BIG SHIFTS AHEAD:
APARTMENT DEMAND TRENDS
DRIVEN BY DEMOGRAPHIC CHANGES

Presented by:
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Senior Vice President
John Burns Real Estate Consulting
What do these people have in common?

71-year-old
Retired Grandfather

54-year-old
Working Father

BABY BOOMERS

1946 - 1964
What do these people have in common?

33-year-old Working Father

19-year-old High School Grad

1980  M I L L E N N I A L S  2002
Defining generations by decade is more relevant
324 million Americans identify well with people their own age

2018 US POPULATION BY PLACE OF BIRTH

- US Born
- Foreign Born

<table>
<thead>
<tr>
<th>YEARS BORN</th>
<th>POPULATION (MILLIONS)</th>
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<tbody>
<tr>
<td>1930–39</td>
<td>11 M</td>
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<tr>
<td>1940–49</td>
<td>25 M</td>
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<tr>
<td>1950–59</td>
<td>39 M</td>
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<td>1960–69</td>
<td>43 M</td>
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<td>1970–79</td>
<td>41 M</td>
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<td>1980–89</td>
<td>44 M</td>
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<tr>
<td>1990–99</td>
<td>45 M</td>
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<tr>
<td>2000–09</td>
<td>42 M</td>
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<tr>
<td>2010+</td>
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</table>

1930s Savers  
Age 79-88

1940s Achievers  
Age 69-78

1950s Innovators  
Age 59-68

1960s Equalers  
Age 49-58

1970s Balancers  
Age 39-48

1980s Sharers  
Age 29-38

1990s Connectors  
Age 19-28

2000s Globals  
Age 9-18

Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections
Defining generations by decade born is more relevant

WASHINGTON, DC MSA - 2015 Households by Life Stage

Percentage less than 1% have been left out, and rounding adjustments were made to total to 100%
*Multigenerational households have at least one child 19+ and no children 18 or under.
Households with both adult children and younger children are categorized as Young Families or Mature Families.
THE 4 BIG INFLUENCERS

DURING 5 MAIN LIFE STAGES

HELP ANSWER 6 KEY CONSUMER QUESTIONS
Economy: The Great Recession

- Childhood
- Early Career
- Family Formation
- Late Career
- Retirement
Technology: Smart Phones

1960s EQUALER

1990s CONNECTOR
“Did you, in any point in your search process, make an offer on a home you hadn’t seen in person?”

Source: Redfin 4Q2017
Societal Shift: Driving

PERCENT OF 20–24 YEAR OLDS WITH A DRIVER’S LICENSE

Source: US Department of Transportation, Highway Statistics
Household Growth will be 25–44 and 65+

HOUSEHOLD GROWTH BY AGE GROUP, 2016–2025

- Household Growth will be 25–44: 3.3 M
- Household Growth will be 45–64: -1.0 M
- Household Growth will be 65+: 10.2 M

Source: John Burns Real Estate Consulting, LLC
what is **SURBAN™**?

A suburban area that has the feel of an urban area, containing some or all of the following:
ACHIEVERS
25 Million Aged 69-78
What’s Next?
Savers and Achievers had nearly double the economic growth that their children have had

AVERAGE GDP GROWTH PER PERSON—PRIME WORKING YEARS (25–54)

Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Economic Analysis data
*Prime working years not yet complete
Nearly double the percentage of 65–69 year-olds work full time today versus 20 years ago

PERCENT OF 65–69 YEAR-OLDS WORKING FULL TIME

- Pre 1930s Savers: 11.8%
- 1930s Savers: 14.0%
- 1940s Achievers: 18.7%

Source: Bureau of Labor Statistics; John Burns Real Estate Consulting, LLC
Age-qualified apartments are great for segmentation

Evergreens at Columbia Town Center

Overture at Fair Ridge
1950s

INNOVATORS

39 Million Aged 59-68
1950s INNOVATORS

Childhood
1960s

Careers
1970s

Families
1980s & 90s

Retirement
2000s

What’s Next?
Surging retirement will slow economy and create new types of home demand

65+ POPULATION BY DECADE OF BIRTH

- Pre 1930s
- 1930s Savers
- 1940s Achievers
- 1950s Innovators
- 1960s Equalers

Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Population Estimates and 2017 National Projections
Innovators are 6% more likely than the Achievers to be working in their early 60s

LABOR FORCE PARTICIPATION AT AGE 60–64

Source: Bureau of Labor Statistics; John Burns Real Estate Consulting, LLC
1960s

EQUALERS

43 Million Aged 49-58
1960s EQUALERS

Childhood
1970s

Careers
1980s

Families
1990s & 00s

What’s Next?
Equalers dads increasingly stay at home to raise the kids

PERCENT OF NON-WORKING FATHERS THAT STAY HOME TO TAKE CARE OF HOME/FAMILY

1940s Achievers: 2.5%
1950s Innovators: 15.6%
1960s Equalers: 20.5%

Equalers have lower net worth than prior generations

FAMILY MEDIAN NET WORTH 45-54, ADJUSTED FOR INFLATION, 2013

<table>
<thead>
<tr>
<th>GENERATION</th>
<th>NET WORTH 2013 DOLLARS</th>
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<tbody>
<tr>
<td>1940s Achievers</td>
<td>$141</td>
</tr>
<tr>
<td>1950s Innovators</td>
<td>$179</td>
</tr>
<tr>
<td>1960s Equalers</td>
<td>$105</td>
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Source: US Census 2014 National Projections; John Burns Real Estate Consulting, LLC
1970s

