



Cities & Suburbs

What Research Tells Us About Performance and Investor Returns

2015 NMHC Research Forum / April 1, 2015

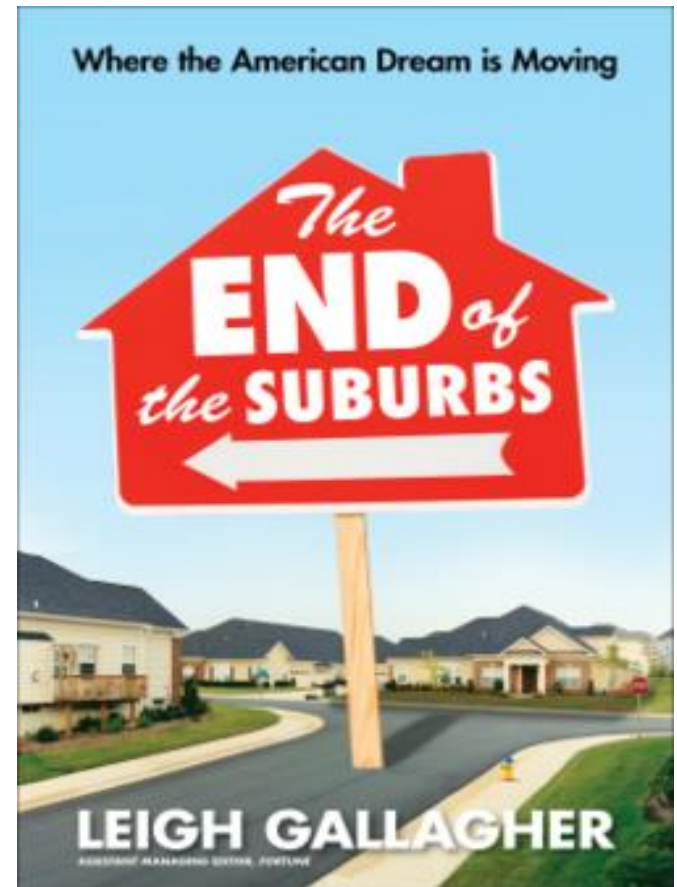
Jay Parsons / MPF Research



Has “suburb” become a bad word in real estate?

Actual, recent headlines:

- America’s Urban Future
- See Ya Suburbs: More Want to Live in the Big City
- Why Suburbs Are Losing Their Appeal
- Suburbs Dying and Cities Are Back
- Millennials Prefer Cities to Suburbs, Subways to Driveways
- The Suburbs Are Dead
- Suburbs: The New Slums
- The Suburbs Still Suck, All Signs Indicate



Aging, bland architecture housing generic chains



Speculative real estate far from anything



But now ... is suburbia making a comeback?

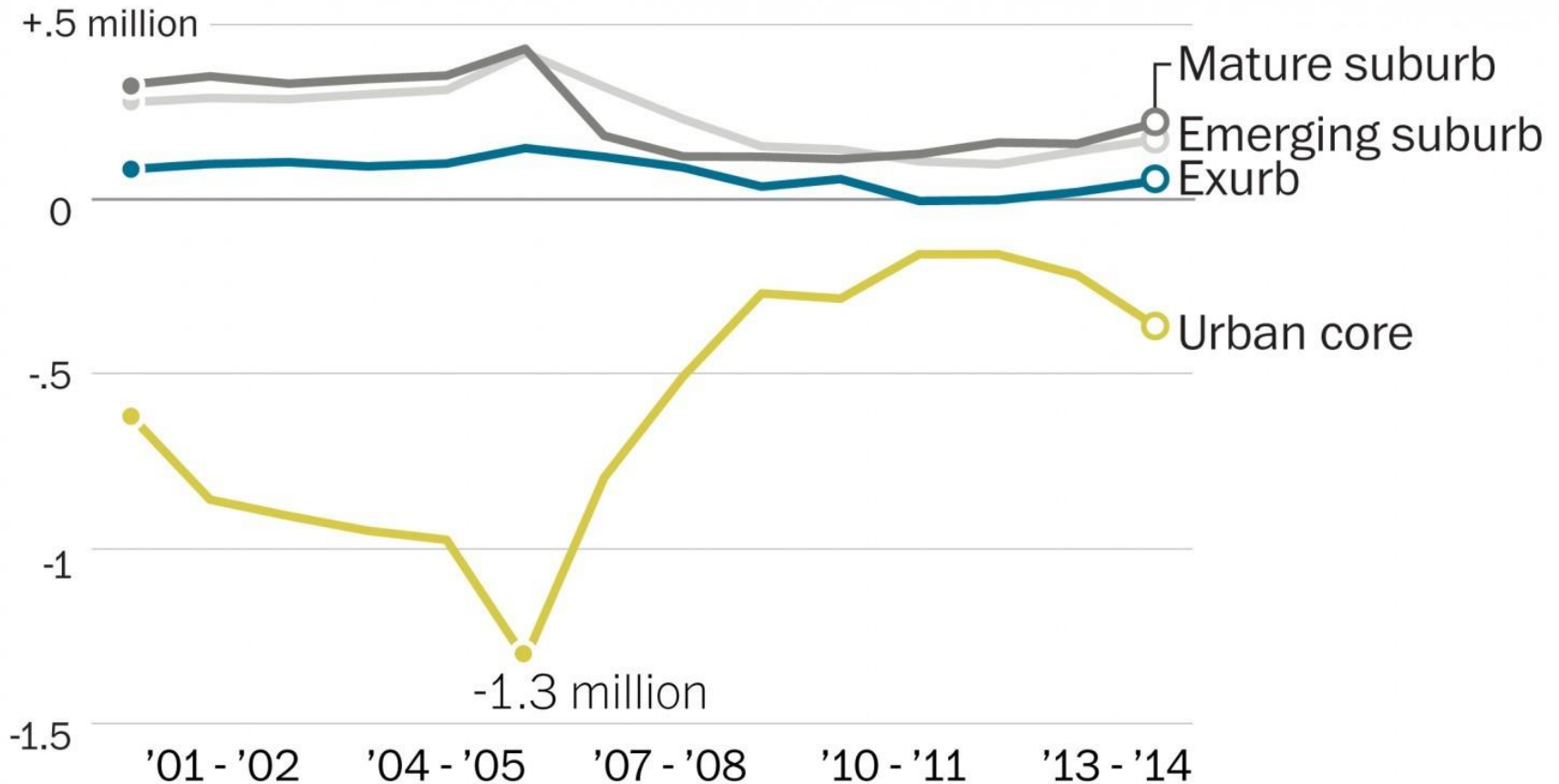
Actual, recent headlines:

- Suburbs Come Roaring Back
- Americans Love Big Hot Suburbs
- Generation Y Prefers Suburban Home Over City Condo
- Young Americans: Yearning for the Suburbs, Stuck in the City
- Millennials: A Powerful, Suburban Living Generation
- America's Newest Hipster Hot Spot: The Suburbs?
- Think Millennials Prefer The City? Think Again.
- Vibrant Suburbs Versus CBD? It's a Toss Up



