



Demographic Trends, Consumer Preferences and Housing Demand

Gregg Logan, Managing Director

AFCD Board Meeting | September 2011



ABOUT OUR FIRM

SERVICES

Market & Financial Analysis

Project Segmentation, Positioning,
& Pricing

Builder Program Strategies

Amenity Program Strategies

Metropolitan Growth Trends
Analysis

Consumer Research

Fiscal & Economic Impact
Analysis

Repositioning Strategies

Strategic Planning

Valuation Services

Performance Audit

Litigation Support Services

Implementation Services



- RCLCO provides market, financial, and strategic advice and guidance to developers, investors and land owners seeking clarity on the depth of opportunity, pricing, and absorption potential for real estate developments.
 - ▶ Master-Planned Communities
 - ▶ Active Adult Communities
 - ▶ Senior Living Communities
 - ▶ Second Home Communities
 - ▶ Conservation Communities
 - ▶ Beach, Mountain, Lake Resorts
 - ▶ Single, Attached, & Multifamily Housing

KEY DRIVERS OF DEMAND

- **Economy – Jobs**
- **Demographic changes**
- **Housing market changes**
- **Housing finance changes**
- **Preference changes**

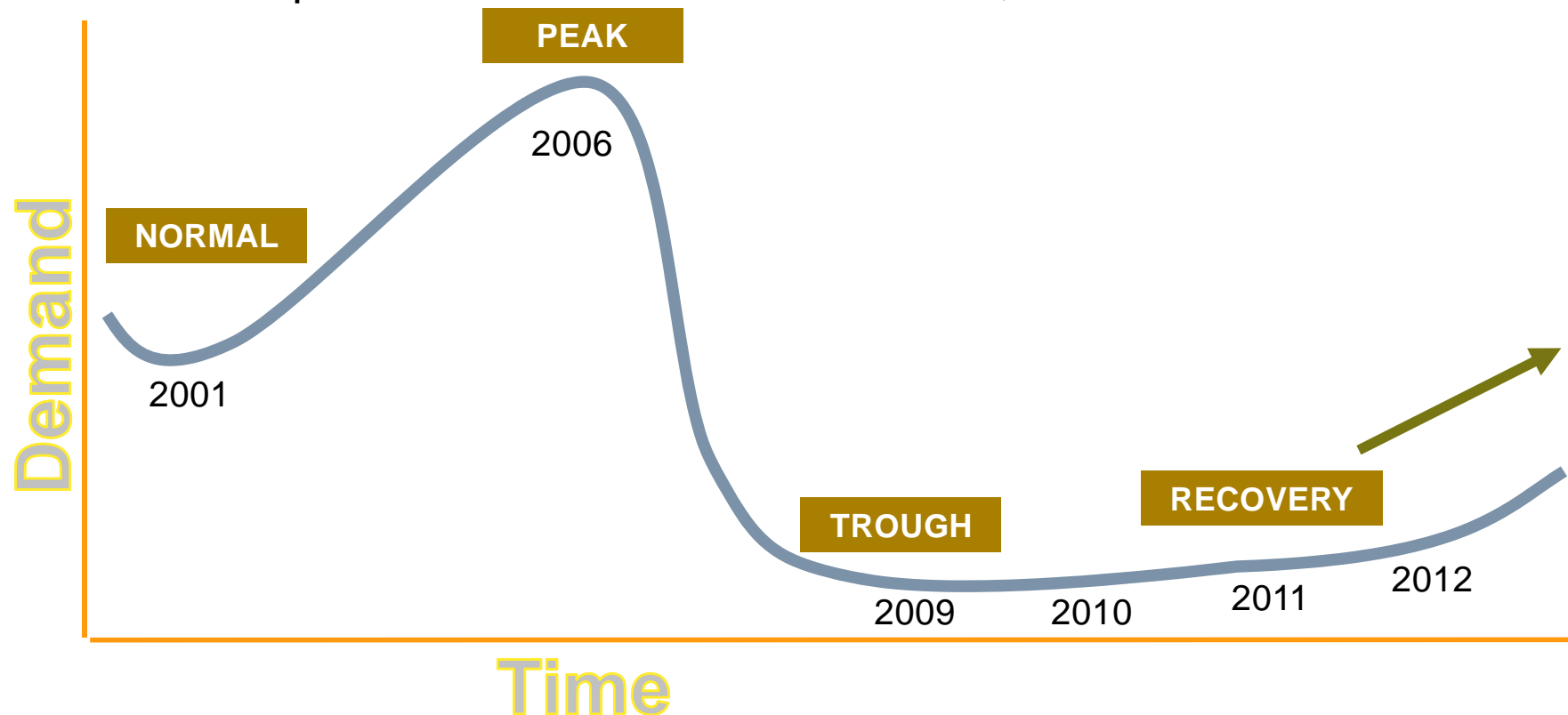


LET'S CHALLENGE ASSUMPTIONS ABOUT TRENDS: DOES THE DATA SUPPORT THE CONCLUSIONS BELOW?

