



**COMMUNITY & HOUSING
SUSTAINABILITY
INFLUENCES CONSUMER
BEHAVIOR**

ULI Fall Meeting 2019

September 20, 2019

Gregg Logan, Managing Director

RCLCO
REAL ESTATE ADVISORS

MILLENNIALS AND SUSTAINABILITY

Forbes

10,015 views | Jun 19, 2019, 10:39am

8 Characteristics Of Millennials That Support Sustainable Development Goals (SDGs)



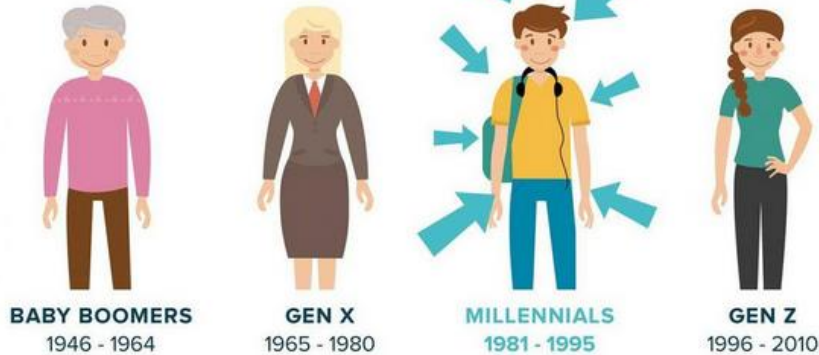
Marguerita Cheng Contributor
Personal Finance

I help others gain clarity and confidence about their wealth.

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Millennials PLOTTCREATIVE.CO.UK

"Today's consumers don't want to buy a product, they want to buy a lifestyle. People want to feel that whatever they are buying aligns with their personal values. "

