

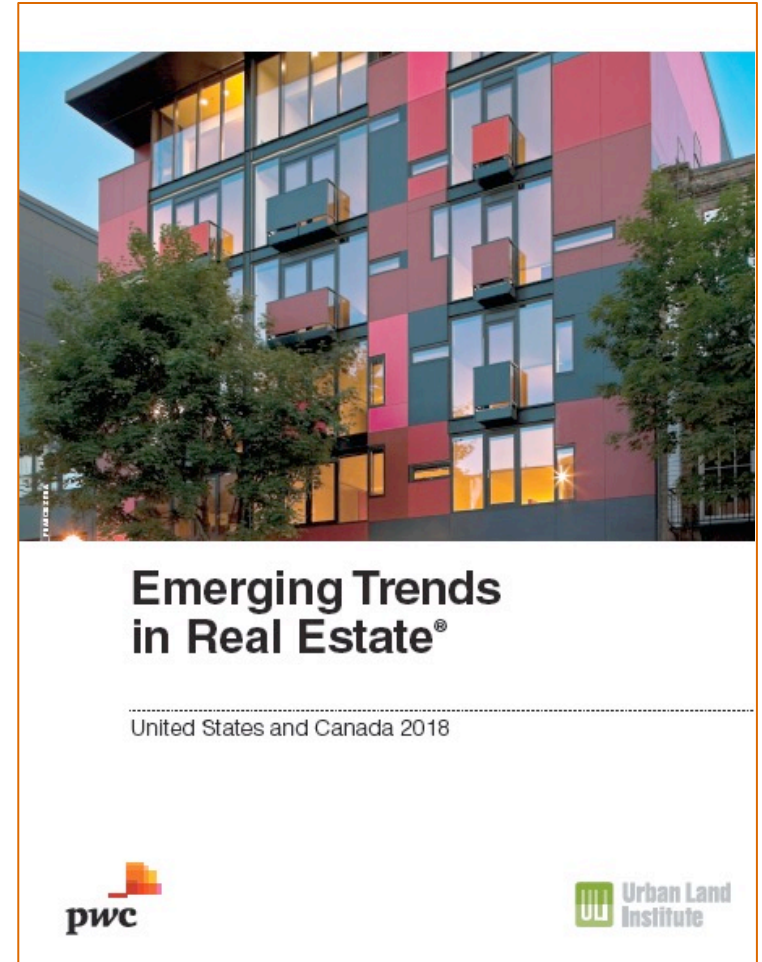
Emerging Trends in Real Estate 2018

Navigating at Altitude

“We are in a long cycle, not in boom/bust. The key to the next few years is to expand horizons, market by market, property type by property type.”

Emerging Trends in Real Estate 2018

- Emerging Trends is the industry's “**most predictive forecast**”
- 39th annual outlook
- Based on personal interviews with over **1,000** individuals representing **590** organizations combined with an additional **1,600** online surveys
- **52** Market Focus Groups
- Sponsored jointly by PwC and the Urban Land Institute



How do we feel about 2018?



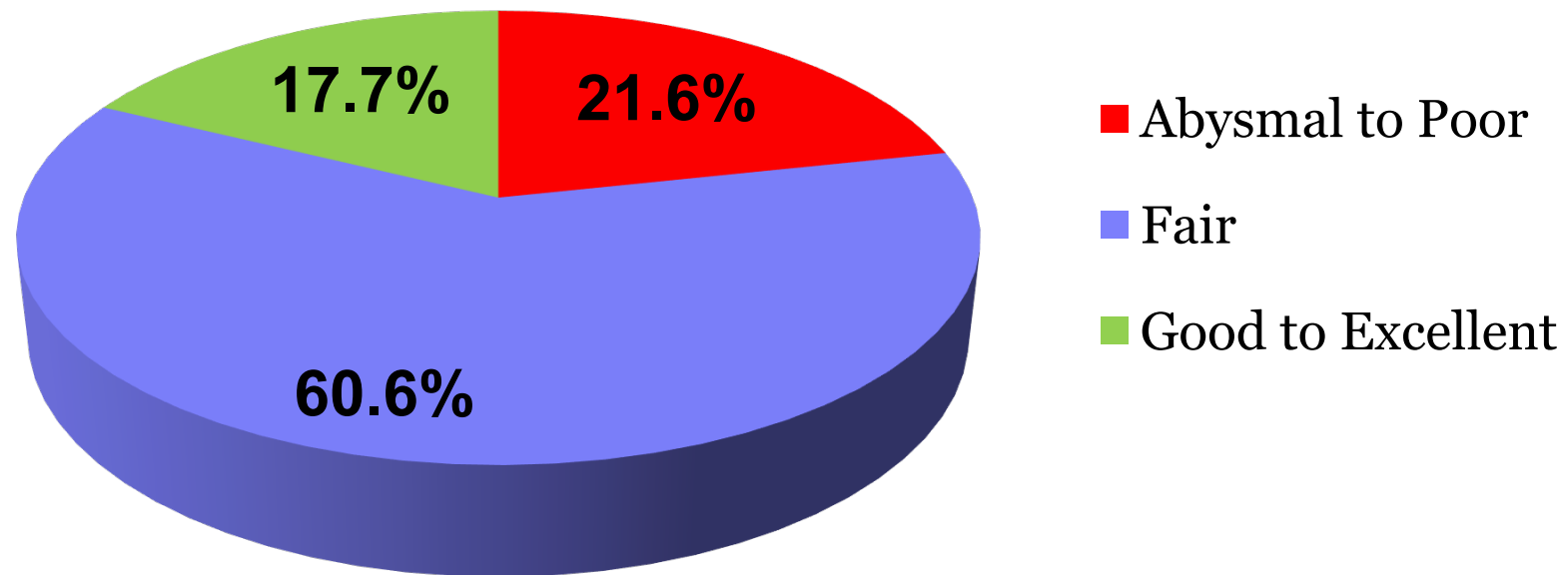


How would you characterize the expected profitability of your real estate business in 2018?

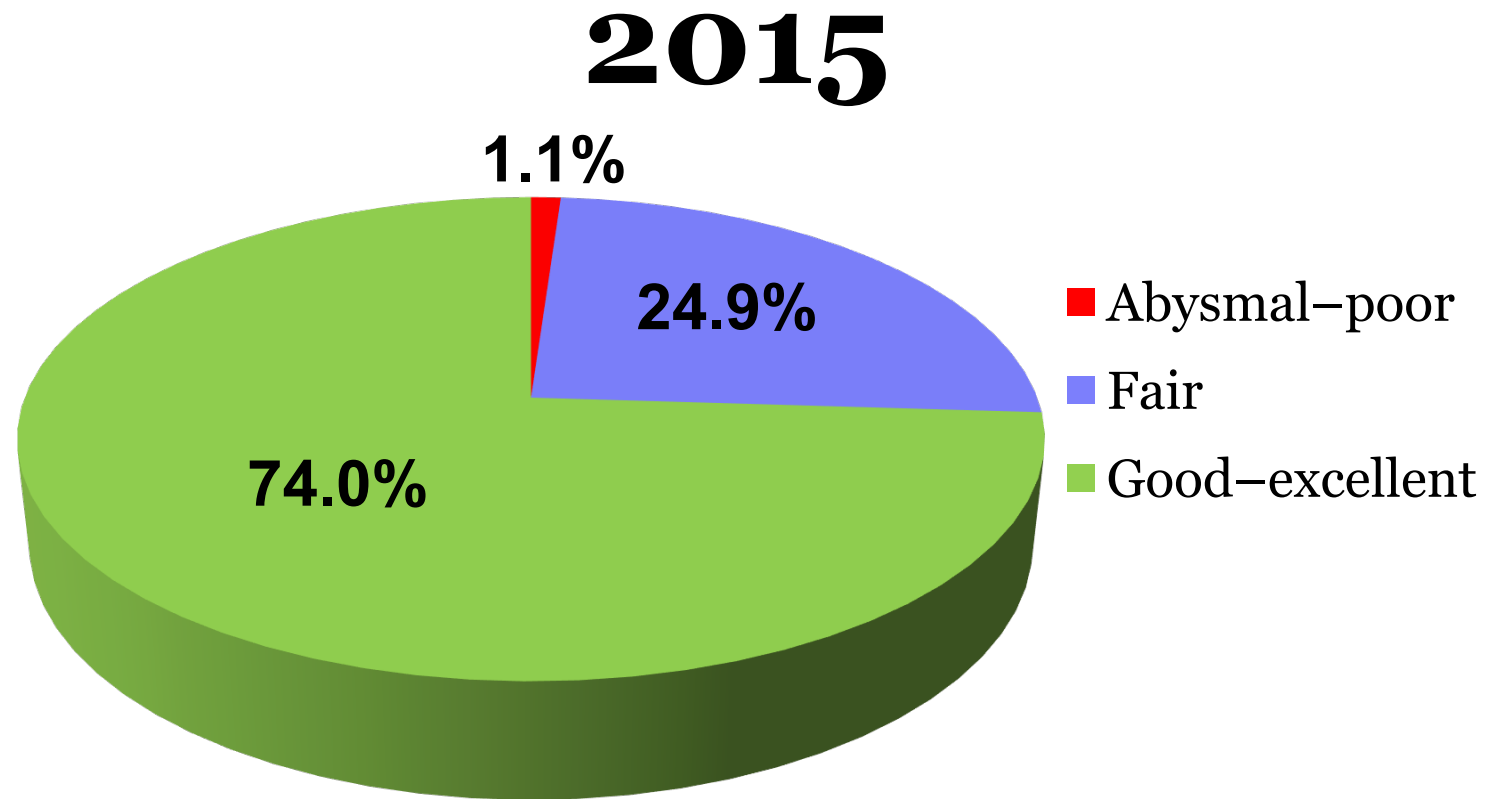
- A. Good-Excellent
- B. Fair
- C. Abysmal-Poor