- *Smaller household sizes, fewer families, more demand for small lot and attached housing*
- *Younger households, fewer families, preferences for more convenient living, higher energy costs, more demand for closer-in developments*
- *Gen Y enters the market, much more of overall demand for rentals*
- *Downturn, growth in younger households, challenging lending standards, continuing decline in homeownership*
- *Lots of Boomers, fewer Gen X, so Boomer's stuck with big suburban homes as they age and want to downsize*
- *Demographic, preference changes, limited demand for suburban, rural community development*

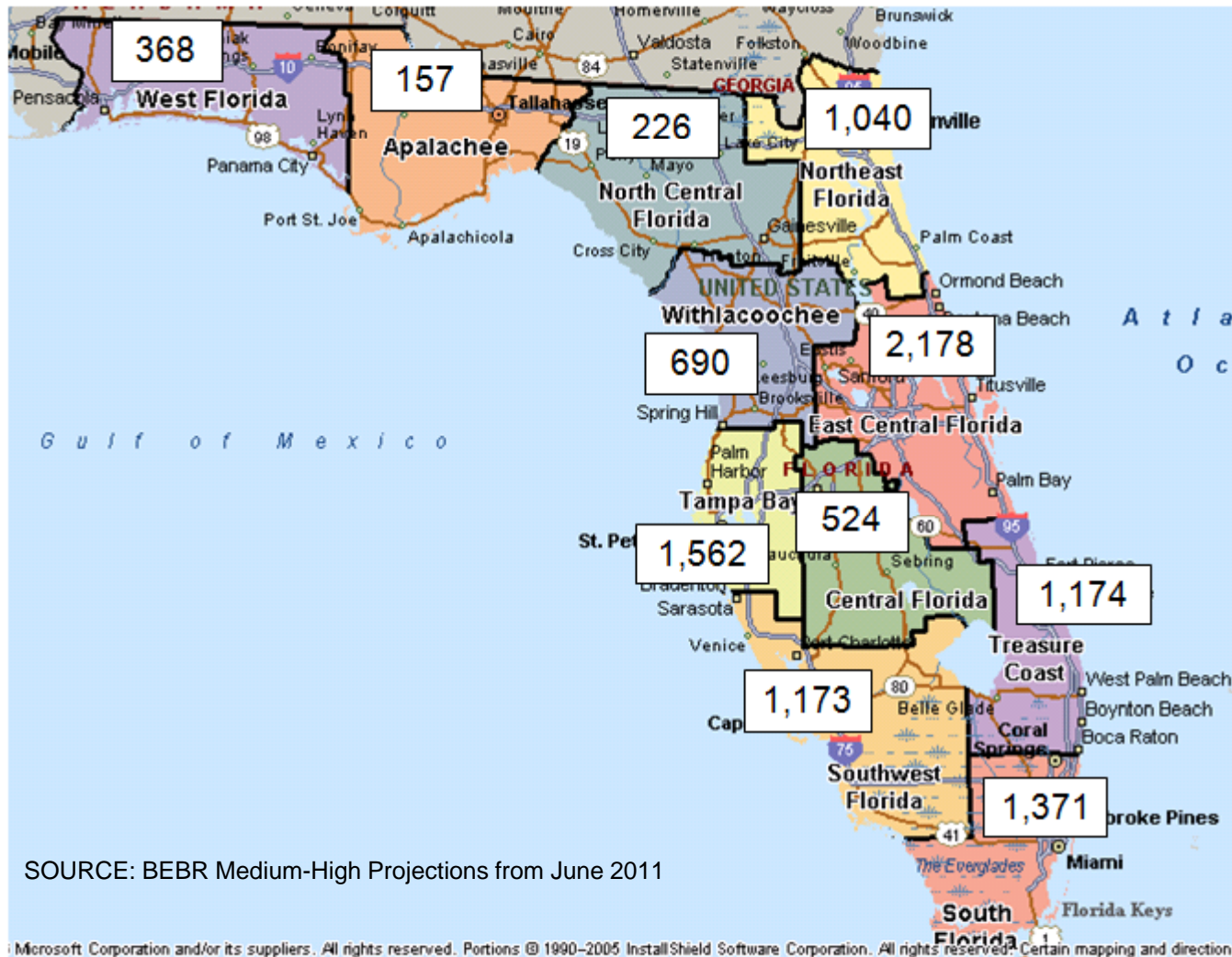
ECONOMIC INFLUENCES

- ▶ Moderate job growth in 2011
- ▶ Housing starts increase in 2012
- ▶ Lending standards improve 2012
- ▶ Boomers slowly returning the market 2011 – 2013
- ▶ GenY impacts rental demand 2010 – 2015; for-sale 2015+



GROWTH: 9 Million New People in FL by 2040

Projected Population Growth (Thousands) by Planning Region



CHANGING HOUSEHOLD TYPES

Household Type	1970	2000	2030
With Children	45%	33%	27%
Without Children	55%	67%	73%
Single/Other	14%	31%	34%

Source: US Census

SHARE OF GROWTH BY HOUSEHOLD TYPE

2010 - 2020

Household Type	All
With Children	10%
Without Children	90%
Single Person	36%

Source: Arthur C. Nelson, Presidential Professor & Director,
Metropolitan Research Center, University of Utah

DECLINING HOMEOWNERSHIP IMPACTS DEMAND



Returning to historical norms? How much further homeownership declines depends on whether socioeconomics, underwriting conditions and attitudes about investing in homeownership return to their pre-2000 levels. Ownership rates could fall another 1% to 2%.