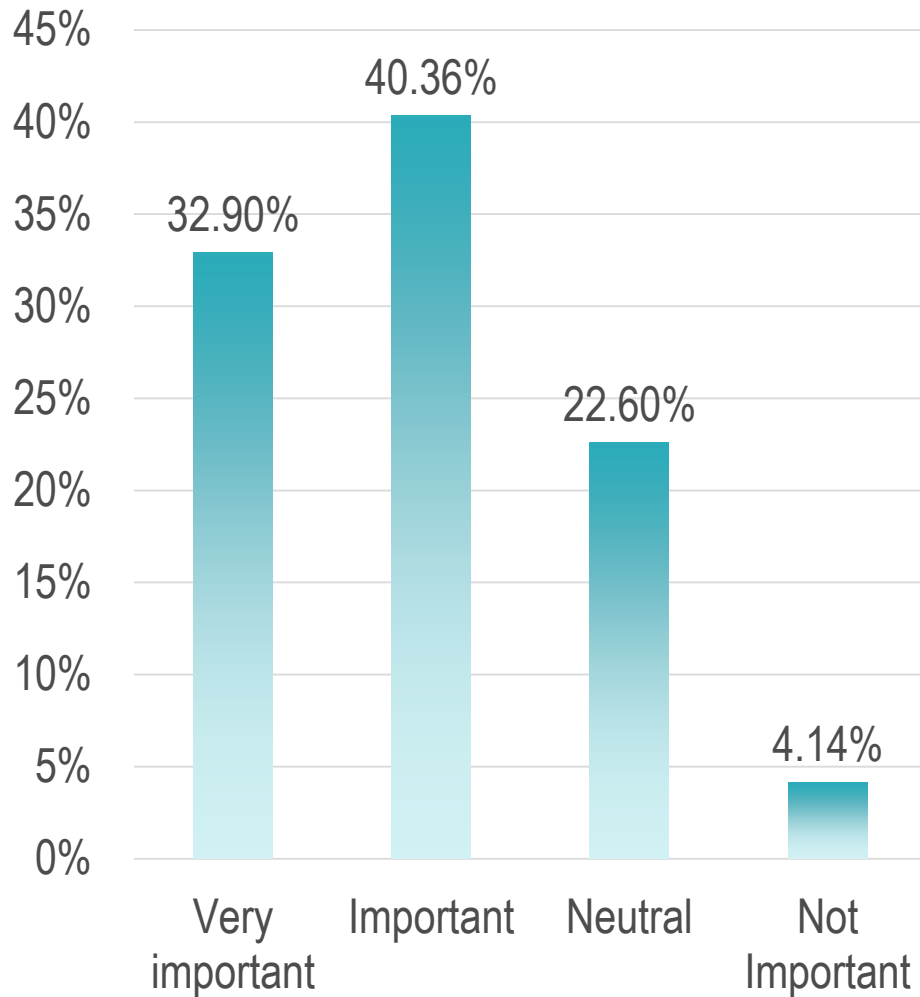
-Rishabh Chokhani, CEO Naturevibe

"Millennials...continue to be the most willing to pay extra for sustainable offerings--almost three-out-of-four respondents"

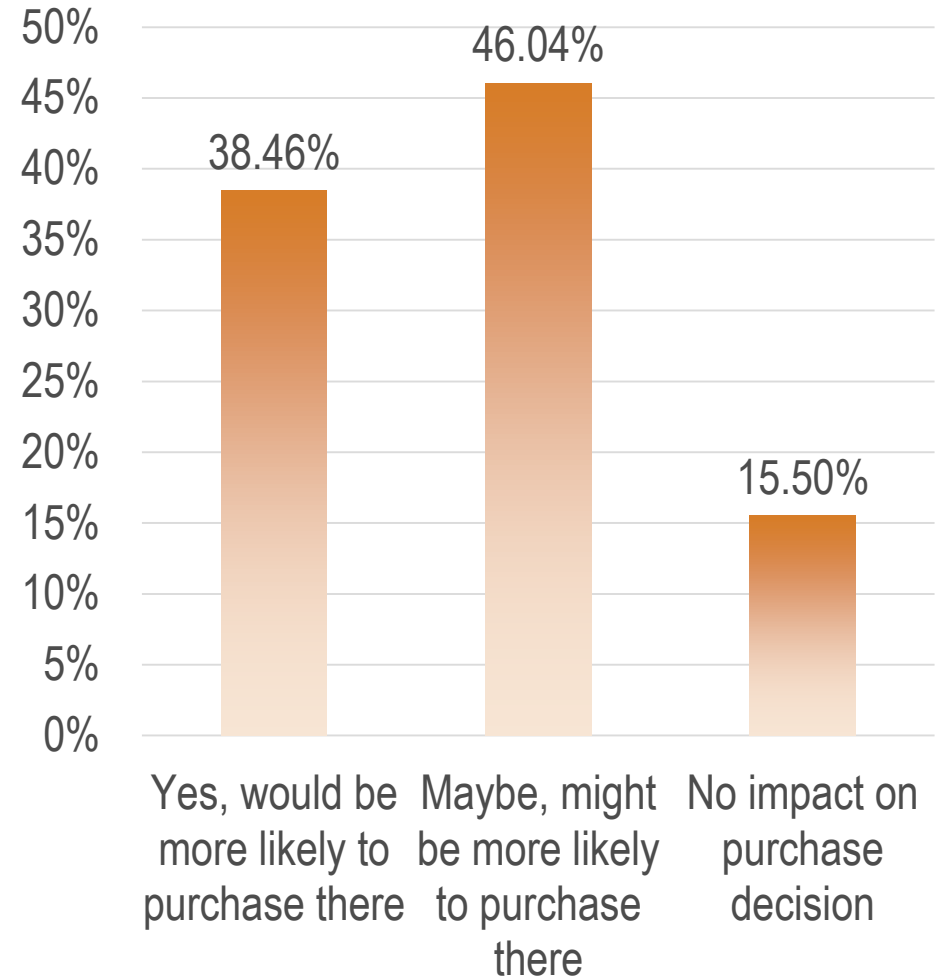
-Nielsen (based on survey)

2019 HOMEBUYERS SURVEY PRELIMINARY RESULTS

How important is sustainability and environmentally friendly design when thinking about a new home purchase?

