Emerging Trends in Real Estate 2016

Coordinating Offense and Defense in 2016

uli.org/et16
• PwC – ULI
• Outlook on Trends
• 37th edition
• 404/1,465
• Who?
• A record total
• ULI Triangle—Thank You!
Profitability outlook

2010

- **Good to Excellent**: 60.6%
- **Fair**: 21.6%
- **Abysmal to Poor**: 17.7%

Source: Emerging Trends in Real Estate 2015
Profitability outlook improving

2013

55.9%
41.8%
2.4%

Source: Emerging Trends in Real Estate 2016
Profitability outlook still improving

2015

- 74.0% (Good–excellent)
- 24.9% (Modestly poor–modestly good)
- 1.1% (Abysmal–poor)

Source: Emerging Trends in Real Estate 2016
Profitability outlook still improving

Source: Emerging Trends in Real Estate 2016
Look what we found

Expectations are high

Source: Emerging Trends in Real Estate 2016
Deja Vu all over again?

Expectations are high

Source: Emerging Trends in Real Estate 2016
2016 Emerging Trends

18-Hour cities 2.0
Next stop: The suburbs
Office: A Barometer of Change
A housing option for everyone
Parking for change
2016
Emerging Trends

Infrastructure:
Network it! Brand it!

Food is getting bigger and closer

Consolidation breeds specialization

We raised the capital, now what do we do with it?

The return of the human touch
Emerging Trends outlook ranking change 2010 - 2016

Survey respondents favor growth and competitive business and living costs

Markets moving up
Atlanta, Charlotte, Dallas/Fort Worth, Nashville, Portland

Markets moving down
Seattle, San Francisco, Boston, New York, Washington D.C.
Top ten markets in 2013?

San Francisco
New York City
San Jose
Austin
Houston
Boston
Washington D.C.
Dallas/Fort Worth
Orange County

Source: Emerging Trends in Real Estate 2016
Top ten markets in 2016?

- Dallas/Fort Worth ▲
- Austin
- Charlotte ▲
- Seattle ▲
- Atlanta
- Denver ▼
- Nashville
- San Francisco ▼
- Portland
- Los Angeles ▼
- Raleigh/Durham ▼

Out of the top 10 in 2016?

- Washington D.C. (24)
- New York City (15)
- Orange County (14)
- Miami (19)
- Houston (30)
- **Boston (13)**
- Raleigh/Durham (11)

Source: Emerging Trends in Real Estate 2016
Transaction Volume in Top 10 Markets
2010 v 2016

Recession: 2008-2009

Recovery: 2010-2011

Expansion: 2012-2015

Cost of doing business
112% | 99%
Cost of living
119% | 112%

Source: Moody’s Analytics, Real Capital Analytics
Next stop: The suburbs...

Generations are on the move, with millennials the most footloose
Next stop: The suburbs...

Where do people currently live?

Where Do People Currently Live?

- Millenials (18 to 35): 62%
- Generation X (36 to 49): 67%
- Baby Boomers (50 to 69): 71%

Source: U.S. Census Bureau
Next stop: The suburbs….

Metropolitan mobility by location

Metropolitan Mobility, 2013 to 2014

Source: U.S. Census Bureau
Next stop: The suburbs....
Metropolitan mobility by generation

Metropolitan Mobility, 2013 to 2014

- TOTAL, 3 GENERATIONS: 6.33 MILLION PEOPLE
- TOTAL: 6.28 MILLION PEOPLE
- TOTAL: 2.27 MILLION PEOPLE
- TOTAL: 1.51 MILLION PEOPLE

Source: U.S. Census Bureau
Next stop: The suburbs....

It may be all about the kids!

Source: City Observatory, National Vital Health Statistics, U.S. Census Bureau
Next stop: The suburbs....

Where millennials live within cities

Other city neighborhoods

Downtown/near downtown

Source: U.S. Census Bureau, UDR/Lachman Associates Survey, Gen Y and Housing, Urban Land Institute, November 2014
Offices: A Barometer of Change

2000

253 sf per worker

2010

225 sf per worker

2020?

