

NASHVILLE MEDICAL OFFICE MARKET

Q4 2024

TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.9	2.5	↑	3.8	↑
NET ABSORPTION (THOUSANDS SF)	167.3	5.2	↑	35.5	↑
OVERALL VACANCY RATE	6.0%	6.9%	↓	5.4%	↓
OVERALL VACANT SF (MSF)	0.8	0.9	↓	0.7	↓
UNDER CONSTRUCTION (MSF)	0.0	0.1	↓	0.2	↑
ASKING RENT, FULL SERVICE (PSF)	\$31.65	\$31.63	↑	\$29.51	↑
SALES VOLUME (MILLIONS)	\$12.8	\$42.9	↓	\$61.7	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

STRONG FINISH TO 2024 FOR NASHVILLE MEDICAL OFFICE MARKET

The Nashville medical office market notched its eleventh-consecutive positive year, seeing 243,814 SF of positive absorption across 2024. In Q4, Nashville's direct vacancy rate declined from 6.2% to 6.0% as the market balanced 147,465 SF of deliveries and 167,264 SF of positive absorption. Murfreesboro, Mt. Juliet/Lebanon, and Brentwood were the best-performing submarkets of Q4. Nashville's asking rents saw a 1.9% decline in Q4, but are relatively flat year-over-year.

The long-term outlook for Nashville remains strong thanks to great population and medical job growth, combined with solid leasing activity over the past three years. Nashville has seen a boom in medical office job growth over the past 5-10 years, highlighted by adding 6,500 medical jobs in 2024, outpacing the national growth rate. The Nashville MSA has added 178,000 people since 2019, a 9.1% growth rate (well above the national average of 4.5%). The city is projected to add an additional 163,000 people in the next five years, a 7.6% increase.

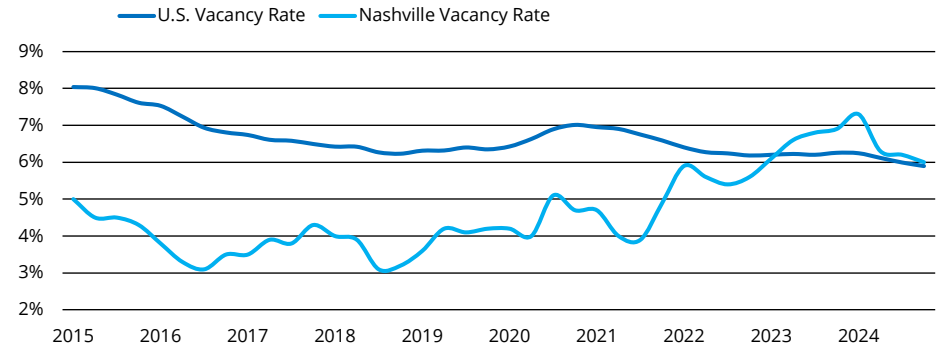


VACANCY

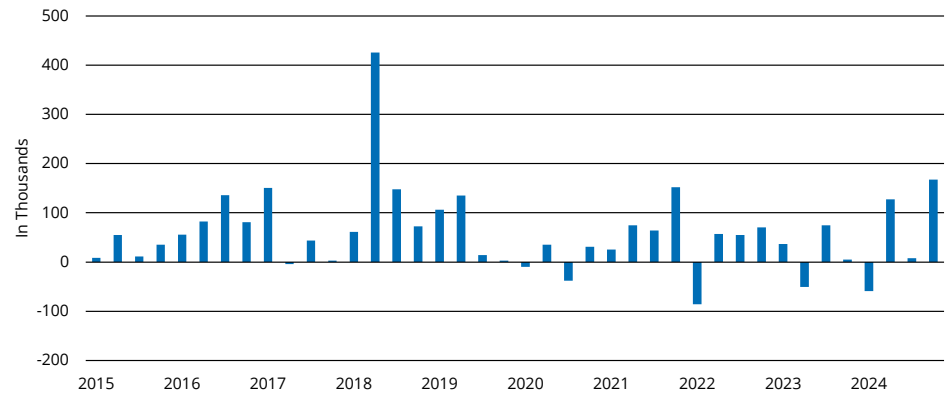
Vacancy Trends Lower as Leasing Momentum Continues

