RCLCO

"Best New Communities in 2014"

Thursday, October 23, 2014

2014 ULI Fall Meeting

New York, NY

Panelists:

Laura Cole, Vice President, Willowsford LLC (Willowsford, Loudoun County, VA)

Tom Martin, Vice President, Five Point Communities (Great Park, Irvine, CA)

Tony Ruggeri, Co-President, Republic Property Group (Light Farms, Celina, TX, and Philips Creek Ranch, Frisco, TX)

Best New Communities in 2014: Setting the Stage

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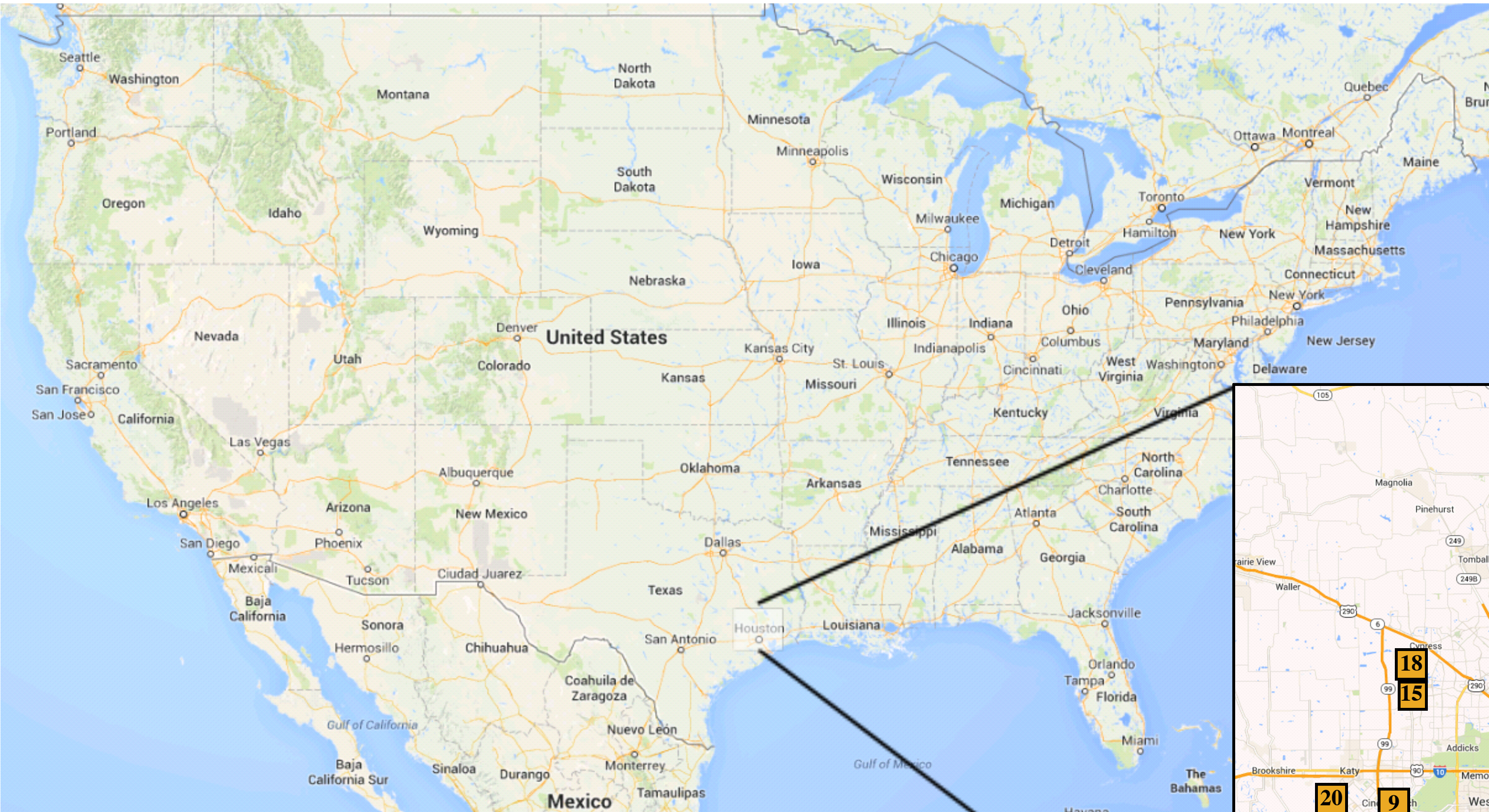
RCLCO TOP-SELLING MPCs IN 2014

