ULI Fall Meeting

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San Francisco, California

New Demands from Buyers at Resort and Second Home Communities

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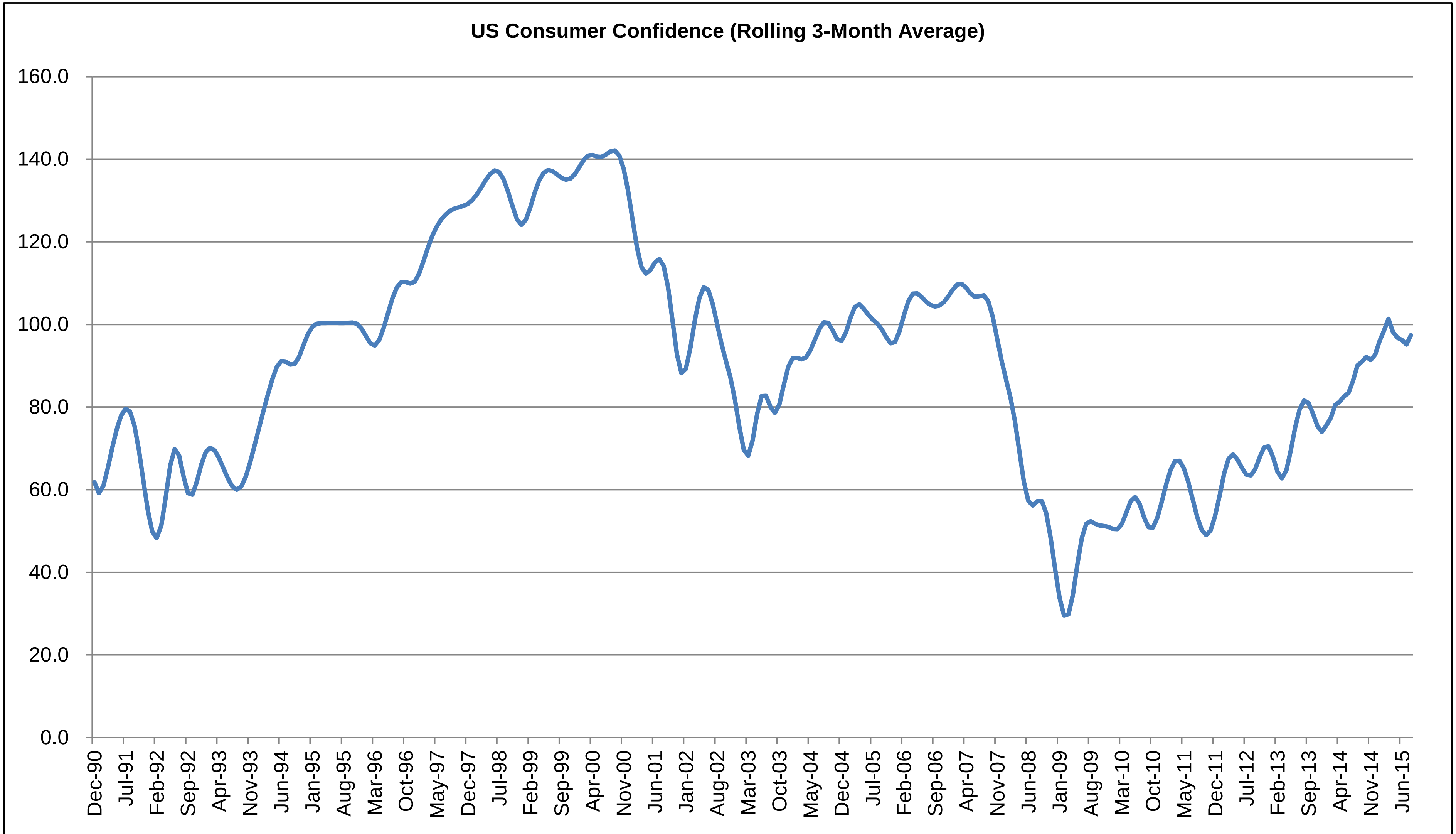
Overview

- National Vacation Housing Market Overview
- Housing Market Trends in Select Vacation Areas
- Then vs. Now: What a Difference a Decade Makes?
- Next Generation Examples

