IMPACT OF DEMOGRAPHIC TRENDS: GENERATION Y

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WHAT HAS THE GREATEST IMPACT ON REAL ESTATE CHOICES: *ECONOMICS, PREFERENCES, OR LIFESTAGE OF THE ACTIVE MARKET GENERATIONS?*

- Post recession: “Everything has changed”!
  - Has it really?
- Many surveys completed on generational differences, attitudes, preferences
  - Like measuring the depth of a river at different places?
- Do generations have fixed attitudes, values, and preferences or do they change based on life experiences?
  - Or buy what they can afford among the choices offered?

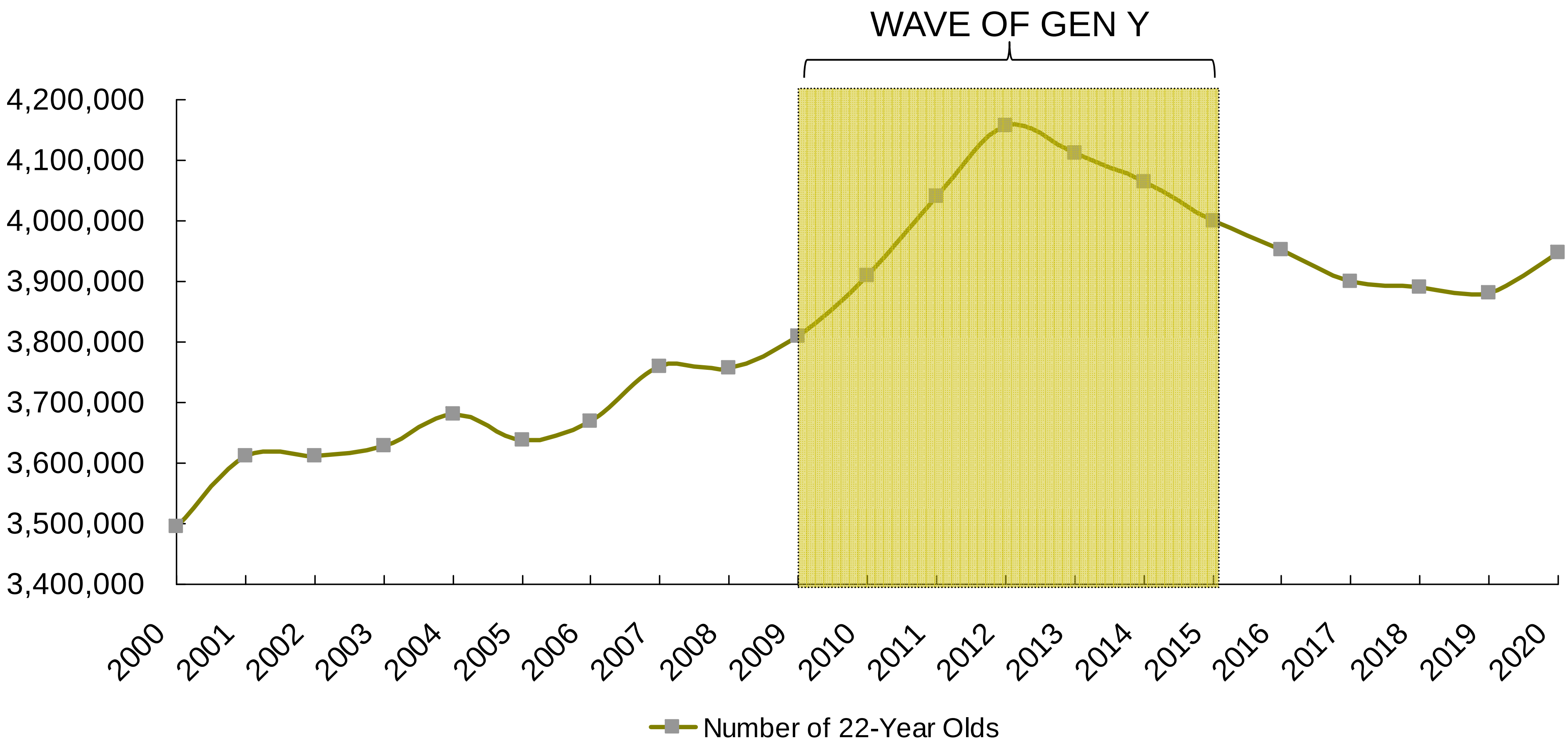
THE BIG DEMOGRAPHIC TRENDS IMPACTING REAL ESTATE

- BIG shifts in U.S. population composition, driving demand patterns different from previous decades
  - *Generational* as well as changing *ethnic* and *racial* composition of the population
    - *More Hispanic, Asian, and mixed-race, less Caucasian*
  - Immigration, critical and yet not well understood
  - Economic impacts
    - *Not merely workers coming for lowskilled job opportunities—highly advanced science, math, and biotech*
  - *Shrinking average household size*
    - *82% of household growth will be singles and couples without children living at home*

BIGGEST DEMOGRAPHIC CHANGES

- Boomers, ages 49 – 67
  - 1946 – 1964
    - Biggest wave of population *ever* to move into "empty nester", "pre-retiree", and "retiree" life stages in history has begun
- Gen Y, ages 13 – 31
  - 1982 – 2000
    - First wave of Boomer children moving into adulthood, becoming *independent households*
      - *Impact on work spaces*
      - *Impact on retail*
      - *Impacts on housing of all kinds*

GEN Y:
MILLIONS OF 22-YEAR OLDS BY YEAR



NOTE: Number of 22-year olds is based upon birth rate and does not factor in death rates and migration.

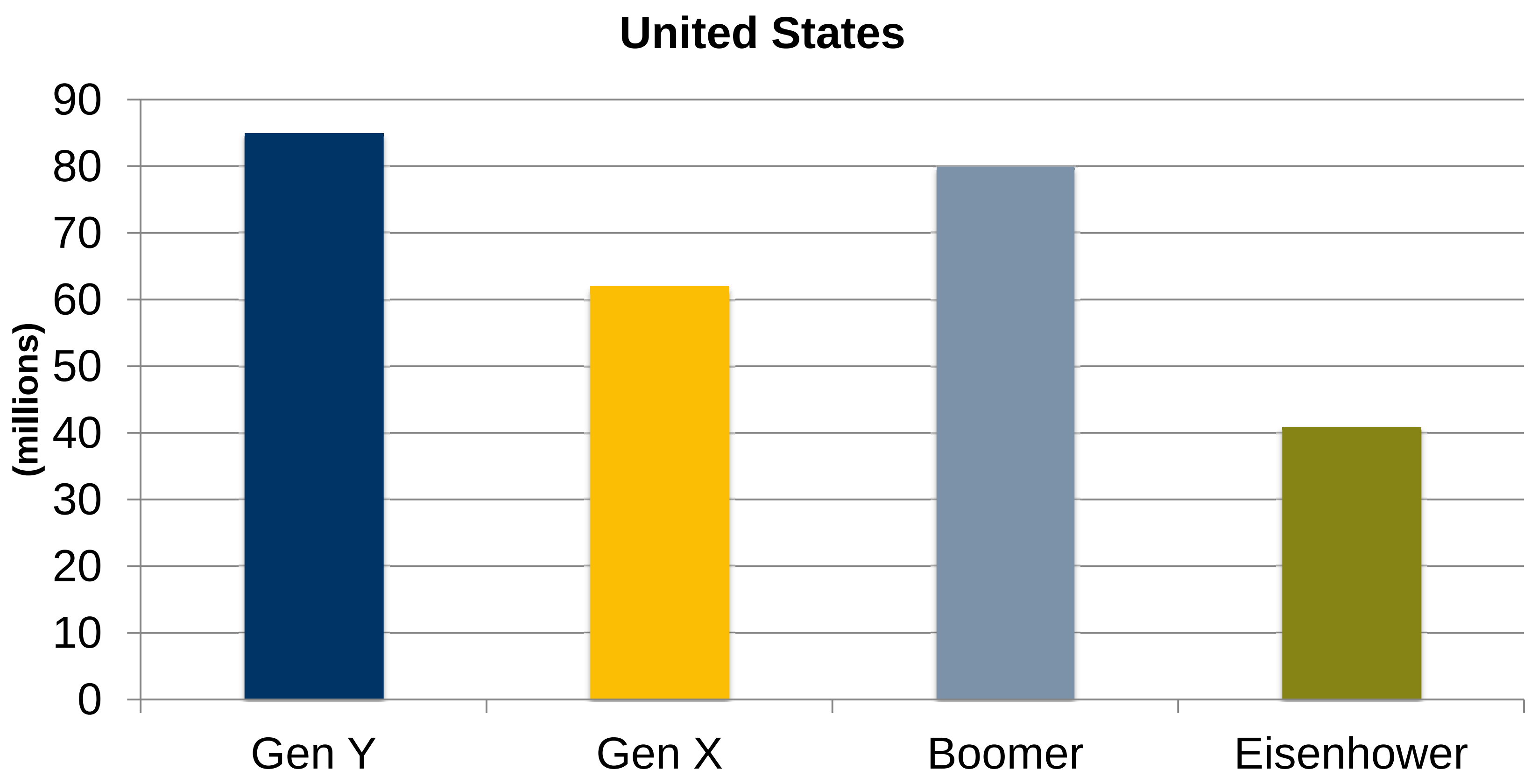
SOURCE: U.S. Centers for Disease Control and Prevention

GEN Y AND BABY BOOMERS:
LARGEST MARKET SEGMENTS NATIONALLY, FLORIDA

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

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

GENERATIONS (IN MILLIONS)



