



FEBRUARY 24-26, 2020 | MIAMI, FL

Housing Opportunity Conference





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Ptomey

Terwilliger Center for Housing



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Ed Walter

Global Chief Executive Officer,
Urban Land Institute



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Opening Keynote: The State of the U.S. Housing Market



Tim Sullivan
Meyers Research



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An aerial photograph of a suburban neighborhood, showing a dense arrangement of houses with various roof colors (red, grey, blue) and numerous green trees. The perspective is from a high angle, looking down on the residential area.

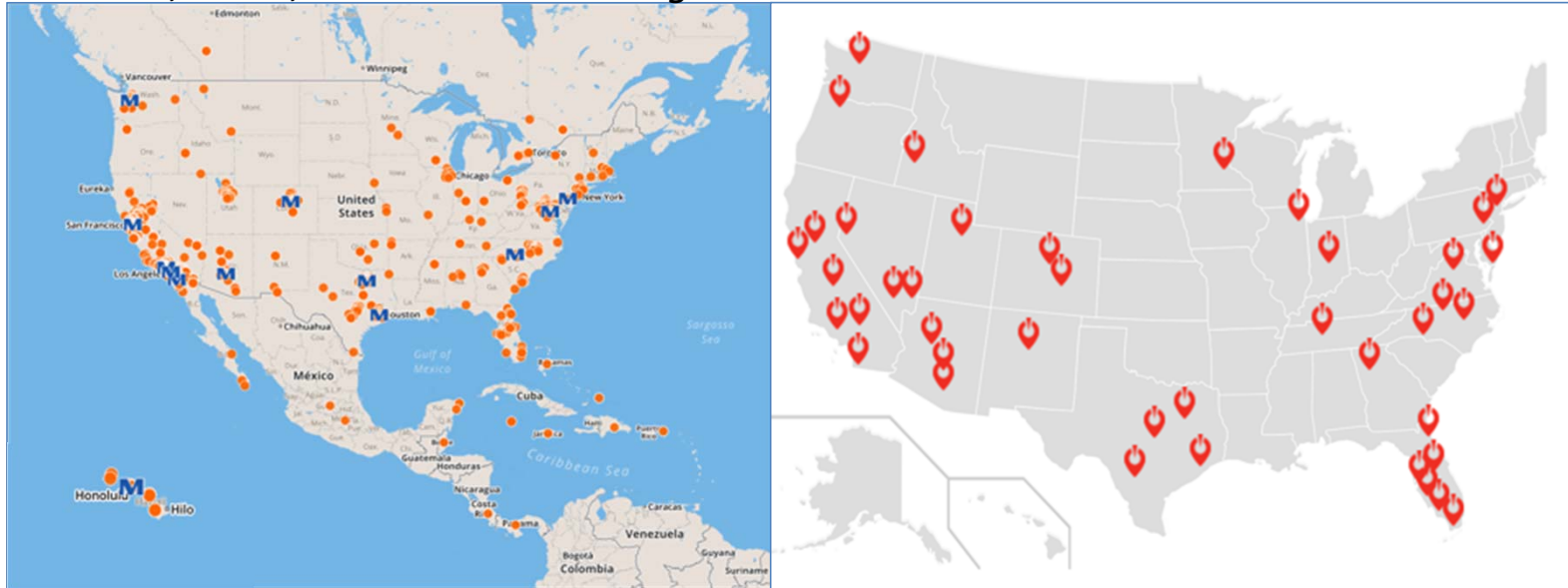
The State of US Housing Markets: *Crash Landing or Clear Skies Ahead?*

2020 ULI Housing Opportunity Conference

Tim Sullivan
Senior Managing Principal
Meyers Research/Metrostudy
February 24, 2020

www.metrostudy.com

Tracking: -18,000 Active New home subdivisions
- 825 Masterplans (and 125 upcoming ones)
- 7.6 million future lots in 28,000 locations
- Permits, starts, contracts and closings



Meyers
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Our Team: Advisory Leadership

Tim Sullivan: Residential and Mixed Use Strategic Solutions



Kimberly Byrum: Multifamily Focus



Mollie Carmichael: National Consumer & Product Specialty

Agenda

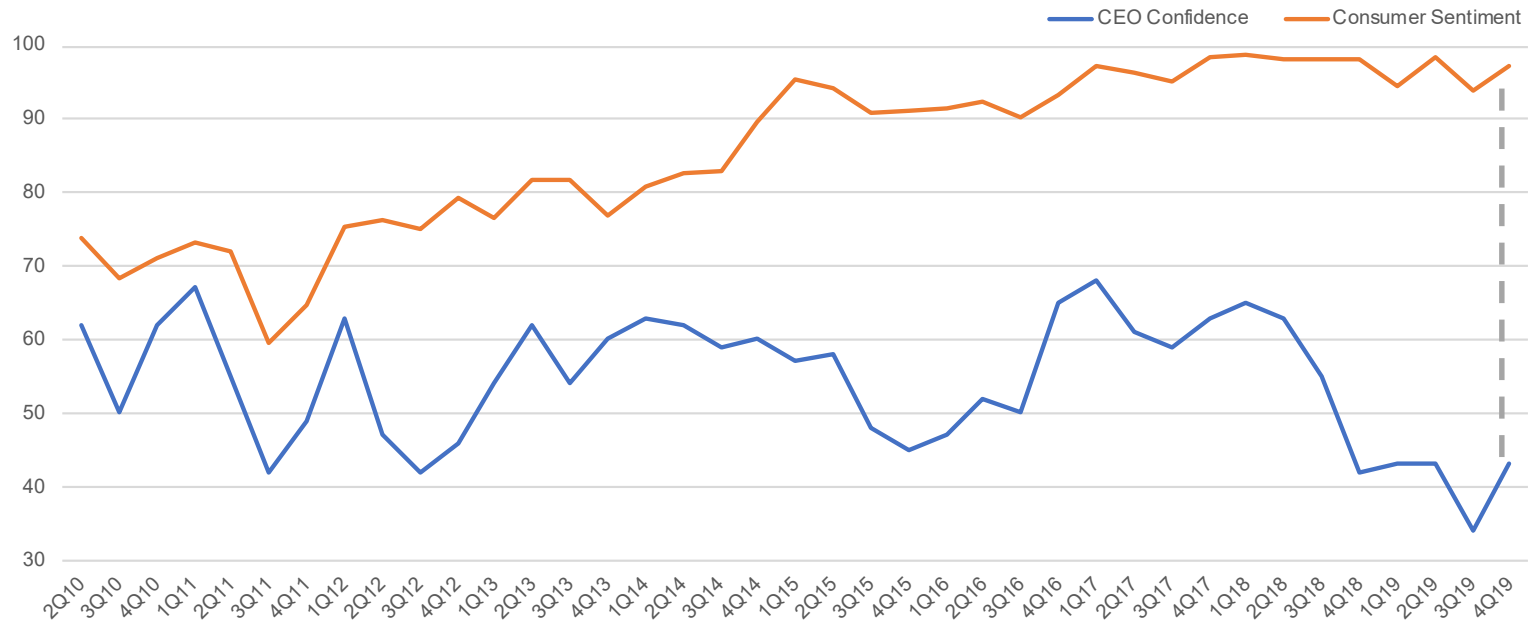
1. The Big Picture
2. Housing Trends
3. Today's Buyers Meet Some Challenges
4. Considerations About Future Demand
5. Recession Talk And Conclusions