Vacation Housing Market Overview

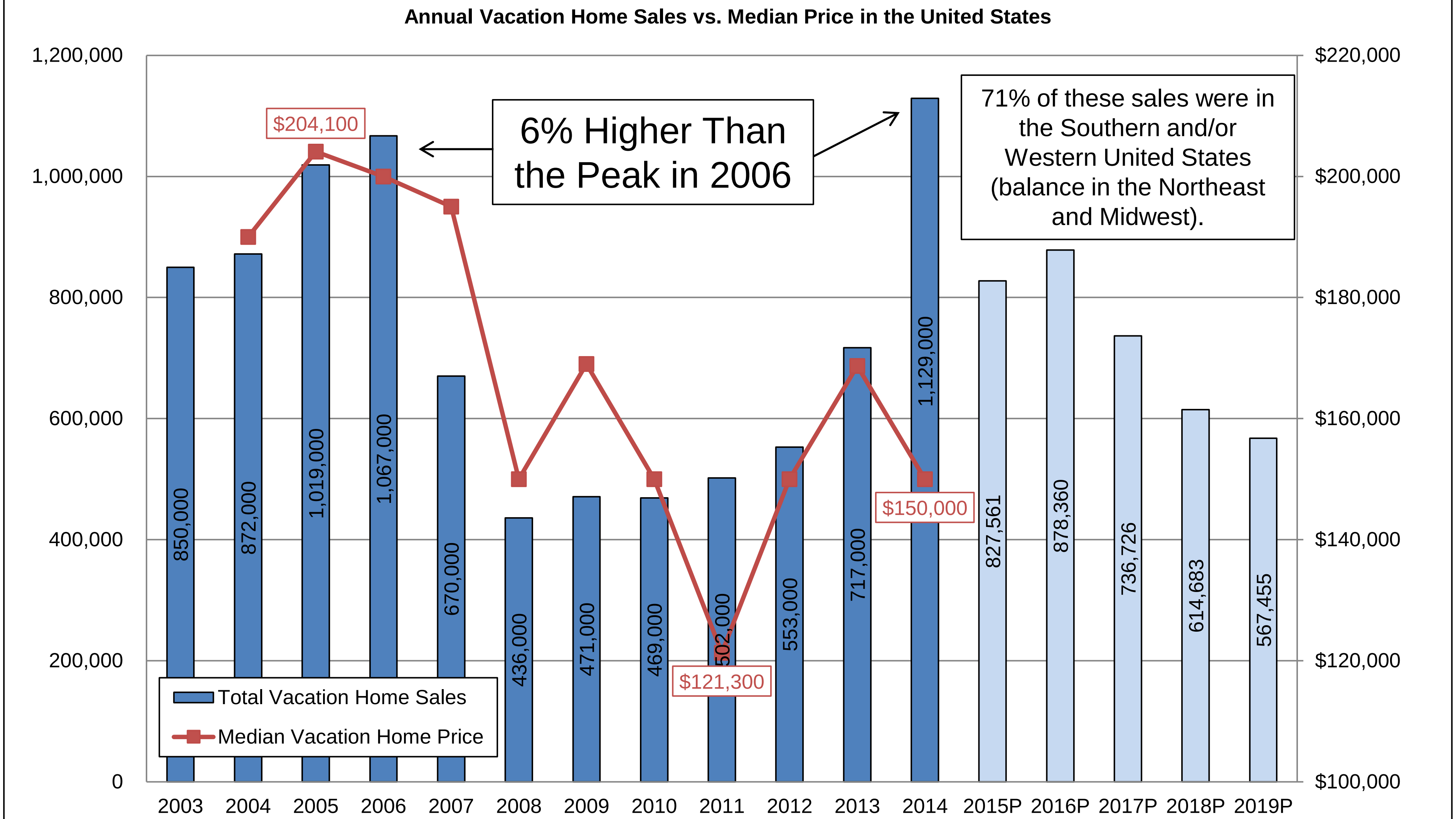
United States

Consumer Confidence is Back



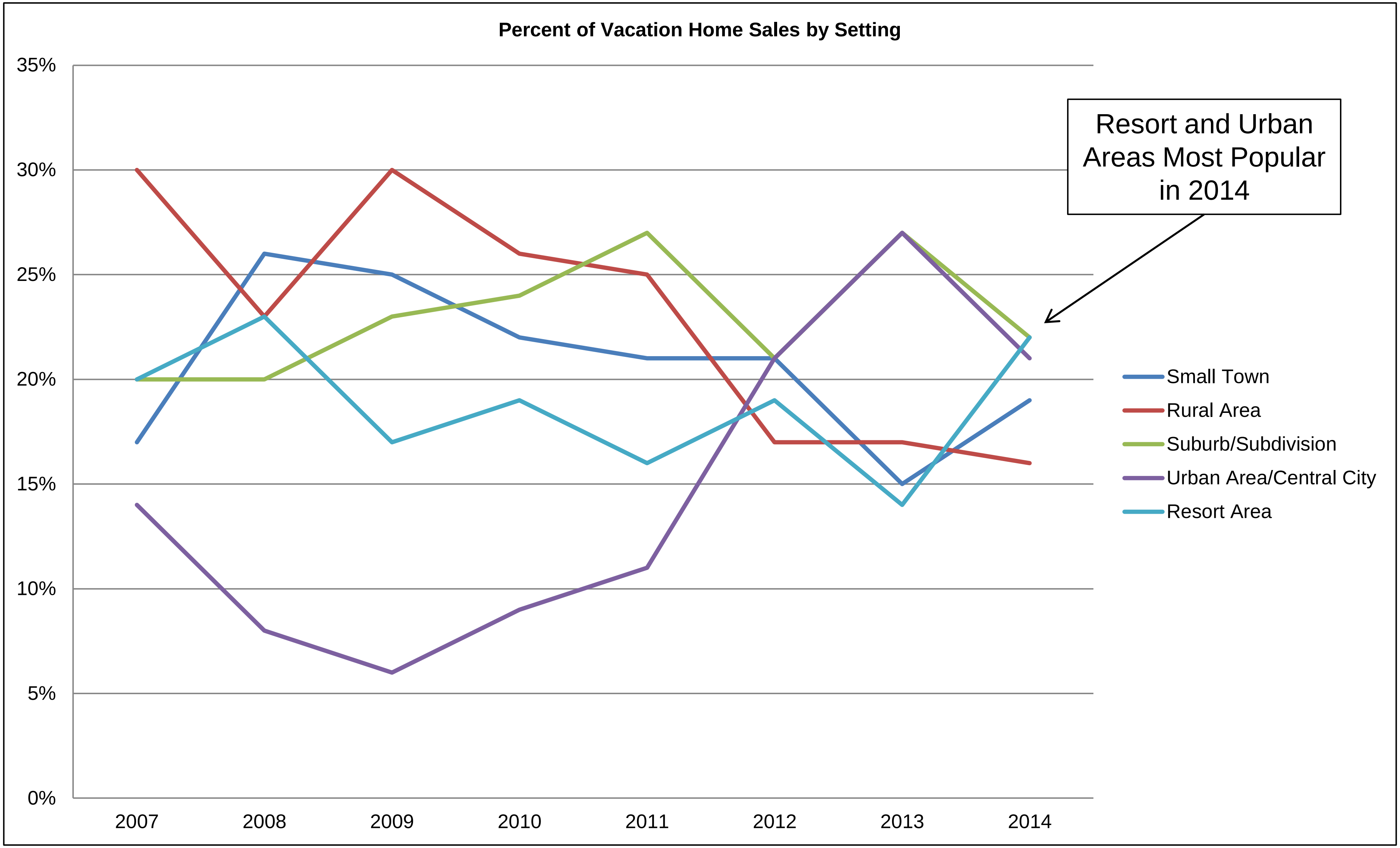
Source: Economy.com

Record-Breaking Vacation Home Sales in 2014



Source: NAR, Meyers (Projections based on 10%-14% annual ratio of vacation housing units to existing home sales nationally)

Urban Vacation Homes Gaining Ground

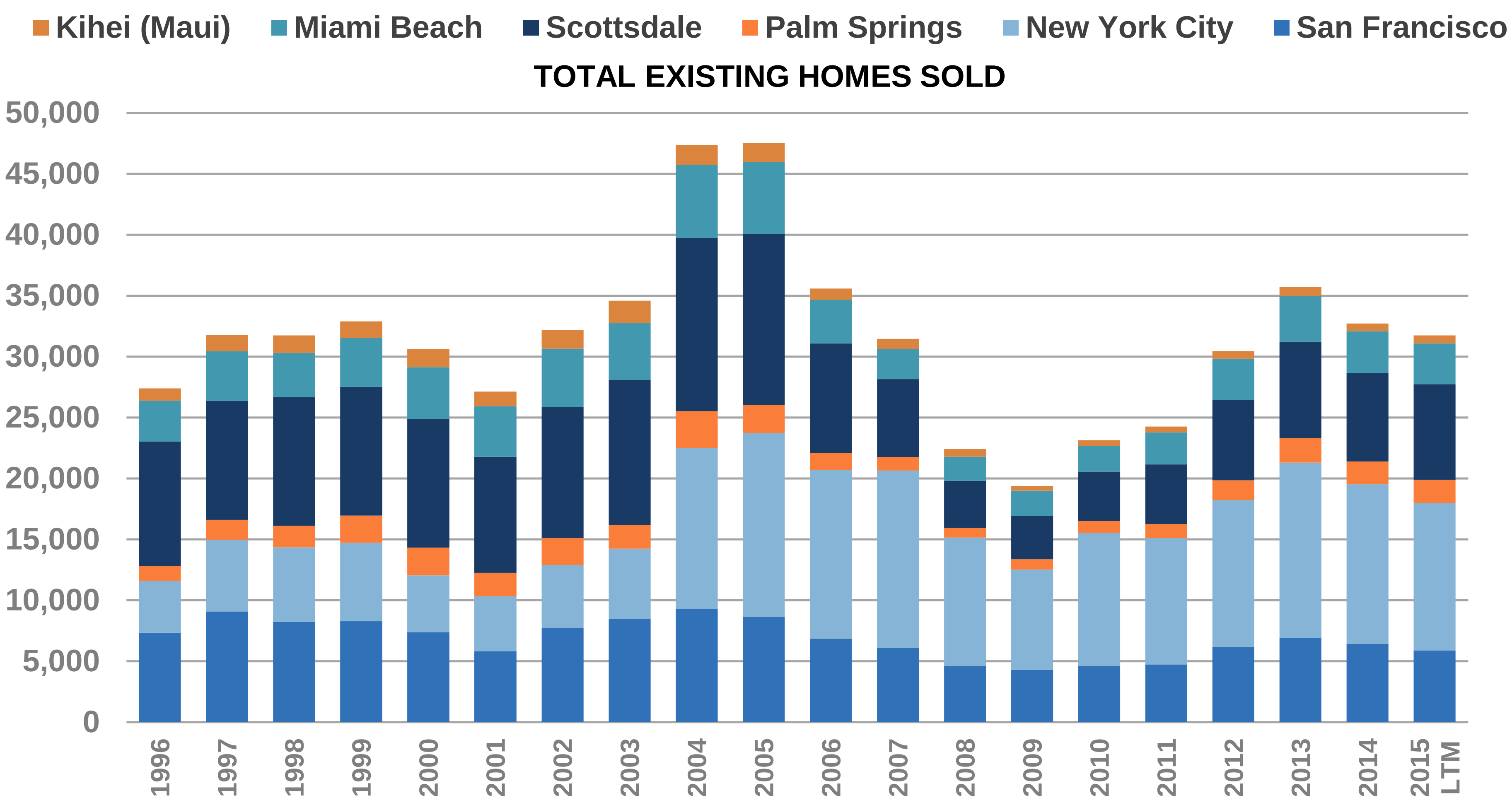


Trends in Select Markets

Around the United States

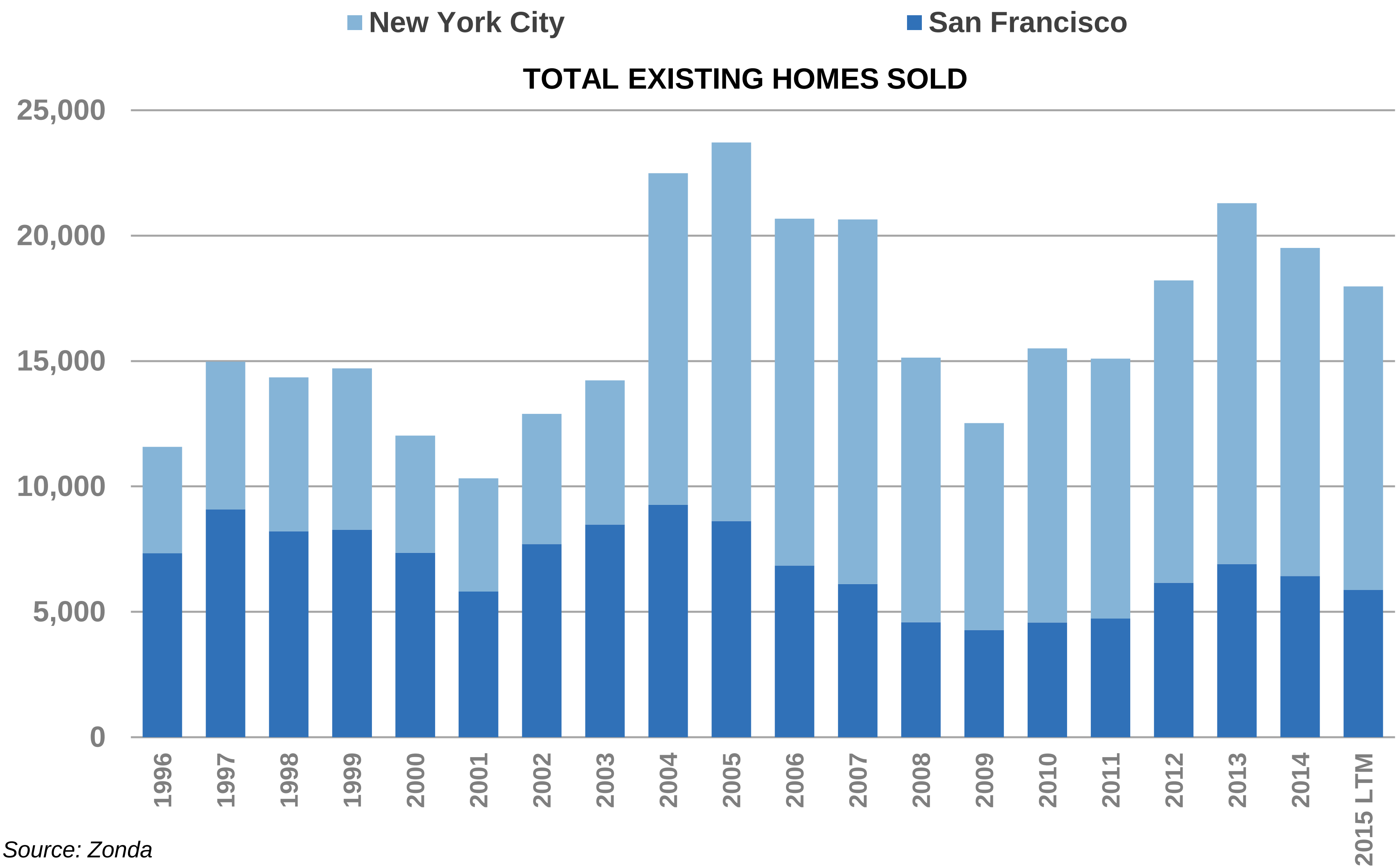
Solid Existing Home Sales, but Prices Impacting Demand

