

An illustration of several storks flying across a blue sky, each carrying a small, white, two-story house with a dark roof and balcony on its back. The storks are white with black wings and long red beaks. The houses are simple, rectangular structures with windows and doors. The background is a solid blue color with some white brushstrokes at the bottom.

RCLCO

ULI Houston Suburban Trends Marketplace 2016

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“BEST MINDS IN REAL ESTATE”

- **“Best Minds in Real Estate”:**
 - A multidisciplinary team
 - The best experts, analysts, and strategists
 - Collaborating with the best players in the industry
 - Affiliated with the best organizations
- **Serving the real estate industry since 1967**
- **Market-driven, analytically-based, financially-sound advice**
- **Investment, development, management, and firm strategies**
- **Market, economic, financial, and impact analyses**
- **Offering solutions from project inception to disposition**

Core Values

- Adding Value to Our Clients
- Excellence and Innovation
- Enjoying Our Work
- Promote Sustainability

Advisory Groups

- Community & Resort Advisory
- Urban Real Estate Advisory
- Public Strategies
- Institutional Advisory
- Management Consulting

Locations

- Austin
- Los Angeles
- New York
- Orlando
- San Francisco
- Washington, D.C.

LESSONS FROM OVER 40 YEARS OF STUDYING MPCs



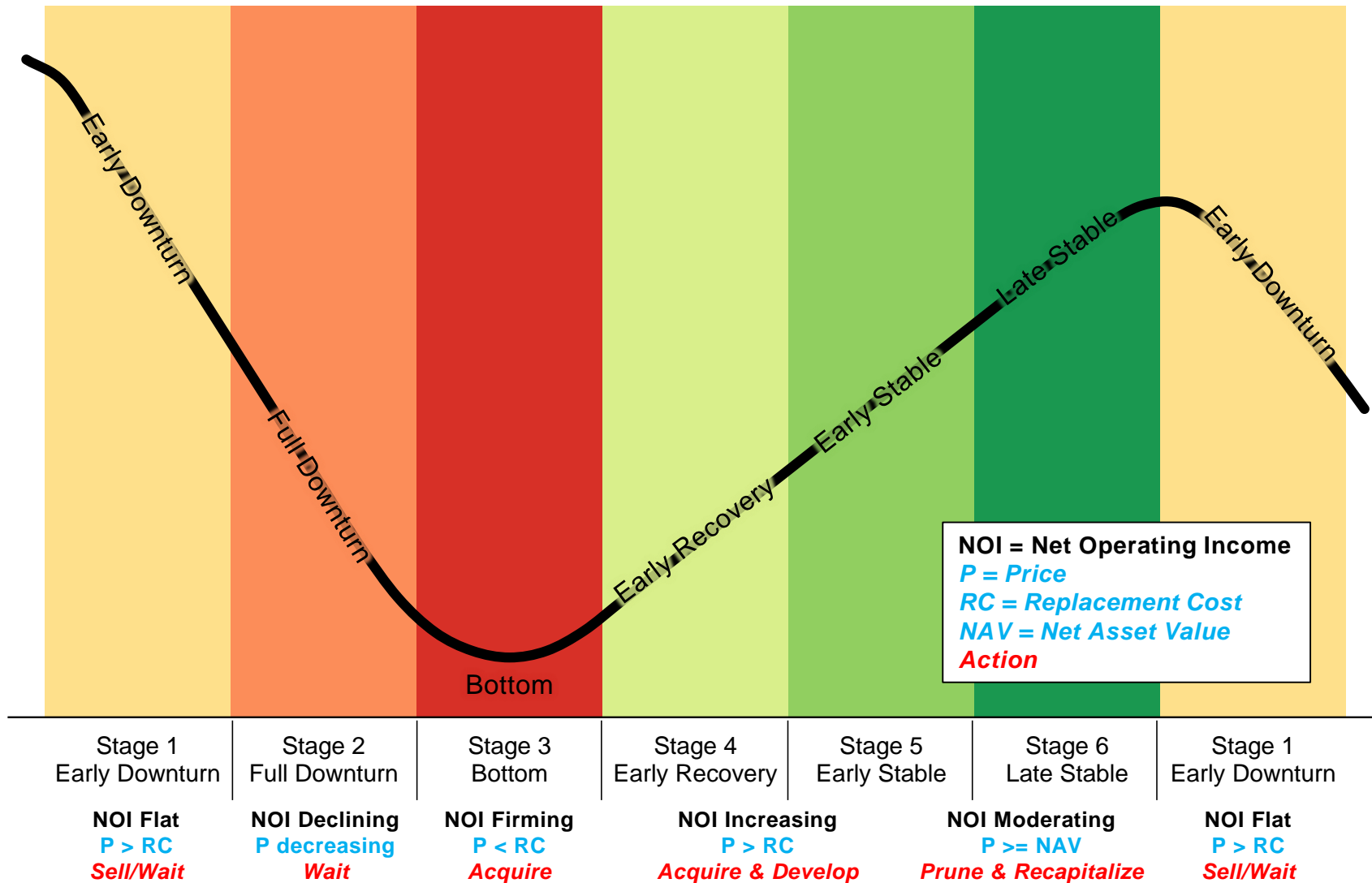
RCLCO started studying MPCs in 1967.

In the last 10 years, RCLCO has worked on over 200 MPCs nationwide.

