



HOMEBUILDER PERFORMANCE & STRATEGIES IN SOUTHEAST FLORIDA

During the Crisis, and in the Recovery

Webinar for the Southern Florida Homebuilding Community, April 22, 2020

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Brad Hunter, Managing Director

RCLCO
REAL ESTATE ADVISORS

TODAY'S SPEAKERS



Brad Hunter

Managing Director

P: (561) 573-8351

E: bhunter@rclco.com



Joshua A. Boren

Director, Business Development

P: (310) 984-1757

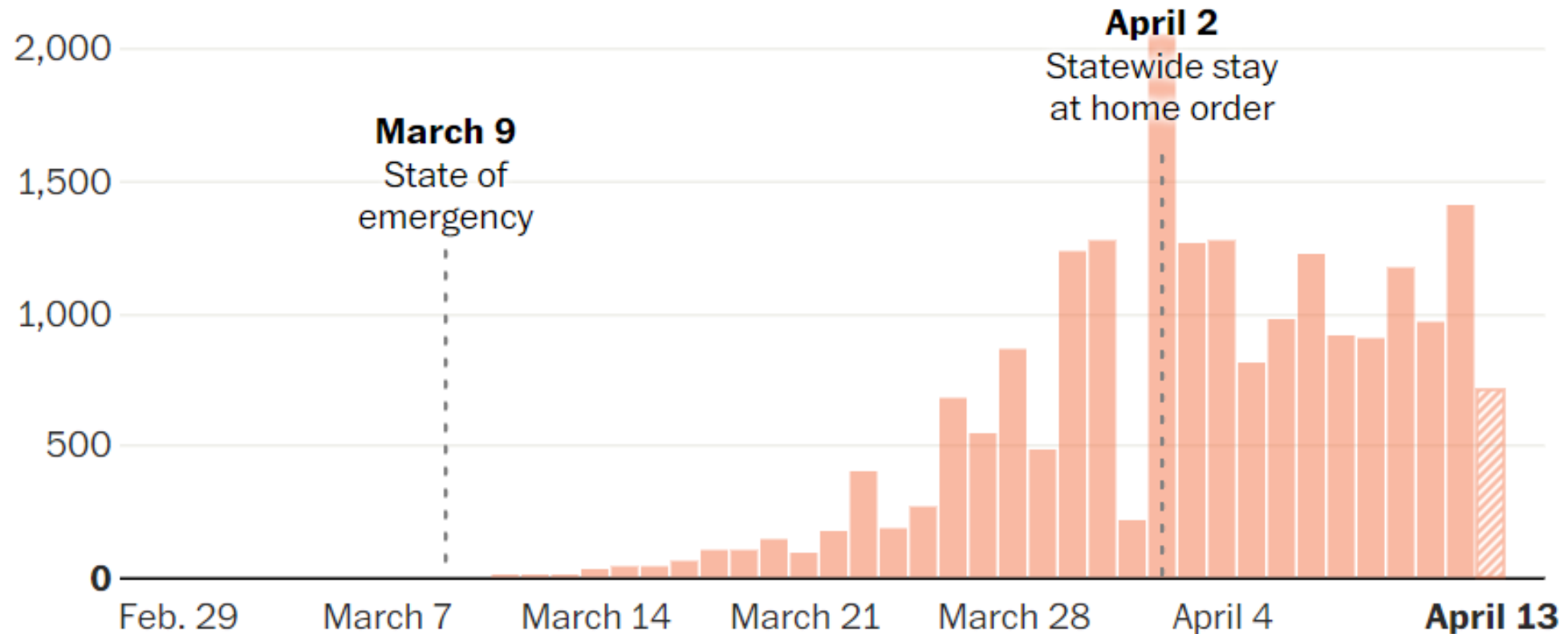
E: jboren@rclco.com
(Moderator)

An aerial view of a city skyline, likely San Francisco, with a large white geometric shape on the left side. The image is overlaid with a semi-transparent orange filter. The text "SOME STATEWIDE TRENDS TO SET THE STAGE" is centered in the middle of the image.

**SOME STATEWIDE TRENDS
TO SET THE STAGE**

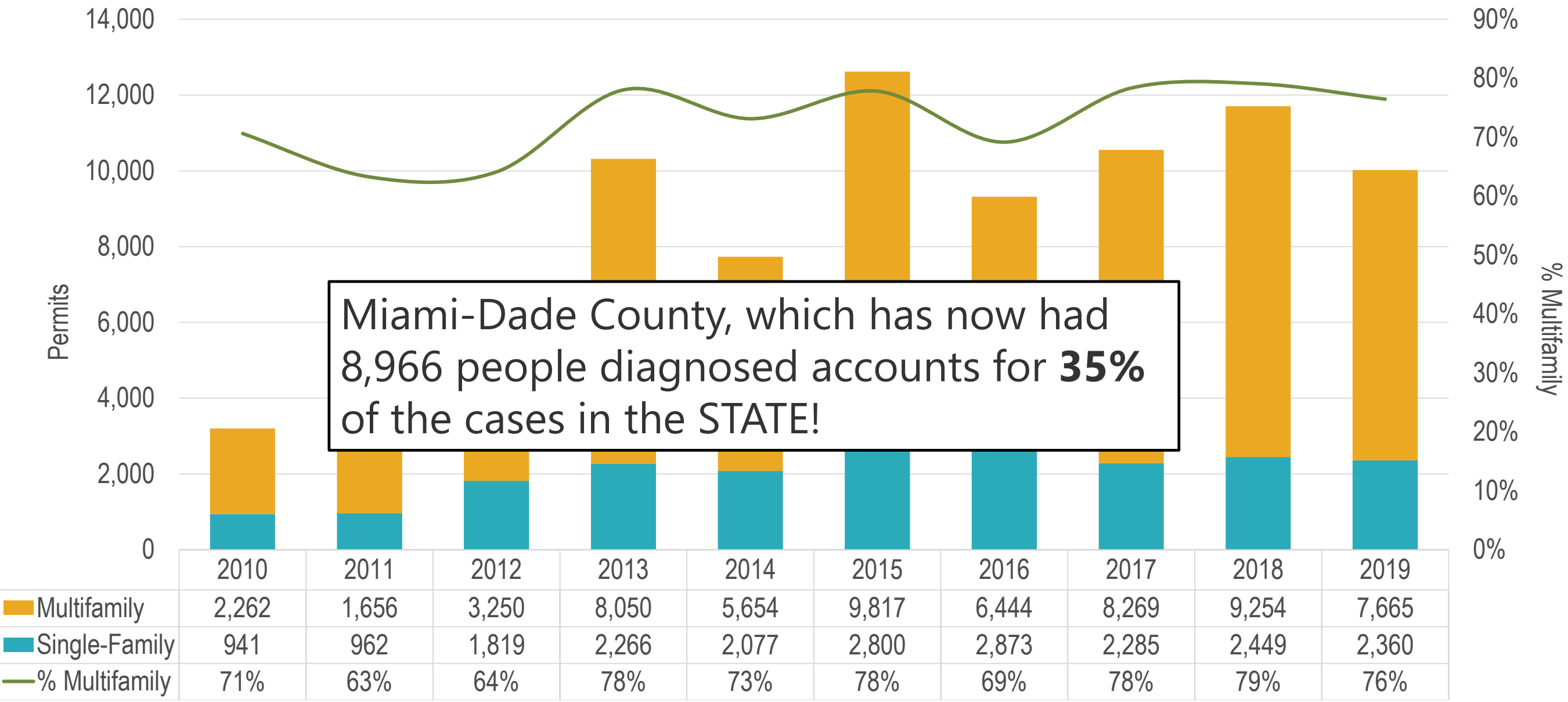
New reported cases per day in Florida

State of Florida: 25,269 people with positive tests for the virus. The GOOD news is that the PEAK came a month earlier than IHME's model predicted!

