



Housing for the Next Generation

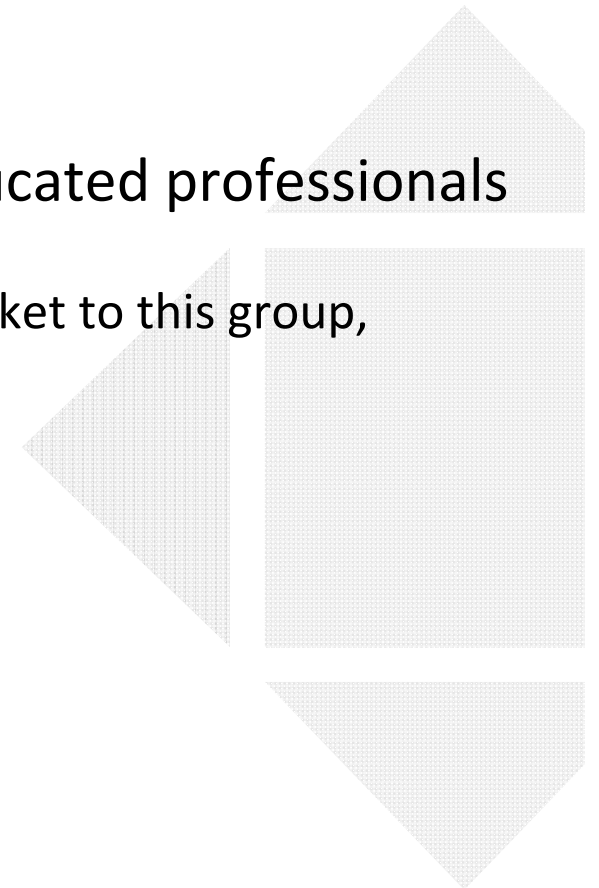
Generation Y Preferences, Views and Expectations
April 2009

THE CONCORD GROUP



The Next Generation

- Little research has been done on Gen Y's actual housing preferences and expectations
- Represents a large group that will be a prime segment of demand when markets rebound
- The Concord Group's survey of young, educated professionals revealed interesting and insightful trends
 - Useful to those looking to understand and market to this group, especially in the wake of the current downturn

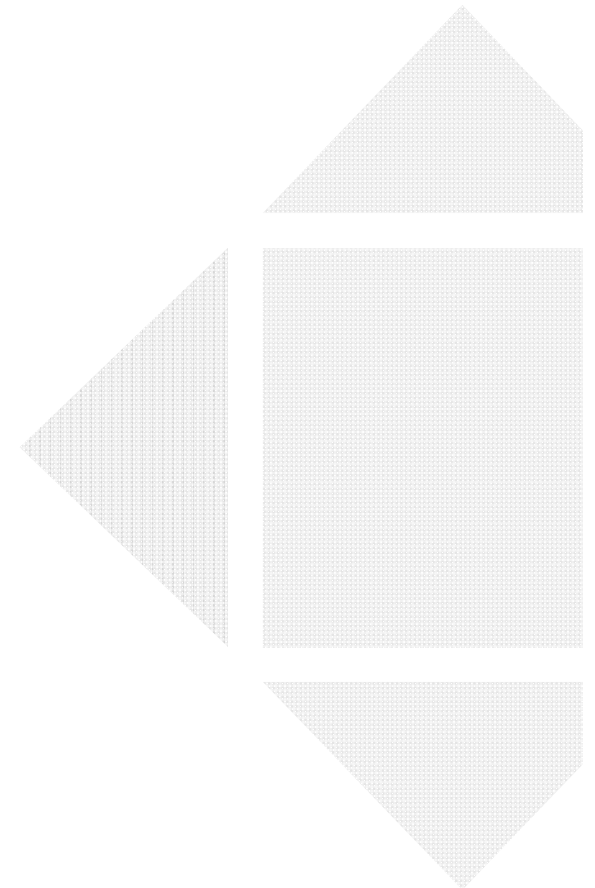




➤ Overview and Background

➤ Survey Results

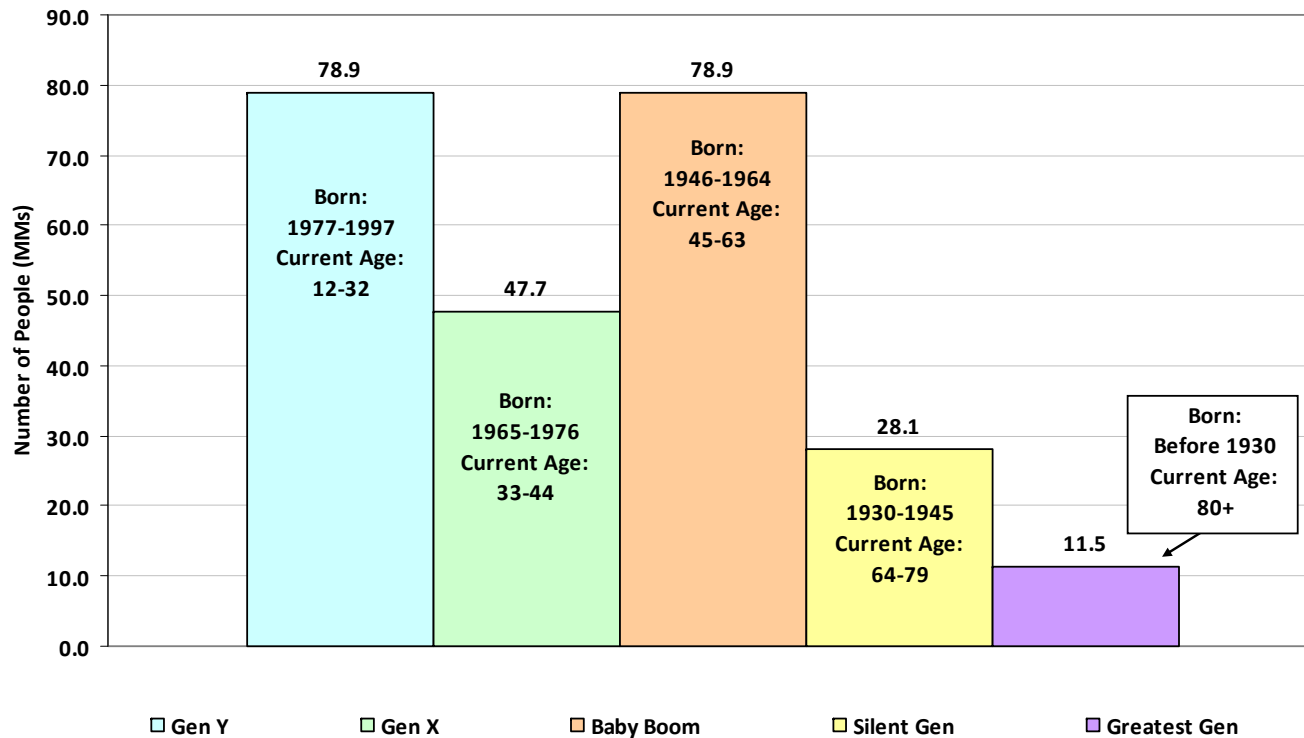
➤ Implications





Gen Y: Who are they?

- Born from 1977 – 1997
- Offspring of Baby Boomers and Gen X
- Largest generation to enter home buying market in 25+ years





Gen Y: Who are they?

According to studies, Gen Yers:

- Came of age during a time of unprecedented growth
- Have yet to live (until now) during a major downturn
- Shape jobs to fit their lives rather than shape lives to fit jobs
- Culturally tolerant and open-minded
- Believe educational and job opportunities are better now than before
- Generally happy with life and optimistic about their futures
- More than two-thirds see their generation as unique and distinct
- More comfortable than other generations with globalization and new ways of doing work
- Most say their generation's top goals are fortune and fame

Source: Pew Research Center

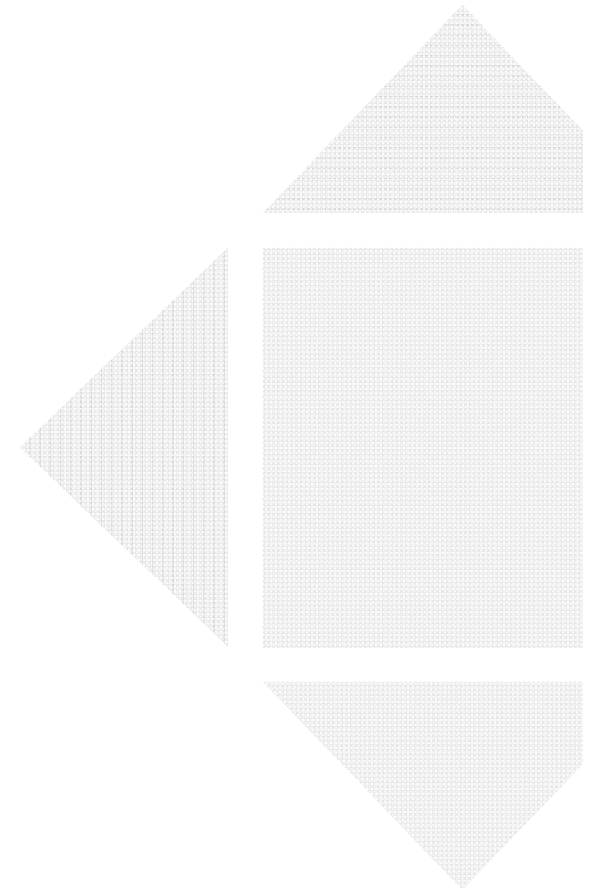


Survey Background

- In the first quarter of 2009, The Concord Group conducted a national survey of young professionals consisting of 54 questions that solicited input regarding:
 - Impact of current market conditions on home buying decisions
 - Key drivers of housing decisions
 - Housing and community preferences
 - Expectations about the future
- The respondents were between 20 and 34 years old with the following characteristics:
 - 76% lived in urban locations
 - 66% worked in service-based professions
 - 72% described themselves as single
 - 93% had a bachelor's degree or graduate degree
 - 29% had a household income over \$100,000
 - 79% were renters



- Overview and Background
- **Survey Results**
- Implications





Survey Results

- Impact of Current Market Conditions on Home Buying Decisions
- Key Drivers of Housing Decisions
- Housing and Community Preferences
- Expectations about the Future