The Big Picture

The Two Largest Parts of the Economy Are Working Against Each Other

Consumer Sentiment vs CEO Confidence



Source: University of Michigan; Conference Board; Meyers Research

CEOs Are Carrying the Weight of the World

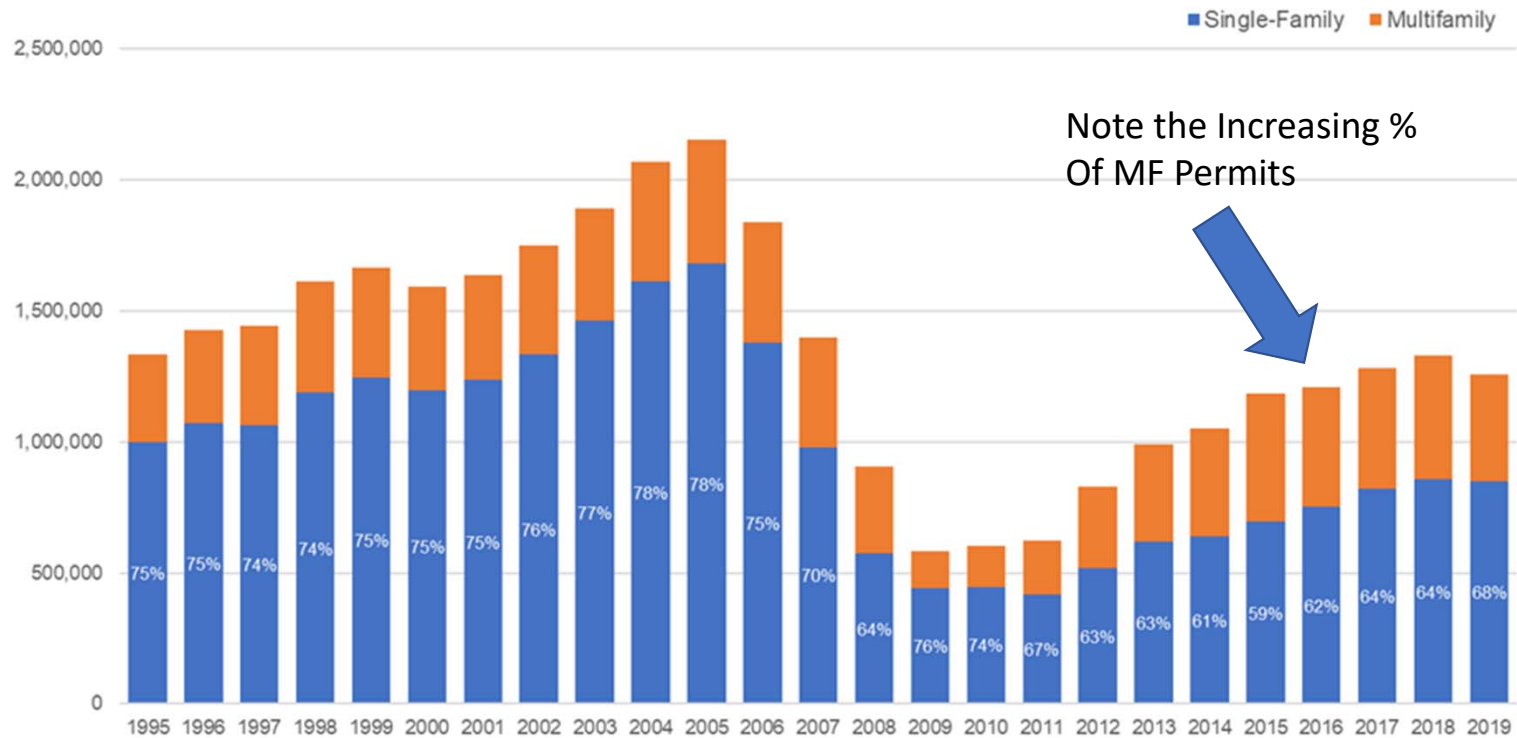




Housing Trends

U.S. Housing Permits: 1995 to 2019

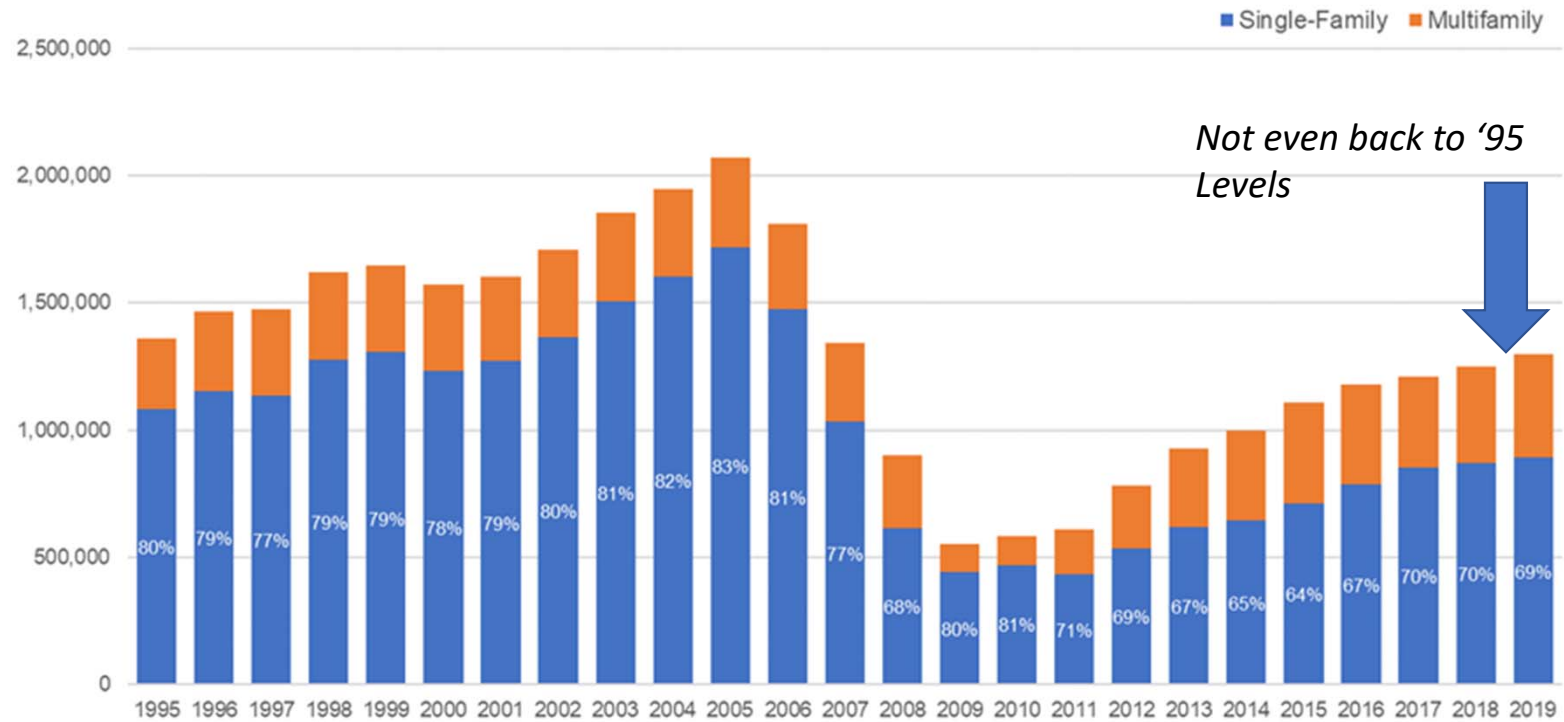
United States Housing Permits*



Source: US Census Bureau; Meyers Research *percents represent single-family market share

U.S. Housing Starts: 1995 to 2019

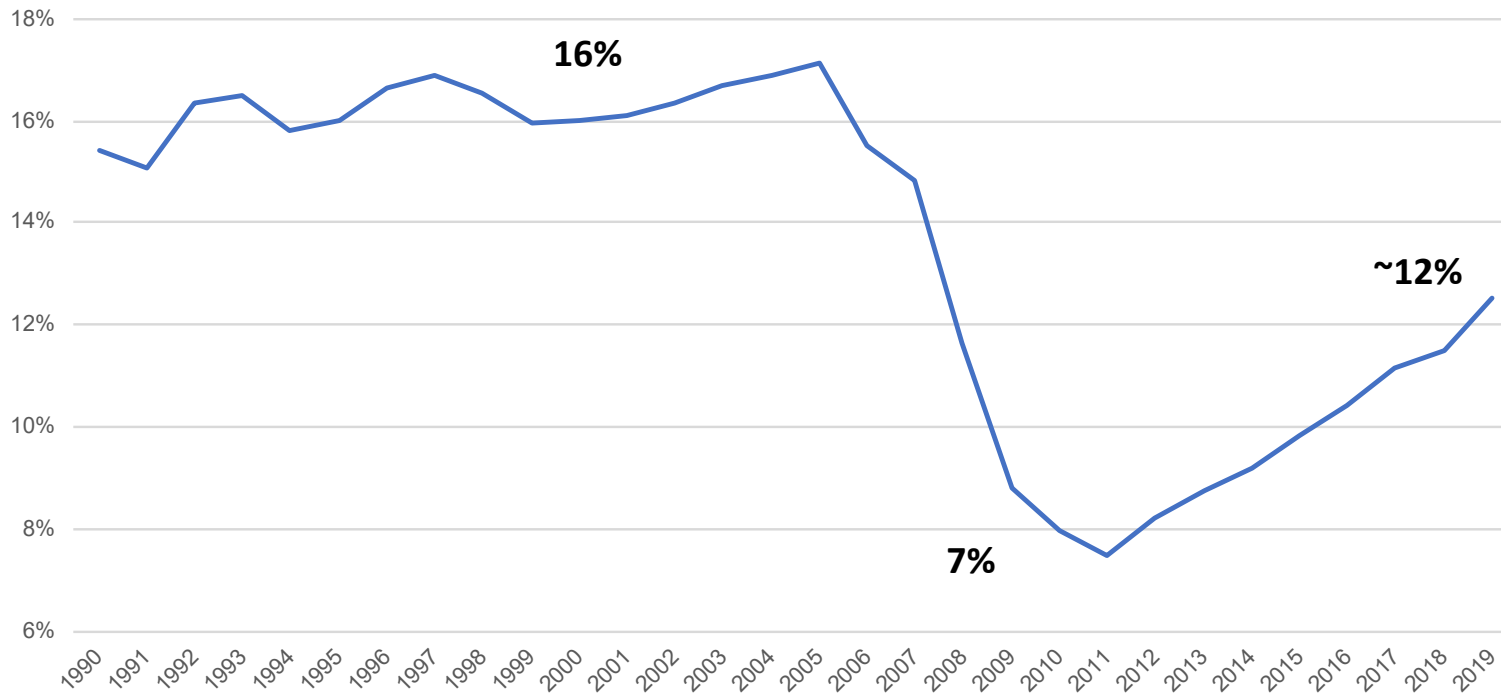
United States Housing Starts*



Source: US Census Bureau; Meyers Research *percents represent single-family market share

New Home Market Was ~12% of Total 2019 Sales

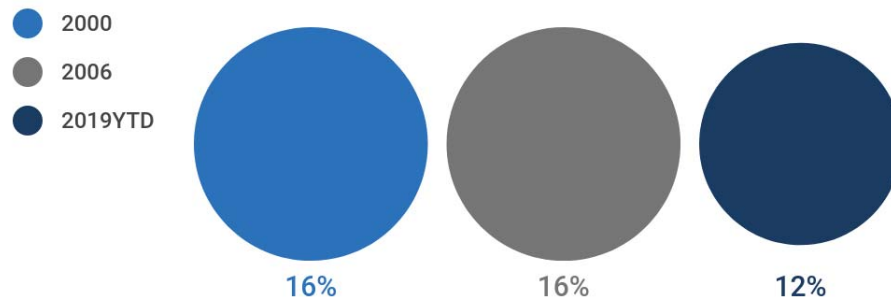
United States New Home Share of Total Home Sales



Source: US Census Bureau; NAR; Meyers Research

New Homes Have Lost Market Share, But Still a Vital Part of the Economy

US New Home Share Of Total Sales



Source: Public Record Data; Meyers Research

1. Austin
2. Raleigh
3. San Antonio
4. Houston
5. Orlando
6. Jacksonville
7. Dallas
8. Las Vegas
9. Charlotte
10. Nashville

New Home Market is a Big Contributor to Economy

New home buyers are estimated to spend **10%** more on:

- **Appliances,**
- **furnishings,**
- **and property repairs and alterations**

(compared to those purchasing an existing home)

It is calculated that for **every 1,000 average single-family homes built, 2,975 jobs are created** *(3-1 Ratio)*

This is considerably higher than the **500 jobs attributed to 1,000 existing home sales** *(.5-1 Ratio)*

Pending Home Sales Up 13% YOY; 3% Higher Than 2 Years Ago

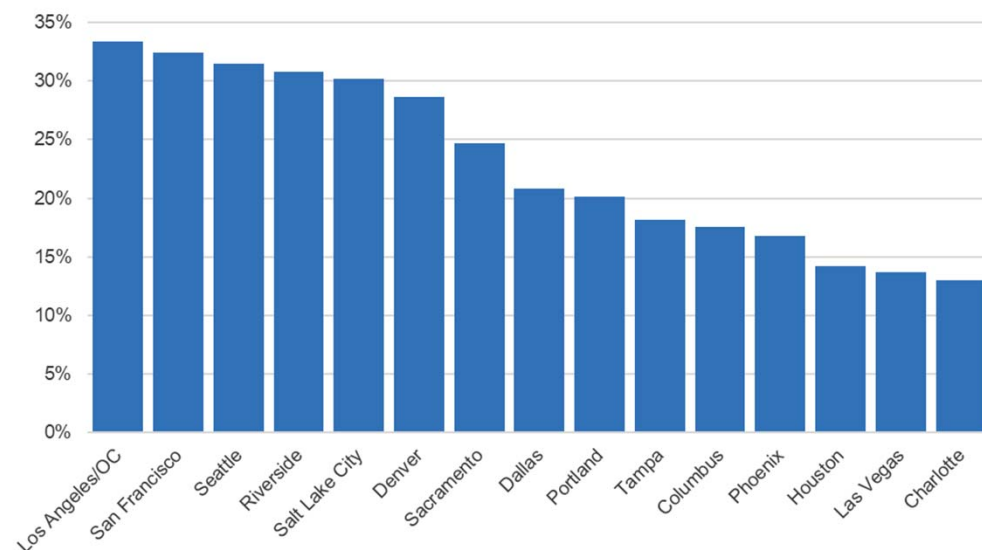
New Home Pending Sales Index



Source: Zonda and Metrostudy; Data is seasonally adjusted and as of December 2019

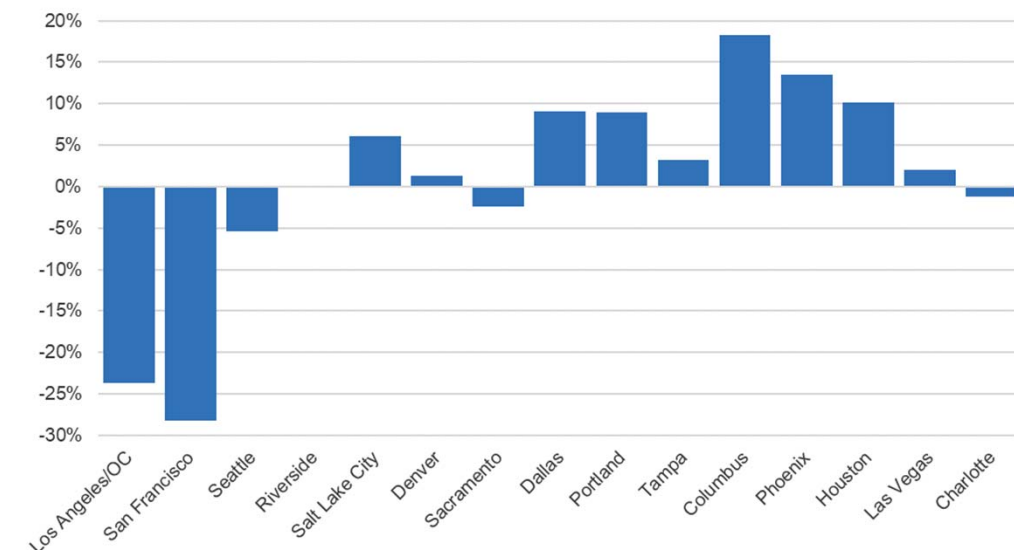
Sales Growth Rates Pulled Up From Solid Markets; 2-Year Change Shows Different Story

December New Home Pending Sales Index (YOY Change)



