



2020, THE YEAR OF THE SUBURB? RCLCO Monthly Round-Up

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TODAY'S PANELISTS



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TODAY'S PRESENTATION – FIVE KEY TRENDS

1. The 'burbs are booming – is it flight or trend or...?
2. Current housing market trends and “flight”
3. Demographic trends and flight
 - *Opportunities for Single Family Rental*
4. Rental housing markets national and select markets overview
 - *Stronger rent growth in the suburbs than in urban market areas*
5. Homebuilder design responses to pandemic

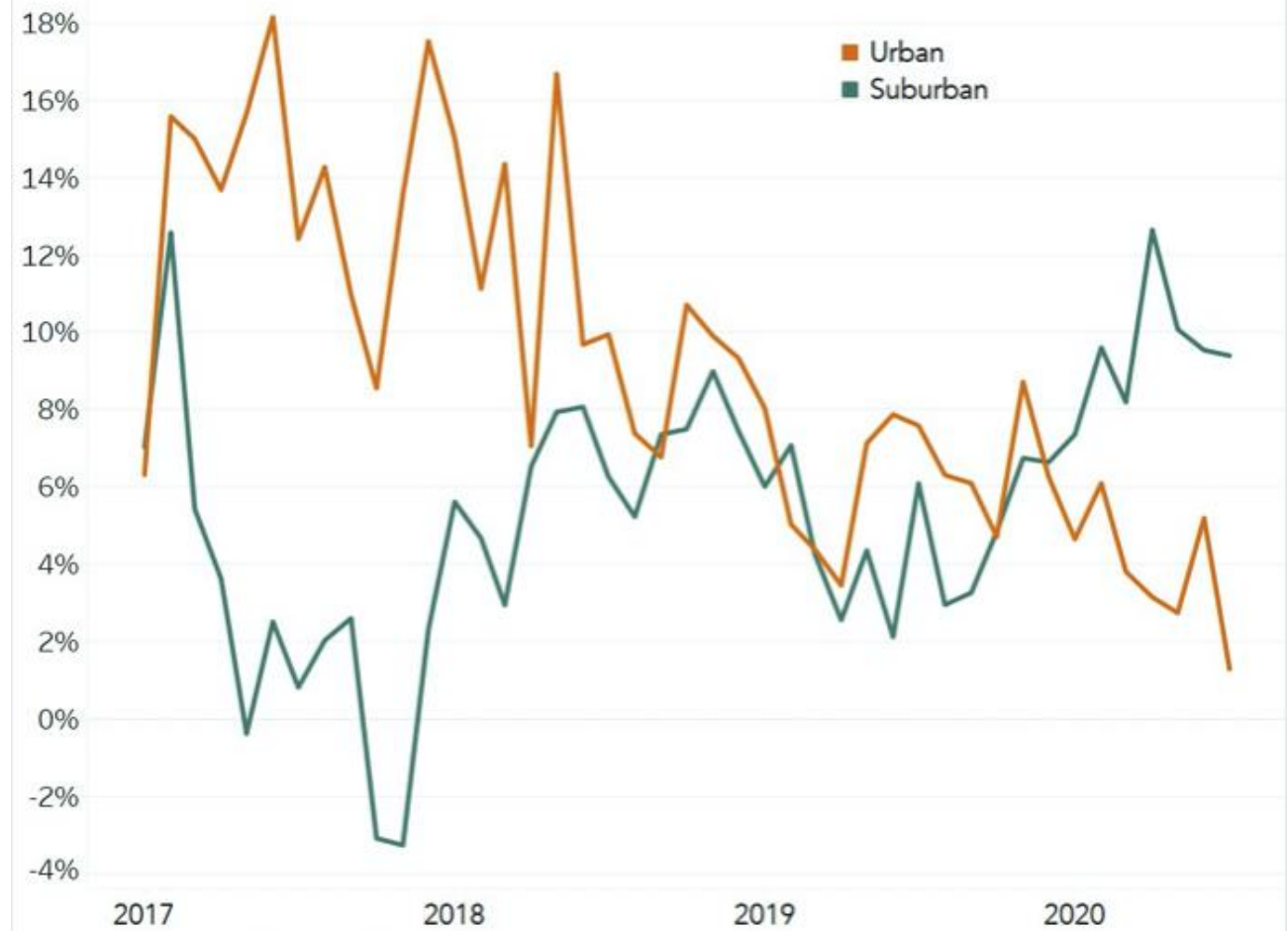
THE 'BURBS ARE BOOMING...IS IT "FLIGHT" OR "TREND"?

SUBURBS IN DEMAND

- Strong housing recovery especially in lower density single family suburban markets
 - Low mortgage interest rates
- Strongest growth in Starts, Permits, Single Family Homes Sales, in the South, largely suburban and rural; MPC's performing extremely well
- Greater 2020 median home sale price growth in suburban versus urban zip codes in some, but not all top U.S metropolitan areas
 - Tight inventory, rising costs, drive to lower cost areas
- Many rental housing markets show stronger rent growth in the suburbs than in urban market areas
- USPS data analyzed by Jeffries show an increase in Move-Outs* in Urban Areas and big coastal cities (NY, SF) especially in areas that are dominated by renters
- Drivers:
 - Pandemic - working from home, desire for space, economics (unemployment, college students moving home)
 - Long term demographic trends

Acceleration to the Suburbs?

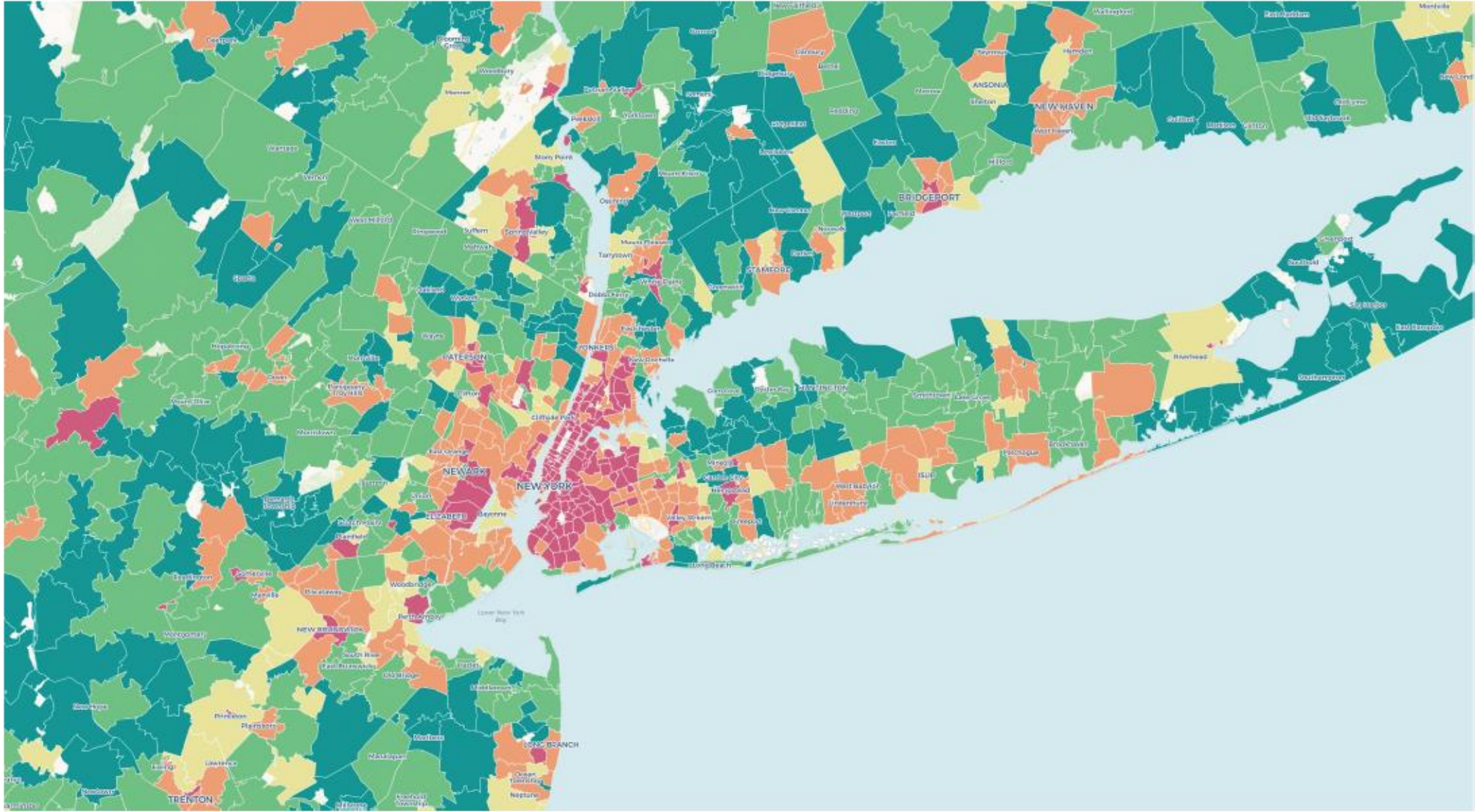
Yearly Growth of Median Sale Price in NYC CBSA by Urban/Suburban Zip Codes



Source: First American Calculations, DataTree by First American, Trulia

MIGRATION TO SUBURBS IN NEW YORK

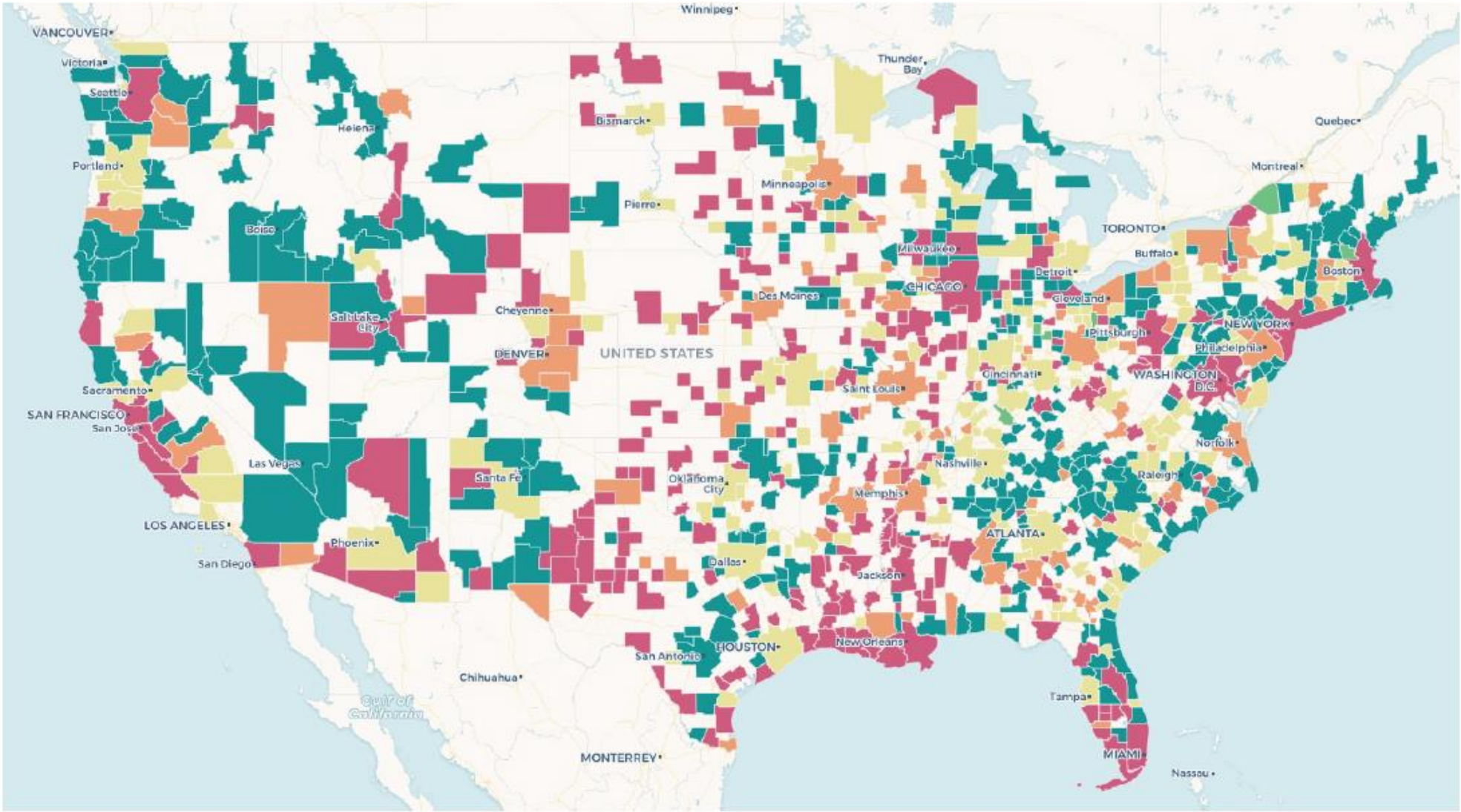
USPS Data Indicates Migration out of Urban New York City to Neighboring Suburban Areas



Source: USPS, Carto, Jefferies

MIGRATION TO SMALLER MARKETS

Large coastal cities have seen outflows (red), while midsize and small markets like Raleigh, Charlotte, Jacksonville, Las Vegas, Austin, San Antonio and Boise have seen inflows (green).



