

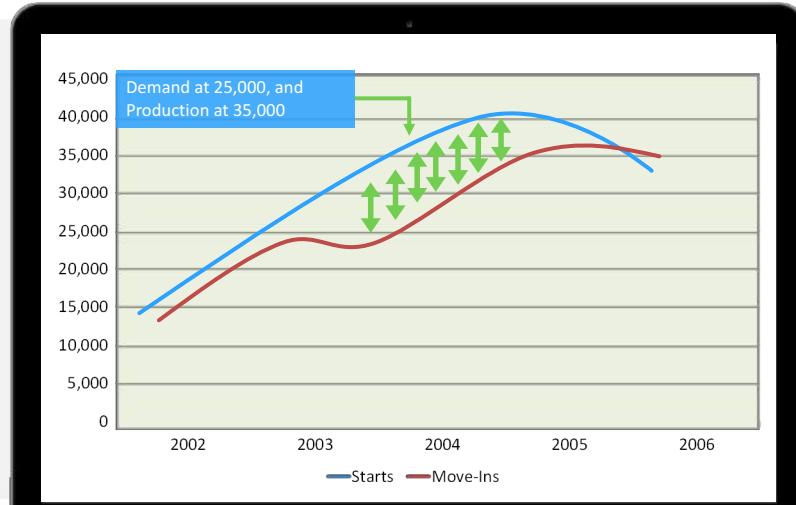


A BUILDER IN 2003:
“Price the home higher
than you think it is
worth; if it doesn’t sell,
RAISE the price by
\$5,000!”

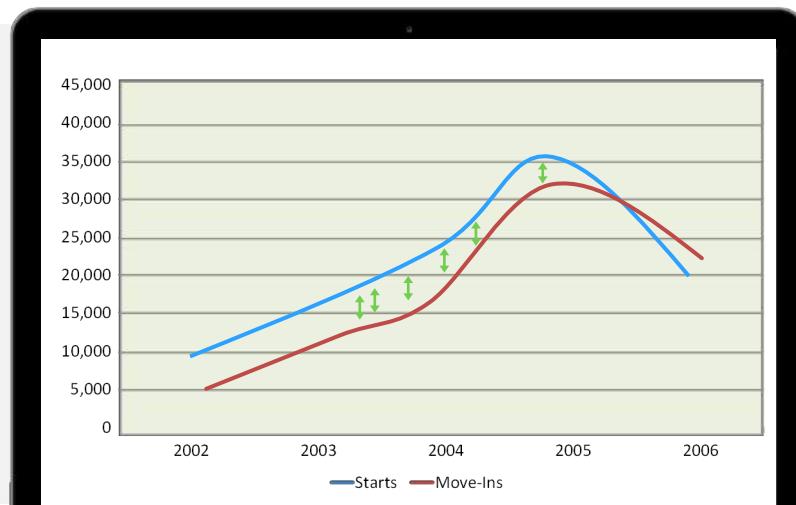


**NO
NATIONWIDE
HOUSING
BUBBLE
TODAY.**

VEGAS EXAMPLE: 2002-2006



MIAMI-DADE COUNTY 2002-2006



PRE-CONSTRUCTION CONDOS

A highly-leveraged
investment

THE CONDO BUBBLE

- ❖ In Miami-Dade, 70,525 condo units were planned during the bubble.
- ❖ By comparison, only 9,100 were built in prior DECADE.



STATE BIRD: THE “CRANE”



“NO INVESTORS”





MILLENNIALS

Millennials don't like the suburbs but can't afford the downtowns. Only 13% live downtown.

