



RESIDENTIAL MARKET UPDATE & THE LATEST TRENDS IN STEM EMPLOYMENT RCLCO Monthly Round-Up

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ABOUT RCLCO

54 Years in Business | \$5B Real Estate Touched Annually | 80+ Employees

RCLCO is Organized into Three Overlapping & Reinforcing Service Areas

RCLCO Real Estate Economics



Economics and market research services backed by 50+ years analyzing trends and consulting to the best minds in real estate.

RCLCO Management Consulting



Collaborative and actionable strategy planning, and operational, portfolio, and capital consulting to real estate enterprises.

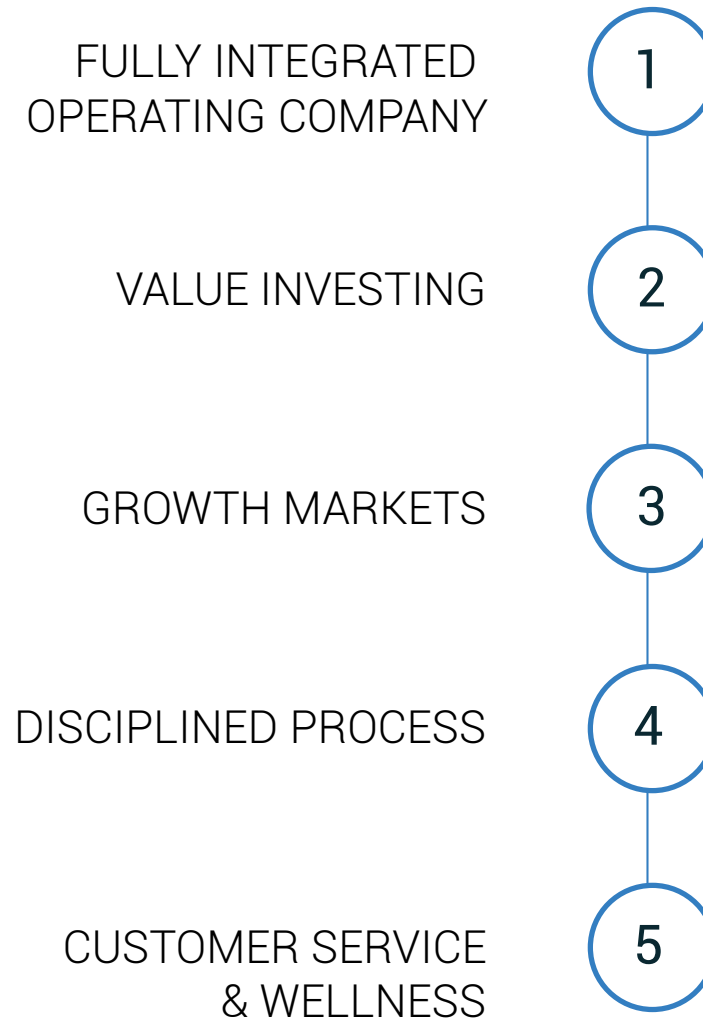
RCLCO Fund Advisors (RFA)



Customized advisory to institutional investors through RFA, an SEC Registered Investment Advisor, built on a legacy of thought leadership and analytical rigor.

CapRidge Partners

WHO WE ARE



Our target markets are Atlanta, Austin, Charlotte, Dallas, Denver, Houston, Nashville, Phoenix, and Raleigh.

Value Investors

WHAT WE LOOK FOR

Underperforming assets in "A" locations

Top performing submarkets provide downside protection



Owner-Operated Light Industrial

Smaller deal size leads to less institutional competition and opportunity for CapRidge's active management to add value



Tenants where the decision maker is onsite

Decision makers pay a premium for customer service & wellness amenities

Average tenant size of 7,000 square feet reduces risk



Below market occupancy and in-place rent

Opportunity to push rents and increase occupancy to ultimately drive NOI



Absentee or undercapitalized ownership with third-party property management

Our hands-on approach, in-house management and customer service focus enables superior returns through rent premiums.



Purchase at a Discount to Replacement Cost

Purchase under-performing assets and utilize our expertise to improve and de-risk the assets



TODAY'S AGENDA

Residential Market Update

STEM Job Growth Index

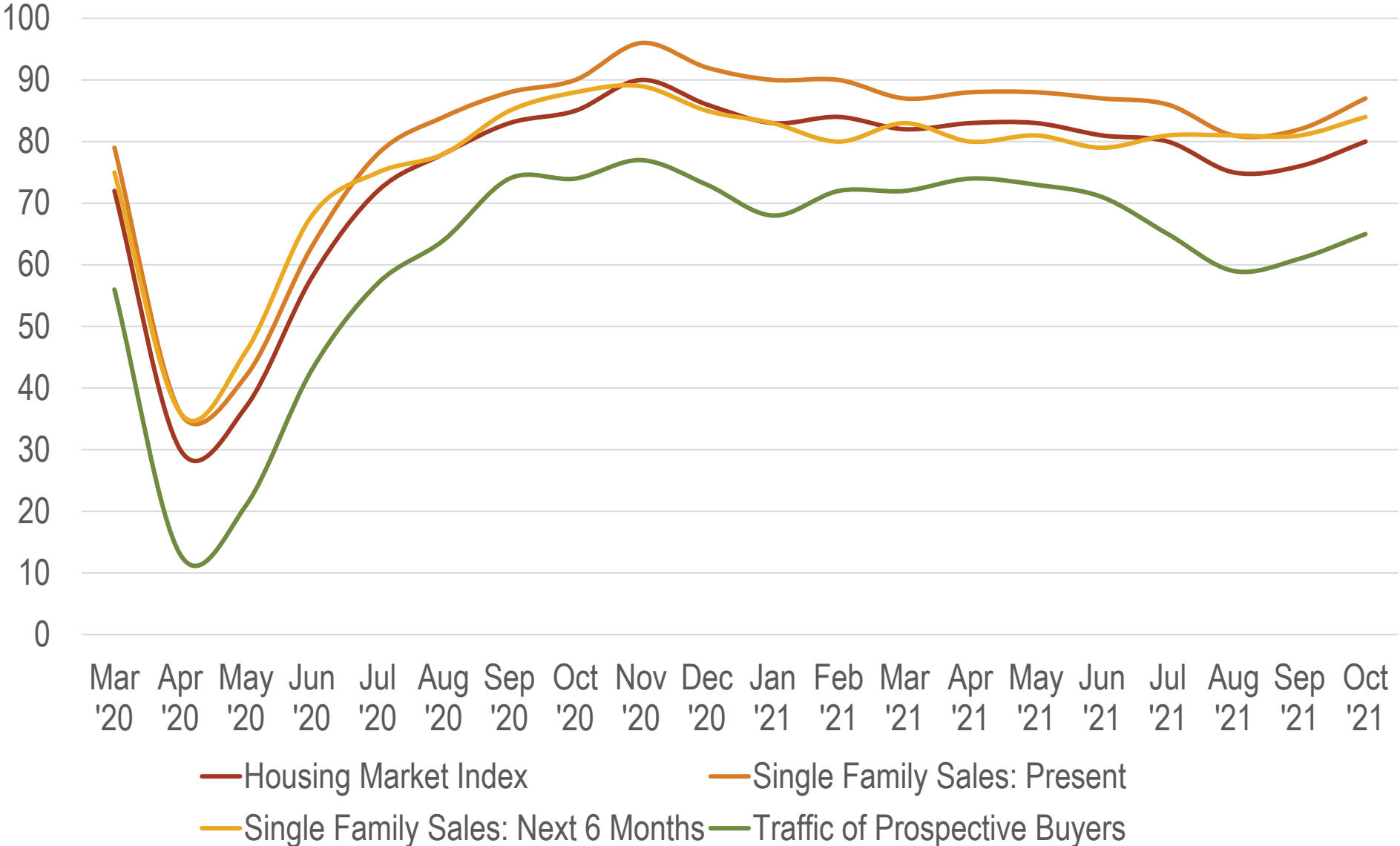
Q&A

RESIDENTIAL MARKET UPDATE

HOMEBUILDER SENTIMENT REMAINS OPTIMISTIC

- ▶ Home sales activity indicators (mortgage applications, pending home sales) point to near-term softening
- ▶ Moderate decrease in homebuilder sentiment since the beginning of 2021
- ▶ However, NAHB Housing Market Index up slightly in September and October
- ▶ Supply constraints continue to impede the housing market