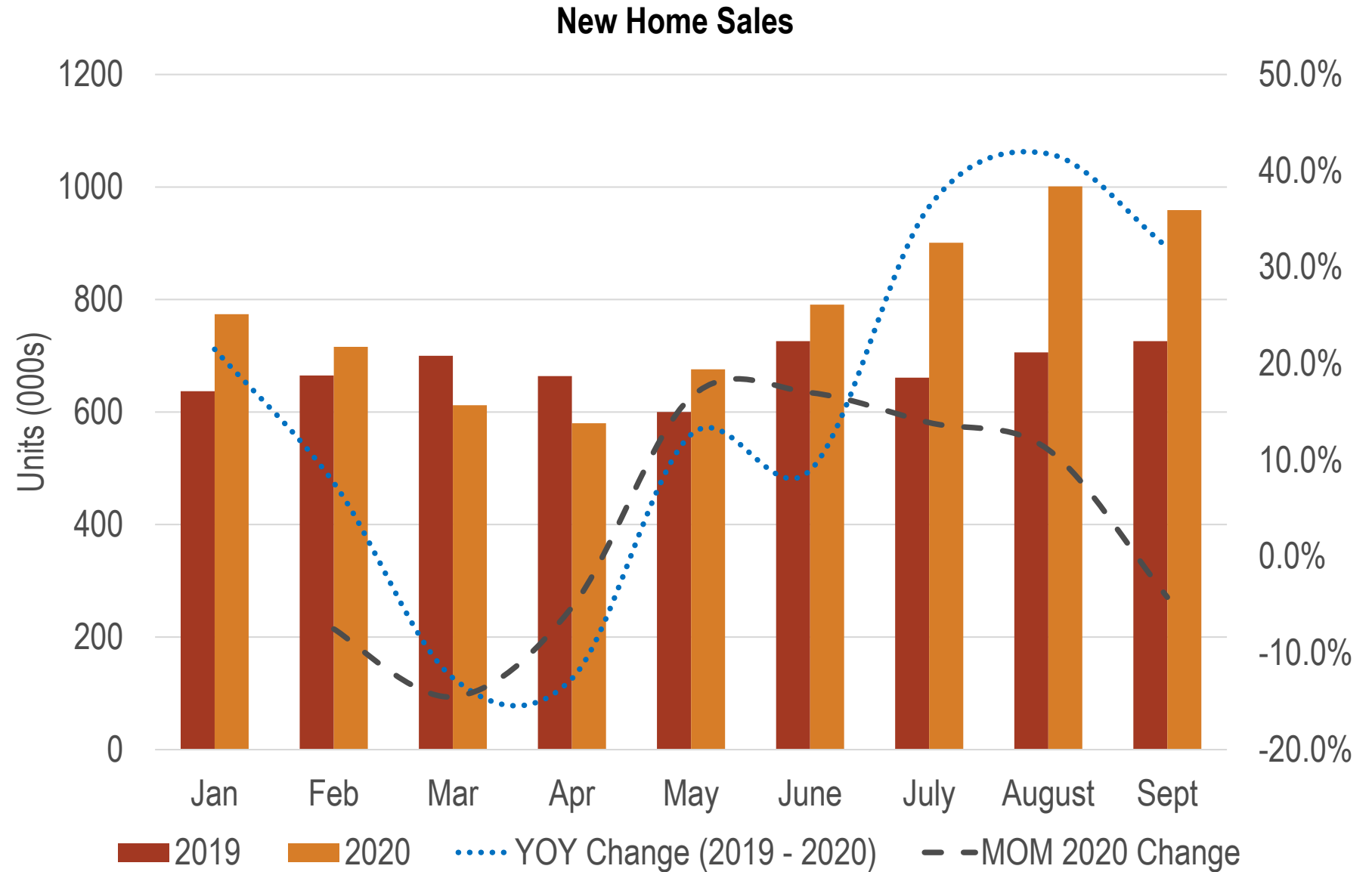
Source: USPS, Carto, Jefferies

SOURCE: *Jefferies Migration Report*

NEW HOME SALES RECOVERY CONTINUES

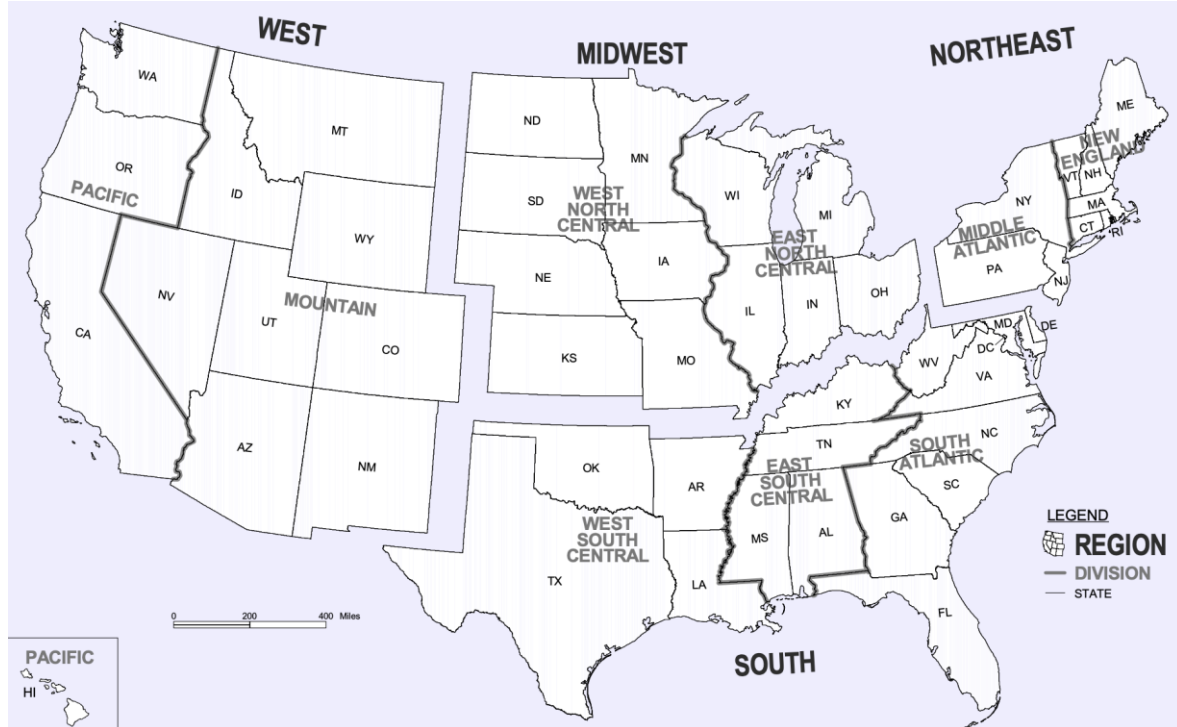
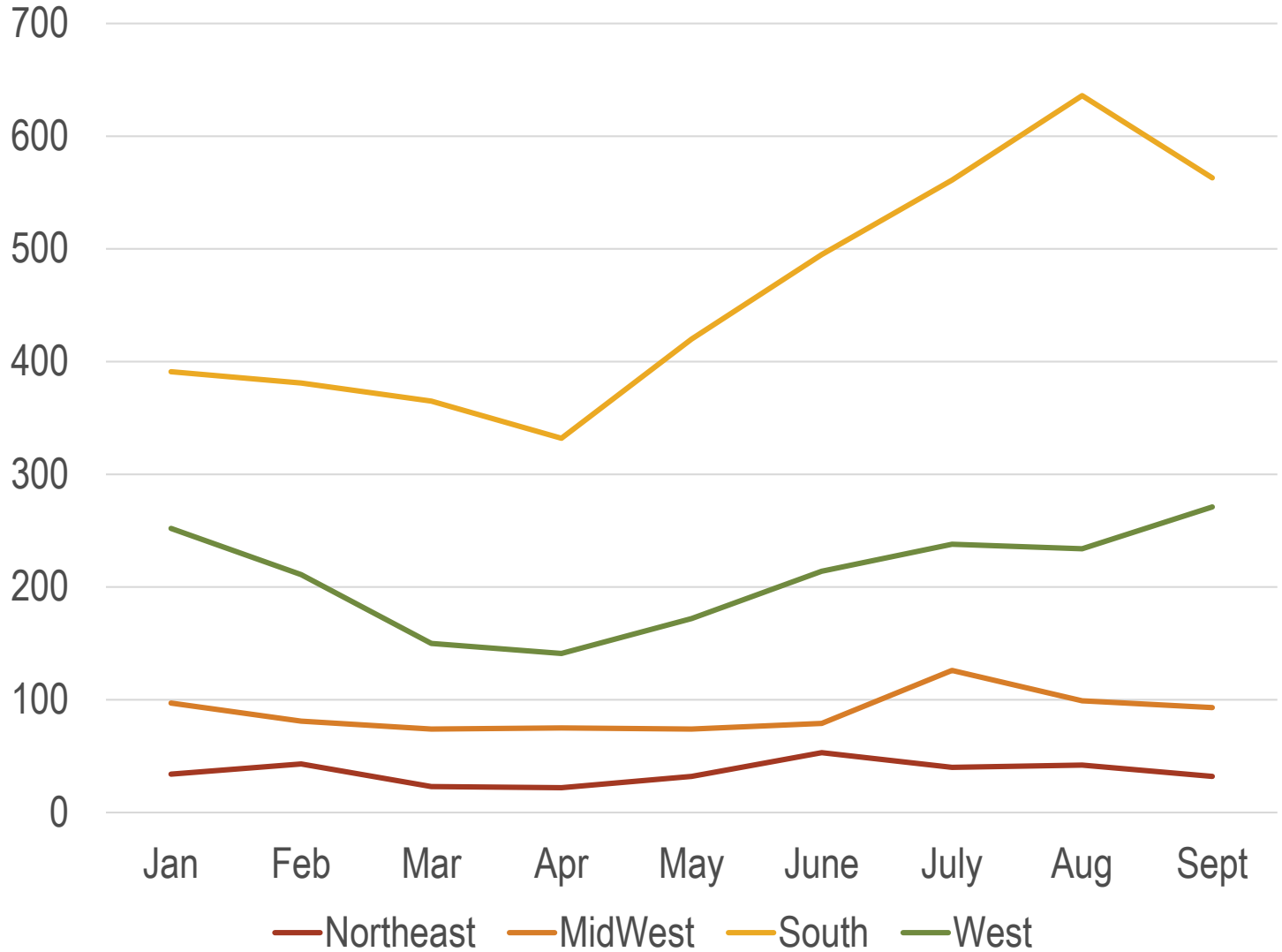
Sales of new single-family homes well up over 2019 pace

- ▶ Seasonally adjusted annual rate of 959,000
- ▶ 3.6 months of supply of new homes at the current pace
- ▶ Average sales price of \$405,000, \$326,000 median price (September)
- ▶ Drivers: low interest rates, demographic shifts, desire for more space - Covid
- ▶ Strong housing demand and low supply bad for affordability



SOUTH REGION LEADS IN NEW HOME SALES

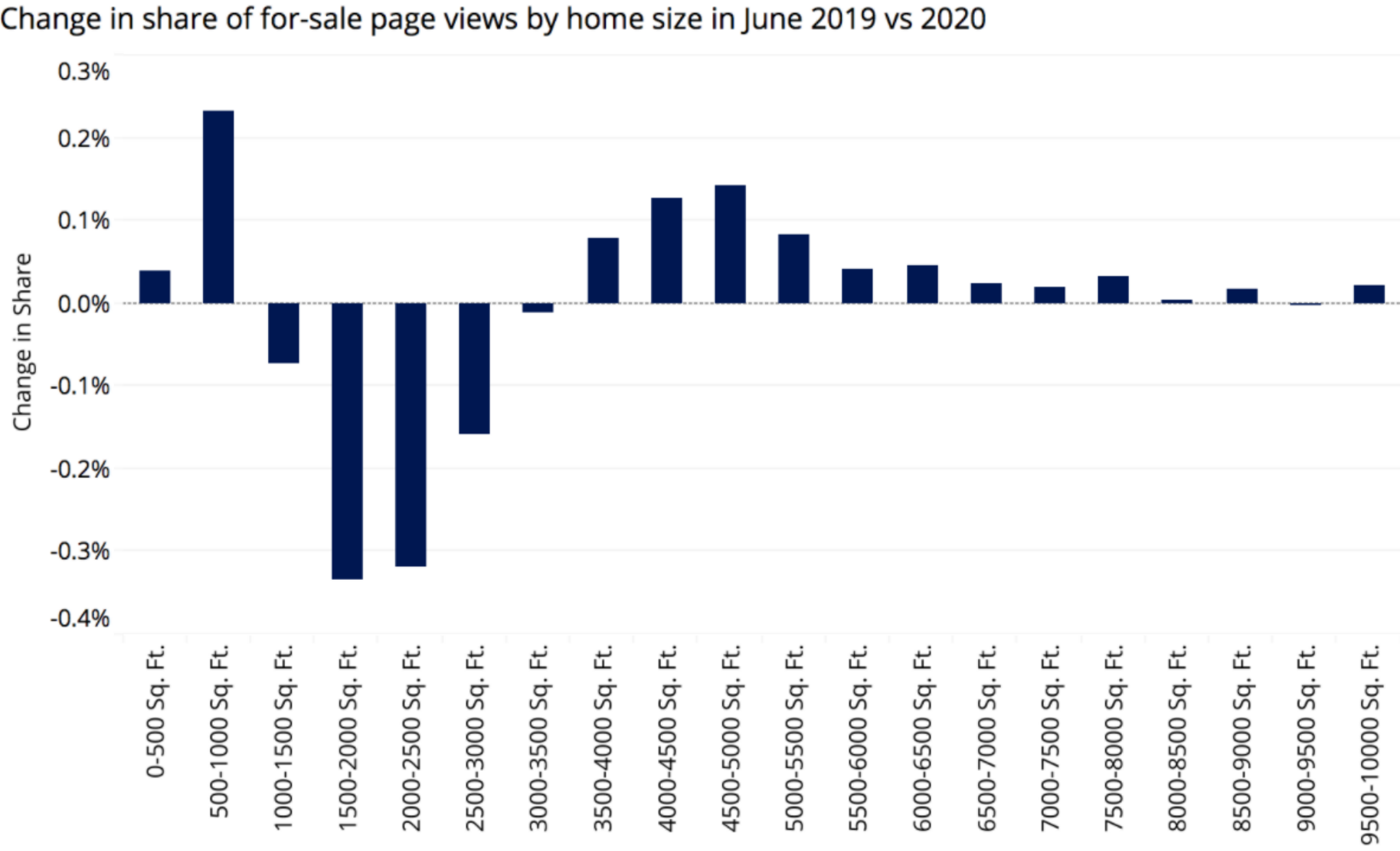
2020 New Home Sales by Region



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Northeast	34	43	23	22	32	53	40	42	32
MidWest	97	81	74	75	74	79	126	99	93
South	391	381	365	332	420	495	561	636	563
West	252	211	150	141	172	214	238	234	271

MORE PEOPLE LOOKING AT LARGER HOMES (ZILLOW PAGE VIEWS)

Zillow page view data by home size shows slightly more views for larger homes, which tend to be suburban in (June 2020 to June 2019)

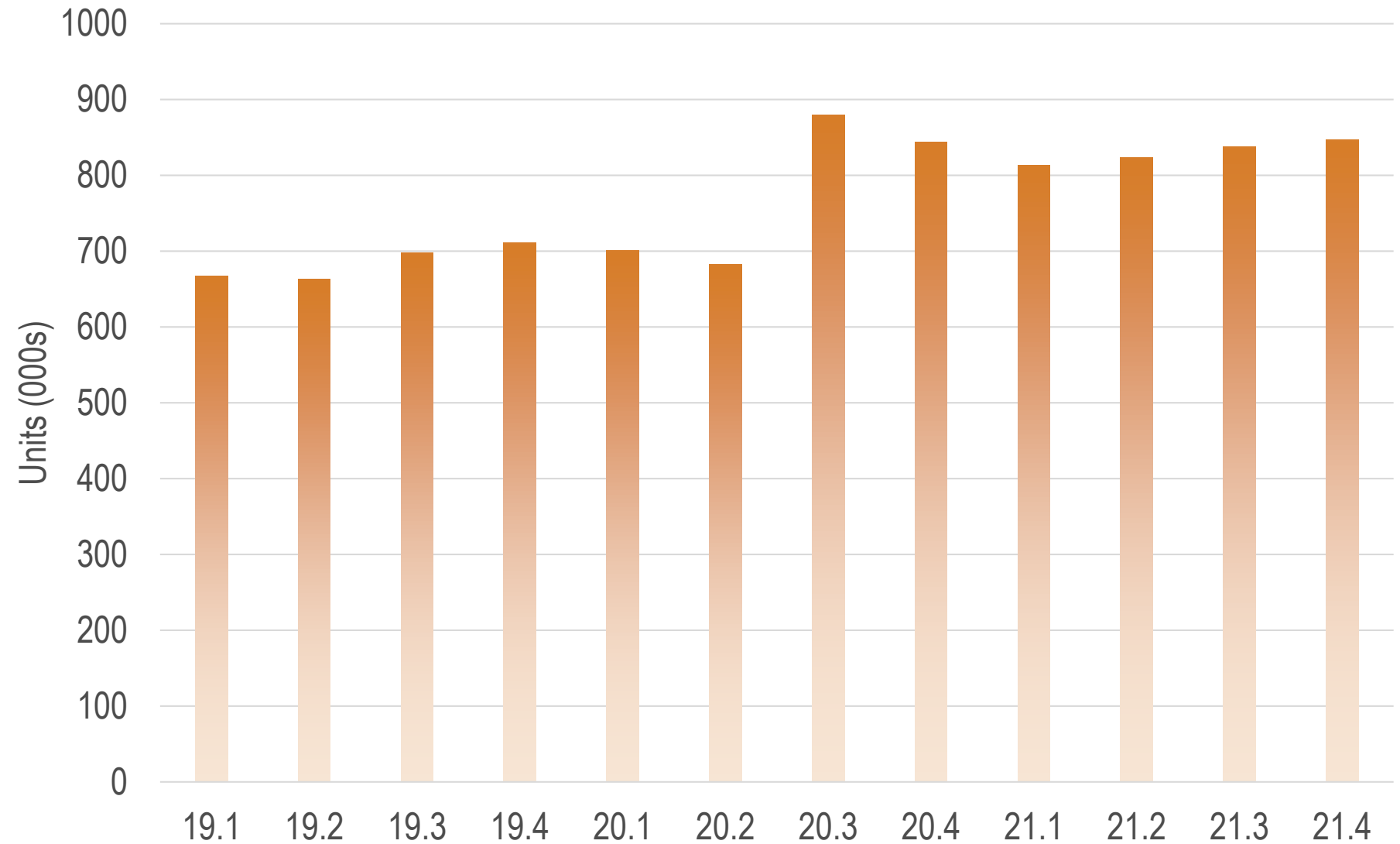


2021 FORECAST: CONTINUED STRONG NEW HOME MARKET (SFD)

Factors that could alter this forecast:

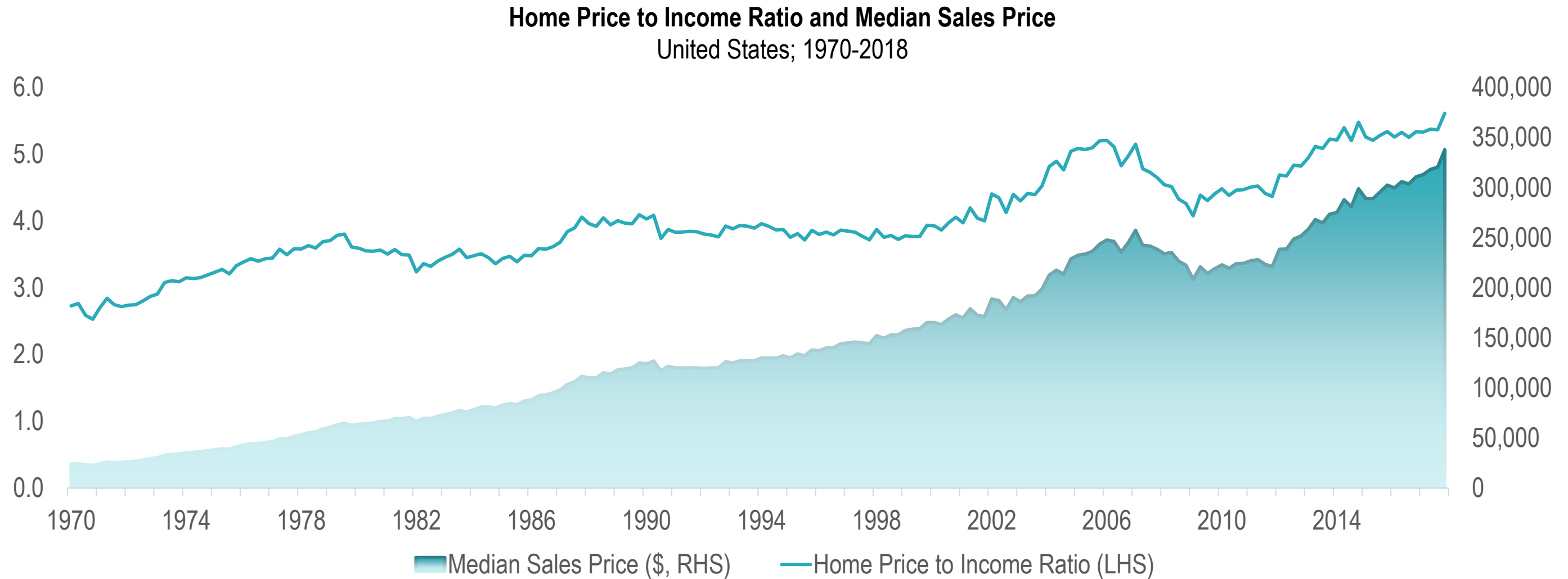
- ▶ Rising costs – lumber, appliances
- ▶ Diminishing lot inventory (particularly lower priced lots)
- ▶ Rising Covid-19 cases impact consumers and businesses
- ▶ Timing of deployment of a vaccine
- ▶ Low interest rates are an inducement to buy homes but slow supply growth and increasing costs will drive up home prices, lower affordability and impact demand

