

# Trends Driving the Demand for Real Estate Development and Construction

Gregg Logan, Managing Director, RCLCO | February 20, 2013



# ECONOMY

- ▶ Job growth averaged 181,000 per month in 2012
- ▶ Increase in January 2013 of 166,000
  - Employment growth led by—
    - Retail, +33,000
    - Construction, +28,000
      - ❖ Industry has added 296,000 jobs since January 2011
    - Education and Health Care, +25,000
    - Leisure and Hospitality, +23,000
    - Wholesale Trade, +15,000



# OUTLOOK

- ▶ 2013 will be moderately stronger than 2012
  - Overall economy improving
  - Election over, fiscal cliff issue kicked down the road
    - But: focus on cuts could dampen Government infrastructure, construction spending
      - ❖ Recent GDP figures reflect reduced Government spending
  - Residential recovery underway
  - Modest growth in non-residential construction expected
    - Health Care, Manufacturing

# 1Q 2013 RCLCO REAL ESTATE SENTIMENT SURVEY

- ▶ Survey of U.S. Real Estate professionals on current state and future trajectory of U.S. Real Estate
  - Moderately optimistic
  - Score of 90.8
    - Up from 71.0 3Q 2012
    - Up from 37.8 3Q 2011
  - Sentiment: Real Estate markets on path to continued recovery and growth
  - Strongest sentiment:
    - Mountain West; Texas; Southern California; Southeast Florida
  - Moderate sentiment:
    - Northeast/Mid-Atlantic; Washington, D.C.

# 1Q 2013 RCLCO REAL ESTATE SENTIMENT SURVEY

## Future RMI Index by Region



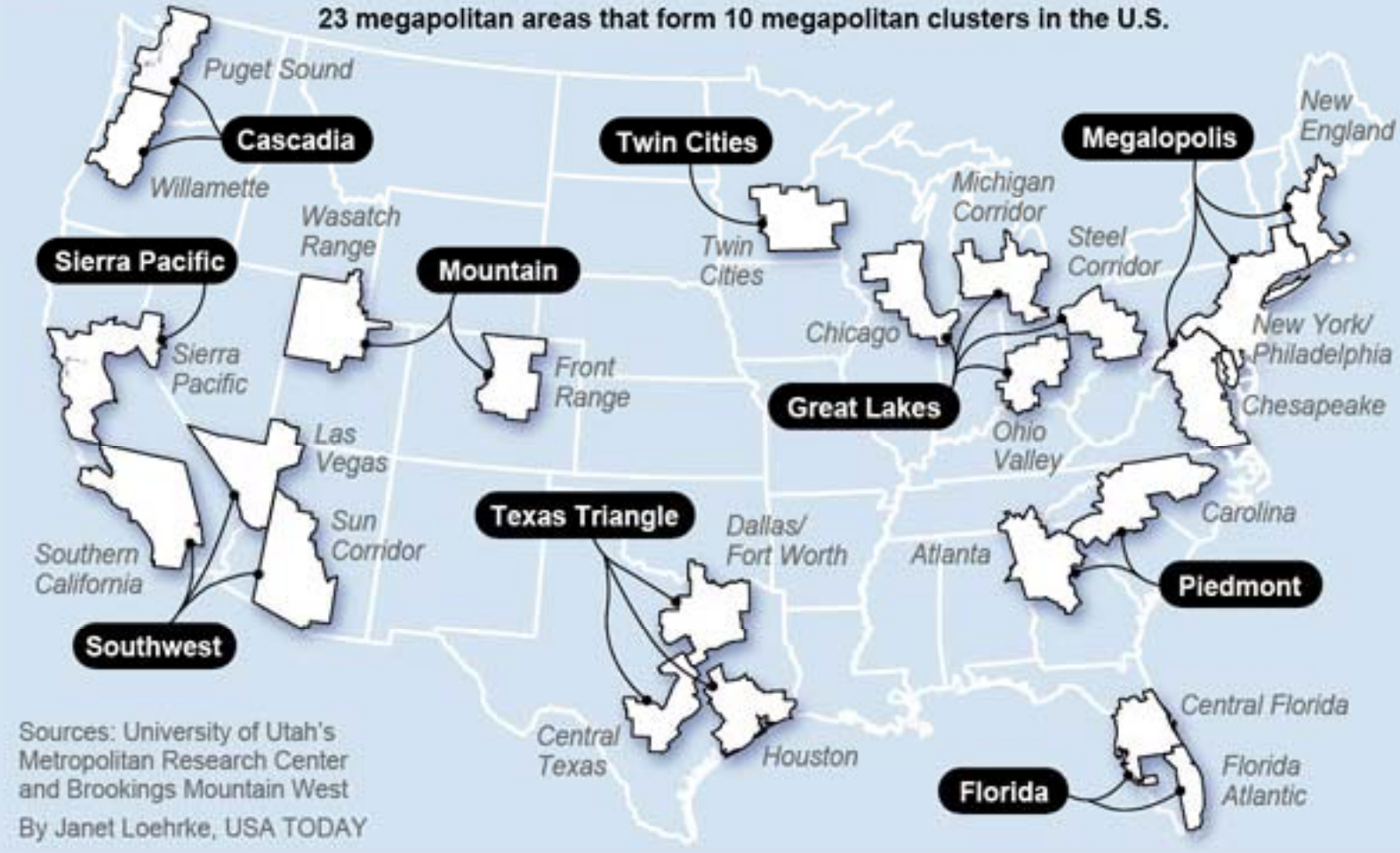
- ▶ Demand will continue to improve in 2013 at a moderate pace compared with prior recoveries
- ▶ Second half of 2013: better job growth, higher consumer confidence, and less volatility, as market more informed of direction of debate on debt ceiling and sequestration
- ▶ Potential to translate into a robust, healthy real estate development and investment environment in 2013+

