Is There Gold in Them Thar Hills?
Investment Challenges and Opportunities in Canada, Mexico and the U.K.

NMHC Annual Meeting 2015
La Quinta Resort & Club
PANELISTS

- John Burstein, Co-Founder and Principal, MRP Group
- Mark Hafner, Senior Managing Director, Greystar
- Mark Humphreys, CEO, Humphreys & Partners Architects, LP
- Seth Martin, President, Pritzker Realty Group
- Jonathan Holtzman, CEO, Village Green Companies
Canada Overview
Challenges and Opportunities

Canada Overview
Jonathan Holtzman, January 2015
CANADIAN STATISTICS

- Population – 35.6 Million
- Homeownership Rate – 69%
- Total Number of Apartments – 4.1 Million
- Largest Landlords – CAP REIT 41,500 suites, Boardwalk REIT 34,600 suites
- Largest Management Companies – Realstar Management 25,000, Minto 15,500
- Largest Third Party Fee Managers – Gateway Property 18,000, Greenwin 12,000
Canada Continued
Challenges and Opportunities

Canada
Mark Humphreys, January 2015
2014 CONTRACTS OUT

CANADA
- Condos, 2
- e-Urban®, 9
- High Rise, 15
- Mixed Use, 6
- Other, 5
- Podium, 4
- Student Housing, 3
- The Big House®, 1
- Townhome, 3
- Wrap, 5
TOTAL: 53

UNITED KINGDOM
- e-Urban®, 4
- Masterplan, 2
- The Big House®, 2
- Townhome, 3
TOTAL: 11

MEXICO
- Big House, 1
- e-Urban®, 2
- High Rise, 10
- Other, 3
- Podium, 1
TOTAL: 14
CANADIAN MARKET
OPPORTUNITIES IN CANADA VS USA

- Unsophisticated compared to USA student work
- Easily 10-15 years behind US market
- No living rooms, No WiFi, 1-bathroom for 3-bedrooms, NO AMENITIES
- Less competition – In US everyone is going after the same sites
- No management
- Don’t understand students are no longer paying the bills
UNIT COMPARISON: EFFICIENT UNITS

Orlando, Florida
4 bedroom/4 bathroom unit
$1,000 per bed = $4,000
1,351sq ft = $2.96 per foot

3 bedroom/1 bathroom unit
$763 per bed = $2,289
800 sq ft = $2.86 per foot
CASE STUDY: TORONTO

- East Toronto Apartment
- Rates from $799-$1120 per bed
CASE STUDY: TORONTO

Latest News

September 2014
Complimentary Wi-Fi is available in the billiard lounge & study lounge - Network name: Media WiFi Password: Campuswifi.
CASE STUDY: WATERLOO

41 Columbia Street West, Waterloo

Property Address: 41 Columbia Street West, Waterloo
Rental Price: $565 - $585 per Room/Month
Unit Styles: 4 and 5 Bedroom Suites

41 Columbia is located on Columbia Street West near major bus routes and very close to the University of Waterloo and Wilfrid Laurier University.

Standard 5 bedroom units as well as limited loft style units are options at this location. Bedrooms are above average size and feature wood flooring and tile in the large common areas with 2 full washrooms.

Availability: NOW RENTING FOR SEPTEMBER 2014

Property Features
- Secured Entrance
- Sprinkler System
- Emergency Lighting
- Staircase Lights
- Wheelchair Accessible
- Bike Rack
- Maintenance of all common areas
- Sublet Assistance
- Smoke Free
- Security Cameras 24/7
- 1 Parking Spot Per Unit
- Coin Operated Laundry Room
- Utilities Included
  (Water, Gas, Hydro and Air Conditioning)

Unit Features
- 2 Full Washrooms
- Bedroom has separate look
- Bedroom is cable and phone ready
- Large Windows
- Coin Operated Laundry Room
- Large Kitchens
- Smoke Free
- Unfurnished
  (Furniture may be supplied for a fee)
- Wood Floors
- Porcelain Floors
- No Carpet
CENTRAL TOWER • EDMONTON, ALBERTA

