

LINCOLN
PROPERTY
COMPANY

CRE in the News

August 19, 2019



Last Mile Logistics Expense

- › Schneider, One of the largest trucking companies in the U.S. is closing down its last-mile logistics business (First to Final Mile unit)
- › Will lose over \$40MM over the course of 2019
- › The last mile logistics are putting millions of new packages into networks, but the carriers are struggling with high costs of last mile services
- › Biggest issue is that urbanites, the high percentage of e-commerce users, live in inconvenient and far distances from sophisticated distribution centers.
- › Certain cities do not have the industrial product or land capacity to fulfill the promises of last-mile logistics

West Midtown Office Update

- › Still a question if new development in west midtown is going to attract companies to the area
- › 8West has no pre leases but sources say there has been up to 450K SF of potential tenants that have toured or have serious inquiries about the project
- › Star Metals is 30% pre-leased with sources saying that leasing activity is solid
- › The Interlock is now over 90% leased from Georgia Tech and WeWork alone with a big retail lease in the works
- › Developers still see a strong demand forthcoming for people to move home, work and entertainment life into the West Midtown area

Industrial Stabilization

- › The U.S. Industrial vacancy rate increased for a second straight quarter to 4.8% in Q2 2019
- › The first instance of a consecutive vacancy increase since Q1 2010
- › 86.4M SF of net absorption in Q2 2019 is the third consecutive quarterly decline
- › However, experts believe this is a sign of stabilization in the industry rather than a downturn
- › Unfair to compare to numbers that were record breaking for nearly 3 years
- › 43 of 47 markets from Transwestern have still seen rent increases from a year ago
- › A Prologis Q2 survey still predicts 250M SF of net absorption and 260M SF of new supply in 2019

WeWork files IPO Prospectus

- › WeWork officially filed its prospectus for an initial public offering with the SEC on 8/14/19
- › Revenue for the first 6 months of 2019 is at \$1.54B, approaching the \$1.82 claimed revenue for the whole year of 2018
- › WeWork is still operating at a net loss though with \$690M in net losses for the first half of 2019
- › No disclosure on targeted share price, estimated number of shares to sell in prospectus, or a specific date of IPO
- › The We Company continues to push themselves as a “community company” rather than a “coworking company”

Parkway Purchases 100 Edgewood

- › Parkway Property Investments is under contract to purchase the 306K SF tower (United Way Tower) in Downtown for \$17.6M or \$57/SF
- › Plan is to spend 79M to redevelop the completely vacant 18-story tower into a Class A asset
- › The project is expected to create 680 permanent jobs and have an economic impact in excess of \$110M
- › Parkway recently has tapped the online equity raising platform CrowdStreet to attract opportunity zone investors

