

An aerial photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. In the foreground, a large baseball stadium with a green field and brown base paths is visible. The city is densely packed with buildings of various heights and colors. A large body of water is visible in the background, reflecting the sunset light.

THE BUSINESS OF HOUSING:

MASSIVE CHANGES, MAJOR CHALLENGES
(AND SOME BRIGHT SPOTS)

EXCERPTS

16th Annual Residential Real Estate Conference
University of San Diego
December 8, 2016

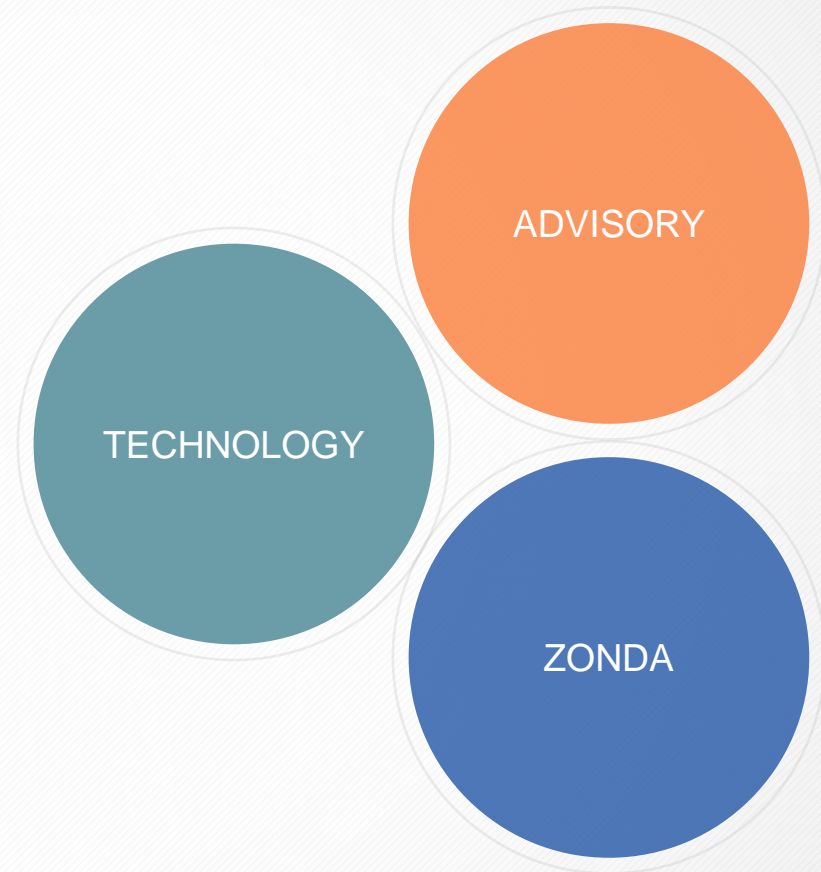
MEYERS RESEARCH

Experienced residential real estate & technology advisors as well as leading data company providing our clients with a clear perspective and a strategic path forward.

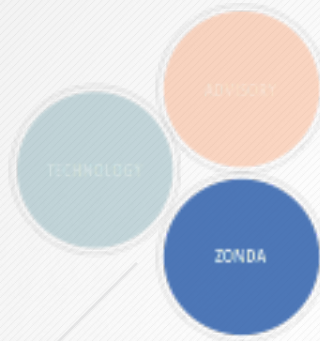
Our Advantage: The combination of deep real estate knowledge and cutting edge technology backed by the most comprehensive data.

www.meyersresearchllc.com

Our Team: Based in Beverly Hills, we are home to 80 experts in 10 offices across the country.



ZONDA



408

Counties
with data coverage

275

Housing &
economic metrics

24

-Hour
support

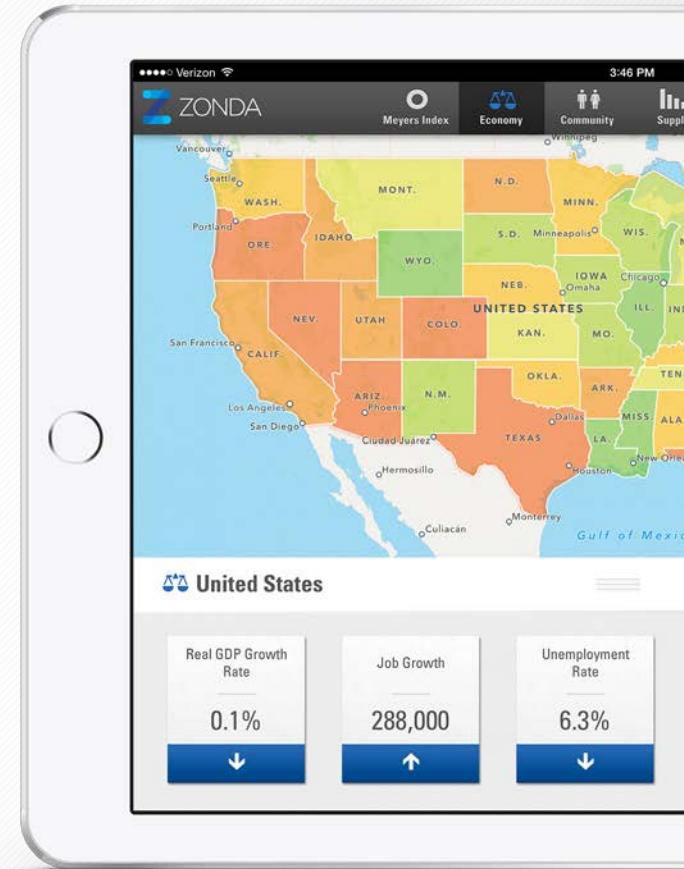
The housing industry's most comprehensive research platform with real-time information all in one place.

Our Clients: homebuilders, developers, brokers, institutional investors

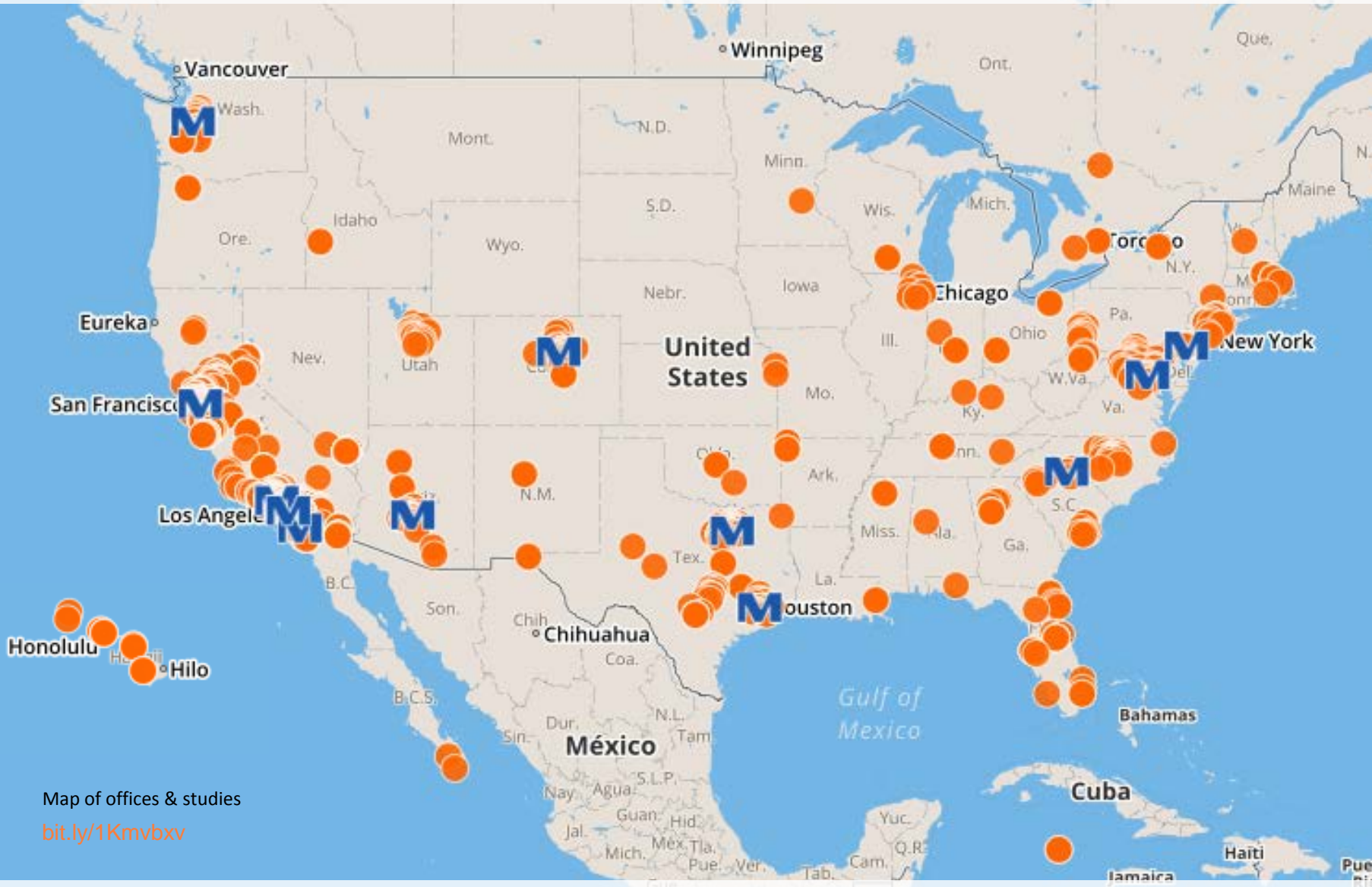
www.zonda.co

FEATURES

- *National Insight*
- *Local Flavor*
- *Historical Context and Forecasts*
- *Accelerated Field Work*
- *Instant Reports*




LOCALLY BASED, NATIONALLY EXPERIENCED



Map of offices & studies

bit.ly/1Kmvbxv

Beverly Hills | San Diego | Orange County | Bay Area | Dallas | Houston | Phoenix | Denver | Charlotte | Philadelphia | New York

AGENDA

- I. Real Estate Disruptors**
- II. A New Regime**
- III. General Economic Trends**
- IV. Other Things to Consider**
- V. San Diego Market Overview**
- VI. Conclusions and Conversation**

REAL ESTATE DISRUPTORS

THE GREAT DISRUPTERS OF REAL ESTATE

- **3D PRINTING**
- **UBER**
- **GLOBALIZATION**
- **PRE-FAB HOUSING**
- **AUTONOMOUS VEHICLES**
- **ELECTRIC VEHICLES**
- **DRONES**
- **SOLAR**
- **WIRELESS POWER**
- **VIRTUAL HOME BUYING**
- **SMART TECHNOLOGY**

