



WHAT'S WORKING IN MPCs TODAY

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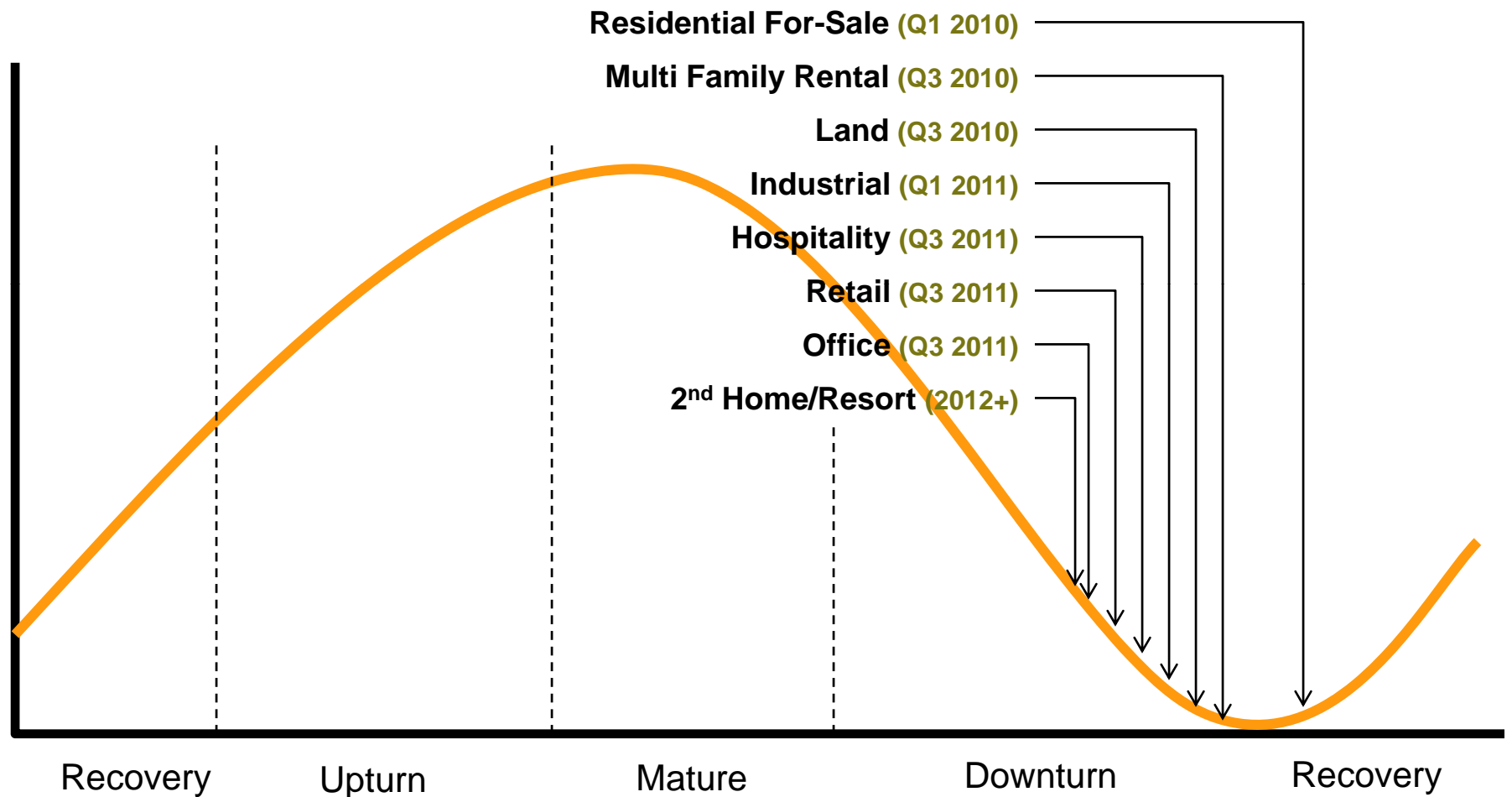
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ECONOMIC AND REAL ESTATE OUTLOOK

- ▶ Economic growth will broaden through 2011
- ▶ Employment growth gaining strength in second half of 2010
- ▶ Likelihood of a W-shaped recession under 25%
- ▶ Global real estate markets to stabilize in first half of 2010
- ▶ Prices/values stabilize in 2011, gradual growth late 2011
- ▶ Debt capital will increase as confidence returns
- ▶ Operating fundamentals of investment property sectors (office, retail, hotel, multifamily, etc.) will begin to stabilize in 2010
- ▶ Demand for new commercial development will be limited
- ▶ As housing market stabilizes and inventories burn off, stalled residential development projects will be relaunched
- ▶ “RTC II” opportunity still out there – conserve your capital

REAL ESTATE MARKETS TO STABILIZE IN '10/'11

HOUSING MARKET IN RECOVERY



SOURCE: RCLCO

2009 TOP PERFORMING MASTER-PLANNED COMMUNITIES

2009 RANK	2008 RANK	MPC NAME	DEVELOPER	MARKET	STATE	2009 TOTAL NET SALES	2008 TOTAL NET SALES	% CHANGE 2008-2009
1	2	Cinco Ranch	Newland Communities	Houston	TX	887	775	14%
2	3	The Woodlands	The Woodlands Development Company	Houston	TX	633	750	-16%
3	1	Mountain's Edge	Focus Property Group	Las Vegas	NV	596	879	-32%
4	6	Telfair	Newland Communities	Houston	TX	450	412	9%
5	4	Providence	Focus Property Group	Las Vegas	NV	388	514	-25%
6		Daybreak	Kennecott Land	Salt Lake City	UT	375	N/A	7%
7	5	Rancho Sahuarita	Rancho Sahuarita	Tucson	AZ	358	506	-29%
8		Anthem at Merrill Ranch	Pulte Homes & The Communities of Del Webb	Phoenix	AZ	294	208	41%
9	7	Vistancia	Shea Homes/Sunbelt Holdings	Phoenix	AZ	283	399	-29%
10	8	Sienna Plantation	The Johnson Development Corp.	Houston	TX	280	369	-24%

