



# UPDATE AND OUTLOOK FOR REAL ESTATE CAPITAL MARKETS

RCLCO Monthly Webinar

**Kelly Mangold** Principal, RCLCO

**Taylor Mammen** CEO, RCLCO Fund Advisors

**Gregg Logan** Managing Director, RCLCO

**RCLCO**  
REAL ESTATE CONSULTING

# TODAY'S PANELISTS



**Kelly Mangold**

Principal  
RCLCO

**P:** (240) 669-5638

**E:** kmangold@rclco.com



**Taylor Mammen**

CEO  
RCLCO Fund Advisors

**P:** (310) 282-0437

**E:** tmammen@rclco.com



**Gregg Logan**

Managing Director  
RCLCO

**P:** (407) 515-4999

**E:** glogan@rclco.com



# AGENDA

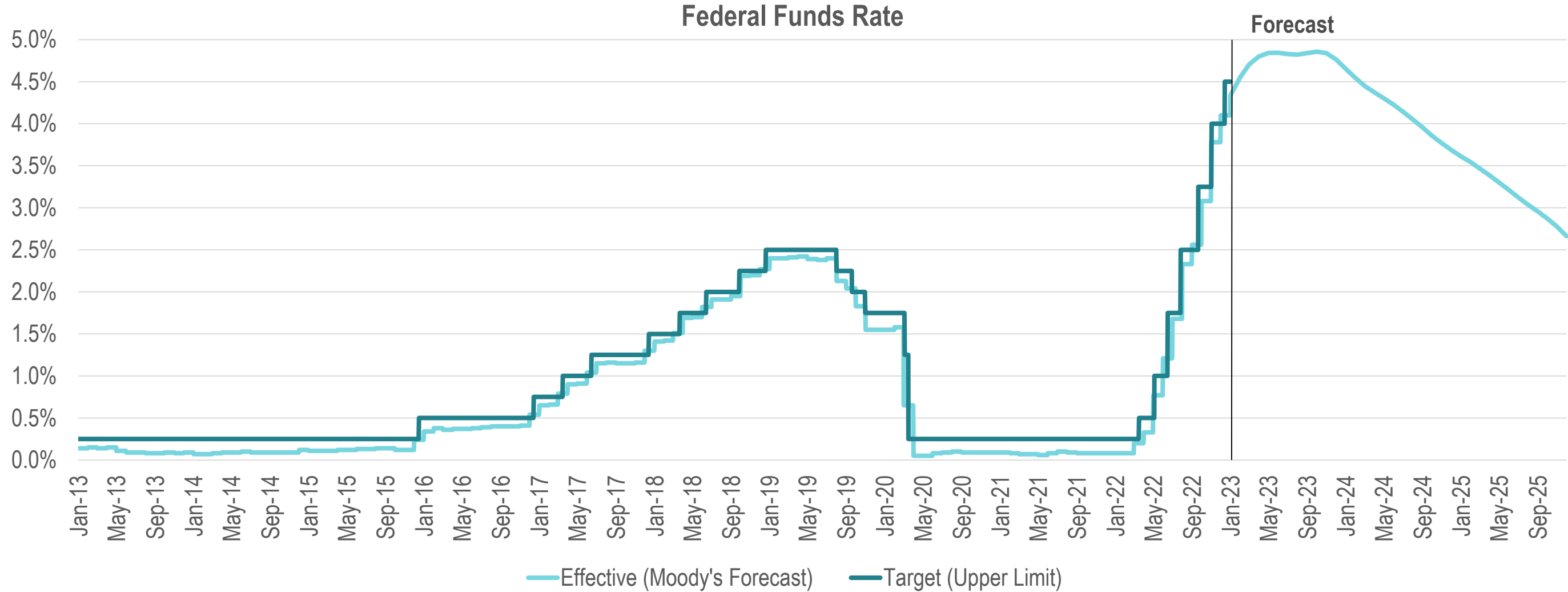
- ▶ **State of the Economy (Revaluation & Recession)**
- ▶ **State of the Housing Market**
- ▶ **Top Selling Master Planned Community Update**
- ▶ **Q&A**

# REVALUATION

---

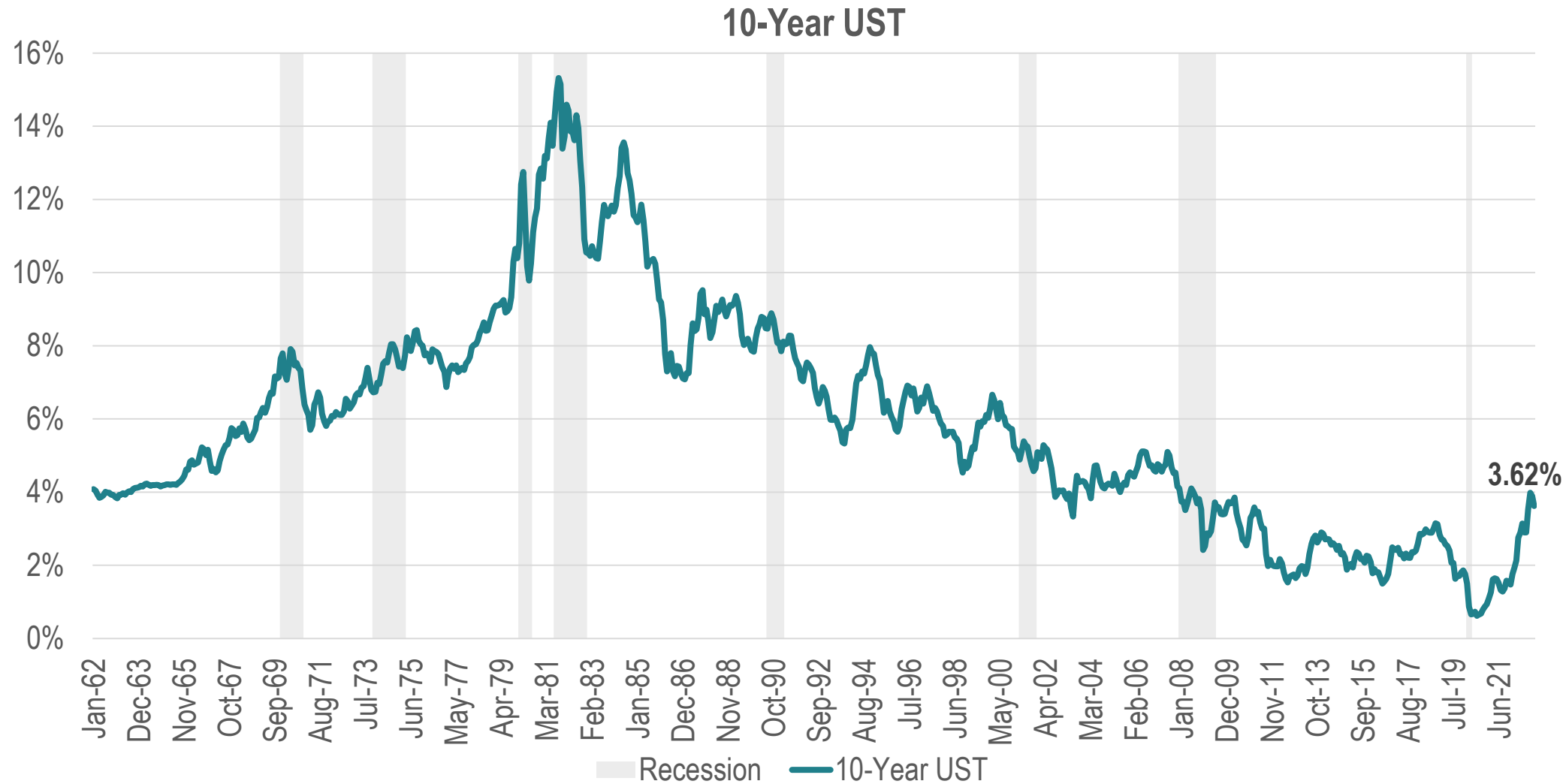
# THE FED ISSUED A TOTAL OF 425 BPS IN RATE HIKES OVER THE COURSE OF 2022

Future Increases Expected to be Smaller, but the Fed Remains Hawkish



# THE 10-YEAR UST EDGED DOWN AGAIN IN DECEMBER, AVERAGE OF 3.62% FOR THE MONTH

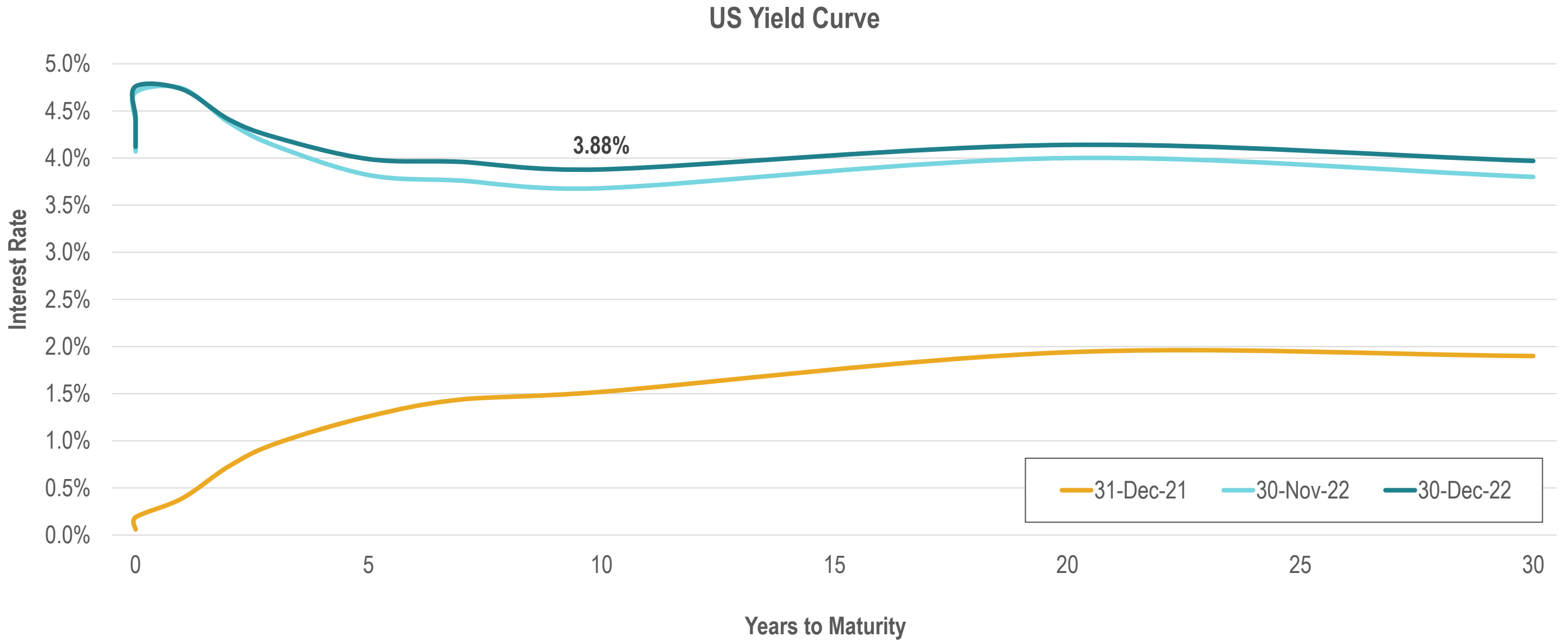
Yields Entered December at 3.68% and Decreased to 3.44% Before Rising Again to End 2022 at 3.88%



	10-Year UST	
	Average	Year-End
2019	2.14%	1.92%
2020	0.89%	0.93%
2021	1.45%	1.52%
2022	2.95%	3.88%

