SUBURBAN STRATEGIES: WHAT WORKS WHERE?

Apartment Strategies Outlook Conference
January 20, 2015
ANYBODY KNOW A GOOD IMAGE CONSULTANT?

Today’s News Headline Writers Are Not Fans of the Suburbs

- 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
- Suburbs: The New Slums
- The Suburbs Still Suck, All Signs Indicate
WHAT IS A SUBURB?
SUBURBS STILL DOMINATE NEW CONSTRUCTION

The urban core’s share, while way up in this cycle, remains less than a third of the total.

Analysis includes the nation’s top 50 markets, excluding NYC/NNJ.
Source: MPF Research and Bureau of the Census

*Includes completions since 2010 plus units under construction as of 1/1/2015
"GOOD" SUBURBS ACHIEVE STRONG RENT GROWTH

On average, pricing increases basically match the performances in urban core properties

- High-Rent CBDs in Strong Metros
- High-Rent Suburbs in Strong Metros
- Low-Rent Suburbs in Strong Metros
- High-Rent CBDs in Weak Metros
- High-Rent Suburbs in Weak Metros
- Low-Rent Suburbs in Weak Metros

Strong metros posted net job growth of 3% or better since Q1 2008. Analysis includes the nation’s top 50 markets, excluding NYC/NNJ. Source: MPF Research
“GOOD” SUBURBS ALSO MAINTAIN FULL OCCUPANCY

They are roughly as full as properties within their corresponding urban core neighborhoods.

Strong metros posted net job growth of 3% or better since Q1 2008.

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

Source: MPF Research
“GOOD” SUBURBS SHARE KEY CHARACTERISTICS

They are not the exurbs that some think of as the typical suburban environment

<table>
<thead>
<tr>
<th>Characteristics of “Good” Suburbs</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Located in economically healthy metros</td>
<td>Parent metros rank in top 25 for net job change since Q1 2008 (&gt;3% net growth)</td>
</tr>
<tr>
<td>More jobs</td>
<td>Jobs per household (physically located within these submarkets) 18% above the mean</td>
</tr>
<tr>
<td>Higher home values</td>
<td>29% above the mean</td>
</tr>
<tr>
<td>Higher household incomes</td>
<td>27% above the mean</td>
</tr>
<tr>
<td>Higher rents</td>
<td>16% above the mean</td>
</tr>
<tr>
<td>Urban-ish, to some degree</td>
<td>Generally not bedroom communities and not sprawl</td>
</tr>
</tbody>
</table>

Source: MPF Research and Bureau of the Census
RENTER RETENTION IS STRONG IN “GOOD” SUBURBS

The share renewing upon lease expiration tends to be a bit higher than in urban core locations

Analysis includes the nation’s top 20 markets, excluding NYC/NNJ. Source: RealPage Performance Analytics
THINK “AND” ... NOT “EITHER/OR”

- For-rent AND for-sale housing can perform well at the same time.
- The renter base includes lots of Millennials AND Gen-Xers AND Baby Boomers.
- Luxury AND middle-market AND workforce housing are needed.
- The urban core AND the suburbs can be very attractive options.