New Single Family Home Sales Trend and Forecast








AFFORDABILITY ISSUES DRIVING MANY TO RENT IN SUBURBS

Home prices have continued to rise faster than incomes, leaving many households unable to afford a single-family home and pushing additional households towards single family rentals



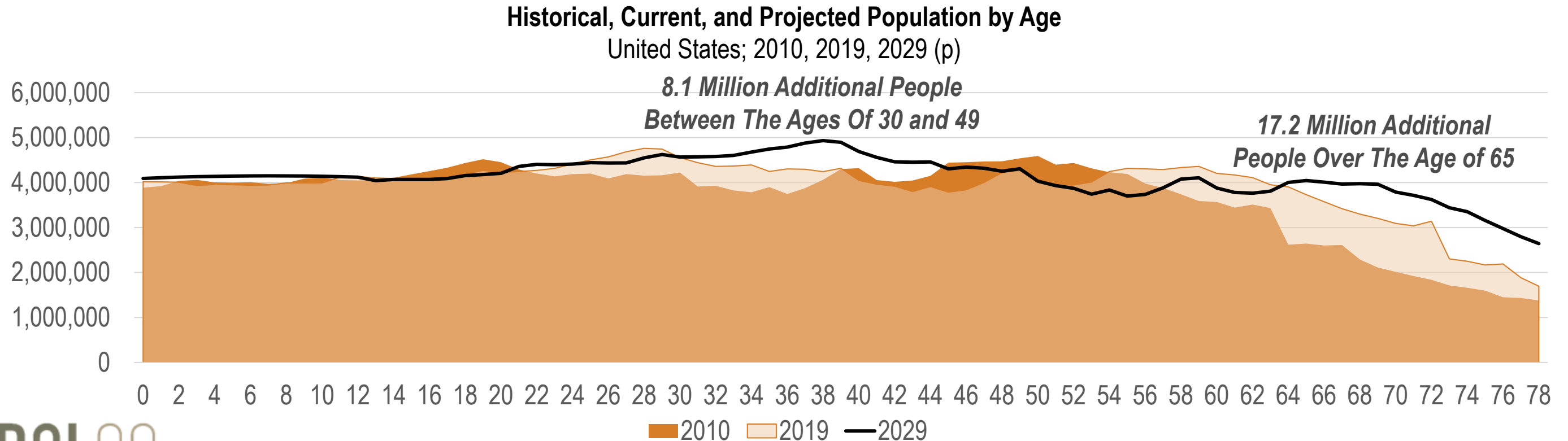
EVOLVING LOW-MID DENSITY RENTAL PRODUCT LANDSCAPE

Product Type	Picture	Neighborhood Location	Development Strategy	Key Examples & Geographic Focus
Suburban SFD (MPC-Style)		Greenfield Lifestyle Suburb Greenfield Value Suburb	Provide traditional single family product in outlying suburbs or in MPCs. located in areas with good school districts, proximate to other single family housing.	AHV Communities Sun Belt Markets
Single-Story Apartment-Style (also referred to as horizontal apartment)		Economically Challenged Suburb Middle-Income Suburb	Alternative to multifamily apartments, providing additional privacy and space at a similar price point	NexMetro, Christopher Todd, Bungalows Sun Belt & Rocky Mountain Region
Suburban SFA		Greenfield Lifestyle Suburb Middle-Income Suburb	Provide smaller, lower-priced single family product in outlying suburbs or in MPCs.	BB Living Sun Belt Markets
Urban/Suburban Infill SFA or Small-Lot SFD		Stable Urban Neighborhood Stable Suburb	Located in in-town locations just outside of the urban core offering high-quality product for lifestyle renters	RedPeak Platt Park Townhomes National
Urban Rowhome/SFA		Emerging Economic Center High End Urban & Suburban	Located in urban core locations, likely in markets where high-density construction isn't feasible	National

POPULATION TRENDS

The national age composition has meaningful impacts on the types and amounts of housing that people demand across the country, with significant growth expected among ages 30 to 49 and over 65

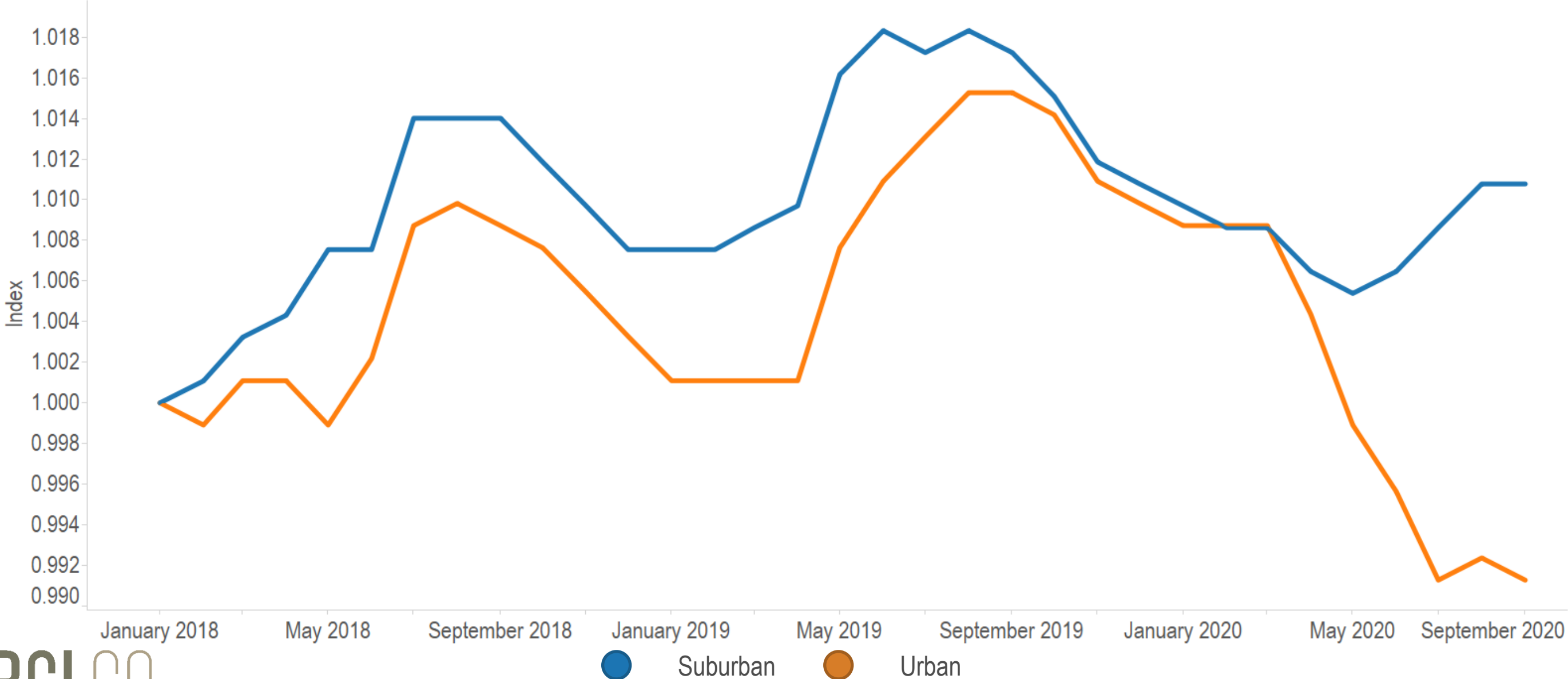
- ▶ Significant population growth is expected to occur between the ages of 30 and 49. The number of people in this age bracket is projected to grow by 9.7% (8.1 million people) over the next 10 years
- ▶ Age when many people historically have gravitated to single family, transitioning from apartments
- ▶ Likewise, the number of people over the age of 65 is projected to grow by 32.3% (17.2 million people).



URBAN VS. SUBURBAN RENTAL MARKETS

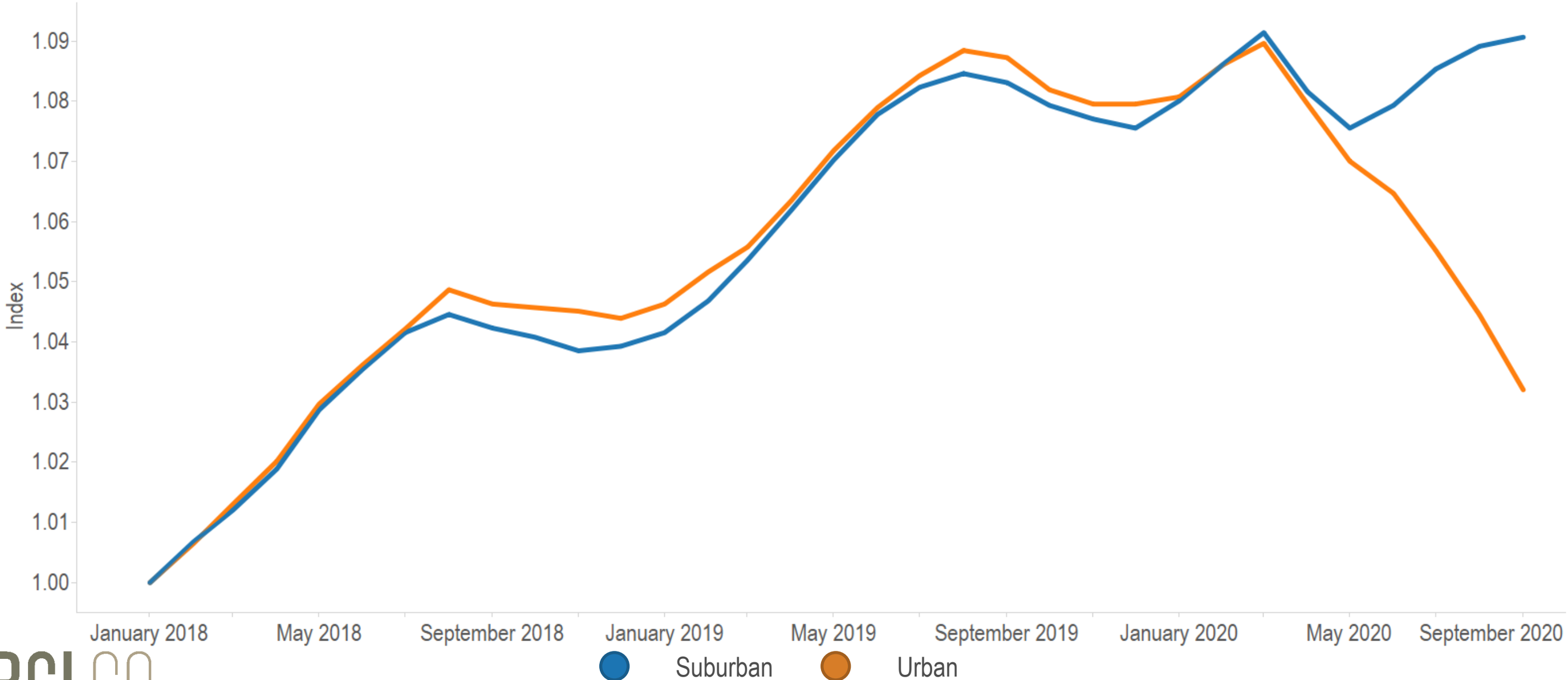
NATIONAL – OCCUPANCY

Occupancy - National vs. National
Jan 2018 to Present



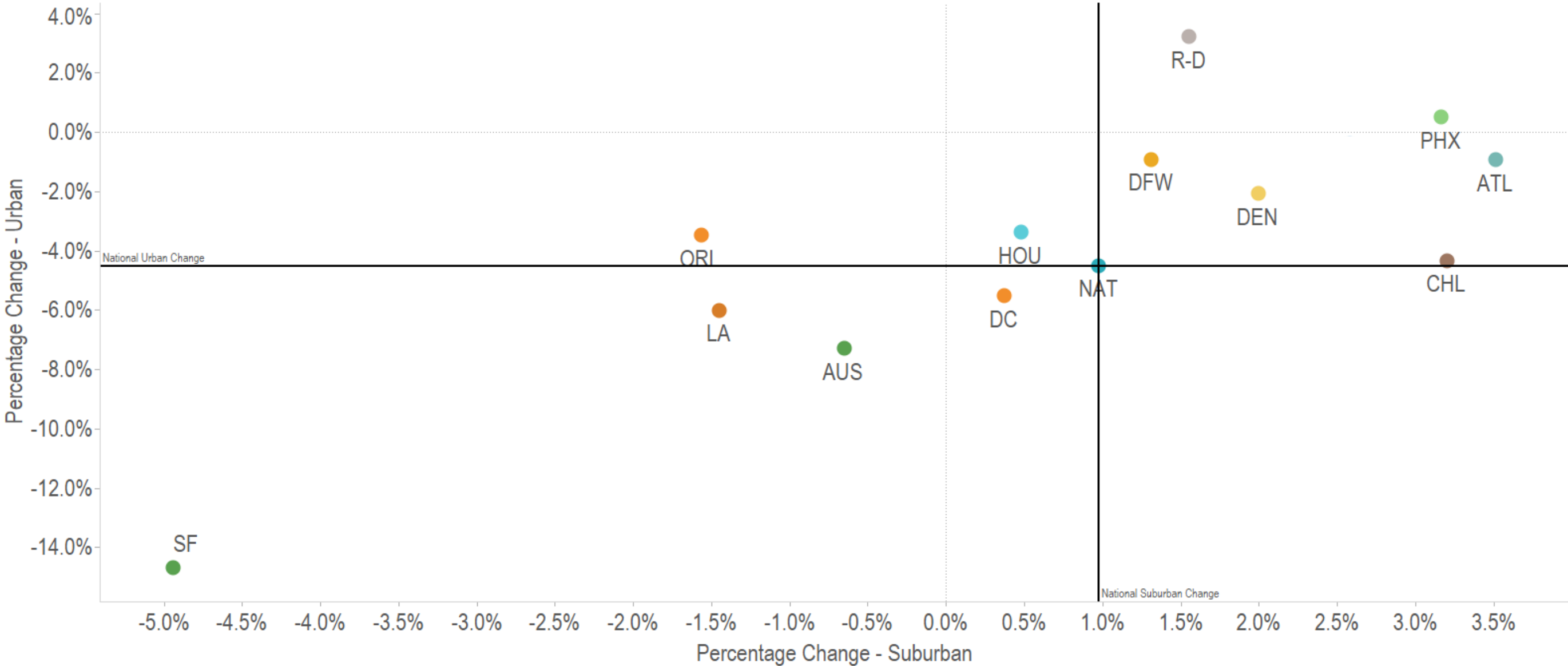
NATIONAL – EFFECTIVE RENT

Effective Rent - National vs. National
Jan 2018 to Present



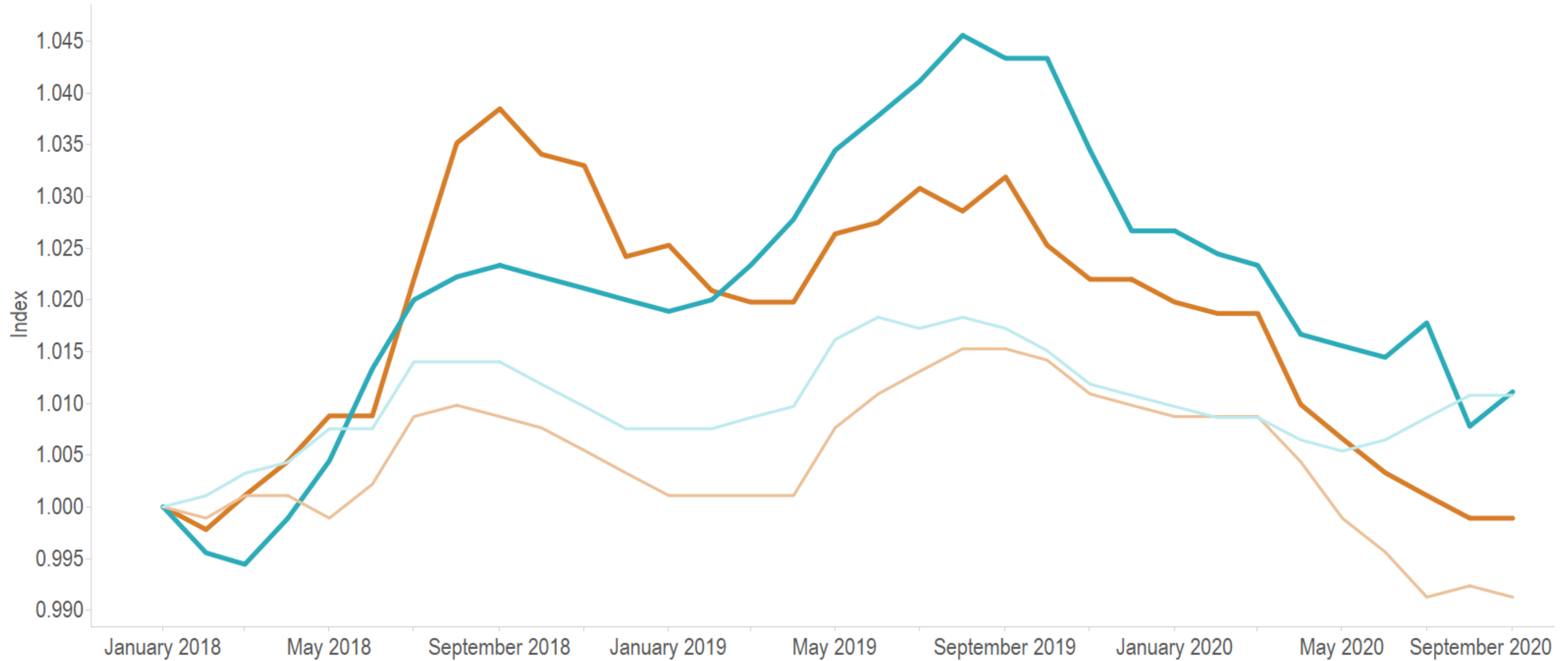
URBAN VS. SUBURBAN EFFECTIVE RENT CHANGE