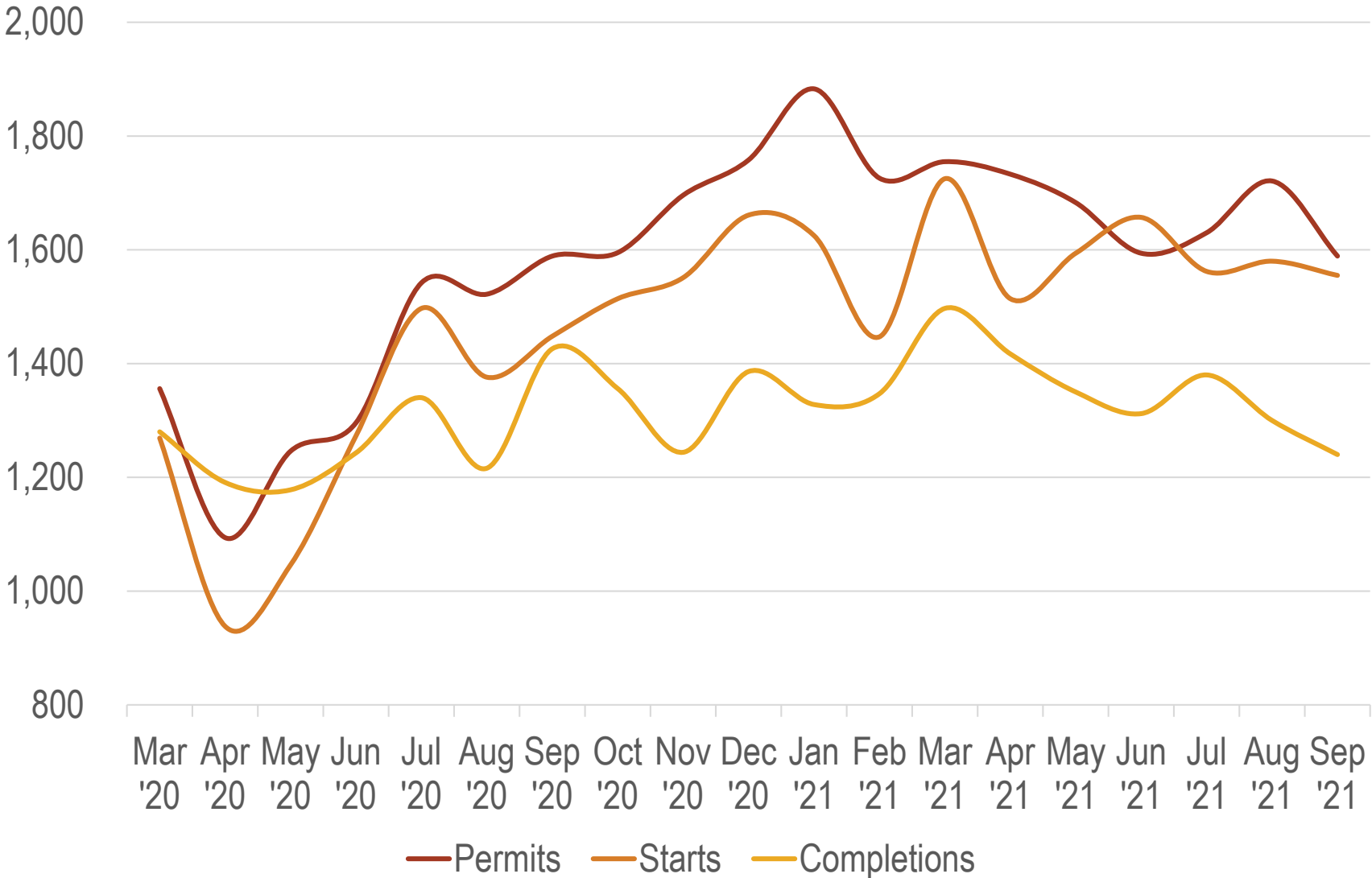
NAHB Housing Market Index



RESIDENTIAL CONSTRUCTION TRENDING DOWN FROM PEAK

- ▶ Home construction is being held back by supply problems
- ▶ September saw a decline in permits, starts, and completions from the previous month
- ▶ Building permits in September at 1,589,000, 7.7% below August and even with September 2020
 - » Permits a leading indicator
- ▶ Housing starts decreased 1.6% from August
- ▶ Housing completions were 4.6% below August rate and 13.0% below September 2020

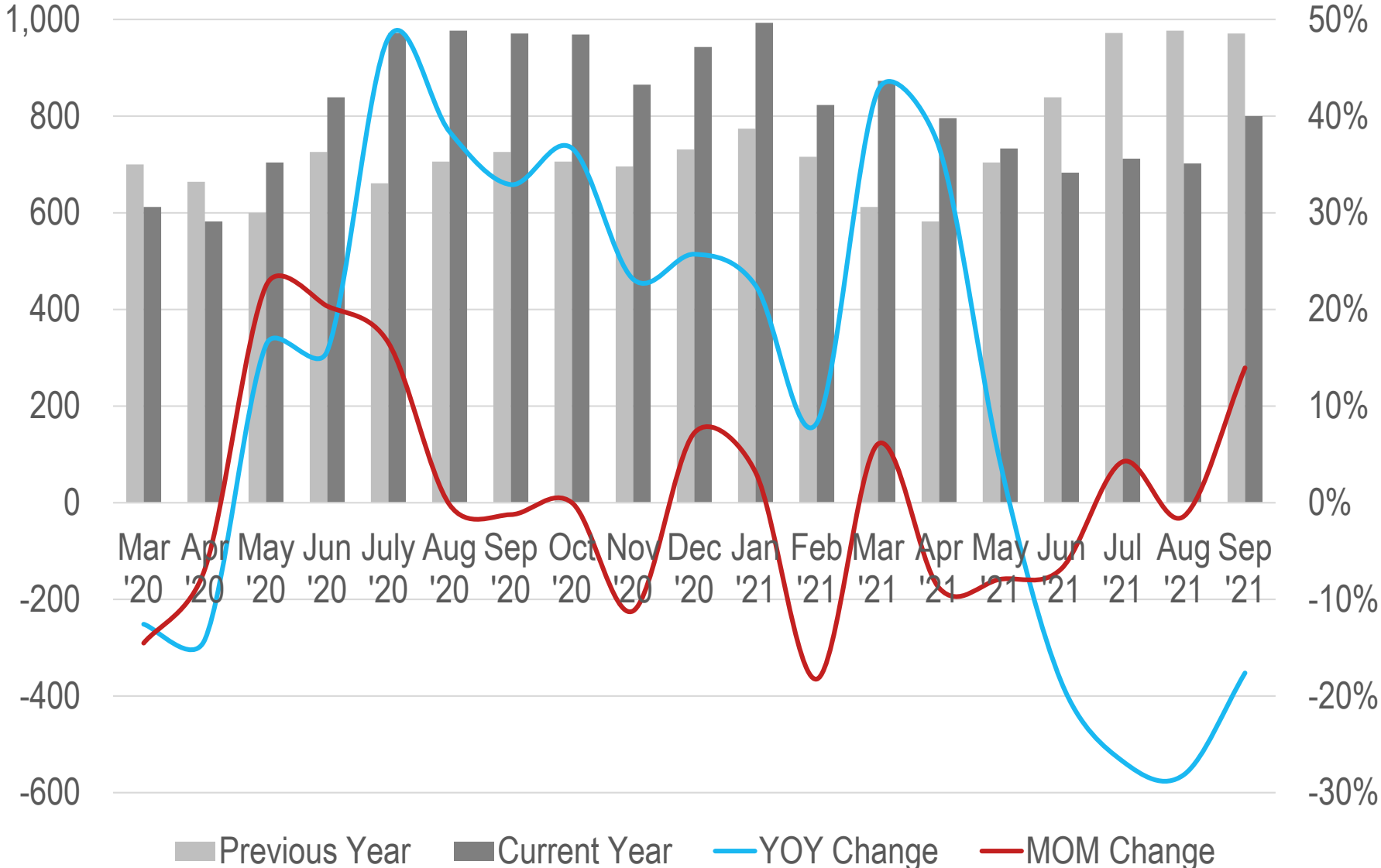
New Residential Construction Seasonally Adjusted (000s)