THE MATH ON INCREASING/DECREASING HOMEOWNERSHIP

- 1995 to 2005 homeownership rate climbed from 64% to 69%
 - + 0.5% per year
 - Due to demographics and “mortgage innovation”
 - 1.25M new households per year = 800K annual new owner demand; additional 500K+/- demand 1995 to 2005 due to increased homeownership
- Now declining homeownership
 - - 0.5% per year
 - 3 million fewer Americans own homes compared to 2005, when homeownership peaked
 - Declining homeownership means less than 800k per year; at - 0.5% 500K LESS demand until homeownership stabilizes

Gen Y And Baby Boomers: Largest Mkt Segments Nationally, Florida

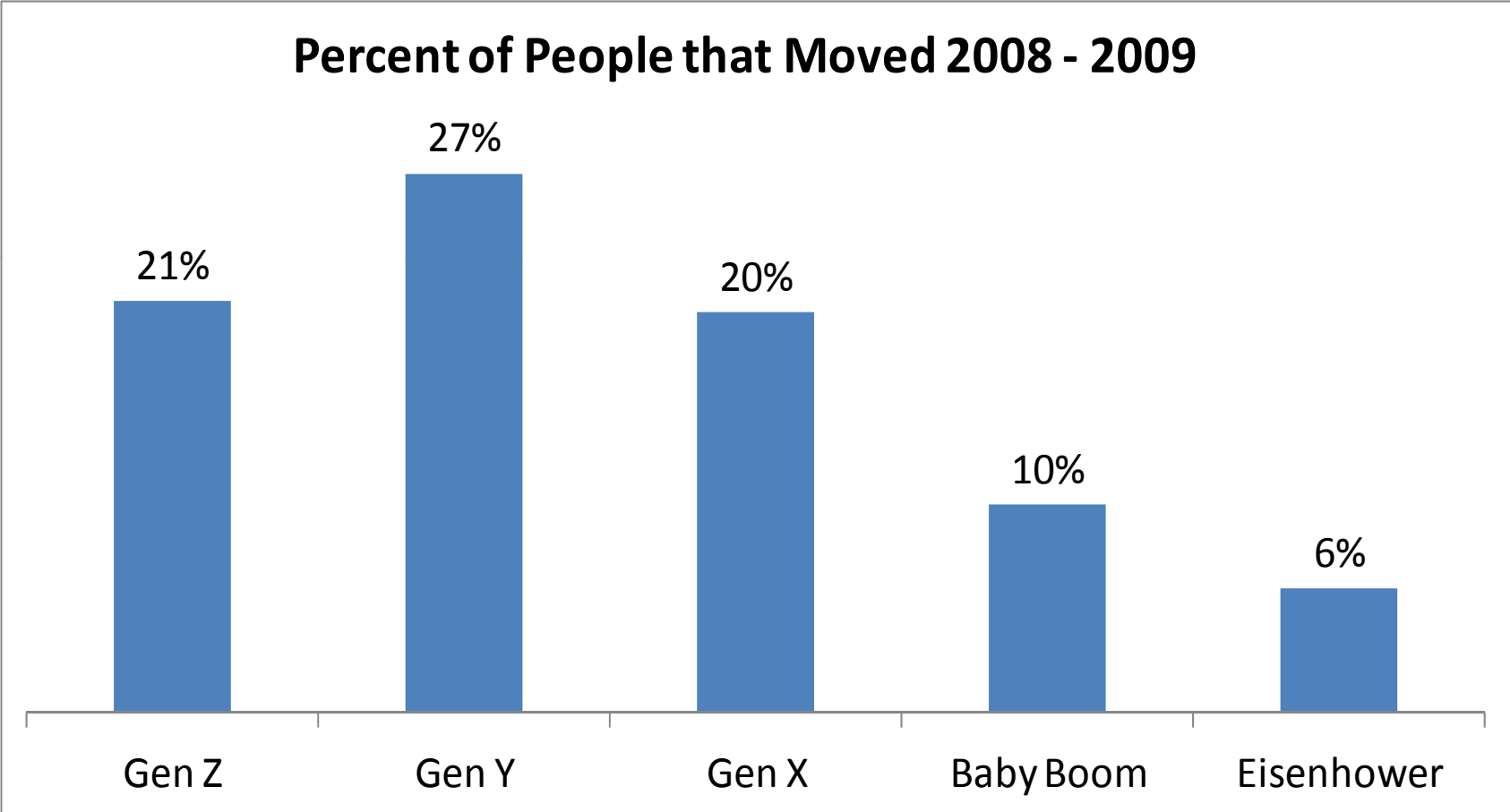
Generation	Born	2010 Age	2010 Pop.	2010 % of Nation	Florida 2010 Pop.	2010 % of Florida
Eisenhowers	Before 1946	64+	41M	13%	3.4M	18%
Baby Boomers	1946 – 1964	45 – 64	<u>80M</u>	26%	<u>4.9 M</u>	26%
Gen X	1965 – 1980	29 – 45	62M	20%	3.6M	19%
Gen Y (Millenials)	1981 – 1999	10 – 29	<u>85M</u>	27%	<u>4.7M</u>	25%
Gen Z (?)	2000 and After	0 – 10	42M	14%	2.3M	12%

SOURCES: RCLCO, using Claritas, and National Center for Health Statistics

LIFESTAGE INFLUENCES HOUSING DEMAND

Year	Student Housing	Rental Housing	Rent As Couple / 1 st Home	Young Family Own	Mature Family Own	Buy 2nd Home	Empty Nester Downsize Own	Buy Retire Home
2010	Gen Y	Gen Y	Gen X Gen Y	Gen X	Baby B	Baby B	Baby B	Eisen Baby B
2015	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Baby B Gen X	Baby B Gen X	Baby B	Eisen Baby B
2020	Gen Y Gen Z	Gen Y	Gen Y	Gen Y	Gen X	Baby B Gen X	Baby B Gen X	Baby B
2025	Gen Z	Gen Y Gen Z	Gen Y Gen Z	Gen Y	Gen X Gen Y	Gen X Gen Y	Gen X Baby B	Baby B