% Change in Effective Rent - Urban vs. Suburban
Top 15 MSAs vs. National (Jan 2020 - Sep 2020)



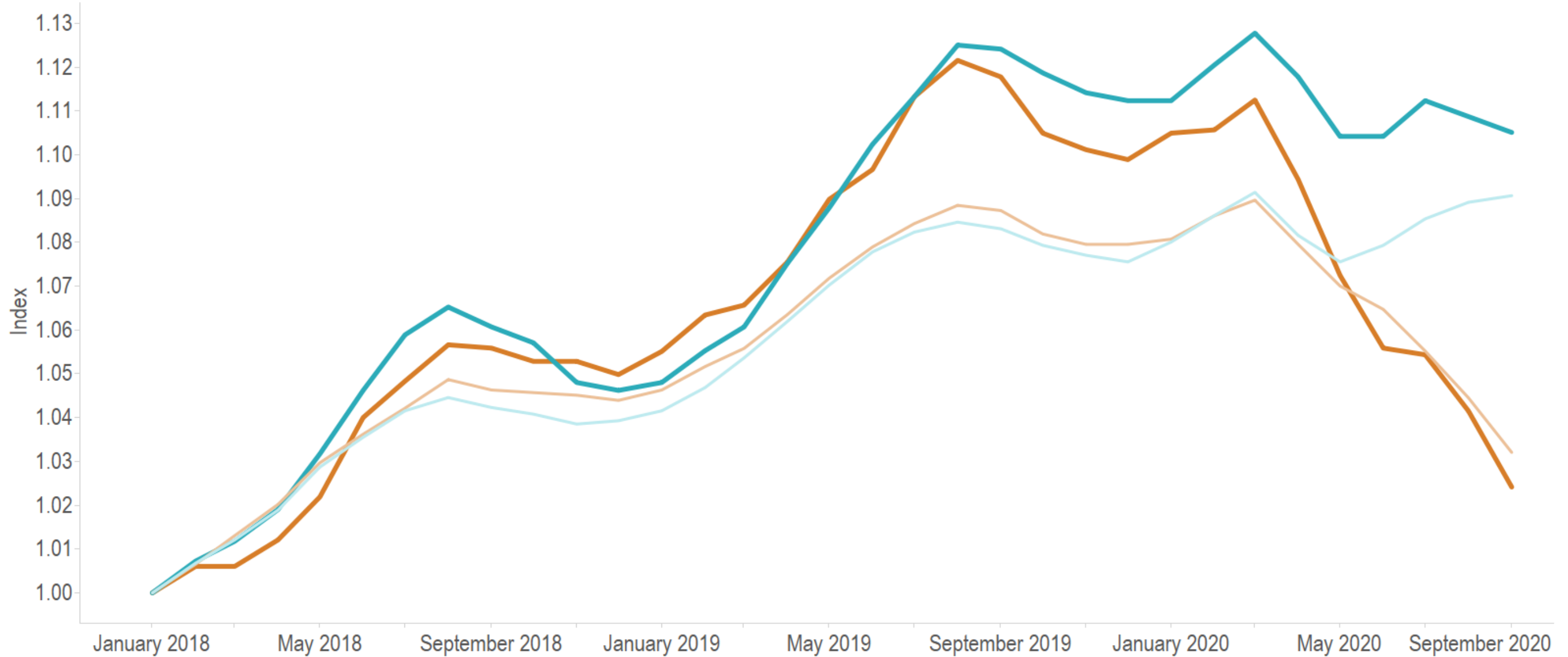
AUSTIN – OCCUPANCY

Occupancy - Austin-Round Rock-Georgetown, TX vs. National
Jan 2018 to Present



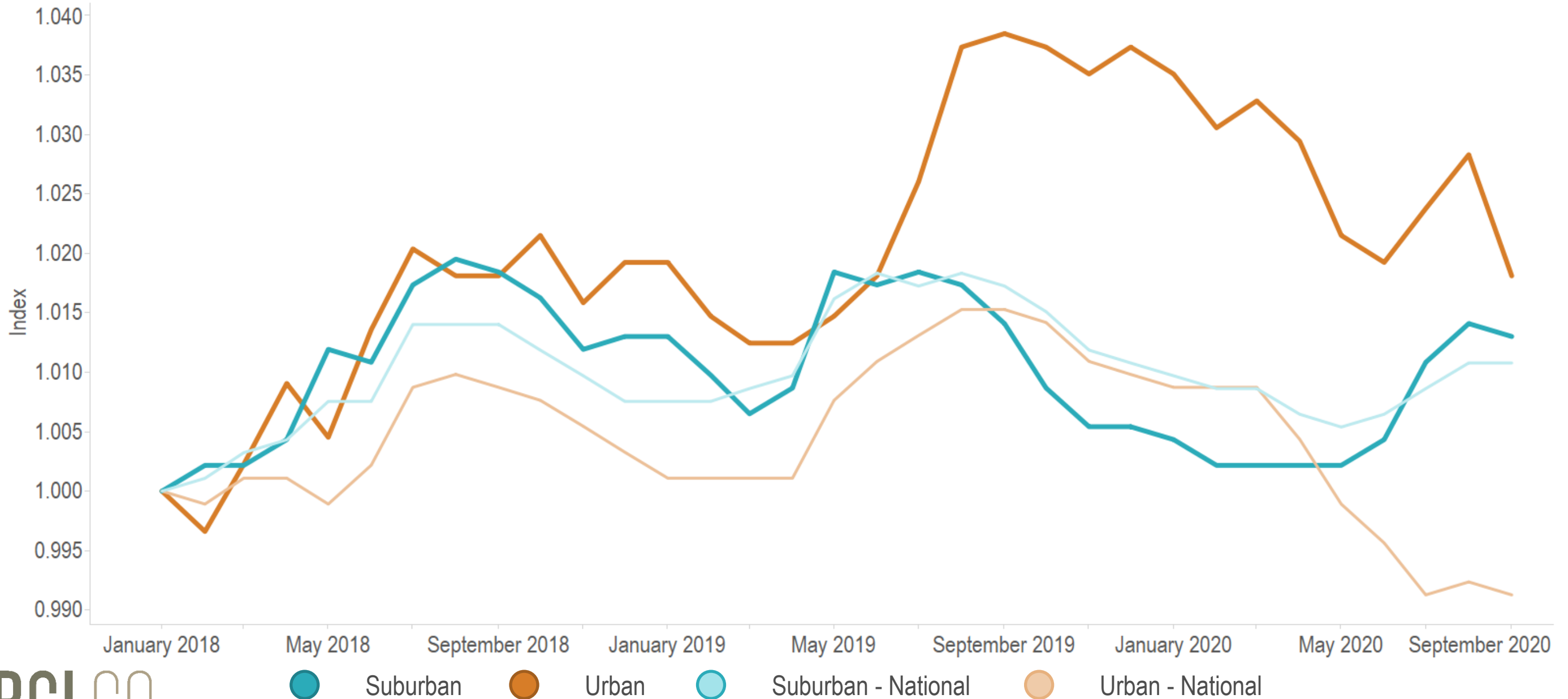
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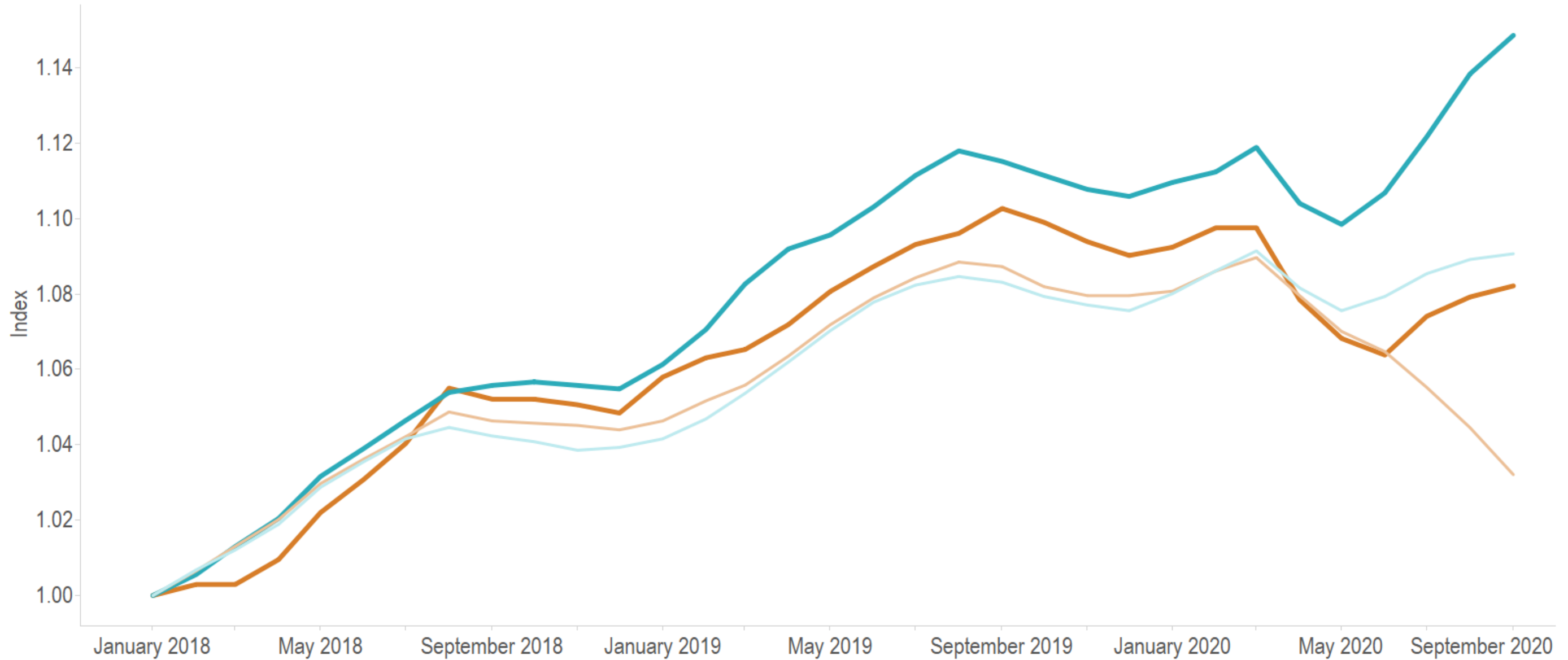
ATLANTA – OCCUPANCY

Occupancy - Atlanta-Sandy Springs-Alpharetta, GA vs. National
Jan 2018 to Present



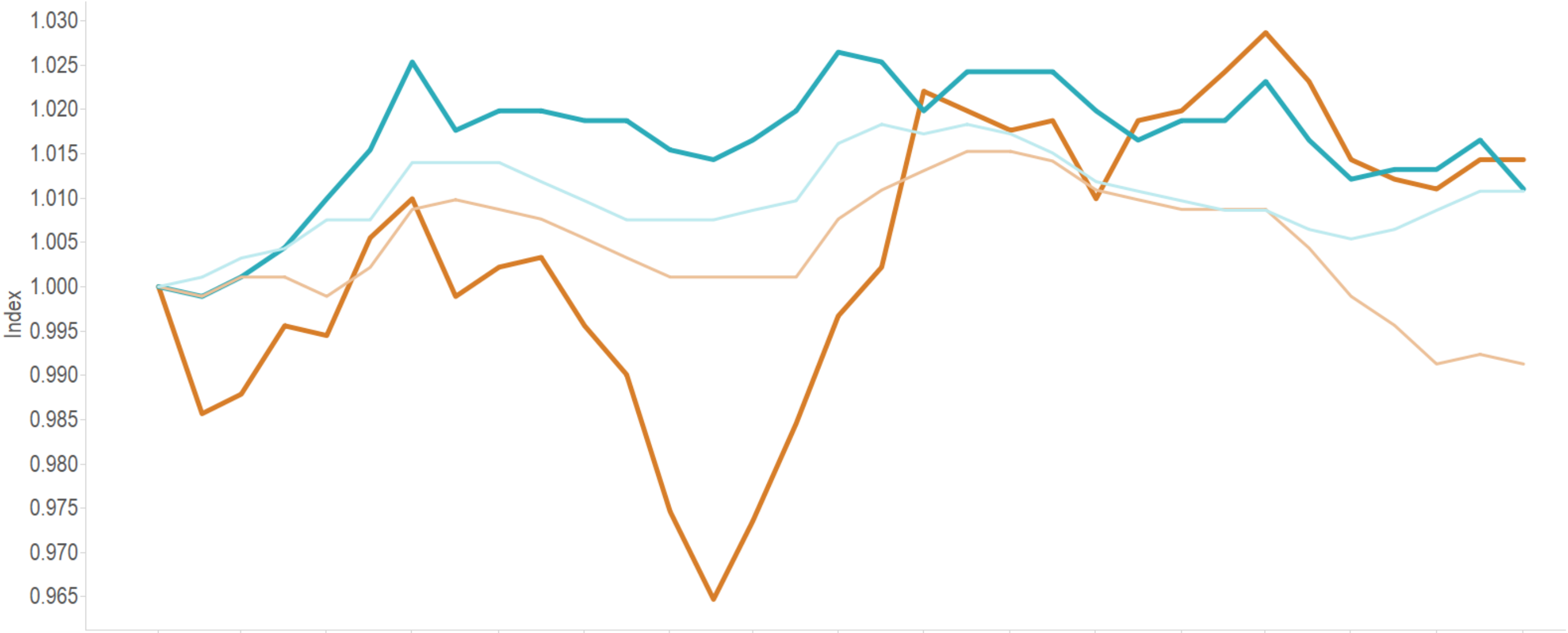
ATLANTA – EFFECTIVE RENT

Effective Rent - Atlanta-Sandy Springs-Alpharetta, GA vs. National
Jan 2018 to Present