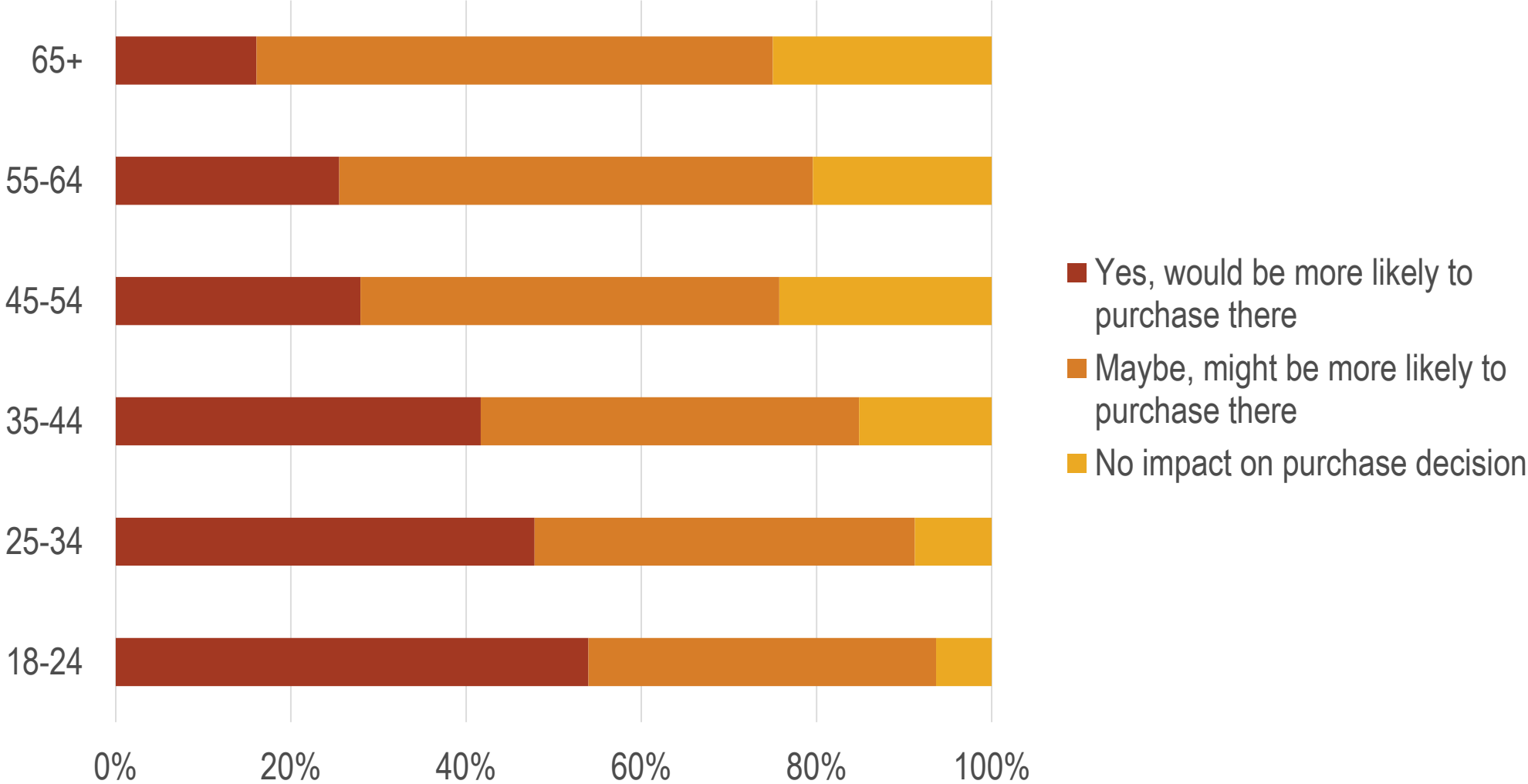


Would the fact that a master-planned community implemented sustainable development best practices positively impact your purchase decision?



