



Demographics and Real Estate Market Trends

Sarah Kirsch, Senior Principal

Multigenerational Communities for Healthy Aging Symposium | September 29, 2008

RCLCO QUICK FACTS

RCLCO is the leading knowledge solutions provider to the real estate industry.

- Firm founded in 1967
- 70+ Consultants in 4 Offices—Washington, DC, Los Angeles, Orlando, Atlanta
- End to End Solutions – Strategy through Implementation
- 600+ Projects Per Year—US, Caribbean, Latin America, Middle East, Europe, and New Zealand
- Clients & Partners—Developers, Builders, Planning Firms, Land Owners, Municipalities and Counties, Law Firms, Lenders and Investors
- Adaptability – Hands-on research methodology & innovative analysis allows for consultants to quickly adapt to new markets and challenging situations

PROPERTY EXPERTISE

Residential

- Master-Planned Communities
- Apartments, Condominiums
- Single-Family, Townhomes
- Active Adult Communities
- Independent, Assisted Living, CCRC
- Second Home Communities
- Affordable/Workforce Housing
- Conservation Communities

Retail

- Lifestyle/Entertainment Centers
- Neighborhood Centers
- Regional/Super Regional Malls

Hotel, Condo-Hotel

- Conference/Convention Hotel
- Beach, Mountain, Lake Resorts
- Casino, Marina

Office/Industrial/Campus

- Office Parks
- R&D/Industrial
- University/Medical Campus

Other

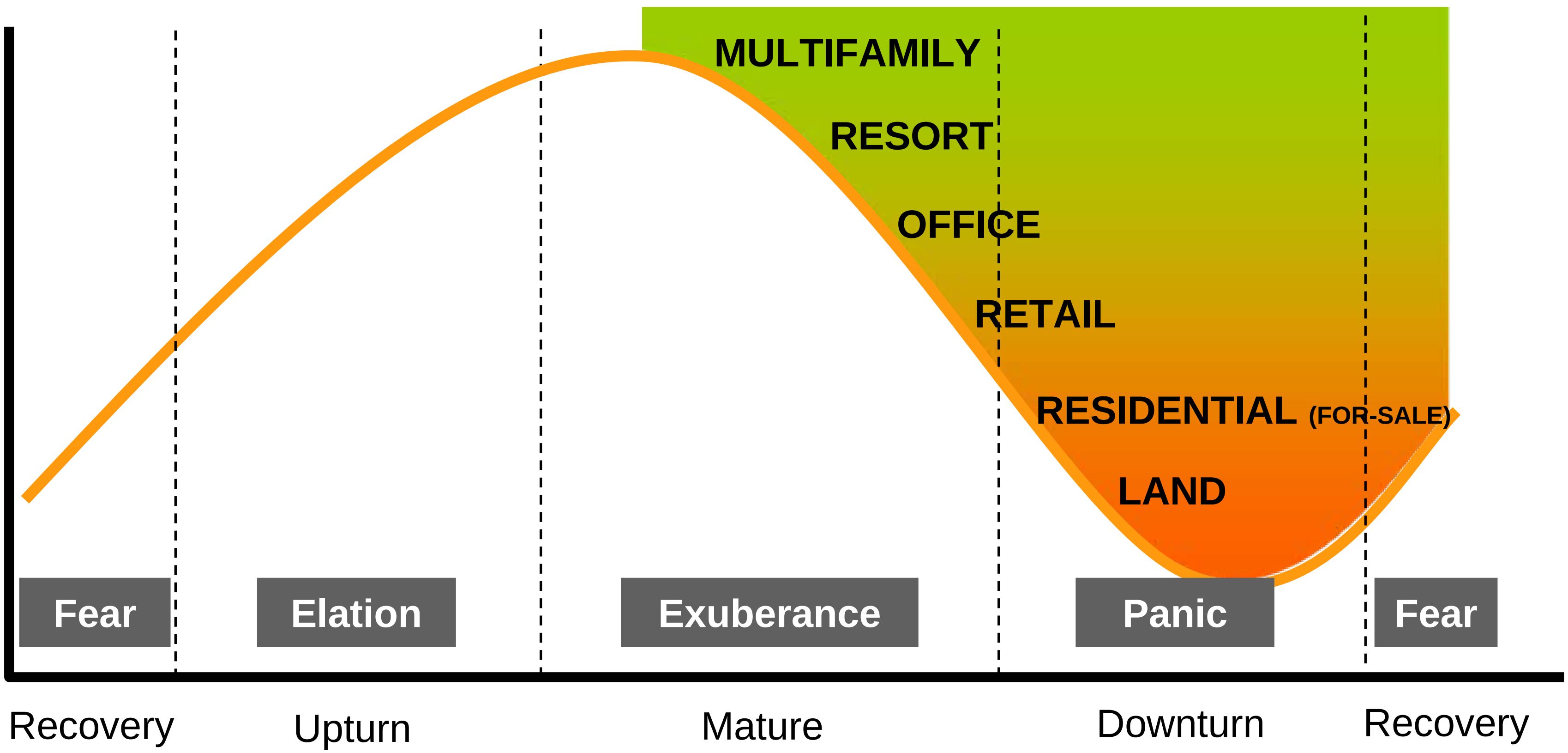
- Transit-Oriented Development
- Mixed-Use
- Adaptive Reuse
- Brownfield Redevelopment
- Downtown and Corridor Revitalization

AGENDA

- **Real Estate Market Context**
- Demographic and Growth Trends
  - Gen Y
  - Baby Boomers
- Atlanta Comparison

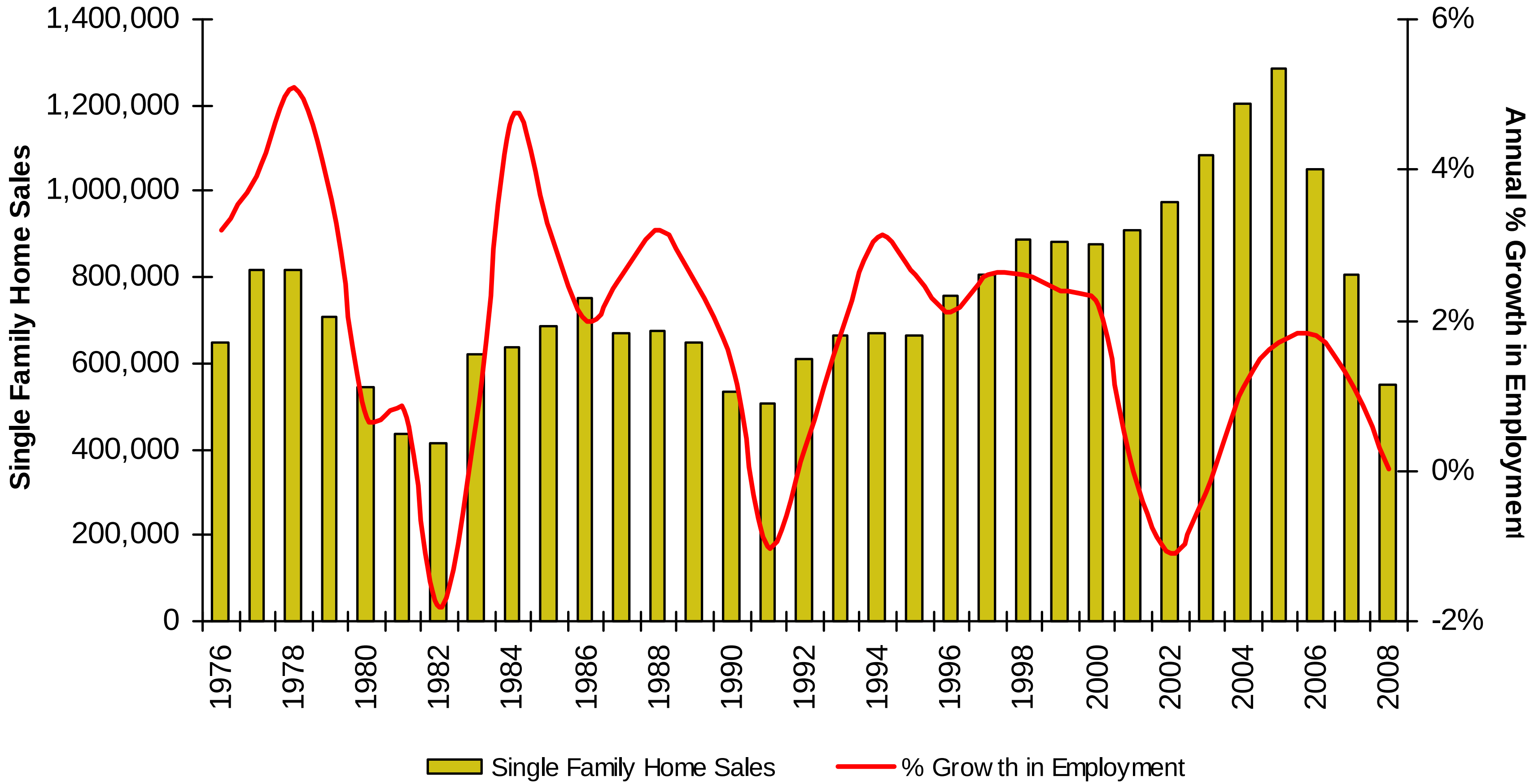
THE CURRENT SITUATION
WHERE ARE WE NOW?