Two Beach, Desert and Urban Markets



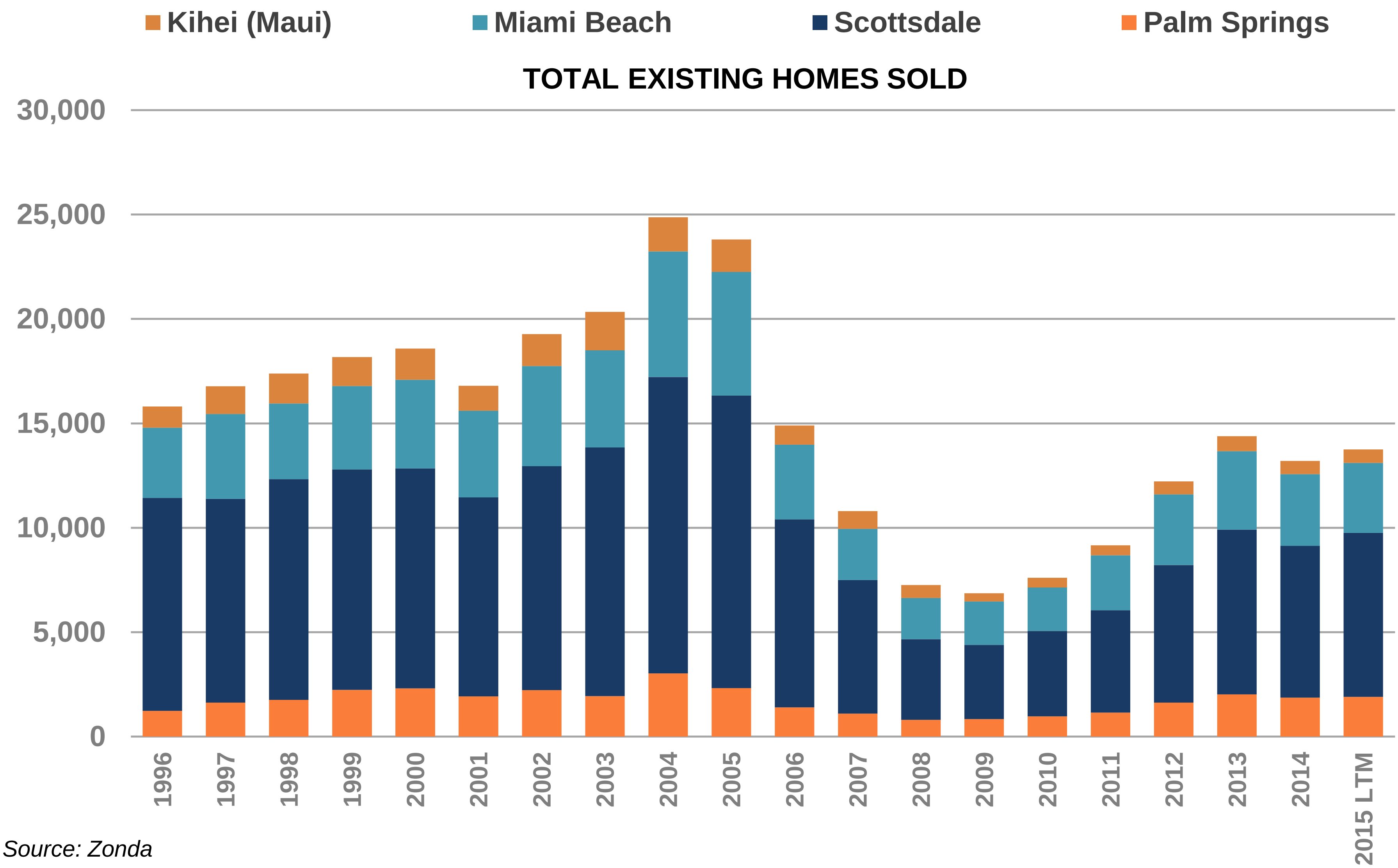
Source: Zonda

Major Urban Areas (with Primary Demand) are Strong



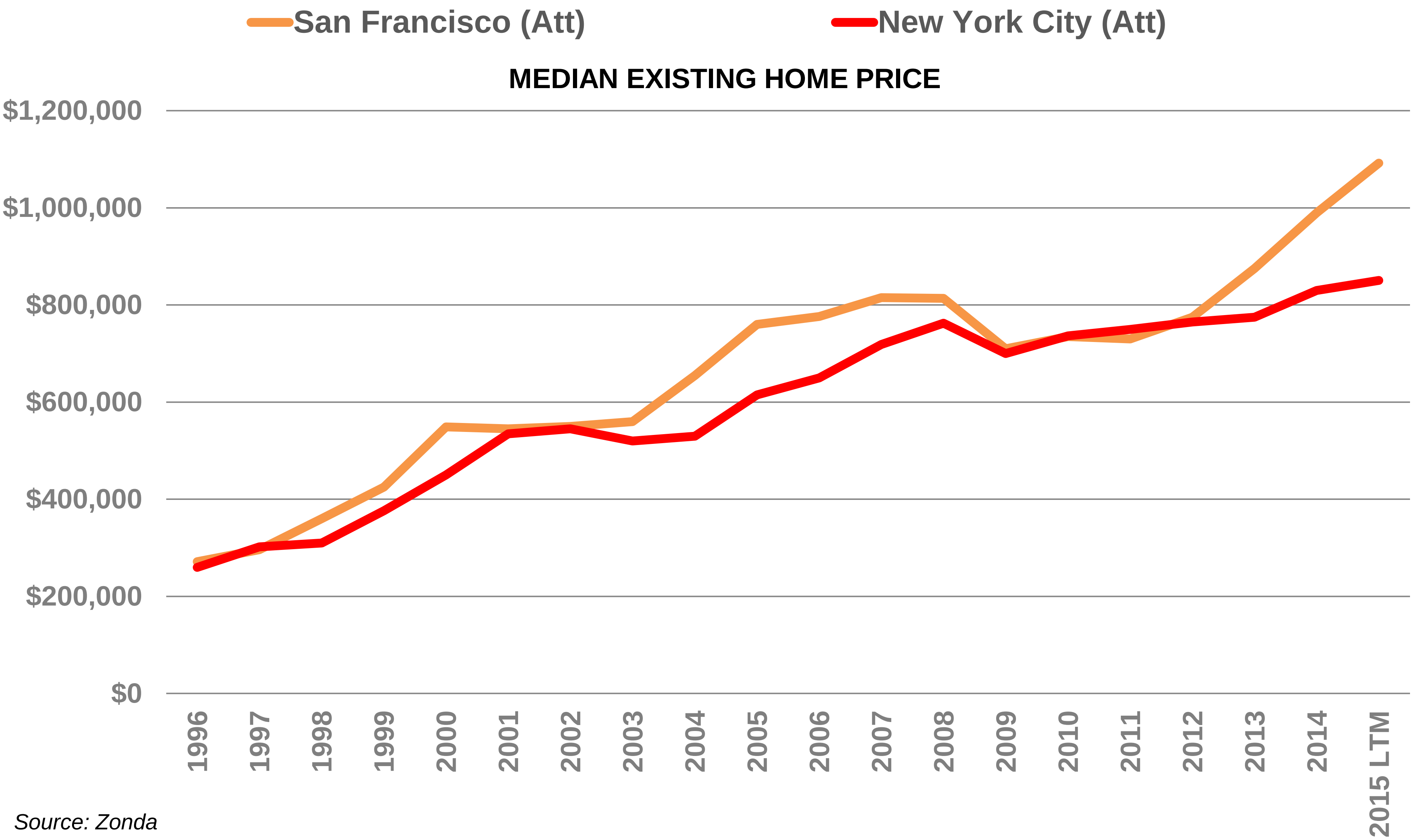
Source: Zonda

Beach and Desert Markets Still Well Below Peak



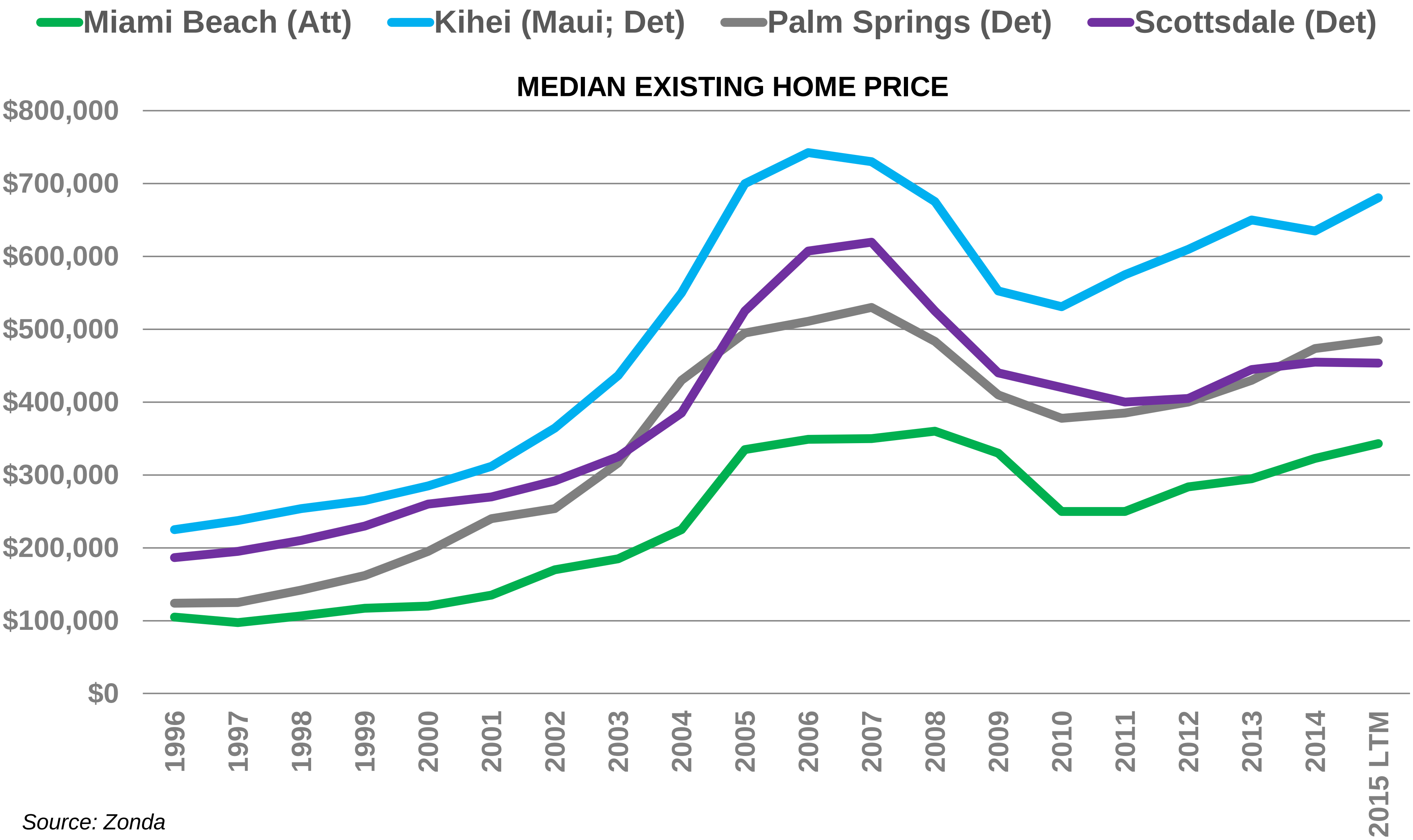
Source: Zonda

Urban Markets are Well Above Peak Pricing



Source: Zonda

Beach and Desert Markets Rising but Below Peak



Source: Zonda

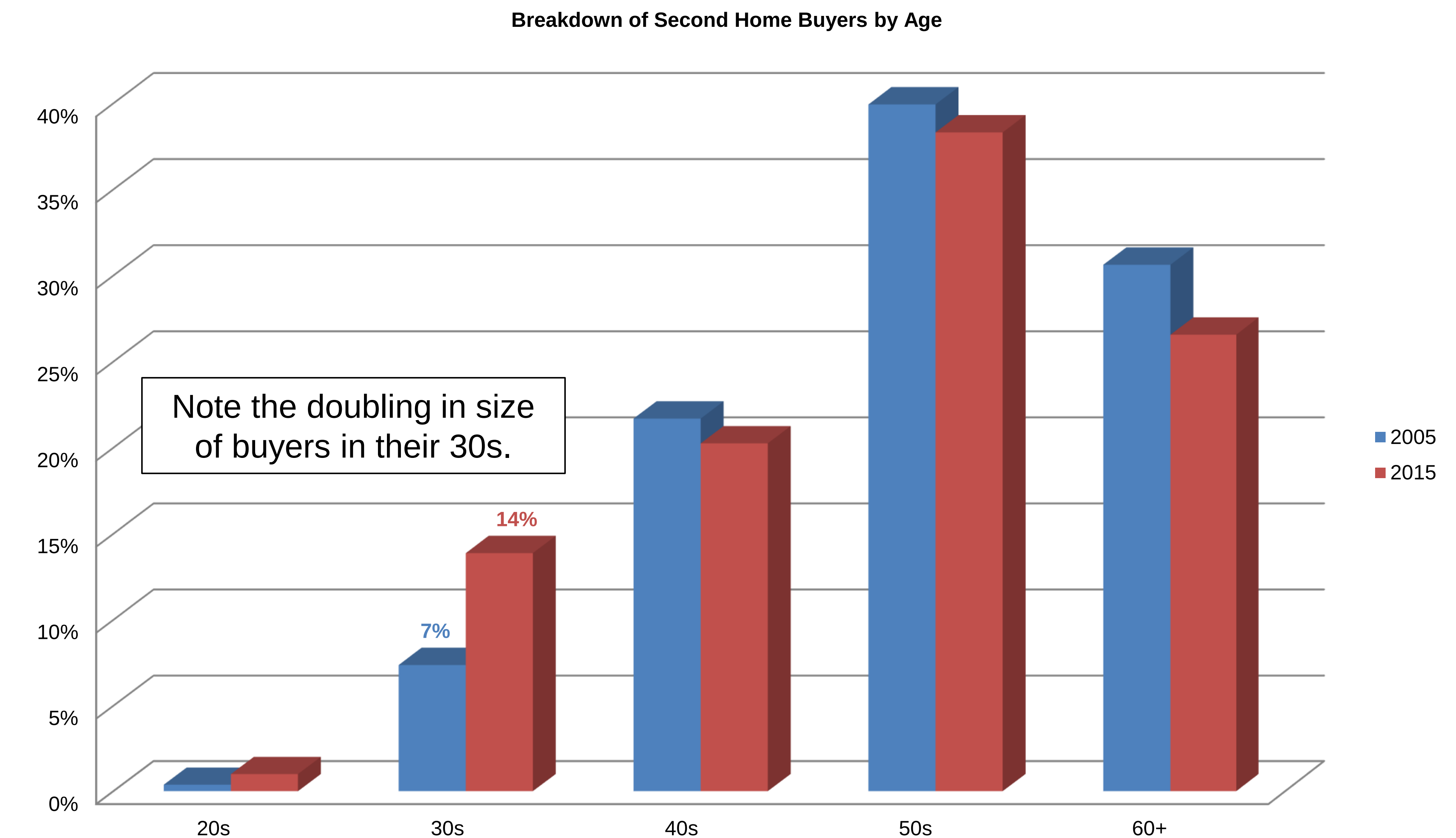
Then vs. Now:
What a Difference a Decade Makes?

Vacation Home Buyer Survey in Hawaii

Survey Methodology

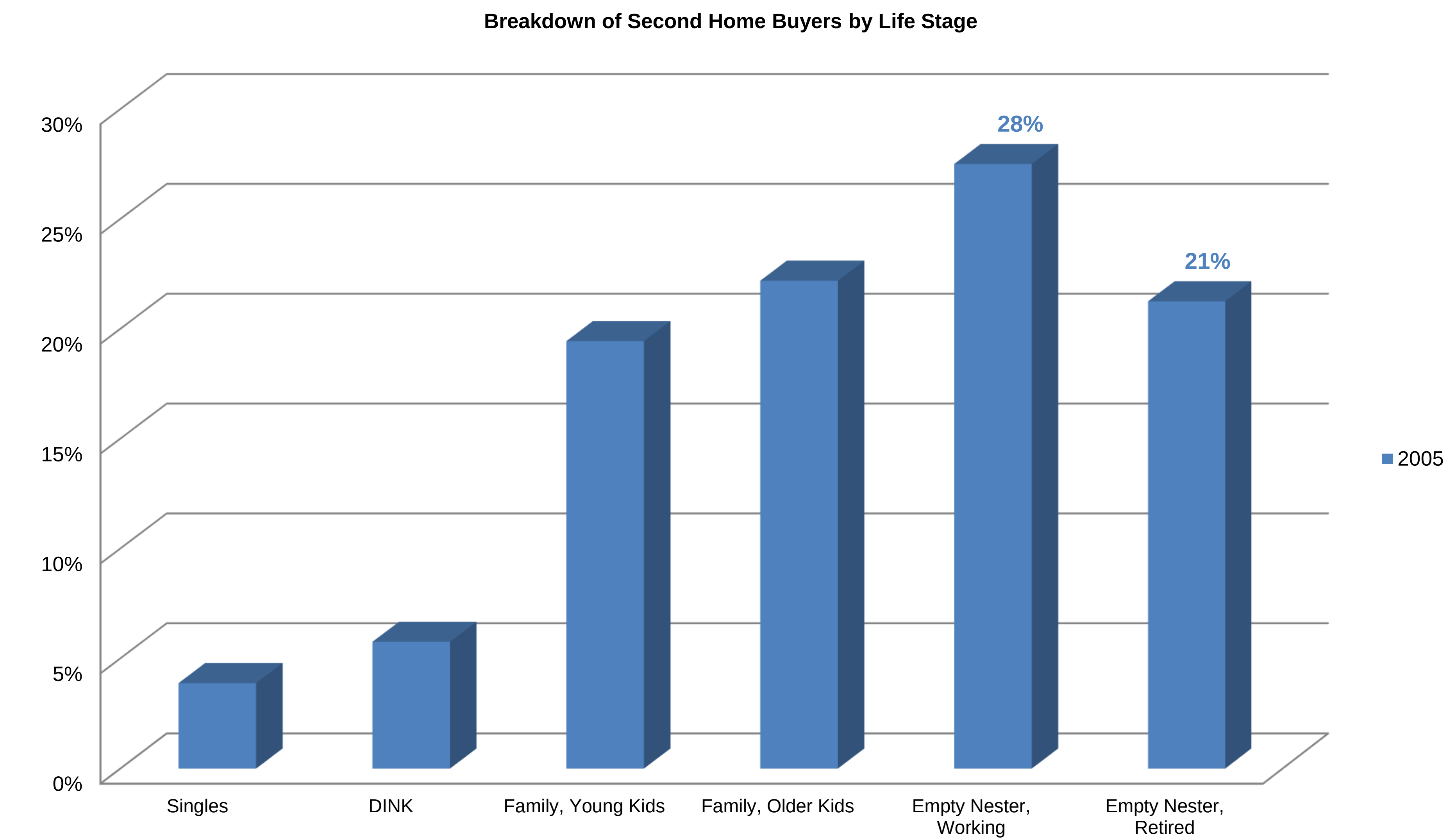
- Personally Visited All +/-17 New Second-Home Communities in Hawaii (Neighbor Islands Only)
- Big Island, Maui and Kauai
- Compare Second Home Buyer Characteristics: 2005 vs. 2015
- Only Surveyed Those with 10+ Years Experience Selling Second Homes
- Stand-Alone Subdivisions and Master Plans
- Price Points from the $500,000s to the $5+ Millions

