

Multigenerational Demand for Urbanism

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OVERVIEW

- Demographic trends and life stages influencing preferences for various housing choices
- What are they looking for and what trade-offs are they willing to make?
  - Boomers
  - Gen X & Y
- Implications

GENERATIONS – GEN Y MAKES UP THE LARGEST SHARE OF THE U.S. POPULATION, FOLLOWED BY BABY BOOMERS, AND GEN X

Generation	Born	2008 Age	2007 % of Nation	2007 # of People
Eisenhowers	Before 1946	62+	17%	51M
Baby Boomers	1946 – 1964	43 – 62	27%	78M
Generation X	1965 – 1980	27 – 43	18%	52M
Echo Boomers/Gen Y	1981 – 1999	8 – 27	27%	80M+
Post Echo/Gen Z	2000 and After	0 – 8	10%	30M

SOURCE: Claritas, National Center for Health Statistics

FINDINGS: 1/3 WANT SMART GROWTH* PRODUCTS

- Reviews of existing studies on consumer demand…
- Survey's conducted by Robert Charles Lesser & Co. LLC…
  - Consistently find that about a third of the market prefers smart growth products
    - Demand increases with shorter commute
- Share of the market growing due to
  - Demographic trends and
  - Changing buyer preferences (lifestage changes)

*New urbanist, TOD, Urban infill, Suburban infill, conservation-oriented

LIFE STAGE INFLUENCES HOUSING CHOICE – GEN Y MOVES TO HOME OWNERSHIP IN NEAR FUTURE

	Student Housing	Single & Roommate Rental	Rent as Couple / 1st Home	Young Family Own	Mature Family Own	Empty Nester Downsize Own	Retiree Senior Housing
2007	Gen Y	Gen Y	Gen X	Gen X	Baby B	Baby B	Eisen Baby B
2010	Gen Y	Gen Y	Gen Y	Gen X Gen (Y)	Gen X Baby B	Baby B	Baby B Eisen
2015	Gen Y	Gen Y	Gen Y	Gen Y	Gen X	Baby B Gen X	Baby B Eisen
2020	Gen Z	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Gen X Baby B	Baby B

DEMOGRAPHIC SHIFTS = GROWING MARKET FOR COMMUNITIES TARGETING CHANGING NEEDS OF MULTIPLE GENERATIONS

- We built the suburbs during Boomer's peak family forming years
- More married couples without kids
- Gen X/Gen Y increasing home ownership rates
- More single parents
- More people living alone

Household Type	1970	2000	2030
Family HH	81%	69%	65%
with Children	40%	32%	21%
Nonfamily HH	19%	31%	35%
Living Alone	17%	25%	29%