Profitability Outlook

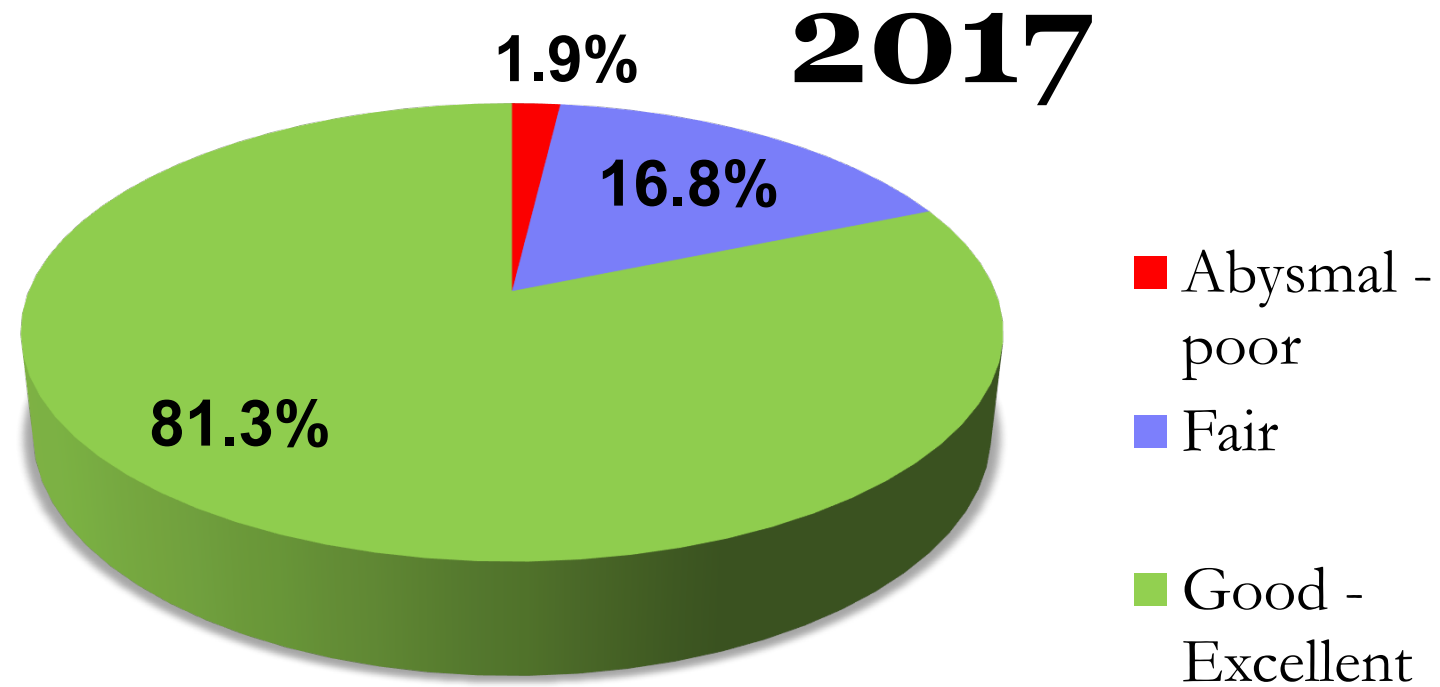
2010



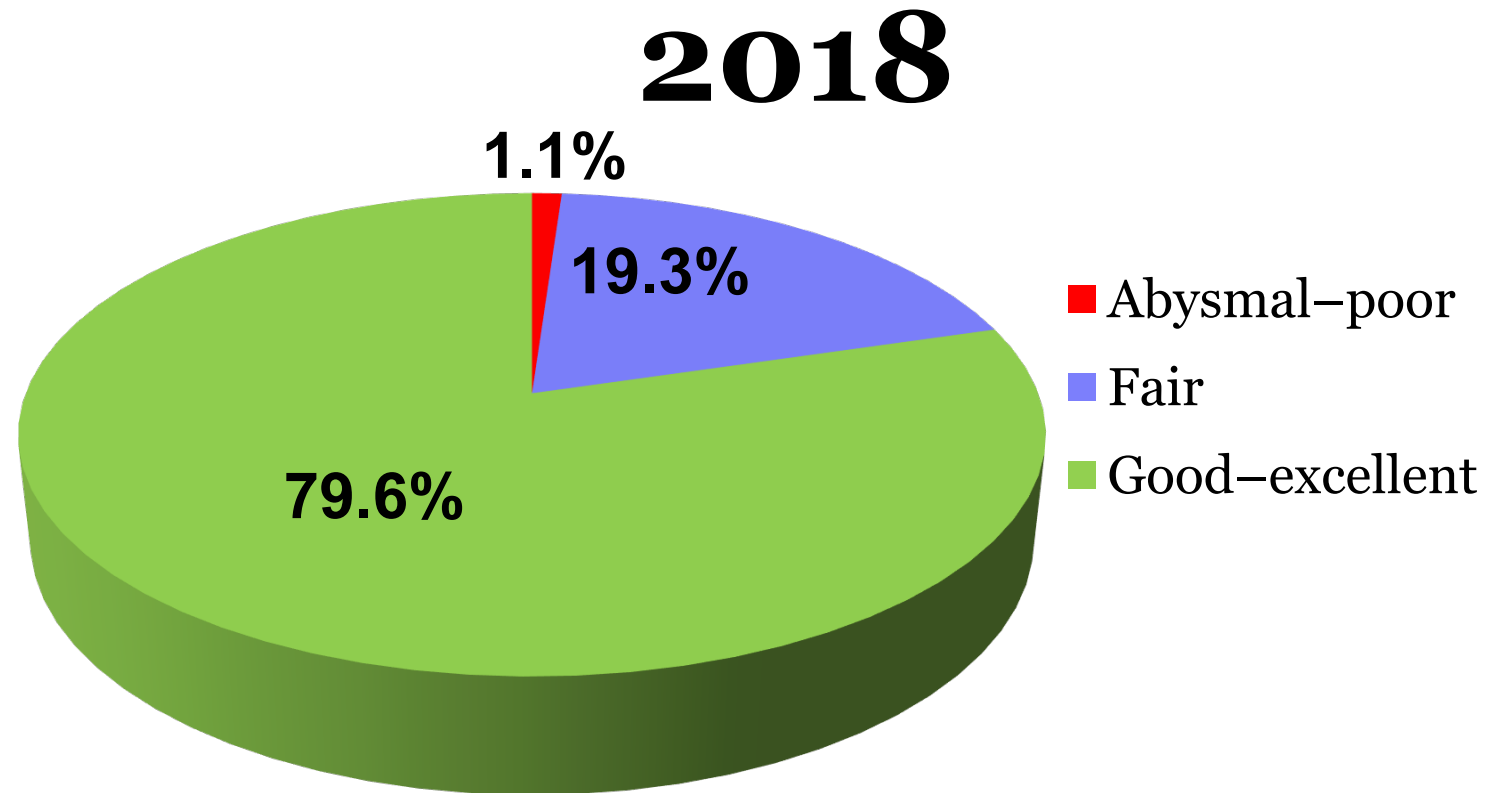
Profitability Outlook



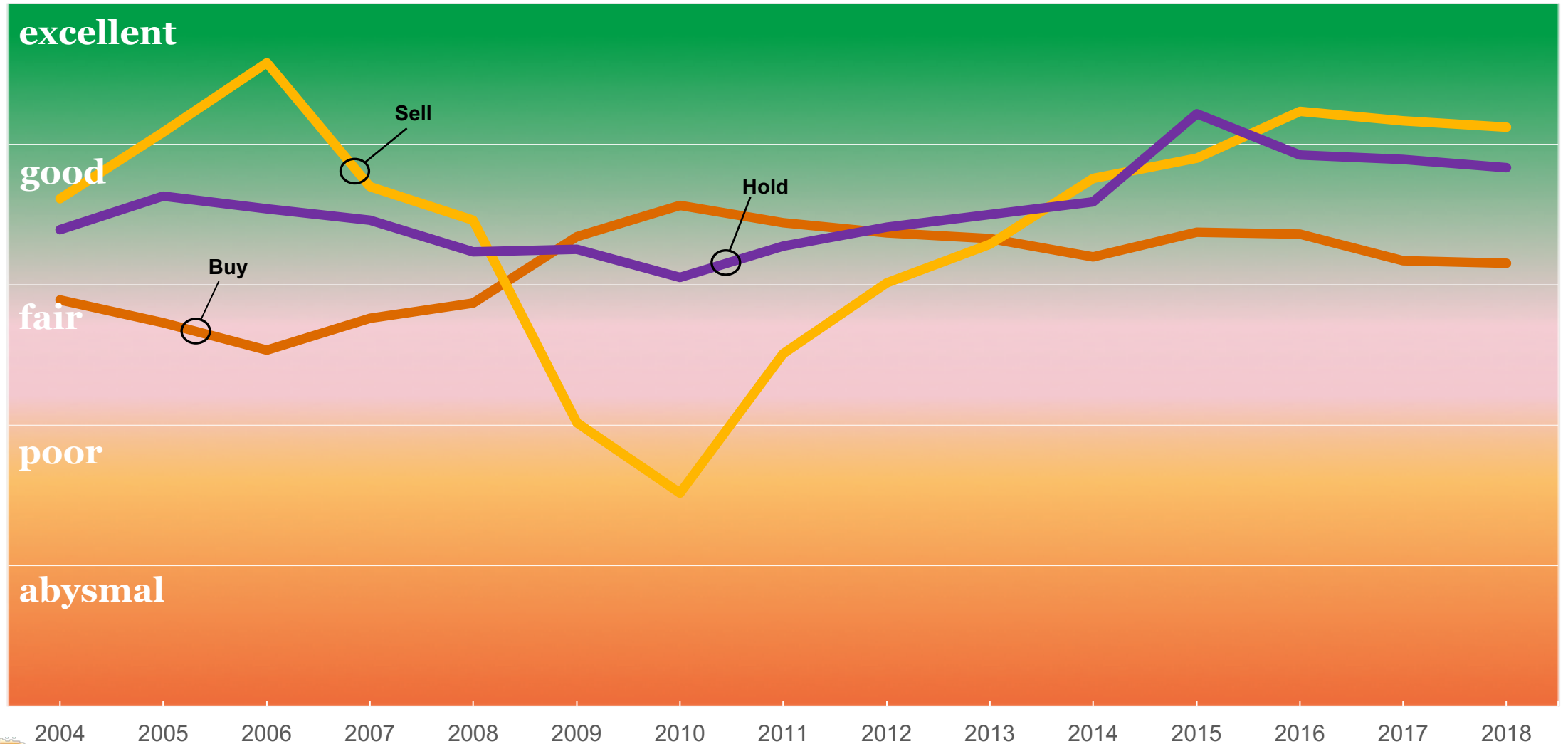
Profitability Outlook



Profitability Outlook



Buy, Hold, Sell



What word would you use to describe the 2018 real estate market?

