

Moving Out: Looking At Demand

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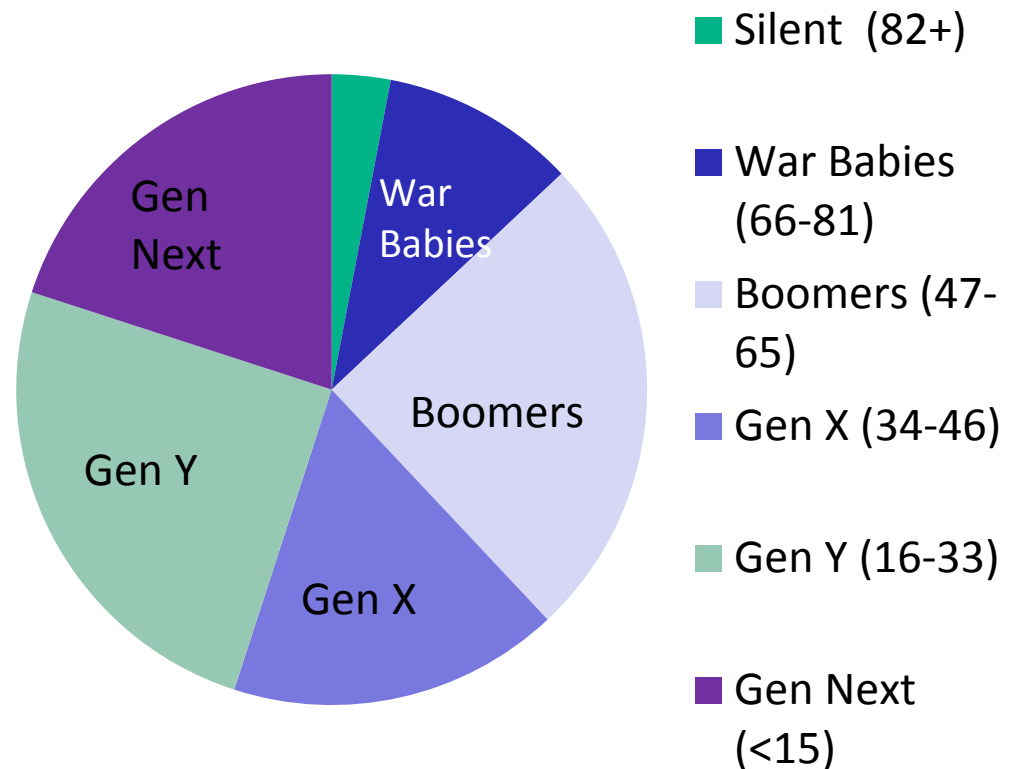
U.S. Age Cohorts

Gen Y: 85 million +

Gen X: 41 million

Boomers: 81 million

Depression/Silent:
40 million



Source: US Census

What Do We Think We Know

- Time of enormous uncertainty
- Old rules do not apply
- Changing paradigms
- How much demand is there?



Population Growth

- Census says about 30 million a decade, 3 million/year
 - Recent slow down
 - Recession is over, but few jobs
 - Immigration crackdowns
 - Better economies/opportunities in other countries
 - Fewer births
 - Is this a new Gen X?
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Housing Need

- Moody Analytics + Harvard Joint Center indicate a total need of

1.6-1.9 million units/year*

*Includes single and multi-family, replacement units and vacancy

1.3 million new Households/year

Recent Housing Production

Year	Single Family	Multi-Family	Total Units*
2000	1,242	332	1,574
2001	1,256	315	1,571
2002	1,325	323	1,648
2003	1,386	292	1,678
2004	1,532	310	1,842
2005	1,636	296	1,932
2006	1,654	325	1,979
2007	1,218	284	1,502
2008	819	301	1,120
2009	520	274	794
2010	496	155	651
2011	447	138	585

16,876

*in thousands

US Census

Is there a Growing Gap?

- Household formations:
Using Moody's # 1.3 million
HH formed/year
- Actual construction
(single and multi-family)

2004-2011:

2004-2011:

7 x 1.3 =

9.1 million new HH

10.4 mil. Units

1 million over-supply??