UBER



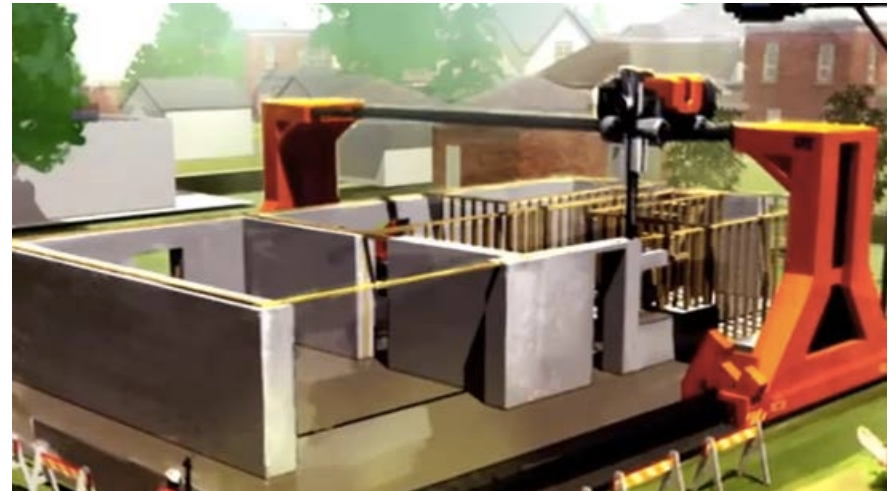
UBER

EVERYONE'S PRIVATE DRIVER™

UBER



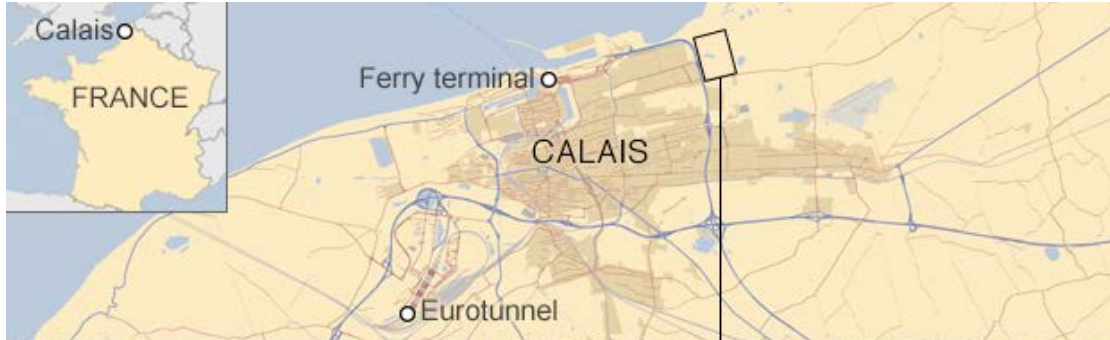
3D PRINTING



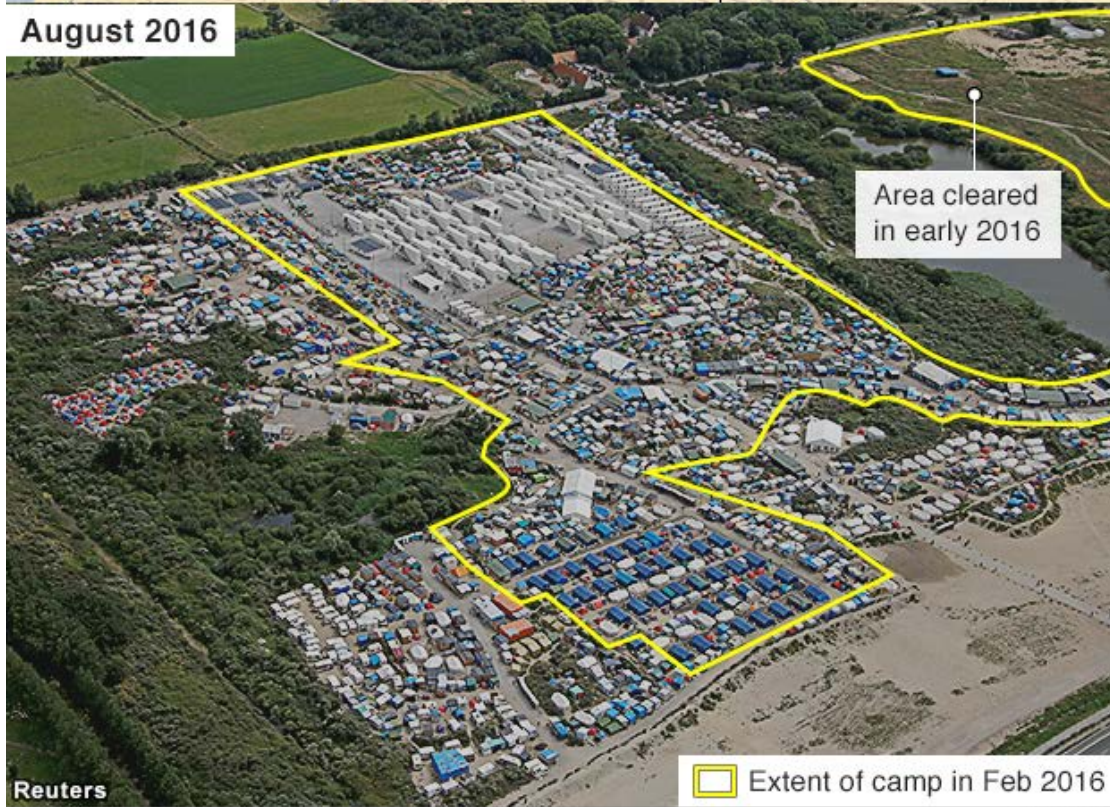
No waste – additive construction
No transport costs – print locally
Possibility for high level of detail



GLOBALIZATION



August 2016



Extent of camp in Feb 2016



DISRUPTING THE CONSUMER EXPERIENCE

TUFT & NEEDLE



Free shipping, 100-night return policy starting at \$350

FOX RESTAURANT CONCEPTS



Food is the focus, but the love, the genuine connection, is in the *details*.



WARBY PARKER

For every pair purchased, a pair is distributed to someone in need.



Home Try-On

Want to try before you buy?
5 pairs, 5 days, free trial

A NEW REGIME

TRUMPNOMICS



CONSUMER CONFIDENCE SURGES TO 9-YEAR HIGH

107.1

6% increase since October – Highest since July 2007

CONSUMER CONFIDENCE HITS A HIGH

The Consumer Confidence Index, a measure of optimism about the U.S. economy, rose to 107.1 in November, the highest since July 2007.

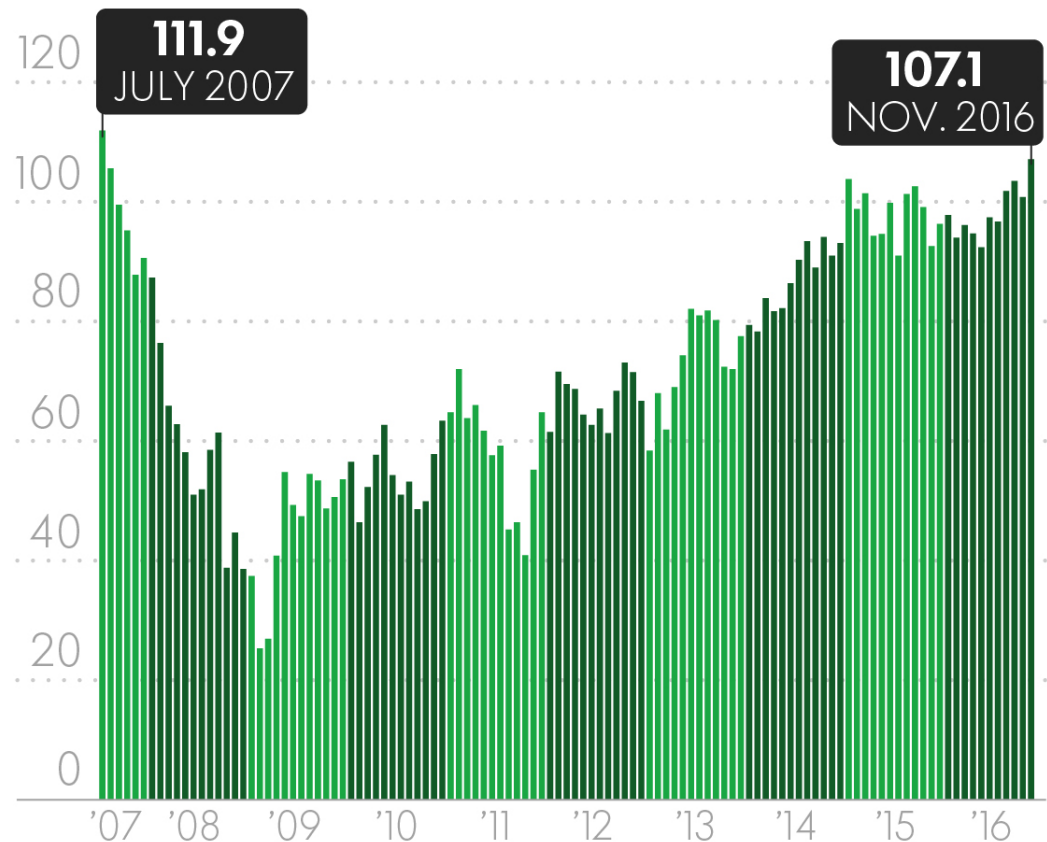


Photo: Damian Dovarganes, AP

SOURCE Consumer Confidence Board
George Petras, USA TODAY



HOW TRUMP COULD AFFECT THE VALUE OF YOUR HOME

63.5%

Home Ownership Rates

Slight increase in past month

DEMAND

Infrastructure Job Creation

Home Sales Bargain Belt (\$ Challenged Red States)

Immigration Policies & Foreign Investment

Limit & Reduction in Foreign Residency

Home Sales Costly Coast (\$ Healthy Blue States)

Increased Interest Rates

SUPPLY

Decreased Building Regulation

Credit Availability- Dodd-Frank Dismantling



Donald J. Trump
@realDonaldTrump

American homeownership rate in Q2 2016 was 62.9% - lowest rate in 51yrs. WE will bring back the 'American Dream!'



"I estimate that 25% of the cost of a home is due to regulation...I think we can get that number down to about 2% There is no greater thing you can build. If you can build a home, you can build anything" *Donald Trump*

US DOLLAR SOARS ON BETS THAT TRUMP COULD SPUR INFLATION

100+

DXY continues to increase from 5-year low of <80



Fed fund futures imply a better-than-70-percent probability the Fed will hike rates in December.
FORTUNE

“Clearly the market has settled on a ‘buy dollar’ theme on the basis there will be a debt-fueled US fiscal binge that will push up inflation”
TD Securities European Head of Currency Strategy Ned Rumpeltin

GENERAL ECONOMIC TRENDS

LET'S SET THE SCENE

We are 7 years into an economic expansion.