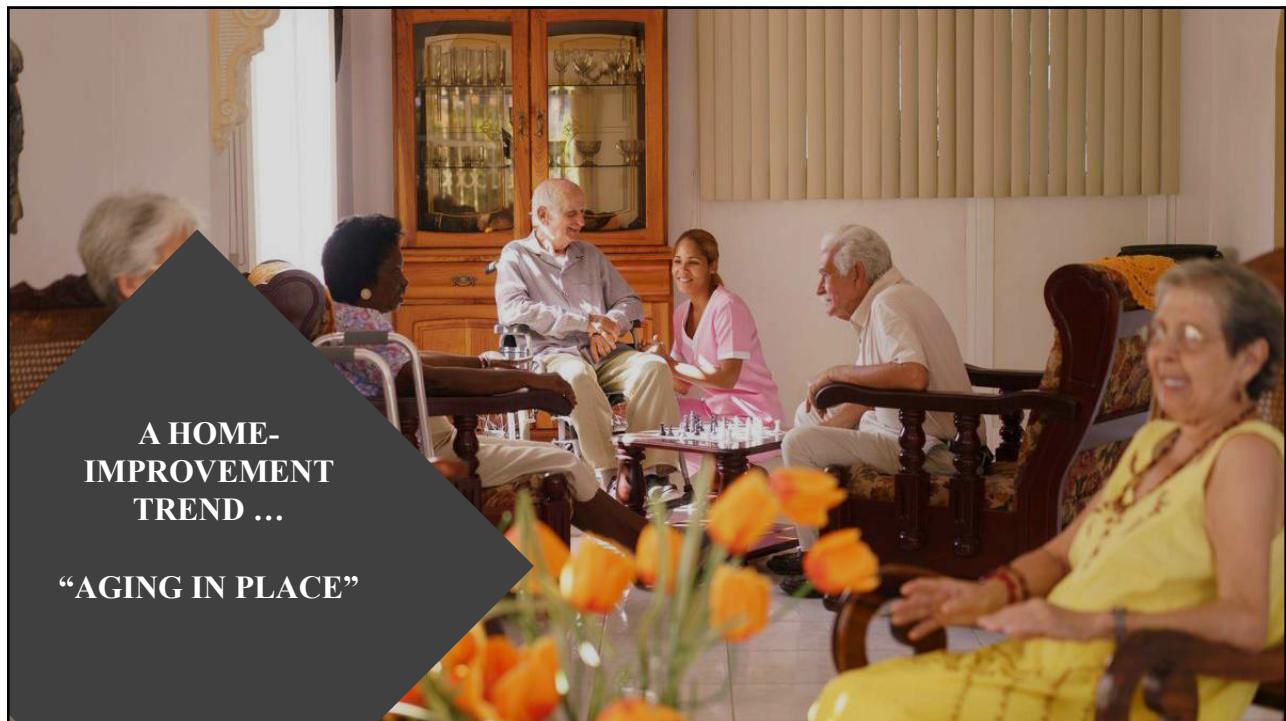
HOUSEHOLD FORMATIONS STILL IMPROVING

- ❖ Forecast is 1.3M/year for next 5 years.
- ❖ Possibly as high as 1.5M



A HOME-
IMPROVEMENT
TREND ...

“AGING IN PLACE”



MY DOCTOR TOLD ME NOW
THAT I AM GETTING OLDER, I
NEED TO
INSTALL A BAR IN
MY SHOWER.