CHARLOTTE – OCCUPANCY

Occupancy - Charlotte-Concord-Gastonia, NC-SC vs. National
Jan 2018 to Present

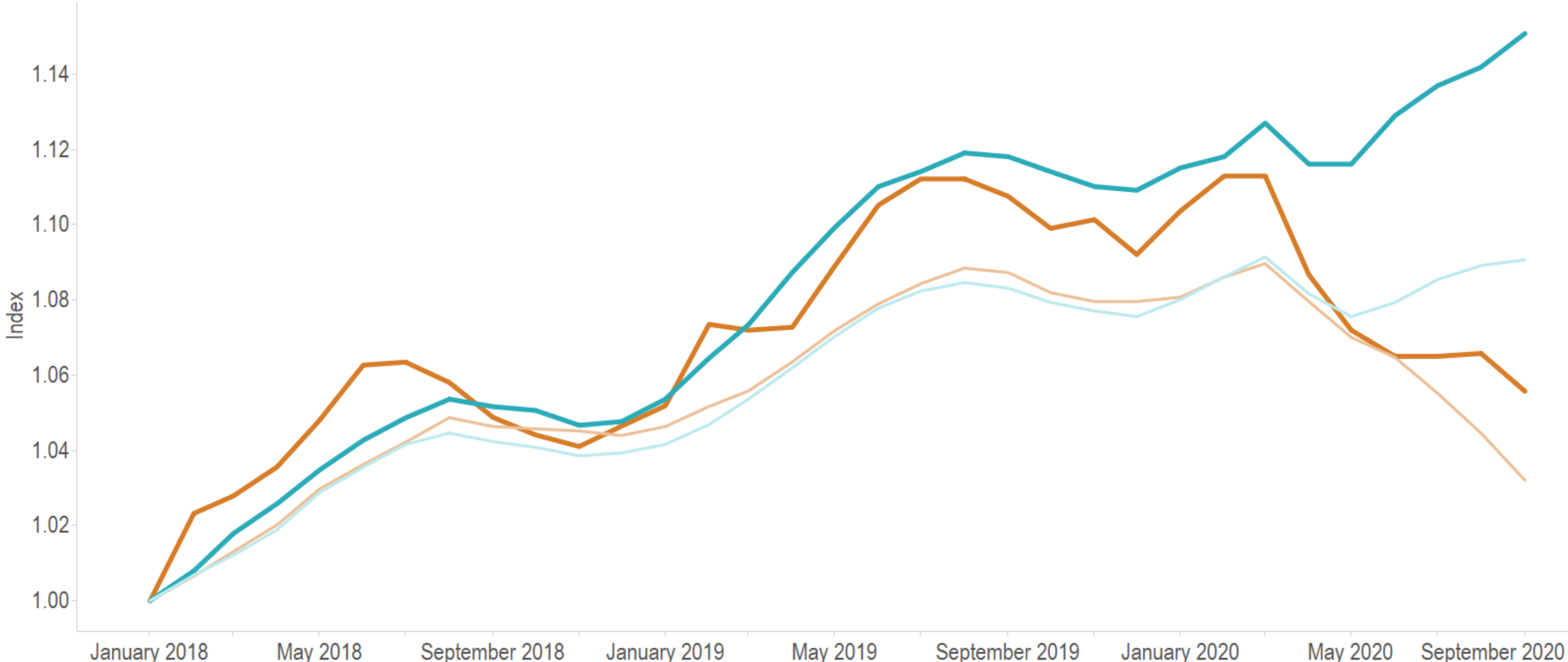


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

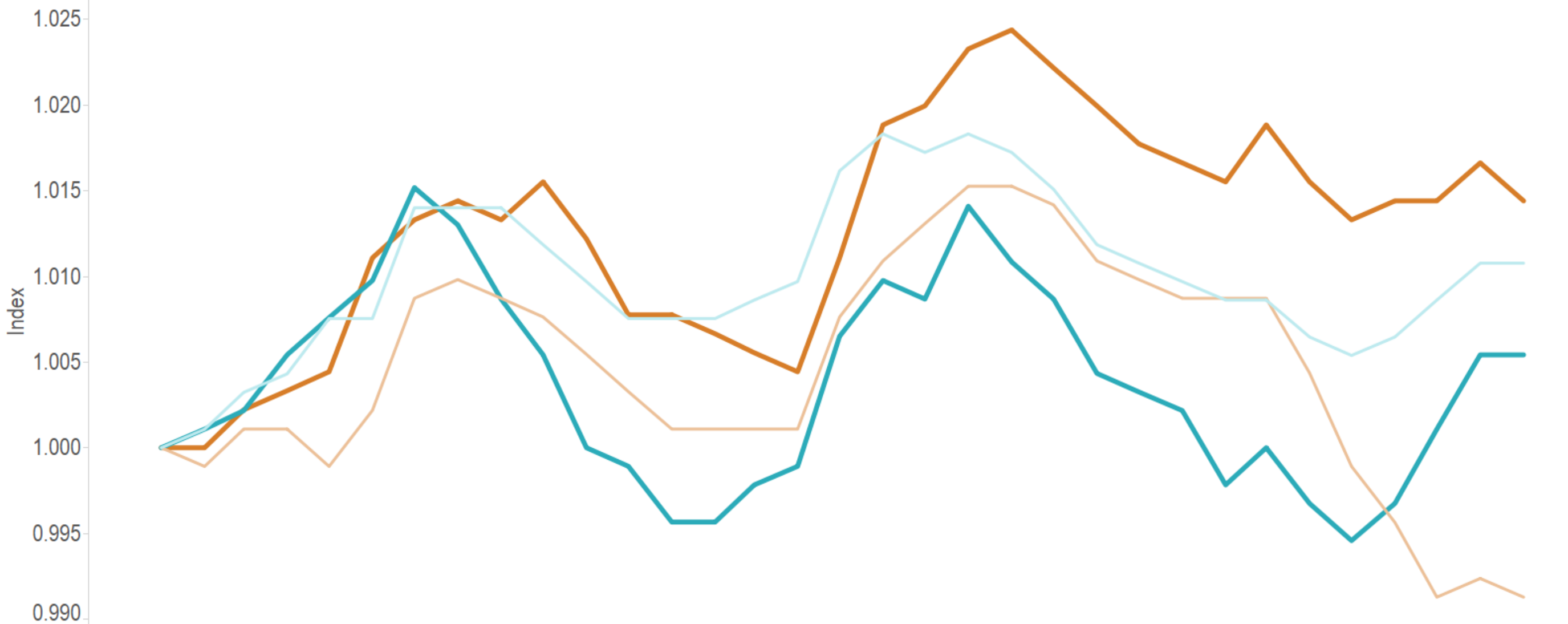
CHARLOTTE – EFFECTIVE RENT

Effective Rent - Charlotte-Concord-Gastonia, NC-SC vs. National
Jan 2018 to Present



DALLAS – OCCUPANCY

Occupancy - Dallas-Fort Worth-Arlington, TX vs. National
Jan 2018 to Present

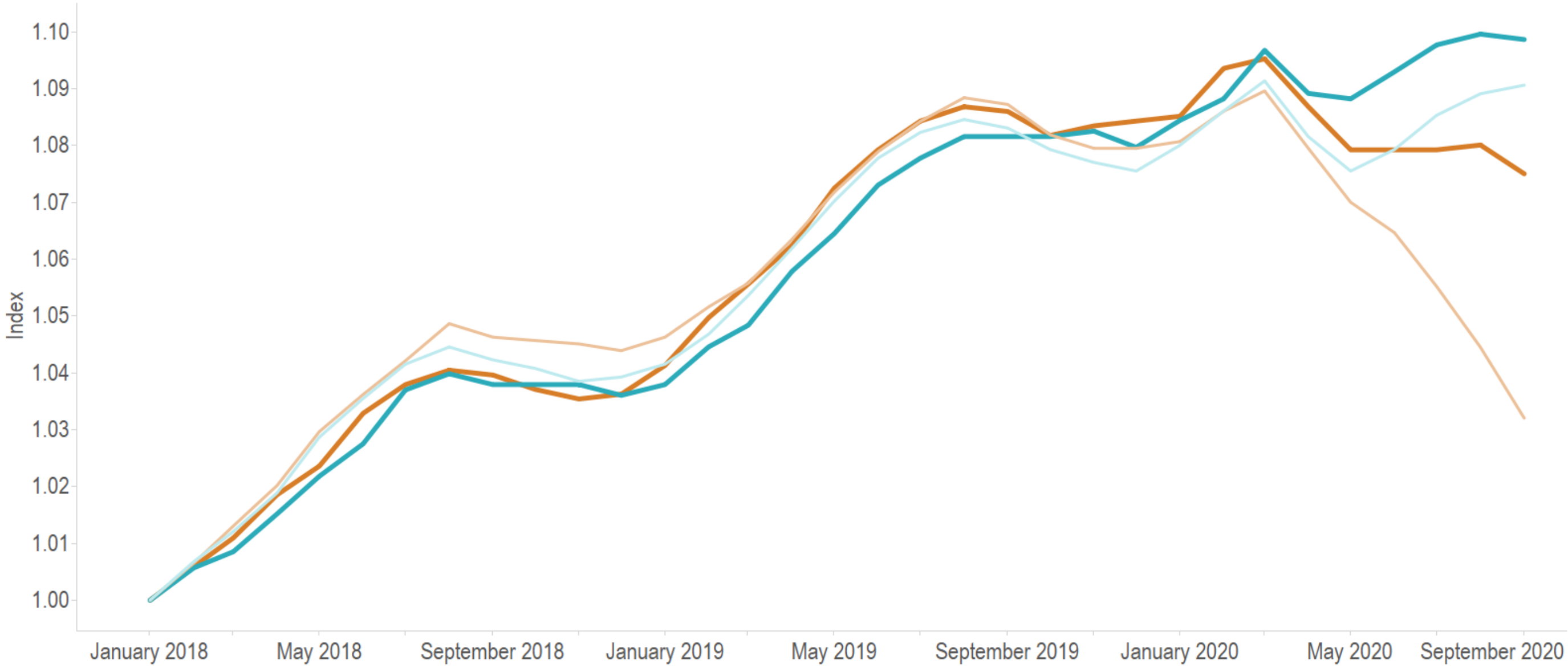


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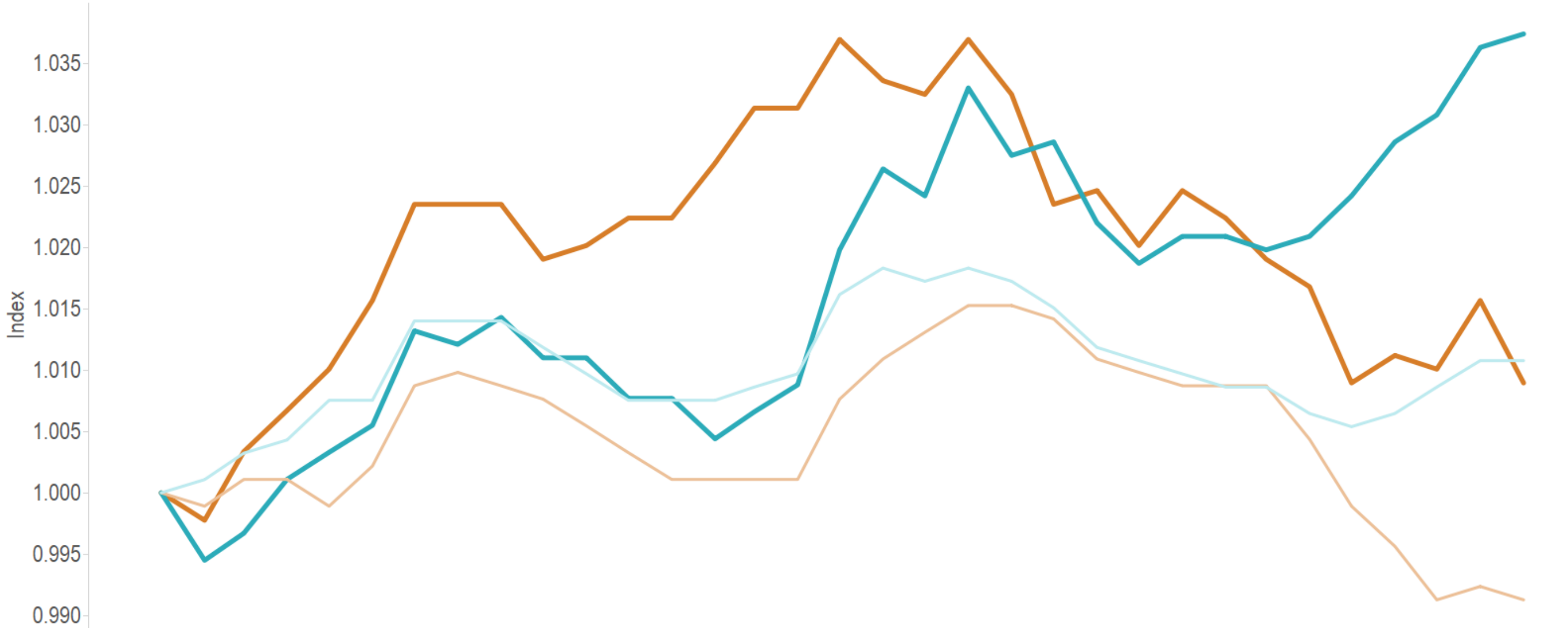
DALLAS – EFFECTIVE RENT

Effective Rent - Dallas-Fort Worth-Arlington, TX vs. National
Jan 2018 to Present



DENVER – OCCUPANCY

Occupancy - Denver-Aurora-Lakewood, CO vs. National
Jan 2018 to Present

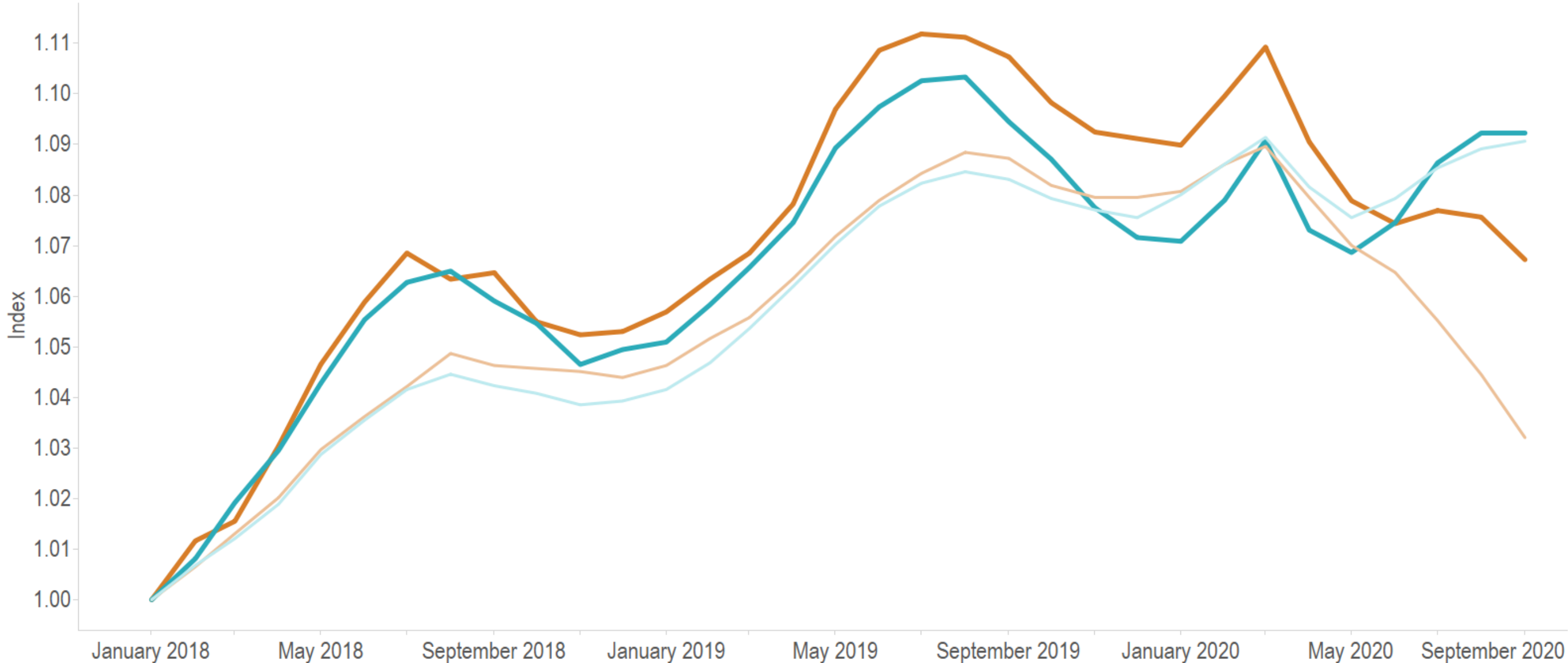


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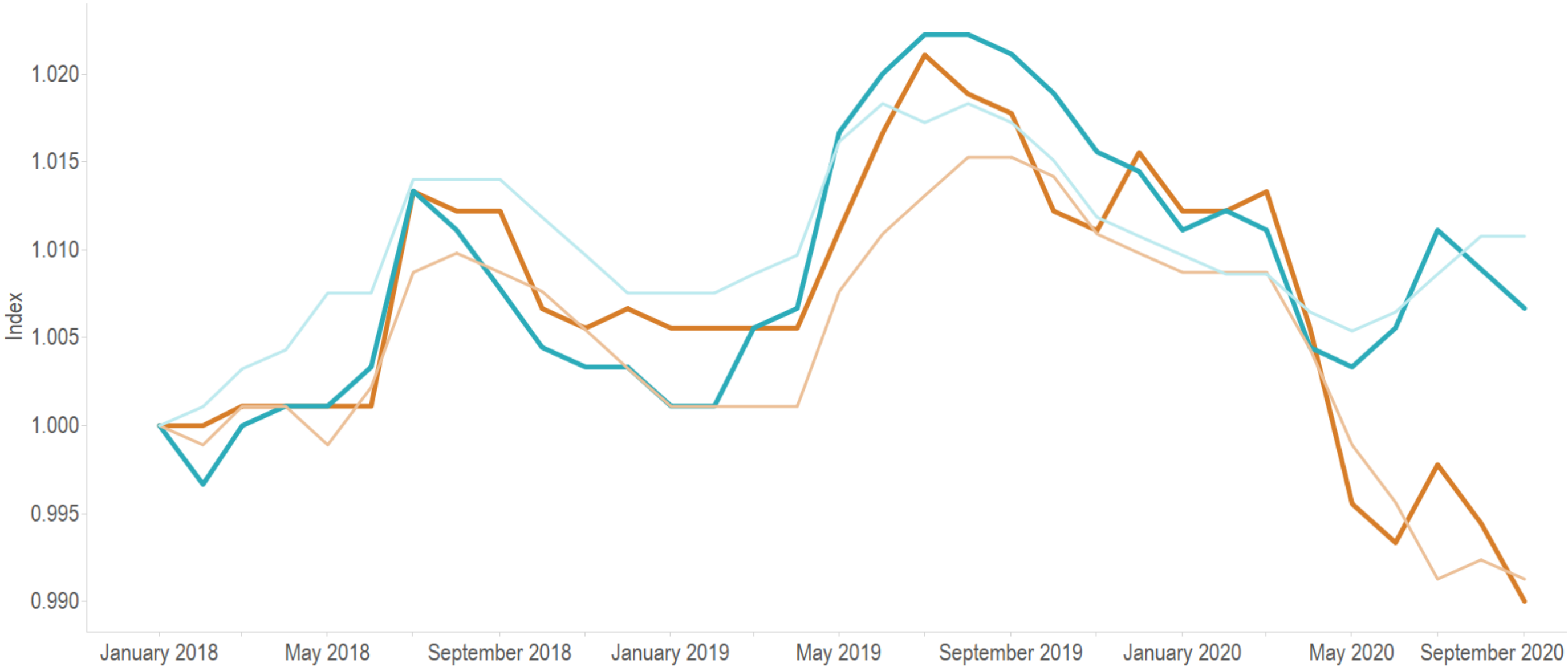


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

HOUSTON – OCCUPANCY

Occupancy - Houston-The Woodlands-Sugar Land, TX vs. National
Jan 2018 to Present

