



**DOMINATING THE 55+ MARKET:
HOW THE HYPER-SUCCESSFUL
COMMUNITIES DO IT**

NAHB International Builders' Show (IBS) 2020

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RCLCO
REAL ESTATE ADVISORS

A LARGE SHARE OF THE TOP MPCs HAVE AA

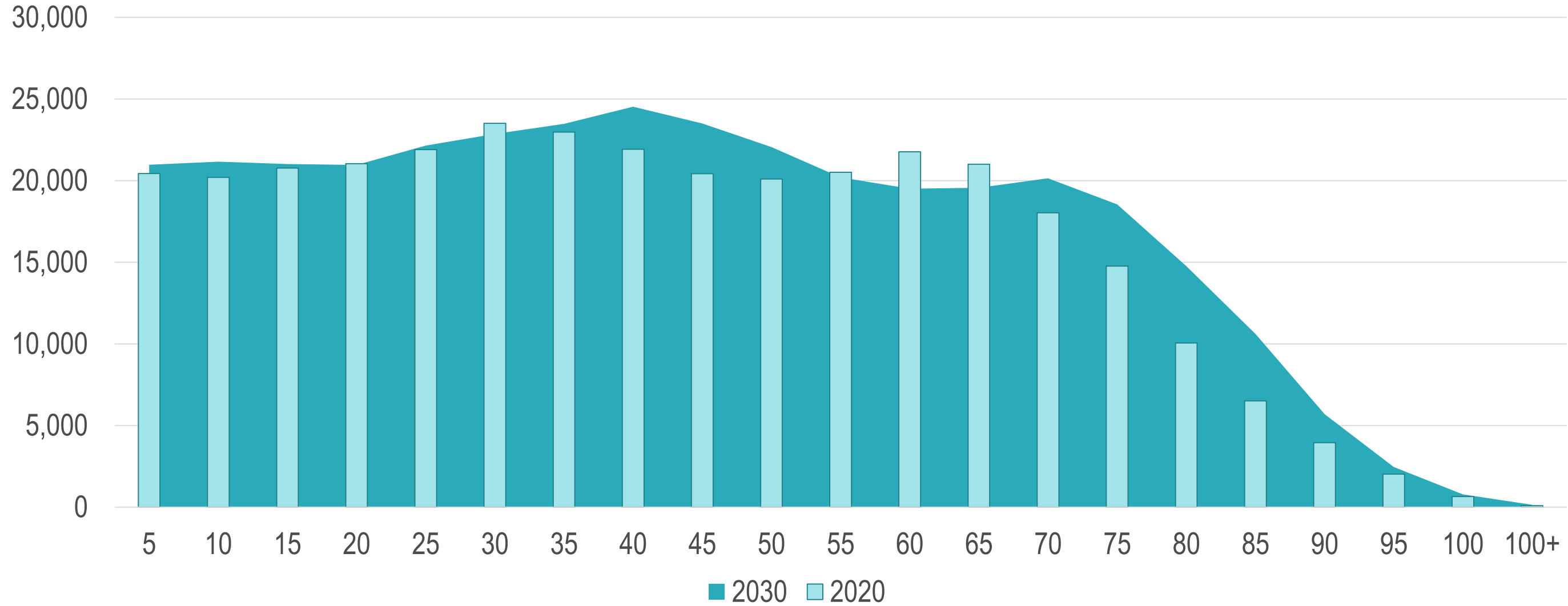
Top-25 as of Year-End 2019

RANK		MSA (CITY, STATE)	DEVELOPER	2019	2018	% Δ
1	The Villages	The Villages (The Villages, FL)	The Villages	2,429	2,134	14%
2	Lakewood Ranch	North Port-Sarasota-Bradenton (Sarasota, FL)	Schroeder-Manatee Ranch, Inc.	1,648	1,482	11%
3	Summerlin	Las Vegas-Henderson-Paradise (Las Vegas, NV)	Howard Hughes Corporation	1,320	1,318	0%
4	West Villages	North Port-Sarasota-Bradenton (Venice, FL)	West Villages	1,273	1,108	15%
5	Eastmark	Phoenix-Mesa-Scottsdale (Mesa, AZ)	DMB Associates & Brookfield	1,011	929	9%
6	Nocatee*	Jacksonville (Ponte Vedra, FL)	PARC Group	928	938	-1%
7	Irvine Ranch**	Los Angeles-Long Beach-Anaheim (Orange County, CA)	The Irvine Company	850	1,160	-27%
8	Ontario Ranch*	Riverside-San Bernardino-Ontario (Ontario, CA)	Multiple Developers*	788	1,005	-22%
9t	Cadence	Las Vegas-Henderson-Paradise (Henderson, NV)	The LandWell Company	753	481	57%
9t	Daybreak	Salt Lake City (South Jordan, UT)	Daybreak Communities	753	575	31%
11	Sonterra*	Austin-Round Rock (Jarrell, TX)	Sonwest	741		
12	Bridgeland	Houston-The Woodlands-Sugar Land (Cypress, TX)	Howard Hughes Corporation	734	482	52%
13	Inspirada*	Las Vegas-Henderson-Paradise (Las Vegas, NV)	Inspirada Builders LLC	640	717	-11%
14	Cane Bay Plantation	Charleston-North Charleston (Charleston, SC)	Gramling Brothers	628	474	32%
15	Stapleton	Denver-Aurora-Lakewood (Denver, CO)	Brookfield Properties	604	625	-3%
16	Verrado	Phoenix-Mesa-Scottsdale (Buckeye, AZ)	DMB Associates	602	558	8%
17	Great Park Neighborhoods	Los Angeles-Long Beach-Anaheim (Irvine, CA)	Five Point Communities	553	480	15%
18	Sunfield*	Austin-Round Rock (Buda, TX)	Scarborough Lane	550	316	74%
19	Tartesso*	Phoenix-Mesa-Scottsdale (Buckeye, AZ)	D.R. Horton	545	405	35%
20	Skye Canyon*	Las Vegas-Henderson-Paradise (Las Vegas, NV)	Olympia Communities	538	478	13%
21	Sienna	Houston-The Woodlands-Sugar Land (Missouri City, TX)	Johnson Dev. / Toll Brothers	517	544	-5%
22	Viera	Palm Bay-Melbourne-Titusville (Melbourne, FL)	The Viera Company	500	463	8%
23	Cross Creek Ranch	Houston-The Woodlands-Sugar Land (Fulshear, TX)	Johnson Development Corp.	484	455	6%
24	Harmony	Houston-The Woodlands-Sugar Land (Spring, TX)	Land Tejas / Johnson Dev.	481	425	13%
25	The Meadows*	Phoenix-Mesa-Scottsdale (Phoenix, AZ)	Communities Southwest	477	328	45%

WHAT WE'LL COVER TODAY...