**NOMINAL HOME PRICES ARE 34%
ABOVE THE BUBBLE PEAK!**



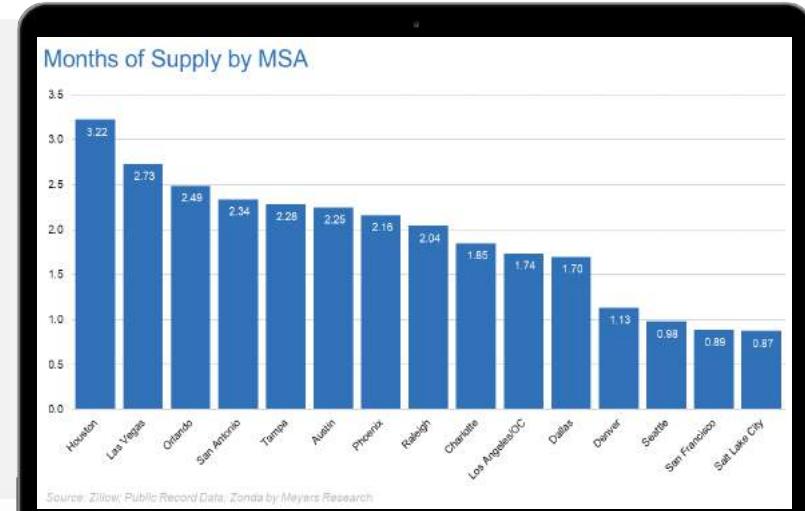
NEW HOME PRICE IS 30% ABOVE EXISTING



SALES RATE PICKING UP FOR SPRING SEASON



LOW SUPPLY ACROSS THE COUNTRY

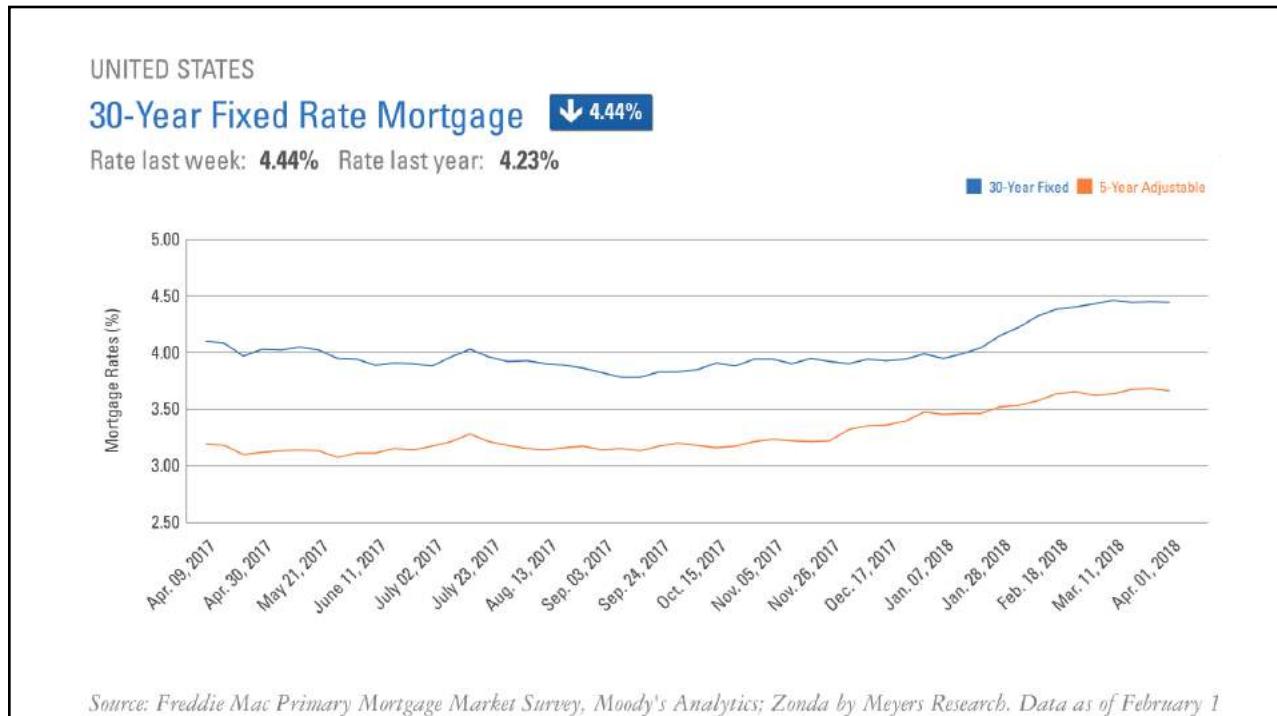


HOUSTON, DALLAS, AND AUSTIN WILL SEE MORE HOME BUILDING

Markets with Most SF Permits Pulled
LTM 2017

MSA	Single-Family Permits
Houston	39,231
Dallas	35,101
Atlanta	24,808
Phoenix	20,730
Austin	15,249
Orlando	14,868
Washington, DC	14,625
Charlotte	14,042
Tampa	13,058
Nashville	12,686
Denver	11,201
Raleigh	10,928
Los Angeles/OC	10,507
Riverside/San Bernardino	10,302
Jacksonville	10,134

Source: U.S. Census Bureau; Zonda by Meyers Research



THE FEDERAL RESERVE'S JOB

Like driving while looking
ONLY in the rearview mirror.



LOTS ARE AT RECORD HIGH PRICES

- ❖ ... So how will builders build
homes that people can AFFORD?
 - ❖ Build Smaller Houses
 - ❖ Build in “C” Locations





TO MOST BUILDERS IN TEXAS:
A “PIONEER” IS...

- ❖ ...The guy with the *Arrows sticking out of his back.*
- ❖ Yet VOLUME and COMMUNITY COUNT are desired...



TEXAS USED TO BE *AFFORDABLE*

- Historically, 60% of NEW home sales were in the under \$250,000 price range.
- Today, it's very hard for builders to hit that price point, due to lot prices, labor costs, and lumber/materials costs.

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60%+ OF NEW HOME DEMAND UNDER \$250K IN TEXAS, BUT THE % OF LOTS IS MUCH LOWER:

- ❖ Houston: 32%
- ❖ San Antonio: 31%
- ❖ Austin: 24%
- ❖ Dallas: 12%
- ❖ And in Dallas the % \$500K+ has risen from 10% ten years ago to 23.1% in 2017