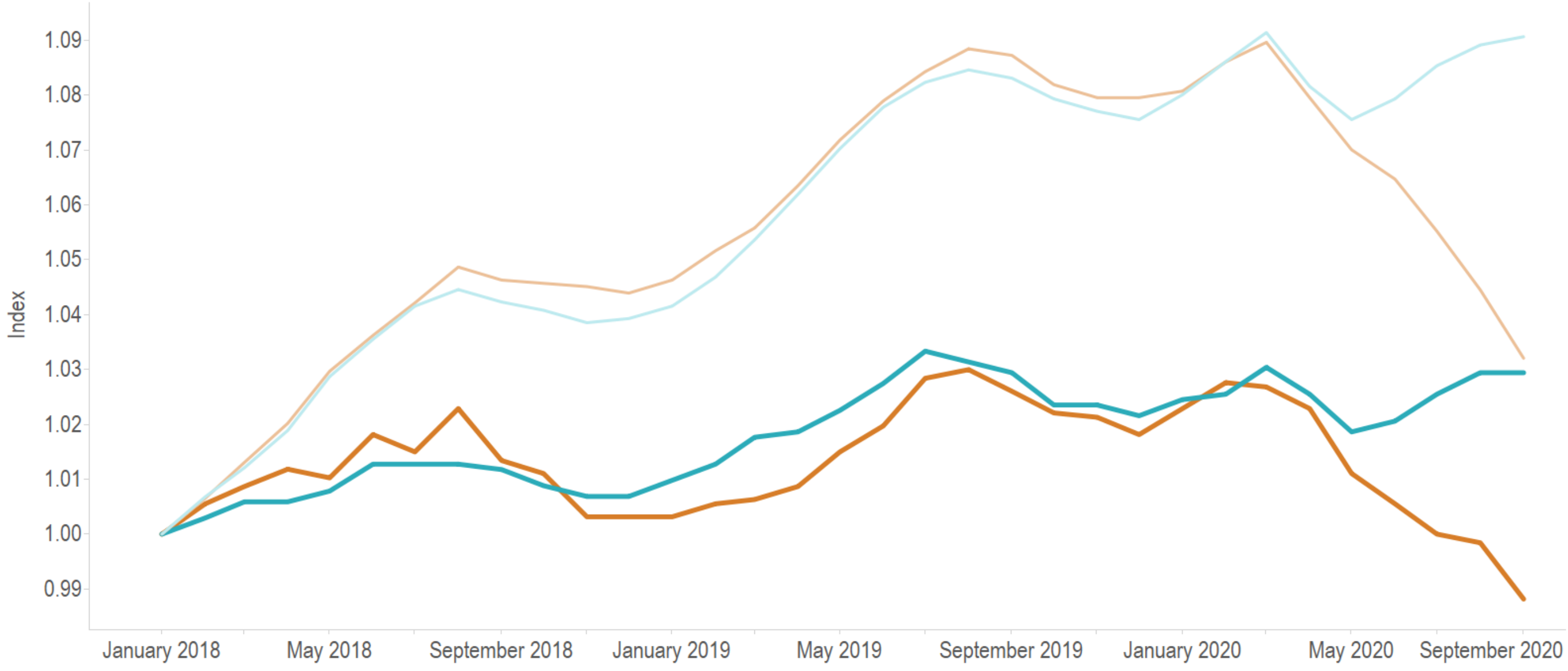


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Source: RCLCO

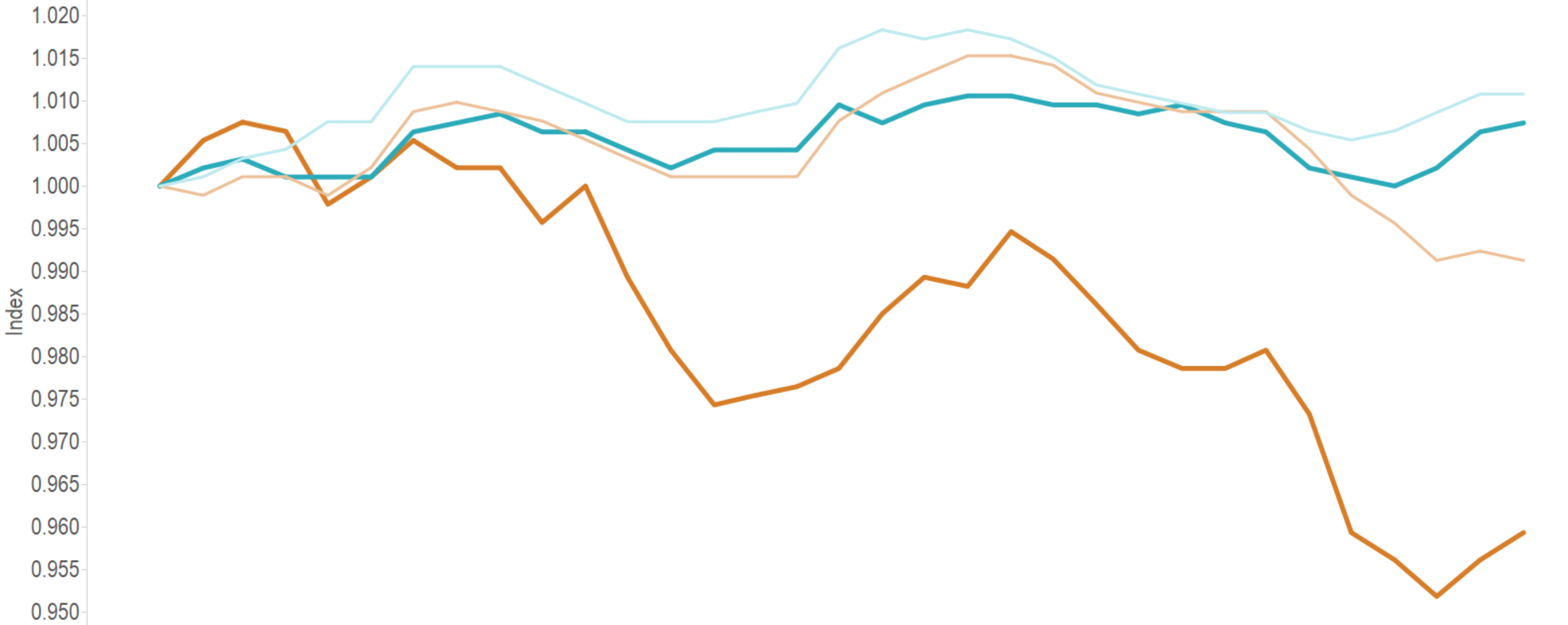
HOUSTON – EFFECTIVE RENT

Effective Rent - Houston-The Woodlands-Sugar Land, TX vs. National
Jan 2018 to Present



LOS ANGELES – OCCUPANCY

Occupancy - Los Angeles-Long Beach-Anaheim, CA vs. National
Jan 2018 to Present

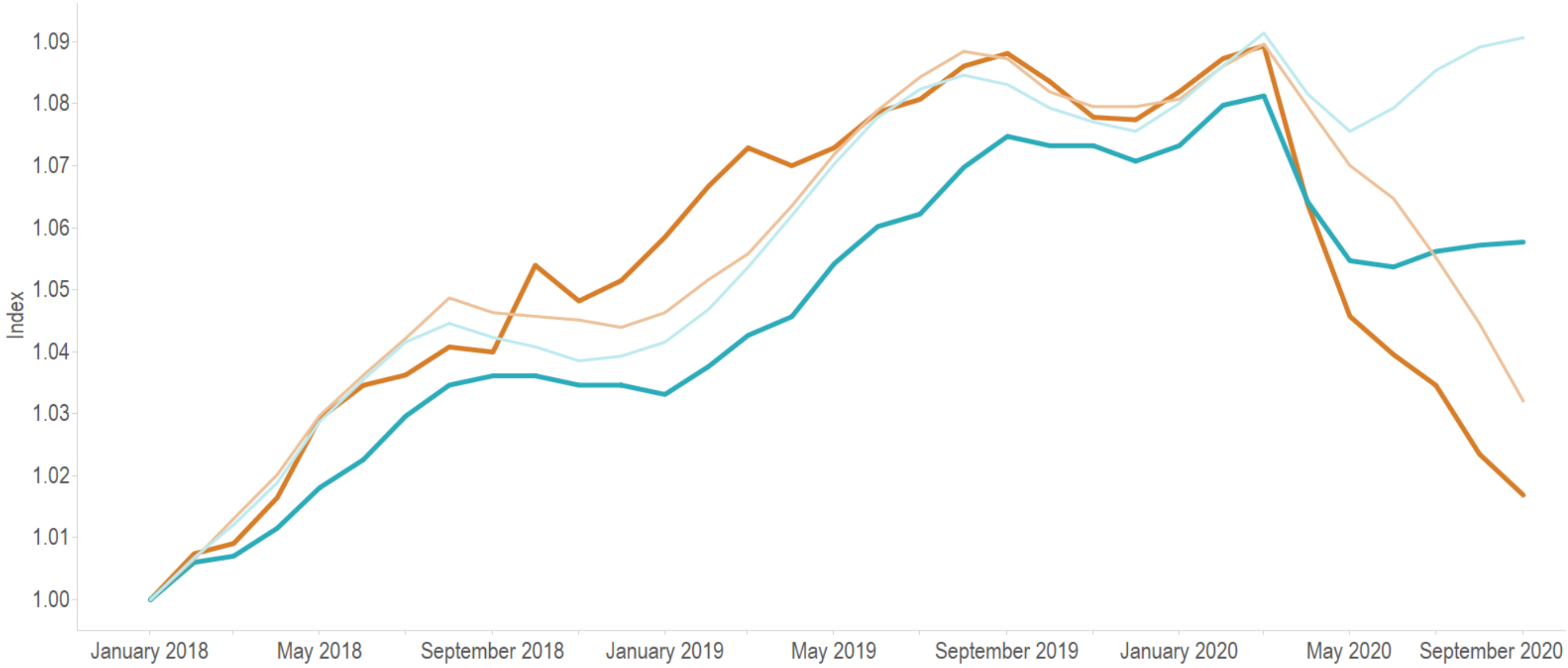


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

LOS ANGELES – EFFECTIVE RENT

Effective Rent - Los Angeles-Long Beach-Anaheim, CA vs. National
Jan 2018 to Present