Ages: Most Still Over 50, But Growing in the 30s



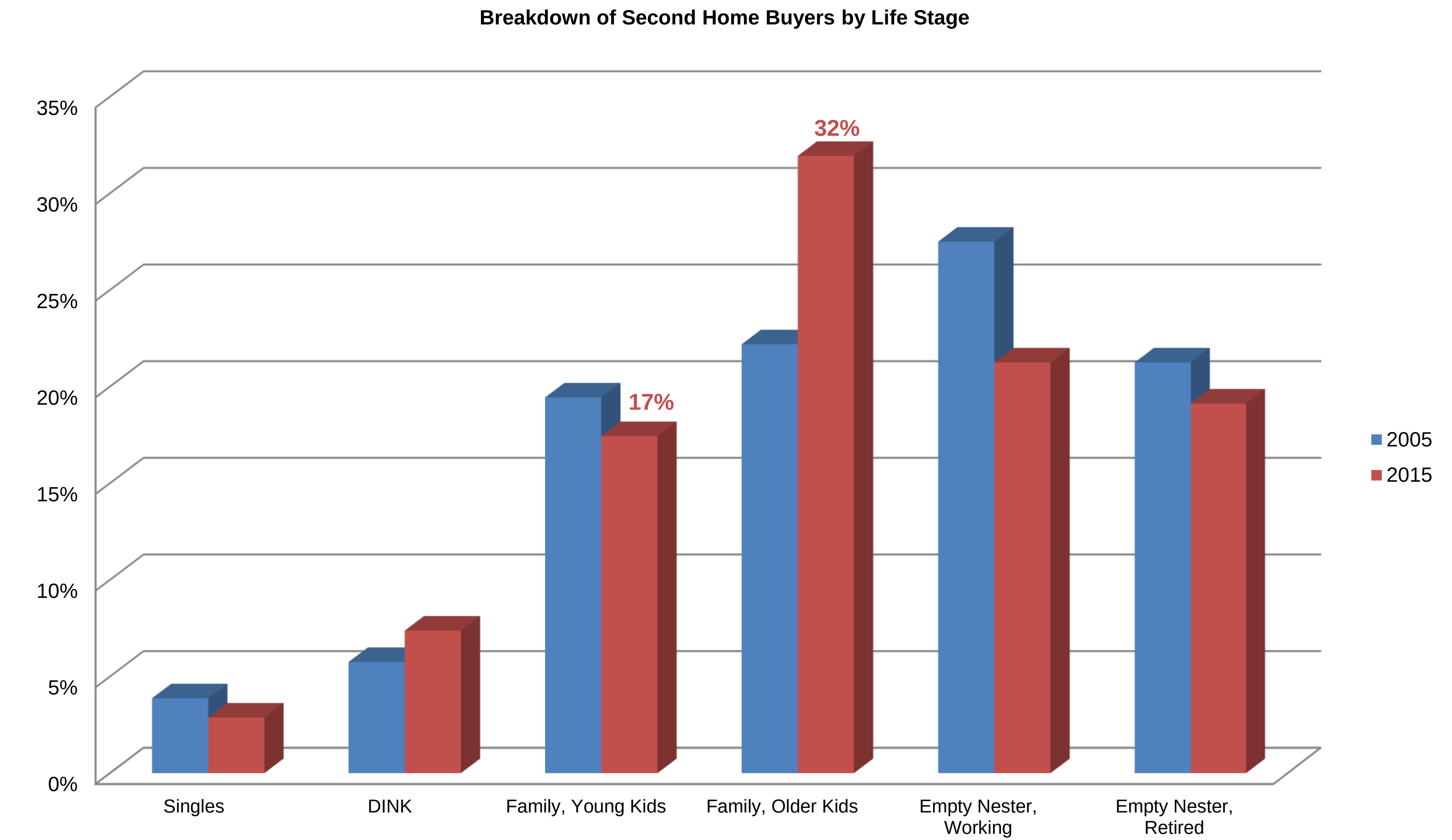
Source: Meyers Research

Then: Nearly Half (49%) Empty Nesters



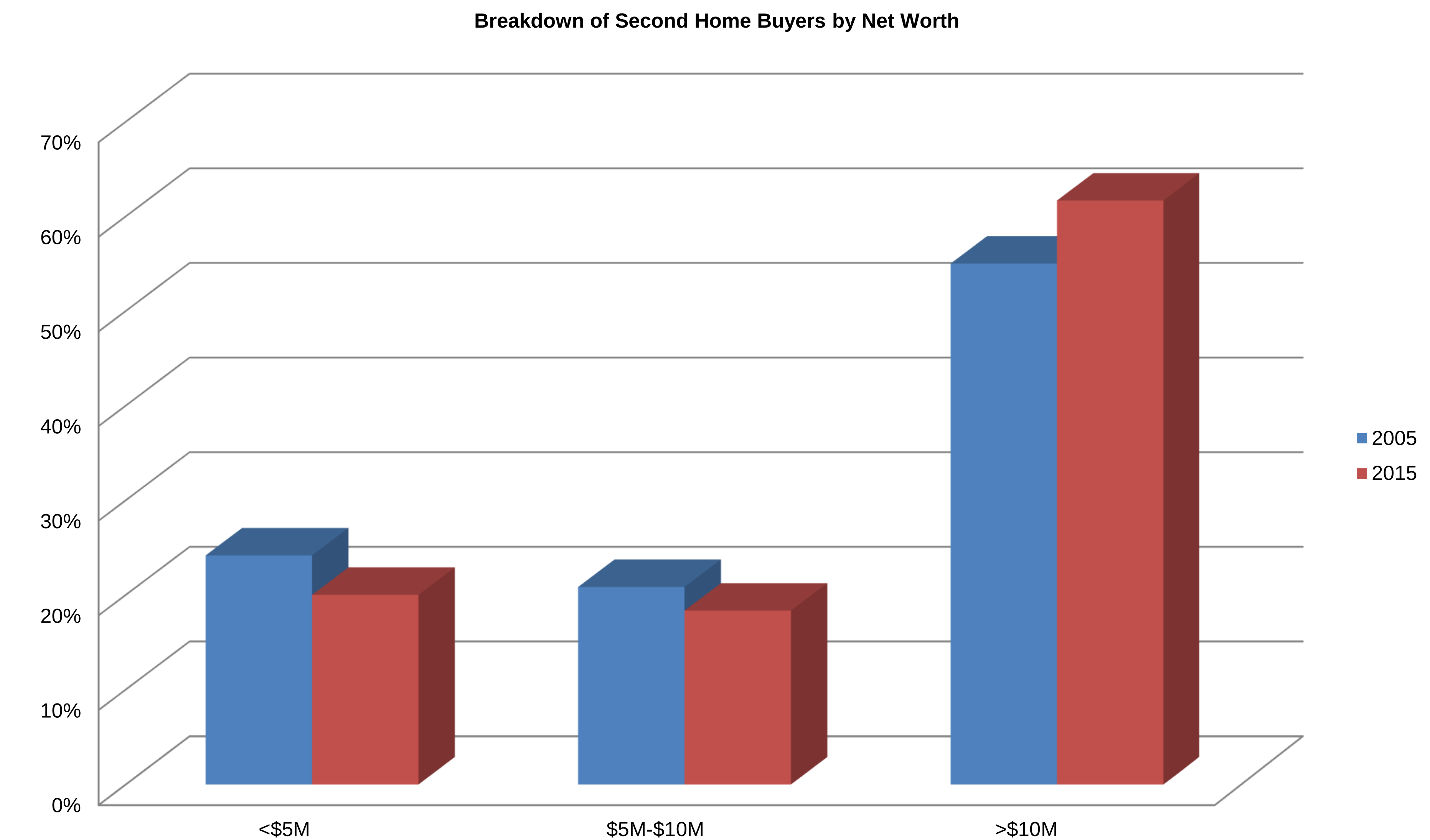
Source: Meyers Research

Now: Nearly Half (49%) Families



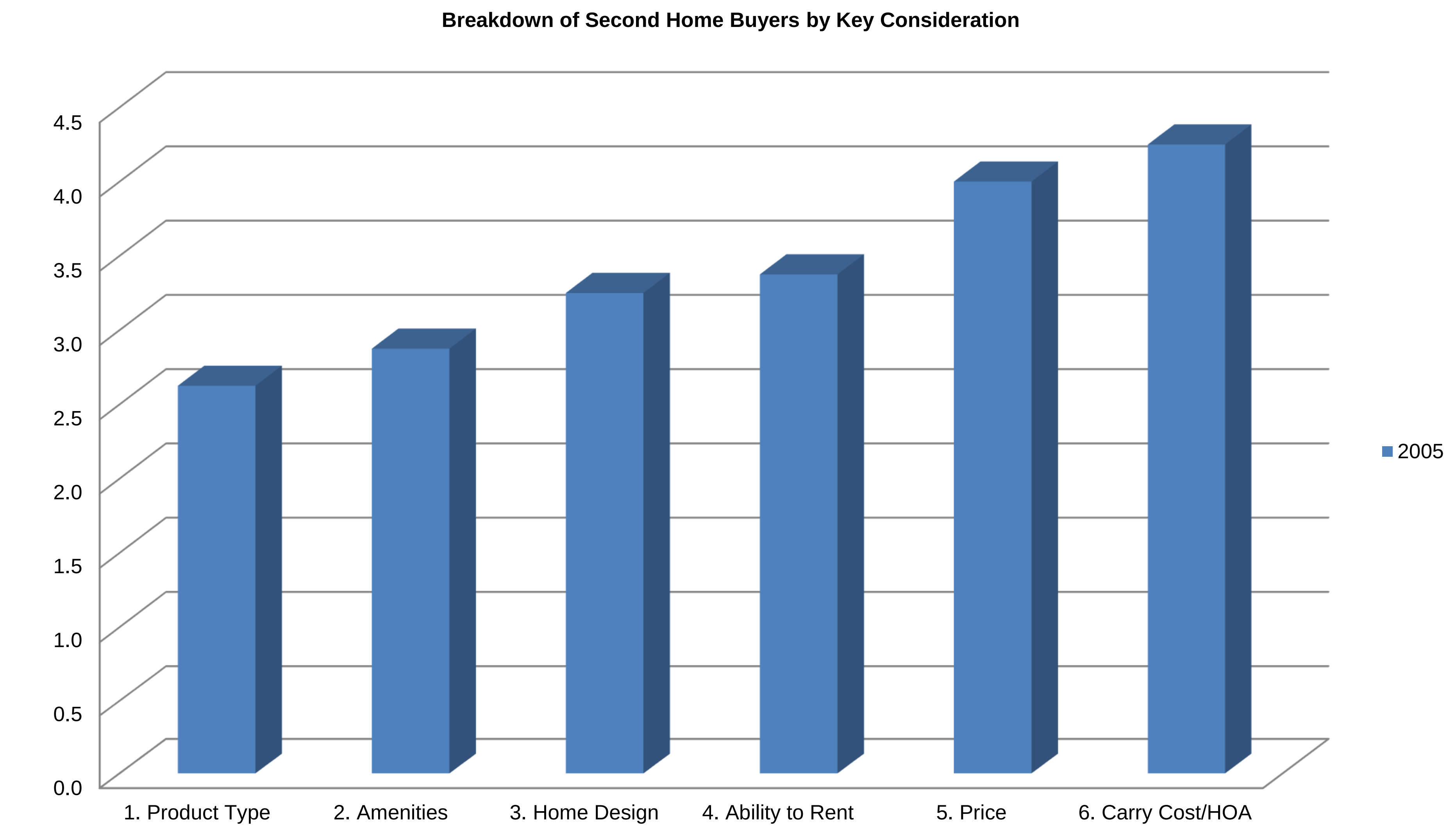
Source: Meyers Research