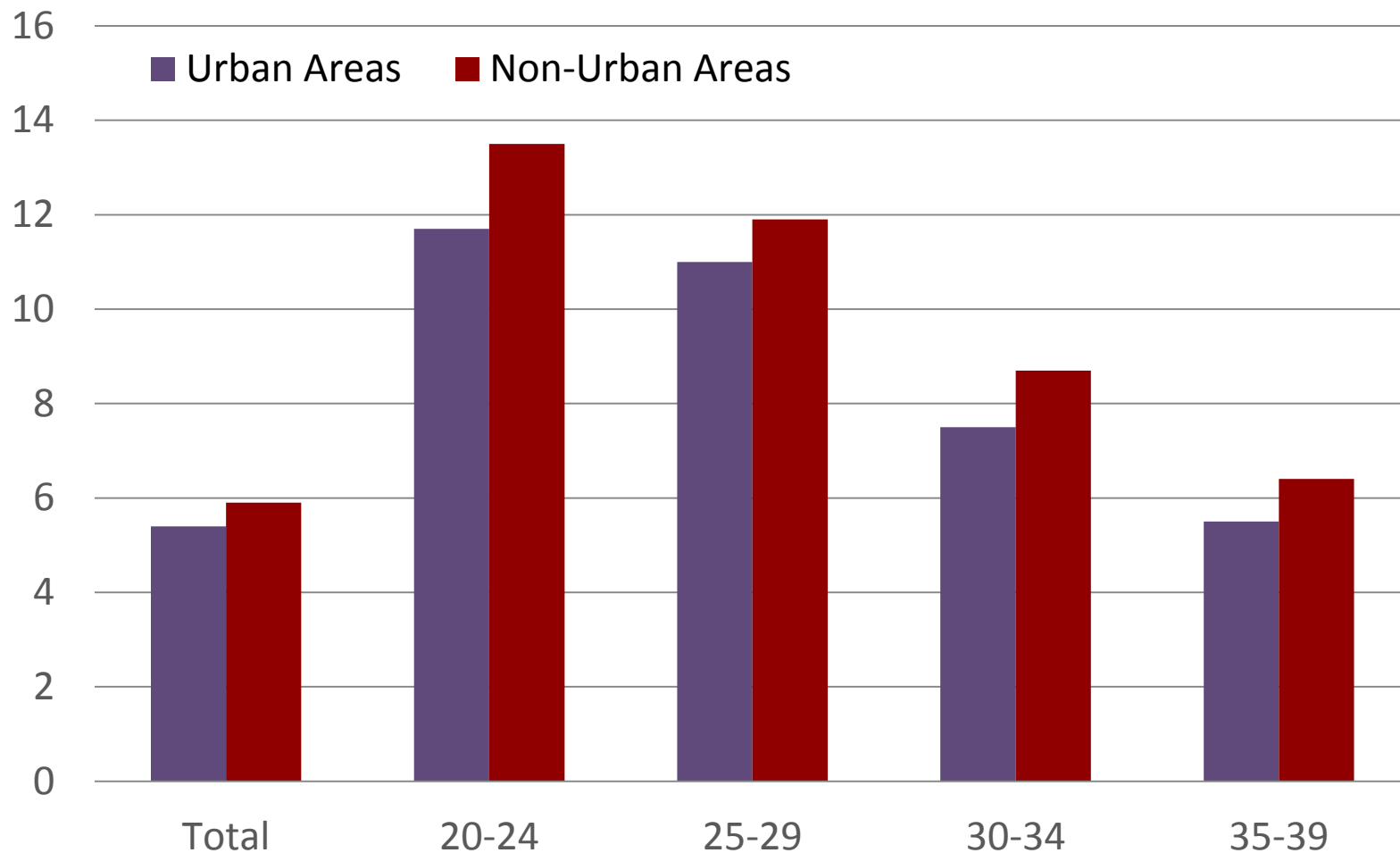
Urban residents are moving away again

Domestic net migration measures people who change homes within the U.S. from one year to the next. After the housing bust, fewer people were leaving cities, but now that trend is reversing.



Counties in metro areas with 500,000 people or more are categorized.