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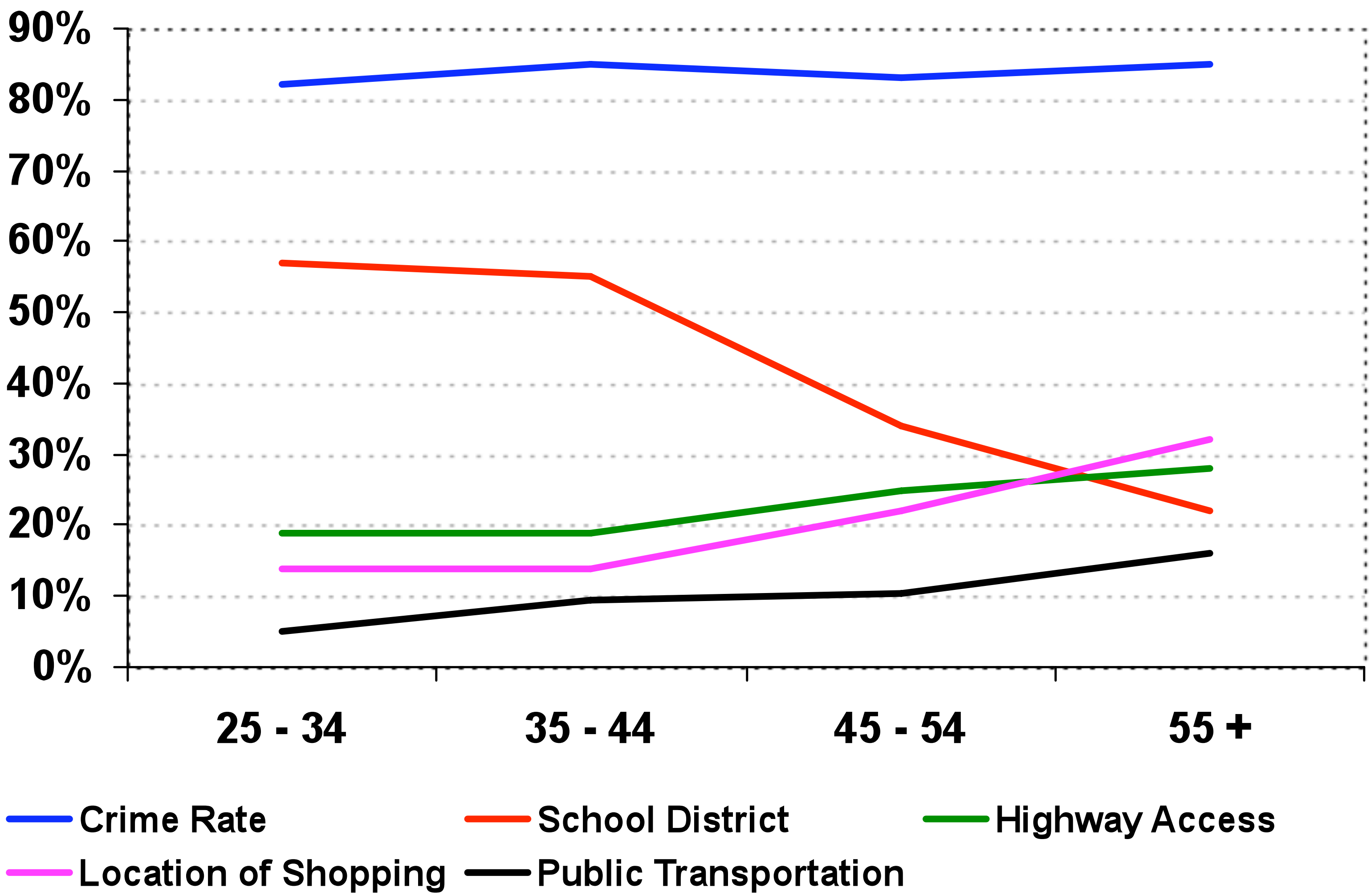
  - **Boomers**
  - **Gen X & Y**

HOME PURCHASE CRITERIA CHANGE WITH AGE



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HOUSING PURCHASE DECISIONS ARE COMPLICATED

- Consumers make "trade-offs" when choosing housing
  - Larger lot or a shorter commute to work
  - Larger home or a better quality home
  - Closer to shopping and services or spend more time driving
  - Etc.

- Rather than a single dominant housing preference, there is a significant market for a variety of housing alternatives[1]

[1] Dowell Myers and Elizabeth Gearin, Current Preferences and Future Demand for Denser Residential Environments; University of California, 2001

NATIONAL SURVEY ON COMMUNITIES

Community A – 55%
Single Family homes, large lots
No sidewalks
Drive to shopping and schools within a few miles
Commute to work in 45 minutes or less
Public transportation distant or unavailable

Community B – 45%
Mix of Single Family and other housing
Sidewalks
Shopping and schools are close, walkable
Commutes less than 45 min
Public transportation is available

- **Commute time- a major factor in choice:**
  - **50% choose smaller lot IF shorter commute**
  - **30% choose being closer to stores and smaller lot, but same commute**

Source: National Association of Realtors, Smart Growth America 2004

NEIGHBORHOOD PREFERENCE BY HOUSING TYPES: WHERE DO PEOPLE WANT TO LIVE BASED ON THEIR TYPE OF HOME?