Alternatively.....

- If the ownership/rental split moves to 65% ownership, 35% rental

- 2008-2011
 - 3.9 m new HH (1.3/yr)
 - 3.1 m new units built

 - 800,000 short in total units?

2008-'11	Own (65%)	Rent (35%)
Theory	2.5 m	1.4
Actual	2.0	1.1

Bottom line: very hard to know, changing and uncertain assumptions

Unknowns

- Shadow supply of 1-2 million?
- Future of immigration
- Low birth rates
- Ownership/rental split
- Market segmentations
 - Boomers?
 - Gen Y
- Location



Who Is Gen Y?

- Pew Research calls them:
 - Confident
 - Connected
 - Open to Change
- By the Facts
 - Largest Generation in American History
 - Ages 15-32



19% Hispanic
15% Black
6% Asian

TOP PRIORITIES:

- Being a good parent (52%)
- Having a successful marriage (30%)
- Owning a home (20%)
- Having a high paying career (15%)

CAUTIOUS

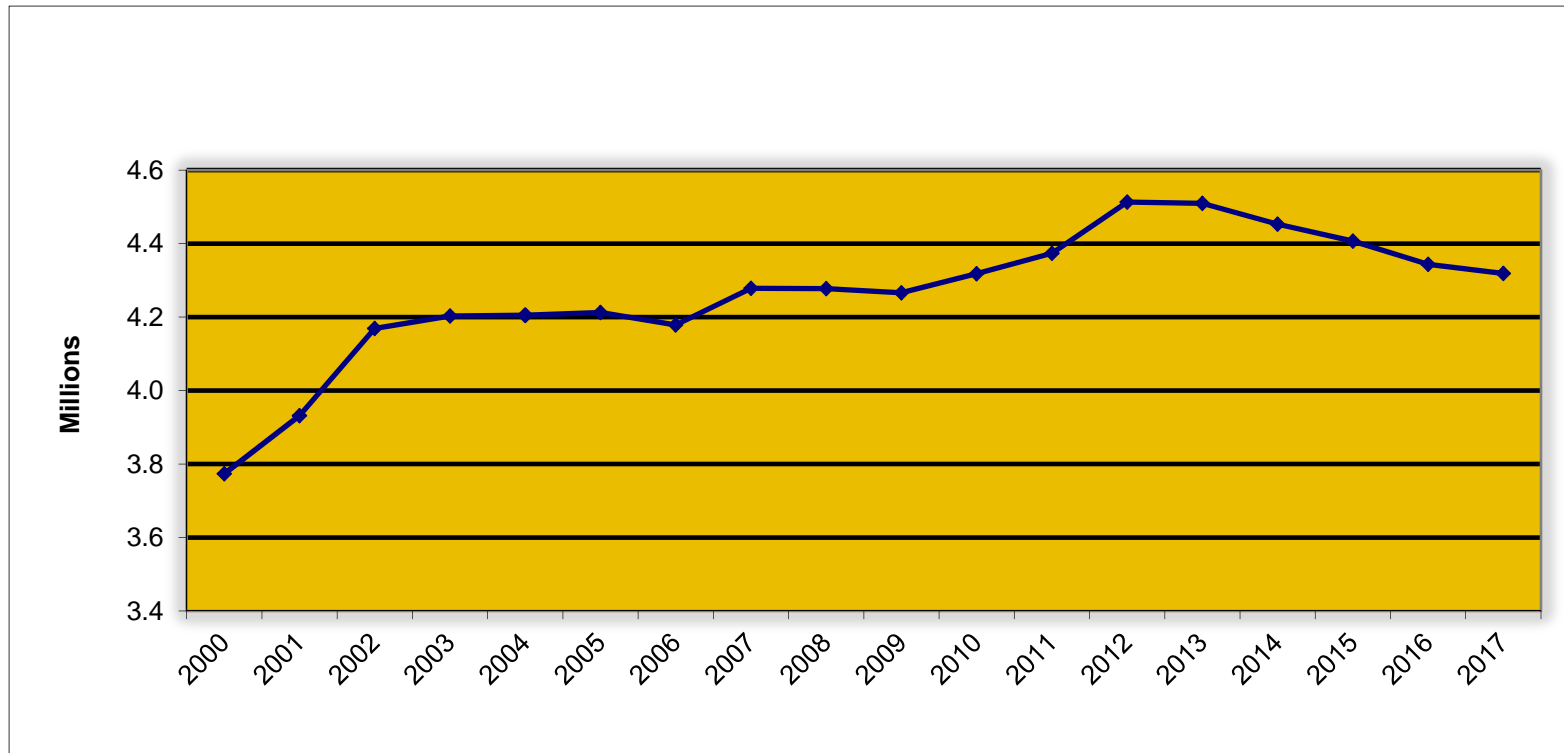
- 67% say “can’t be too careful” when dealing with others