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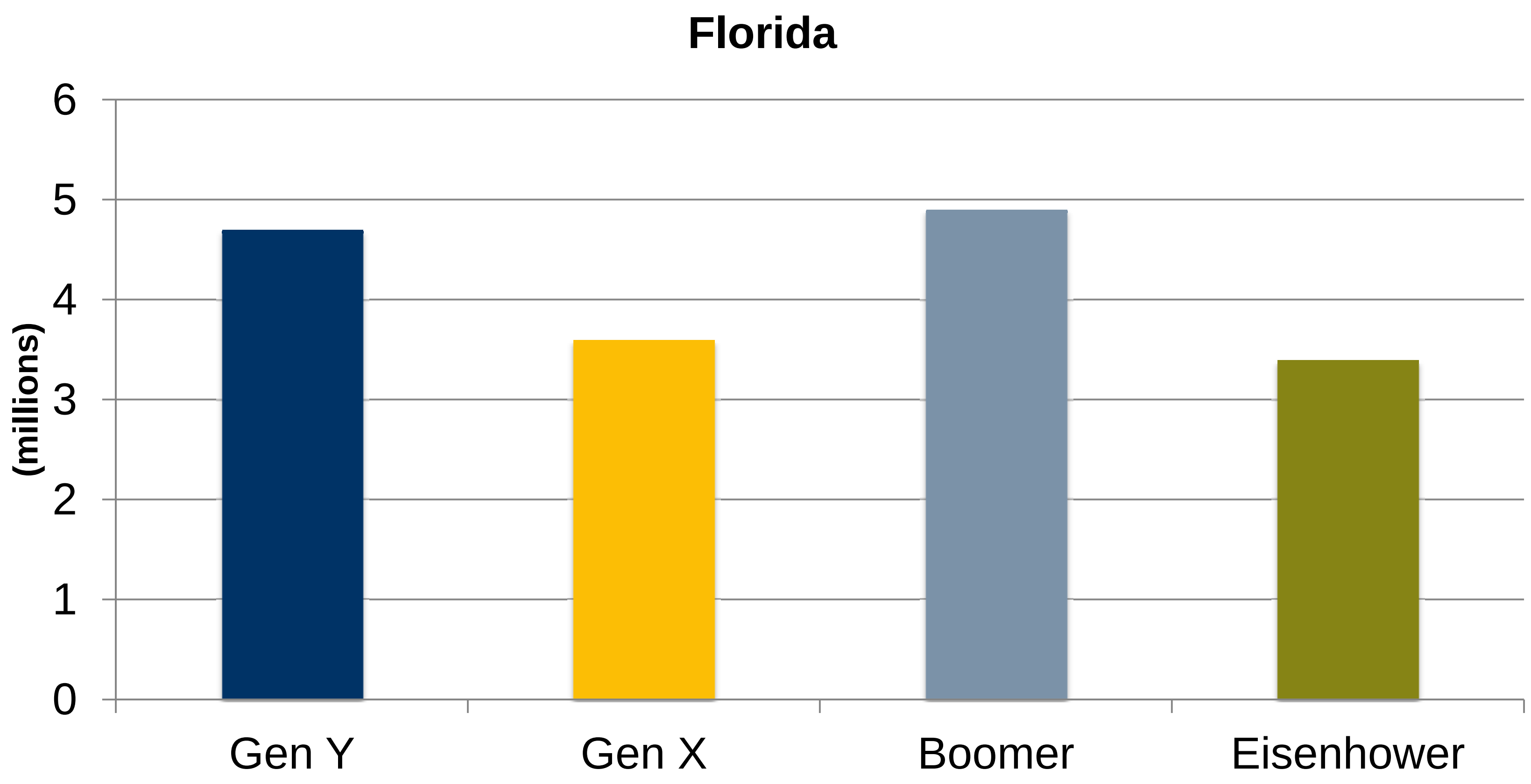
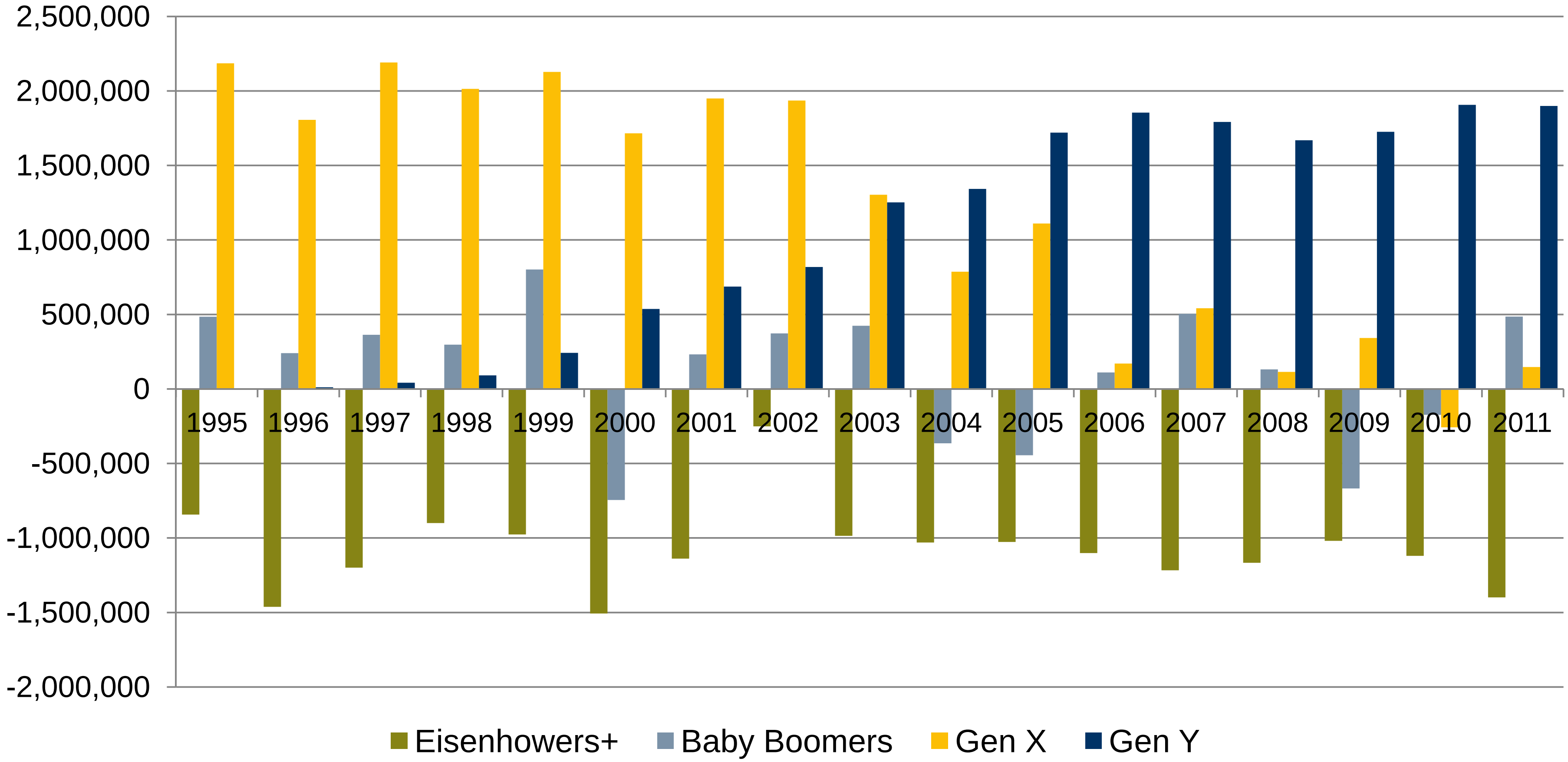


LIFESTAGE INFLUENCES REAL ESTATE DEMAND

Year	Student Housing	Rental Housing	Rent As Couple / 1st 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