Outlook

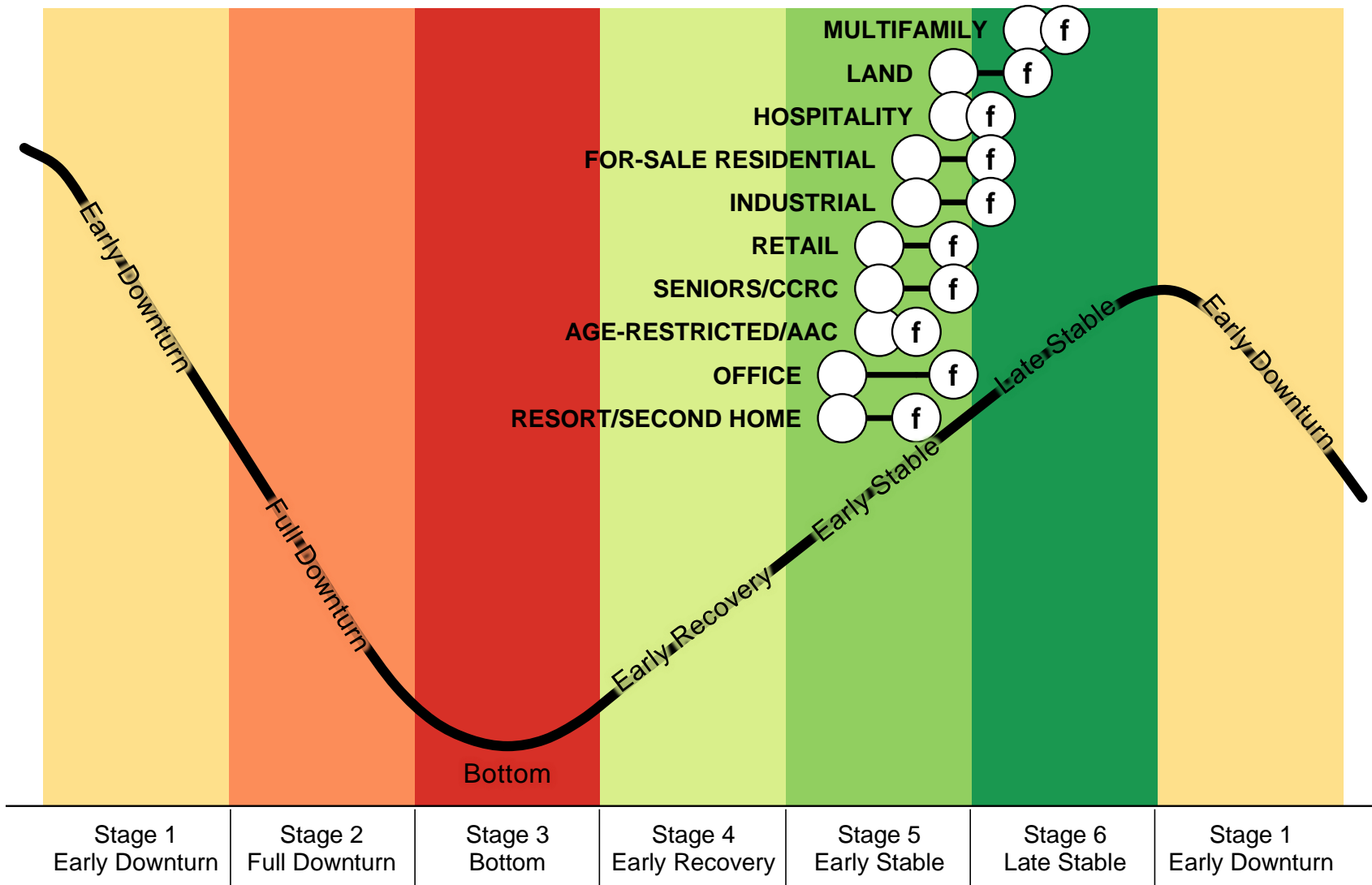
THE REAL ESTATE CYCLE

The economic cycle and the demographic cycles are on different paths

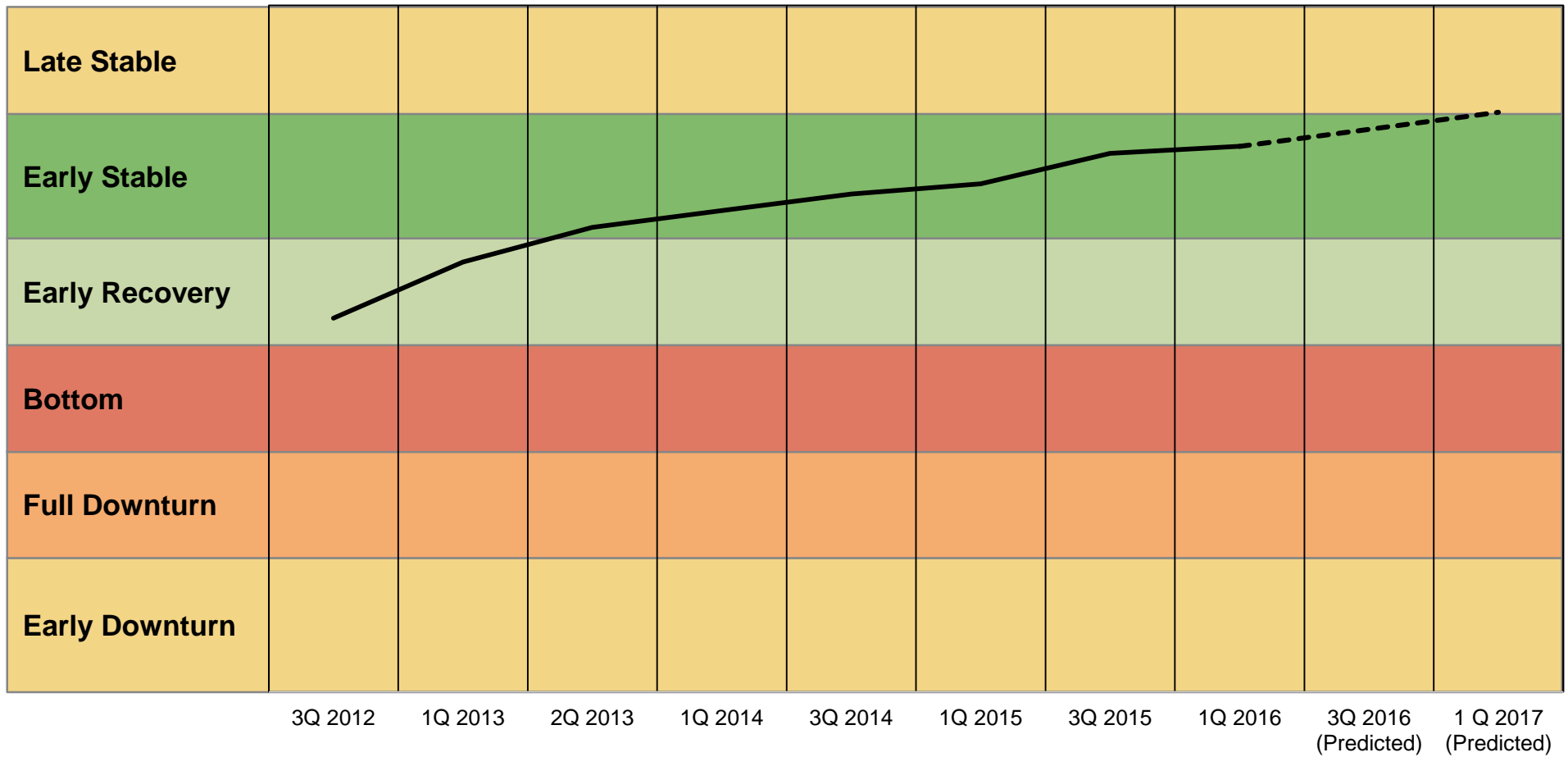