# YIELDS ACROSS THE YIELD CURVE ENDED THE YEAR UP SHARPLY

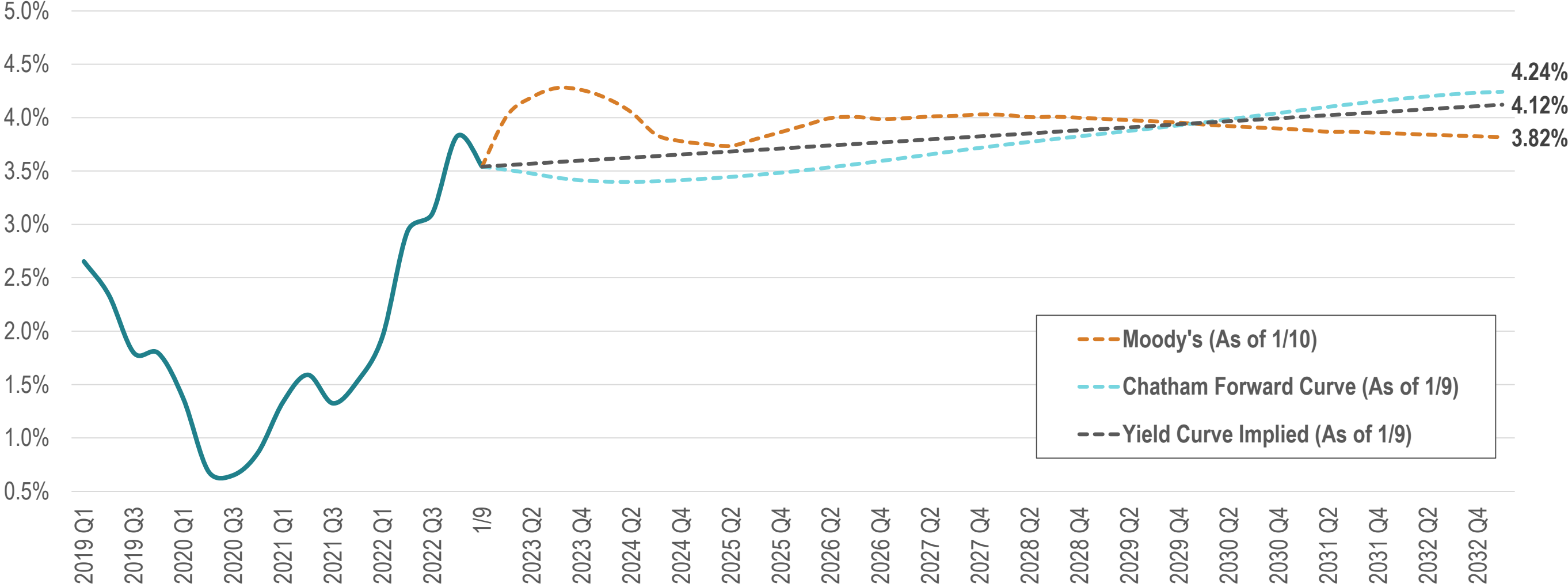
Medium- and Long-term Yields Rose MoM in December, but the Yield Curve Remains Strongly Inverted



# 10-YEAR YIELD EXPECTED TO INCREASE MODESTLY OVER THE COMING YEARS

Rates Moderated Somewhat Toward the End of 2022 with Positive Signs from Recent Inflation Reports

10-Year US Treasury Yield and Forecasts

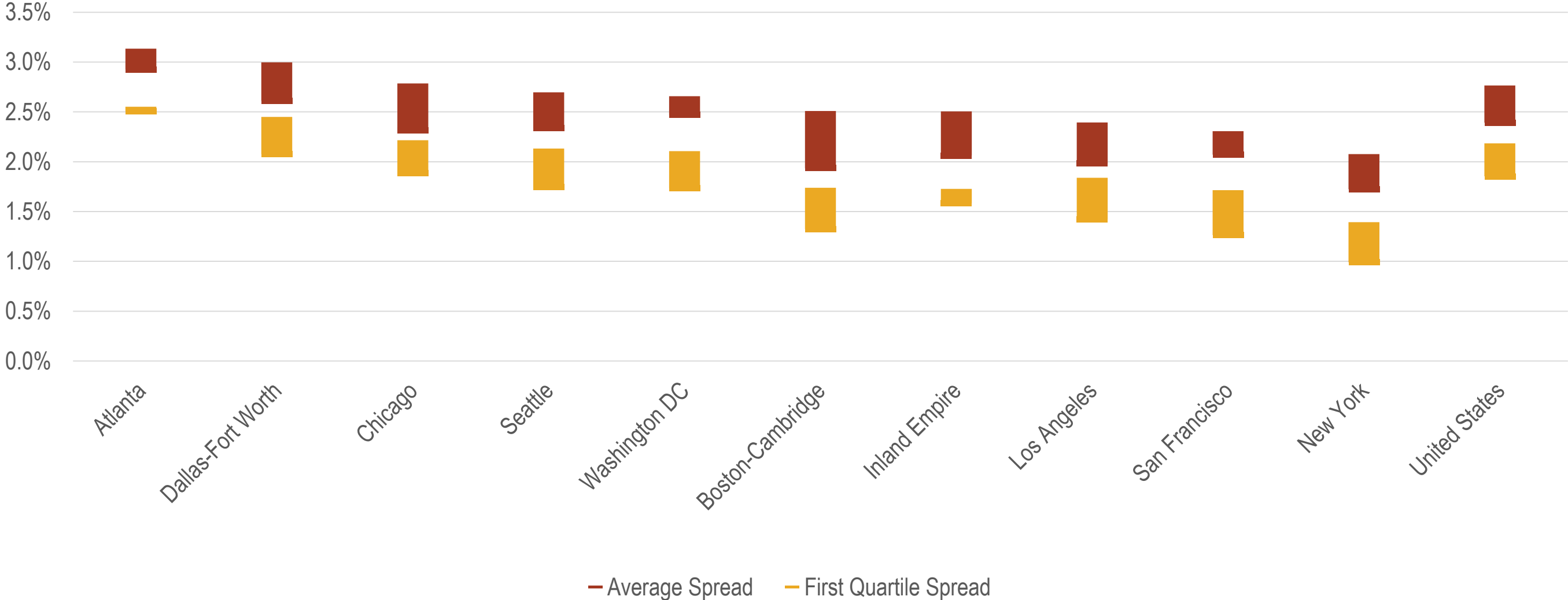




# HISTORIC YIELD SPREADS TO THE RISK-FREE RATE (10-YEAR UST)

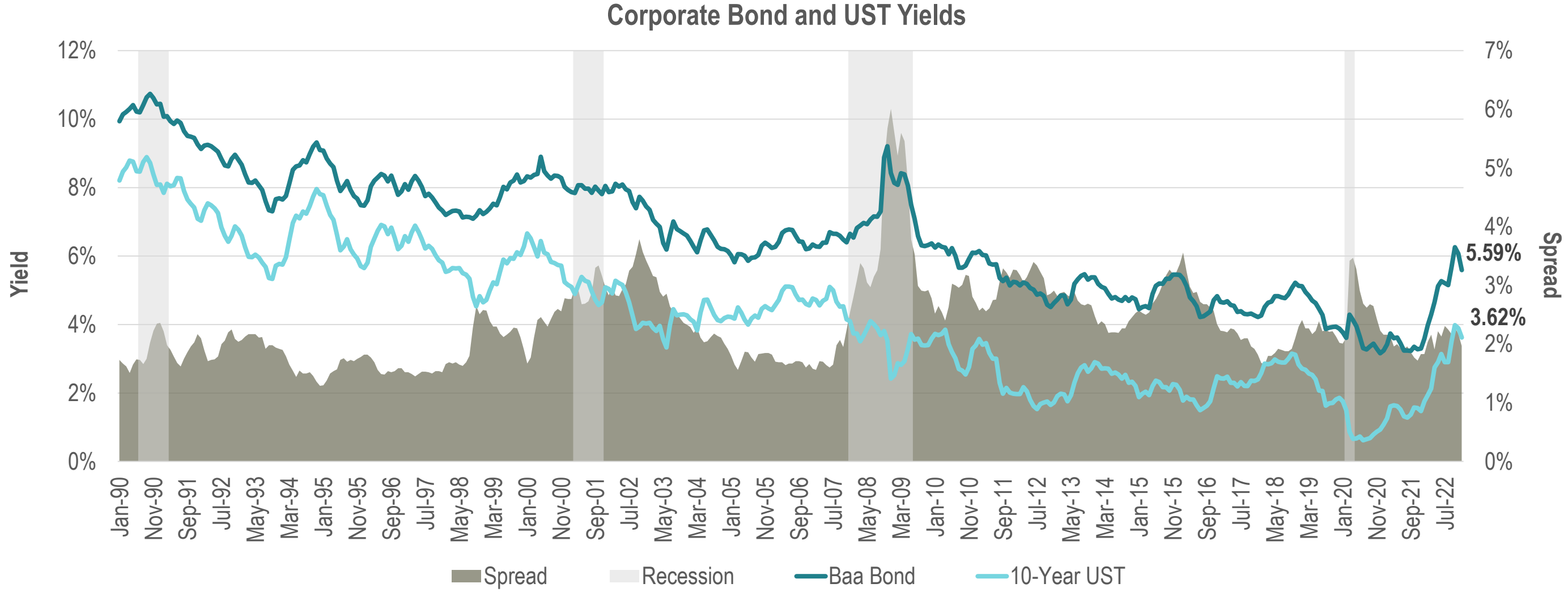
Range of 5-Year and 20-Year Average and 1<sup>st</sup> Quartile Spreads

