

Emerging Trends in Real Estate 2023

ULI Jacksonville Fall Forum
January 19, 2022



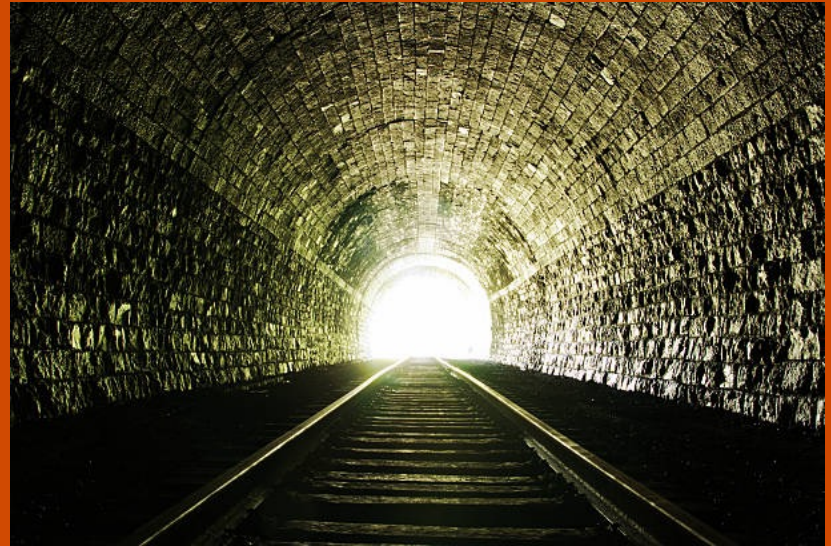
Emerging Trends in Real Estate 2023

- Provides one of the real estate industry's most predictive outlook
- The longest, continually published forecast: 44th edition
- Based on an extensive survey and numerous confidential interviews with industry leaders
- Emerging Trends global with Europe, Asia Pacific, and Canada coverage
- Published by PwC in conjunction with Urban Land Institute



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Taking the long view. Near-term concern giving way to long-term optimism

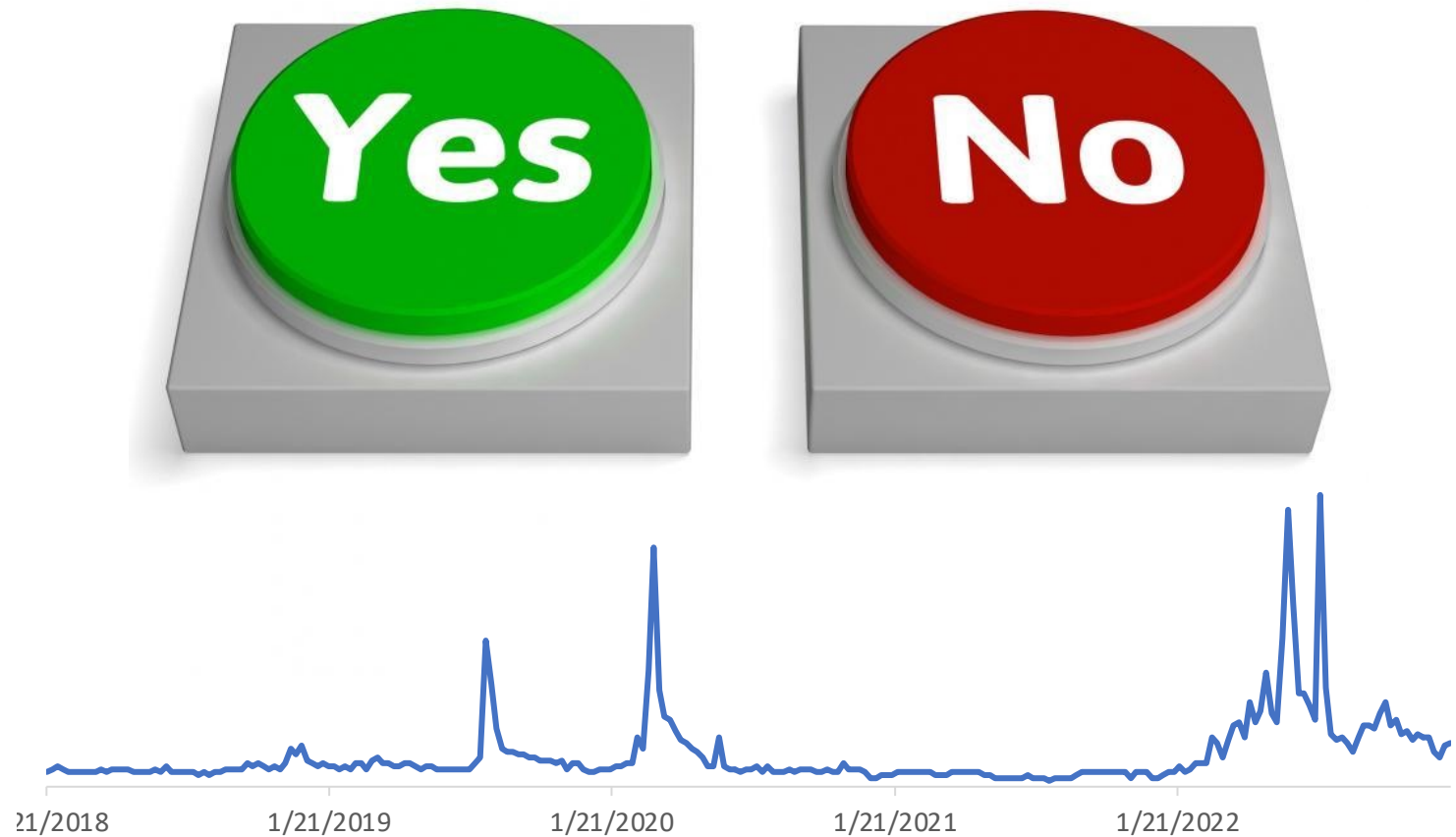


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Market Sentiment
Reflects Concern

Will There Be a Recession in 2023?

There is no wrong answer



Source: PwC, Google Trends

Survey Says...