Bullish excesses pave the way to bearish corrections.



THE NATIONAL HOUSING MARKET MISSED THE LAST ECONOMIC DOWNTURN: NOT THIS TIME

Number of New Single Family Home Sales Compared to Employment Growth in the U.S.
1976 – 2008 [1]



[1] 2008 figure is annualized for employment growth, and projected for new home sales.
SOURCE: NAHB; BLS, US Dept of Labor

DEMOGRAPHIC TRENDS CRITICAL TO SHORT-TERM OPPORTUNITIES AND LONG-TERM PLANNING

Opportunities For Under-Served Niches

- What demographic segments are growing and how do their preference differ from the products offered?
- What locations are the most highly valued by the key demographic segments?
- How do the demographic segments and where they are in their lifestyle intersect with each land use, i.e. rental apartments?

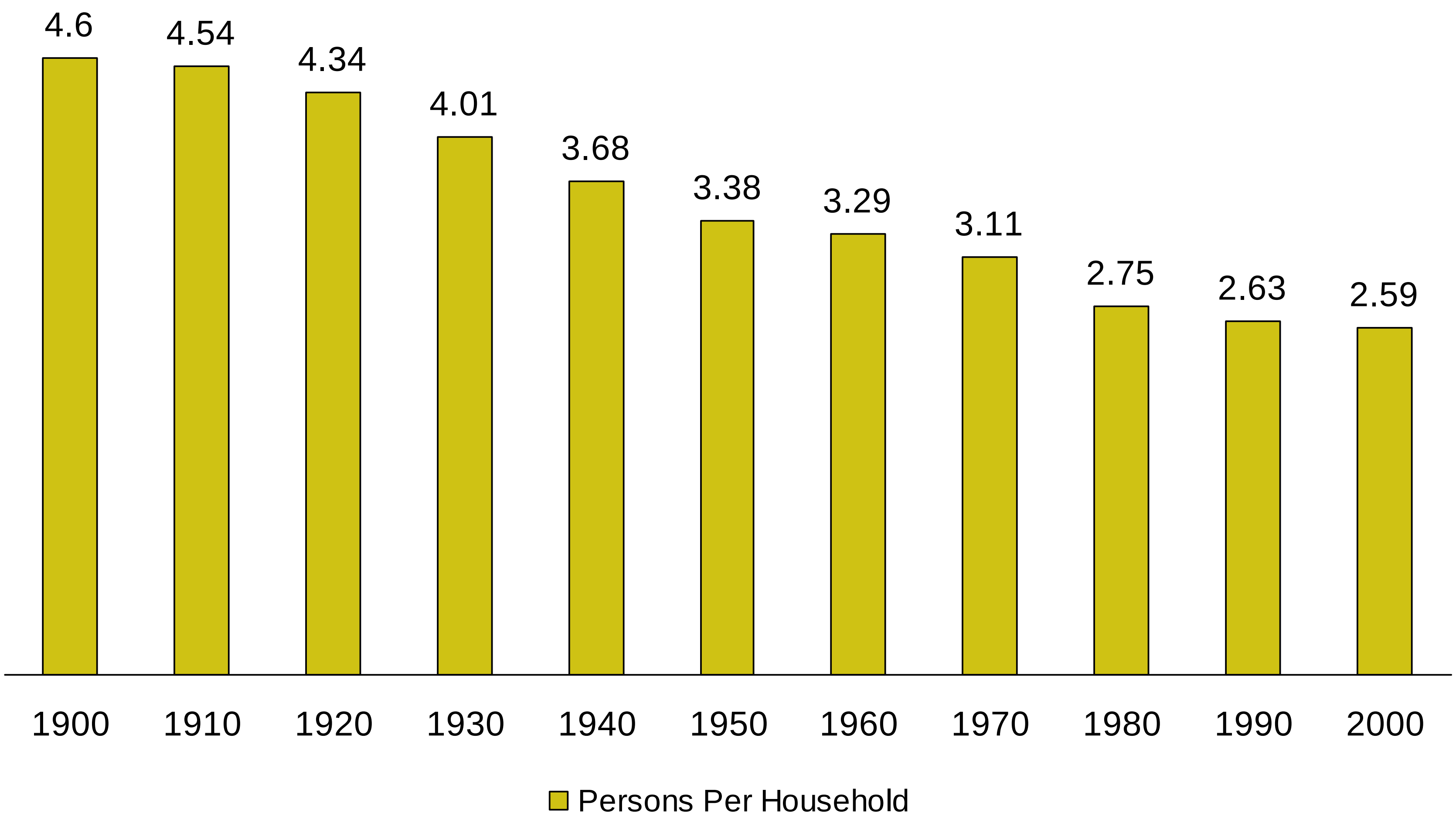
Critical Juncture for Long-term Planning

- Use this time to make great decisions about how and where we develop
- Anticipate the market and plan for changing preferences
- Be ready for the “right” market audiences when the market recovers

AGENDA

- Real Estate Market Context
- Demographic and Growth Trends
  - Gen Y
  - Baby Boomers
- Atlanta Comparison