Current Market Conditions

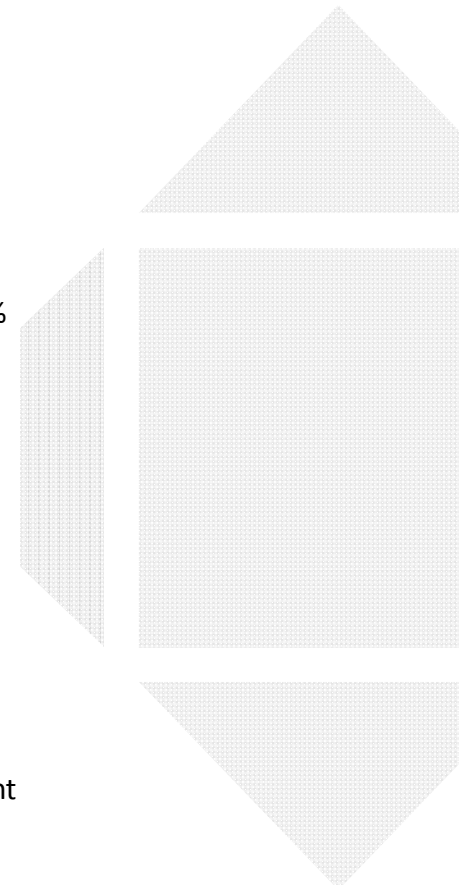
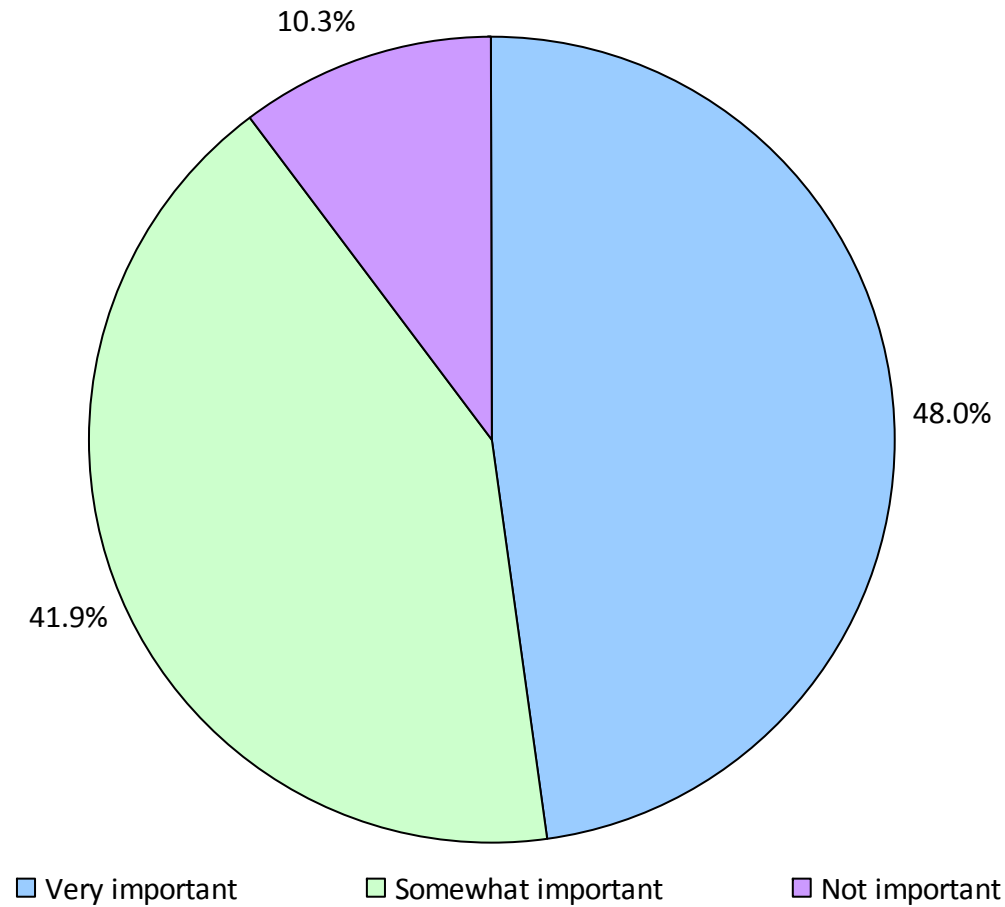
- Impact of Current Market Conditions on Home Buying Decisions
 - Buying in Today's Market
 - Home Prices
 - Real Estate as an Investment
 - Financial Considerations
 - Down Payments
- Key Drivers of Housing Decisions
- Housing and Community Preferences
- Expectations about the Future





Downturn impacting near-term housing decisions

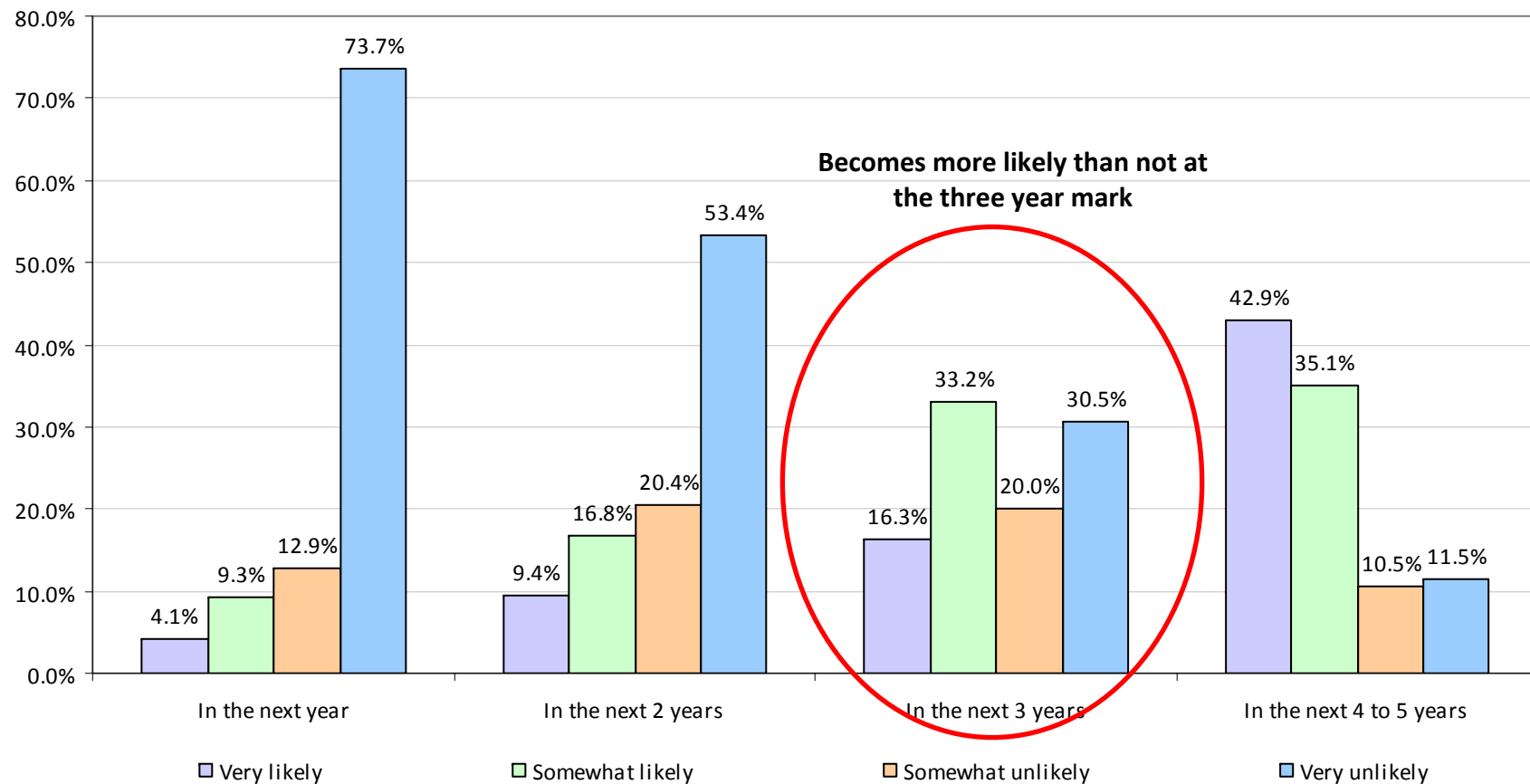
How highly do current economic conditions factor in your decision to buy your next residence?





Surprisingly strong optimism about the future...

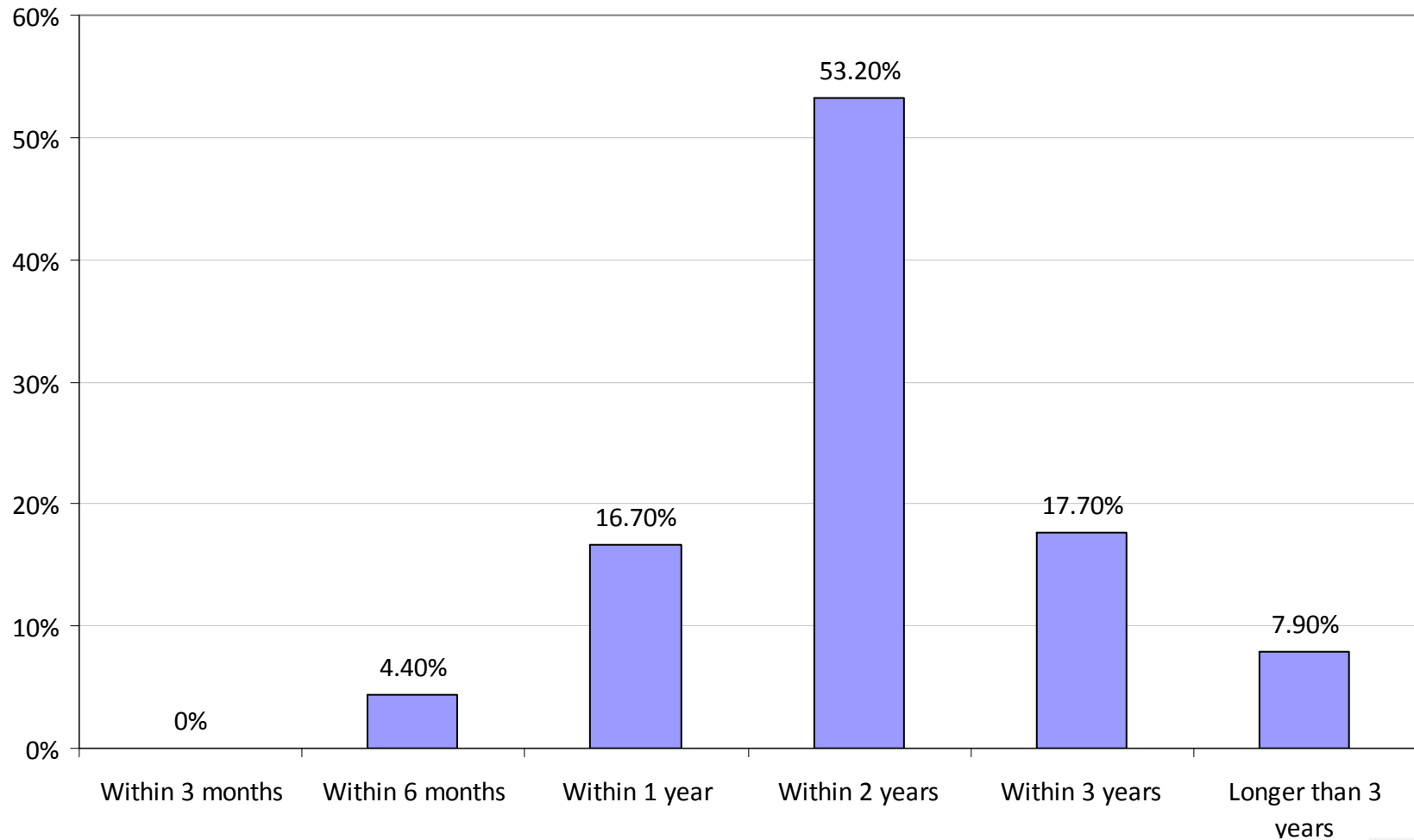
What is the likelihood that you'll buy a residence?





