



10 IMPORTANT TRENDS IN LAND DEVELOPMENT THAT WILL DRIVE YOUR BUSINESS FOR THE NEXT DECADE

AMERICAN COUNCIL OF ENGINEERING COMPANIES
2011 ANNUAL CONVENTION

Adam Ducker | March 31, 2011

ABOUT OUR FIRM

SERVICES

- ▶ Metropolitan Opportunity Studies
- ▶ Market Feasibility Studies
- ▶ Scenario Modeling/Highest and Best Use Analysis
- ▶ Workouts and Repositioning
- ▶ Public/Private Partnership Structuring
- ▶ Economic & Fiscal Impact Analysis
- ▶ Smart Code Review
- ▶ Regional Visioning
- ▶ Strategic Planning for Real Estate Companies
- ▶ Recapitalization Planning
- ▶ Management Consulting

RCLCO helps developers, institutional investors and organizations active in land use make smart business decisions by providing **market intelligence, strategic planning, and implementation solutions**



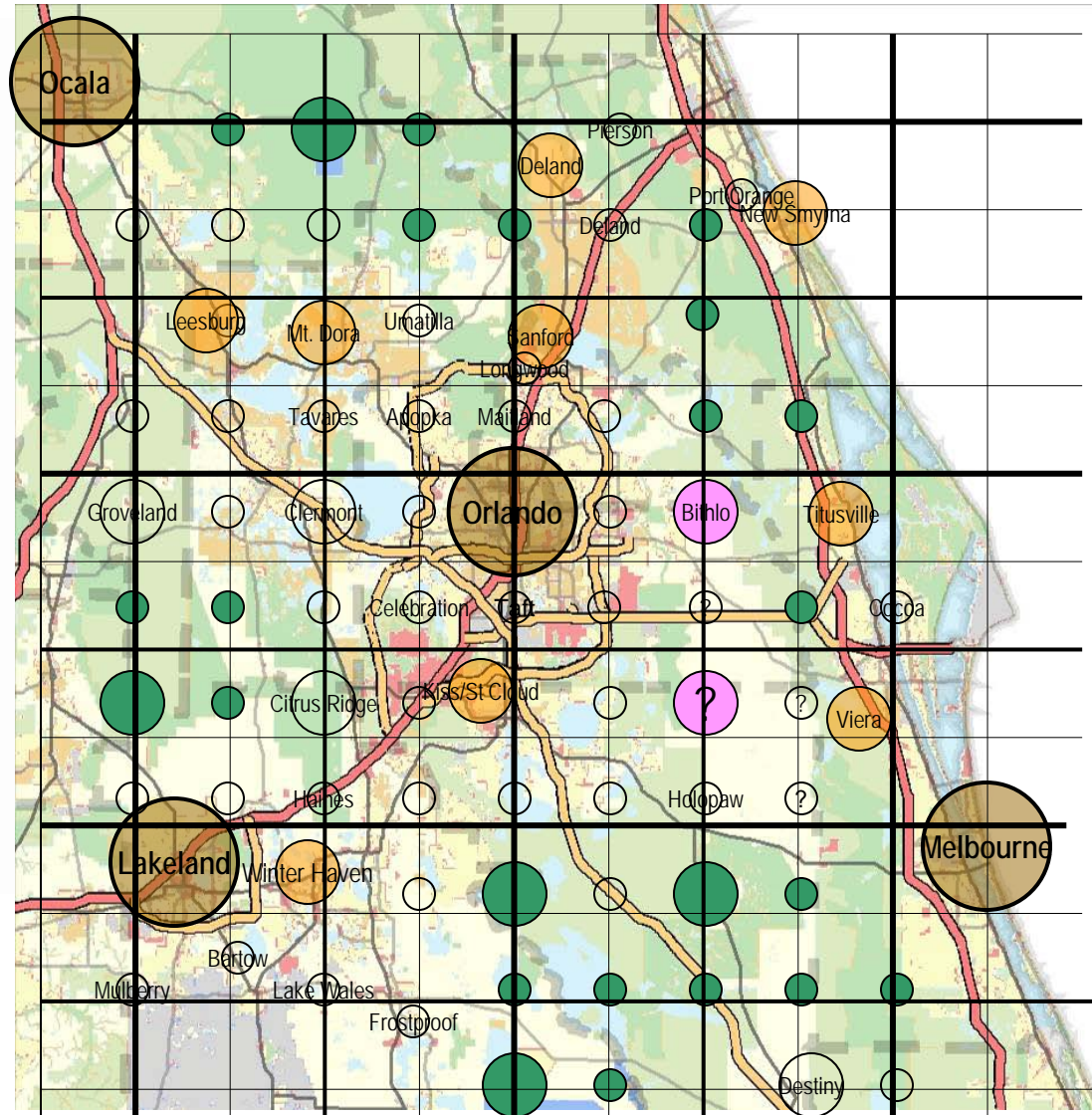
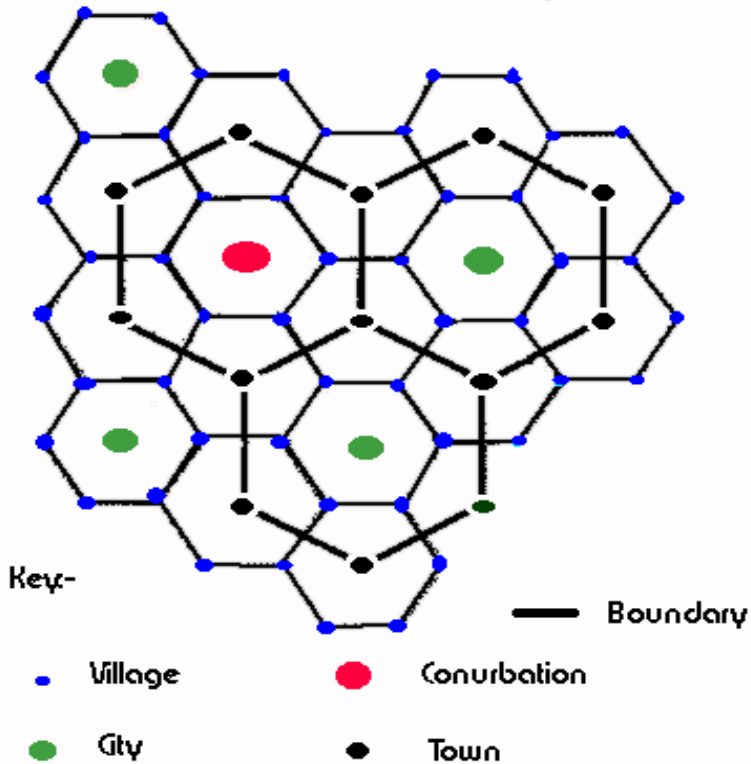
Summerlin; Las Vegas, NV