- The Nashville medical office direct vacancy rate fell 20 basis points in Q4 of 2024 from 6.2% to 6.0%. The market saw a six-year high for positive quarterly absorption with 167,264 SF added. Vacancy was kept in check from seeing an even larger decrease however due to 147,465 SF of new supply delivering in Q4.
- Nashville reached a 15-year vacancy high in Q1 of 2024 at 7.3%, despite solid leasing activity throughout 2023. This was due mostly to over 250,000 SF of new deliveries in 2023, combined with a negative Q1 of 2024. Nashville has responded with three-consecutive quarters of positive absorption, resulting in a 130 basis point decline in vacancy since Q1.
- The Mt. Juliet/Lebanon submarket saw the largest Q4 decline in direct vacancy rate, dropping from 10.3% to 8.0% behind positive absorption of 61,346 SF.
- The strong finish to 2024 brings Nashville's YoY absorption to positive 243,814. On the year, the Murfreesboro submarket was the largest gainer, with positive 119,119 SF in 2024. In total, eight submarkets were positive and three were negative across the year.

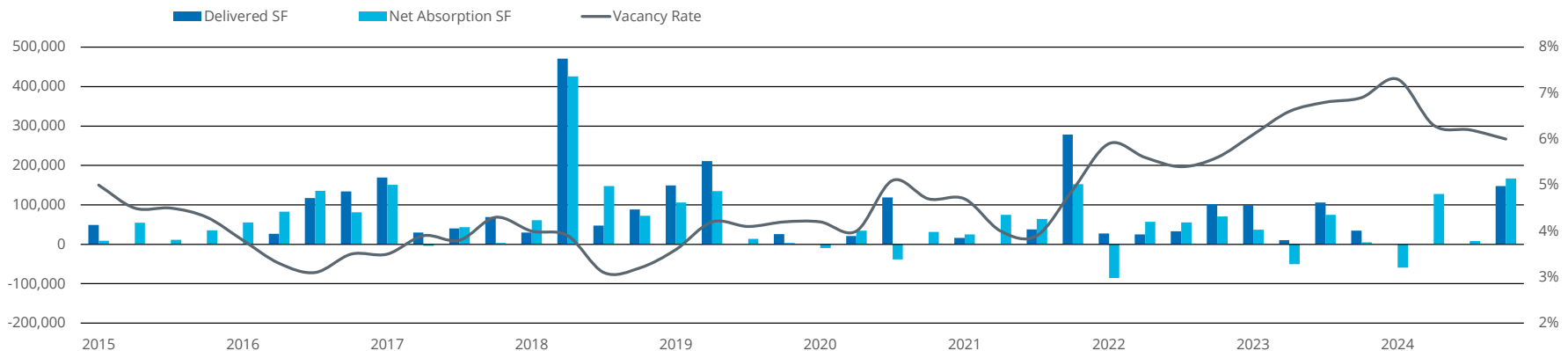
OVERALL VACANCY RATE



NET ABSORPTION



DELIVERY IMPACT ON KEY INDICATORS



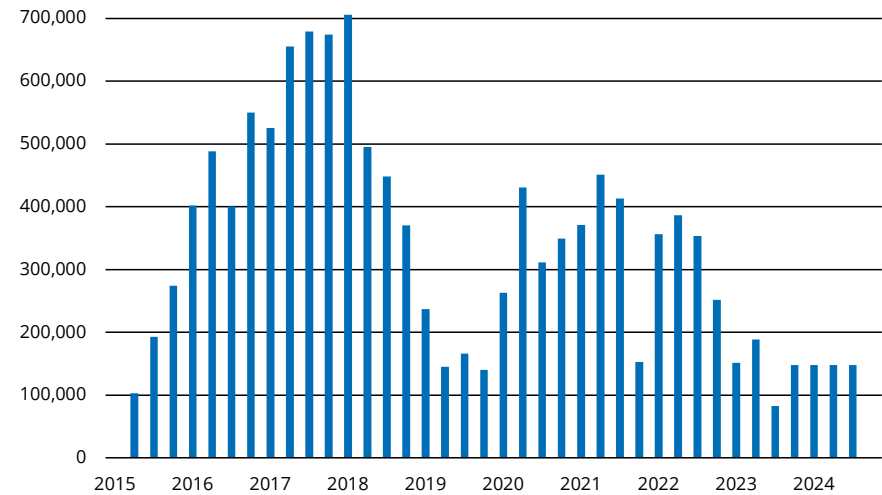


CONSTRUCTION

Two Deliveries in Q4

- Two buildings delivered in Q4 of 2024 adding 147,465 SF to the Nashville MOB inventory. 521 Stonecrest Pky in the Murfreesboro submarket was the largest Q4 delivery, as the 2-story, 100,000 SF project was completed in November. The building is currently 90% leased and sits just off-campus from the TriStar Stonecrest Medical Center. The second Q4 2024 delivery was at 121 Bear Xing in the Mt. Juliet/Lebanon Submarket. The three-story, 47,465 SF building developed by Agilitas Property Development is fully leased to Tennessee Oncology and Advanced Ortho and Spine.
- There are currently no buildings under construction in the Nashville market for the first time since Q1 of 2015. Rising construction costs have made financing and pre-leasing requirements difficult for developers. 2025 however should see a series of groundbreakings in Nashville, with multiple projects in the planning stage. The only anticipated Q1 of 2025 groundbreaking is the Tristar Health East Nashville Freestanding ER at 800 Dickerson Pike in the Hendersonville submarket. This off-campus 11,900 SF MOB is slated for delivery in the first half of 2026.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