RECENT HOUSEHOLD GROWTH BY GENERATION

Total Net Household Formation
United States, 1995 – 2011

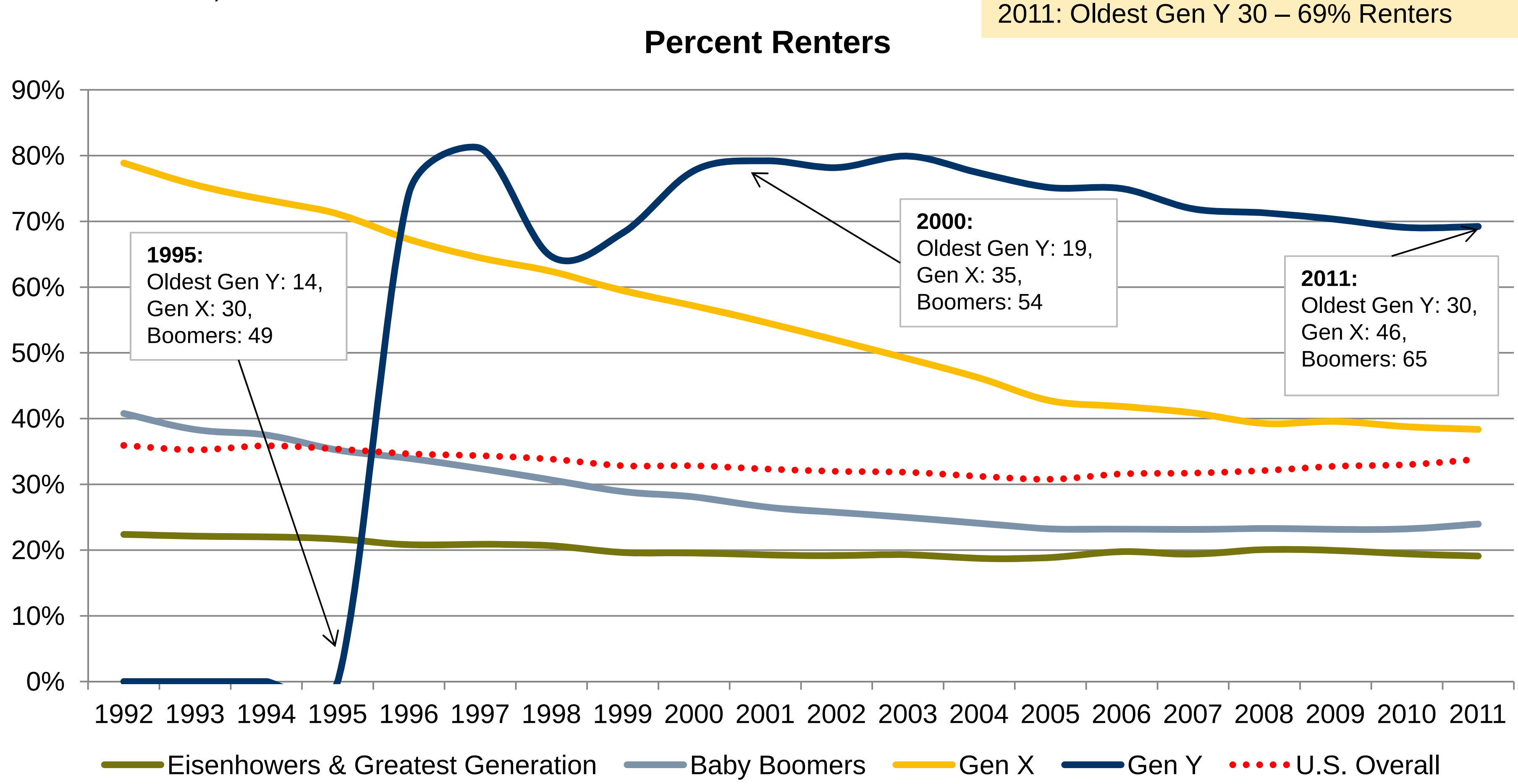


SOURCE: U.S. Census Current Population Survey

GEN Y'S RENTER PROPENSITY TODAY IS SIMILAR TO GEN X, WHEN THEY WERE AT THE SAME AGE

Percent Renters by Generation
United States, 1992 – 2011

1995: Oldest Gen X 30 – 71% Renters
2011: Oldest Gen Y 30 – 69% Renters

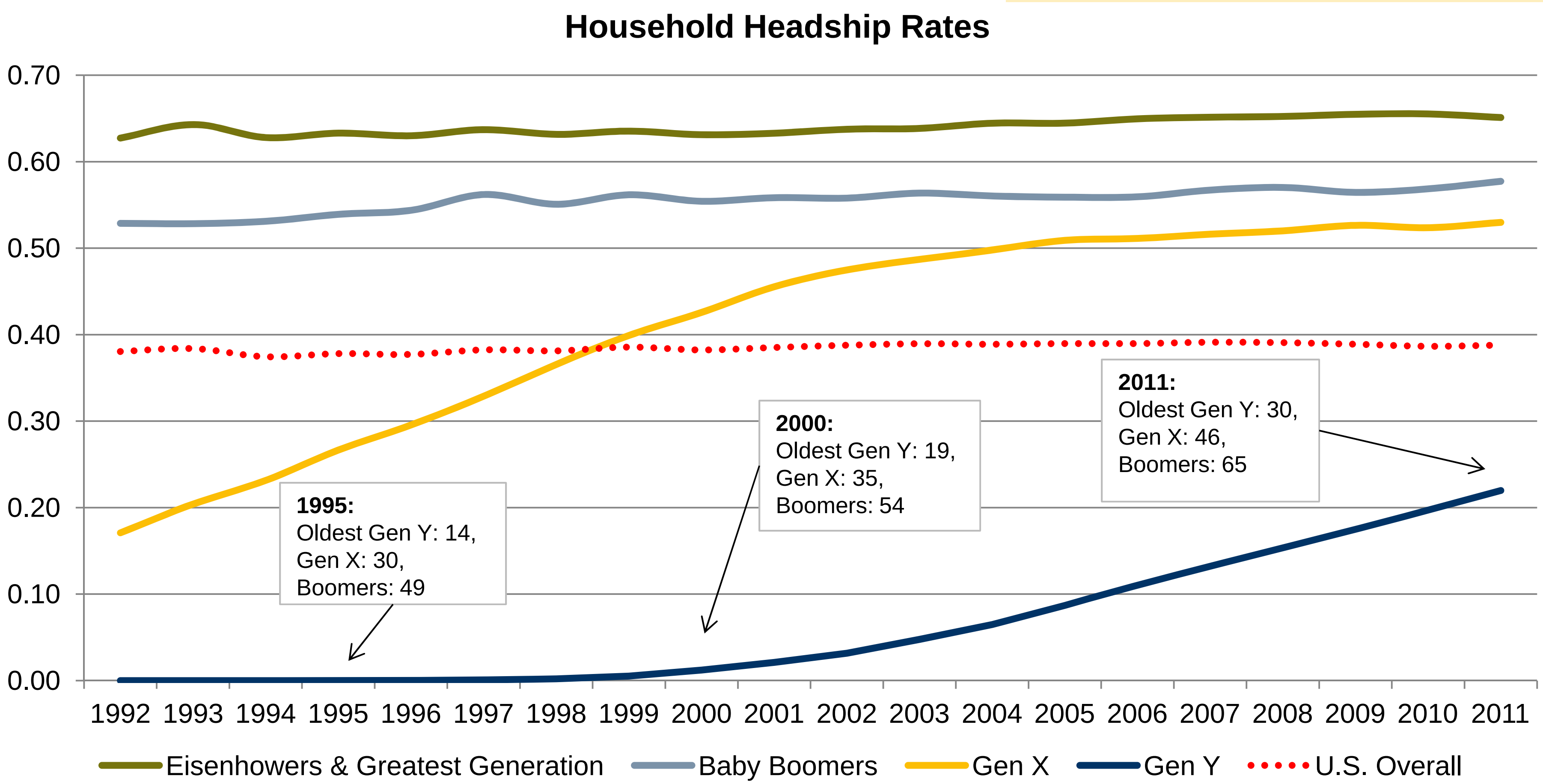


SOURCE: U.S. Census Current Population Survey

GEN Y HEADSHIP RATES ARE LOWER THAN GEN X AT THE SAME AGE

Household Headship Rates by Generation
United States, 1992 – 2011

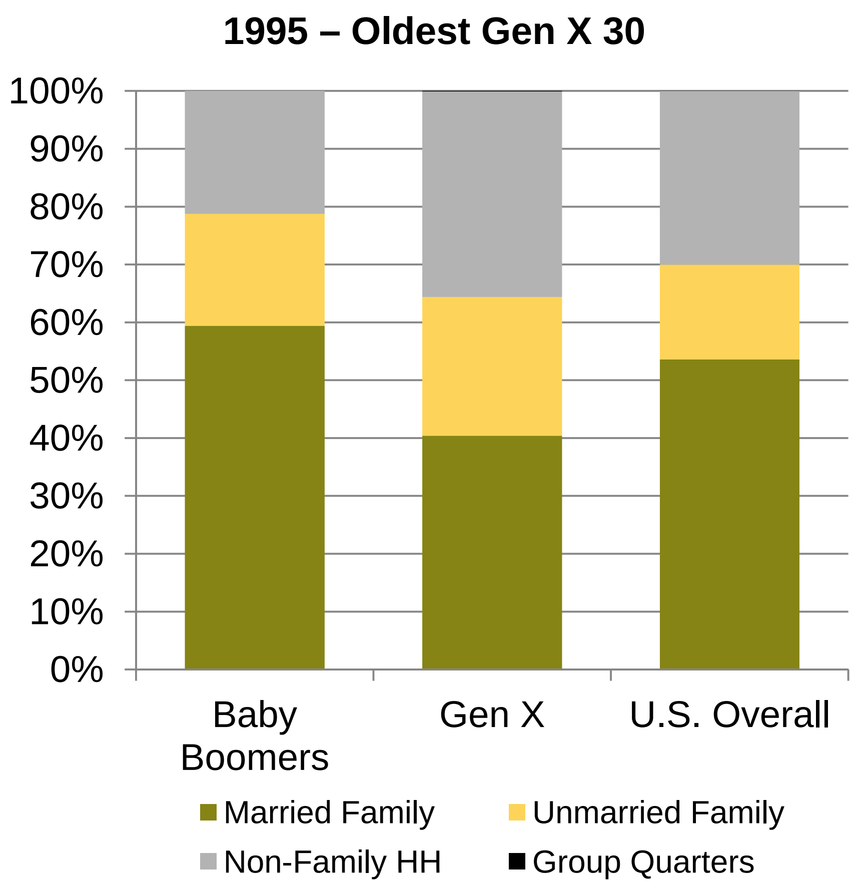
1995: Oldest Gen X 30 – 0.27
2011: Oldest Gen Y 30 – 0.22

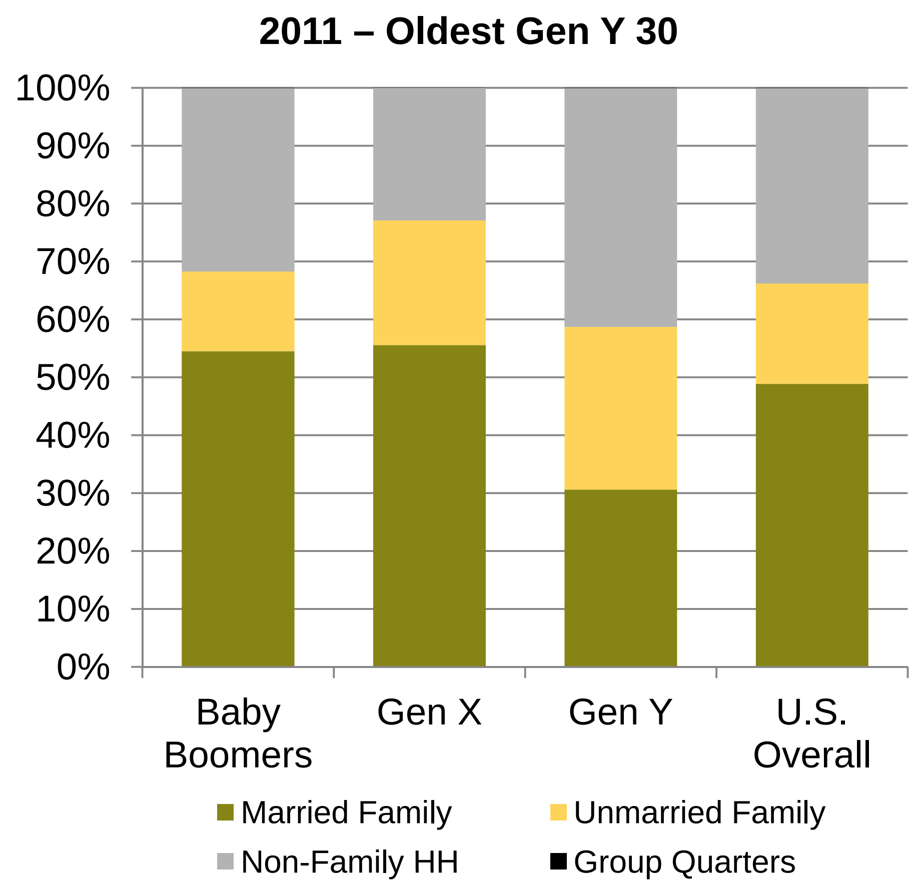


SOURCE: U.S. Census Current Population Survey

GEN Y—LARGER CONCENTRATION OF NON-FAMILY HOUSEHOLDS AT SAME STAGE AS GEN X

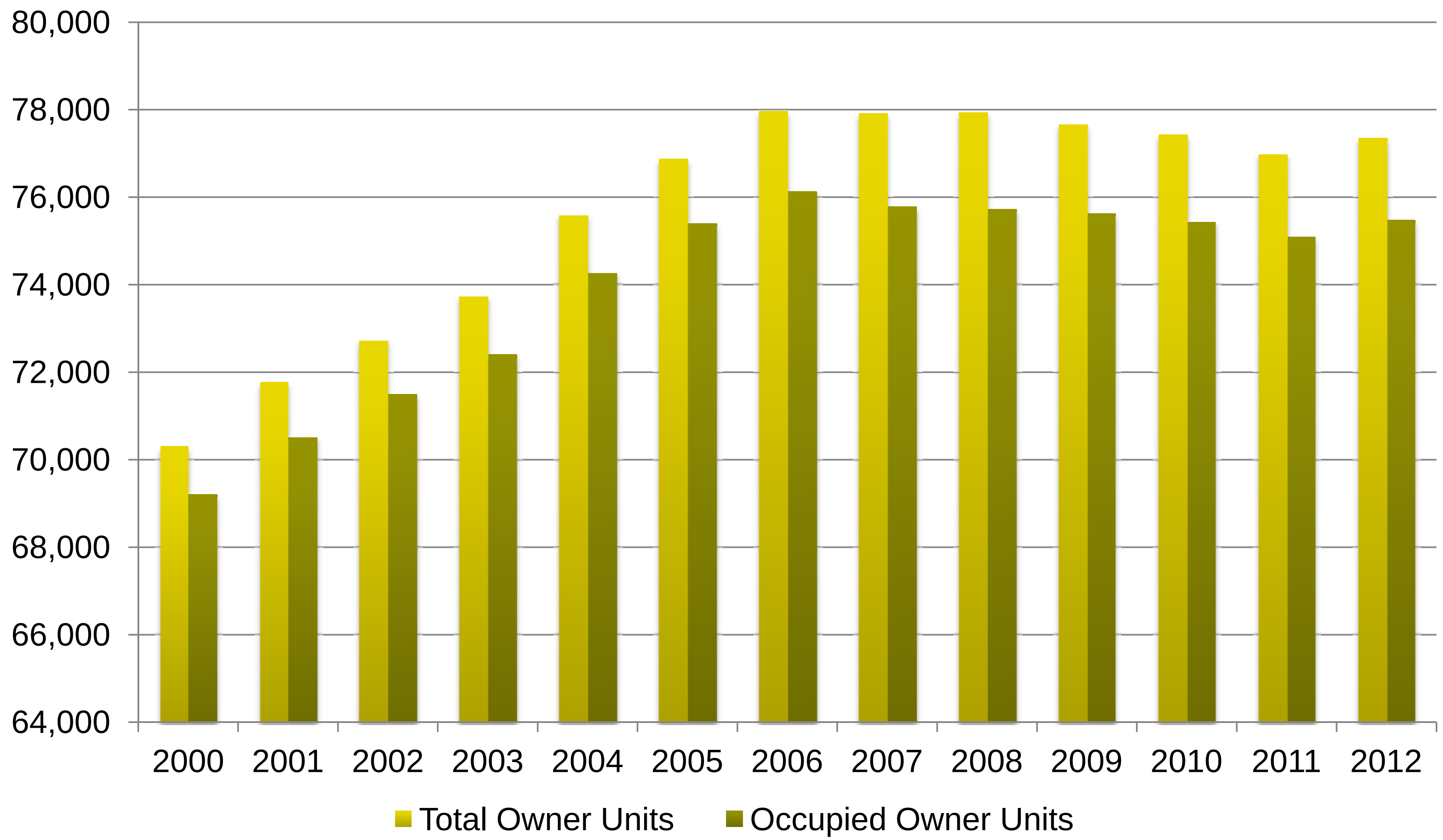
Distribution of Household Types by Generation
United States