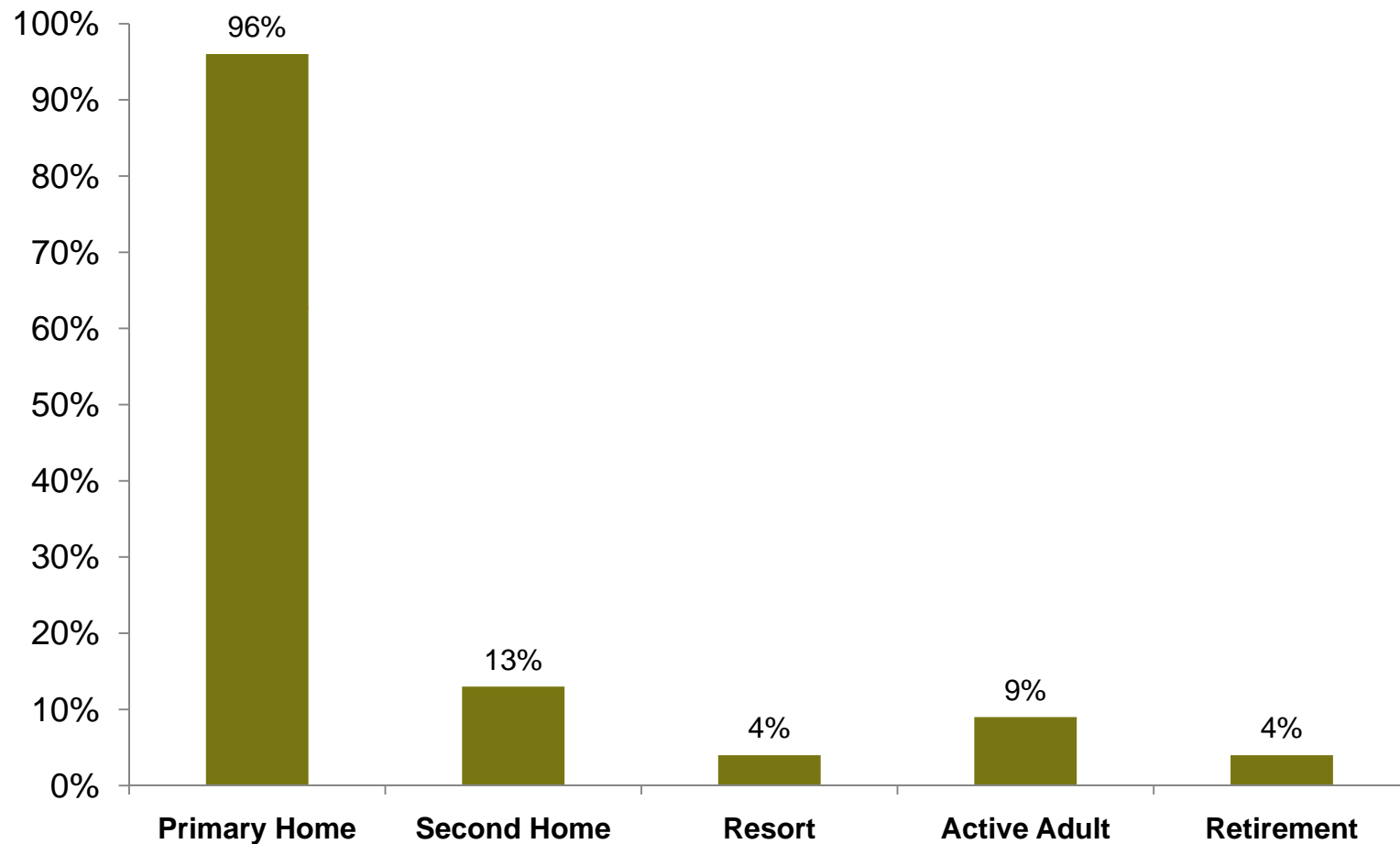
TOP PERFORMERS IN TX, NV, AZ



SUMMARY OF KEY FINDINGS

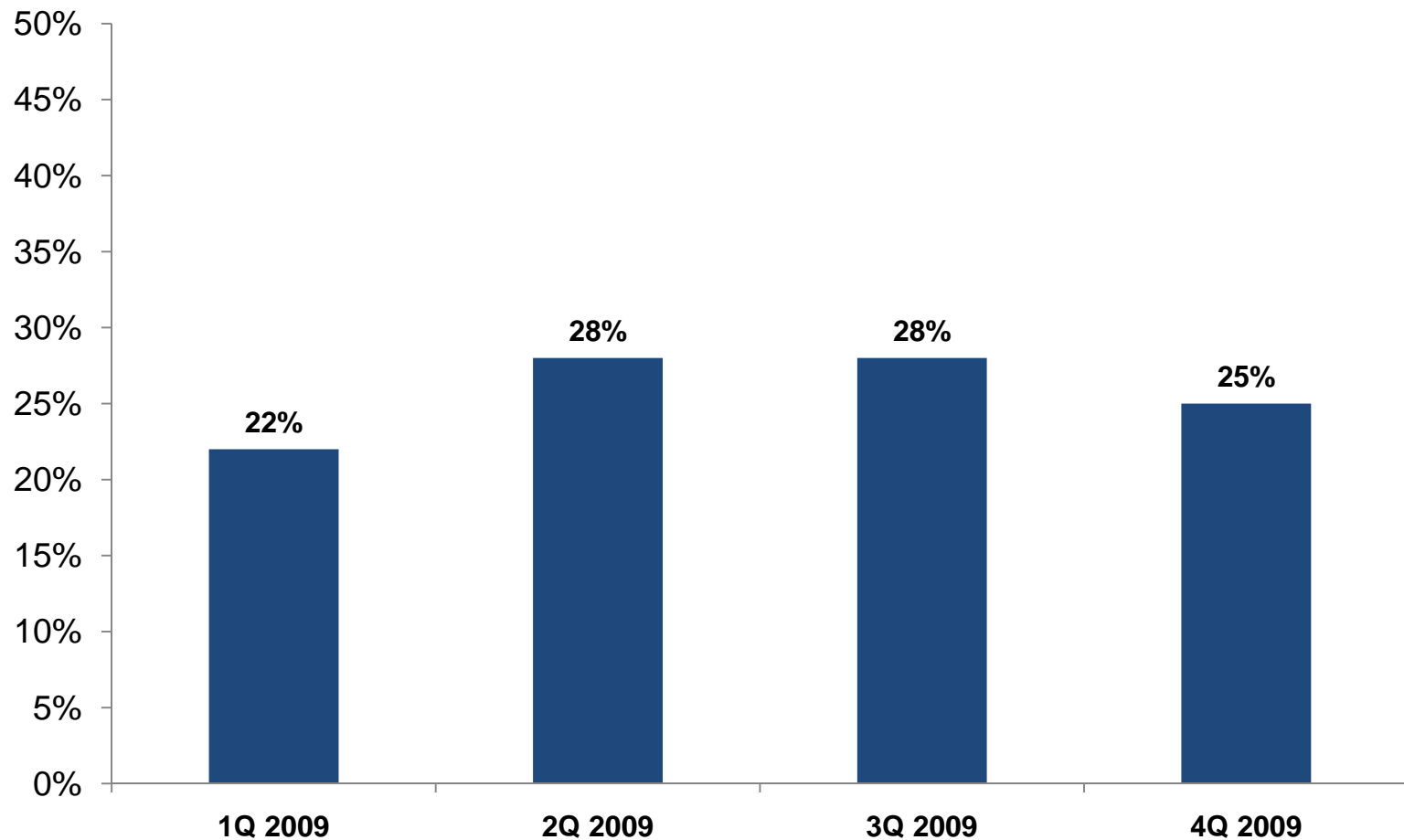
- ▶ Total number of net sales in 2009 for the majority of the top 20 best-selling master-planned communities (MPCs) dropped from 2008 levels, with sales volume declining by as low as 8% to as high as 84%
- ▶ 95% of the top 20 best-selling MPCs are primary home communities, most of which are located in Texas
- ▶ The top 20 best-selling MPCs captured an average of approximately 7% of total net sales in each of their respective metropolitan areas
- ▶ The number of total new home sales in 2009 were almost evenly distributed across all four quarters, with slightly higher sales volume in the second and third quarters
- ▶ Lot sales experienced a quarter-over-quarter growth in 2009, with over 60% of lot sales occurring in the third and fourth quarters
- ▶ Single-family detached units continue to be the preferred product of choice for both builders and end-user buyers
 - SFD homes consisted of 90% of total new home sales
 - Lots for SFD product composed 80% of total lot sales
- ▶ Approximately 60% of respondents predict that home sales to end users will increase moderately in 2010, 30% anticipate no change, and 10% believe that home sales will decrease
- ▶ Approximately 70% of respondents anticipate that prices will rebound and start to increase in 2010, 10% believe that there will be no change, and 20% predict the prices will continue to decline
- ▶ The outlook for lot sales to builders in 2010 is slightly less optimistic compared to home sales, with only 44% of respondents predicting that the number of lot sales will increase, while 40% believe that there will be no change and 16% say that the number of lot sales will fall