NEW HOME SALES IMPROVE FROM SUMMER BUT DOWN FROM 2020

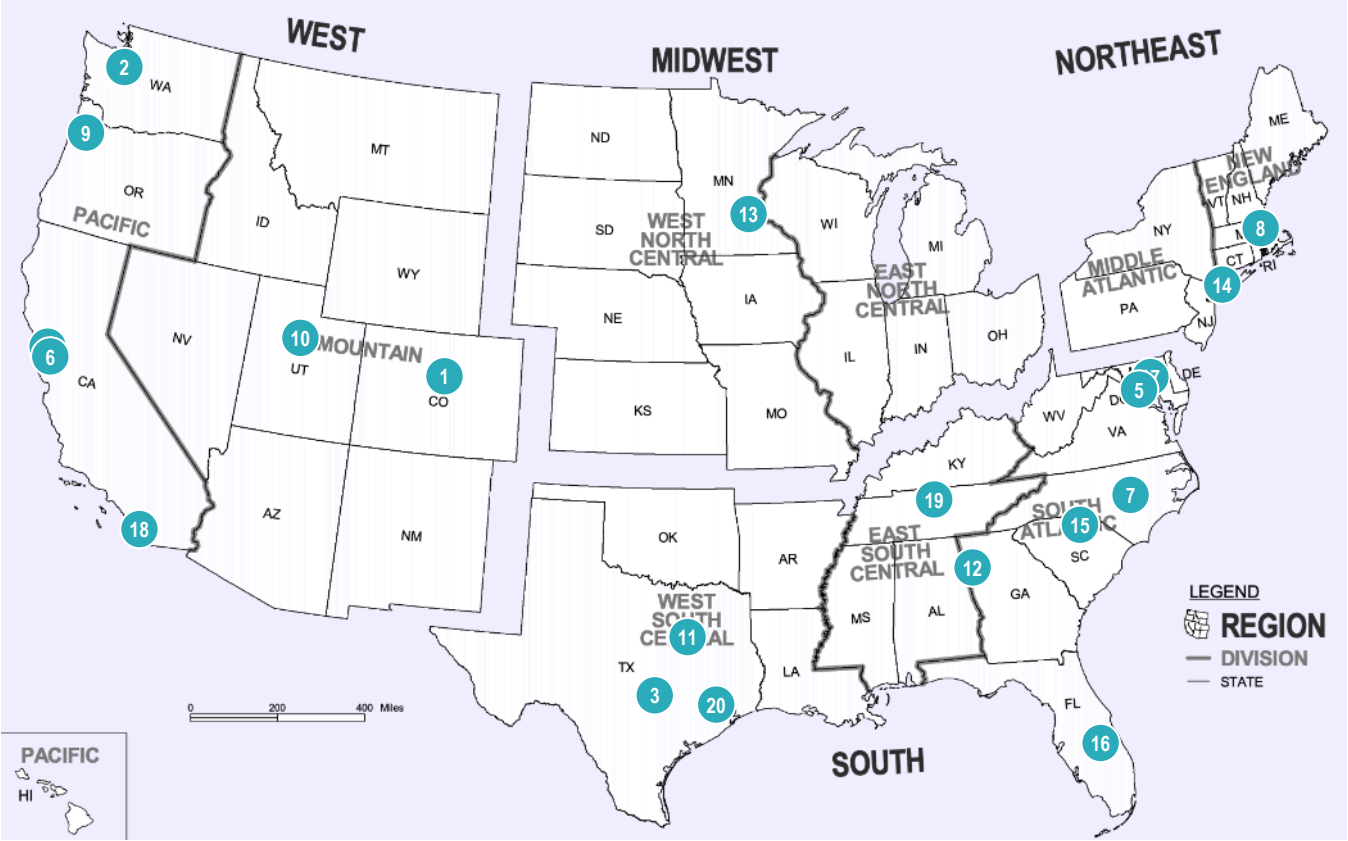
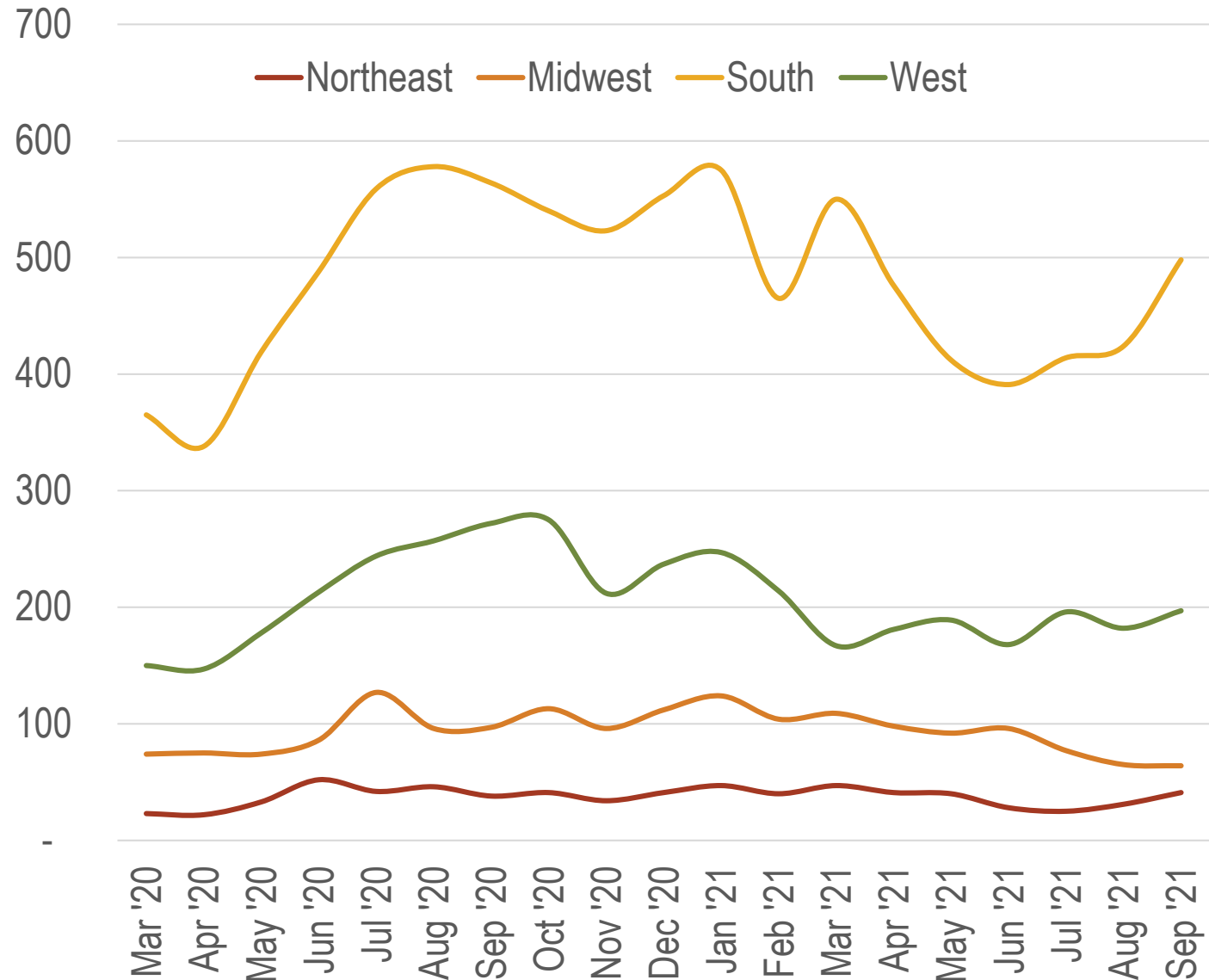
- ▶ 2021 sales have slowed relative to 2020
 - » However, September total sales of new single-family homes were “up” compared to August
- ▶ Seasonally adjusted annual rate of 800,000 - down 17.6% from August 2020
 - » 5.7 months of supply of new homes at the current pace (3.5 months in October 2020)