THE TEN TRENDS TO GET AHEAD OF

1. Government (MPOs) will begin to truly govern metro growth patterns
2. The mixed-use/multi-use delusion/confusion will be resolved
3. Development companies will be far strategic, but with a broad view
4. The suburbs are not dead. . . Far from it
5. The homebuilder/land developer line will be blurrier than ever
6. Green technologies with a demonstrated cost benefit will catch on at an accelerating pace
7. Passive “green space,” and simplified “engage space” will dominate community amenitization
8. (Slightly) smaller homes are here to stay, but true market segmentation will be more important than ever
9. High-density and mixed-income housing forms will proliferate, even in the ‘burbs
10. Off-shore land investment/development in the U.S. will rebound rapidly

1. GOVERNMENTS (MPOs) WILL TRULY BEGIN TO GOVERN METROPOLITAN GROWTH TRENDS

Central Place Theory



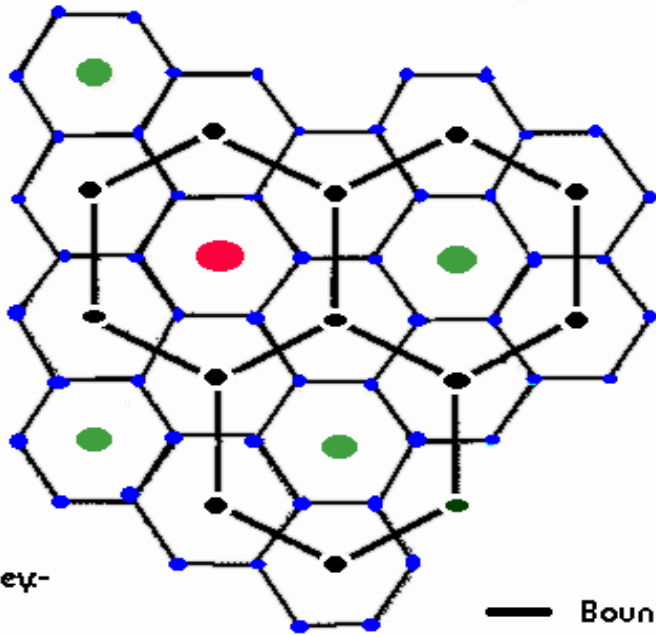
1. GOVERNMENTS (MPDs) WILL TRULY BEGIN TO GOVERN METROPOLITAN GROWTH TRENDS

WHY IT MATTERS?