MARKET POSITIONING AND ORIENTATION OF COMMUNITIES

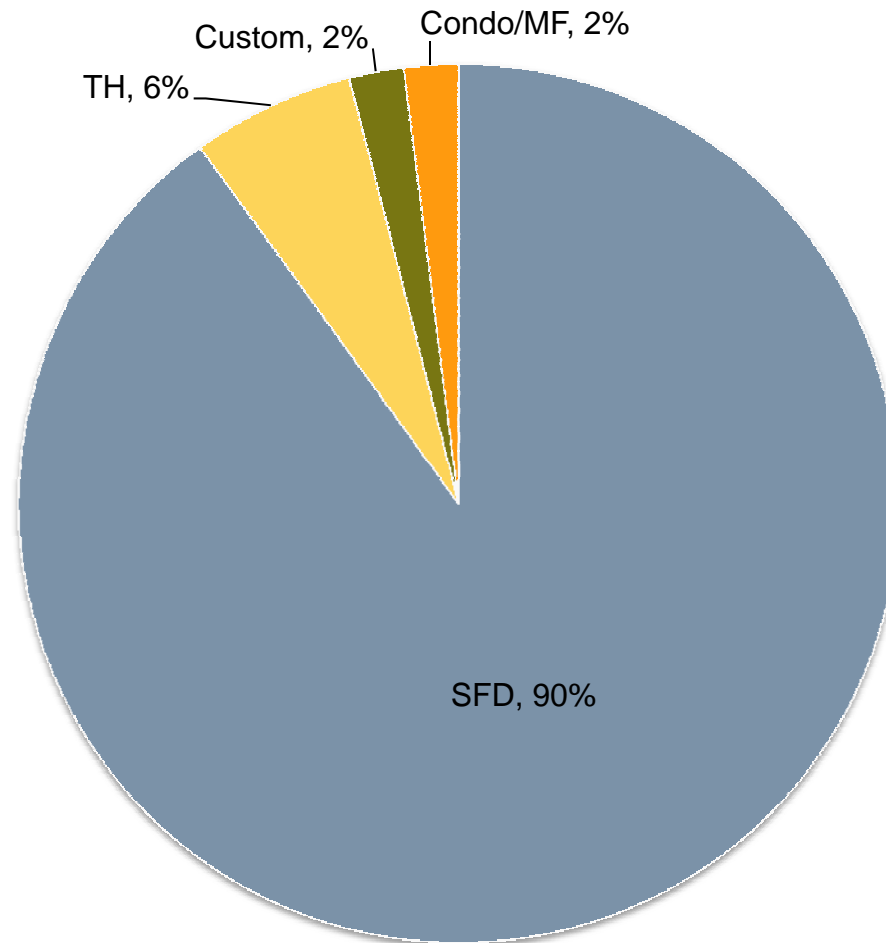


Note: Communities may have more than one type of positioning/orientation.

