WHAT'S NEXT? Getting Ahead of Change
What's Next?
Real Estate in the New Economy
“Today we stand in a special place of responsibility as we witness a magnitude of changes that could transform society over the course of a single decade. We must understand these trends if we are to create durable value.”

ULI Chairman Peter Rummell
at 2012 ULI Spring Meeting in Charlotte, North Carolina
Drivers of Change

- Technology
- Health Care
- Education, Education, Education
- Advanced Manufacturing
- Global Gateways
US Employment Changes 1990-2010

• Manufacturing: -34%

• Professional and Business +57%

• Education and Health +81%
New Demographics

U.S. Age Cohorts

Gen Y: 85 million +
Gen X: 41 million
Boomers: 81 million
Depression/Silent: 40 million

Source: US Census
Coming Issues

• Intergenerational Issues

• Gen X: the Big SQUEEZE

• Gen Y: The Great Unknown

• Boomers: How Long????
Falling Homeownership Rates Reflect a Sharp Turnaround in Owner and Renter Household Growth

<table>
<thead>
<tr>
<th>Change in Households (Millions)</th>
<th>Homeownership Rate (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3.0</td>
<td>69.5</td>
</tr>
<tr>
<td>2.5</td>
<td>69.0</td>
</tr>
<tr>
<td>2.0</td>
<td>68.5</td>
</tr>
<tr>
<td>1.5</td>
<td>68.0</td>
</tr>
<tr>
<td>1.0</td>
<td>67.5</td>
</tr>
<tr>
<td>0.5</td>
<td>67.0</td>
</tr>
<tr>
<td>0.0</td>
<td>66.5</td>
</tr>
<tr>
<td>-0.5</td>
<td>66.0</td>
</tr>
<tr>
<td>-1.0</td>
<td>65.5</td>
</tr>
</tbody>
</table>

Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.
Overall Economic Outlook

- More of the same
- Some improvements
- Housing coming back
- Still partly cloudy horizons
Investment Prospects

Investment Prospects

Apartments 6.58
Industrial/Distribution 6.17
Hotels 6.02
Office 5.72
Retail 5.30

1 Abysmal 5 Fair 9 Excellent

Source: Emerging Trends in Real Estate 2013 survey.
U.S. Office Vacancy Rates

Sources: CBRE Econometric Advisors.
* Forecast
Average Space per U.S. Employee, All Industries

Source: Jones Lang LaSalle.
Housing Resuscitation

Infill/intown housing 6.54
Affordable housing 5.53
Single-family: Mod. income 5.43
Single-family: High income 4.95
Multifamily condominiums 4.31
Leisure homes 3.65
Golf course communities 3.01

1 Abysmal 5 Fair 9 Excellent

Source: Emerging Trends in Real Estate 2013 survey.
Best Bets: Emerging Strategies

- Concentrate acquisitions on budding infill locations.
- Construct new wave office and build-to-core in 24-hour markets
- Develop select industrial facilities in major hub distribution centers near ports and international airports.
- Begin to back off apartment development in low barrier to entry markets
- Consider single family housing funds
- Repurpose obsolete properties
INTRODUCTION

AMID CHRONIC AMBIGUITY, CHANGE BECOMES THE ACCEPTED CONSTANT, CHALLENGING CONVENTION LIKE NEVER BEFORE.

SO, WHAT’S NEXT? HOW CAN YOU THRIVE IN THIS DECADE’S UNSETTLED MARKETS?
ARE YOU
READY?

“...individual professions, real estate products, and the professional practices of the past may need to be refined or reinvented to embrace a new generation of value creation.”
SCALE UP (or down)

WHAT ARE THE BOUNDARIES OF YOUR MARKETS?
Scale Up or Down

• Your Business

• Your products/projects

• Your relationships
SCALE UP (OR DOWN)

AVERAGE NEW HOME SIZE, 1980–2015 (SQUARE FEET)

Sources: The Demand Institute; U.S. Census Bureau; National Association of Homebuilders; Conference Board (consumer survey conducted in December 2011).
SMALLER MAY MAKE MORE SENSE, BUT BIGGER RETAINS ITS ADVANTAGES.