- UNDER CONSTRUCTION
- 18-storey apartment tower
- 126,200 sf
CUMBERLAND TOWER • TORONTO, ONTARIO

- 50-storey apartment high rise
- 540 units; 648 sf average unit size
- 15,175 sf of retail space
MAYFAIR NORTH • EDMONTON, ALBERTA

- UNDER CONSTRUCTION
- 10-storey apartment highrise
- 237 units
- 741 sf average unit size
JANEFIELD AVE • GUELPH, ONTARIO

- 192 total town homes
- 8 buildings
- 1033 sq ft average townhome size
CENTURY PARK OFFICES • EDMONTON, ALBERTA

- 4 & 6 storey wraps
- 305 units; 124 units per acre
- Unit sizes from 600 - 928 sf
COLUMBIA STREET • KAMLOOPS, BRITISH COLUMBIA

- 4-Storey Wood frame
- 4-storey student housing with retail
- 357 units; 434 beds
- 237 sf average unit size
663 PRINCESS STREET • KINGSTON, ONTARIO

- 5-storey student housing with retail
- 144 units; 502 beds
- 199 beds per acre
- 1231 sf average unit size
NORTHPOINT CROSSING • COLLEGE STATION, TX

- 1855 beds, 165/acre
- 623 units, 56/acre
- Phase 1: 375 units, 1123 beds; Buildings 1-3
- Phase 2: 228 units, 748 beds; Building 4 & Cottages
- 52,000 sq. ft. of retail, all in Phase 1
- Buildings 1: Wrap with Partial Podium for Retail
- Building 2: Podium with Retail Underneath
- Buildings 3: Wrap with Partial Podium for Retail
- Building 4: Wrap with Only Residential
- 4-story wood frame over retail podium
- 5-story wood frame over units
- 10,000 sq ft Clubhouse with 2 large pools
THE STANDARD AT ATHENS • ATHENS, GA

- 5 story over podium
- 610 beds
- 199 beds per acre
- 1-5 bedroom units
- 478-1730 sq ft units
- Retail space below
- Infinity edge pool on rooftop
- 100% leased
US AMENITIES: STUDENT HOUSING
US AMENITIES
Mexico Overview
Challenges and Opportunities

Mexico Overview
Seth Martin, January 2015
WHY CONSIDER MEXICO?

- The long-term trends favor Mexico as **the most attractive market in Latin America for institutional investors**.
- In recent years, Mexico has been at the forefront of the political, economic and social changes that have helped Latin America mature over the past two decades.
- The US and Mexican economies are **naturally complementary and interdependent** with each other, as few others in the world may claim to be.
- Mexico’s reform agenda is now complete, culminating a reform agenda set on making Mexico more open, productive and competitive.
- Macroeconomic stability is an essential element of growth and the **ambitious structural reforms** will most likely stimulate faster growth, resulting in a new growth phase with attractive investment opportunities.
WHY CONSIDER MEXICO?

Regional Competitiveness

Links and Ties
- Economic
- Energy
- People
- Labor
- Traffic
- Etc…
WHY CONSIDER MEXICO?

During a 20 month period, Mexico passed six major reforms intended to create more jobs, increase the purchasing power, strengthen the domestic market and enhance economic growth:

- **Energy Reform**: Allows Mexico to take advantage of its natural resources. The reform positions the sector to become an engine of economic growth.
- **Economic Competition Reform**: Regulates the relationship between companies, ensuring a greater variety of products and services at better prices.
- **Telecom Reform**: Encourages competition, by creating two new television networks, sets the conditions to reduce the national digital gap and seeks Mexico’s full integration into the knowledge society.
- **Labor Reform**: Added flexibility to the job market, stimulating the formal economy and improving conditions for the professional development of women and Mexico’s younger population.
- **Education Reform**: Aimed at improving the quality of education, implementing a new professional teaching service, updating the curricula and modernizing Mexico’s school infrastructure.
- **Financial Reform**: Although highly unpopular among Mexico’s business community for raising taxes, it will lead to banks increasing lending at lower interest rates, allowing higher productivity, while reducing the size of the informal economy, fostering investment and improving the efficiency of transparency and spending.
MEXICO DEMOGRAPHICS

Source: INEGI.
MEXICO HOUSING POLICIES

• Today, the Federal Government has shifted its emphasis away from outer suburban locations and in support of vertical housing and rental housing.