NPI Income Return to 10-Year UST Spread



# BAA CORPORATE BOND YIELDS EXPANDED 229 BPS IN 2022 TO 5.59% IN DECEMBER

Spread to 10-Year UST at 1.97%, 60 bps Below its Long-term Average

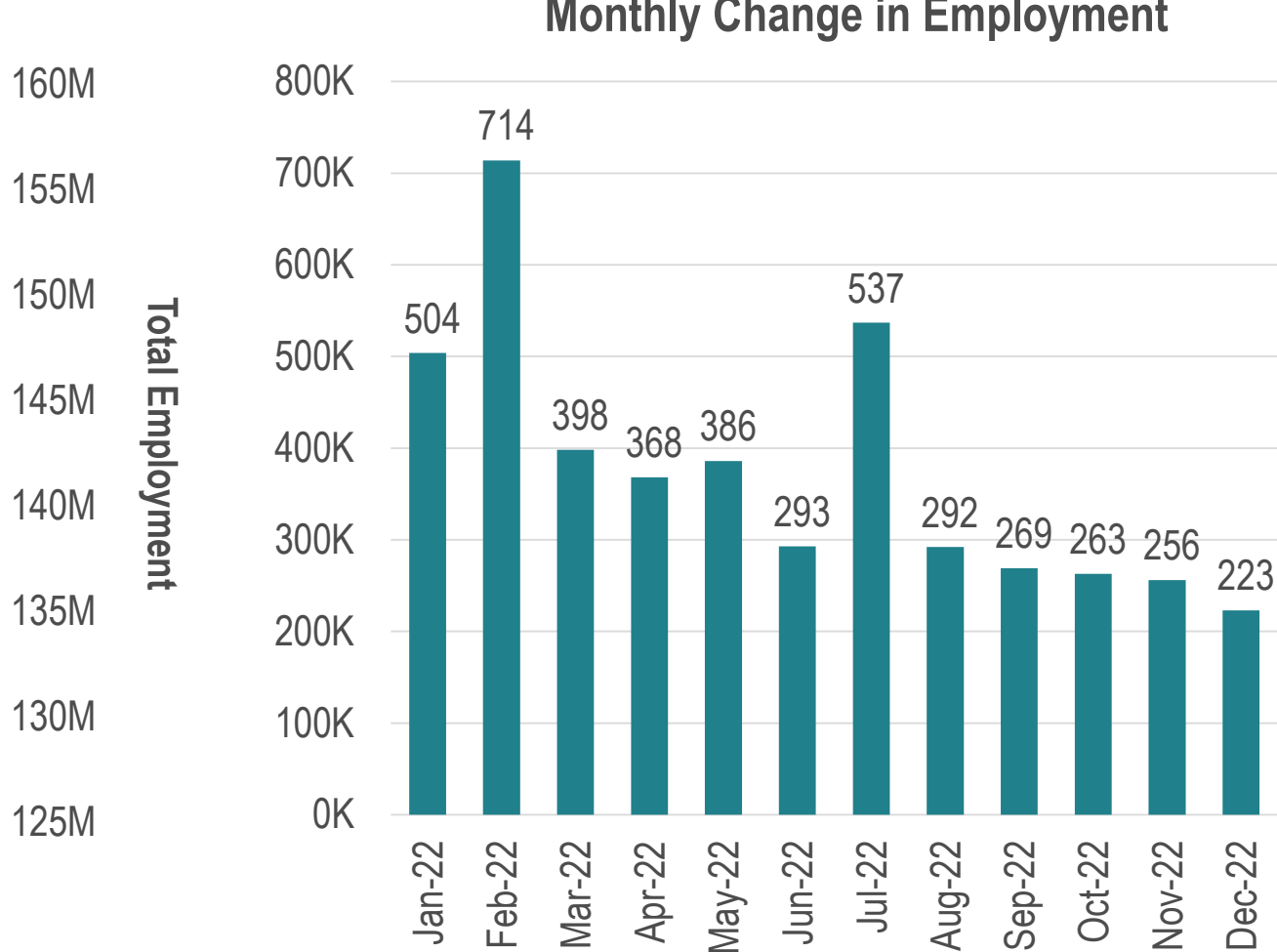
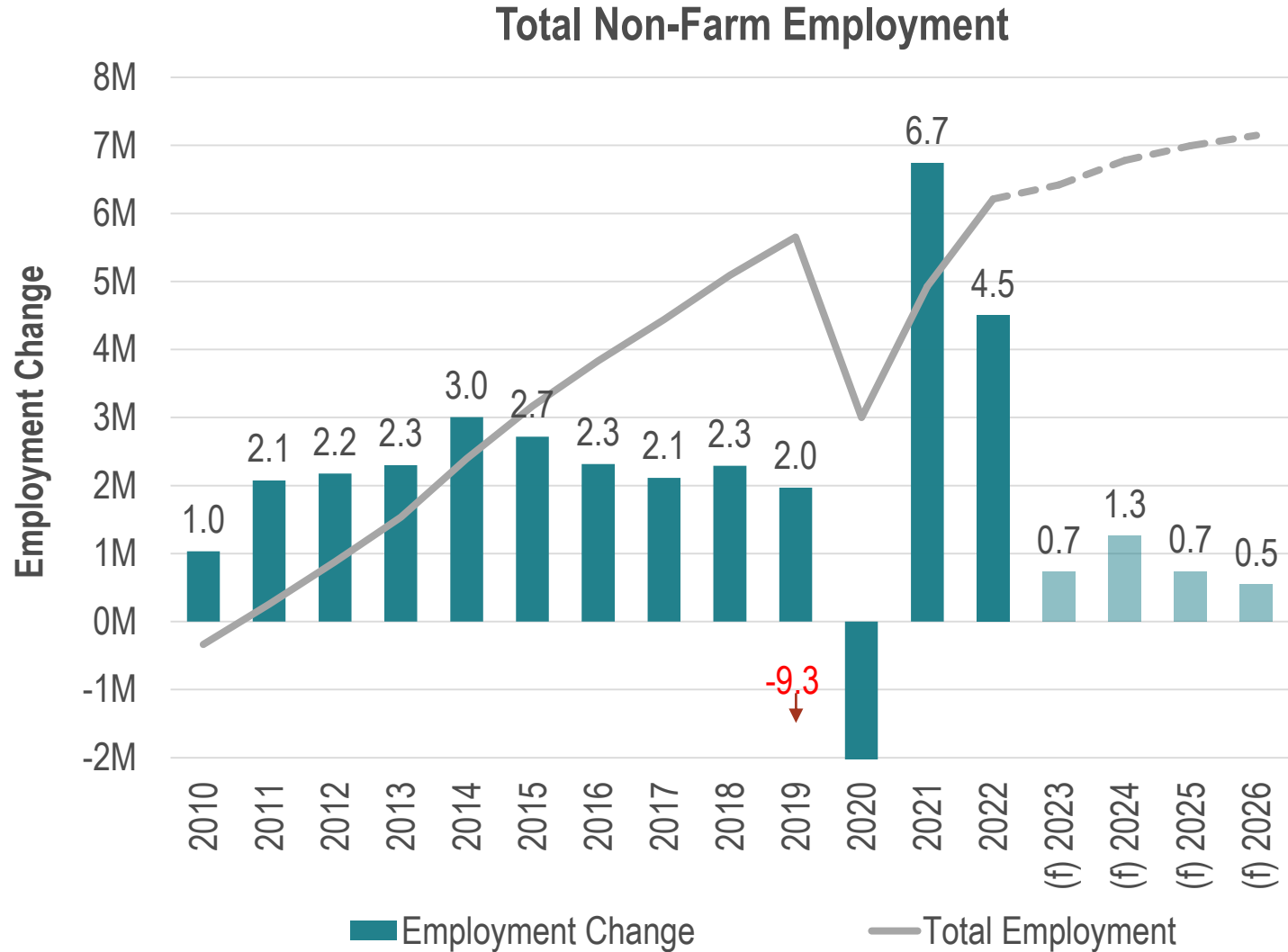


# RECESSION

---

# EMPLOYMENT GROWTH TOTALED 4.5M IN 2022, EXPECTED TO COOL MARKEDLY IN 2023

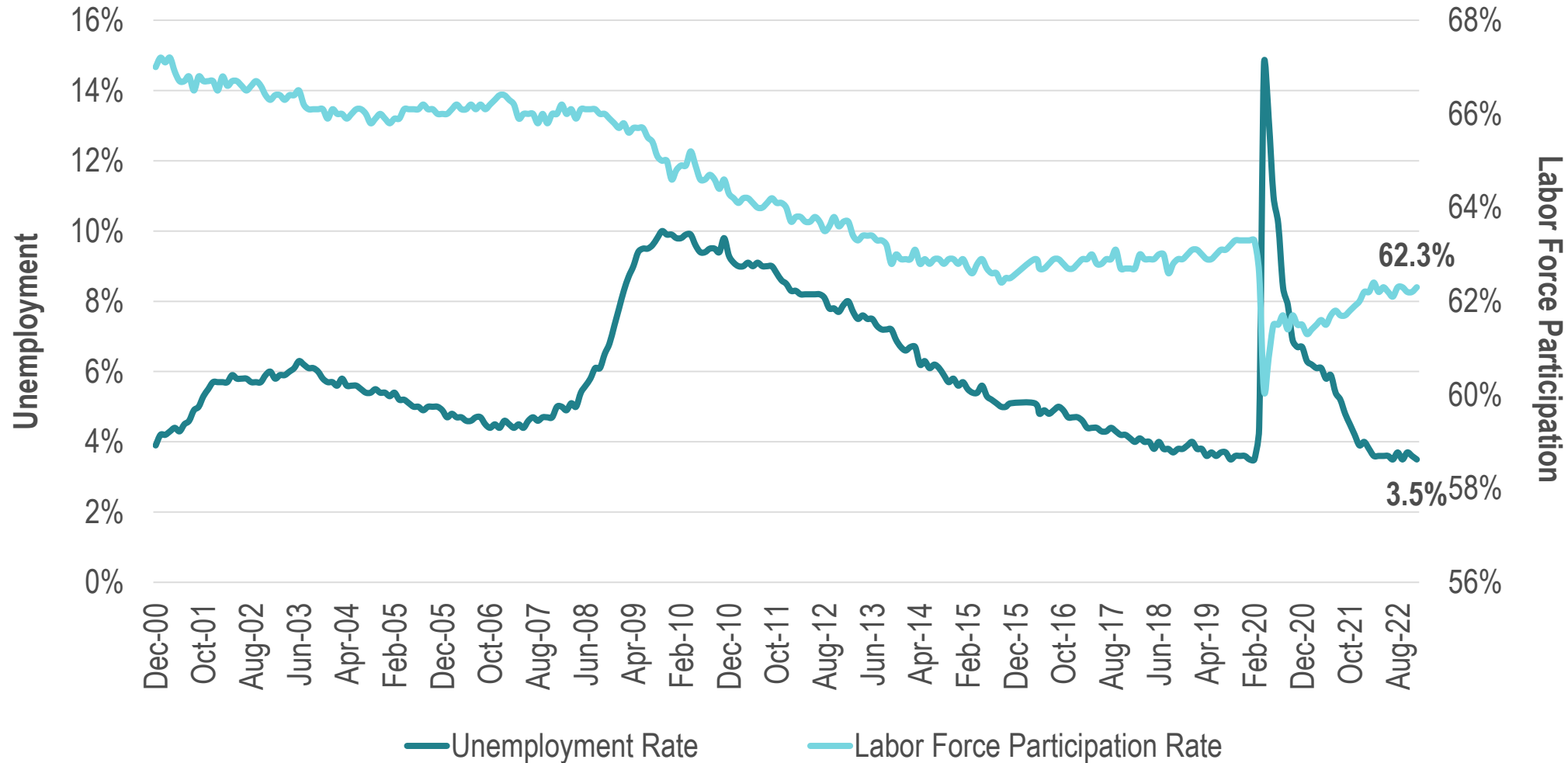
Monthly Employment Growth Has Slowed Since July but Remained Strong in December with 220K Jobs Added



# UNEMPLOYMENT DROPPED TO 3.5% IN DECEMBER, ENDING 2022 AT 50-YEAR LOW

Labor Force Participation Rate Remained Low Through 2022 but Increased Modestly Over the Year

### Unemployment and Labor Force Participation



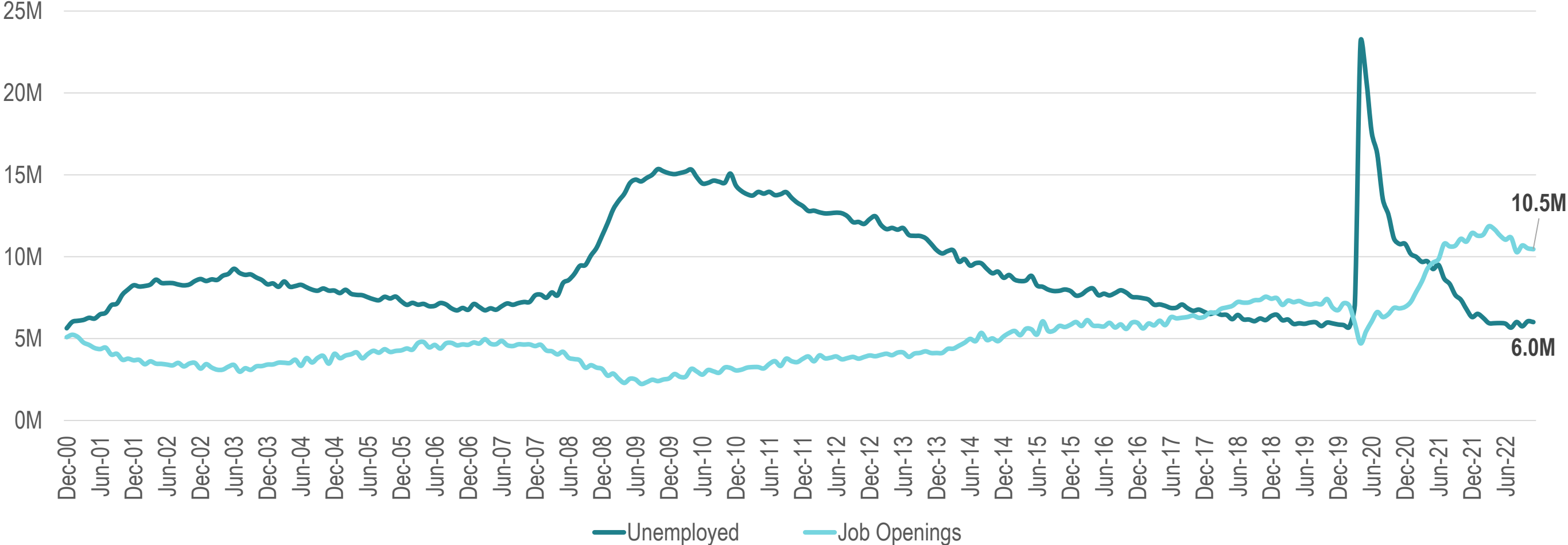
Unemployment Rate		
	Average	Year-End
2019	3.7%	3.6%
2020	8.1%	6.7%
2021	5.4%	3.9%
2022	3.6%	3.5%

Participation Rate		
	Average	Year-End
2019	63.1%	63.3%
2020	61.7%	61.5%
2021	61.7%	62.0%
2022	62.2%	62.3%

# JOB OPENINGS FELL BY 50K IN NOVEMBER AND ARE 1.4M BELOW THEIR MARCH PEAK

The Ratio of Available Jobs per Unemployed Worker Remains High at 1.7

Unemployed vs Job Openings



Data are as of December 2022.