The magic 8-ball reveals – ask again later

66% Expect a Global Recession
-World Economic Forum

70% Economists Place Chance in US
-Bloomberg

73% CEOs expect global economy to shrink
-PwC

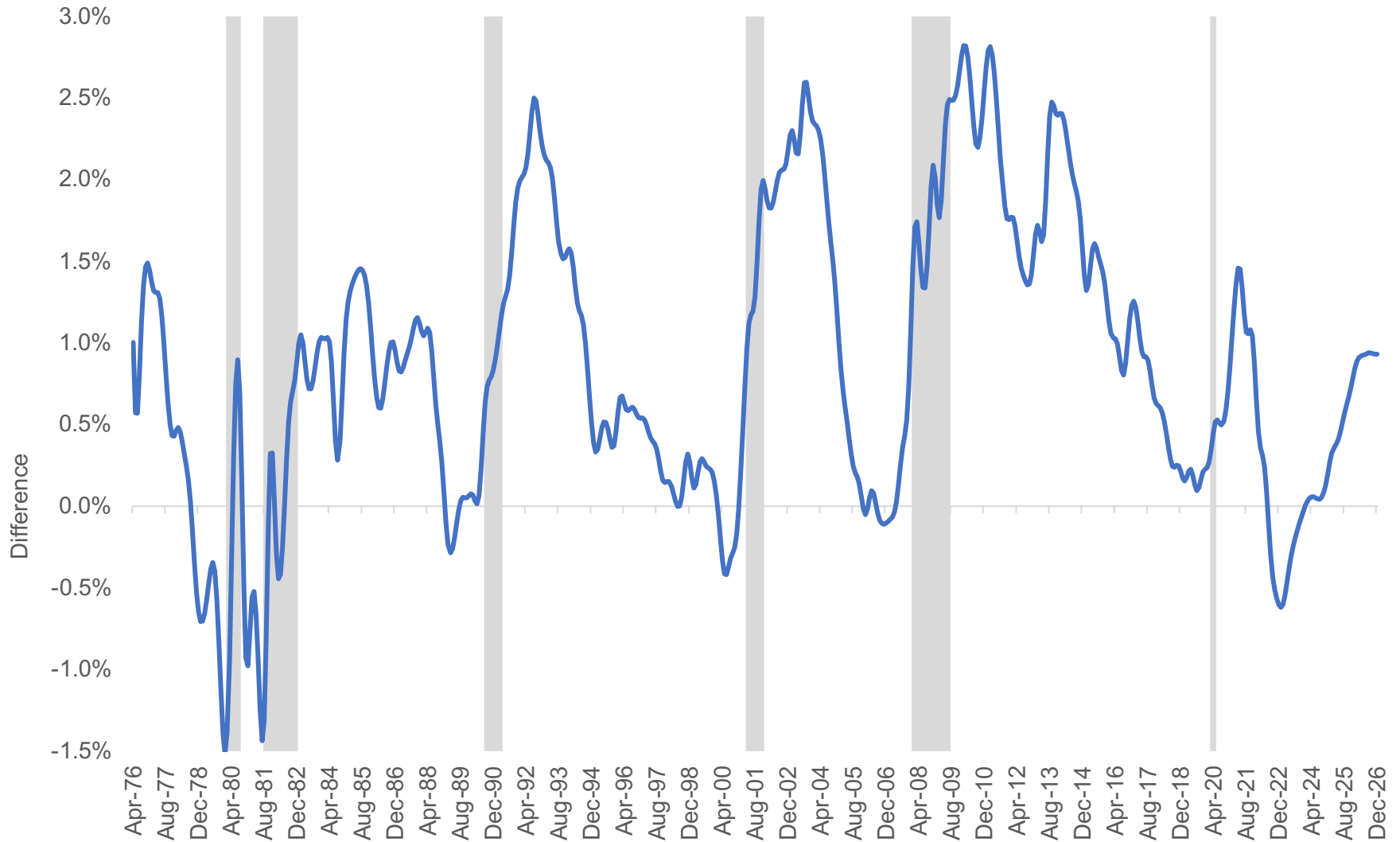


64% Chance of Contraction
-BankRate

60% US CEO's expect tepid year ahead
-The Conference Board

Source: PwC, WEF, Bloomberg, BankRate, The Conference Board

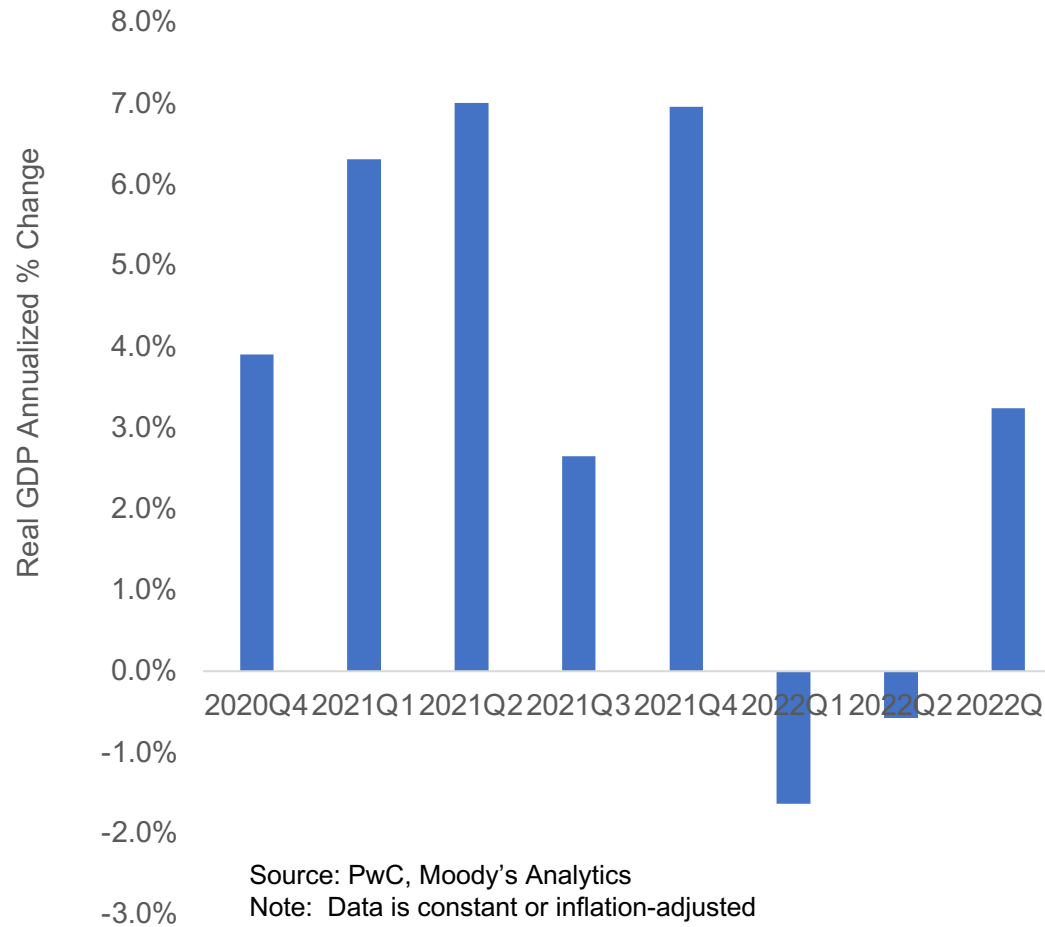
Inverted Yield Curve: 10-Year Minus 2-Year



Source: PwC, Moody's Analytics

What Is A Recession?

Gross Domestic Product



Federal Reserve's Dual Mandate

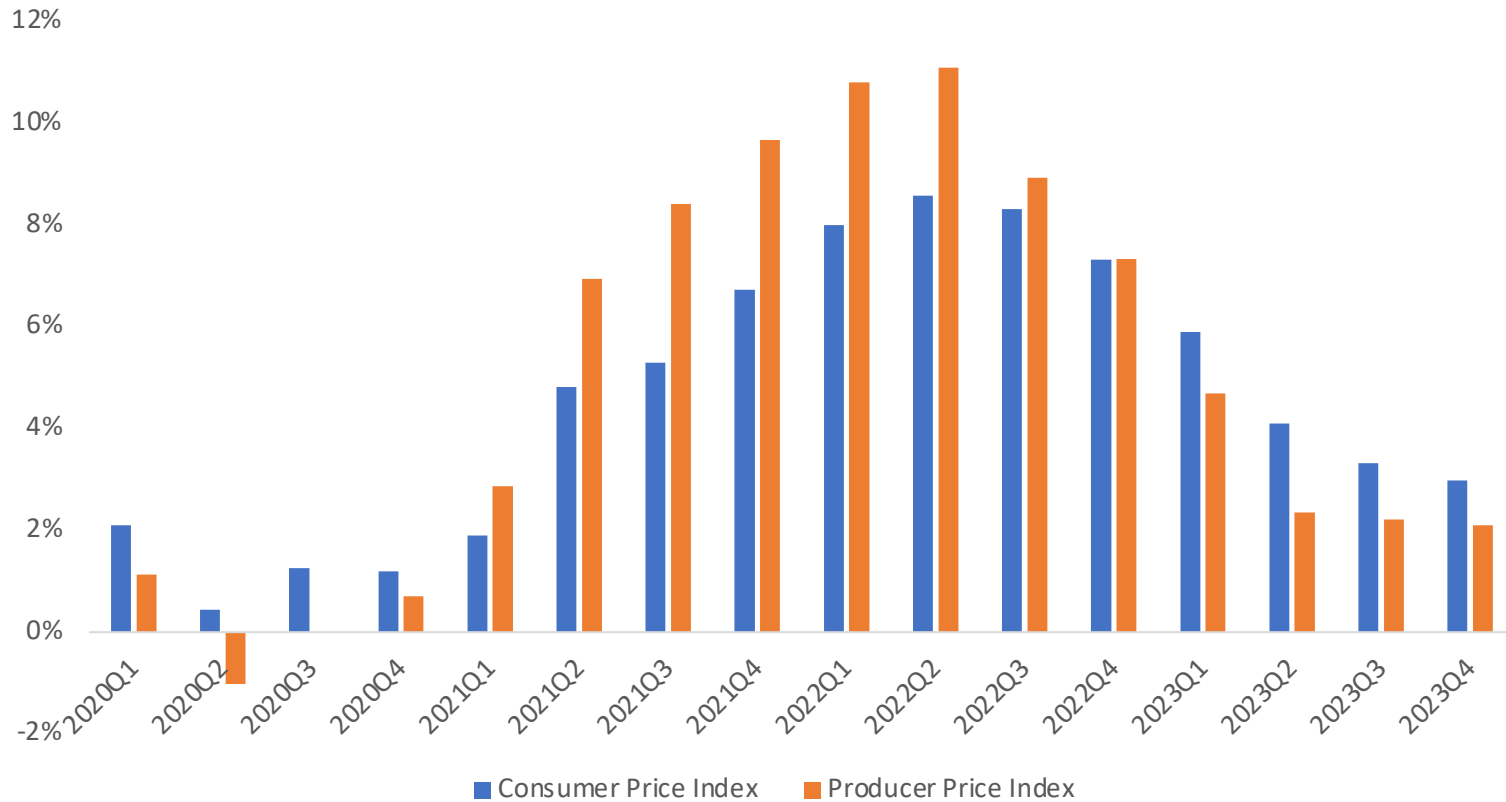
2%
Inflation that's
our goal!