# WHERE: 10 ECONOMIC CLUSTERS—TWO-THIRDS OF U.S. POPULATION AND GROWTH

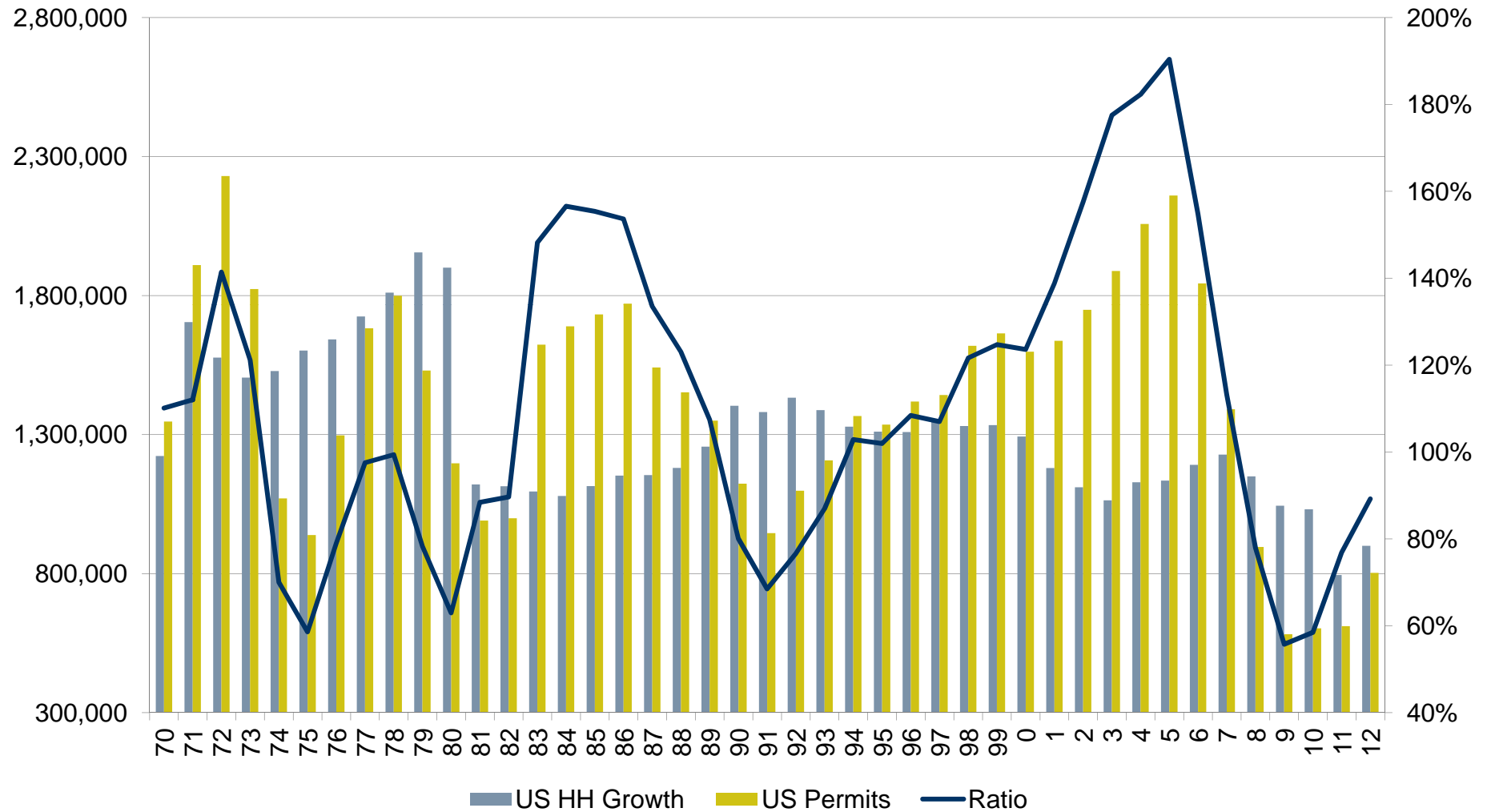
## Banding together

Metropolitan areas have become so interconnected that some function as one giant economy or what demographers call a "megapolitan area."

23 megapolitan areas that form 10 megapolitan clusters in the U.S.



# HOUSING BOOM, BUST, RECOVERY: POTENTIAL FOR PENT-UP DEMAND



# DEMOGRAPHICS ARE DESTINY: DEMAND FROM GEN Y AND SENIORS

Generation	Born	Age	Pop.	% of Nation	Florida Pop.	% of Florida
Eisenhowers	Before 1946	64+	41M	13%	3.4M	18%
Baby Boomers	1946 – 1964	45 – 64	<u>80M</u>	26%	<u>4.9M</u>	26%
Gen X	1965 – 1980	29 – 45	62M	20%	3.6M	19%
Gen Y (Millennials)	1981 – 1999	10 – 29	<u>85M</u>	27%	<u>4.7M</u>	25%
Gen Z (?)	2000 and After	0 – 10	42M	14%	2.3M	12%