External

Brexit

China

Internal

Presidential Transition

Rate Hike

Industry

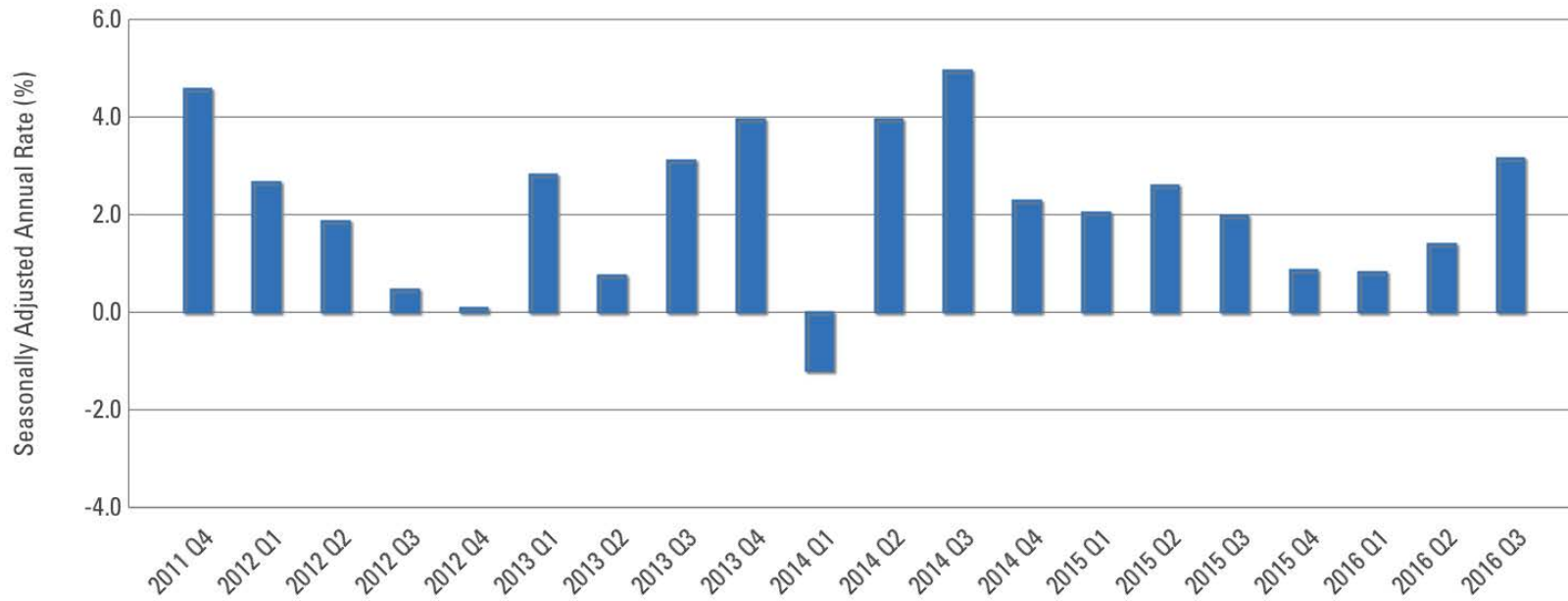
Industry Shortages

Softening of Luxury

GDP AT HIGHEST LEVEL IN 2 YEARS

United States: Real GDP Growth Rate (seasonally adjusted annual rate) ↑ 3.2%

Updated Nov. 29, 2016



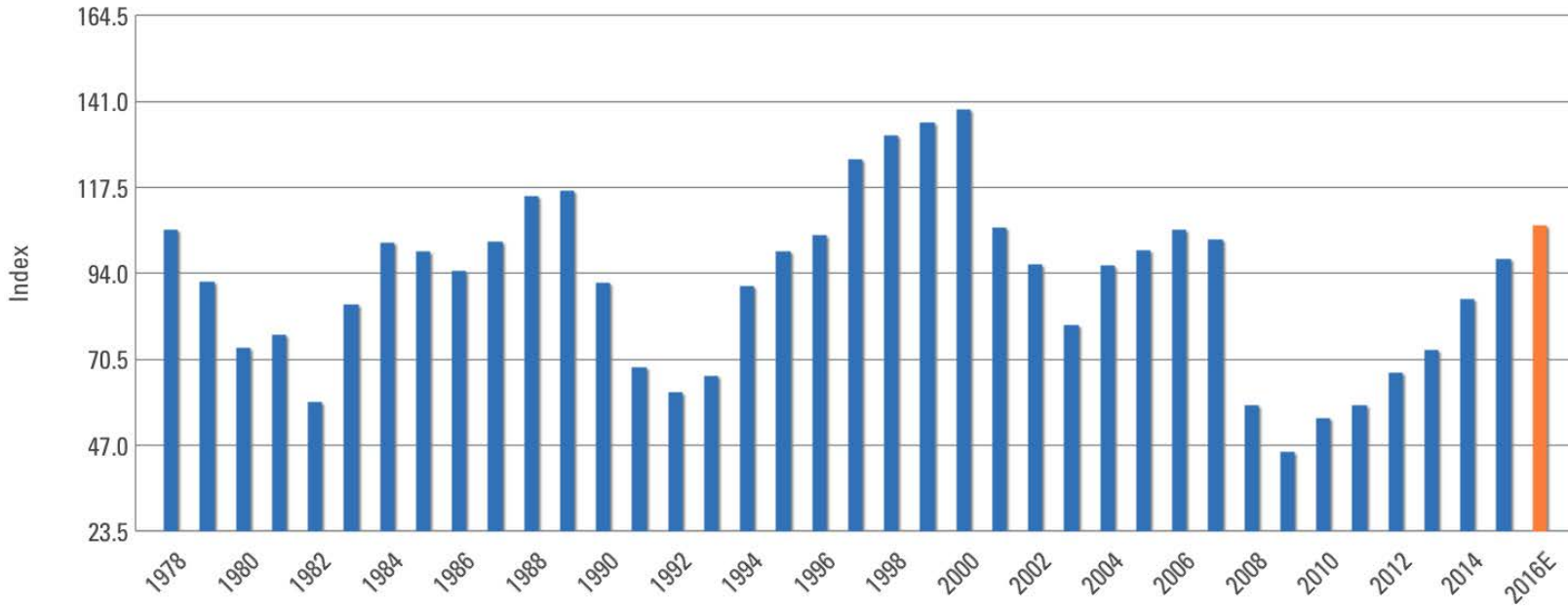
Source: U.S. Bureau of Economic Analysis, Moody's Analytics; Zonda by Meyers Research. Data as of November 29, 2016. Next release is December 22, 2016.

THE BACKBONE TO THE US ECONOMY (2/3RD!)

United States: Consumer Confidence Index ↑ 107.1

Change over month: **6.3 pts** Change over year: **14.5 pts**

Updated Dec. 02, 2016



Minimum: **45.2 in 2009**

Maximum: **138.9 in 2000**

39 Year Average: **91.7**

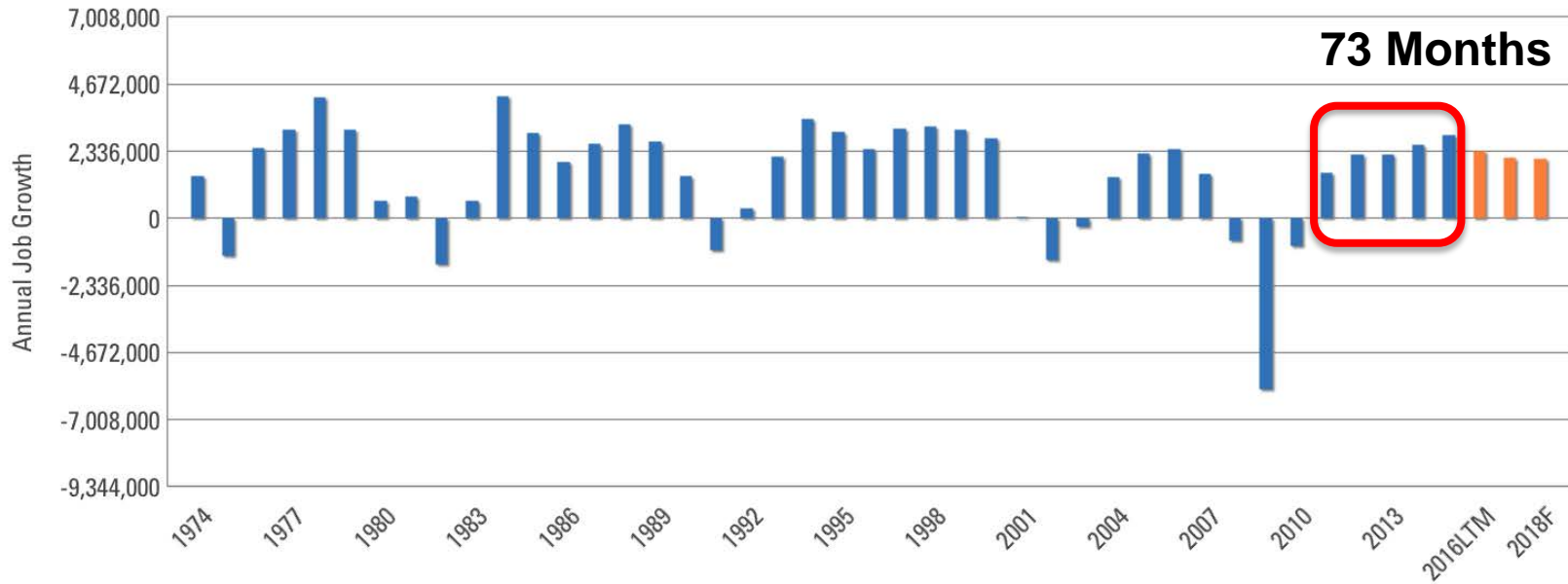
Source: Conference Board, Moody's Analytics; Zonda by Meyers Research. Data as of October 25, 2016. Next release is November 24, 2016.

THERE WILL ONLY BE CONSUMERS IF THERE ARE JOBS

United States: Non-Farm Job Growth (seasonally adjusted, over-the-month change) ↑ 178,000

Total Non-Farm Employment: **145,128,000** 2016 Forecasted Annual Growth: **2,480,000**

Updated Dec. 02, 2016



Minimum: **-5,940,917 in 2009**

Maximum: **4,253,833 in 1984**

43 Year Average: **1,588,365**

Source: Bureau of Labor Statistics, Moody's Analytics; Zonda by Meyers Research. Data as of December 2, 2016. Next release is January 6, 2016.

SHORTAGES IN LABOR AND MATERIALS



RATE HIKE: HOW MUCH? HOW FAST?

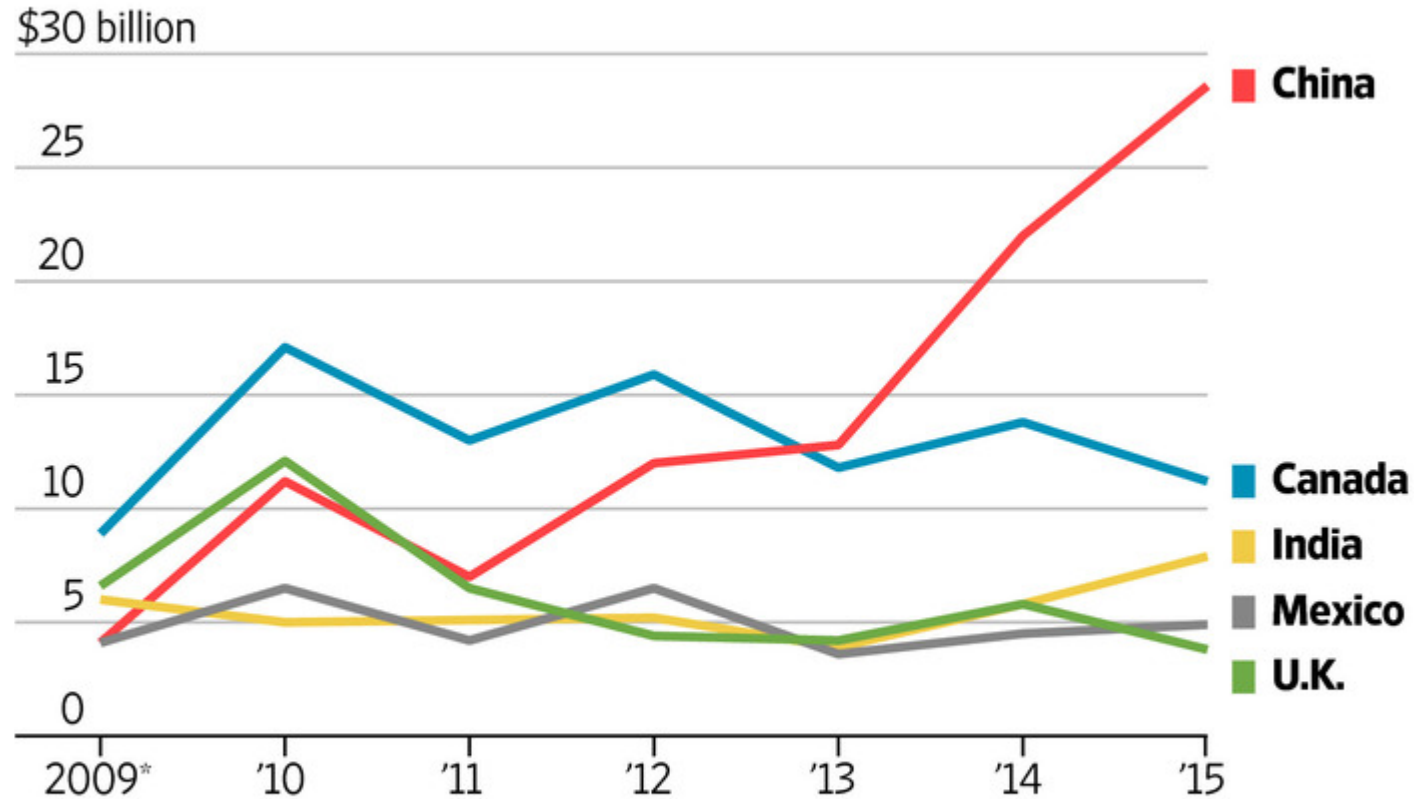


SLOWING OF LUXURY MARKET



CHINESE BUYERS

Estimated value of sales to international clients



*Figures for non-resident clients only

Note: Figures for 12-month period ending in March; China includes Hong Kong and Taiwan