ACTIVE MARKET: YOUNG MOVE MORE OFTEN



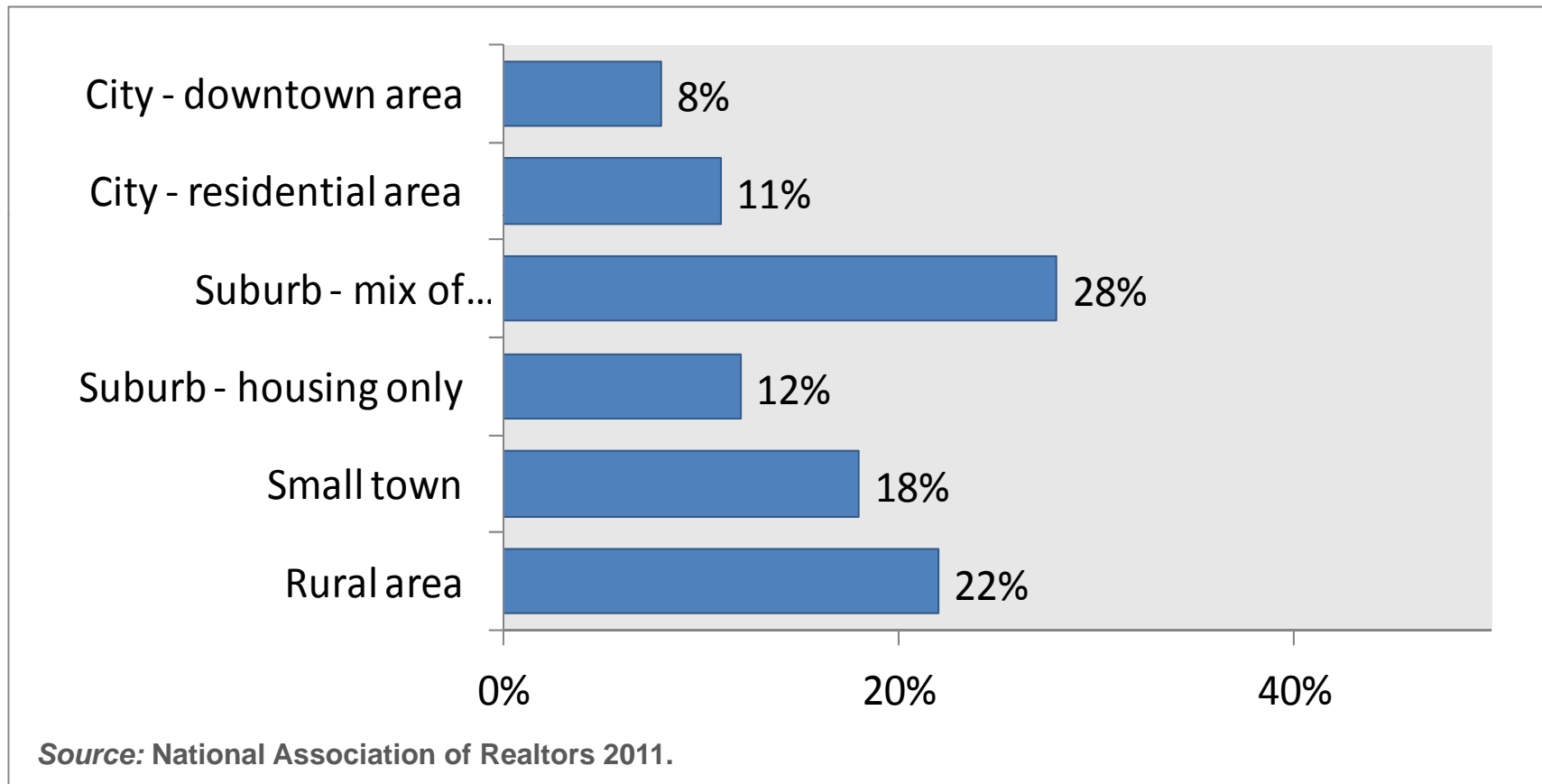
SOURCE: 2009 ACS

DEMAND = SIZE OF GENERATION x ACTIVE MARKET

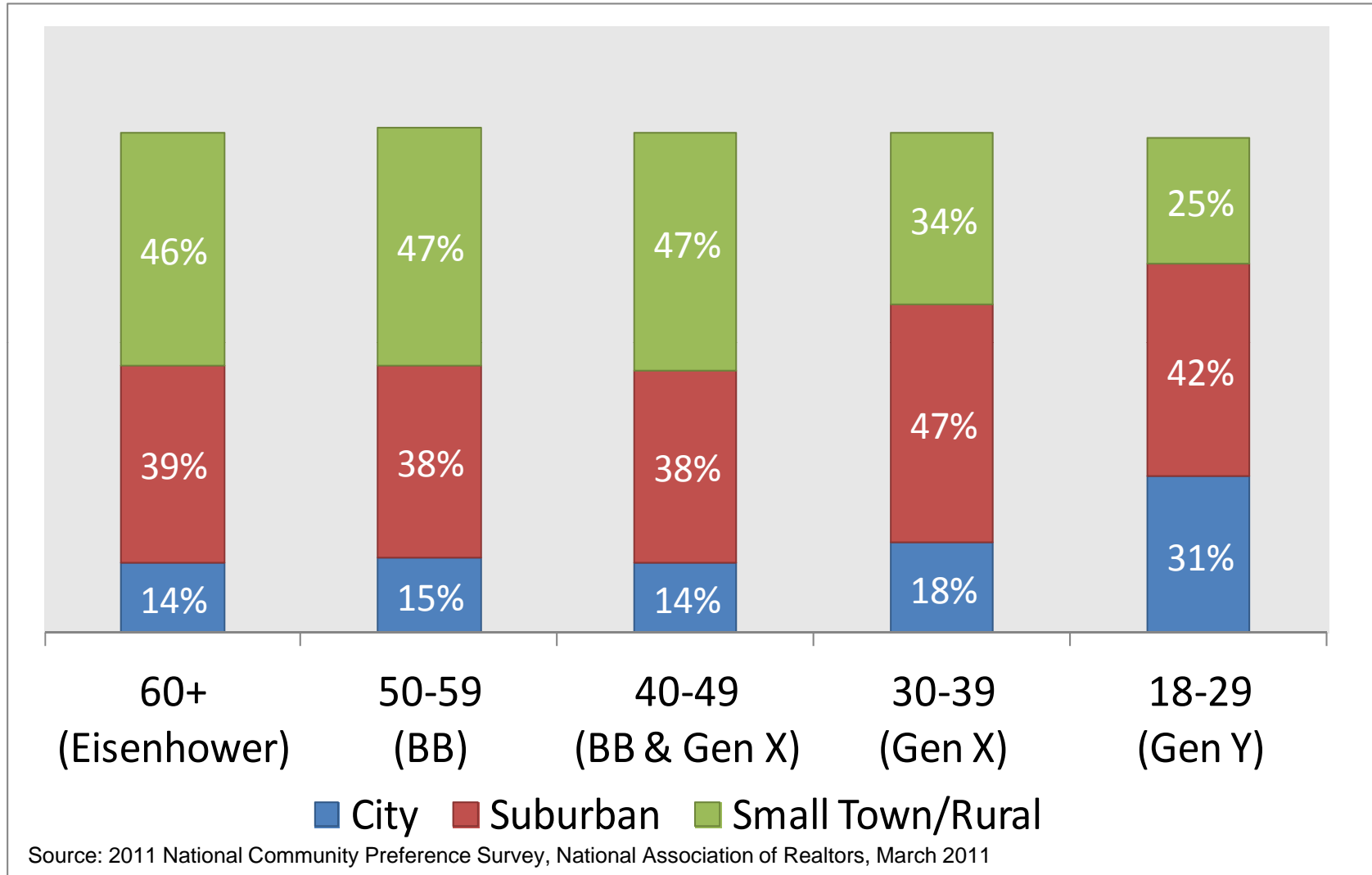
- Why there are enough younger buyers to buy retiring boomer's homes, especially in Florida, Carolina's
 - 6.58% of 80M Boomers moved 2009 - 2010
 - 5.3M, 4.2M of which are owners