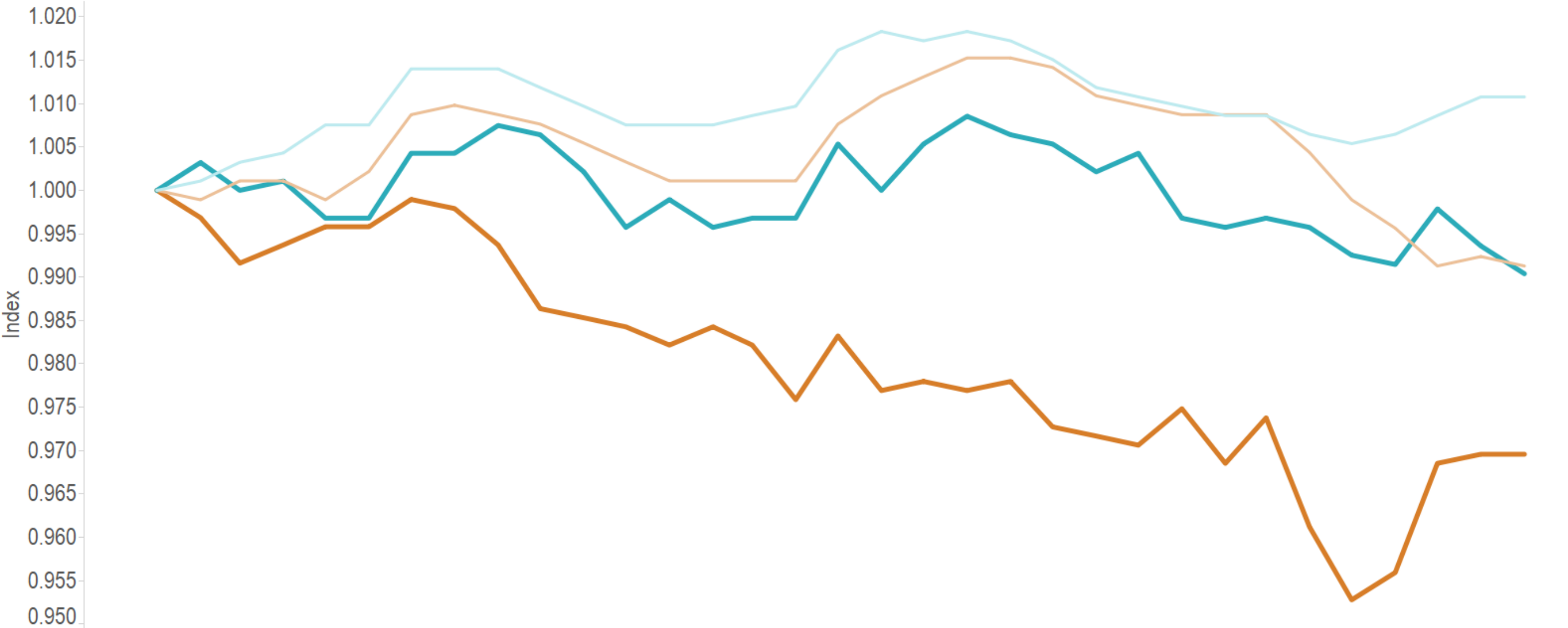


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

ORLANDO – OCCUPANCY

Occupancy - Orlando-Kissimmee-Sanford, FL vs. National
Jan 2018 to Present

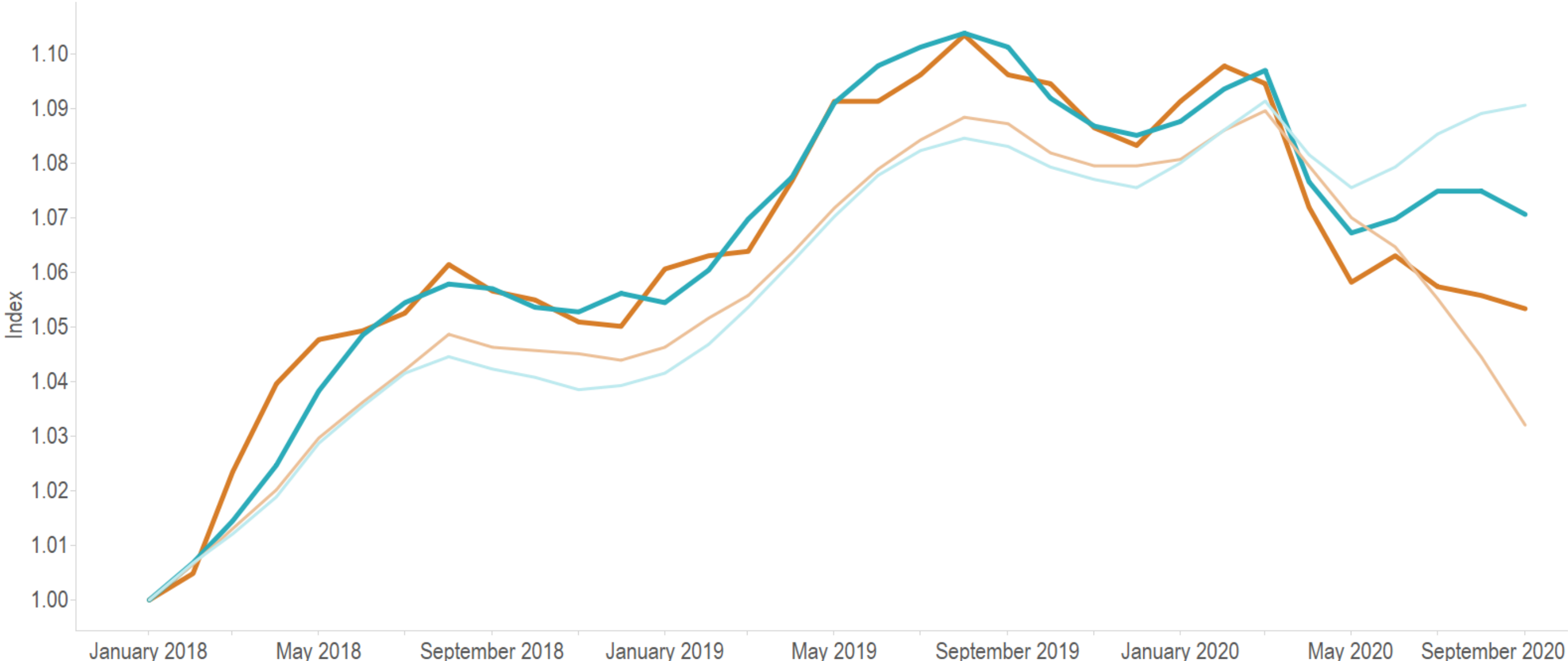


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

ORLANDO – EFFECTIVE RENT

Effective Rent - Orlando-Kissimmee-Sanford, FL vs. National
 Jan 2018 to Present

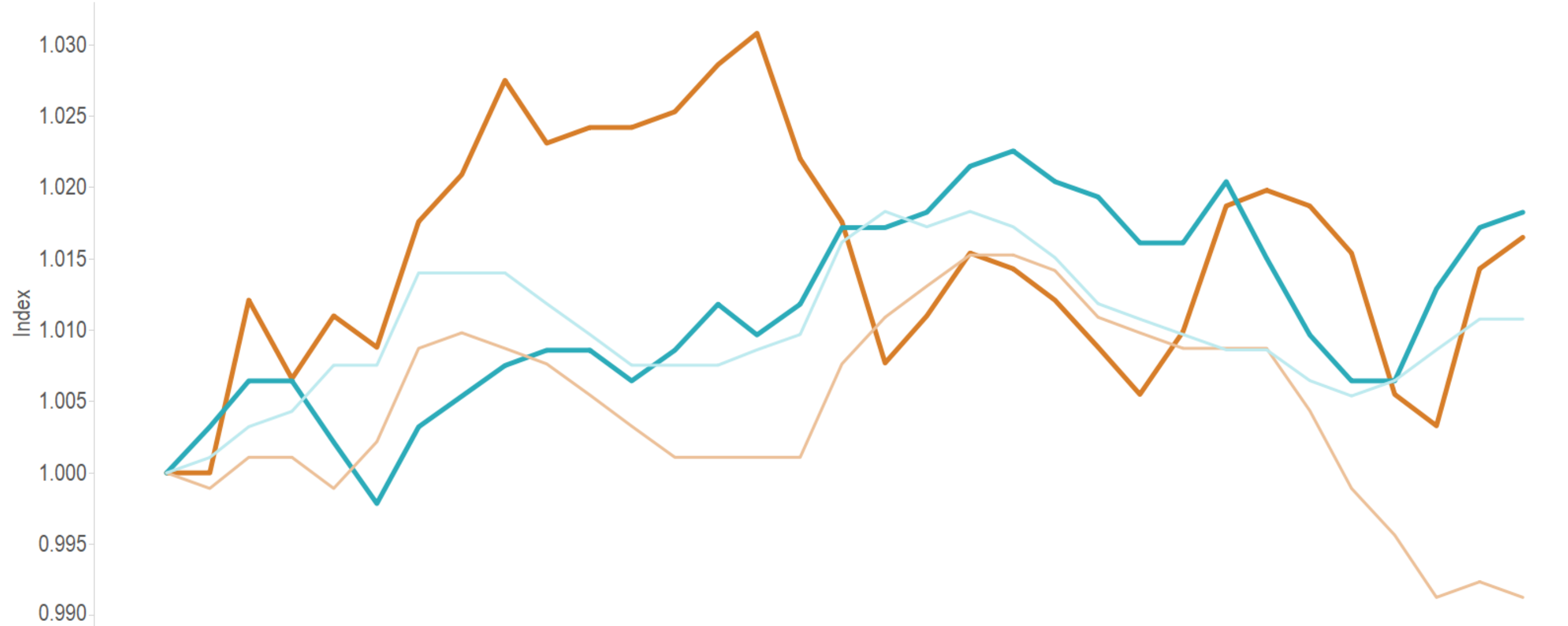


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

PHOENIX – OCCUPANCY

Occupancy - Phoenix-Mesa-Chandler, AZ vs. National
Jan 2018 to Present

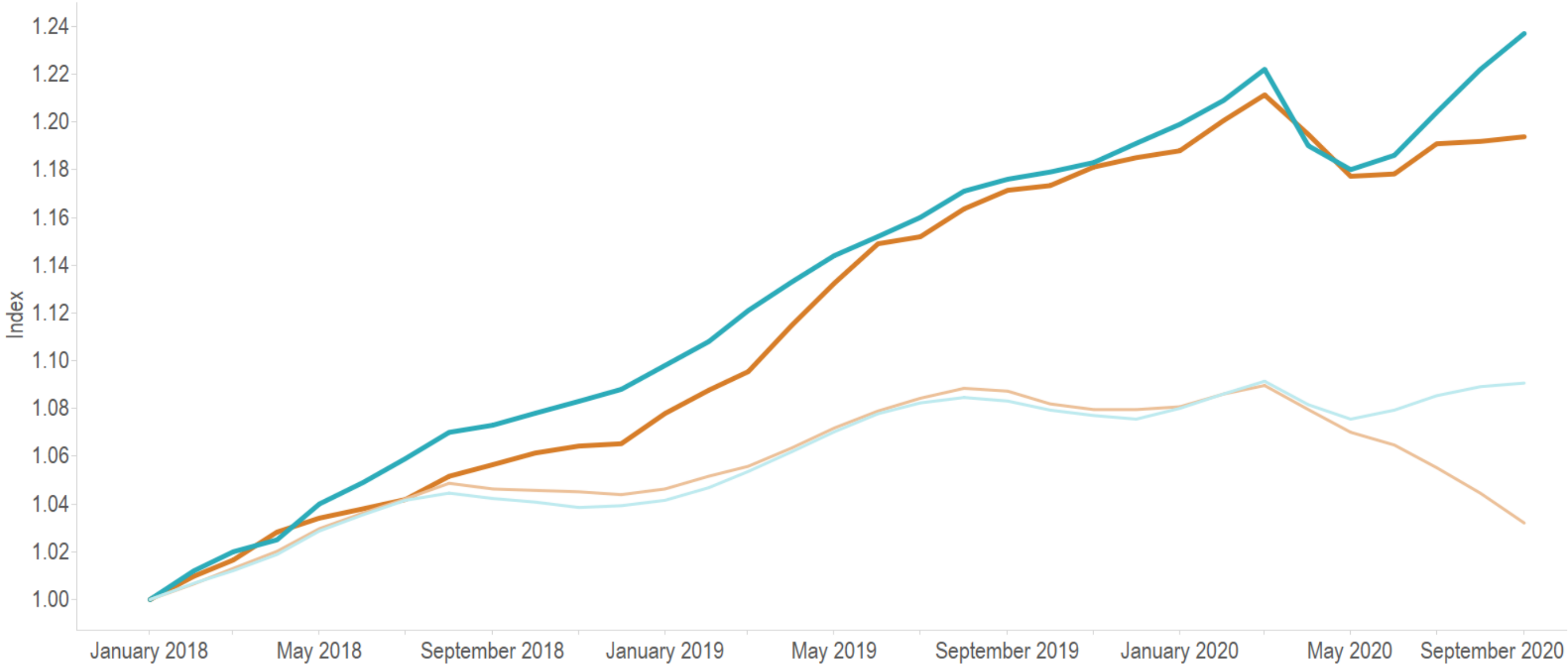


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

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Effective Rent - Phoenix-Mesa-Chandler, AZ vs. National
Jan 2018 to Present

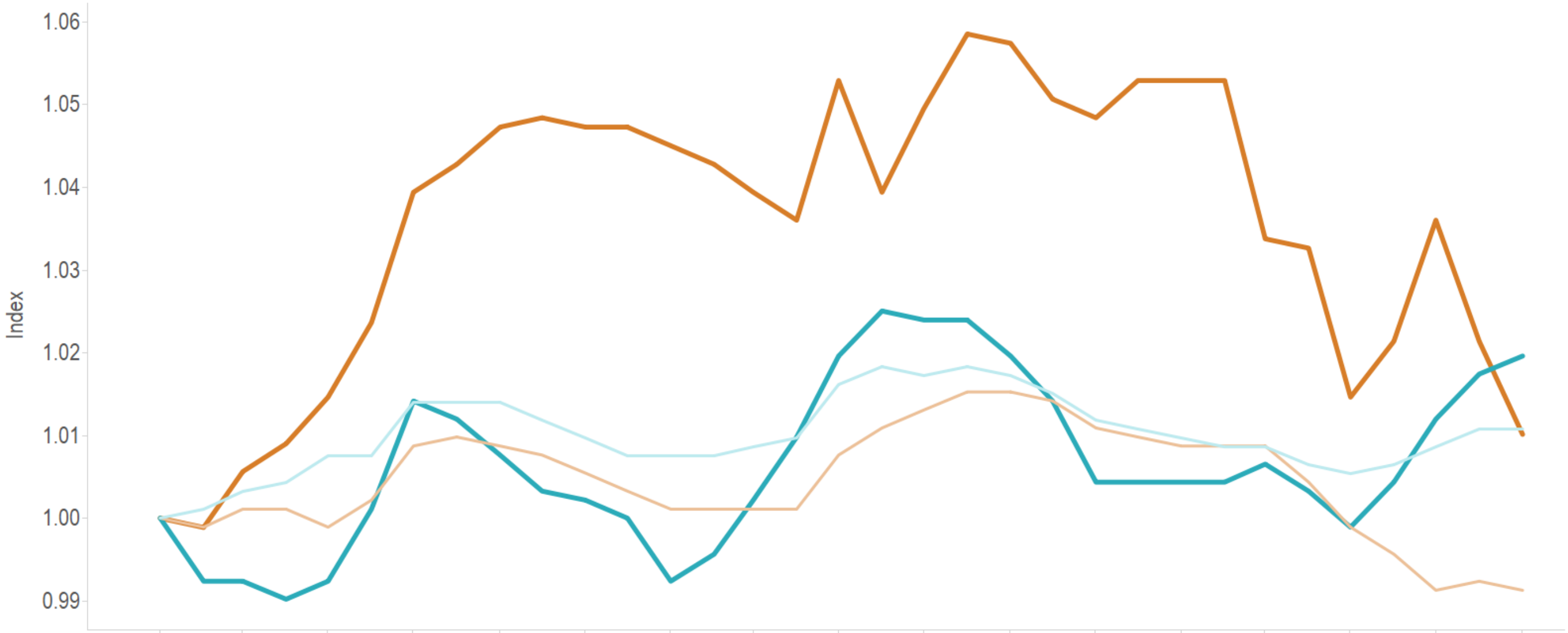


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

RALEIGH – OCCUPANCY

Occupancy - Raleigh-Cary, NC vs. National
Jan 2018 to Present

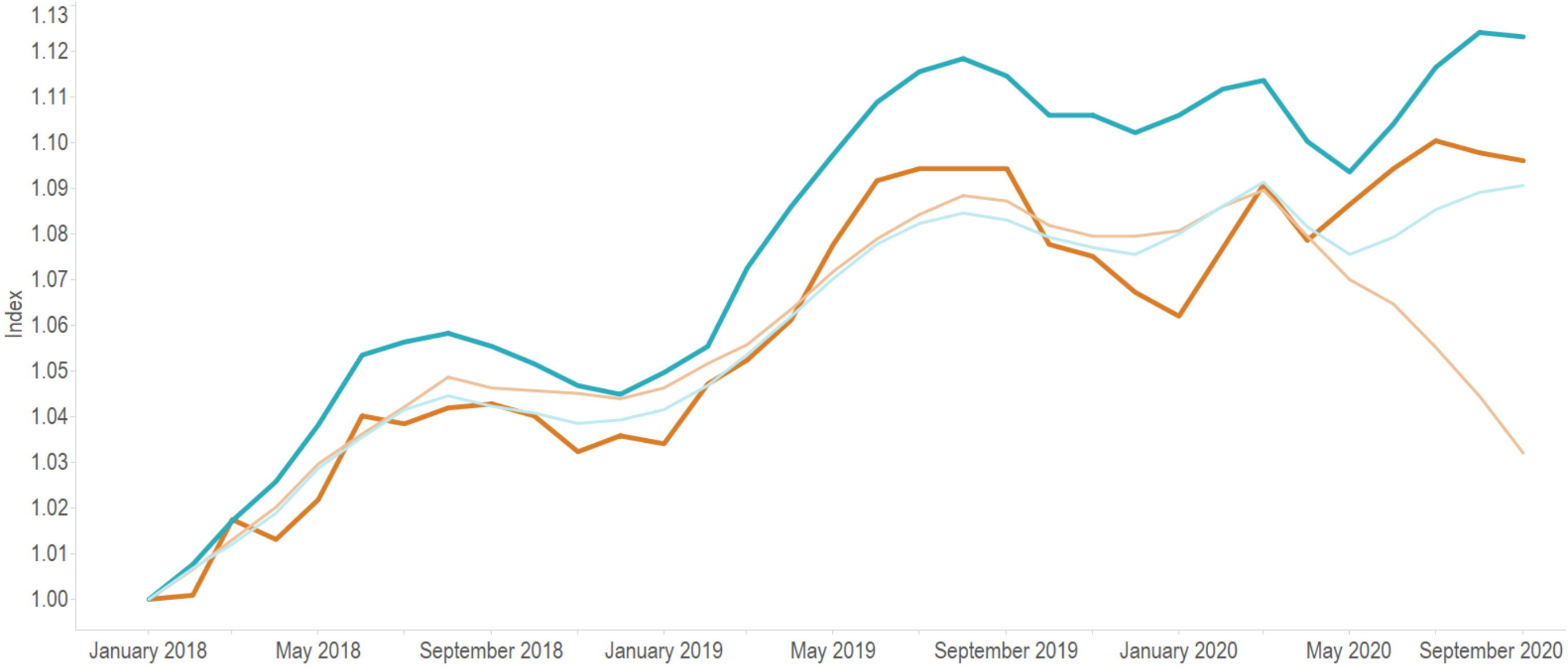


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RALEIGH – EFFECTIVE RENT

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Jan 2018 to Present

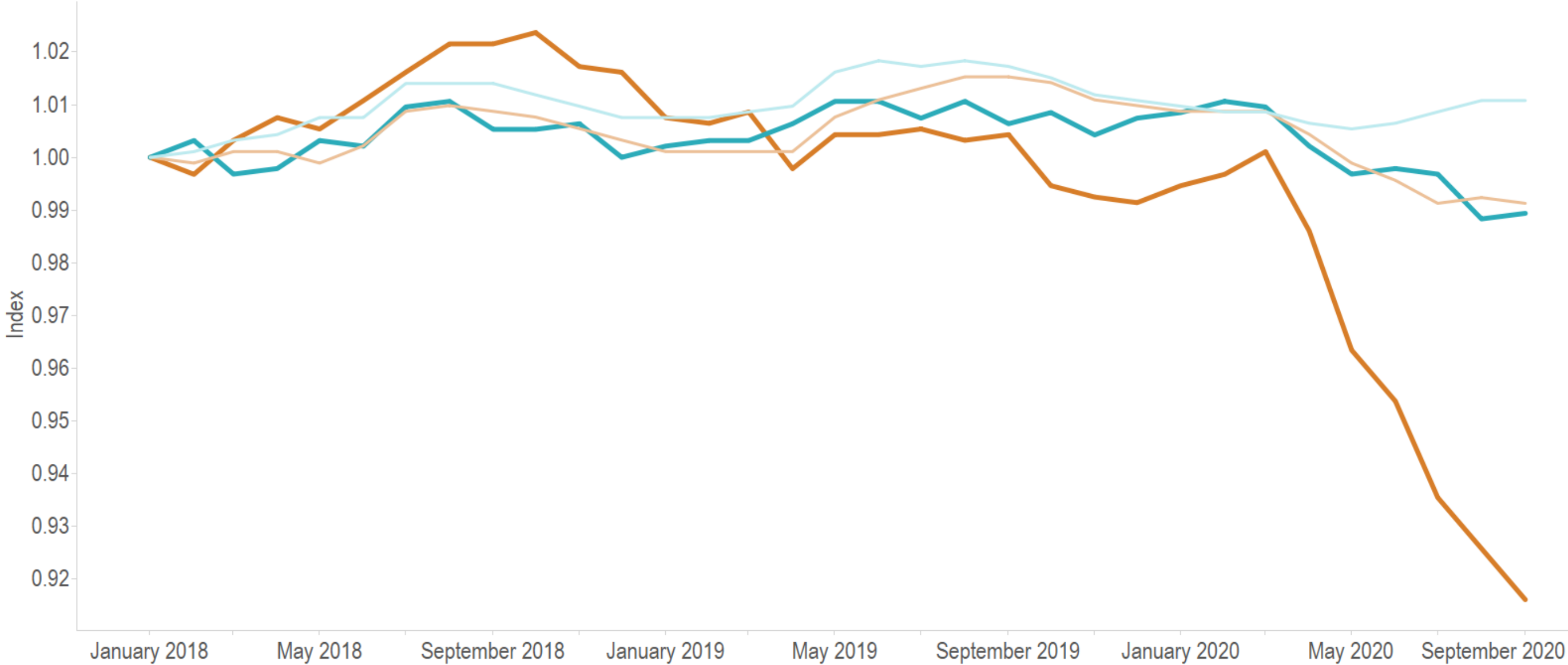


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Source: RCLCO

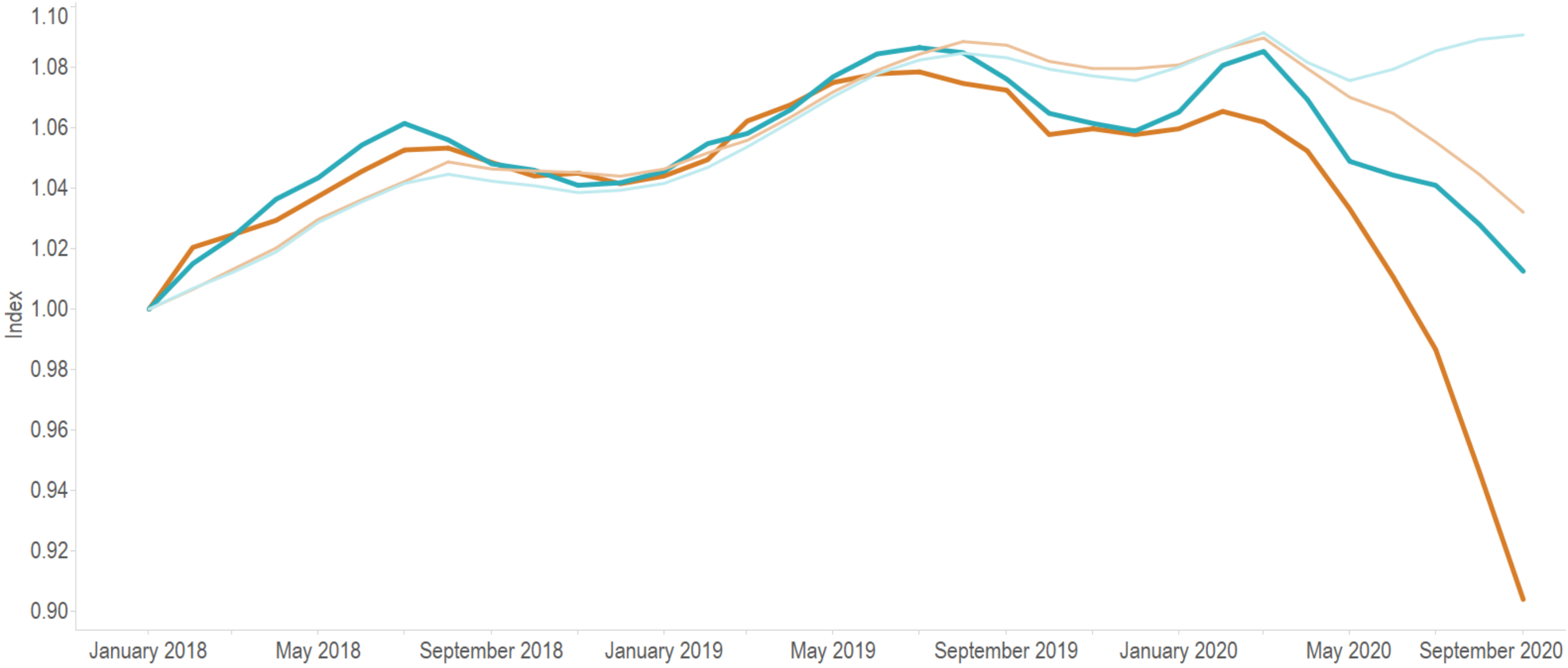
SAN FRANCISCO – OCCUPANCY

Occupancy - San Francisco-Oakland-Berkeley, CA vs. National
 Jan 2018 to Present



SAN FRANCISCO – EFFECTIVE RENT

Effective Rent - San Francisco-Oakland-Berkeley, CA vs. National
Jan 2018 to Present