5%
Unemployment
that's our goal!



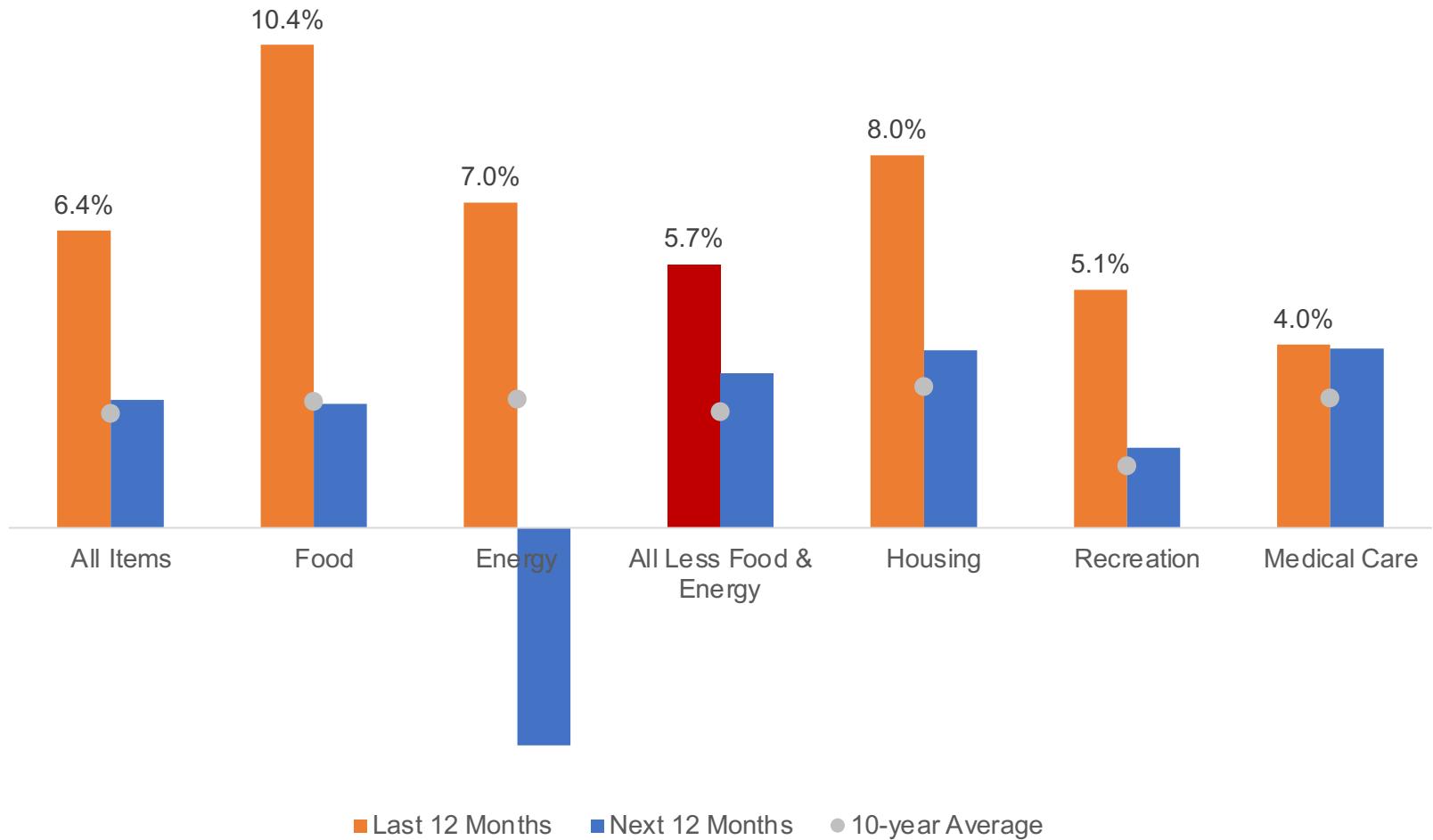
Inflation Pipeline

The cost from both sides



Source: PwC, Moody's Analytics
Note: Data is seasonally adjusted.

Consumer Price Index



Source: PwC, Moody's Analytics

This is When it Hit Me!