POPULATION PROJECTIONS

We will hit 'Peak Boomer' in 2035



WHAT, WHERE, AND HOW

RETIRING BOOMERS ARE CONSIDERING:

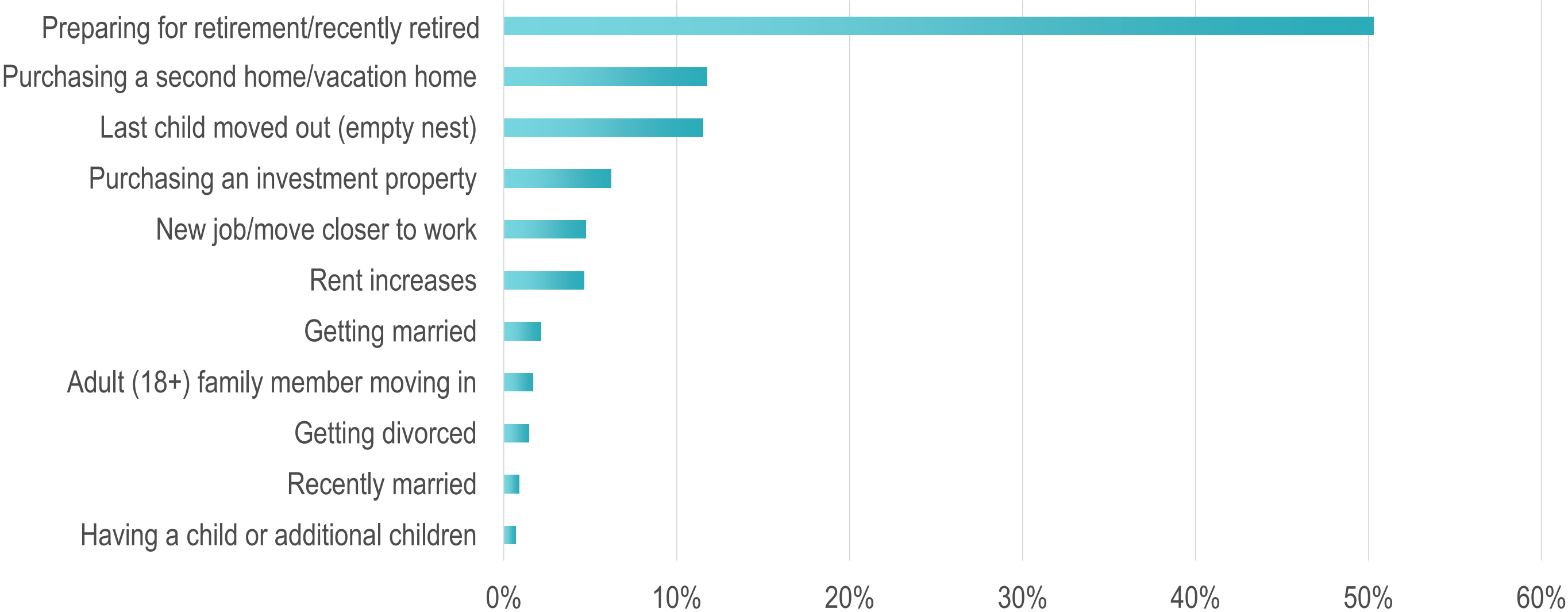
- ▶ Where
 - » Communities with people who share their interests
 - » Suburban or walkable urban
 - » Sedentary and isolated, or active, social, and fulfilling
- ▶ What sort of home
 - » Downsizing
 - » Single-family, townhouse, condo, apt
- ▶ How they'll spend their time
 - » Desire to live a more enriched lifestyle in this next phase

NEW HOME / COMMUNITY TARGET MARKET IS THE SUBSET OF BOOMERS

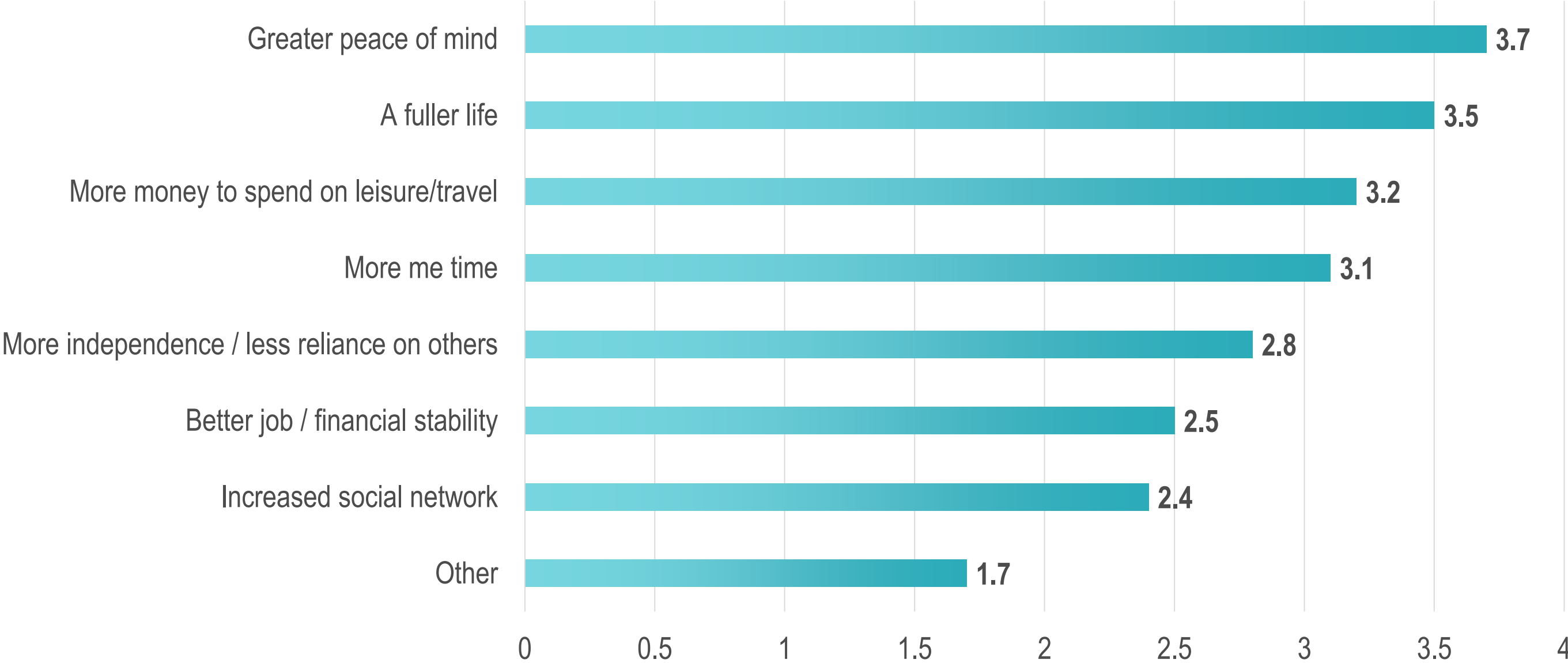
- ▶ About 25% - that are well off and healthy
- ▶ Some are retiring and value seeking
- ▶ Many are continuing to work full-time, or enjoying encore careers