New Single Family Home Sales (000s)



NEW HOME SALES STRONGER IN SOUTH AND WEST

New Home Sales by Region (000s)

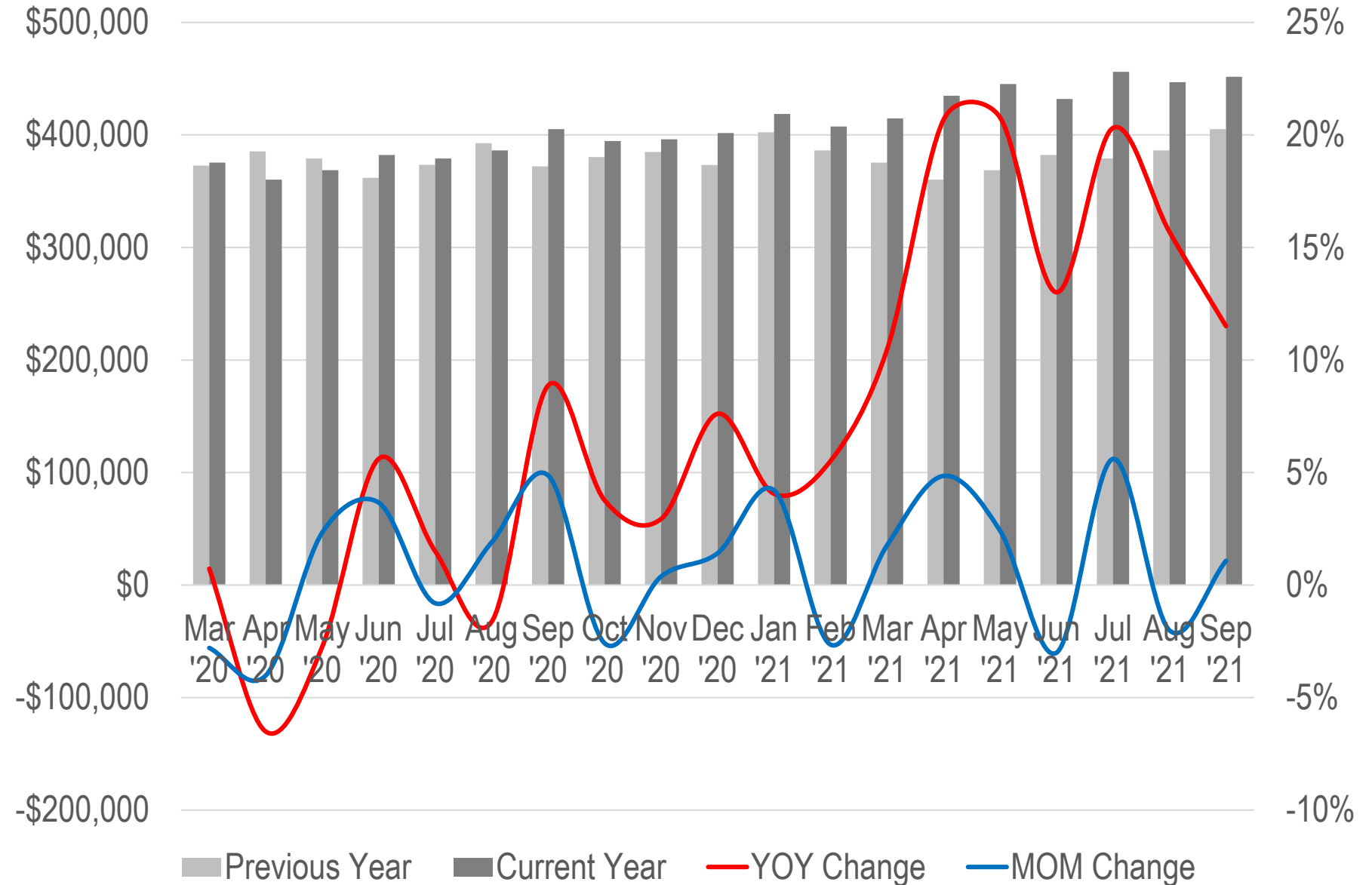


	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Northeast	23	22	33	52	42	46	38	41	34	41	47	40	47	41	40	28	23	29	41
Midwest	74	75	74	86	127	96	97	113	96	112	124	104	109	98	92	86	74	51	64
South	365	338	419	488	559	578	564	540	523	553	575	465	550	476	412	391	420	445	498
West	150	147	178	213	244	257	272	275	212	237	247	214	167	181	189	180	212	215	197

AVERAGE NEW HOME SALES PRICES REMAIN HIGH

- ▶ Home price gains of the past 18 months are likely not sustainable
- ▶ \$451,700 new SFD Avg Price in September of, up 11.5% from September 2020
- ▶ Affordability remains a challenge, even with mortgage rates near historic lows
- ▶ Home prices are likely to rise more slowly in 2022 – 5.3% versus 12% in 2021

