850 Vaughn Parkway, Building A	North	OTN Group	306,280	Q3 2025
Beckwith Road, Building 1	East	Merus	235,160	Q3 2025



Chad Tuck

+1 615 336 8190
chad.tuck@kbcadvisors.com

Bo Fulk

+1 615 598 8273
bo.fulk@kbcadvisors.com

Carolyn Salzer

Senior Director, Head of Research
+1 847 609 2687
carolyn.salzer@kbcadvisors.com

Nashville Office

611 Merritt Avenue, Suite 100
Nashville, TN 37203

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