Top 5

#1

Competitive

#2

Cautious

#3

Measured

#4

Uncertain

#5

Growing

Biggest Movers from 2017

16.7%

Treacherous

23.3%

Frenzy

24.1%

Troublesome

26.5%

Neutral

37.5%

Sanguine

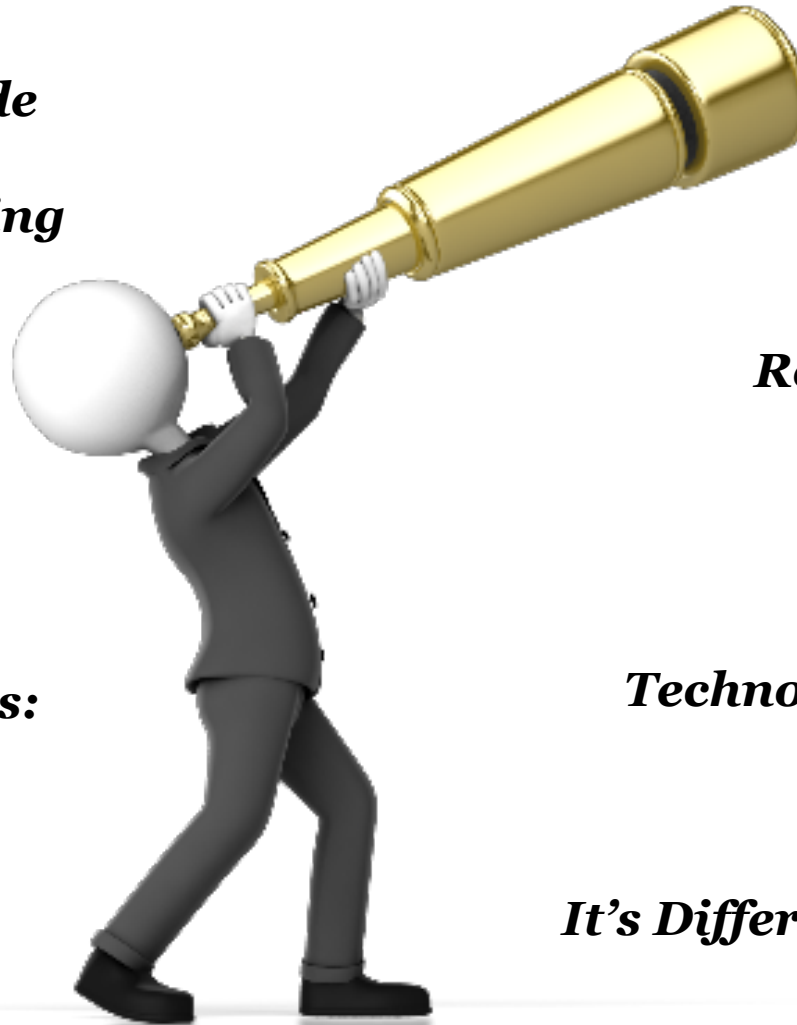
Emerging Trends in 2017

***Slow Glide
to a
Soft Landing***

***Working
Smarter and
Harder***

***Procession of Generations:
Gen Z***

Don't Forget the Boomers



***Retail Transforms and
Stores Remain***

***Housing at a
Technological Tipping Point***

It's Different This Time...Isn't it?

Long glide path to a soft landing

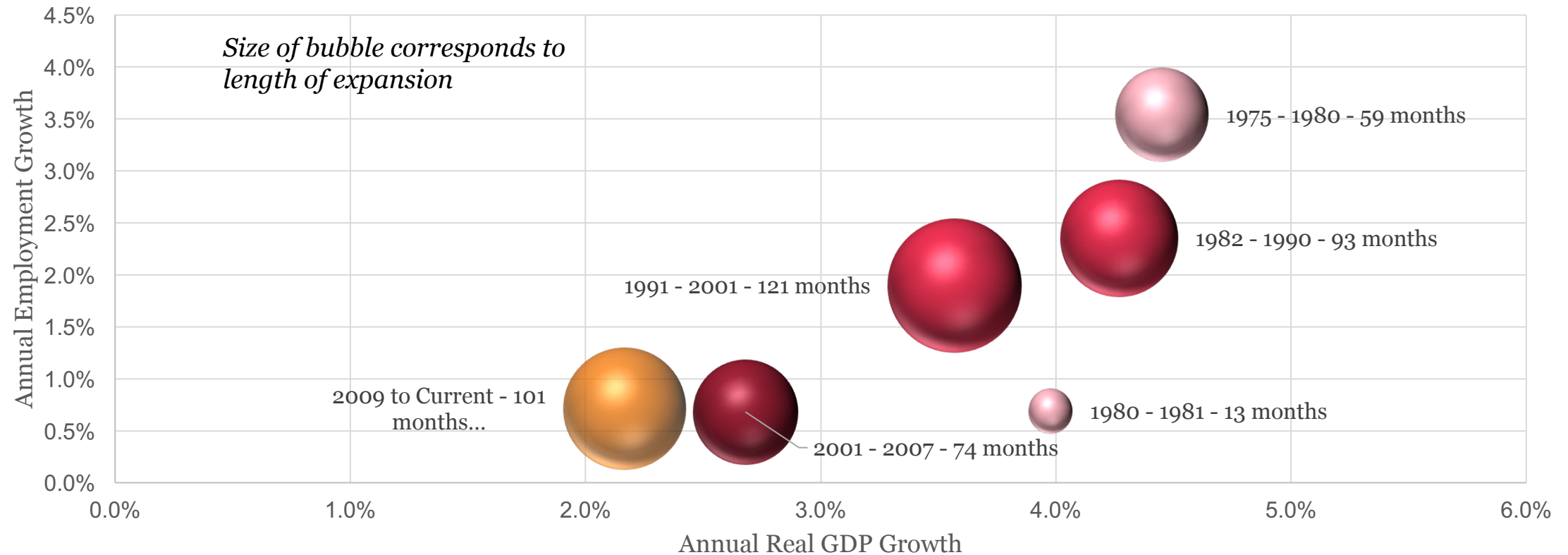


“I hate ‘the what inning are we in’ question. It makes it seem like cycles have to end after a pre-set time has elapsed.”

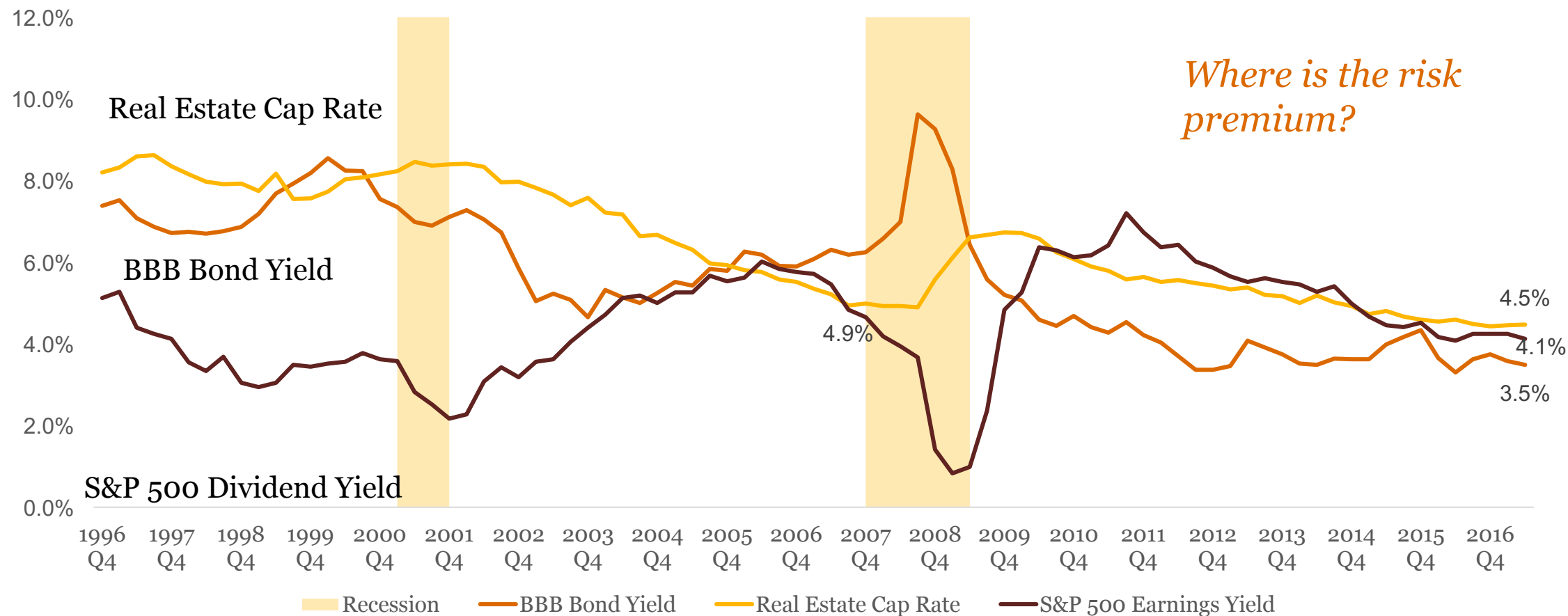


Current expansion, slow by comparison but is it more sustainable?