... despite cautious near-term sentiment

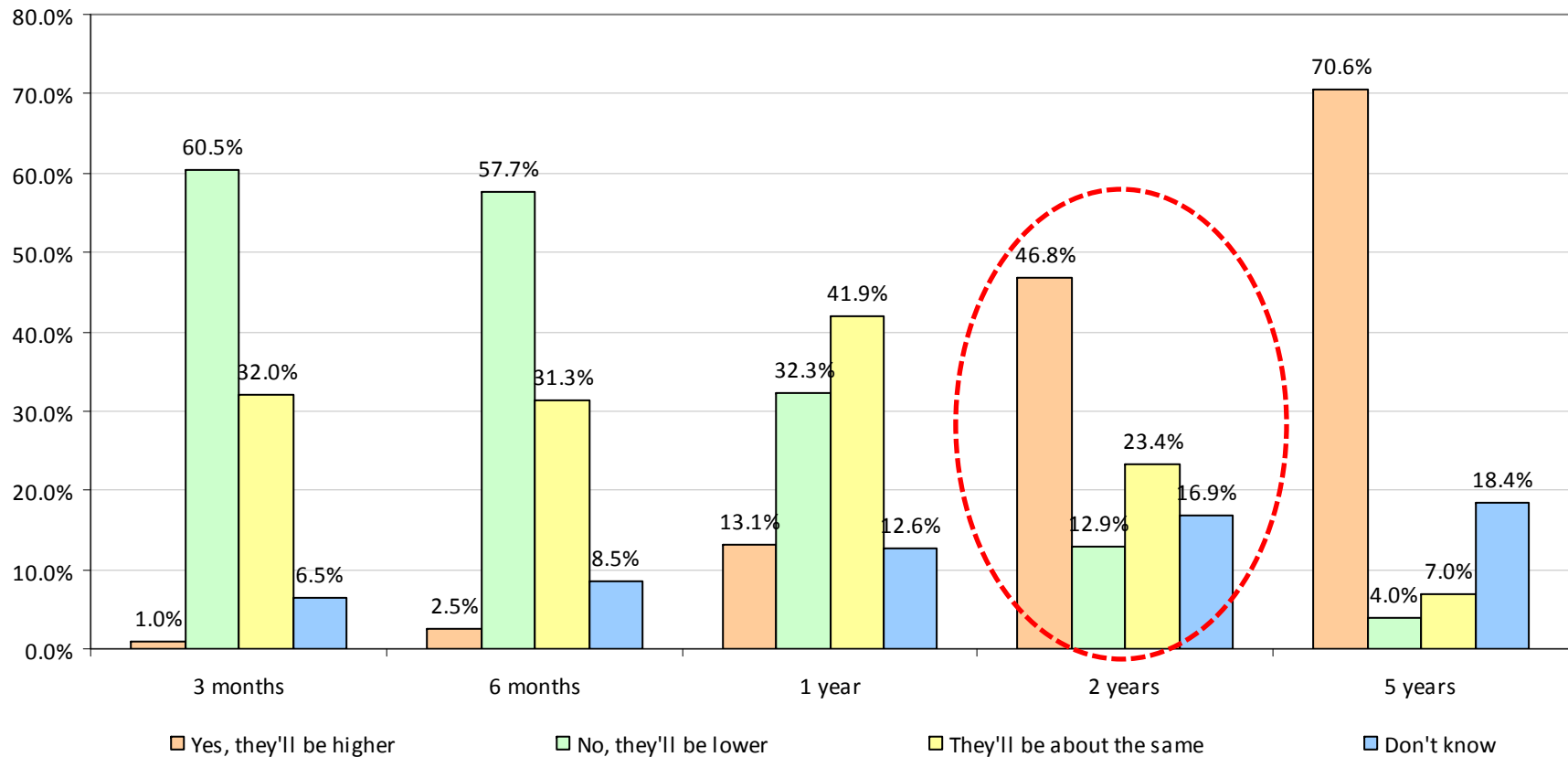
When do you expect the economy to improve?





Views on housing prices: recovery 2 years out

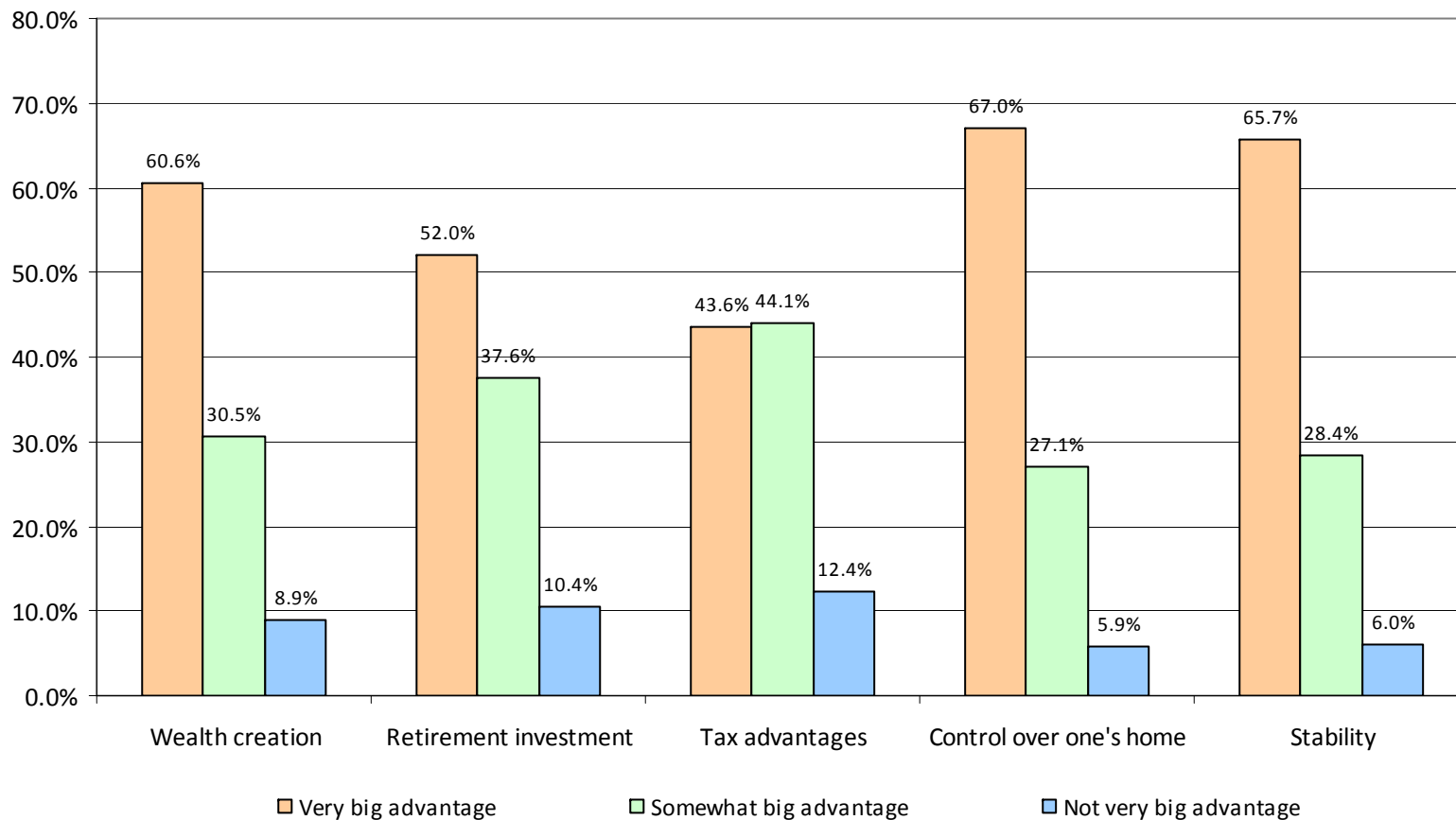
Do you think home prices will be higher or lower (than today's prices) in:





Overwhelmingly see real estate as a good financial investment...

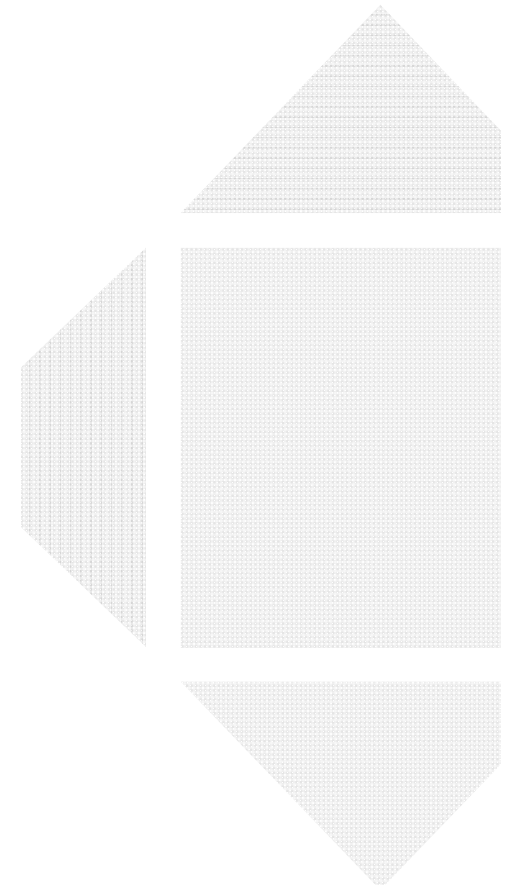
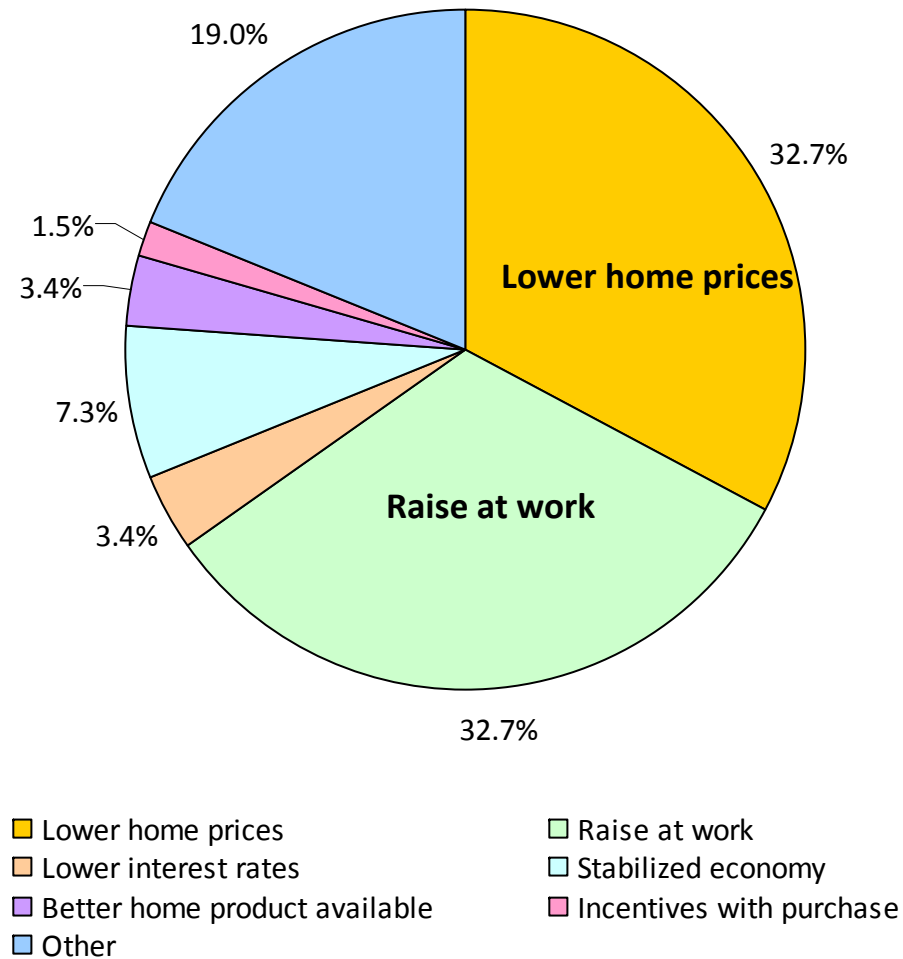
What do you see as the primary advantages to owning real estate?