The scariest part of Halloween



Exhibit A



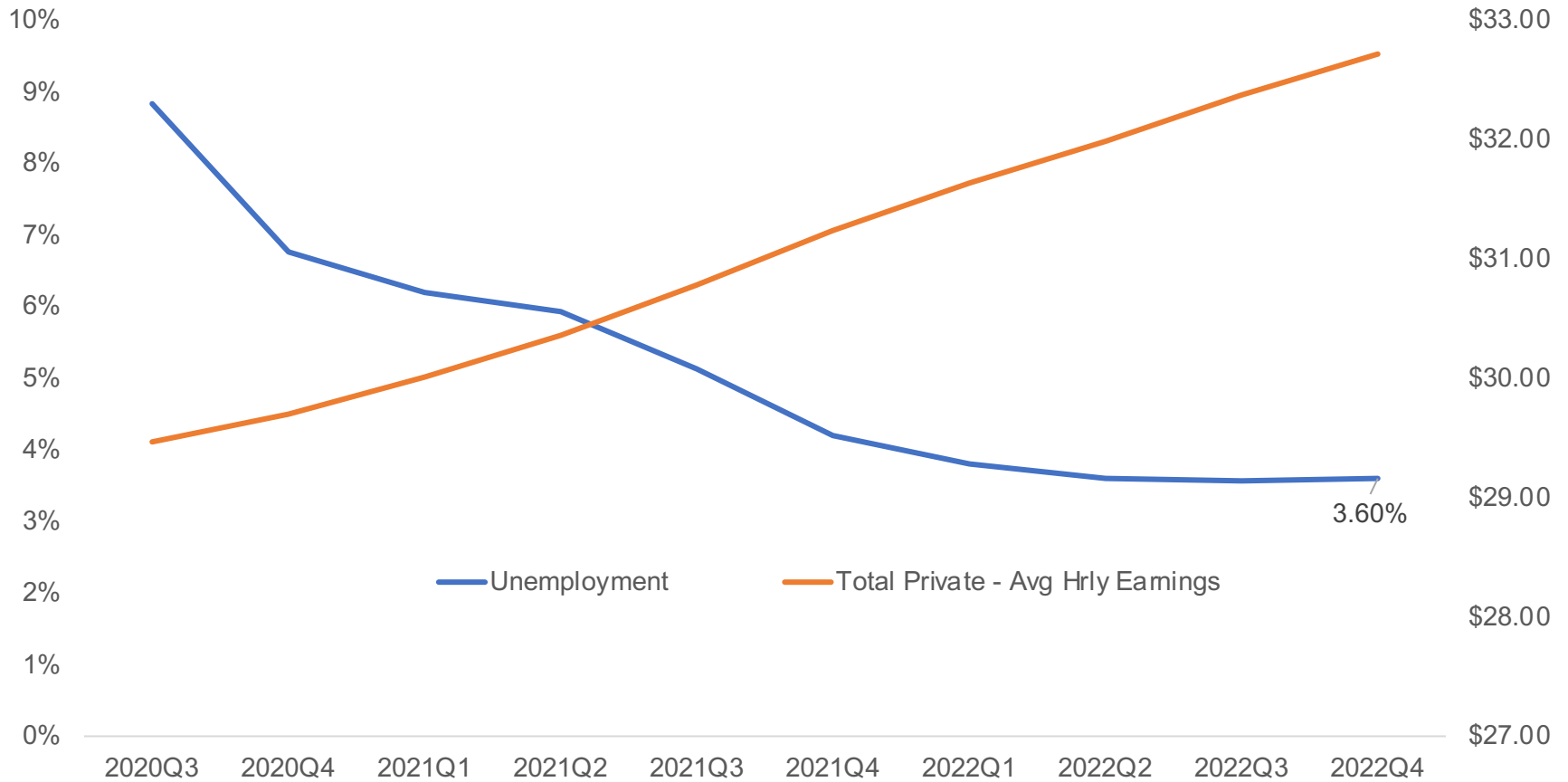
Exhibit B



Exhibit C

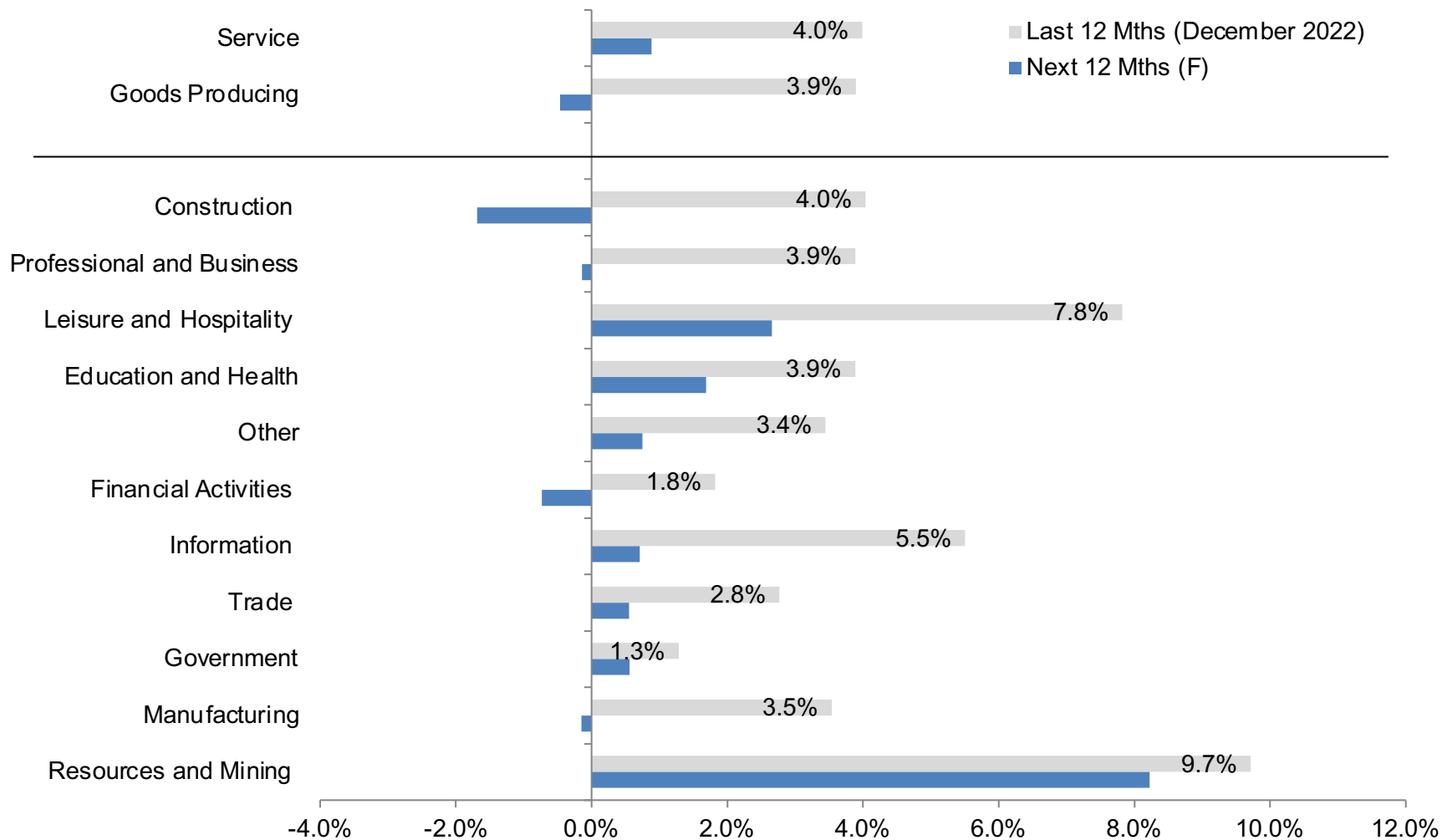
SHRINKFLATION

The Labor Market



Source: PwC, Moody's Analytics

Who's Hiring?



Source: PwC, Moody's Analytics

No Shortage of Distractions

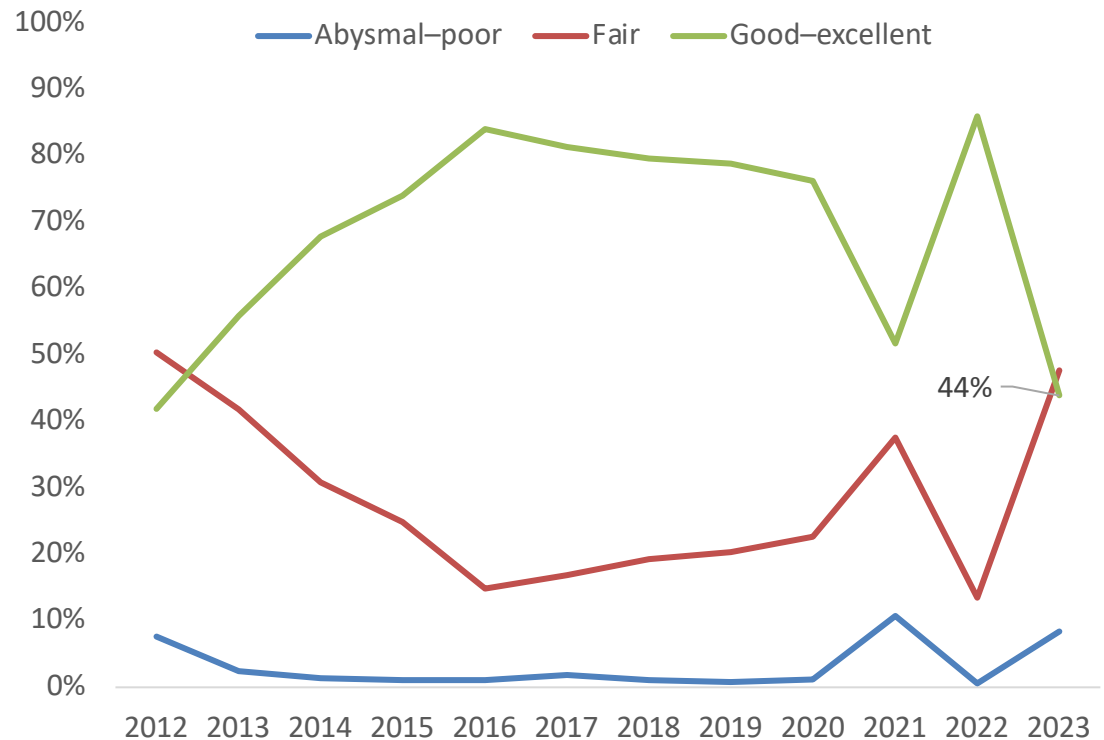


Profitability Sentiment

A majority shift to Fair

44%

“The short-term risks are real, and I’m not making light of any of them. But if you have the long view, I don’t think it’s time to panic”



2

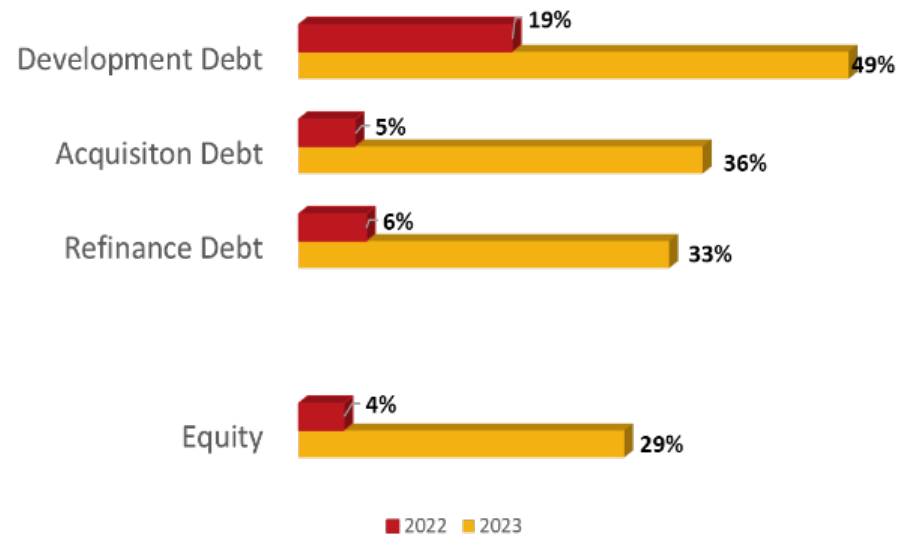
Capital Markets

Capital moves to the sidelines

Wait and see attitude and not a full retreat



Capital May be harder to find in 2023



Finding a Higher Purpose

Less traditional demand may increase opportunities for adaptive reuse

Opportunities

- Reduced demand due to changing behavior may lead to rising obsolescence
- Reuse seen as a potential solution to multiple challenges
 - Affordable and subsidized housing
 - Last mile distribution
 - Meeting net zero carbon goals
- Possible adaptive reuse targets
 - Office to Residential
 - Hotel to Residential
 - Retail to Distribution

Challenges

- No cookie-cutter plan to utilize
- Identifying the appropriate targets
- Every building will need a new approach
- Making the economics work
 - Retail to Distribution



Repurpose the Hut



3

What is Normal?