Source: National Association of Realtors

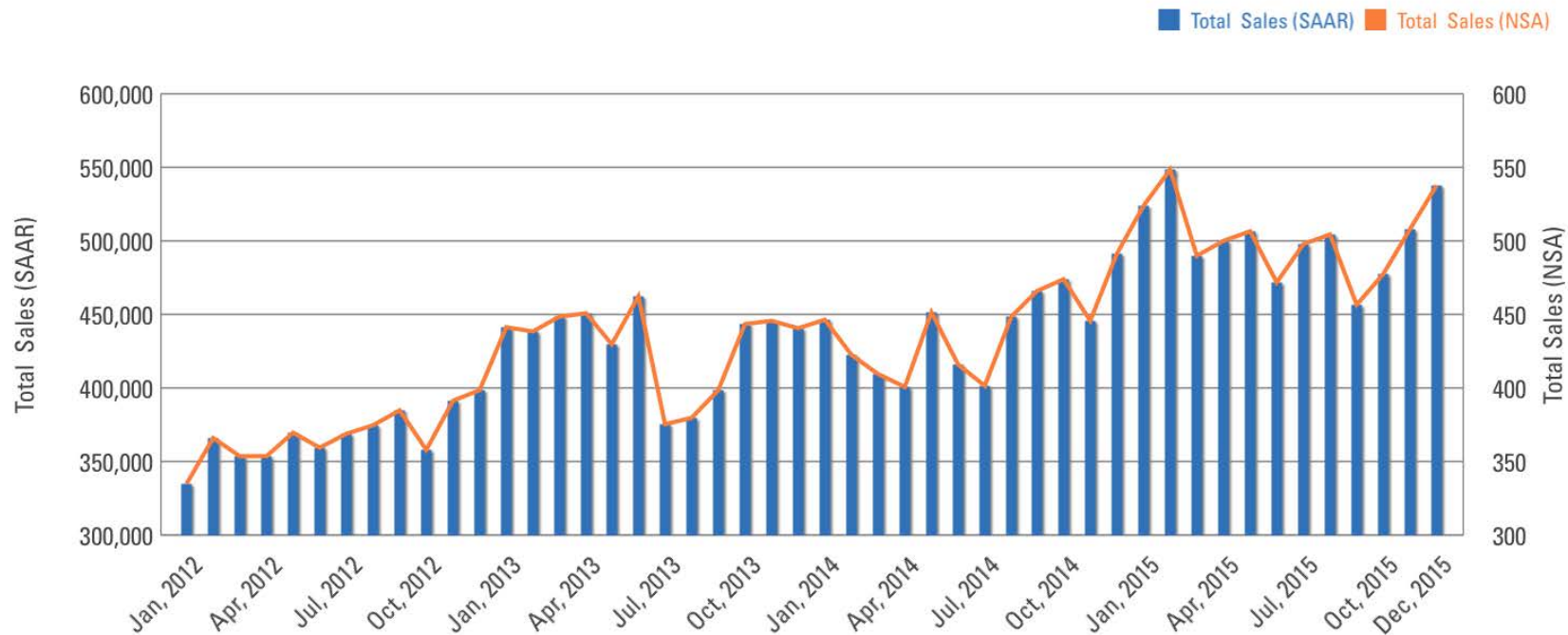
THE WALL STREET JOURNAL.

NATIONAL NEW HOME SALES 30% UP YOY

United States: New Home Sales (seasonally adjusted annual rate) ↓ 563,000

Change over month: **-1.9%** Change over year: **17.8%**

Updated Dec. 02, 2016



Source: U.S. Census Bureau, Moody's Analytics; Zonda by Meyers Research. Data as of November 23, 2016. Next release is December 23, 2016.

HUGE CHANGE FOR SAN DIEGO IN 2017

New Loan Limits

Source: FHFA

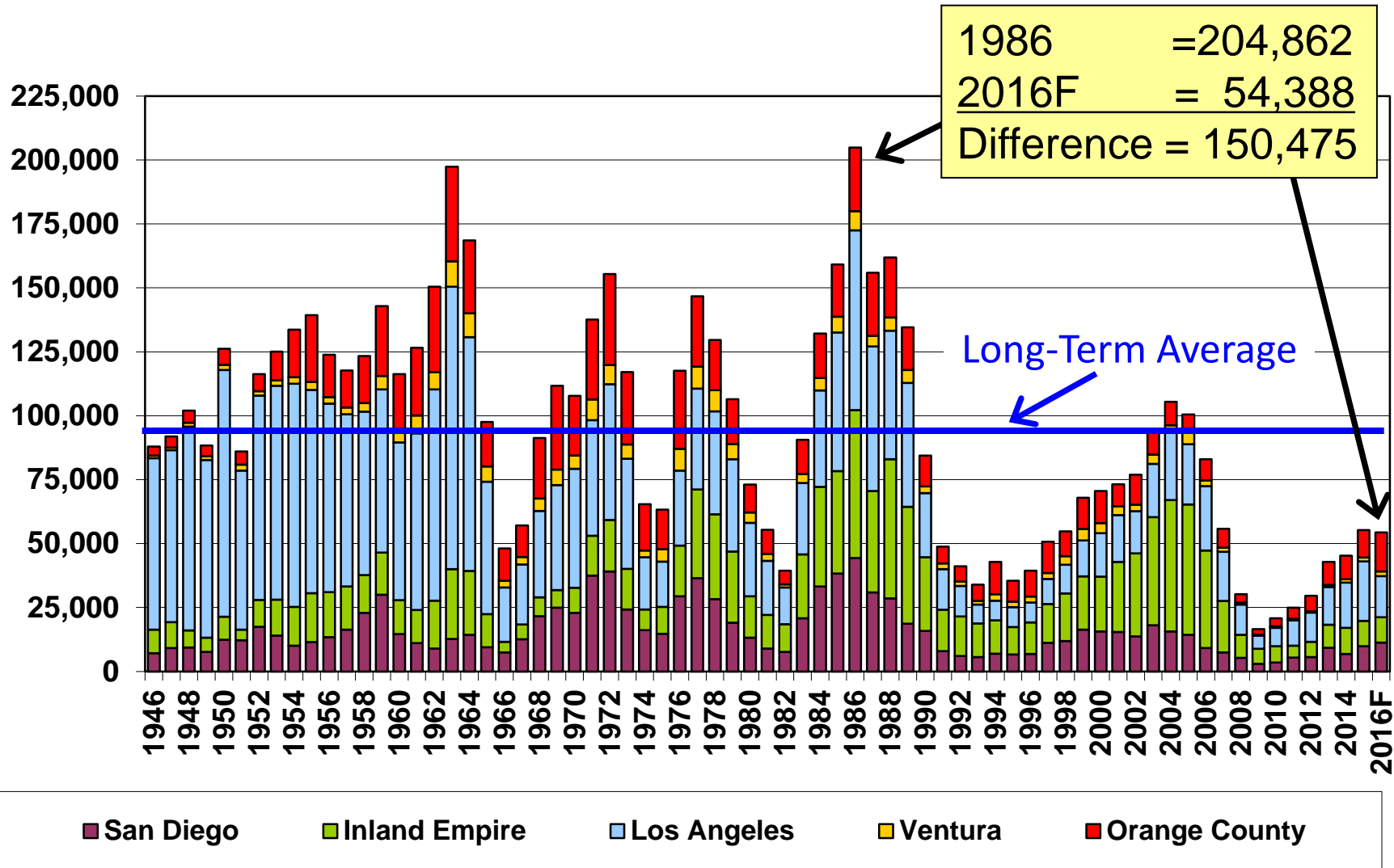
County	2016	2017	Change
Riverside	\$417,000	\$424,100	\$7,100
San Diego	\$580,750	\$612,950	\$32,200
Los Angeles	\$625,500	\$636,150	\$10,650
Orange	\$625,500	\$636,150	\$10,650

CONCLUSION

- Economic fundamentals are still in place
- Watch for changes in policy (both fiscal and monetary)
- Boomerang buyers will be a boon going forward
- Watch affordability, especially for Millennials/first time buyers
- The single family rental market is here to stay
- Don't overreact, but be more prudent

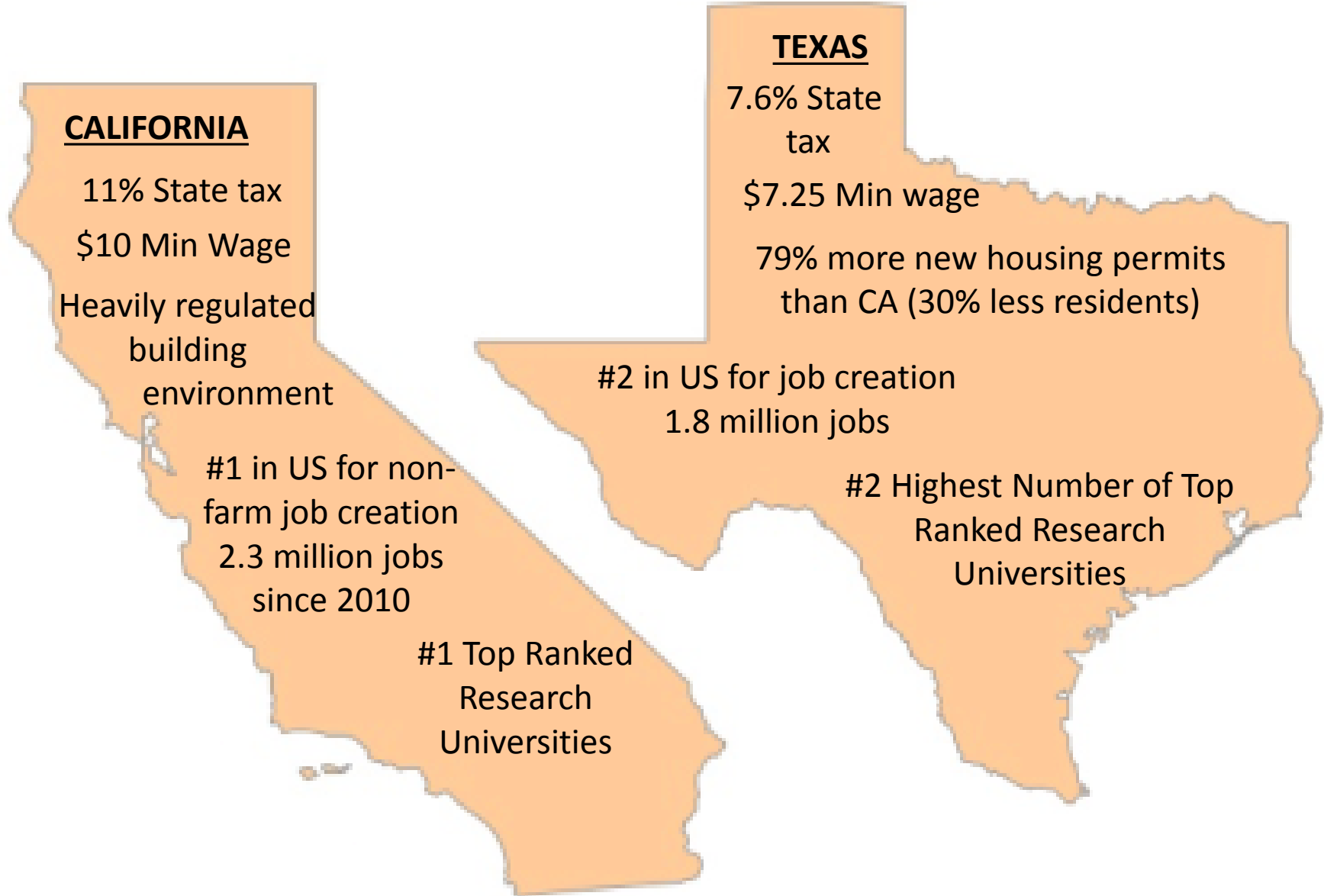
OTHER THINGS TO CONSIDER

SOUTHERN CALIFORNIA BUILDING PERMITS



Source: Economy.com

CALIFORNIA VS. TEXAS: INVESTING IN THE FUTURE



CALIFORNIA DIVESTMENT EVENTS

1,510 Reported California Divestiture Events 2008-2014



Companies
leaving the
state
entirely

Companies
choosing
to expand
to other
states

Companies
that
considered
expansion
to CA &
passed

SAN DIEGO'S HOSPITAL BOOM

JACOBS MEDICAL CENTER Opened November 20, 2016



“Since 2009, SD has seen 7 new or dramatically upgraded hospitals adding a total of 1281 beds at a cost of \$3Billion. By 2020, currently active projects will that total to 1,869 beds and \$4B” SOURCE: Union

Tribune

Where is the Growth?