NEIGHBORHOOD PREFERENCE BY PREFERRED HOUSING TYPE, 2007			
	MULTI-FAMILY	ATTACHED	SINGLE-FAMILY DETACHED
Center City	15%	1%	4%
Metro Core	22%	3%	5%
TND	19%	16%	21%
MPC	25%	40%	26%
Suburban Neighborhood	21%	40%	44%
TOTAL:	*100%*	*100%*	*100%*

- Higher density product types are not solely limited to city settings: more than half of multifamily home dwellers express preference to be in a more suburban setting.
- Overall consumer preference will likely shift with demographic changes (older, smaller households, etc.).

SOURCE: RCLCO Consumer Research, Summer 2007

RCLCO CONSUMER RESEARCH
MARKET DEMAND FOR DENSITY CROSSES MULTIPLE GENERATIONS

- Life stage and income are key variables in the degree of interest in denser communities offering variety of product types
- High interest among most market segments, including families (20%+)
  - Highest interest among “empty nesters” and singles
- Respondents at virtually all life stages would like to live within walking distance of a town center
  - Being close to town center, ability to walk to shops, restaurants and other amenities strongest age 50 and above
    - Desire for convenience and sociability
- With number of single person and empty nester households increasing, size of the market is growing

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AT THE MACRO LEVEL, BOOMERS FALL INTO TWO BROAD GROUPS…

Those interested in Age Oriented Lifestyles (Up to 19%*)

- Still don't consider themselves "elderly" – prefer to be "hip"
  - Give new meaning to the word "active" in terms of amenities
- Demand lifelong learning opportunities and other types of engagement
- Expect to be healthier than their parents during retirement

Those preferring Multi-generational communities (75%*)

- Aware of and don't mind large MPCs, but existing models don't meet unique preferences, e.g. smaller, more intimate neighborhoods, variation in products
- Enables them to live near their children, cultural activities, universities and schools, restaurants and urban rituals.
- They are less civic and sociable, less attracted by large clubhouses and busy group schedules. They want ownership and personal control over their stuff.
- Most want plenty of untamed space — or at least access to it. They care deeply about the myth and story underlying their community.

*Source: 2003 Baby Boomer Report by Del Webb

AT THE MICRO LEVEL, BOOMERS ARE ACTUALLY VERY SPLINTERED

Baby Boomers are not comprised of a monolithic group, but permutations within…

- <u>Age</u>:
  - Leading edge reaching 60,
  - Trailing edge in their 40's
- <u>Household Composition</u>:
  - Singles
  - Second/Third Families
  - Young families,
  - Mature families,
  - Empty Nesters and
  - "Never Nesters"
  - Multi-generational families
- <u>Psychographics</u>:
  - Innovators,
  - Thinkers and
  - Achievers
- <u>Lifestyle</u>:
  - Private and Passive to Active and Social

*Source: Newland Surveys

MAJORITY OF CURRENT PLANNED COMMUNITIES OFFER A PRE-DEFINED LIFESTYLE, TURNING OFF BOOMERS/ RETIREES…

MPC interest decreases as households mature…

- Amenities and marketing are "family focused"
- Established MPCs not widely recognized as having a "nature conscience", a highly important community theme for mature buyers
- Housing too often "mass-produced", aiming for the middle of the market and lacking unique attributes.
- Production builders lack allowance for individual expression sought by experienced home buyers
- Floor plans not always designed with aging audience in mind, just adjusted if buyers happen to be older
- Successful MPCs tend to sprout in quality school districts, not necessarily locations desirable for aging households

COMMUNITY MODELS ARE CHANGING…

	PAST	PRESENT	FUTURE
Generation	The Greatest Generation (1911-1924) G.I. Generation (1900-1924)	The Silent Generation (1925-1945)	The Baby Boomer Generation (1946-1965)
Community Type	Active Adult Community	Age-Targeted/ Active Adult Community	Multigenerational Community
			
Location	Primarily in Sunbelt states including - AZ, CA, FL & TX	Prevalent in traditional Sunbelt states and at the periphery of major metropolitan areas	Diversity in locations from secluded country locations to dense urban settings.
Retirement Focus	Forbearers unlikely to have provided a model of retirement; Easy and affordable living	Flexibility and freedom in schedule to pursue interests	Health, well being and personal enrichment; redefining mature; Who said anything about retirement
Perspective	Solitary passage; age segregated	Our time; retirement from work only; cocooning	Intergenerational; back to a simpler life; personal authenticity
Financial Resources	Social Security, Modest Home Equity	Social Security, Declining Pension Funds, 401-K, Greater Home Equity	Primary Income, 401-K, Significant Home Equity, Inheritance