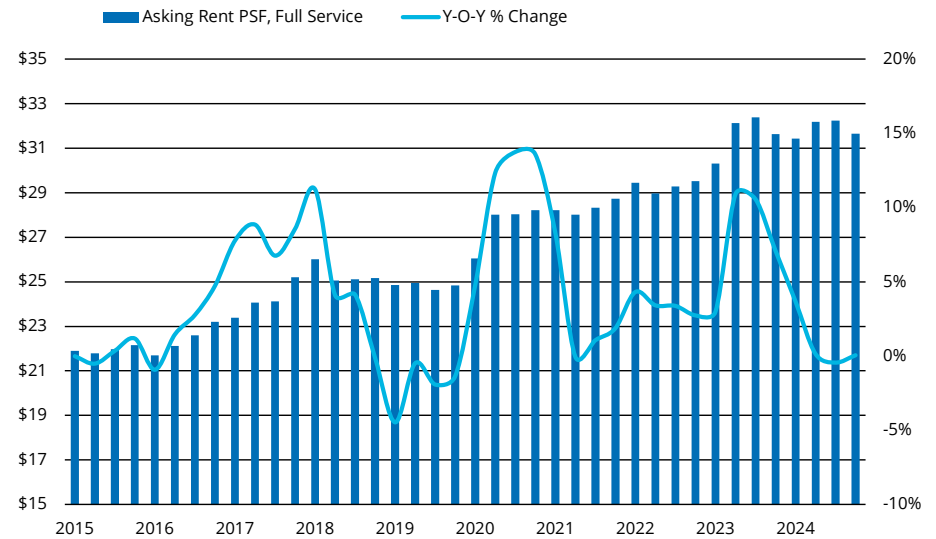


RENTAL RATES

Asking Rents Flat YoY

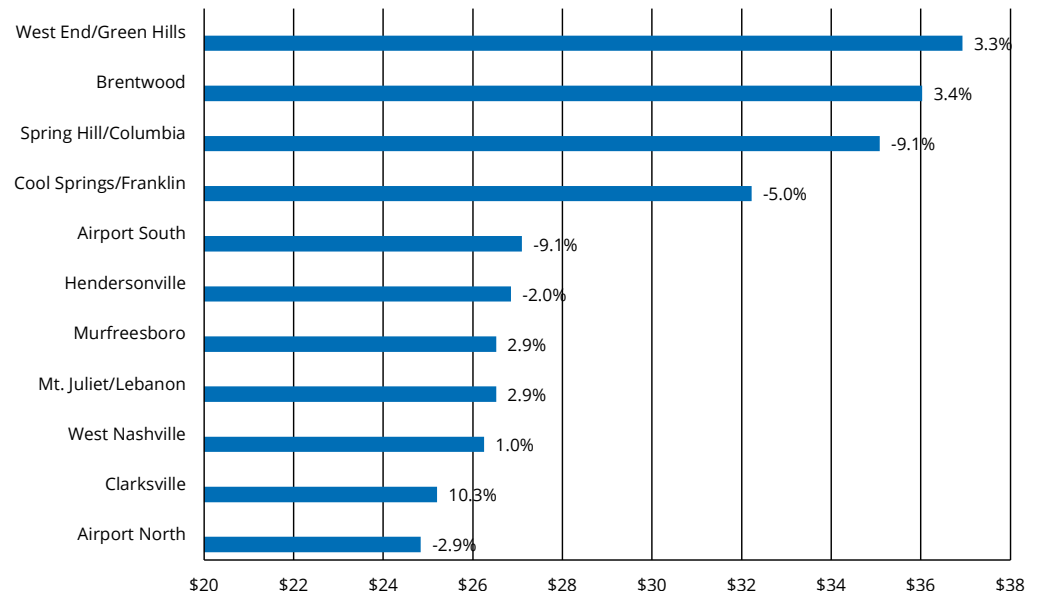
- The average medical office asking rent in Nashville fell in Q4 of 2024, decreasing by \$0.60 (-1.9%) from \$32.25 to \$31.65. Rents are relatively flat year-over-year, seeing a 0.1% increase over the past four quarters. After steady growth for years, Nashville’s asking rents saw a large jump in 2022-2023, levelling off since.
- Clarksville saw a year-over-year rental rate increase of 10.3%, the largest across the Nashville market. While fundamentals are strong in the Clarksville submarket, sometimes these large increases (or decreases) are due to spaces leasing up in areas that have little available supply: Clarksville has 417,263 SF of inventory and a 3.9% vacancy rate. Any small changes to inventory or availability will have massive effects on the rental rates in these tight submarkets.
- Rents are highest in West End/Green Hills and Brentwood at \$36.93/SF and \$36.03/SF respectively.
