



Nashville Tunes in New Economic Growth... Beyond the Music

By Edward M. Bury, APR

The first verse from an old hit song called “Nashville Cats” starts this way: “Well, there’s thirteen hundred and fifty two guitar pickers in Nashville.” Recorded by the Lovin’ Spoonful in 1966, the country-themed tune was a somewhat tongue-in-cheek tribute to the Tennessee capitol city and its tremendous output of live and recorded country music.

Home to the legendary Grand Ole Opry, Nashville has been the undis-

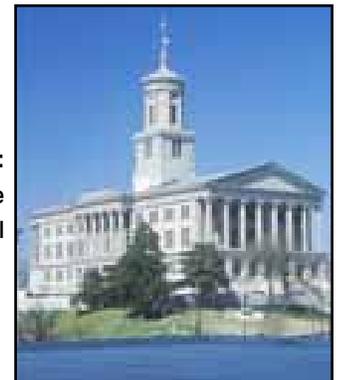


Above: Nashville Music District

puted seat of country and its various musical offshoots for decades. In the years following World War II, music pioneers opened small studios along Sixteenth Avenue South on what would be later dubbed “Music Row.” Major record companies like RCA, Decca, and Columbia followed, as did publishing houses, music licensing firms, and other business that served the music industry. Radio networks and radio stations began broadcasts. Giants like Elvis Presley, Chet Atkins, and the Everly Brothers recorded seminal tracks there. Music City was born, and it still lives.

Today, Nashville remains one of the nation’s three music industry meccas, and the vibrant scene draws thousands of music fans and professionals from coast to coast, thus contributing to the local economy and preserving a big part of the city’s character. Beyond

Right:
Tennessee
State Capitol



the studios and honky tonks, there’s a lot more going on in this progressive, mid-South metropolis.

The seat of Tennessee government, Nashville benefits economically from steady state jobs as well as travel/tourism dollars. Thanks to a strong central city-county government, effective economic development practices, dynamic economic drivers through healthcare, technology, and educa-



Above: Grand Old Opry

tional institutions (there are seven major colleges and universities), overall affordability, and a central location, Music City dances to a lot of tunes these days and has evolved into a diverse business center.

According to national publications, Nashville and the state of Tennessee are great places for business. *Forbes* ranked Nashville as the 25th best U.S. market for career and business growth, and *Site Selection* magazine, a leading economic development journal, ranked Tennessee as having the second-best business climate in the nation. And, *Expansion Management* ranked Nashville number one in its “50 Hottest Cities” poll for business expansion—for the second consecutive year.

Solid local government is a key reason for the region’s economic success. The metro area of 1.5 million is under the administration of the Metropolitan Government of Nashville and Davidson County, which is comprised of an elected mayor and Metropolitan Council. Formed in 1963, the government is a consolidation of the two bodies—city and county—into a new form of elected administration. According to an excerpt from an online history published by the Nashville Public Library, “Nashville became the national pioneer in metropolitan organization. Although other cities had partial

consolidation, Nashville was the first city in the country to achieve true consolidation.” This consolidation helped the burgeoning area manage growth and provide needed services as the population shifted to the suburbs in the 1950s.

The local economic development engine, the Nashville Area Chamber of Commerce, also is credited with being a catalyst for sound and smart growth.

“We have a truly outstanding chamber of commerce,” said Jim Dunn, CCIM, president of Keystone Realty Services of Madison, Tenn., and a 40-year Nashville commercial real estate veteran. “Back in the 1970s, the chamber concentrated on luring the smoke-stack-type of industries, and we got some of those. But one of the leaders had the foresight to say that those really aren’t the kind of jobs we need

in the future—not that we would turn them down.”