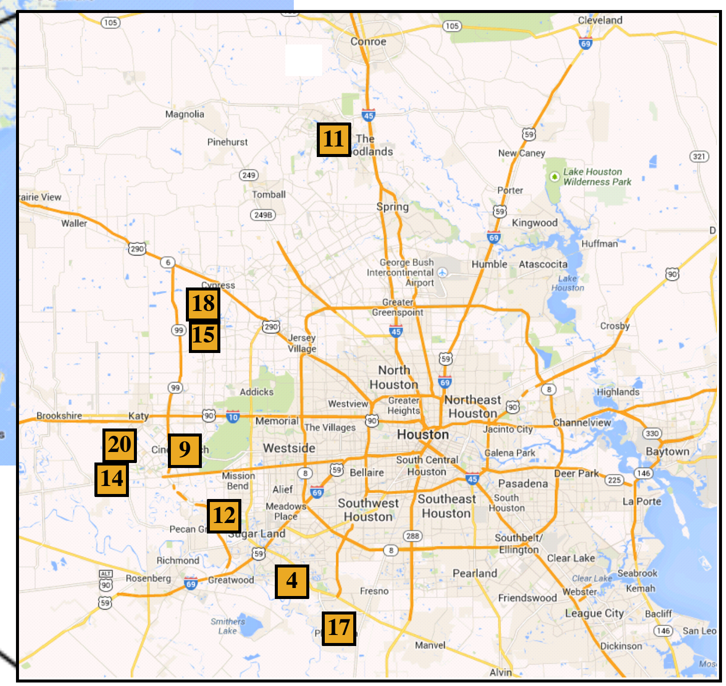
Mid-Year Rank 2014	Annual Rank 2013	Name	Location	MSA	Midyear 2014 Sales	2013 Sales	Change
1	1	The Villages	The Villages, FL	Ocala	1,455	3,419	-15%
2	2	Irvine Ranch	Orange Co, CA	Los Angeles-Anaheim	664	1,444	-8%
3	5	Nocatee	Ponte Vedra, FL	Jacksonville	505	838	21%
4	6	Riverstone	Fort Bend County, TX	Houston	384	791	-3%
5	4	Mountain's Edge	Las Vegas, NV	Las Vegas	341	841	-19%
6	10	Stapleton	Denver, CO	Denver	335	570	18%
7	9	Lakewood Ranch	Sarasota, FL	Sarasota	289	618	-6%
8	7	Providence	Las Vegas, NV	Las Vegas	282	726	-22%
9	3	Cinco Ranch	Fort Bend County, TX	Houston	280	854	-34%
10	19	Valencia	Los Angeles, CA	Los Angeles-Anaheim	280	372	51%
11	8	The Woodlands	The Woodlands, TX	Houston	275	649	-15%
12	14	Aliana	Fort Bend County, TX	Houston	266	468	14%
13	11	Summerlin	Las Vegas, NV	Las Vegas	248	566	-12%
14	12	Cross Creek Ranch	Fort Bend County, TX	Houston	242	509	-5%
15	17	Canyon Lakes West	Harris County, TX	Houston	239	378	26%
15	13	Lake Nona	Orlando, FL	Orlando	239	475	1%
17	16	Sienna Plantation	Fort Bend County, TX	Houston	228	445	2%
18	--	Towne Lake	Harris County, TX	Houston	221	263	68%
19	--	Cane Bay Plantation	Charleston, SC	Charleston	217	341	27%
20	20	Firethorne	Fort Bend County, TX	Houston	207	361	15%