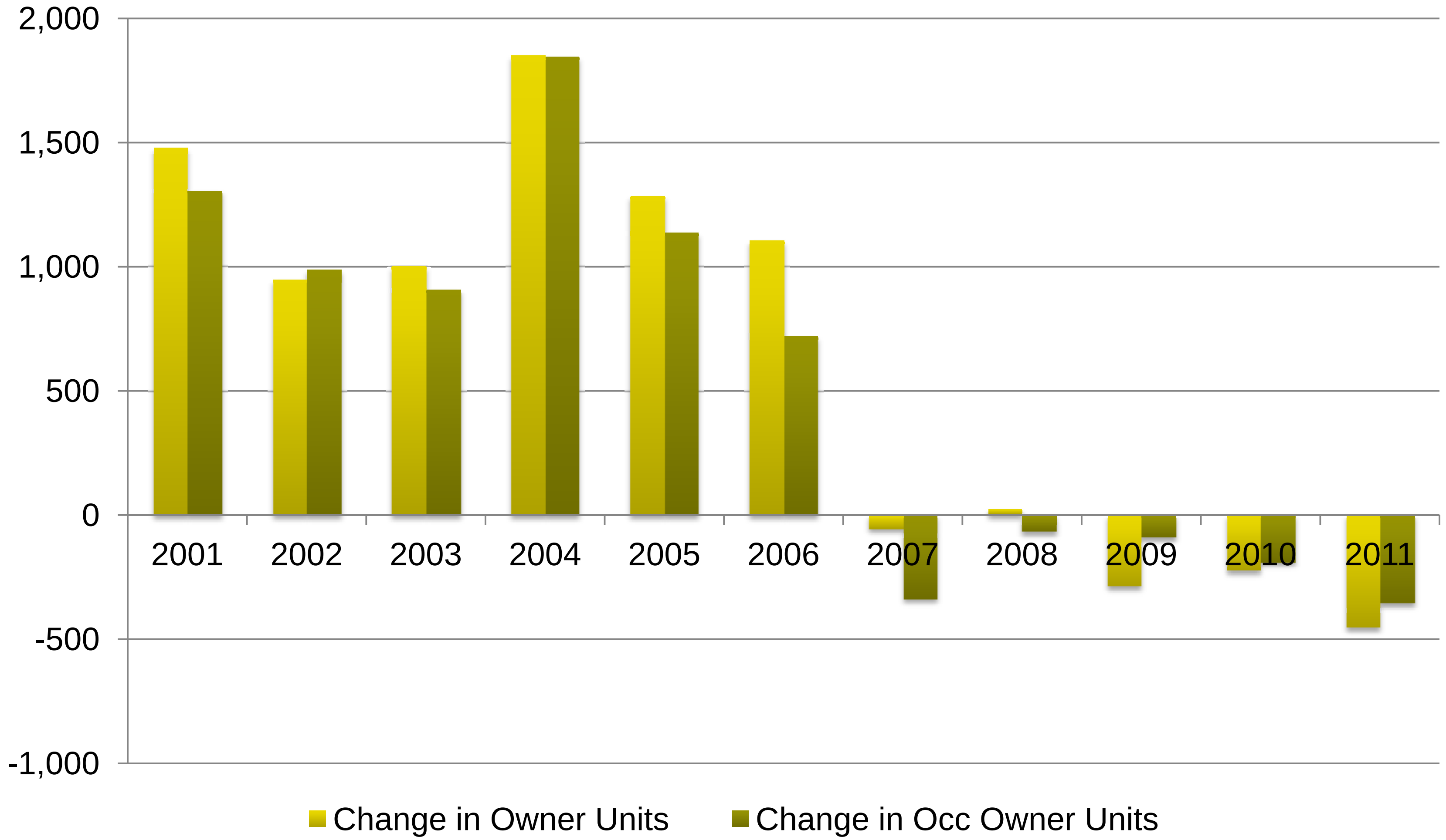


SOURCE: U.S. Census Current Population Survey

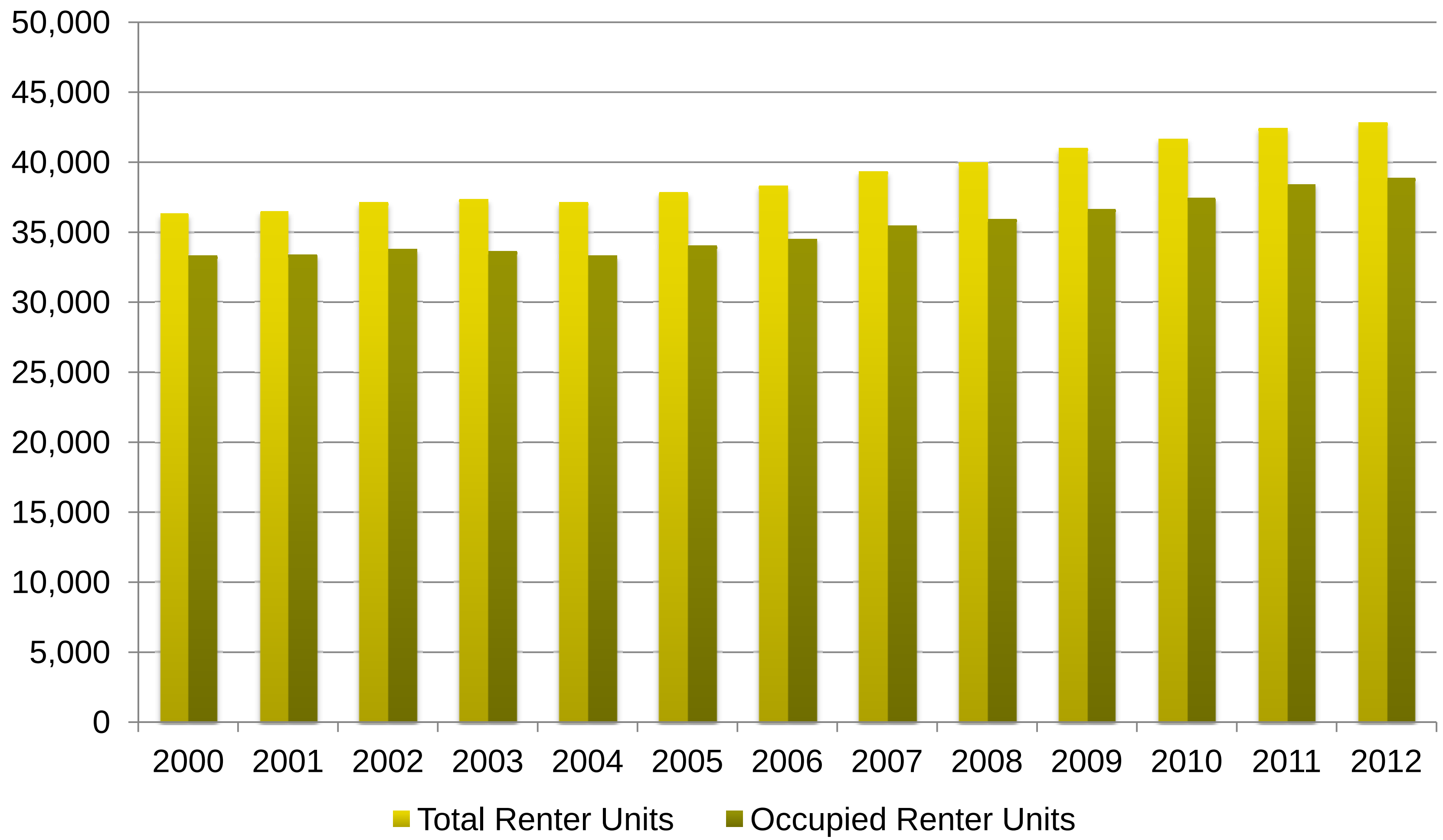
HISTORICAL CHANGE IN OWNER HOUSING STOCK



CHANGE IN OWNER HOUSING STOCK



HISTORICAL CHANGE IN RENTAL HOUSING STOCK



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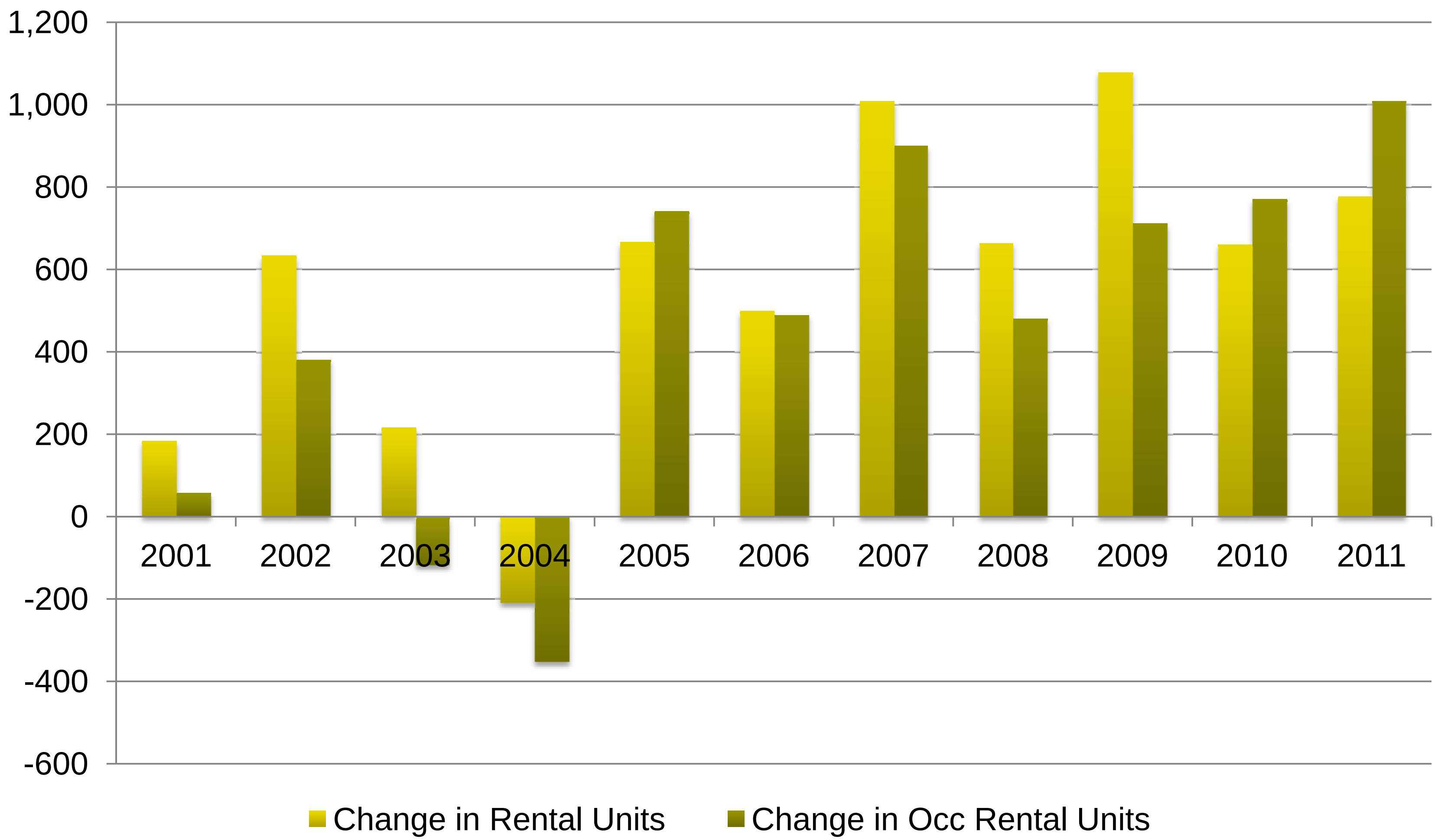
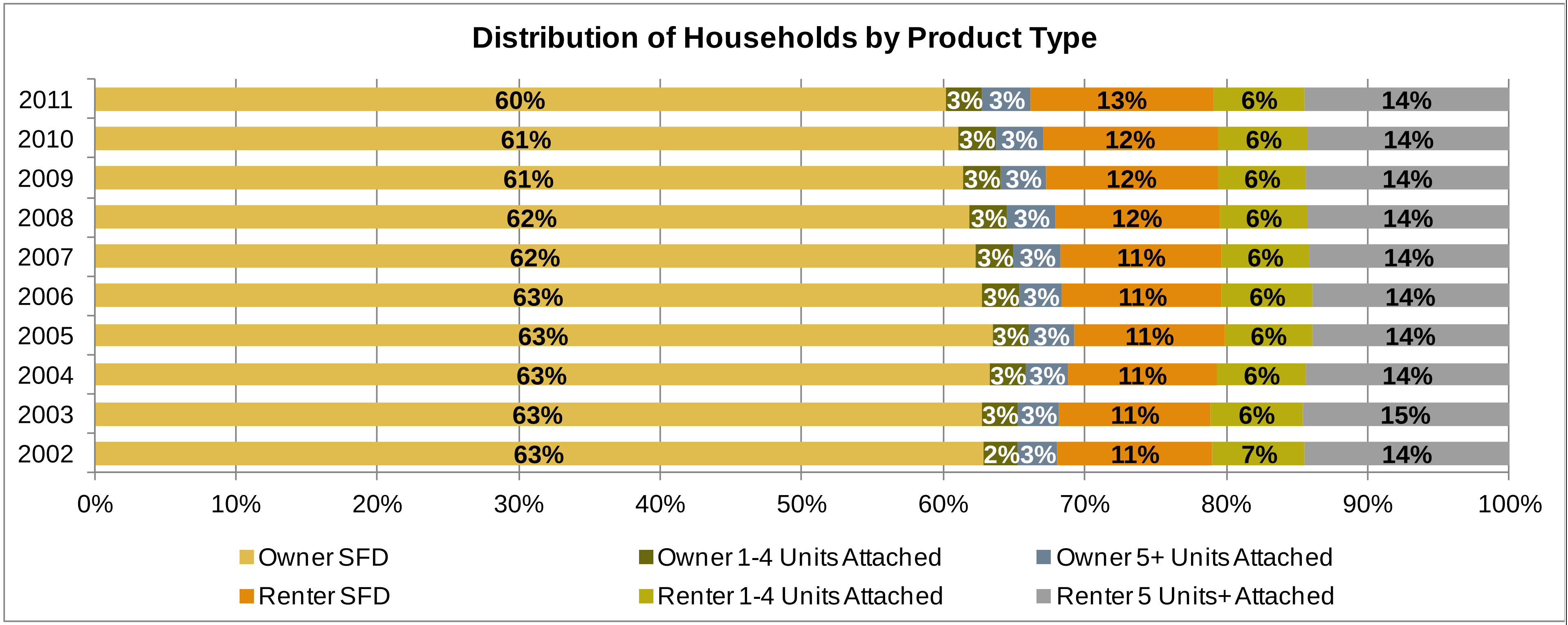
CHANGE IN RENTAL HOUSING STOCK