IDEALISTIC

- Government should do more to solve problems



Gen Yers Turning 22

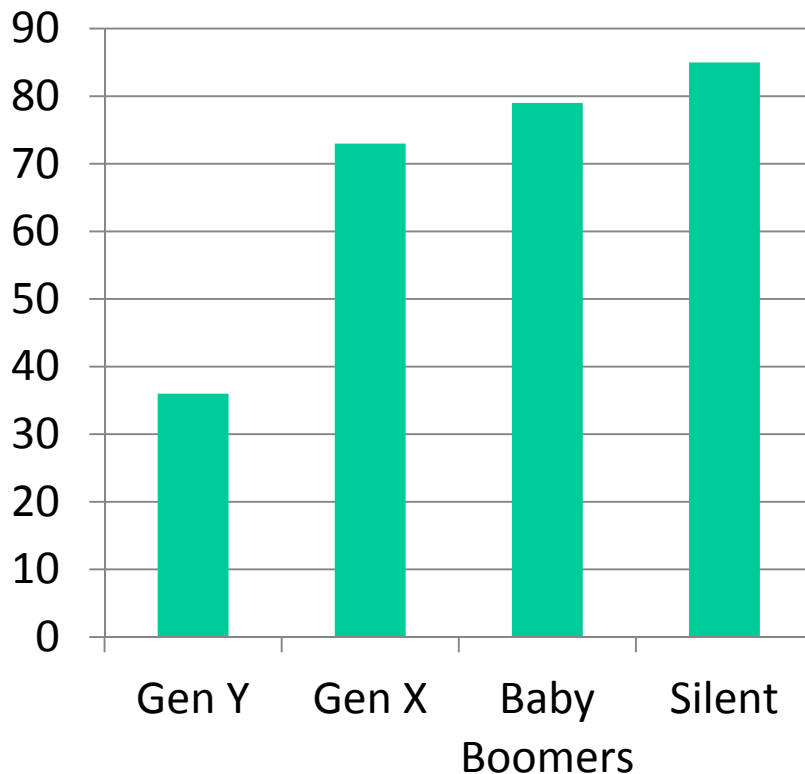


Source: U.S. Census Bureau

Over 4.3 million people turning 22 through 2017

Gen Y and Ownership

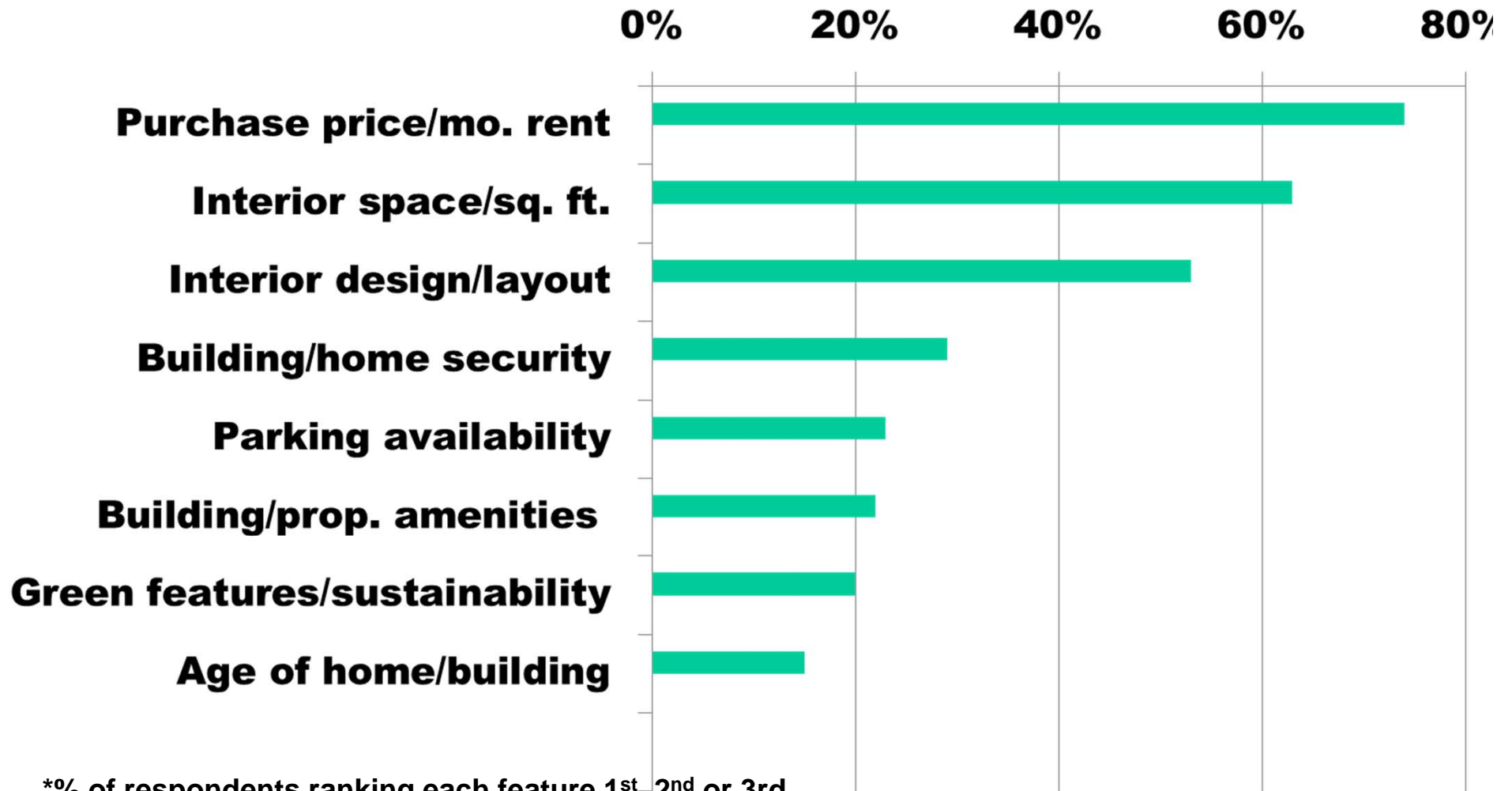
% Home Ownership Rates



- Gen Y still positive about the value of home ownership
- ULI/Lachman Survey=35%
- While renting today, still believe
 - Ownership has societal status
 - Good place to raise children
 - Possibility of building wealth