RCLCO TOP-SELLING MPCs MID-YEAR 2014

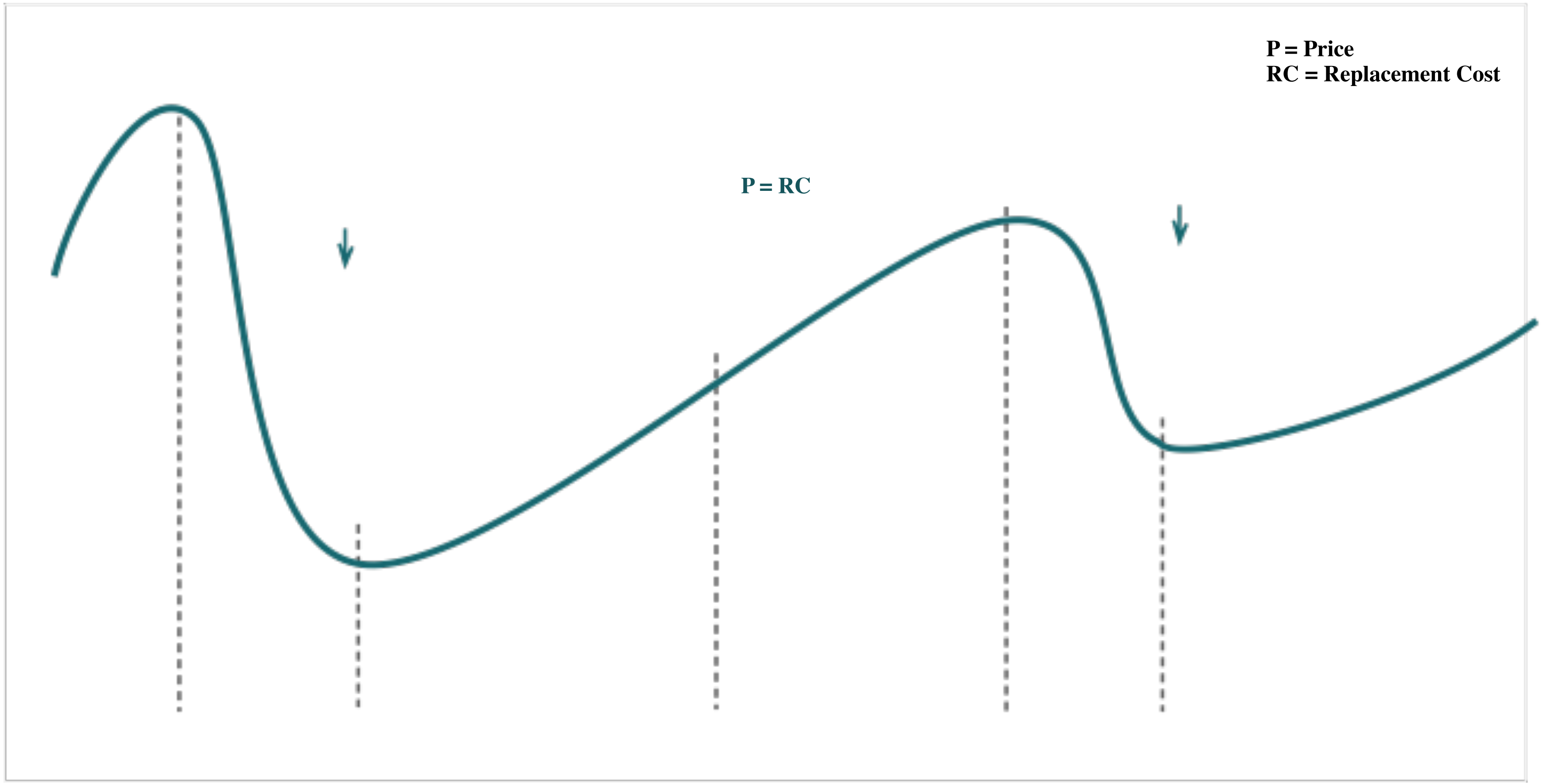
Location of Top-Selling MPCs



Top-Selling Texas MPCs (Houston)