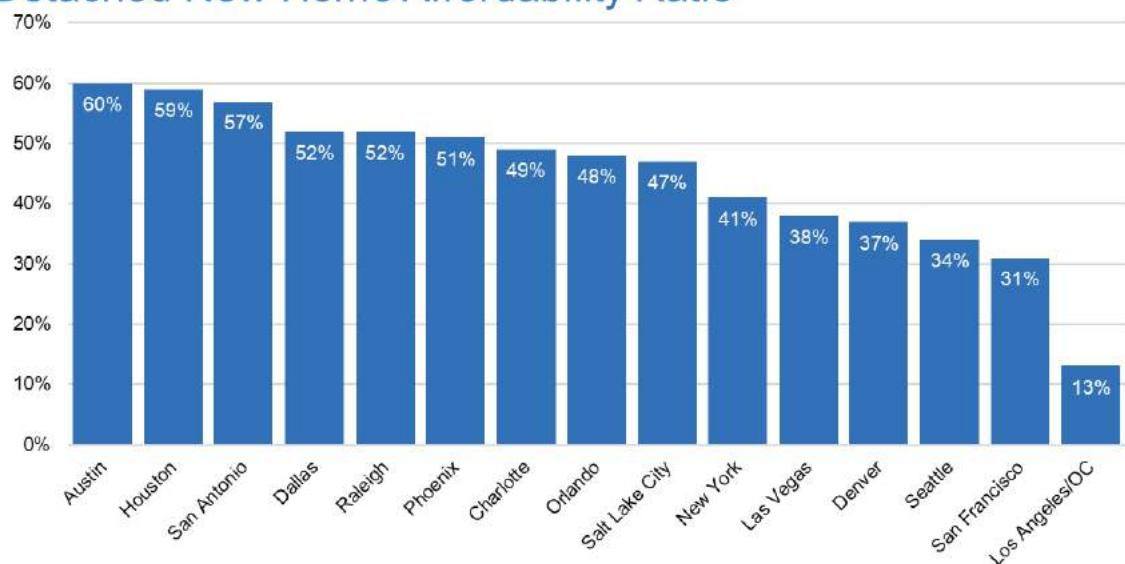
Source: Metrostudy

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**STILL, BUILDERS IN
TEXAS ARE DOING THE
BEST AT SERVING THE
“ENTRY LEVEL” BUYER**



Detached New Home Affordability Ratio



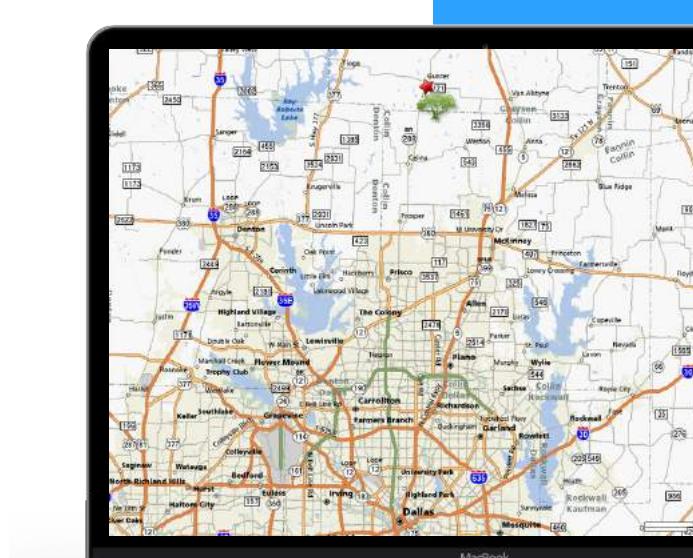
Source: Zonda by Meyers Research



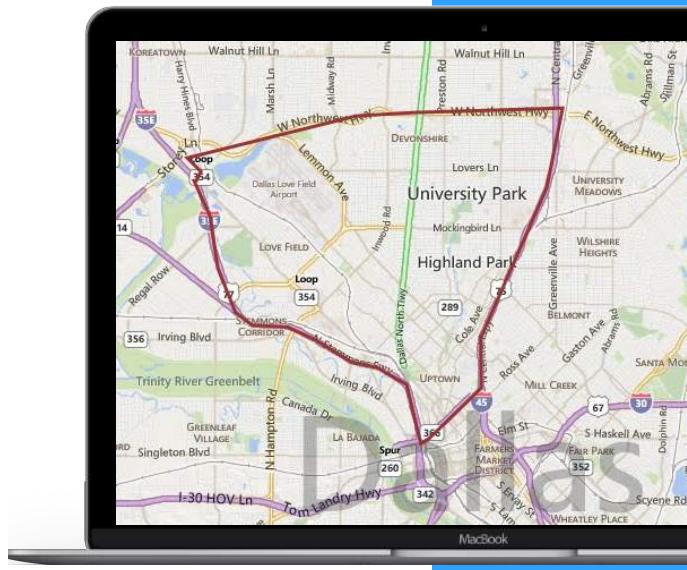
Example:

DALLAS'
NORTHERN
SUBMARKETS

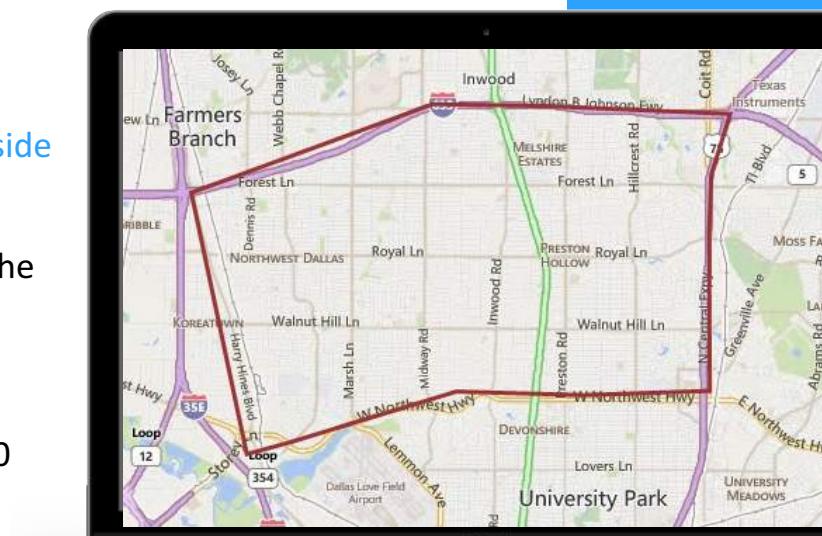
Seven “Waves”...



- ❖ Wave One: “Inside Northwest Highway”
- ❖ Urban
- ❖ Built out, except for infill
- ❖ Median year built: 1987
- ❖ Some custom tear-downs

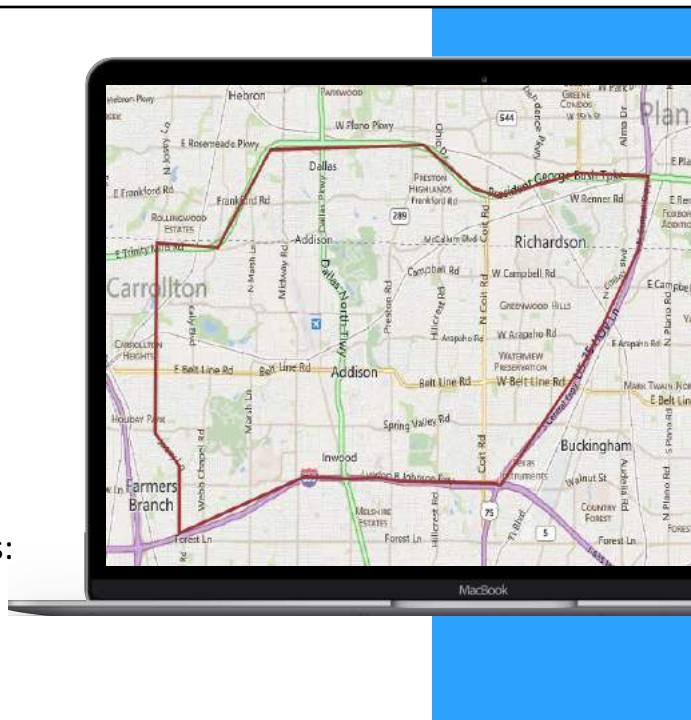


- ❖ Wave Two: “North of Northwest Highway, Inside of Loop 635”
- ❖ 7 to 11 miles north of the CBD
- ❖ Heavily Urban
- ❖ Median year built: 1970
- ❖ Infill



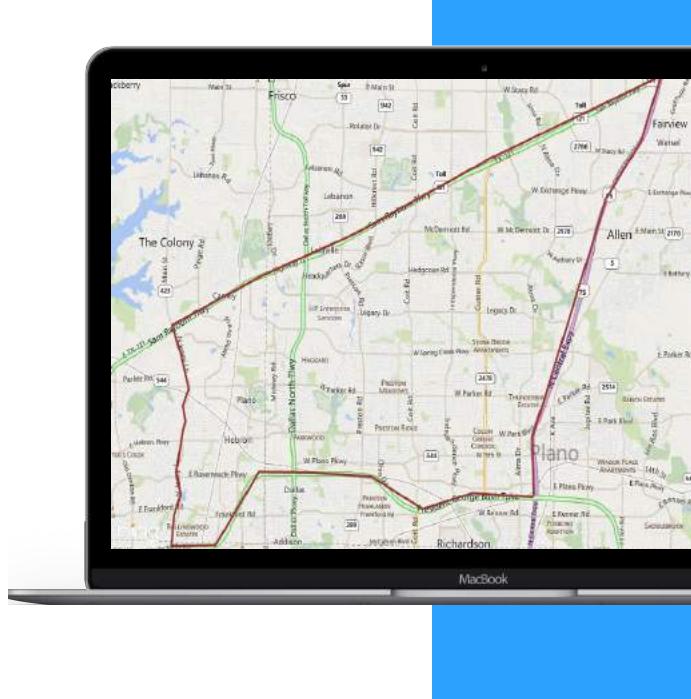
❖ Wave Three: “North of Loop 635, inside President George Bush Turnpike”