138 sf per worker

Number of workers per 1,000 sf

Source: Corenet Global, PwC
Offices: A Barometer of Change

10-year labor force poses the question...

...Who is in charge?

Source: U.S. Census Bureau, Bureau of Labor Statistics, PwC
Offices: A Barometer of Change

Small business, big impact

% of total employment change by company size since 2013

Source: Bureau of Labor Statistics, PwC
Offices: A Barometer of Change

A Housing Option for Everyone

Can you rent the American dream?
A Housing Option for Everyone
Rent and Income

Average Rent as % of Median Income

27.6% Raleigh/Durham
31.4% US

Own as % of Median Income

37.6% US

Source: U.S. Census Bureau, Core Logic
Parking for Change

Parking was once a must-have....
....building owners will now have options
Parking for Change

Percent of Drivers Commuting by Automobile

Source: U.S. Census Bureau, U.S. Department of Commerce, Department of Transportation
Delaying Licensure

- Only 44% obtained a driver’s license within 12 months of the minimum age
- Only 72% obtained a license before turning 18

Top Reasons for not getting a drivers license:

1. Not having a car ✓
2. Ability to get around without driving ✓
3. The cost of gasoline
4. Driving was too expensive
5. “Just didn’t get around to it”

Source: AAA Foundation for Traffic Safety
We raised the capital, now what do we do with it?
We raised the capital ...

Dry Powder

Institutional dry powder and REIT Cash

Source: Prequin, Quarterly real estate update, Q2 2015, Federal Reserve Flow of Funds
Emerging Trends Barometer: Buy? Hold? Sell?

Source: Emerging Trends in Real Estate 2016
And a few other Issues....

Interest rates

Water

Gen X

The Fair Housing Act and the affordability crisis

Good jobs and income mobility
Prospects for Commercial/Multifamily Subsectors in 2016

**Investment prospects**
- Fulfillment Center
- Warehouse industrial
- Medical office
- Apartment rental—moderate
- Apartment rental—high
- Limited-service hotels
- Neighborhood/comm. shopping centers
- Central city office
- R&D Industrial
- Student housing
- Full-service hotels
- Apartment rental—affordable
- Suburban office
- Institutional rentals of SF houses
- Power centers
- Regional malls

**Development prospects**
- Warehouse industrial
- Fulfillment Center
- Medical office
- Apartment-high income
- Limited-service hotels
- Apartment rental—moderate
- Student housing
- Central city office
- R&D Industrial
- Neighborhood/community shopping centers
- Apartment rental—affordable
- Full-service hotels
- Institutional rentals--SF houses
- Suburban office
- Power centers
- Regional malls
Raleigh/Durham Investment Prospects
2016 Local Outlook: Raleigh/Durham

- Local Economy
- Investor Demand
- Development Opportunity
- Capital Availability
- Local Development...
- Public Private Investment
- Average
- National Average
2016 South: Local Economy
2016 South: Investor Demand
2016 South: Capital Availability
2016 South: Development Opportunity
2016 South: Public/Private Investment

- Greenville
- Deltona-Daytona
- Charlotte
- Nashville
- Dallas/Ft. Worth
- Charleston
- Miami
- Raleigh/Durham
- Austin
- Columbia
- Fort Lauderdale
- San Antonio
- Palm Beach
- Tampa/St. Petersburg
- Orlando
- Oklahoma City
- Atlanta
- Memphis
- Washington, DC
- Jacksonville
- Houston
- Naples
- Louisville
- New Orleans
- Richmond/Norfolk
- Birmingham
2016 South: Local Outlook
2016 Expected Best Bets

Go to Key Secondary Markets

Middle-Income Multifamily Housing

Take a Deep Dive into the Data

Plan Your Parking For Change
Emerging Trends in Real Estate 2016

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