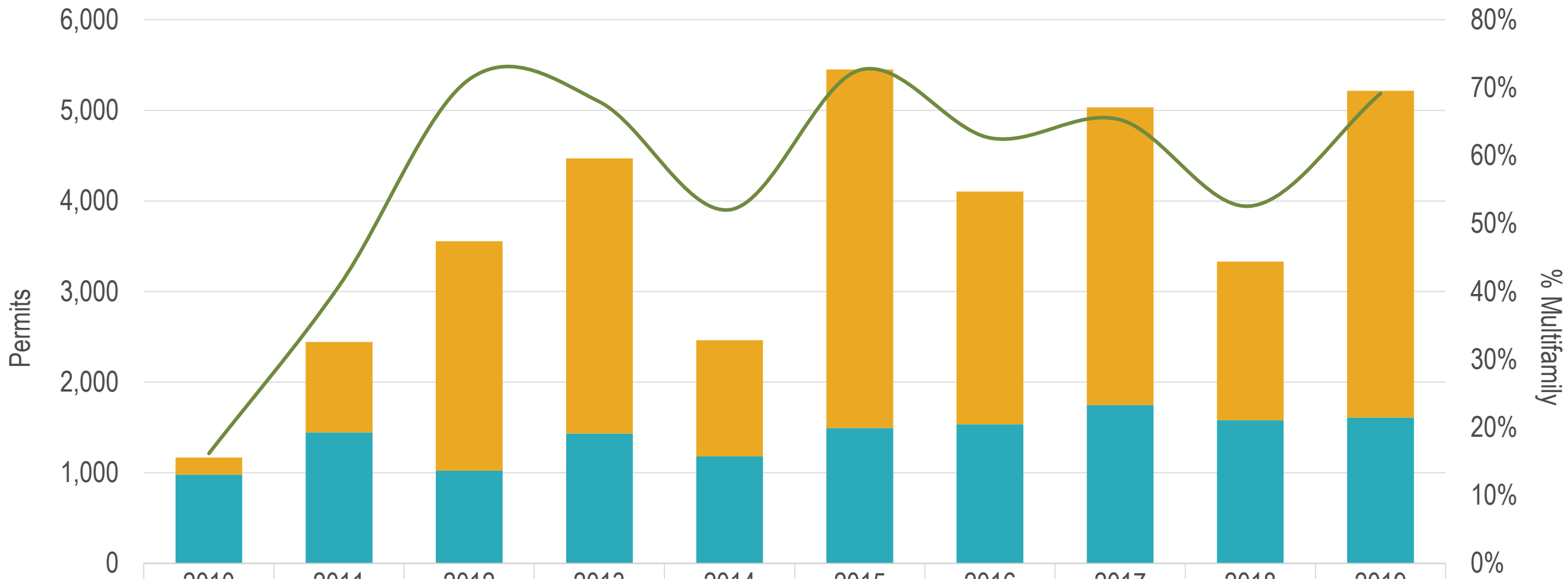


https://www.washingtonpost.com/graphics/2020/national/coronavirus-us-cases-deaths/?itid=hp_rhp-banner-low_web-gfx-death-tracker%3Ahomepage%2Fstory-ans