Note: The U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS) releases one month in arrears.

Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis



# WAGE GROWTH WAS ELEVATED THROUGHOUT 2022, ENDING THE YEAR AT 4.6%

Hourly Wages Were Up 1.0% Over the Last 3 Months as Wage Growth Slowly Moderates Toward Average Rates



YoY Wage Growth		
	Average	Year-End
2019	3.3%	2.9%
2020	4.9%	5.5%
2021	4.2%	4.9%
2022	5.2%	4.6%

# POST-PANDEMIC EMPLOYMENT RECOVERY STRONGEST IN SUNBELT MARKETS

Employment Edged Above Pre-pandemic Levels in Gateway Markets

## 30 Largest Employment Markets

	Employment Change		
	Feb. 2020 - Nov. 2022	Nov. 2021 - Nov. 2022	2022 - 2025 Forecast (CAGR)
Austin	11.6%	4.7%	1.9%
Dallas-Fort Worth	10.3%	6.1%	1.6%
Nashville	7.9%	5.2%	1.1%
Inland Empire	7.4%	4.6%	1.6%
Tampa	6.8%	5.1%	1.5%
Charlotte	6.8%	5.3%	1.1%
Phoenix	6.0%	4.0%	1.3%
Atlanta	5.9%	4.8%	1.3%
San Antonio	5.5%	4.8%	1.4%
Houston	4.5%	5.6%	1.5%
Denver	3.9%	3.4%	1.2%
Miami	3.9%	4.5%	1.6%
Orlando	3.8%	4.6%	2.2%
Portland	2.6%	4.8%	1.4%
San Jose	2.5%	4.8%	1.1%
Chicago	2.2%	3.4%	0.7%
San Diego	2.0%	3.2%	1.2%

	Employment Change		
	Feb. 2020 - Nov. 2022	Nov. 2021 - Nov. 2022	2022 - 2025 Forecast (CAGR)
Philadelphia	1.9%	3.3%	0.7%
Seattle	1.9%	4.4%	1.2%
Boston	1.8%	4.6%	1.0%
Minneapolis	1.1%	4.0%	1.0%
Baltimore	1.0%	2.0%	0.8%
Saint Louis	0.9%	2.4%	0.3%
Los Angeles	0.6%	4.4%	1.2%
Detroit	0.6%	2.6%	0.9%
New York	0.3%	3.9%	1.0%
Washington DC	0.1%	1.9%	1.0%
San Francisco	0.1%	4.1%	1.3%
Columbus	-0.2%	2.4%	1.1%
Pittsburgh	-1.1%	2.4%	0.6%

<b>Midwest Markets</b>
<b>Gateway Markets</b>
<b>Sunbelt Markets</b>

Data are as of November 2022.

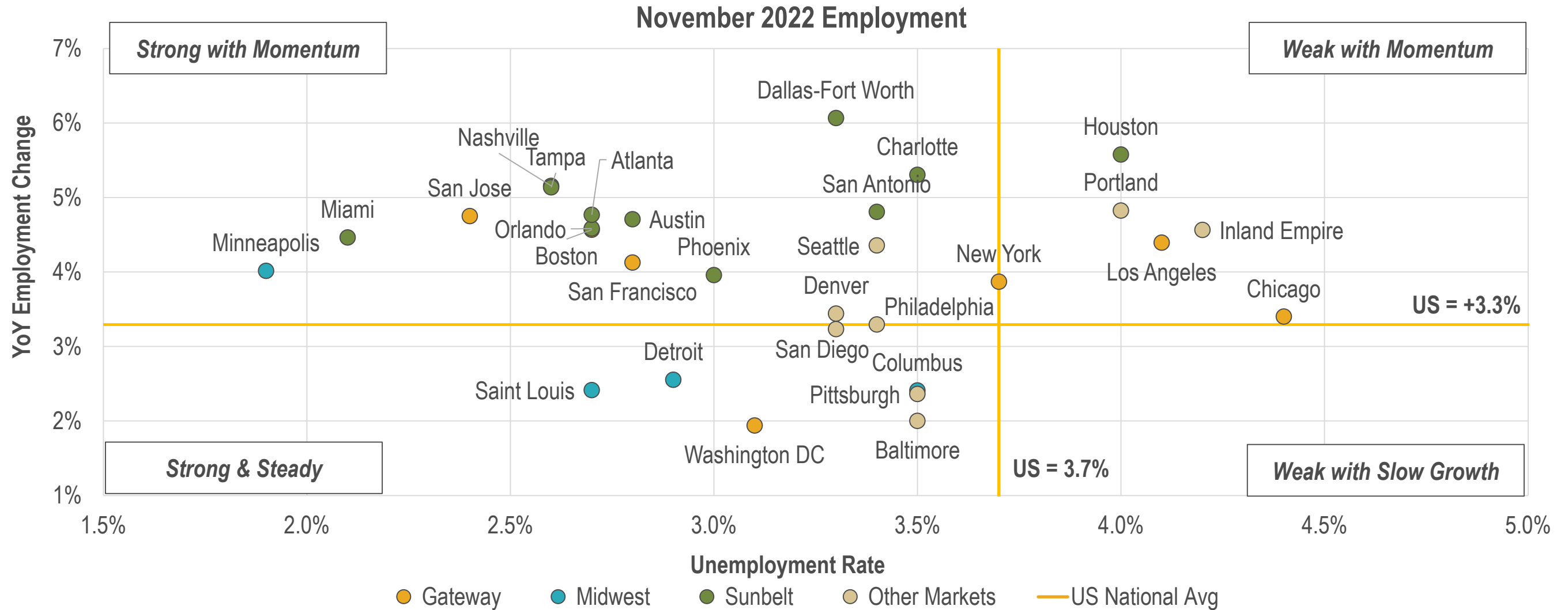
Note: The table shows the 30 largest markets by nonfarm employment; MSA employment data release one month in arrears.

Source: U.S. Bureau of Labor Statistics



# STRONG EMPLOYMENT GROWTH AND LOW UNEMPLOYMENT PERSIST IN THE SUNBELT

Employment Growth Picked Up Momentum in Most Gateway Markets

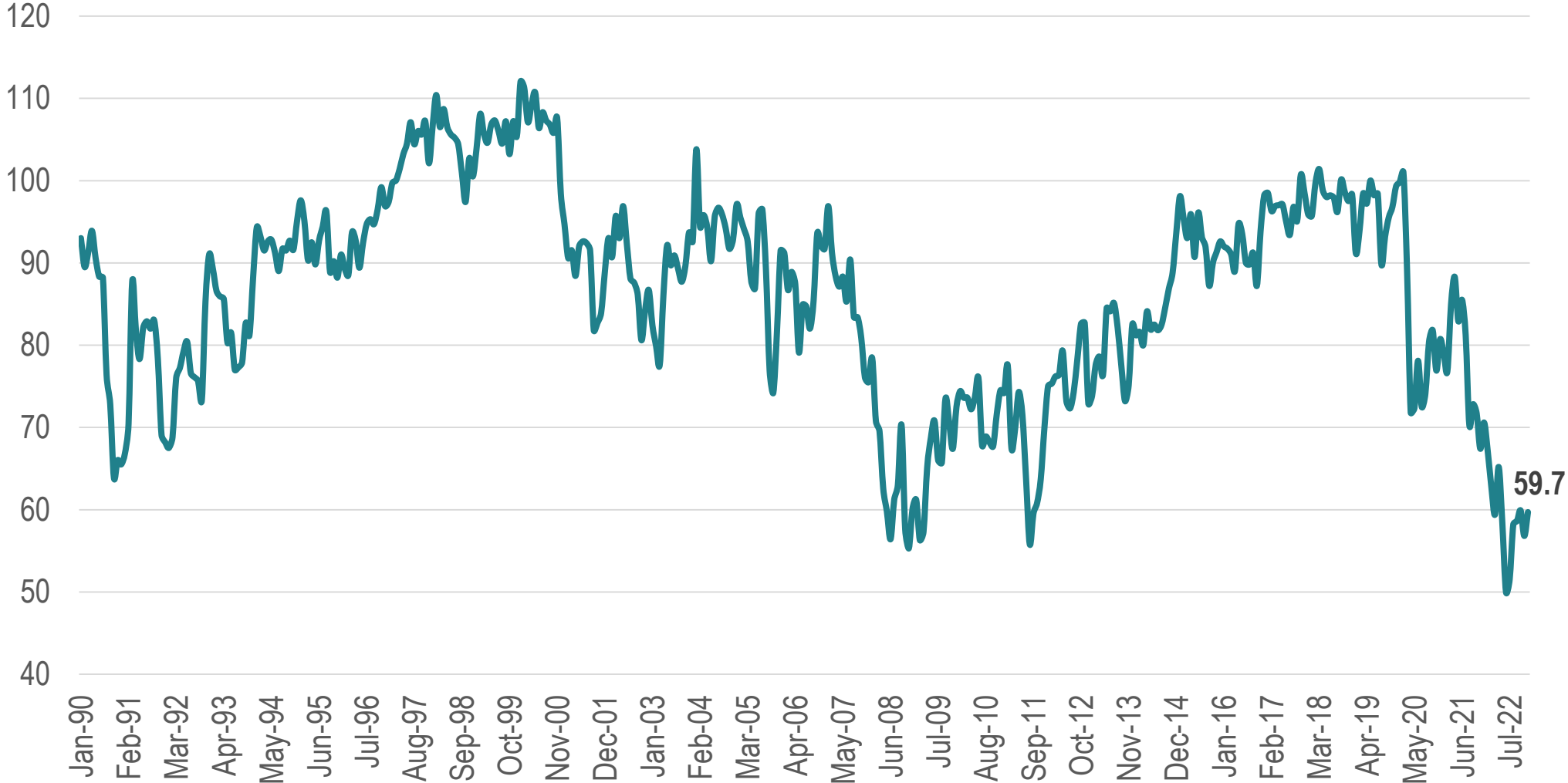


Note: The chart shows the 30 largest markets by nonfarm employment; MSA employment data release one month in arrears.  
 Source: U.S. Bureau of Labor Statistics

# CONSUMER SENTIMENT ROSE 2.9 POINTS IN DECEMBER BUT ENDED 2022 DOWN 10.9 PPTS

High Prices and Rising Borrowing Costs Continue to Weigh on Consumers

University of Michigan Consumer Sentiment



Consumer Sentiment		
	Average	Year-End
2019	96.0	99.3
2020	81.5	80.7
2021	77.6	70.6
2022	59.0	59.7