Average New Home Sales Price



LOW INTEREST RATES DRIVE STRONG HOME SALES

Rates may continue to rise through balance of 2021 but remain historically low

National 30-Year Mortgage Rate

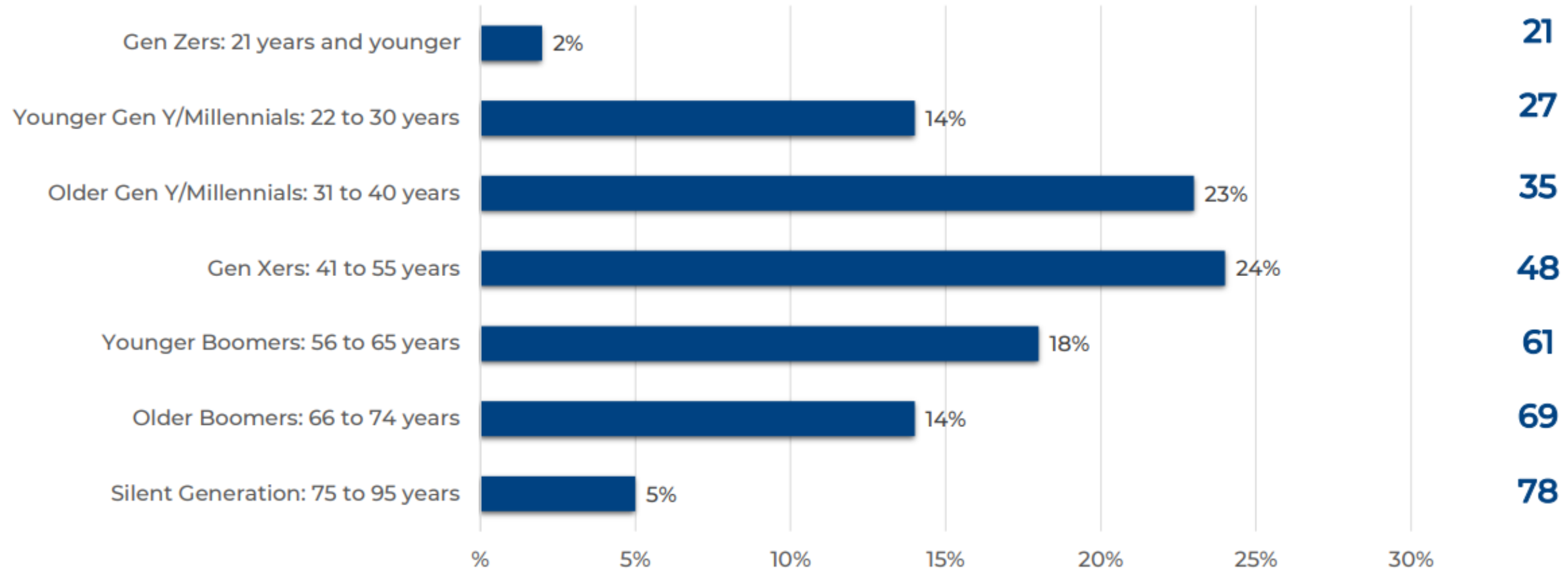


AGE OF HOME BUYERS

Exhibit 1-1

(Percentage Distribution)

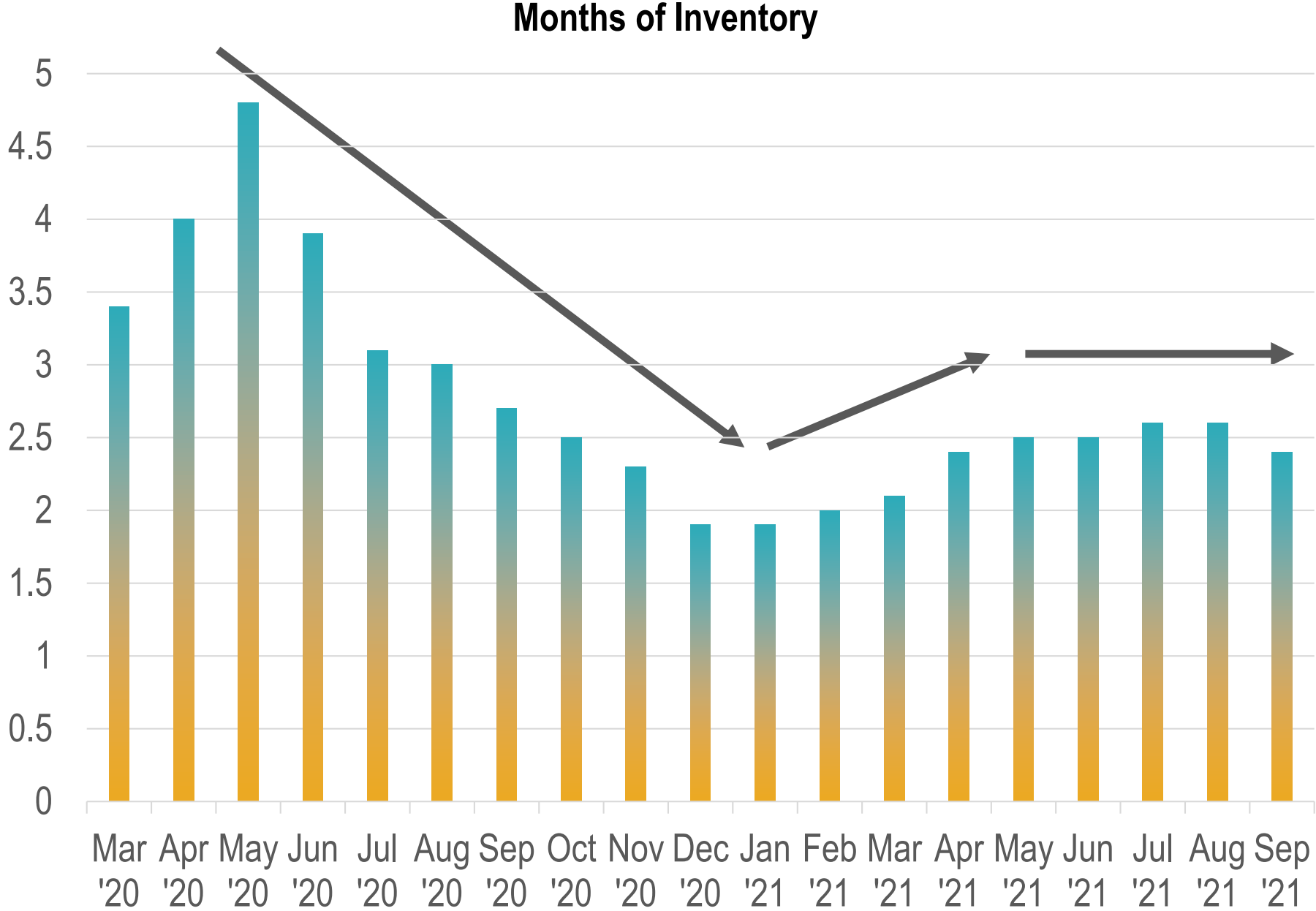
Median Age
in Group



Note: Buyers 21 years and younger only made up only two percent of the share of all buyers. They were not included in much of chapters 1 through 5 on home buyers due to the low number of responses for analysis.