MIAMI-DADE PRE-COVID: 2,400 SINGLE FAM AND 7,700 MULTIFAMILY

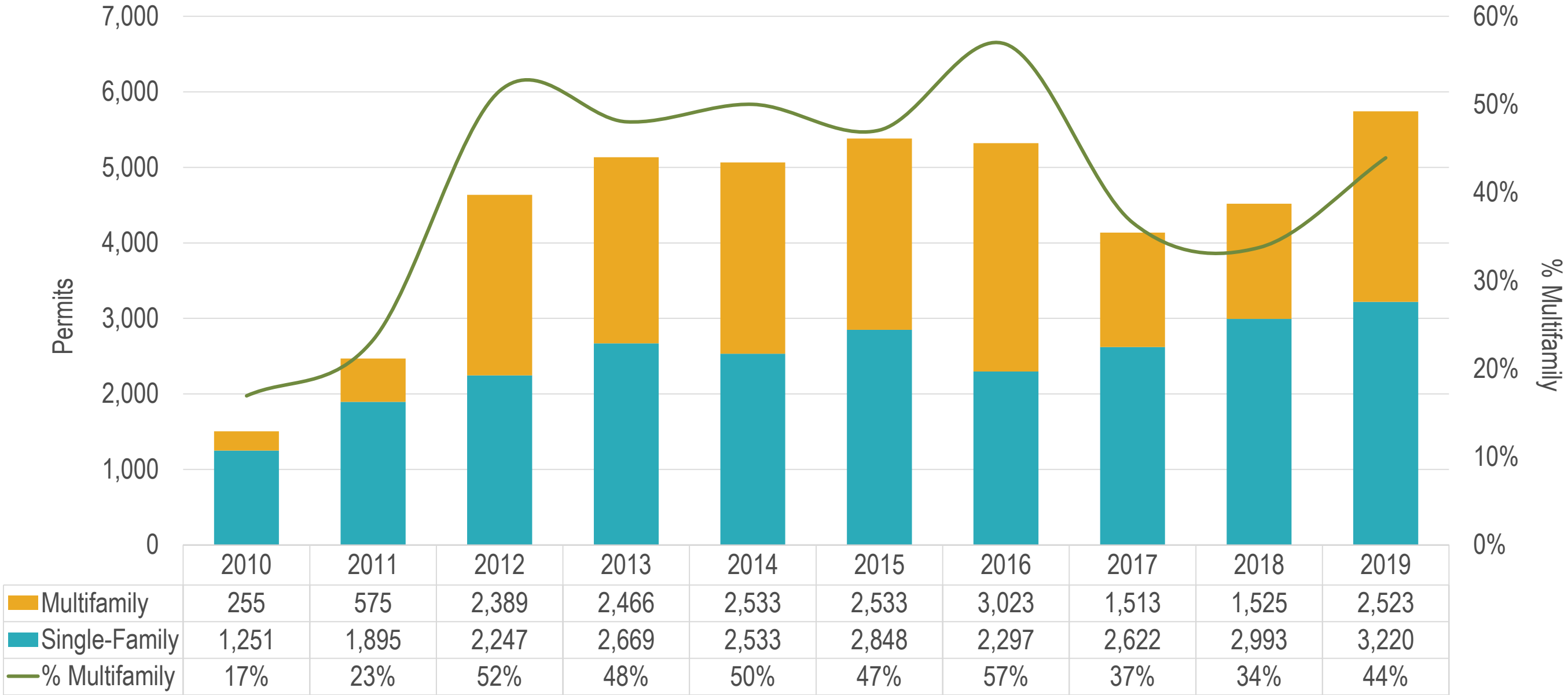


BROWARD COUNTY: 1,600 SINGLE FAM AND 3,600 MULTIFAM

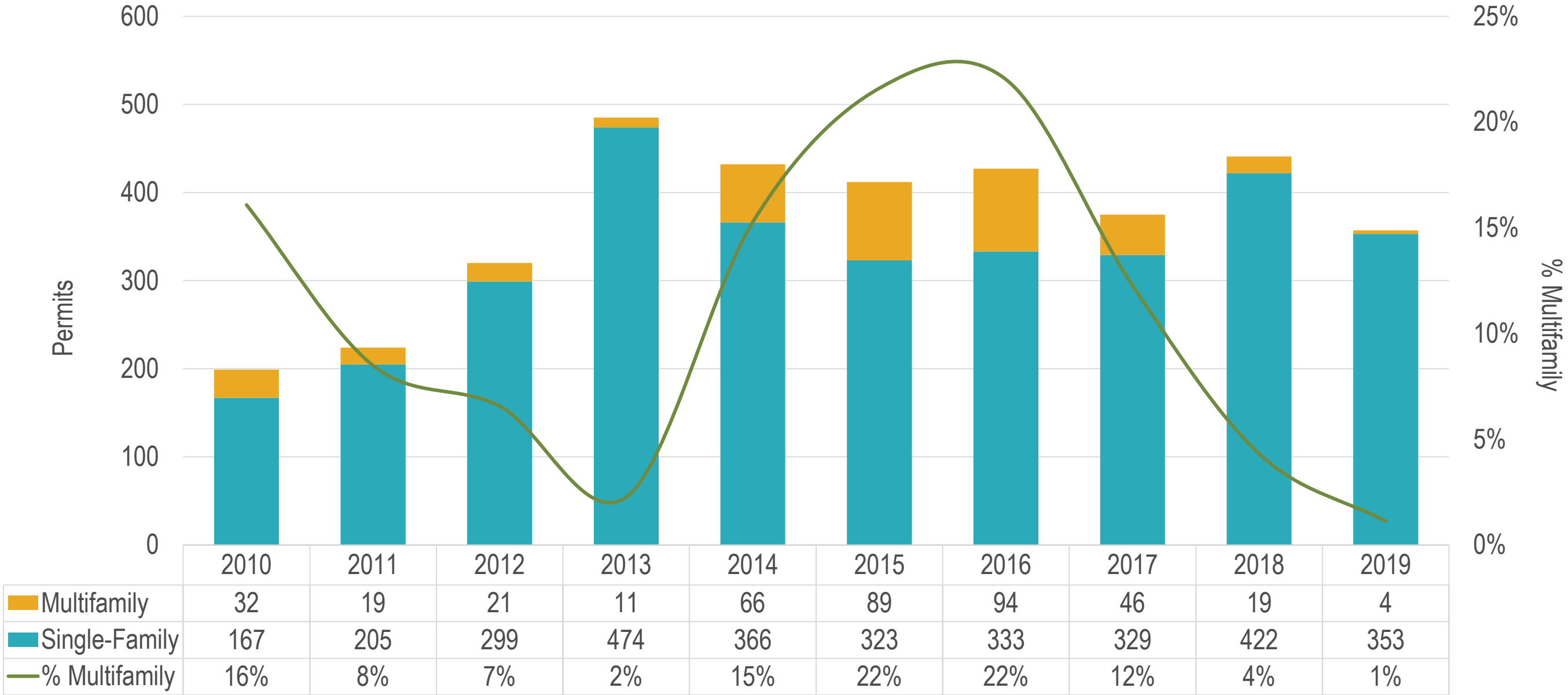


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
■ Multifamily	189	998	2,533	3,036	1,281	3,958	2,570	3,286	1,752	3,606
■ Single-Family	979	1,446	1,023	1,434	1,181	1,494	1,535	1,748	1,580	1,610
— % Multifamily	16%	41%	71%	68%	52%	73%	63%	65%	53%	69%

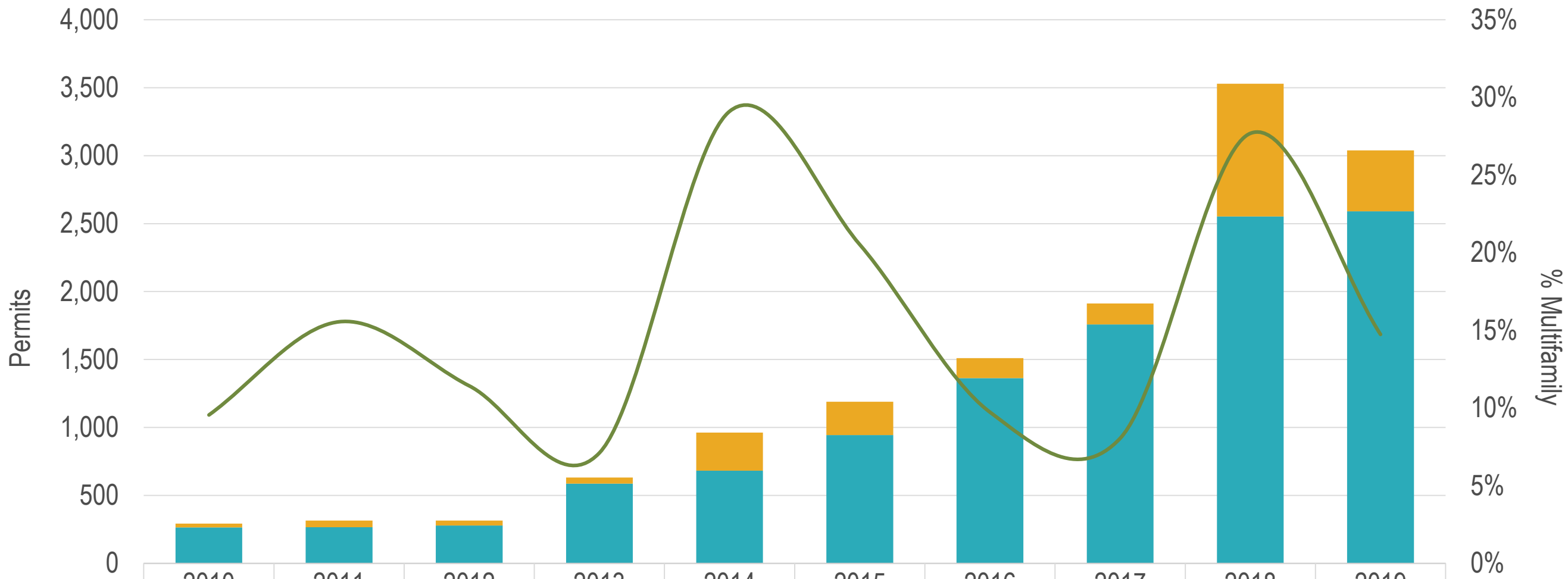
PALM BEACH COUNTY: 3,200 SINGLE FAM AND 2,500 MULTIFAM



MARTIN COUNTY: 300-400 SINGLE FAMILY A YEAR; LITTLE MULTI

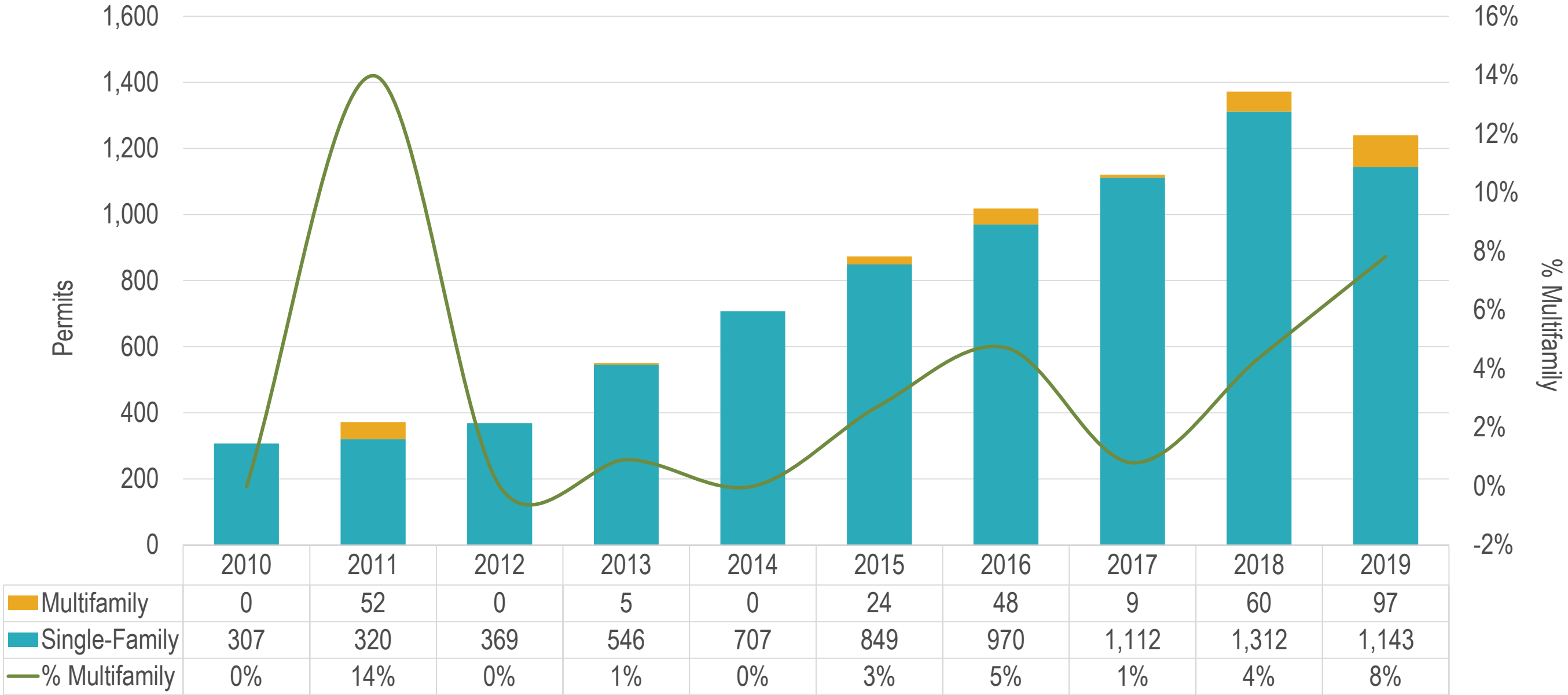


ST. LUCIE COUNTY: 2,600 SINGLE-FAMILY; MORE THAN MIAMI-DADE!