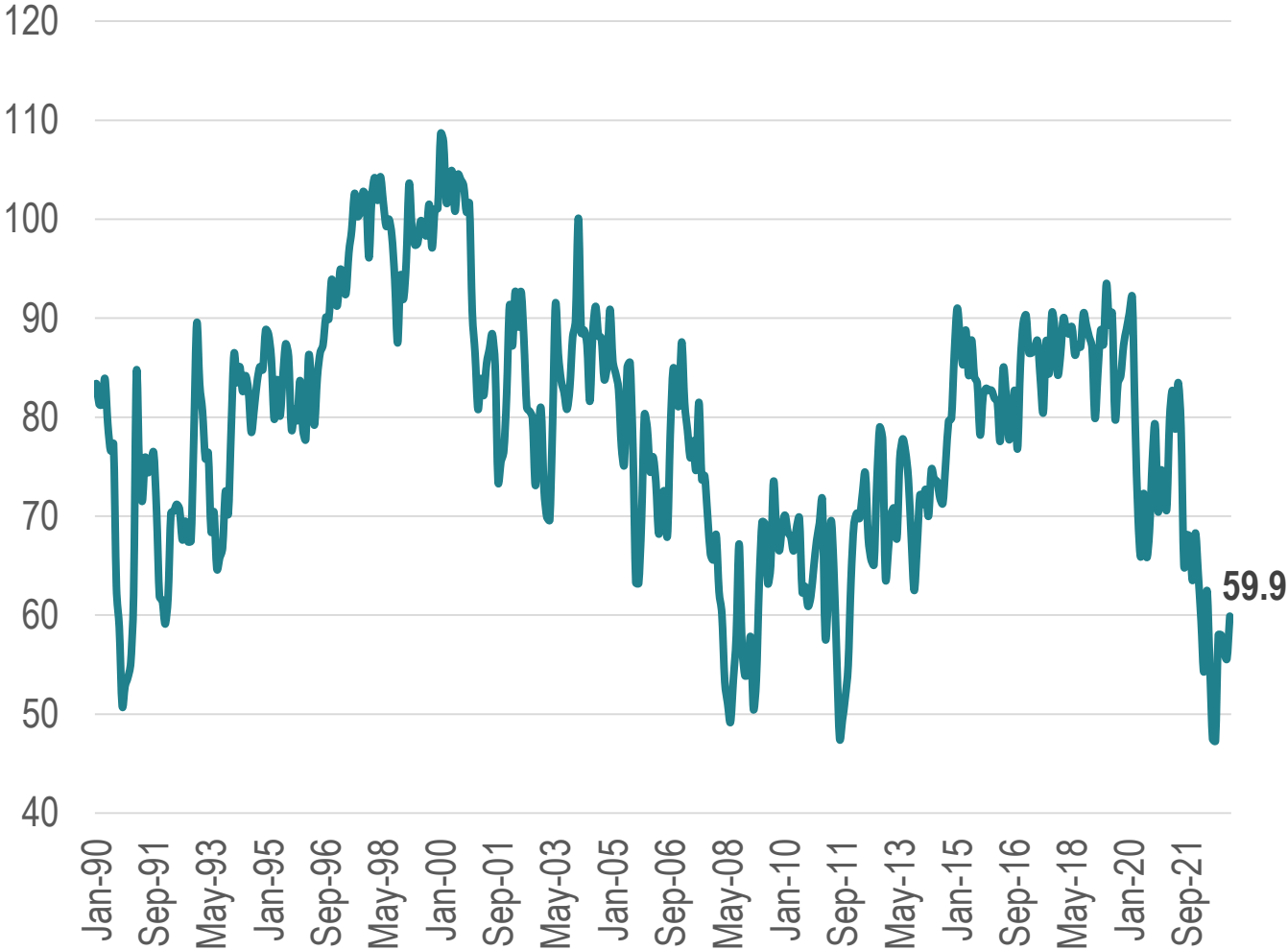


Data are as of December 2022.  
Source: University of Michigan; Federal Reserve Bank of St. Louis

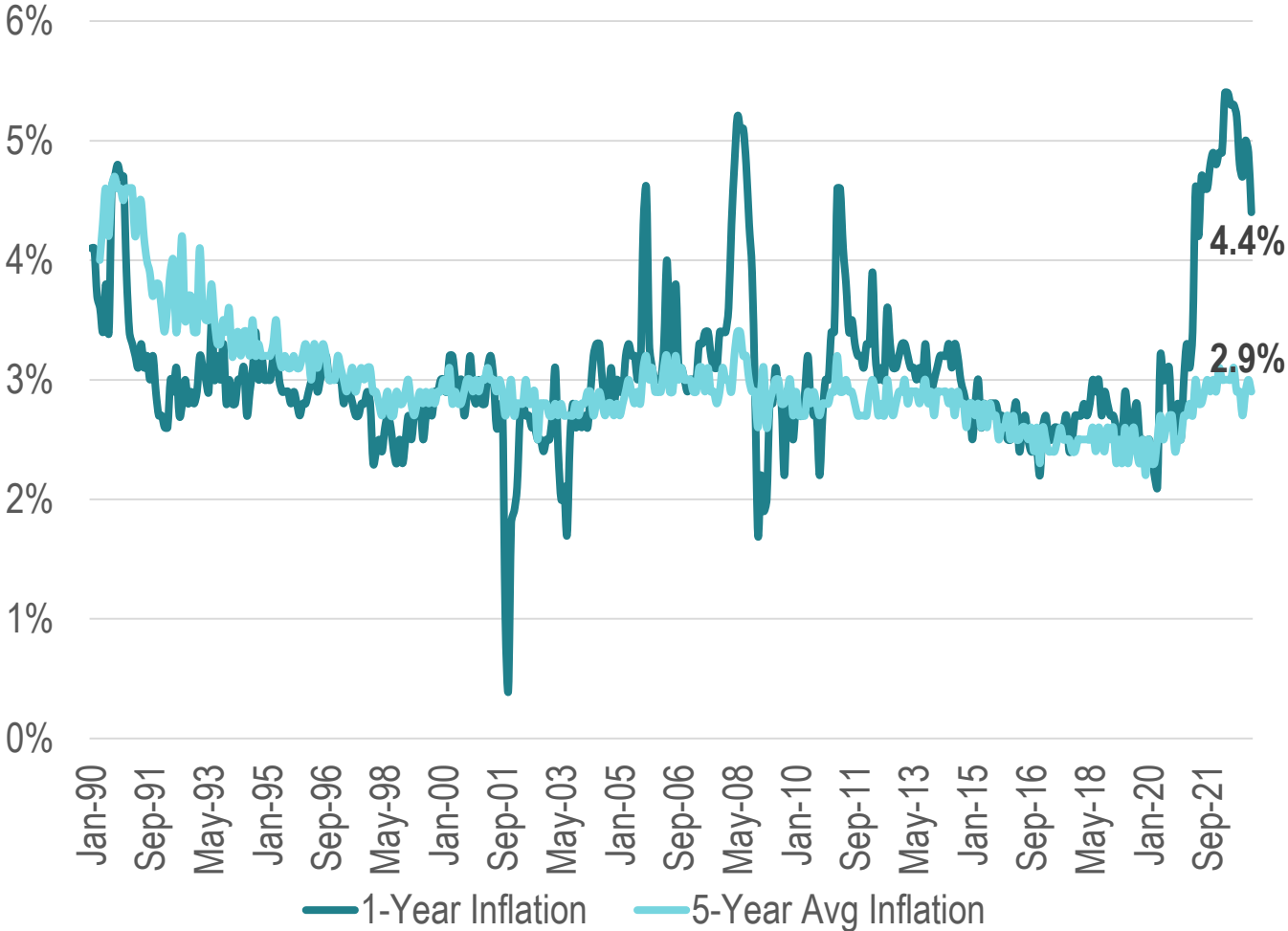
# CONSUMER EXPECTATIONS FOR THE YEAR AHEAD ROSE TO HIGHEST LEVEL SINCE APRIL

Inflation Expectations for the Next Year Have Fallen to An 18-Month Low but Remain Elevated

University of Michigan Consumer Expectations



University of Michigan Inflation Expectations



Data are as of December 2022.  
Source: University of Michigan; Federal Reserve Bank of St. Louis

# SCENARIOS

---

# WE FACE A POTENTIAL ECONOMIC RECESSION AND BROAD ASSET REVALUATIONS

The Phenomena are Related, but Have Different Causes and Impacts







		Asset Revaluation (“Permanently” Impaired Valuation Metrics)		
		Mild Impact (0% to -5%)	Moderate Impact (-5% to -15%)	Severe Impact (-15% or lower)
Economic Recession (GDP Decline, Job Losses)	Mild Recession (2Q, -1%)			
	Moderate Recession (4Q, -2%)			
	Severe Recession (8Q, -4%)			





# STATE OF THE HOUSING MARKET









---

# HOUSING DASHBOARD

- » Permits, a leading indicator, are down year over year by 30%
- » Housing Starts are down 22% year over year
- » Housing Completions have remained at about the same level, slightly “up” YOY as supply chain issues have continued to work out
- » New Home Sales are DOWN 15% YOY
- » New Home Prices are UP 9% YOY
- » Homebuilder’s expectations for Single Family Home sales next 6 months are DOWN 55% ...
- » ...however that’s higher in JAN ‘23 than DEC ‘22



New Residential Construction (December 2022)					
Permits	1,330,000		-2% M/M		-30% Y/Y
Starts	1,382,000		-1% M/M		-22% Y/Y
Completions	1,411,000		-8% M/M		6% Y/Y







New Single-Family Home Sales (November 2022)					
New Single-Family Home Sales	640,000		6% M/M		-15% Y/Y
Average New Home Sales Price	\$544,000		2% M/M		9% Y/Y

Housing Market Index (January 2023)					
Housing Market Index	35		13% M/M		-58% Y/Y
Single Family Sales: Present	40		11% M/M		-55% Y/Y
Single Family Sales: Next 6 Months	37		6% M/M		-55% Y/Y
Traffic of Prospective Buyers	23		15% M/M		-67% Y/Y

# HOUSING DASHBOARD

- » Mortgage rates are UP 2.88% YOY
- » Existing home sales down 33% YOY
- » Existing home inventory is up 62% YOY but still low by historical standards – 3.4 months
- » Next 4 Qtr's New Home Sales expected to be 84% of past 4 Qtr's sales
- » New Home Sales 2023 Q4 – 2024 Q3 expected to be 86% of past 4 Qtr's sales, i.e. slight improvement

Mortgage Rates (January 2023)			
National 30-Year Mortgage Rates	6.33%	 0.02% M/M	 2.88% Y/Y

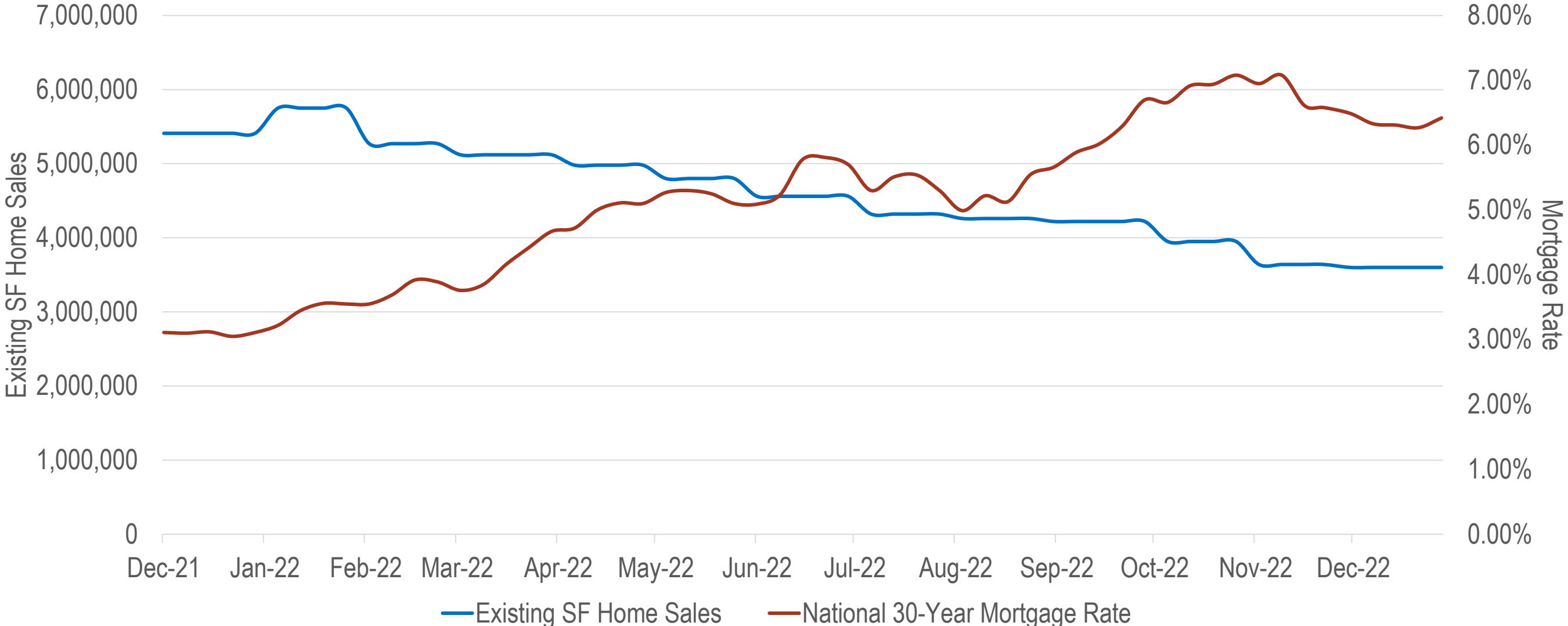
Existing Home Sales (December 2022)			
Months of Inventory	3.4	 0% M/M	 62% Y/Y
Existing Single-Family Home Sales (SAAR)	3,600,000	 -1% M/M	 -33% Y/Y
Existing Condo, Townhome Co-Op Home Sales (SAAR)	420,000	 -5% M/M	 -38% Y/Y

