

LINCOLN
PROPERTY
COMPANY

*CRE in
the News*

November 12, 2018



REITs in the News

- › Japanese funds eager to get out of US REITs
- › Japanese funds have sold off more than half of their holdings in the sector since 2016
- › At peak in 2016, Japanese funds held \$50B in U.S. REITs, controlling about 7% of the market – today down to \$20B

Meanwhile.....

- › REITs are in sell mode in D.C., with \$Bs in property on the market
- › Many will be net sellers this year, but at the same time they are using property sales to strategically fund acquisitions – REITs use this strategy when pricing is down, and raising equity would dilute existing shareholders

Shifting Debt Market

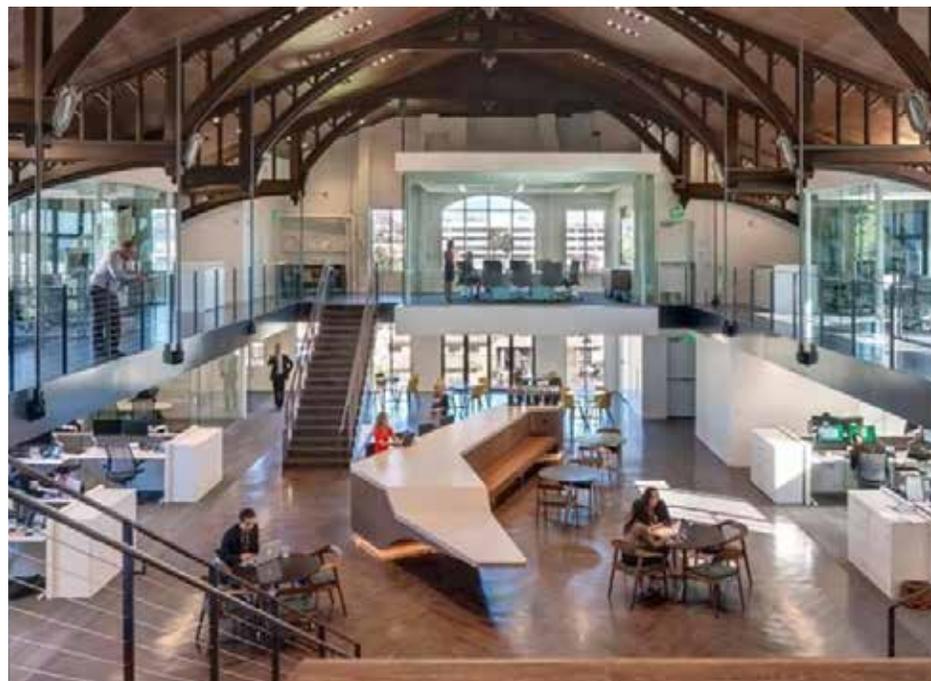
- › Slate Property Group joining with the Carlyle Group to create a \$750M lending platform
- › Platform will provide land loans, construction loans, and condominium inventory loans
- › Will target noninstitutional developers unable to lock down traditional financing
- › Other big names entering the lending space formerly occupied by banks include: Silverstein Properties, Moinian Group, Madison Realty Capital, Related, and RXR Realty

Amazon

- › Rumored to now be splitting HQ2 requirement and it's 50,000 high-paid tech employees between two cities: Crystal City, VA and Long Island City (Queens), NY
- › Dallas also a possible contender for half of the requirement
- › Amazon concerned with ability to draw sufficient talent from only one labor pool, and also believes splitting requirement would mitigate effects on housing market and transit network of target cities

CBRE Takes on WeWork

- › CBRE has launched a new flexible office business (Hana) that will look to compete with existing giants like WeWork and IWG (Regus)
- › Hana will not lease space directly, but will work with owners and will design, build, and operate flexible office space
- › Hana will earn money through revenue and profit-sharing agreements with landlords
- › Focus will be on individual private offices rather than coworking, and target larger corporate tenants seeking leases of one-three years
- › Each Hana facility will feature two other offerings: Hana Meet and Hana Share (conference room/event space, and traditional coworking space)



CBRE's Masonic Temple Office in Glendale, CA

Retailization of Healthcare

- › Kind of like last-mile delivery warehouses: healthcare delivery closer to where people live and more quickly accessible than traditional large hospitals
- › Big Move: CVS acquiring Aetna, and the speculation is that this merger will transform many retail sites into community healthcare hubs
- › Consumers demand a better experience in healthcare, similar to what they see in retail – namely convenience and high quality
- › “The trend of neighborhood healthcare locations will continue – and escalate,” Walgreens Chief Medical Officer Patrick Carroll said. “Neighborhood health destinations will continue to grow, including primary care, urgent health care, lab, hearing and vision services.”
- › “Consumerization of health will drive omnichannel models to accelerate.”
Microsoft VP U.S. Health & Life Sciences Chris Sakalosky
- › Example: Sinai Health System is focusing less on brick-and-mortar and more on meeting people where they already are

The Rise of the Robots

- › Kroger Co. set to announce 3 new automated warehouse locations with Partner Ocado (British online grocer)
- › First 3 of 20 anticipated automated distribution centers for the Kroger/Ocado partnership
- › Ocado's warehouses are 100% staffed by robots, and are geared toward optimizing online ordering
- › Ocado expected to develop and manage the distribution centers, which are prohibitively expensive to build for most companies, and Ocado will reportedly pay for the bulk of the construction and retain a large



The Gulch: Approved

- > \$5B deal in downtown Atlanta
- > Atlanta City Council approved \$1.9B in public subsidies
 - > \$40M in TAD bonds
 - > Subsequent draw of \$625M in tax revenue generated from the project
 - > \$1.25B in sales tax revenue collected from the project to be returned to the developer
- > Development to be built on “platforms of parking garages”
- > 9M SF office; 1,000 residences; 1,500 hotels; 1M SF retail
- > Atlanta will receive:
 - > \$28M investment into a citywide affordable housing fund
 - > Residential affordability requirement of 20%
 - > \$2M commitment for workforce training
 - > \$12M investment into a citywide economic development fund
 - > Commitment to utilize 38% minority/female-owned businesses
 - > \$12M commitment to construction of a new 7-bay fire station

Atlantic Station \$500M Reboot

- › Hines/Morgan Stanley revamping Atlantic Station
- › \$500M expansion to remodel the central park, add two office buildings, a residential building, two flagship retail stores, and 5 new restaurants
- › The central park will double in size, add a new interactive water feature, shade canopies, and a giant video screen to show movies