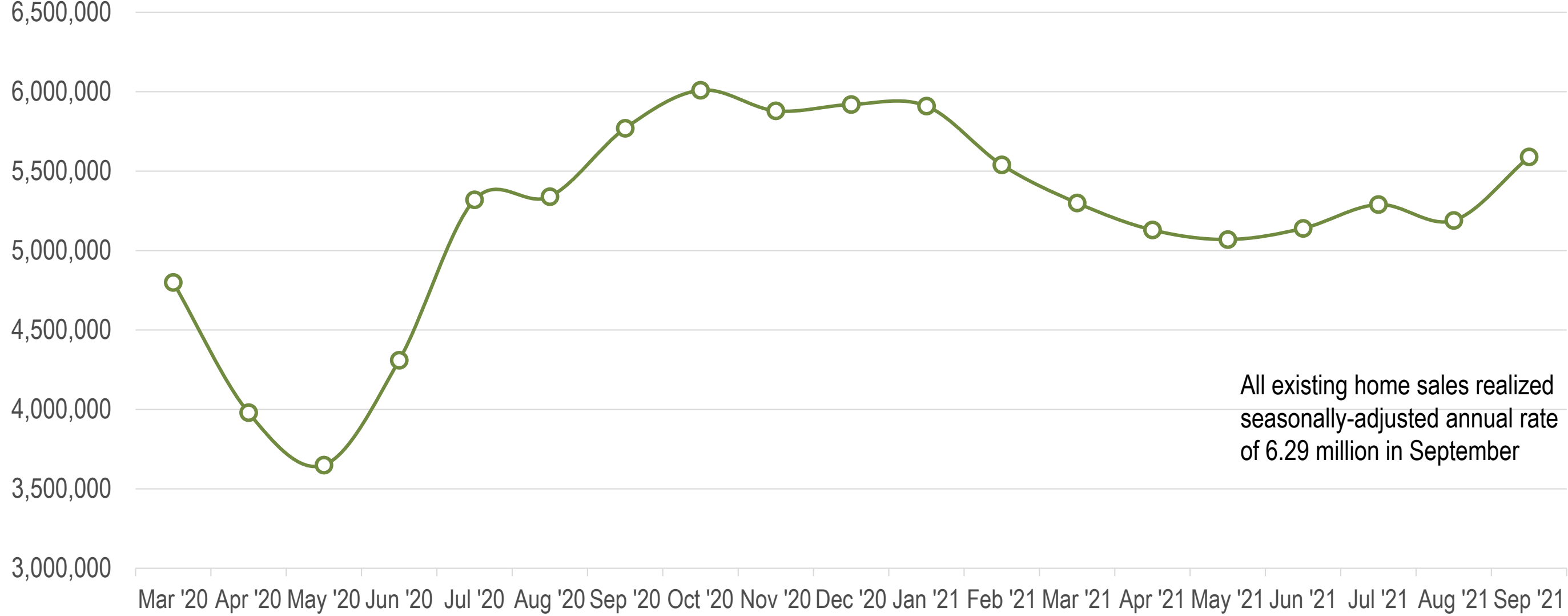
EXISTING HOME INVENTORY REMAINS HISTORICALLY LOW

2.4 months of inventory available – a modest increase above the very low of 1.9 months of inventory at the end of 2020 that has remained consistent throughout summer



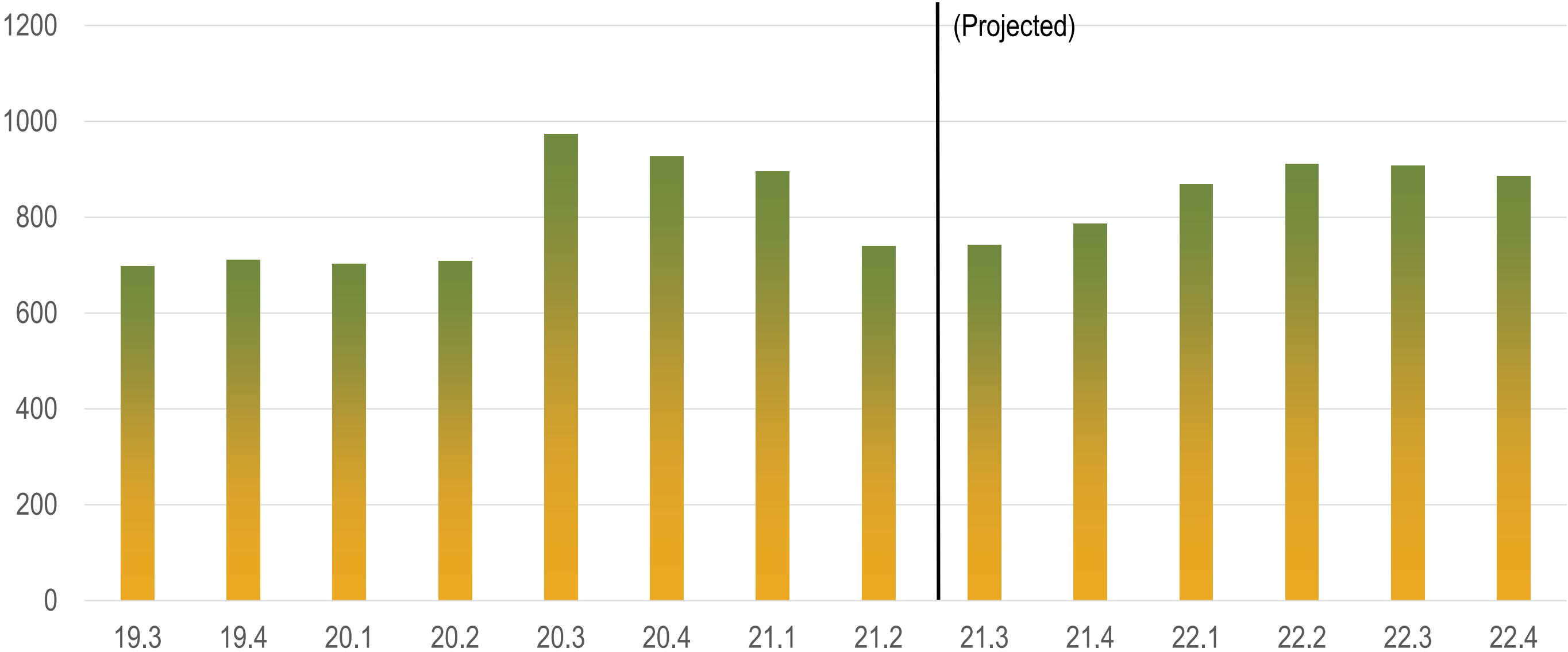
EXISTING HOME SALES BELOW PEAK, BUT IMPROVE OVER SUMMER

Existing Single Family Annual Home Sales Seasonally Adjusted



All existing home sales realized seasonally-adjusted annual rate of 6.29 million in September

FANNIE MAE NEW SINGLE-FAMILY HOME SALES BY QUARTER (OCT 2021)