RCLCO SENTIMENT SURVEY RESULTS – 1Q 2016

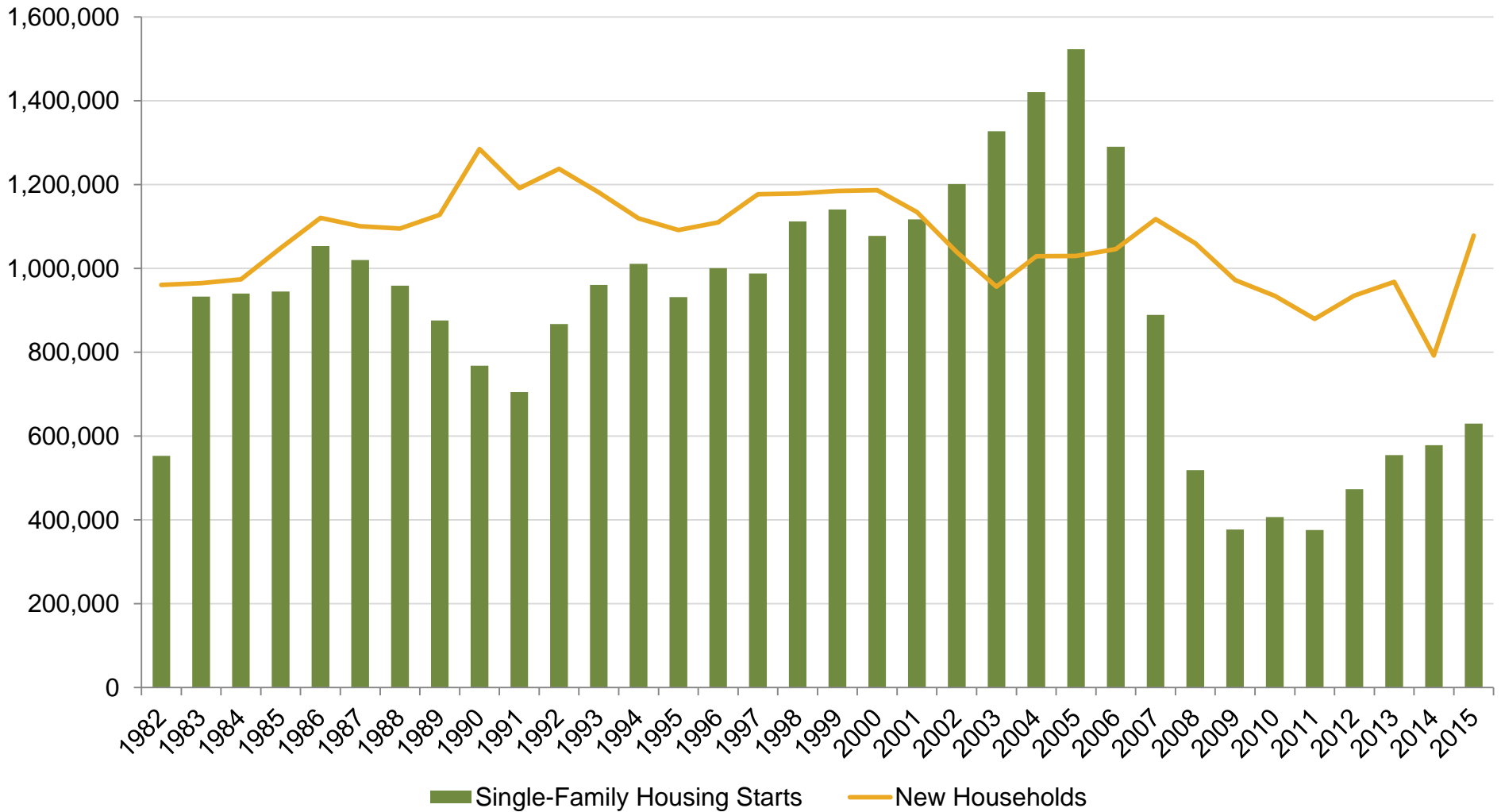
○ Current Cycle Stage ⊝ Future Cycle Stage



For-Sale Residential (Jan 2016)