HOUSING PRODUCTS AMERICANS LIVE IN NOW



WHAT'S BEEN SAID ABOUT GEN Y:

- *Most digitally connected generation; smart phones, Facebook, Twitter*
  - *Knowledge is power and its just a click away*
- *Delaying adulthood compared to other generations*
- *Marrying later, kids later*
- *Closer to their parents than Boomers were*
- *Sense of entitlement, narcissism, and rejection of social conventions*
- *High expectations of advancement, salary, mentoring*
- *Switch jobs frequently, lack loyalty, OR*
- *Coming of age with great recession made frequent change necessary*
- *Want to live in urban environments, desire walkability*
- *Less religious*

IMPORTANT TO BE WEALTHY?

- Percent High School Seniors and entering College Freshman saying "being wealthy is very important to me":
  - –Baby Boomers: 45%
  - –Generation X: 70%
  - –Generation Y: 75%

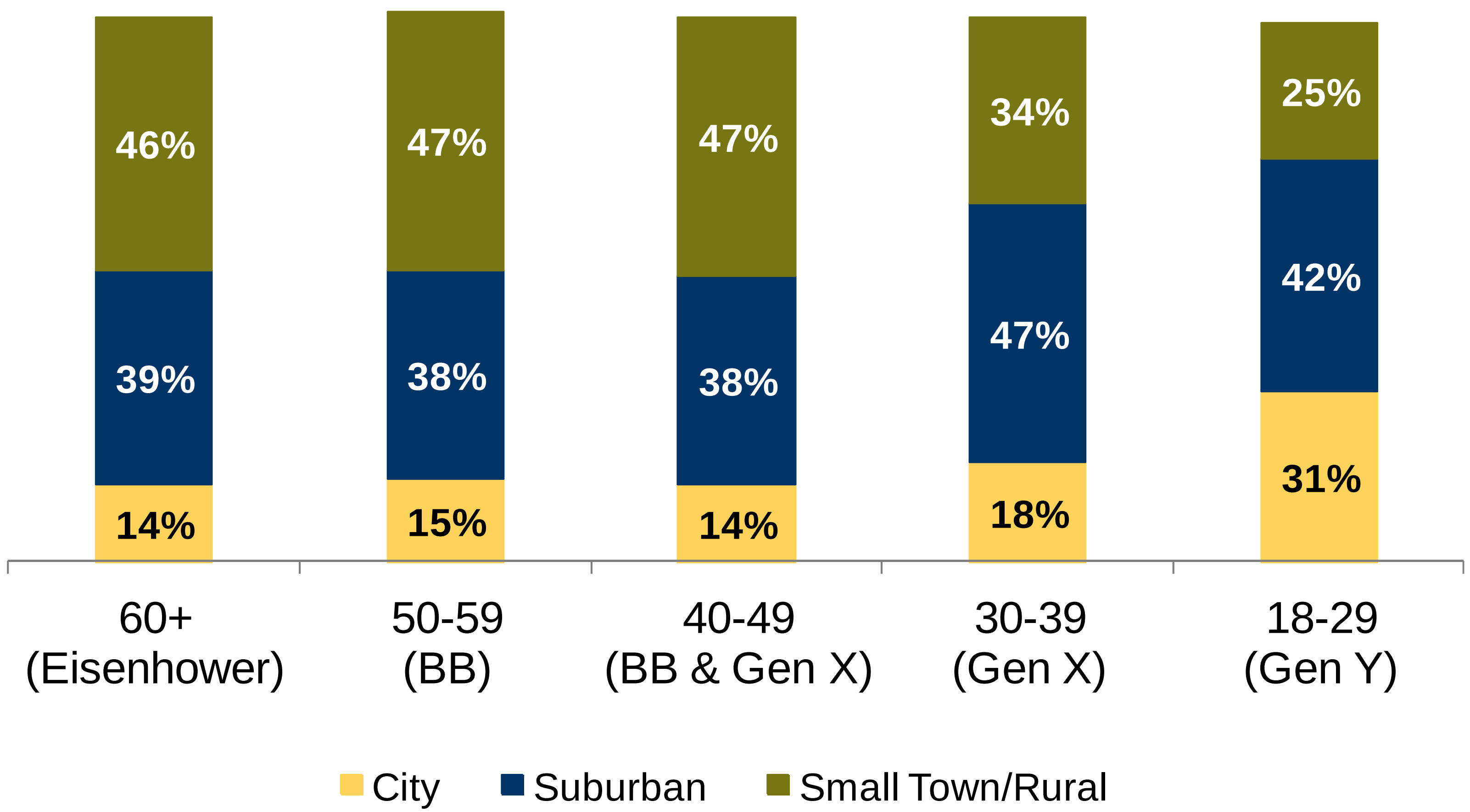
SOURCES: University of Michigan Monitoring the Future; American Freshman Survey; UCLA

IMPORTANT TO KEEP UP WITH POLITICS?

- Percent High School Seniors and entering College Freshman saying "it is important to keep up with political affairs":
  - –Baby Boomers: 50%
  - –Generation X: 39%
  - –Generation Y: 35%

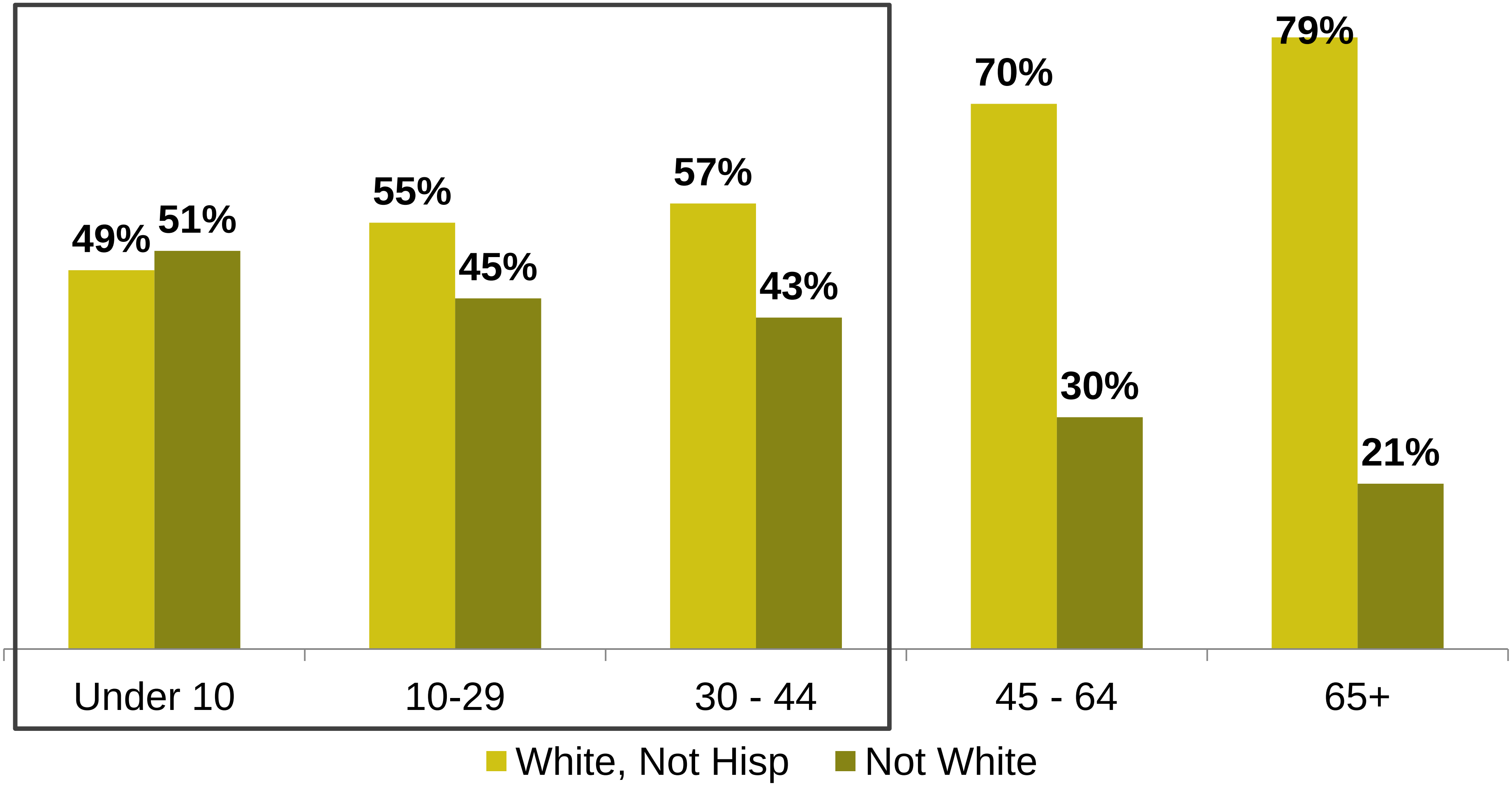
SOURCES: University of Michigan Monitoring the Future; American Freshman Survey; UCLA

WHERE PEOPLE WANT TO LIVE, BY GENERATION



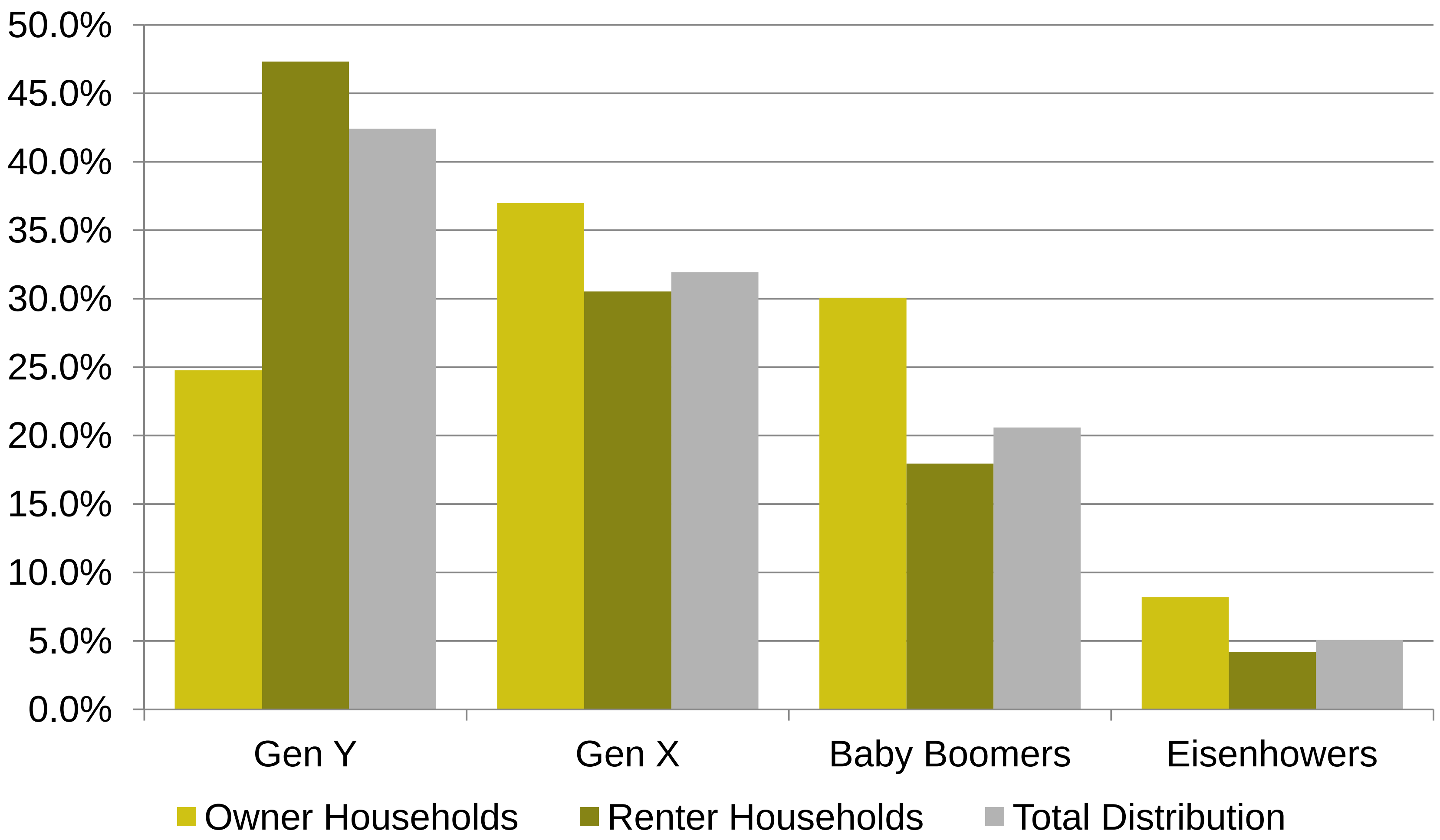
SOURCES: 2011 National Community Preference Survey; National Association of Realtors, March 2011