Source: Zonda and Metrostudy

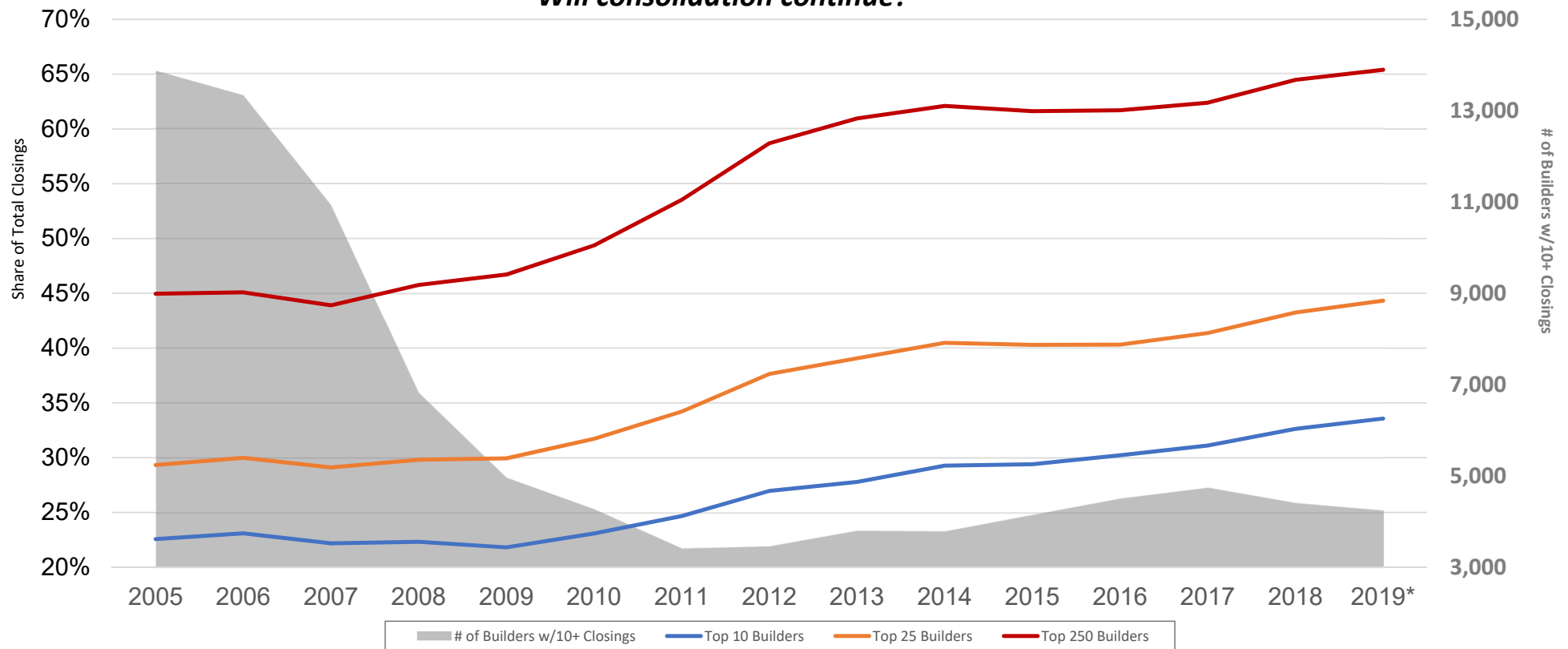
December New Home Pending Sales Index (2-Year Change)



Source: Zonda and Metrostudy

Top Builder Share of Closings: The Big Get Bigger

Will consolidation continue?



2019 Annualized through June

metrostudy

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Top-Selling Master Plans in 2019: FL and TX Dominate

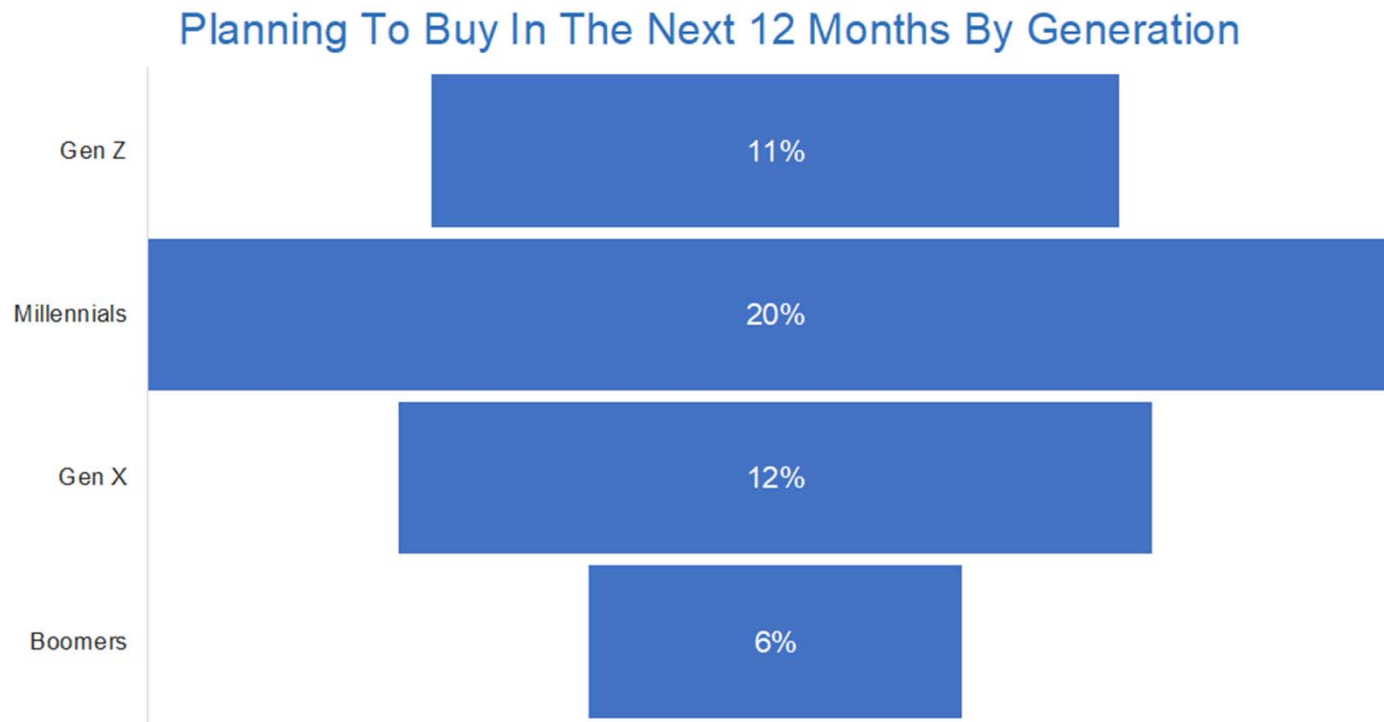
Master Plan Community	Market	2019 Sales	Subdivision Count	Avg List Price	Avg Project Sales Rate
The Villages	The Villages, FL	2,400	6	\$327,245	-
Lakewood Ranch	Sarasota, FL	1,436	61	\$481,621	1.85
Summerlin	Las Vegas, NV	1,338	46	\$619,359	2.28
West Villages	Venice, FL	989	27	\$342,540	2.89
Eastmark	Mesa, AZ	943	18	\$419,782	3.10
Nocatee	Ponte Vedra, FL	678	39	\$462,636	1.53
Inspirada	Las Vegas, NV	668	14	\$416,429	3.82
Bridgeland	Cypress, TX	574	33	\$434,707	1.55
Tartesso	Buckeye, AZ	571	2	\$246,490	-
Great Park Neighborhoods	Irvine, CA	565	20	\$998,230	3.02
Cadence	Henderson, NV	555	16	\$356,676	3.30
Daybreak	South Jordan, UT	532	26	\$407,147	1.84
Verrado	Buckeye, AZ	520	25	\$364,897	1.79
Mountain House	Stockton, CA	516	19	\$651,153	3.02
Sienna	Missouri City, TX	493	33	\$395,860	1.17
Stapleton	Denver, CO	484	26	\$550,759	1.85
Viera	Melbourne, FL	476	28	\$464,055	1.55
Cross Creek Ranch	Fulshear, TX	464	21	\$437,942	1.62
Skye Canyon	Las Vegas, NV	460	13	\$382,805	2.65
Rancho Mission Viejo	San Juan Capistrano, CA	449	13	\$748,428	2.24

Sales and pricing data as reported by builders' sales agents in 'bottom-up' Project-level monthly survey conducted by Zonda



Today's Buyers Meet Some Challenges

Millennials Are Still Looking For Homes

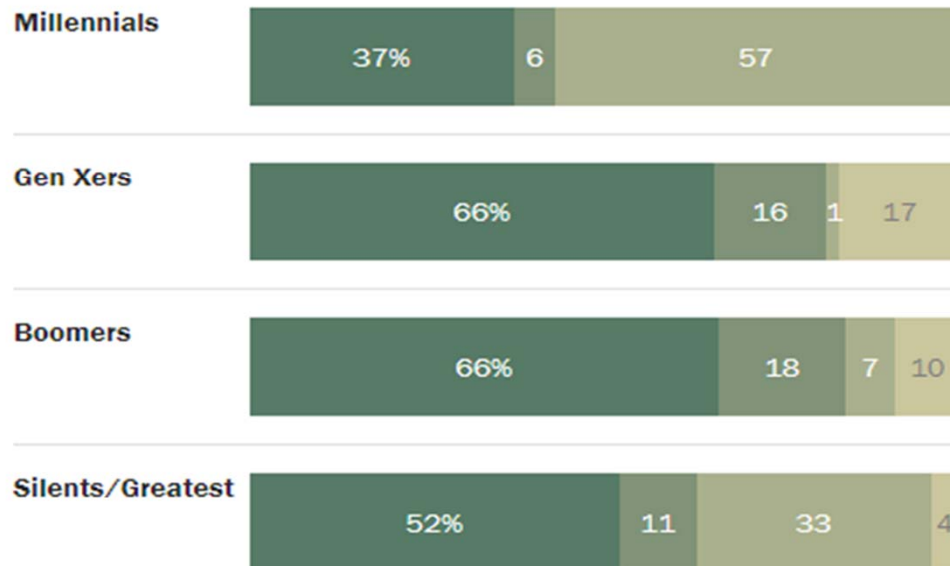


Source: NAHB; Meyers Research

Large Share of Unmarried Home Shoppers: Housing Implications

Marital status

Married Separated/divorced Widowed
Never married

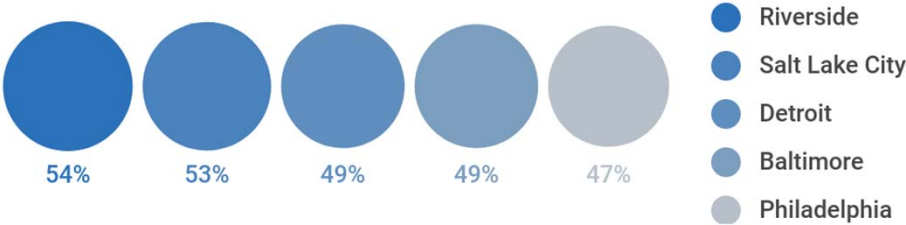


Single women are buying homes at record rates, are the largest growth segment, and purchase homes alone two times their single male counterparts

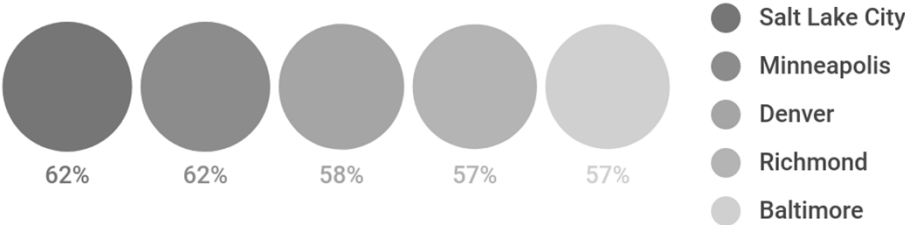
Source: Pew Research Center tabulations of the 2017 Current Population Survey Annual Social and Economic Supplement (ASEC) from the Integrated Public Use Microdata Series (IPUMS); Meyers Research