GDP and employment growth during past recoveries and expansions



Investment returns converging



Source: Standard & Poors, Bank of America, NCREIF

Working harder and working smarter



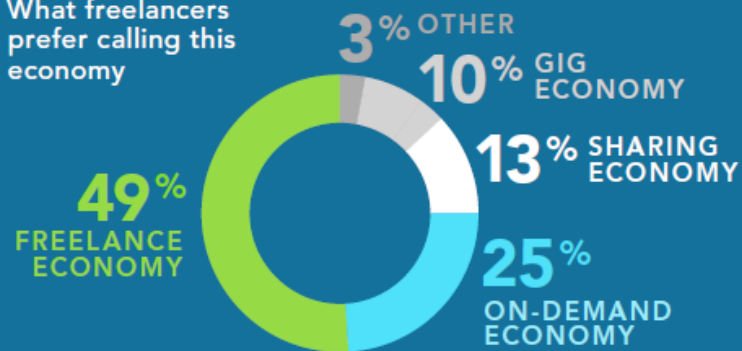
“...Real estate facilities are not just overhead, but a way to improve not just employee happiness and engagement, but also productivity.”



Not the “Gig” economy, but the “Freelance” economy

Don't call this the gig economy

What freelancers prefer calling this economy



Millennials are leading the way

47%

of Millennial workers freelance, more than any other generation

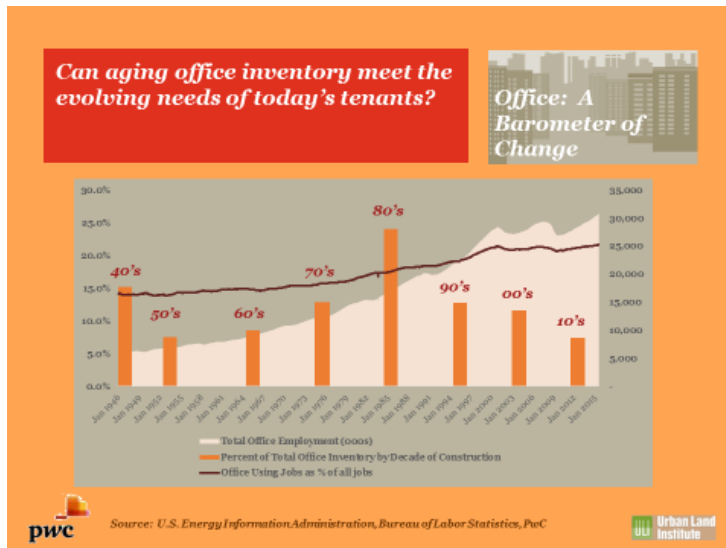


57.3M people freelance



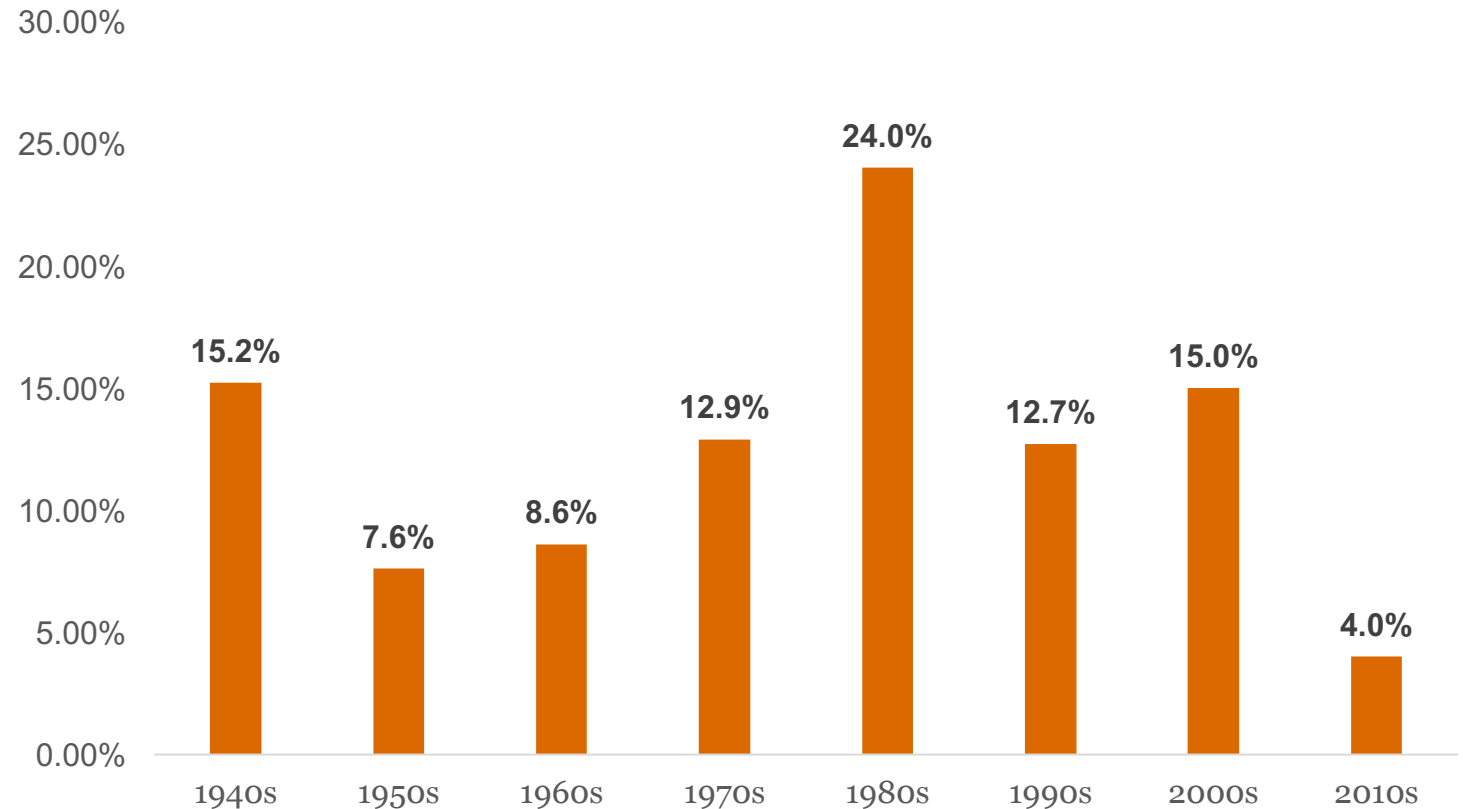
Efficiency of US office stock

*Which makes what
we said two years
ago more relevant*



Source: U.S. Energy Information Administration, CoStar

Percent of Office Inventory by Decade Constructed

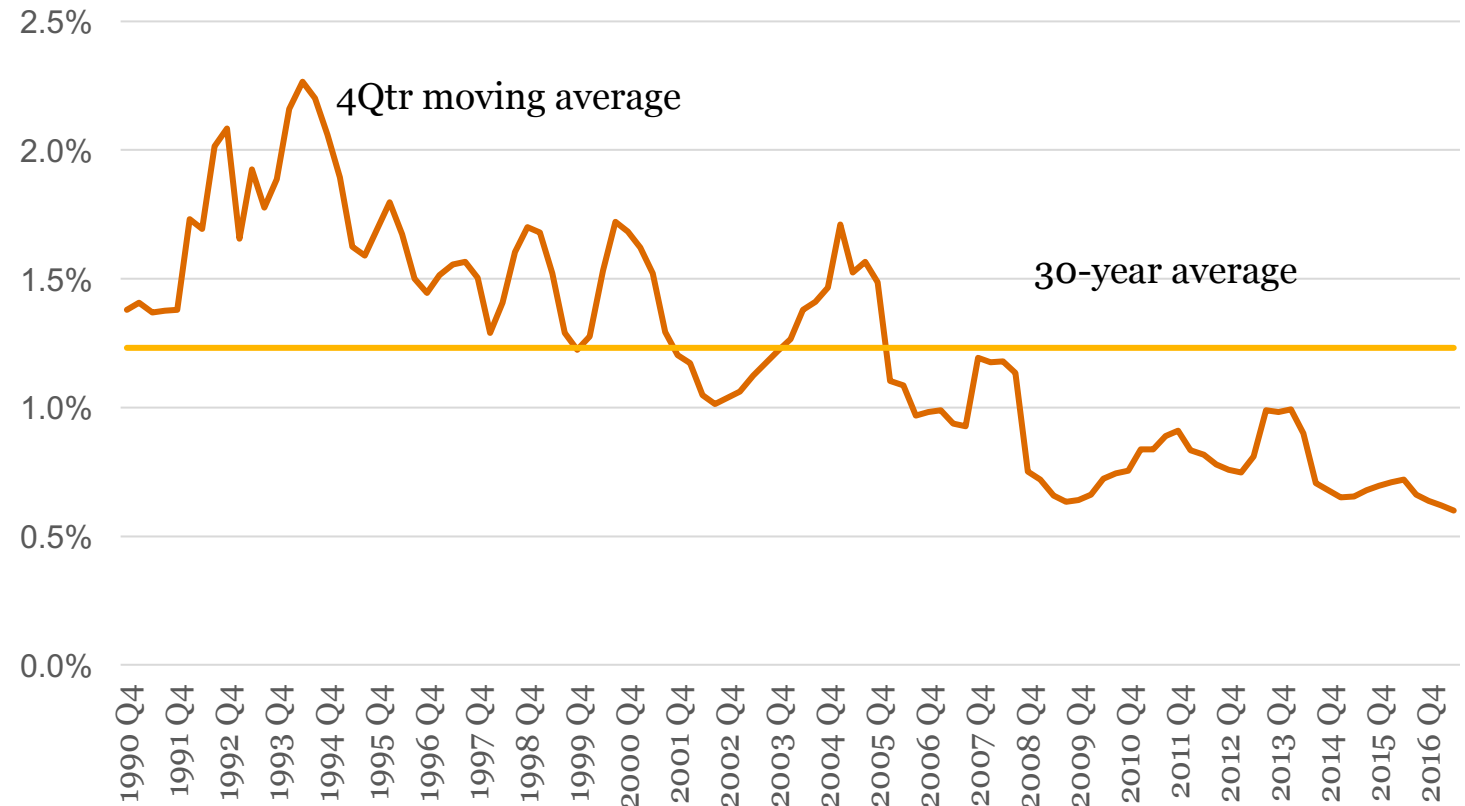


Best Bet!
Income over
potential
appreciation

to
meet changing
tenant demand

Improvement over acquisition?

