



MEETING THE MARKET: URBAN SOLUTIONS FOR NEW NEIGHBORHOODS

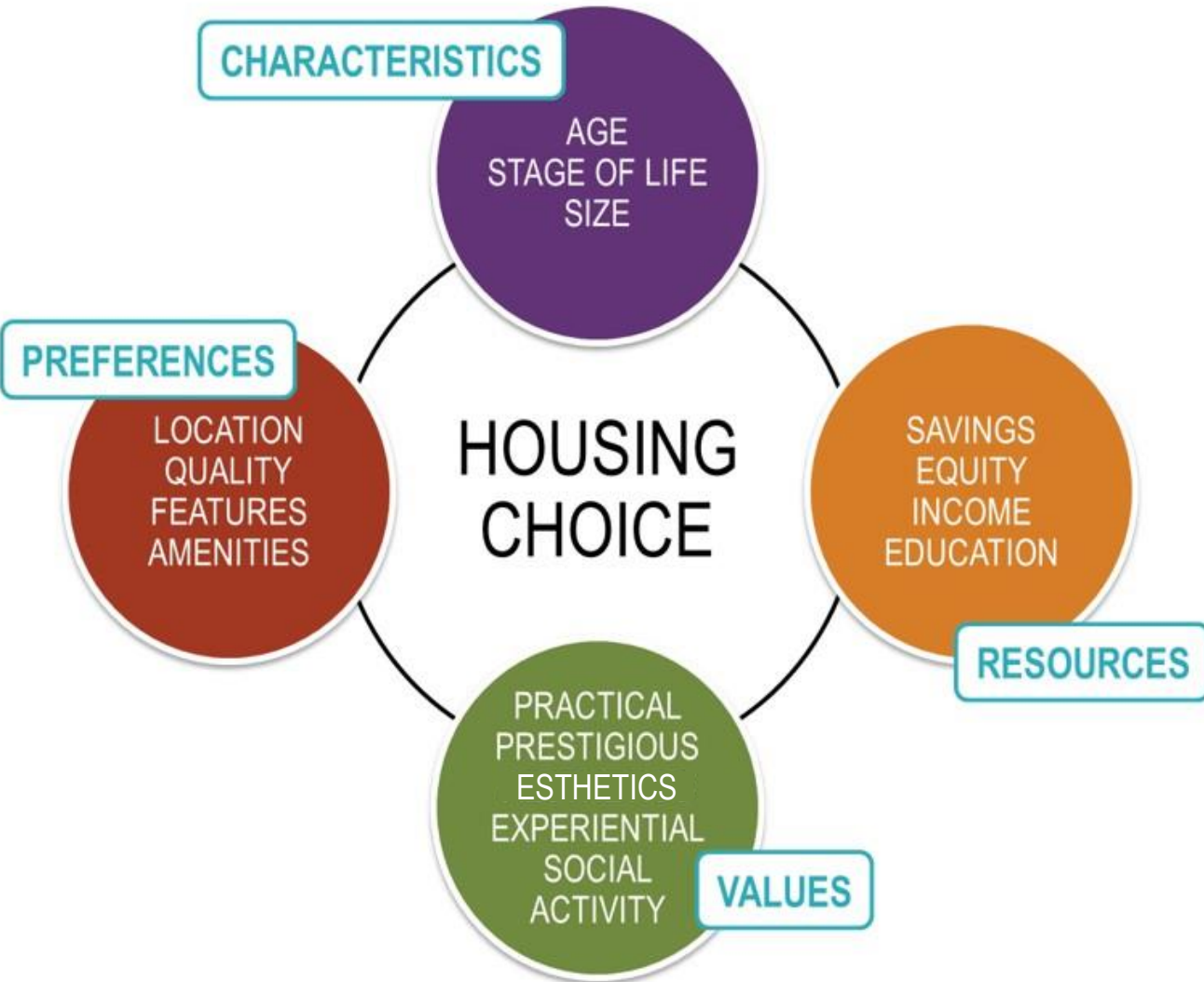
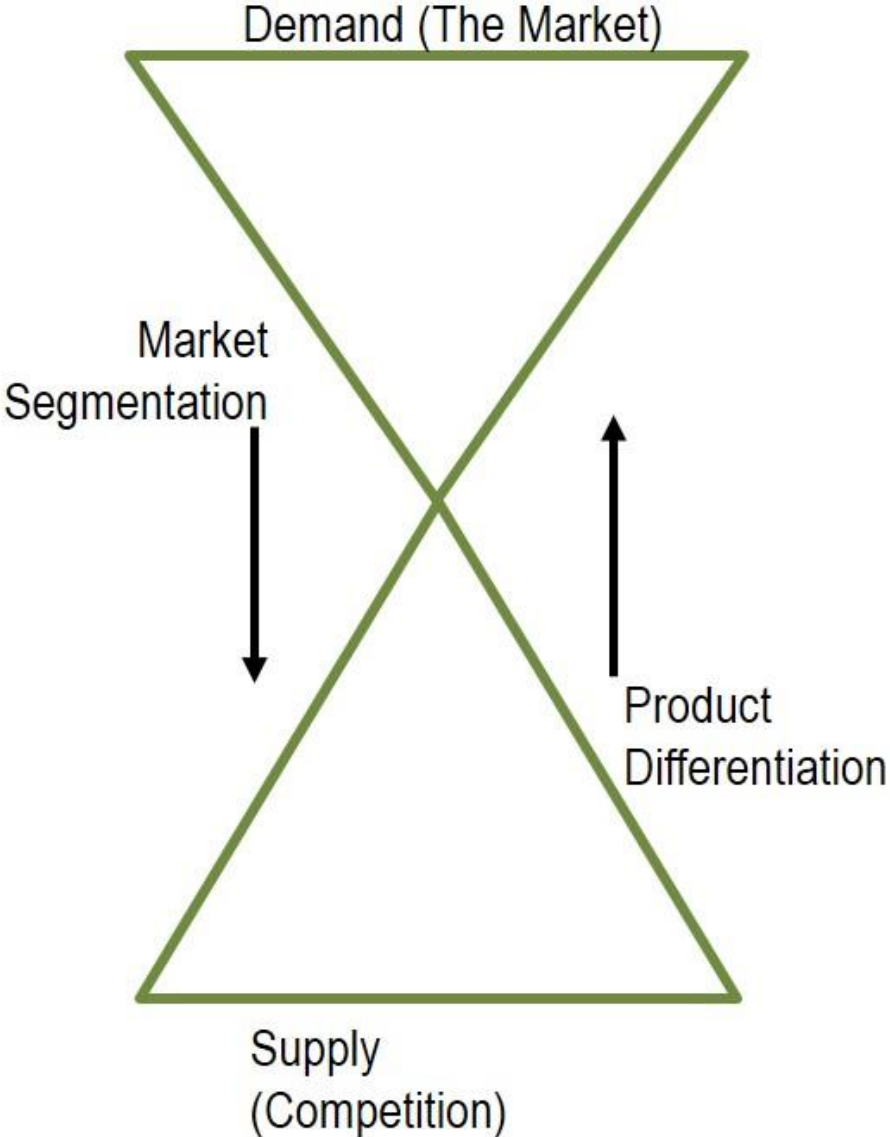
NAHB International Builders' Show (IBS) 2020