U.S. In-Migration By Geography and Age, 2013



Source: Lyman Stone, George Washington University

Millennial Location Preferences for Their Next Home

48% suburban

38% urban

14% rural



grocery
stores



61%
28%

restaurants



54%
28%

retail



57%
19%



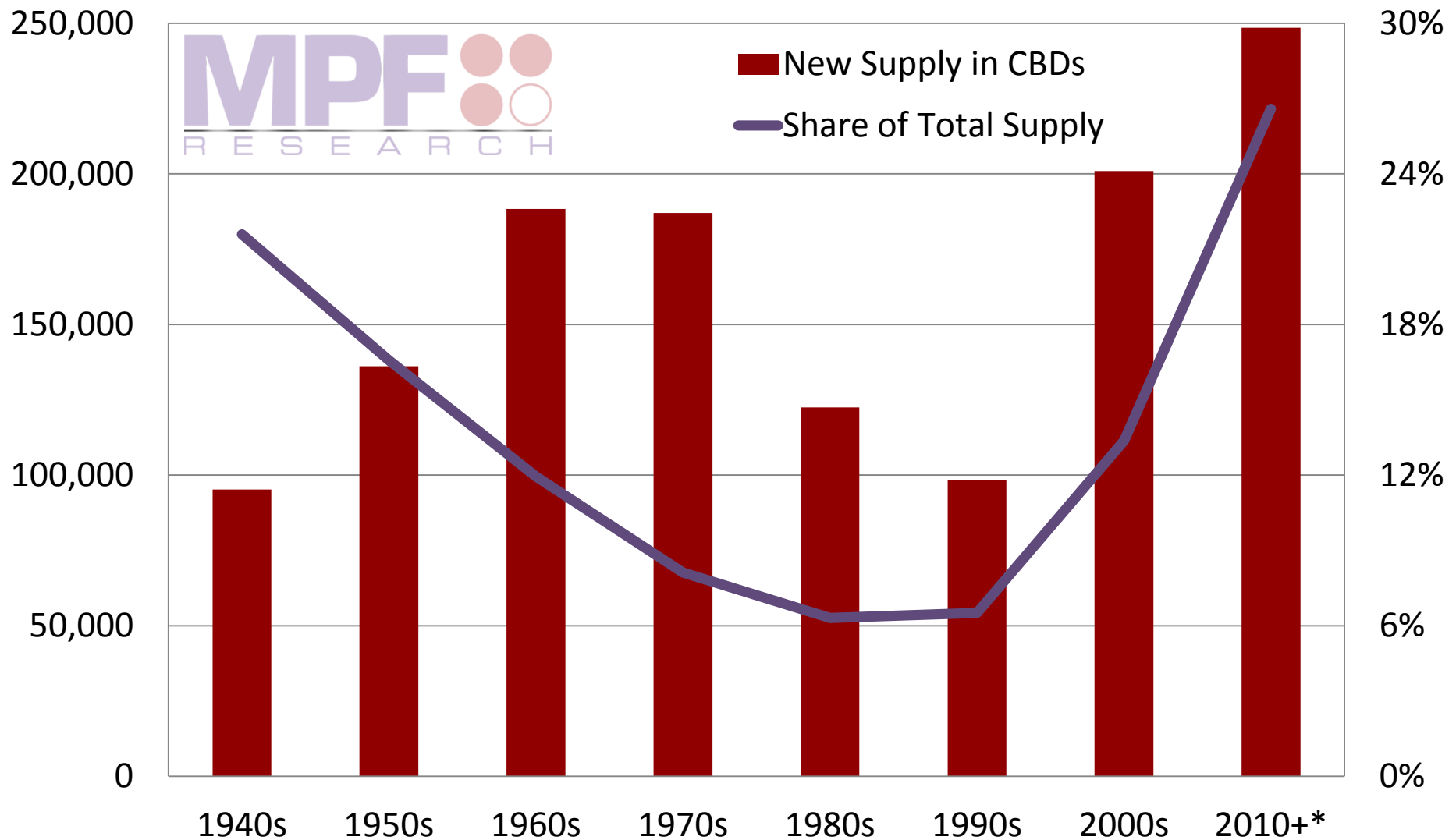
short
drive



walking
distance

Traditional Apartment Fundamentals

Apartment development in CBDs is at record highs



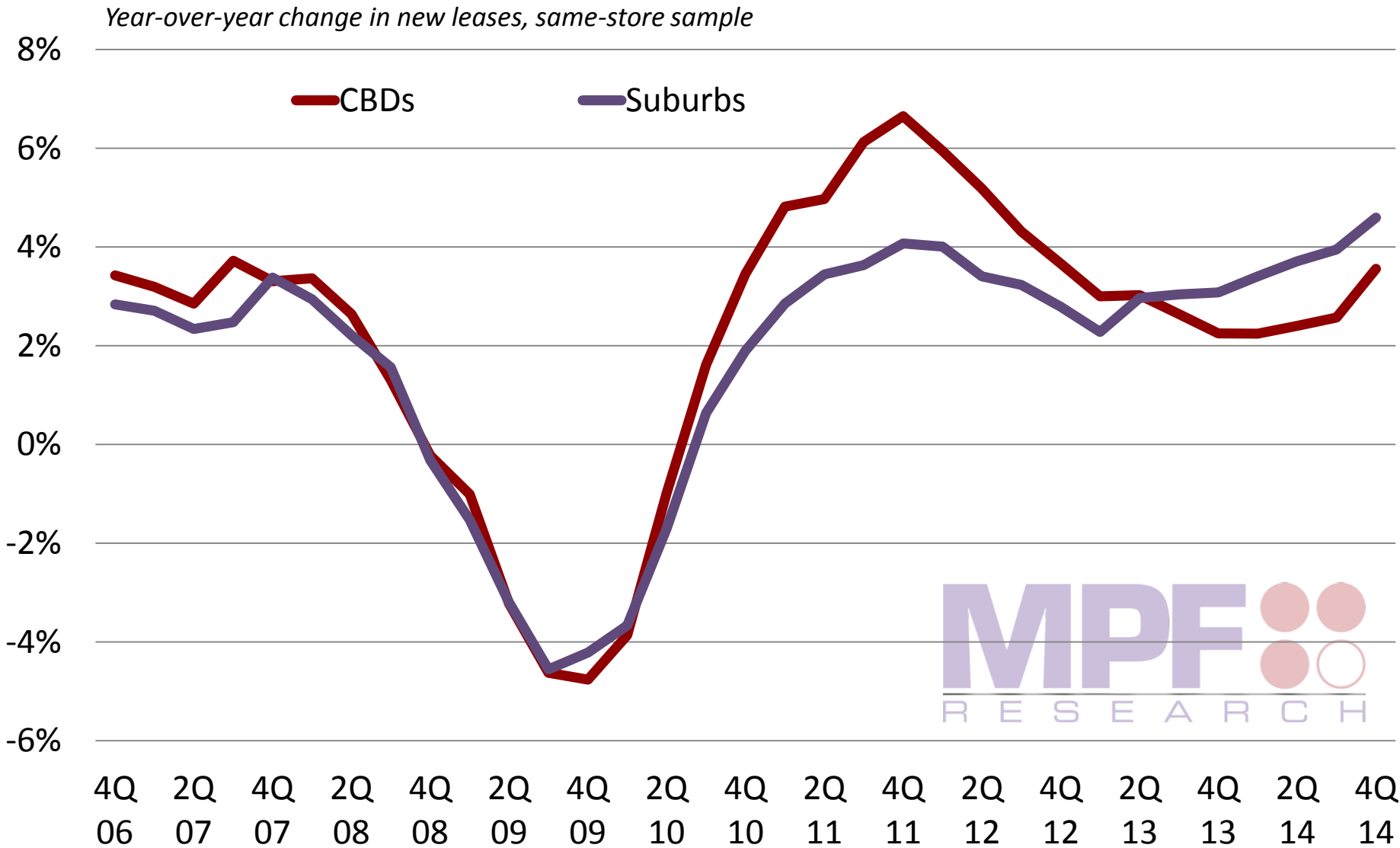
Source: MPF Research / Census

*Includes completions since 2010 plus units physically under construction as of 1/1/2015

Analysis includes the nation's top 50 markets, excluding NYC/NNJ

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Suburbs top CBDs for rent growth at this point, but...



Source: MPF Research
Analysis includes the nation's top 50 markets, excluding NYC/NNJ