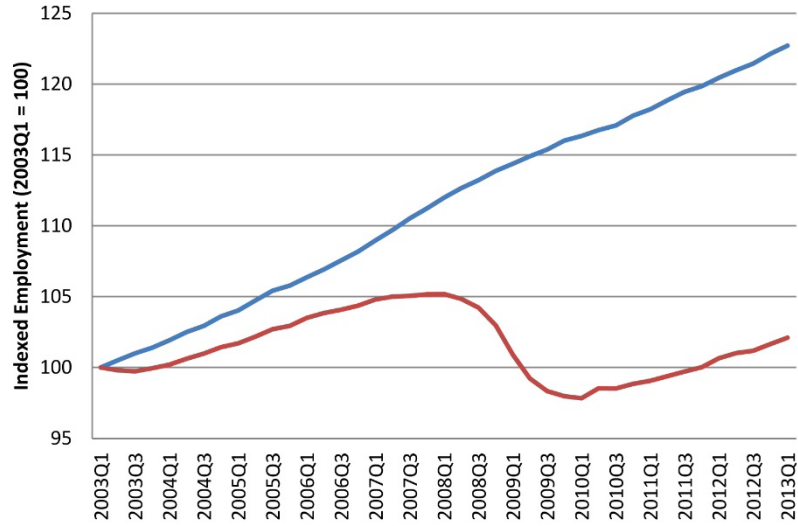
U.S. BLS Employment Projections 2015-2025:

- Jobs in healthcare will be fastest-growing employment category
- Will generate 9.8m new jobs; a 6.5% increase.
- Will account for 18% of GDP, up from 15% in 2004.



Healthcare
... jobs continue
to rise!

U.S. Employment Growth in Healthcare and All Other Industries, 20



Implications for housing?:

- Metro areas with large percentage of health care employment and/or retirees.
- Housing and community design for the elderly.
- What will happen to the housing stock that recent retirees leave behind?

SAN DIEGO MARKET OVERVIEW

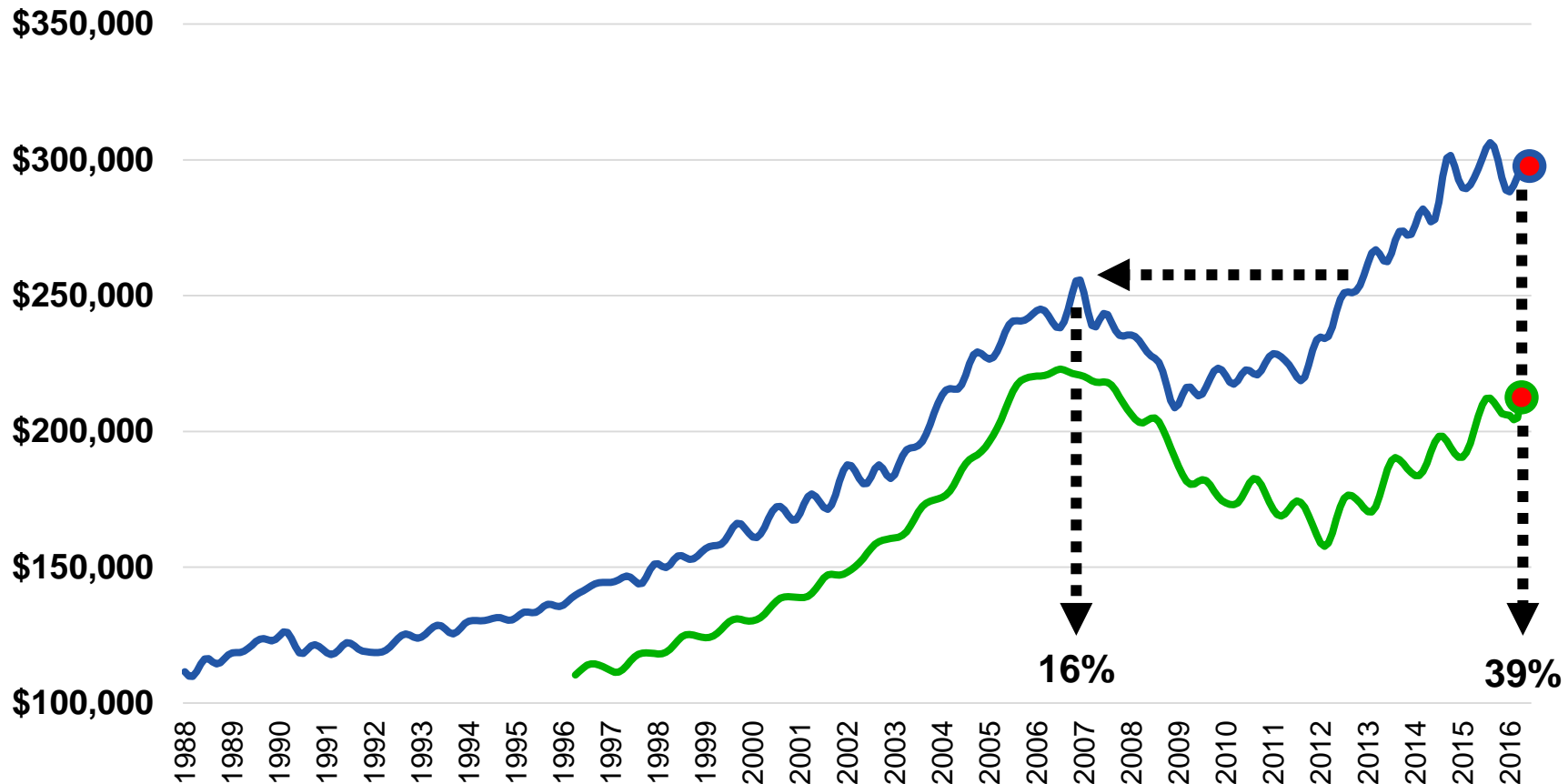
NEW HOME PRICES ARE AT AN ALL TIME HIGH

U.S. Median Sales Price of Homes: New v. Existing

Source: Zonda

New Home Price - \$297k

Existing Home Price - \$213k



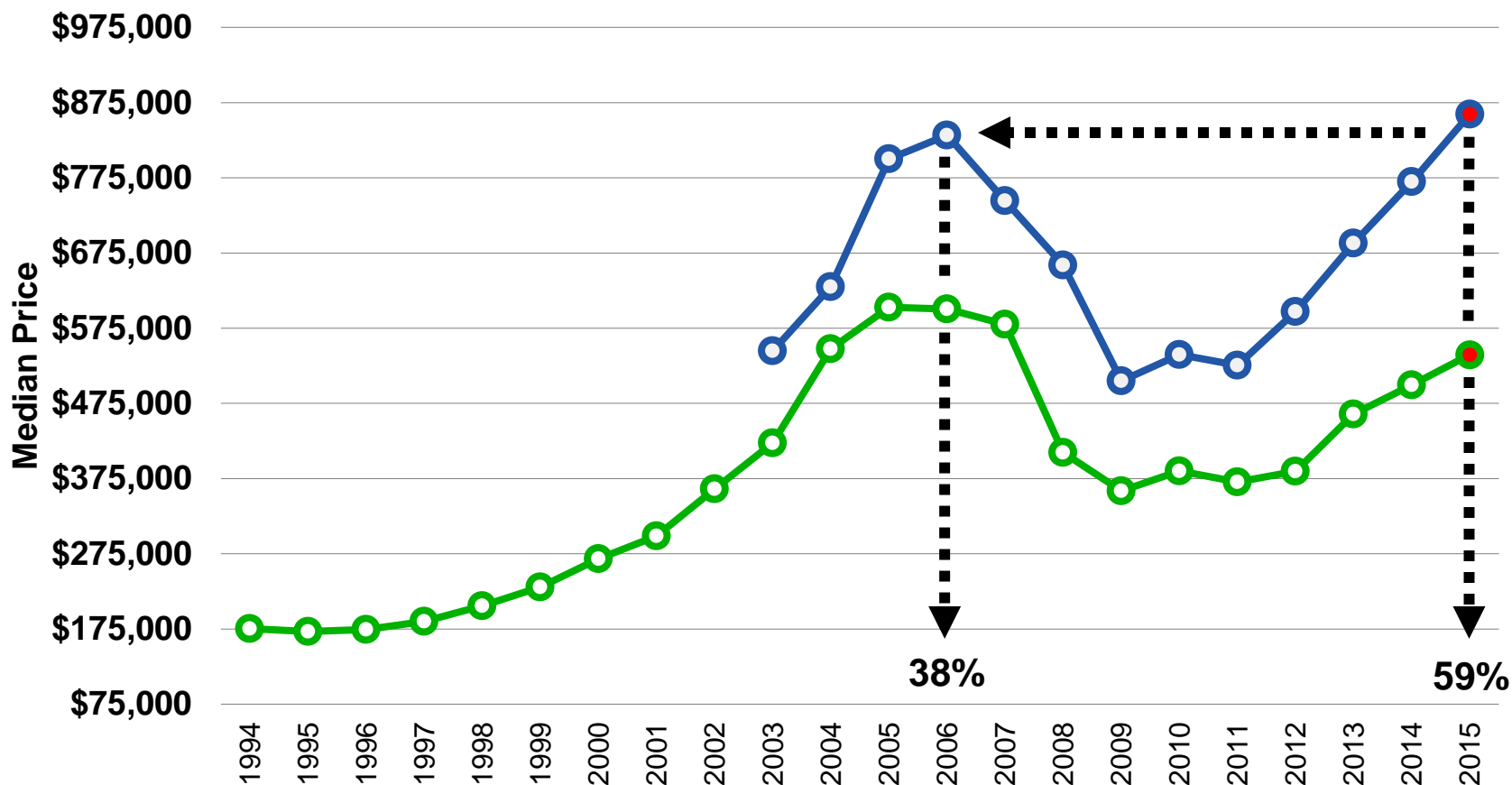
SAN DIEGO IS NO EXCEPTION

San Diego New Home Versus Existing Home Prices

Source: Zonda

New Home Price - \$859k

Existing Home Price - \$539k



SAN DIEGO APARTMENT OCCUPANCY

- YOY Occupancy Change 0.2
- Current Occupancy 96.6%
- Annual Absorption 3,273 units

