

LINCOLN  
PROPERTY  
COMPANY

*CRE in  
the News*

April 29, 2019



## *Answers for Opportunity Zones*

- › After the second set of proposed regulations were revealed to the public, experts believe that 2019 is going to be a big year for investors to take advantage of this program
- › Businesses within the opportunity zone benefit from tax incentives if the company meets one of the following: 50% of the hours the employees work are within the zone, half of the company's services are within the zone, or if management and operations of company are based in zone
- › Funds have a one-year grace period to sell assets and reinvest into another opportunity zone investment
- › If an investor dies during the investment period, the investment is passed on to the heir
- › Refinance proceeds can be distributed to investors

## *Smaller Warehouses, Better Returns?*

- › Prologis thinks that warehouses below 250,000 SF may be better due to high volume of big box buildings and the accelerating rent growth of the smaller buildings.
- › The spread between higher rent charge and rent growth in smaller boxes in comparison to bigger boxes is growing
- › At least for the time being until the larger spaces in big markets have been absorbed, their rents may not increase that much
- › Prologis are seeing customers, especially e-commerce companies, that use a combination of large buildings as well as a high number of smaller buildings that are close to a large population (last-mile)
- › The biggest strategy is to continue to be able to push rents up

## *Foreign Investors sold on U.S. Industrial Real Estate*

- › Foreign investors made \$14.4 billion worth of US industrial real estate acquisitions in 2018
- › 152% increase YOY, and 29% above the average volume since 2015
- › Atlanta was a top-five market (#4) in terms of worth for foreign investment in industrial real estate at nearly \$500 million in 2018
- › Canada, China, and Singapore led the charge as investors combining for a total of 94% of foreign investment for US industrial real estate
- › The average annual volume of foreign investment in US industrial real estate rose by 68% over the past 5 years

## *Office Relocation to the Beltline*

- › McKinsey & Co. has officially decided to move from their downtown office to 725 Ponce on the beltline
- › Blackrock, as well as other companies such as Starbucks, Interface, Fitzco, etc. are moving to new buildings to be closer to the beltline's current & future development
- › May be a trend that shifts where companies want to be located in Atlanta
- › Experts believe that moving near the beltline helps attract young, talented workers

## *Midtown Industrial to Office Projects*

- › Youngwoo & Associates (New York) is converting a 200,000 SF warehouse in between Buckhead and West Midtown into office and retail space
- › 70,000 Office and 90,000 Retail
- › Creative offices and open spaces are helping create a new option in the market to attract companies
- › Already across the street from TopGolf and next door to Steady Hand Brewery, both economic drivers for the site
- › Another example of the growth in development on the westside

## *Atlanta's growing population*

- › Metro Atlanta is the fourth fastest growing area in the country
- › 5.95 million people now live in Atlanta while growing at more than 75,000 people per year
- › Estimated that there will be 9 million people living in Atlanta by 2050
- › 15% of people in the metro area want to be in the city if they can
- › Trend of affordable housing, more development, and the extension of the beltline keeps Atlanta as a hot market for people to move into
- › According to experts, roughly a third to half of Americans want to live in walkable communities

## *Health Care Real Estate Increased by Private Equity Funds*

- › Private equity funds have record amounts of capital coming in and are exponentially growing their health care real estate acquisitions
- › In 1Q 2019, private equity funds spent \$623.5 million on nursing homes, assisted living centers, and medical office purchases
- › 14% increase from 1 year ago
- › Globally, there were 388 private equity-backed buyout health care deal worth \$31 billion in 2018
- › 71% increase in deal value and 45% increase in deal count compared to 6 years ago