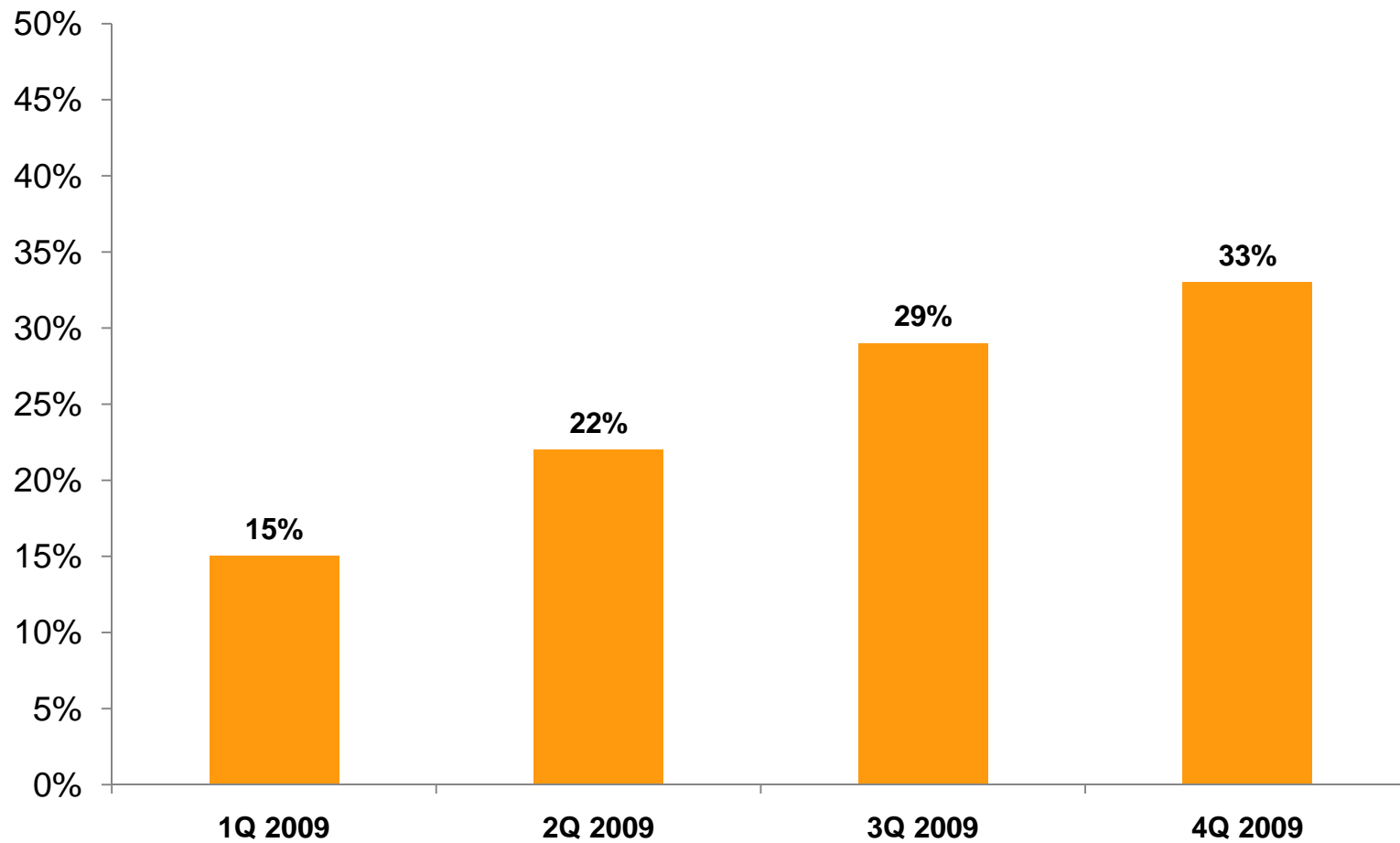
DISTRIBUTION OF TOTAL NUMBER OF NET HOME SALES BY QUARTER SOLD



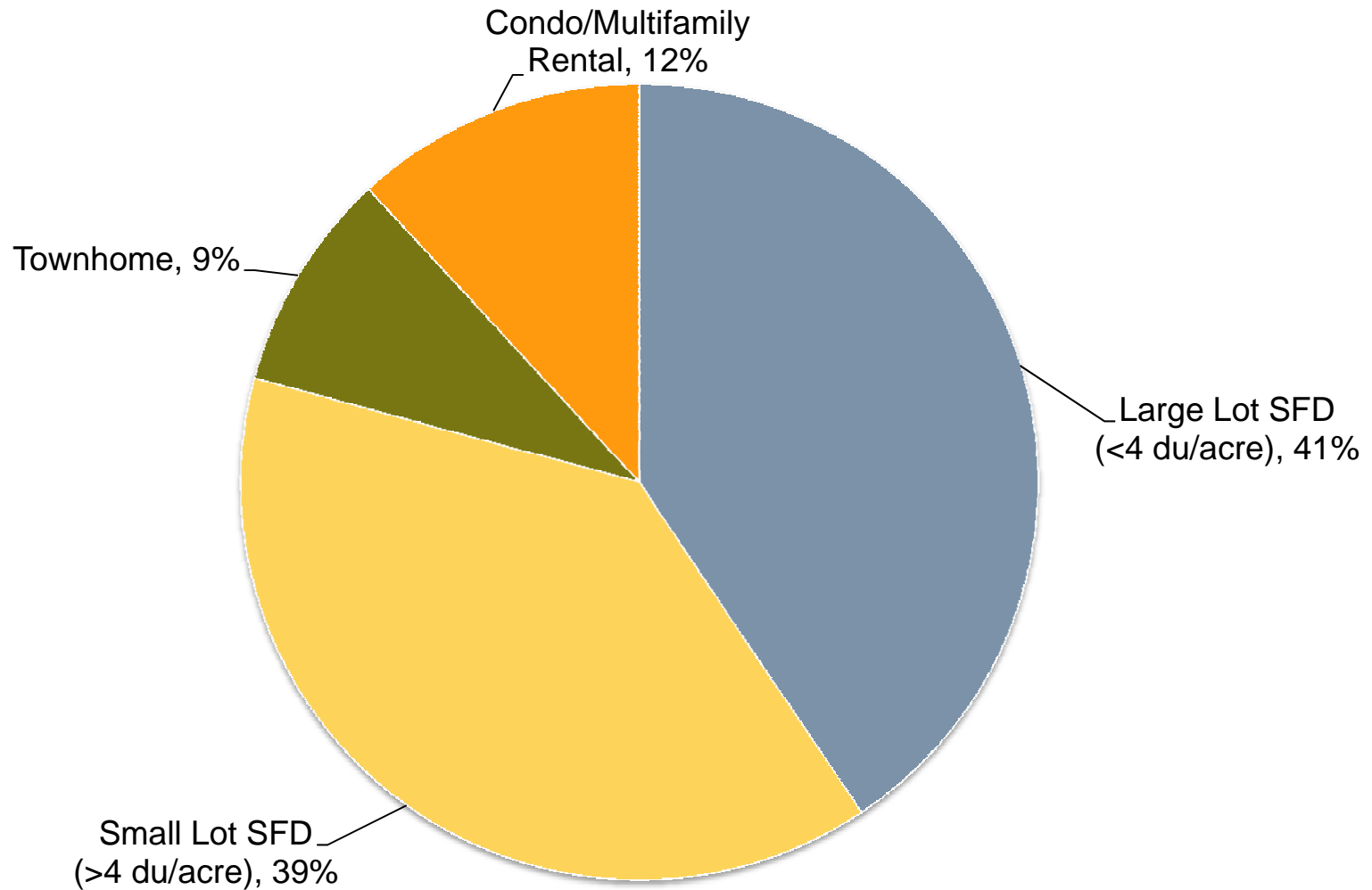
DISTRIBUTION OF TOTAL NUMBER OF NET HOME SALES BY PRODUCT TYPE