... and could be motivated to buy a home sooner

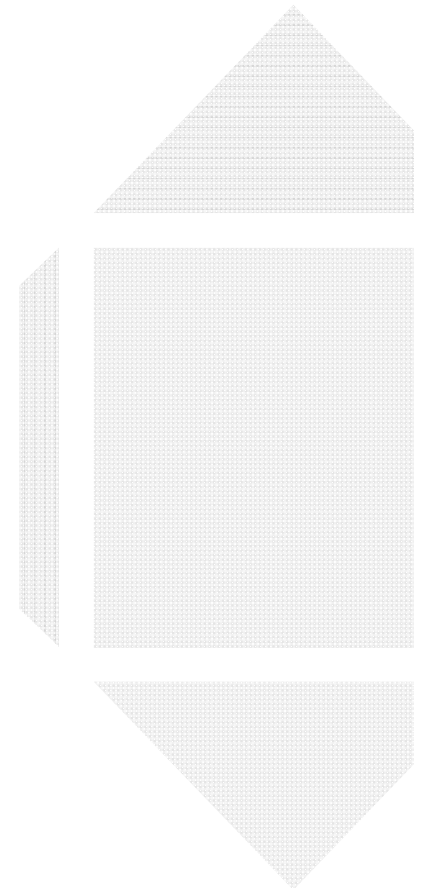
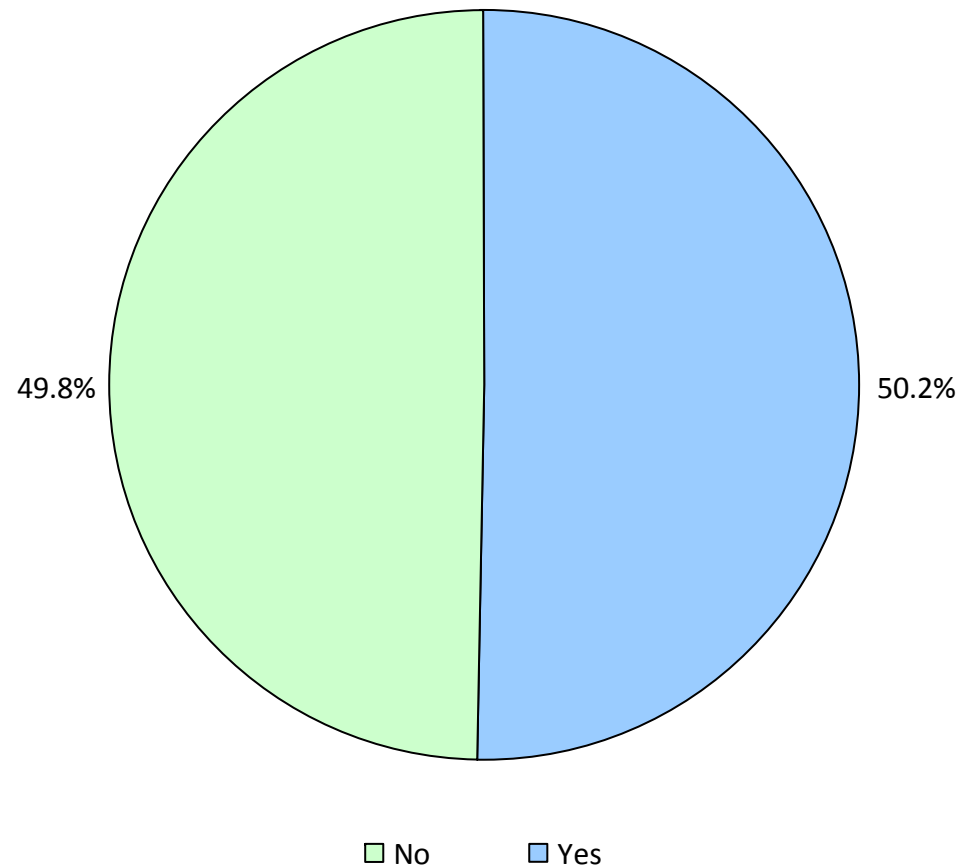
What one thing would motivate you to buy a residence sooner?





Open to government assistance...

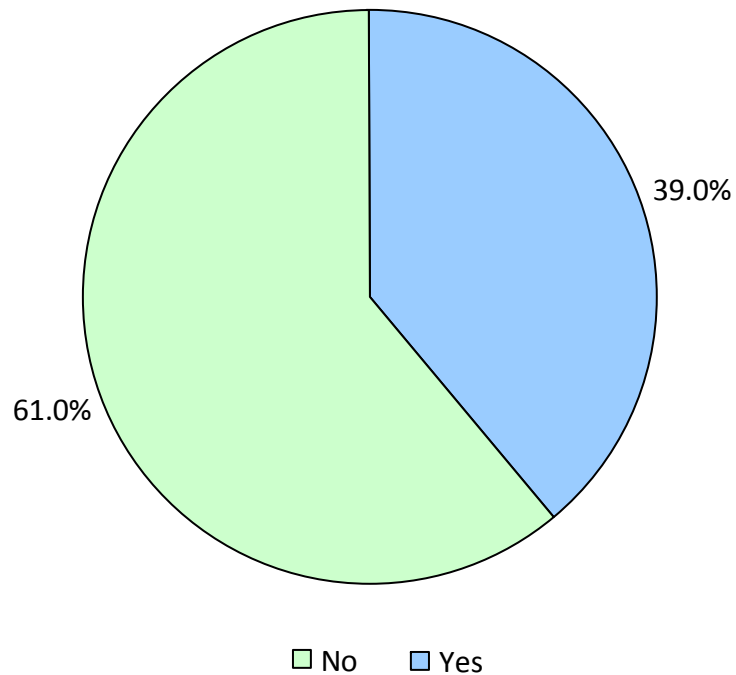
Do you think a government assistance program (i.e. tax credits, lowered interest rates) would motivate you to buy a residence sooner?



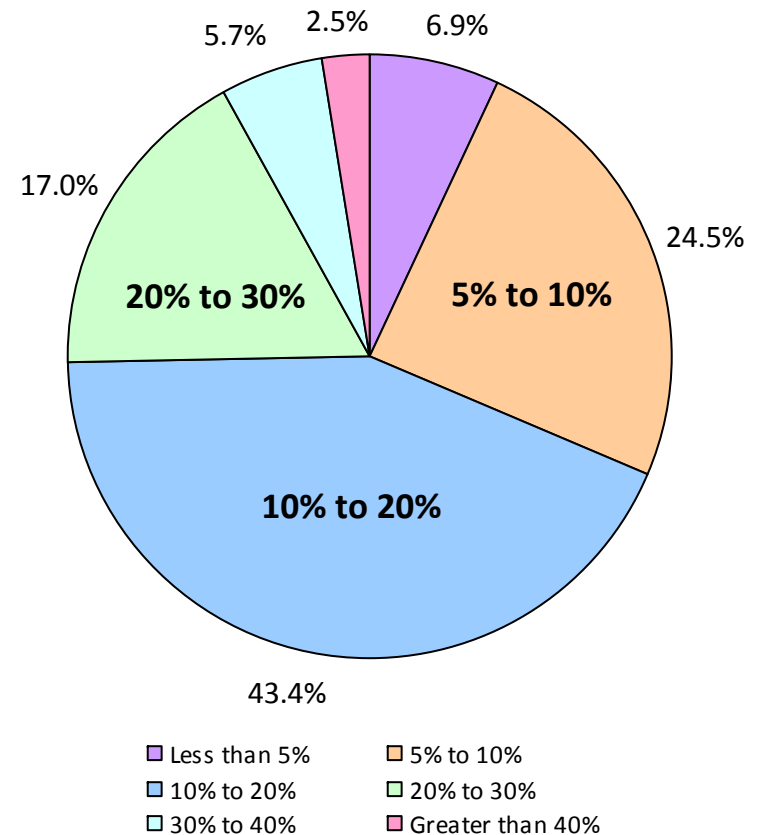


... and help from others for down payment

Do you plan on receiving help for a down payment on the purchase of your next residence from someone else?



What's the maximum amount of down payment you feel comfortable spending for the purchase of your next residence?





Decision Drivers

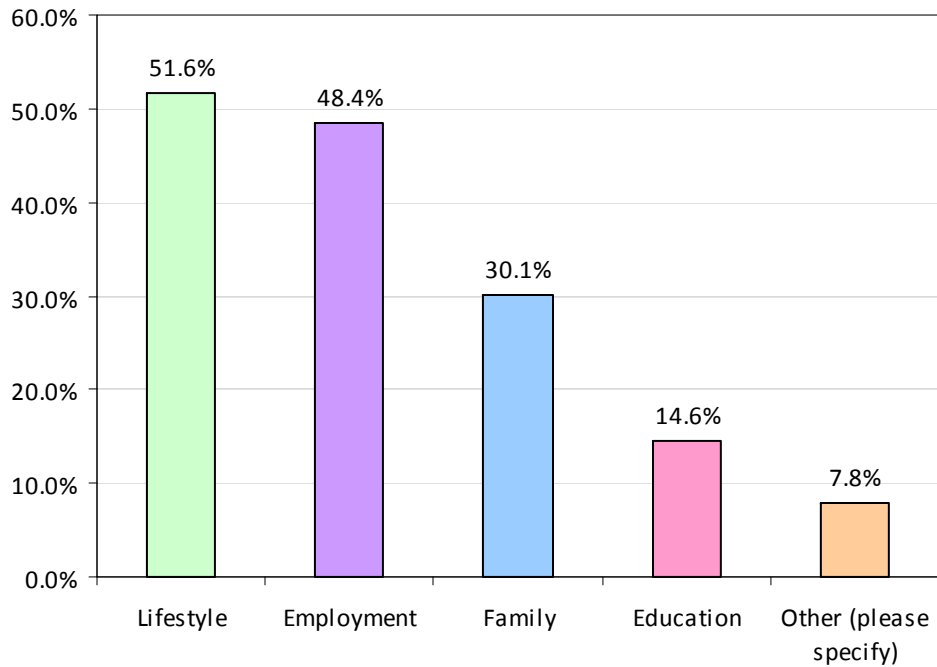
- Impact of Current Market Conditions on Home Buying Decisions
- **Key Drivers of Housing Decisions**
 - Lifestyle and Employment
 - Transportation
 - Neighborhood Amenities
 - Premiums
- Housing and Community Preferences
- Expectations about the Future



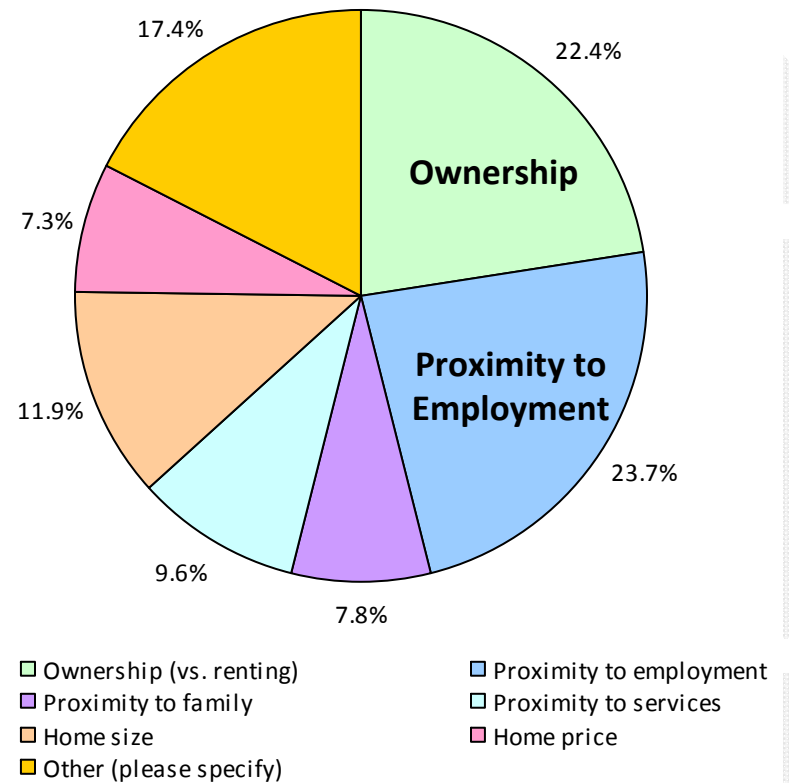


Lifestyle as important as employment to this generation

What made you choose your current city?
(can choose more than one)