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Multifamily	28	49	36	45	280	244	147	154	977	448
Single-Family	265	266	279	587	682	945	1,363	1,758	2,552	2,591
% Multifamily	10%	16%	11%	7%	29%	21%	10%	8%	28%	15%

INDIAN RIVER COUNTY: 1,100 SINGLE-FAMILY





**IMPACT ON THE SOUTH
FLORIDA ECONOMY
AND ON HOUSING**

FLORIDA UNEMPLOYMENT AND IMPACT ON HOUSING

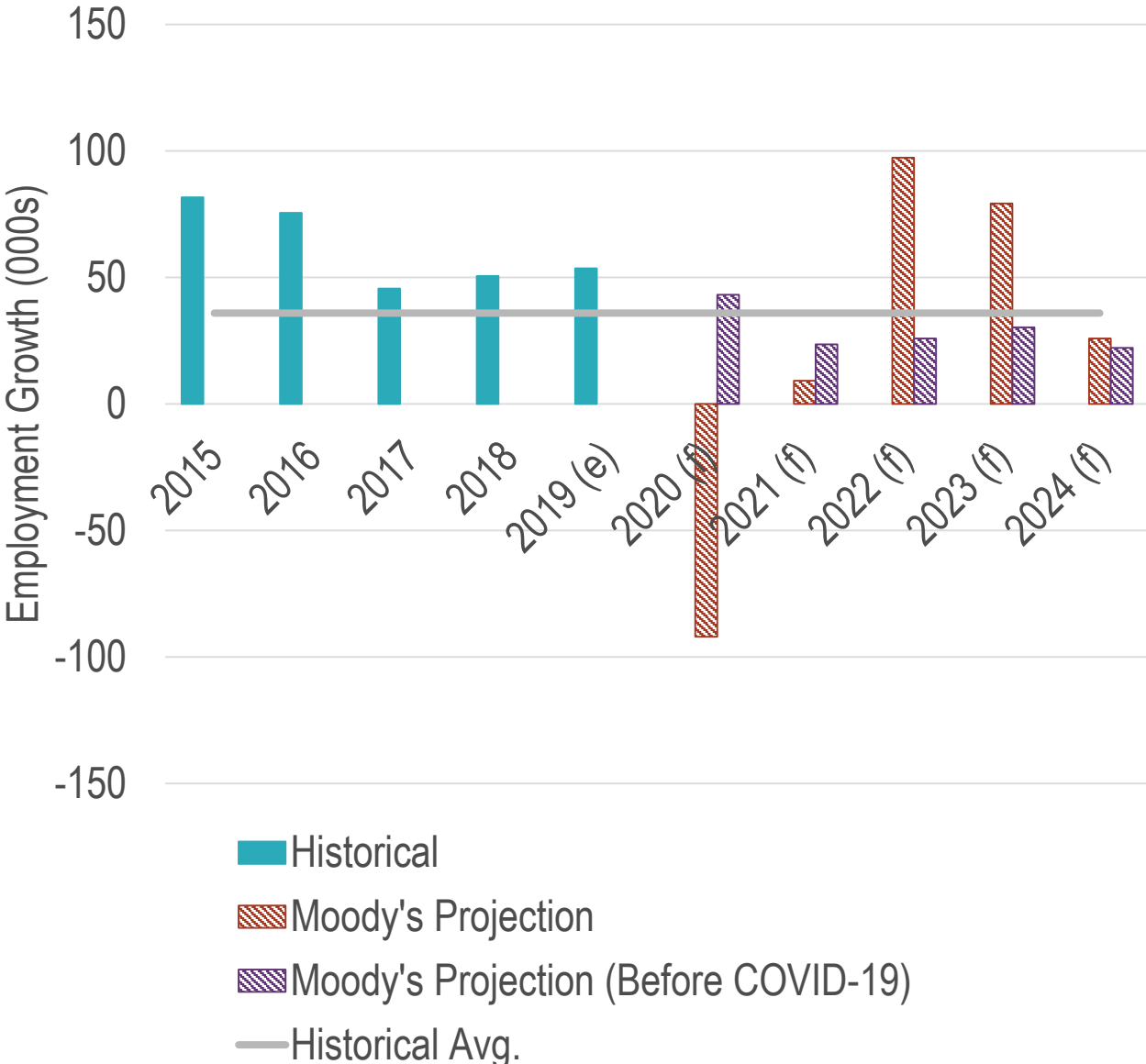
INITIAL CLAIMS IN FLORIDA JUST REACHED 181,293.

IN TOTAL, MORE THAN 650,000 FLORIDIANS HAVE CLAIMED UNEMPLOYMENT, AND THIS UNDERSTATES THE TOTAL NUMBER LAID OFF.

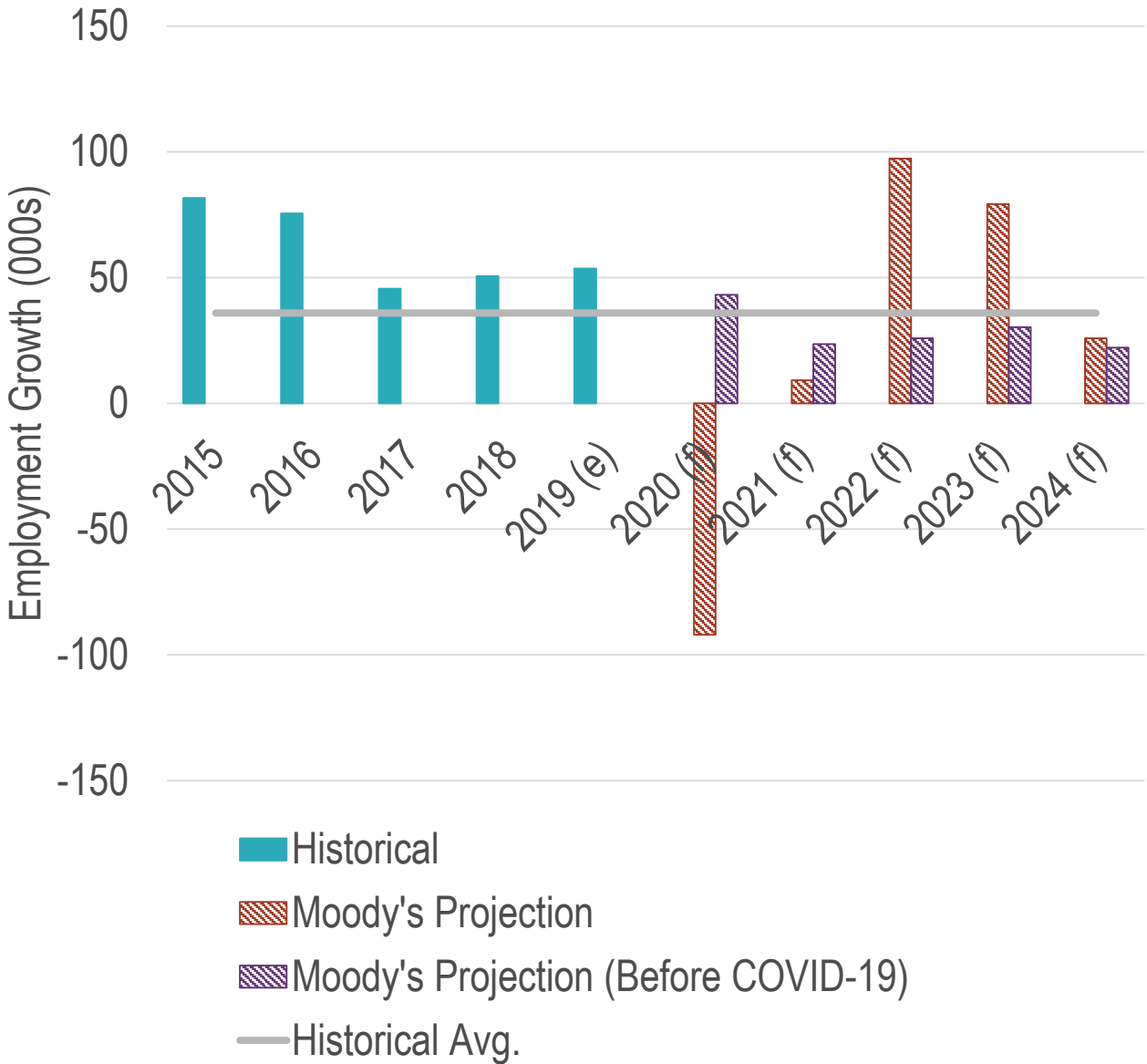
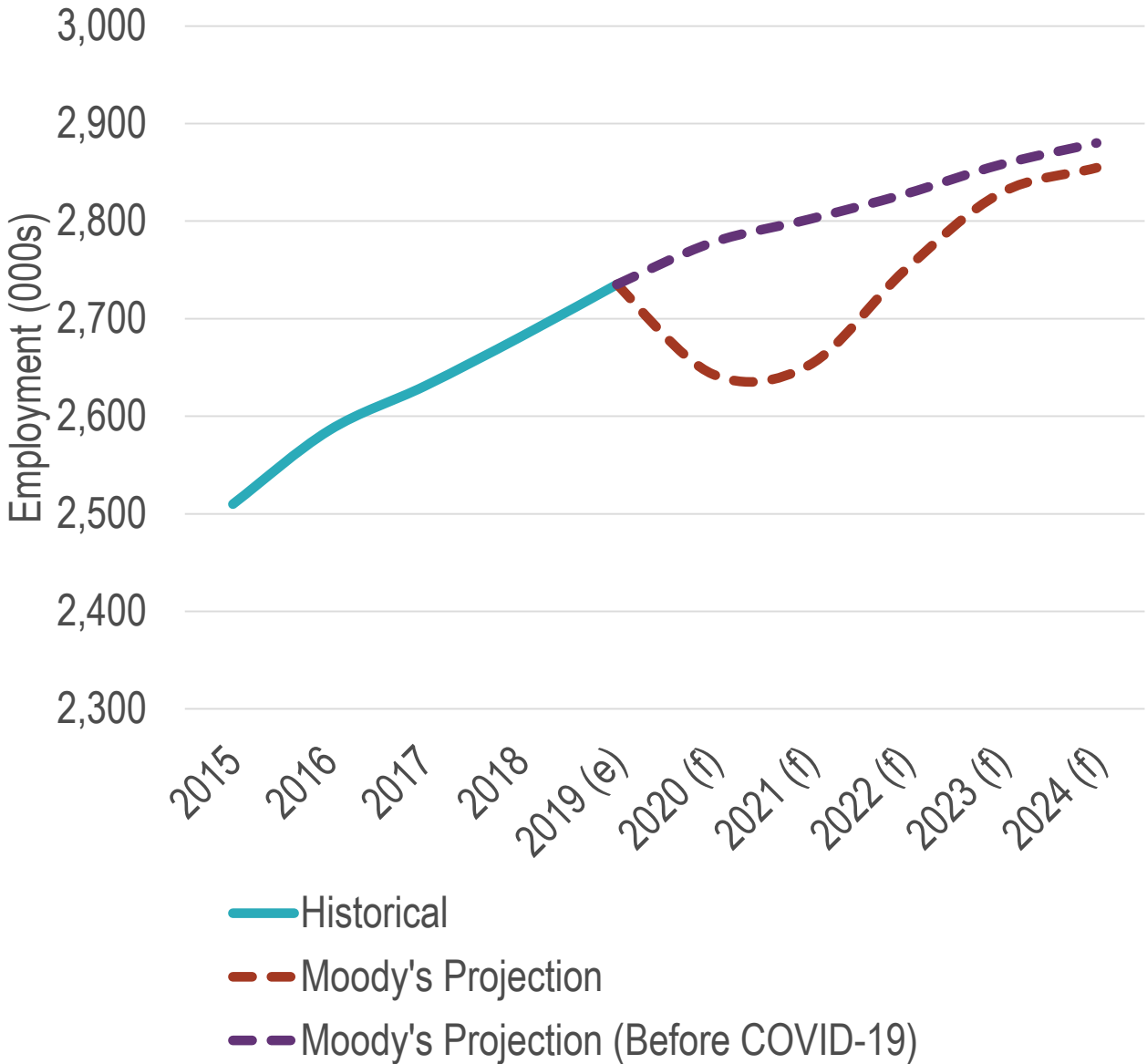
IMPACT IN THE IMMEDIATE TERM IS GREATEST ON ENTRY-LEVEL HOUSING.