Varies by Product, but Usually Very Wealthy – More So Today



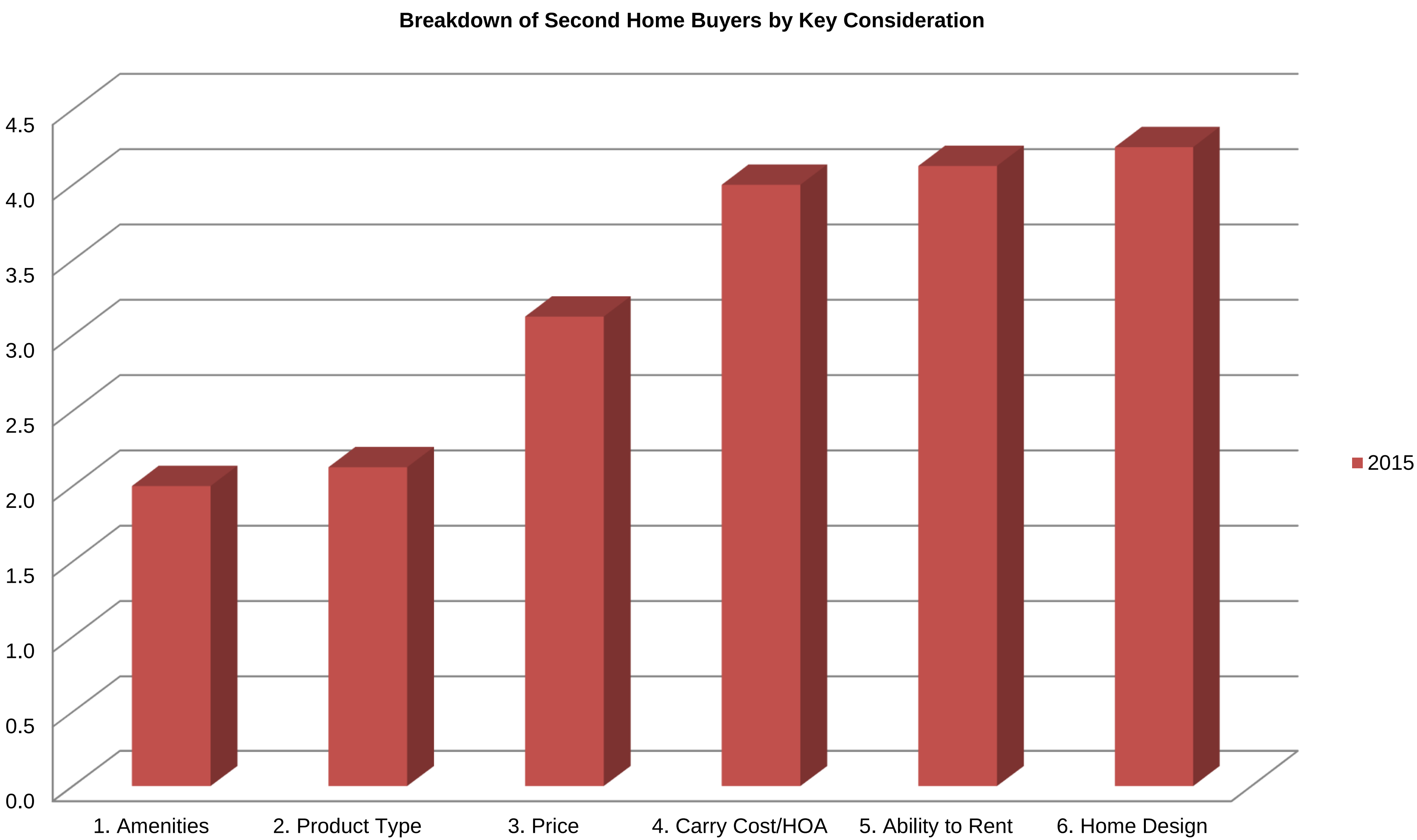
Source: Meyers Research

Key Considerations Then: Product Type and Amenities First, Cost Last



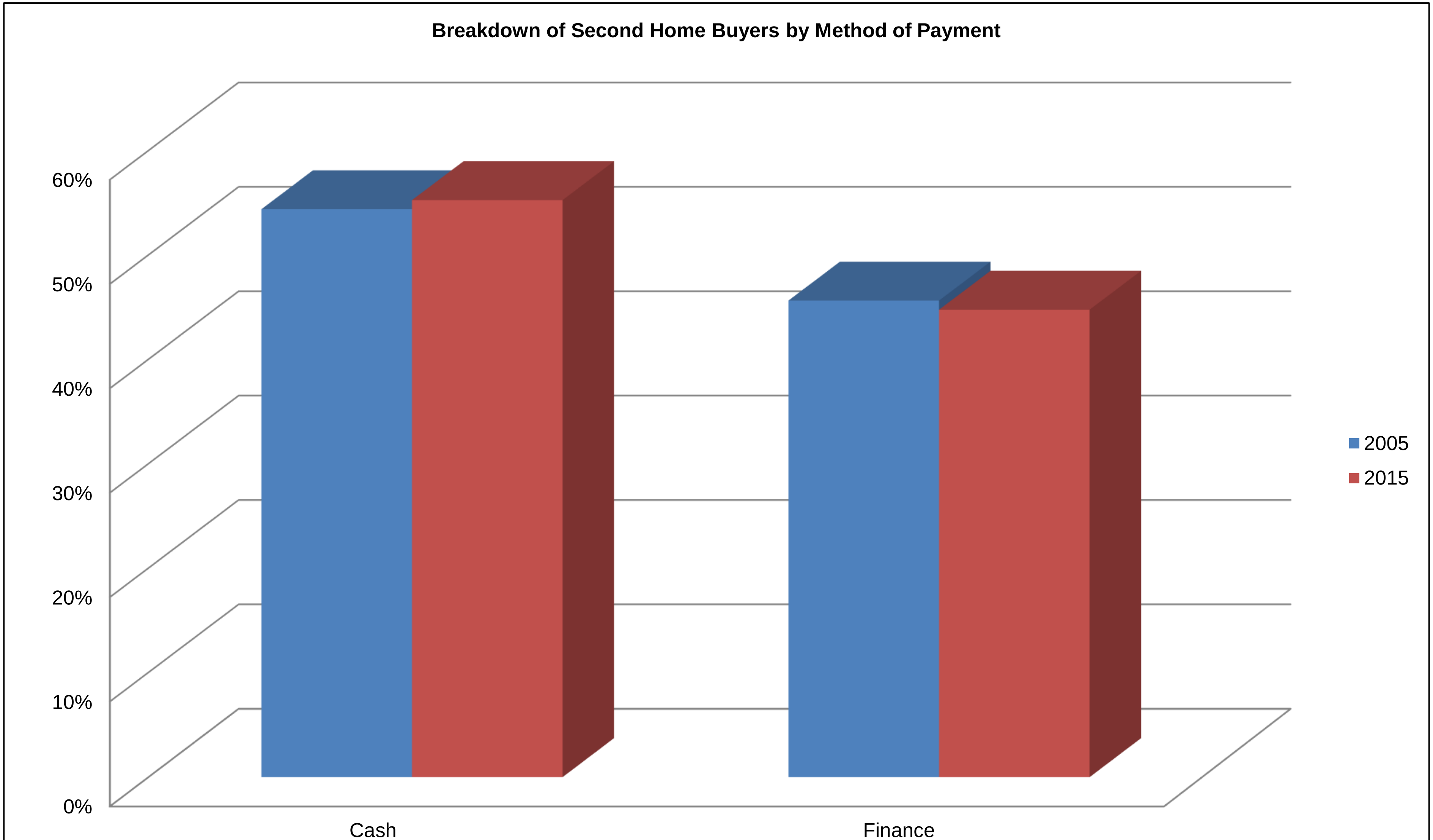
Source: Meyers Research

Key Considerations Now: Product Type/Amenities Still Key, but Price/Cost More Important