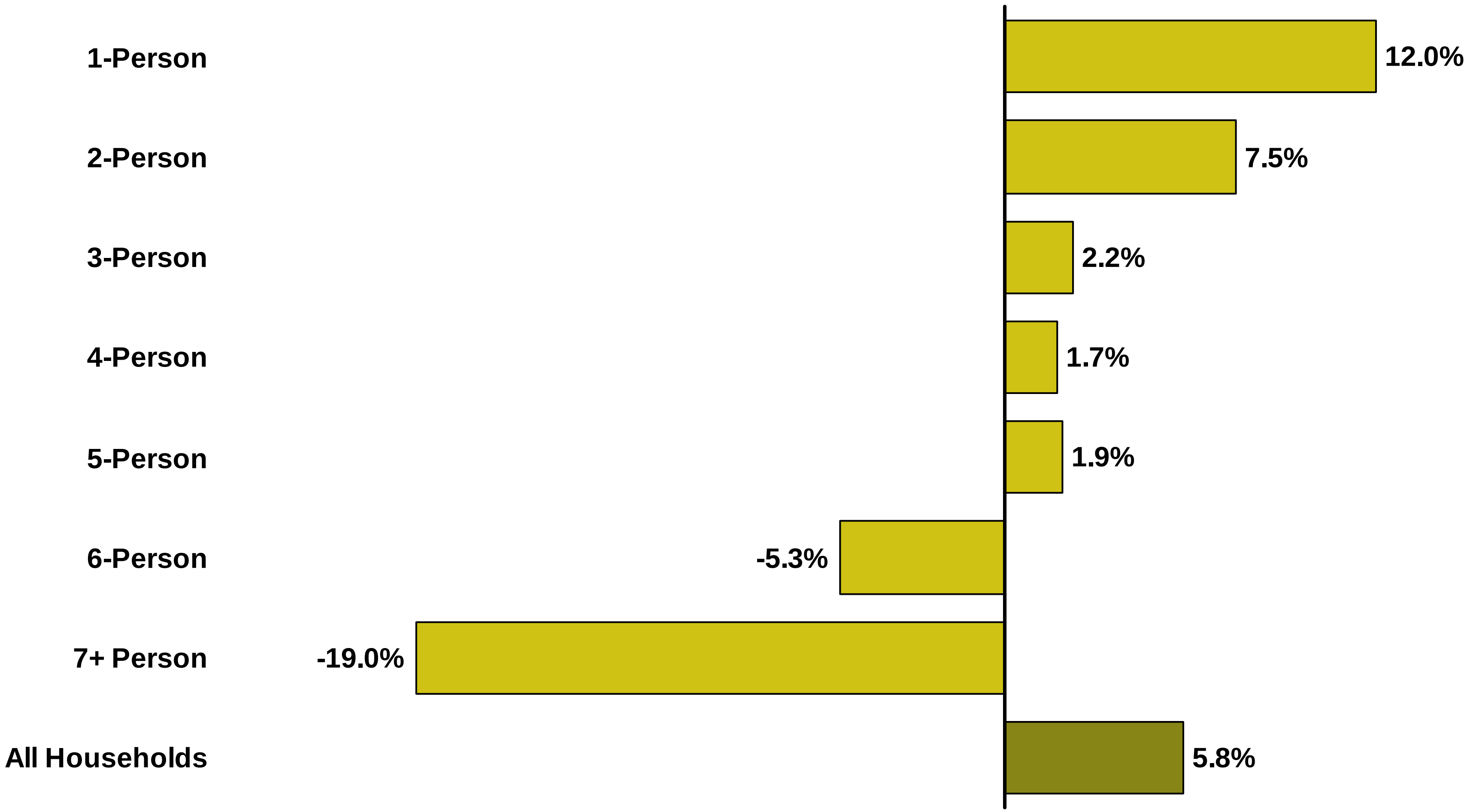
HOUSEHOLD SIZE SHRINKING
NATION GROWING ON BACKS OF SMALLER HOUSEHOLDS



SOURCE: US Census

DECREASING HOUSEHOLD SIZES BODE WELL FOR FUTURE LOWER MAINTENANCE DEVELOPMENT

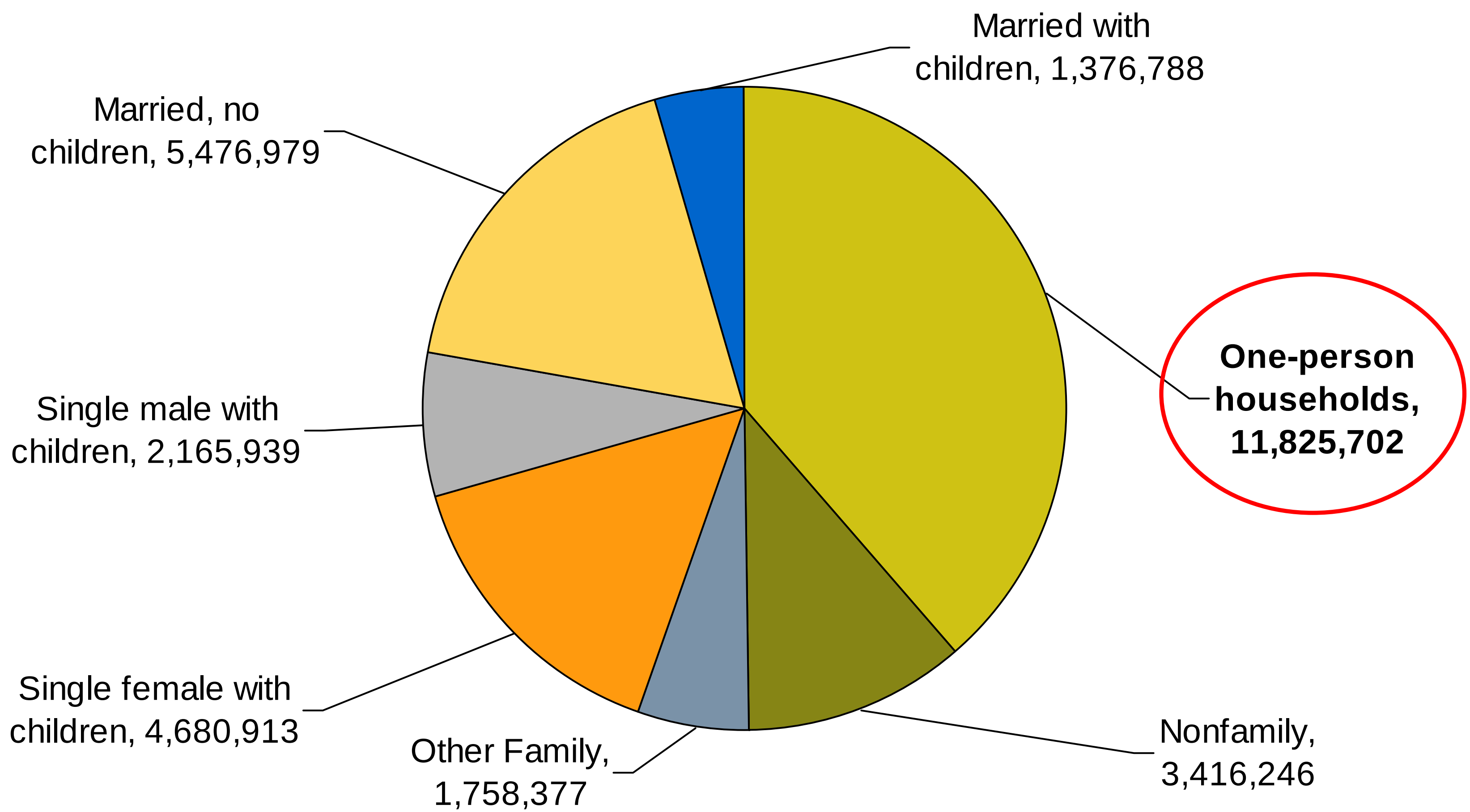
Household Growth by Household Size
United States, 2000–2006



SOURCE: U.S. Census Bureau

> 85% GROWTH IN HOUSEHOLDS WITHOUT CHILDREN
DIFFERENT HOUSEHOLD LANDSCAPE BY 2025

Absolute Change in Households, United States
1980–2025



SOURCE: US Census

GENERATIONS: GEN Y MAKES UP THE LARGEST SHARE OF THE U.S. POPULATION, FOLLOWED BY BABY BOOMERS, AND GEN X

GENERATION	BORN	2008 AGE	2007 % OF NATION	2007 # OF PEOPLE
Eisenhowers	Before 1946	62+	17%	51M
Baby Boomers	1946 – 1964	43 – 62	27%	75M
Generation X	1965 – 1978	30 – 42	18%	52M
Gen Y	1979 – 1996	12 – 29	27%	80M+
Gen Z?	1996 and After	0 – 12	10%	30M

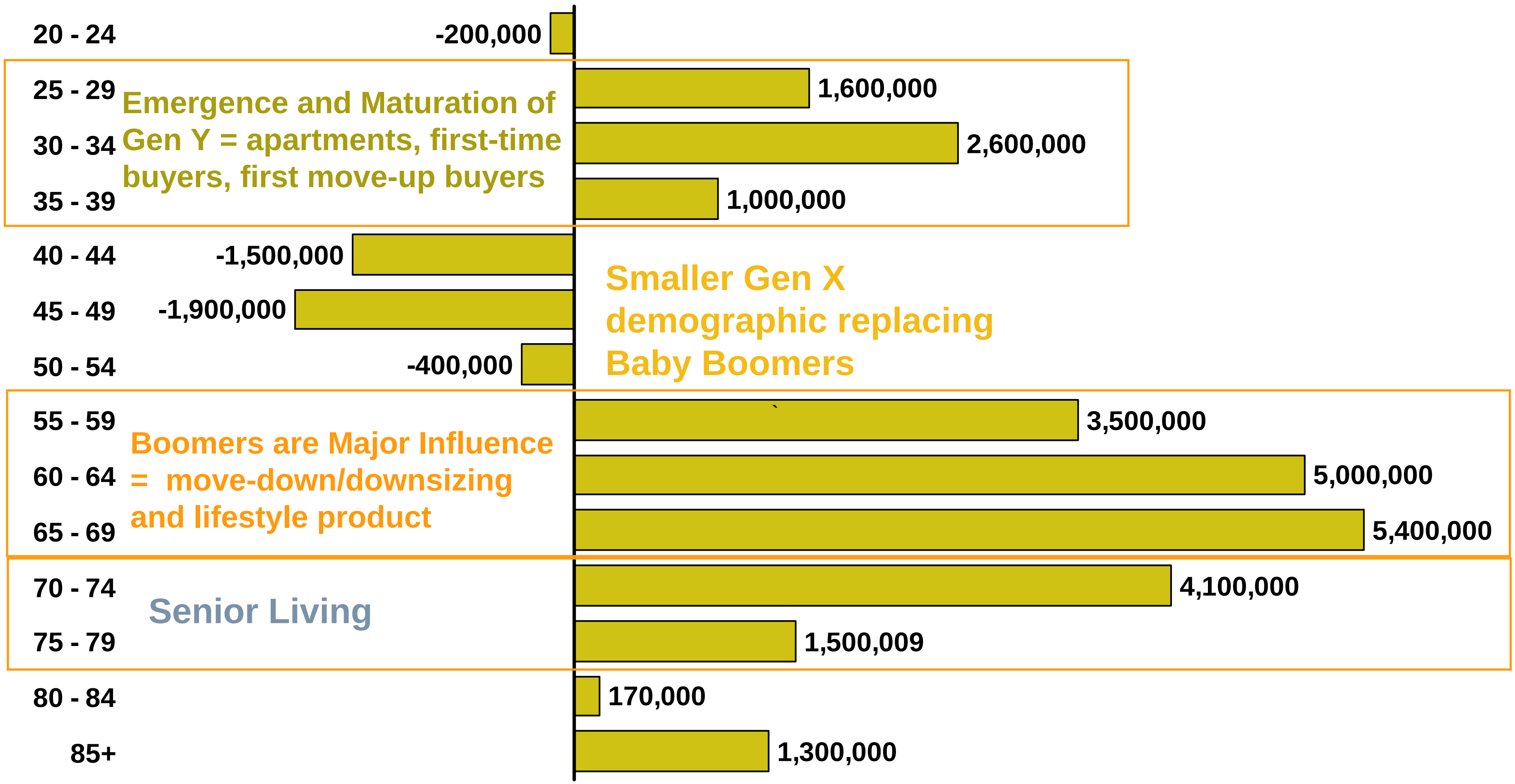
SOURCE: Claritas, National Center for Health Statistics, RCLCO