 - 13.62% of 62M GenX moved, or 8.4M
 - 5.9M of which are owners, +1.7M more owner-movers
 - Age 65 to 69 in MidWest, NE are Net Sellers of Real Estate
 - Age 65 – 69 in Tenn, Carolina's, Florida Net Buyers

Preferred Community Type

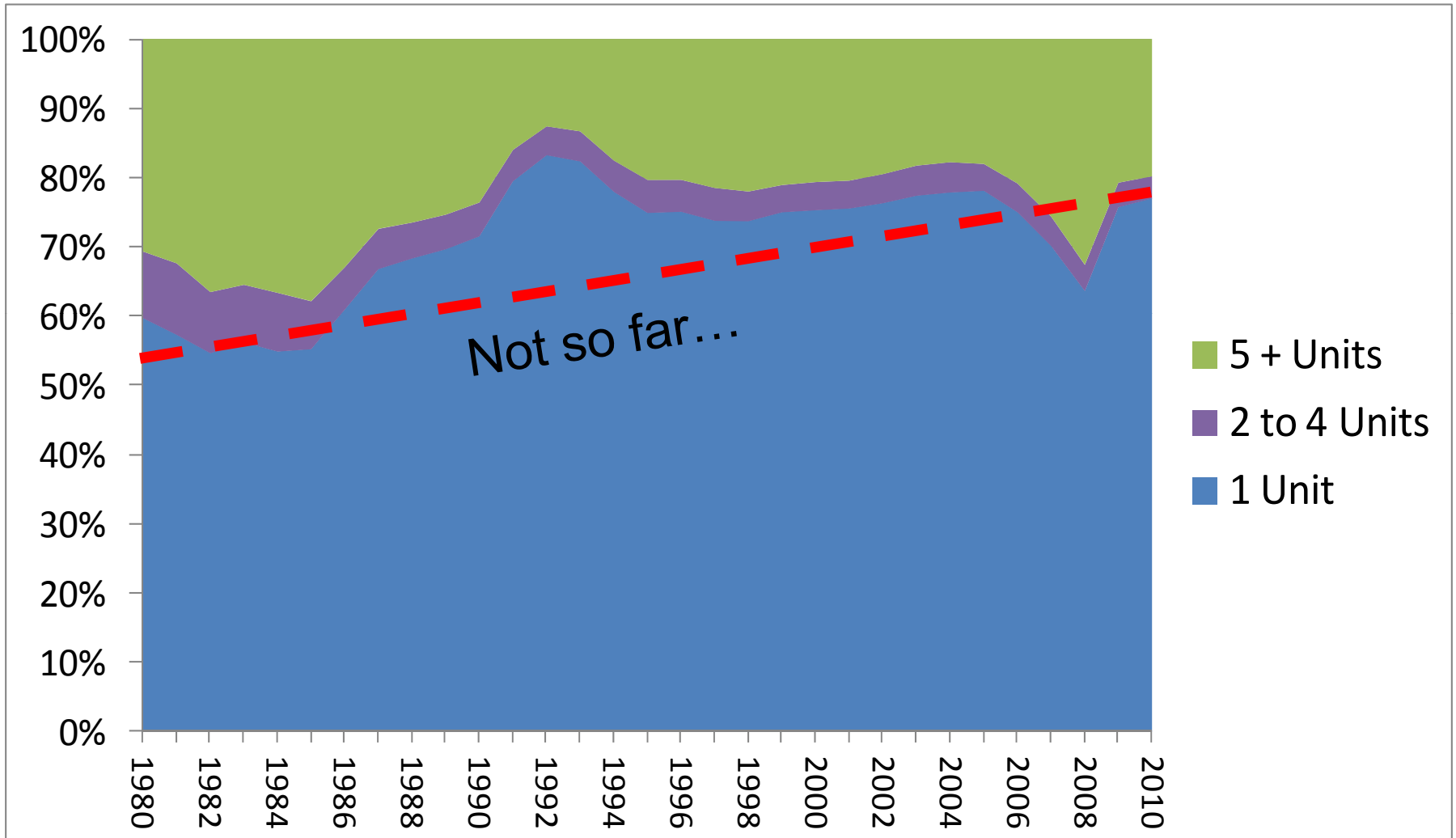
If you could choose where to live, in which type of the following locations would you most like to live?