1. Your client may be (at least at first) different
2. Drivers of land value may be radically different
3. Infrastructure investment likely to become more rational (and perhaps also significantly higher)
4. Density patterns likely to change dramatically
5. The vast majority of developers (let alone land owners) will not be able to get ahead of this

2. THE MIXED-USE/MULTI-USE DELUSION/ CONFUSION WILL BE (SOMEWHAT) RESOLVED

Central Place Theory



- Key-
- Village
 - City
 - Conurbation
 - Town
 - Boundary

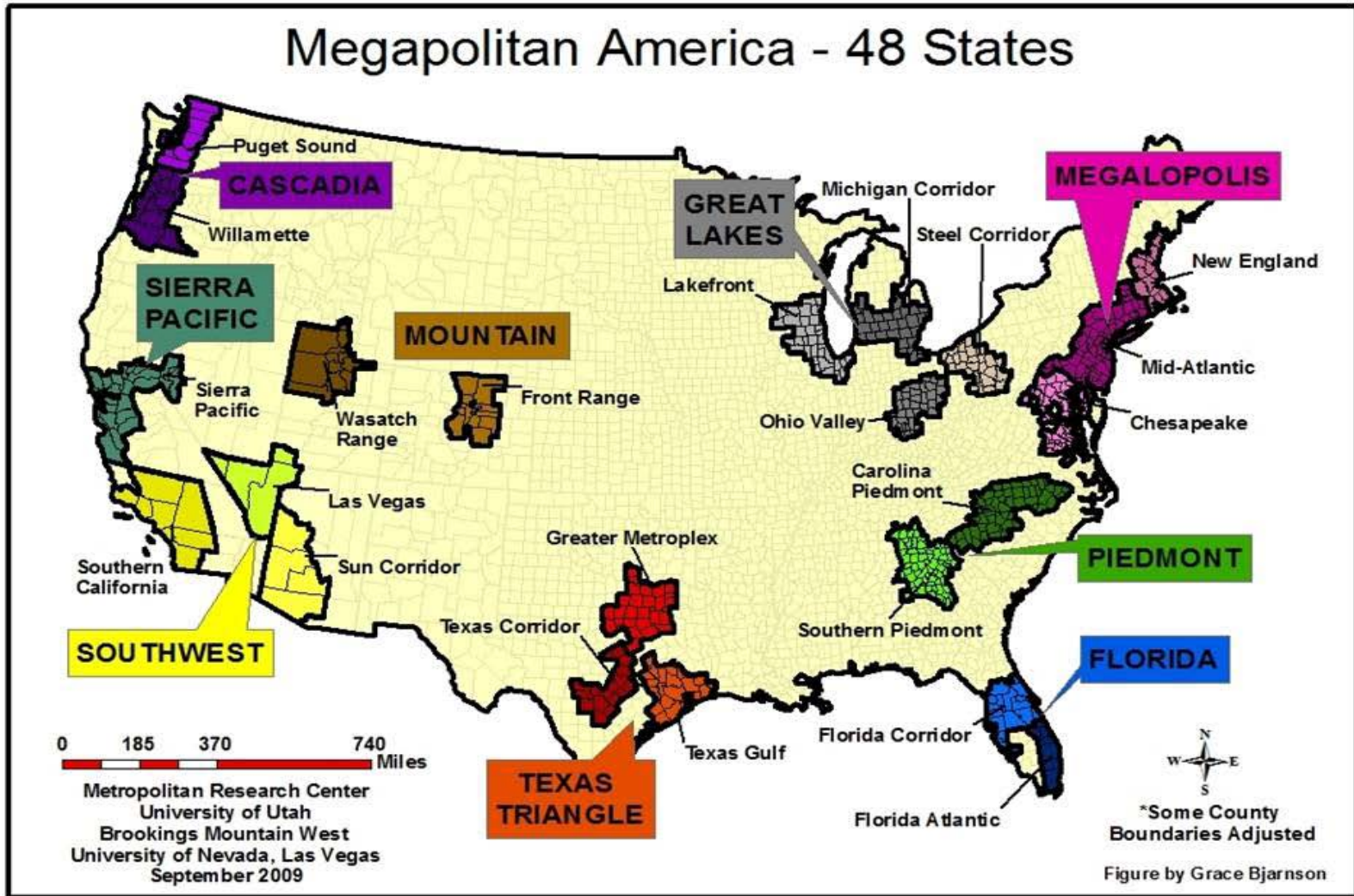


2.THE MIXED-USE/MULTI-USE DELUSION/ CONFUSION WILL BE (SOMEWHAT) RESOLVED

WHY IT MATTERS?