LIFE STAGE INFLUENCES HOUSING CHOICE:
GEN Y MOVES TO HOME OWNERSHIP IN NEAR FUTURE

	STUDENT HOUSING	SINGLE & ROOMMATE RENTAL	RENT AS COUPLE / 1ST HOME	YOUNG FAMILY OWN	MATURE FAMILY OWN	EMPTY-NESTER DOWNSIZE OWN	RETIREE SENIOR HOUSING
2008	Gen Y	Gen Y	Gen X	Gen X	Baby B	Baby B	Eisen Baby B
2010	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Baby B Gen X	Baby B	Eisen Baby B
2015	Gen Y	Gen Y	Gen Y	Gen Y	Gen X	Baby B	Eisen Baby B
2020	Gen Z	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Gen X Baby B	Baby B

DEMOGRAPHIC SHIFTS OVER THE NEXT 10 YEARS FAVOR MULTIFAMILY DEVELOPMENT

Projected Total Population Growth by Age
2008–2018



SOURCE: U.S. Census Bureau

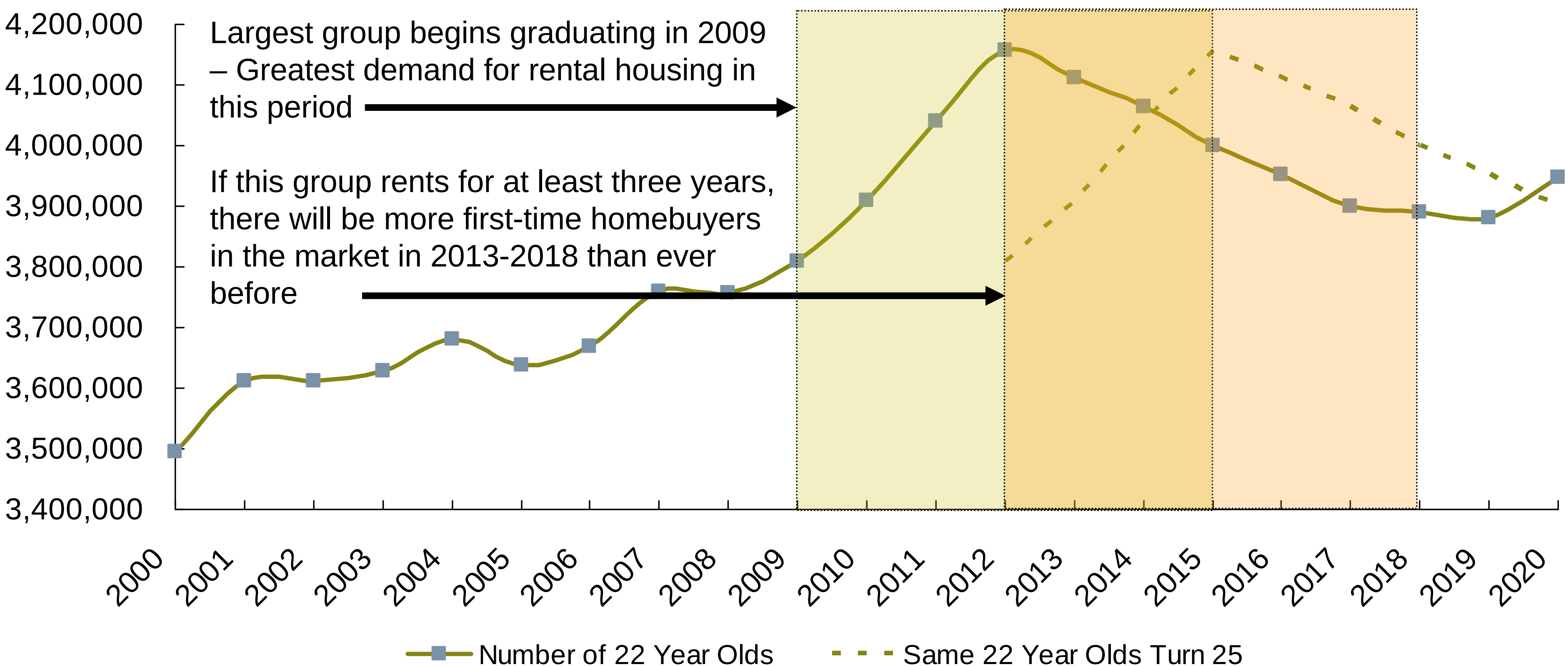
GENERATION Y AND BOOMERS INFLUENCE ON DEVELOPMENT AND PLANNING

- **Gen Y will be the key demographic to focus on for multifamily and starter housing over the next 10 years**
  - Large number entering the rental market starting in 2009 and thereafter
  - Becoming first-time homebuyers in 2012 and thereafter
- **Baby Boomers are larger in numbers than Gen Ys but reduced turnover with age diminishes demand; still a major force**
  - Discretionary purchase
  - Can stay put in a housing downturn
  - Have more options (in terms of product, location, and setting) than Gen Y
  - Significant impact on senior housing long term

WAVE OF GEN Y WILL BEGIN ENTERING THE RENTAL MARKET IN 2009; FOR-SALE IN 2012

RCLCO Consumer Research shows:

- 41% of Generation Y plan to rent for at least three years
- 77% of Generation Y plan to live in an Urban Core



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 REPRESENTS THE GREATEST MAGNITUDE AND SPENDING POWER

- **Over 80M Gen Y's today (1979-1996)**
  - ~75M Baby Boomers (1946-1964)
  - 1.6x more Gen Y's than Gen X's
- **Represent almost 30% of today's population**
  - Baby Boomers represent 25% of today's population
- **Over 35% of Gen Y HH's earn above $75,000**
  - 40% of Baby Boomers do, as well
- **Overall, it is estimated that Generation Y influences "as much as half of all spending in the U.S. economy"**
  - They represent $1.6 trillion in earning power

SOURCE: Harris Interactive and the U.S. Census

INTEREST IN CLOSE-IN NEIGHBORHOODS IS HIGHEST

- Overall, for those who are moving**,** the most interest is for close-in neighborhoods
  - Interest in close-in neighborhoods is followed by urban locations
- Those in the Northeastern United States have the least interest in moving to urban locations and prefer more close-in suburban locations
  - Most interest in cities is in the Southern region
    - Of those moving to cities**,** most are choosing to do it in the South
- Much of this is likely due to affordability issues; this bodes well for further development of urban cores in southern cities