Source: Fannie Mae Survey, Q4, 2010

Importance of Housing Features*

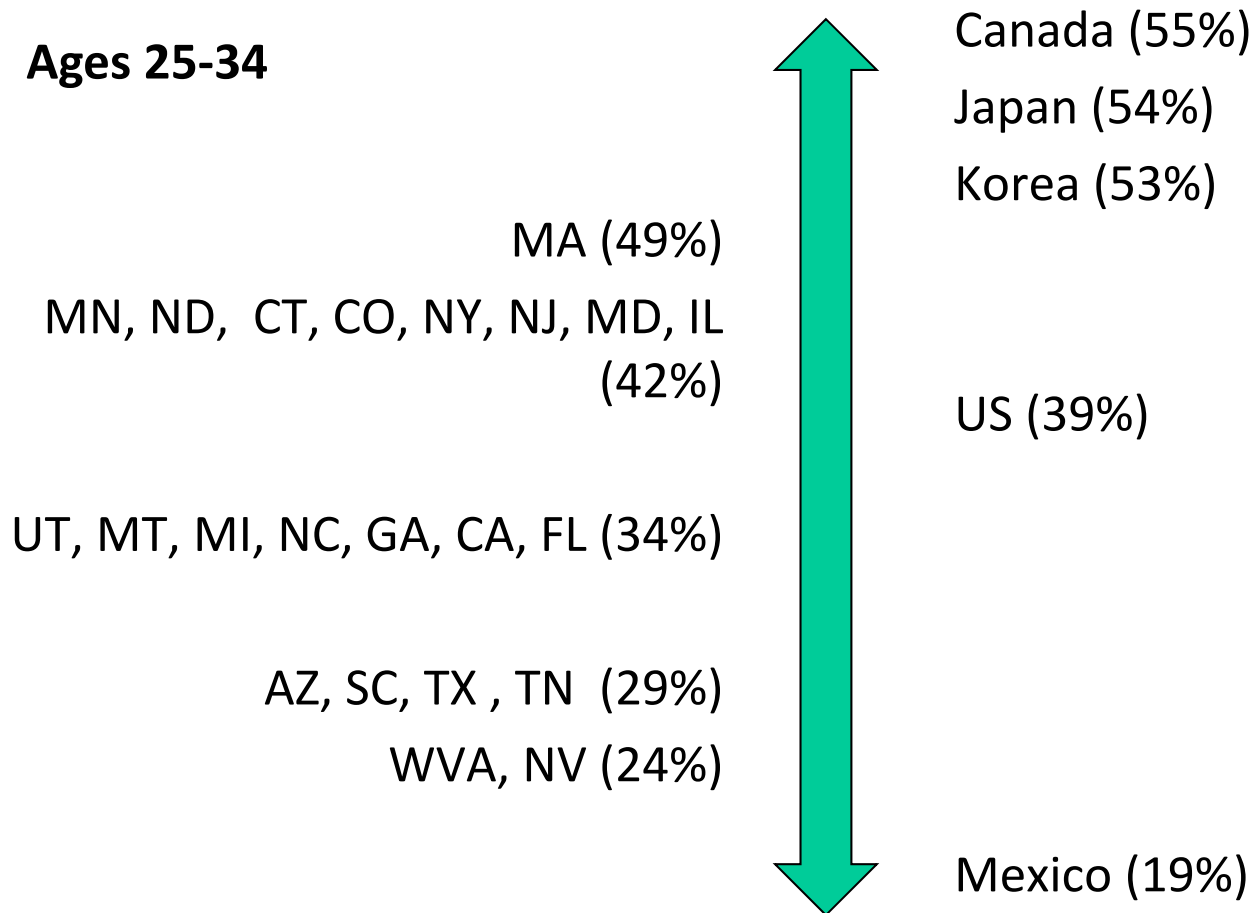


*% of respondents ranking each feature 1st, 2nd or 3rd

Source: ULI/Lachman Associates Survey, Summer 2010

Young Adult Degree Attainment

Ages 25-34



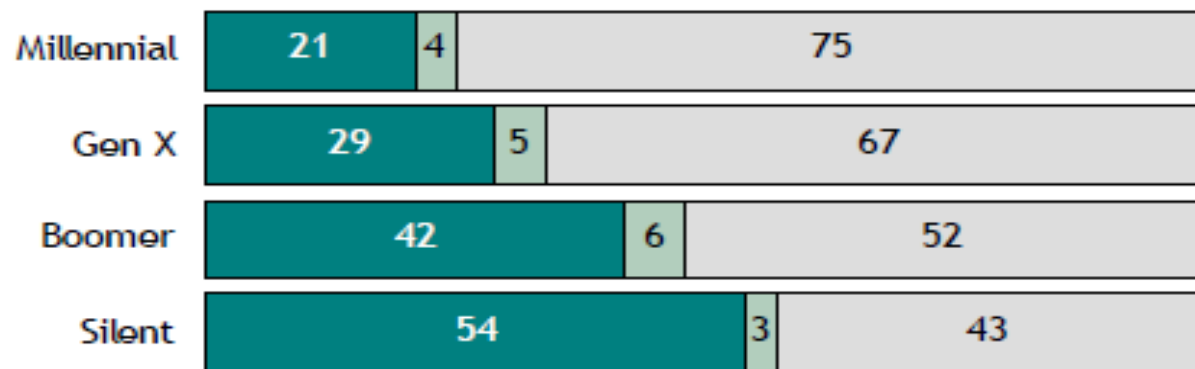
Source: Lumina Foundation

Slow to Grow Up?