Office cap ex as a % of market value



Procession of Generations & Don't Forget the Baby Boomers



“It isn’t what you don’t know that you should be worried about; it’s what you think you know.”

....THOUGHT we knew

Boomers

Retire early & to mild climates

Gen X

Bigger suburban houses

Millenials

Urban forever

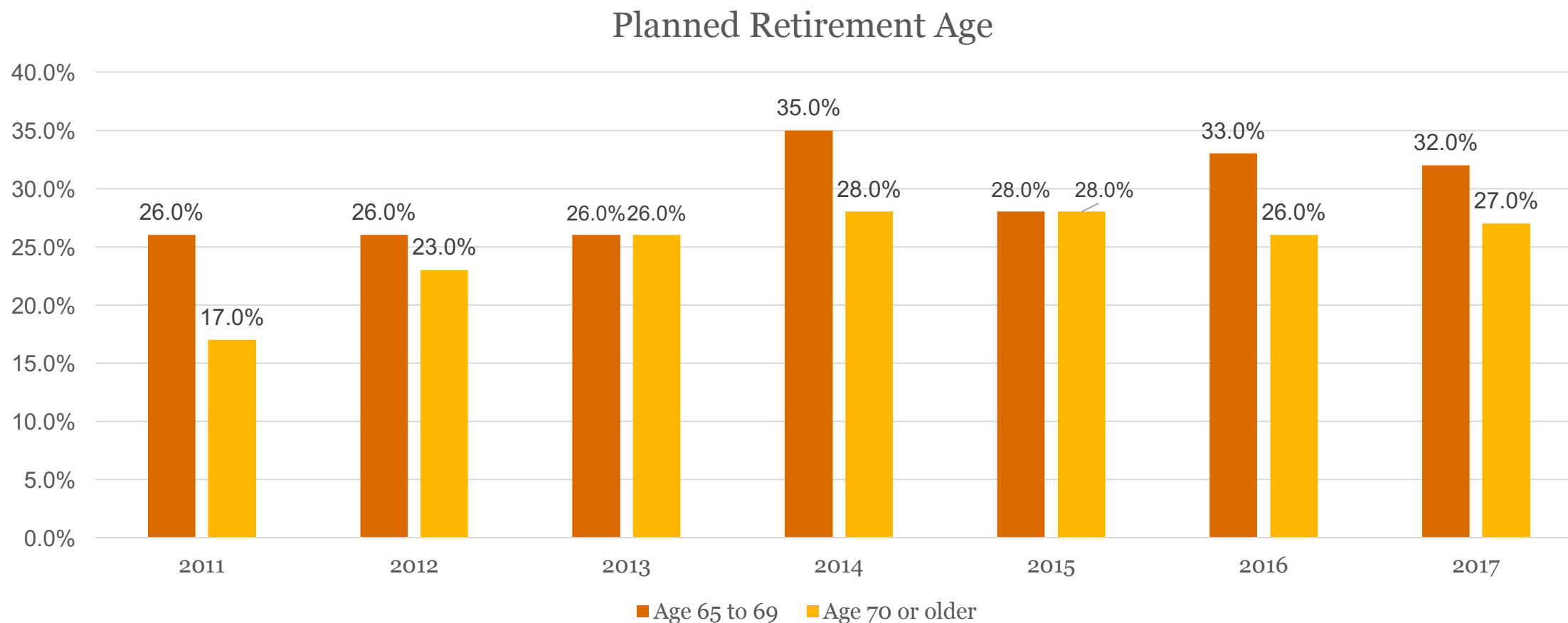
....NEED to know

Not so fast

Hit by GFC

Majority in suburbs already

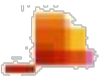
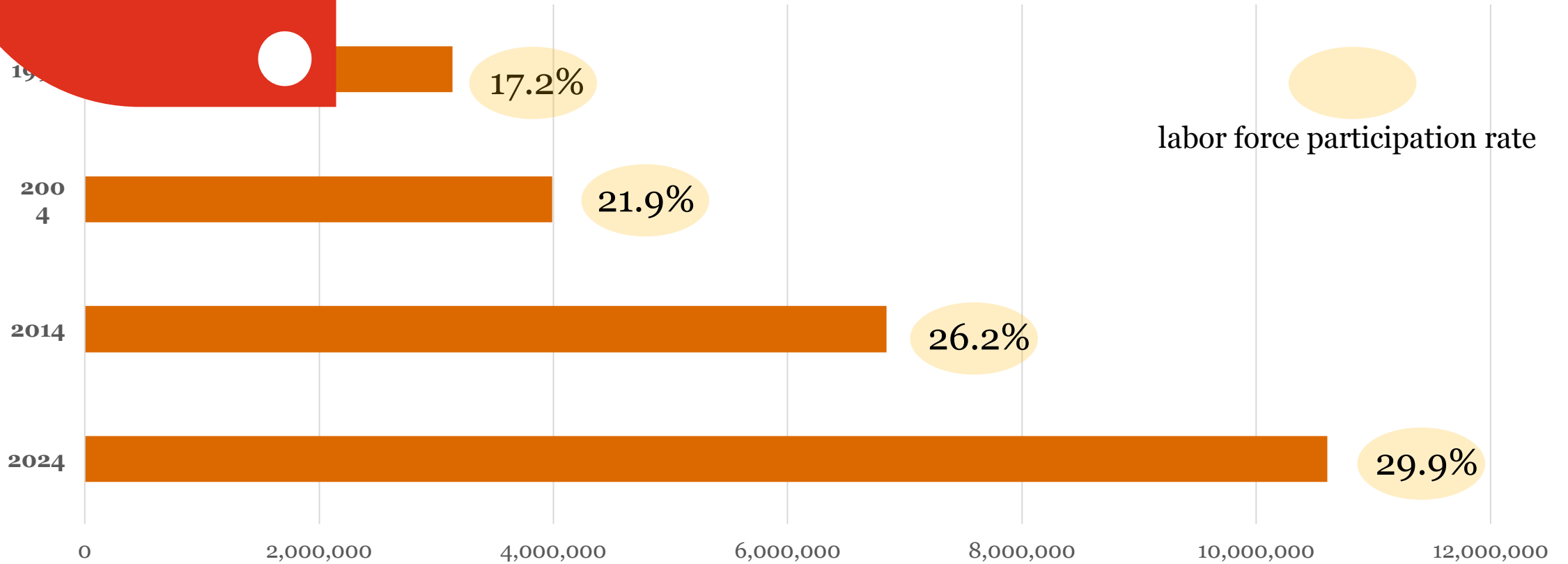
Boomers plan to stay in the workforce longer



Workers in the workplace...

Best Bet!
Senior housing
gains
momentum

Labor force ages 65 to 74



pwc

Source: Bureau of Labor Statistics



The Next Trend: Gen Z

- Born 1995 to Present
- 0 to 22 years old
- 25.9% of America's Population
- Boomers are 23.6%
- Millennials are 24.5%
- Growing up in a post 9/11 World
- + 50% increase in the multiracial youth population since 2000
- Live in Multigenerational households
- 80% know about human impact on the planet/76% are concerned about the impact
- 17 Jobs and 15 homes in a life time



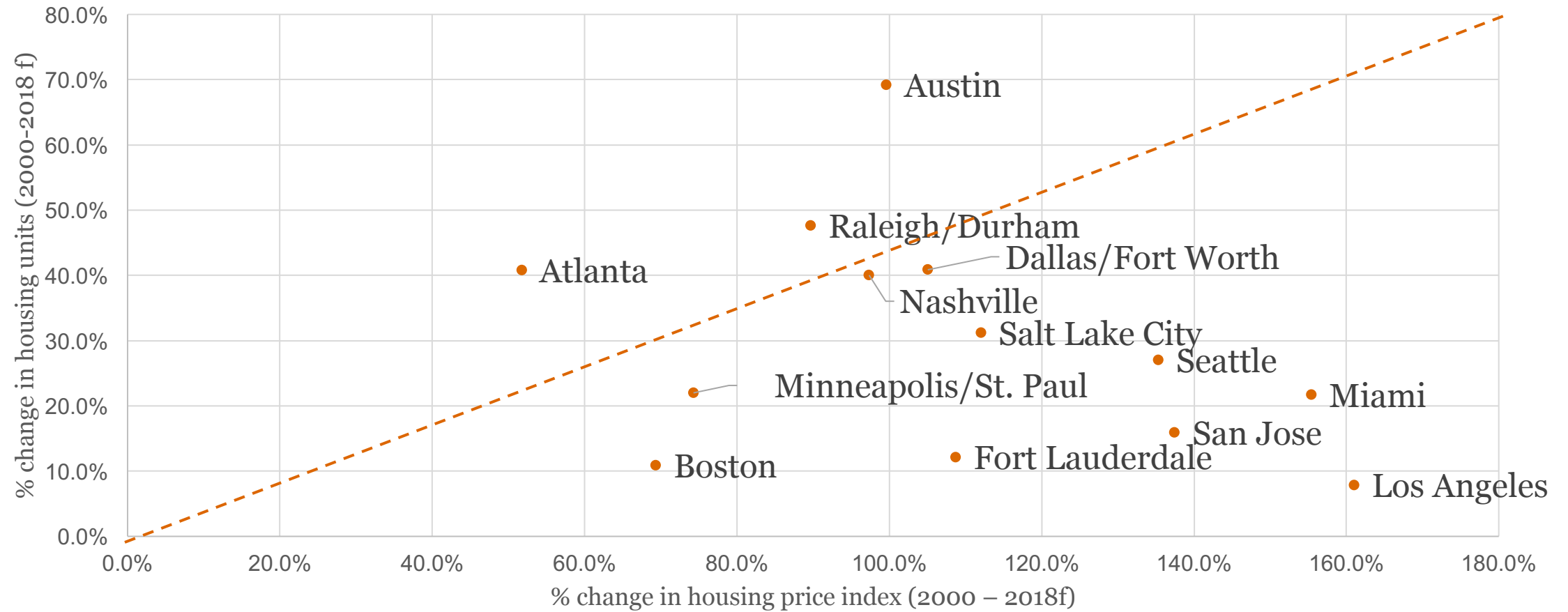
Housing at a tipping point



“I’ve been hearing talk about how technology will transform the way builders build homes.