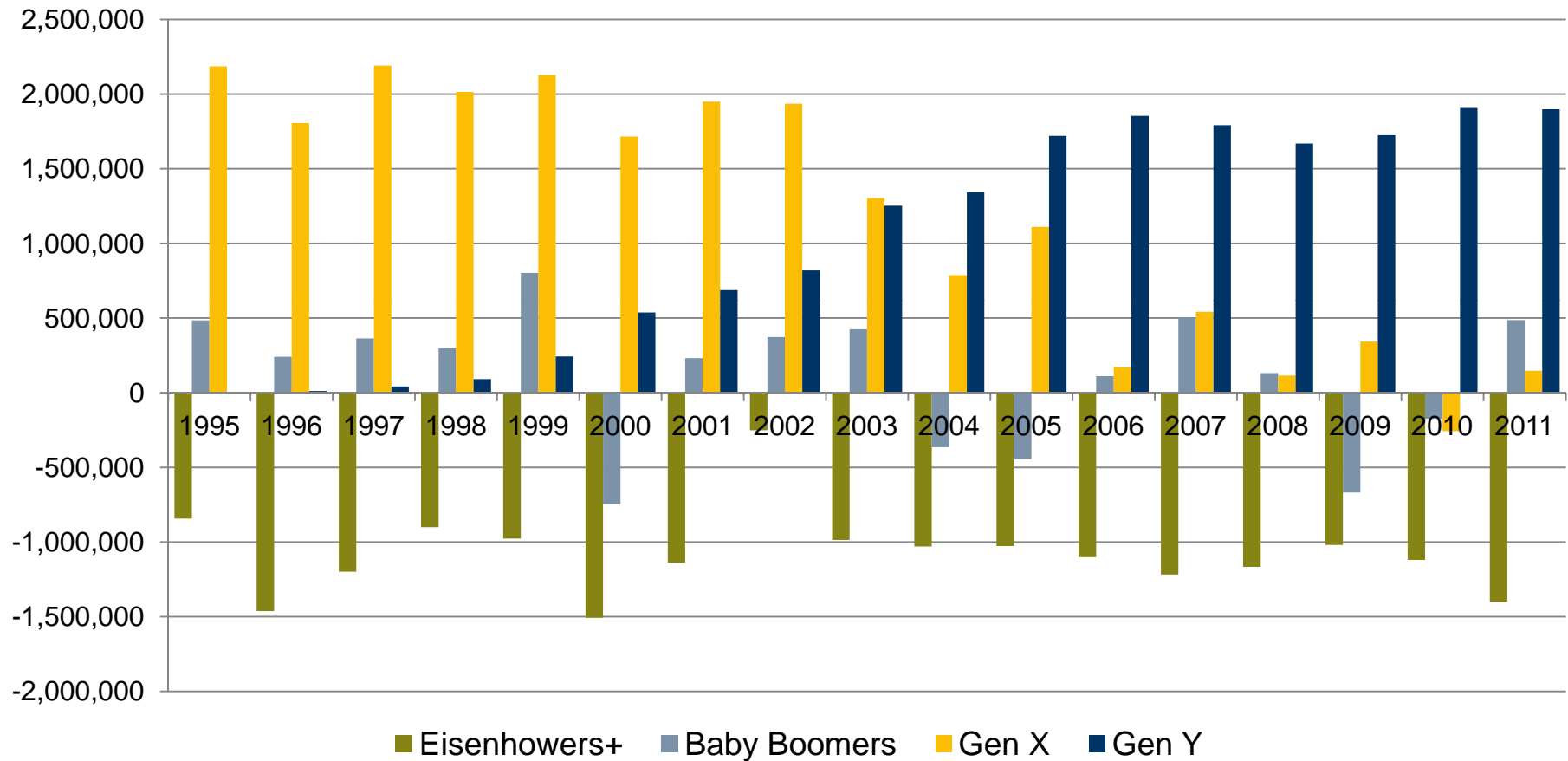
SOURCES: RCLCO, using Claritas; National Center for Health Statistics



# SIZE OF GENERATION, WHERE THEY ARE IN LIFESTAGE CREATES REAL ESTATE DEMAND

Year	Student Housing	Rental Housing	Rent As Couple / 1 <sup>st</sup> Home	Young Family Own	Mature Family Own	Buy 2nd Home	Empty Nester Downsize Own	Buy Retire Home
2010	Gen Y	Gen Y	Gen X Gen Y	Gen X	Baby B	Baby B	Baby B	Eisen Baby B
2015	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Baby B Gen X	Baby B Gen X	Baby B	Eisen Baby B
2020	Gen Y Gen Z	Gen Y	Gen Y	Gen Y	Gen X	Baby B Gen X	Baby B Gen X	Baby B
2025	Gen Z	Gen Y Gen Z	Gen Y Gen Z	Gen Y	Gen X Gen Y	Gen X Gen Y	Gen X Baby B	Baby B