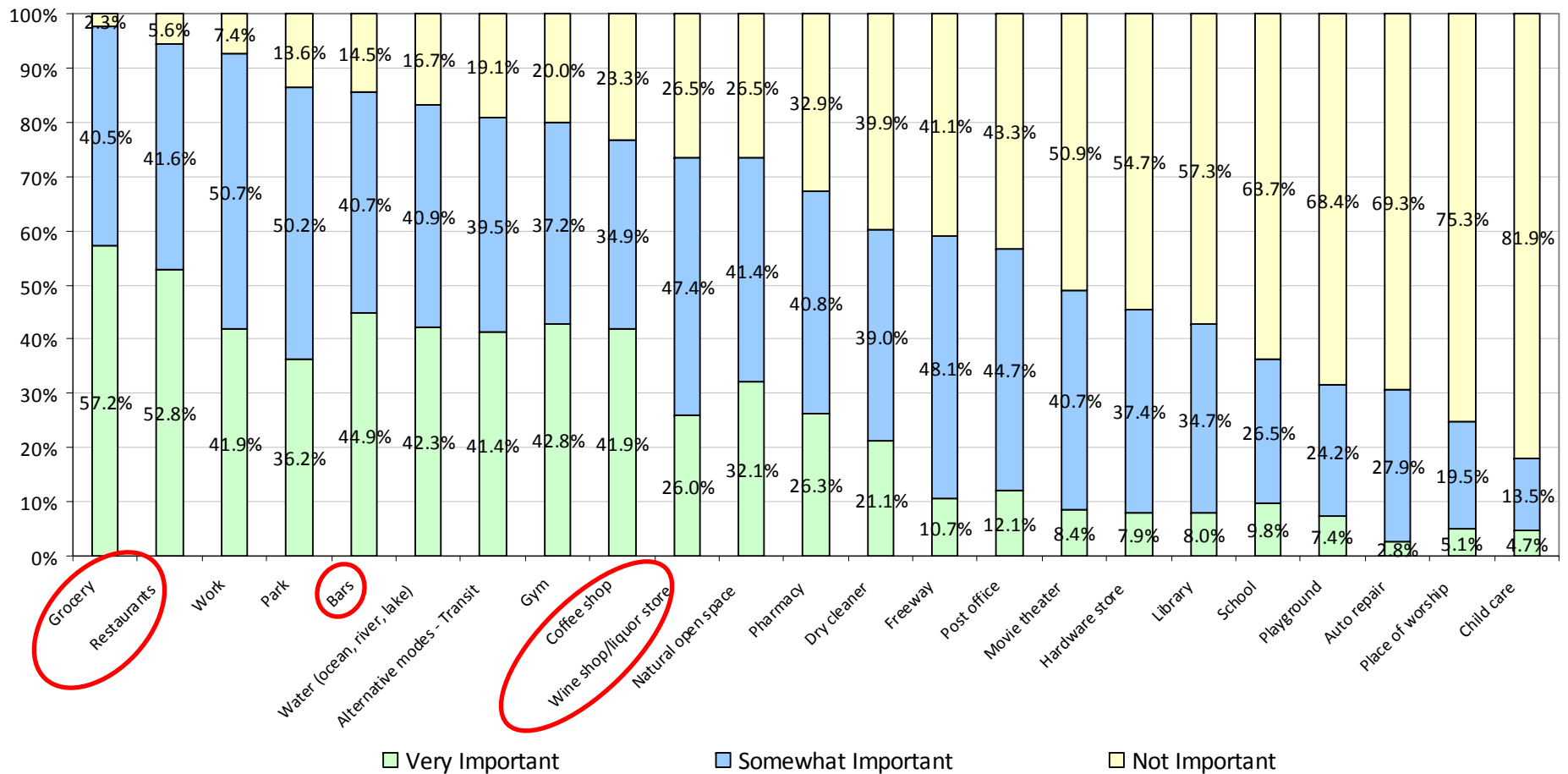
What best describes the main reason you think you'll choose your next residence?





Food and beverage services key lifestyle amenities...

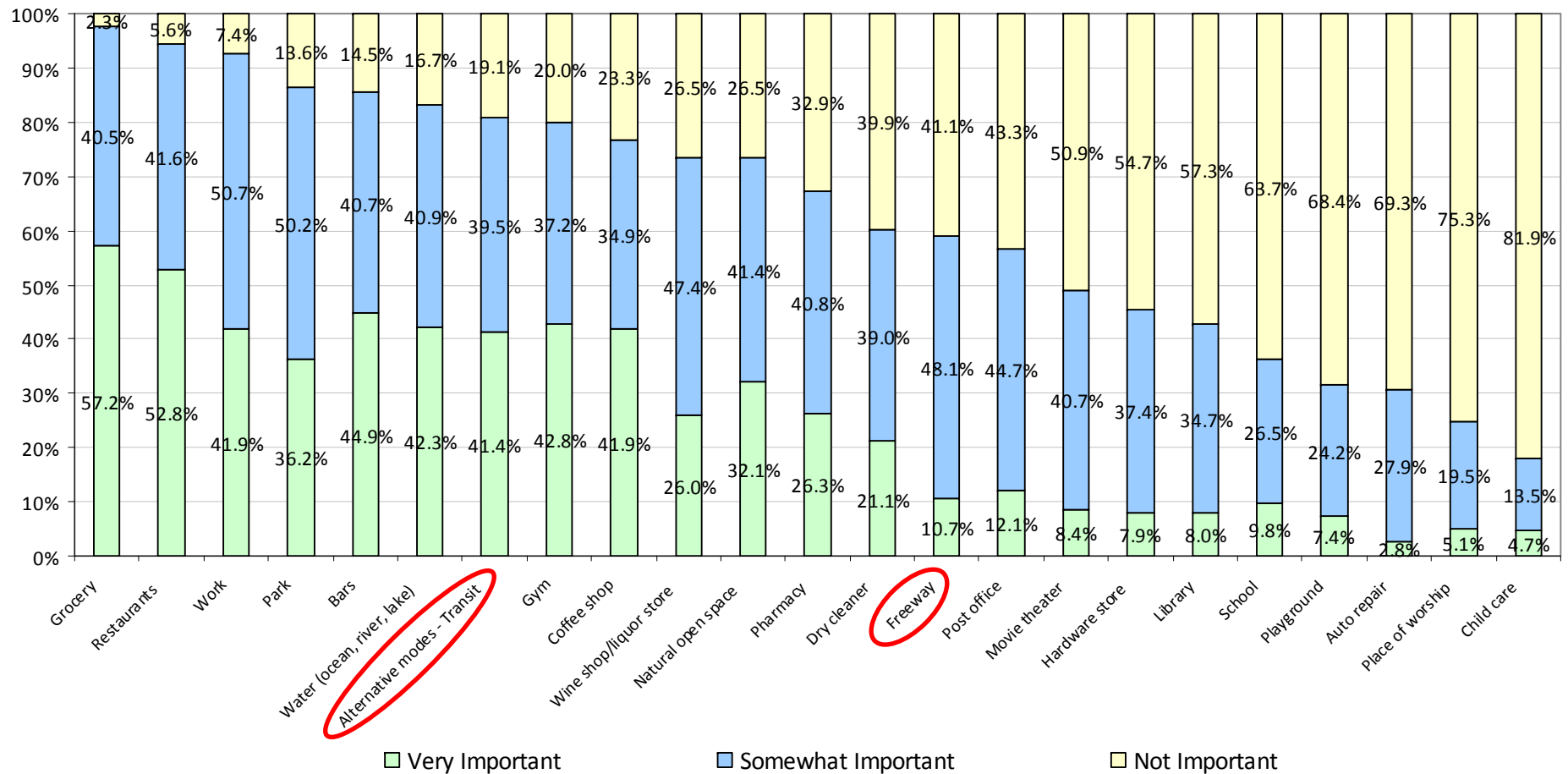
How important is it for you to live near the following:





... and transportation options highly valued

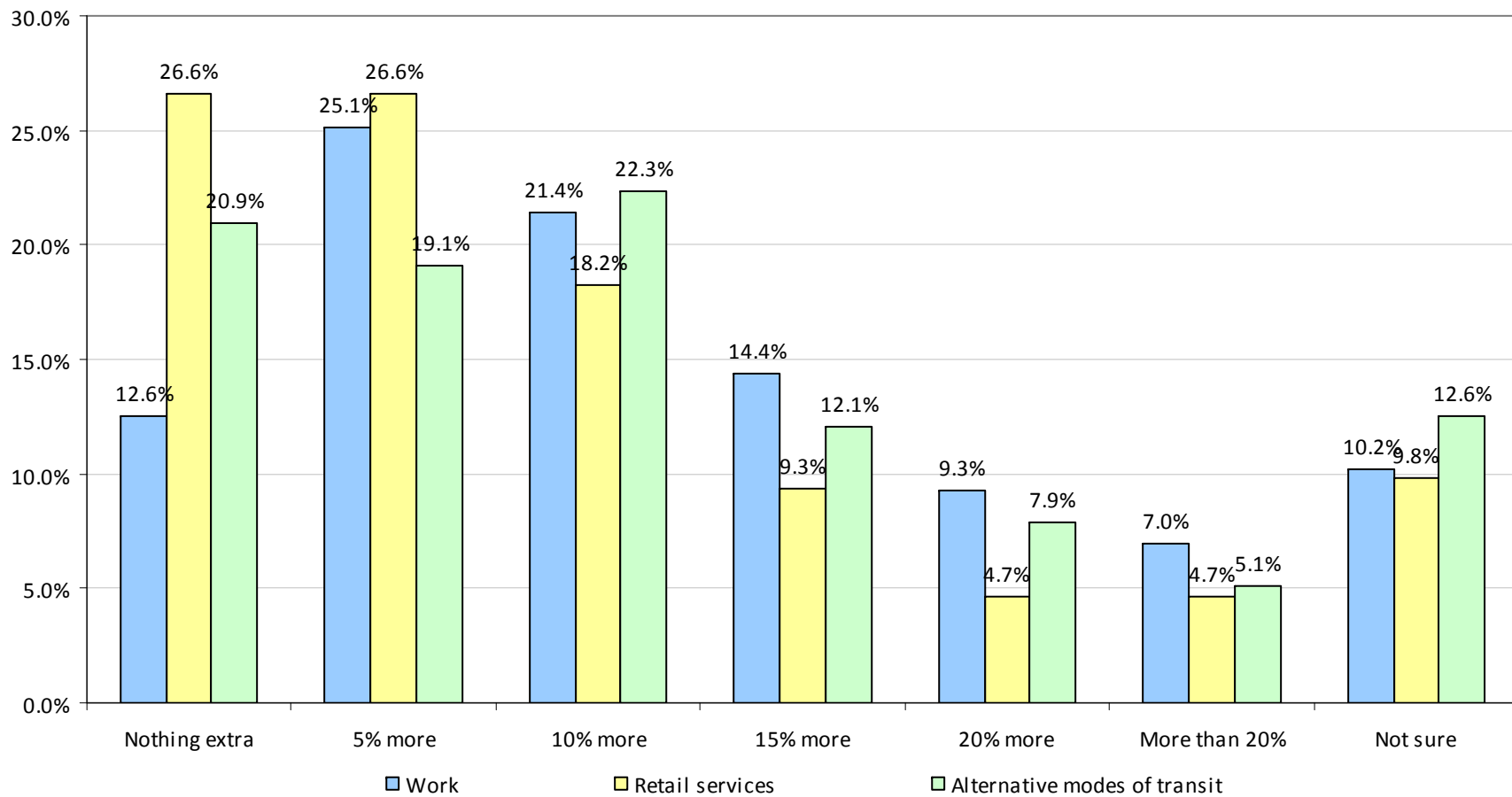
How important is it for you to live near the following:





Willing to pay premiums for proximity to what they value

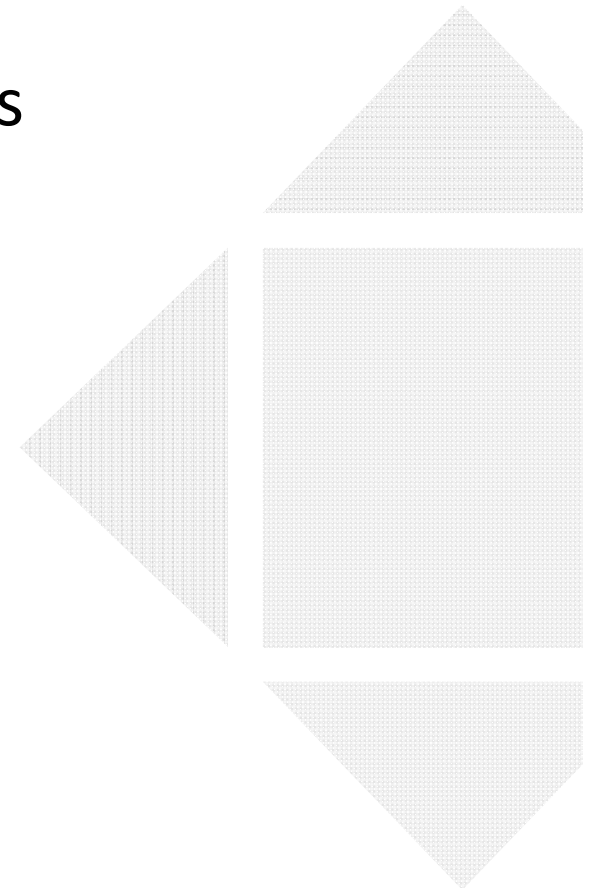
If you were buying a house, how much extra (if any) do you think you would pay to live near (i.e. 10-minute walk/bike ride or short car trip) the following:





Housing Preferences

- Impact of Current Market Conditions on Home Buying Decisions
- Key Drivers of Housing Decisions
- **Housing and Community Preferences**
 - Home Size
 - Bedrooms
 - Product Preferences
 - Community Amenities
 - “Green” Design
- Expectations about the Future

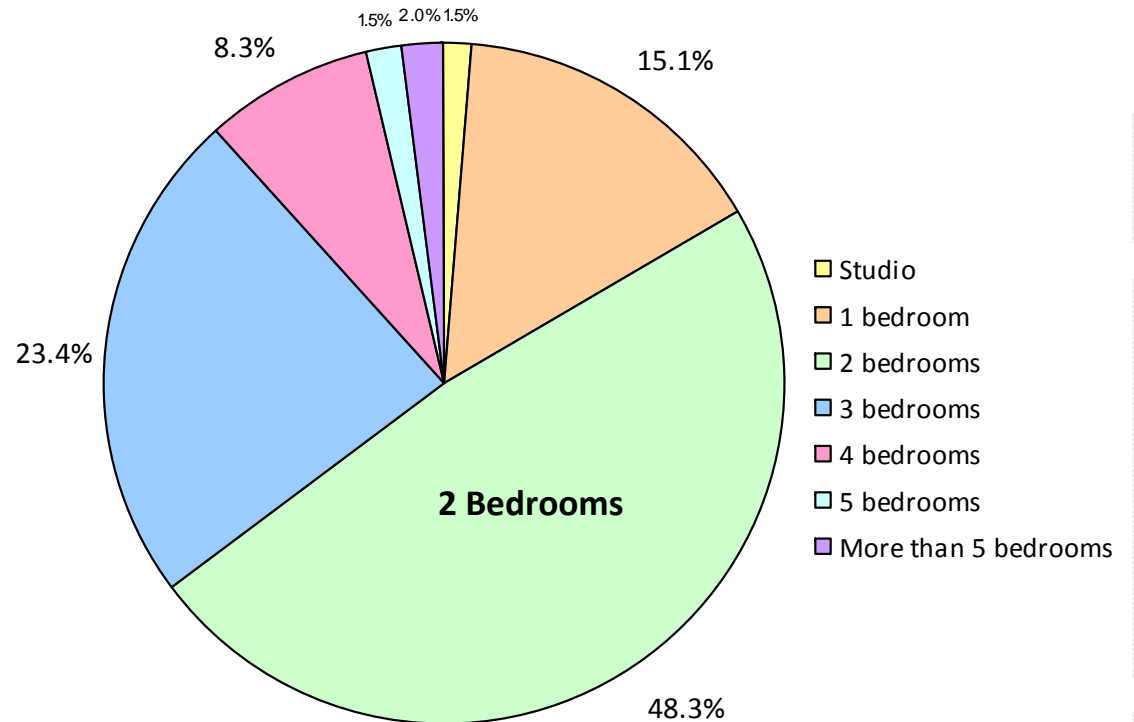




Looking for 2 bedrooms, but not necessarily more space...

Younger respondents (20-24 year olds) less interested in larger home sizes for next residence – 37% would like a larger residence, compared with 27% who would like a smaller residence and 36% who would prefer a residence of the same size.

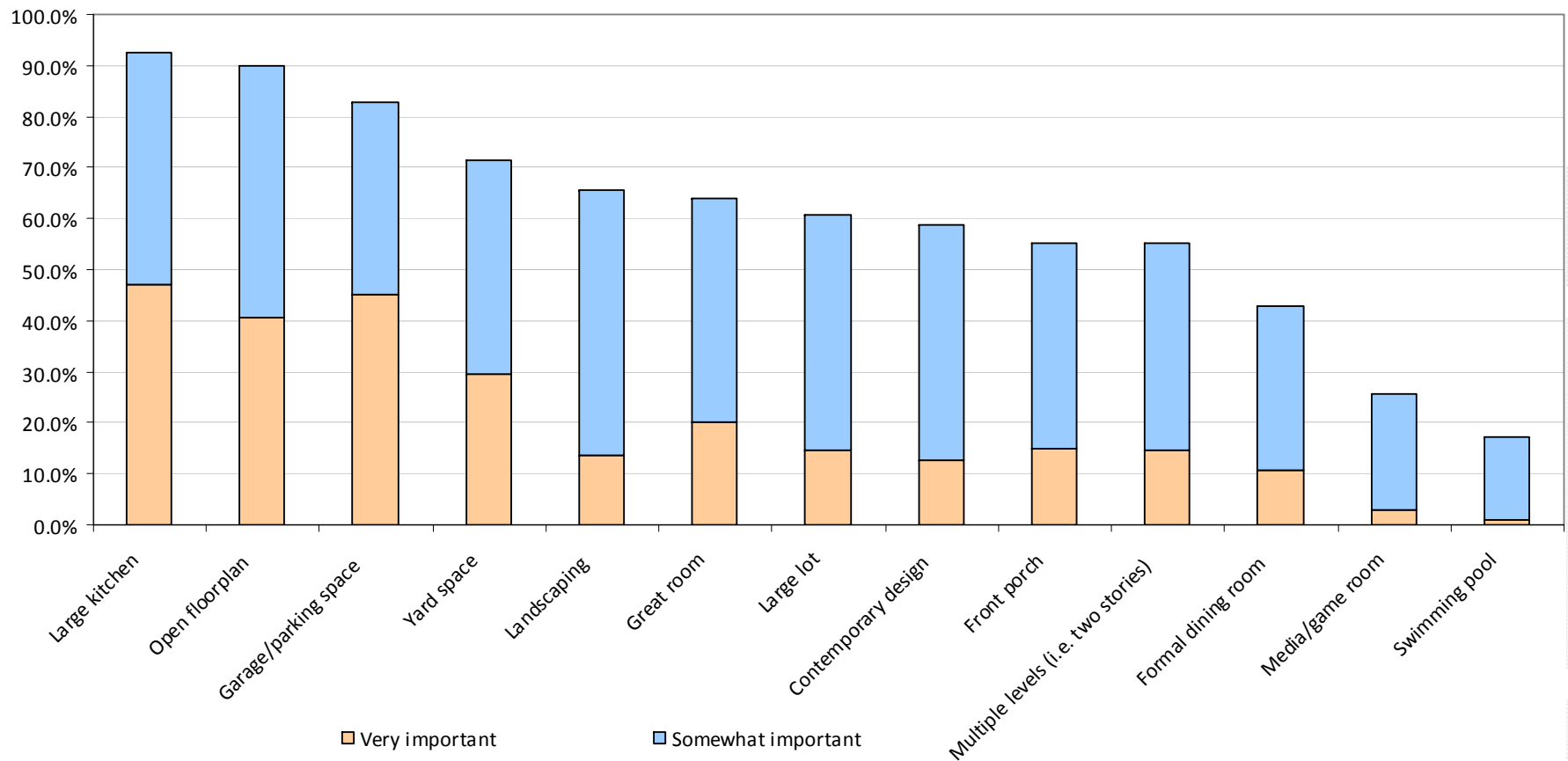
How many bedrooms would you like your next residence to have?





...with open layouts and floorplans

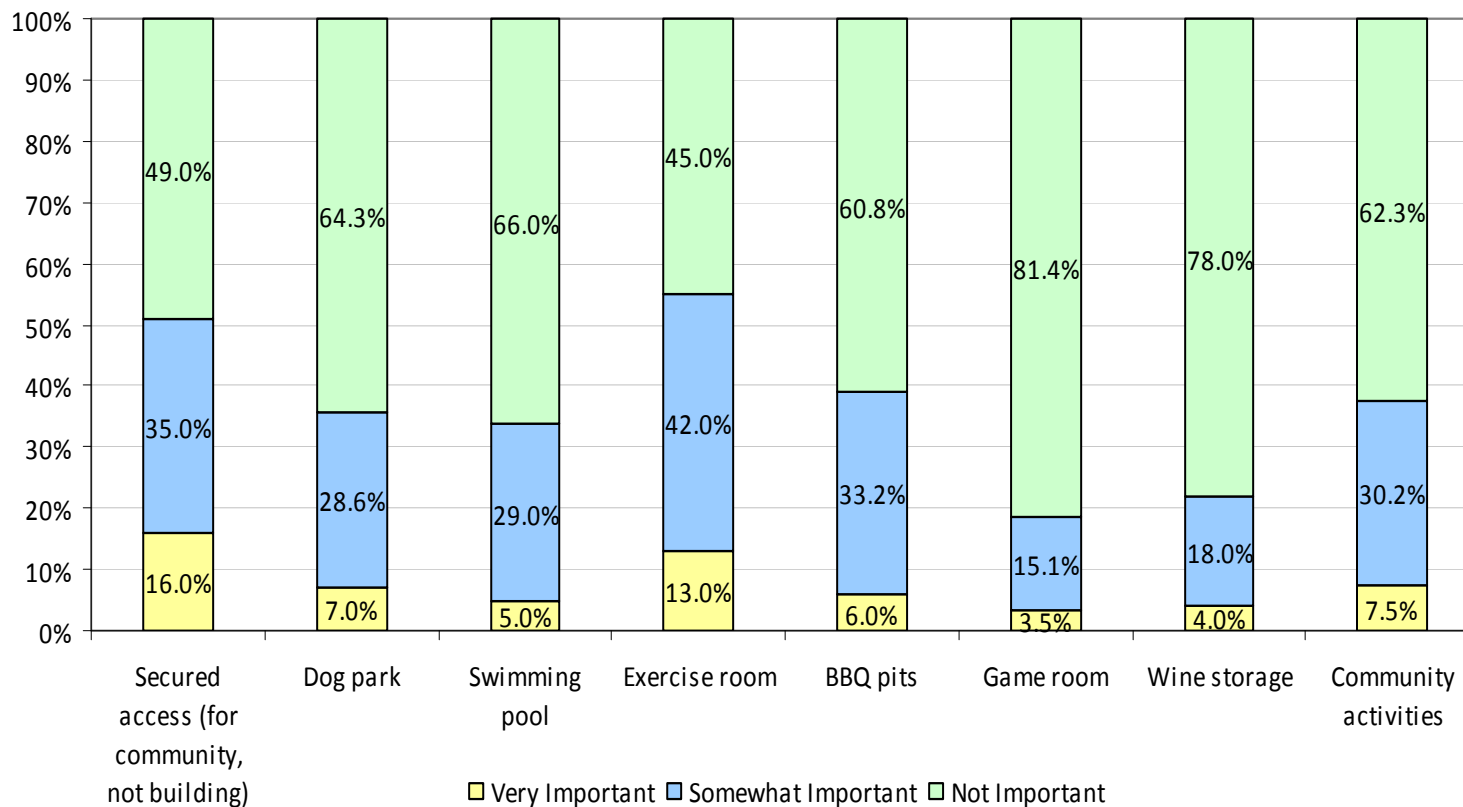
How important would the following HOME features be for your next residence:





Surprisingly, community amenities not highly valued

How important would the following COMMUNITY features be for your next residence:

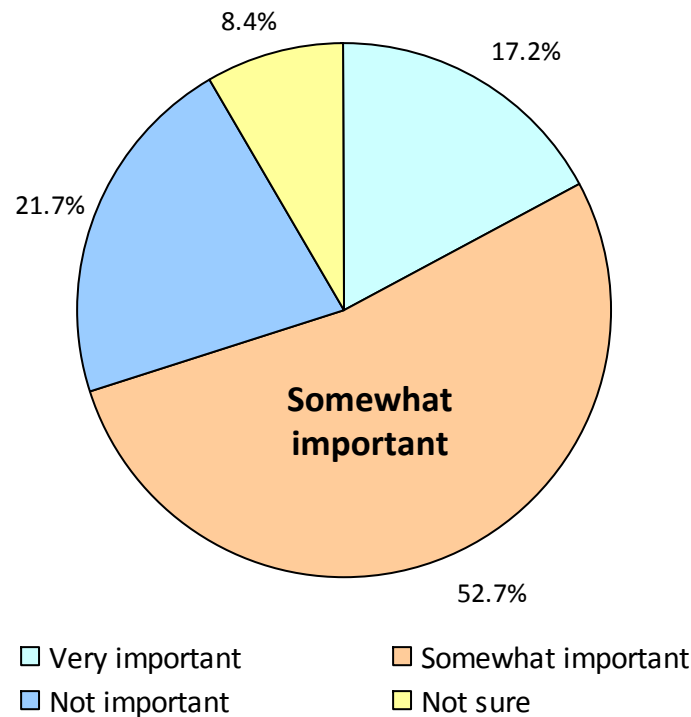




Green design may not drive significant premiums, but growing in importance with youngest

- Younger respondents (20-24 years old) consider “green/sustainable” design more important – 22% responded that it’s a “very important” factor

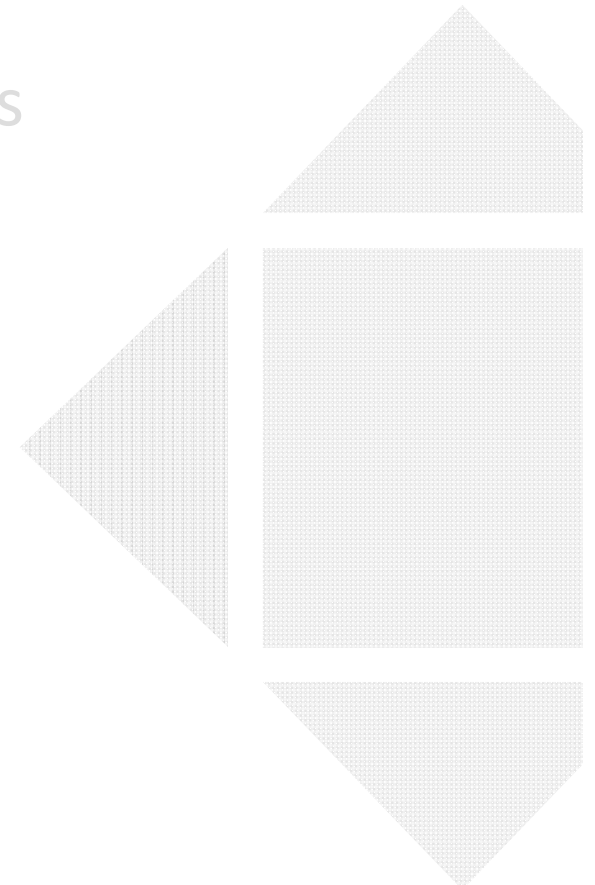
How important do you think green/sustainable design will be in the choice of your next residence?





Future Expectations

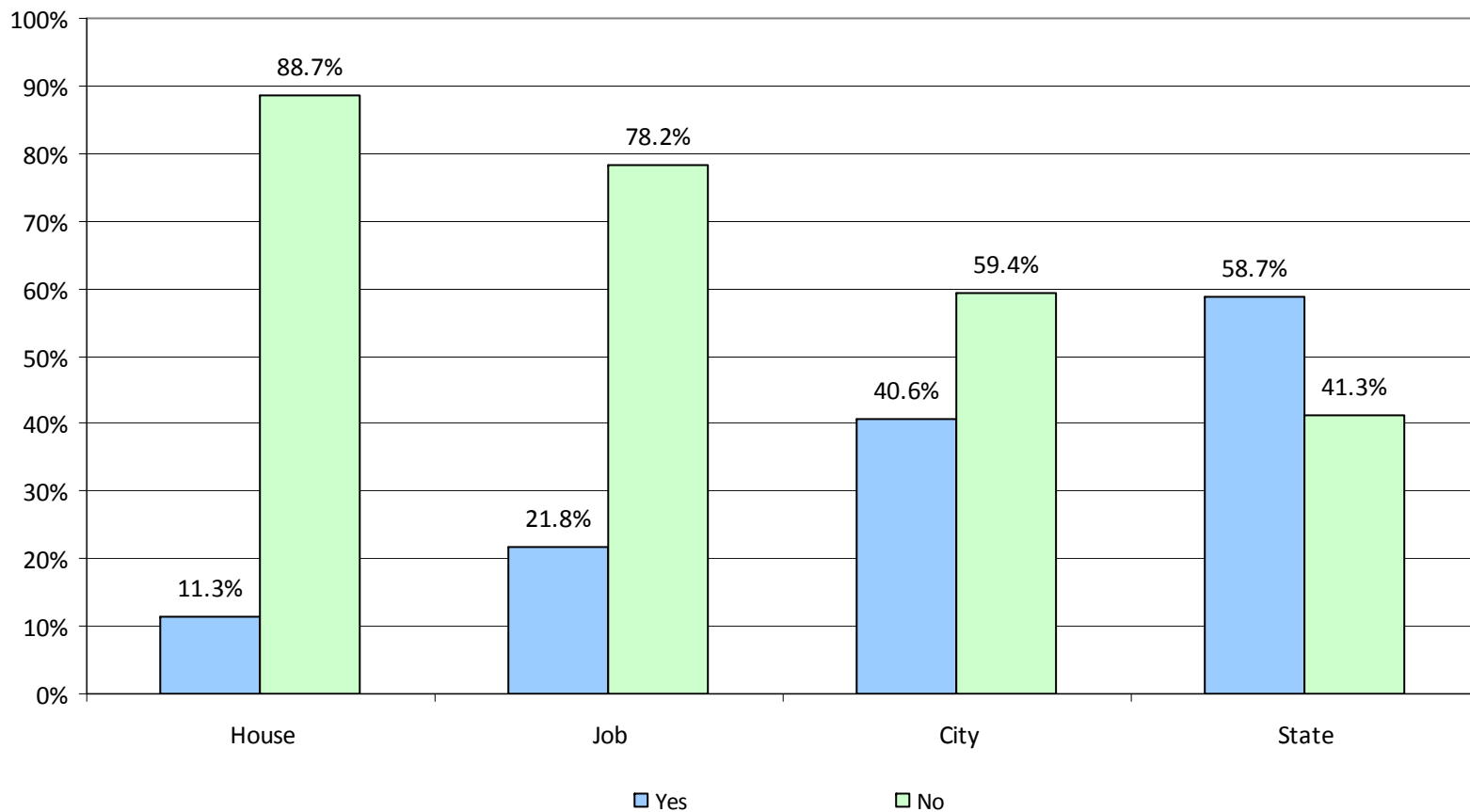
- Impact of Current Market Conditions on Home Buying Decisions
- Key Drivers of Housing Decisions
- Housing and Community Preferences
- **Expectations about the Future**
 - Transiency
 - Rent vs. Buy
 - Urban vs. Suburban





Likely to change jobs and locations frequently...

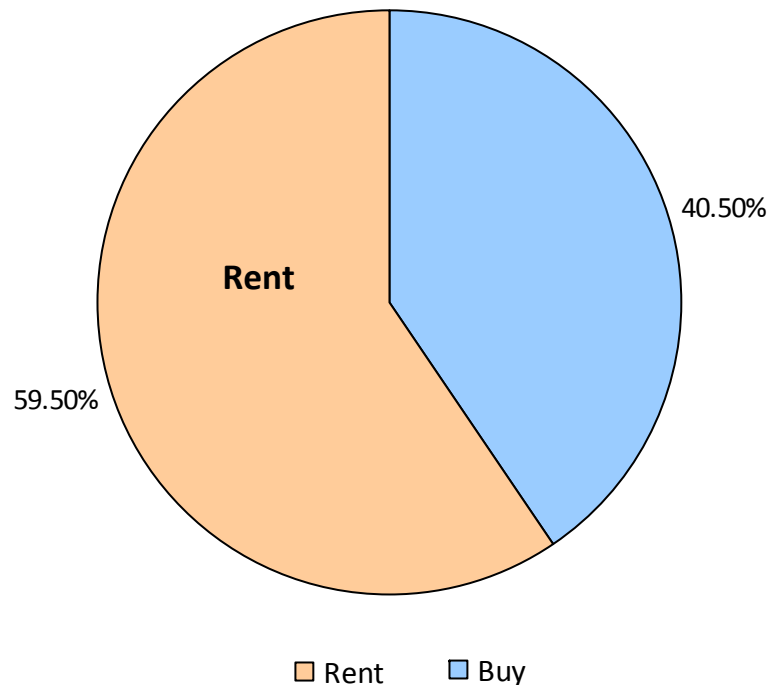
In 5 years from now, do you see yourself in the same...



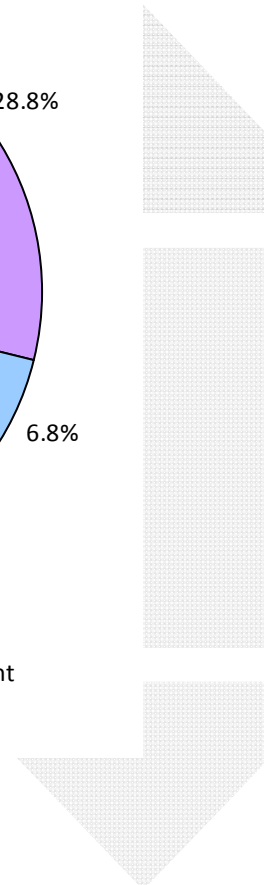
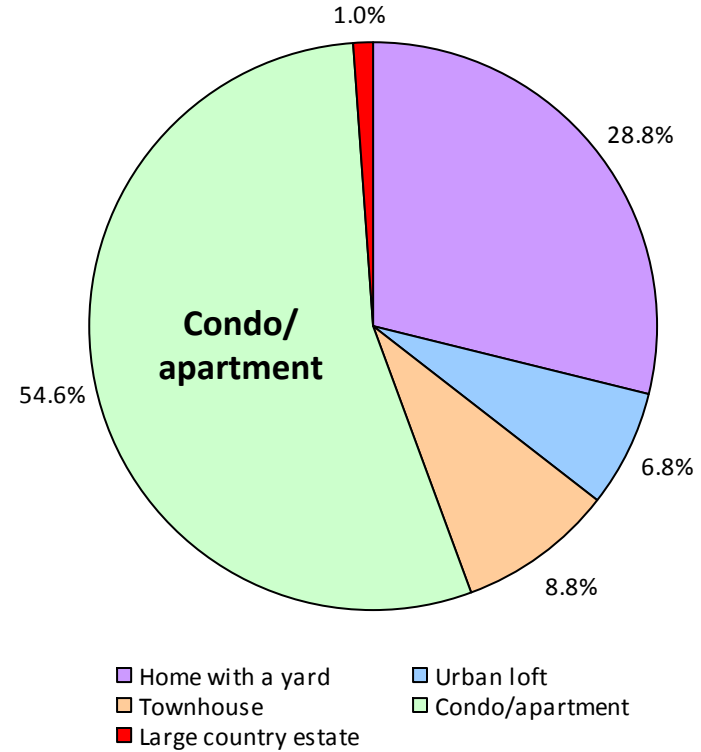


... and to be apartment renters in the near-term...

