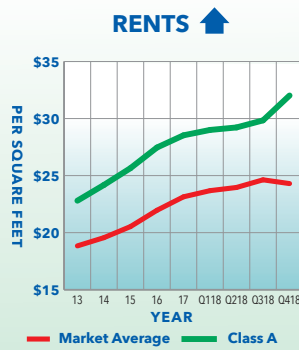




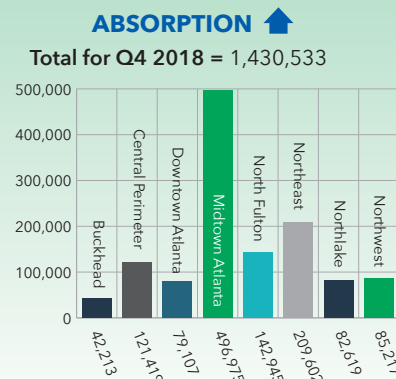
Q4 2018 MARKET REPORT

THE NUMBERS

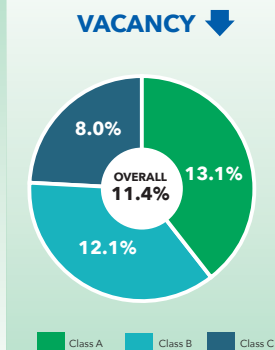
Office **Rental Rates** continued to increase as the average quoted rental rate for Class A buildings was \$32.02/RSF at the end of the fourth quarter, with Midtown leading the way at \$39.08/RSF, followed by Buckhead at \$37.80/RSF, and \$31.51/RSF in Central Perimeter. Positive Net **Absorption** for Q4 2018 was strong at 1,430,533 RSF resulting in a total of 2,678,861 RSF for 2018. Overall **Vacancy** rates decreased to 11.4%. By submarket, the lowest vacancies were Midtown at 8.3%; Downtown at 10.3%; and North Fulton at 11.3%.



SOURCE: COSTAR GROUP



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WeWork SHAKES THINGS UP

WeWork, the coworking giant founded in 2010 which has raised over \$2.5 billion with a market valuation in excess of \$40 billion, seems to be trying to disrupt the entire commercial real estate industry. With over 10,000,000 square feet of coworking space under lease in New York City, WeWork has become the city's largest office tenant and is rattling feathers and giving concern to both landlords and the brokerage community. In 2017, WeWork raised over \$400 million to acquire office buildings to compete directly with the landlords and is reportedly raising a separate fund, called

ARK, for more acquisitions. One Canadian REIT with over 11 million square feet across Canada now refuses to lease space to WeWork because it says the coworking giant doesn't provide any guarantees for its leases. Further, WeWork is reportedly entering the real estate brokerage business competing with those who bring them many of their own tenants. We will see how well they fare when the economy turns and their two primary sources of tenants, startups and corporate overflow, both pull back.

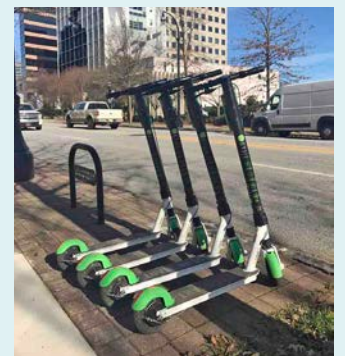


BIRDS INVADE THE CITY

The **dockless scooter** trend has exploded across the country and the world over the past year, reaching cities in more than 25 states. In some cities like San Antonio and Richmond, the scooters have been met with backlash, and city crews reportedly took to the streets and removed the devices themselves. Around intown Atlanta, the scooters, operated by California-based companies Lime and Bird, are hard to miss. A Bird representative indicated that Atlanta is the company's second-largest scooter city globally (behind San Diego), and that there are over 1,500 Bird scooters deployed here. Lime

says more than 300,000 rides have been taken in the past six months. The top destinations are Georgia Tech, Midtown, Piedmont Park and MARTA transit stations. The Atlanta City Council just passed an ordinance restricting their usage to city streets, bike lanes and shared-use paths, prohibiting the scooters on sidewalks.