Marital Status When They Were 18-28

% by generation

■ Married
 ■ Separated or divorced
 ■ Never married/Single

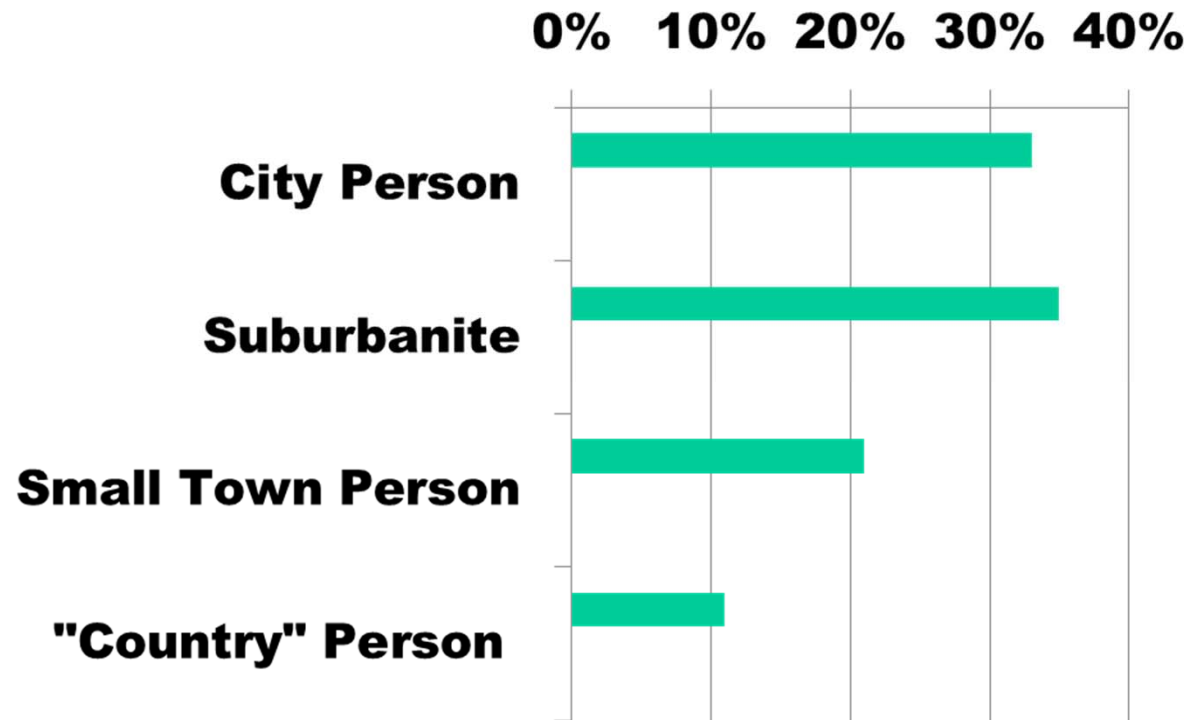


Source: Pew Research Center tabulations from the March Current Population Surveys (1963, 1978, 1995 and 2009) for the civilian, non-institutional population