LIFESTAGE EVENTS THAT PUT THEM IN THE MARKET

55+

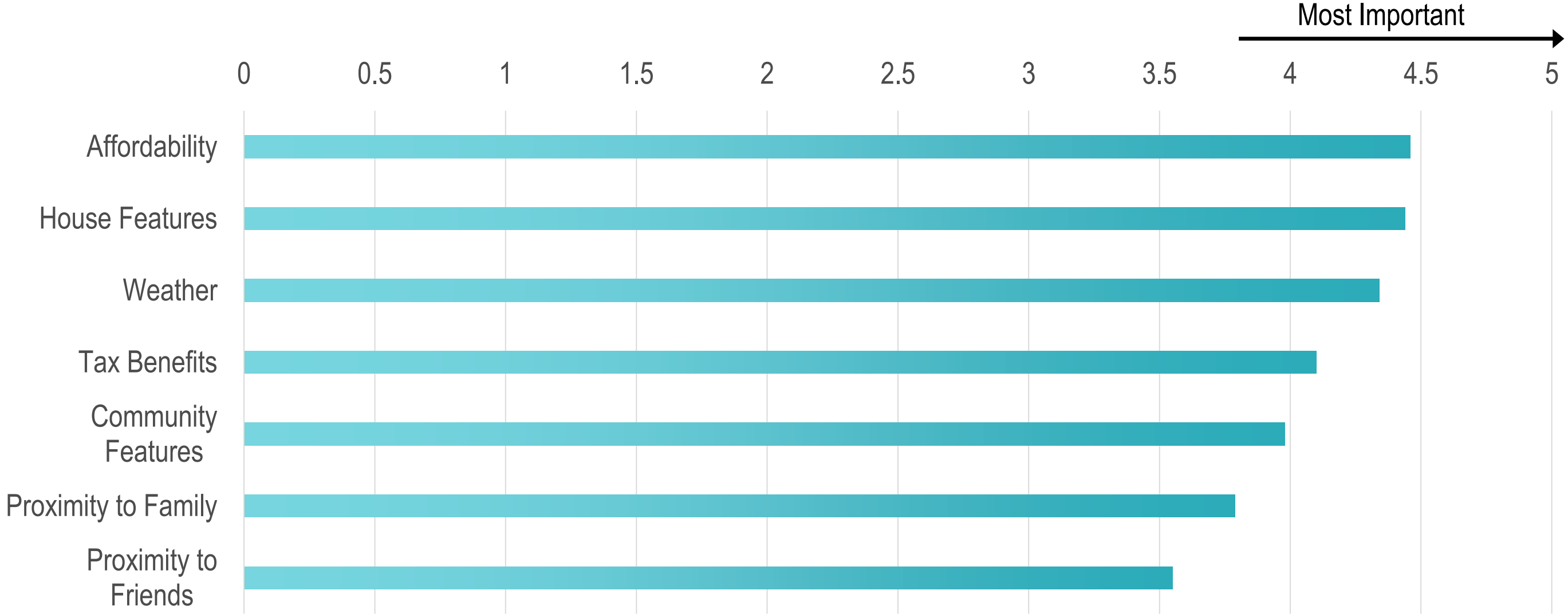


BOOMER MOTIVATIONS FOR POTENTIAL MOVE



RETIREMENT PREFERENCES 55+

Affordability, house features, weather, taxes, community features



THE MONTHLY NUT

IT ADDS UP

- ▶ HOA
- ▶ CDD
- ▶ Mello Roos
- ▶ MUD

TAKE CARE THAT IT DOESN'T
SQUIRREL THE DEAL



ON TOP OF THE WORLD

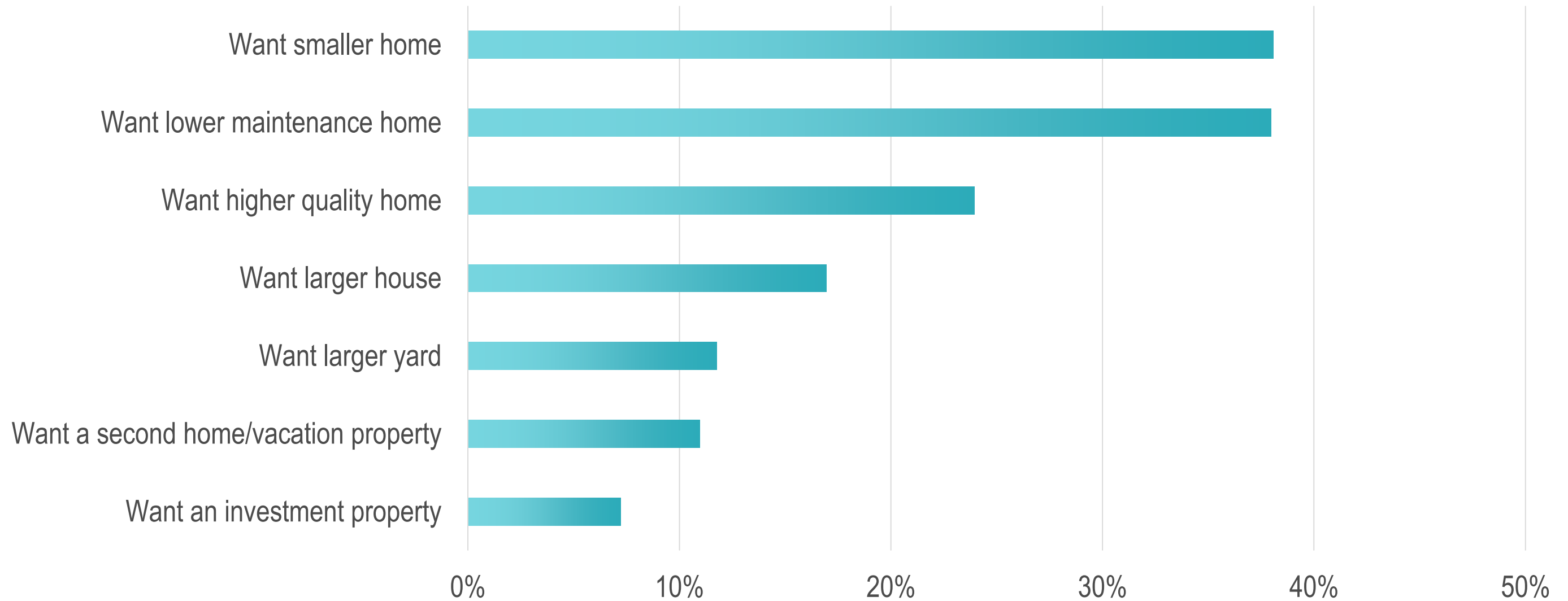
Ken Colen, developer of the successful On Top of the World (OTOTW) community near Ocala, Florida, which has experienced 30% sales growth year-over-year since 2014, says,

“A WIDE RANGE OF ONGOING SOCIAL ENGAGEMENTS ...”