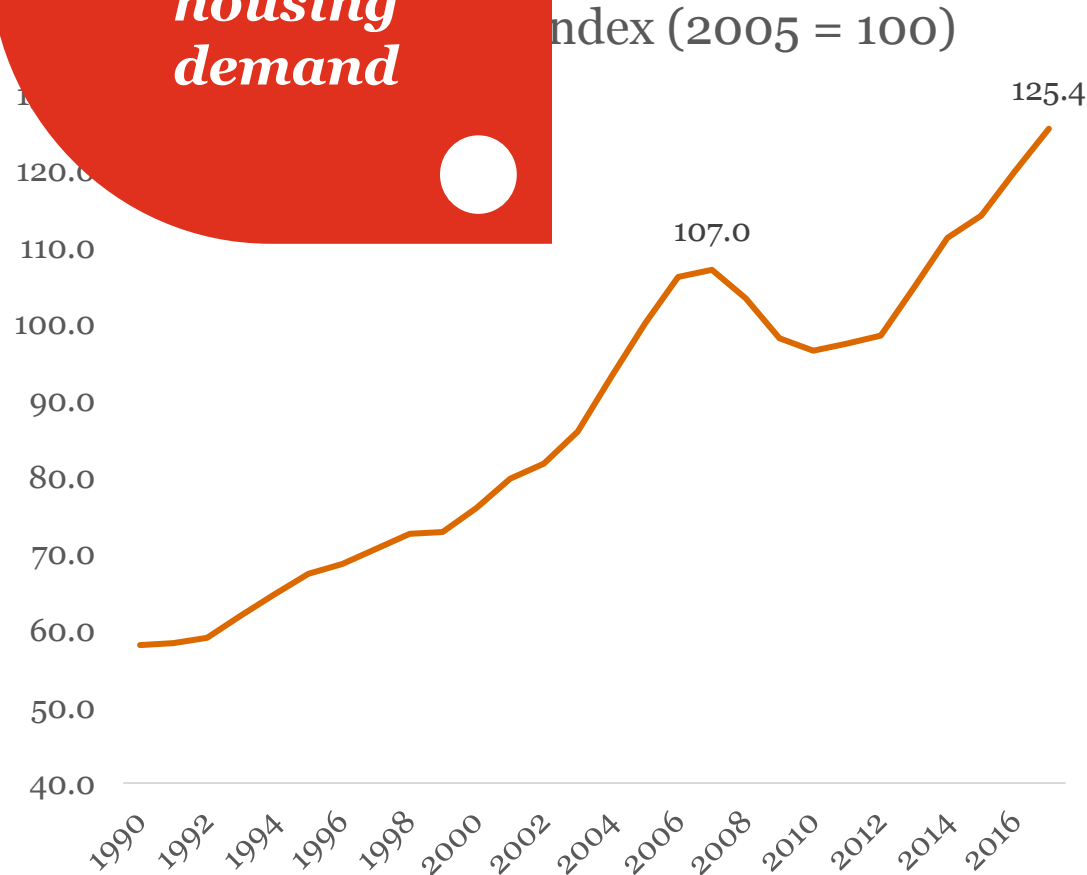
Now, I look at what’s been happening, and for the first time ever, I’m thinking it’s more than talk”

Higher sales prices won't guarantee more new homes



N... in sight for home construction costs

Best Bet!
Evolving
housing
demand



Source: US Census Bureau

The Wall Street Journal

America's continued construction labor crisis

CNN Money

The dire generatio

Soaring lumber prices a problem for home builders and buyers

CNBC

Real estate CEO: Record-low housing inventory is 'freaking us out'

Housing inventory continues to drop amid tight credit and a growing tendency toward becoming a

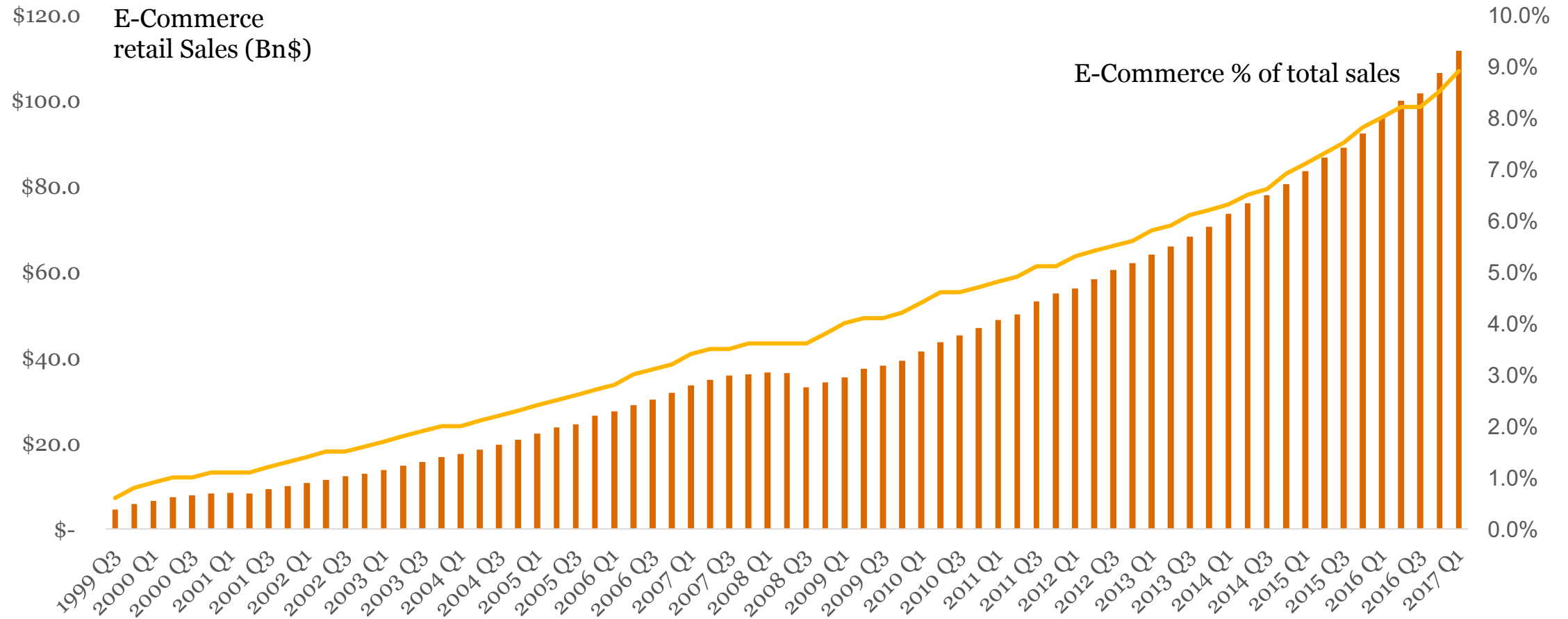
Retail transforms and stores remain

“Retail isn’t dead, it’s just changing.

Give it some time to adjust”



E-Commerce continues to rise as a % of total retail sales

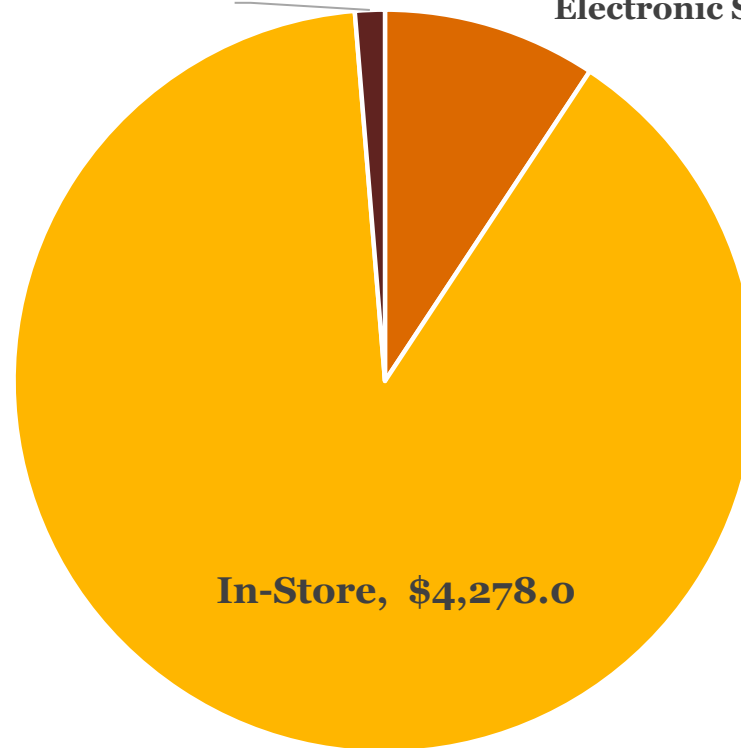


2016 retail sales distribution by channel (billions of \$)