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Community Type	**Active Adult Community**	**Age-Targeted/ Active Adult Community**	**Multigenerational Community**
Mindset	Accepted aging as natural part of life cycle; Lucky to be alive	A well deserved respite	Unlikely to accept aging as a fact of life; Not winding down but rewinding
Lifestyle	Passive	Passive to Active	Active
Major Focus	Lifestyle driven	Primarily lifestyle driven with greater consideration for product	Heavy emphasis on product and how product will fit into lifestyle; community that is consistent with my values
Product Type	Basic small single-story attached or detached home on small low or no maintenance lot; Value box, little variation	Small single-story attached or detached home on small low or no maintenance lot; Higher quality, mass produced product	Increasingly varied from intown condominiums to large country estate. Customization (jewel boxes), high level finishes, bigger homes appear to prevail.
Key Amenities/ Activities	Bingo, Golf, Shuffleboard, Clubhouse, Pools	Eateries, Learning/Business Center/ Clubhouse, Social/Entertainment, Fitness Center, Parks, Golf, Pools, Trails, Lakes, Team Sports	People places/Third Places, Town Centers, Learning Centers, Well Being Venues, Nature & Water (Active and Passive)
Model	Del Webb's Sun City Concept	Shea's Trilogy Concept	**Opportunity to create definitive concept**

AGING BOOMERS HOUSING PREFERENCES

- Aging boomer preferences are more easily addressed in multi-generational (multiple life stages) communities than conventional subdivision design which tends to be focused on one particular lifestyle
  - 11% of retiring suburbanites currently relocating to urban locations that are generally more multi-generational
- Boomers have made "third places" like Starbucks, B&N, their "community centers"
  - Must capture in community design - village center or town center
  - 70% say they will continue working in retirement
- As boomers age will seek communities that facilitate:
  - Making new friends and enjoying an active social life
  - Being close to essential services
  - Low-maintenance property that frees them to travel, socialize and pursue new interests
  - Amenities that support them in their refusal to truly "let go"
    - Grocery stores, banks, parks, restaurants, health, fitness facilities
    - Executive office space in a village center for "second" or "third" career, small business, etc.




SUMMARY—BOOMERS VALUES AND PRODUCT PREFERENCES

	40's Mature Families	40's Never Nesters/ Empty Nesters	50's Empty & Never Nesters, Some Older Families
Key Values	Privacy Safety Achievers Prestige Thinkers Nature Green Technology	More Lifestyle-Oriented Self-Focused Social Outlets--Hiving Work-Focused	Greater Choice & Selection Pursuing Own Interests in Life Third Places/Main Streets Cultural Access Greater Activity Choice
Key Products	Green & Nature Privacy Multi-Generational Value Lot Sizes Single-Family Detached	Multi-Generational Stronger Lot/Home Orientation Views Lower-Maintenance Products Greater Attached Preference	Multi-Generational Nature & Age-Oriented Smaller Scale Choice--Home, Village, Amenities Unique Housing Concepts Attached Products TND Preference