FORECASTING: BACK TO GROWTH NEXT YEAR, AND STRONG GROWTH IN 2022. HOW THE ECONOMETRICIANS SEE IT

MIAMI-FORT LAUDERDALE-WEST PALM BEACH, FL MSA

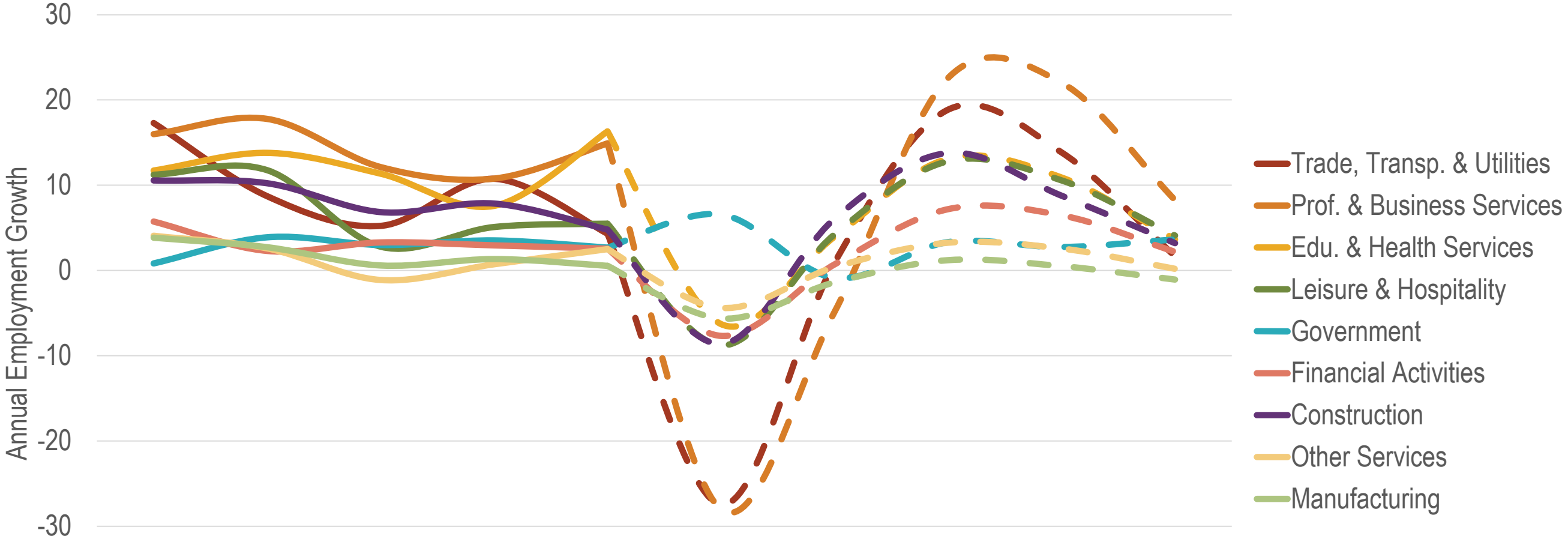


TRI-COUNTY AREA FORECASTS – (THE PATTERN, NOT THE NUMBERS)