Fulfilled from Store, \$62.2

Electronic Shopping & Mail Order, \$445.0



In-Store, \$4,278.0

The Top 10

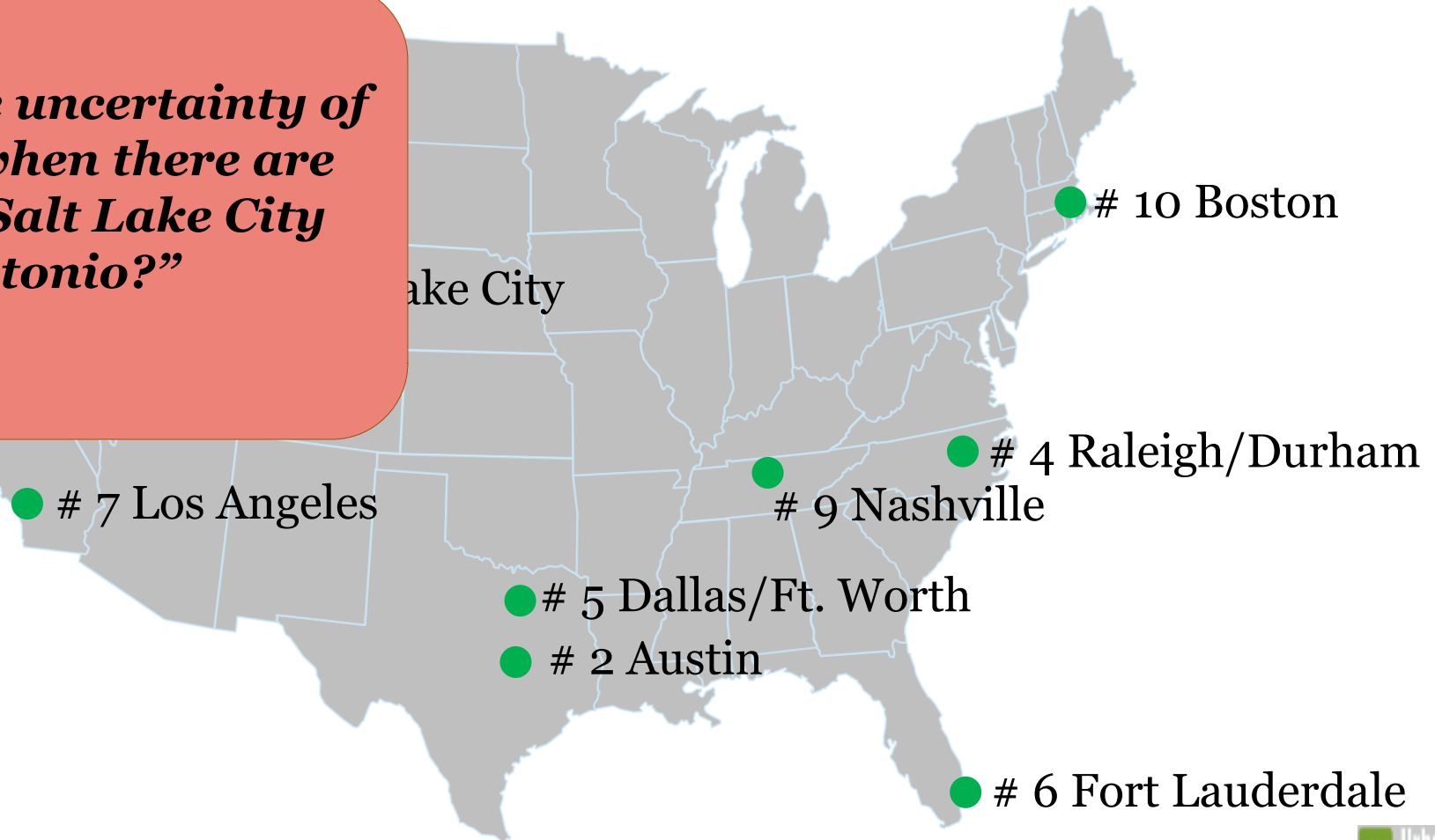
2017	2018	Market
4	1	Seattle
1	2	Austin
18	3	Salt Lake City
7	4	Raleigh/Durham
2	5	Dallas/Fort Worth
35	6	Fort Lauderdale
5	7	Los Angeles
17	8	San Jose
6	9	Nashville
12	10	Boston

2018 – Others to Note

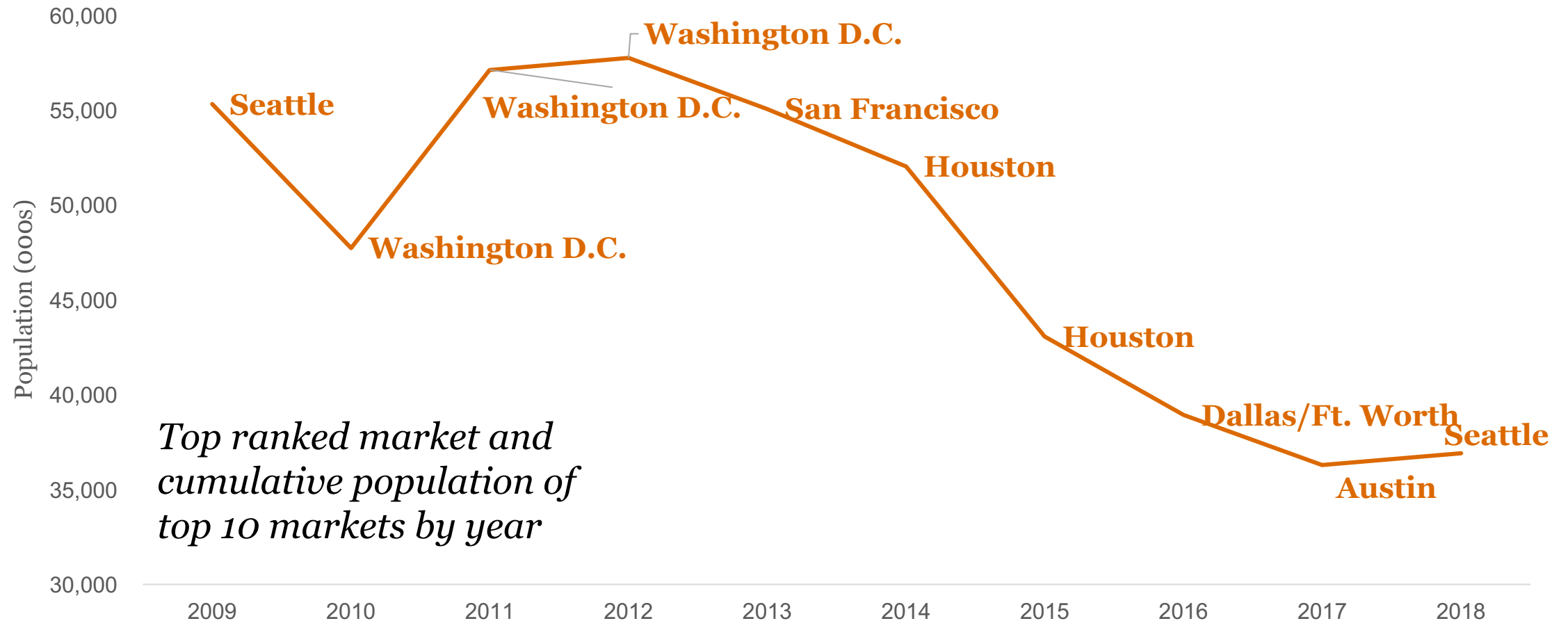
	2017	2018
San Francisco	#10	#27
Orange County	#8	#21
Portland	#3	#13

It's different this time...Isn't it? The market outlook

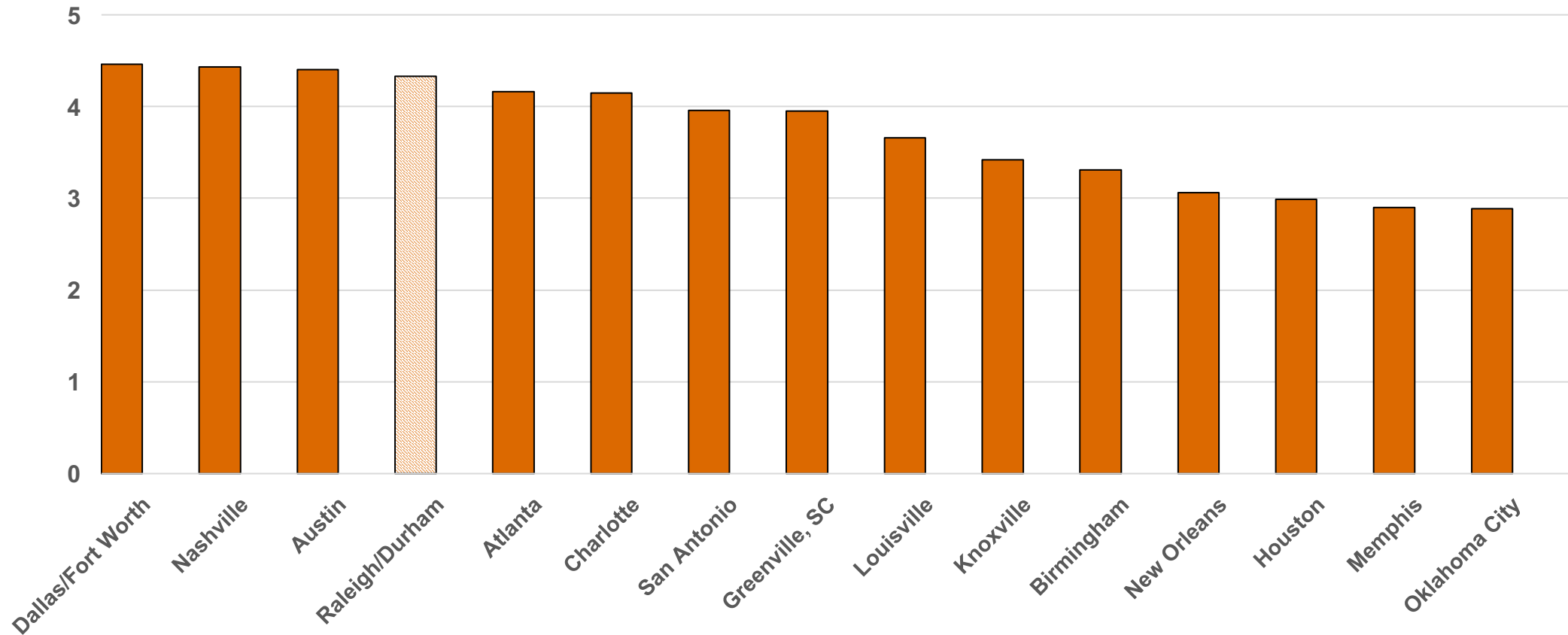
“Why deal with the uncertainty of a global market when there are opportunities in Salt Lake City and San Antonio?”



