

Tennessean.

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A view down Dickerson Pike Monday, April 19, 2021 in Nashville, Tenn. Software giant Oracle is pursuing a \$1.2 billion investment in a 65-acre parcel of land on the East Bank of the Cumberland River. The new development could bring major development along Dickerson Rd. *George Walker IV / The Tennessean*

How Nashville's corporate magnetism is changing commercial real estate

Cassandra Stephenson - Nashville Tennessean – May 2, 2021

Nashville is poised to enter the ranks of the nation's tech capitals on the heels of Oracle's proposal for a massive riverside hub.

The Oracle campus, which still needs approval from Metro Council, would bring a record 8,500 jobs to Nashville's East Bank, stretching downtown's development boom over the Cumberland River.

Nashville is already the third fastest-growing metropolitan area in terms of tech jobs over the last decade, ranking behind only San Francisco and Silicon Valley in growth since 2010, according to data compiled by Cushman & Wakefield and the Greater Nashville Technology Council.

State officials and local leaders say Oracle's Nashville campus would give the city the "critical mass" of prominent tech companies and jobs it needs to continue to draw other major players to the area.

But tech companies aren't the only corporations flocking to the greater Nashville area and laying down roots that are changing the downtown landscape.

"It all starts with creation of jobs," said Wood Caldwell, principal at Nashville commercial real estate firm Southeast Venture. "People come in, moving into the Nashville (or) Middle Tennessee area for jobs, and then these companies move into downtown. It's just created a different lifestyle which has been very attractive, so ... commercial real estate values have gone up."

What makes Nashville a magnet for corporate headquarters?

Oracle's proposal is "one for the ages," and it's easy to see why the company would target Nashville, said John Boyd, Jr., a principal at The Boyd Company, a location consultant firm that's served companies including HP, Dell, PNC Bank and UPS.

"We're living in an era of unprecedented mobility among people and technical talent, and companies in the tech sector want to reduce operating costs," Boyd said. "They want to reduce their tax obligations, and they recognize the need to hire and retain the best talent. And for companies like Oracle, doing that in Nashville ... is an easier sell."

Incentives offered by the city and state, Tennessee's lack of state income tax and Nashville's relatively low cost of living compared to other large cities offer cost savings for both companies and employees, he said. According to The Boyd Company's operating cost database, Oracle's potential Nashville campus would have the lowest cost profile of all of its tech hubs, including its smaller Austin headquarters.

Ronnie Wenzler, executive director of Nashville-based global real estate services firm Cushman & Wakefield, said Tennessee's status as a "right to work" state (employees aren't required to join a union) is another attractive factor for businesses. Nashville's culture and plentiful nearby college campuses offer workforce growth possibilities and high quality of life, Wenzler added.

Nashville's inclusion in Amazon's high-profile HQ2 location search was a "game changer" for bolstering its prominence in the tech sector, Caldwell said. Prior to Oracle's proposal, Amazon's infusion of \$230 million and 5,000 new jobs in a new Nashville Yards operations hub was the biggest in state history.

In the last 30 years, companies like Dell, General Motors and Nissan North America announced sizable investments in the greater Nashville area, priming Middle Tennessee and downtown Nashville as candidates for other companies considering relocation, Caldwell said.

Bridgestone North America moving its headquarters to downtown Nashville in 2017 was a "big deal" in jumpstarting the area's commercial real estate climate, Caldwell said. AllianceBernstein announced its move from Midtown Manhattan to Nashville in 2018.

What does this mean for real estate?

Caldwell, who was born and raised in Nashville, has watched the tide of businesses and residents ebb out of downtown into the suburbs in the early 1970s to mid-1990s. Now, interest is flowing back.

Residents, especially younger people, are moving back to urban, walkable environments — a trend in the United States as well as Nashville. More jobs in the city's urban core mean more workers will want to live nearby, Caldwell said.

Oracle's potential sprawling 65-acre campus would be modeled after its Austin headquarters, which includes an apartment complex geared toward providing housing to mostly younger workers. Though large scale employee-designated housing has taken root elsewhere, this would be new for downtown Nashville, setting Oracle's campus apart.

"(Employees) can be right there, so they can stay at work longer, they can walk from work to their apartment or their condominium," Caldwell said.

Mixed-use housing is already popular in Nashville's newest housing developments, including Silo Bend and a luxury apartment project anchored by retail space at the former Gibson Guitar facility in the Gulch.

Increased interest and relative scarcity of downtown space have caused commercial real estate prices to rise. Wenzler said "restrictive zoning" limits options for things like industrial property.

"Businesses are being forced to pay a lot more to be close, or they have to leave town and move out to the counties," he said.

But there are positives.

"We're certainly seeing a densification of the city that's useful, and young people like that," Wenzler said.

Impact on affordable housing, small businesses

New company headquarters bring jobs, economic vigor, tax revenue and prestige. But community members, advocates and unions have voiced concerns about possible negative impacts on Nashville's working class residents.

Massive job infusions bring more people to house, changing Nashville's residential areas and increasing property value (and worries of gentrification). This could destabilize Nashvillians on the cusp of poverty, potentially driving them farther out of the city due to a lack of affordable housing.

Members of Stand Up Nashville and The Equity Alliance held a press conference Monday to express their questions about the Oracle deal, including concern for minority-owned businesses being overrun by new developments.

Affordable housing: What does Oracle's proposal mean for Nashville's housing market?

The groups are pushing for the deal to include union contracts, an \$18-an-hour minimum wage and commitments to hire local minority residents. They want the deal to be more transparent and have a longer period for scrutiny.

Nashville Mayor John Cooper has said the city will invest a significant portion of tax revenue from Oracle in affordable housing, but the effectiveness of this promise remains under debate.