Markets With The Highest Homeownership Rates For Single Women

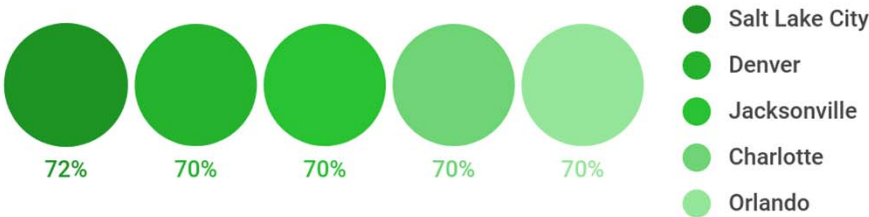
Millennials



Generation X



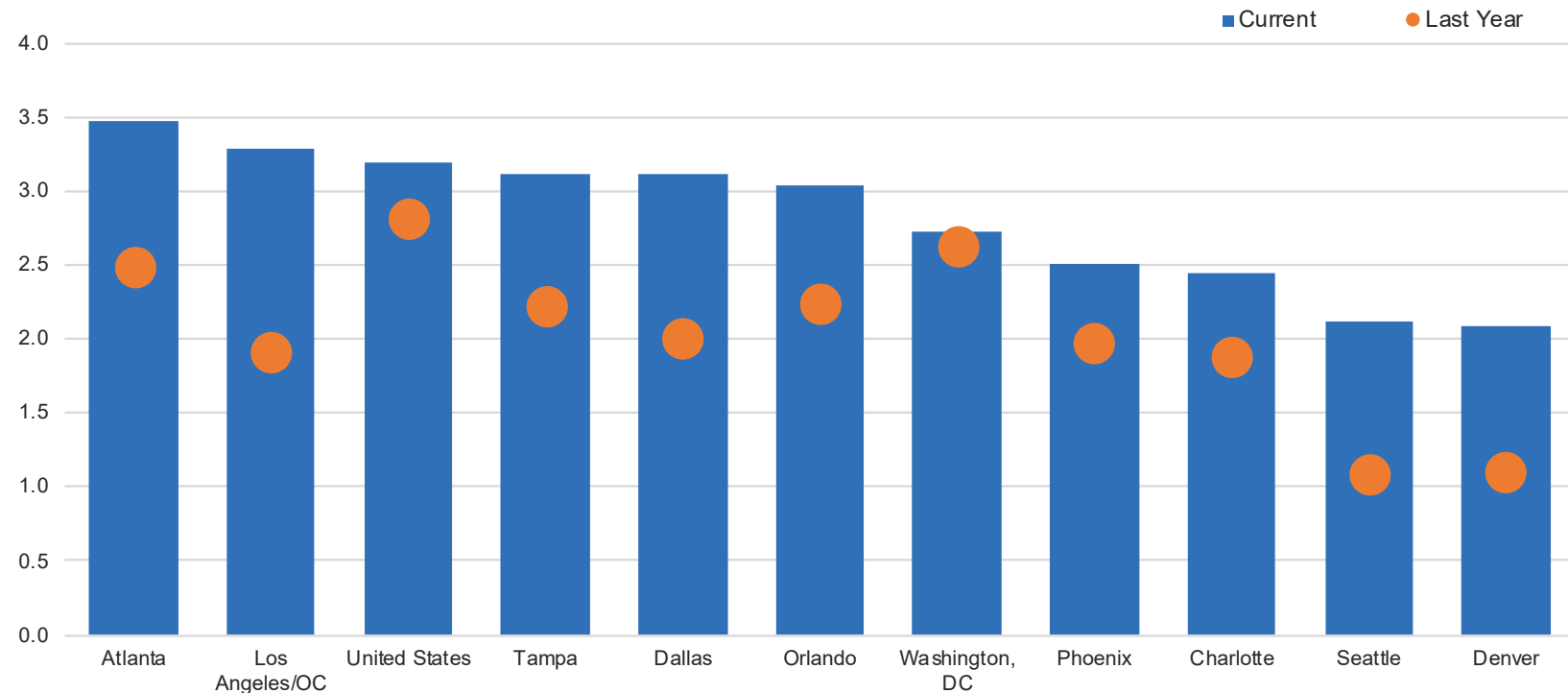
Baby Boomers



Source: U.S. Census Bureau ; Meyers Research

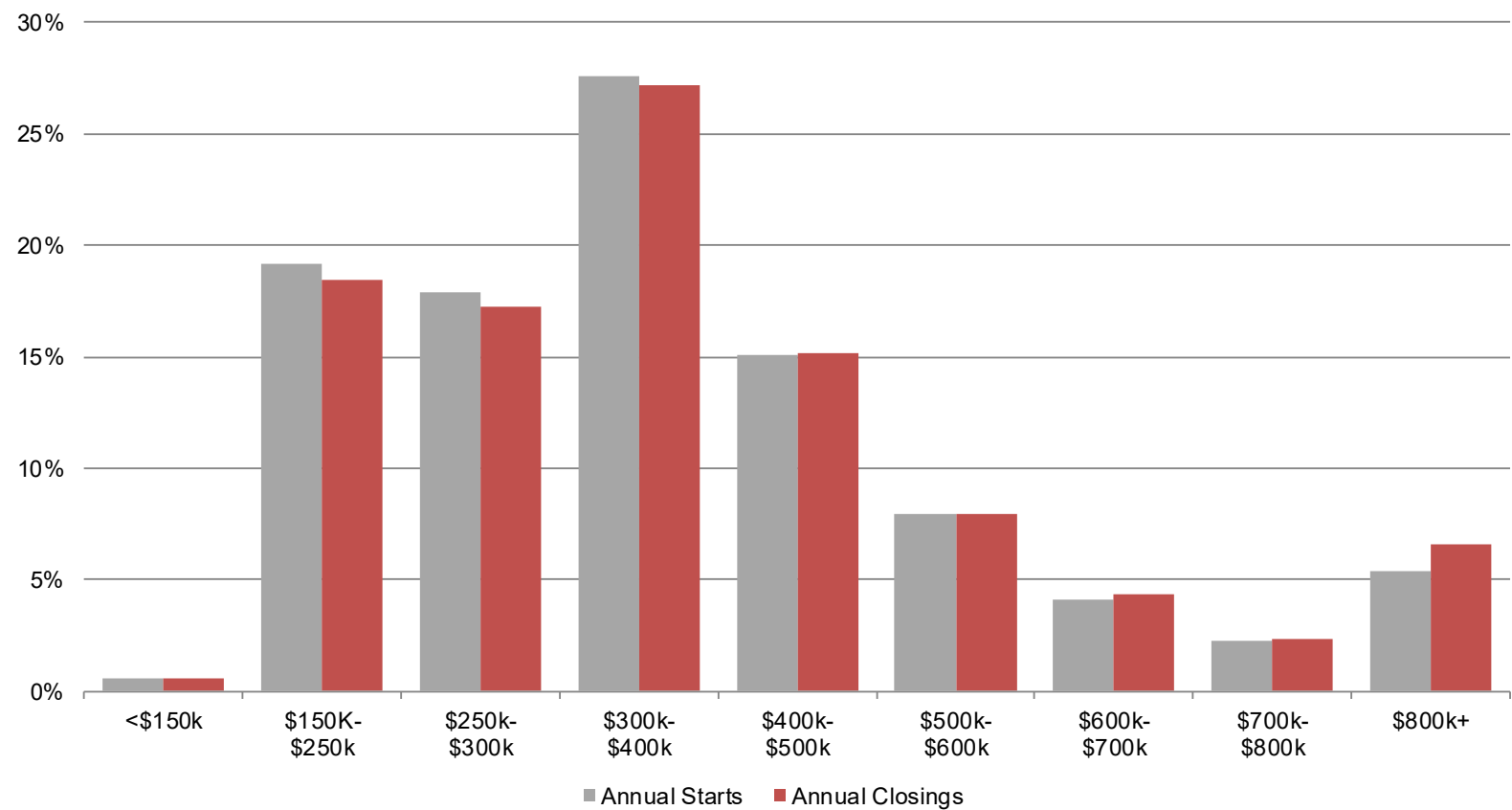
Over 2.5M Units Shy of Matching Long-Term Housing Demand

Months of Supply by MSA

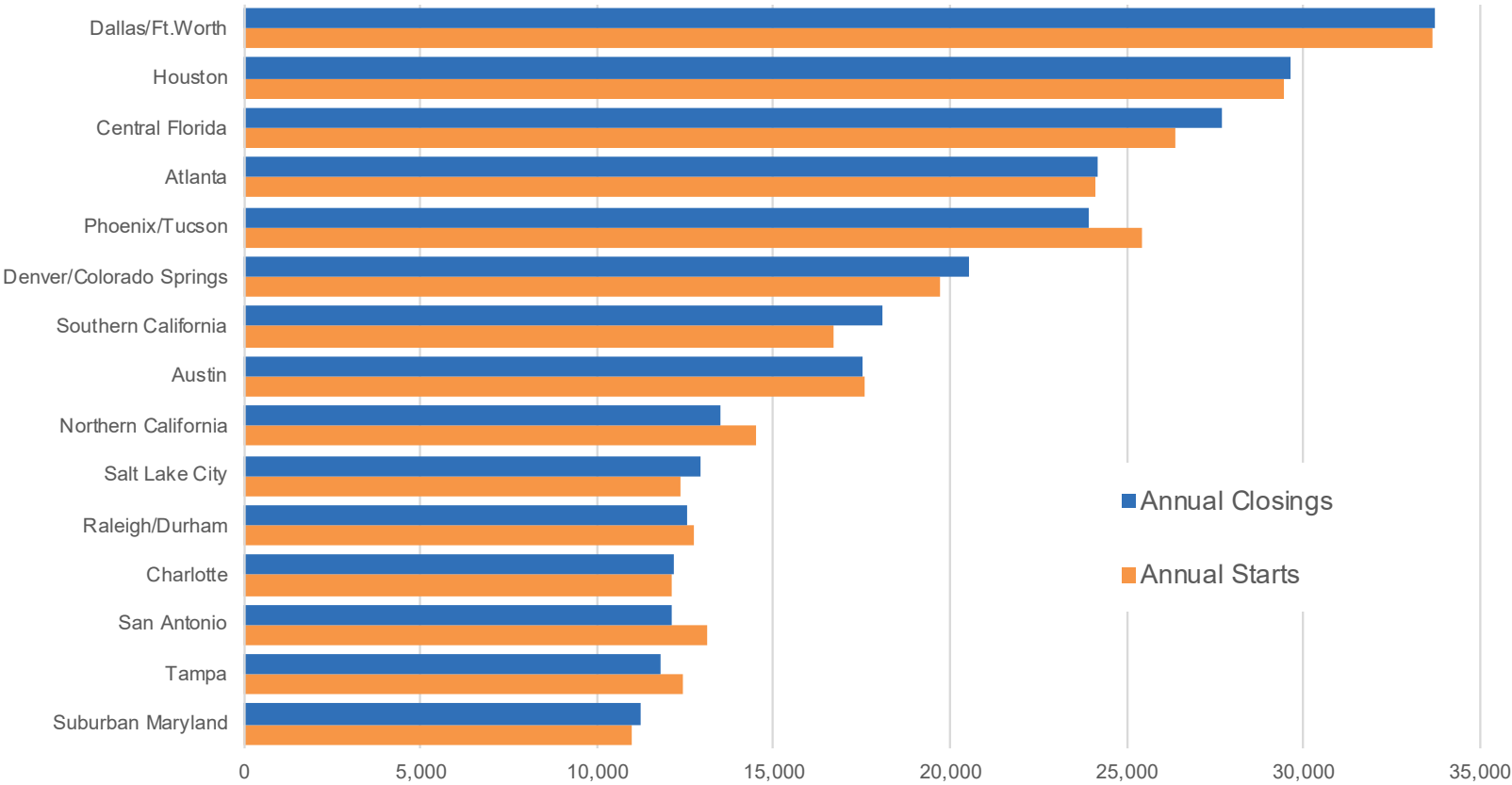


Source: Zillow; Public Record Data; Zonda by Meyers Research

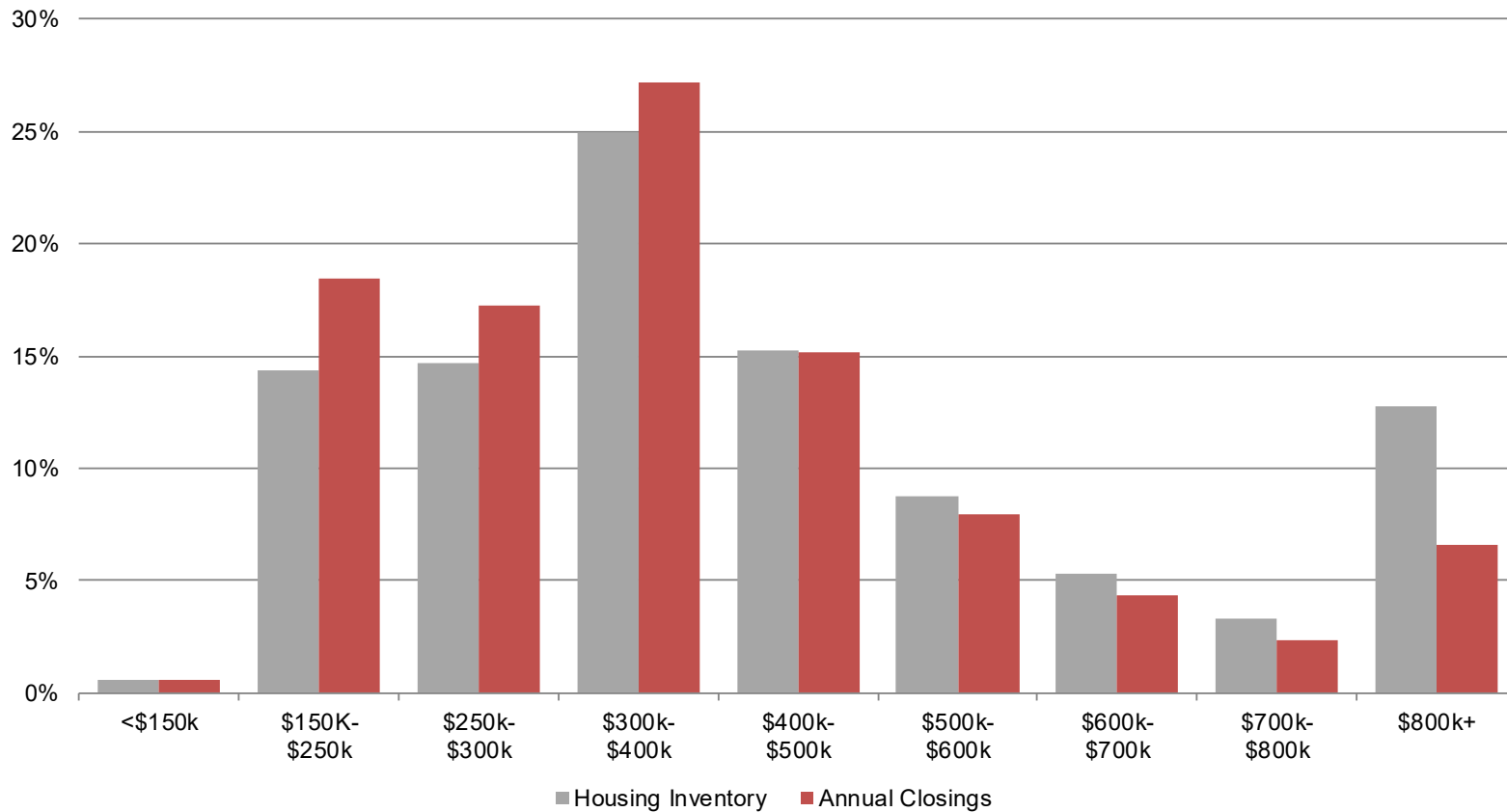
U.S. New Home Activity Concentrated in the \$300K-\$400K Range



