



HOMEBUILDER PERFORMANCE & STRATEGIES IN SOUTHWEST FLORIDA

During the Crisis, and in the Recovery

Webinar on the Southwest Florida Homebuilding Market, May 12, 2020

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TODAY'S SPEAKERS



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EMPLOYMENT CONTRACTIONS IN SOUTHWEST FLORIDA

HERTZ

- ▶ Laid off 10,000 employees across all departments
- ▶ Hundreds of idle cars parked at Hertz Arena



MILLER'S ALE HOUSE

- ▶ Furloughed 620 employees across eight locations between Lakeland and Fort Myers



CHICO'S FAS

- ▶ Cut 200-250 jobs at corporate office due to a restructuring blamed on the coronavirus pandemic
- ▶ Remaining corporate employees at 50% pay reduction



ALLEGIANT – SUNSEEKER RESORT

- ▶ Suspending construction of the upcoming Sunseeker Resort Charlotte Harbor and renovation of Kingsway Country Club
- ▶ “Initiatives could defer as much as \$300 million in planned cash outlay”



Image Source: Company Websites

Source: Fox4Now.Com; News-Press.Com; BusinessObserverFL.Com

EMPLOYMENT CONTRACTIONS IN SOUTHWEST FLORIDA

BEASLEY MEDIA GROUP

- ▶ 67 Positions eliminated, additional furloughs for full-time and part-time employees, and reduction of hours and wages for full-time employees



GOODWILL MANASOTA

- ▶ Less than 15% of 700+ employees currently working
- ▶ Two rounds of furloughs impacting 650 employees



GAP INC.

- ▶ Suspending rent payments
- ▶ Furlough a majority of store teams and reduce pay for leadership



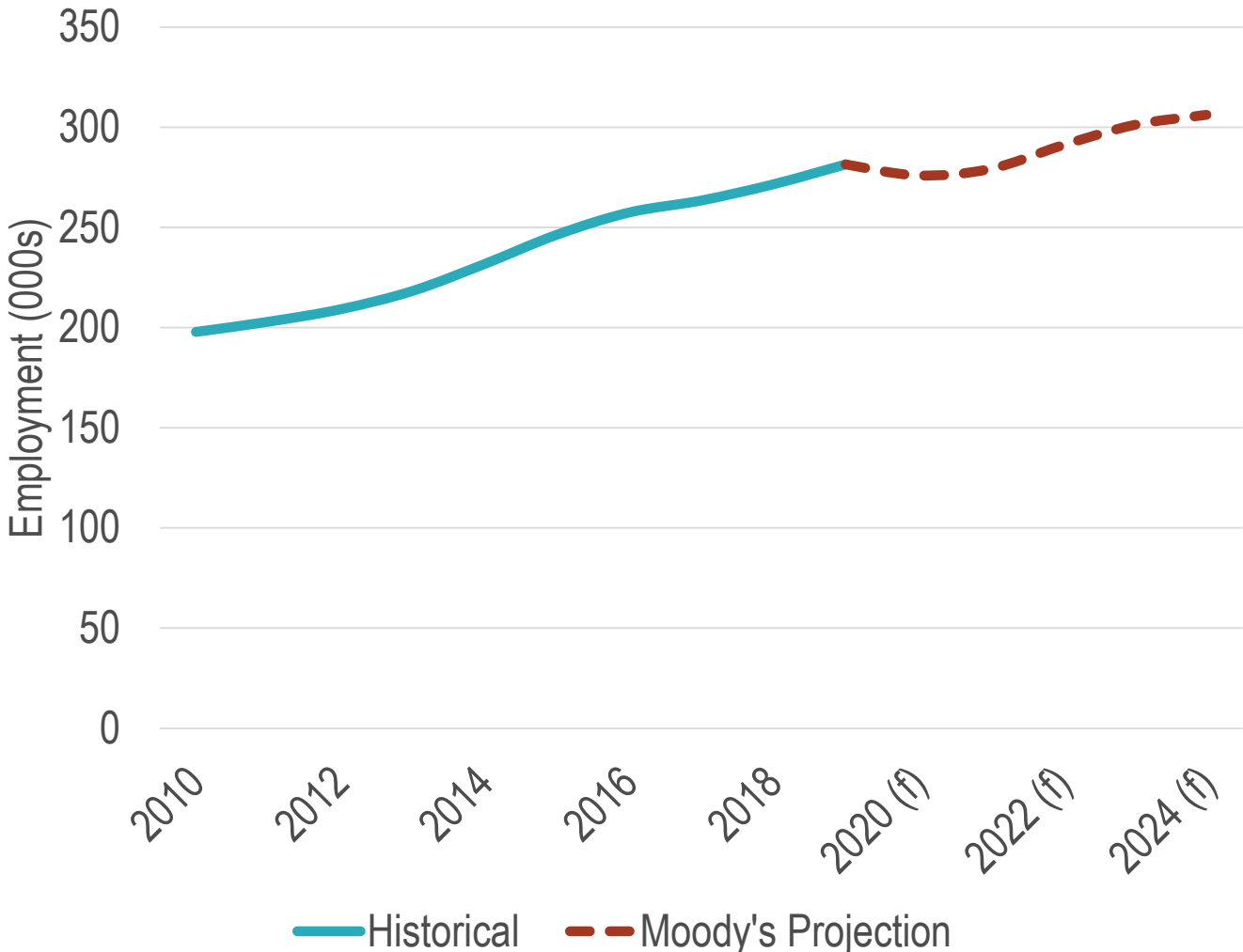
DENTSPLY SIRONA

- ▶ Furlough affecting 148 employees of the 230 total employees largely due to the prohibition of non-emergency elective surgeries