TRANSPORTATION AND PERSONAL SERVICES ARE ON A ROLLERCOASTER

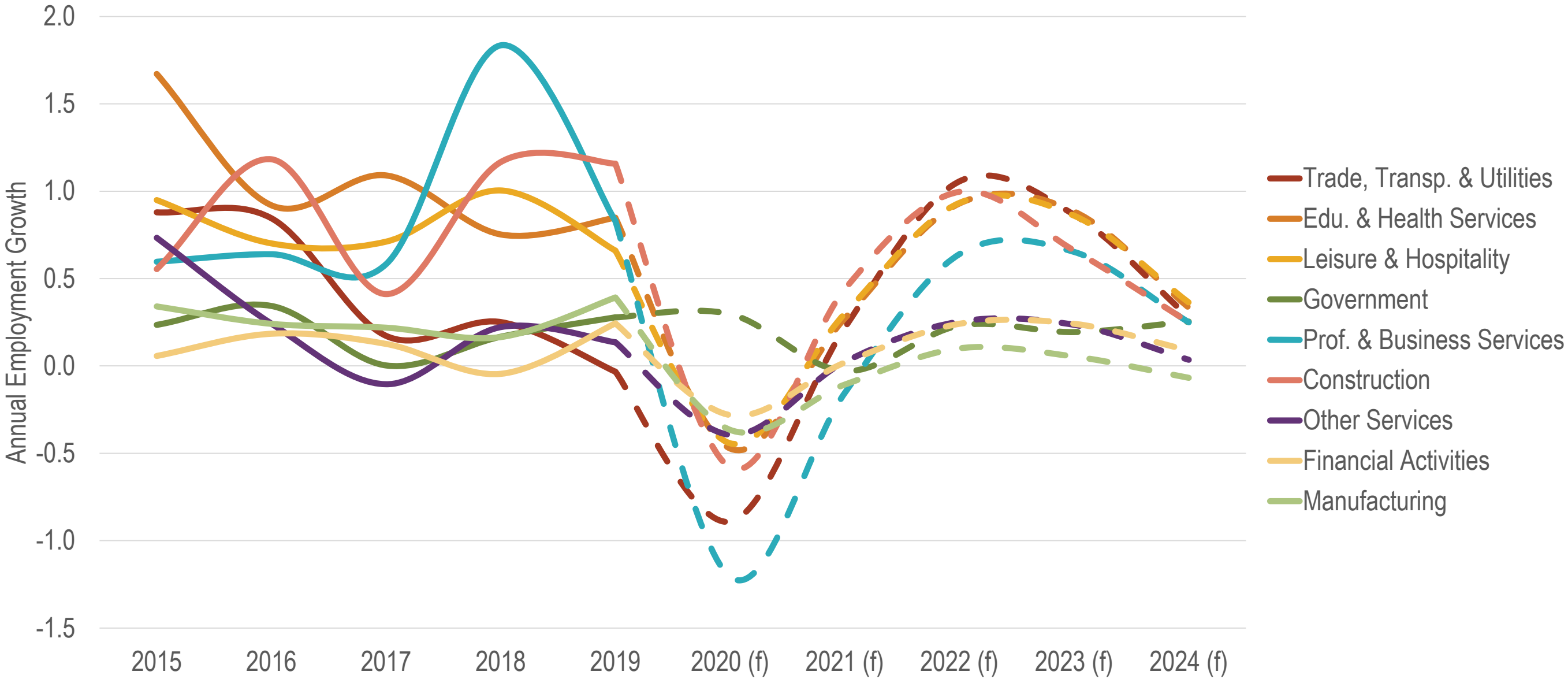
MIAMI-FORT LAUDERDALE-WEST PALM BEACH, FL MSA



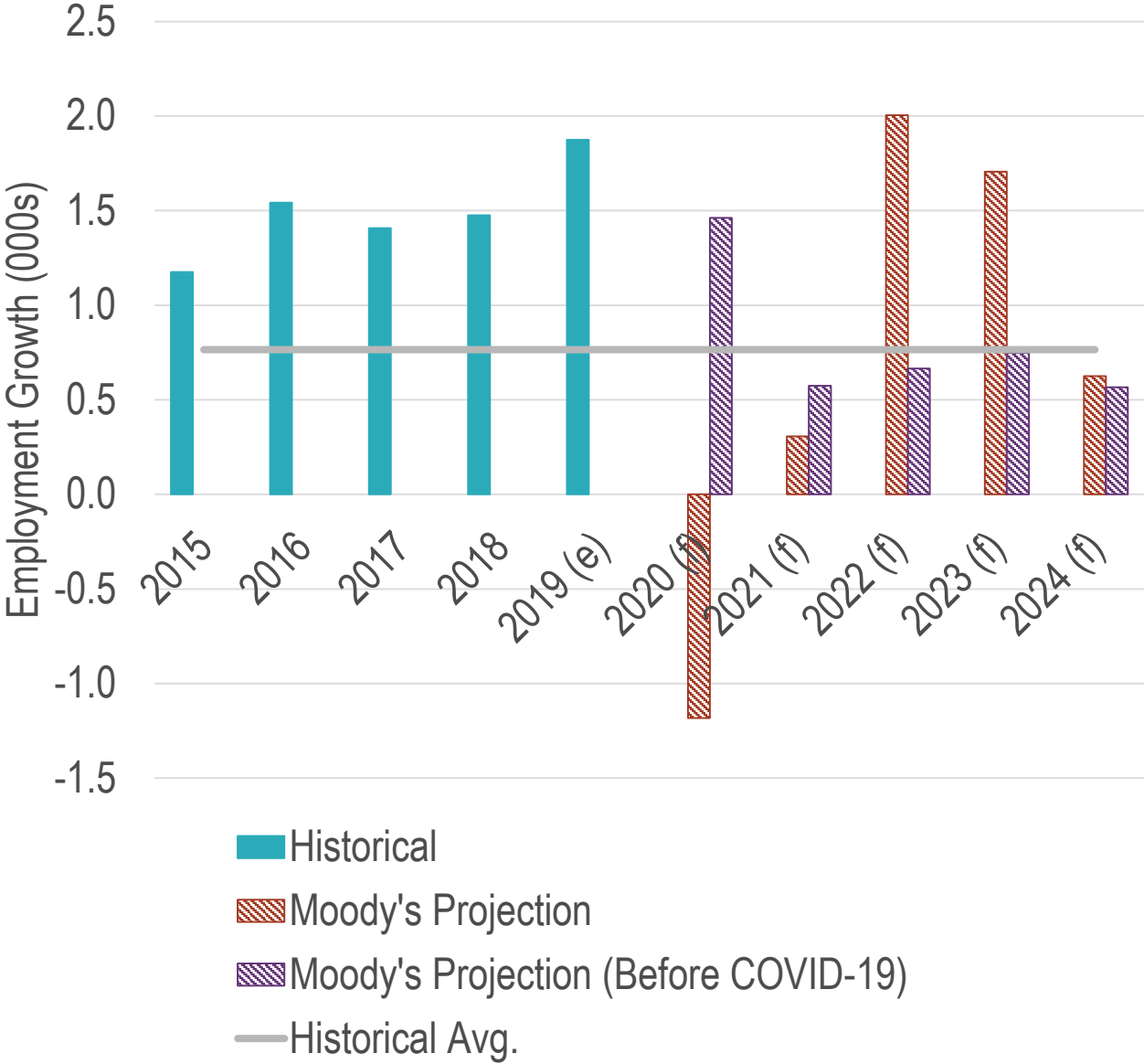
PORT ST. LUCIE, FL MSA EMPLOYMENT FORECAST




PORT ST. LUCIE, FL MSA



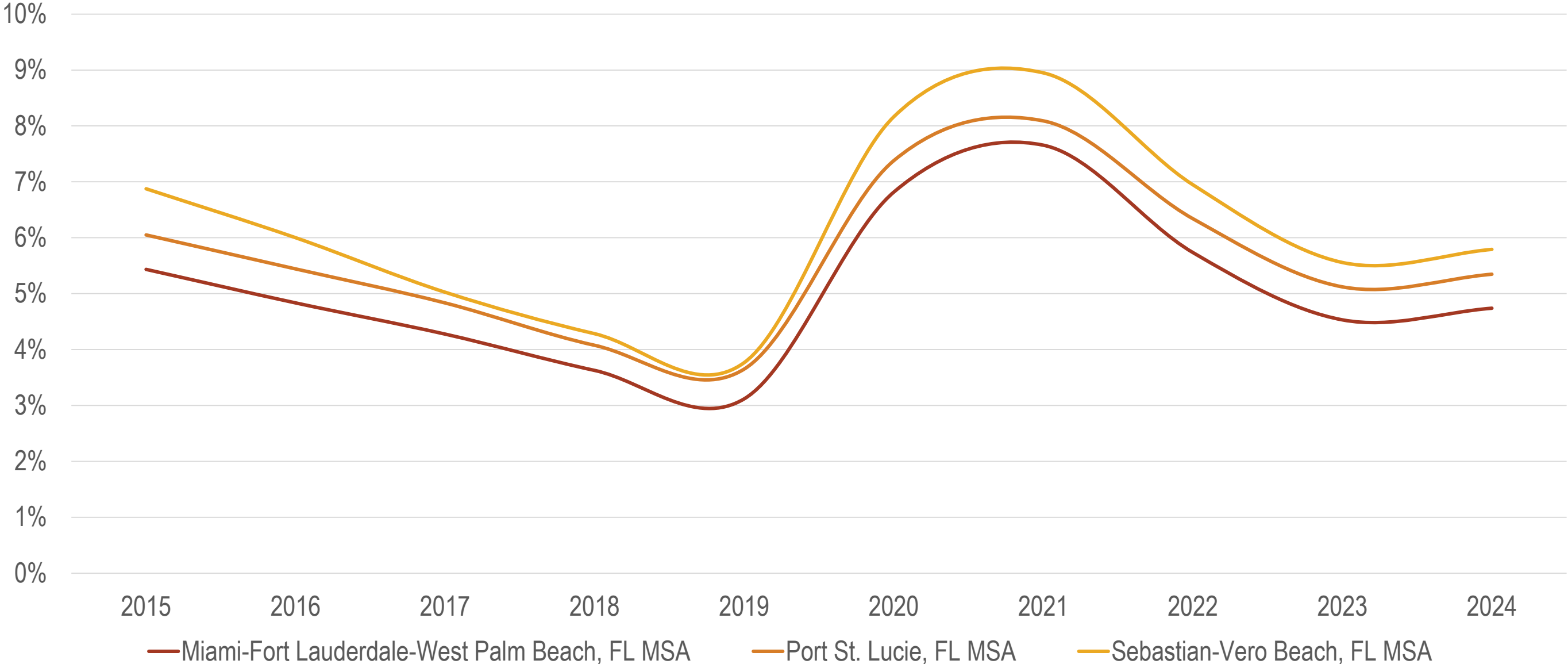
SEBASTIAN-VERO BEACH, FL MSA (EMPLOYMENT FORECAST)





**LOCAL LAYOFFS CAUSED
BY COVID-19 OUTBREAK**

UNEMPLOYMENT RATES



BUSINESS IMPACTS IN SOUTHEAST FLORIDA

ROYAL CARIBBEAN CRUISES LTD.