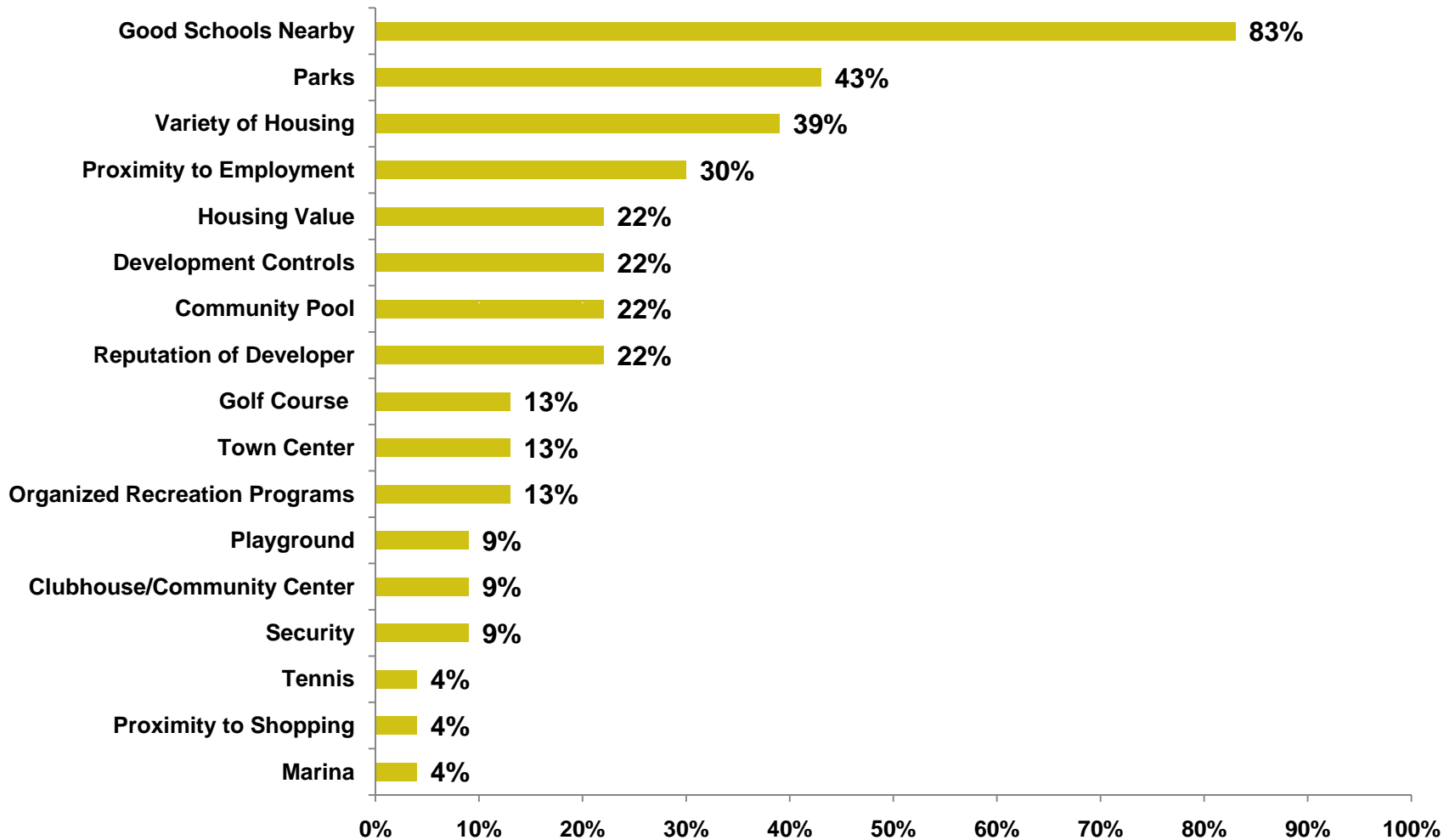
DISTRIBUTION OF TOTAL NUMBER OF NET LOT SALES BY QUARTER SOLD



DISTRIBUTION OF TOTAL NUMBER OF NET LOT SALES BY PRODUCT TYPE

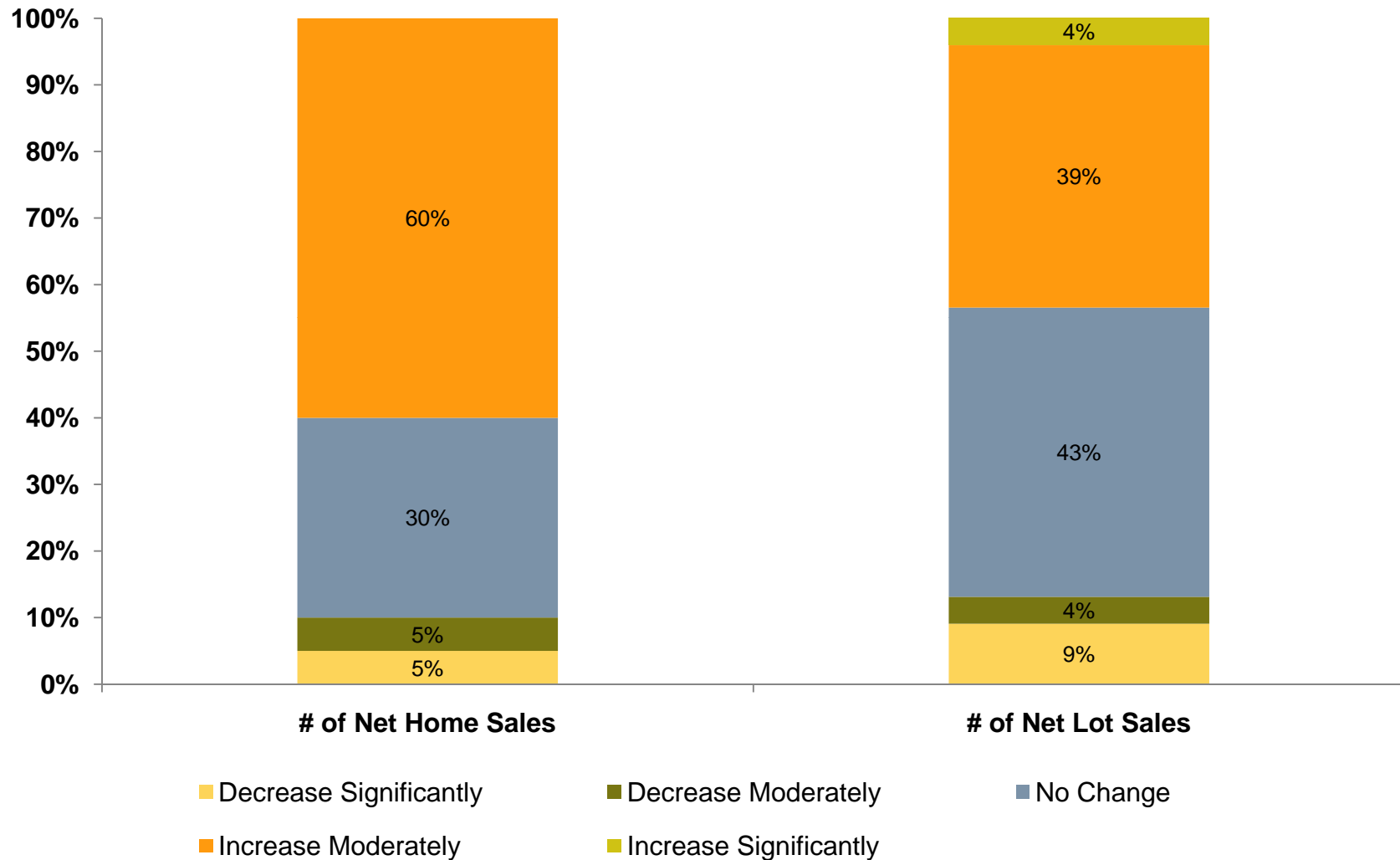