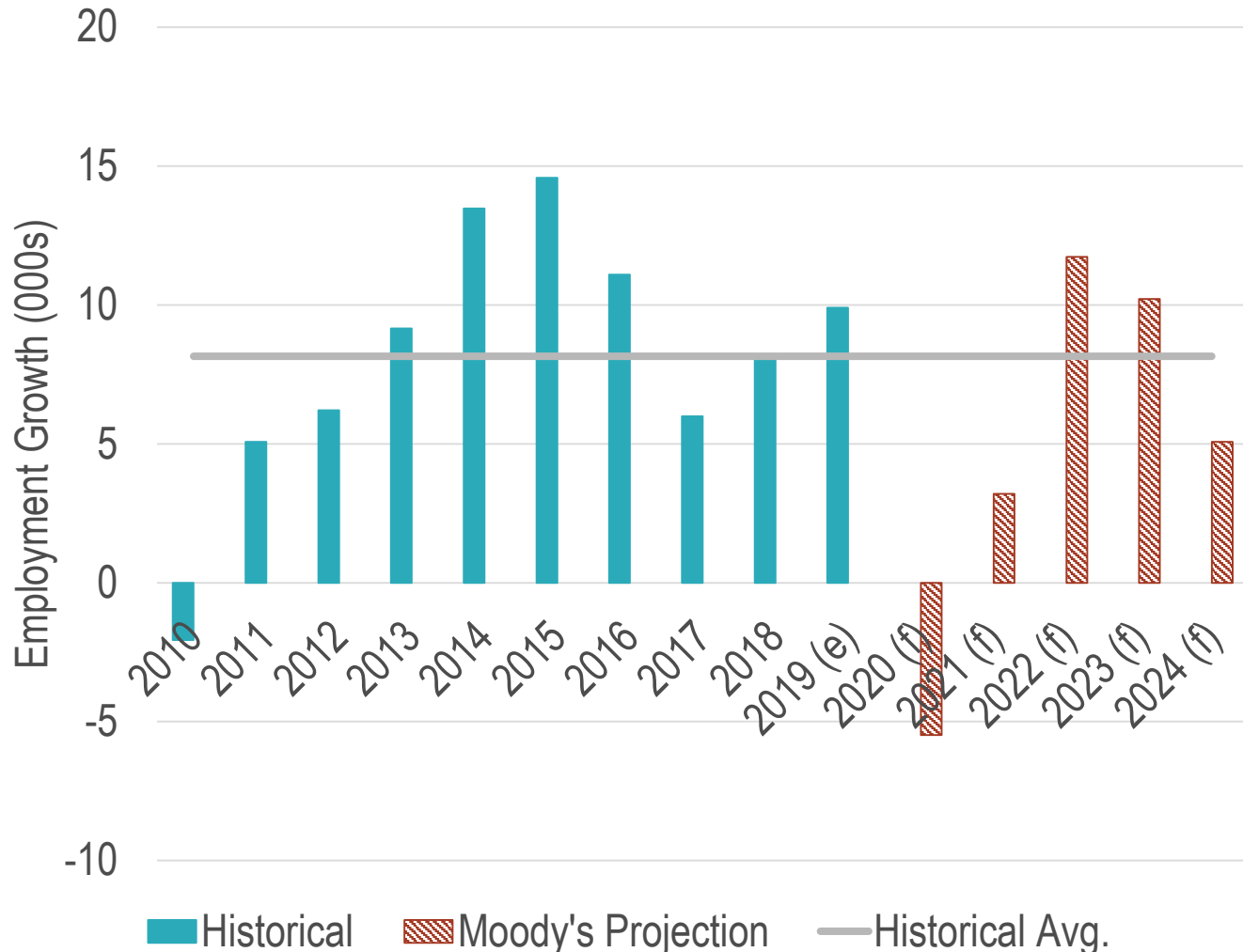


FORECASTS: LEE COUNTY

Historical and Forecasted Non-Agricultural Employment; 2010-2024 (f)



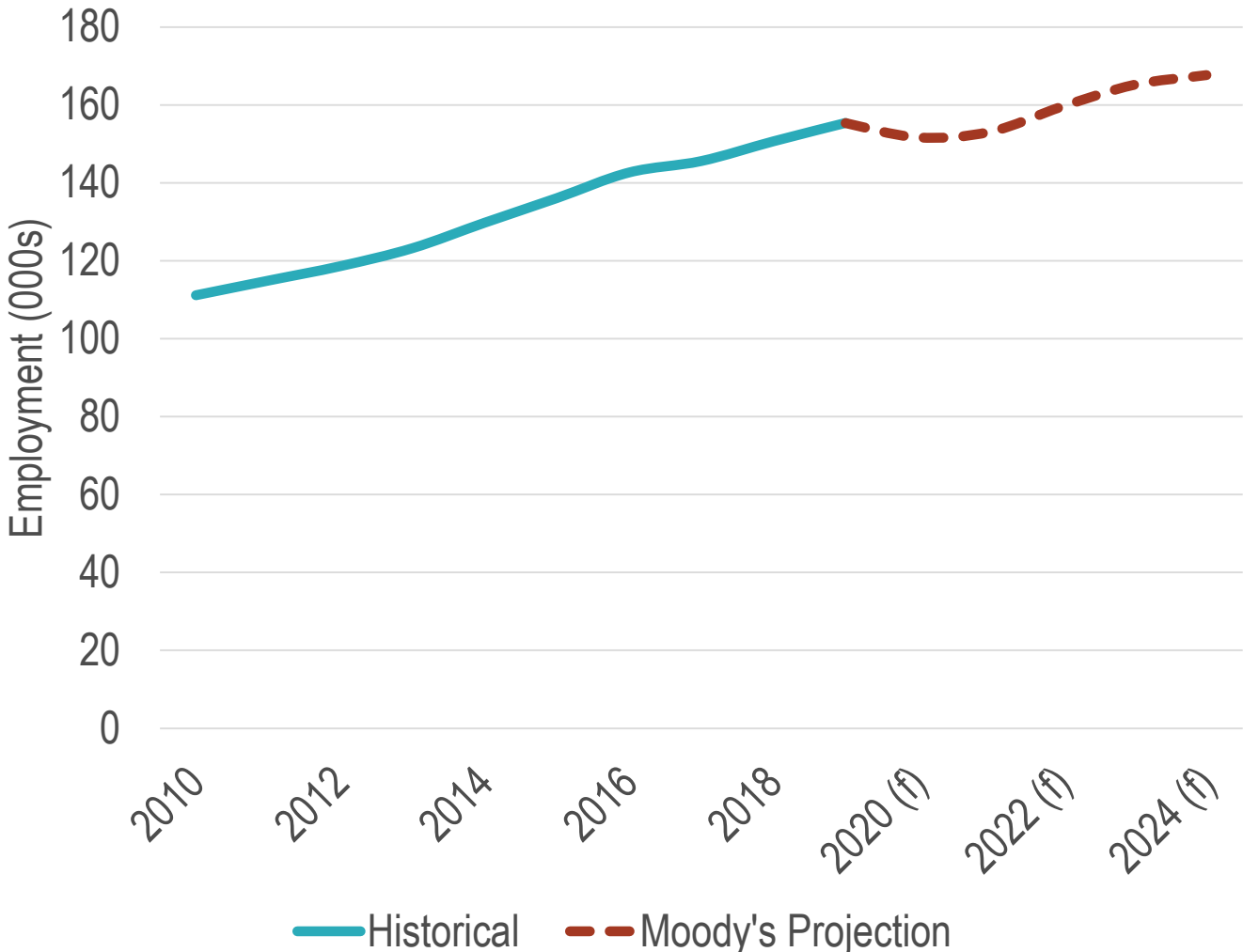
Annual Historical and Forecasted Non-Agricultural Employment Growth; 2010-2024 (f)