Do you think you'll buy or rent your next residence?



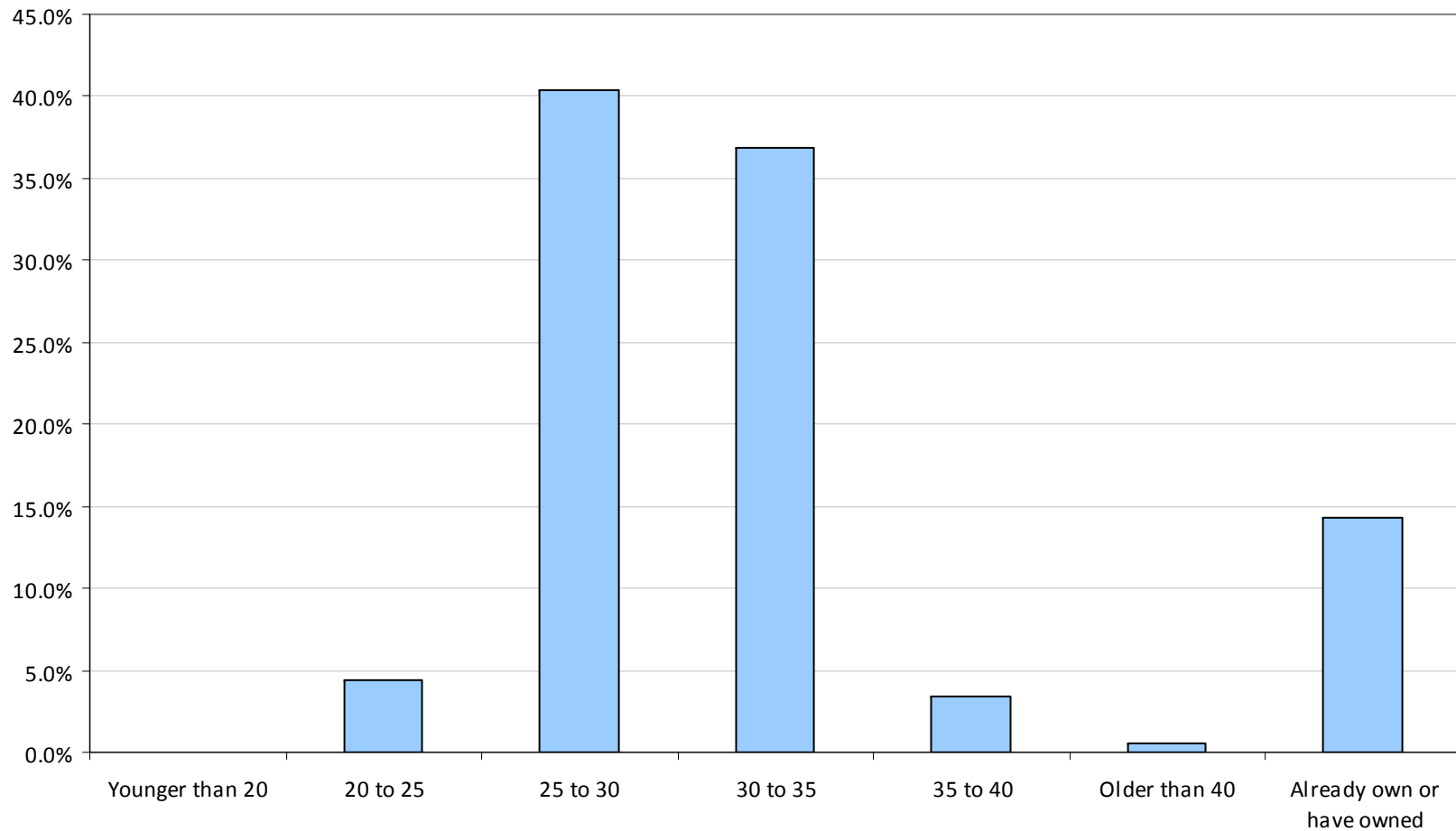
What do you think your next residence will be?





... but see themselves as buyers soon...

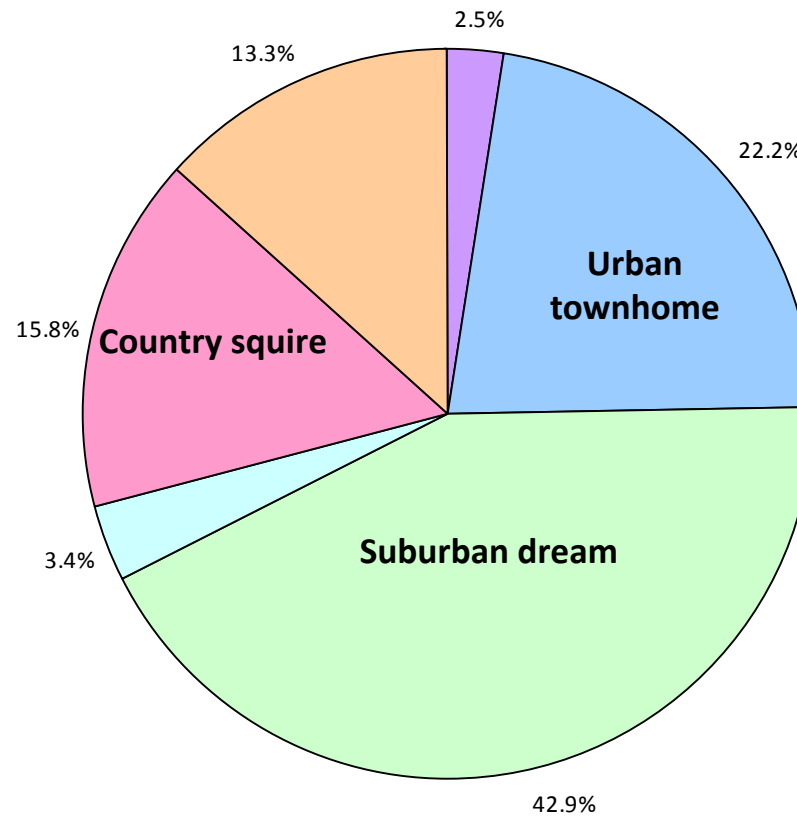
How old do you think you'll be when you buy your first residence?



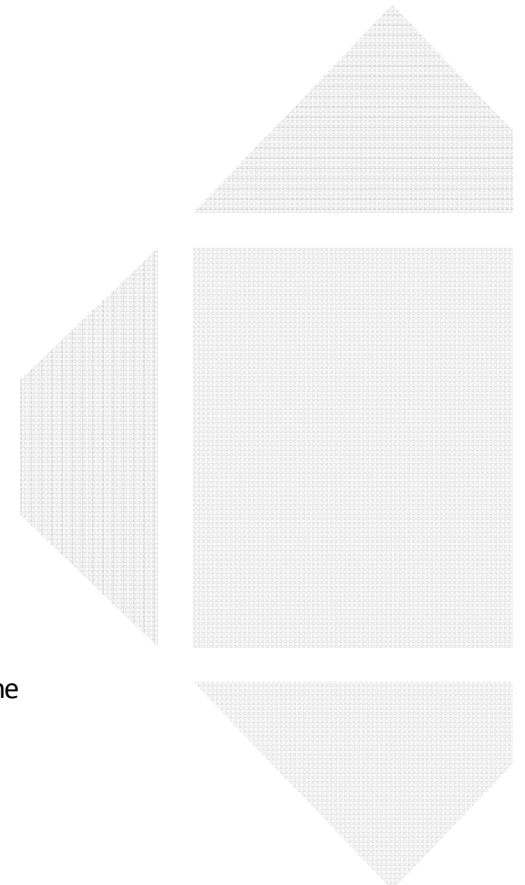


... and, like their parents, eventually settling outside of the urban environment

Where do you see yourself at the age of 50?

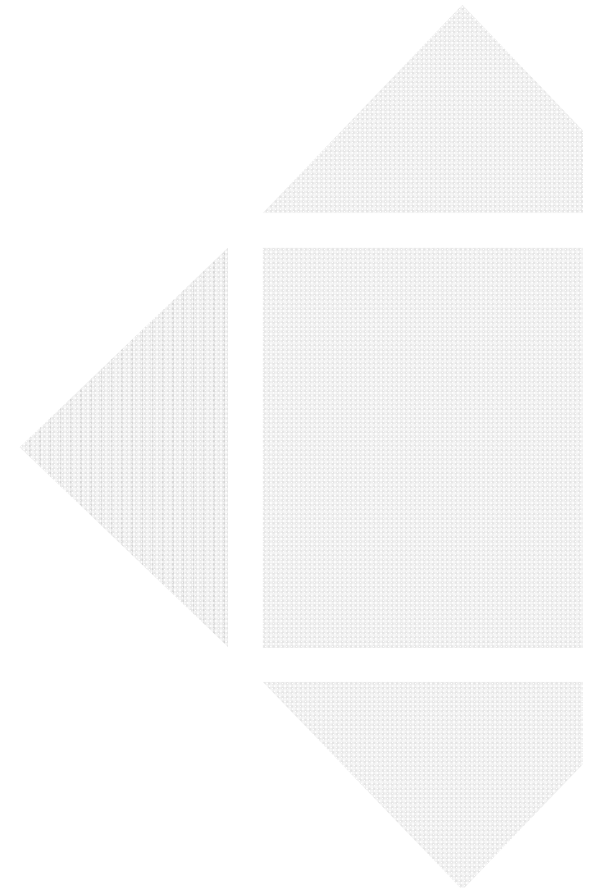


- Living in a downtown highrise
- Living in an urban townhome
- Living the suburban dream
- Living on the golf course
- A country squire with acres of land
- None of the above





- Overview and Background
- Survey Results
- **Implications**





Key Implications

- First wave of Generation Y will have large impact on post-downturn development
- Many could be lured to become homeowners sooner with the right incentives
- Transit-oriented developments located near employment nodes and retail services should continue to attract this group and command price premiums
- Value open layouts and design
- Highly transient and mobile, impacting turnover rates and possible mortgage terms



About The Concord Group

- The Concord Group is a leading real estate strategy firm with offices in Newport Beach, San Francisco, Boston and Portland
- 40 consultants complete over 350 assignments annually in the U.S., Europe, Asia and Latin America
- Services include market and consumer strategies, financial and valuation analyses, transaction due diligence and land use programming and positioning
- Cover all property types (commercial, residential, and land) and work under tight due diligence deadlines

130 Newport Center Drive, Suite 230, Newport Beach, California 92660 | Phone: 949.717.6450 | Fax: 949.717.6444
251 Kearny Street, 6th Floor, San Francisco, California 94108 | Phone: 415.397.5490 | Fax: 415.397.5496
77 Summer Street, 7th Floor, Boston, Massachusetts 02110 | Phone: 617.451.1100 | Fax: 617.451.1171
6029 SE 18th Avenue, Portland, Oregon 97202 | Phone: 503.718.8215 | Fax: 949.717.6444
Newport Beach | San Francisco | Boston | Portland