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.

Sources: The Brookings Institution, U.S. Census Bureau
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% short drive
  - 28% walking distance

- Restaurants:
  - 54% short drive
  - 28% walking distance

- Retail:
  - 57% short drive
  - 19% walking distance

Source: 2013 Demand Institute Housing & Community Survey
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

©MPF Research/RealPage
Suburbs top CBDs for rent growth at this point, but...

Source: MPF Research
Analysis includes the nation’s top 50 markets, excluding NYC/NNJ
## Characteristics of “Good Suburbs”

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Located in economically</td>
<td>Parent metros rank in top half (among 50 largest metros) for net job change</td>
</tr>
<tr>
<td>healthy metros</td>
<td>since Q1 2008 (&gt;3.0% net growth)</td>
</tr>
<tr>
<td>More jobs</td>
<td>18% more jobs per household (physically located within these submarkets)</td>
</tr>
<tr>
<td></td>
<td>above the mean</td>
</tr>
<tr>
<td>Higher home values</td>
<td>29% above mean</td>
</tr>
<tr>
<td>Higher household incomes</td>
<td>27% above mean</td>
</tr>
<tr>
<td>Higher rents</td>
<td>16% above mean</td>
</tr>
<tr>
<td>More urban-ish</td>
<td>Generally <strong>not</strong> bedroom communities and <strong>not</strong> sprawl</td>
</tr>
</tbody>
</table>
“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

©MPF Research/RealPage
“Good suburbs” perform in line with CBDs long term

<table>
<thead>
<tr>
<th>Occupancy</th>
<th>8-Year Average Occupancy</th>
<th>4-Year Average Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-Rent CBDs in Stronger Metros</td>
<td>93.5%</td>
<td>93.0%</td>
</tr>
<tr>
<td>High-Rent Suburbs in Stronger Metros</td>
<td>95.0%</td>
<td>94.5%</td>
</tr>
<tr>
<td>Low-Rent Suburbs in Stronger Metros</td>
<td>92.0%</td>
<td>91.5%</td>
</tr>
<tr>
<td>High-Rent CBDs in Weaker Metros</td>
<td>96.0%</td>
<td>95.5%</td>
</tr>
<tr>
<td>High-Rent Suburbs in Weaker Metros</td>
<td>95.5%</td>
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<td>90.5%</td>
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</table>

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
Lease Transactional Data
(Actual Rent Rolls)
Resident retention is higher in good suburbs

Source: RealPage Performance Analytics
Analysis includes 25 metros with net job growth exceeding U.S. average since Q1 2008.
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.
CBDs maintain a large rent roll/revenue premium

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

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.
CBDs trail further behind in rental revenue growth

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.
NCREIF
CBDs and good suburbs log similar NCREIF returns

Source: MPF Research analysis of NCREIF apartment data

©MPF Research/RealPage
Good suburbs bring better risk-adjusted returns

Source: MPF Research analysis of NCREIF apartment data
8-Year NCREIF Returns/Volatility

Source: MPF Research analysis of NCREIF data

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Next Steps
Questions?

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