GENs X, Y, AND Z VERY DIVERSE COMPARED TO MATURE SEGMENTS

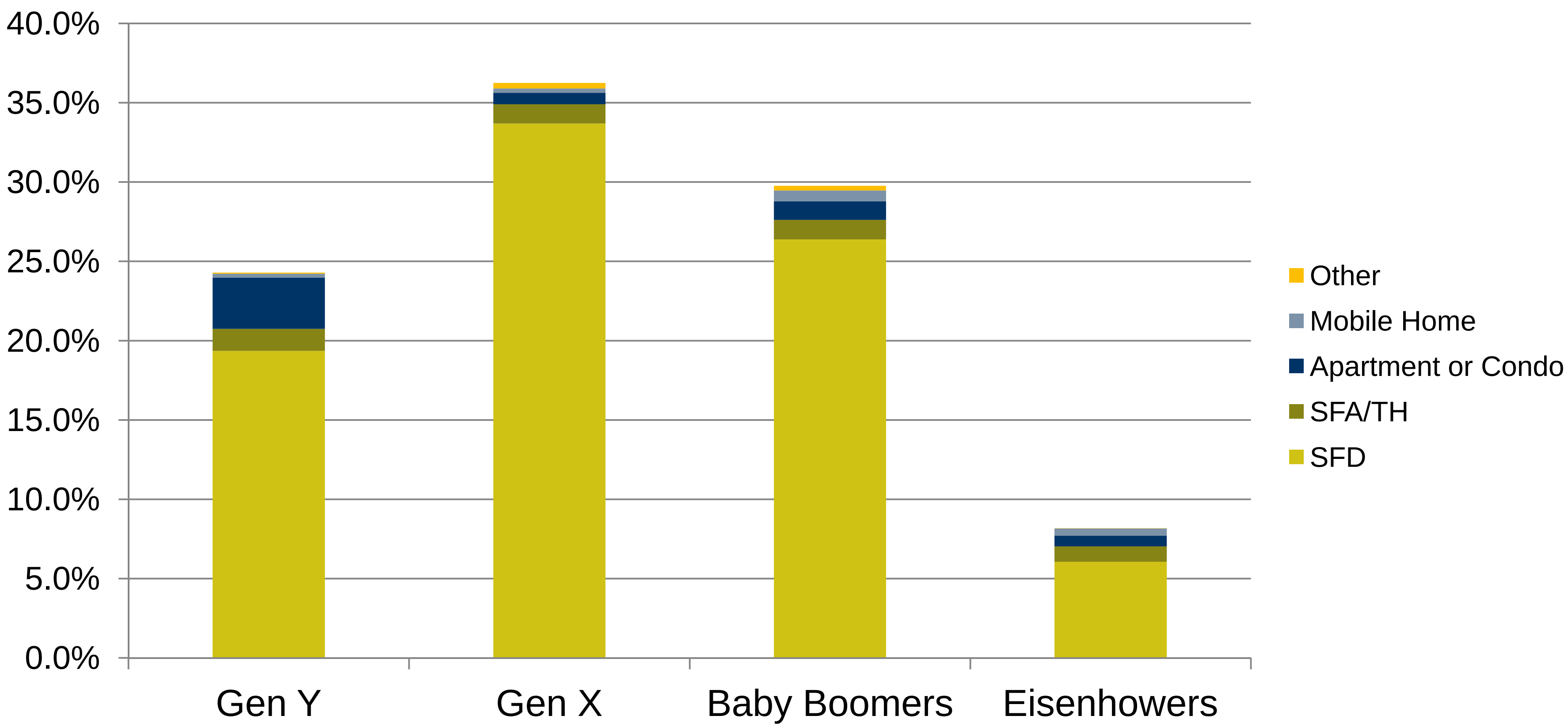


SOURCE: American Community Survey

THE ACTIVE MARKET USA–HOUSEHOLDS IN TURNOVER, BY GENERATION: *KEY TO UNDERSTANDING HOUSING DEMAND*

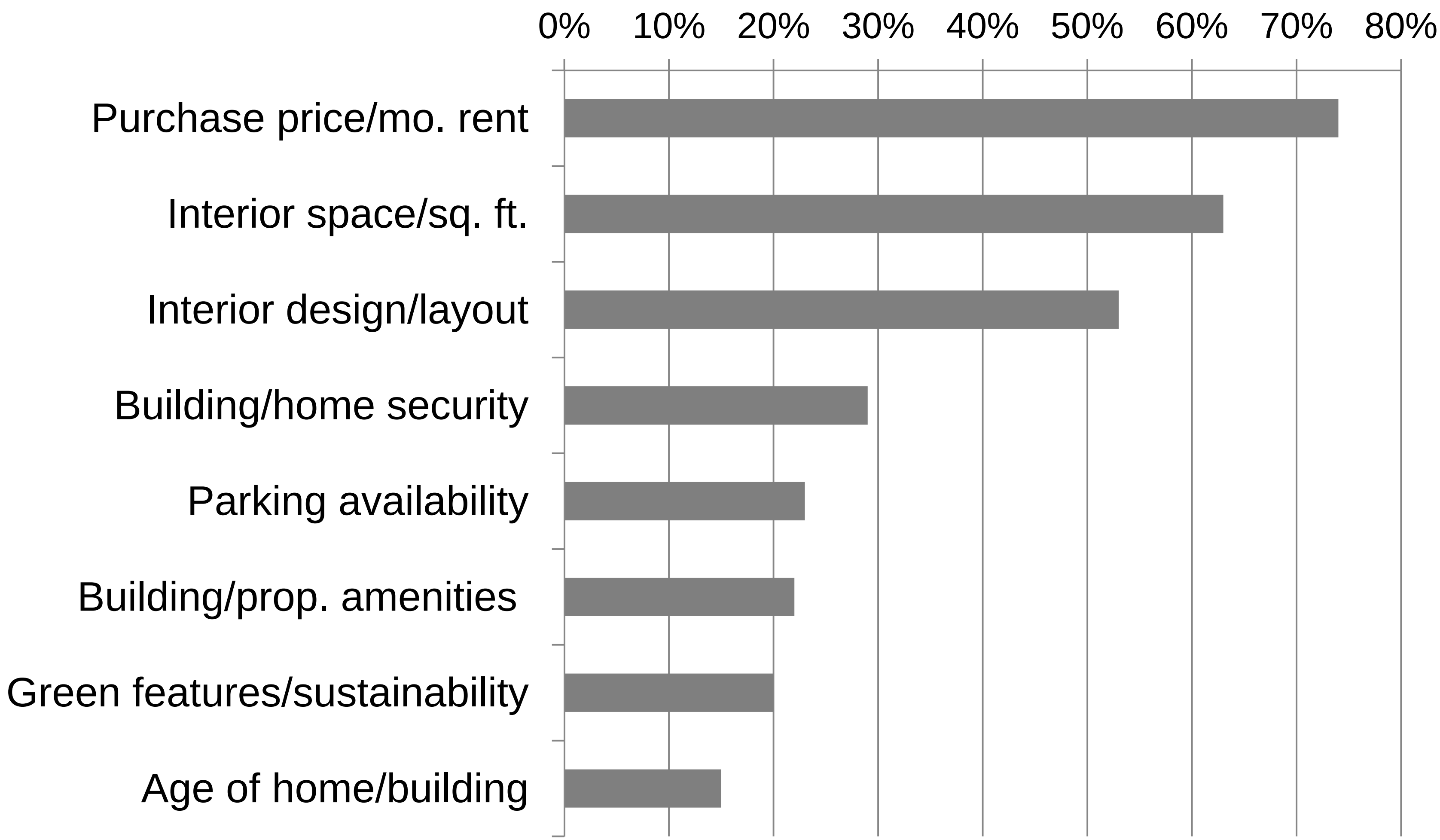


DISTRIBUTION OF PREFERRED PRODUCT TYPES BY GENERATION



This is the distribution of the active market given the owner product type preferences. Conclusion: Strong preference for single-family detached across all generations, more attached for Gen Y .

IMPORTANCE OF HOUSING FEATURES*



*% of respondents ranking each feature 1st, 2nd, or 3rd

SOURCE: ULI/Lachman Associates Survey, Summer 2010

GEN Y: GREATEST URBAN INTEREST

- **About 10.5% currently live downtown…**
- **…another 7% would like to live downtown, or about 18%**
- **About 30% would like to live in the City**
- Urban places with appeal to Gen Y:
  - Have a virtual, wired world co-existing with the physical environment
  - Incorporate technology
  - Cool places to hang out and text each other…
  - Fun restaurants and bars
  - Music and art

SOURCE: RCLCO; National Association of Realtors Survey

GEN Y: NO COOKIE-CUTTER COMMUNITIES, NEIGHBORHOODS, HOMES, OR PEOPLE

Survey Question:
Most important characteristics of your ideal community or neighborhood:

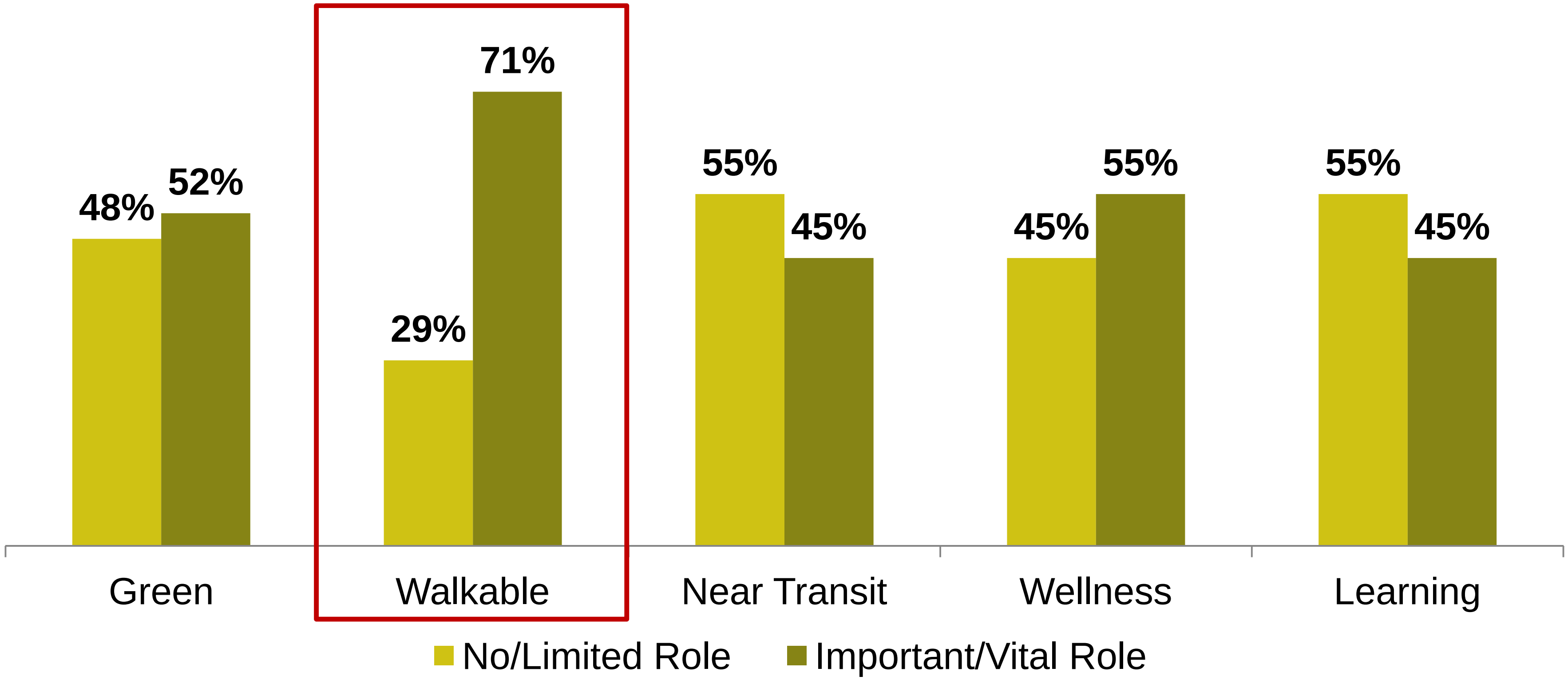
Must Have…	Gen Y	Gen X
Diverse types of households (singles, couples, families)	73%	74%
Diverse types of people (mix of races and ethnic backgrounds)	78%	77%
Different housing types & styles	77%	74%
Different income levels	42%	40%

SOURCE: RCLCO consumer research

WALKABLE MOST IMPORTANT COMMUNITY FEATURE TO GEN Y

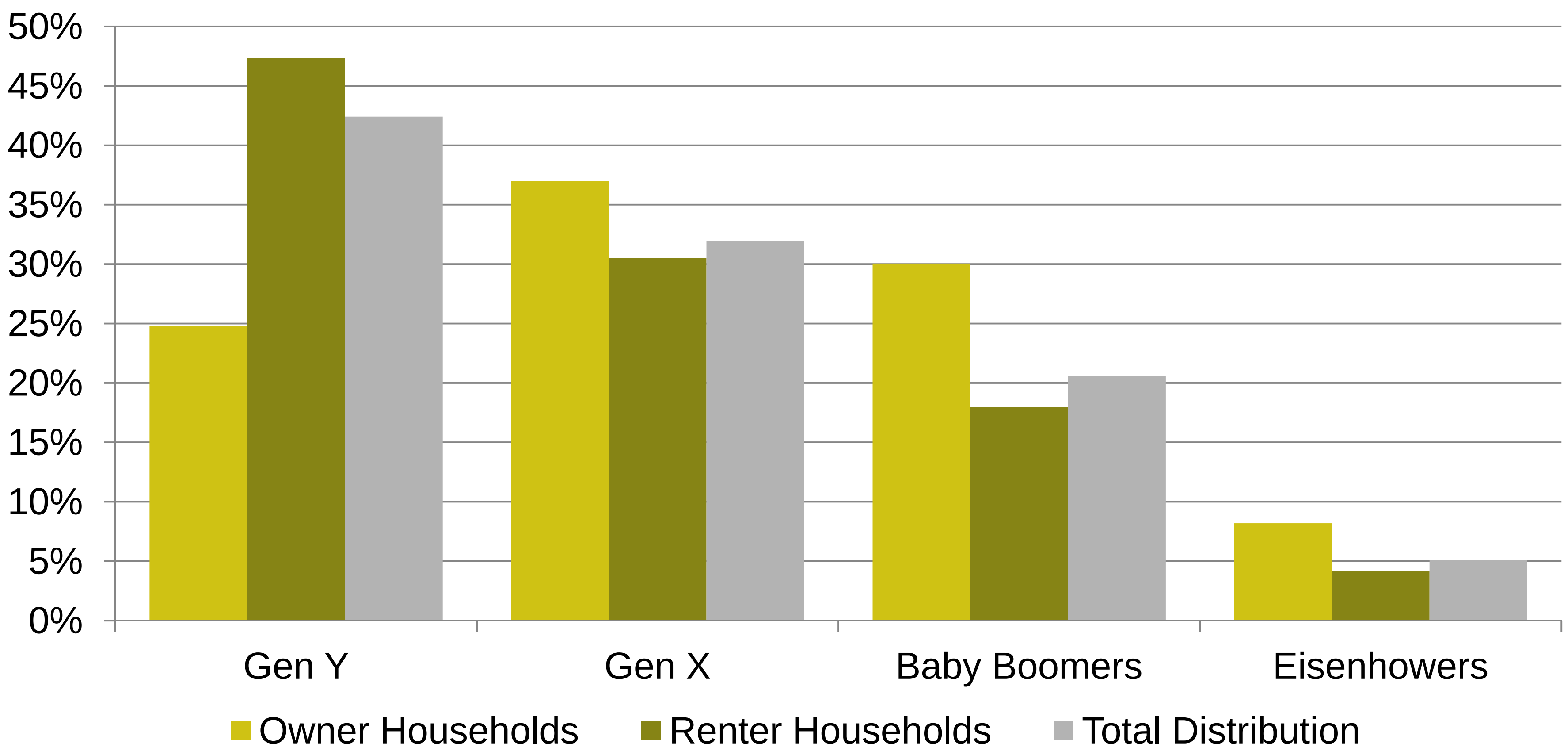
Survey Question:

How important are the following community features in your home or community selection process?

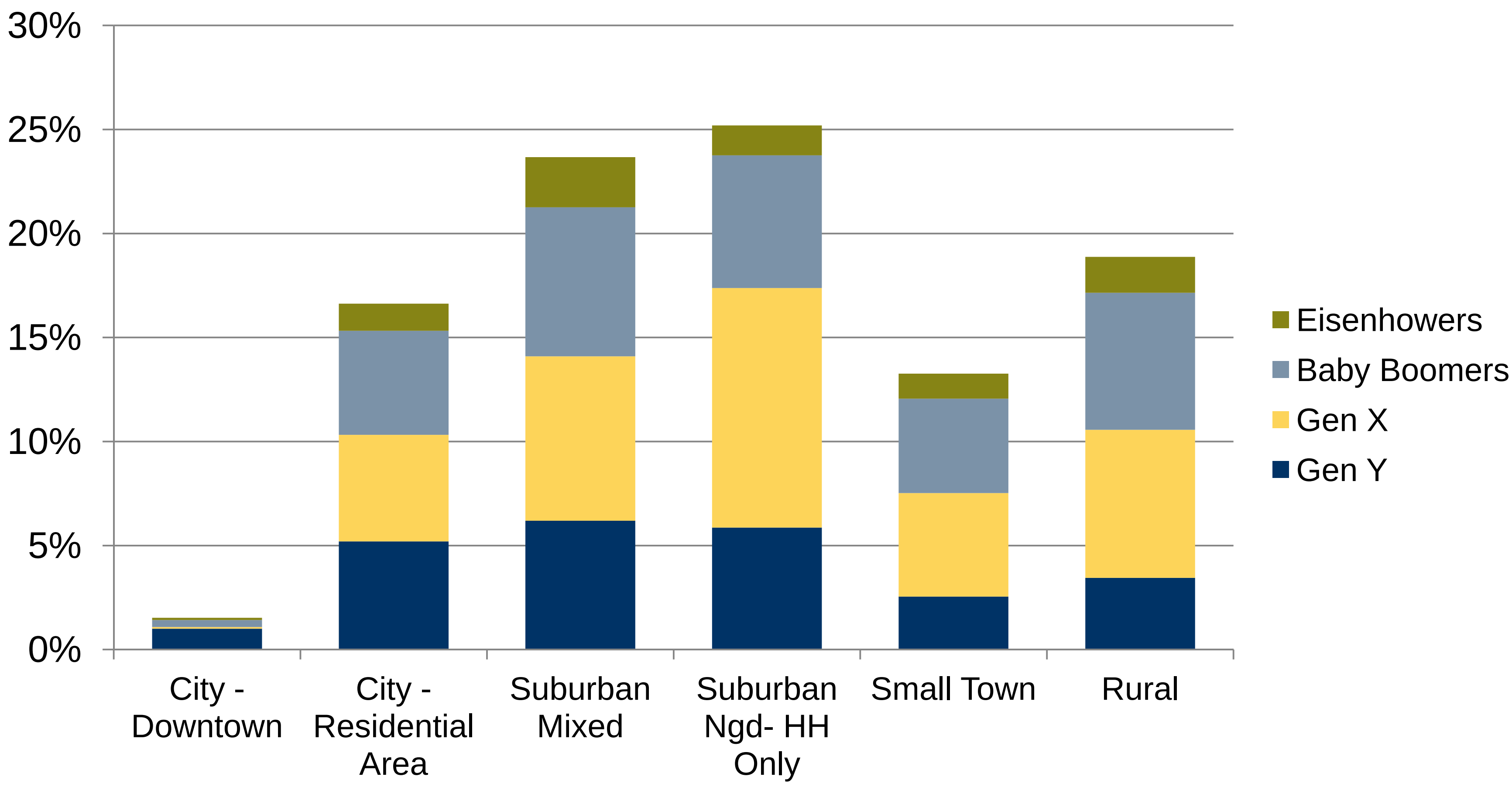


SOURCE: RCLCO Consumer Research

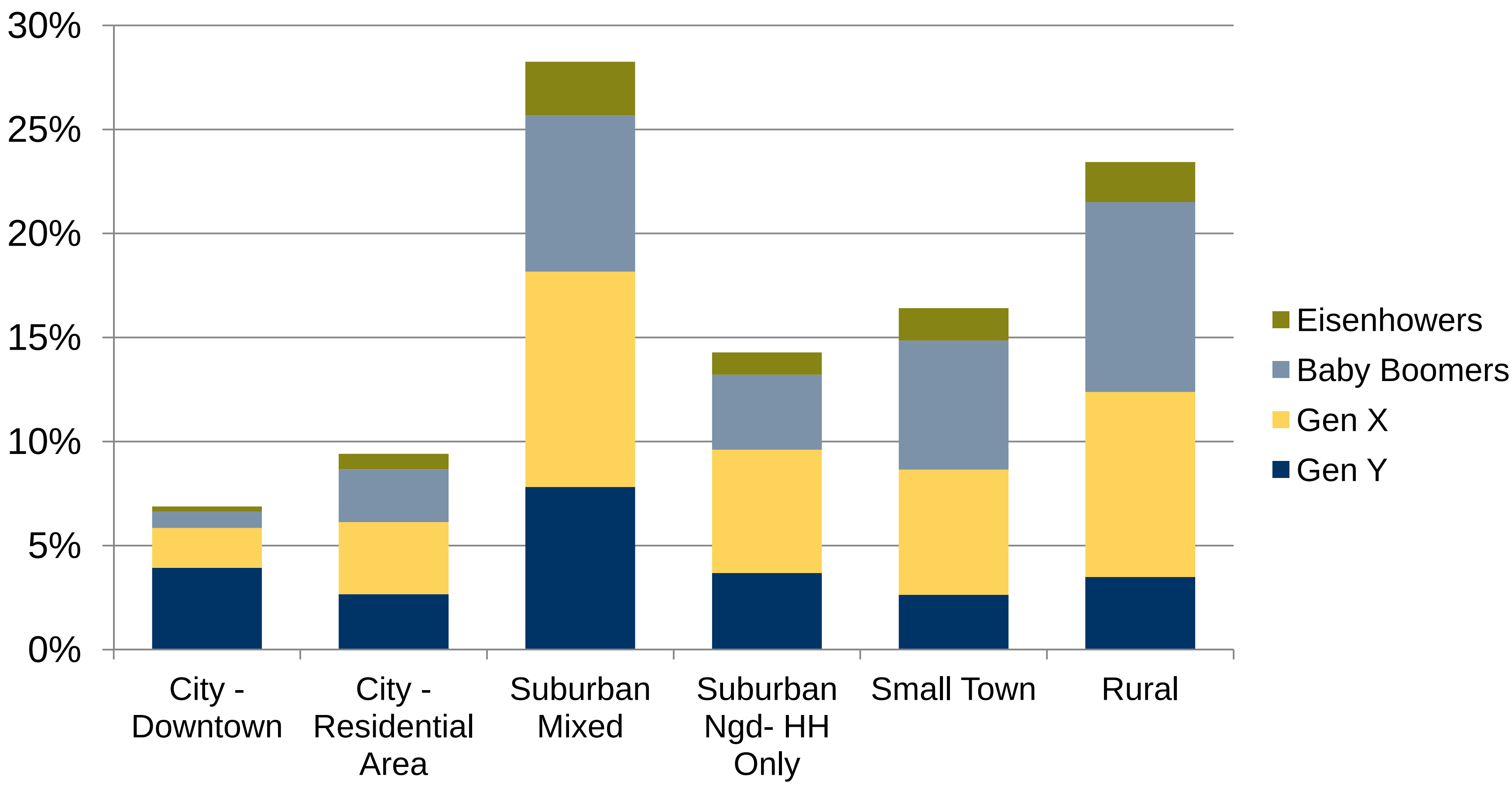
ACTIVE MARKET (HOUSEHOLDS IN TURNOVER)