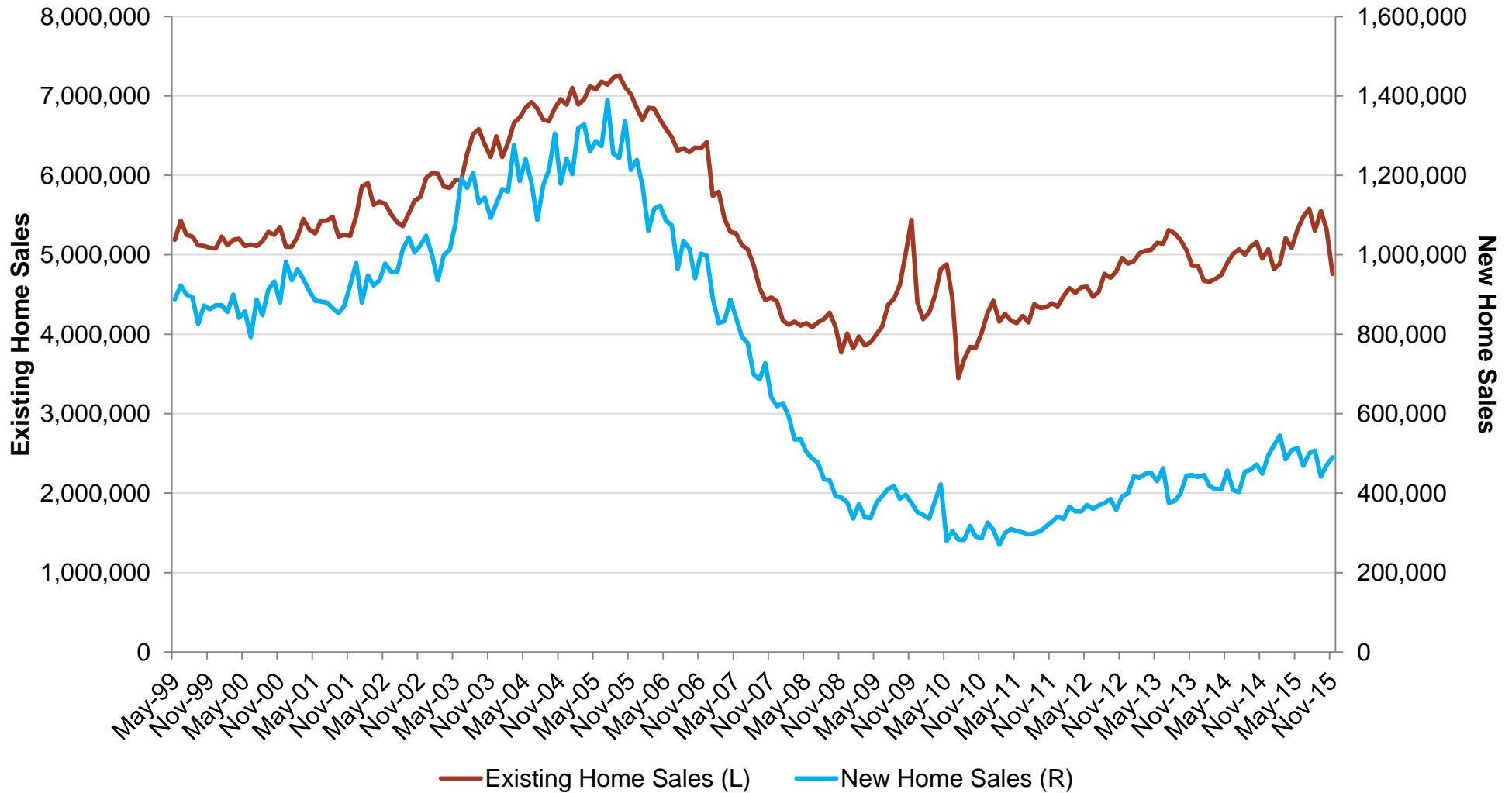
HOUSING STARTS LAGGING HOUSEHOLD FORMATION



Note: Single-Family Housing Starts include single-family detached and single-family attached (townhomes)

Source: Moody's Analytics; RCLCO

RESALES BACK TO NORMAL, NEW HOMES NOT YET



Note: Monthly data are seasonally adjusted annual rates
 Source: U.S. Census Bureau; National Association of Realtors (NAR)

The Case for Houston

EVERYTHING IS BIGGER IN TEXAS

**TOP 20 LARGEST NUMERIC GAINING METRO AREAS:
JULY 1, 2014 TO JULY 1, 2015**

This Year	Last Year	Change	Metro Area	2015 Change	2014 Change	YoY Change
1	1	=	Houston-The Woodlands-Sugar Land, Texas	159,083	156,371	+2%
2	2	=	Dallas-Fort Worth-Arlington, Texas	144,704	131,217	+10%
3	4	+1	Atlanta-Sandy Springs-Roswell, Ga.	95,431	88,891	+7%
4	6	+2	Phoenix-Mesa-Scottsdale, Ariz.	87,988	84,980	+4%
5	3	-2	New York-Newark-Jersey City, N.Y.-N.J.-Pa.	87,186	90,797	-4%
6	5	-1	Los Angeles-Long Beach-Anaheim, Calif.	85,671	86,371	-1%
7	8	+1	Miami-Fort Lauderdale-West Palm Beach, Fla.	75,231	66,361	+13%
8	7	-1	Washington-Arlington-Alexandria, D.C.-Va.-Md.-W.Va.	63,793	66,561	-4%
9	10	+1	Seattle-Tacoma-Bellevue, Wash.	60,714	57,857	+5%
10	14	+4	Orlando-Kissimmee-Sanford, Fla.	60,409	50,335	+20%
11	9	-2	San Francisco-Oakland-Hayward, Calif.	60,152	64,406	-7%
12	12	=	Denver-Aurora-Lakewood, Colo.	58,474	54,508	+7%
13	17	+4	Tampa-St. Petersburg-Clearwater, Fla.	57,412	41,428	+39%
14	11	-3	Austin-Round Rock, Texas	57,395	57,496	0%
15	15	=	San Antonio-New Braunfels, Texas	51,285	46,451	+10%
16	13	-3	Riverside-San Bernardino-Ontario, Calif.	50,444	51,628	-2%
17	16	-1	Charlotte-Concord-Gastonia, N.C.-S.C.	47,186	42,975	+10%
18	19	+1	Las Vegas-Henderson-Paradise, Nev.	45,655	40,365	+13%
19	23	+4	Portland-Vancouver-Hillsboro, Ore.-Wash.	40,621	33,500	+21%
20	21	+1	Nashville-Davidson-Murfreesboro-Franklin, Tenn.	36,435	34,072	+7%