New Single-Family Home Sales Projections (2022 Q3)	
Past 4 Quarters (Avg. 2021 Q4 - 2022 Q3)	684,250
Next 4 Quarters (Avg. 2022 Q4 - 2023 Q3)	576,500
Next Additional 4 Quarters (Avg. 2023 Q4 - 2024 Q3)	594,750



# RELATIONSHIP BETWEEN RISING RATES AND HOME SALES

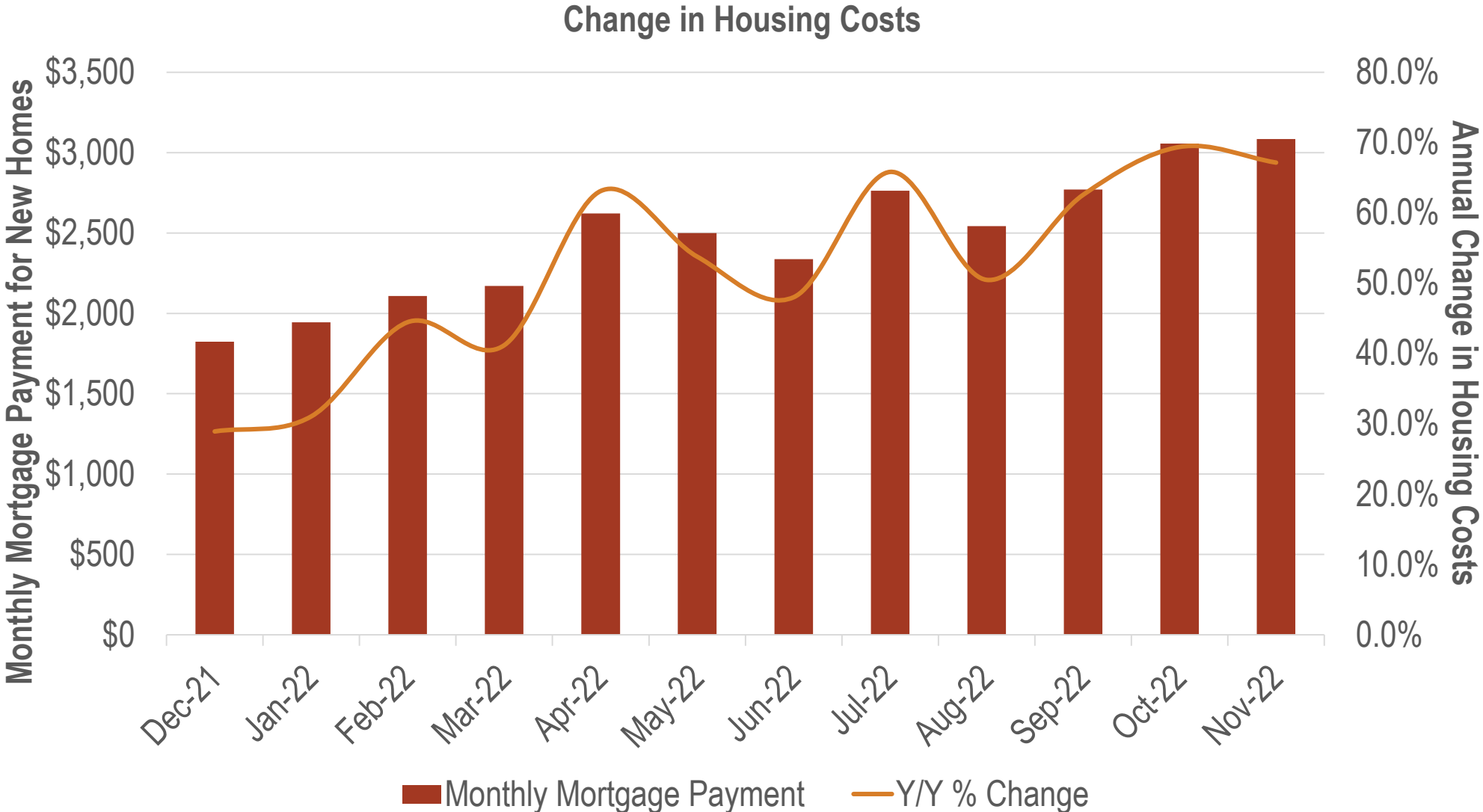
## Existing SF Home Sales and National 30-Year Mortgage Rate



# RISING INTEREST RATES AND AVERAGE SALES PRICE HAVE INCREASED THE COST OF OWNERSHIP

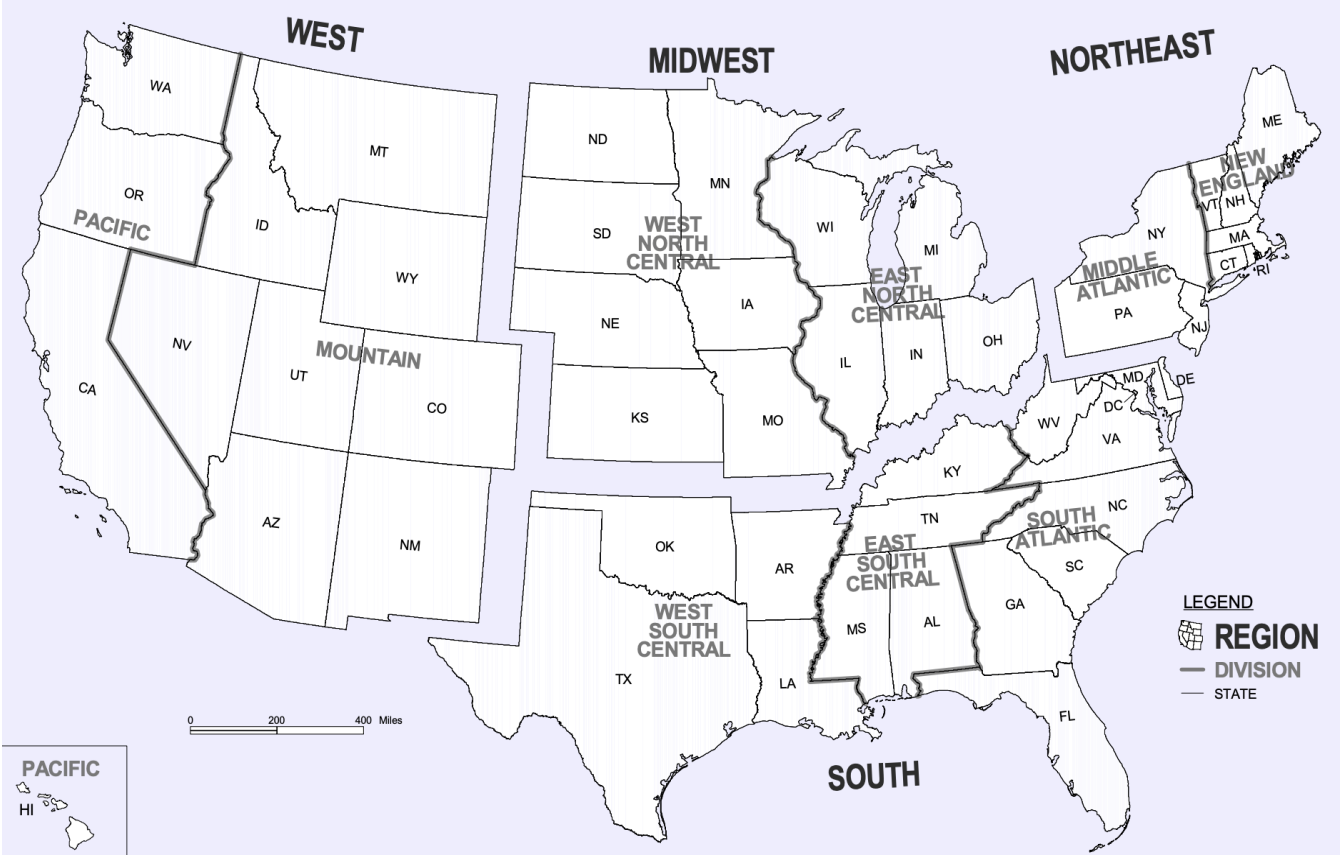
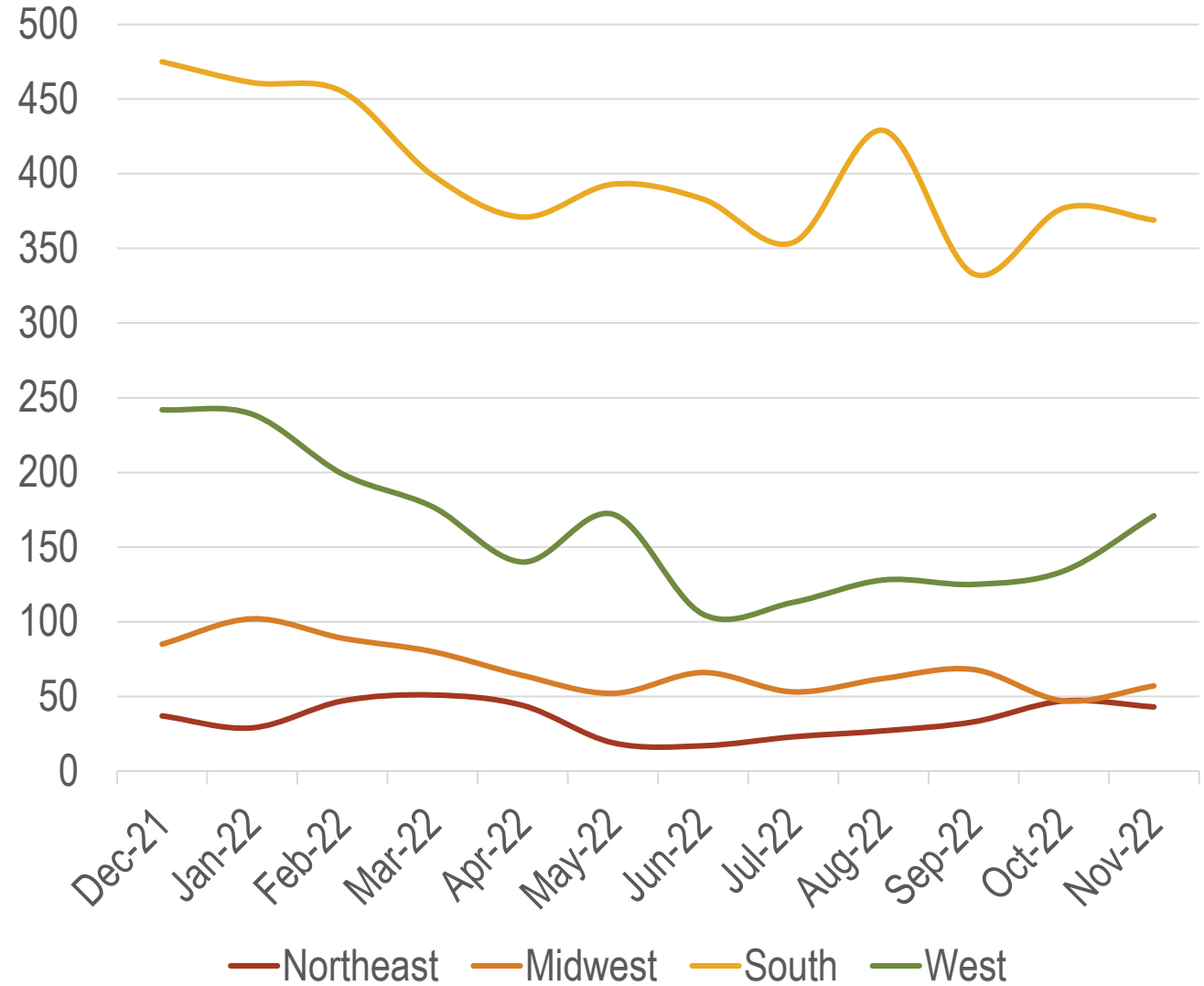
Cost to service average new home price at current mortgage rate, at average down payment of 13%