Dash of the Old, Spalsh of the New

What is transitioning to a new normal? Will things get a little messy?

- Inflation – Where does it go from a 40-year high?
- Rising interest rates – How high? How long?
- Real estate returns – Down from record levels?



Some Notable Changes

Change is Good, Right?

Notable Changes

In-Store vs. Online Shopping

- Shoppers go back to the store
- Online holds on to gains

Business Travel vs. Virtual

- Value of face-to-face rediscovered
- Hard to overlook cost savings and convenience of virtual

Work-From-Home vs. Return to the Office

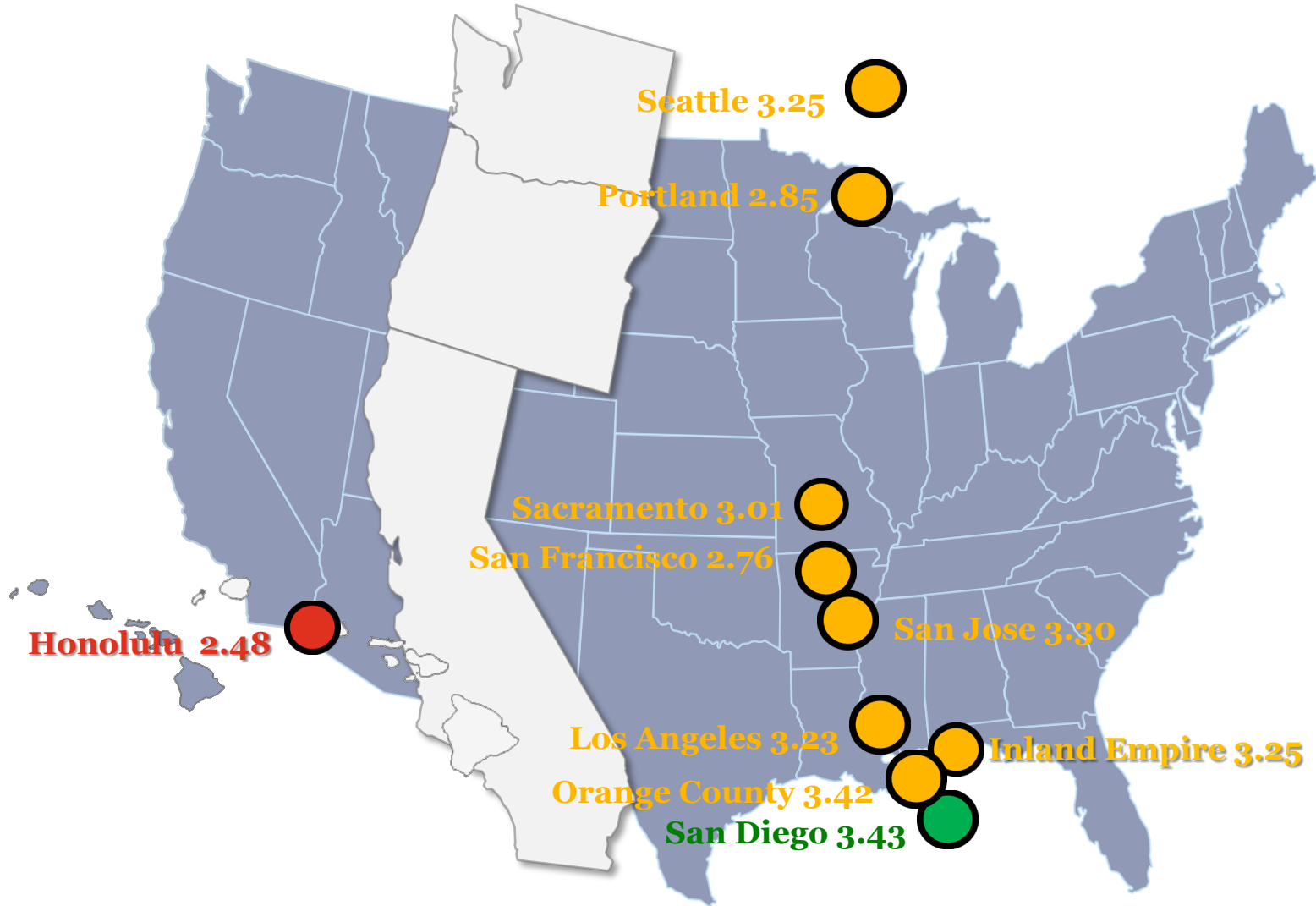
- Employees like flexibility
 - Employers want collaboration
-

U.S. Markets to Watch

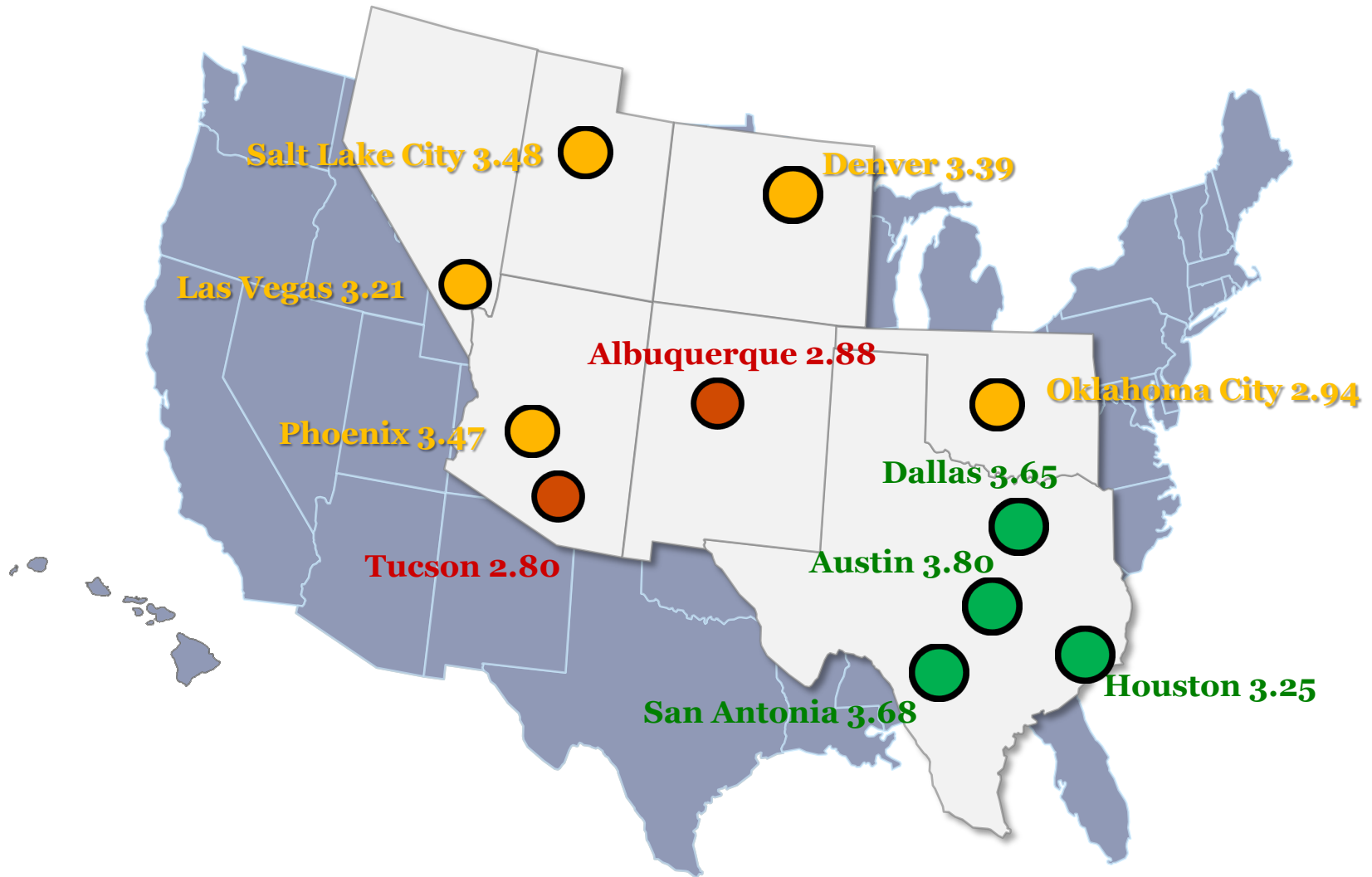
Overall Real Estate Prospects

	Group	Subgroup	2023 Households	Rank Change
1. Nashville	Magnet	Supernova	832.9	Zero
2. Dallas/Ft. Worth	Magnet	Super Sun Belt	2,982.4	Up 5
3. Atlanta	Magnet	Super Sun Belt	2,375.4	Up 5
4. Austin	Magnet	Supernova	960.0	Zero
5. Tampa	Magnet	Super Sun Belt	1,381.4	Zero
6. Raleigh/Durham	Magnet	Supernova	840.9	Down 4
7. Miami	Magnet	Super Sun Belt	988.0	Up 8
8. Boston	The Establishment	Knowledge & Innovation	1,927.1	Up 2
9. Phoenix	Magnet	Super Sun Belt	1,945.7	Down 6
10. Charlotte	Magnet	18-Hour City	1,090.2	Down 4