- 1.Much more rational economic discussion about what works where
- 2.Legitimate opportunity to improve the multi-use development model
- 3.Give space for community development to respond rationally to market demand
- 4.Vastly improved entitlement processes/outcomes
- 5.Clarified and simplified financing environment

3. DEVELOPMENT COMPANIES WILL BE FAR MORE STRATEGIC, OR NICHE PLAYERS



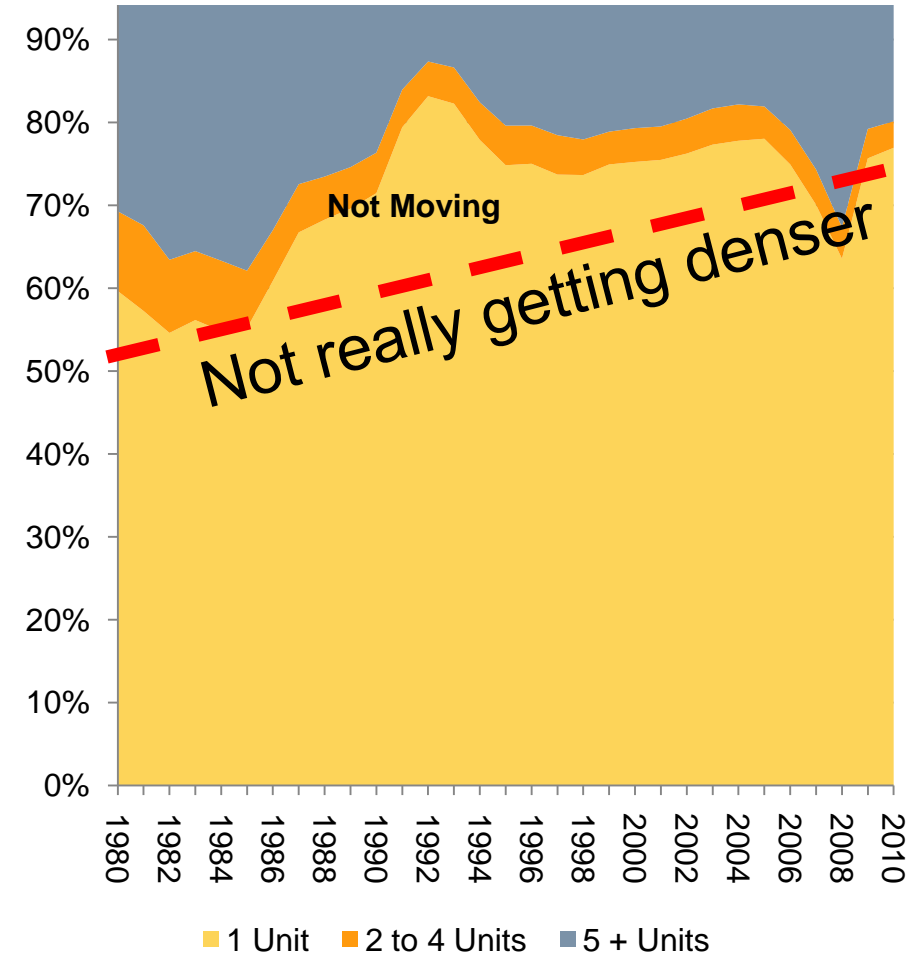
3. DEVELOPMENT COMPANIES WILL BE FAR MORE STRATEGIC, BUT WITH A BROAD VIEW

WHY IT MATTERS?

1. “Development” companies much more likely to be run (or very closely overseen) by hedge funds
2. Driven by regional growth trends and not deal junkies
3. Multi-regional, multi-product capable, horizontal and vertical
4. Not nearly as willing to take entitlement risk
5. Not nearly as capable/able to leverage their own political connections
6. Contrary to all of the above there will be very strong, regionally focused, niche players – but likely to be small and cost constrained

4. THE SUBURBS ARE NOT DEAD, FAR FROM IT

New Privately Owned Housing Units Authorized by Building Permits in Permit-issuing Places, U.S. Census Bureau



Housing Affordability at 90% of Area Median Income (AMI)