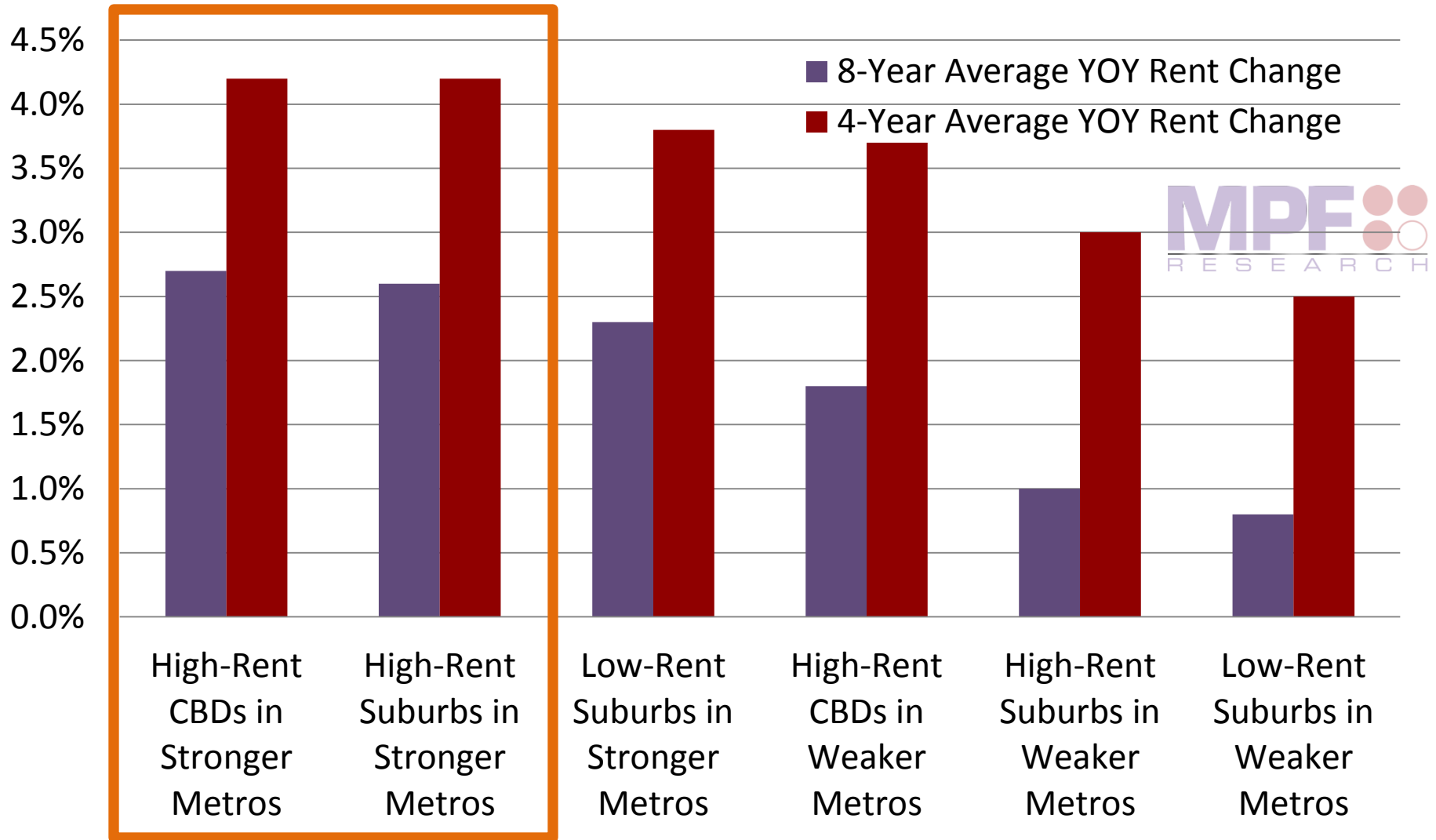
What are common denominators of “good suburbs?”

Characteristics of “Good Suburbs”	
Located in economically healthy metros	Parent metros rank in top half (among 50 largest metros) for net job change since Q1 2008 (>3.0% net growth)
More jobs	18% more jobs per household (physically located within these submarkets) above the mean
Higher home values	29% above mean
Higher household incomes	27% above mean
Higher rents	16% above mean
More urban-ish	Generally <u>not</u> bedroom communities and <u>not</u> sprawl



“Good suburbs” perform in line with CBDs long term

Rent Growth



Source: MPF Research

“Stronger metro” defined as markets with at least 3.0% net job growth since Q1 2008

Analysis includes the nation’s top 50 markets, excluding NYC/NNJ

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“Good suburbs” perform in line with CBDs long term

Occupancy



Source: MPF Research

“Stronger metro” defined as markets with at least 3.0% net job growth since Q1 2008