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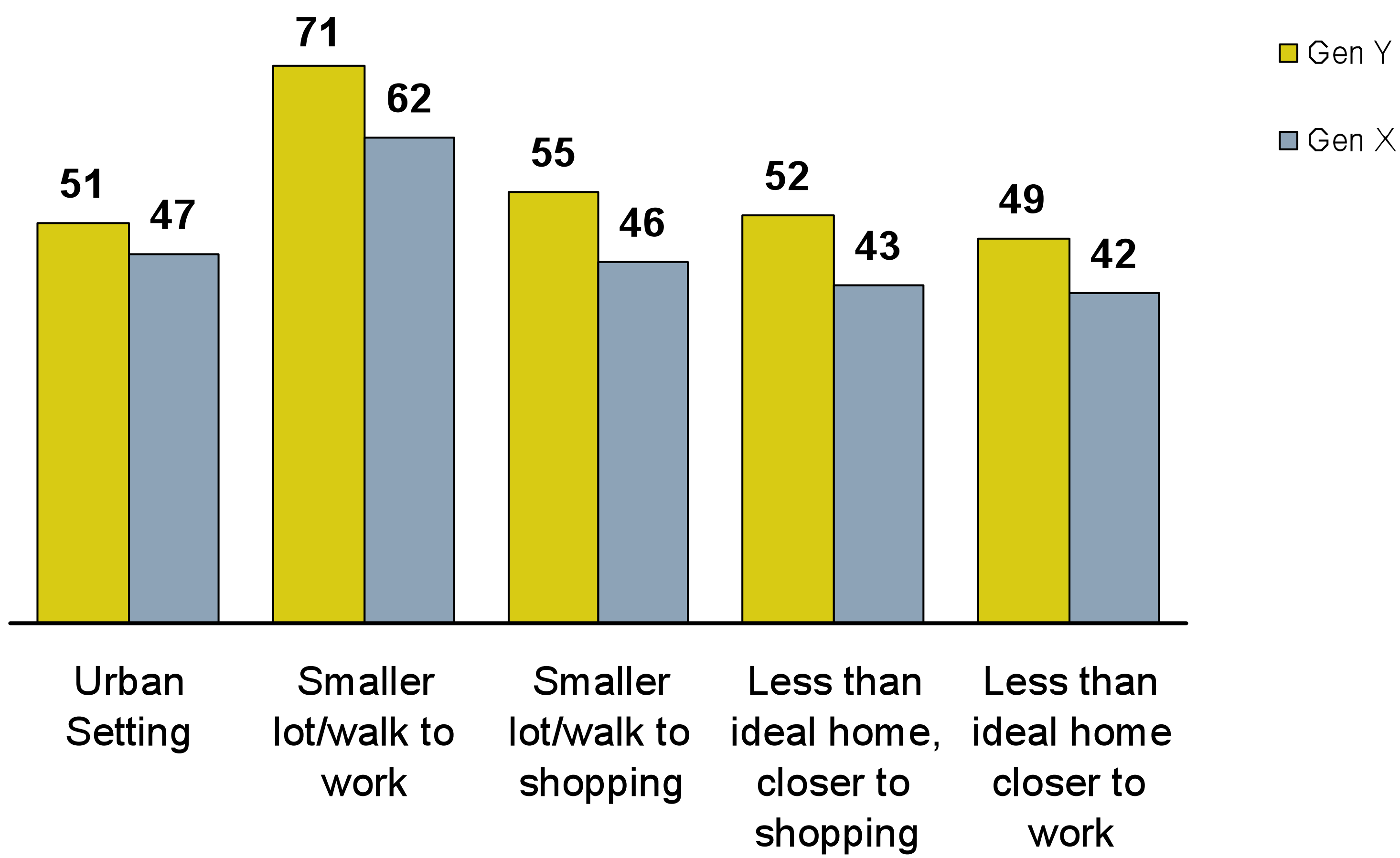
GEN Y WILL PAY FOR WALKABLE, MIXED-USE AREAS

- Walkability:
  - –Driven by convenience, connectivity, and a healthy work-life balance to maintain relationships
  - –**Nearly 1 in 3** say that living in an environment where they can walk to shops, work, etc. is vital and that they **may pay more for it**
  - –70% say that living in a walkable community is important
  - –One-half to three-quarters of Gen Y would trade lot size for proximity to shopping or to work
  - –Even among families with children, one-third or more are willing to trade lot size and “ideal” homes for walkable, diverse communities

SOURCE: RCLCO Consumer Research

TRADE-OFFS FOR GEN X AND GEN Y INCLUDE MORE FOCUS ON COMMUNITY RATHER THAN HOME

Generational Tradeoffs (%)



*RCLCO Consumer Research 2007

GEN X & Y DRIVERS--NO MORE COOKIE CUTTER PEOPLE OR HOMES

- ***Diversity plays a part in all aspects of their lives***
  - Types of communities and homes
  - Type of people and households

	Gen Y	Gen X
Must have diverse household comps	73%	74%
Must have diverse types of people	78%	77%
Must have a diversity of housing	77%	74%

Like Gen X and Boomers, economic diversity is still a soft spot—only 42% want HHs with diverse incomes.

