

LINCOLN
PROPERTY
COMPANY

*CRE in
the News*

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U.S. Unemployment at Near-Record Low

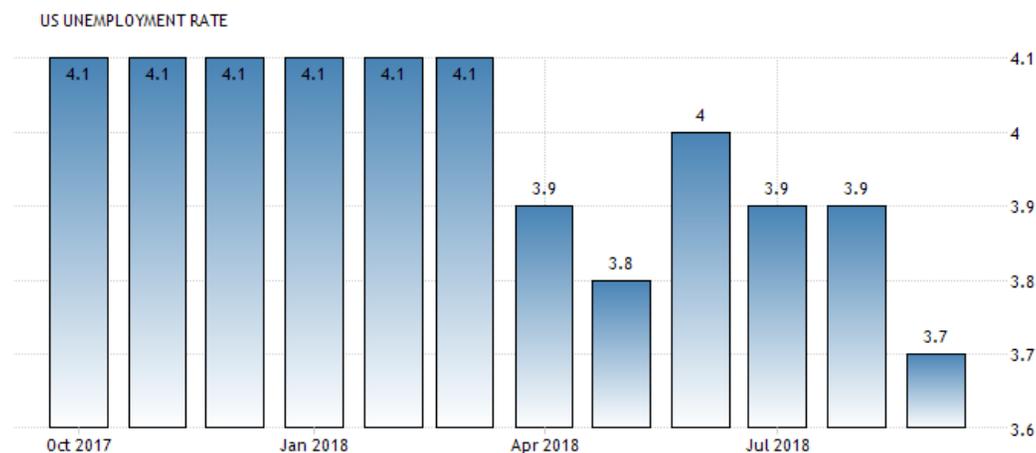
› Unemployment hits 50-year low at 3.7%

› Generally speaking this is a positive indicator of economic health

› As it relates to CRE, job growth has helped fuel office and industrial real estate across the country in 2018

› More people employed = more space required, and more \$ in pockets results in higher retail sales, driving the industrial sector

› However: not much room to go below 3.7% unemployment – labor shortage could ultimately cramp net absorption



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Investors Lining Up to Pour Billions Into QOZs

- › Treasury Secretary Mnuchin predicted \$100B of capital would be invested into opportunity zones
- › Investors waiting to put money into opportunity zones until release of specific regulations on the program from the Treasury Department/IRS, which are expected to be unveiled this month
- › It is possible to close opportunity zone deals under current guidelines, absent the anticipated detailed regulations
- › Notable names like Fundrise, RXR, and former CIO of White Star Investments Craig Bernstein are raising QOZ money
- › FundRise recently ranked its top 10 opportunity zones in the U.S., and Atlanta came in at #9 on the list, specifically Bankhead, Grove Park, and English Avenue
- › The money is flowing, and will start to deploy soon

Oil Could Hit \$100/Barrel by End of 2018 if Iran Sanctions Materialize

- › Impacts commercial real estate in a number of ways
- › Brent Crude currently trading at just over \$80, moving up to \$100 would mark a ~25% increase
- › Shipping costs would rise sharply – construction costs rise
- › Price of steel would rise sharply – construction costs rise
- › Industrial real estate might feel the impact most: as gas prices rise, consumers are left with less disposable income, translating to less retail spending and accordingly less need for the industrial space that stores and ships ecommerce goods.

Stok Releases Report Detailing Financial Benefits of “High Performance” Buildings

- › High Performance Building: designed to improve the occupancy experience and improve health and wellness
- › Often have design elements that address thermal comfort, ventilation, air quality, views, and biophilia
- › Organizations inside high-performance buildings average annual profit increase \$3,395/employee, or \$18.56/SF (assumes 182 SF/Employee)
- › Savings (profit) come from increased retention, productivity, and reduced absenteeism

MARTA Approves Atlanta Expansion Plan

- › \$2.7B Atlanta expansion plan
- › More transit along the Beltline, and less funding for the Clifton Corridor
- › 40-year plan, involves 29 miles of light rail, 13 miles of bus rapid transit lines, and three arterial rapid transit routes
- › Funded via additional half penny sales tax approved by Atlanta voters

Big Consolidations Slow Metro Atlanta Office Market

- › Companies vacated more metro Atlanta office space than they leased during the third quarter
 - › AT&T moving out of 2.5M SF of space
- › Highlighted by big consolidations by AT&T and Comcast
- › (42K) SF negative net absorption across Atlanta markets in 3Q18
- › Overall, downtown markets are up 930K SF for the year, while suburban markets have lost 155K SF