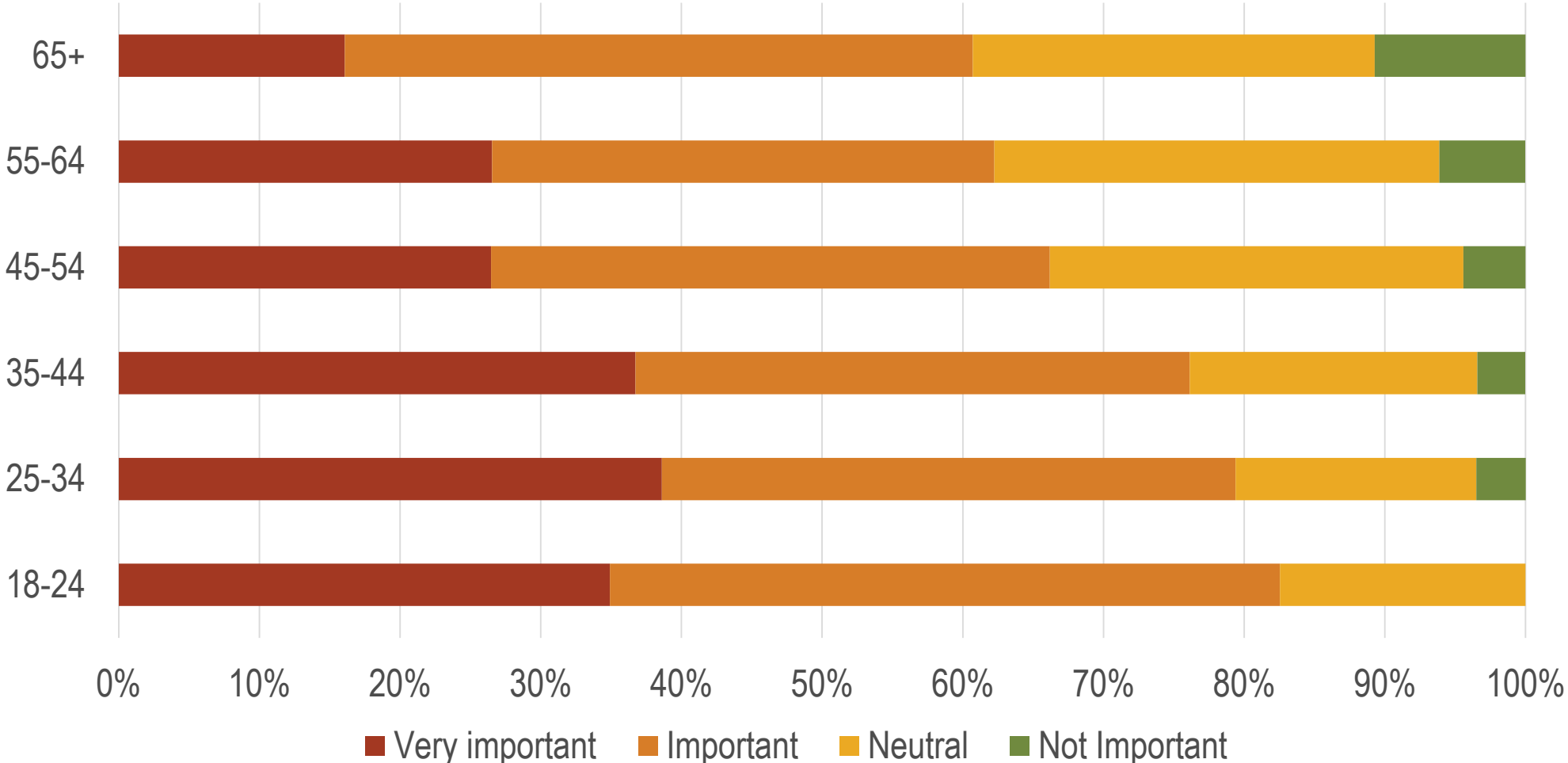
2019 HOMEBUYERS SURVEY PRELIMINARY RESULTS

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PARTICULARLY IMPORTANT FOR YOUNGER CONSUMERS

How important is sustainability and environmentally friendly design when thinking about a new home purchase?