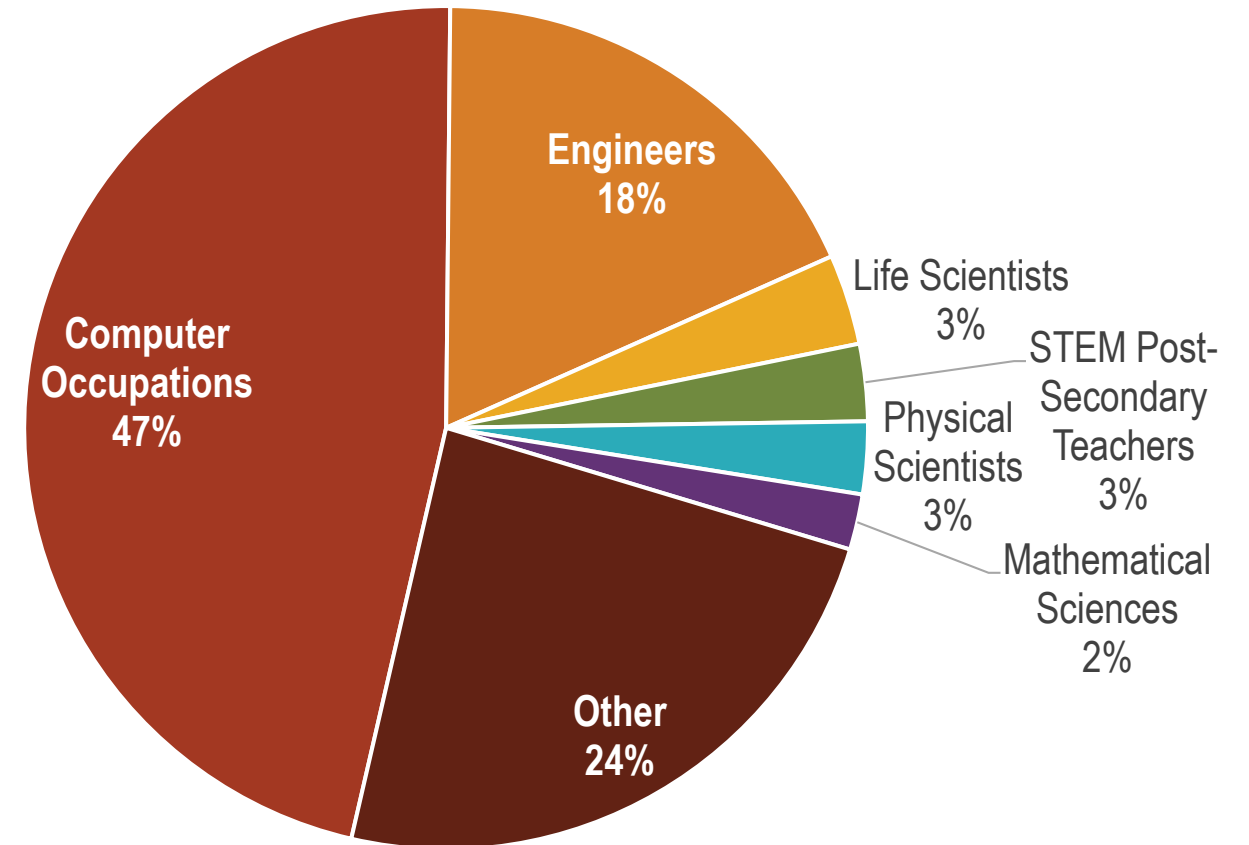


2021 STEM JOB GROWTH INDEX

THE GROWING IMPORTANCE OF STEM

- ▶ STEM employment has grown over five times as fast as Non-STEM employment from 2005-2015
- ▶ BLS Projects more than 1MM STEM jobs will be added during the 2020s
- ▶ Computer User Support, Industrial Engineering, Information Security, and Civil Engineer have been the fastest growing STEM jobs over 5 years.
- ▶ Life, Physical, and Social Science Jobs likely to see a more significant bump post-COVID.

Composition of STEM Jobs by Industry; United States; 2019



WHERE ARE THE STEM JOBS TODAY?

Understanding the “Location Quotient” for STEM employment

- ▶ Location Quotient (or LQ) is a comparison of concentration of jobs in a given industry compared to the overall U.S.
- ▶ An LQ greater than 1 indicates a concentration of industry jobs greater than the U.S. overall (i.e. San Jose has 3.25 times the concentration of STEM jobs as the U.S. average)
- ▶ Understanding where STEM jobs are today is an important predictor for where they are likely to grow, but it isn't everything...

RANKED BY LQ	CITY	2021 LQ	2021 STEMDEX RANK
1	San Jose, CA	3.25	6
2	Washington, DC	1.92	5
3	San Francisco, CA	1.83	4
4	Raleigh, NC	1.81	7
5	Seattle, WA	1.75	2
6	Boston, MA	1.71	8
7	Detroit, MI	1.59	25
8	Austin, TX	1.54	3
9	Denver, CO	1.54	1
10	San Diego, CA	1.49	18
11	Baltimore, MD	1.42	17
12	Portland, OR	1.36	9
13	Minneapolis, MN	1.35	13
14	Hartford, CT	1.28	29
15	Salt Lake City, UT	1.28	10

FACTORS CONSIDERED IN THE STEMDEX

STEM Trends and Economic Growth Factors

- ▶ 5-Year Net Migration Projections (2021-2026)
- ▶ STEM Industry Occupation Growth (2015-2020)
- ▶ STEM Location Quotient
- ▶ Average STEM Wages
- ▶ Growth Rate of Young Population (Ages 25-40)
- ▶ Projected Office Employment Growth (2022-2027)

Workforce Quality

- ▶ Growth in Population with Bachelor's Degree or Higher
- ▶ Current Share of Young Population (Ages 25-40)
- ▶ Education Attainment
- ▶ Current Share of Population with Bachelor's Degree or Higher

Quality of Life

- ▶ Cost of Living
- ▶ Rent Index
- ▶ Home Price to Income Ratio
- ▶ % of Population Below Poverty Line
- ▶ Walk Score
- ▶ Share of Culture Jobs as % of Total Employment
- ▶ Quality of Life Index
- ▶ Mean Travel Time to Work

Business Climate

- ▶ State Business Tax Climate
- ▶ State Fiscal Health
- ▶ Class A Office Rent
- ▶ Projected Growth in Office Costs
- ▶ Total Airport Capacity as % of US Total

2021 STEM JOB GROWTH INDEX

- ▶ More than a measure of where STEM jobs are today, the STEMdex is a tool to understand where we might see the most significant STEM growth over time.
- ▶ While there is overlap with the Location Quotient ranking of Top MSAs, the STEMdex measures Momentum, based on the factors shown on the previous slide.
- ▶ New entrants to the STEMdex include Washington D.C., Boston, Minneapolis, Baltimore, San Diego, and Houston.

2021 TOP 20	CITY	CHANGE	
1	Denver, CO	▲	2
2	Seattle, WA	▲	2
3	Austin, TX	▼	-1
4	San Francisco, CA	▲	4
5	Washington, DC	▲	22
6	San Jose, CA	▲	7
7	Raleigh, NC	▼	-2
8	Boston, MA	▲	13
9	Portland, OR	↔	0
10	Salt Lake City, UT	▲	7
11	Dallas, TX	▲	4
12	Atlanta, GA	▼	-6
13	Minneapolis, MN	▲	15
14	New York, NY	▲	5
15	Charlotte, NC	▼	-14
16	Orlando, FL	▼	-9
17	Baltimore, MD	▲	6
18	San Diego, CA	▲	16
19	Nashville, TN	▼	-7
20	Houston, TX	▲	2

Source: RCLCO, CapRidge Partners

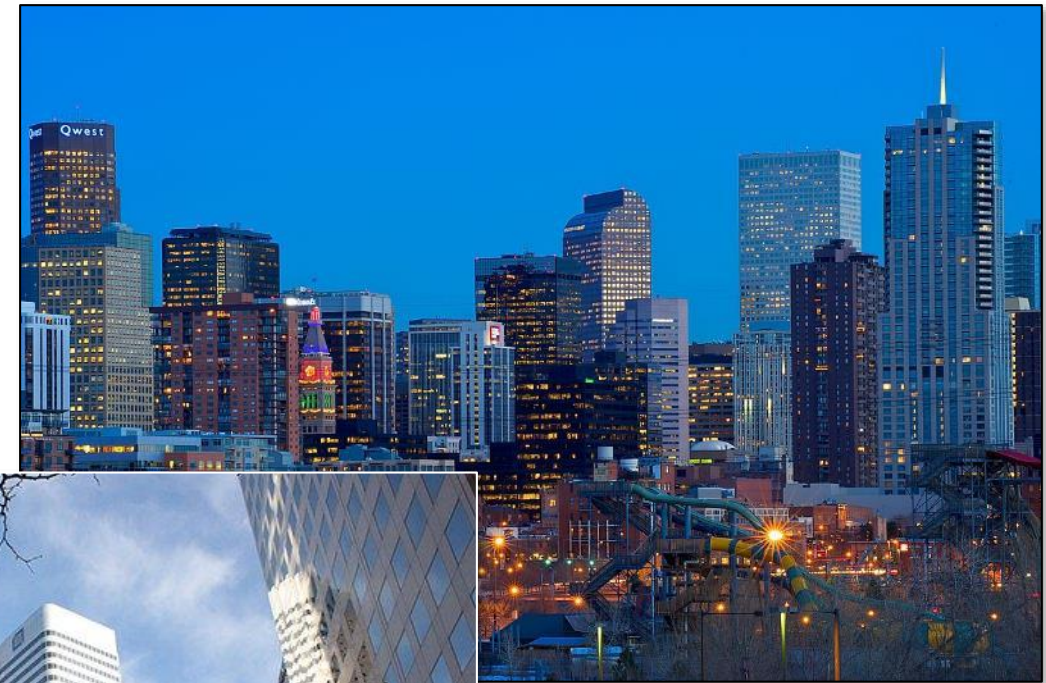
HOW MIGHT COVID-19 IMPACT THE FUTURE OF STEM GROWTH?