- Nashville’s average rental rate is expected to increase in the coming quarters as space across the market continues to lease up. With no large developments in the construction pipeline to inject vacant space into the market, landlords will continue to push rates higher as long as leasing stays strong.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern



MARKET INDICATORS
CLASSES A & B | Q4 2024

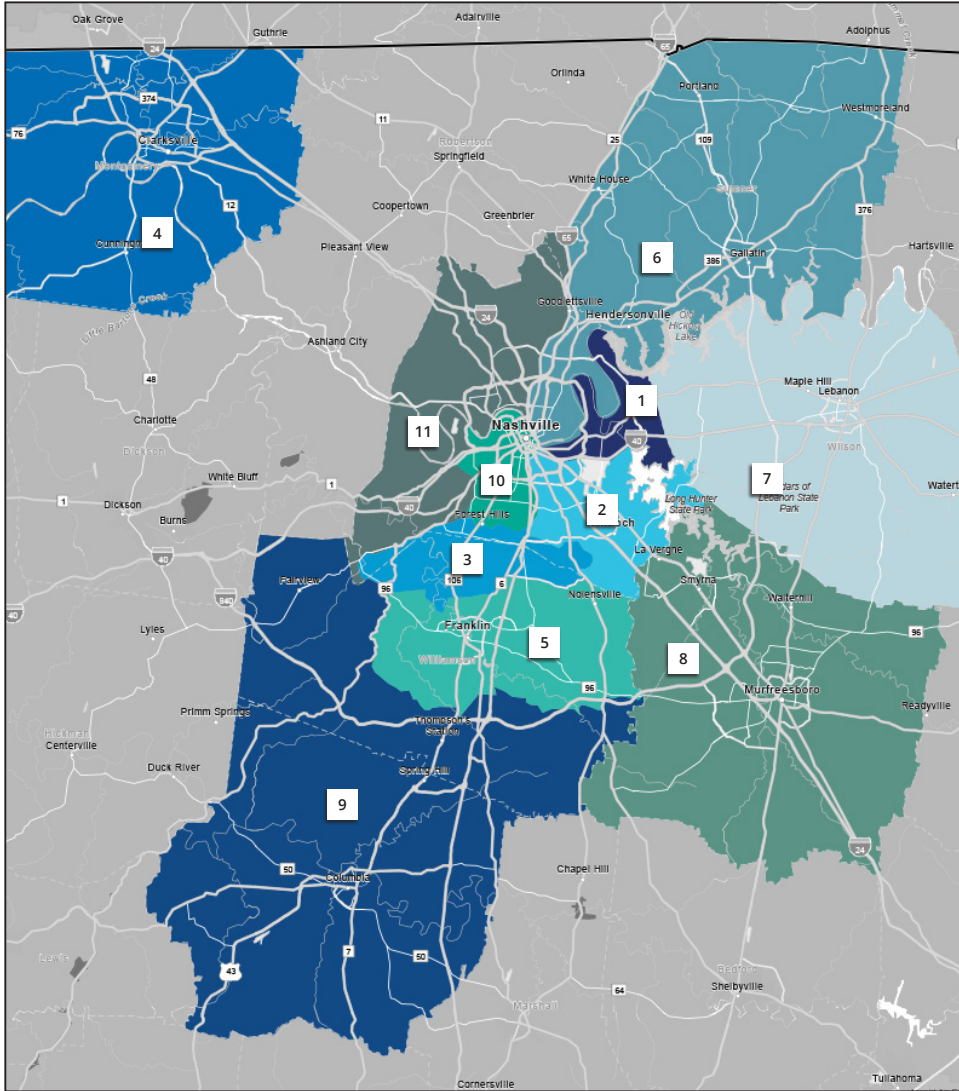
SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
AIRPORT NORTH	492,526	71,410	14.5%	0	14.5%	0	(14,911)	(6,279)	\$24.84
AIRPORT SOUTH	1,734,769	91,001	5.2%	0	5.2%	0	6,634	9,098	\$27.10
BRENTWOOD	356,739	11,700	3.3%	2,234	3.9%	0	11,299	19,846	\$36.03
CLARKSVILLE	417,263	16,090	3.9%	0	3.9%	0	0	1,952	\$25.20
COOL SPRINGS/FRANKLIN	1,330,408	44,884	3.4%	6,243	3.8%	0	7,190	40,881	\$32.22
HENDERSONVILLE	923,692	67,174	7.3%	0	7.3%	0	(957)	(16,498)	\$26.85
MT. JULIET/LEBANON	817,515	65,340	8.0%	4,700	8.6%	0	61,346	54,737	\$26.52
MURFREESBORO	1,900,982	31,063	1.6%	6,751	2.0%	0	101,820	119,119	\$29.73
SPRING HILL/COLUMBIA	585,040	15,251	2.6%	0	2.6%	0	2,555	805	\$35.08
WEST END/GREEN HILLS	4,068,513	346,781	8.5%	17,694	9.0%	0	(5,022)	(23,178)	\$36.93
WEST NASHVILLE	396,818	23,840	6.0%	0	6.0%	0	(2,690)	43,331	\$26.25
TOTAL	13,024,265	784,534	6.0%	37,622	6.3%	0	167,264	243,814	\$31.65

NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
VANDERBILT CENTER FOR WOMENS HEALTH	2009 Mallory Ln	Cool Springs/Franklin	Renewal	21,677
COOL SPRINGS SURGERY CENTER	2009 Mallory Ln	Cool Springs/Franklin	Renewal	20,646
TENNESSEE ORTHOPAEDIC ALLIANCE	77 Belinda Pky	Mt. Juliet/Lebanon	New Lease	9,000
VANDERBILT HEART MT. JULIET	2025 N Mt Juliet Rd	Mt. Juliet/Lebanon	New Lease	7,472
TWICE PEDIATRICS	4071 Cane Ridge Pky	Airport South	New Lease	4,122

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
2001 MALLORY LN	Cool Springs/Franklin	\$12,750,000	45,274	\$282	TPG Angelo Gordon & Co	CT Partners
1620 GATEWAY BLVD	Murfreesboro	\$7,750,000	30,180	\$257	CT Corporation System	Encova Insurance
512 AUTUMN SPRINGS CT	Cool Springs/Franklin	\$6,900,000	24,077	\$287	Providence	Warner Partners
1161 MURFREESBORO RD	Airport South	\$6,200,000	83,066	\$75	Clearbrook Holdings Corp	Eastman Mgmt Corp
103 PHYSICIANS WAY	Mt. Juliet/Lebanon	\$5,400,000	15,953	\$338	Hunter Creekmore	Montecito Medical Real Estate



Nashville Medical Office Submarkets

- 1 Airport North
- 2 Airport South
- 3 Brentwood
- 4 Clarksville
- 5 Cool Springs/Franklin
- 6 Hendersonville
- 7 Mt. Juliet/Lebanon
- 8 Murfreesboro
- 9 Spring Hill/Columbia
- 10 West End/Green Hills
- 11 West Nashville

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on key for lease medical office properties located in the Nashville metropolitan area. We compile our quarterly statistics based on a defined inventory of Class A and B medical office buildings of 10,000 SF or more in size.

FOR INFORMATION

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