CONSUMER TRENDS: WHAT YOU STAND FOR MATTERS

ACCENTURE STRATEGY SURVEY - 30,000 CONSUMERS IN 35 COUNTRIES:

62% want companies to take a stand on current and broadly relevant issues such as sustainability, transparency and fair employment practices

Price, product quality and customer experience are important attributes, but brand purpose provides the differentiation that many seek.

- Accenture Strategy Research Report, 2018

PAY ATTENTION TO SHIFTING SOCIETAL VALUES

EXAMPLE: TOP C.E.O.'S SAY SHAREHOLDER VALUE IS IMPORTANT BUT NOT ENOUGH

Modern principles of the role of a corporation¹:

- ▶ Delivering value to our customers
- ▶ Investing in our employees
- ▶ Dealing fairly and ethically with our suppliers
- ▶ Supporting the communities in which we work
 - » We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses
- ▶ Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate

SUSTAINABILITY LESSONS FROM COMMERCIAL REAL ESTATE

Sustainable buildings are attractive to both tenants and investors:

ENTITLEMENT AND PERMITTING

Projects with sustainability elements can be more attractive to the community and regulators, enhancing the potential for the project to be approved

LEASE UP AND RETENTION

Tenants are attracted to sustainable developments particularly where there is a mix of land uses, and where there are energy cost savings or open space amenities

OPERATIONS

Sustainability best practices can positively influence operating costs particularly relative to energy costs and water conservation, leading to cost savings overall and potentially improving the bottom line. Mixed use developments typically command premiums in the market

SALE

The lower operating costs and potential for higher rents can make sustainable buildings better assets that command higher prices upon disposition



CONSUMERS VALUE PURPOSE DRIVEN COMPANIES

2018 CONE/PORTER NOVELLI PURPOSE STUDY:

- ▶ 78% of Americans believe companies must positively impact society as well
- ▶ 77% feel a stronger emotional connection to Purpose-driven companies over traditional companies
- ▶ 66% would switch from a product they typically buy, to a new product from a Purpose-driven company
- ▶ 68% are more willing to share content with their social networks over that of traditional companies

NON REAL ESTATE CASE STUDY: PATAGONIA

- » Named one of the “World’s Most Ethical Companies” every year since the list was developed in 2007
- » Makes business decisions based on mission statement: “Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis”
- » Switched to organic cotton, a decision that increased costs 50-100%. Sales rose 25%
- » Has maintained an average growth rate of 3-8% annually, tripled its profits in 5 years

GREEN HOMES AND FEATURES – NAHB 2019 CONSUMER SURVEY

ACCORDING TO THE MOST RECENT NAHB SURVEY, 50% OF HOUSING CONSUMERS WANT ENVIRONMENTALLY FRIENDLY HOMES BUT ONLY 14% SAY THEY'LL PAY MORE FOR IT...

BUYER'S CONCERNS ABOUT IMPACT OF THEIR HOMES ON THE ENVIRONMENT

Not concerned about environment	18%
Concerned but doesn't affect home purchase	32%
Want environmentally friendly home but would NOT pay more	36%
Want environmentally friendly home and WOULD pay more	14%

GREEN HOMEBUILDING

- ▶ Single-family “green” residential construction market share increased from 2% in 2005 to 33% in 2017
- ▶ A third of homebuilders surveyed say green building is a significant portion of their overall activity
- ▶ 88% say they are incorporating features to make their homes greener