Dallas, Houston, and Central Florida Leading For Starts & Closings

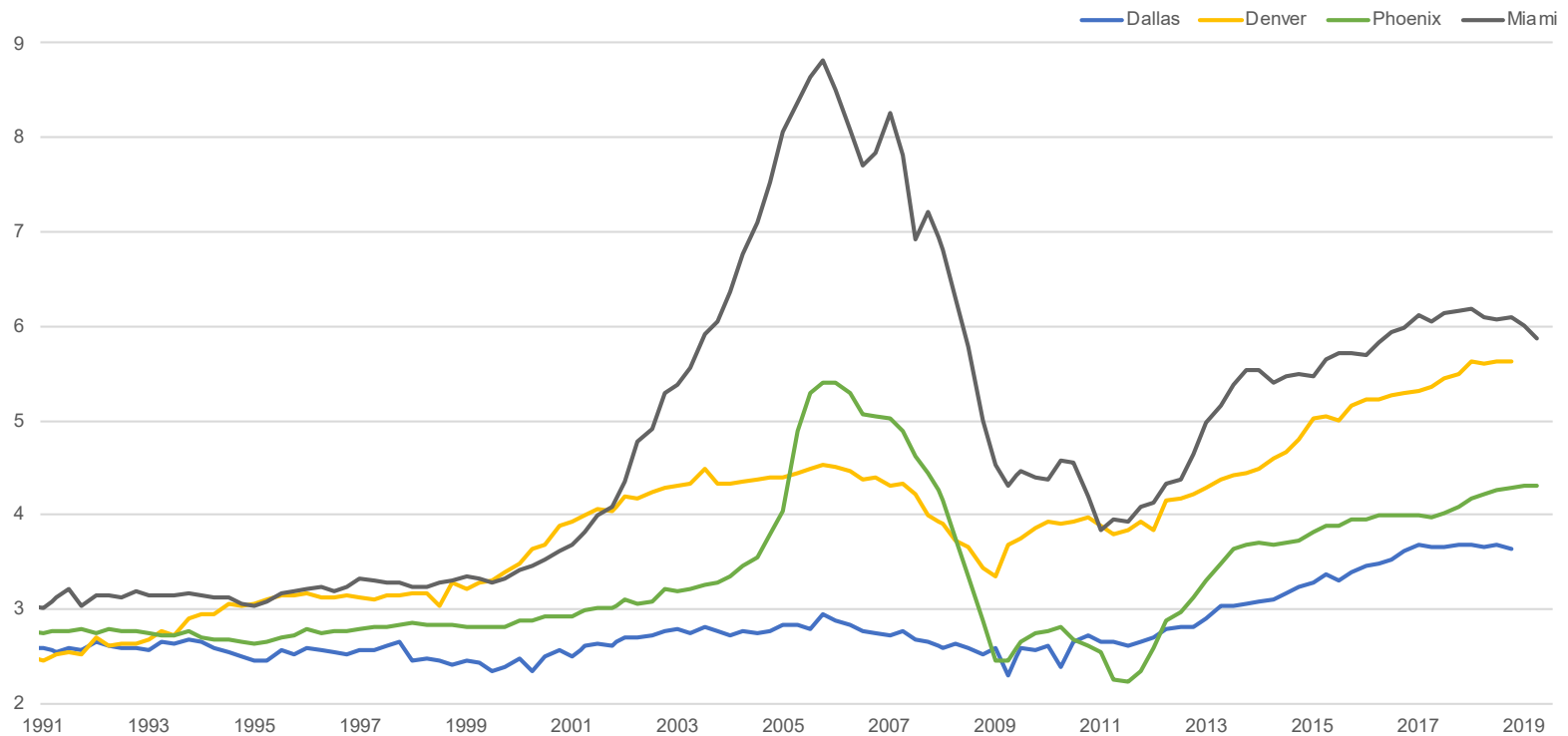


Inventory in \$800K+ Exceeds Annual Closings



Affordability Crunch Continues

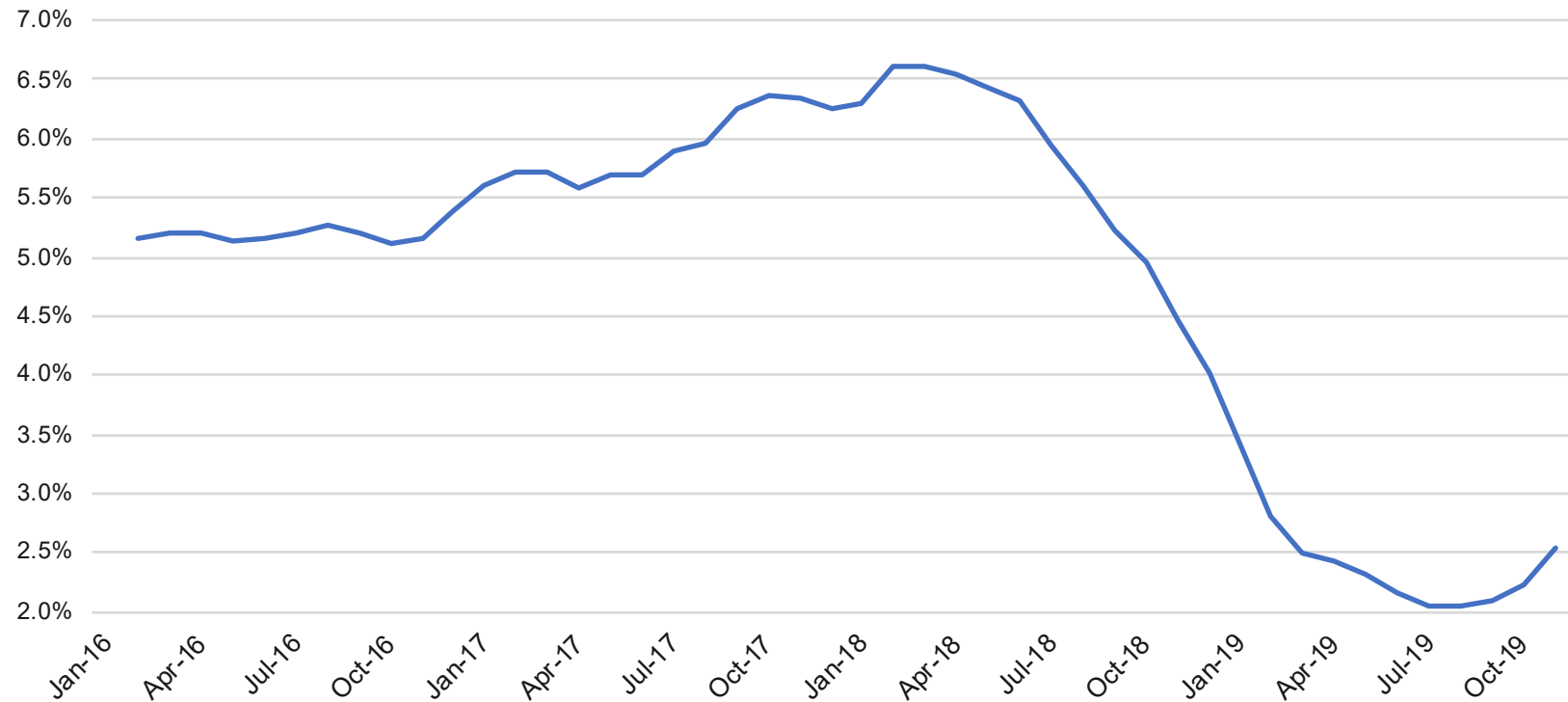
Median Single-Family Home Price to Household Income Ratio



Source: NAR; US Census Bureau, Moody's Analytics; Meyers

Price Appreciation Was Slowing But Picking Back Up

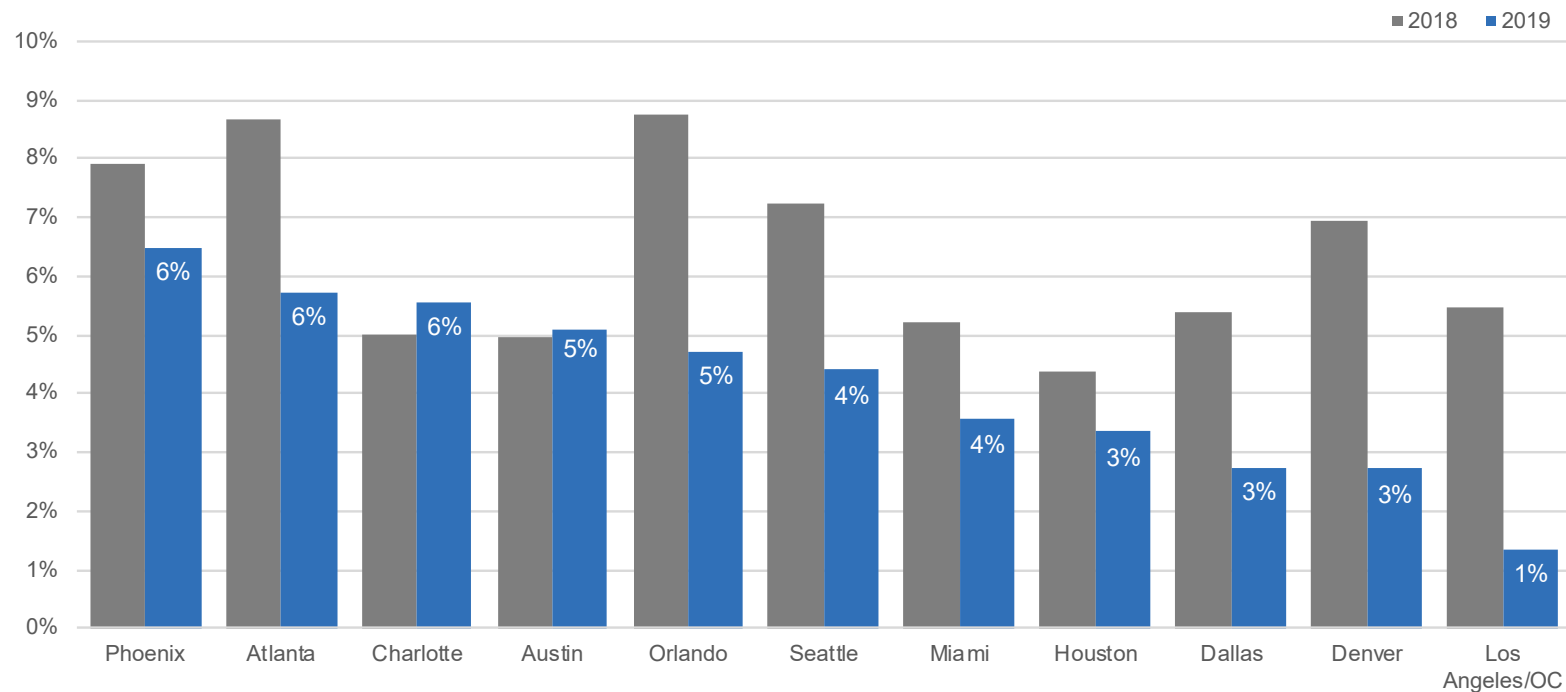
Corelogic/Case-Shiller Home Price Index (YOY Change)