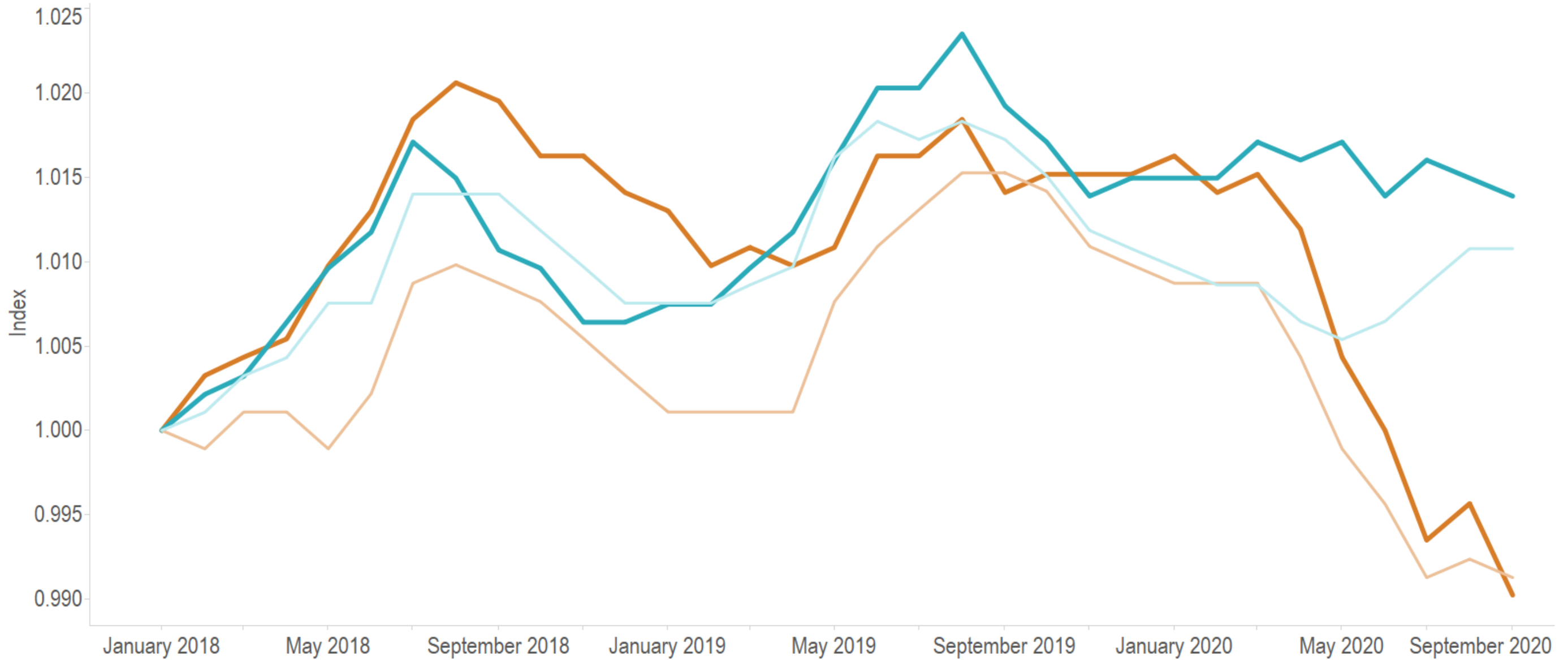


● Suburban ● Urban ● Suburban - National ● Urban - National

Source: RCLCO

WASHINGTON, D.C. – OCCUPANCY

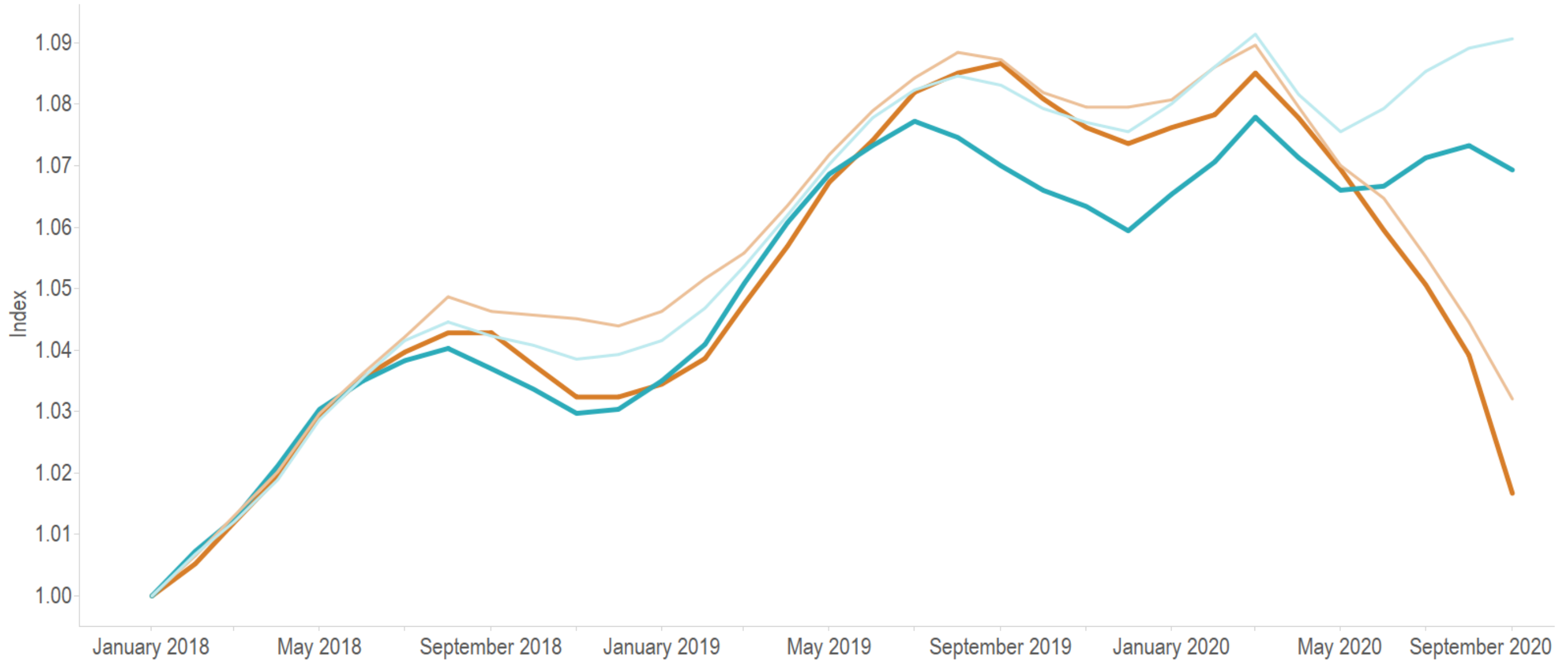
Occupancy - Washington-Arlington-Alexandria, DC-VA-MD-WV vs. National
Jan 2018 to Present



WASHINGTON, D.C. – EFFECTIVE RENT

Effective Rent - Washington-Arlington-Alexandria, DC-VA-MD-WV vs. National

Jan 2018 to Present



METHODOLOGY

The approach used in this analysis builds upon the framework that RCLCO developed in *The New Geography of Urban Neighborhoods* (2018) and *Housing in the Evolving American Suburb* (2016), previous studies conducted with the ULI Terwilliger Center for Housing. Housing in the Evolving American Suburb concluded that the suburbs are far more diverse than their critics typically acknowledge, and illustrated the many differences that exist between five distinct types of suburban neighborhoods.

To analyze the differences between these places, RCLCO examined the census tracts in the 50 largest MSAs, using variables like population density, employment density, housing type, and distance from the city center to first differentiate between urban and suburban places. As a part of this initial framework, RCLCO placed each census tract in one of six categories:

- ▶ **High-density urban:** downtowns and outer employment cores
- ▶ **Urban:** dense in-town neighborhoods and outer employment cores
- ▶ **Low-density urban:** relatively dense, in-town residential neighborhoods
- ▶ **High-density suburban:** relatively dense outer neighborhoods and commercial corridors
- ▶ **Suburban:** well-populated neighborhoods where most of the housing stock consists of single-family detached homes
- ▶ **Low-density suburban:** neighborhoods where most of the housing stock consists of single-family detached homes, and where there is some undeveloped land

SUBURBAN HOMEBUILDER TRENDS IN RESPONSE TO PANDEMIC

HOME OFFICE

Customizable home office layouts enable work from home

- ▶ Built-in desks, storage, noise insulation, enhanced lighting, pre-wired WiFi, USB chargers, half-baths, kitchenettes, exterior entrances, dual office set-ups, office/gym or office/meeting space flexibility



HOME OFFICE – LENNAR HOMES



HOME OFFICE – KB HOMES



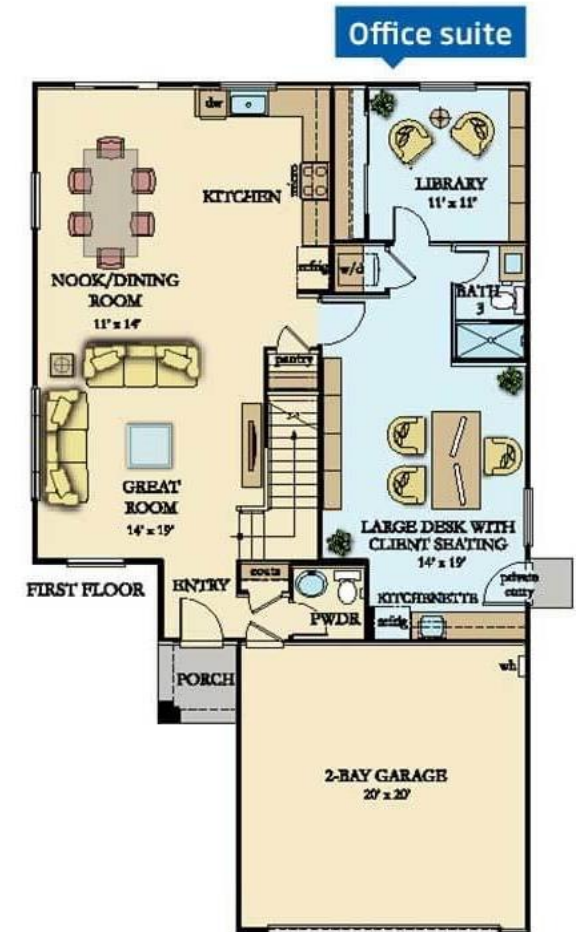
HOME LEARNING

Specific, distraction-free areas for focused learning

- ▶ Split home office/home school layouts allow simultaneous separation and supervision



Home Office + Home School



Home Office + Library Suite

HOME LEARNING – PULTE HOMES

Learn-in Bedroom



School Room Loft



Multipurpose Space



Basement Study Hall



HOME GYM

Dedicated space for at-home workouts and equipment storage

- ▶ Garage and basement solutions replace shutdown gyms while safely prioritizing health and wellness



STORAGE SOLUTIONS

Store necessities to reduce grocery trips & free up living space

- ▶ Oversized pantries and tandem garage solutions with second refrigerators for bulk grocery overflow



OUTDOOR LIVING

Socially-distant environments for small gatherings & wellness

- ▶ Extended screened decks, recreational backyards, patios, front porches
- ▶ Currently highlighted by Lennar Homes, Pulte Homes, among others



OUTDOOR LIVING – KB HOMES



SMART HOME

Touch-free environments with enhanced sanitation and filtration

- ▶ Smart thermostats, Wi-Fi enabled locks, Ring doorbells, touchless faucets, air filtration, anti-microbial countertops, bacteria-resistant paint, smart appliances
- ▶ Currently offered by Lennar Homes, KB Homes, DR Horton, Pulte Homes, Taylor Morrison, Meritage Homes, Century Communities, among others



Schlage Encode™ Smart
Wi-Fi Deadbolt

Honeywell® T6 Pro
Smart Thermostat

Ring® Video Doorbell Pro



Energy Conscious
Appliances

Moen WaterSense®
Faucets

Visual Comfort Group
Lighting

MULTIGENERATIONAL HOMES

Allows families with adult children or aging parents to live under the same roof with independence and privacy

- ▶ Separate living spaces, kitchenettes, exterior entrances
- ▶ Currently offered by Lennar Homes, KB Homes, among others



The Evolution

□ Master home □ Next Gen® suite



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).

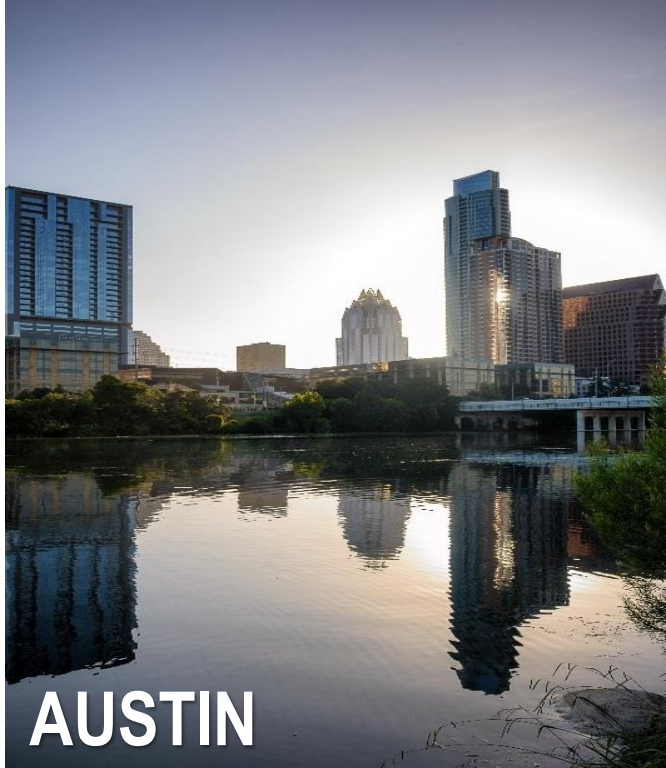
GENERAL LIMITING CONDITIONS

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.

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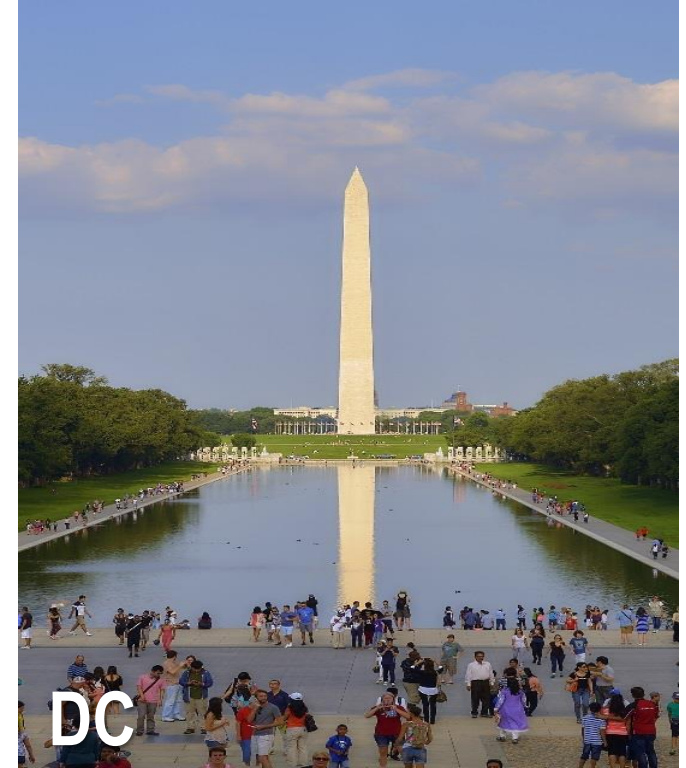
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