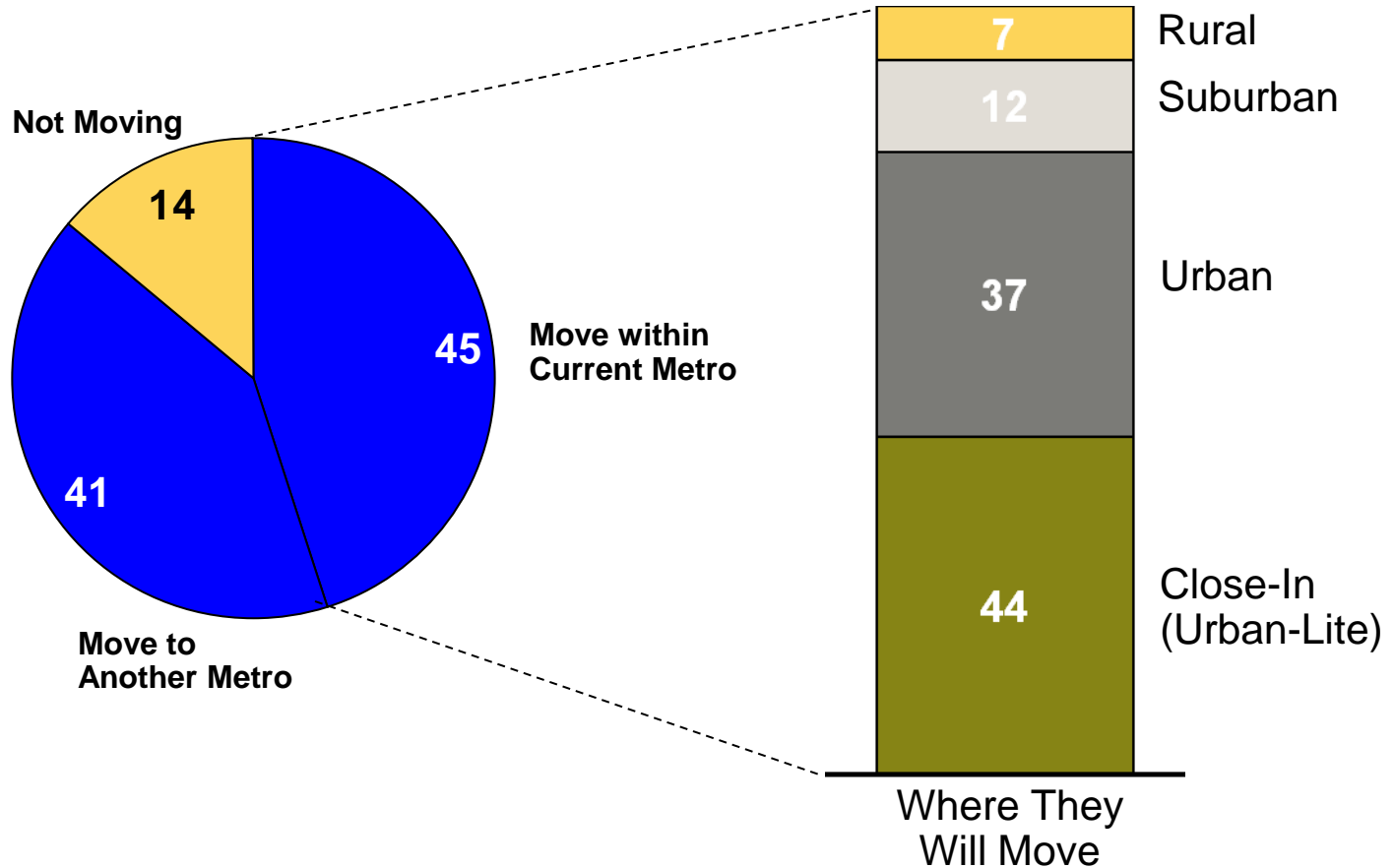
AFFORDABLE

PRICED OUT



4. THE SUBURBS ARE NOT DEAD, FAR FROM IT

Movement of Gen Y Renters (%)



Source: RCLCO Consumer Research

4. THE SUBURBS ARE NOT DEAD, FAR FROM IT

WHY IT MATTERS?

1. Much of the industry is foolishly giving up on the suburbs
2. The where and the how will have tremendous importance for those smart enough to focus on this strategy
3. Time to think about right-sizing the suburban MPC and much more flexible phasing approaches
4. Note: Don't slavishly buy the fuel price/cost of commute argument
5. Repurposing existing (bland) suburbs will also be a huge opportunity
6. Retail opportunity in the suburbs will be quite slow in rebound
7. Office opportunity will be limited for the foreseeable future, as employment continues to concentrate
8. There will be industrial opportunity, but with far more location logic behind it

5.HOMEBUILDER/LAND DEVELOPER ROLE LIKELY TO BE BLURRIER THAN EVER

WHY IT MATTERS?

- 1.Engineering sophistication will be more valuable than ever
- 2.Entitlement expertise likely to be ever more limited than in the past
- 3.Operations no longer driven by the acquisition guy
- 4.Transaction terms and take down schedules far more complicated
- 5.Lot inventory management will be critical
- 6.Speed to market become the key economic metric for the business