GEN X & Y AND MPCS- STILL INTERESTED IN MPCS, BUT DEMANDING MORE DIVERSITY

- While Gen Y has significant interest in newer suburbs, the interest is somewhat lower, yet is still consistent with overall population
  - % Preferring to live in Newer Suburb: 34% in future
  - % Very/Somewhat Likely to live in MPC for next home: 22%
  - Currently, 23% of Gen Y owners live in an MPC
  - Issues with conventional MPC design:
    - Lack of housing diversity
    - Lack of authenticity
    - Monotonous neighborhoods
    - Design largely for families
    - Lack of walkability

	Renters	Owners
MPC Preference		
Married	**21%**	**22%**
Not Married	**26%**	**23%**
MPC Preference		
No Kids	**22%**	**22%**
w/ Kids	**25%**	**24%**

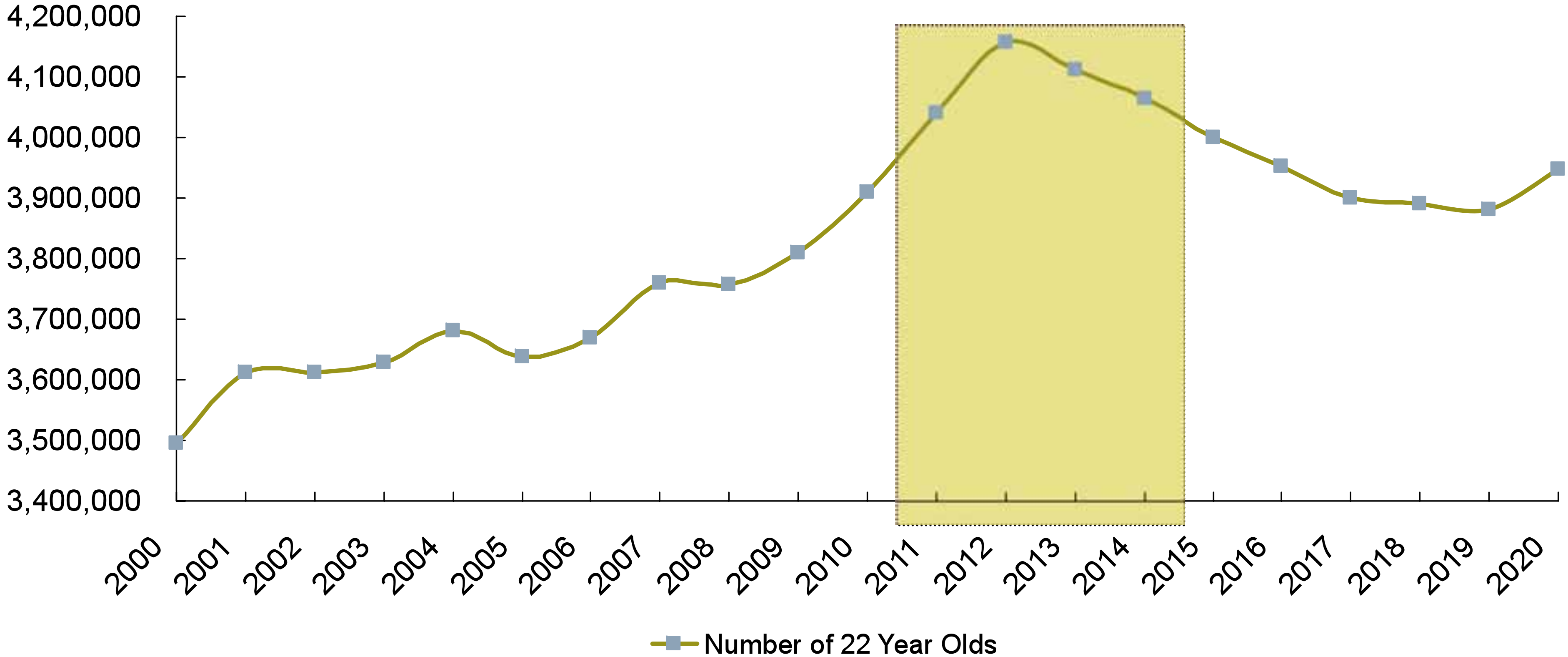
GEN Y DEMANDS WALKABLITY--EVEN IN THE SUBURBS