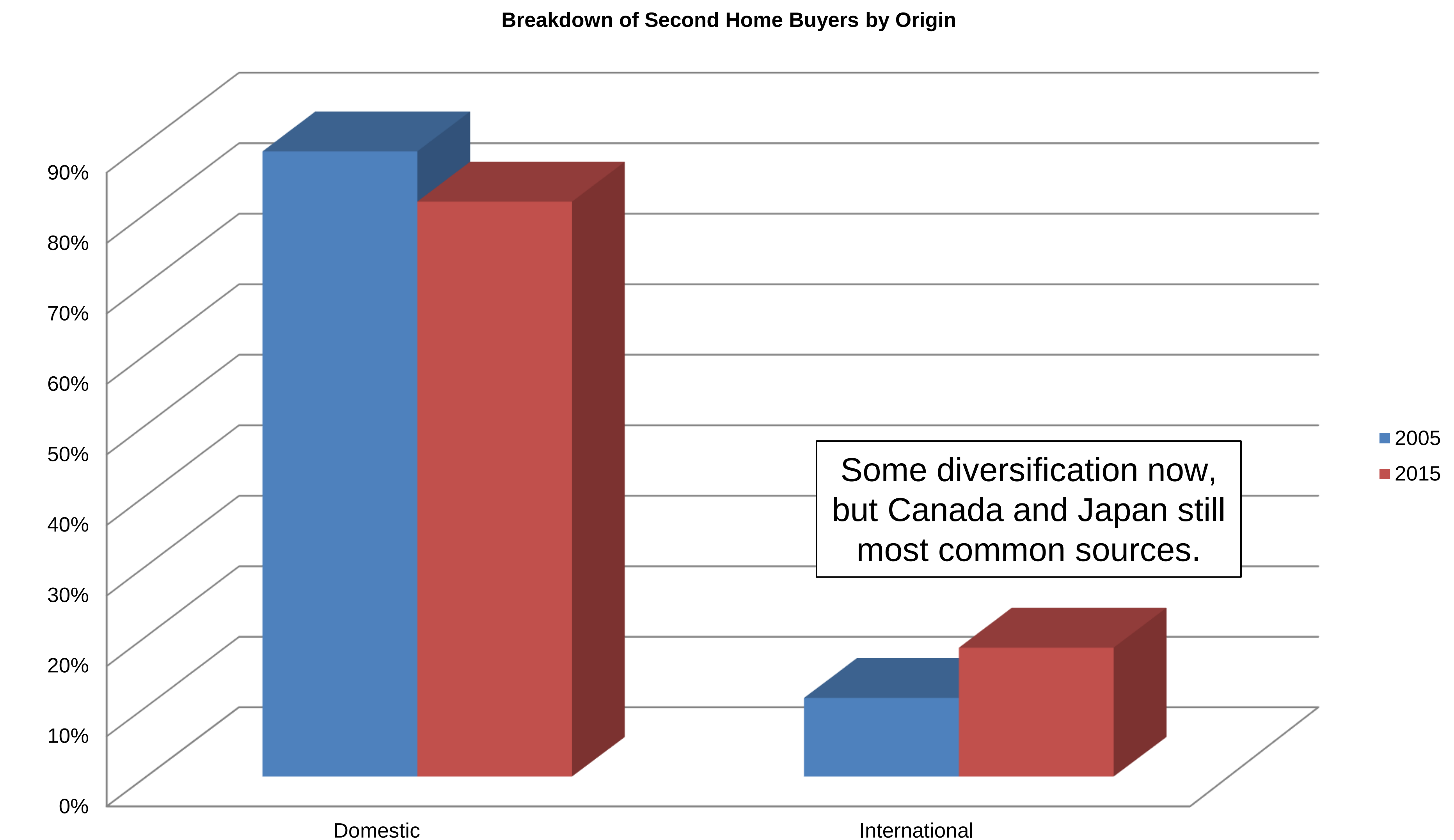
Source: Meyers Research

Even at the Highest End, Some People Choose to Finance



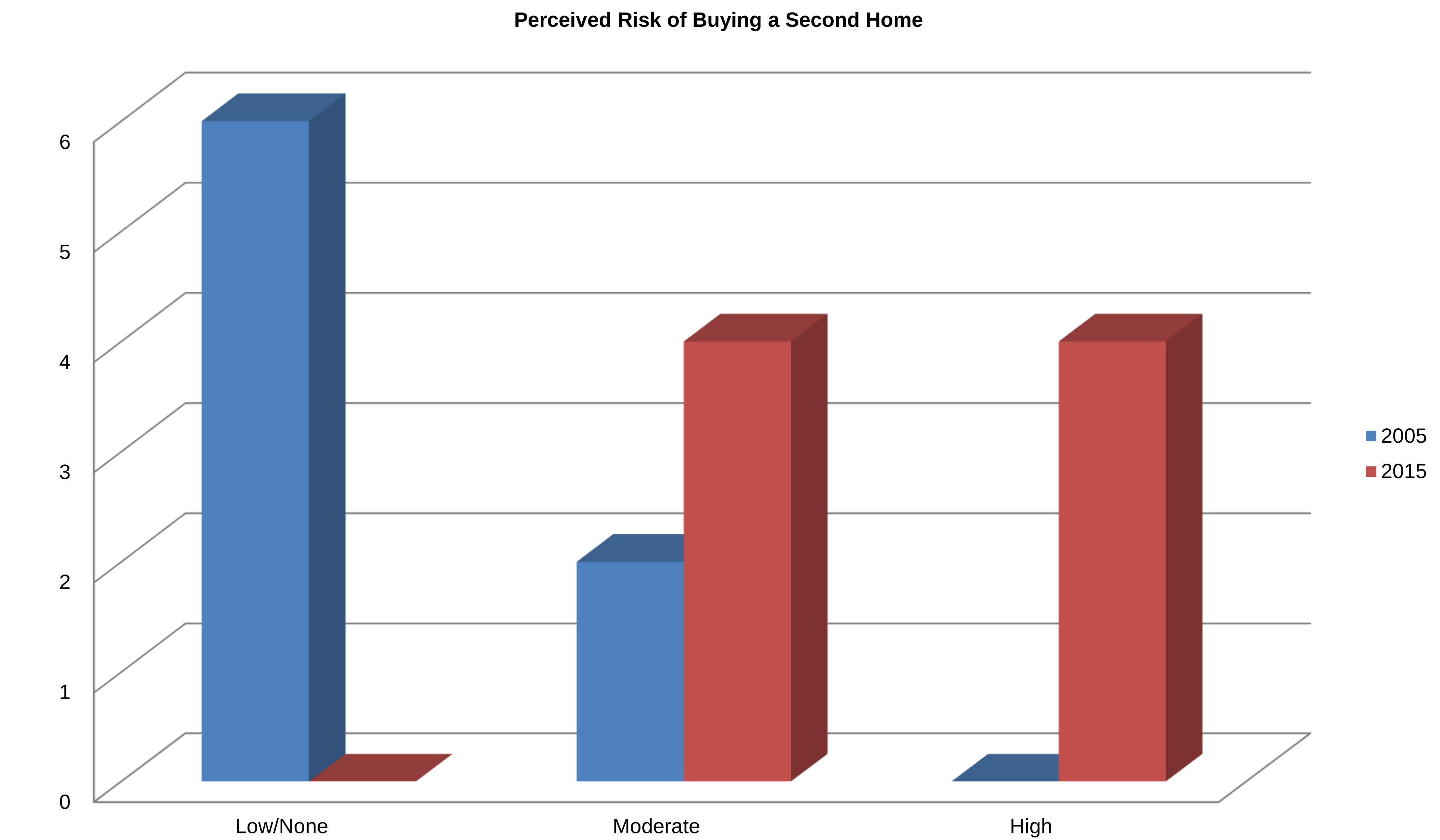
Source: Meyers Research

Slight Increase in International Purchasers, but Most Domestic



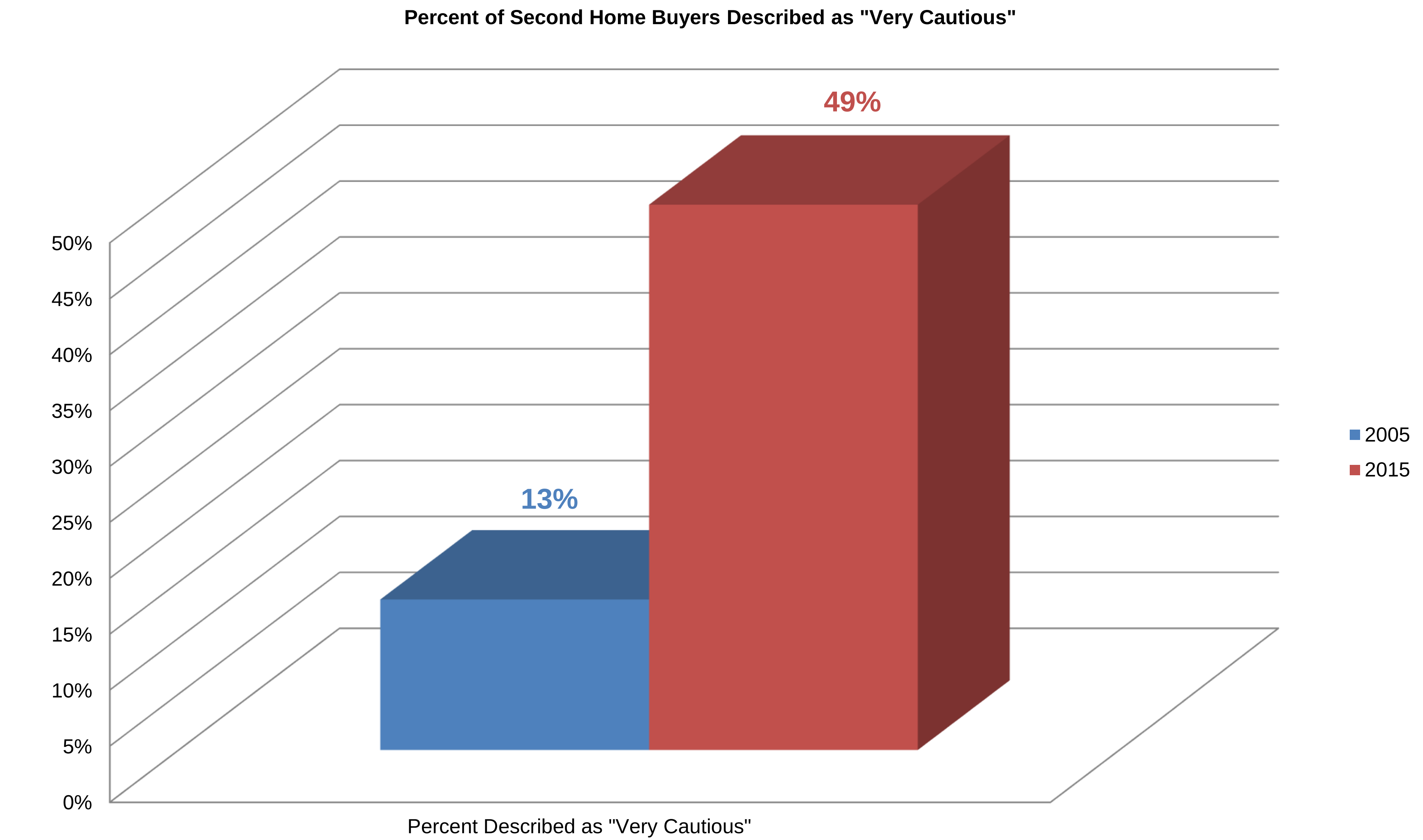
Source: Meyers Research

Perceived Risk of Buying a Second Home Much Higher Now



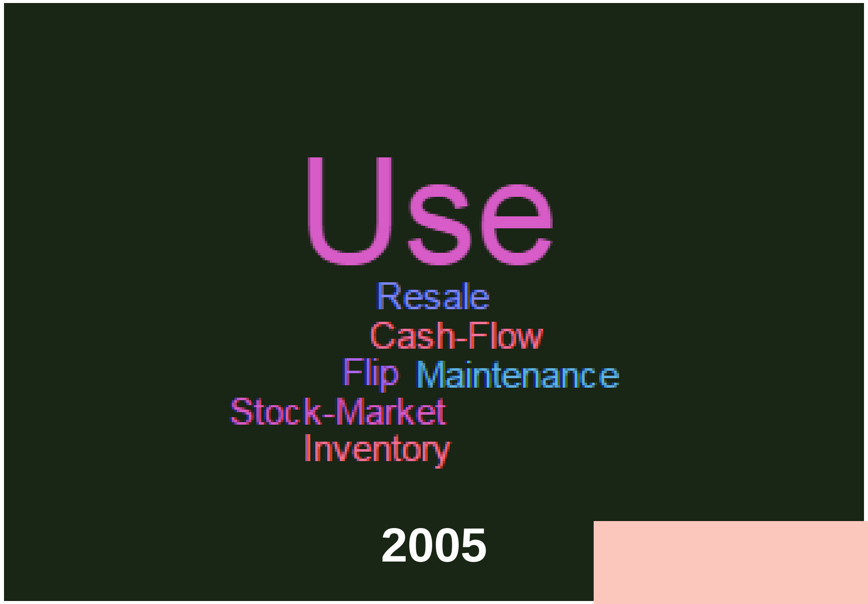
Source: Meyers Research

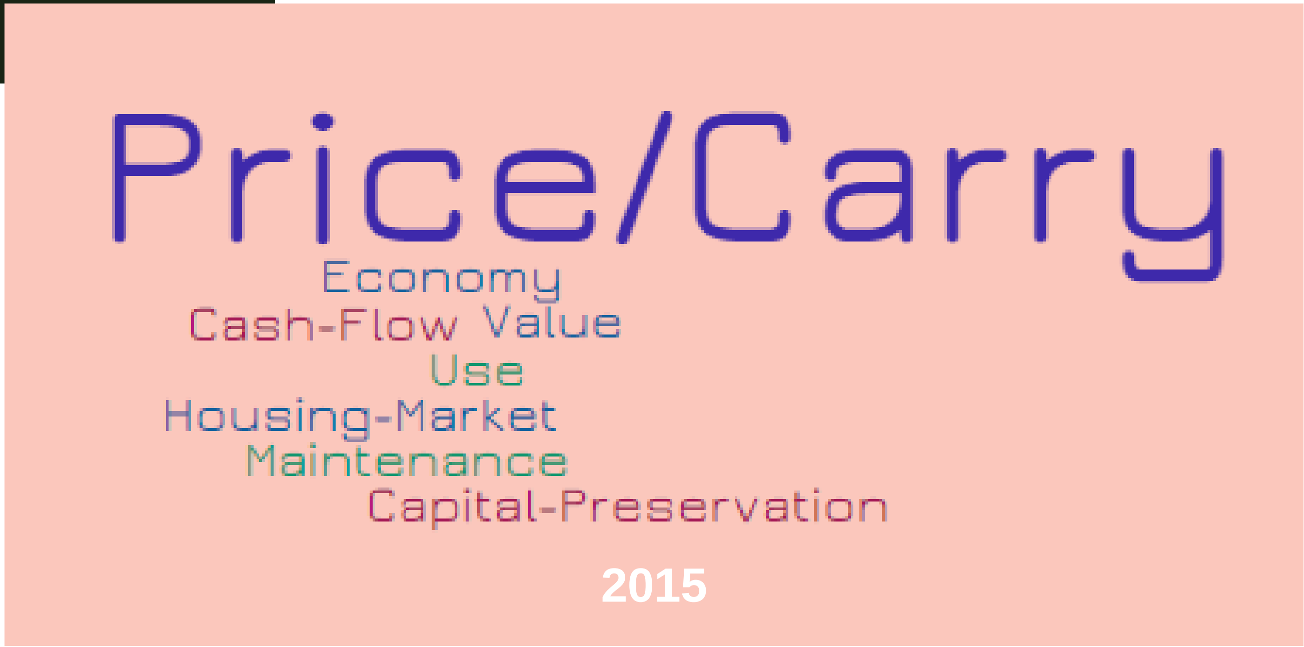
Buyers Considerably More Cautious



Source: Meyers Research

Biggest Concern: Use vs. Cost

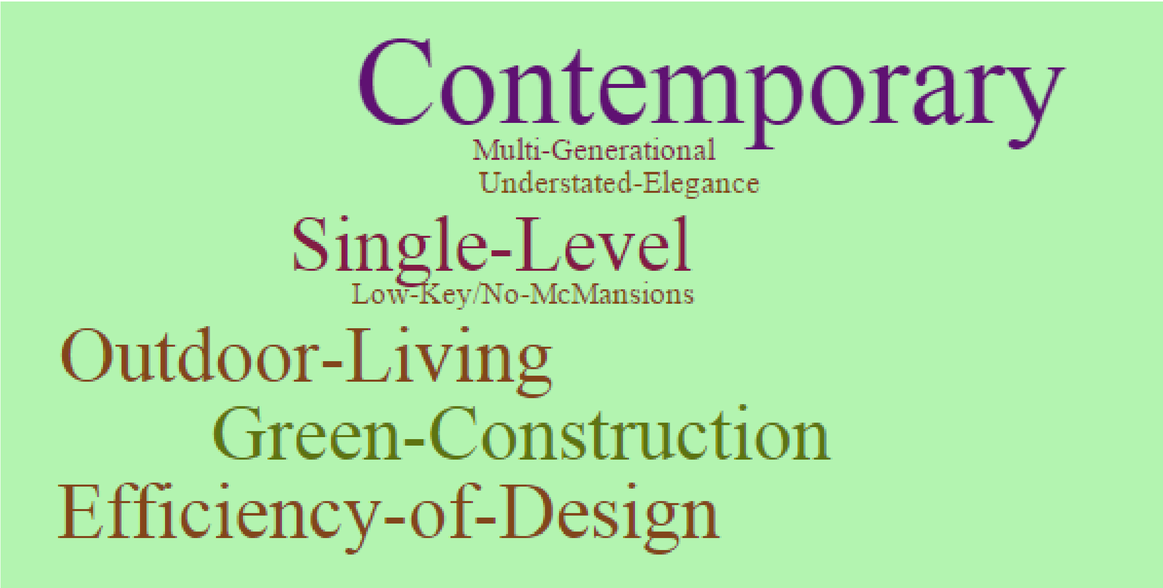




Amenities Then: Adult-Oriented (Not THAT Kind of Adult Orientation)

Amenities Now: Wellness and Family Oriented (Tennis Comeback?)

New Demands from Today's Buyers: Product

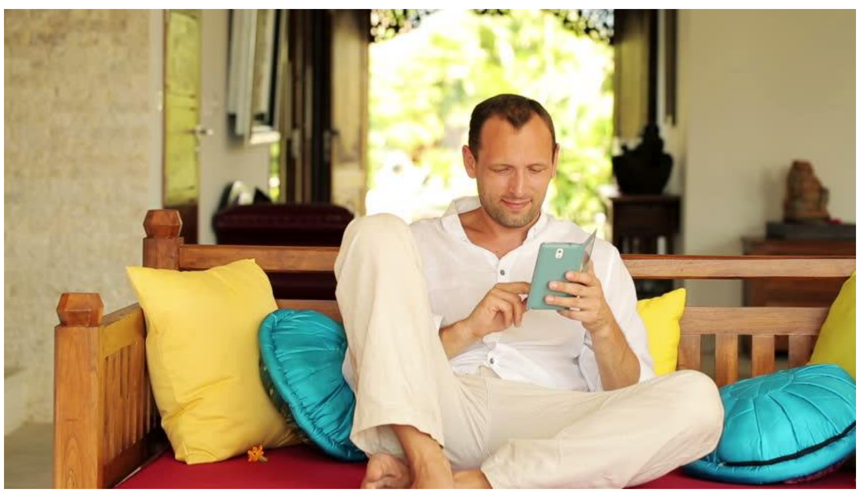


- Contemporary Look
- Efficiency of Design
- Understated Elegance
- Green Features
- Outdoor Living

New Demands from Today's Buyers: Services

Affordable-Luxury
Ease-of-Ownership
Demanding/Want-it-Now
Kid-Oriented
Fitness/Healthy-Living-Programming

- Not a Generic Attitude Change – a Function of Technology



New Demands from Today's Buyers: Costs

Less-Willing-to-Spend-on-Upgrades

Energy-Efficient

- Energy Efficiency is Key to Keeping Costs Down

New Demands from Today's Buyers: Design/Architectural

More-Practical/Right-Size

- No "McMansions" – Size They Will Use Versus Size They Can Show Off
- Different Meaning to Different People
- Finish Level Still Matters

New Demands from Today's Buyers: Resort Size

- Convention Hotel vs. Boutique Hotel
- Highest End Prefers Intimate Experience and Privacy
- Lower End May Appreciate Proximity to Services and Activities
- Reality is Both Can Work

Next Generation Examples

Vacation Home Developments

Kohanaiki – the Big Island's Latest and Greatest

- Kona Coast of the Big Island
- Partnership Between IHP Capital and Kennedy Wilson
- 450 Acre Private Club
- 18-hole Rees Jones Golf Course
- 2 Miles from the Kona International Airport