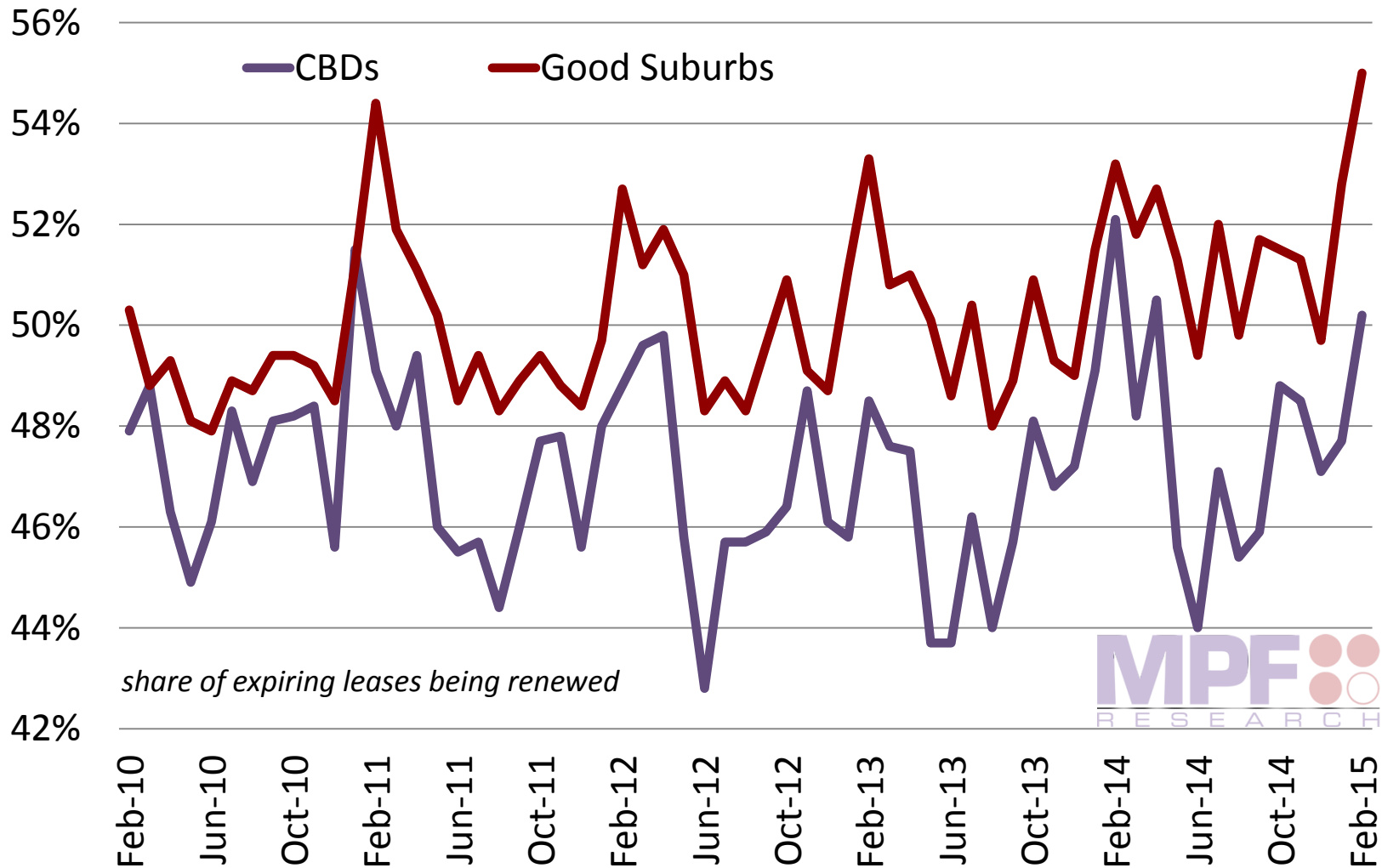
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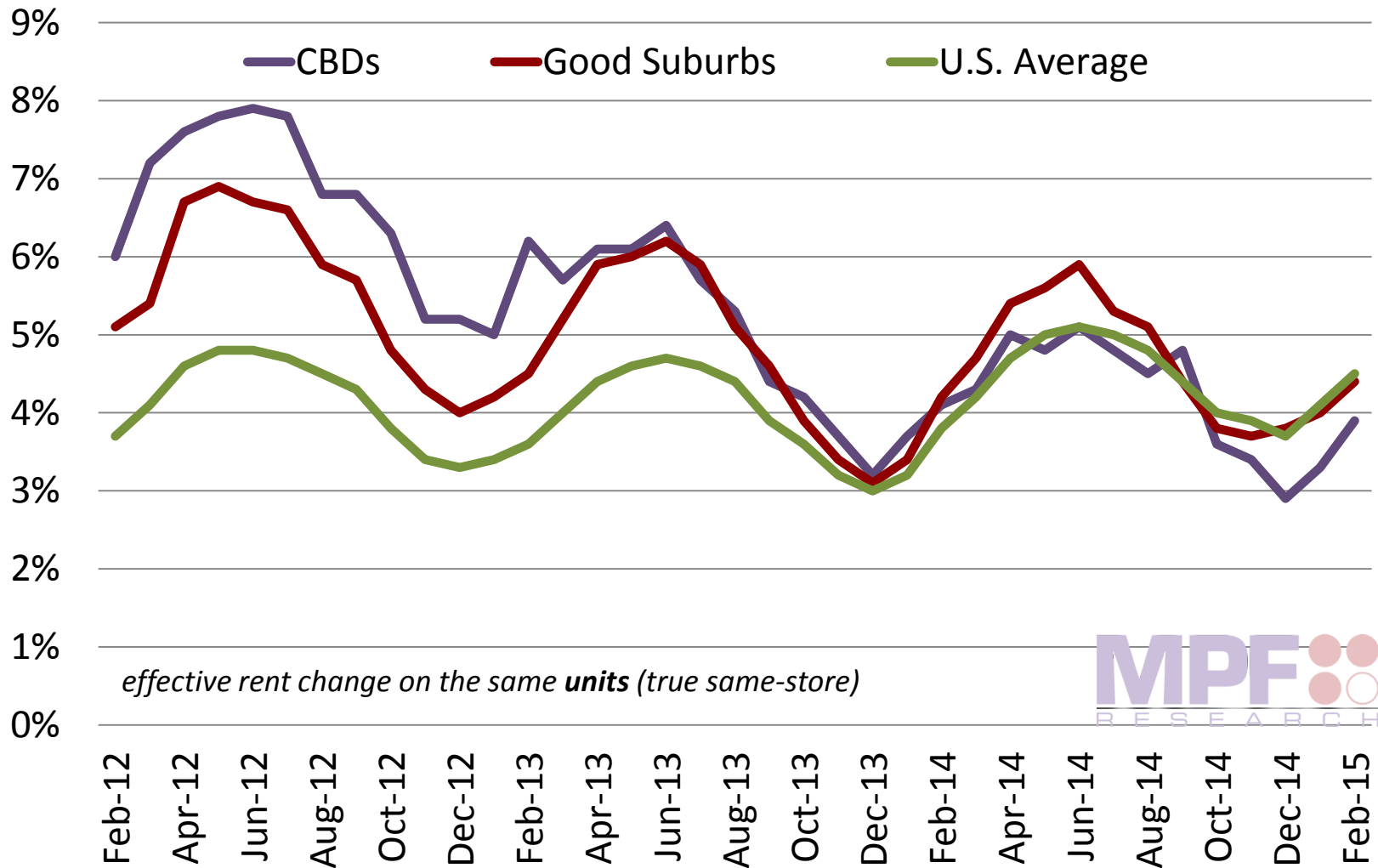
Lease Transactional Data

(Actual Rent Rolls)

