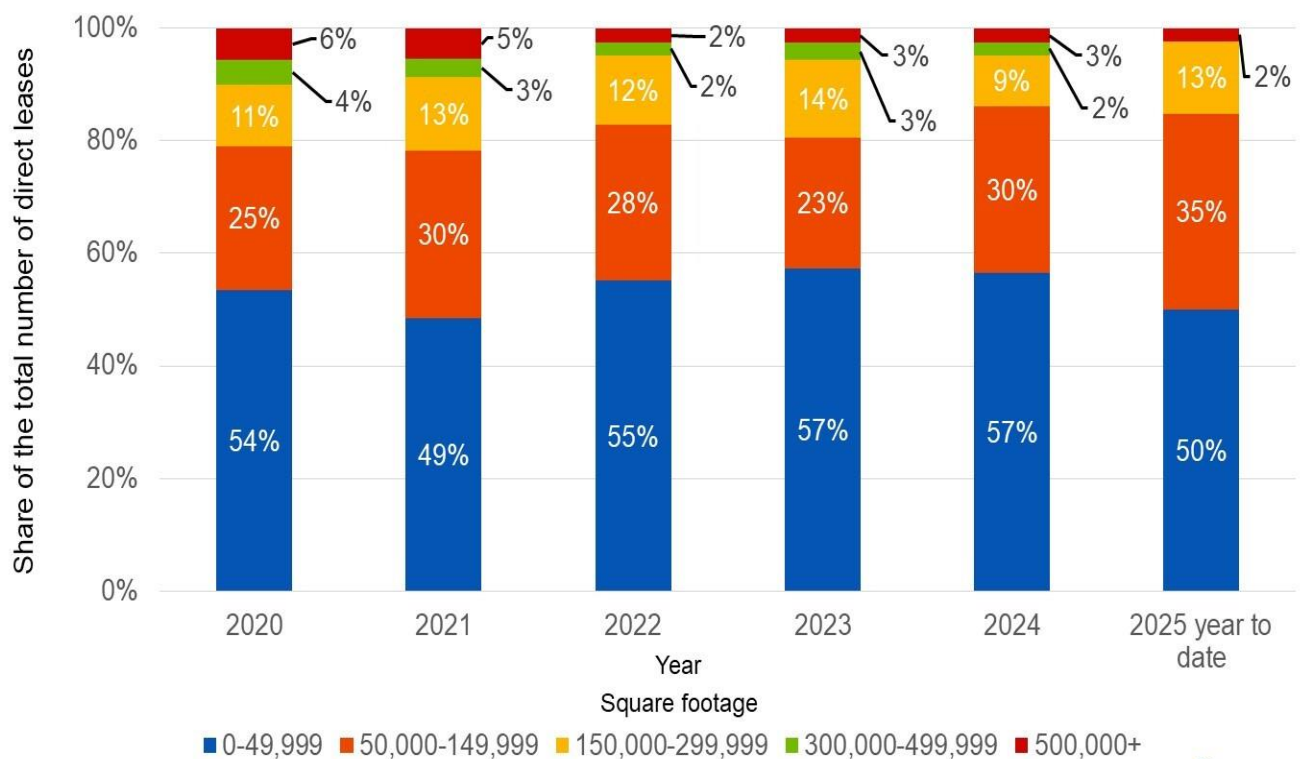


# Nashville's 'small-bay' market captures over half of direct industrial leases

Since 2020, the bulk of industrial leases has been in buildings under 50,000 square feet

## 'Small-bay' buildings dominate Nashville industrial leasing



Source: CoStar, October 2025

Small-bay buildings refer to those smaller than 50,000 square feet



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## **ECONOMIC & COMMUNITY DEVELOPMENT PROPERTIES**

With demand rebounding for industrial space in Nashville, Tennessee, the smallest-building segment continues to capture the highest share of overall leases. Small-bay buildings, which typically cater to tenants occupying less than 50,000 square feet, have consistently accounted for over half of overall leasing.

From 2021 to 2024, the small-bay segment's portion of overall direct leasing has either increased or remained stable, and accounted for 57% of all direct leases in 2023 and 2024. In fact, over 80% of leasing was in buildings with less than 150,000 square feet during the period.

Small-bay tenants tend to have a stronger preference for proximity to their end-consumer, which is highly dependent on local market dynamics. These consumers can be found in high-density residential areas, manufacturing hubs or data center hubs, among others.

For example, Wurth USA, a supplier of automotive chemicals, hand tools and electrical supplies, signed a three-year lease during the second quarter of 2025 for 25,200 square feet just a few miles south of Nashville's downtown. Earlier in 2025, Environmental Products Group, which leases and sells various industrial trucks, including wastewater maintenance and septic trucks, leased 29,640 square feet during the first quarter in Wilson County.

Nashville's Southeast area, which includes I-24 and I-840 and has the largest concentration of inventory, has had the highest net absorption — the difference between move-ins and move-outs — over the past year. North Nashville, a growing hub for retailers and manufacturers, has also had robust demand over the past year.

Despite high demand, small-bay facilities remain undersupplied amid tight vacancy rates. Although buildings under 50,000 square feet have a lower vacancy rate at 4.2% than the Nashville market at 5.9%, there is only one building between 20,000 and 50,000 square feet currently under construction. With overall construction slowing, small-bay availabilities are expected to remain scarce, as demand for smaller buildings remains robust.

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