- ❖ 11 to 20 miles from CBD
- ❖ Nearly built out
- ❖ Median year built: 1983
- ❖ Portions of Plano and Richardson
- ❖ Plano lots in upscale communities: \$3,000/front foot



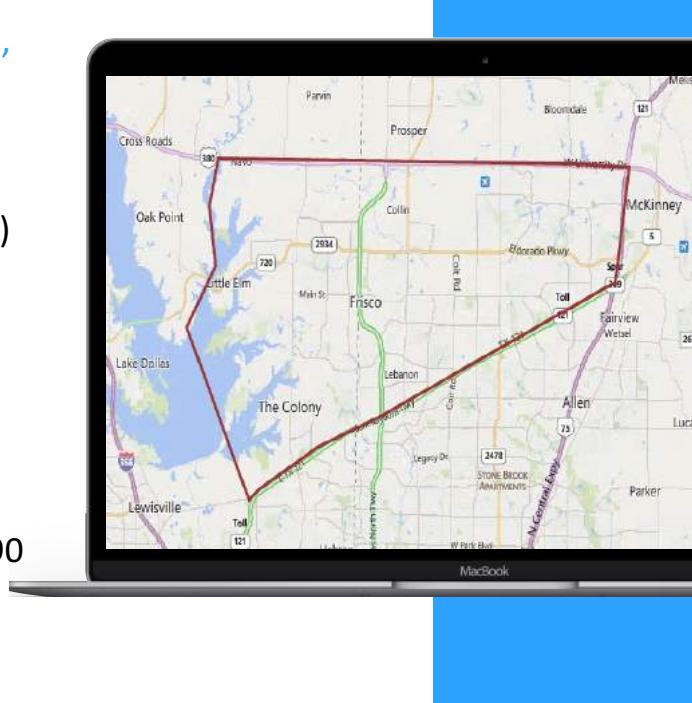
❖ Wave Four: “North of PGBT, Inside of Highway 121

- ❖ 21 to 28 miles from CBD
- ❖ Generally built out
- ❖ Median year built: 1993



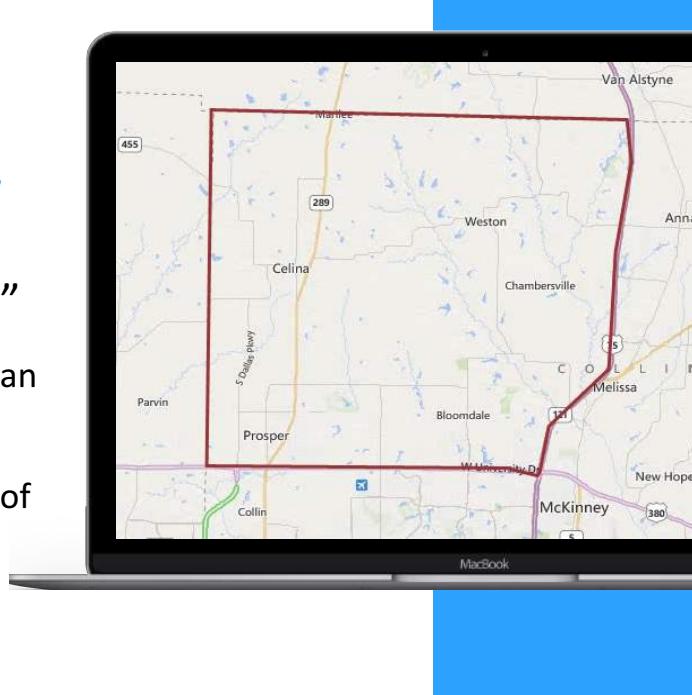
❖ Wave FIVE: "North of Highway 121, Inside of Highway 380"

- ❖ "A" Location!!
- ❖ Includes Frisco and Mckinney ("A")
- ❖ Median Year: 2004
- ❖ 85% built out.
- ❖ Remaining land held by long-term farming and ranching families
- ❖ Frisco pop went from 6,582 in 1990 to 136,791

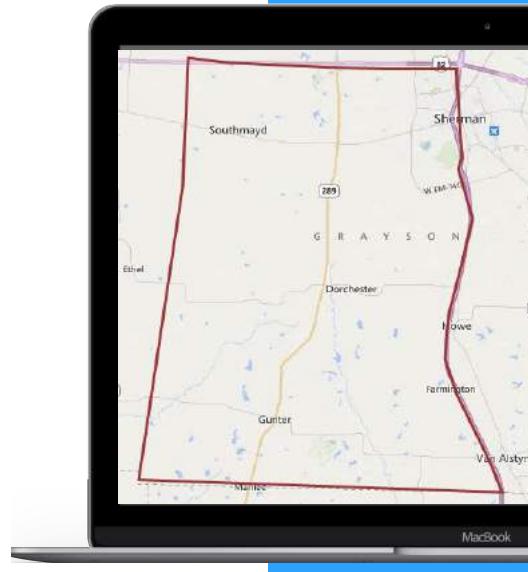


❖ Wave SIX: "North of Highway 380, south of the Grayson County Line"