- ▶ It is difficult to fully assess how the ongoing COVID-19 pandemic might impact local economies in general or STEM jobs in particular, however...
- ▶ Historical evidence indicates that metro areas that implemented more robust public health interventions had better economic outcomes – study by MIT economist Emil Vermer on lessons from the 1918-1919 pandemic
- ▶ Using vaccination rates and other health metrics (such as the % of population with health insurance) as a proxy for a metro's potentially stronger or weaker economic resilience relative to the pandemic, the following are the cities most and least likely to improve or decline in STEM growth due to COVID.

MAY IMPROVE	MAY DECLINE
Boston, MA	Atlanta, GA
San Jose, CA	Phoenix, AZ
San Francisco, CA	Dallas, TX
Seattle, WA	Las Vegas, NV
Portland, OR	Memphis, TN

#1: DENVER, COLORADO

- ▶ The Colorado Economic Development Commission recently approved job growth incentive tax credits totaling \$11.3 million to create jobs statewide, including 140 positions in technology education in Denver.
- ▶ Nextworld, a cloud-based enterprise software firm is opening a new headquarters in Greenwood Village with plans to add 300 high paying jobs in product development.
- ▶ Smart TV and sound system producer VIZIO is opening their new tech innovation office in Denver intending to create over 100 jobs.



#3: AUSTIN, TEXAS

- ▶ Tesla is relocating their corporate headquarters to Austin with plans to create over 15,000 jobs between their headquarters and giga-factory.
 - » Tesla has already partnered with local Del Valle ISD to train and hire high school graduates directly out of high school
- ▶ Google currently leases over 550,000sf of office space and will lease the entire 750,000sf of office space at the new Block 185 development when it is complete in 2022.
- ▶ Software giant Oracle already employs 2,500 people in Austin, but announced at the end of 2020 it was moving its corporate headquarters to Austin which will concentrate its future hiring here and result in a wave of new talent.



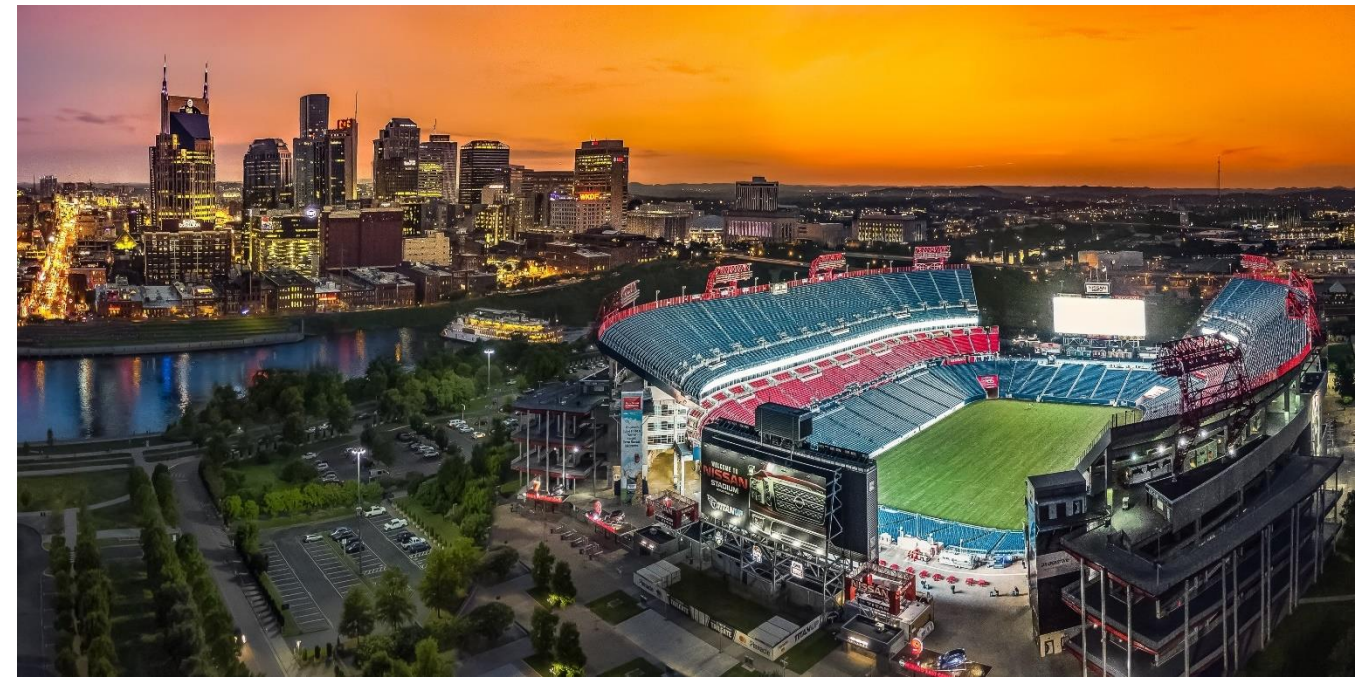
#12: ATLANTA, GA

- ▶ In early 2021, Microsoft confirmed it will develop a major East Coast hub in Atlanta that will feature 15,000 high-paying jobs, affordable housing and a plan for broad, long-term community revitalization across 90 acres in Grove Park, one of the city's poorest neighborhoods.
- ▶ Visa is moving a new division into Atlanta, redeveloping 123,000 square feet of office space and adding 1,000 jobs to the Midtown neighborhood of Atlanta.
- ▶ In early 2021, Airbnb announced plans to open a technical hub in the city of Atlanta by the end of 2021.



#19: NASHVILLE, TN

- ▶ Amazon moved into its first tower at the “Operations Center of Excellence” in 2021 and signed a lease for the neighboring second tower which will be complete in 2023. In total they will occupy 1 million square feet and create at least 5,000 jobs. 30% of the already filled 2,000 jobs are in tech roles.
- ▶ In June 2021, Oracle closed on 60 acres in the River North development just across the river from Downtown in East Nashville. They will invest \$1.2 billion in the site and create a second US HQ with 8,500 new jobs.



OTHER NOTABLE STEM ACTIVITY

Rank	City	STEM Events
2	Seattle, WA	Amazon is looking to fill nearly 40,000 corporate and tech positions nationwide, including nearly 13,000 in the Seattle. Adaptive Biotechnologies, a bio-tech firm which aims to translate the genetics of the adaptive immune system into clinical products to better diagnose and treat diseases, announced a new 100,000 square foot headquarters in Seattle.
4	San Francisco, CA	San Francisco added 7,300 STEM jobs during the pandemic with 17% of them "remote work positions" many of which are in the Bio-Tech field.
5	Washington, DC	Amazon is planning to hire 1,900 new workers at their HQ2 site in Arlington, VA.
6	San Jose, CA	Google is developing 7.3 million square feet of new office space for 20,000 workers in San Jose.
7	Raleigh, NC	Apple is developing a 1-million square foot building and adding more than 3,000 jobs in Raleigh with an average salary of \$187,000.
8	Boston, MA	Amazon announced a plan to expand its tech hub in Boston and add more than 3,000 new jobs.
9	Portland, OR	Lam Research, a manufacturer of semiconductors, plans to open a new factory in Portland adding 300 new jobs.
10	Salt Lake City, UT	Aerospace firm Ogden and renewable energy developer Lumio are investing over \$120 million dollars to create nearly 4,000 high-paying jobs in the Salt Lake City area over the next decade.
11	Dallas, TX	BioLabs, a national network of shared lab and bio-tech office facilities is opening a new office in the Dallas area.
13	Minneapolis, MN	Accenture, a tech apprenticeship network plans to add 1,000 apprentices to provide opportunities in tech to underprivileged youths.
14	New York, NY	Google purchased \$2.1 Billion worth of new office space on the West Side of Manhattan with plans for a sprawling urban campus for more than 12,000 regional employees.
15	Charlotte, NC	Credit Karma expanding their operations in Charlotte by adding 600 jobs and investing \$13 million into office space. The average salary of the new positions is \$156,600.

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