- Regardless of whether or not the location is urban, the majority of Gen Y prefer characteristics of urban places, particularly walkable environments
  - Regardless of owner or renter
  - Family or non-family
    - Gen Y firmly believes that this doesn't have to change once they have children
      - Majority say it's not necessary to move to the suburbs when they have children
    - They feel it is not necessary to move to a SFD once they have children
      - Only half say they will need to do so
    - Want their children to experience a more urban lifestyle and do not view this as a disadvantage
- Overall, for those who are moving, the most interest is for close-in neighborhoods
  - Interest in close-in neighborhoods is followed by urban locations

GEN Y WILL DEMAND SUBURBS AND MPCS REDEFINED

- Because renters also show an interest in these types of locations, there is opportunity to add more for-rent in to these locations
  - Best way for developments to get first-time home buyers into the community
  - Will add to the diversity of people
  - Creates vertical, direct integration of residential into town center formats, creating desired 'mainstreet' environment

THERE WILL BE A GROWING DEMAND FROM GEN Y FOR APARTMENTS. IN 2012, COLLEGE GRADUATES ENTERING THE APARTMENT MARKET WILL PEAK; URBAN AREAS PREFERRED



RCLCO Consumer Research shows:
- 41% of Generation Y plan to rent for at least 3 years
- 77% of Generation Y plan to live in an Urban Core Areas

NOTE: Number of 22-year olds is based upon birth rate and does not factor in death rates and migration.

SOURCE: U.S. Centers for Disease Control and Prevention

GEN Y WILL HAVE LARGEST IMPACT ON FOR-SALE IN 2012

- According to these peak numbers, the largest group of Gen Y will begin graduating college in 2009
  - This year and the years following will represent the biggest demand for rental housing
- If we assume that most will be purchasing their first home after three years of renting, this group will be a buying force by 2012 with the peak in 2018
  - There will be more first time homebuyers active in the market than ever before

SOURCE: US Census

LIFESTYLE AND LOCATION IS REQUIRED FOR WORK-LIFE BALANCE FOR GEN X/Y

- Work-life balance or work-life blend is important to Gen Y
  - Their work will blend with other parts of their lives — they'll work from home, enroll their kids in their company's in-house day care, and enjoy portable careers
- Gen Y are multitaskers
  - They'll do what it takes to get the job done, and they'll probably do it in less time but not at the expense of balance
- As a result, it is easy to understand why almost 50% of Gen Y will choose a less than ideal home if they can walk to work
  - This allows them shorter commutes and more 'me time'

SOURCE: Franciscan Skemp Health Care and Gundersen Lutheran Medical Center

AMENITIES REDEFINED; MORE FOCUS ON WORK/ LIFE BALANCE

- ***Amenities:***
  - Given their penchant for community involvement as well as their requirement of work/life balance, feedback from Gen Y on the types of amenities they desire in their communities may not come as a surprise. However, it is in stark contrast to much of what is being developed today. The most sought-after amenities include:
    - Library;
    - Restaurant or café;
    - Main street village;
    - Recycling center; and
    - Fitness center.

GREATEST PREFERENCE FOR SFD ON SMALL LOTS

- ***Product Types:***
  - 35% prefer a SFD on a small lot
  - 31% prefer a SFD on a larger lot
    - However, given the choice between this type of home, the ability to walk, and a smaller lot, 71% choose the latter
    - Families will sacrifice yard, but not home quality/space
  - 11% want a Condo
  - 10% prefer Townhomes
  - While Gen Y prefers SFD, they currently do not have the resources to afford this type of product; we can expect attached housing to remain popular with this group

CHANGING CONSUMER PREFERENCES
INCREASING PREFERENCE FOR DENSE PRODUCTS

Housing Preferences

2006

United States

Preferred Housing Type	Existing Preference	Share of Future Demand	GEN Y DEMAND**
Attached Housing	25.4%	38%	34%
Apartments		14%	13%
Condominiums		9%	11%
Townhomes		15%	10%
Small-Lot Detached Housing (< 1.6 Acre)	20.5%	37%	35%
Large-Lot Detached Housing	54.2%	25%	31%