To supporters, they're an inventive, convenient way to get around the city without much of a carbon footprint. To critics, they're critters that litter Atlanta's sidewalks, posing a danger to pedestrians, drivers and the people who use them.



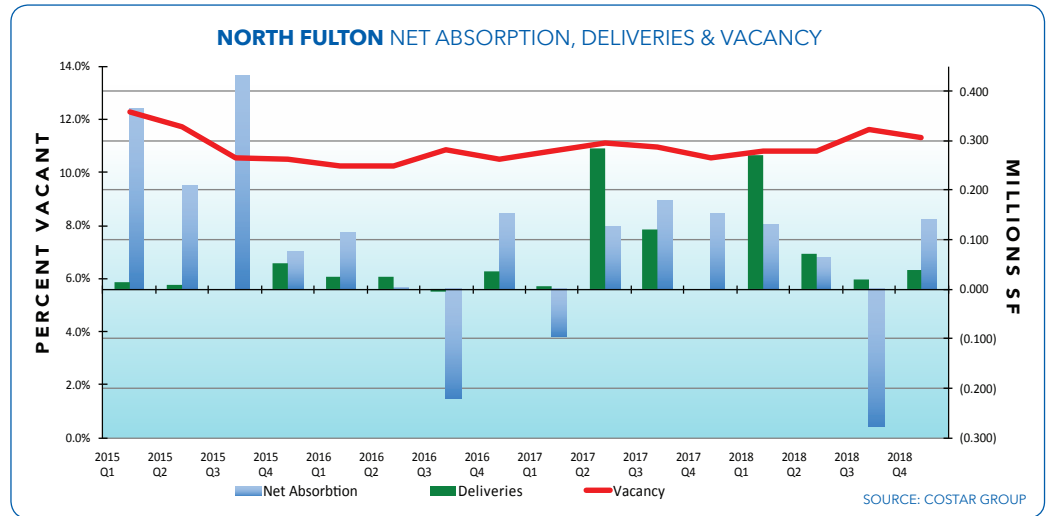
REVEL: A GAME CHANGER FOR GWINNETT

Anchored by the **Infinite Energy Center** in Gwinnett County, **Revel** will break ground in the first half of 2019. The first phase of the 118-acre, one billion dollar, mixed-use and entertainment complex will open in the fall of 2020 with gigabit connectivity and “resort-level concierge services and experiential retail environments” similar to **Avalon** in Alpharetta. North American Properties, known for creating immersive, purpose-driven mixed-use destinations like **Avalon**, says **Revel** will include 400,000 square feet of retail, restaurants and entertainment, 900 residential units, 750,000 square feet of office space, and a 340-room full-service Westin. The existing surface parking lots will be replaced by two parking decks accommodating up to 3,400 vehicles. In addition, county residents will vote in a March 2019 referendum whether to join MARTA, which, if approved, would set up an estimated \$5 billion expansion of MARTA and continue to accelerate the growth in Gwinnett. **Revel** is expected to have a similar impact on Gwinnett County that **Avalon** had on North Fulton and The Battery on Cobb County.