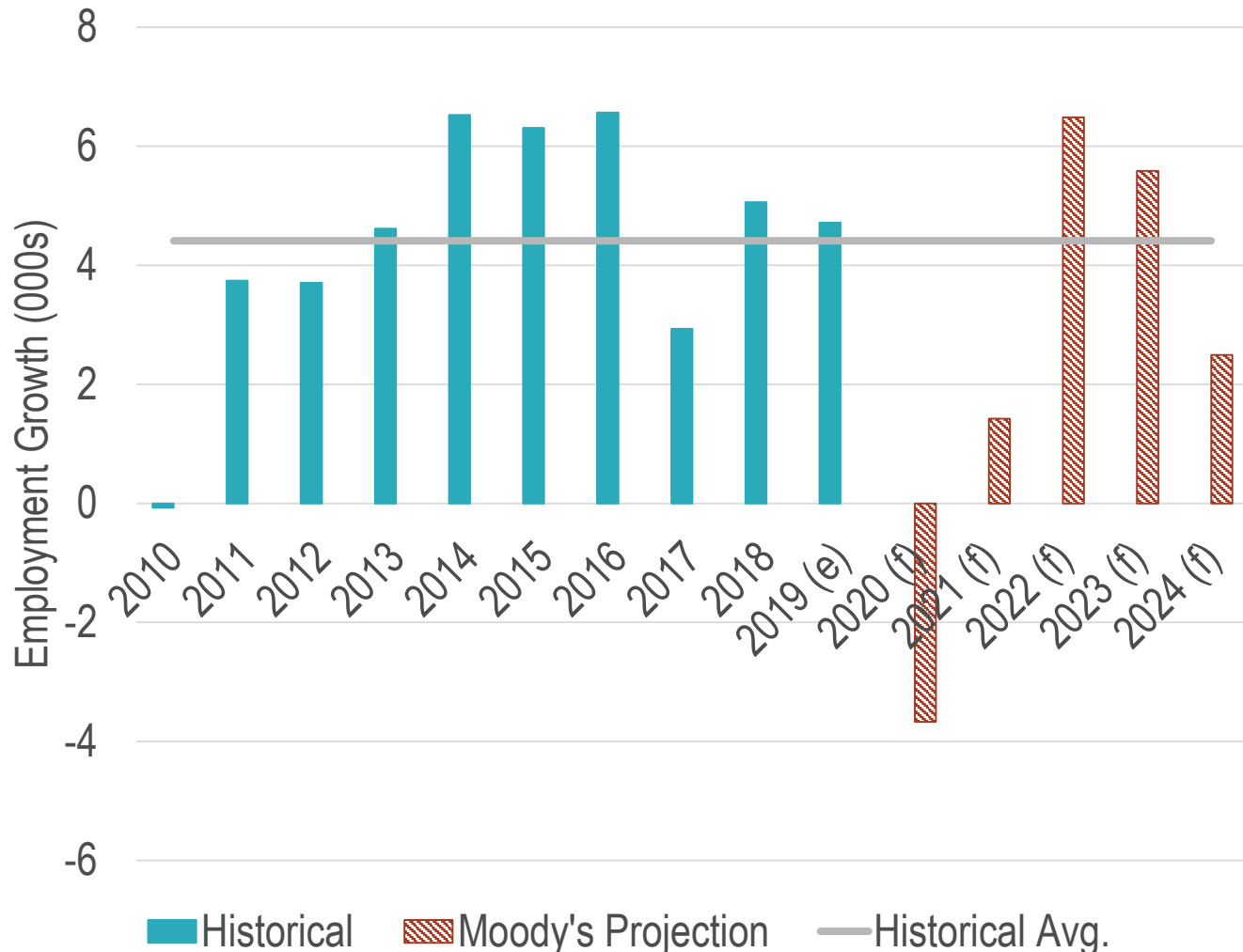
Source: Moody's Analytics

COLLIER COUNTY

Historical and Forecasted Non-Agricultural Employment; 2010-2024 (f)