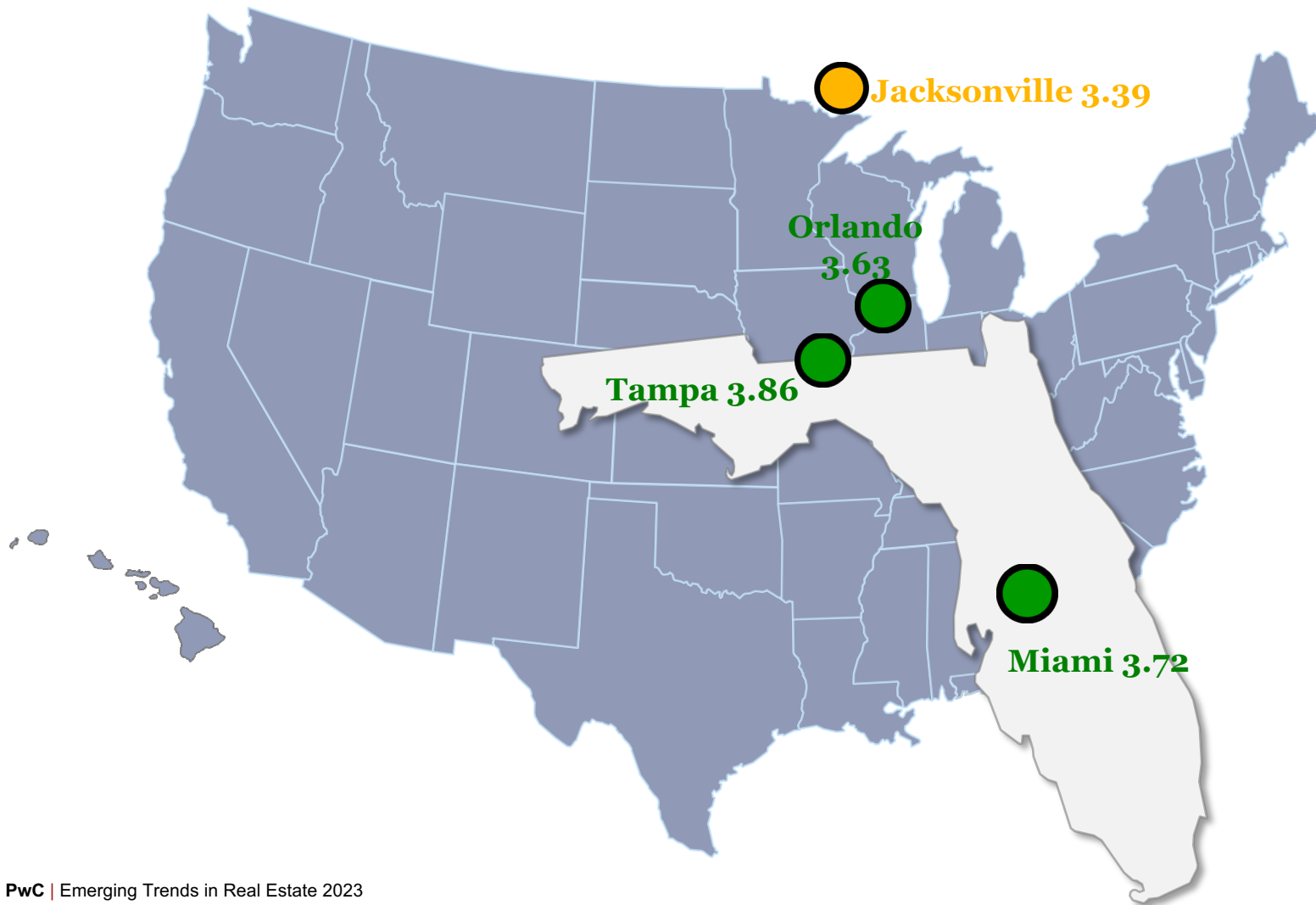
West Coast



Southwest



Florida



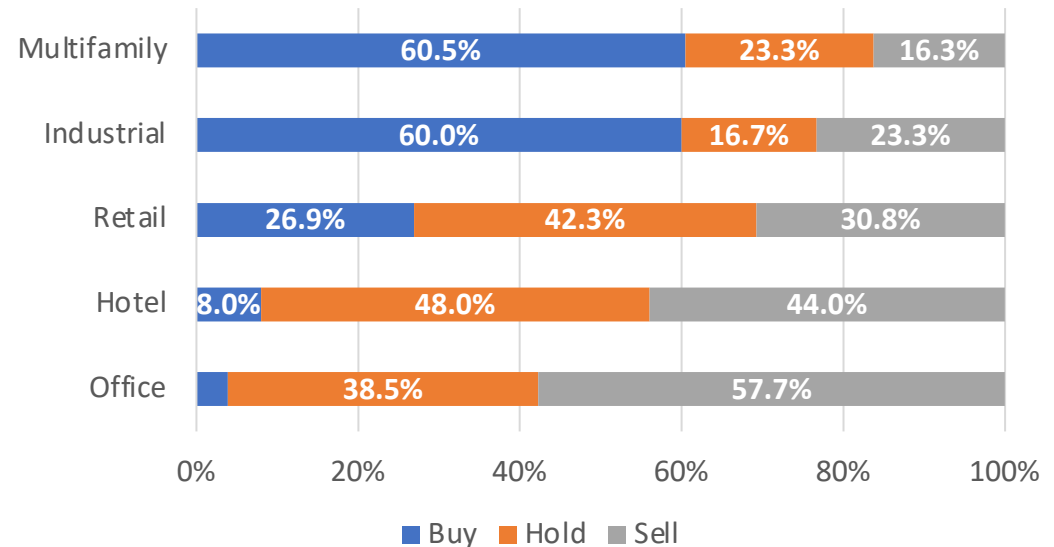
Let's Talk Jacksonville...

Come on, Florida, what about Jacksonville?

Local Market Perspective (1-5)

Category	Rank	Score
Investor Demand	27 th	3.62
Development/Redevelopment	22 nd	3.55
Economy	20 th	3.89
Public & Private Investment	32 nd	3.30
Availability of Capital	23 rd	3.72