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RCLCO
REAL ESTATE ADVISORS

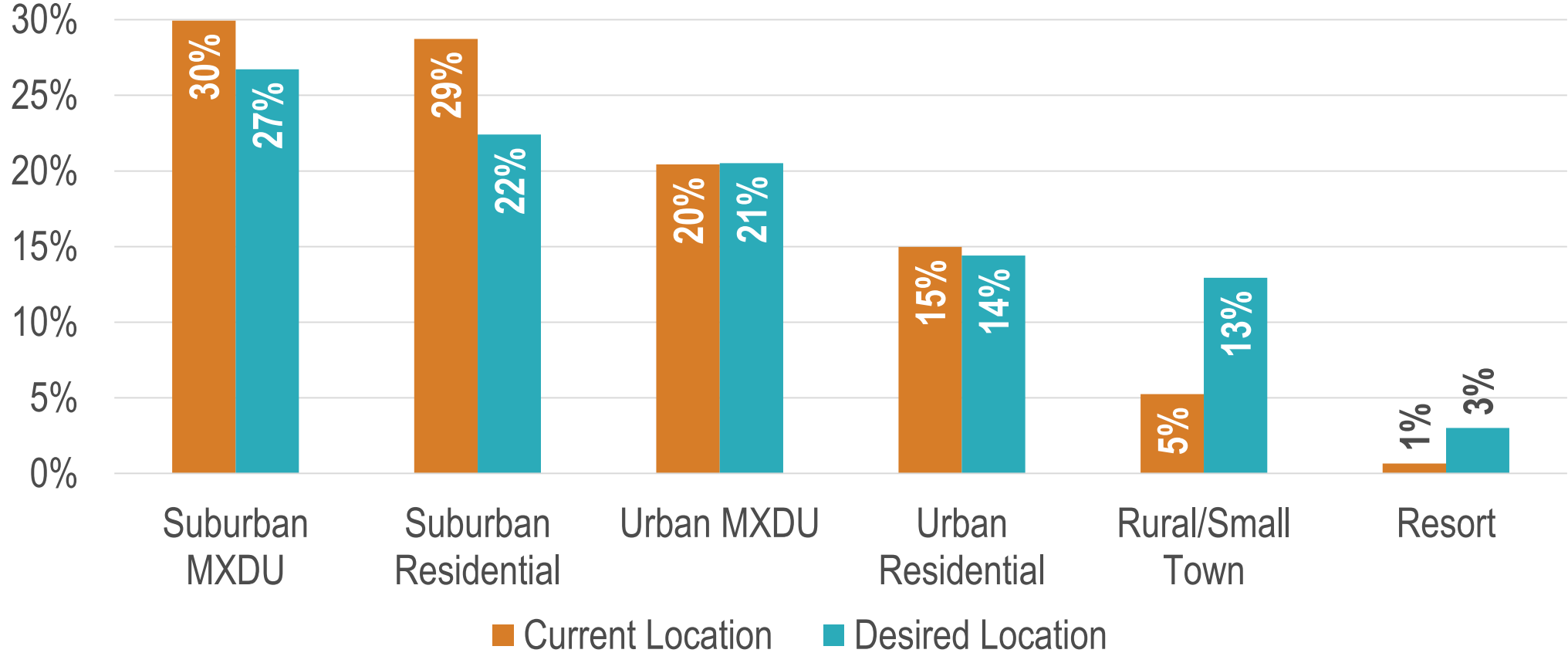
UNDERSTANDING MARKET SEGMENTATION



CONSUMER PREFERENCES

When consumers who expect to buy a home in the next 24 months were asked where they would most prefer to live, approximately one-half said they prefer an area with a mix of homes, shops, and businesses, compared with less than 20% who said they would like to live in a suburban, mostly residential area.