“...OPPORTUNITIES FOR CONTINUING EDUCATION AND LIFELONG LEARNING.”

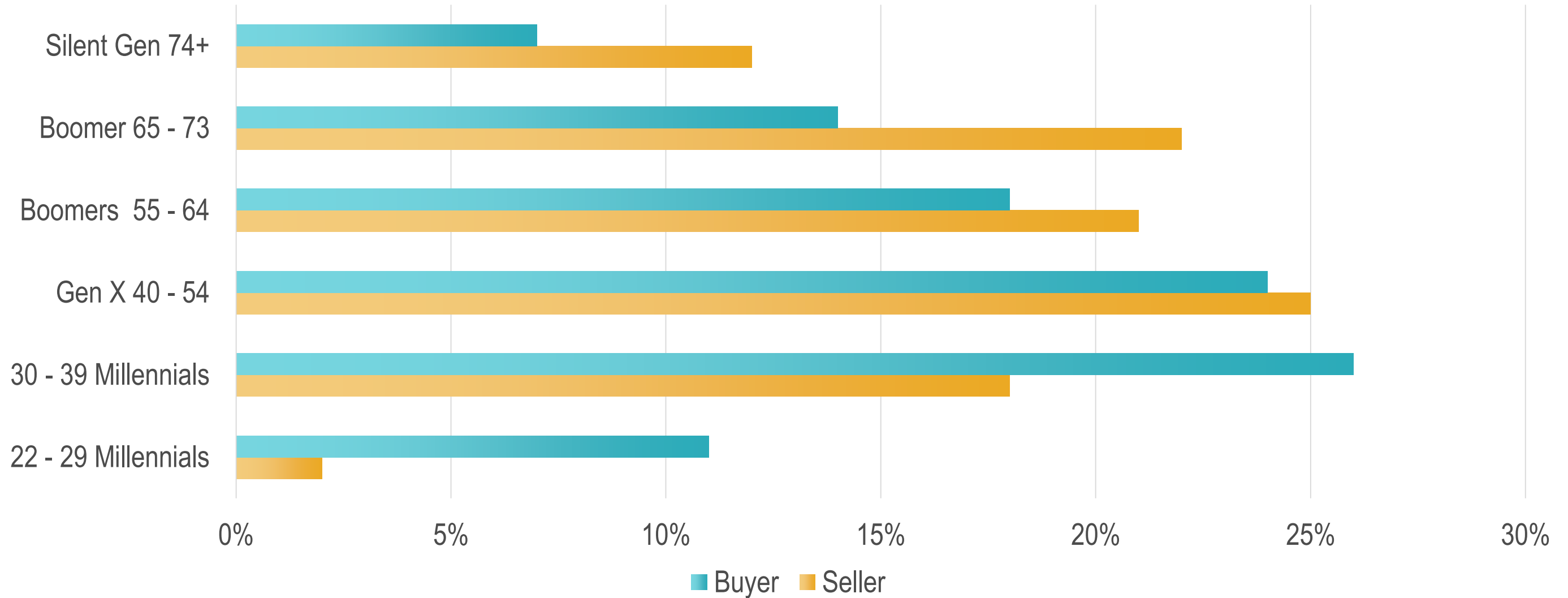
WHAT THEY'RE LOOKING FOR WITH NEXT PURCHASE

55+ households want smaller homes and less maintenance but still want a quality home



HOME BUYERS AND SELLERS BY GENERATION

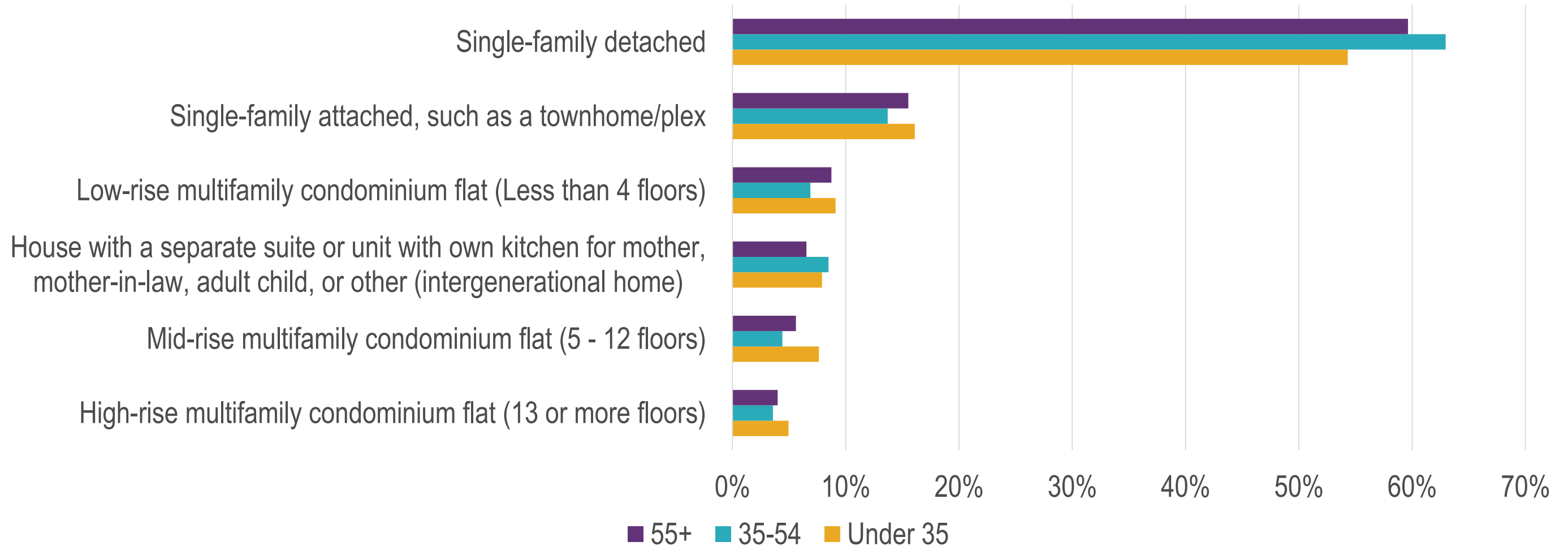
32% of Buyers Are Boomers; 37% Are Millennials