- Custom Lots, Production Villas and Townhomes and the Hale Club (Private Residence Club)
- Lower HOA Dues Than Competitors, but Similar/Better Amenities (Water a Big Component)

Massive Clubhouse Under Construction

- 67,000 Square Foot Clubhouse With:
  - ✓ Spa
  - ✓ Fitness Center
  - ✓ Restaurant
  - ✓ Kids Club
  - ✓ Movie Theater
  - ✓ Bowling Alley
  - ✓ Arcade
  - ✓ Adults Only Card and Cigar Lounge
  - ✓ Private Dining Rooms
  - ✓ Wine Tasting Room
  - ✓ Brewing Facility for On-Site Brewmaster

Organic Farm a Popular Addition

- 60 Varieties of Fruits, Vegetables and Herbs
- Used by On-Site Restaurants
- Home Owners Can Pick Directly from the Farm for Use in Their Home

Sports Complex Promotes Active Lifestyle

- Three Tennis Courts
- Half Court Basketball Court
- Batting Cage
- Fully Stocked Comfort Station
- Children's Playground

Strong Demand for Contemporary, Next-Generation Product

- Townhomes in the $2.8 to $3.0 Million Range
- Semi-Custom Hales in the $3.9 to $5.9 Million Range
- Custom Estates Up to $17.5 Million (Currently)
- Custom Lots Up to $14 Million

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New Stellar Residences at Northstar/Tahoe Break the Mold

- Ski-In/Ski-Out in Northstar/Tahoe, California
- 16 units, 10 Duplex/6 Detached
- Opened in 2015
- Designed by the same team that imagined the Apple stores
- Homes range from 2,100 to 3,400 square feet
- Asking prices that start around $1,000/SF

Stein Eriksen Residences – "New Mountain Contemporary"

- Ski-In/Ski-Out in Deer Valley, Utah
- 15 Single Family Homes & 39 Condos
- Opened December 2013
- Homes range from 2,100 to 8,200 SF
- 43 Sold at +/-$1,200/SF

Key Takeaways

- The Second Home Market is Back (To Some Degree)
- Strength is at the Highest End
- New Product Finally Being Built at Lower End as Well
- Buyers are Cautious
- Focus on the Family (Multi-Generational)
- Contemporary Product Design is In
- Green/Energy Efficient is Important
- Amenity Themes: Outdoor, Organic, Wellness

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