Overall Real Estate Prospects: #38
Homebuilding Prospects: #21

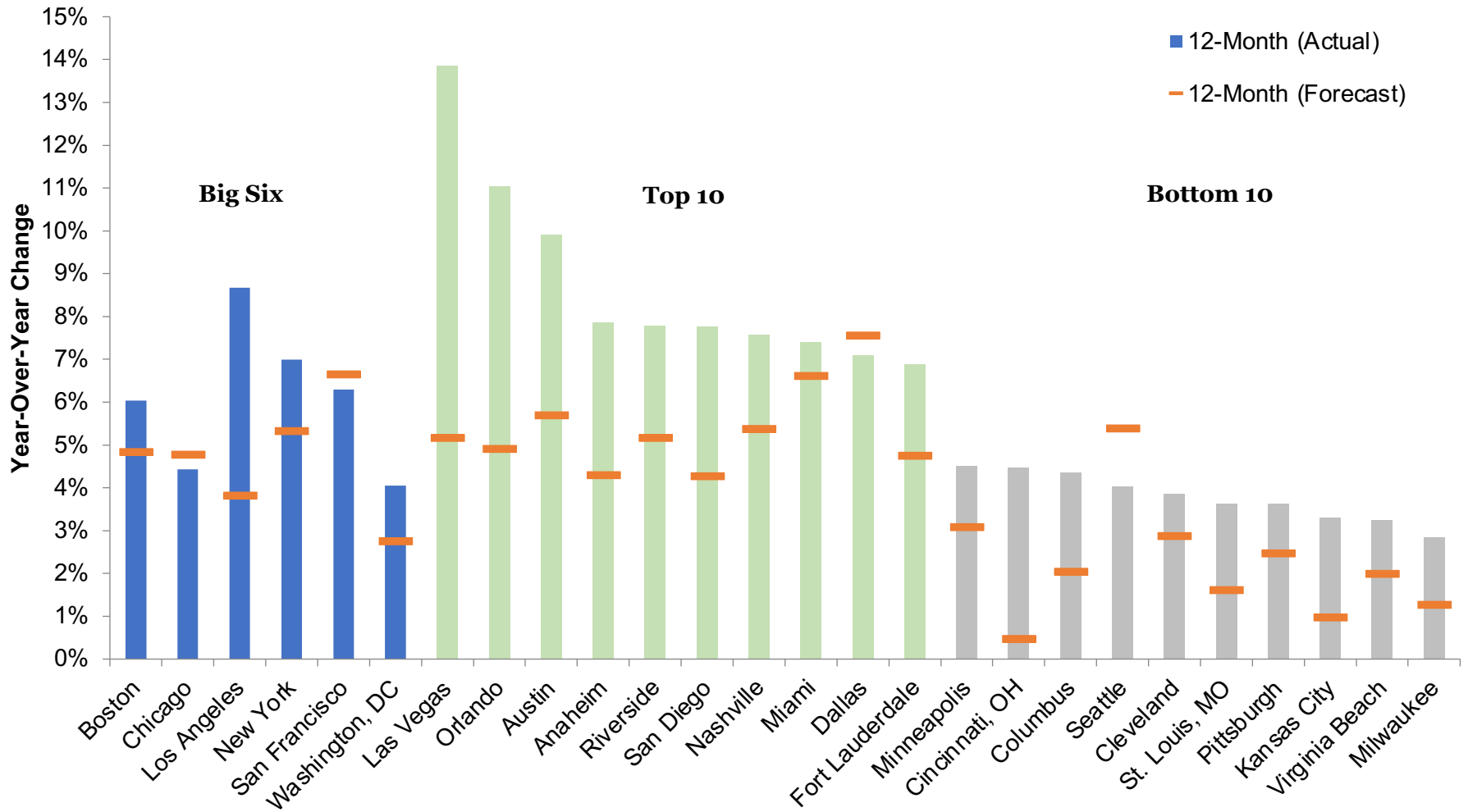


“Builders noted the large number of Californians who moved to Florida.”

More Things About Jacksonville...

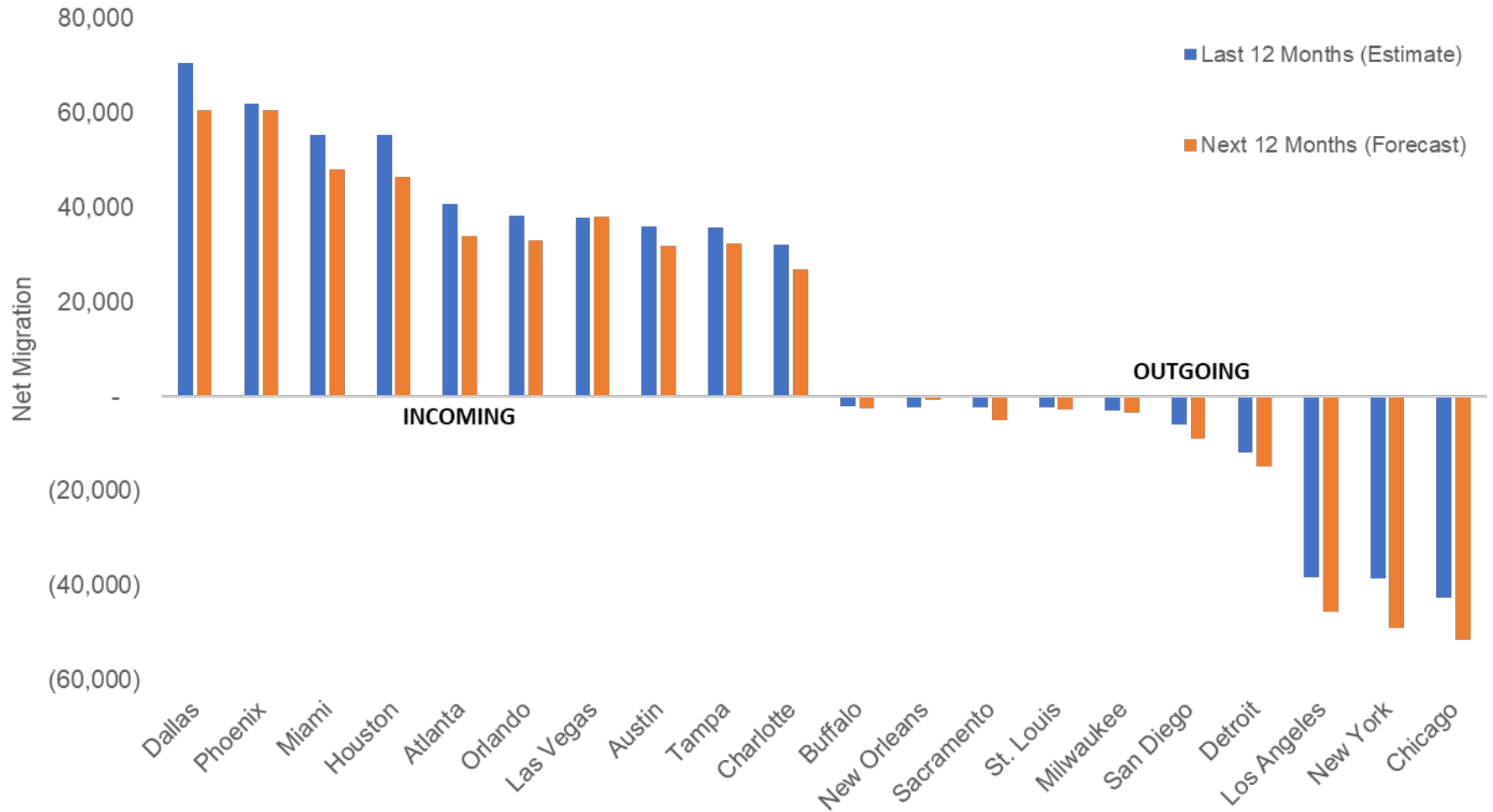
- **The Appeal**
 - Economic Drivers: Logistics, Financial Center, Defense
 - Robust distribution industry
 - Military base employment
- **Infrastructure**
 - Florida: C
 - Not all bridges & roads
 - City needs to address infrastructure & transportation needs
- **Living**
 - Multifamily – 2022 (F) vacancy rates: 9.9%
 - 2023: On pace for over 5,500 deliverables
 - 2022 Average rent per unit (F): \$1,578
 - Home Ownership
 - Median sales price = \$309,000
 - Home sales are slightly declining

Back to Employment...



Source: PwC, Moody's Analytics

Let's Follow Them: Net Migration



Source: PwC, Moody's Analytics

Property Type Outlook Remains Consistent

Despite changes the outlook by property is little changed from last year

#1 Industrial

Fulfillment Charges On

Momentum Concerns

#2 Multifamily

Healthy Demand

Affordability Suffers



#6 Office

Evolving Demand

Quality is Key

#3 Hotels

Business is Back

The Future of Leisure

#5 Retail

Operational Efficiency

Inventory Management

Looking Into Other Options

Don't Drink Spoiled Milk.