NAHB Study: Green Home Building Continues to Gain Traction

Sept. 27, 2017



Green Multifamily and Single Family Homes 2017

SUSTAINABLE COMMUNITY DEVELOPMENT EXAMPLES

MPC's incorporating sustainability practices into their developments, both in terms of infrastructure and the homes in their communities:

- ▶ Lakewood Ranch
- ▶ Babcock Ranch
- ▶ Mueller
- ▶ Serenbe



SUSTAINABLE COMMUNITY DEVELOPMENT CASE STUDIES

LAKWOOD RANCH, FL

- ▶ 31,000 Acres, 14,731 Households (so far)

COMMUNITY

- ▶ 2nd fastest selling community in the nation
- ▶ Provide higher level of conveniences and services within closer proximity to all households in LWR to reduce mileage and enhance the quality of life of residents
- ▶ Multiple Town Centers
 - » Main Street
 - » The Green
 - » Waterside Place
- ▶ 16,300+ employed on site
- ▶ 40% land set aside for open space and recreation
- ▶ All homes built to Florida Green Building standards
- ▶ 100% solar village, Polo Run, by Lennar with 423 homes



SUSTAINABLE COMMUNITY DEVELOPMENT CASE STUDIES

BABCOCK RANCH, SW FLORIDA

- ▶ 18,000 acres, 19,500 homes

COMMUNITY

- ▶ Overall home in Babcock sell at a premium over other competing communities in the area
- ▶ 50% of the land preserved
- ▶ Plan incorporates new urbanist principles with a mixed-use "downtown"
- ▶ 75 mega-watt solar facility to generate more power than the community consumes
- ▶ Florida Green Building Community Standards
- ▶ Autonomous vehicle test grounds

HOMES

- ▶ Homes meet LEED Bronze
- ▶ Florida Green Building Certification
- ▶ Green home features include smart meters, rainwater collectors, efficient pool heaters
- ▶ Green homes selling at a slight premium



SUSTAINABLE COMMUNITY DEVELOPMENT CASE STUDIES

MUELLER, AUSTIN, TX

- ▶ 700 Acres, 6,000 Households

COMMUNITY

- ▶ Overall homes in Mueller sell at a substantial premium over other competing communities in the area
- ▶ "Green" aspects were a big draw at the outset of the development
- ▶ Brownfield redevelopment (airport)
- ▶ LEED Gold Neighborhood
- ▶ 20% of land as open space; parks
- ▶ Uses only native plant materials
- ▶ Site plan incorporates New Urbanist design principles, includes mixed use districts

HOMES

- ▶ All homes Austin Green Energy 3-Star rating
- ▶ Many homes also Energy Star and Environments for Living standard
- ▶ Yard Homes (37'x55' lots) by DW, Muskin, CalAtlantic, Avi Homes
- ▶ Townhomes, Garden Court Homes
- ▶ Affordable program (for sale, for rent)
- ▶ Multifamily includes market rate, affordable and senior housing



SUSTAINABLE COMMUNITY DEVELOPMENT CASE STUDIES

SERENBE, GA

- ▶ 1,000 Acres, 1,200 Households

COMMUNITY

- ▶ Overall homes in Serenbe sell at a substantial premium over other competing communities in the area
- ▶ "Green" aspects were a big draw at the outset of the development
- ▶ Community scale sustainable practices include waste water irrigation, community farm, farmer's market
- ▶ CSA (Community Supported Agriculture) - consumers buy local, seasonal food directly from a farmers