SOURCE: RCLCO consumer research

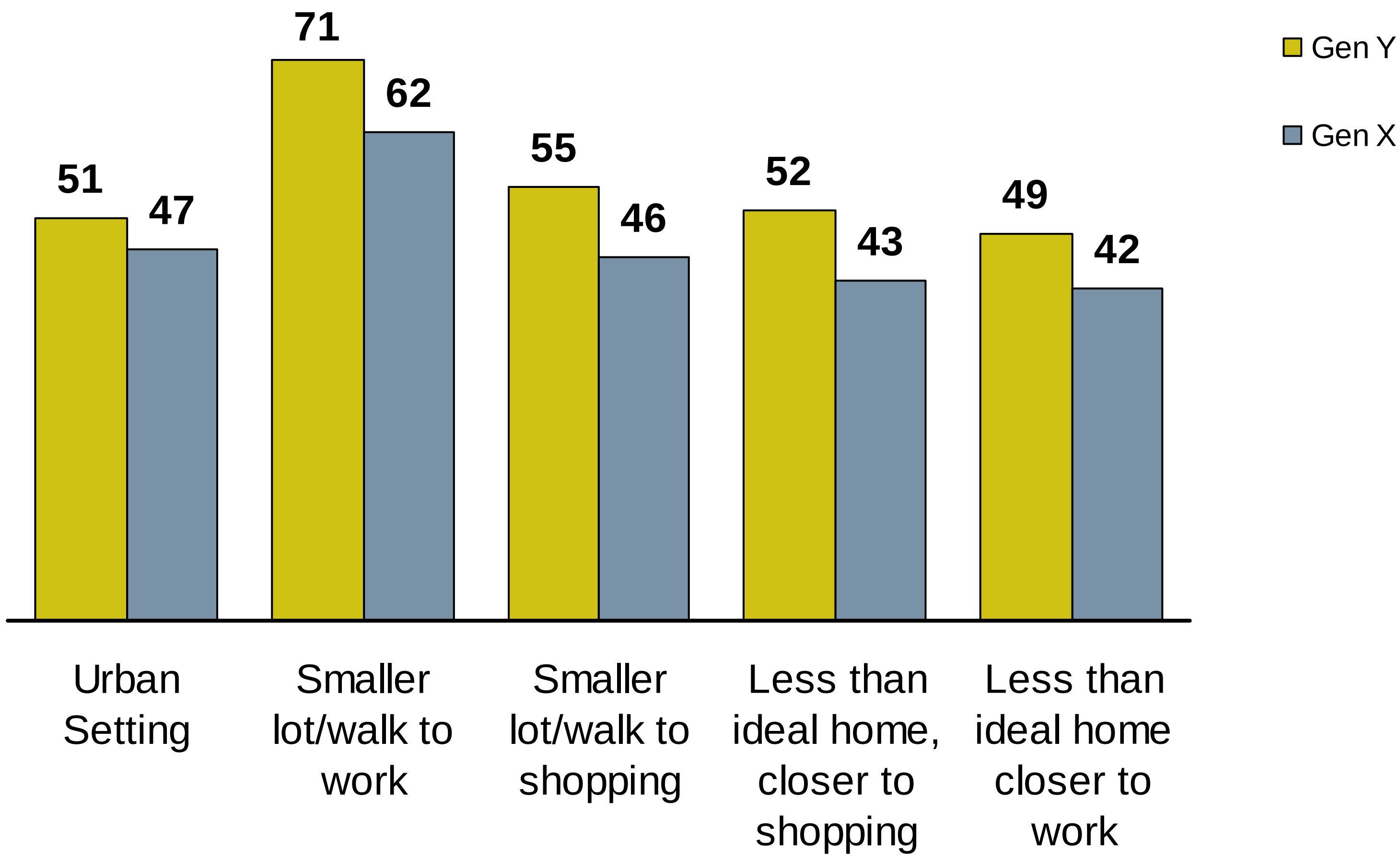
GEN X AND GEN Y ARE KEY TO ATLANTA'S GROWTH – AND THEY REALLY LIKE ATLANTA

How Many?	**Gen Y: 80 Million** *(Boomers: 75 Million)*
Most preferred area of the U.S.?	**The South**
Most preferred location in the SE?	**Atlanta**
Top 3 metros preferred nationally?	**1) NYC** **2) LA** **3) Atlanta**
What are they doing in the RE market?	**Currently renting. Increasingly buying homes in 2010**
Where do they want to go?	**Intown areas, close to work, mixed-use envs.**

Source: RCLCO Consumer Research

TRADE-OFFS FOR GEN X AND GEN Y INCLUDE MORE FOCUS ON COMMUNITY RATHER THAN HOME

Generational Tradeoffs (%)



SOURCE: RCLCO Consumer Research

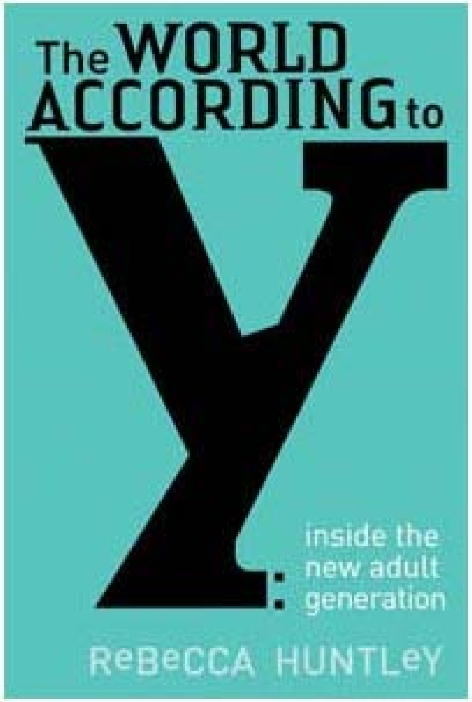
GEN Y WILL PAY FOR WALKABLE, MIXED-USE

SOURCE: RCLCO consumer research

WALKABILITY:

- Driven by convenience, connectivity, and a healthy work-life balance to maintain relationships
- ***1/3 will pay more*** to walk to shops, work, and entertainment
- 2/3 say that living in a walkable community is important
- More than 1/2 of Gen Y would trade lot size for proximity to shopping or to work
- Even among families with children, one-third or more are willing to trade lot size and “ideal” homes for walkable, diverse communities
- Even in the suburbs the majority of Gen Y prefer characteristics of urban places, particularly walkable environments

FAMILY CHANGES AND NEEDS



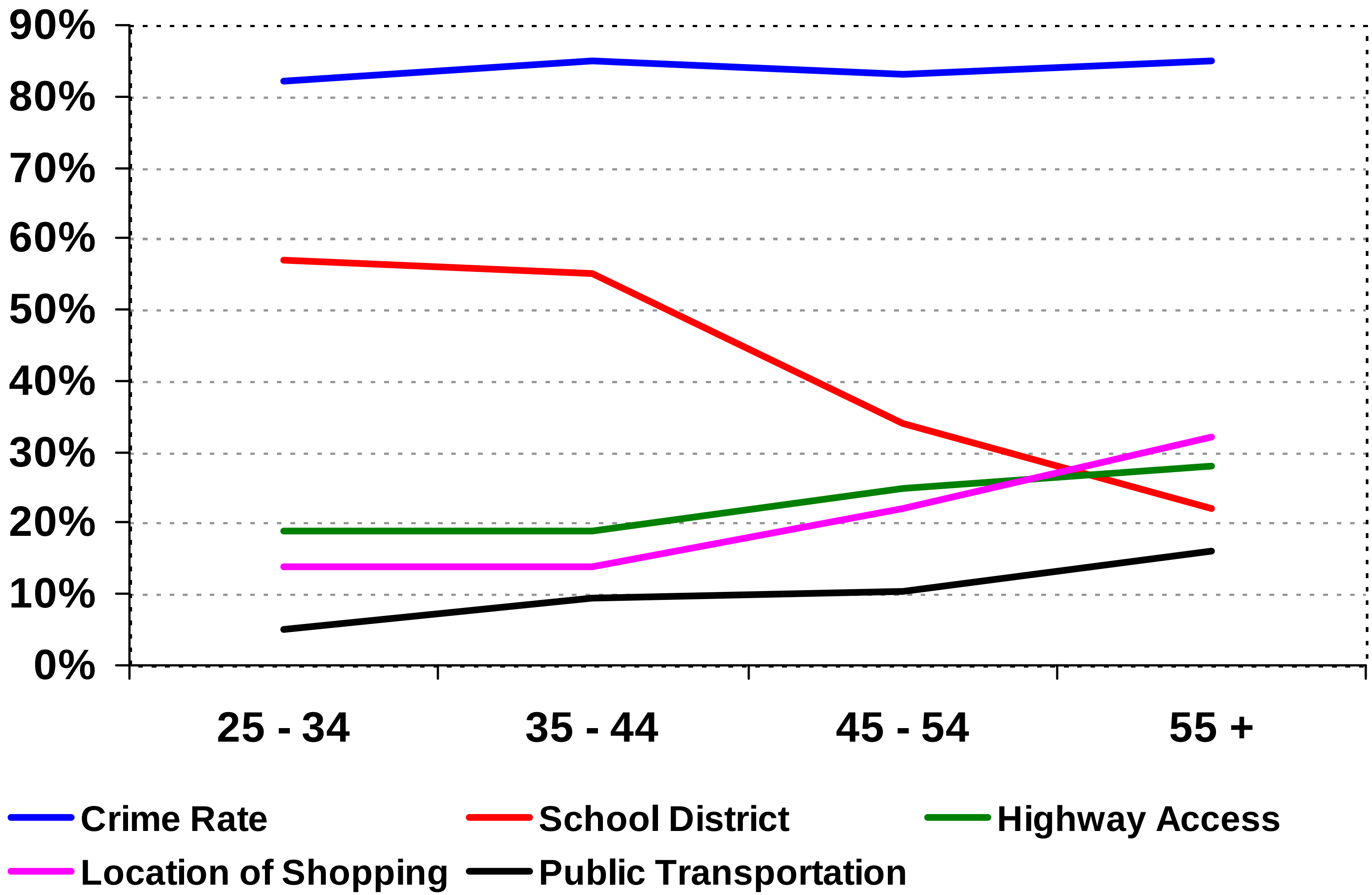
- ***Family Changes:***
  - 70% do not believe they have to move to the suburbs once they have kids;
  - Only half are confident they will need a single-family home once they have kids;
  - Improving schools is the highest priority for more than half of Gen-Y; and
- ***Needs:***
  - Diversity is key. Gen Y wants diversity in housing types, styles, groups of people, and household composition.
  - Over half report that having a community and home designed to meet certain "green" objectives plays an important role in their purchase or renting decision.