- ▶ Reducing 26% of U.S workforce, more than half of which are in South Florida
- ▶ Halted construction on \$300 million headquarters



FOUR SEASONS HOTEL MIAMI

- ▶ Furloughed 312 employees
- ▶ Will “close business for the foreseeable future”



BRIGHTLINE

- ▶ Laid off 250 employees
- ▶ Suspended operations



DUFFY'S SPORTS GRILLS

- ▶ Furloughed all employees without pay, but kept health benefits
- ▶ All 34 locations closed in late March



MULTIPLIER EFFECTS: 6 TO 10 FOR HOTELS. 2.3 TO 10 FOR RETAIL

PURSUIT BOATS

- ▶ Initial 2-week paid furlough for 460 employees
- ▶ Production completely halted



MANDARIN ORIENTAL MIAMI

- ▶ Furloughed 488 employees



INTERCONTINENTAL MIAMI

- ▶ Laid off 377 employees



GLOBAL MIAMI JOINT VENTURE AND AIRPORT CONCESSIONS GROUP

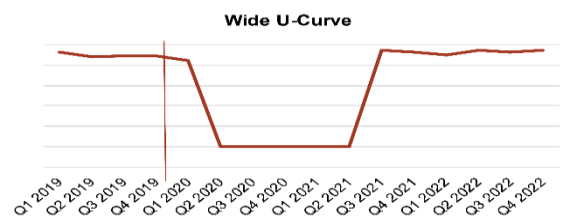
- ▶ Laid off 758 employees



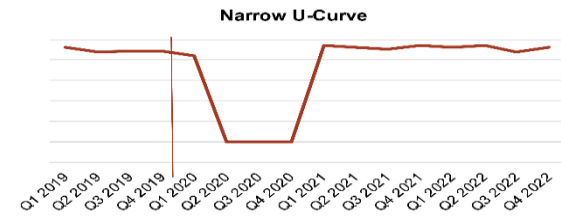
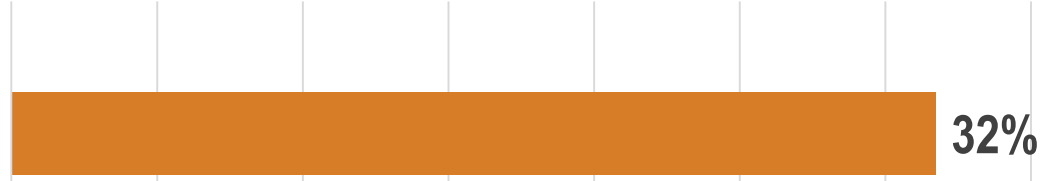
RCLCO COVID-19 SENTIMENT SURVEY RESULTS

MOST LIKELY RECOVERY SCENARIOS

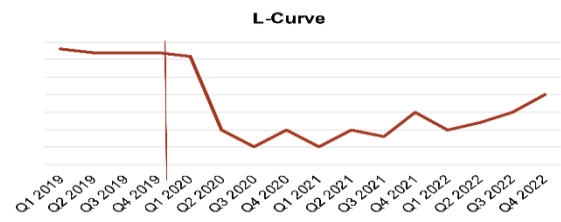
1. There is little doubt that we are now in, or soon heading for, a recession in the U.S. Question is, which of the following scenarios do you believe is most likely for a recovery scenario, including:



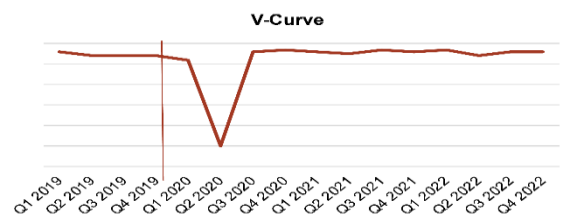
Wide U-Curve: managed control of new COVID-19 cases helping to flatten the curve, but stretching the economic impact across the balance of 2020



Narrow U-Curve: peak new COVID-19 cases in the U.S. higher and delayed until May



L-Curve: the country continues to deal with new COVID-19, or sees a resurgence in the fall that requires additional rounds of social distancing throughout 2020 and into 2021



V-Curve: relatively quick recovery with peak new COVID-19 cases in the U.S. in mid-April



0% 5% 10% 15% 20% 25% 30% 35%

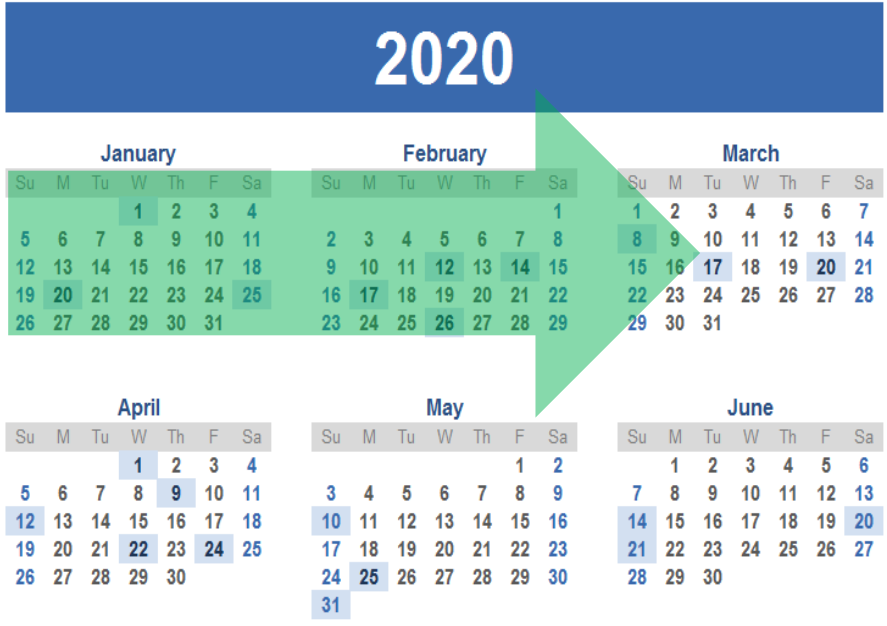
RCLCO'S MPC EXECUTIVE INTERVIEWS APRIL 7 - 14

MPC executive interviews representing over 50 active MPCs in 12 states including Florida

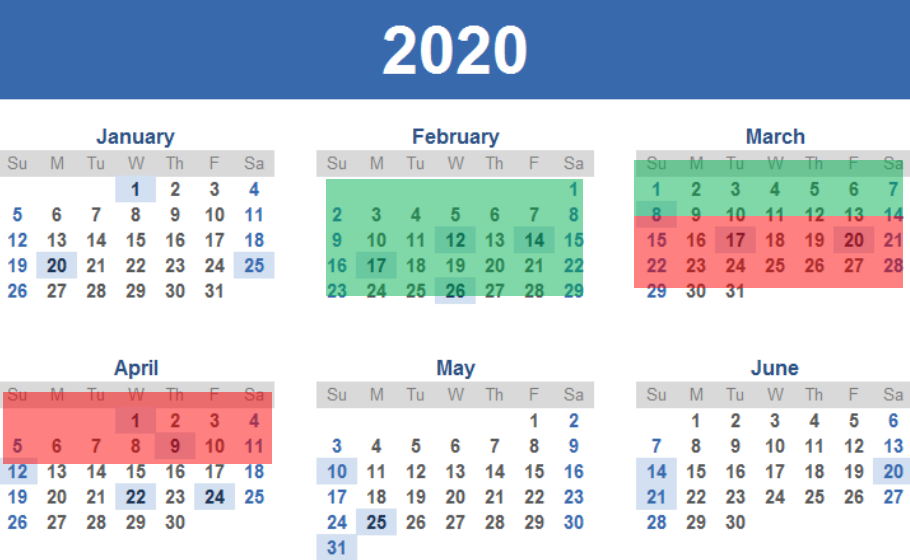
- » Starting mid-March traffic slowed, sales volume declined precipitously
- » Communities reported declines in sales of **30%-80%** compared to expectations, during these last two weeks



MPC EXECUTIVE INTERVIEWS APRIL 7 - 14



- » April sales so far are bleak - likely off by half; as much as 80% in some communities
- » March to April cancellation rates increasing, up to 50% at some top MPCs
- » Interviewees expect April and May will be the worst months in terms of impact, hoping for a rebound following the end to stay-at-home orders.