Resident retention is higher in good suburbs



Lease trade-out spreads are narrowing



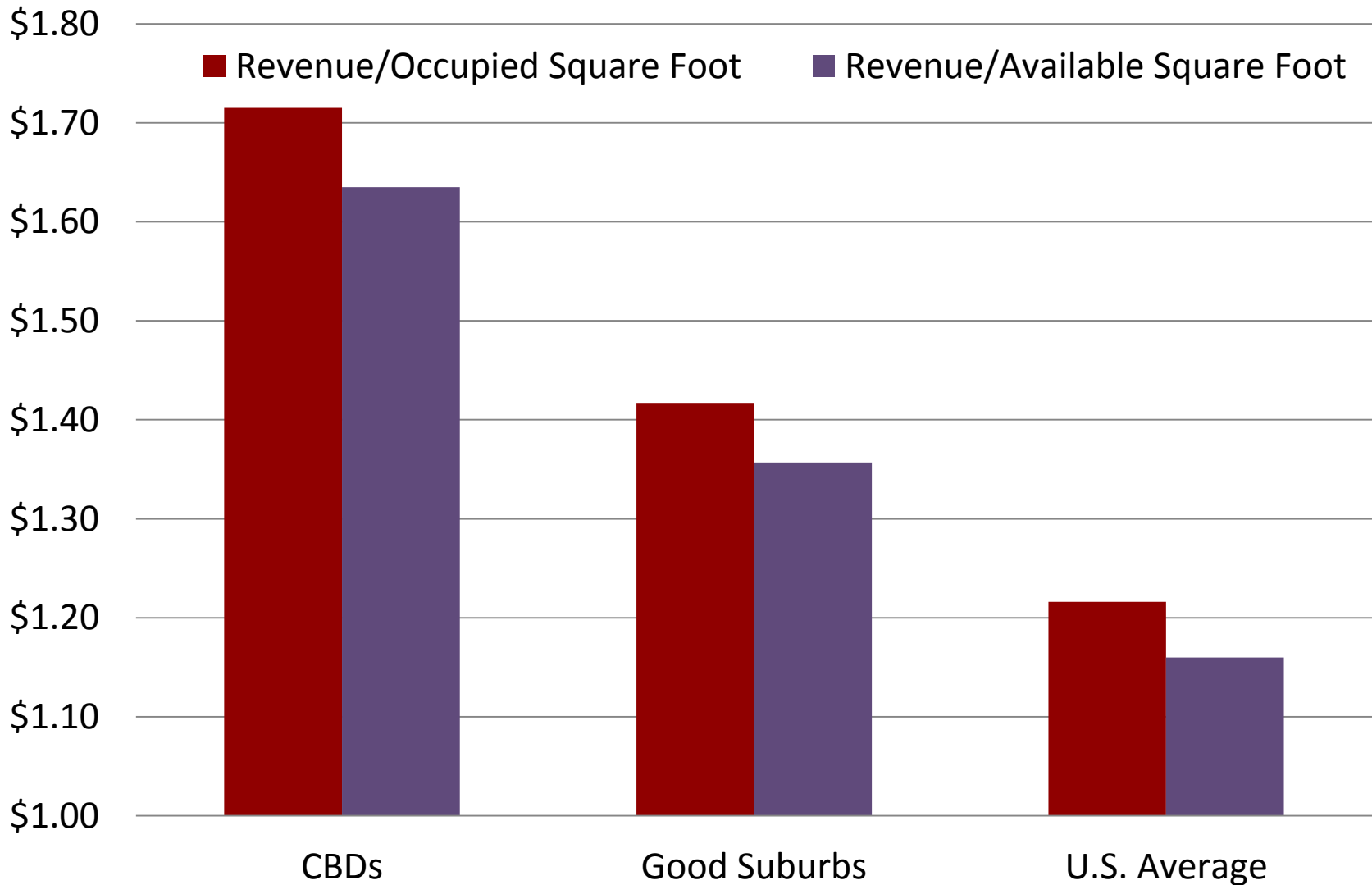
Source: RealPage Performance Analytics

CBDs and Good Suburbs limited to 25 metros with net job growth exceeding U.S. average since Q1 2008.

U.S. average covers all markets and is comprised of professionally managed, institutional-quality assets.

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CBDs maintain a large rent roll/revenue premium



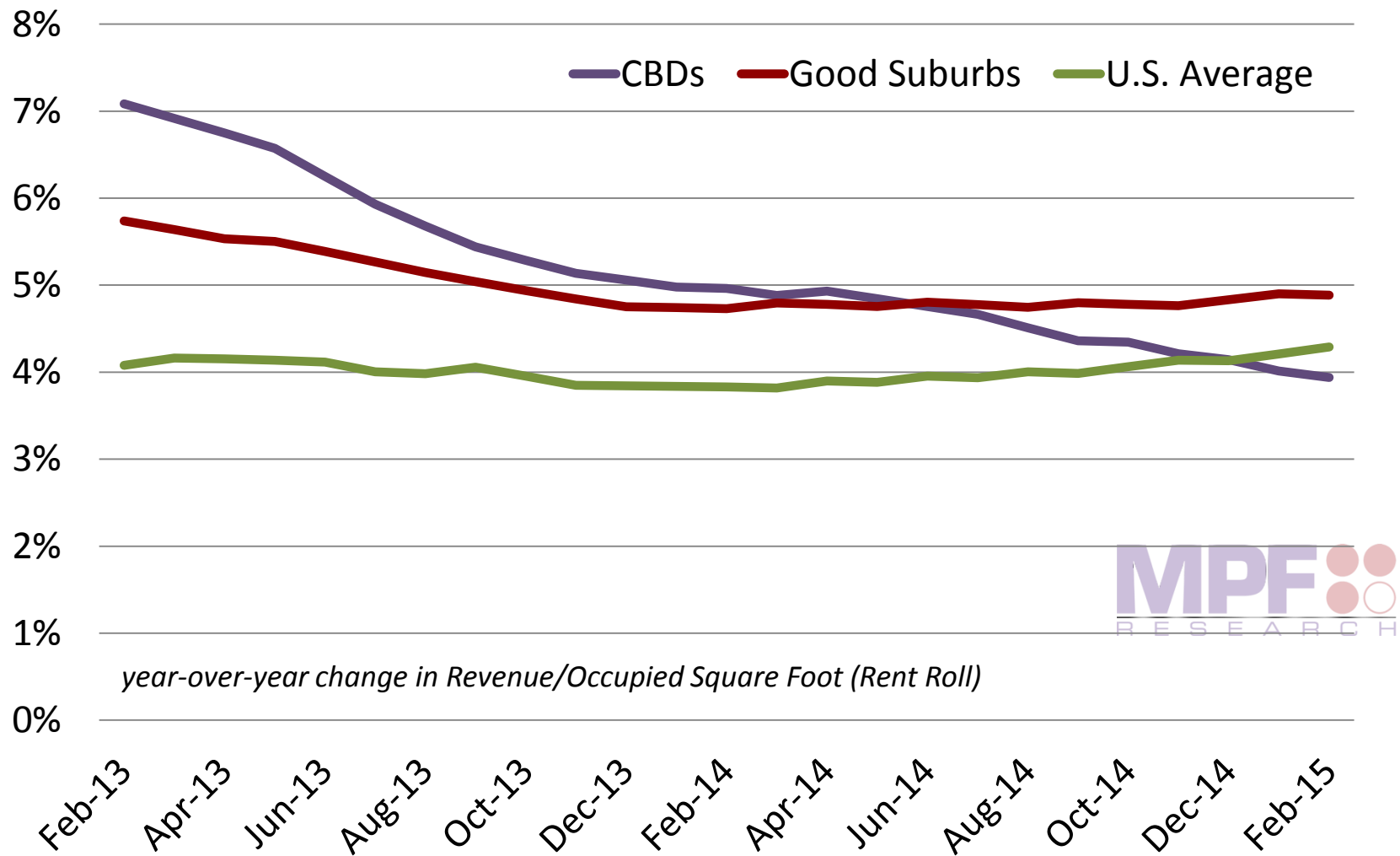
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CBDs now lag the U.S. average for *rent roll* growth