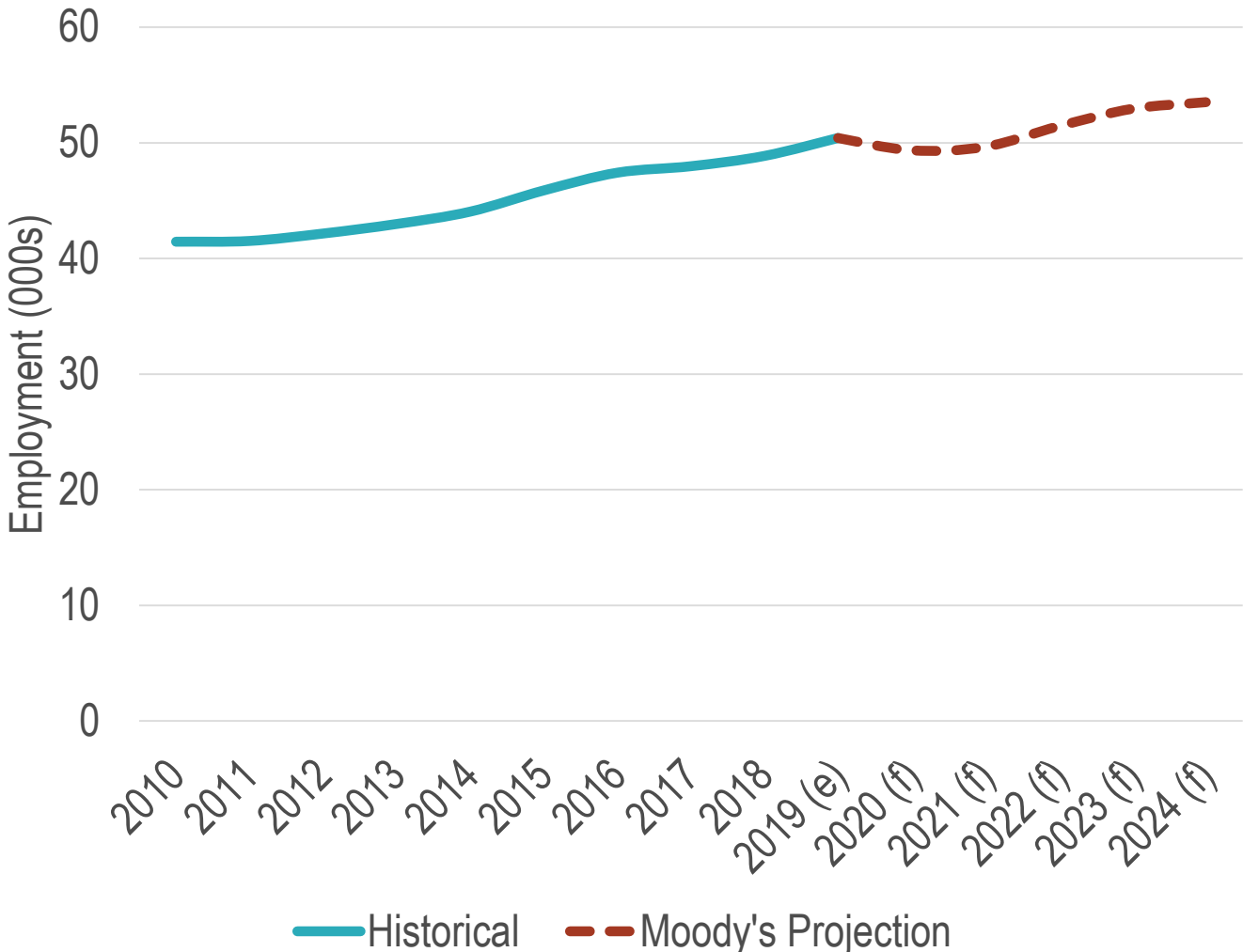


Annual Historical and Forecasted Non-Agricultural Employment Growth; 2010-2024 (f)