- ❖ 37 to 48 miles north. "B and C"
- ❖ Town of Prosper has seen suburban development growth since 2010.
- ❖ Still "Path of Growth" land north of Prosper

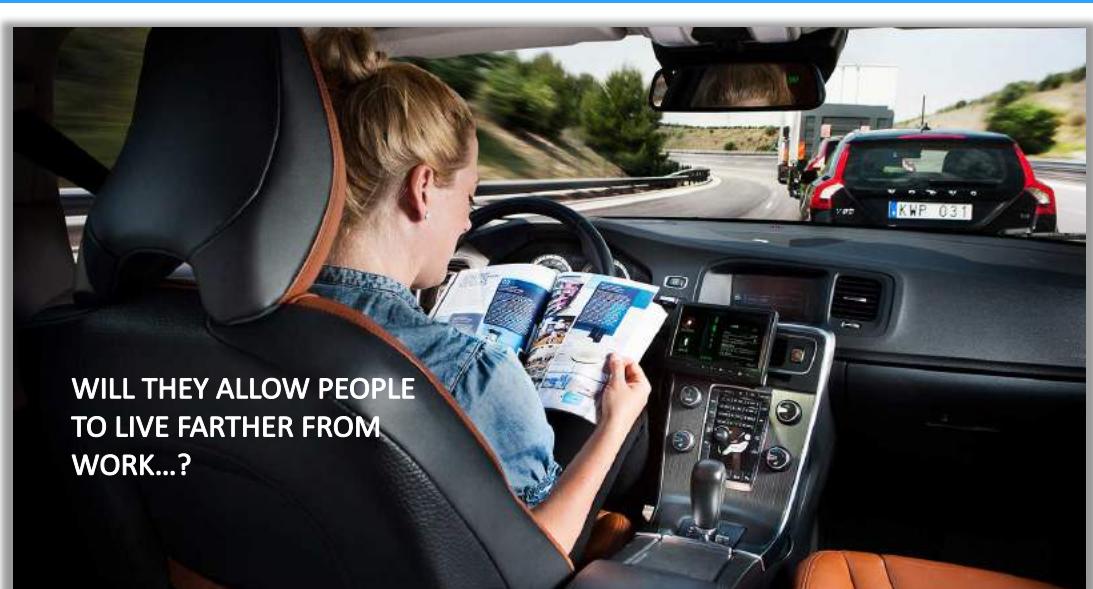


- ❖ Wave Seven: “North of Grayson County Line, South of Highway 82”
- ❖ 48 to 68 miles north
- ❖ Exurban/rural
- ❖ “Pioneer” definition
- ❖ Commute to Plano, Frisco, Richardson



SELF-DRIVING CARS

WILL THEY ALLOW PEOPLE
TO LIVE FARTHER FROM
WORK...?





WILL SELF-DRIVING CARS EMPOWER PEOPLE TO LIVE FARTHER FROM WORK?

- ❖ And drones for package delivery
- ❖ And telecommuting
- ❖ Half of all households are in Amazon Prime.