FOREST CITY RATNER
C O M P A N I E S

Pulte
Homes
The way it should be®

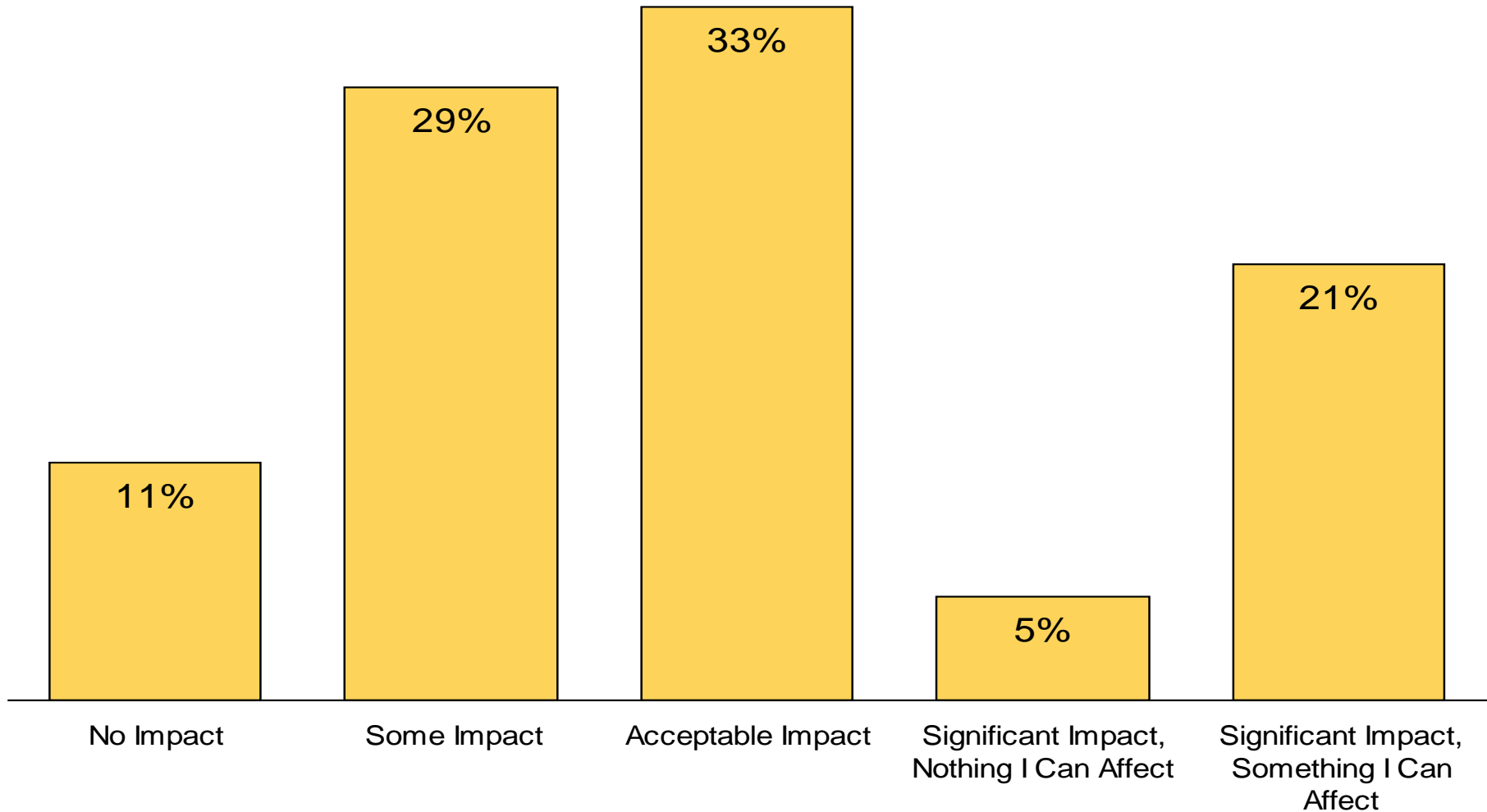
NVR

Newland
COMMUNITIES
AT THE HEART OF GREAT LIVING

Ryan
Homes

6. GREEN TECHNOLOGY WITH A DEMONSTRATED COST-BENEFIT WILL CATCH ON

What impact does your home have on the environment?



Source: RCLCO Consumer Research – 2008 (very dated already)

6. GREEN TECHNOLOGY WITH A DEMONSTRATED COST-BENEFIT WILL CATCH ON

WHY IT MATTERS?

1. Your customers are spending lots of money on the wrong things – need to really develop a better customer understanding of green
2. Entitlement authorities raising “green barriers” to entry
3. Resource management (water) going to become a much more significant part of the process