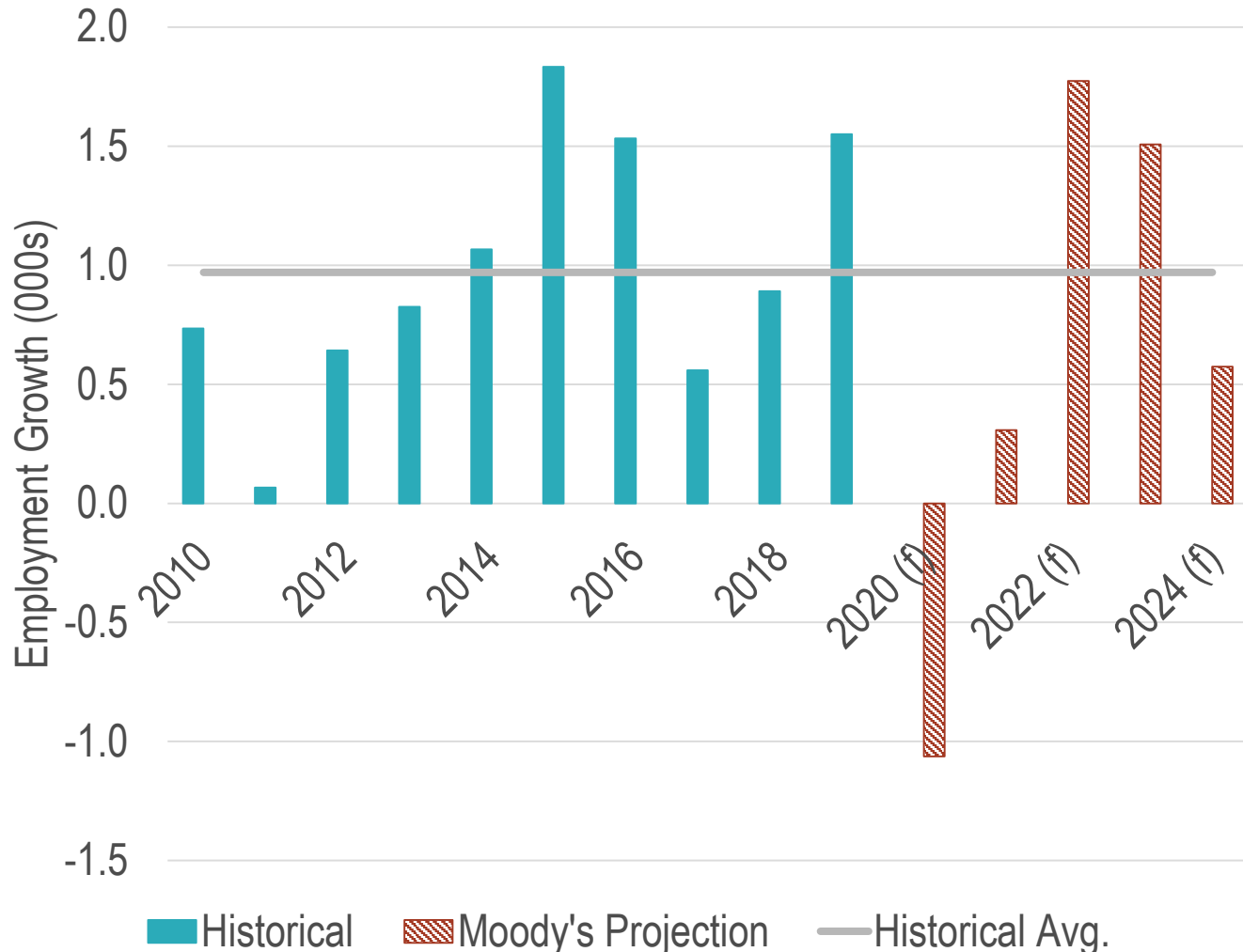


CHARLOTTE COUNTY

Historical and Forecasted Non-Agricultural Employment; 2010-2024 (f)

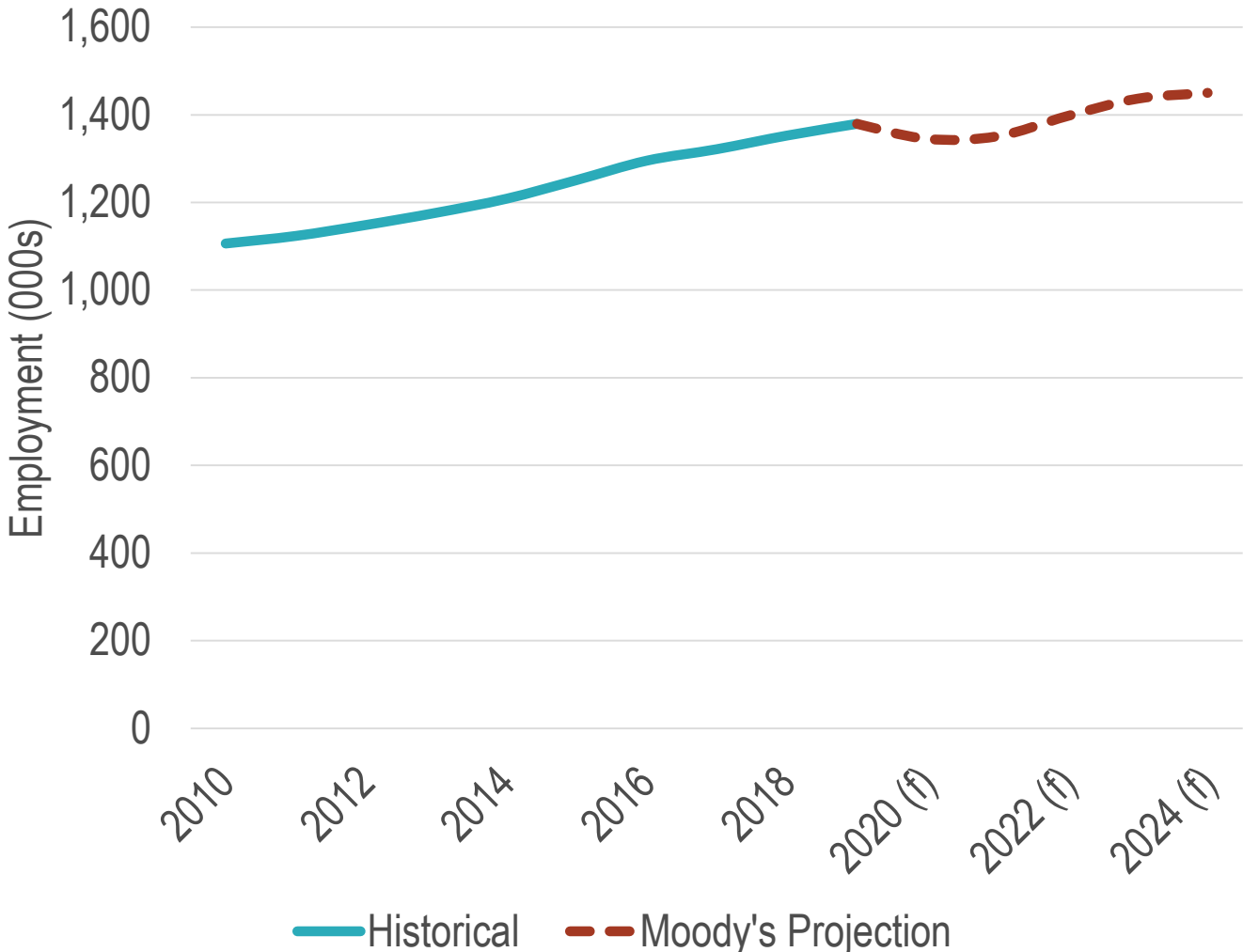


Annual Historical and Forecasted Non-Agricultural Employment Growth; 2010-2024 (f)