HERE COMES THE SUN BELT



Houston
+428,160



Dallas
+372,601



Miami
+338,296



Phoenix
+220,111



Atlanta
+215,011

Total Net Migration of 5 Metros (since 2010): 1.57 million

Total Net Migration of Rest of 20 Largest U.S. Metros Combined: 1.19 million

THE SOUTH WILL RISE AGAIN

PROJECTED TOP 20 MOST POPULOUS METRO AREAS (BASED ON 2014-2015 GROWTH RATES) JULY 1, 2030

Year 2030	Year 2015	Change	Metro Area	2030 Pop.	2015 Pop.
1	1	=	New York-Newark-Jersey City, N.Y.-N.J.-Pa.	21,536,420	20,182,305
2	2	=	Los Angeles-Long Beach-Anaheim, Calif.	14,693,629	13,340,068
3	4	+1	Dallas-Fort Worth-Arlington, Texas	9,672,015	7,102,796
4	5	+1	Houston-The Woodlands-Sugar Land, Texas	9,568,466	6,656,947
5	3	-2	Chicago-Naperville-Elgin, Ill.-Ind.-Wis.	9,457,577	9,551,031
6	9	+3	Atlanta-Sandy Springs-Roswell, Ga.	7,353,201	5,710,795
7	8	+1	Miami-Fort Lauderdale-West Palm Beach, Fla.	7,262,241	6,012,331
8	6	-2	Washington-Arlington-Alexandria, D.C.-Va.-Md.-W. Va.	7,139,647	6,097,684
9	7	-2	Philadelphia-Camden-Wilmington, Pa.-N.J.-Del.-Md.	6,317,438	6,069,875
10	12	+2	Phoenix-Mesa-Scottsdale, Ariz.	6,121,639	4,574,531
11	11	=	San Francisco-Oakland-Hayward, Calif.	5,658,907	4,656,132
12	10	-2	Boston-Cambridge-Newton, Mass.-N.H.	5,330,353	4,774,321
13	13	=	Riverside-San Bernardino-Ontario, Calif.	5,318,399	4,489,159
14	15	+1	Seattle-Tacoma-Bellevue, WA	4,774,535	3,733,580
15	14	-1	Detroit-Warren-Dearborn, Mich.	4,310,497	4,302,043
16	16	=	Minneapolis-St. Paul-Bloomington, Minn.	3,988,353	3,524,583
17	18	+1	Tampa-St. Petersburg-Clearwater, Fla.	3,985,247	2,975,225
18	19	+1	Denver-Aurora-Lakewood, Colo.	3,856,137	2,814,330
19	17	-2	San Diego-Carlsbad, Calif.	3,506,335	3,299,521
20	24	+4	Orlando-Kissimmee-Sanford, Fla.	3,303,573	2,387,138

WILL HOUSTON MAKE IT?

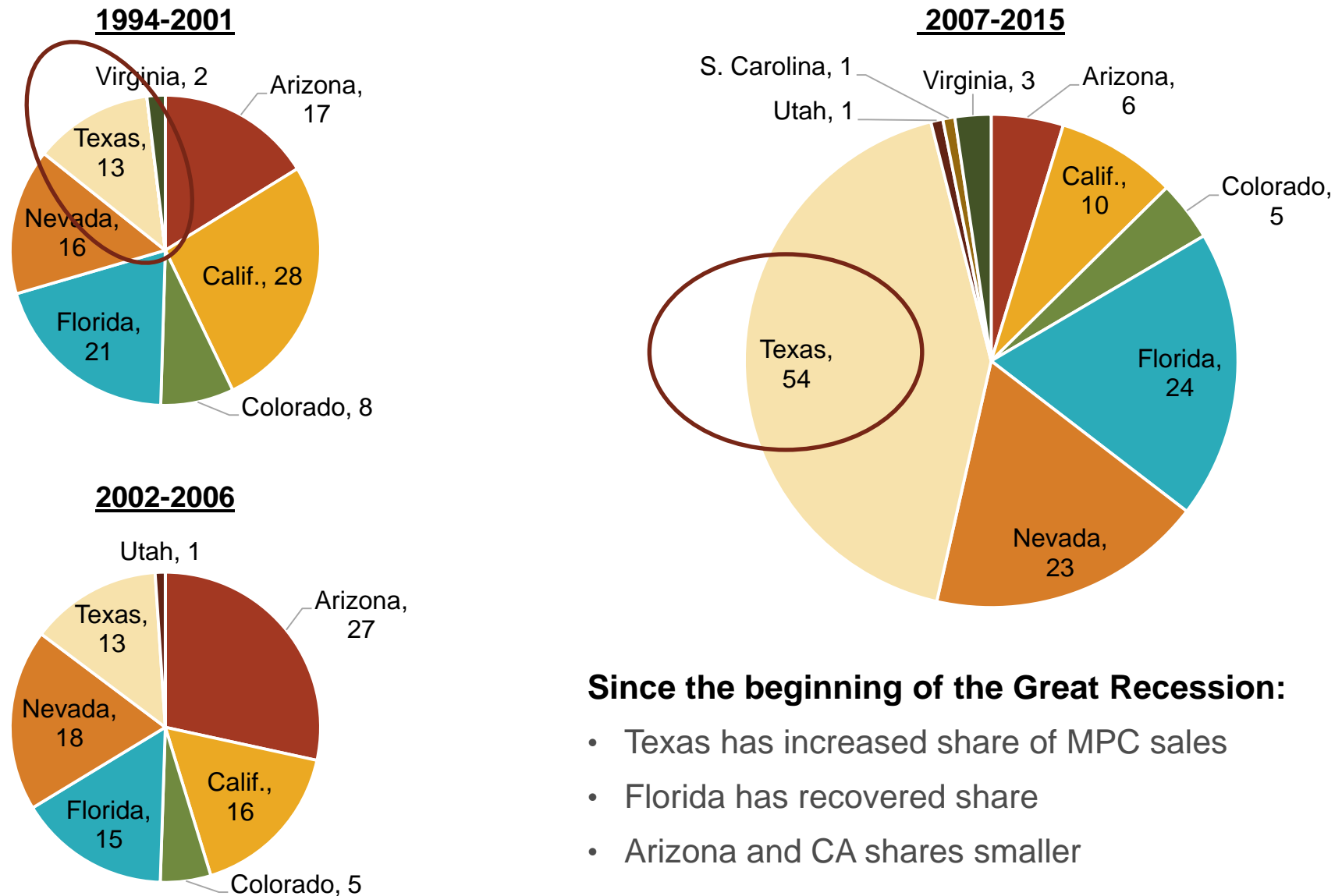
- Diverse economy – education, life sciences, construction, trade, transportation, energy
- Large population and employment bases, educated workforce
- Home to several major corporations
- Attractive climate, low taxes, attractive real estate prices, business friendly
- Great transportation
- World class city – international airport, culture and entertainment, sports
- Attractive place to retire