7. PASSIVE “GREEN SPACE” AND SIMPLIFIED “ENGAGE SPACE” WILL BE KEY AMENITIES

The Family Barn: Martis Camp, Lake Tahoe, CA



The Community Farm: Prairie Crossing, IL

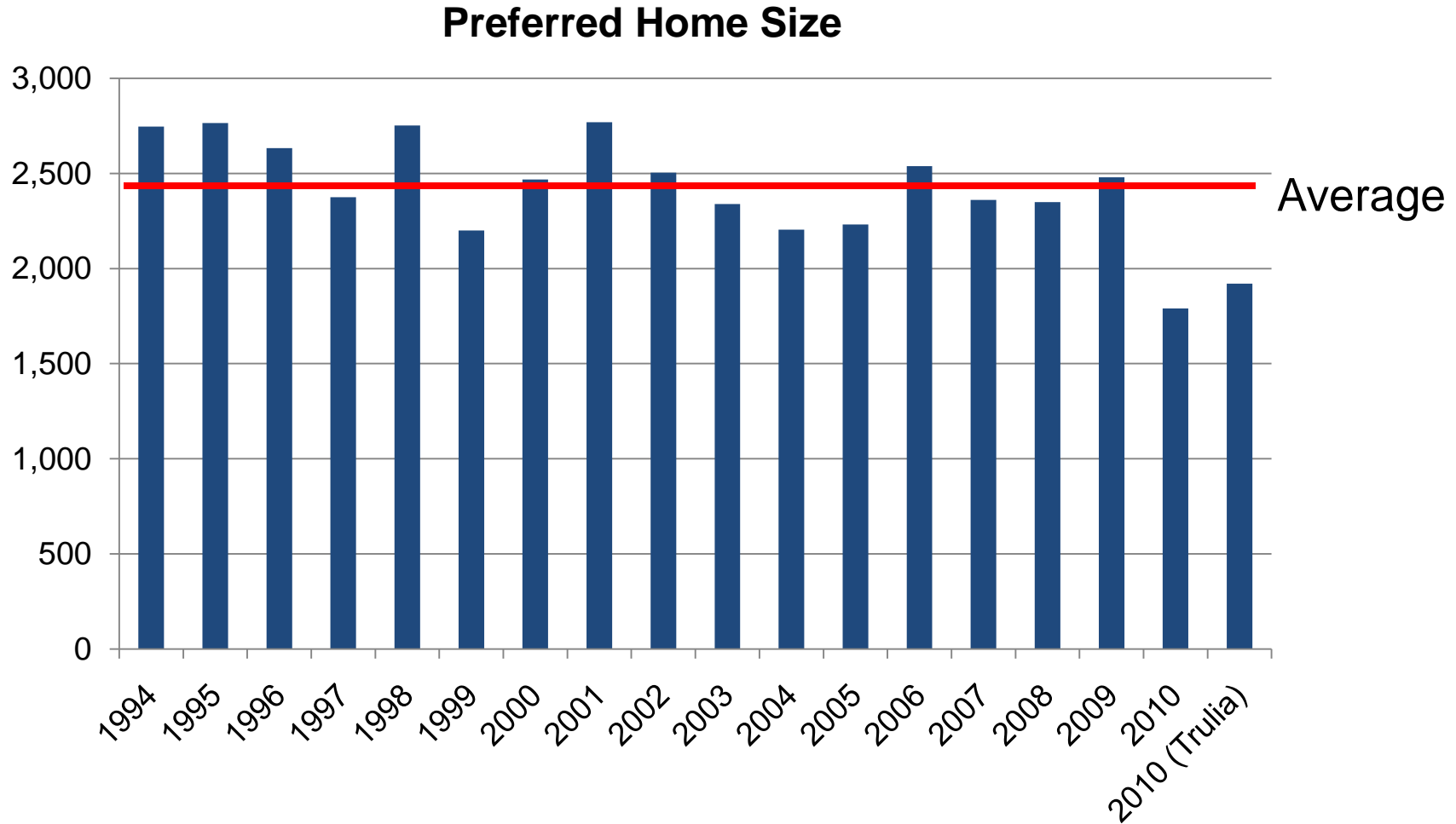


7. PASSIVE “GREEN SPACE” AND SIMPLIFIED “ENGAGE SPACE” WILL BE KEY AMENITIES

WHY IT MATTERS?

1. Time to learn a lot about conservation easements (30% to 50% of land set aside)
2. Your customers are spending lots of money on the wrong things
3. Different amenity paradigm allows for smaller project – more feasible
4. The social interaction is more important than the place character, particularly to Generation Y
5. Community development really about the community, as much as the development

8. (SLIGHTLY) SMALLER HOMES ARE HERE TO STAY, BUT SEGMENTATION STILL RULES



SOURCE: Associated Designs, Homes from the Heart Annual Survey, Trulia-Harris Interactive Survey conducted July 22-26, 2010

8. (SLIGHTLY) SMALLER HOMES ARE HERE TO STAY, BUT SEGMENTATION STILL RULES



1. \$100,000
2. \$200,000
3. \$300,000. . .