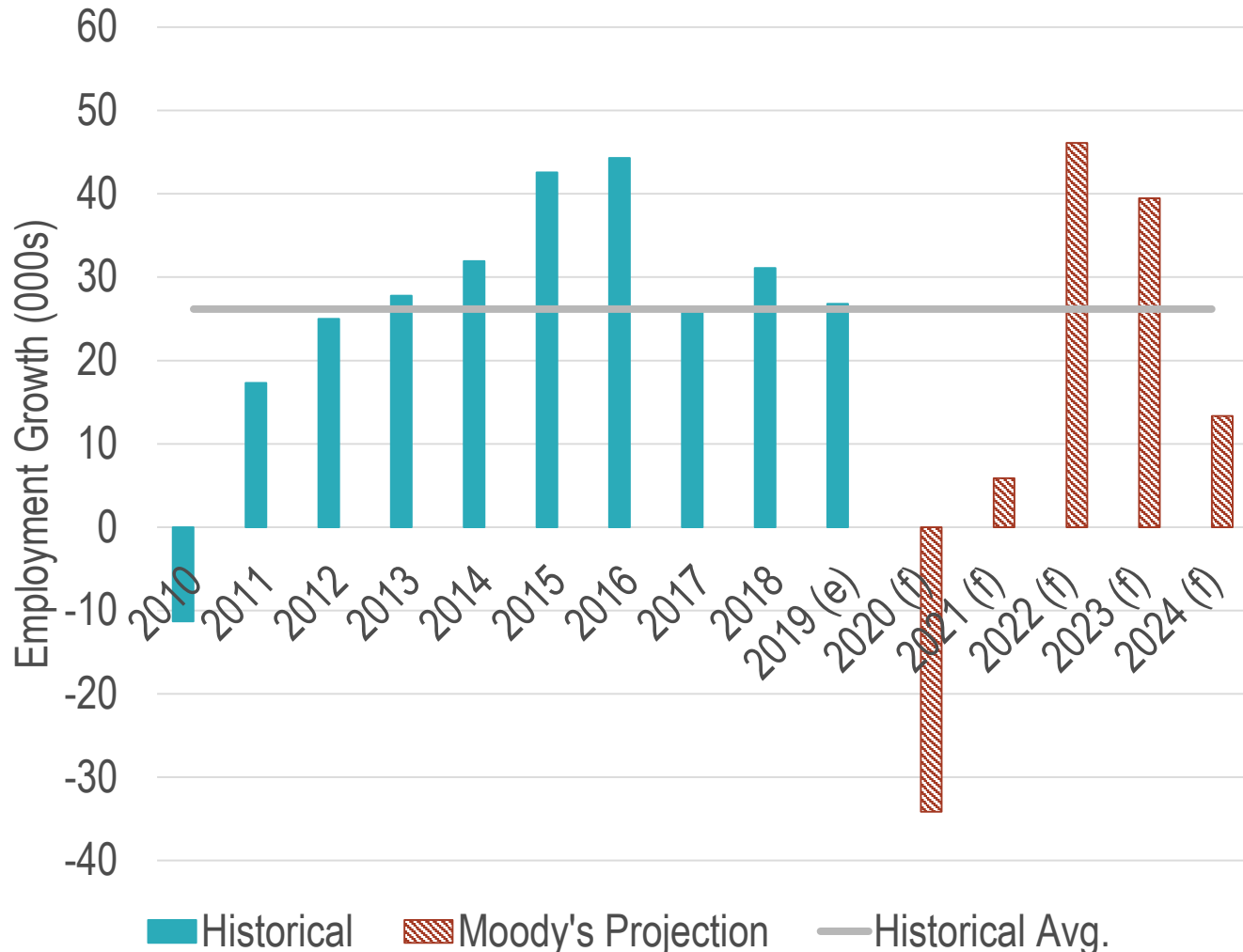


TAMPA-ST. PETERSBURG-CLEARWATER, FL MSA

Historical and Forecasted Non-Agricultural Employment; 2010-2024 (f)



Annual Historical and Forecasted Non-Agricultural Employment Growth; 2010-2024 (f)



COVID-19 & GDP GROWTH

- ▶ **U.S. GDP shrank -4.8% in Q1 2020***
 - » Steepest contraction since Q4 2008
 - » Expecting a Q2 decline of -30% or more...
 - » Q1 number will probably get revised even lower as more data becomes available to perhaps -8% to -11%

U.S. economy shrank 4.8 percent in the first quarter, the worst decline since the Great Recession