Source: S&P/Case-Shiller; Corelogic; Zonda by Meyers Research

Annual Appreciation Slowed For Most Markets in 2019 But Still Generally Outpacing Wage Growth

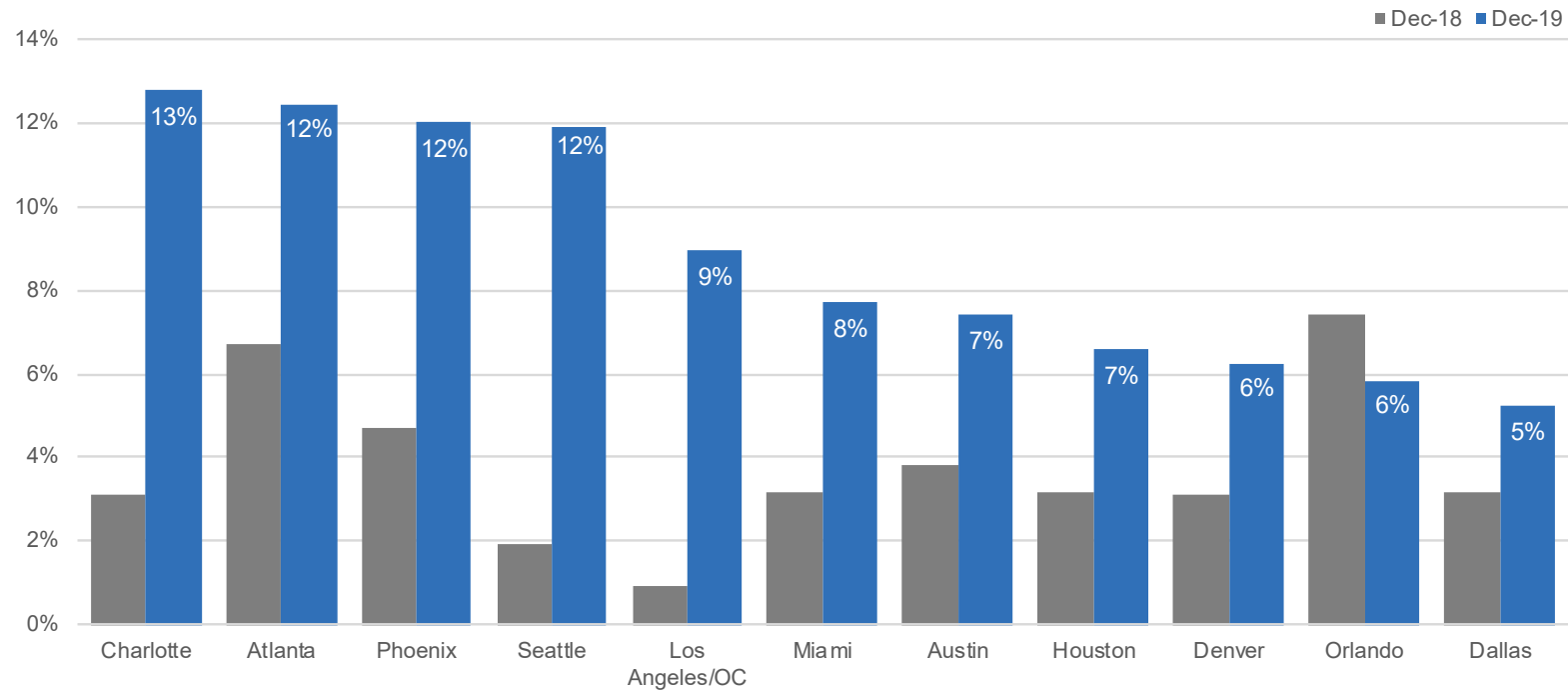
SFD Existing Price Growth (YOY Change)



Source: Zonda by Meyers Research

And December Saw Big Gains (But Remember 4Q 2018...)

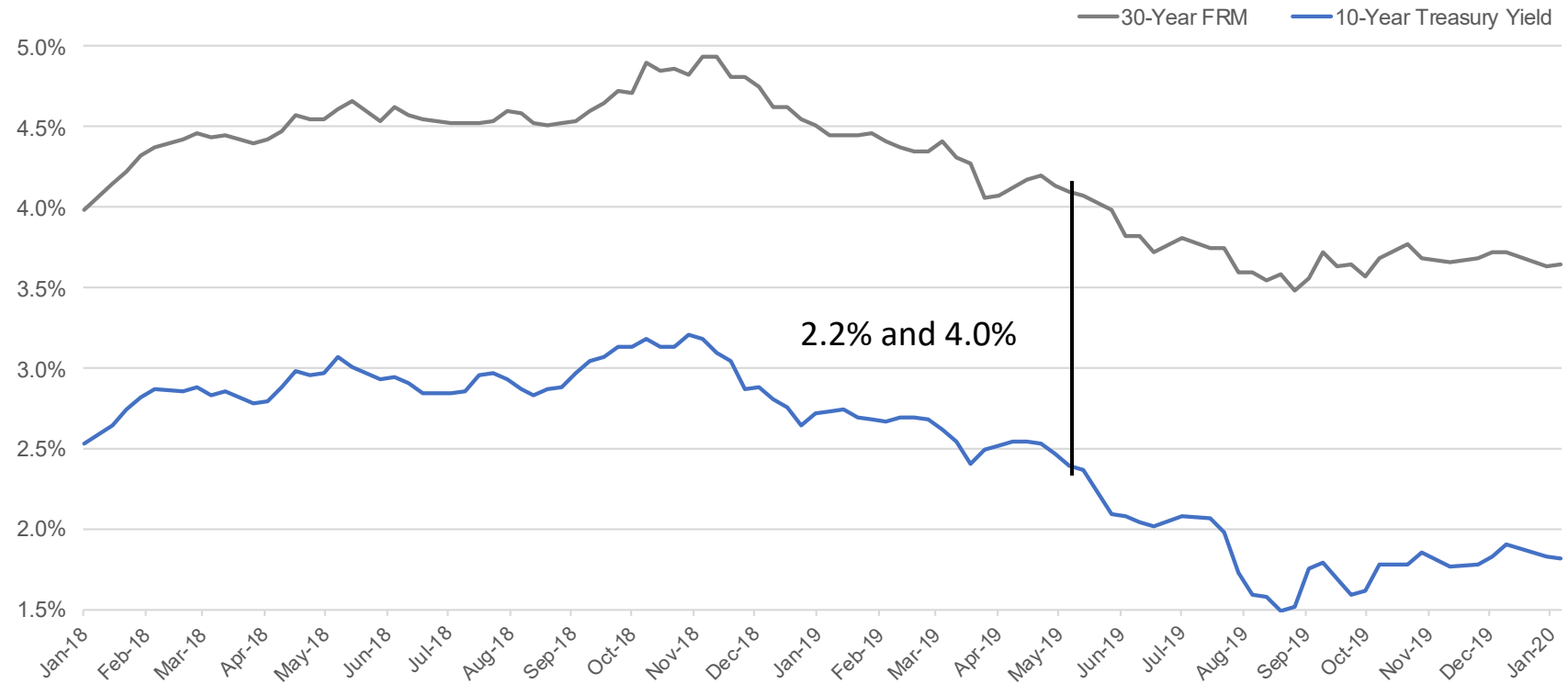
SFD Existing Price Growth (YOY Change)