5 OF 2015'S TOP-SELLING MPCs IN HOUSTON



TEXAS MPCs HAVE COME A LONG WAY IN 20 YEARS

Number of Top-Selling Communities by State



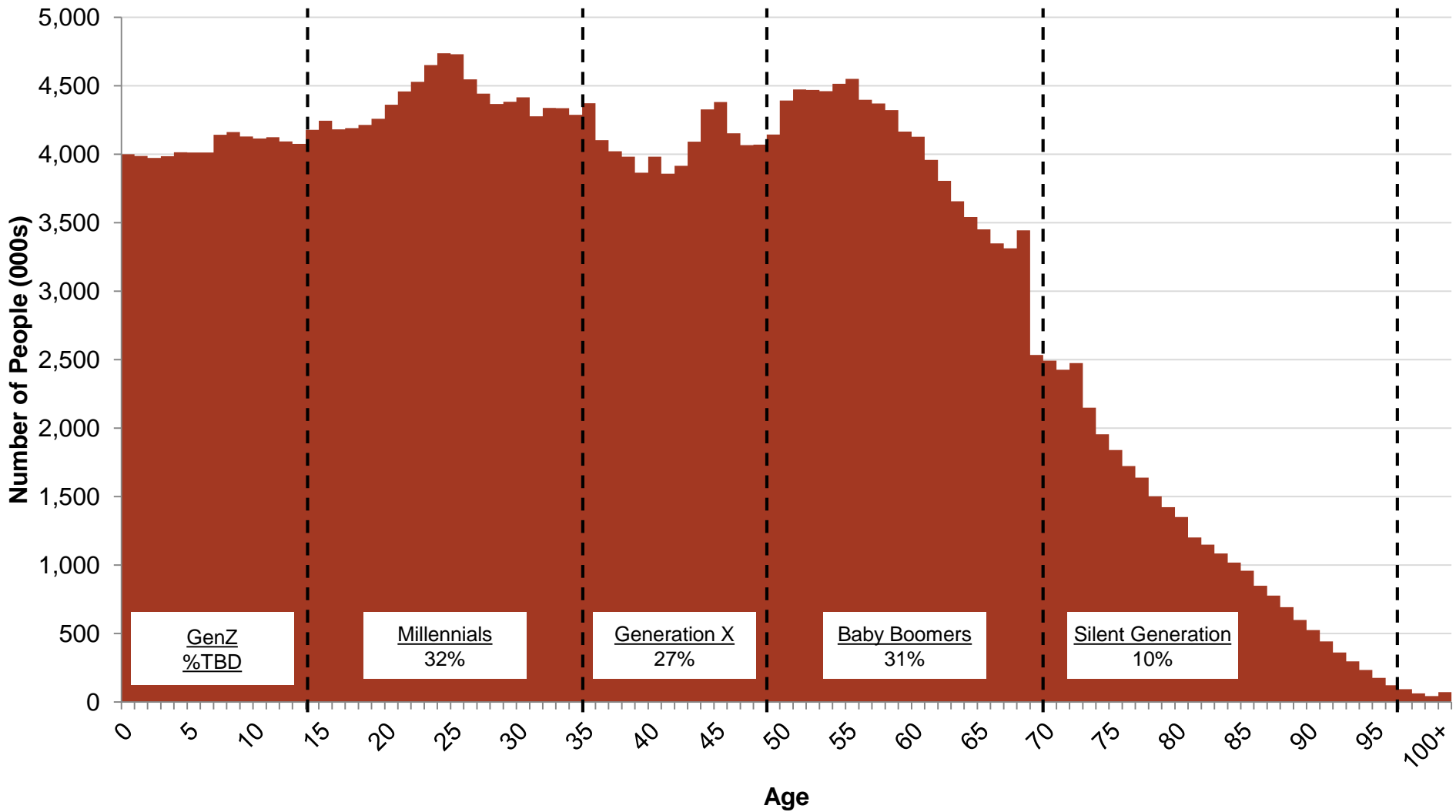
Since the beginning of the Great Recession:

- Texas has increased share of MPC sales
- Florida has recovered share
- Arizona and CA shares smaller

- The fastest-growing counties are in the suburbs of Sun Belt metros, outside of cities like Austin, Denver, San Antonio, Houston, and Atlanta
- America is reverting to patterns of suburbanization and migration to lower-density, lower-cost metropolitan areas, largely in the South (particularly Texas) and Intermountain West
- Large cities like New York, Los Angeles, Washington, D.C., and Chicago are watching their overall population growth slow, driven by growth in their immigrant populations
- For the next five years, population trends seem to favor the continued growth of the Sun Belt and the suburbs, primarily due to their favorable economic climates and greater affordability, respectively