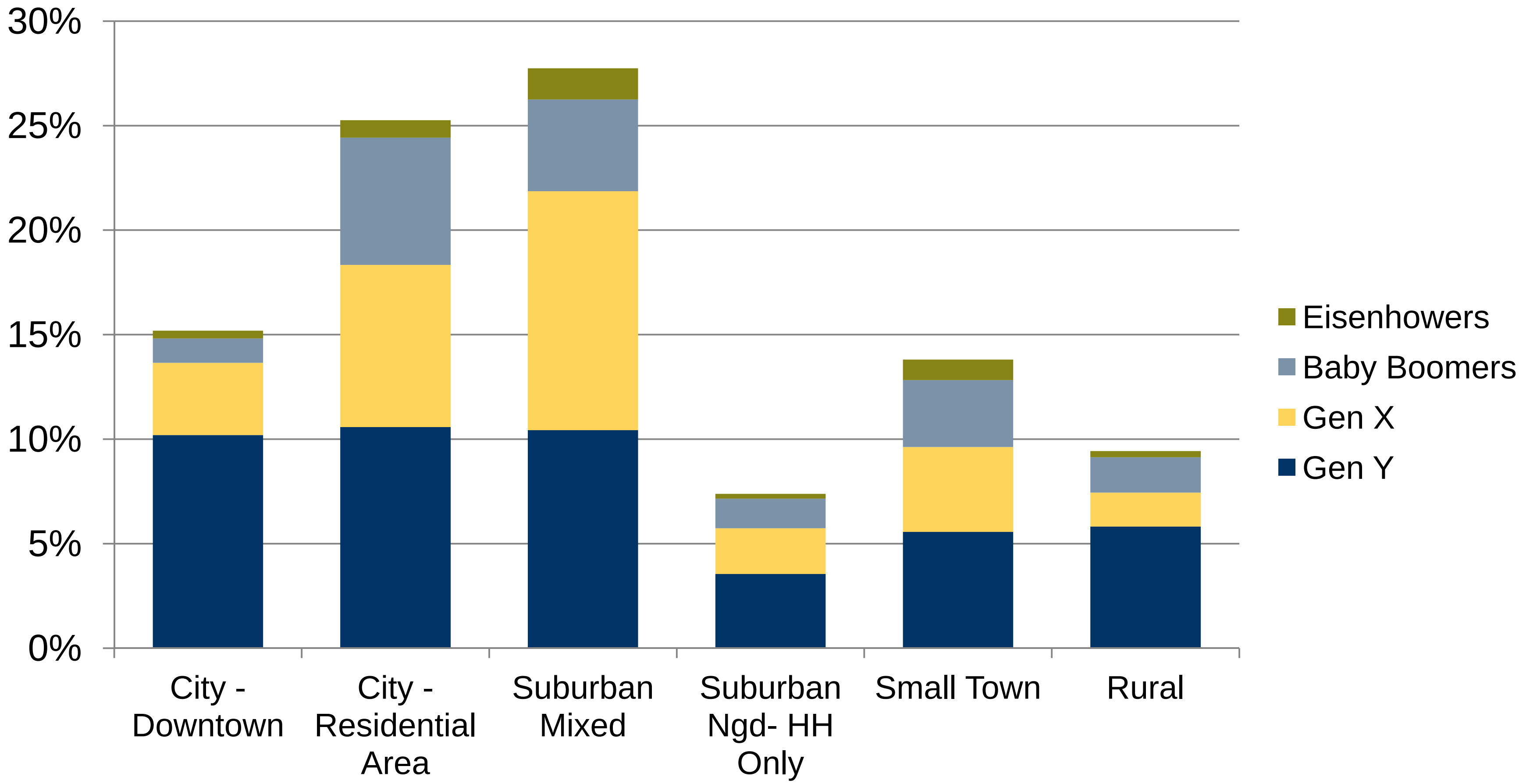
DISTRIBUTING THE ACTIVE MARKET BY CURRENT RESIDENCE LOCATION



GENERATIONS IN TURNOVER: WHERE THEY WANT TO LIVE

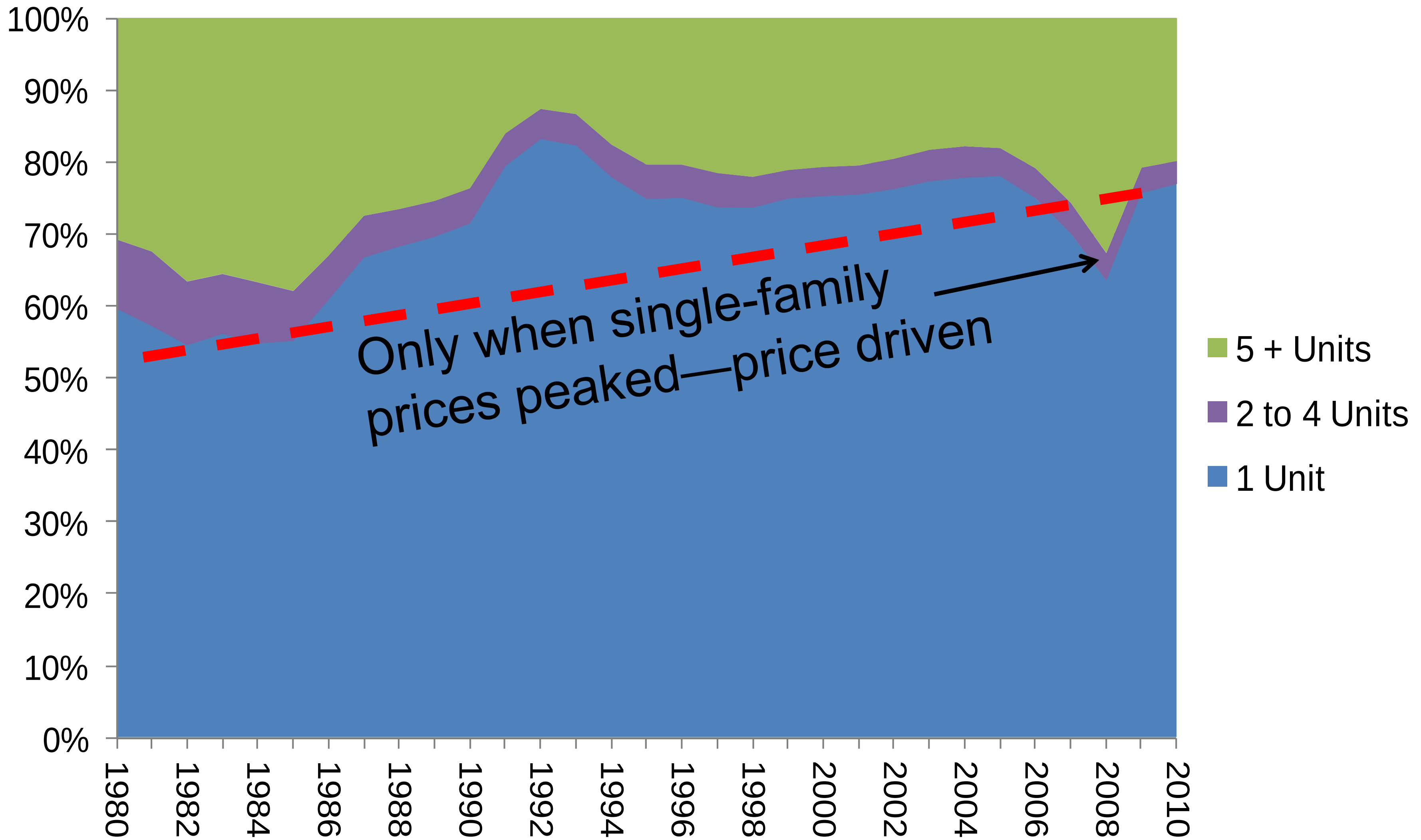


ACTIVE RENTER MARKET: PREFERRED LOCATIONS IF THEY COULD CHOOSE



Like owners, more renters across generations prefer suburban mixed-use environments.

30 YEAR TREND: ATTACHED HOUSING MORE POPULAR WHEN HOME AFFORDABILITY IS LOWER, LESS WHEN PRICES FALL



SUMMARY OF GEN Y AND CURRENT TRENDS TO REAL ESTATE DEMAND

- Demand shifts from outer suburban to inner suburban and urban properties
  - Demographic? Preference? Result of “the great reset” with “closer” being less expensive?
- More online shopping, but less sq. ft. real estate space per capita for office and retail
- Residential places with more diversity, more mixed-use or multi-use, convenience
- More infill; more thoughtful greenfield
- Less space for residential too?
  - Younger less affluent households
  - Smaller household sizes
  - Meanwhile home sizes have been increasing for 20 years
    - ✓ Sizes smaller with recessions, then rebound

CHARACTERISTICS OF GEN Y ATTRACTING PLACES

- Not a look or feel, but places that facilitate a lifestyle
- Environments that facilitate "connections"
  - Virtual, Physical, and Social connections
  - Wired gathering spaces
  - Human scale, good street network, parks, and space
- Aesthetically inspiring
- Walkable
- Fun—you want to be there
- Shopping and restaurants you can't find at every mall—unique
- Great neighborhoods—mix of uses
- Diverse people
- Transit or transit ready
- Convenience

DISCUSSION QUESTIONS

- What else is critical for us to know to understand this generation? To meet this generation’s current and future real estate needs?
- Do the things we believe about Gen Y’s preferences simply reflect where they are in their life-stage, and therefore we should avoid ‘straight-lining’ these trends into the future?
- Will Gen Y start to look more like Gen X one day, i.e. move to the ‘burbs when they have kids?
- How much of Gen Y’s real estate behavior is explained by coming of age during the worst recession in recent history and being under-employed?
- Do these Gen Y trends and attitudes we’ve discussed apply to all of Gen Y, i.e. it’s a very diverse group—are we catching the nuances among various ethnic groups?
- We know that Gen Y is impacting the rental housing market now; when will they impact the for-sale market?
- What about the debate over whether or not they still value homeownership? Anecdotal evidence says ‘no’ yet ULI surveys say ‘yes’?
- What are we saying about Gen Y today that we said about Gen X 20 years ago? How do we make sure we’ve got it right? How will we know when we’re wrong?
- How do we act on this knowledge about Gen Y? If we want to create aspects of the built environment to appeal to this generation, what should we be including?
  - Where? What? Features? Amenities? Size? Styles? Prices?

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GENERATION Y

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