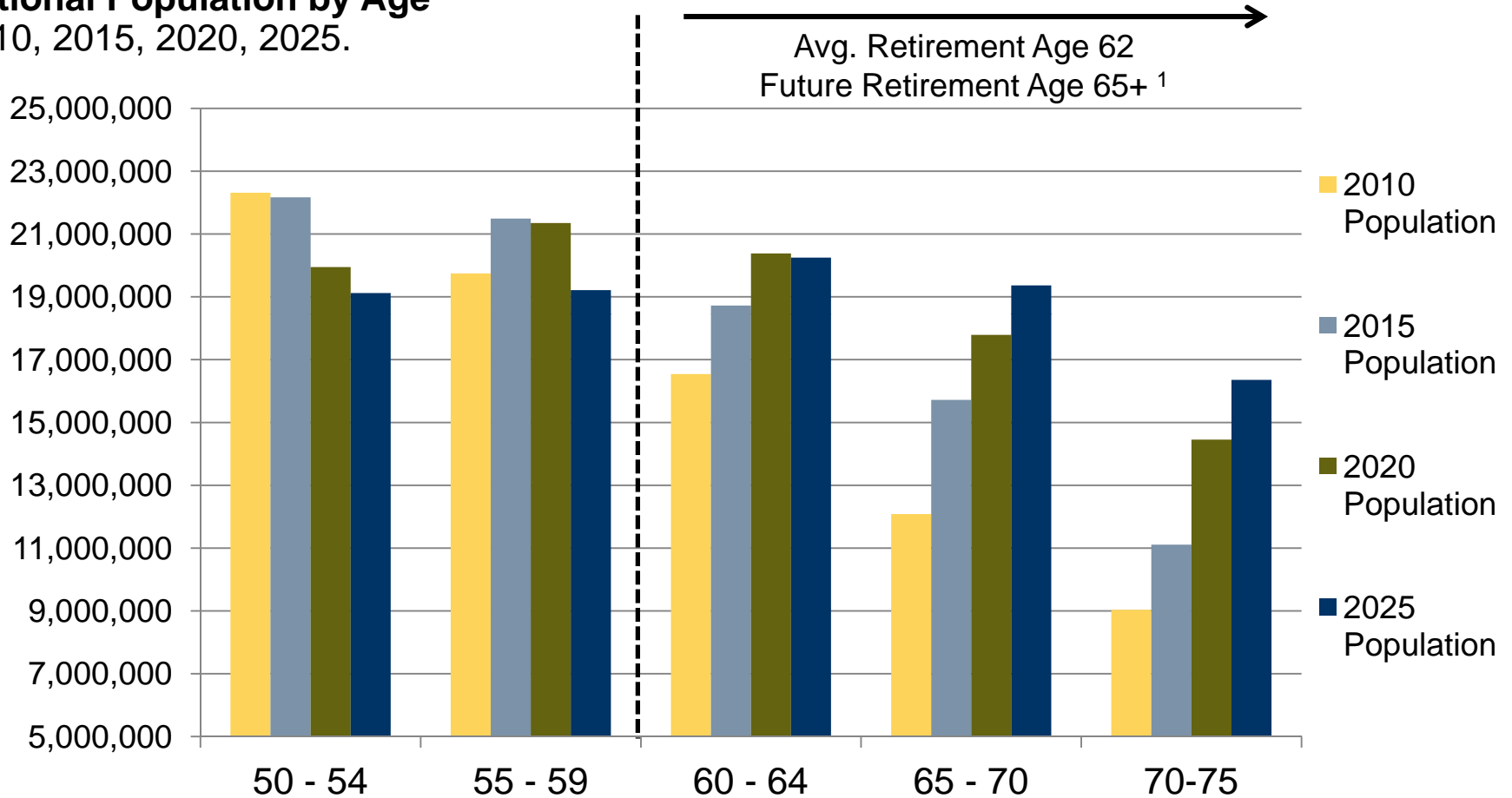
# MOST NEW HOUSEHOLD FORMATIONS GEN Y; YOUNG AND NOT RICH



SOURCE: U.S. Census Current Population Survey

# UNITED STATES EXPERIENCING SIGNIFICANT INCREASE IN RETIREE