PewResearchCenter

Gen Y's Self Characterization

I consider myself:



n=1241

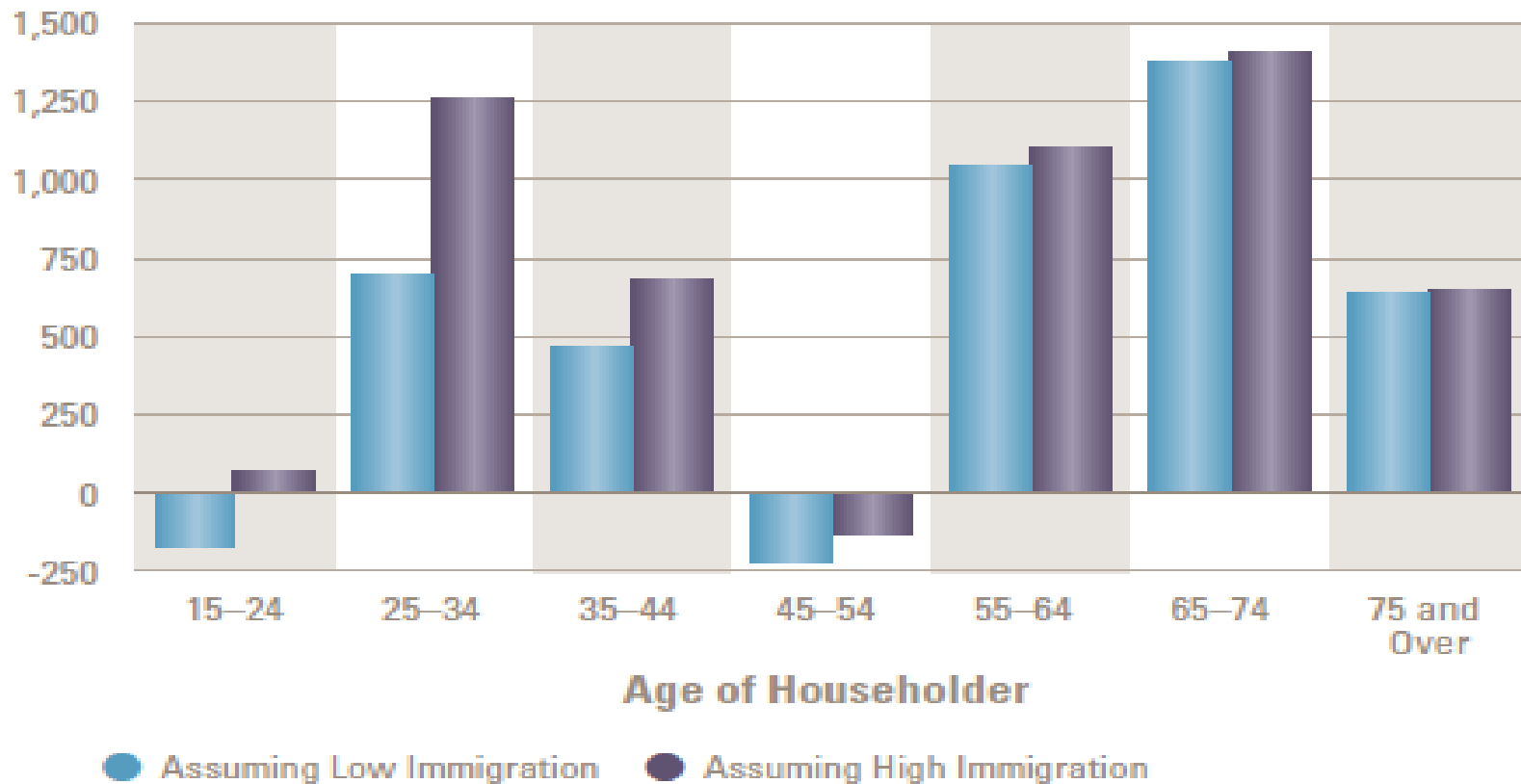
Source: ULI/Lachman Associates Survey, Summer 2010

Important Questions

- What is affordable these days?
 - With or without nearby transit, shared cars/bikes
 - How much space is needed/desired
 - Urban/urbanizing

 - Who is the target market?
 - More segmentation
 - More finicky
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Projected Renter Household Growth, 2010–20 (Thousands)



Bottom Line

- Very hard to know what's going on
 - *Gen Y a large, diverse and in-formation group*
 - *Markets in flux and will be for rest of decade*
 - *Profound economic changes ahead*
 - *Paradigm shifts*
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