MPC EXECUTIVE INTERVIEWS APRIL 7 - 14

- ▶ Quotes: “When people don’t have jobs they don’t buy houses; not expecting significant recovery before September – then it depends on jobs”
 - › “Biggest concern: employment, watching that closely”
- ▶ MPC’s say some Homebuilders asking to push lot takedowns back 30-60 days, or in some cases asking to reschedule in order to allocate more takedowns in the latter part of 2020
- ▶ Overall, most MPC’s say builders are not walking away from contracts already in place, but we did hear of instances of some national builders balking on contracts in progress, offering to continue with models and buy lots as needed
- ▶ Online traffic is up significantly (+25%-35%) as walk-in traffic plummeting; most MPC’s have strong social media programs, but they are grappling with how to sell “lifestyle” virtually?
- ▶ Quote “Feels better than ‘08 because we’re not oversupplied”



MPC EXECUTIVE INTERVIEWS APRIL 7 - 14

- ▶ Where sales offices are open its by appointment only - and conversion rates are up. “Higher-quality traffic.”
- ▶ Others shift to online-focused marketing, online-focused customer engagement, and online-focused **resident interaction**
- ▶ Strategies: Communities are **engaging residents**, including online classes, online story-time for kids, virtual drink and recipe swaps, front porch photography, front porch time, teddy “bear hunting” in windows, coordination of food delivery at community centers, etc.
- ▶ Few said that they anticipate significant impacts to price, believing that most builders are fairly well-positioned given generally low inventories, but that could change as situation evolves this month and next
- ▶ Situation could impact consumer preferences - being stuck inside may influence buyers to **seek larger homes with more space**
- ▶ Regionally, communities that get significant sales from New York, northeastern United States anticipate increase in sales from buyers motivated to get out of the higher density areas



COVID-19 & LONG-TERM REAL ESTATE IMPACTS

- ▶ Already learning the need to adjust to new ways to transact business
- ▶ Prop tech across real estate is going to be big
- ▶ Intersection of real estate and virtual reality – cameras that build virtual 3D tours are in high demand
- ▶ Open houses that are broadcast on Facebook, Instagram and websites
- ▶ Banks supporting “desktop” appraisals
- ▶ Closings between cars in the parking lot – must find better solutions
- ▶ Opportunities for creative solutions



HOMEBUILDERS

- » Contracts are down substantially
- » Homes in escrow ARE closing
- » An increase in cancellations
- » Reducing their housing start projections for 2020
- » Some homebuilders are still moving forward cautiously with new land and lot acquisitions, but many have hit the pause button – reviewing every deal, re-visiting terms
- » Pulling back on spec inventory
- » Concerned they'll have substantial inventory on hand by July



LONG-TERM HOUSING IMPACT

- ▶ Re-thinking the house as a retreat from viruses and infections
- ▶ What is “home” when its also his- and her- office, a virtual school, restaurant, playground, gym?
- ▶ Fewer open-plan spaces, entrance areas separated so families can leave shoes, clothing and belongings “outside”, and so activities and family members have private spaces
- ▶ Better ways of handling (without handling) deliveries
- ▶ Home offices with green screens for your Zoom virtual background
- ▶ How do we feel about density after dense places like New York had higher infection rates? Feeder markets for SFL
- ▶ Demand for more touchless tech in high-rise buildings
- ▶ Increased demand for remotely accessible technology like locks and thermostats
- ▶ Better outdoor spaces, patios, and decks: **get out without going out**



FLORIDA TO RE-OPEN IN TWO WEEKS; WILL SALES PICK UP WHEN “STAY AT HOME” ENDS?



End Date	States
None	Wyoming, Indiana
4/9	South Dakota
4/20	Indiana, Mississippi
4/24	Missouri, Montana, Wisconsin
4/26	Colorado
4/27	South Carolina
4/29	North Carolina
4/30	Alabama, Arizona, Florida , Georgia, Hawaii, Idaho, Illinois, Iowa, Louisiana, Maine, Michigan, Nebraska, Nevada, New Mexico, Oklahoma, Pennsylvania, Tennessee, Texas
5/1	Ohio, Utah
5/3	Kansas, Minnesota
5/4	Massachusetts, New Hampshire, Washington
5/8	Rhode Island
5/15	Delaware, DC, New York, Vermont
5/20	Connecticut
6/10	Virginia
In effect until rescinded	Alaska, California, Kentucky, Maryland, New Jersey, North Dakota, Oregon, West Virginia

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 real estate markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

This is particularly the case in light of recent developments that have occurred in Q1 2020, including fears of disruption due to the novel coronavirus, a price war that has precipitated a sharp drop in global oil prices, and concern over the level of corporate debt in the U.S. that could become a problem in a slowing economy. These events underscore the notion that 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 particularly difficult to predict inflection points, including when economic and real estate expansions will end, and when downturn conditions return to expansion.

Our analysis and recommendations are based on information available to us at the time of the writing of this report, including the likelihood of a downturn, length and duration, but it does not consider the potential impact of additional/future 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, any project and investment economics included in our analysis and reports 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 unacceptable levels of risk or failure.

In addition, and unless stated otherwise in our analysis and reports, we assume that the following will occur in accordance with current expectations by market participants:

- ▶ 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 supply (both active and future) will be delivered to the market as planned, 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.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.





AUSTIN

221 W 6th St
Suite 2030
Austin, TX 78701



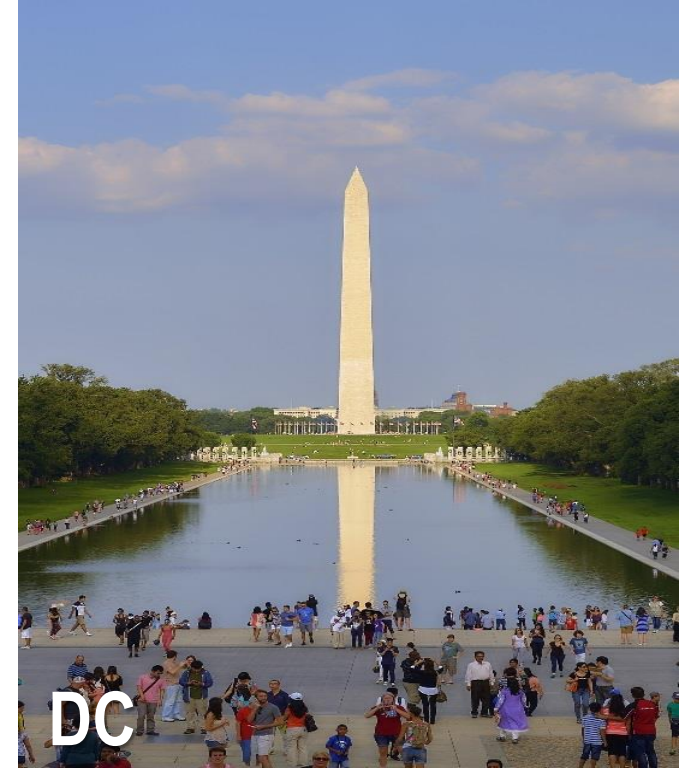
LA

11601 Wilshire Blvd
Suite 1650
Los Angeles, CA 90025



ORLANDO

964 Lake Baldwin Ln
Suite 100
Orlando, FL 32814



DC

7200 Wisconsin Ave
Suite 1110
Bethesda, MD 20814

Thank you to GCBA, BASF, TCBA, and ULI, and to all of you!

RCLCO
REAL ESTATE ADVISORS

Brad Hunter
Managing Director
(561) 573-8351
bhunter@rclco.com

Follow for regular commentary at @bradleyhunter