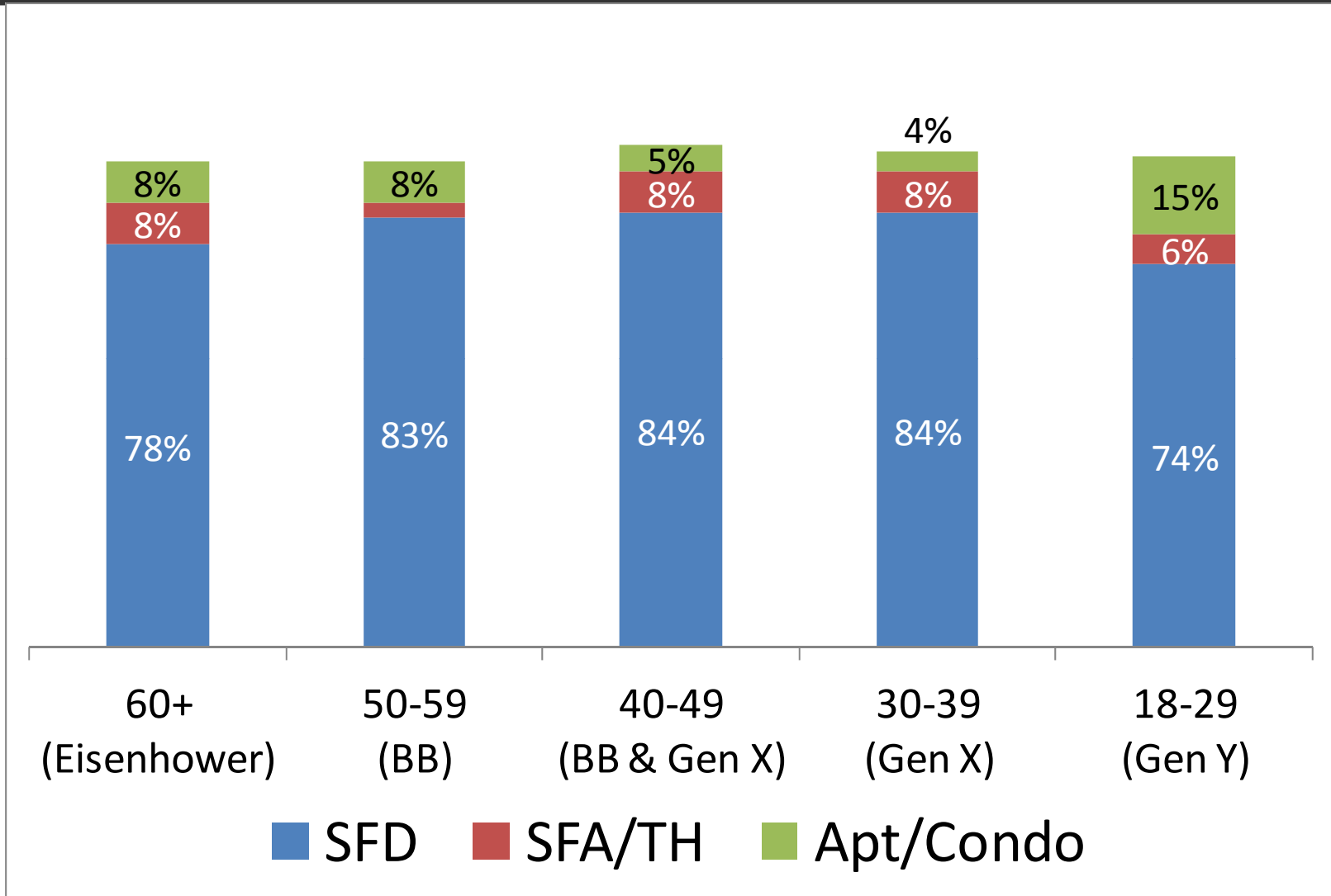
WHERE PEOPLE WANT TO LIVE BY GENERATION



ATTACHED HOUSING GETTING MORE POPULAR?