LIFESTYLE AND LOCATION IS REQUIRED FOR WORK-LIFE BALANCE

- Work-life balance or work-life blend is important to Gen Y
  - Their work will blend with other parts of their lives—they'll work from home, enroll their kids in their company's in-house day care**,** and enjoy portable careers
- Gen Y's are multitaskers
  - They'll do what it takes to get the job done, and they'll probably do it in less time, but not at the expense of balance
- As a result**,** it is easy to understand why almost 50% of Gen Y will choose a less-than-ideal home if they can walk to work
  - This allows them shorter commutes and more "me time"

SOURCE: Franciscan Skemp Health Care and Gundersen Lutheran Medical Center

HOME PURCHASE CRITERIA CHANGE WITH AGE



AT THE MACRO LEVEL, BOOMER RETIREES FALL INTO TWO BROAD GROUPS…

Those interested in Age Oriented Lifestyles (Up to 19%*)

- Still don't consider themselves "elderly" – prefer to be "hip"
  - Give new meaning to the word "active" in terms of amenities
- Demand lifelong learning opportunities and other types of engagement
- Expect to be healthier than their parents during retirement

Those preferring Multi-generational communities (75%*)

- Aware of and don't mind large Master Planned Communities (MPCs), but existing models don't meet unique preferences, e.g. smaller, more intimate neighborhoods, variation in products
- Enables them to live near their children, cultural activities, universities and schools, restaurants and urban rituals.
- They are less civic and sociable, less attracted by large clubhouses and busy group schedules. They want ownership and personal control over their stuff.
- Most want plenty of untamed space — or at least access to it. They care deeply about the "myth" and "story" underlying their community.

*SOURCE: 2003 Baby Boomer Report by Del Webb

AT THE MICRO LEVEL, BOOMERS ARE ACTUALLY VERY SPLINTERED

Baby Boomers are not comprised of a monolithic group, but permutations within…

- Age:
  - Leading edge reaching 60,
  - Trailing edge in their 40's
- Household Composition:
  - Singles
  - Second/Third Families
  - Young families
  - Mature families
  - Empty Nesters
  - "Never Nesters"
  - Multi-generational families
- Psychographics:
  - Innovators,
  - Thinkers and
  - Achievers
- Lifestyle:
  - Private and Passive to Active and Social

MAJORITY OF CURRENT PLANNED COMMUNITIES OFFER A PRE-DEFINED LIFESTYLE, TURNING OFF BOOMERS-RETIREES…

MPC interest decreases as households mature…

- Amenities and marketing are “family focused”
- Established MPCs not widely recognized as having a “nature conscience”, a highly important community theme for mature buyers
- Housing too often “mass-produced”, aiming for the middle of the market and lacking unique attributes.
- Production builders lack allowance for individual expression sought by experienced home buyers
- Floor plans not always designed with aging audience in mind, just adjusted if buyers happen to be older
- Successful MPCs tend to sprout in quality school districts, not necessarily locations desirable for aging households

COMMUNITY MODELS ARE CHANGING…

	PAST	PRESENT	FUTURE
Generation	**The Greatest Generation (1911-1924) G.I. Generation (1900-1924)**	**The Silent Generation (1925-1945)**	**The Baby Boomer Generation (1946-1965)**
Community Type	**Active Adult Community**	**Age-Targeted/ Active Adult Community**	**Multigenerational Community**
			
Location	Primarily in Sunbelt states including - AZ, CA, FL & TX	Prevalent in traditional Sunbelt states and at the periphery of major metropolitan areas	Diversity in locations from secluded country locations to dense urban settings.
Retirement Focus	Forbearers unlikely to have provided a model of retirement; Easy and affordable living	Flexibility and freedom in schedule to pursue interests	Health, well being and personal enrichment; redefining mature; Who said anything about retirement?
Perspective	Solitary passage; age segregated	Our time; retirement from work only; cocooning	Intergenerational; back to a simpler life; personal authenticity
Financial Resources	Social Security, Modest Home Equity	Social Security, Declining Pension Funds, 401-K, Greater Home Equity	Primary Income, 401-K, Significant Home Equity?, Inheritance

COMMUNITY MODELS ARE CHANGING…

	PAST	PRESENT	FUTURE
Generation	**The Greatest Generation (1911-1924) G.I. Generation (1900-1924)**	**Eisenhowers/ The Silent Generation (1925-1945)**	**The Baby Boomer Generation (1946-1965)**
Community Type	**Active Adult Community**	**Age-Targeted/ Active Adult Community**	**Multigenerational Community**
Mindset	Accepted aging as natural part of life cycle; Lucky to be alive	A well deserved respite	Unlikely to accept aging as a fact of life; Not winding down but rewinding
Lifestyle	Passive	Passive to Active	Active
Major Focus	Lifestyle driven	Primarily lifestyle driven with greater consideration for product	Heavy emphasis on product and how product will fit into lifestyle; community that is consistent with my values
Product Type	Basic small single-story attached or detached home on small low- or no-maintenance lot; Value box, little variation	Small single-story attached or detached home on small low or no maintenance lot; Higher quality, mass produced product	Increasingly varied from intown condominiums to large country estate. Customization (jewel boxes), high level finishes, bigger homes appear to prevail.
Key Amenities/ Activities	Golf, Shuffleboard, Clubhouse, Pools, Bingo	Eateries, Learning/Business Center/Clubhouse, Social/Entertainment, Fitness Center, Parks, Golf, Pools, Trails, Lakes, Team Sports	People places/Third Places, Town Centers, Learning Centers, Well Being Venues, Nature & Water (Active and Passive)
Model	Del Webb's Sun City Concept	Shea's Trilogy Concept	**Opportunity to create definitive concept**

AGING BOOMERS HOUSING PREFERENCES

- Aging boomer preferences are more easily addressed in multi-generational (multiple life stages) communities than conventional subdivision design which tends to be focused on one particular lifestyle
  - 11% of retiring suburbanites currently relocating to urban locations that are generally more multi-generational
- Boomers have made “third places” like Starbucks, B&N, their “community centers”
  - Must capture in community design - village center or town center
  - 70% say they will continue working in retirement
- As boomers age will seek communities that facilitate:
  - Making new friends and enjoying an active social life
  - Being close to essential services
  - Low-maintenance property that frees them to travel, socialize and pursue new interests
  - Amenities that support them in their refusal to truly “let go”
    - Grocery stores, banks, parks, restaurants, health, fitness facilities
    - Executive office space in a village center for “second” or “third” career, small business, etc.