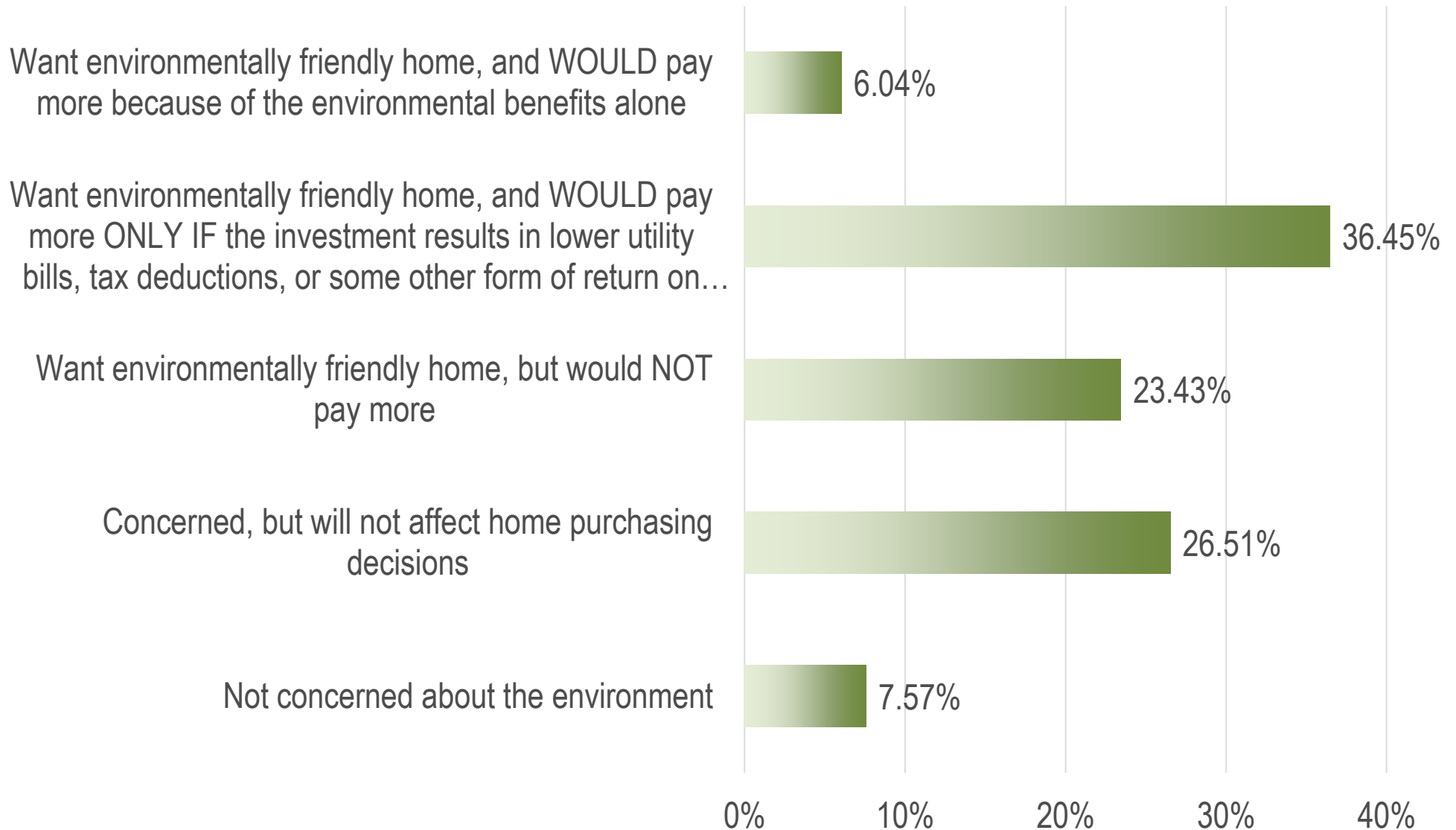
HOMES

- ▶ All homes built to Earthcraft Standards (Atlanta based rating)
- ▶ Some homes have geothermal and/or solar energy systems
- ▶ Some Net-Zero Homes
- ▶ Some 900 square foot "modern shotgun homes" by McKinney & Son
- ▶ Townhomes, lofts, live-work units
- ▶ 55+ cottages