» The average monthly mortgage payment for new homes reached \$3,000\* in late 2022



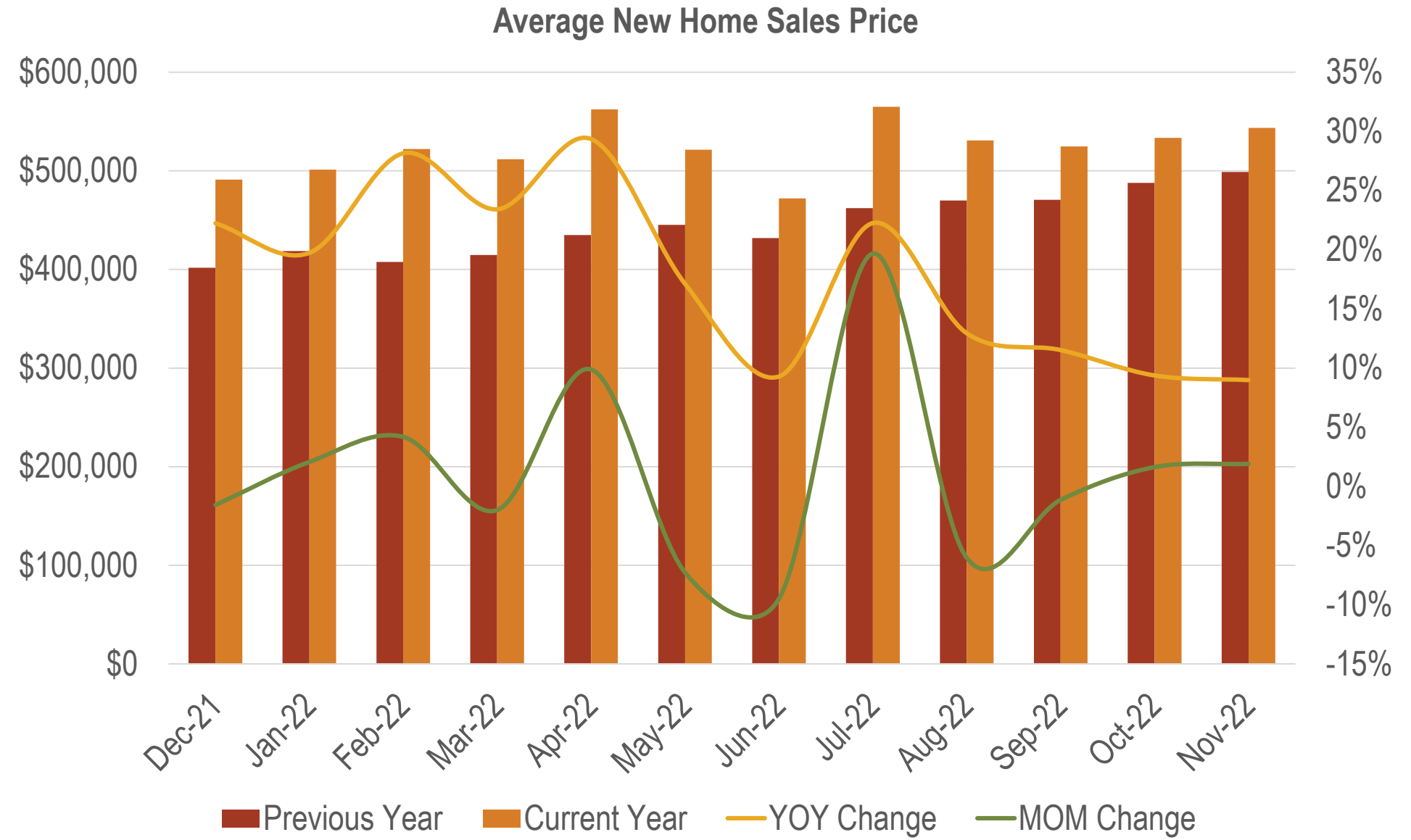
# REGIONALLY NEW HOME SALES ARE DOWN BUT STRONGEST IN THE SOUTH REGION – INCLUDES TEXAS AND FLORIDA

New Home Sales by Region (000s)



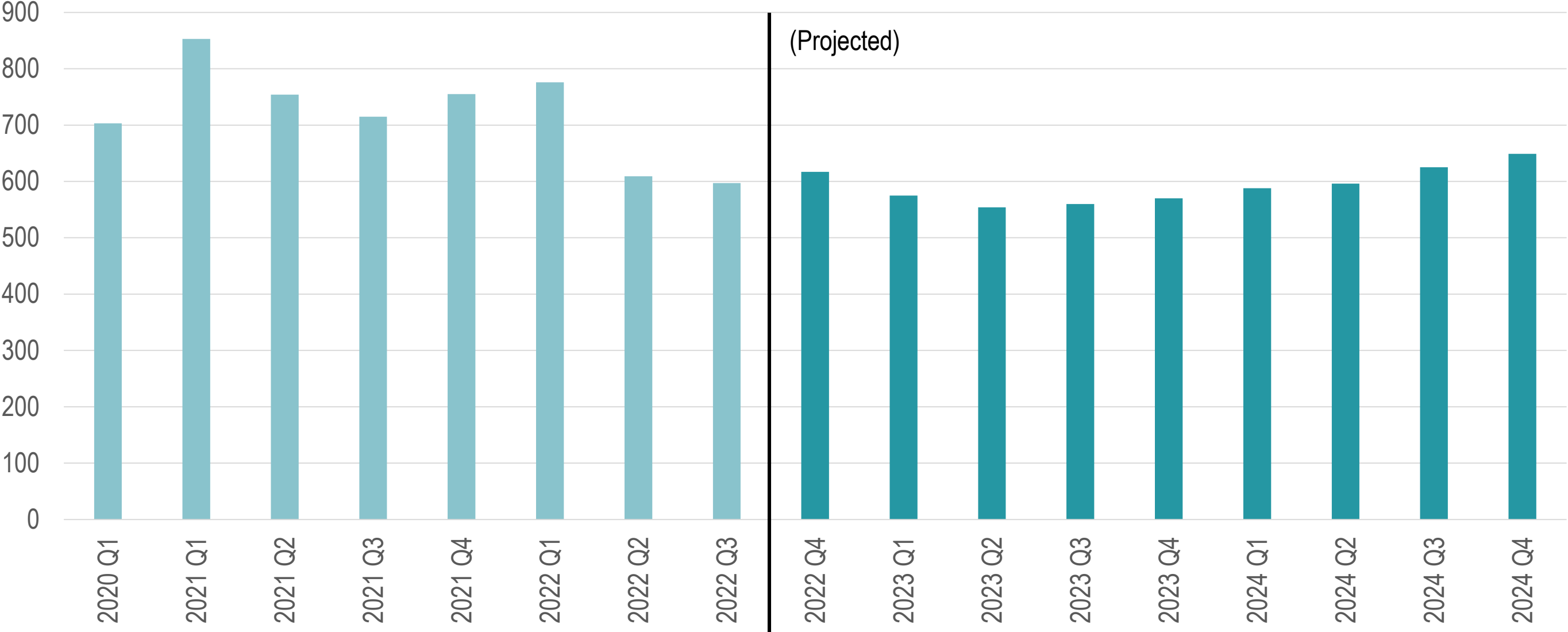
# AVERAGE NEW HOME SALES PRICES REMAIN HIGH

- » Average new home price November 2022 - \$543,600 – 9.0% higher than November 2021
- » Prices in November 2022 are below the high in April 2022, by -3.3%
- » The average new home sales price has been stagnant over the past few months, but is still appreciably higher than 2021.



# SINGLE-FAMILY HOME SALES BY QUARTER – ACTUAL AND FORECAST

Single-Family Home Sales - Historical and Forecast



# TOP-SELLING MASTER-PLANNED COMMUNITY UPDATE

---

# TOP SELLING MASTER PLANNED COMMUNITY UPDATE



# KEY TRENDS AMONG TOP-SELLING MPCS AT YEAR-END 2022

-20%

- » Total new home sales among the 50 top-selling master-planned communities declined by 20% in 2022
- » Rising interest rates and affordability issues impacted visitor traffic and new sales, particularly in the second half of 2022



- » Sales in the second half of 2022 were 13% lower than the first half of the year
- » Having a positive impact on sales: builders introducing smaller product at lower price points, offering incentives such as buying down interest rates, paying some closing costs, discounting prices