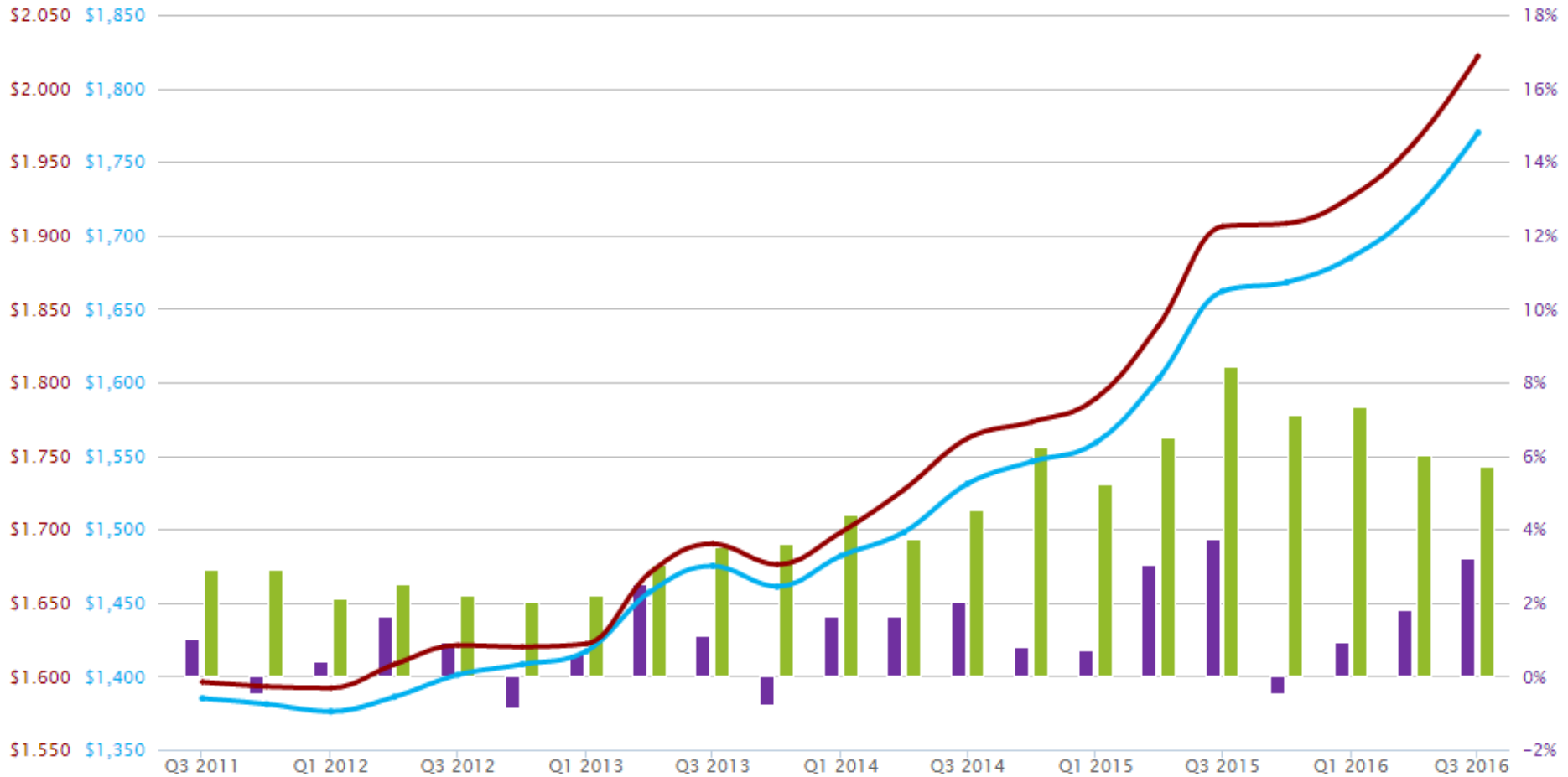
SAN DIEGO APARTMENT RENTS

1.2%
QOQ Rent Change

4.4%
YOY Rent Change

\$1,519
Monthly Rent

\$1,745
Rent P/SF



PUBLIC BUILDERS RULE IN SAN DIEGO

Builders Ranked by Sales Activity – Thru November 2016

Source: Zonda

Order	Builder	Public	# of Projects	2016 Sales	Units Left	Mo. Inv.	Avg Size (Min)	Avg \$ (Min)	Avg SR
1	CalAtlantic Homes	●	17	414	633	11.3	2,588	\$911,900	3.29
2	Pardee Homes	●	6	192	198	8.0	2,944	\$1,084,596	4.10
3	KB Home	●	8	127	249	8.7	1,875	\$553,912	3.59
4	Shea Homes	●	8	123	366	11.2	1,859	\$659,822	4.10
5	Lennar	●	4	119	80	3.0	2,126	\$681,495	6.65
6	Taylor Morrison	●	4	106	132	13.6	2,546	\$878,441	2.43
7	Toll Brothers	●	4	69	197	16.0	2,497	\$1,004,970	3.08
8	Cornerstone Communities		2	61	69	10.8	1,441	\$353,490	3.20
9	D.R. Horton	●	2	55	18	2.6	1,768	\$492,945	3.45
10	Zephyr Partners		4	53	75	10.6	1,746	\$905,868	1.78

NUMBER OF ACTIVE PROJECTS STILL AT ALL-TIME LOW

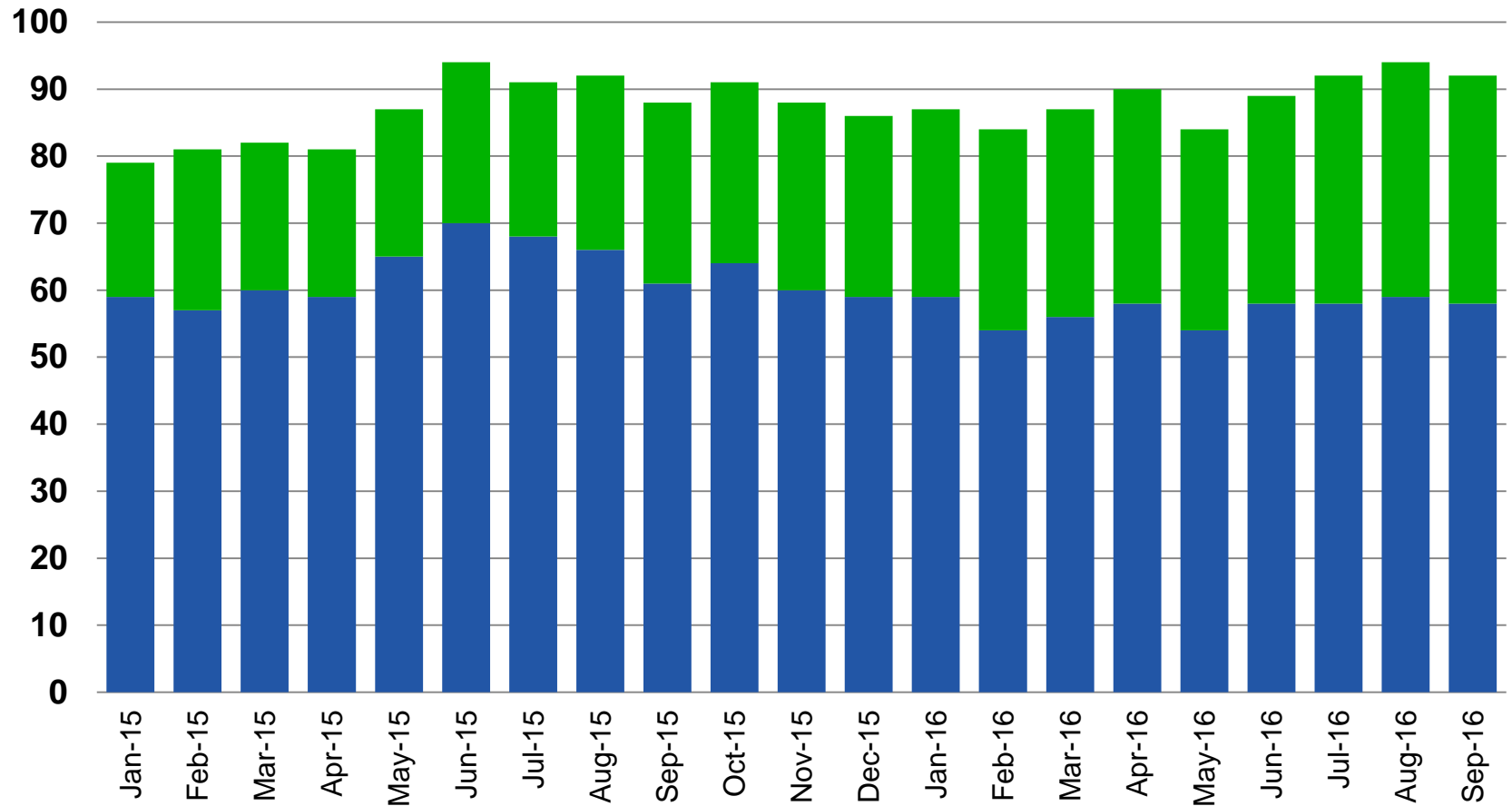
San Diego Active New Home Projects

Source: Zonda

Single Family

Attached

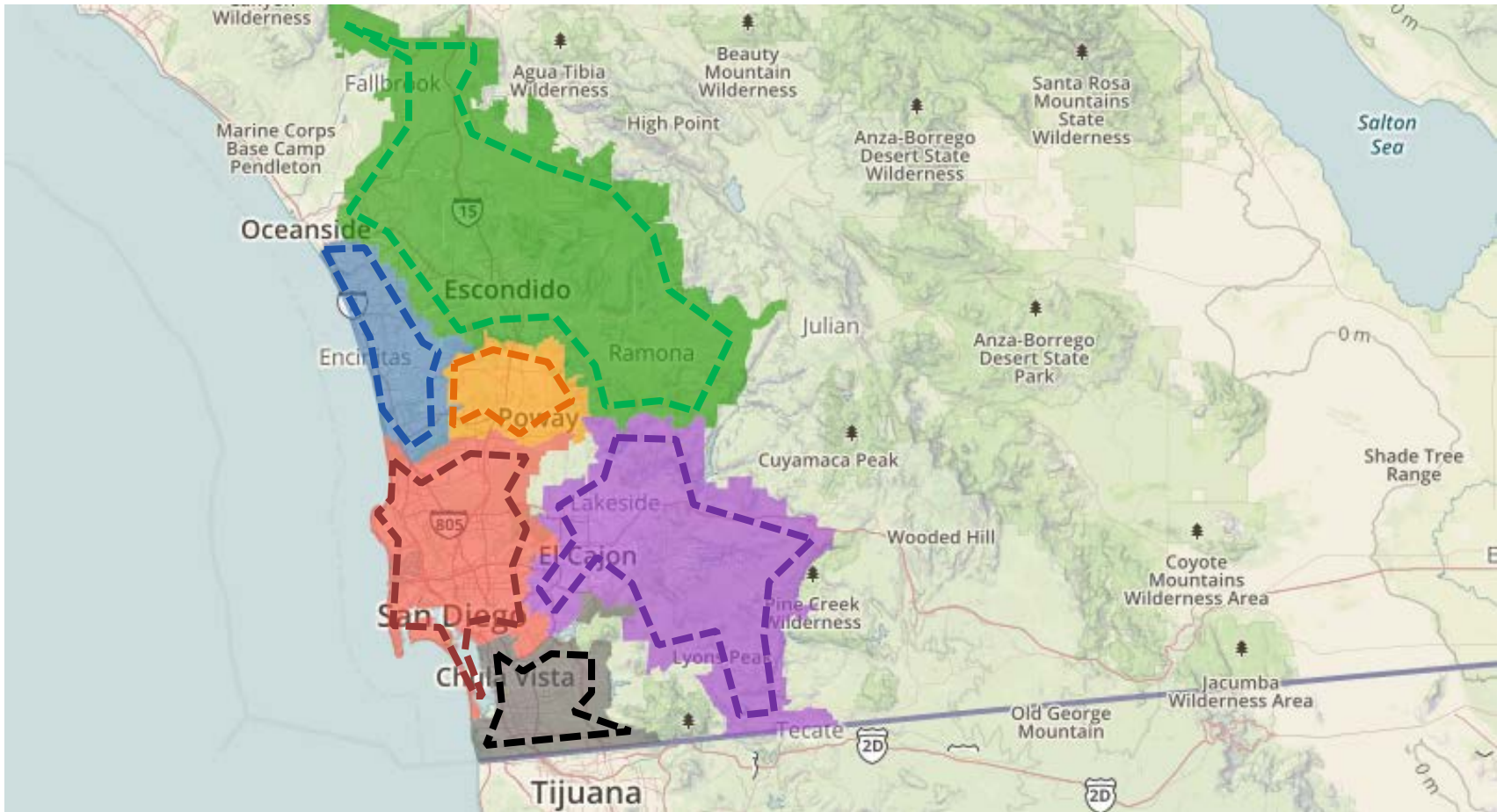
SFD: Just 58 active projects vs. 220+ in late 1980s (+/-120 in 2007);
ATT: 34 projects vs. 220+ in mid 2000s.