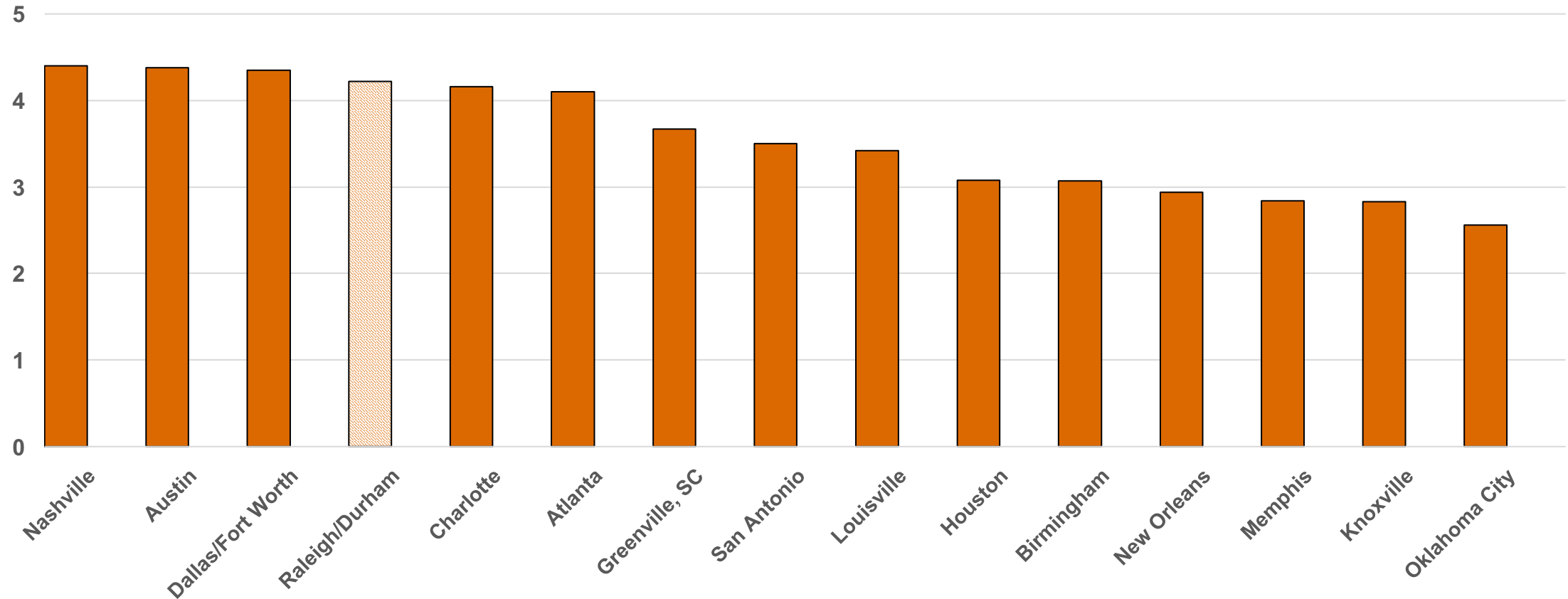
The next big market in the survey may be smaller



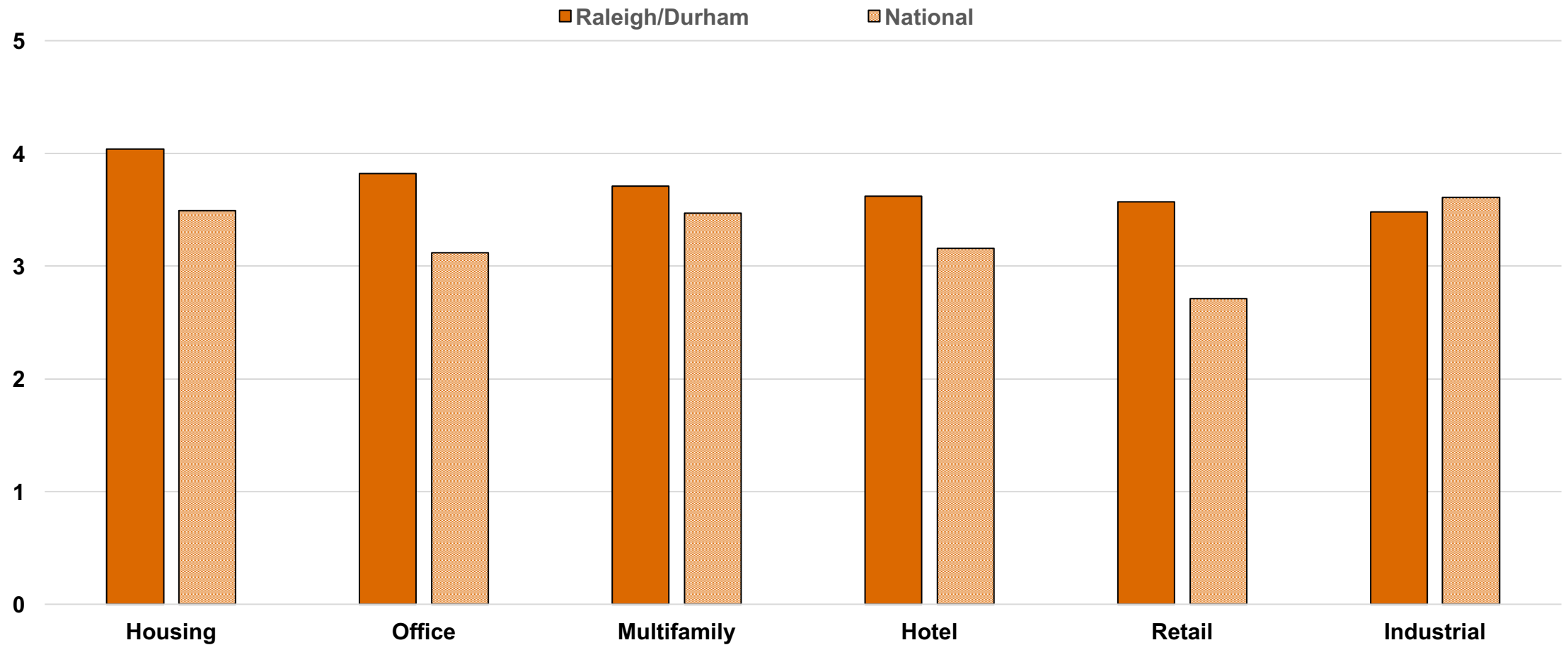
2018 South: Local Economy



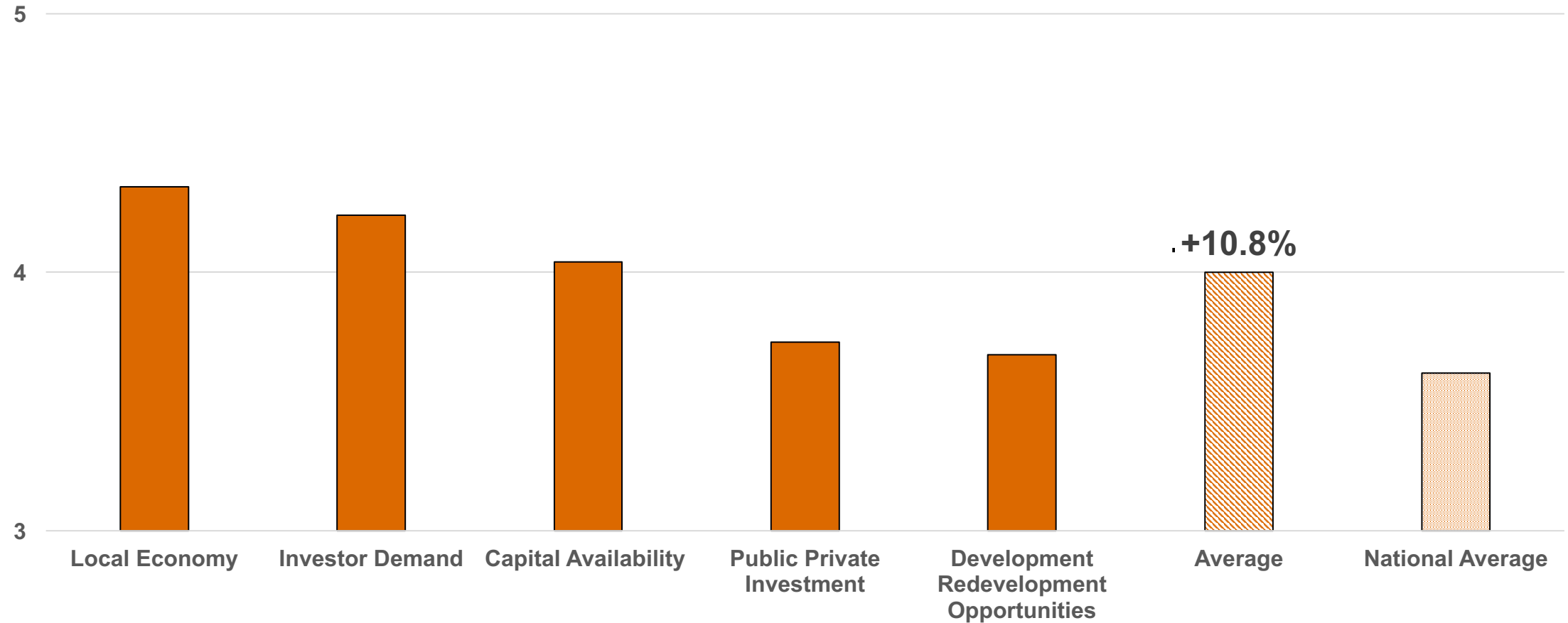
2018 South: Investor Demand



2018 Sector Outlook: Raleigh/Durham



2018 Local Outlook: Raleigh/Durham



Thank you, and now our panel!



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**uli.org/et18
pwc.com/us/etre**



2018 Real Estate Trends

November 8, 2017