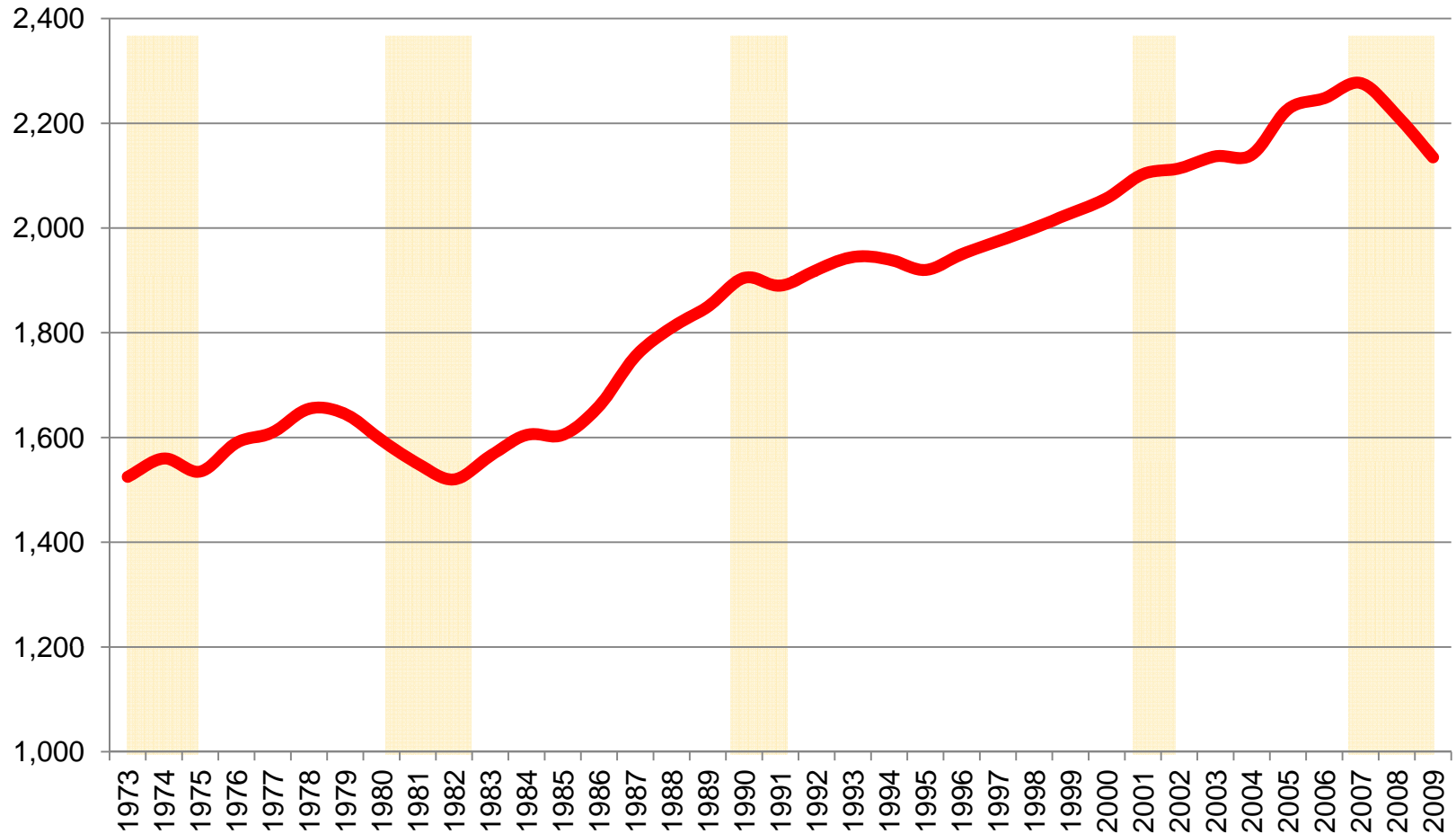
HOUSING PREFERENCES BY GENERATION



Source: 2011 National Community Preference Survey, National Association of Realtors, March 2011