HOME TYPE PREFERENCES

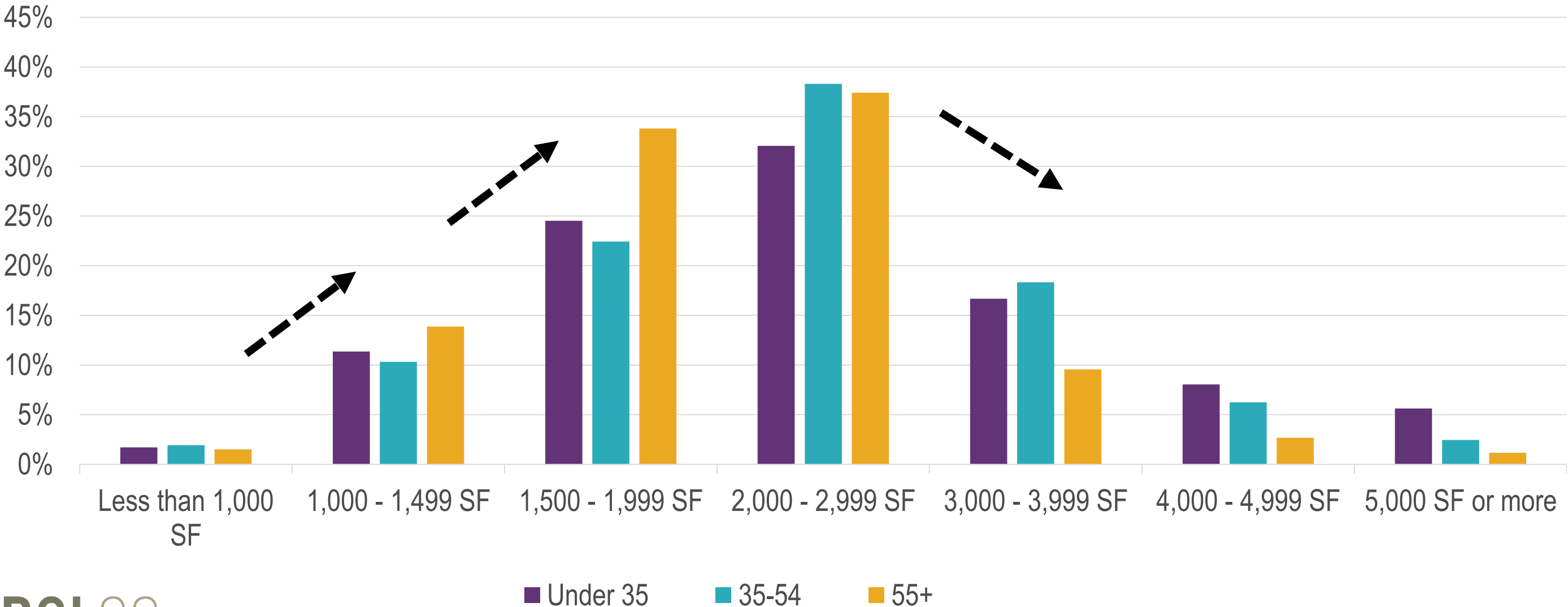
Younger and older households more inclined toward higher-density options

What type of home are you seeking to buy? Check as many boxes as are relevant.



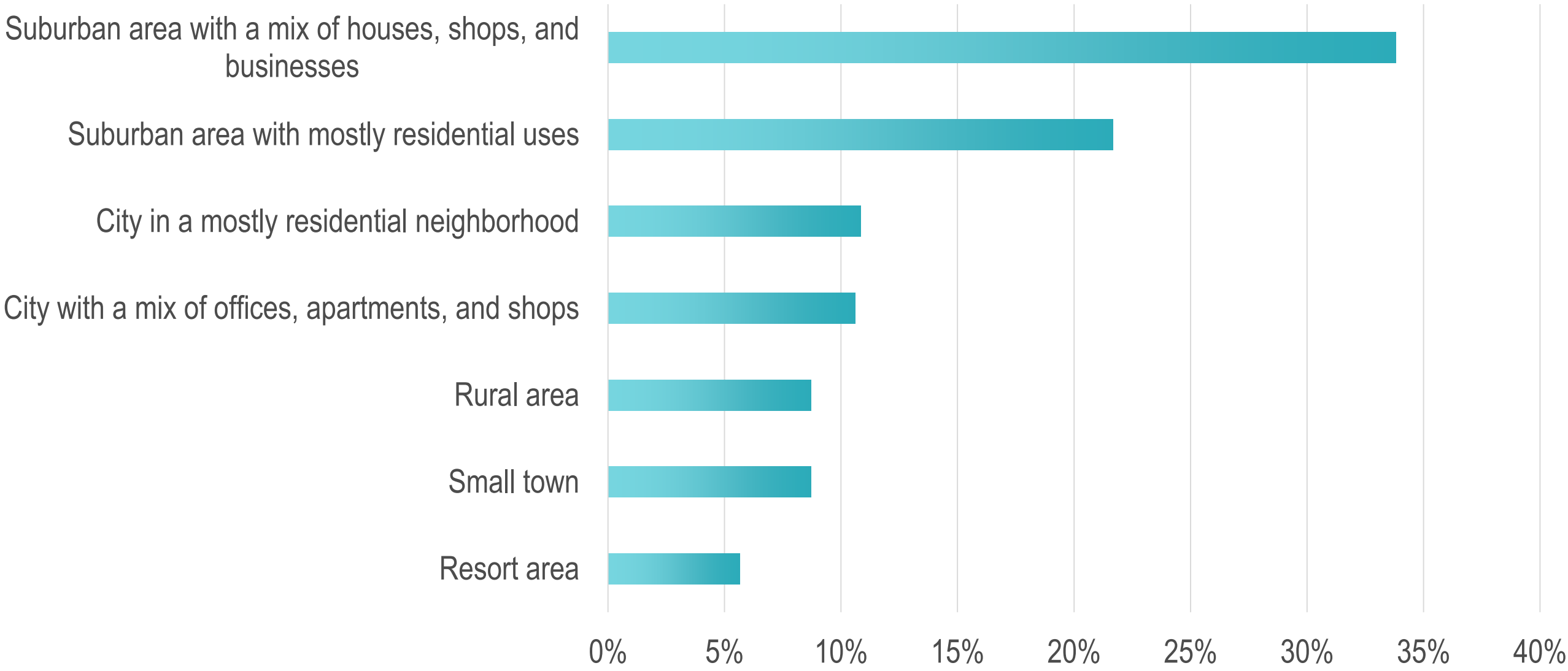
DESIRED HOME SIZE DEPENDS ON AGE AS WELL