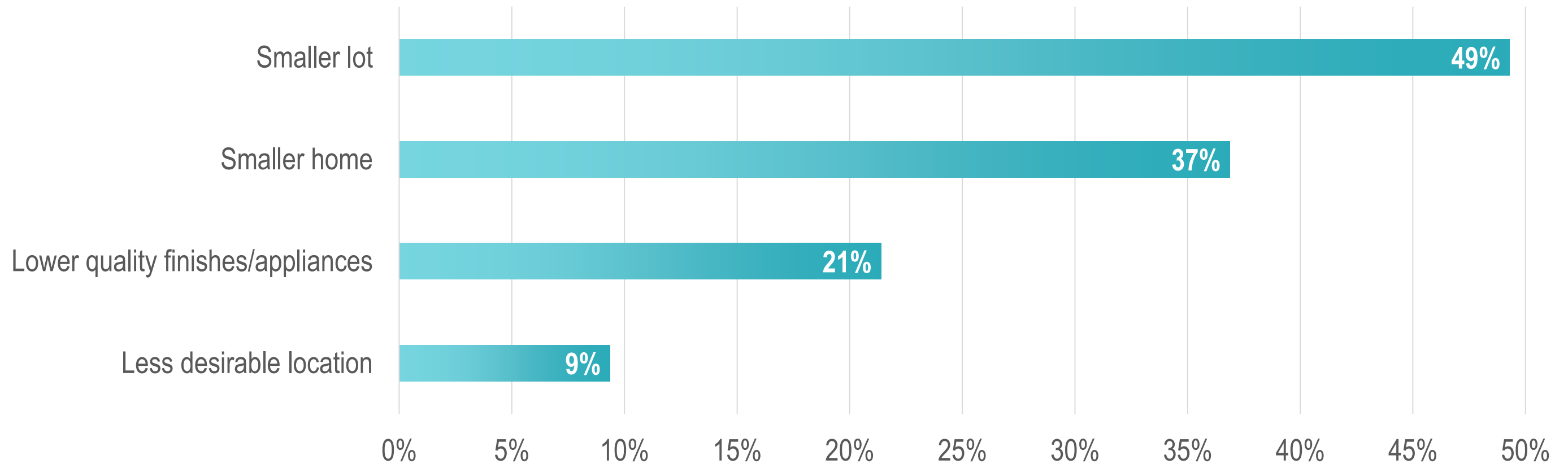
Current Home Location vs. Stated Locational Preference



TRADE-OFFS TO CONSIDER GIVEN RISING PRICES

- ▶ Commuting from new home in distant suburb
- ▶ Buying a resale home closer-in
- ▶ Buying a new medium-density home closer-in or in an MPC

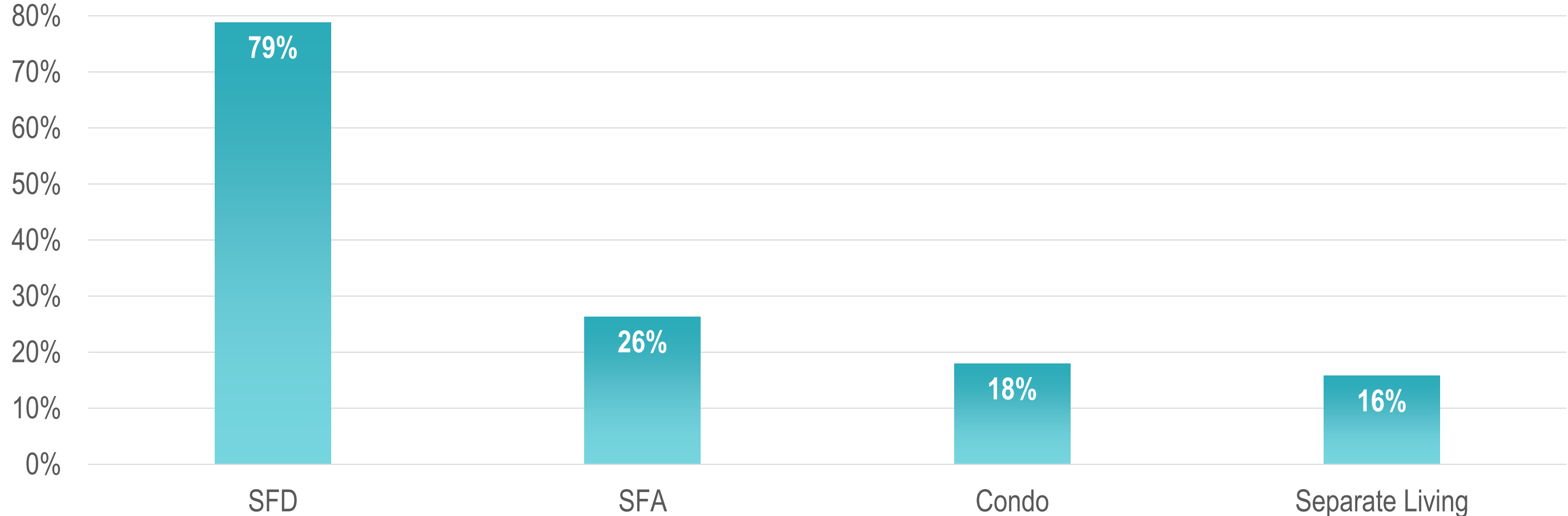
Percent of Respondents That Would Consider Trade-Off