Dunn, president of the Middle Tennessee CCIM Chapter, said new minds on the Chamber later crafted a 10-year plan to bring a wider range of businesses to energize the economy. Their efforts paid off handsomely over the past decade. Dell Computers built its first manufacturing and distribution facility outside of Texas in Nashville, bringing 3,200 jobs. Caremark Pharmacy Services, the parent of the CVS pharmacy retailer, opened its world headquarters in Nashville. The publicly-traded Louisiana Pacific Building Materials Company, one of the nation’s largest, relocated its corporate headquarters to the city in 2004 from Portland. And, in 2005, automaker Nissan moved its North American headquarters to Franklin, part of the metro area, along with 1,300 jobs. According to *Expansion Management*,

Nashville Transaction Breakdown (04/01/08 - 03/31/09)					
	Office	Industrial	Retail	Apartment	Hotel
< \$5 Million					
Volume (Mil)	\$57	\$78	\$100	\$25	\$10
Size Weighted Avg. (\$ per sf/unit)	\$106	\$41	\$134	\$48,655	\$27,778
Price Weighted Avg. (\$ per sf/unit)	\$139	\$54	\$185	\$57,453	\$30,459
Median (\$ per sf/unit)	\$110	\$43	\$120	\$41,500	\$24,230
> \$5 Million					
Volume (Mil)	\$179	\$17	\$142	\$233	\$41
Size Weighted Avg. (\$ per sf/unit)	\$179	–	\$188	\$66,018	–
Price Weighted Avg. (\$ per sf/unit)	\$183	–	\$249	\$83,980	–
Median (\$ per sf/unit)	\$168	–	\$239	\$45,746	–
All Transactions					
Volume (Mil)	\$236	\$95	\$242	\$258	\$51
Size Weighted Avg. (\$ per sf/unit)	\$154	\$40	\$161	\$63,846	\$51,066
Price Weighted Avg. (\$ per sf/unit)	\$172	\$51	\$222	\$81,452	\$69,592
Median (\$ per sf/unit)	\$126	\$42	\$121	\$44,030	\$47,414
Capitalization Rates (All Transactions)					
Weighted Average (%)	–	–	–	–	–
Median (%)	–	–	–	–	–
Source: RERC.					



Above: Nashville Skyline

Nissan's decision marks the 17th corporate headquarters announcement in Tennessee since January 2003.

In May, the Chamber reported that 74 companies relocated to or expanded operations in the metro area since late 2008, creating 5,722 new jobs. And, the group is negotiating with 26 other companies on job relocation or retention.

Healthcare is widely considered a sought-after economic driver, and the city has emerged as a leader in that field. Healthcare companies based in the Nashville area employ an estimated 430,000 workers globally and more than 94,000 in middle Tennessee alone. The Hospital Corporation of America (HCA), the largest private operator of health care facilities in the world, was founded in and remains headquartered there.

A key factor also paramount to Nashville's boom is its geographic location. Just about in the center of Tennessee, the market can boast six Interstate highway routes that link Nashville with major distribution points nationwide. Dunn pointed out that from a demographic perspective, the market is within a 24-hour drive of 75 percent of the U.S. population; and, from a climatic perspective, Nashville enjoys four seasons but avoids the extremes—the average low in January is 28 degrees, and the average high in August is 88 degrees.

Much of Nashville's economic success in terms of corporate relocations has taken place outside the city's downtown core. But there is also lots going on downtown on the banks of the Cumberland River. In April 2009, the Metropolitan Council approved a land acquisition bill to borrow up to \$75 million for land to build a new convention center, a project pushed by Mayor Karl Dean. Dunn noted that federal stimulus funds should help with major infrastructure projects, like improvements to an existing commuter rail system and "some significant bridge enhancements."

A 24-hour city is emerging as multifamily residential properties are open or being developed along Church Street and in pocket neighborhoods like North Capitol, SoBro, and the Gulch. The Nashville Downtown Partnership reports: "More condos were sold in downtown Nashville during the first 2 quarters of 2008 than in all of 2007.

Over 900 condos—more than in the 5 previous years combined—are expected to close by the end of 2008. Over 400 more condos will close in 2009."

Nashvillians seeking a downtown address have a lot of options at prices far below comparable properties in other major metro markets. Home seekers can opt for a home at The Viridian, a new, luxury 31-story condo property with unit prices ranging from \$214,000 to \$1.4 million, or a renovated unit at the Lofts of Werthann Mills, where a condominium home developed in a century-old factory building starts at \$134,500 and jumps to \$429,900.

These and other multifamily homes are within walking distance of the growing arts and entertainment options downtown—options beyond country music, of course. But rest assured, in Music City the music rarely stops.