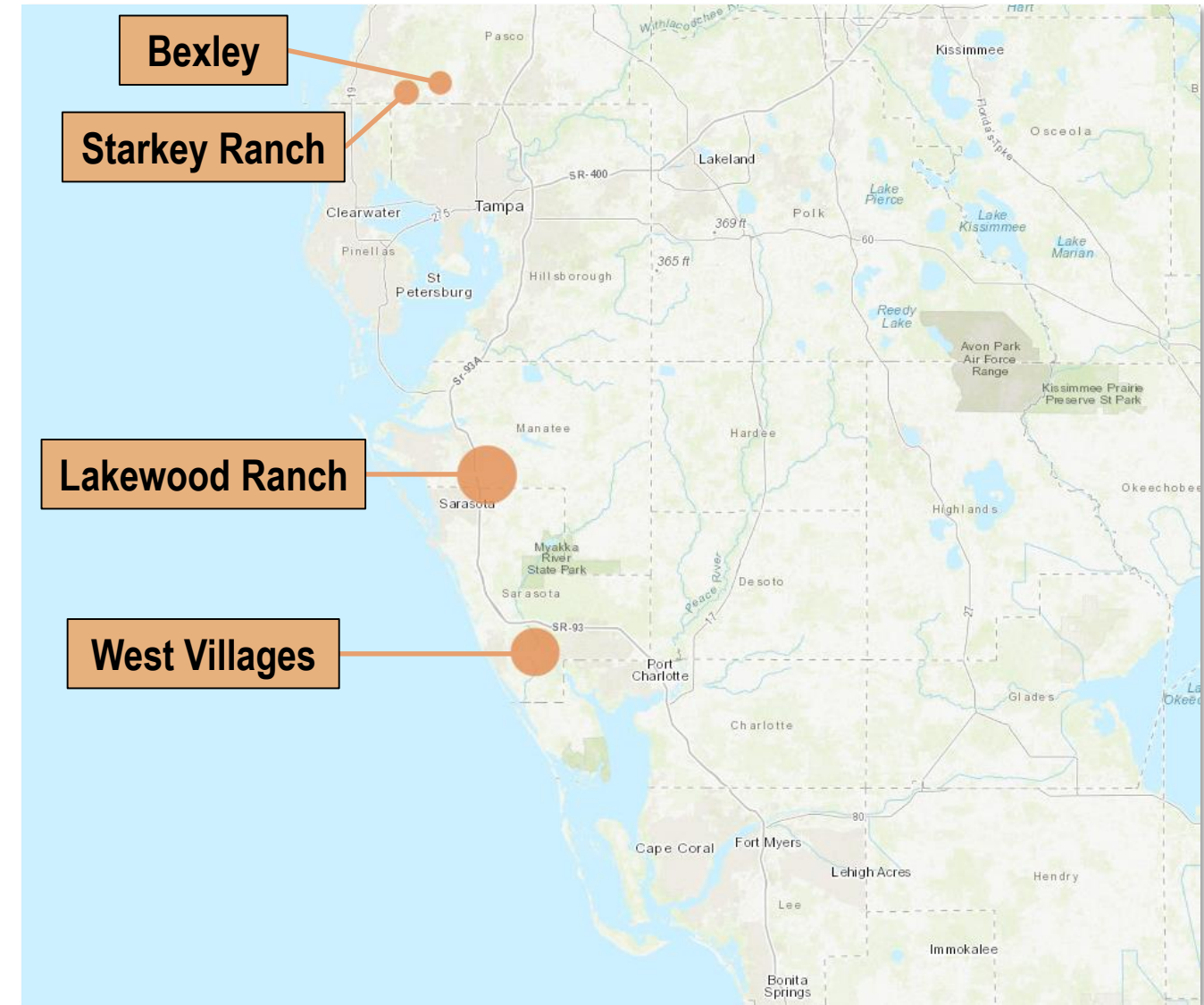


* Seasonally and inflation adjusted – current-dollar GDP declined -3.5%

SOURCE: Bureau of Economic Analysis; RCLCO

TOP-SELLING MASTER-PLANNED COMMUNITIES, SOUTHWEST FLORIDA

Community	2019 Rank	2019 Sales	2018 Sales	Annual Growth Rate
Lakewood Ranch	#2	1,648	1,482	11%
West Villages	#4	1,273	1,108	15%
Starkey Ranch	#30	450	401	12%
Bexley	#39t	401	297	35%



RCLCO COVID-19 SENTIMENT SURVEY RESULTS

MPC EXECUTIVE INTERVIEWS: APRIL AND MAY (THROUGH MAY 5)



- » April sales were off 50% for many, and by 80% in some communities
- » Cancellations started in late March and increased in April. May Cancellations still high at 20%-30%, but low denominator
- » Sales rebounding so far in May, up 30-40%, and some up 80% from early April to Early May!!

MPC EXECUTIVE INTERVIEWS

Selected Quotes:

- ▶ “We are seeing an upward trend in sales over the past few weeks”
- ▶ “People who want to buy are getting restless and want to act.”
- ▶ “Consumer is tired of deferring the home-buying decision.”
- ▶ “I believe that consumer confidence has taken a turn optimistic and sales data bears out.”

MPC EXECUTIVE INTERVIEWS

- ▶ 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

- ▶ **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
- ▶ Closings between **cars in the parking lot** – must find better solutions
- ▶ Opportunities for creative solutions



HOMEBUILDERS

- » Net contracts are down substantially, but some green shoots
- » Concerned they'll have substantial inventory on hand by July
- » 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