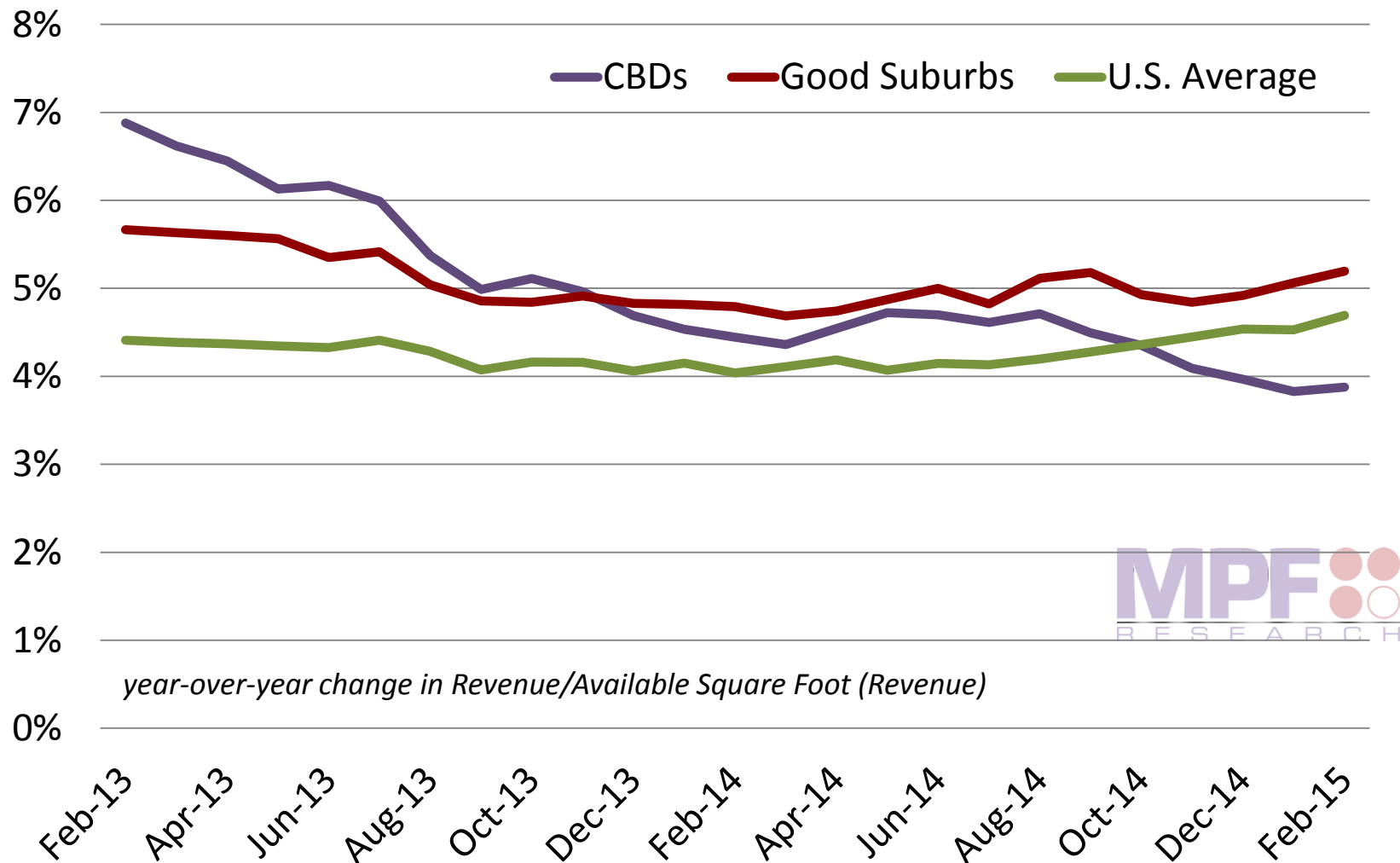
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CBDs trail further behind in *rental revenue* growth



Source: RealPage Performance Analytics

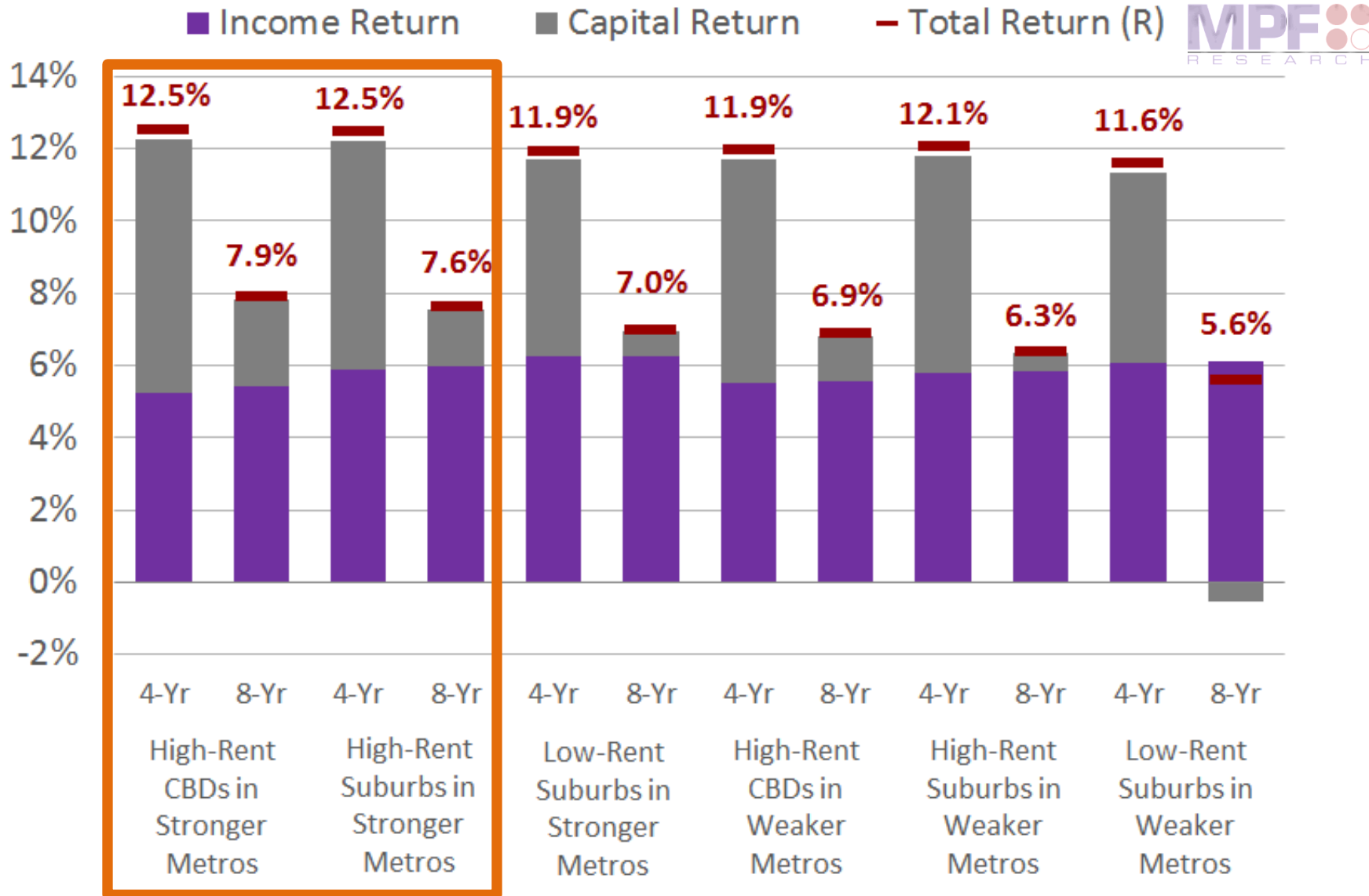
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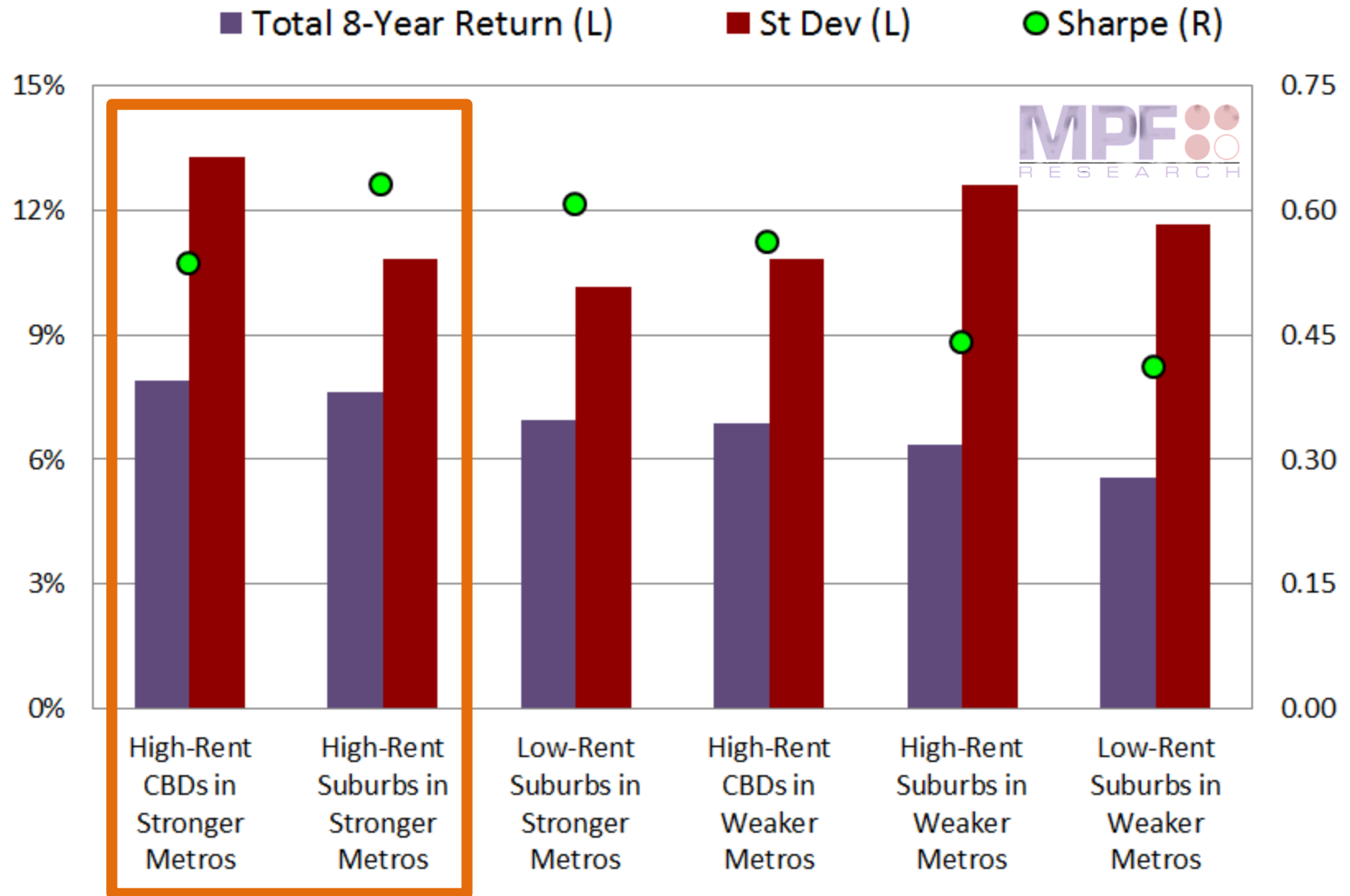
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NCREIF