MEDIUM DENSITY HOUSING

- ▶ Appeals most to buyers without children
- ▶ HHs without children at home account for 62% of all home purchases

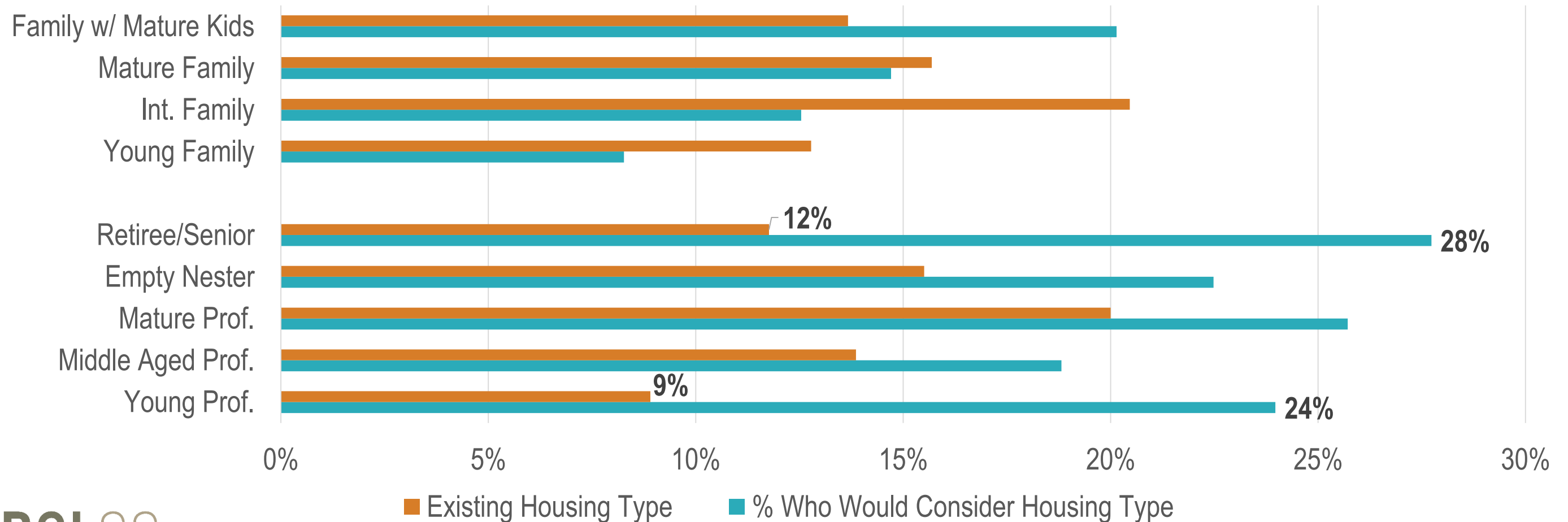
Product Preferences - Buyers



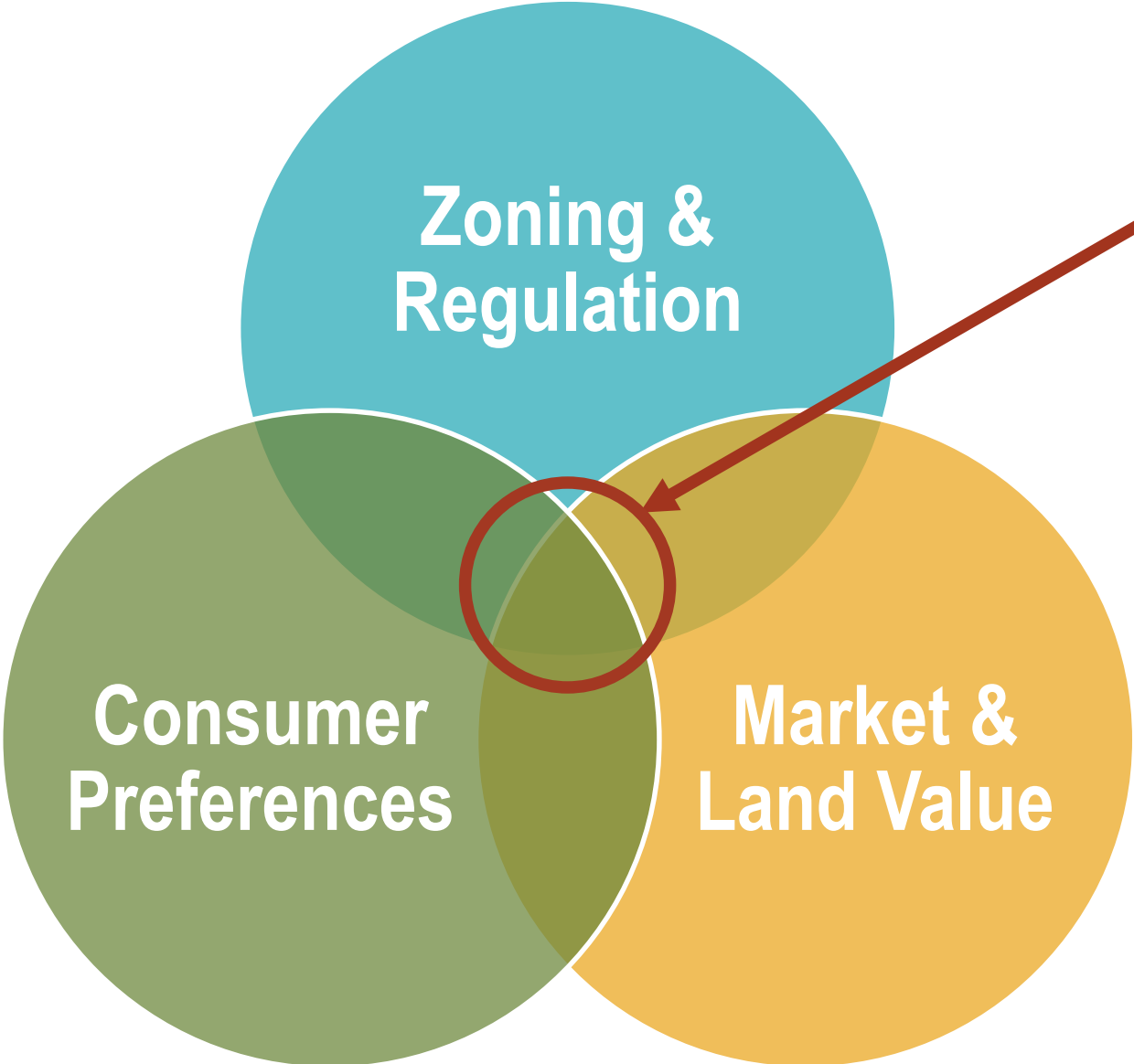
ATTACHED HOUSING

- ▶ Attached new home starts up 180% since 2010, 1.7 times faster growth than detached
- ▶ But attached homes account for only approximately 12.1% of for-sale residential construction nationwide
- ▶ Appeals to value-seekers and lifestyle buyers