# KEY TRENDS AMONG TOP-SELLING MPCs AT YEAR-END 2022



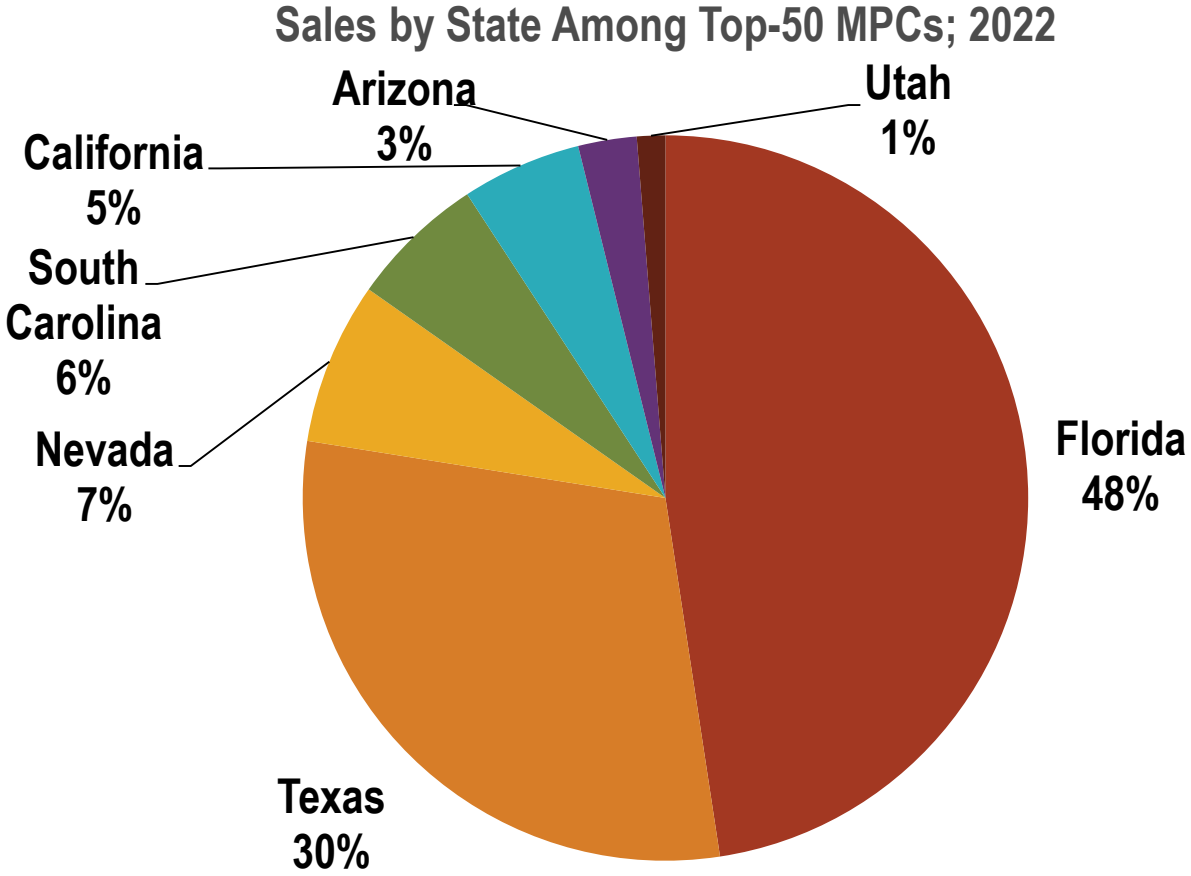
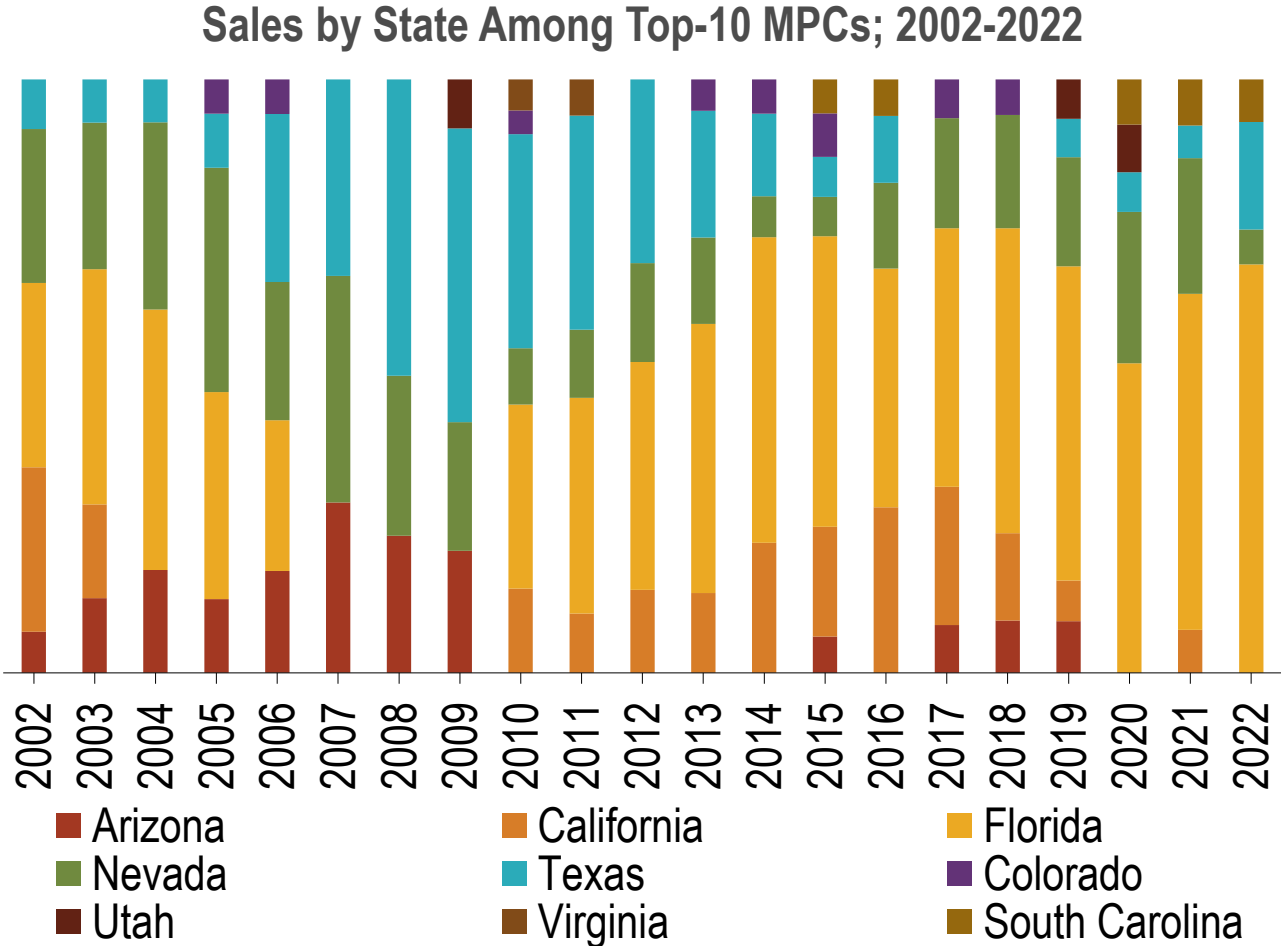
- » The Top-Selling Community in the country is Central Florida’s The Villages, with 3,923 sales in 2022. Sarasota, Florida’s Lakewood Ranch claimed the number two spot overall, and is the top-selling multi-generational community in the country, with 1,846 sales.
- » Six Florida MPCs claimed spots within the Top-10 fastest selling communities in the country including The Villages (1), Lakewood Ranch (2), Silverleaf (3), Babcock Ranch (5), Viera (10t), and Wellen Park (10t).
- » Texas also performed well with 3 communities within the Top-10; Silverado (6), Mission Ridge (7), Sunterra (8).

# WWW.RCLCO.COM/PUBLICATION/THE-TOP-SELLING-MASTER-PLANNED-COMMUNITIES-OF-2022/

Rank	Community	Location	Master Developer	2022 Home Sales	2021 Home Sales	% Up or Down
1	The Villages	The Villages (The Villages, Florida)	The Villages	3,923	4,004	-2%
2	Lakewood Ranch	North Port-Sarasota-Bradenton (Sarasota, Florida)	Schroeder-Manatee Ranch, Inc.	1,846	2,574	-28%
3	Silverleaf	Jacksonville (St. Augustine, Florida)	Hutson Companies	1,034		
4	Cane Bay Plantation	Charleston-North Charleston (Charleston, South Carolina)	Gramling Brothers	959	1,147	-16%
5	Babcock Ranch	Punta Gorda (Punta Gorda, Florida)	Kitson and Partners	934	714	31%
6	Mission Ridge	El Paso (El Paso, Texas)	Hunt Communities	805	811	-1%
7	Silverado	Dallas-Fort Worth-Arlington (Aubrey, Texas)	D.R. Horton	795	411	93%
8	Sunterra	Houston-The Woodlands-Sugar Land (Katy, Texas)	Land Tejas/Starwood Land	795		
9	Summerlin	Las Vegas-Henderson-Paradise (Las Vegas, Nevada)	Howard Hughes Corporation	782	1,619	-52%
10t	Viera	Palm Bay-Melbourne-Titusville (Melbourne, Florida)	The Viera Company	722	732	-1%
10t	Wellen Park (formerly West Villages)	North Port-Sarasota-Bradenton (Venice, Florida)	Wellen Park LLLP	722	951	-24%
12	Epperson	Tampa-St. Petersburg-Clearwater (Wesley Chapel, Florida)	Metro Development Group	719	690	4%
13	Marvida	Houston-The Woodlands-Sugar Land (Cypress, Texas)	Land Tejas/Starwood Land	635		
14	Ontario Ranch	Riverside-San Bernardino-Ontario (Ontario, California)	Multiple Developers*	626	1,070	-41%
15	Latitude Margaritaville - Watersound	Panama City (Panama City Beach, Florida)	Minto Communities	605		
16	Latitude Margaritaville - Daytona Beach	Deltona-Daytona Beach-Ormond Beach (Daytona Beach, Florida)	Minto Communities	600		
17	Valencia	Los Angeles-Long Beach-Anaheim (Valencia, California)	FivePoint Communities	594	347	71%
18	Ave Maria	Naples-Immokalee-Marco Island (Ave Maria, Florida)	Barron Collier Companies	586	646	-9%
19	Cadence	Las Vegas-Henderson-Paradise (Henderson, Nevada)	The LandWell Company	571	864	-34%
20	Bridgeland	Houston-The Woodlands-Sugar Land (Cypress, Texas)	Howard Hughes Corporation	567	713	-20%
21	Westlake	West Palm Beach-Boca Raton-Delray Beach (West Palm Beach, Florida)	Minto Communities	551	608	-9%
22	Inspirada	Las Vegas-Henderson-Paradise (Las Vegas, Nevada)	Inspirada Builders LLC	517	761	-32%
23	Tavola	Houston-The Woodlands-Sugar Land (New Caney, Texas)	Friendswood Development Co.	508	0	
24t	Latitude Margaritaville - Hilton Head	Hilton Head Island-Bluffton-Beaufort (Hardeeville, South Carolina)	Minto Communities	480	572	-16%
24t	Valley Ranch	San Antonio-New Braunfels (San Antonio, Texas)	D.R. Horton	480	498	-4%

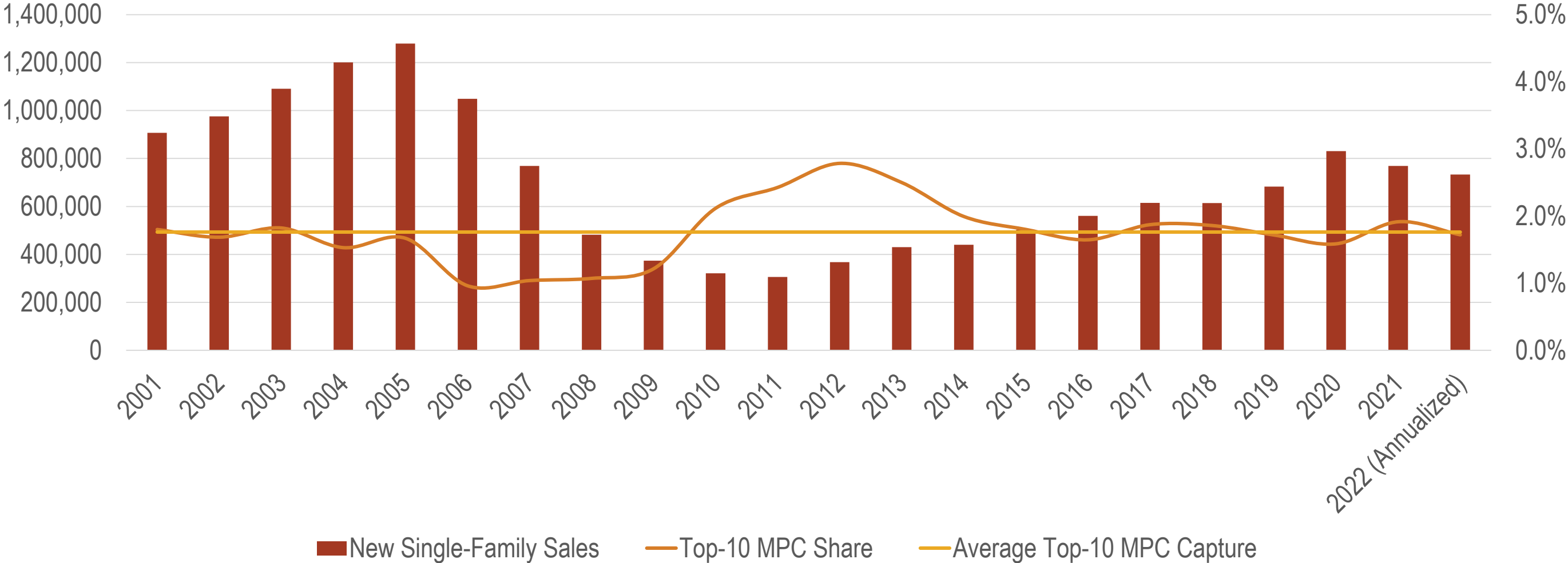
# FLORIDA OUTPERFORMS OTHER STATES IN MPC SALES

» In 2022, sales in Florida Master-Planned Communities represented 48% of the Top-50 MPCs in the US.



# MPCS PERFORM BETTER IN DOWNTURNS THAN THE OVERALL HOUSING MARKET

Total Single-Family Home Sales and Top-10 MPC Capture Rate



# THANK YOU! – QUESTIONS?



**Kelly Mangold**

Principal  
RCLCO

**P:** (240) 669-5638

**E:** kmangold@rclco.com



**Taylor Mammen**

CEO  
RCLCO Fund Advisors

**P:** (310) 282-0437

**E:** tmammen@rclco.com



**Gregg Logan**

Managing Director  
RCLCO

**P:** (407) 515-4999

**E:** glogan@rclco.com