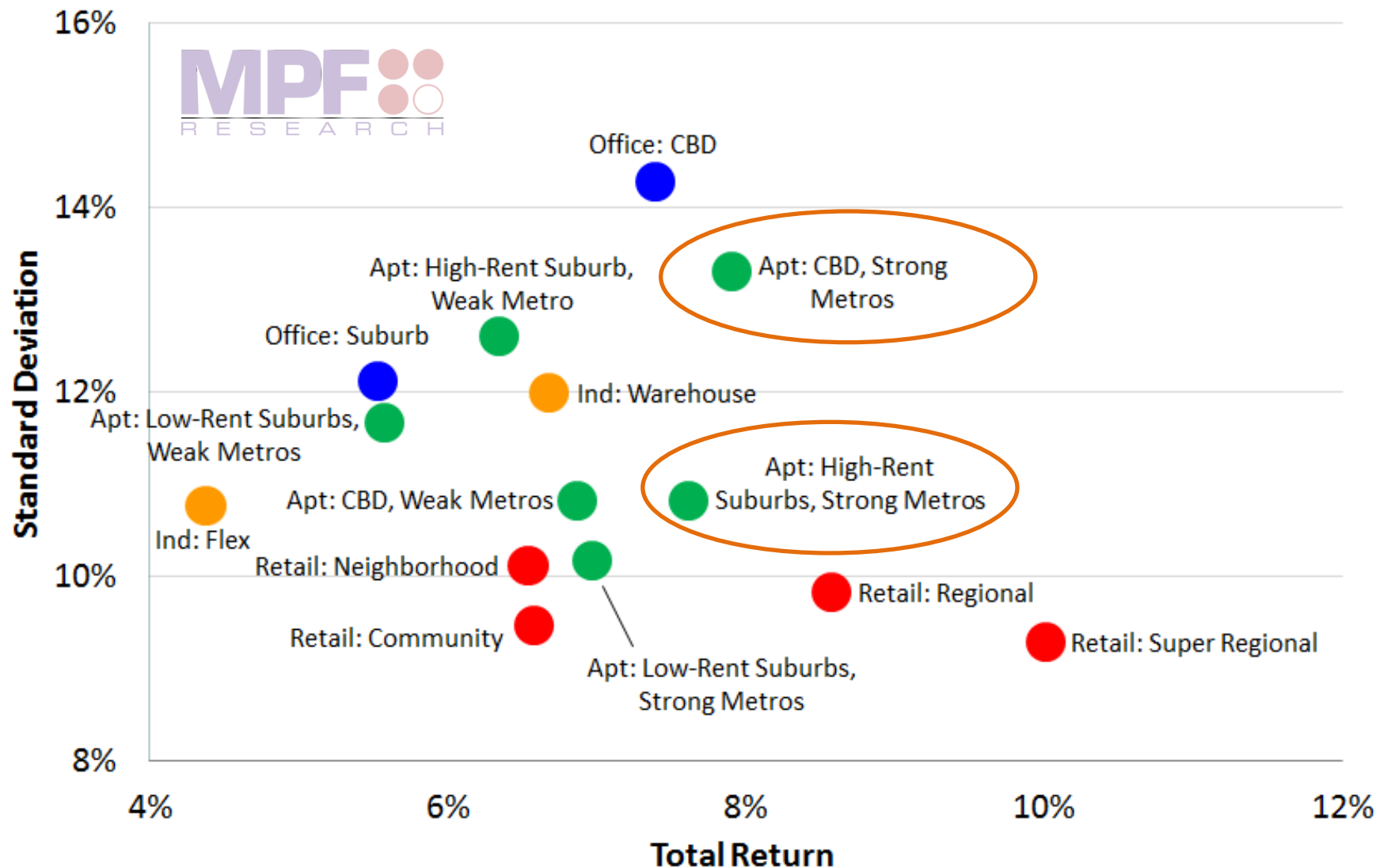
CBDs and good suburbs log similar NCREIF returns



Good suburbs bring better risk-adjusted returns



8-Year NCREIF Returns/Volatility



Next Steps

Questions?

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