AGE POPULATION

**National Population by Age**  
2010, 2015, 2020, 2025.

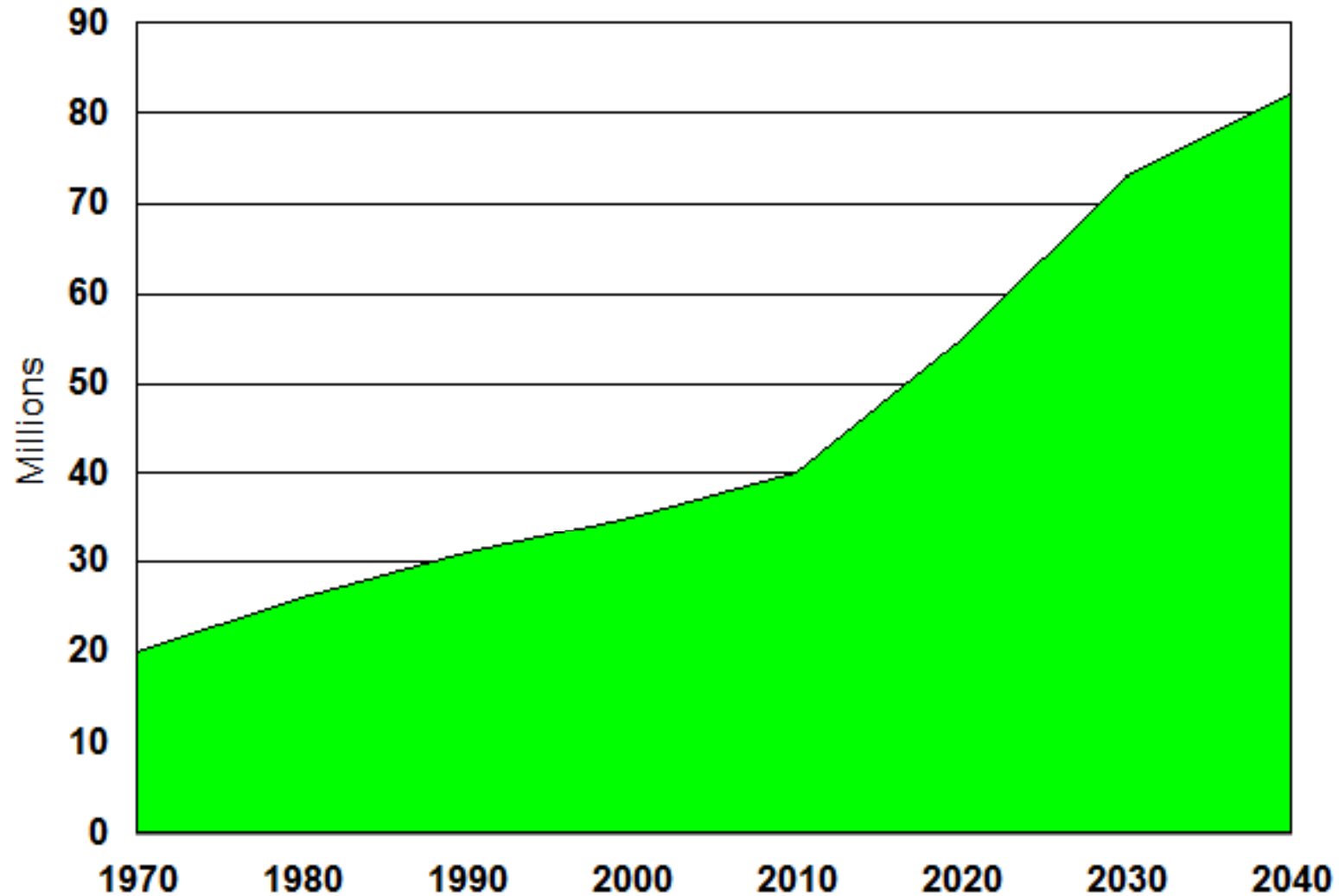


NOTE: Mortality rates in 2010 and 2015 were applied to population estimates for 2020 and 2025