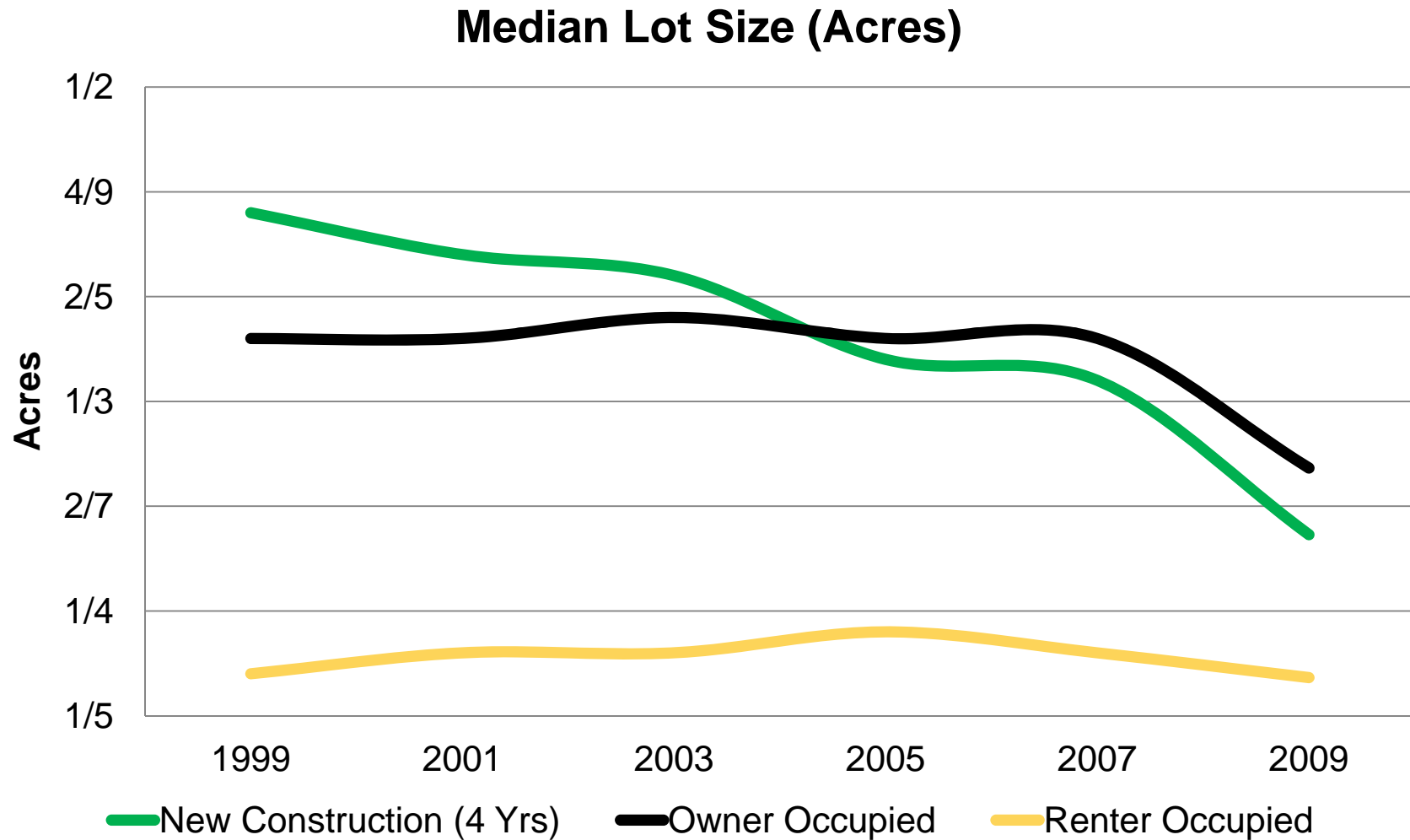
HOME SIZES DECLINE WITH RECESSIONS, BUT LARGER OVERALL

Median SF of Floor Area in New Single-Family Houses



SOURCE: U.S. Census Bureau

LOT SIZES GETTING SMALLER?



SOURCE: American Housing Survey

PRODUCT PREFERENCES VARY BY LOCATION



- *Gen Y more open to MF products in all locations than other generations*
- **City**
 - More renters
 - MF, attached & small lot detached
 - 30% attached (towns, condo's)
- **Suburban**
 - Dominated by SFD, small and large lot
 - 15% attached (towns, condo's)
- **Rural/Small Town**
 - Single family on larger lots; some small lot clustered single family with shared open space
 - 8% attached (towns, condo's)

BABY BOOMER RETIREES ARE STILL COMING TO FL



- The Villages: #1 Selling Community in US 2010
- Diverse group
 - “Belongers” go to The Villages
 - “Achievers” want Lake Nona, Lakewood Ranch
- Single family homes, standard lots; smaller low maintenance lots
 - Smaller, move-down homes, high-level of finish
- “Safe Urbanism”
- Village center – entertainment & retail services nearby
- LOHAS – Lifestyles of Health and Sustainability
- Attainable prices
- Will rejuvenate 2nd home market - eventually
- Low-maintenance lifestyle
- Niche SFD and SFA products

GEN X IS BIGGEST MARKET SEGMENT IN MPCs



- Despite there being fewer families, MPC buyers primarily families
- Good schools
- Attainable pricing
- Safe neighborhoods, parks, trails, “walkability”!
- Want to balance life – buy suburban MPC, in-town areas, inner suburbs close to jobs, shops, & services

GENERATION Y STILL FIGURING OUT WHAT THEY WANT



- What do they want? They'll text you...
- Most digitally connected generation
- Much more ethnically diverse – 47% non-white
- Greater preference for in-town areas and inner suburbs
 - ***BUT location preferences are diverse - suburbs too***
 - ***Value places with diversity, walkability, proximity to jobs and to FUN***
- Suburban development need to evolve to attract Gen Y?
 - Want “walkable” places, town centers
 - Master planned communities if there’s a “central place” to gather with friends
 - Apartments
 - Small lot product, townhomes
 - Attainable prices

CHARACTERISTICS OF MPCs WITH BEST SALES



Proximity to job growth



Appropriate pricing



Good schools



Retiree appeal



Demographic Trends, Consumer Preferences and Housing Demand

Gregg Logan, Managing Director

AFCD Board Meeting | September 2011