The Case for the Suburban MPCs

U.S. Population Distribution



STAGE OF LIFE DRIVES DEMAND FOR HOUSING

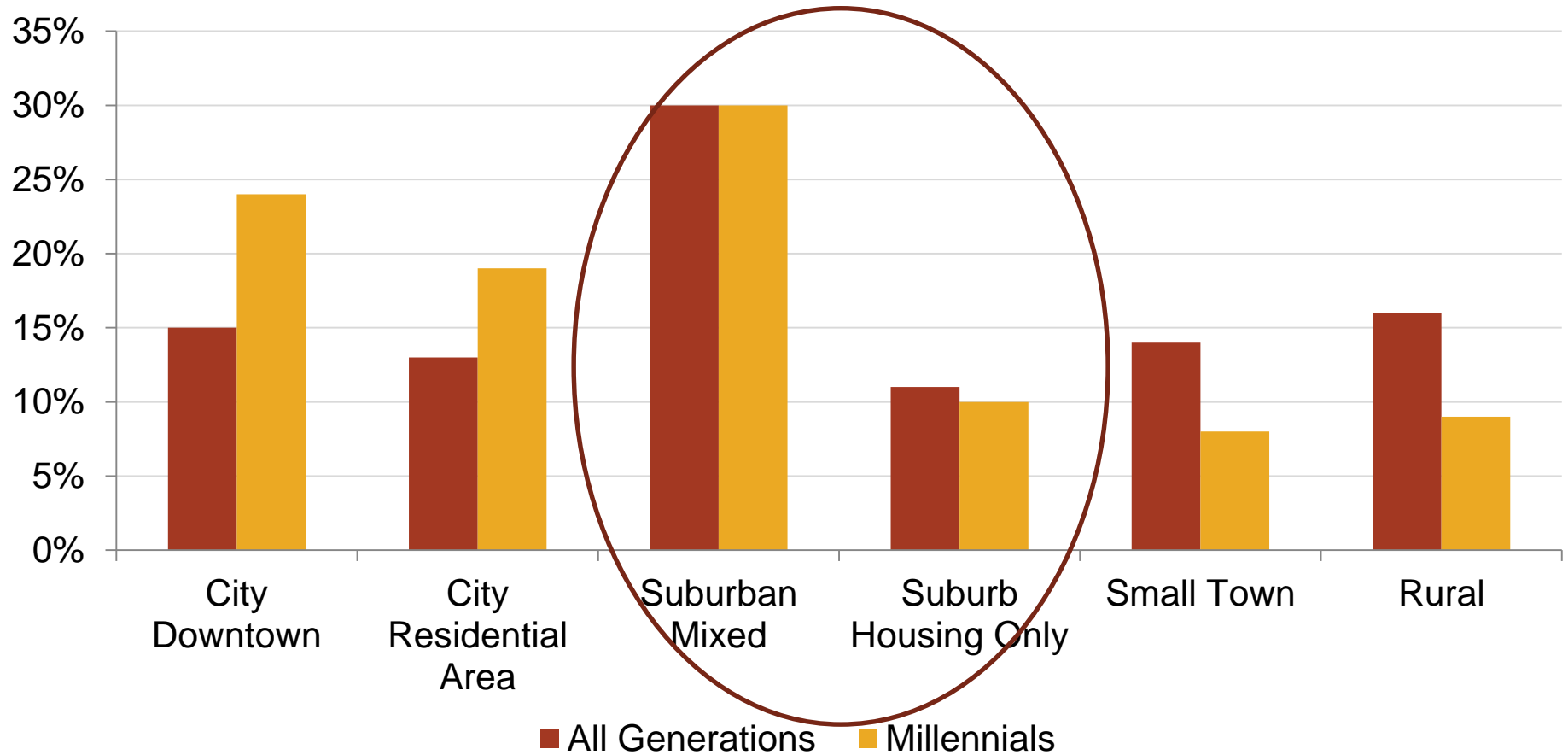
HOUSING NEEDS:	2015	2020	2025
Student Rental	Millennials	Gen Z / Millennials	Gen Z
Singles/Roommate Rentals	Millennials	Millennials	Gen Z / Millennials
Young Couple Rentals	Millennials	Millennials	Gen Z / Millennials
Buy Entry Level	Gen X / Millennials	Millennials	Millennials
Buy Upgrade/Move-Up Home	Gen X / Baby Boomers	Gen X / Baby Boomers / Millennials	Millennials / Gen X
Buy 2nd Home	Gen X / Baby Boomers	Gen X / Baby Boomers	Millennials / Gen X
Buy Empty Nester Home	Baby Boomers	Gen X / Baby Boomers	Gen X / Baby Boomers
Buy Retirement Housing	Baby Boomers / Silents	Baby Boomers	Baby Boomers

Source: RCLCO

Generation:	Boomers	Gen X	Millennials
Miles from previous home (median)	30	10	10
Years in previous home (median)	11	9	5
Price of home relative to previous	Same or lower	Higher price	Higher price
Size relative to previous home	Same or smaller	Larger	Larger
Moved because...	<ul style="list-style-type: none"> • Close to friends, family • Retirement • Job • Wanted smaller home • Less maintenance 	<ul style="list-style-type: none"> • Larger home • Better quality house • Job • Better neighborhood • Change in family situation 	<ul style="list-style-type: none"> • Establish own household • Larger home • Close to work • Better neighborhood • Good schools