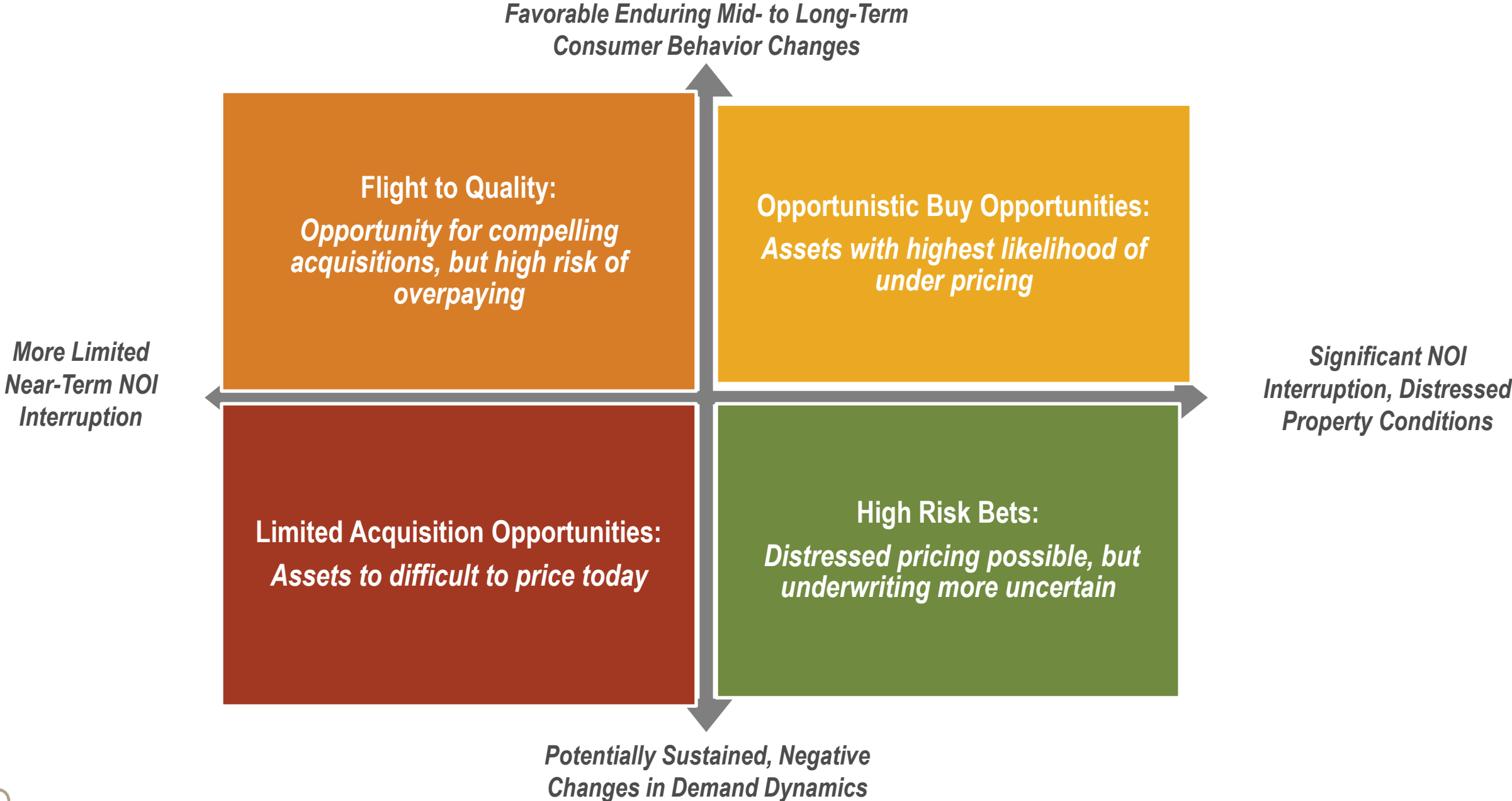


LONG-TERM HOUSING IMPACT

- ▶ 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**



SECTOR IMPACTS AND OPPORTUNITIES



GEOGRAPHIC EVALUATION FRAMEWORK



GEOGRAPHIC EVALUATION FRAMEWORK





Q&A

BRAD HUNTER

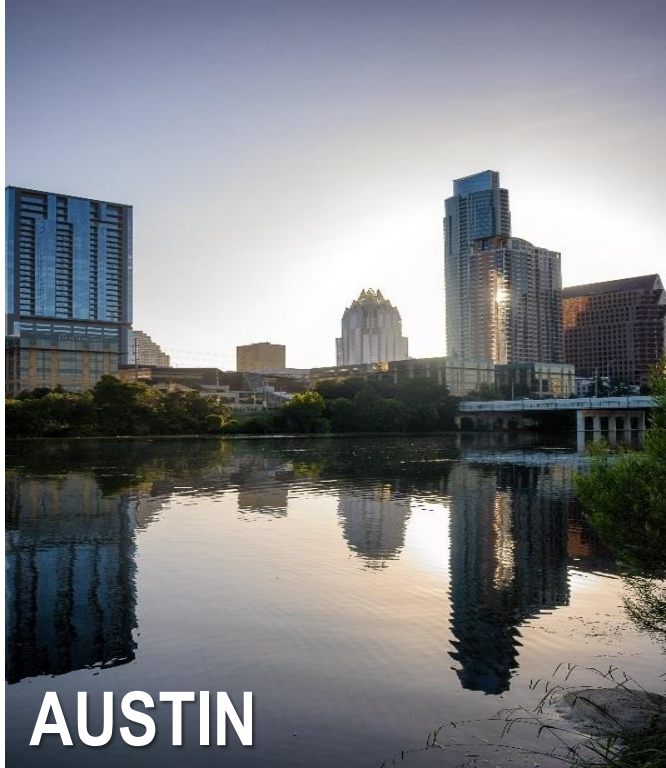
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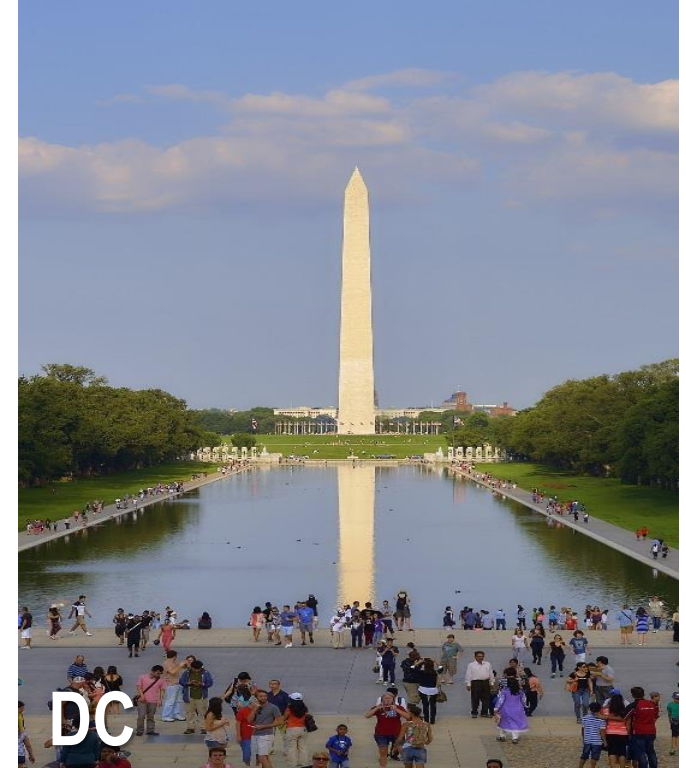
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Thank you to CBIA, Charlotte BIA, and ULI, and to all of you!

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