• The New Housing Policy aims at containing sprawl and consolidating inner-cities in the urban core. This model aims to optimize the use of existing infrastructure, services and land reserves.

• The cost of buying an apartment in cities’ inner core remains a major constraint for many households, creating an opportunity to develop rental housing. The need tends to be greatest near major employment centers, where developable land is scarce.
# MEXICO MULTIFAMILY DEMAND

## Demographics (Favorable Household Composition)
- Young Singles (11%)
- Double Income 0 Kids (7%)
- Single Parents (7%)
- Single Adults (5%)
- Empty Nesters (13%)
- Starter Families (13%)
- Youth Families (19%)
- Teen Families (21%)
- Population under 44 (75%)

## Housing Policy (From Buy to Rent)
- After decades of having a Housing Policy that created incentives for homeownership, the government has shifted towards limiting sprawl, improving quality of life (shorter commutes), and rental housing.

## Mobility (On the Rise)
- Like most upper middle income countries, mobility in Mexico is expected to increase, supporting a need for rental housing.
- Today, Mexicans occupy 3-7 homes during their lifetime and move to a new city, at least once.

## Rent (High Growth Potential)
- Over the next 10 years there will be a drastic shift upward in income distribution and job growth, fueling the potential for robust rent growth.
MEXICO MULTIFAMILY CHALLENGES

- There are little or no multi-family properties fit to be acquired. Therefore, investing in Mexican multifamily properties requires development and its inherent risks.
- The development risks include cost over-runs, customary red tape and potential zoning changes.
- There is financing availability for both developers and homeownership (bridge loans and common mortgages); however, there is limited credit for multifamily properties.
- There is a risk on delinquencies and collection losses. This is higher within the low-income sector.
- Given that the most direct competition is the “shadow market”, with individual investors that invest in individual units for rent, yields can be tight depending on the costs basis.
- Experienced property managers are scarce.
Mexico Continued
Challenges and Opportunities

Mexico
John Burstein, January 2015
Mexico Retail Properties Overview

- Formed in 2002 to capitalize on trend of US retailers entering Mexico.
- All aspects of real estate development: site selection, permitting, design, leasing, construction oversight and property management.
- Developed 65 shopping centers throughout Mexico.
- 150 Mexico City based corporate employee, 600+ field level employees.*
- GP of four funds. $1.1B equity. Pensions and sovereigns.
- Sold 49 assets to a Mexican REIT in 2013. Largest single real estate transaction in Latin America.

* Prior to asset sale in December 2013
The Opportunity in Mexico

**Scale: Worlds 11th Largest Economy**
- Mexico manufactures more products than rest of Latin America combined
- Brazil and Mexico Represent 65% of all Latin America GDP

**Under Retailed**
- 66% of retail sales through informal channels
- Low penetration of retail real estate
  - Mexico: 1.5 square feet of space per capita
  - Brazil: 4.3 square feet
  - US: 21 square feet

---

(1) Includes only shopping centers greater than 10,000 Sqm, power center-type developments, fashion malls, mixed use premises, outlets, community centers, neighborhood centers, entertainment centers and lifestyle centers
- 75% of MRP properties are located in the Central & Gulf regions

- Mexico City is primary focus but typically takes 2x longer for permitting and entitlement
Evolution of Product:
Stand Alone Boxes and Power Centers

- Single story, no structured parking
- Typically no more than 10 doors
- Second tier cities
Vertical Retail