MOST IMPORTANT FACTORS CONSIDERED BY BUYERS IN EVALUATING A COMMUNITY



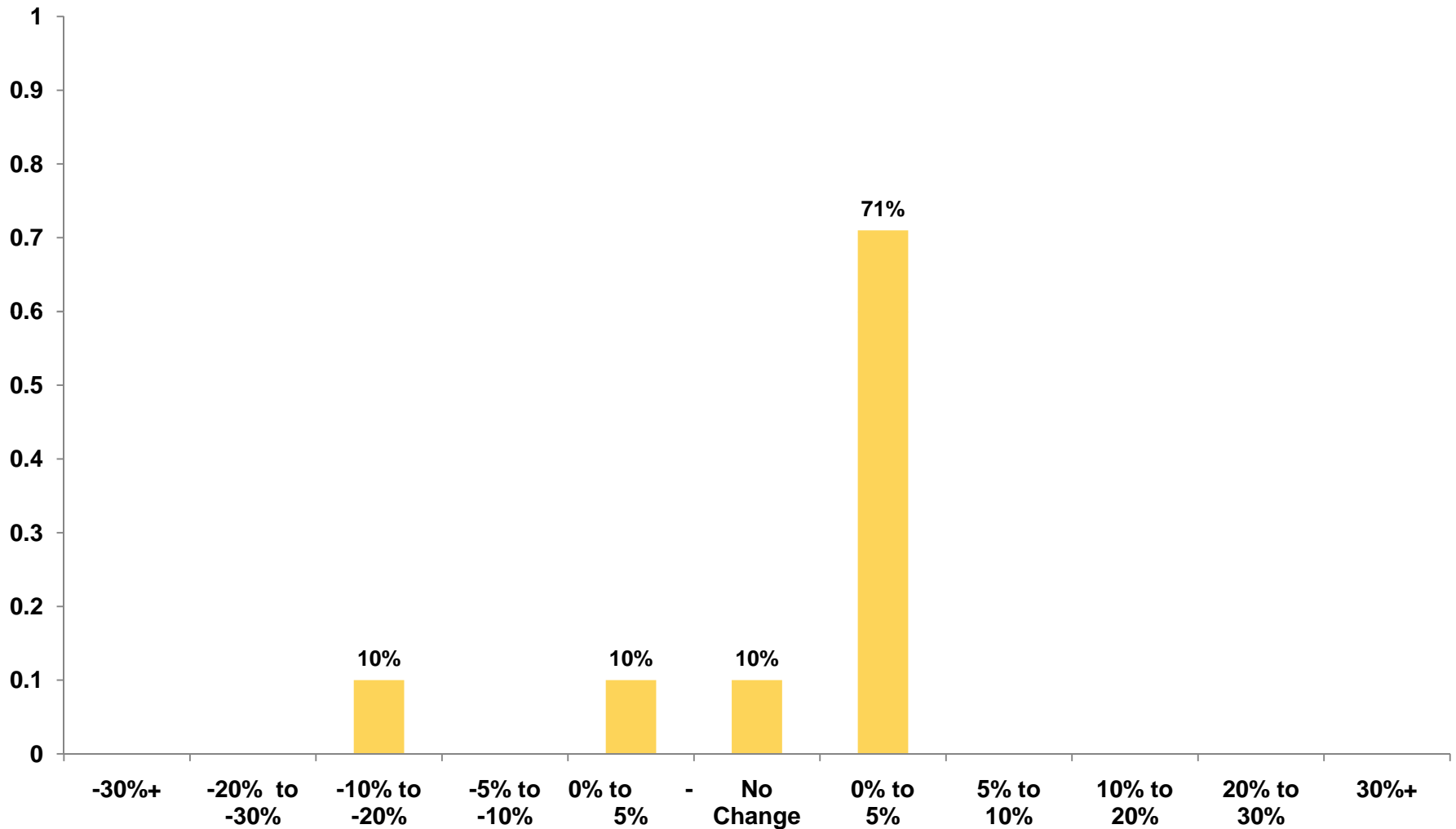
HOME AND LOT SALE PREDICTIONS FOR 2010

HOW WILL 2010 COMPARE TO 2009?