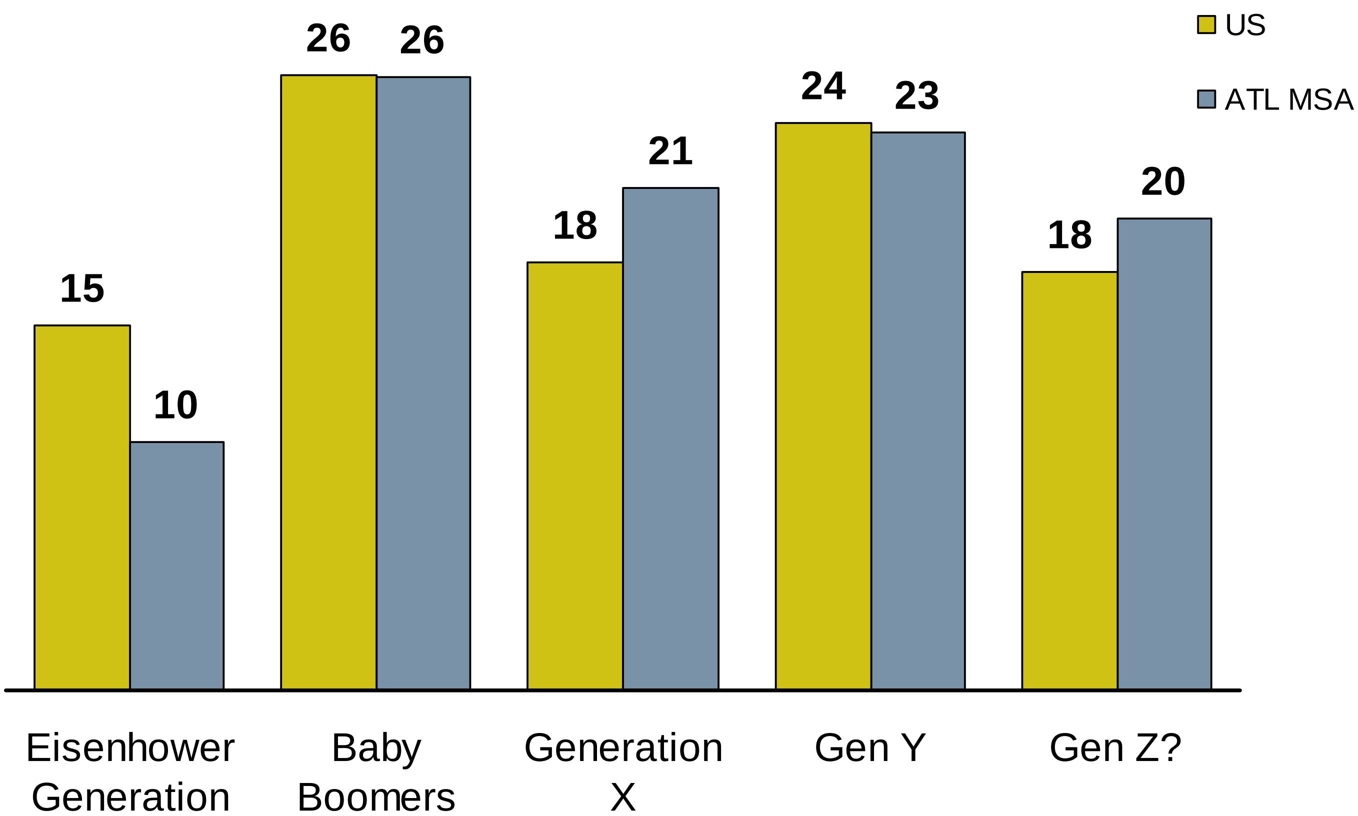

SUMMARY—BOOMERS VALUES AND PRODUCT PREFERENCES

	40'S MATURE FAMILIES	40'S NEVER NESTERS/ EMPTY NESTERS	50'S EMPTY & NEVER NESTERS, SOME OLDER FAMILIES
Key Values	Privacy Safety <u>Achievers</u> Prestige <u>Thinkers</u> Nature Green Technology	More Lifestyle-Oriented Self-Focused Social Outlets--Hiving Work-Focused	Greater Choice & Selection Pursuing Own Interests in Life Third Places/Main Streets Cultural Access Greater Activity Choice
Key Products	Green & Nature Privacy Multi-Generational Value Lot Sizes Single-Family Detached	Multi-Generational Stronger Lot/Home Orientation Views Lower-Maintenance Products Greater Attached Preference	Multi-Generational Nature & Age-Oriented Smaller Scale Choice--Home, Village, Amenities Unique Housing Concepts Attached Products TND Preference

AGENDA

- Real Estate Market Context
- Demographic and Growth Trends
  - Gen Y
  - Baby Boomers
- Atlanta Comparison

FEWER OLDER, MORE GEN X AND YOUNGEST DEMOGRAPHICS IN ATLANTA METRO



Fewer retirees in Atlanta than in Nation but moving in.

Impact of Baby Boomers moving to retirement – enough retirement housing?

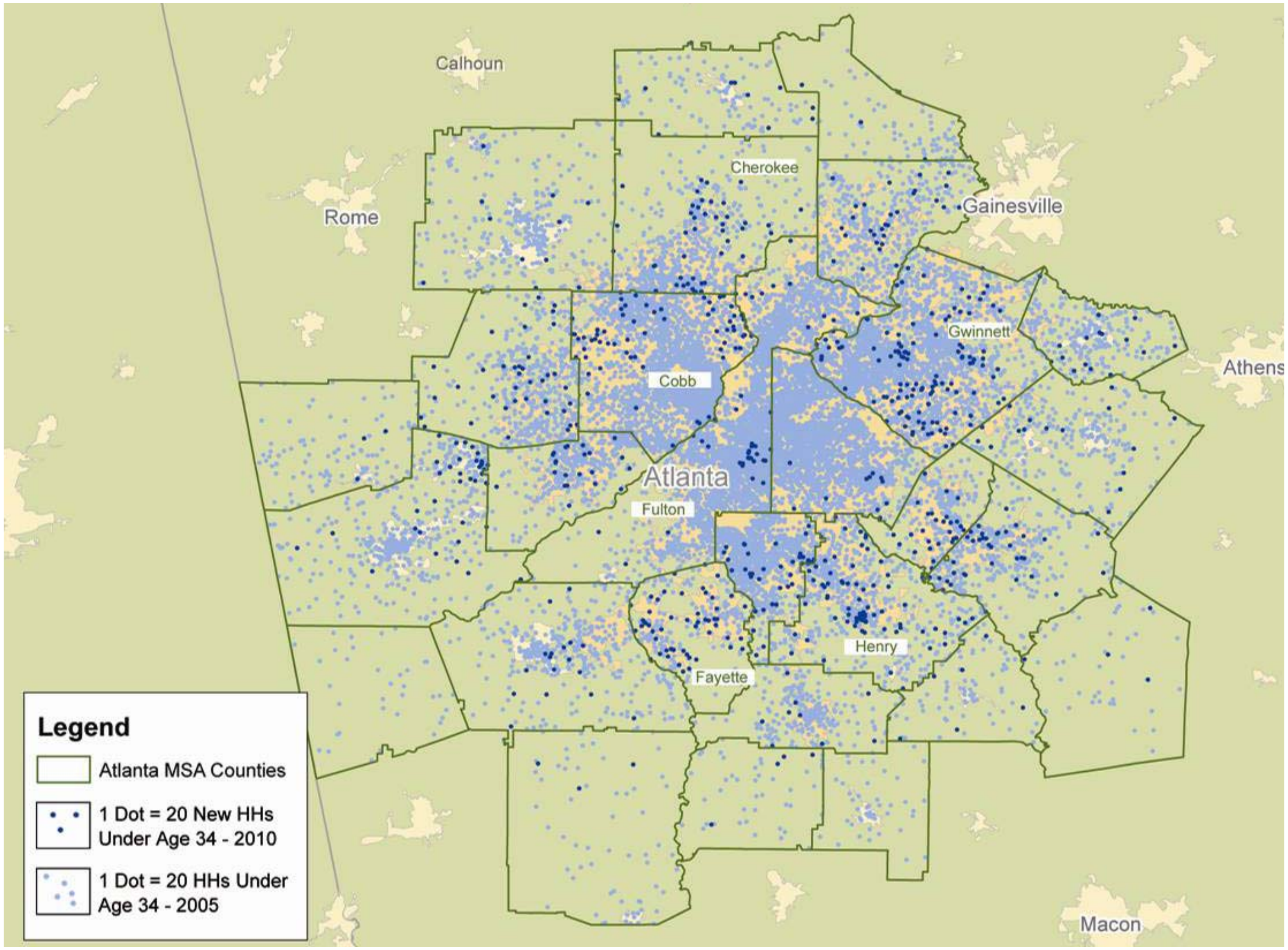
Gen X is bigger influence in Atlanta than other markets