SFA Preference by Household Segment



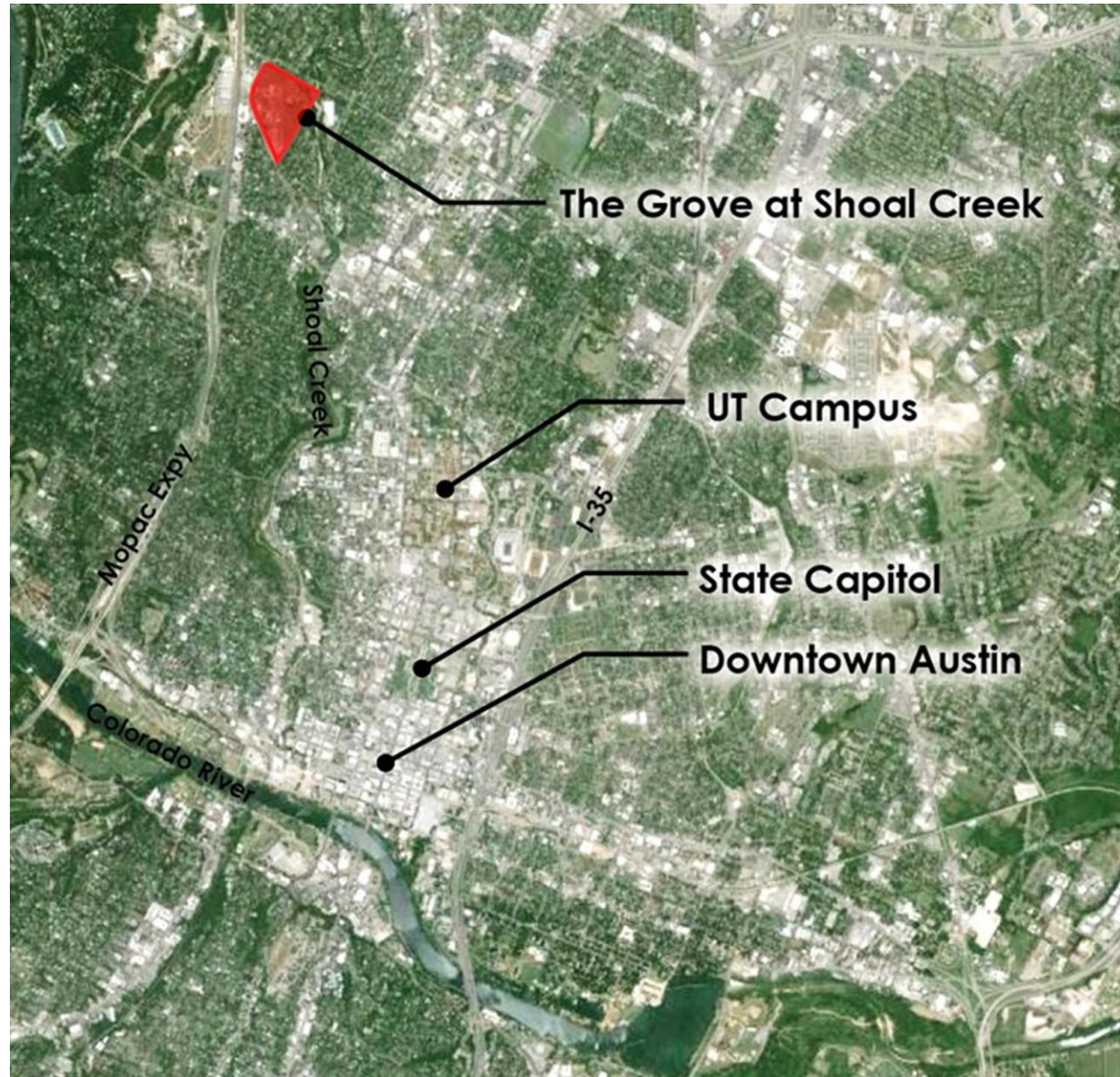
BARRIERS TO DELIVERING THE PRODUCT



This is what gets built.

Today, zoning and land prices are impacting the feasibility of meeting demand for attainably priced new supply.