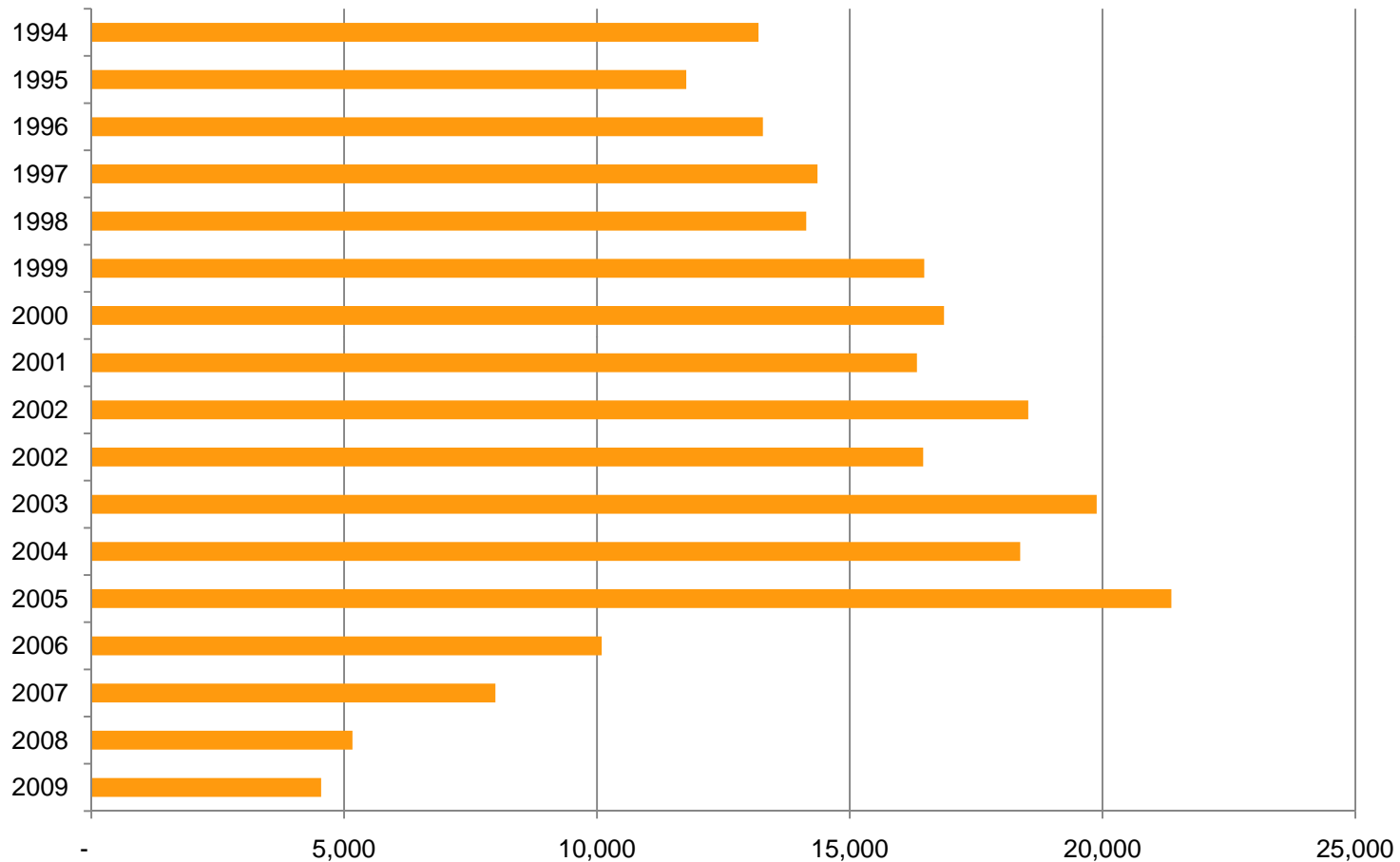
HOME PRICE CHANGE PREDICTIONS FOR 2010

HOW WILL 2010 COMPARE TO 2009?



TOP TEN MPC SALES 1994–2009

WHAT ARE SUSTAINABLE SALES MOVING FORWARD?



Source: RCLCO

COMMON THEMES FROM TOP PERFORMERS

- ▶ Value-oriented, primary home communities offering smaller lots, somewhat smaller homes
- ▶ Established, well located communities with or near job centers, amenities and lifestyle in place (transit playing a role now)
- ▶ Communities offering wide pallet of housing choices
- ▶ Heavily themed communities that deliver a “way of life” with lifestyle programming to match it
- ▶ Best selling amenities – walking trails, well designed and programmed open space, town centers, and community gathering and learning places
- ▶ Communities who LISTEN to customers and enlist residents to help sell their community



OBSERVATIONS

- ▶ Lot/Value ratios going down—where good amenities and open space exist, consumers sacrificing lot size; house size decreasing slightly
- ▶ Luxury is out—Consumers opting out of formal rooms (living and dining) and high-end finishes and appliances (can always add these in time)
- ▶ Energy Saving/Wellness Sells—when positioned as “me green” (per RCLCO)
- ▶ Necessity is the Mother of All Invention—savvy developers using downturn to introduce/explore with innovative, smaller, more modern product types (solar is selling)
- ▶ Greater Segmentation—lower priced, higher density, greater intensity at neighborhood and village level leading to more urbanized/amenitized communities which helps sales
- ▶ Digital Marketing Reigns—developers spending up to 95% of marketing budgets on web/digital marketing strategies. Social media, especially Facebook huge
- ▶ Consumers Have the Answers—developers who listen to consumers/residents uncover market needs; leverage residents to help sell community; and sharpen their own marketing teams as a result of highly knowledgeable consumers
- ▶ Builders Still Cautious—becoming slightly more aggressive; slowly taking down lots (not because of cash constraints as much as corporate decision)
- ▶ Multigenerational Households Growing Trend—especially in diverse markets like Houston, house configurations accommodating prayer rooms, multiple master suites

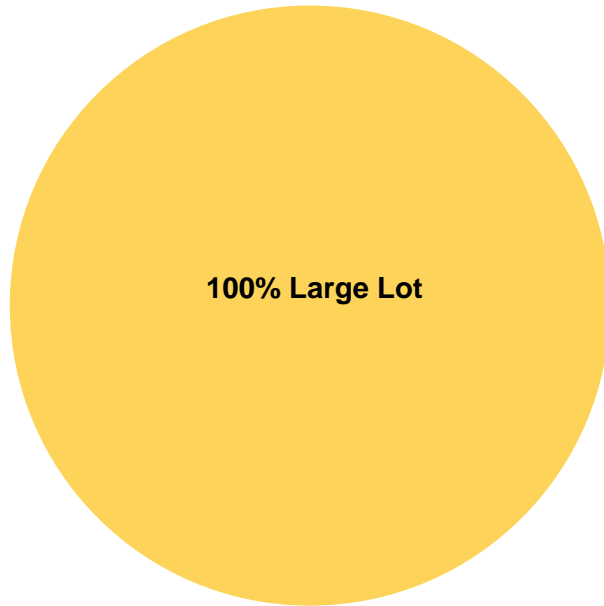
A TALE OF 2 SUCCESSFUL MPCs

TELFAIR AND DAYBREAK

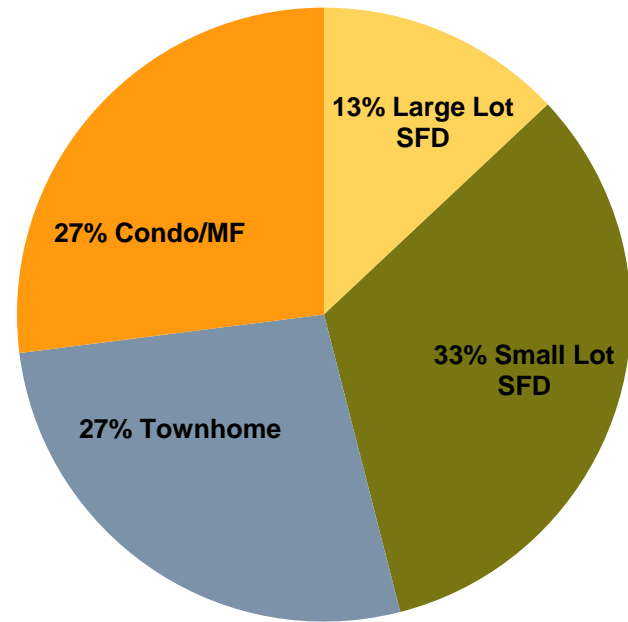
	Telfair (#4)	Daybreak (#6)
Metro Area	Houston	Salt Lake City
Metro Area Population	5.9 million	1.2 million
MPC Gross Acreage	2,018	4,126
Market Positioning	Primary Home	Primary Home Active Adult
First Home Sale	June 2006	June 2004
Units Sold to Date	1,452	2,423
Units Sold in 2009	450 (2.4% of market)	375 (16% of market)
Lots Sold in 2009	404	355
Most Popular Amenities	Walking Trails/Parks (15), Lifestyle Center, Resort-Style Water Park	Walking Trails/Parks (51)- -70% of kids walk to school-- Community Gardens, future rail