More older households want smaller-to-medium sized homes, fewer want larger homes



RETIREMENT PREFERENCES OF 55+

Close to 80% prefer suburbs or outside a city



TOP COMMUNITY AMENITIES

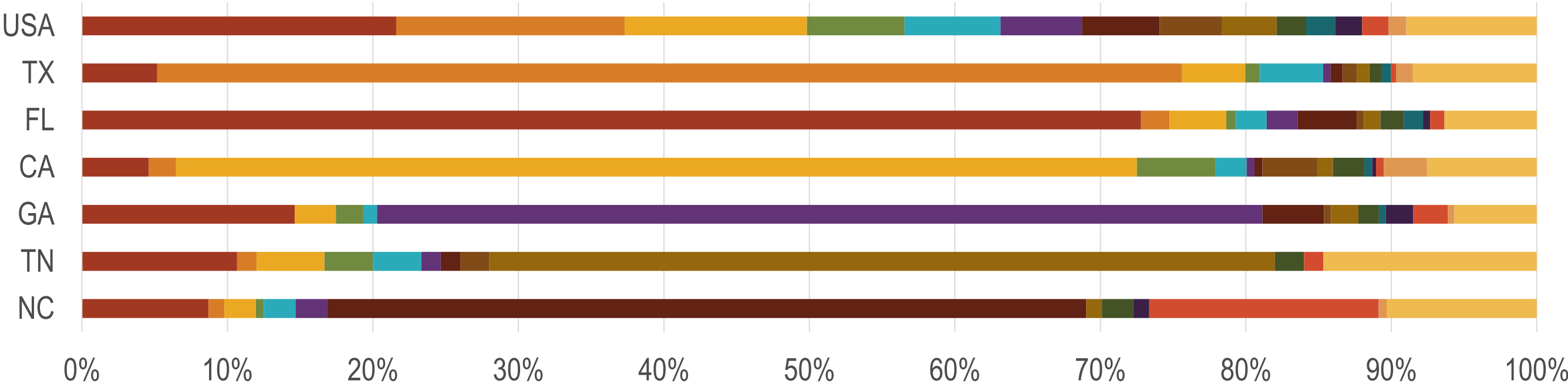
Art and Culture Grow in Importance for Older Market; Trails and Fitness Are Constants

	Under 35	35-54	55+
1	Package receiving	Gated entry	Gated entry
2	Fitness centers, such as weights, yoga studio, trainers, and classes	Trails	Fitness centers, such as weights, yoga studio, trainers, and classes
3	Gated entry	Fitness centers, such as weights, yoga studio, trainers, and classes	Art and culture, such as concerts, food, wine, art, educational trips, etc.
4	Trails	Resort pool (lounge)	Trails
5	Resort pool (lounge)	Package receiving	Resort pool (lounge)
6	Art and culture, such as concerts, food, wine, art, educational trips, etc.	Art and culture, such as concerts, food, wine, art, educational trips, etc.	Package receiving
7	Farmers market	Farmers market	Virtual services, such as community intranet, virtual education, Amazon locker, etc.
8	Sports courts, such as pickleball, bocce, basketall, sports fields, tot lots, tennis courts, etc.	Dog park	Farmers market
9	Dog park	Sports courts, such as pickleball, bocce, basketball, sports fields, tot lots, tennis courts, etc.	Lap pool
10	Pocket Park	Pocket Park	Dog Park

STATE PREFERENCE FOR RETIREMENT (55+)

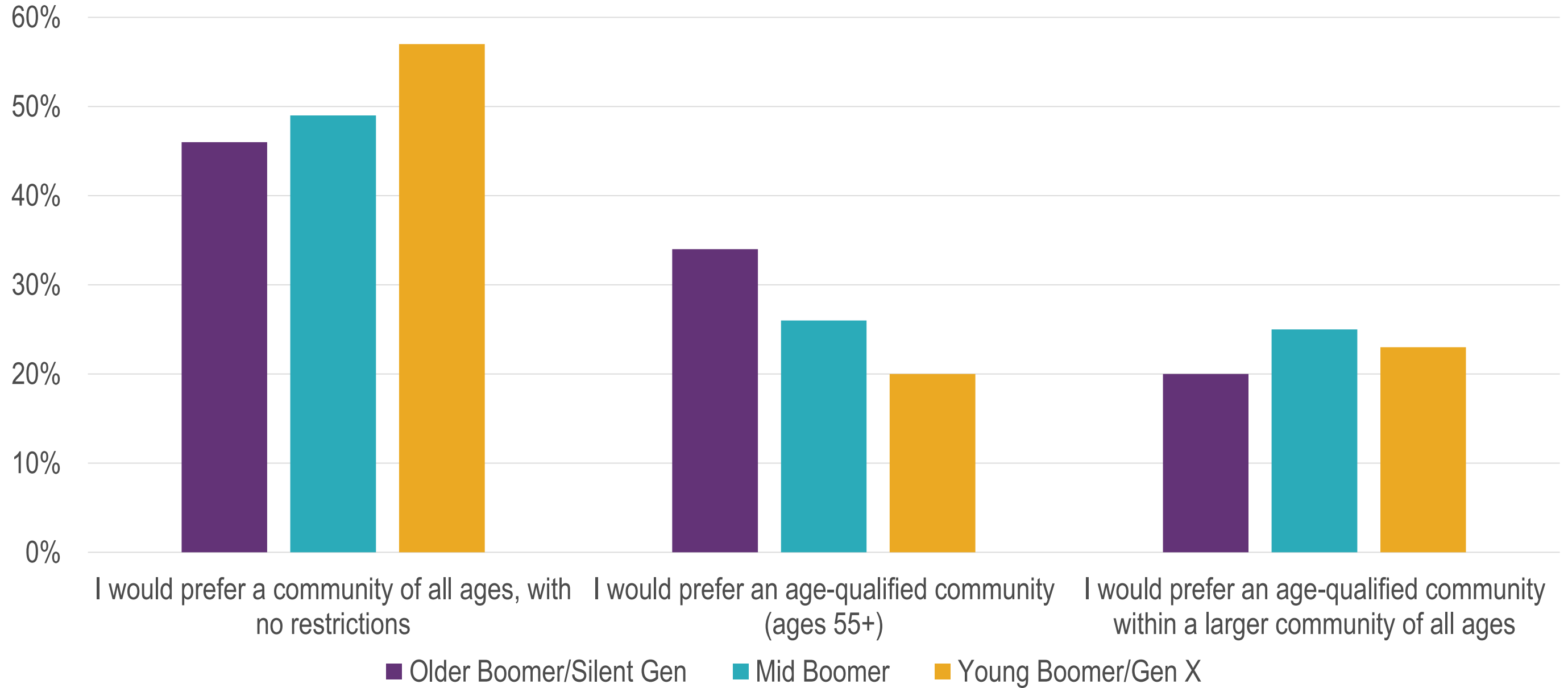
Florida, Texas, and California most popular destinations

Where would you like to retire?