INTRODUCING...UPPER NOCO

San Diego County Stats by Submarket

Source: Meyers Research



SOUTH COUNTY ON THE RISE; 18 ACTIVE PROJECTS

of Active New Home Projects (SFD/ATT) by Submarket

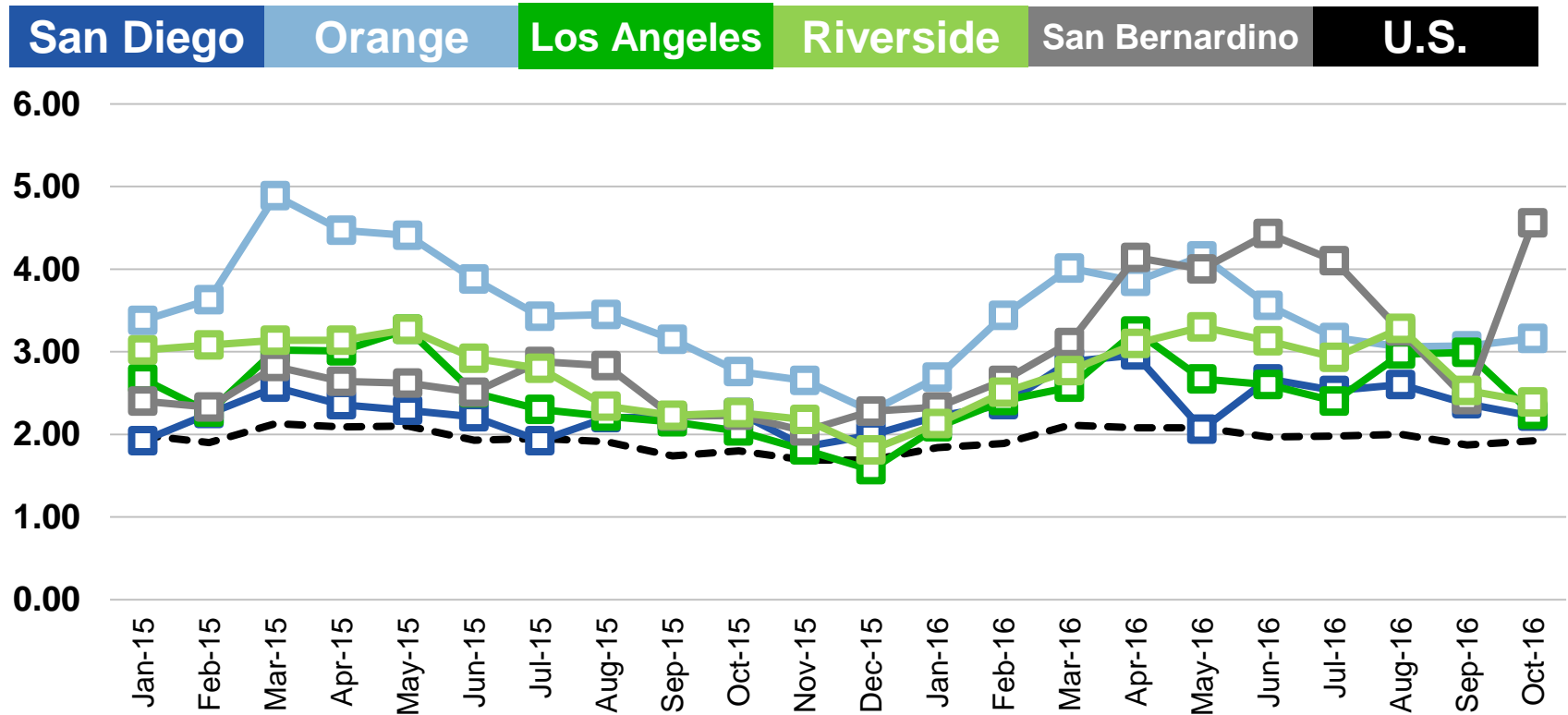
Source: Zonda

Order	Submarket	# of Projects	Units Remaining	Months of Inventory	Avg Size (Min)	Avg \$ (Min)	Avg SR
1	Upper NoCo	26	829	12.6	2,282	\$649,078	2.54
2	North County Coast	21	539	8.7	2,741	\$1,160,099	2.96
3	South	18	711	10.3	1,612	\$440,514	3.83
4	North County Inland	14	399	8.1	2,756	\$1,043,699	3.50
5	Central	13	394	19.2	1,554	\$1,003,670	1.58
6	East	6	108	3.3	1,690	\$475,990	5.45
Total/Average		98	2,980	9.6	2,182	\$788,403	3.16

SOCAL NEW HOME SALES RATES EXCEED NATION

Average Per Project Sales Rate by Metro

Source: Zonda



of Active Project Displayed Above

(Most Recent Month)