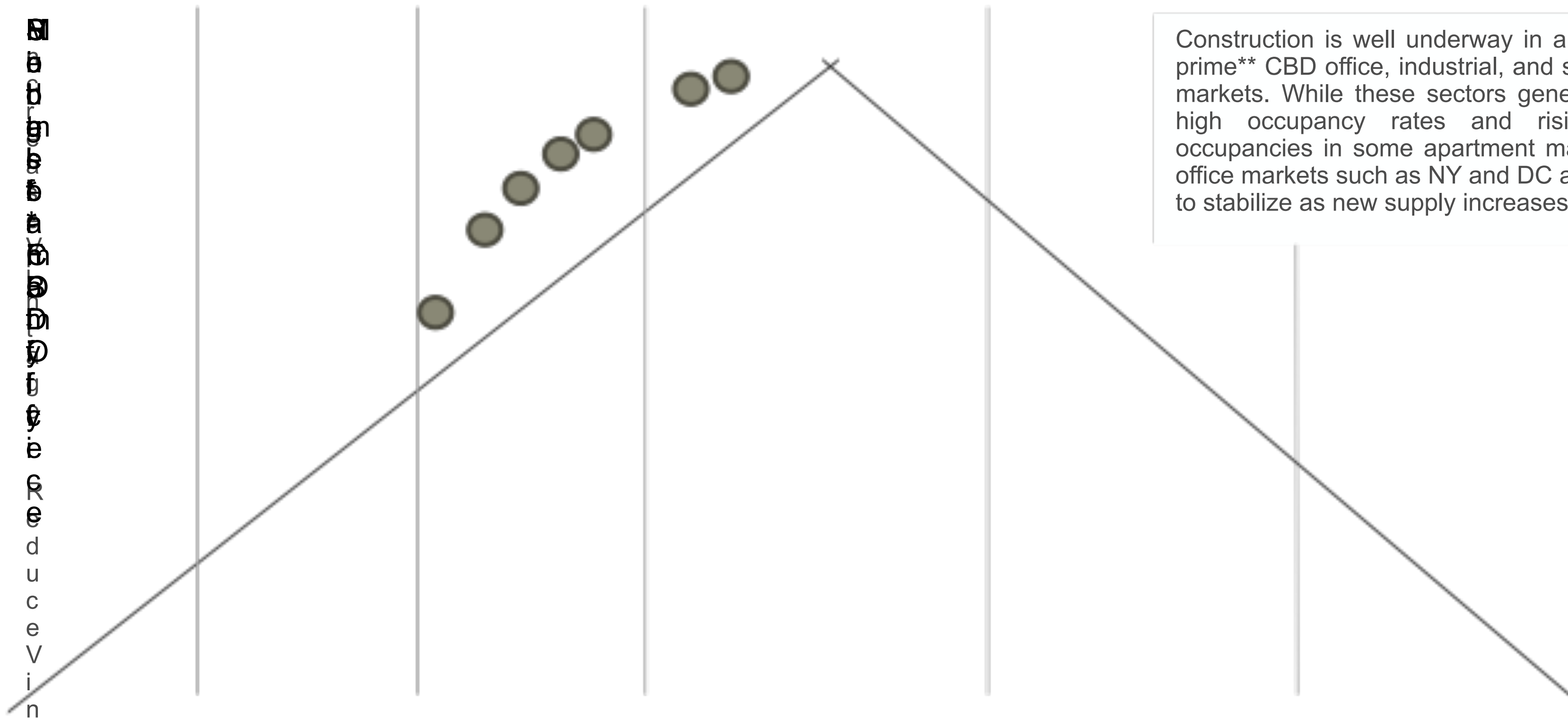
THE ECONOMIC AND REAL ESTATE CYCLES



Real Estate Market Cycle Strategy, 2006-2022. *Source: RCLCO*

RCLCO QUARTERLY, SEPT. 2014: CONSTRUCTION PIPELINES RISING ACROSS MOST PROPERTY TYPES

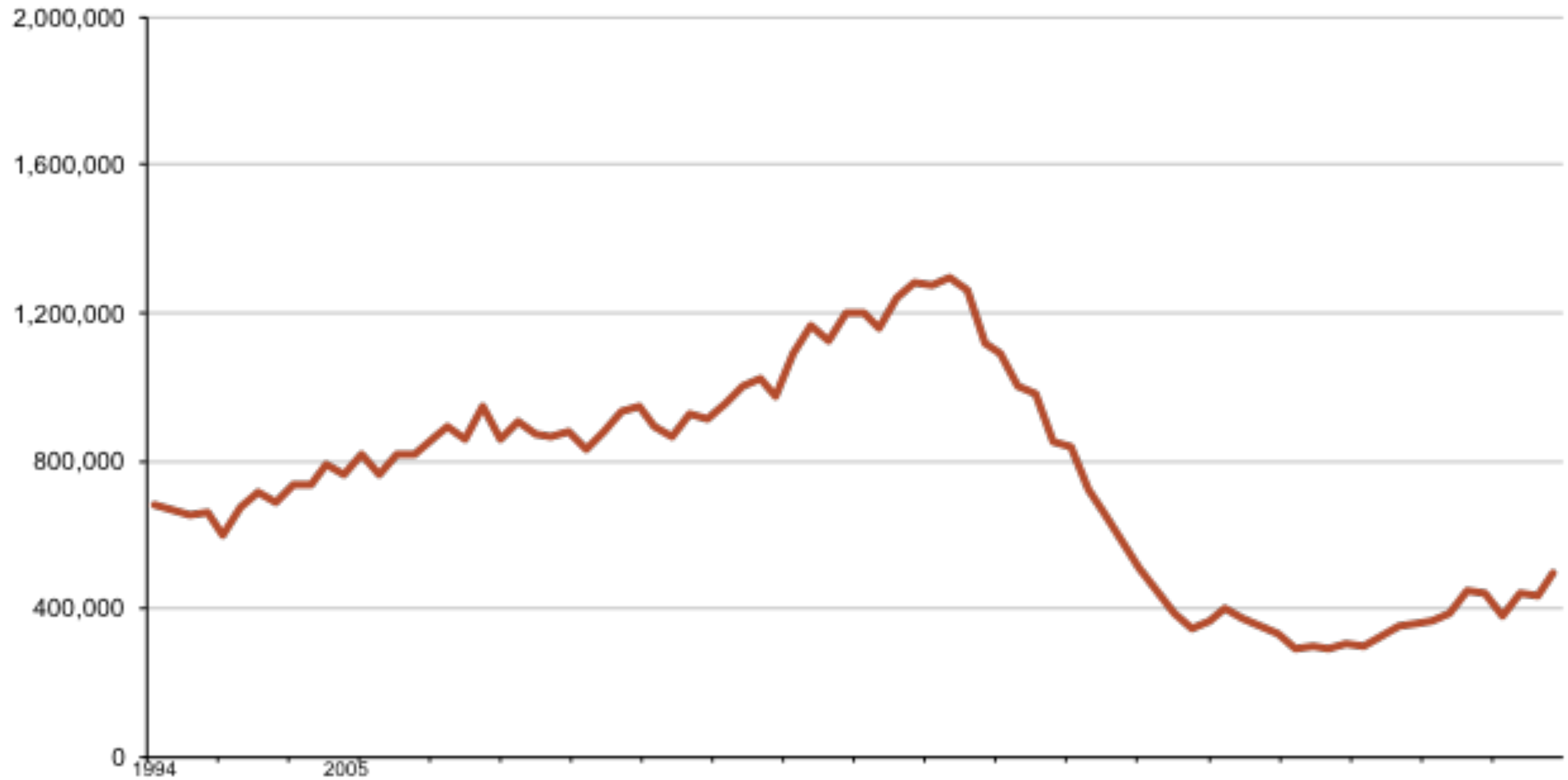
Occupancy Low	Occupancy Rising	Occupancy Rising	Occupancy High	Occ. Above Average	Occupancy Low
Demand Improving	Demand Improving	Demand Improving	Occupancy Flattening	Occupancy Falling	Occ. Flat to Down
Rents Flat to Down	Rents Rising	Rents Rising	Rents Flattening	Rents Falling	Rents Flat to Down
No Construction	Limited Construction	Construction	Construction	Construction	No Construction