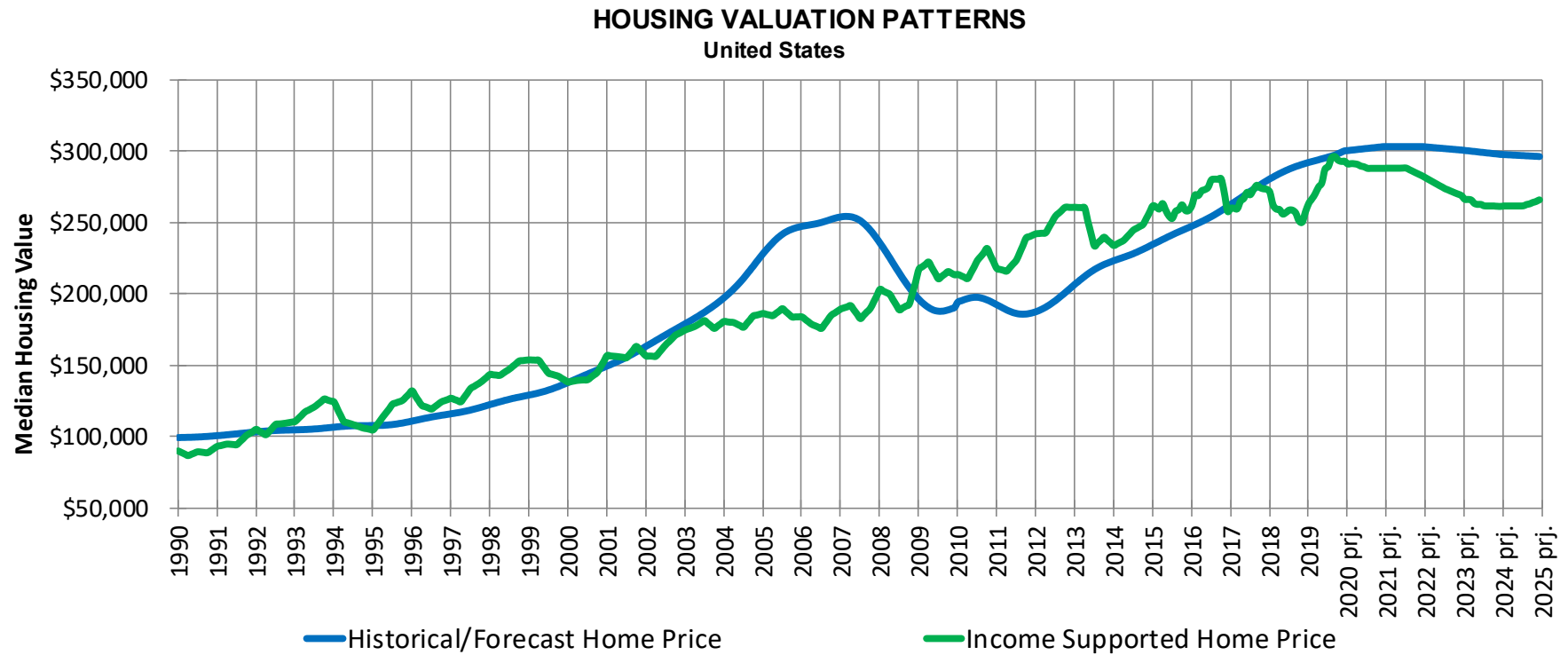
Source: Zonda by Meyers Research

Low Rates Particularly Help the New Home Market

Relationship Between Mortgage Rates and Bond Market



Even With Low Rates, Affordability Problems Aren't Going Away



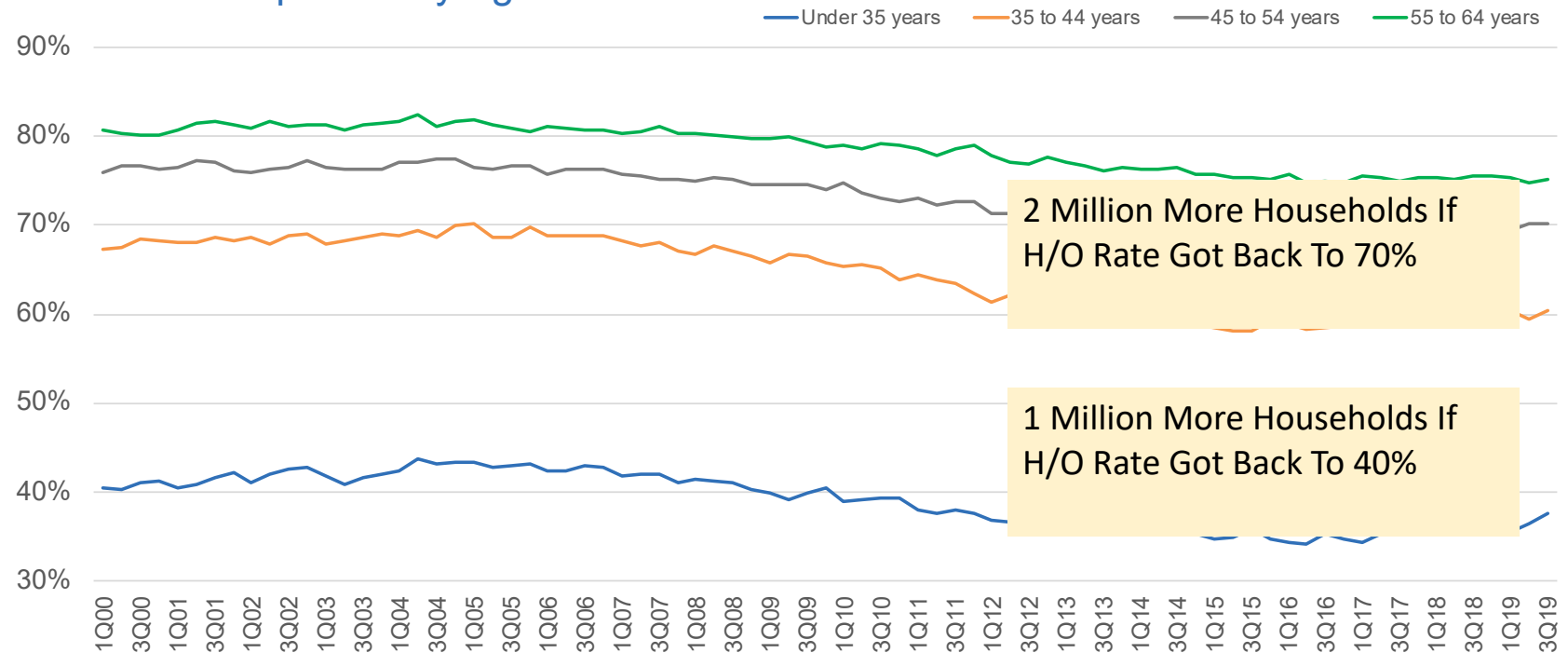
Source: Bureau of Labor Statistics; Moody's Analytics; Meyers Research



Considerations About Future Demand

The Homeownership Rate Remains Below Historic Levels

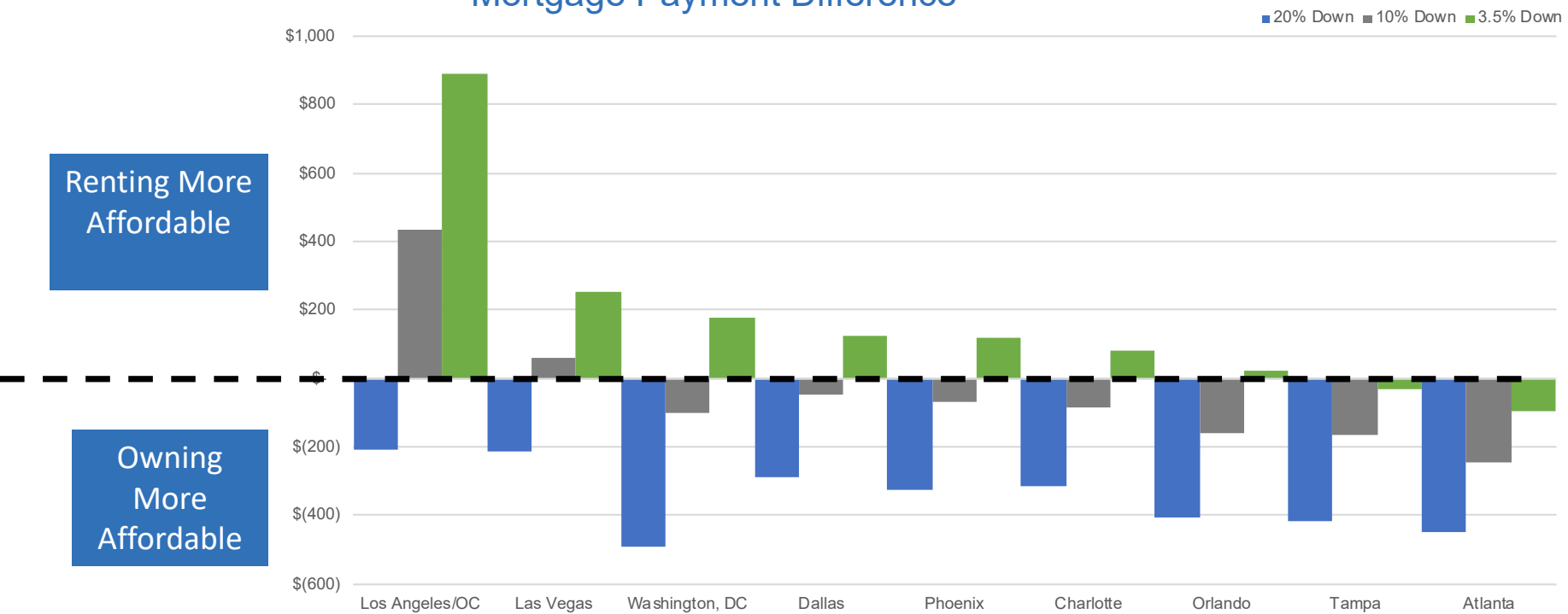
Homeownership Rate By Age



Source: US Census Bureau; Meyers Research

Low Rates do Help With Affordability, But DP is Critical

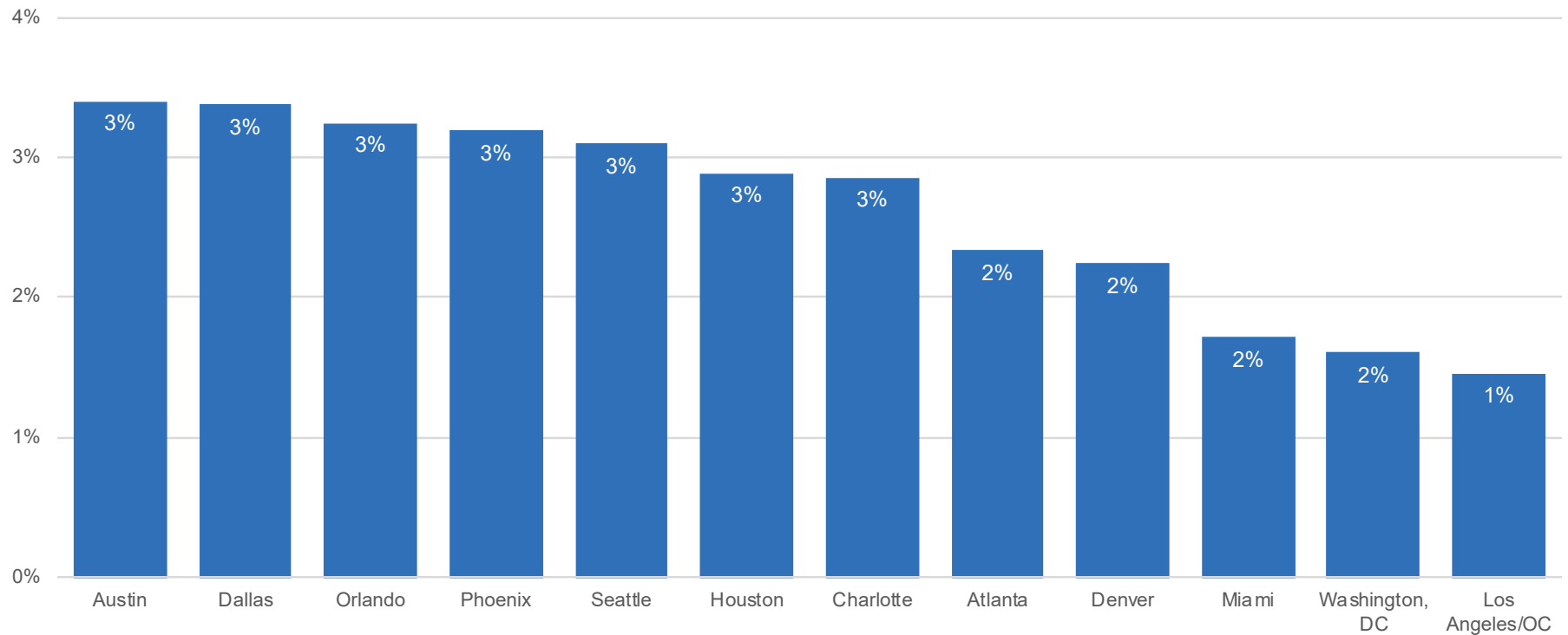
Median Rent Payment Vs. Median SF Existing Monthly Mortgage Payment Difference*



Source: NAR; Zillow; Freddie Mac; Wallethub; Meyers Research; *Assumes the noted down payment, 3.66% mortgage rate, taxes, and insurance

Labor Market Continues to Outperform

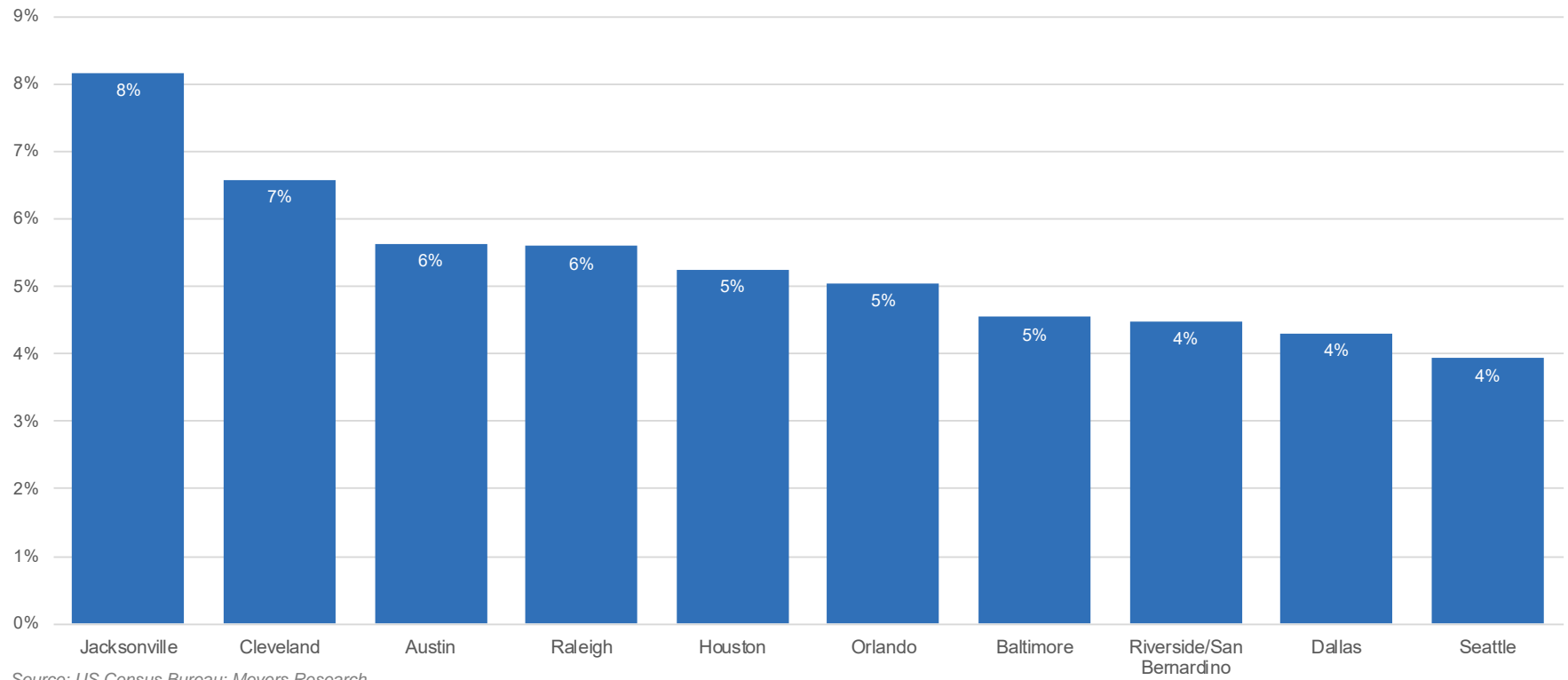
Nonfarm Job Growth (YOY)



Source: US Census Bureau; Meyers Research

Higher Incomes Benefit the New Home Market

1-Year Professional and Business Services Job Growth Rate



The Compelling Case for Purpose Built to Rent

Conclusions



1. The potential for this development concept is enormous.
2. There is much nuance to the Built for Rent business and several challenges.
3. The analysis of Built to Rent is an evolving science...and art.
4. A few players are doing it well.
5. Some of the big homebuilders are getting in, but most won't likely play in both detached apartments and more conventional single family rentals.
6. Institutional Capital is hovering.

