

SOUTHEAST REAL ESTATE BUSINESS®

The Southeast's Real Estate Source

MUSIC CITY'S GROWTH REACHES FEVER PITCH

Corporate expansions, massive hotel pipeline headline Nashville's urban densification activity.

By John Nelson



A good barometer of a market's health is speculative office construction. GBT Realty plans to begin its 1221 Broadway project once it reaches 30 percent preleasing.

The densification in Nashville's core districts is undeniable. According to CBRE, the number of residences in downtown Nashville has swelled from 3,700 in 2010 to 11,800 in 2018, a 218 percent increase. Nashville's urban submarkets have also seen the bulk of the city's office supply additions as headquarters for Bridgestone Americas, HCA and LifeWay have recently come on line.

The growth has been market-wide as the Nashville metropolitan area has increased by approximately 100 people per day for the past four years, according to the latest census data, which accounts for in-migration, births and deaths. The Middle Tennessee region as a whole is predicted to grow by 1 million people by 2040, which is essentially a 50 percent hike from its current

population of 1.9 million residents.

"It's been amazing to see the massive amount of growth in Nashville," says George Tomlin, president and CEO of GBT Realty Corp., a local real estate development firm. "Nashville's population has increased 41 percent since 2010, and jobs in general have increased 34 percent in that time frame."

"Nashville has a very healthy growth curve of well-educated, millennial talent," adds Devin McClendon, SIOR, president of NAI Nashville. "Nashville has what most folks want in a healthy city."

Nashville is known as an entertainment hub with a rich history in country, pop and contemporary Christian music. Live music can be found on any

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Staffing warehouses, like this Walmart fulfillment center, is becoming more competitive. Companies are increasing hourly wages and modernizing amenities to attract workers.

DISTRIBUTION EFFORTS PUSH INDUSTRIAL BOOM

E-commerce is driving warehouse growth, though staffing remains a concern, say SIOR brokers.

By Alex Tostado

With last-mile efforts becoming more of a strategy for logistics companies, the likes of Amazon and traditional retailers are decreasing their industrial footprints to move into urban cores to reach more people.

This doesn't mean, however, that these companies are ditching those 750,000- to more than 1 million-square-foot facilities. Suburban and rural areas, like around Upstate South Carolina and Middle Tennessee, are seeing more large-scale speculative buildings and warehouses being delivered.

Grice Hunt, SIOR, executive committee member and broker at NAI Earle Furman, says in his 15 years

in Upstate South Carolina, he has not seen as much activity as in recent years due to a resurgence from manufacturers and distributors in the Greenville-Spartanburg area.

"That's really credited to where we are located within the Southeast," says Hunt. "The Upstate has huge population growth and access to international airports, major markets, intermodal facilities and the Charleston and Savannah ports."

Terry Smith, SIOR, executive vice president and partner at Colliers International's Nashville office, says Middle Tennessee has 3.5 million to 4 million square feet of industrial

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IN COWORKING, PARTNER MAKES PERFECT

WeWork's robust growth stems from its connection-driven approach with both members and landlords.

Interview by John Nelson

JLL estimates that less than 5 percent of office space in the United States currently is considered flexible (i.e. coworking). However, the Chicago-based firm forecasts that flexible office space will grow to 30 percent market share by the year 2030.

In 2018, nearly two-thirds of office occupancy gains were by coworking firms, the most noteworthy of which is WeWork, now more formally known as The We Co.

Since launching in New York City in 2010, the coworking giant has grown to more than 425 physical locations and counting in over 100 cities and 27 countries around the world. Occupying these locations, which feature private offices, shared work environments and space for events and recreation, are employees and employers from all levels of the workforce continuum.

"Our members include entrepreneurs, freelancers, startups and Fortune 500 companies," says Bobby Condon, general manager for WeWork's Southeast region. "In fact, 30 percent of all Fortune 500s are currently WeWork employees."

For more background on WeWork and its growth prospects in the region, *Southeast Real Estate Business* recently caught up with Condon. The following is an edited interview:

Southeast Real Estate Business: One of the misconceptions about coworking concepts like WeWork is that they're only being used by startups and entrepreneurs, but companies like Microsoft, Facebook and Starbucks



Bobby Condon
Southeast General
Manager,
WeWork

have all taken down large swaths of space within WeWork locations. Why do these spaces work well for all the various segments of office users?

Bobby Condon: We've seen that as more companies began to understand the correlation between workspace and employee engagement, enterprise companies — or companies with more than 1,000 employees — are turning to WeWork for office space solutions.