WHOLE



ALMOND



OAT



CASHEW



SOY



RICE



HEMP



COCONUT



GOAT



LACTOSE



ORGANIC



LOW-FAT



BUTTER

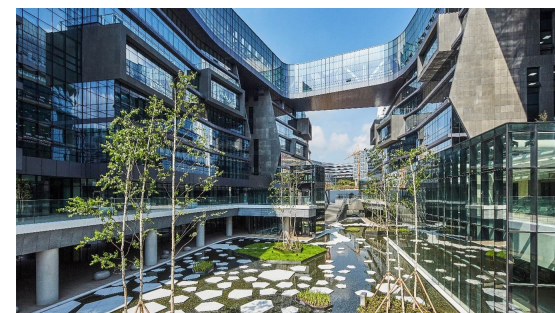
...AND 12 OTHER TYPES



DATA CENTERS



SINGLE-FAMILY HOUSING RENTALS



LIFE SCIENCE

4

Emerging
developments of
ongoing trends

Too Much for Too Many

Persistent attainable housing problem



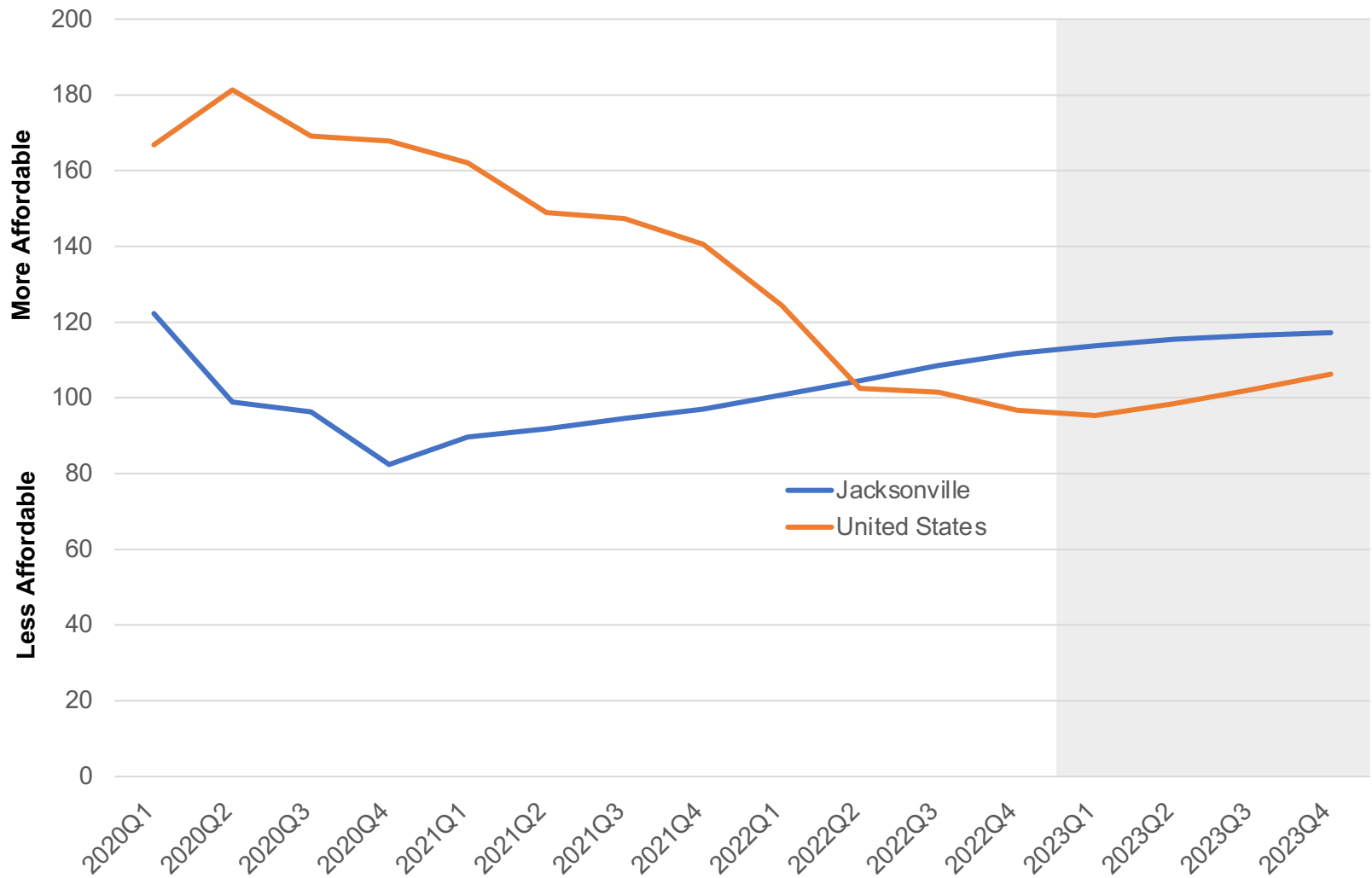
Single
Family

- Housing affordability declines by 37%

Multifamily

- U.S. average apartment rents rise by over 15%

Jacksonville Home Affordability

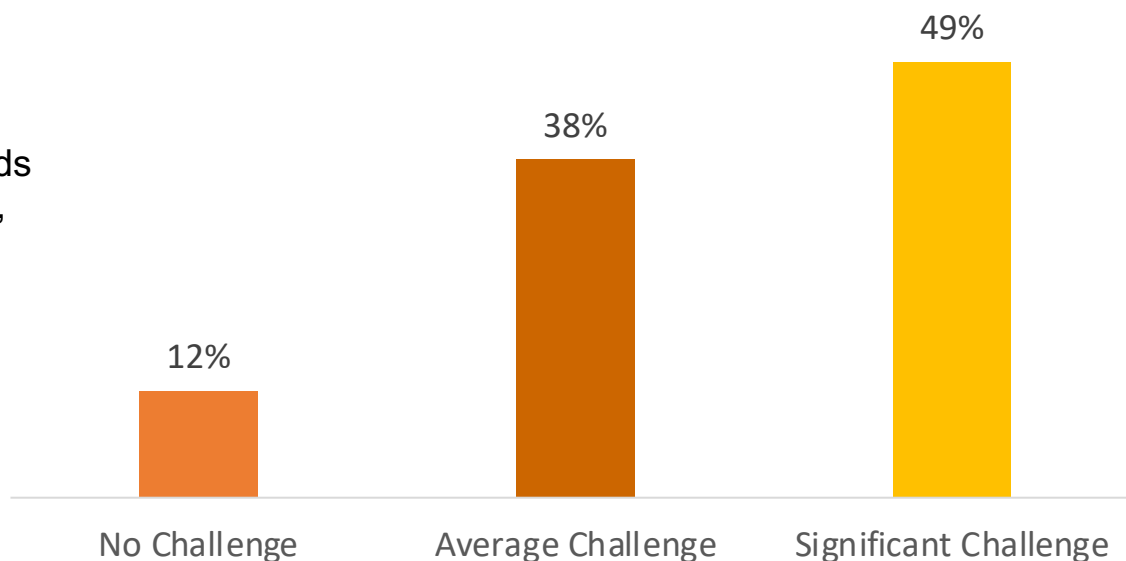


Smarter, Fairer Cities Throughout Infrastructure Spending

Dollars can be used for more than roads and bridges

- Two pieces of legislation addressing infrastructure
 - Bipartisan Infrastructure Law
 - Inflation Reduction Act
- Combination of these laws allocates funds to meet “traditional” infrastructure needs, but also address existing inequities
 - Digital equality
 - Environmental remediation
- Not just building --also removing obstacles

Challenge Presented by Inadequate Infrastructure

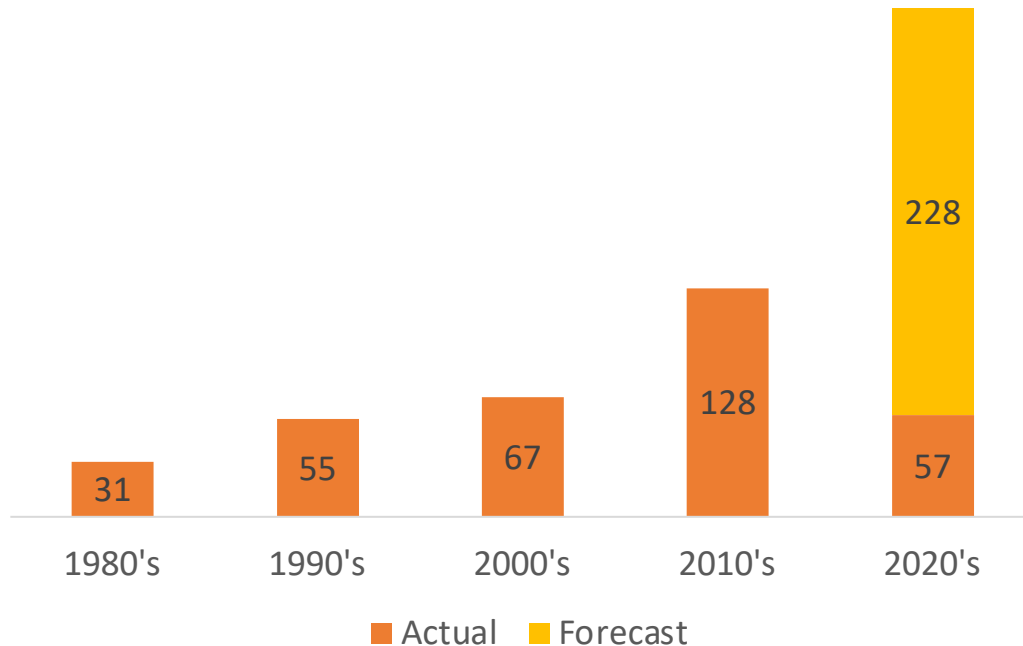


Source: PwC, Emerging Trends in Real Estate 2023

Climate Changes Growing Impact

Incidents are occurring in more places and at a greater frequency

Number of Billion \$ Disasters By Decade



Source: PwC, National Centers for Environmental Information
Note: CPI Adjusted

- Severe climate events continue to increase on an annual basis
- While more severe in specific regions, most of the country is being impacted by events throughout the year
- Recovery from events gets more expensive with the risk of becoming exclusionary
- Limiting where growth can occur without creating more risk
- Insurance is not a replacement for resilience

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The next couple of years may be bumpy, but we likely come out on the other side in an environment where the best operators differentiate themselves



Thank you

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