BALancers

41 Million Aged 39-48
What's Next?

1970s BALANCERS

Childhood
1980s

Careers
1990s

Families
2000s & 10s

What’s Next?
Fewer women worked after 9/11; fewer men worked too

FEMALE LABOR FORCE PARTICIPATION RATE, AGES 20–64

% OF 20–64 YR-OLD WOMEN WHO WORK

YEAR

35% 40% 45% 50% 55% 60% 65% 70% 75%

1930s Savers
1940s Achievers
1950s Innovators
1960s Equalers
1970s Balancers
1980s Sharers
1990s Balancers

Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Labor Statistics data; color-coded based on the year a generation turns 20
We expect 63% of 1970s Balancer households to own in 2025, and 37% to rent

HOMEOWNERSHIP RATE AMONG 48-YEAR-OLD HOUSEHOLDERS

Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data and extensive analysis of each age cohort
SHARERS

1980s

44 Million Aged 29-38
Those born in 1980 and later struggled in an economy more similar to the 1930s than any decade since then.

Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Economic Analysis data.
Less than 1/2 of 1980s Sharers are married / with a partner at their 10-year high school reunion

Source: US Census Bureau Decennial Census (1950-2000), American Community Survey (2010-2013) via IPUMS-USA, forecast by JBREC
We expect 52% of 1980s Sharer households to own in 2025, and 48% to rent

HOMEOWNERSHIP RATE AMONG 38-YEAR-OLD HOUSEHOLDERS

Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data and extensive analysis of each age cohort
1990s CONNECTORS
45 Million Aged 19-28
1990s CONNECTORS

Childhood 2000s

Careers 2010s

What’s Next?
The 1990s Connectors have quintupled student debt since 2004.

STUDENT LOANS OUTSTANDING (TRILLIONS)

2004: $260 billion
2017: $1.38 trillion

Sources: New York Federal Reserve Consumer Credit Panel/Equifax; John Burns Real Estate Consulting, LLC
Student debt delays young adult milestones

PERCENT OF PEOPLE 18–40 WITH STUDENT LOAN DEBT WHO DELAYED THESE MILESTONES BECAUSE OF THAT DEBT

- Getting Married: 14%
- Having Kids: 19%
- Buying a Car: 29%
- Buying a Home: 30%

Source: Bankrate Money Pulse Survey, published August 2015
Young adults’ incomes plunging 1% per year since 2000, despite rising education levels


Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data and extensive analysis of each age cohort
Homeownership for the Connectors Will Be Very Low

HOMEOWNERSHIP RATE AMONG 28-YEAR-OLD HOUSEHOLDERS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>1930s Savers</th>
<th>1940s Achievers</th>
<th>1950s Innovators</th>
<th>1960s Equalers</th>
<th>1970s Balancers</th>
<th>1980s Sharers</th>
<th>1990s Connectors</th>
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<tbody>
<tr>
<td>1960</td>
<td>44.2%</td>
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<tr>
<td>1970</td>
<td>46.5%</td>
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<tr>
<td>1980</td>
<td>47.5%</td>
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<tr>
<td>1990</td>
<td>39.1%</td>
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<tr>
<td>2000</td>
<td>40.0%</td>
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<tr>
<td>2010</td>
<td>38.1%</td>
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<tr>
<td>2025</td>
<td>27.0%</td>
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Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data and extensive analysis of each age cohort
Demographics easily support 12.5 million more households over 10 years

NET CHANGE IN HOUSEHOLDS BY DECADE BORN, 2016–2025 (MILLIONS)

<table>
<thead>
<tr>
<th>Decade Born</th>
<th>NET CHANGE IN HOUSEHOLDS (MILLIONS)</th>
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<tbody>
<tr>
<td>1930s Savers</td>
<td>-4.9</td>
</tr>
<tr>
<td>1940s Achievers</td>
<td>-3.8</td>
</tr>
<tr>
<td>1950s Innovators</td>
<td>-1.4</td>
</tr>
<tr>
<td>1960s Equalers*</td>
<td>-0.1</td>
</tr>
<tr>
<td>1970s Balancers</td>
<td>1.6</td>
</tr>
<tr>
<td>1980s Sharers</td>
<td>4.3</td>
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<tr>
<td>1990s Connectors</td>
<td>14.0</td>
</tr>
<tr>
<td>2000s Globals</td>
<td>5.9</td>
</tr>
</tbody>
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13.3 Million Losses (10.6 Million Owners)

25.8 Million Gains
Homeownership should fall to 61% in 2025 – the lowest since the 1950s.

Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data
Strategic Opportunities

1. DESIGN FOR THE 90’s CONNECTORS.
   Less affluent consumer will want less private space, more common space, high Walk Score

2. OFFER LARGER UNITS FOR 80s SHARERS
   Consider family size units in the suburbs as housing supply shrinks

3. PREMIUM PROPERTIES FOR THE 40s ACHIEVERS AND 50s INNOVATORS IN S URBAN LOCATIONS.
   High Walk Scores, include service and convenience, upgrade finishes

4. AGE-RESTRICTED APARTMENTS
   Use selectively for segmentation in larger suburban projects.
   Walkable and design are important to command highest premiums
Thank you!

Dan Fulton, Senior Vice President
John Burns Real Estate Consulting