SOURCE: Arthur C. Nelson et. Al, *Leadership in a New Era*, 2006
** RCLCO CONSUMER RESEARCH DATA

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- Demographic trends and life stages influencing housing choices
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IMPLICATIONS
DEMAND EXCEEDS SUPPLY

- Real estate development industry historically slow to adapt and adopt new technologies
- Demand for housing does not dissipate when innovative products are lagging in the marketplace
- Housing is a fundamental basic need so households can't be as choosy as with other products
  - Buyers consume what housing is available rather than what housing is ideal
- There is an existing and growing market segment that prefers smart growth
  - At least a third of the market prefers these types of developments
    - 1/3 of 2.0M units annually = 600,000 units (1.6M SFD x 30% = 480,000)
      - We're not producing anything near that

- **Opportunity for builders and developers:**
  - **Address the unmet demand**
  - **Gain competitive advantage**

IMPLICATIONS
GEN Y

- Intown areas and inner suburbs will remain on an upward trajectory
- Diversity, walkablity and proximity to jobs will be keys to site selection and premiums
- Renters will represent a steady stream of demand
  - Gen Y will shift toward homeownership in 2018
- Product types will remain smaller and affordable and should have focus on design over size
- Suburbs will need to evolve to remain attractive to Gen X/Y and Boomers
  - More walkable areas, including new and existing town centers
  - MPCs with greater variety of product and higher connectivity

IMPLICATIONS
BOOMERS

Create opportunities to re-create/rewind, not wind down

42% of Boomers would like to do things much differently if given chance

- Array of amenities that maintain physical health
- Address well-being & health concerns through programming and amenities
- Create social interaction opportunities
  - Third places, town centers
- Emphasize nature
  - Being a “healing developer” & living right by the land
- Create new learning opportunities and potential to continue working via technology
- Provide varied product opportunities and *multigenerational* setting

But do not use age references as the dominant marketing strategy

LIFESTYLES
RCLCO CONSUMER SURVEYS SUGGESTS 1/3 WANT SMART GROWTH PRODUCTS

	2007	2010	2015	2020
Baby Boomers 1946-1964 77 Million	Families, empty nesters Single family homes Townhomes Upscale condos 2nd Homes	Matures families, empty nesters, retirees Single family homes Townhomes Upscale condos 2nd Homes	Downsizing empty nesters; retirees Smaller single family homes Townhomes Condos 2nd Homes	Retirees Smaller single family homes Townhomes Condos 2nd Homes
Generation X 1965–1980 52 Million	Young singles and couples… Urban & suburban infill Townhomes Condos Single family homes	Maturing singles, couples and families… Townhomes Condos Single family homes	Mature owner families; downsizing empty nesters Single family homes Townhomes	Mature owner families; downsizing empty nesters Smaller single family homes Townhomes
Generation Y 1981 to 1999 80 Million	Singles and couples in… Student housing Rental housing Condo Urban infill	Singles and couples in… Student housing Rental housing Condo Townhouse Single family home	Singles, couples, young families Student housing Rental housing Buying first home Single family Townhouse/Condo	Singles, couples, families Rental housing Buying "Move-Up" Single family Townhouse



The Market for Multigenerational Communities

Todd C. LaRue
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IN A NATIONAL SURVEY, 53% OF OWNERS SAID THEY WOULD LIKE TO LIVE IN OR CLOSE TO THE CITY AND 79% SAID COMMUTE TIME IS THE TOP PRIORITY

- **Owner Location Preference**
  - **53% close to or in city**
  - **27% in exurbs**
  - **19% in suburbs**

- **Where to Live: 79% say commute time is the top priority**

- **Other top priorities**
  - **75% easy access to highways**
  - **75% having sidewalks and places to walk**
  - **57% having a large house on a large lot**

53% "close-in.....27% exurbs

75% easy access.....57% large lot

National Survey on Communities, 2004

NAR, Smart Growth America