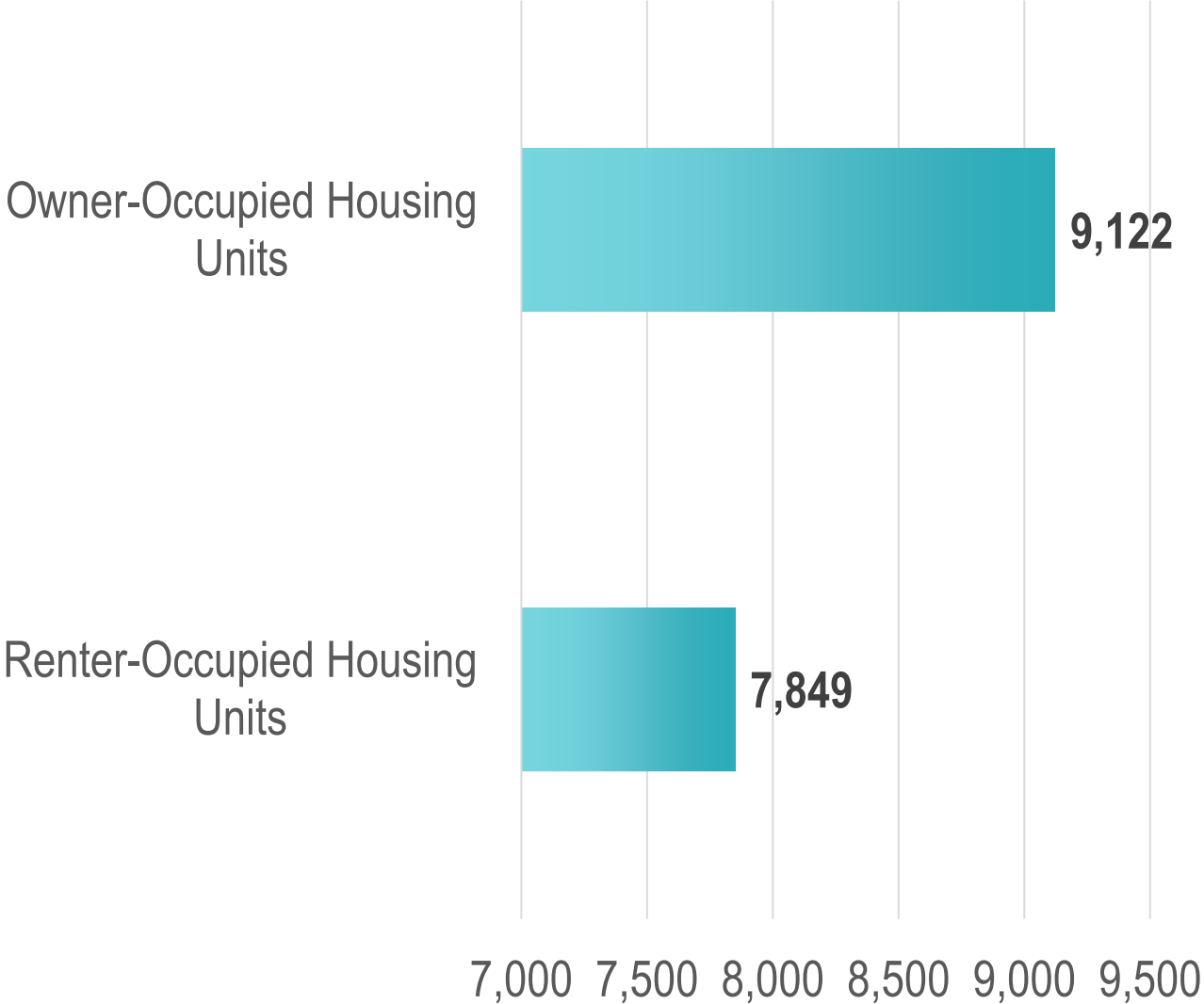
THE GROVE – AUSTIN, TX



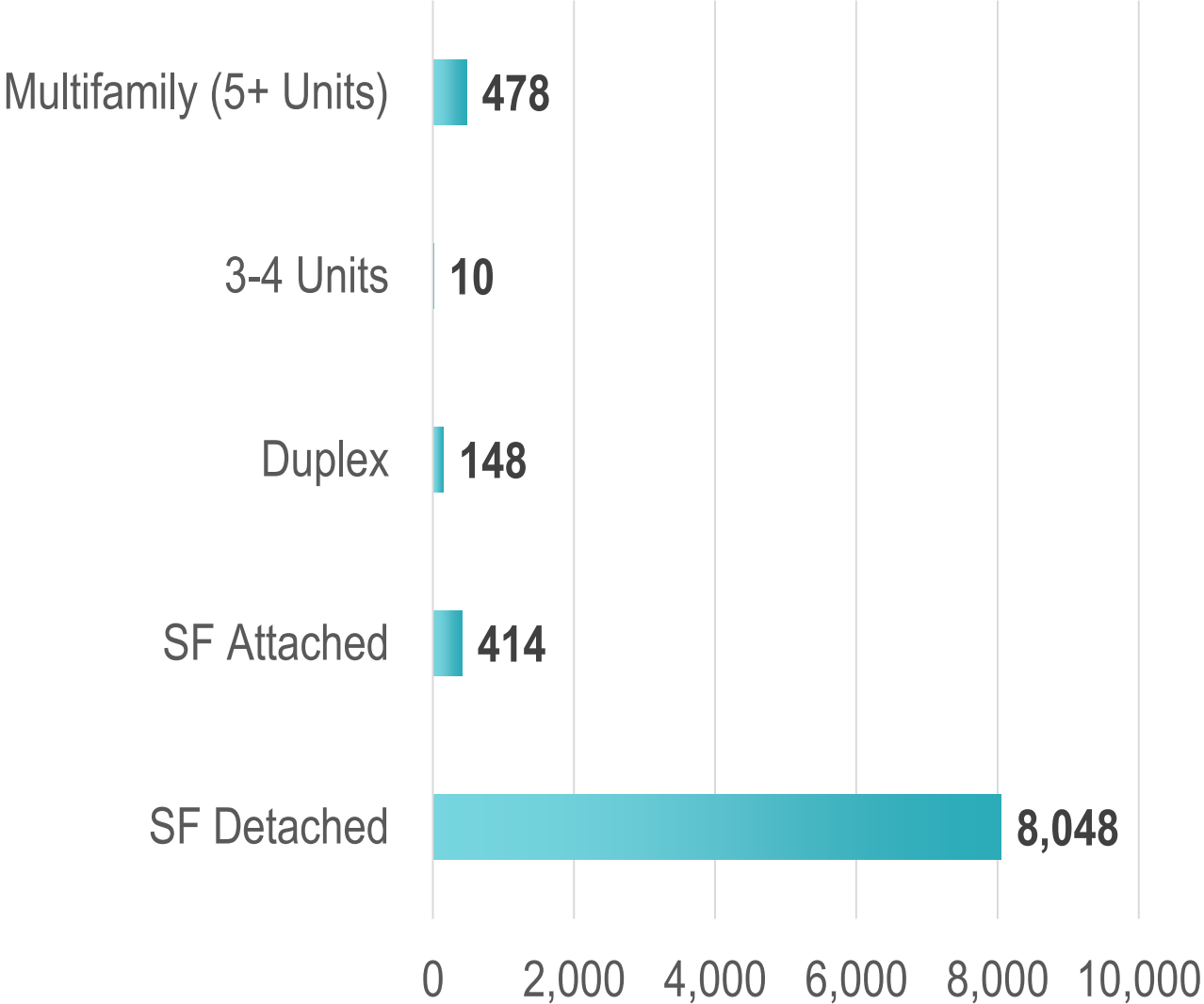
- ▶ The Grove is an infill project in north central Austin being developed by Milestone Communities
- ▶ Located in an established, sought-after neighborhood comprised primarily of older, single-family homes on relatively large lots
- ▶ The Grove will include a mix of condo flats, attached townhomes, small-lot single-family homes, multi-family products, and other medium-density housing options, providing compelling housing alternatives for buyers and renters seeking relatively attainably priced, new product in a high-value, established neighborhood close to downtown.