Just over three years after launching our enterprise business, enterprise members comprise the fastest growing segment of WeWork's membership base. From June 2017 to June 2018, WeWork's enterprise member segment grew more than 210 percent. At any given WeWork location, an enterprise member will have more than 160 potential companies to collaborate with.

SREB: What is the dynamic between the office landlord and WeWork?

Condon: Historically, we have entered into traditional leases, where we have had a strict landlord-tenant relationship. WeWork now offers a range of options to landlords looking to partner with us — everything from joint ventures to participating leases that al-



Photo courtesy of WeWork

Four years ago, WeWork didn't have a single location in Atlanta. Today, the company has its Southeast headquarters in the city and has nearly 560,000 square feet — and counting — in the market, including this location in Buckhead's Terminus building.

low them to share in the upside that we generate. This allows the landlords to maintain the same level of relationship with tenants while providing spaces that benefit from the WeWork effect.

Landlords are already thinking about how they can change their product to better accommodate people and the way they want to work. Working alongside landlords, we have helped to revitalize buildings and neighborhoods, attract new tenants and create greater value. We also have a proven ability to make change happen, quickly. Our ability to build better, cheaper and faster than anyone is a huge benefit to landlords looking to create flexible spaces in their portfolios.

Additionally, WeWork is 2.5 times more efficient with space than a typical office. WeWork's 40 million square feet of real estate holds as many people as 100 million square feet of typical office space. At the most basic level in real estate, WeWork is simply a new investment class targeting a permanent segment of the traditional market. We are a proven partner to landlords, and as we continue our growth, we are looking at new ways to partner with them.

SREB: After WeWork's lease at 101 Marietta St. in downtown Atlanta and another 118,000 square feet at The Interlock in West Midtown, the company has become one of Atlanta's largest office tenants. This is significant since WeWork didn't have a presence in the market four years ago. What are some of the strengths of the Atlanta market and why is it a good match for WeWork's model?

Condon: WeWork is just scratching the surface in Atlanta. In terms of the Southeast, the Atlanta economy is six to seven times larger than most other major metros in the region. Population growth and job growth are strong here in the city. The Class A office market is deep, differentiated, well-leased and with growing rental rates. We have chosen this city to be our headquarters for the Southeast, and our efforts to grow here will continue to reflect that.

SREB: What's next for WeWork in the Southeast? Any markets the company is circling?

Condon: We're always looking for new markets and new opportunities within existing markets. However, we have nothing new to officially announce at this time.

We recently announced a new city in Florida — Tampa. Expect to see many more Southeastern expansion announcements from us in the near future, with Atlanta being no exception. ■

MODERN OFFICE DESIGN BEING STRETCHED FOR MOBILITY'S SAKE

Call it the design for workplace happiness. Today's workspace is bending to be optimized for a body that is biologically intended to be in motion. While our survival no longer relies on the ability to move, our ability to do so has been found in direct correlation to employee happiness and productivity, thus overall workplace satisfaction.

According to design magazine *Fast Company*, work environment should flex to encourage movement from various places and destinations throughout the day that extend beyond the primary office. Such alternative or secondary space is found in open and enclosed areas, multi-level offices, lounges and seating areas, as well as conference rooms and break rooms.

Case Studies

Atlanta-based SalesLoft knew that employee recruitment and retention were key to growing the company. The software firm wanted a work environment that wasn't just tolerated but fueled and energized its employee base.

While the individual workspace is an open plan concept, technology enables employee mobility throughout the 50,000-square-foot, multi-floor office.

A variety of secondary workspaces from break-out booths along the main circulation path equipped with plush seating and powering capabilities to small huddle rooms ideal for small group collaborations, give SalesLoft employees the opportunity to retreat or connect.

Employee interaction is also encouraged in a large, colorful and open multi-purpose area, centrally located on the main reception floor and furnished with large community tables, gaming and break area amenities.

Workspace options also gave IDR employees a choice for productiv-



Audrey Hardesty
BoggsVickers

ity. This staffing company integrated a variety of diverse work settings within its 8,000-square-foot office in Alpharetta, Georgia. A centrally located café featuring seating and audiovisual options provides sustenance, as well as a hub for social interaction away from the desk.

Garage doors enclose or expand meeting spaces that allow for both collaborative and independent, head-down work. Varying furniture options from lounge seating to traditional table and chairs to no seating at all bring another level of flexibility to the work environment.

Workspace options — both within and beyond the traditional office footprint — are key to keeping employees happy and engaged throughout their day. Providing choices in a work environment is a key component of today's office designs.

Audrey B. Hardesty, RID, NCIDQ is an associate at BoggsVickers, an Atlanta-based architectural firm.