Built to Rent Development

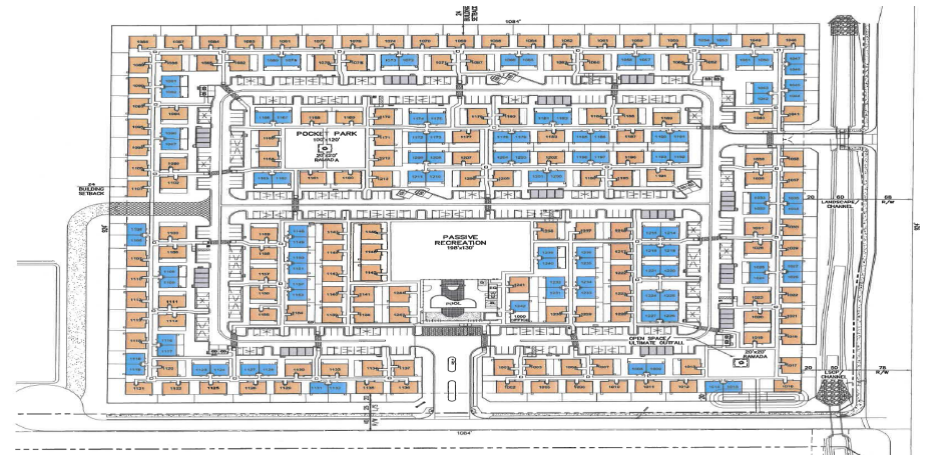
Two Distinct Product Options

Platted Lot Subdivisions



- ❖ Diversity in community size (8-10 DU/Acre)
- ❖ Typically single-family homes on individual legal lots
- ❖ 3-4 bedrooms, private yards, one/two-stories, garages
- ❖ Significant family renters with schools as top concern
- ❖ Owner could sell some or all units individually
- ❖ Doesn't typically compete with for sale or apartments

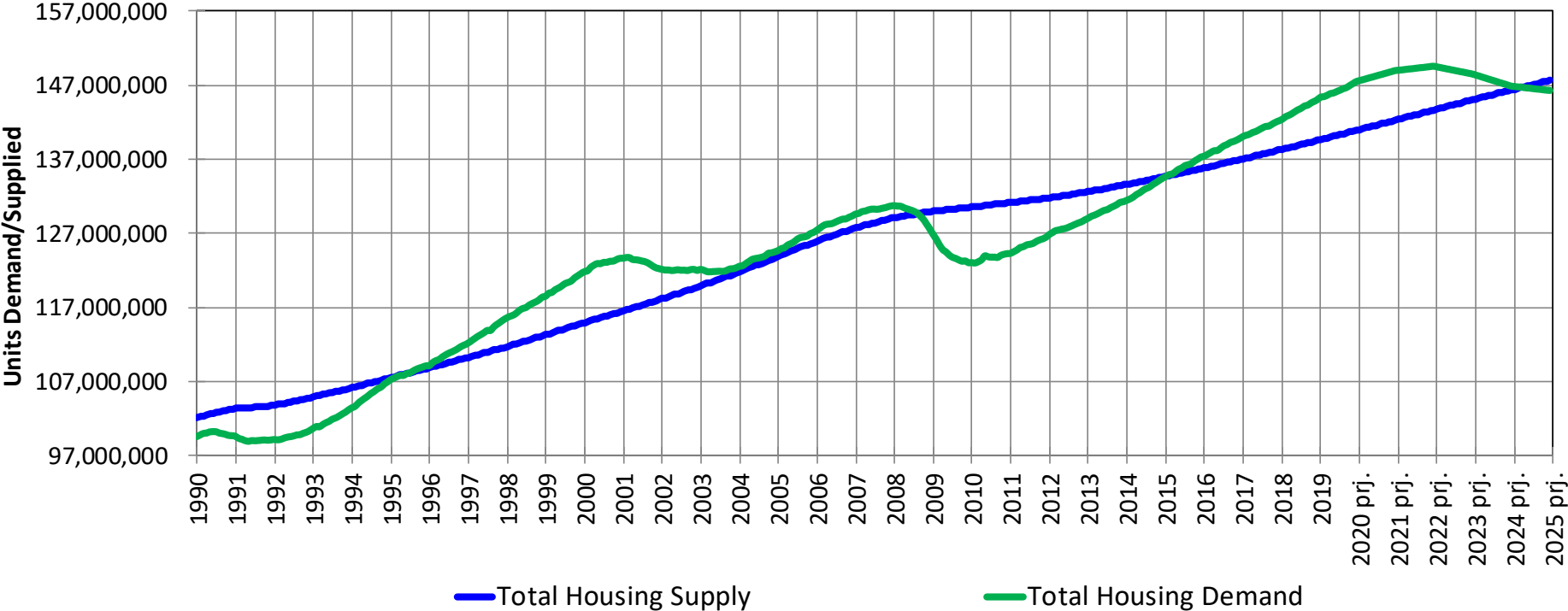
Horizontal Apartments



- ❖ Typically 150-200 units per community (12 DU/Acre)
- ❖ Attached 1B units and detached 2B/3B units
- ❖ 1-3 bedrooms, smaller yards, surface parking
- ❖ Significant millennial and empty nester renters
- ❖ Built on a single legal lot (cannot sell units individually)
- ❖ Doesn't compete with for sale, but can with apartments
- ❖ Traffic counts are important (like with apartments)

Job-Fueled Demand and Supply Will Breakeven Years Down the Road

HOUSING DEMAND AND SUPPLY PATTERNS
United States



Source: Bureau of Labor Statistics; Moody's Analytics; Meyers Research

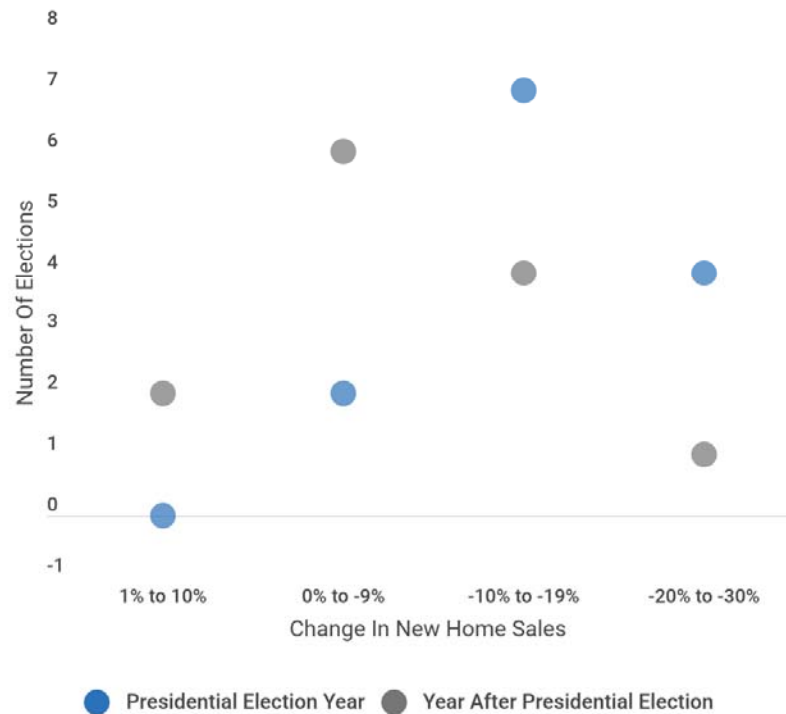
* Over/Under supply measures based on current jobs-to-housing relationship relative to long-term relationship between jobs and housing.



Recession Talk And Conclusion

Election Years Don't Historically Stall Out the Economy

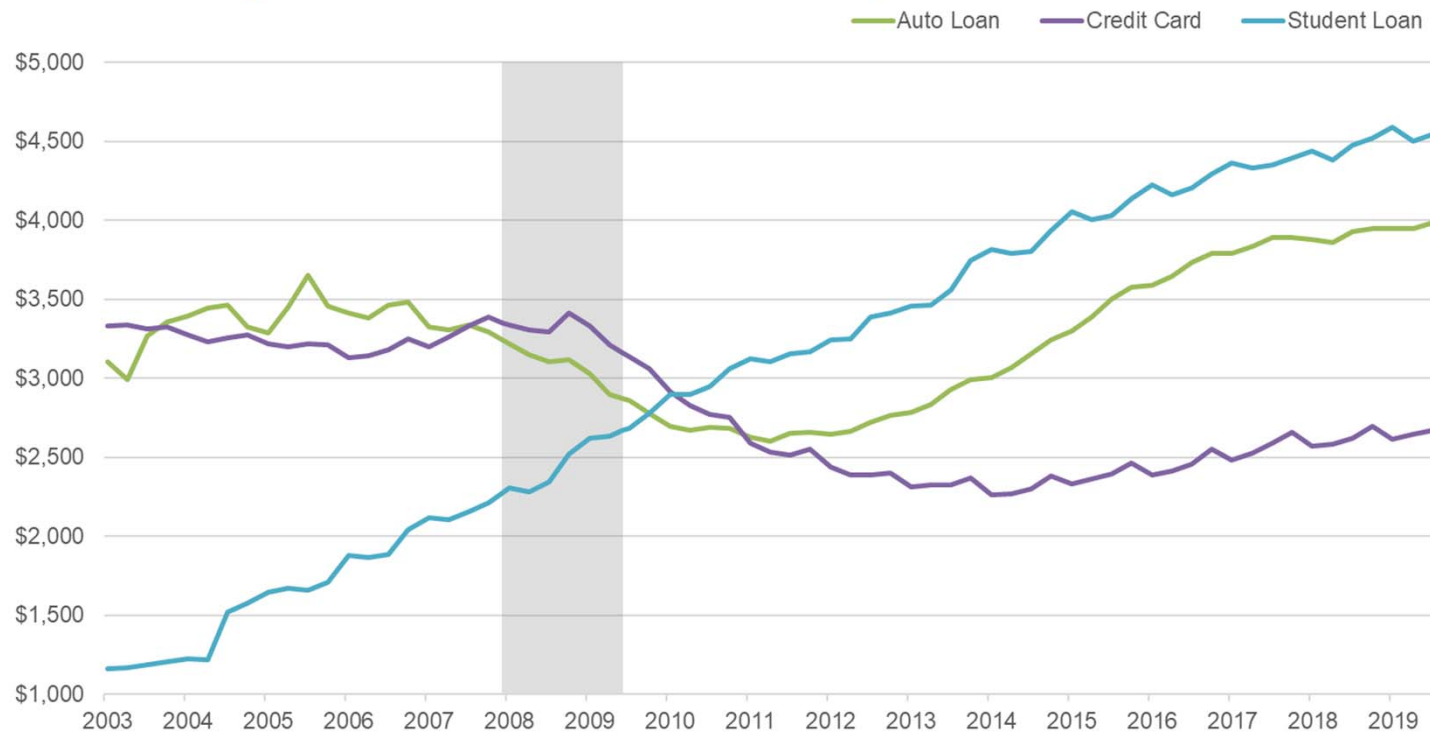
Change In New Home Sales From October To November During And After An Election Year



Home Sales Go Down 15% From Oct To November In An Election Year Compared To -8% In A Non-Election Year

Part of the Economy Look Overleveraged, But Housing is Different Than Last Cycle

Inflation Adjusted Debt Balance Per Capita



Source: New York Fed Consumer Credit Panel/Equifax; Meyers Research

Let's Address the Threats to our Forecast First...

Our baseline projection is for a 20% probability the US will enter a recession next 10-12 months.

- Phase 1 of **trade talks** aren't enough to nullify business fears or bring the manufacturing sector back to life
- **Inflation** picks up faster than anticipated and mortgage rates rise quicker than anticipate
- Normally a **pullback related to a presidential election** is short-lived. In today's contentious environment, we could see the slowdown in the housing market or broader consumer spending last longer than anticipated
- **Political or financial risk** that's hard to make sense of and the quickest to steer the economy off course

The Economy Entered 2020 With Some Momentum

- **Economic data** has turned positive, including the labor market, consumer confidence, and the reversal of the inverted yield curve
- Phase 1 of trade talks point to **policy** moving in the right direction
- **Lower mortgage rates** to stay low and buoy the housing market
- More builders entering into the **SFR space** offering a market hedge and additional segmentation
- Demand exceeds supply and builders are getting more creative with **design and space**

An aerial photograph of a suburban neighborhood, showing a grid of streets with houses and trees. The houses have various roof colors, including grey, brown, and red. The trees are mostly green, with some showing early autumn colors. The overall scene is a typical suburban residential area.

Thank You!

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