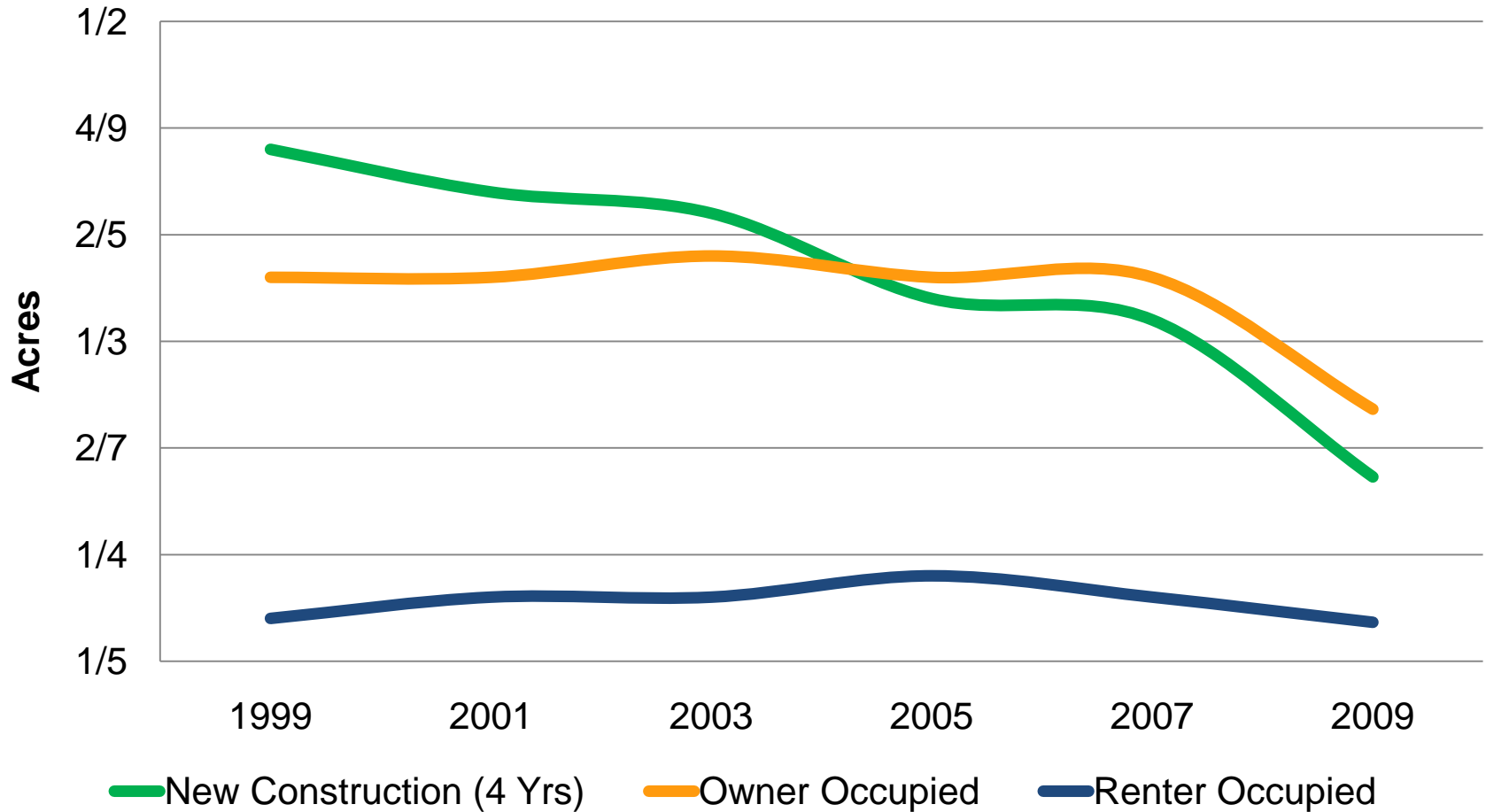
8. (SLIGHTLY) SMALLER HOMES ARE HERE TO STAY, BUT SEGMENTATION STILL RULES

WHY IT MATTERS?

1. Land planning and engineering needs to allow for more dramatic change (density and home character) over the life of the project
2. Quality not quantity
3. Learn to love TND. . . Because the planners sure do
4. Innovation in the homebuilding business yet to appear (although hopefully it still might)

9. HIGH-DENSITY AND MIXED-INCOME HOUSING WILL PROLIFERATE, EVEN IN THE 'BURBS

Median Lot Size (Acres)



SOURCE: American Housing Survey

9. HIGH-DENSITY AND MIXED-INCOME HOUSING WILL PROLIFERATE, EVEN IN THE 'BURBS

WHY IT MATTERS?

1. In the last cycle we built housing almost exclusively for the high-end - a market that is much more forgiving
2. Systems expertise becomes that much more indispensable
3. Economics of development still don't allow for variability as much as they should

SOURCE: American Housing Survey

10. OFF-SHORE LAND INVESTMENT/DEVELOP. INTEREST IN THE U.S.A. WILL REBOUND

WHY IT MATTERS?

1. Your customers are going to be a lot different than they were in the last cycle
2. Familiarity of with U.S. “ways of doing” it, will be much lower
3. European players, in particular, are way ahead in understanding sustainability principles
4. Sense of scale and density is radically different
5. Work style and approach to process is dramatically different

SOURCE: American Housing Survey