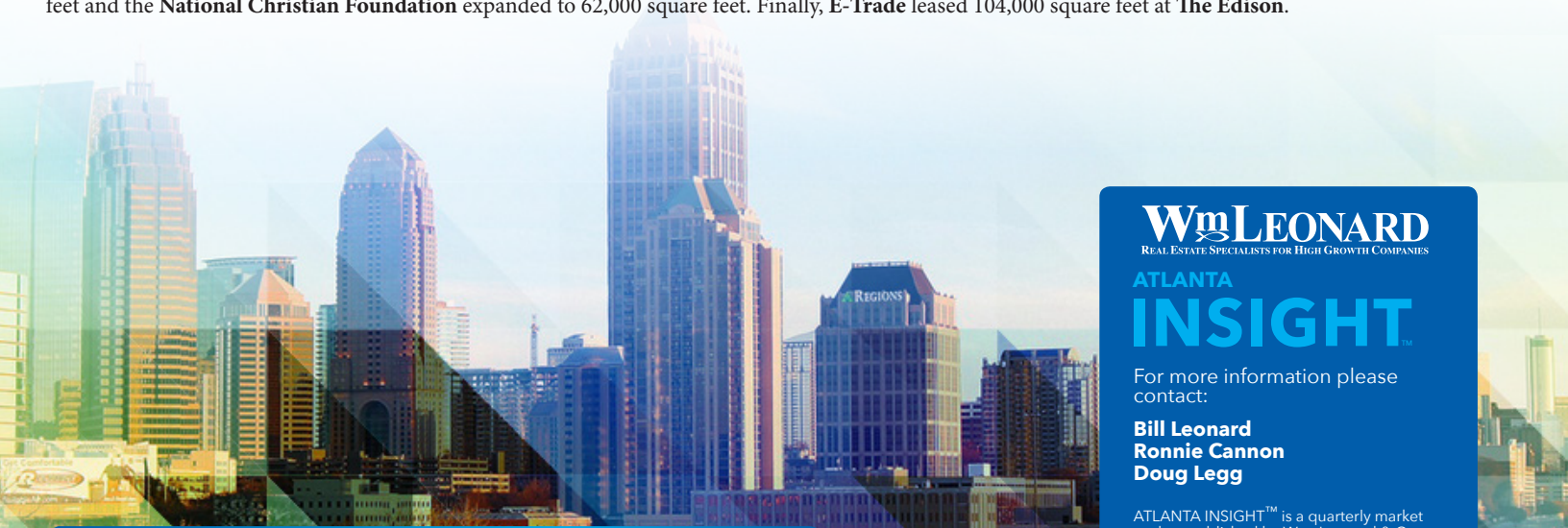


MARKET FOCUS - NORTH FULTON

There is lots of activity in the **North Fulton** market including the construction of the second and final office building at **Avalon**, Alpharetta’s most successful mixed-use development. Adjacent to the 8000 **Avalon** building, which is 100% leased, the **10000 Avalon** building will be a ten-story, 251,000 square foot Class A office building. **AXIS Capital Holdings** will anchor the building, leasing over 76,000 square feet for 15 years. The building is expected to be delivered in the first quarter of 2020. In addition, **Alpharetta City Center**, a 26-acre, mixed-use development located in historic downtown Alpharetta, opened with 100% of its retail, restaurant and office space already under lease. The project contains 31 retail tenants with most expected to open by early summer, 36,000 square feet of office space leased to **DataScan** and 168 luxury apartment units. **Pope & Land** is kicking off its **Northwinds Summit** project with a 30,000 square foot office building to be delivered in the fall of 2019 with 16,000 square feet pre-leased to Alpharetta-based **FiberLight**. Additionally, the project will contain a 125-room boutique hotel, 170 multi-family residential units, 15,000 square feet of retail and a 150,000 square foot office building. There are also plans to convert a circa-1950 former school located on Kimball Bridge Road south of **Avalon** into a mixed-use project to include up to 200,000 square feet of new loft offices, food hall and shops.



Major office leases in North Fulton’s **Sanctuary Park** include **McKesson’s** relocation to 104,000 square feet and **Delta Dental’s** 51,000 square foot expansion, both into the former Verizon Wireless space, increasing Delta Dental’s presence to over 270,000 square feet. Further, **Thrivent Financial** and **Ronald Blue Trust** leased the top floor at The Falls at Sanctuary Park totaling over 47,000 square feet. **Northwinds** also benefited as cloud software maker, **Veeam**, leasing over 80,000 square feet and the **National Christian Foundation** expanded to 62,000 square feet. Finally, **E-Trade** leased 104,000 square feet at **The Edison**.



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