- Florida
- Texas
- California
- Arizona
- Colorado
- Georgia
- North Carolina
- Nevada
- Tennessee
- Hawaii
- Maryland
- Virginia
- South Carolina
- Washington
- All Others

AGE-RESTRICTED OR AGE-QUALIFIED PREFERENCE



WHAT TYPE OF AAC ARE YOU??

CONCEPT	DESCRIPTION	GEOGRAPHIC CONTEXT	PROMINENT DEVELOPER EXAMPLES
Large Standalone AAC	Suburban single-family homes for sale in an entirely age-restricted community of 1,000+ units.	Large AACs require a lot of land, often over 500 acres; therefore, these communities are often located in suburban areas with abundant land availability.	<ul style="list-style-type: none"> • Del Webb • Robson Ranch • Shea Homes
AAC Enclave Within Larger MPC	Suburban single-family homes for sale in an age-restricted enclave within a larger MPC with no age restrictions, where the MPC as a whole consists of 1,000+ units.	Large MPC communities require a lot of land, often over 750 acres; therefore, these communities are often located in suburban areas with abundant land availability.	<ul style="list-style-type: none"> • DMB • Shea Homes • Blenheim • Taylor Morrison
Small AACs Standalone or Within Larger MPC	Single-family homes for sale in an entirely age-restricted AAC with less than 1,000 units in a suburban, urban, or small town setting.	Small AACs require less land and can therefore be located close to small cities, historic downtowns, or traditional suburban areas. A closer-in location often serves as an amenity.	<ul style="list-style-type: none"> • David Weekley • Stephen Alexander Homes • Nathan Carlisle
Resort AACs	Destination-oriented single-family homes for sale in age-restricted AACs, with an emphasis on regional recreational assets.	Resort AACs are co-located with recreational assets, such as mountains, beaches, or large lakes to enhance the amenity offerings and project a certain lifestyle image. Typically not located in metro areas.	<ul style="list-style-type: none"> • Del Webb • Shea Homes • Jones Homes
AAC Condominiums	Single-family attached units, or multifamily units in an entirely age-restricted AAC of any size.	AAC condominiums can locate in both urban and suburban settings. Denser development makes land planning more flexible.	<ul style="list-style-type: none"> • Beazer • Verona Building Co • Bill Sears
Rental Multifamily AACs	Age-restricted multifamily rental apartments that are often in an urban or semi-urban setting.	Greystar was an early mover; currently, they have over 20 communities in vibrant urban neighborhoods in major cities.	<ul style="list-style-type: none"> • Overture

THE VILLAGES – HOW THEY DID IT

CRITICAL SUCCESS FACTORS:

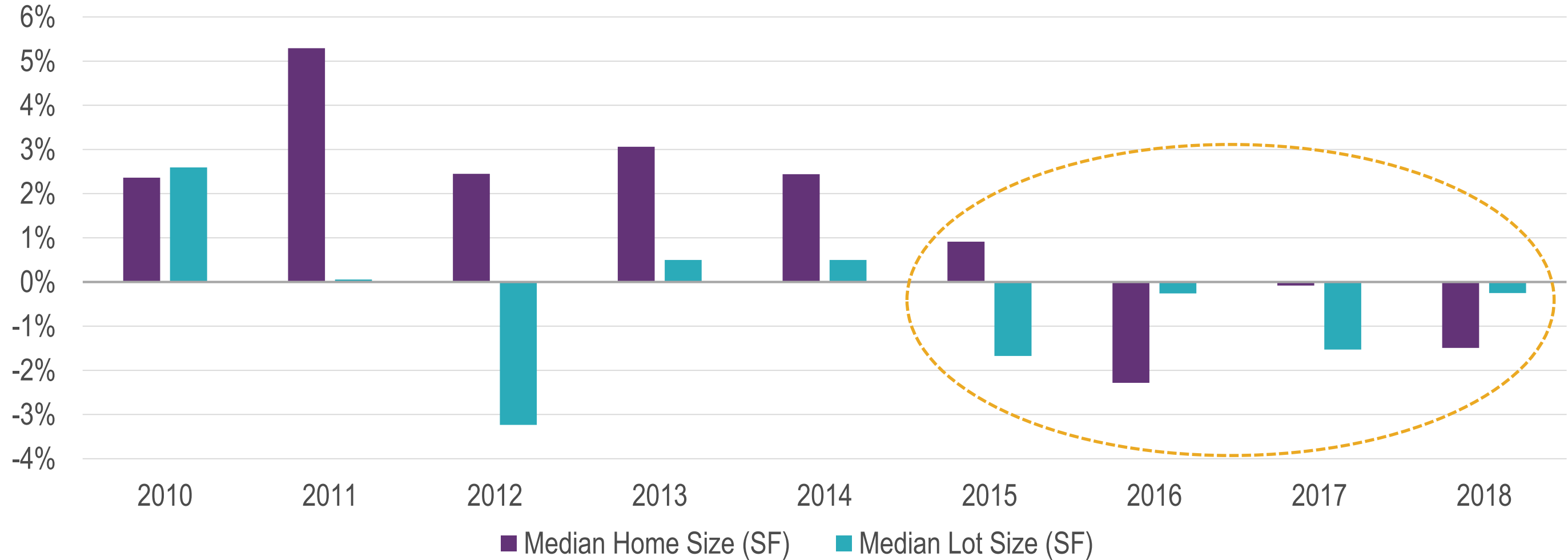
- ▶ Abundant activities – over 400 clubs
- ▶ Self-contained environment with retail and services – everything is golf cart accessible
- ▶ Offer vacation packages that include a sample of the active adult lifestyle.
- ▶ Responding to concerns of retirees that their lives will change when they can no longer drive a car, The Villages created a place where everything is accessible by golf cart (plus self-driving cars).
- ▶ Have appealed to baby boomers (Baby Boomers Club has 400 members)

HOW ARE DEVELOPERS AND BUILDERS ADAPTING?