<sup>1</sup> Metlife and Del Webb 2010 Surveys of 50+

SOURCE: ESRI

# NUMBER OF SENIORS BY DECADE

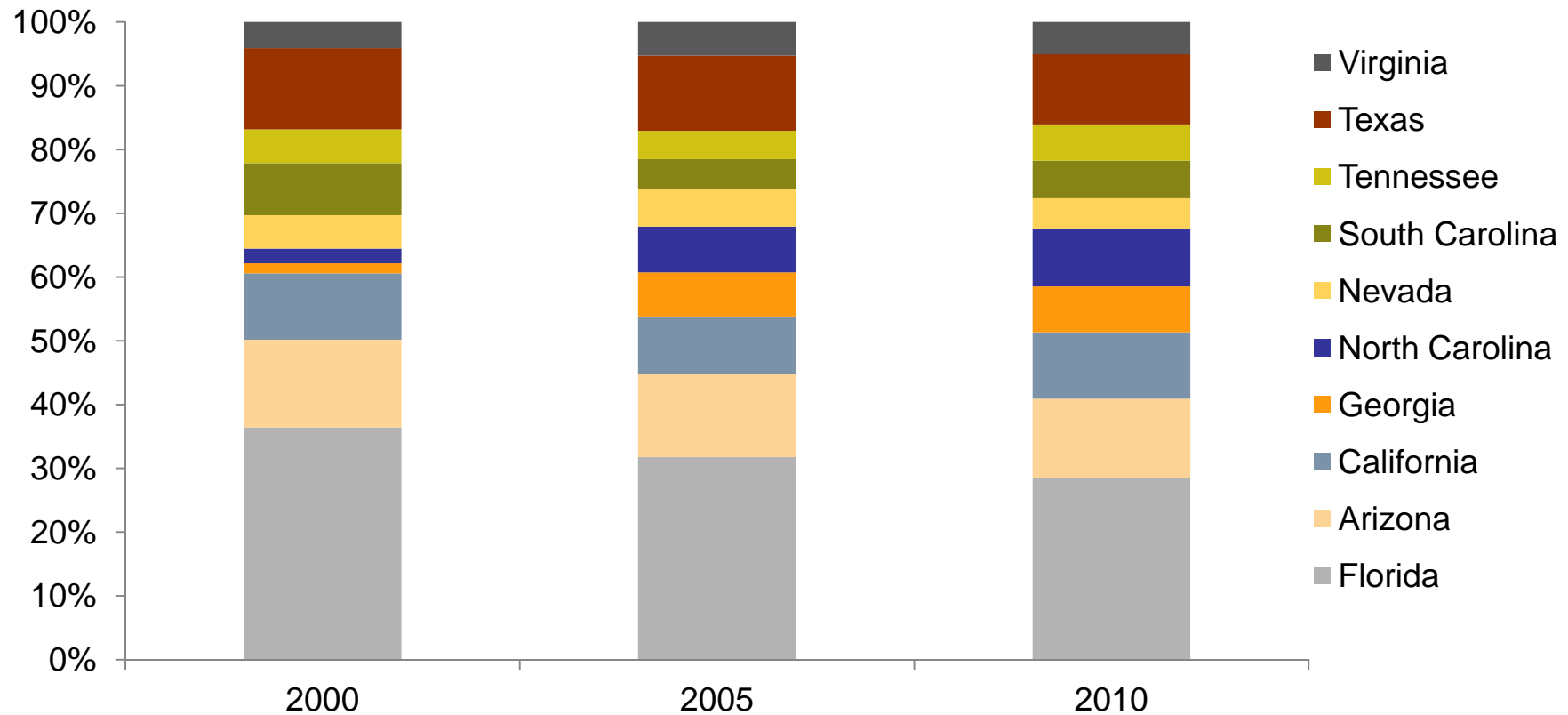


SOURCE: Metropolitan Research Center, University of Utah

# TOP 10 RETIREE DESTINATIONS

## FLORIDA RECEIVES THE LARGEST SHARE

Distribution of 55-74 Year Olds Moving in to Top 10 Retiree States <sup>1</sup>  
2000, 2005, 2010



<sup>1</sup> Does not include households that moved within the state

SOURCE: 2000, 2005, 2010 American Community Survey, PUMS data, RCLCO

# MANUFACTURING

- ▶ Impact of Re-shoring Manufacturing?
  - Labor cost difference narrowing
  - Hidden costs of moving production far from end-user markets
  - So far fewer than 100 firms have re-shored, bringing manufacturing back from China
    - Includes GE bringing back washing machines, fridges, and heaters to Kentucky
    - Lenovo
    - Google to make Nexus Q media steamer in San Jose
  - 37% of companies with sales over \$1 billion planning or considering shifting production from China to U.S.

# Trends Driving the Demand for Real Estate Development and Construction

Gregg Logan, Managing Director, RCLCO | February 20, 2013