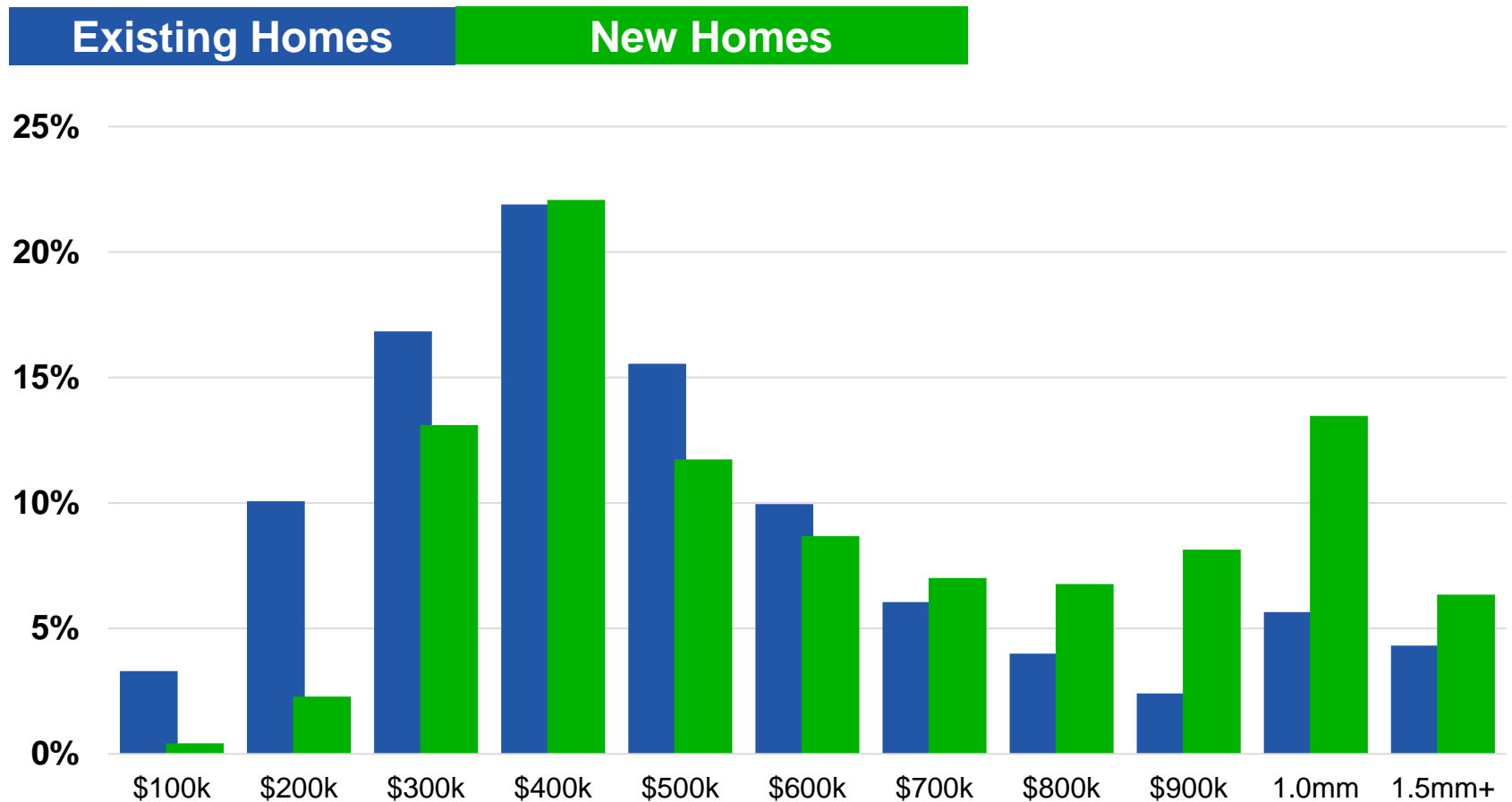


NEW HOME “SWEET SPOT” IS \$300 TO \$600K

Distribution of Sales by Price Range

Source: Zonda

- But 20% of New Home Sales are Over \$1.0mm



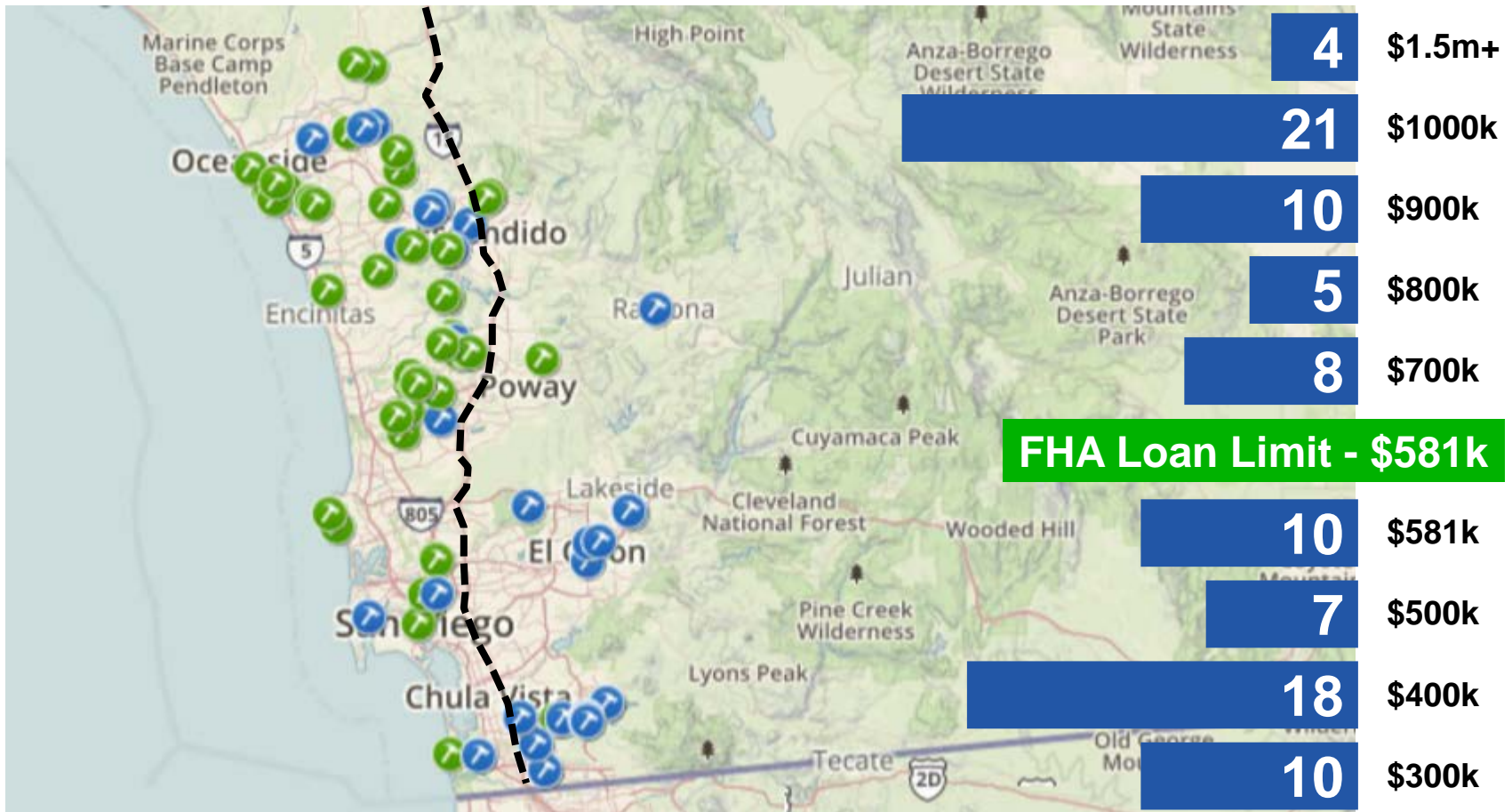
59% OF SUBDIVISIONS ARE OVER FHA LIMIT

Active and Upcoming Projects / Active Project by Price

Source: Zonda

59% Above / 41% Below FHA Limit

Over FHA Limit Under FHA Limit

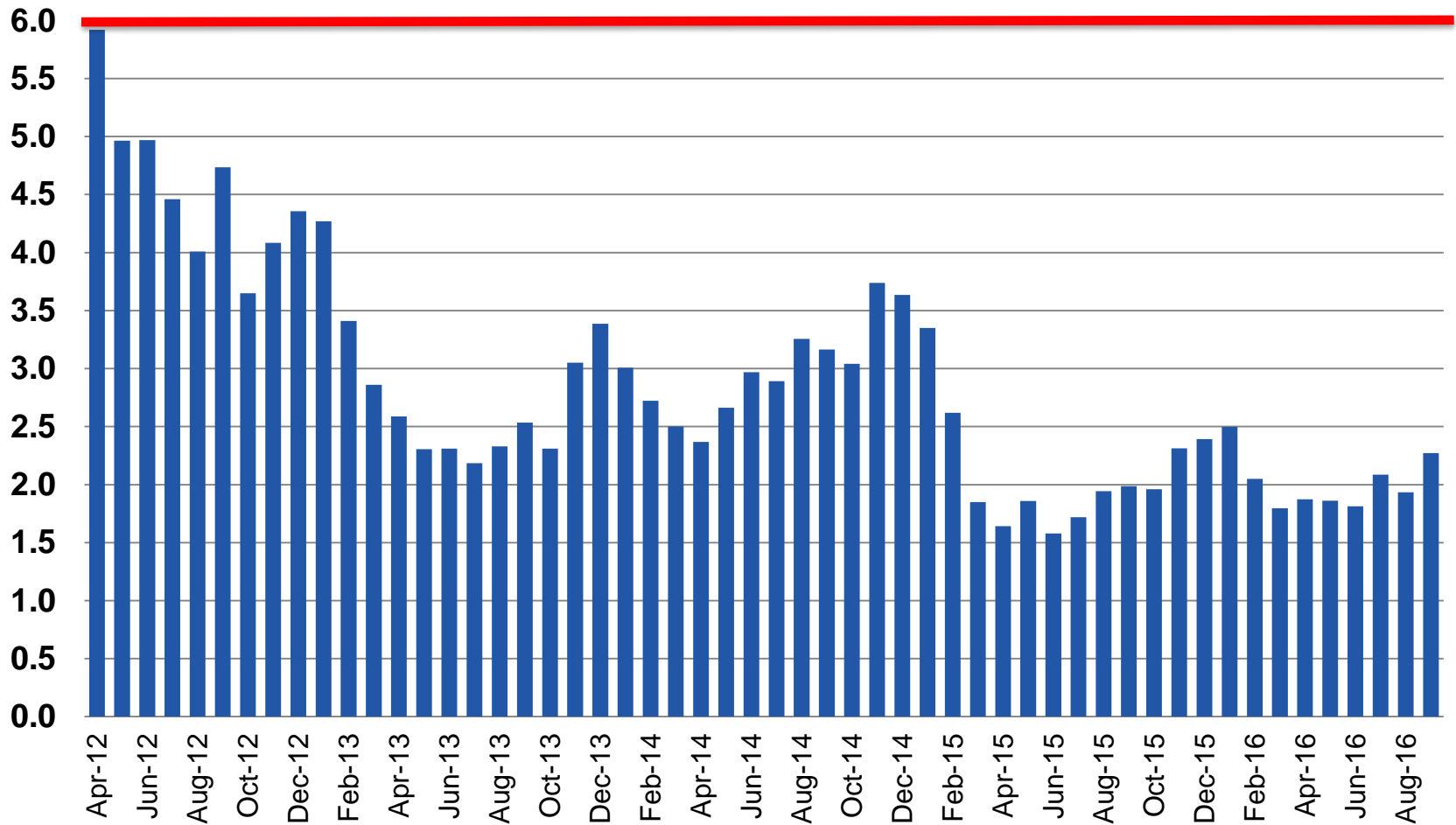


LOW RESALE SUPPLY; ABOUT 2.0 MONTHS

Months of Inventory

Source: Zillow and Zonda

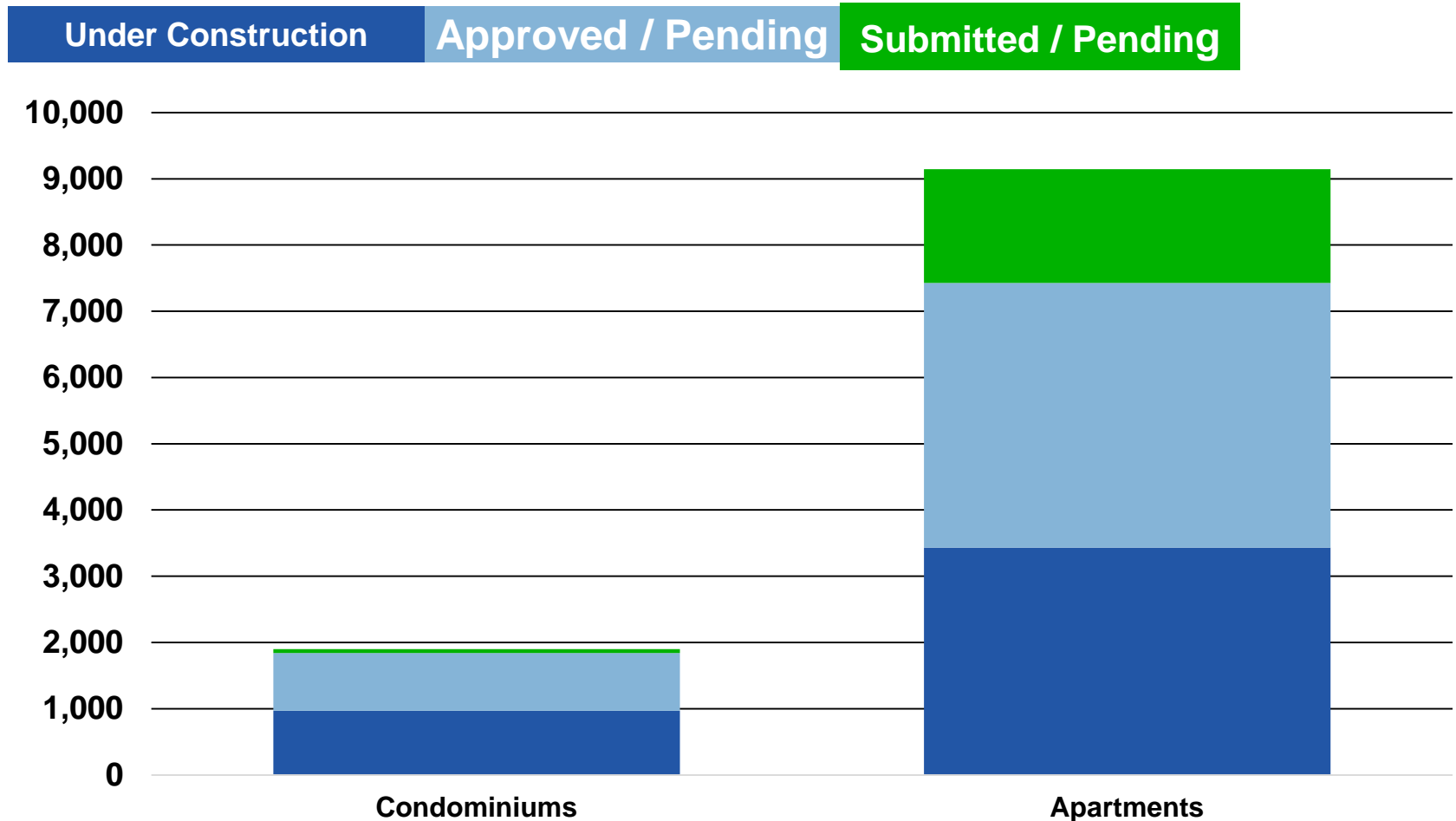
San Diego



NEW DEVELOPMENT WEIGHTED TOWARDS APARTMENTS

Residential Development – San Diego (July 2016)

Source: Downtown Center BID



VALUE IS RELATIVE: WHAT DOES \$350,000 BUY?

Round Rock, TX



\$359,900 • 3,053 SF • \$117

Denver, CO



\$359,900 • 2,168 SF • \$166

Tempe, AZ



\$370,000 • 1,821 SF • \$203

Seattle



\$372,400 • 999 SF • \$372

Orange County Raw Lot



\$350,000 • 4,000 SF • \$1,000

SD Kitchen Remodel



\$350,000 • 1,000 SF • \$350

SAN DIEGO COUNTY DETACHED

PARKVIEW (Otay Mesa)



\$463K \$238sf 1,948 sf

APEX (Civita)



\$787K \$361sf 2,177sf

SEA CLIFF (Rancho Penasquitos)



\$965K \$389psf 3,356sf

LAUREL POINTE (Vista)



\$640K \$210psf 3,095sf

SUMMER HOUSE (Auberge 55+)



\$950K \$370psf 2,570sf

THE ESTATES (Del Sur)



\$2.5M \$400psf 5,500sf

SAN DIEGO COUNTY ATTACHED

Palermo (Eastlake)



\$382K \$278psf 1,393sf

Avery Pointe (Del Sur)



\$686K \$314psf 2,191sf

Carmel Row (Carmel Valley)



\$935K \$351psf 2,656sf

Summerhouse (Carlsbad)



\$1.7M \$800psf 2,100sf

Greenstone Rowhomes (Banker's Hill)



\$975K \$650psf 1,450sf

Pacific Gate (Downtown SD)



\$2.8M \$1,300psf 2,000sf

CONCLUSIONS

SUMMARY

San Diego County Outlook

- **Upper NoCo is the New Black** – development shifting north
- **Strong Job Gains** Fueling Demand for New San Diego Housing.
- **Low Supply** of Existing Homes and New Housing = Scarcity
- Demand + Low Supply = **Rising Prices** (for both For-Sale & Rental Housing)
- SFD Market Focus on \$1.0M+ New Homes = **Demand Rising for More Affordable Product Options (but tough to offer....)**
- **Worsening Traffic Congestion** is Improving Outlook for Infill Project Locations and **South Half of County** (generally) and also “**Upper NoCo**” corridor. Focus on Conforming Loan Limits (product under \$650k).
- **Urban Development** on the Increase; including high-rise product Downtown and in high-quality urban, mixed-use and coastal areas.
- **55+ Is Big Opportunity**; more age-qualified housing.

PANELISTS

Moderator:

Tim Sullivan, Managing Principal at Meyers Research LLC

Panelists:

Randy Goodson, CEO – Accretive Investments

Brendan Hayes, Vice President – Fairfield Residential

Tony Pauker, Senior Director of Land and Housing – Brookfield Residential

An aerial photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. In the foreground, a large, modern stadium with a green field and white seating is visible. The city is densely packed with buildings of various heights and colors. A large body of water is visible in the background, reflecting the sunset light.

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MASSIVE CHANGES, MAJOR CHALLENGES
(AND SOME BRIGHT SPOTS)

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