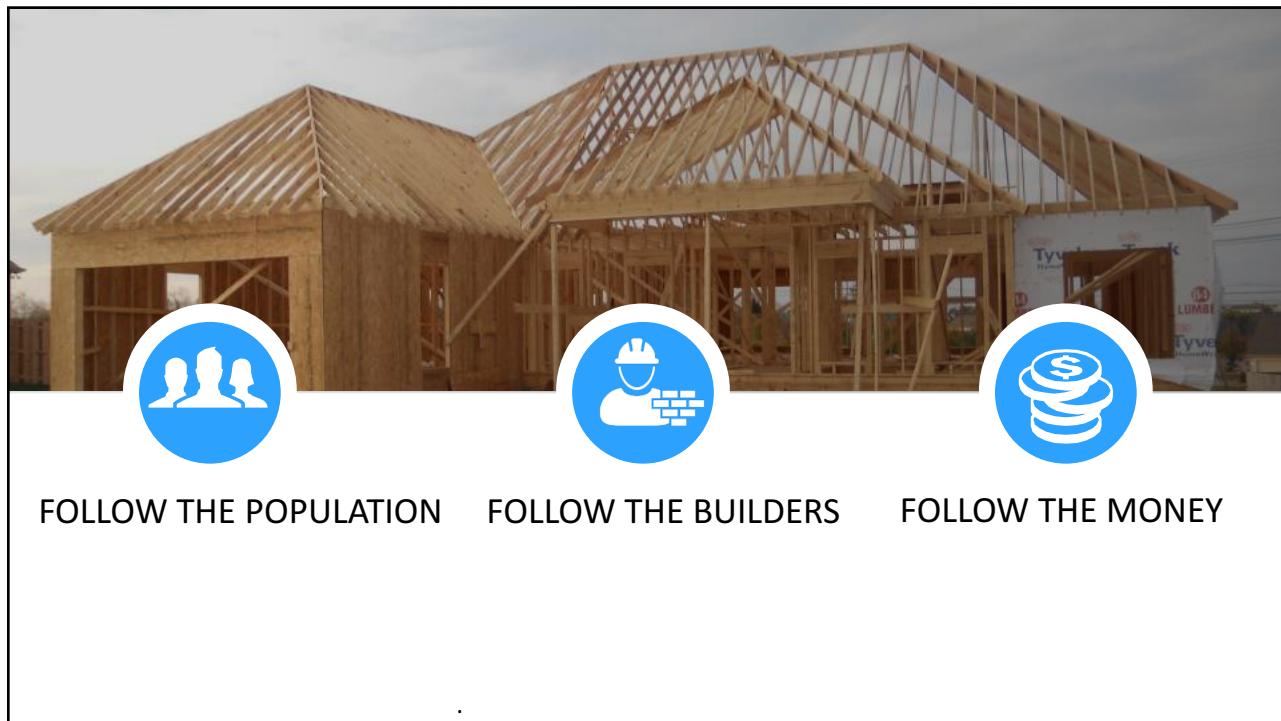


THE OBSTACLES FOR “C” SUBMARKETS

1. Incomes are lower
2. Less savings
3. More difficulty qualifying
4. More difficult to get A&D
5. Downpayment money

So....

- ❖ Texas markets will attract a lot of population growth.
- ❖ “C is the new B.”



BURNS' TERM: “SURBAN”

- ❖ Woodlands, TX
- ❖ Bethesda, MD
- ❖ Walnut Creek

**WHERE WILL HOMES BE
BUILT
IN 2018/19?**

- ❖ This year, an additional 100,000 units of potential single-family demand.
- ❖ Who and where?
 - A?
 - Move-up?
 - The former “C”

“C” LOTS NOT *THAT* REMOTE...



Chewie. We're *home!*
We made the commute in
less than 12 parsecs!

THE OUTLOOK
IS STRONG



PEOPLE WILL STAY IN THEIR HOMES AND REMODEL



TECH WILL SHAPE CHANGES IN HOW PEOPLE LIVE

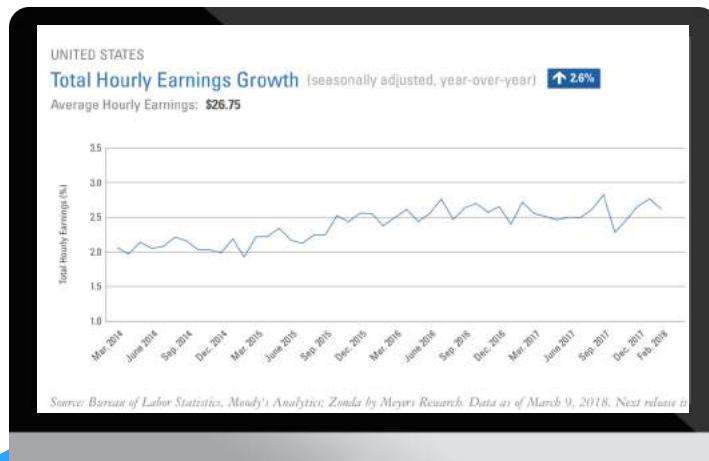


- ❖ Telecommuting
- ❖ Package Delivery
- ❖ Self-Driving Cars
- ❖ Work Share

NONFARM PAYROLL INCREASED 313K



AVERAGE HOURLY EARNING GREW 2.6% YOY



ELEVATED CONSUMER CONFIDENCE



WHAT IT ALL MEANS FOR SELF STORAGE

- ❖ Millennials buy OLDER homes.
- ❖ Builders are starting to offer some smaller homes.
- ❖ High home prices.
- ❖ More downtown living.



BRAD HUNTER



Brad Hunter orchestrated and directed hundreds of site-specific or area-specific housing market studies for homebuilders over the past 30 years.

Hunter has authored numerous articles and chapters in books for ULI, including Market Profiles. He is regularly cited in local and national journals, and has recently been featured in the *Wall Street Journal*, *Business Week*, and on *CNBC* and *Bloomberg TV and Radio*.