BUILDERS ARE MAKING ADJUSTMENTS

Homebuilders are beginning to address demand for smaller housing

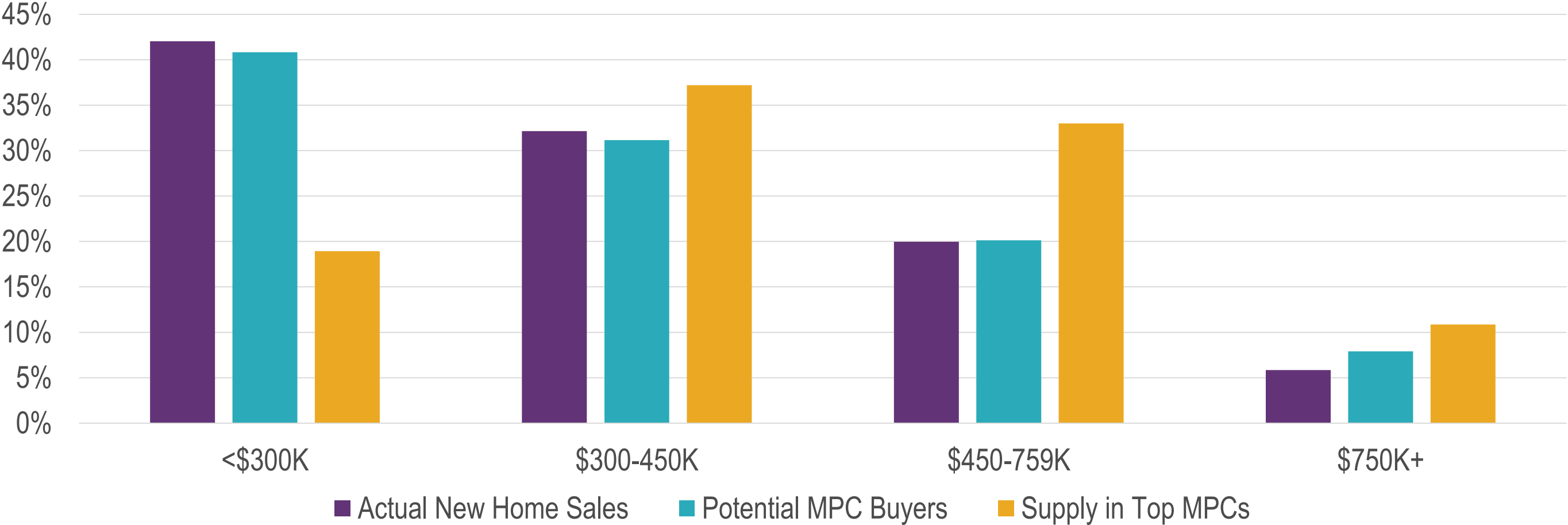
Annual Change in Home Size and Lot Size of New Homes Completed



CAPTURING UNMET POTENTIAL DEMAND

Attainability is a big challenge; many potential MPC buyers seek homes under \$300,000; more MPC housing is \$300,000+

Home Price Distribution of New Home Sales, Potential MPC Buyers, and Supply in Top MPCs

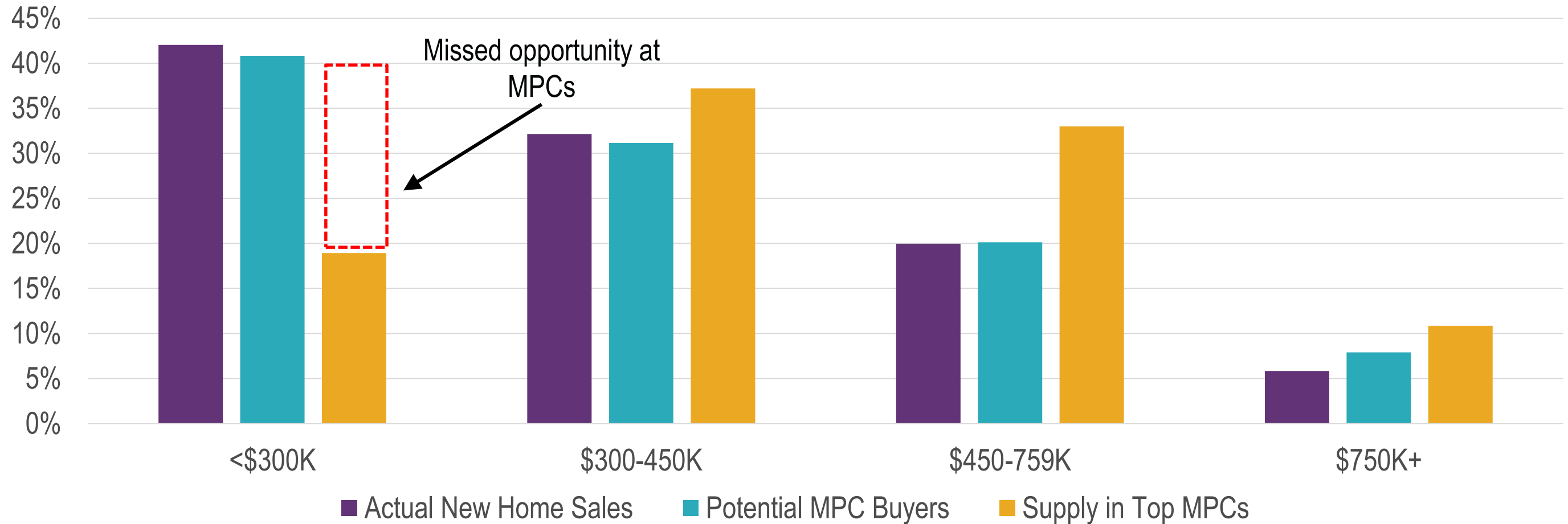


Note: "Top MPCs" includes 39 of 2018's top 50 MPCs; "Potential MPC Buyers" includes prospective buyers who would consider an MPC
Source: U.S. Census Survey of Construction; RCLCO

CAPTURING UNMET POTENTIAL MPC DEMAND

Consumers are finding new homes outside of MPCs under \$300,000; product diversity could improve this for MPCs

Home Price Distribution of New Home Sales, Potential MPC Buyers, and Supply in Top MPCs







THE COMMON THREAD

THE KEYS TO BECOMING A DOMINANT MPC IN GENERAL SEEM TO BE:

- ▶ Segmentation
- ▶ Lifestyle Amenities
- ▶ Diverse Audience and Product
- ▶ Differentiation Versus Resales (USP)
- ▶ Active-Adult Section in a Larger MPC





**A HOME-IMPROVEMENT
TREND ...**

**“AGING IN
PLACE”**

TECH WILL SHAPE CHANGES IN HOW PEOPLE LIVE

- ▶ Telecommuting
- ▶ Package Delivery
- ▶ Self-Driving Cars
- ▶ Work Share
- ▶ PropTech
- ▶ Virtual Tours
- ▶ Make selling home easy (e.g. Offerpad)



DISCLAIMERS

CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will grow at a stable and moderate rate to 2021 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when an economic and real estate upturn will end.

With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- ▶ Economic, employment, and household growth
- ▶ Other forecasts of trends and demographic and economic patterns, including consumer confidence levels
- ▶ The cost of development and construction
- ▶ Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

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