THE GROVE AREA HOUSING CONDITION

Housing Units by Tenure

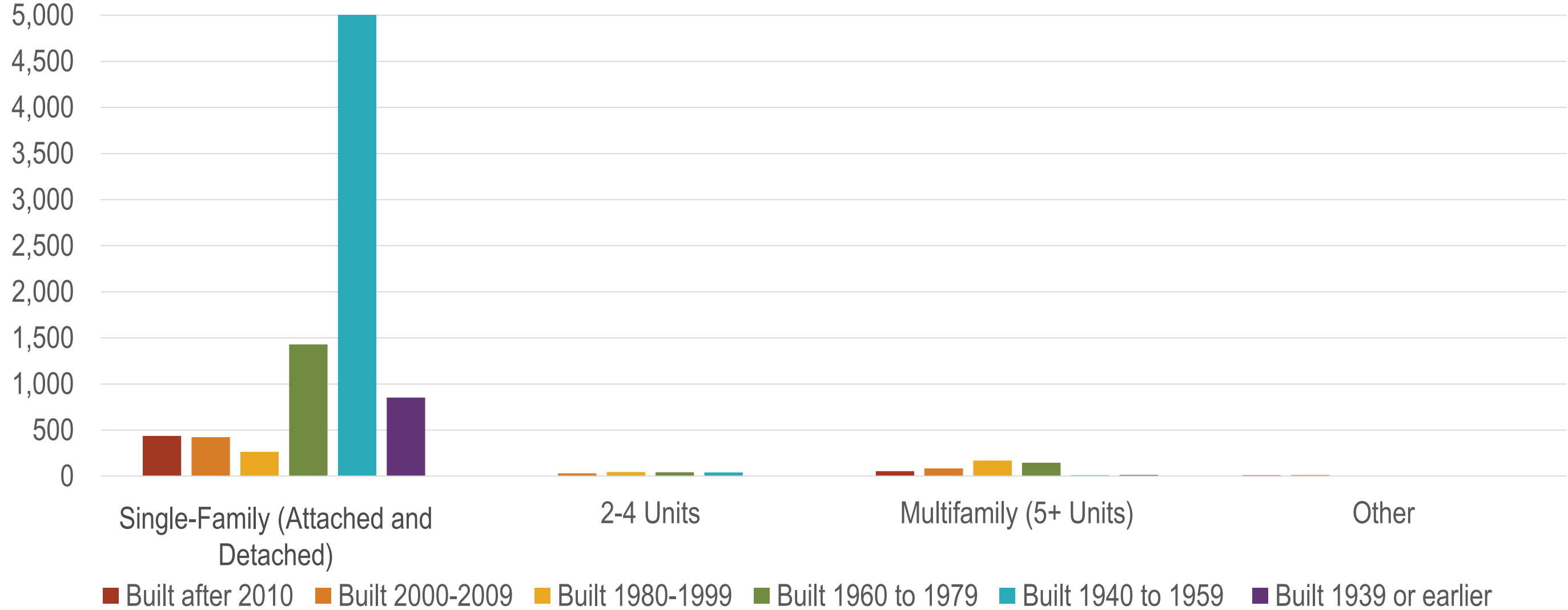


Owner Occupied Homes by Type



THE GROVE AREA HOUSING CONDITION

Owner-Occupied Homes by Type and Year Built



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).

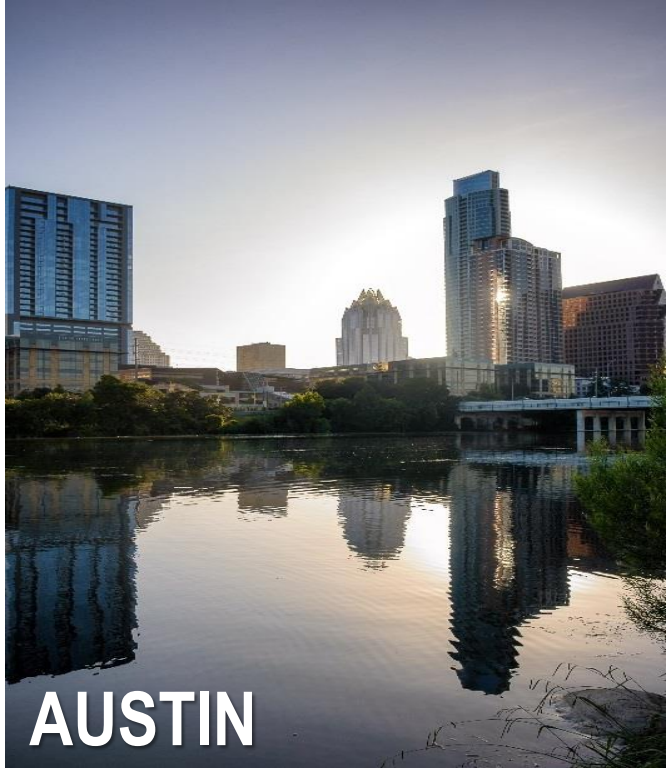
GENERAL LIMITING CONDITIONS

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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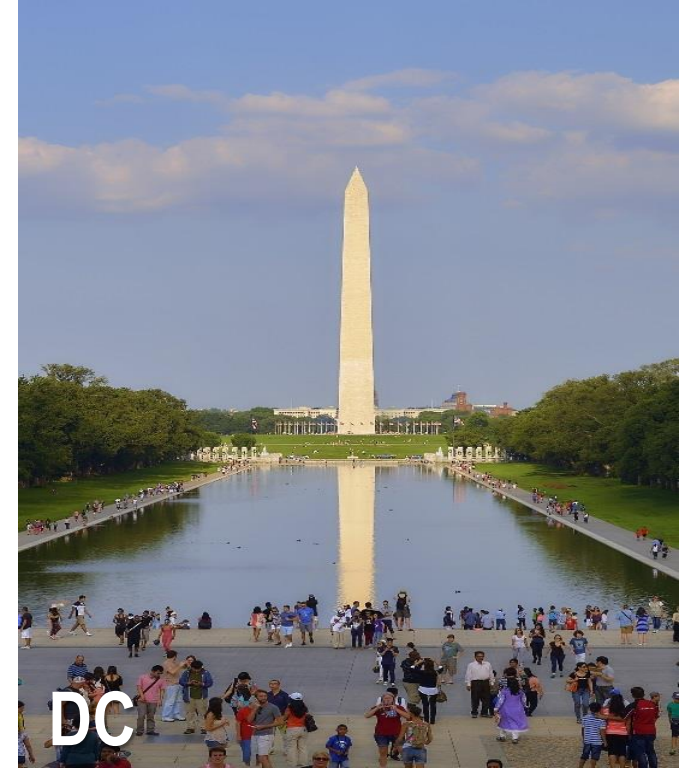
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