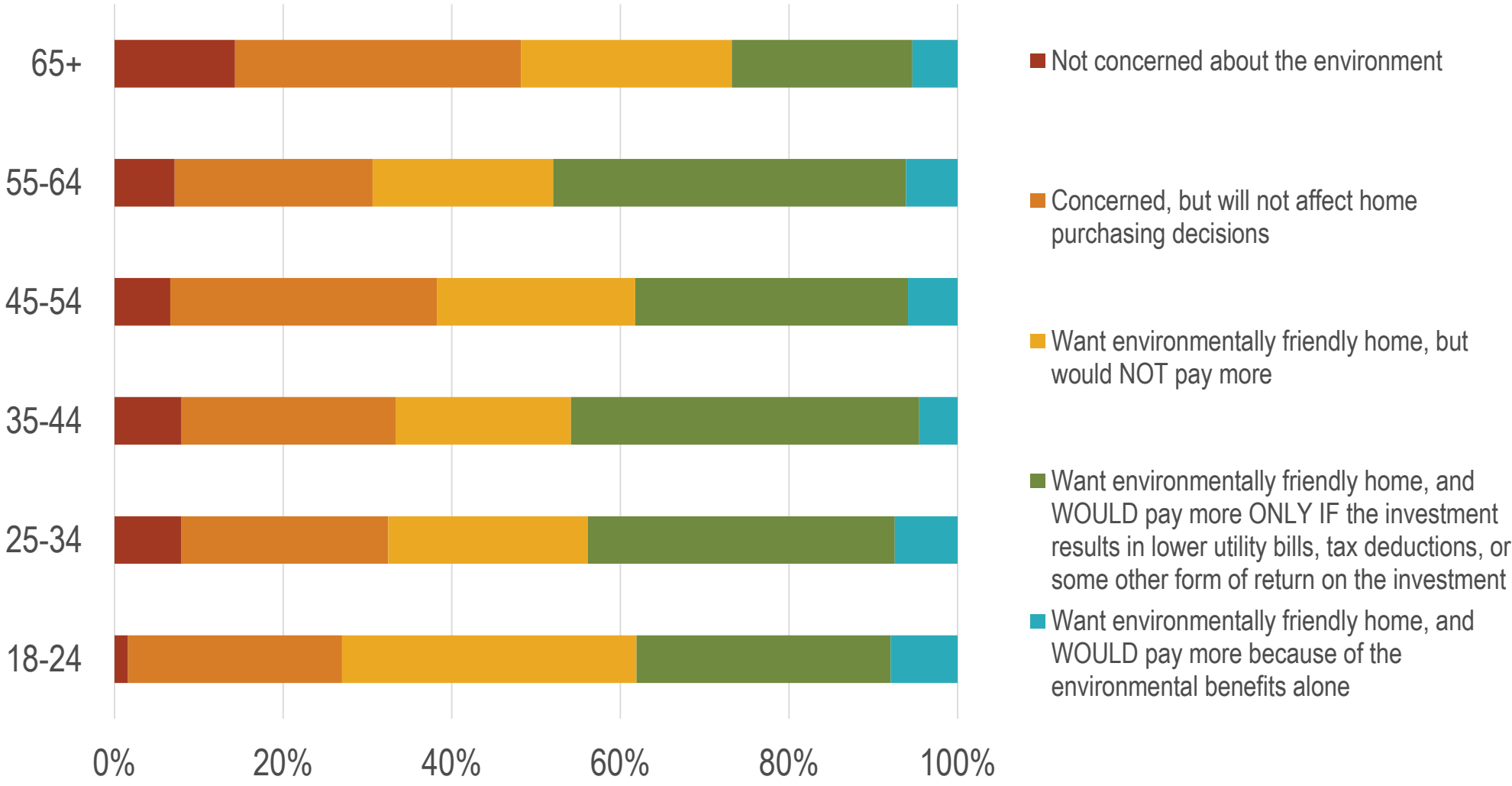
2019 HOMEBUYERS SURVEY PRELIMINARY RESULTS

How Do Your Concerns About The Environment Impact Your Decisions Related To Buying A New Home?



2019 HOMEBUYERS SURVEY PRELIMINARY RESULTS

How do your concerns about the environment impact your decisions related to buying a new home?





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