DISTRIBUTION OF HOME SALES IN 2009

Telfair



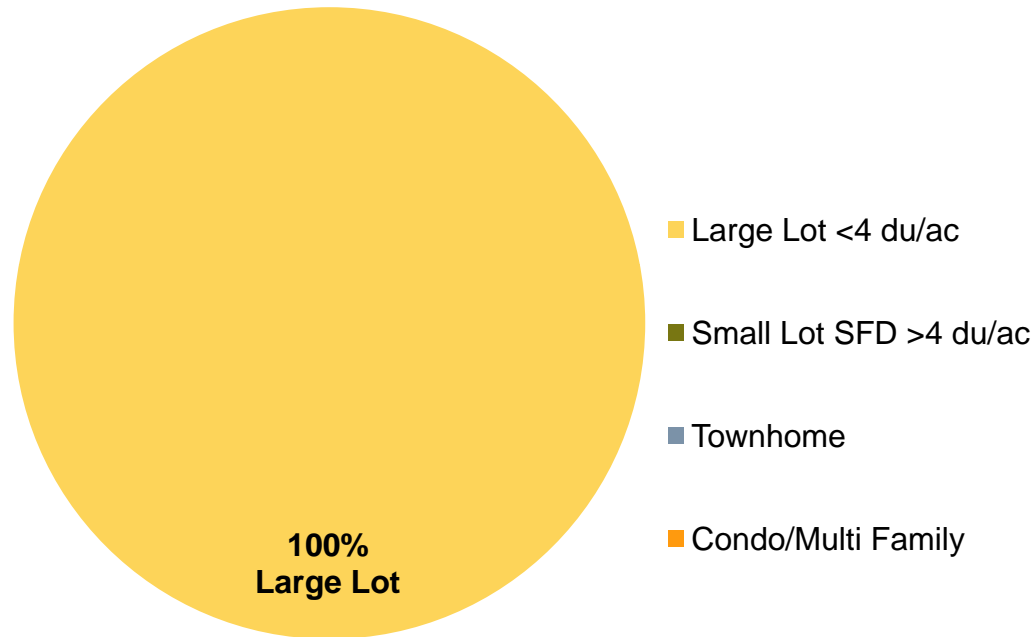
Daybreak



- Large Lot SFD <4 du/ac
- Small Lot SFD >4 du/ac
- Townhome
- Condo/MF

DISTRIBUTION OF LOT SALES IN 2009

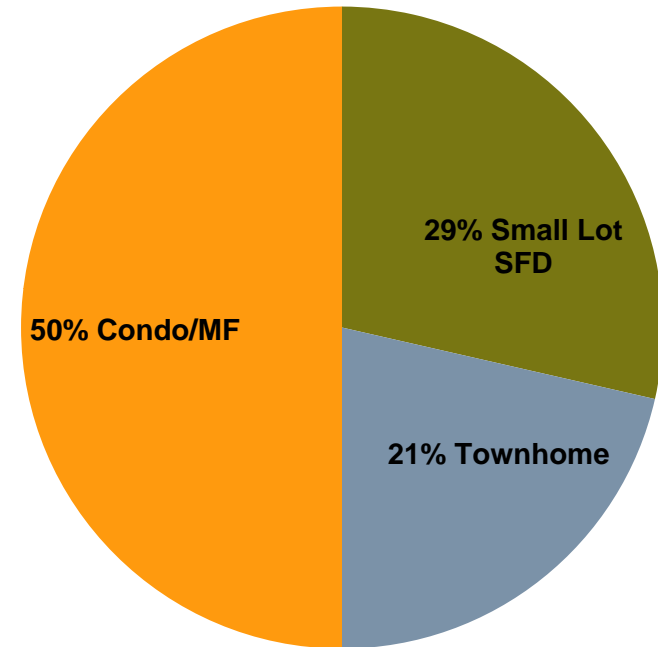
Telfair



Builder/Developer Structure

► Strictly Cash, No Participation

Daybreak



Builder/Developer Structure

► Profit (not Price) Participation Agreements

SOUND STRATEGIES / KEY DIFFERENTIATORS

Telfair

- Product Choice, Diversity, Value
- Large lot, family oriented homes
- Proximate to Houston Employment Centers
- Good Schools
- Trail Network and Open Space
- Multi-generational/Multi-ethnic
- Steadfast on vision
- Always looking for niches
- Lifestyle Center
- Low Foreclosure Rate
- “Listens” to Consumers
- Educated Sales Team to Address Knowledgeable Customer
- Strong digital marketing campaign

Daybreak

- Sustainable, walkable, and soon-to-be transit served community
- Greater segmentation of lower priced, denser products that advance placemaking
- Introduction of new architectural styles; clustered product; energy-efficient models (solar)
- Large investment in “Place”
- Dynamic partnerships with university/medical Center, Schools, and Church
- Multi-generational focus
- Owner with long-term vision and patience
- Very aggressive anti-speculation measures
- Huge focus on buyer—uncover needs/unmet demands by listening to their buyers; community is best agent

WHAT'S WORKING NOW?

- ▶ **Price** moves product – prices are off 40% from 2007 peak
- ▶ Building **momentum** and critical mass – realistic about pricing versus velocity
- ▶ Forming dynamic **partnerships** with universities, hospitals, corporations, etc.
- ▶ Helping builders **innovate** – make it their idea
- ▶ **Profit participation** NOT Price Participation agreements with builders
- ▶ Managing **lot inventory** closely in accordance with market potential
- ▶ Aggressive **anti-speculation** measures to reassure residents and stabilize neighborhoods
- ▶ **Viral and on line marketing** campaigns
- ▶ Communicating that MPCs preserve home values, and it is a great time to buy



OBSERVATIONS

- ▶ **Smaller, denser** units at affordable prices. Over time, house prices and sizes will likely come up, and densities may go down
- ▶ Trends that will prevail:
 - ▶ **Close-in** – expect preference for living near jobs, shopping, etc.
 - ▶ **Smaller households** – later marriages, fewer children, smaller traditional families
 - ▶ More **ethnic diversity** – Latino, Asian, Indian (majority of family market will NOT be traditional white families)
- ▶ **Capital is available** for primary housing MPCs, very scarce for resort/second homes
- ▶ Very **few attractive acquisition** opportunities today
- ▶ Flood of **opportunities to purchase** distressed deals at bargain prices 1990's style is unlikely
- ▶ Honest **unleveraged IRRs** for long term projects in mid-teens, at best

IDEAS FOR 2010

- ▶ Revisit your **segmentation** model; explore new niches and innovative products
 - ▶ **Attached:** Consider Condos, 25' Towns, One- or Two-Story Duplex; Big House/Paired
 - ▶ **Detached:** 30' SFD small; Zipper lots from 45' to 90'
- ▶ Use your prime location to push smaller, **clustered product** types where buyers will trade off size for amenities
- ▶ **Coordinate marketing** efforts with resident groups, builders, realtors, businesses, and institutions
- ▶ Create **events** that attract residents and friends to gain visibility and traffic
 - ▶ Repeating “legacy” activities and events year round
 - ▶ Festivals, art shows, market days, etc., draw traffic into the community
 - ▶ Link philanthropy with marketing – walks, races, cycling events, volunteering
- ▶ Increase internet advertising and **web-based marketing** via social networking vs. more generic internet/web comments

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