Construction is well underway in apartments, prime** CBD office, industrial, and some hotel markets. While these sectors generally have high occupancy rates and rising rents, occupancies in some apartment markets and office markets such as NY and DC are starting to stabilize as new supply increases.

*neighborhood & community centers
**includes New York, Washington, D.C., San Francisco, Seattle, Los Angeles, and Boston   Source: RCLCO

NEW SINGLE-FAMILY HOME SALES



Source: Moody's Analytics, U.S. Census Bureau
Units: Annualized Rate of New Single-Family Homes Sales (000,000)

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BEST NEW COMMUNITIES IN 2014: SETTING THE STAGE

About 200 of RCLCO's clients, friends, and colleagues participated in a recent webinar re trends influencing performance of the nation's most successful MPCs

Some of the findings from the webinar include:

- MPCs account for a substantial share of the new home market
- MPCs command premium pricing of up to 15% to 20% over their non-MPC competition
- MPCs have come back much faster than anticipated
- Demographic changes:
    - Empty nesters downsizing but still want MPC lifestyle and amenities
    - An increase in the need for multigenerational homes
    - New demand for urban environment/settings within the MPC
- Segmentation:
    - Variety of housing choice, price points, product types, architectural styles, neighborhood layouts
    - Square footage bands "allocated" to builders with no overlap
    - Monitor builders' inventory
    - Multiple differentiated villages

BEST NEW COMMUNITIES IN 2014: SETTING THE STAGE

AAC

- AAC “village” can account for 20%+ of sales in multi-segment MPCs
- New AAC models emerging
- Del Webb not the only player
- New ways to serve the 55+ segment: multi-builder AACs, age targeted (not restricted) offerings
- 20-40 SF of clubhouse amenities per unit
- Golf course: nice but not necessary, may impact absorption by up to 30%
- Today’s aging boomers focus on an active and spirited lifestyle, and on comfortable units with large, open gourmet kitchens, large master suites, outdoor living , and oversized garages for extra storage

BEST NEW COMMUNITIES IN 2014: SETTING THE STAGE

Amenities the Enable Competitive Advantage

- Parks, trails, fitness, well being
- Quality schools
- Access to regional trails and other major outdoor recreation facilities/venues off site
- A walkable town center with convenience retail, places to eat, public facilities and gathering places
- Recreation facilities, water parks, swim facilities
- Proximity to places of employment, medical facilities, retail, entertainment
- A lifestyle coordinator to program activities, events, and opportunities for residents to connect and network with other residents
- Places and spaces where memories can be created—places that accommodate a high quality of life, stimulate emotion, and inspire memories

BEST NEW COMMUNITIES IN 2014: SETTING THE STAGE

Capital Markets:

- Distress is largely over,
- Debt and equity for acquisitions and development of new large scale MPCs scarce
- Plenty of capital for smaller, 3-5 year projects
- Large public builders very active in acquisitions of MPC land

The MPC Business Model:

- Larger builders represent much more significant share of sales in MPCs
- Likely to see:
    - Fewer MPCs
    - Smaller MPCs
    - More JVs with land owners (including builders)
    - More (and better) segmentation (customers, price, product)
    - Lower cost/higher impact amenities, "metered in" over time
    - Emphasis on building relationships and creating experiences in marketing and community life
    - The goals is for the customer to feel that "they get me"

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