* 2015 NAR Home Buyer and Seller Generational Trends

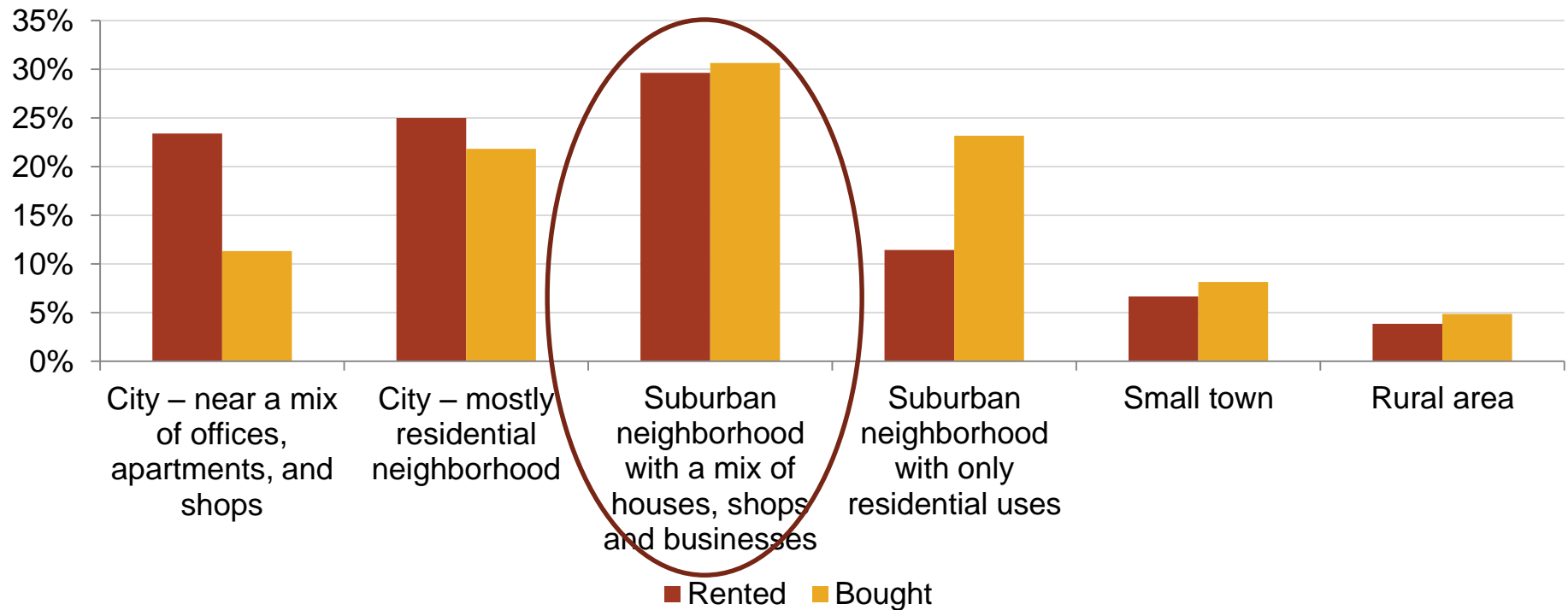
LOCATION PREFERENCES



Source: NAR Community Preference Survey

MILLENNIAL BUYERS PURCHASE IN THE SUBURBS

- Most (54%) of young first-time homebuyers prefer suburban neighborhoods.
- Most popular for both young renters and homebuyers: suburban area with a mix of uses.
- 23% of young homebuyers purchased their home in a residential neighborhoods in the suburbs.
- 64% of millennial homebuyers bought in closer in suburbs.

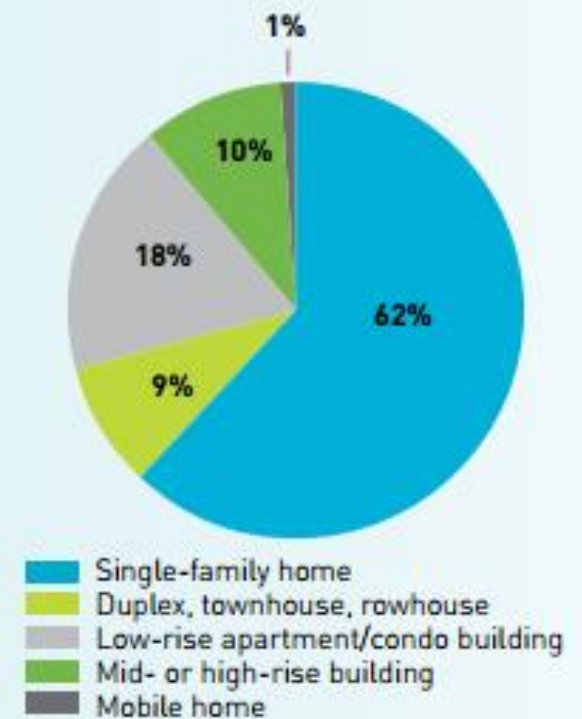


Source: RCLCO 2016 Survey

FUTURE EXPECTATIONS

- Regardless of future tenure or housing type, 70% of Millennials believe they will live in a detached or attached single-family home by 2020.
- These forward looking expectations are almost identical to a survey from 2010.
- 70% expect to own by 2020 (only 26% already own)
- Top reasons to own:
 - Building equity, not paying rent (60%)
 - More control over space (54%)
 - More privacy (41%)
 - More room (31%)
 - Feel more settled (31%)

FIGURE 15: Gen Y's Expected Homes by 2020



Sample size=1,270.

Source: UDR/Lachman Associates Survey for ULI, Nov 2014

- Strong demographic fundamentals
- 10 years of low new home production rates, especially for-sale housing => pent-up demand
- Demand for rentals – multifamily and single-family (yes, in MPCs too)
- Not all jobs want to be in the CBD
- Exciting innovations in product design and rental housing solutions
- Developers are learning to succeed in smaller, close-in and in-fill locations
- Amount and cost of capital for development and homebuilding improving
- Challenges:
 - Mortgage qualification criteria
 - Economic cycle risk looming
 - Cost across the board (land, lots, and homes)
 - Need for velocity of sales to make economic sense
 - Need jobs on-site or near-by

- **Content, meaning, convenience** – it is how the community **lives**, not what it looks like
- **Live, work, learn, play** – employment, healthcare, recreation, education – on-site or near-by
- Invest in mobility and accessibility, **walkability** in both urban and suburban settings
- **Sense of community** – programming that allows residents to create their own experiences
- **Memories and traditions** build a community, foster comradery, bonds people together
- **Authentic spaces and experiences** – integrating values and purpose in the design process
- **The food revolution** – community gardens, a CSA, cooking classes, restaurant, marketplace
- **Local and real** – bring regional vendors, merchants, employers, culture and traditions
- **Future proofing** – integrating technology (renewable energy, water conservation, the internet of things, wellness and healthcare, self-driving cars, the Cloud, Fiber, new developments in glass, batteries, sensors, etc....)
- **Environmental stewardship** – tie community to the outdoors with experiences, celebrate nature and eco-friendly ideals

THE CASE FOR THE SUBURBS

- Living in the burbs is and will continue to be a desired way of life
- Tomorrow's suburbs will be different from yesteryear's:
 - A thriving suburb offers the benefit of city living in suburban setting
 - Traffic, jobs, convenience, education, healthcare, and housing cost, transit
 - Multi- or adjacent uses, all accessible and in proportionate scale and density
 - Best sites are infill or logical expansion of existing infrastructure, services and facilities
 - "Right size" to support infrastructure and amenities while not elongating project lifespan
- Governments will be very limited in their ability to help economically, so learn to be self sufficient
- Property owners and developers must cooperate and pool resources to pull off investments
- Even at small scale, projects need velocity to be successful

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Locations

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