SOURCE: American Community Survey, 2007 Estimates

YOUNGEST HOUSEHOLDS HAVE CLUSTERED IN THE "CORE" COUNTIES

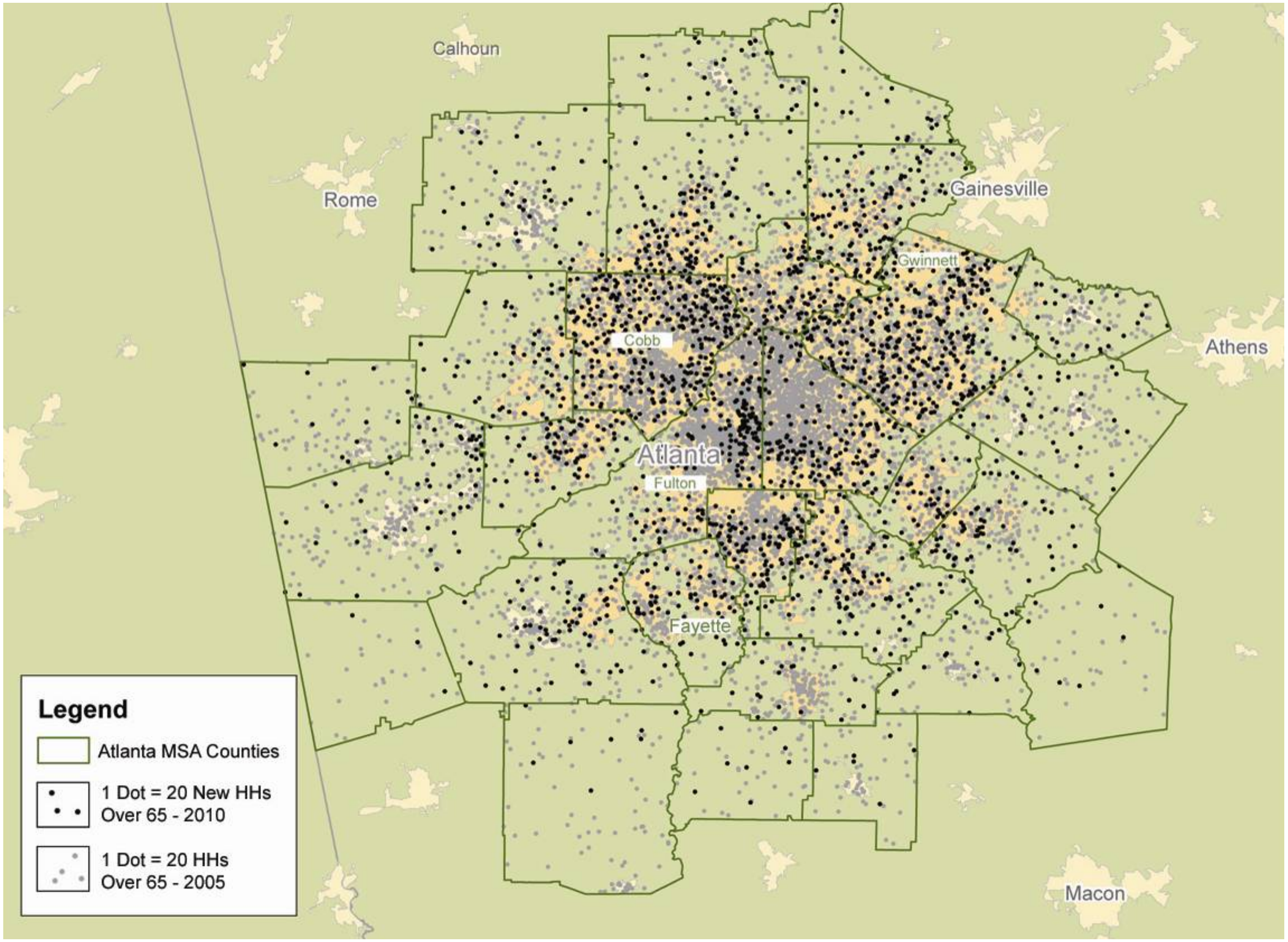
GROWTH THROUGHOUT THE REGION

CONCENTRATION AND GROWTH OF HOUSEHOLDS 35 AND YOUNGER



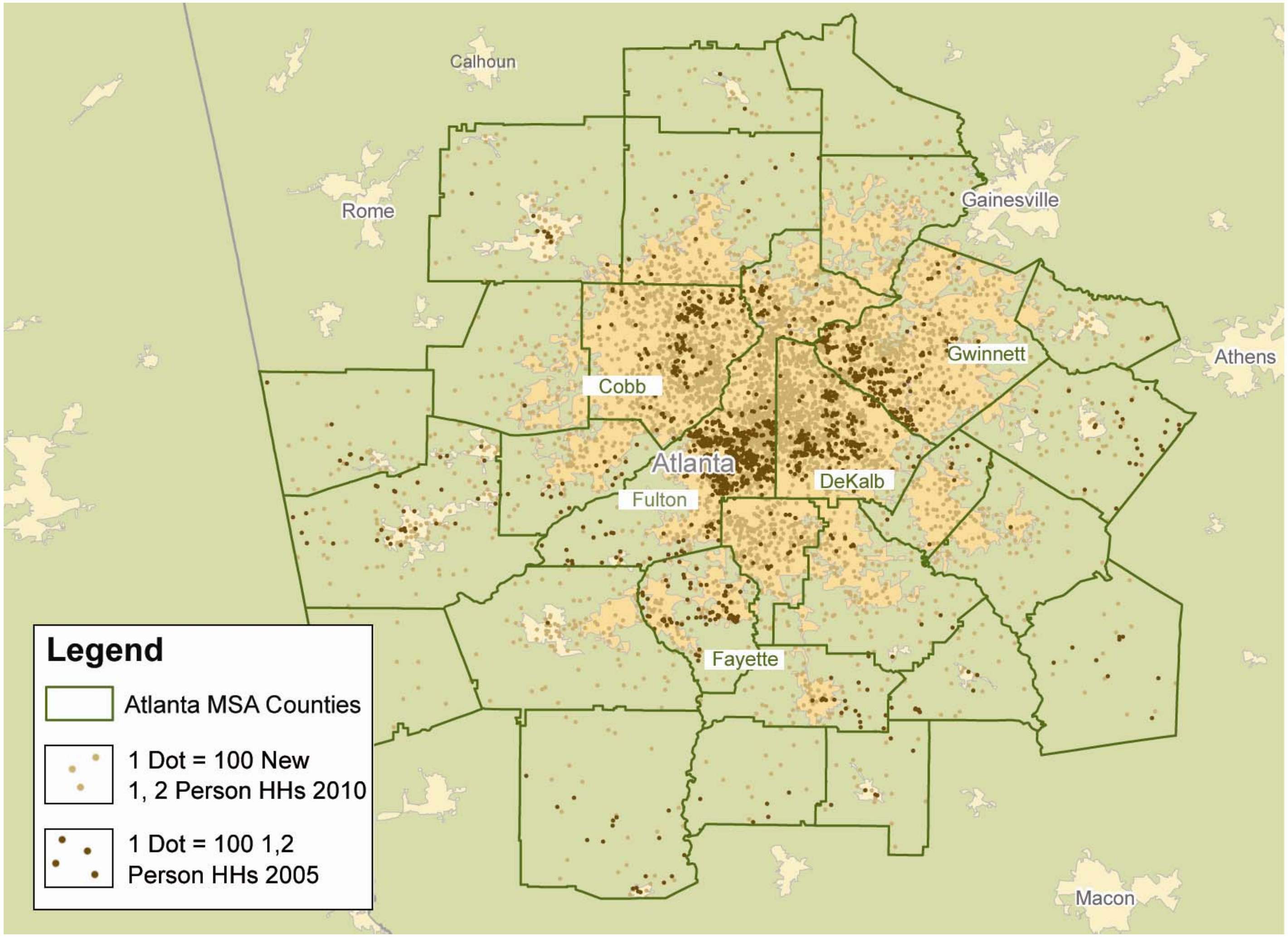
HOUSEHOLDS 65+ GROWING THROUGHOUT THE REGION
ARE THE SUBURBS READY?

CONCENTRATION AND GROWTH OF HOUSEHOLDS 65 AND OLDER



GROWTH IN SMALLER HOUSEHOLDS CLUSTERING NEAR JOB CENTERS

CONCENTRATION AND GROWTH OF 1- AND 2-PERSON HH



IMPLICATIONS
DEMAND EXCEEDS SUPPLY

- Real estate development industry historically slow to adapt and adopt new technologies
- Demand for housing does not dissipate when innovative products are lagging in the marketplace
- Housing is a fundamental basic need so households can't be as choosy as with other products
  - *Buyers consume what housing is available rather than what housing is ideal*
- There is an existing and growing market segment that prefers smart growth
  - *At least a third of the market prefers these types of developments*
    - *1/3 of 2.0M units annually = 600,000 units (1.6M SFD x 30% = 480,000)*
      - ❖ We're not producing anything near that

IMPLICATIONS
GEN Y

- Intown areas and inner suburbs will remain on an upward trajectory
- Diversity, walkablity and proximity to jobs will be keys to site selection and premiums
- Renters will represent a steady stream of demand
  - Gen Y will shift toward homeownership in 2018
- Product types will remain smaller and affordable and should have focus on design over size
- Suburbs will need to evolve to remain attractive to Gen X/Y and Boomers
  - More walkable areas, including new and existing town centers
  - MPCs with greater variety of product and higher connectivity

IMPLICATIONS
BOOMERS

Create opportunities to re-create/rewind, not wind down

42% of Boomers would like to do things much differently if given chance

- Array of amenities that maintain physical health
- Address well-being & health concerns through programming and amenities
- Create social interaction opportunities
  - Third places, town centers
- Emphasize nature
  - Being a “healing developer” & living right by the land
- Create new learning opportunities and potential to continue working via technology
- Provide varied product opportunities and *multigenerational* setting

But do not use age references as the dominant marketing strategy

Demographics and Real Estate Market Trends

Sarah Kirsch, Senior Principal

Multigenerational Communities for Healthy Aging Symposium | September 29, 2008