- Vertical Development over Parking Structure + additional Rooftop Parking
- Urban Infill Location – 3rd Most Populated Metro Area in Country
- Opened March 2011
<table>
<thead>
<tr>
<th>Ubicación:</th>
<th>Distrito Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fecha de Apertura:</td>
<td>Agosto - 13</td>
</tr>
<tr>
<td>Tamaño ('000 MX$):</td>
<td>MX$ 1,720</td>
</tr>
<tr>
<td>GLA [m²]:</td>
<td>75,000</td>
</tr>
<tr>
<td>Locales:</td>
<td>179</td>
</tr>
<tr>
<td>Participación MRP:</td>
<td>96%</td>
</tr>
</tbody>
</table>

Principales Anclas y Subanclas:

- Walmart
- Cinépolis
- Sam's Club
- Starbucks
- The Home Depot
- Bed Bath & Beyond
- Olive Garden
- IHOP
- Sanborns
### Mexico City – Retail & Hotel

<table>
<thead>
<tr>
<th>Ubicación:</th>
<th>Distrito Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fecha de Apertura:</td>
<td>Junio-13</td>
</tr>
<tr>
<td>Tamaño (‘000 MX$):</td>
<td>MX$ 414.7</td>
</tr>
<tr>
<td>GLA (m²):</td>
<td>23,000</td>
</tr>
<tr>
<td>Locales:</td>
<td>51</td>
</tr>
<tr>
<td>Participación MRP:</td>
<td>80%</td>
</tr>
</tbody>
</table>

**Principales Anclas y Subanclas:**

- Superama
- PF Chang's
- Starbucks
- Cinépolis
- Sports World
- The Home Store

![Image of hotel and retail center]
- 2,300 residential units
- GLA (m²): 16,928

- One of the first major re-development projects in Polanco, previously an industrial zone
- Bancomer headquarters being constructed next door (~7,500 employees)
- One and two bedroom condos. $200k entry price
Attractiveness of mixed use projects:

- Security solution
- Traffic congestion
Lessons Learned

- Understand legal parameters to avoid corruption
- Local relationships are critical
- Employee education and ownership in platform to ensure alignment
- Narrow scope is important to LPs
- Patience
UK STATISTICS

- Population – 64.0 Million
- Homeownership Rate – 65%
- Total Number of Apartments (Flats) –
  - 4.2 Million Privately Rented
  - 4.1 Million Socially Rented
UK Overview
Challenges and Opportunities

UK Overview
Mark Hafner, January 2015
WAREHOUSE II - GREYSTAR
UK Continued
Challenges and Opportunities

UK
Mark Humphreys, January 2015
CASE STUDY: UNITED KINGDOM
CASE STUDY: UNITED KINGDOM - CLOSED KITCHEN
MASTER PLANNING • UNITED KINGDOM

- 6.33 acres
- 14 Townhome Units
- 72 Big House® units with Garage
- 48 Big House® units without Garage
- 108 Eurban® Units
- 242 Total Units
- 38.2 Units per Acre
EURBAN®

- Up to 86% efficient rentable/sellable area
- Comparable to typical corridor buildings (avg. 68%)
- Smaller unit square footages with same unit features
- Up to 44 units/acre with no structured parking
- Up to 118 units/acre with podium parking
- Up to 70 units/acre with wrap parking structure
- Densities based on 1.7 spaces/unit
- Most projects are 65 – 70% efficient
- 21%-31% savings
- 21% x 300,000 = 63,000 sq ft of hallways saved
- $100 x 63,000 = 6.3 million
EURBAN® • 3-STORY • 108 UNITS • UNITED KINGDOM
EURBAN®

- EFFICIENCY 100% rentable/sellable area
- Construction cost increase proportionate to increase in sales/leasing Stackable units simplify construction; garages pay for themselves
- Number of units per building can vary
- $100 - $105 per square foot
- SINGLE FAMILY FEATURES Direct Access Garages available for all units
- Enclosed private stairs for all upper units
- Walk out patios and balconies; additional storage opportunities
- ACCEPTANCE Aesthetic solution to multifamily development
- Greater community and jurisdiction acceptance
BIG HOUSE® • 72 UNITS • UNITED KINGDOM
TOWNHOMES • 14 UNITS • UNITED KINGDOM
IS THERE GOLD IN THEM THAR HILLS?

Questions?