Next Gen - The Home Within a Home floor plan | Lennar.

The SmartSpace ® Project | Panoramic Interests
STAY CLOSE

HOW DOES YOUR PROJECT CONNECT TO YOUR COMMUNITY?
“To maintain our economic competitive advantage and quality of life, we must develop regional solutions to the critical issues facing our states.”

Jeb Bush, Former Governor of Florida, at 2012 ULI Florida Summit in Tampa, FL
IN A MORE CROWDED AND INTERCONNECTED WORLD, THE ABILITY TO AVOID HASSLES ADDS MORE VALUE, AND CONVENIENCE BECOMES EVER MORE PRIZED.
MAKE
OVER

HOW WILL YOU REINVENT YOUR SPACE?
MAKE OVER

A $1 million renovation turned a former gas station on 11th Street in Long Island City into the Breadbox Café. | Frank Oudeman, ODA
MAKING OVER AND WORKING OUT MAY AVOID REPETITION OF PAST MISTAKES.

“Adapt, redo, make over, and think again – that has always been a part of the real estate credo for success.”

The boardwalk along Toronto’s Lake Ontario waterfront | Waterfront Toronto
JUMP AHEAD

ARE YOU READY TO ADAPT?
JUMP AHEAD

“The internet will massively disrupt the education and utility industries over the course of this decade.”

Steve Case, Chairman and CEO, Revolution, at ULI’s Honor Award ceremony at the National Building Museum in Washington, D.C.

ONLINE RETAIL SALES, 2009-2014 AND 2020 ($ BILLIONS)

Sources: NRF Foundation; Forrester Research; IBM; NYU Stern School of Business.
Note: Online retail sales is defined as purchasing items via a web transaction.
Lake Nona, outside Orlando, Florida, is a fast-growing, innovative master-planned community. Encompassing 7,000 acres, four major medical facilities, housing, and retail space, Lake Nona is expected to employ more than 30,000 people and have an economic impact of $8 billion. | MacBethPhoto.com courtesy of Lake Nona
VALUING THE FLOW OF INFORMATION THROUGH BUILDINGS AND PLACES IS ONLY SMART.

“This will be the decade when we find out who will live above a Walmart.”

A mixed-use project that includes a Walmart in Washington, D.C. | MV+A Architects
KEEP WATCH

ARE YOUR EYES OPEN TO WHAT LIES AHEAD?
KEEP WATCH

SIGNIFICANT U.S. LOSSES FROM NATURAL CATASTROPHE (1950–2010)

KEEP WATCH

“Our generation has got to stop kicking the can down the road; we don’t have the luxury of time to get the next generation to fix our fiscal problems.”

Erskine Bowles, Co-Chair, National Commission on Fiscal Responsibility and Reform, at 2012 ULI Spring Meeting in Charlotte, North Carolina
HOW CAN THE REAL ESTATE INDUSTRY TAKE THE LEAD TO DRIVE CHANGE RATHER THAN REACT TO IT?

- Reconsider and refine valuation
- Lenders remain disciplined; borrowers settle for fair value
- Formulate sound infrastructure policy
- Maintain markets in equilibrium
- Lead innovation
- Accept accountability to address the challenges ahead
“In a world transformed by technology and economic globalization, the world’s cities need ULI’s wisdom now more than ever.”

Former President William Jefferson Clinton
at ULI’s 2012 Honor Award Ceremony at the National Building Museum, Washington, D.C.
WHAT’S NEXT? Getting Ahead of Change

- Move Fast: Time is Critical
- More cycles/faster
- World keeps shrinking, plug in
- Bigger/Smaller
- Higher competition
- Customer care
WHAT'S NEXT?

Getting Ahead of Change