Meyers RESEARCH
a Kennedy Wilson Company

Builder, Developer Real Deal Strategies – Setting the Stage

ULI Fall Meeting
Dallas, Texas
October 27, 2016

Moderator: **Tim Sullivan**, Managing Principal, Meyers Research LLC, a Kennedy Wilson Co.

Laurie Ford, Senior VP, Newland Mid-Atlantic Region
Erik Heuser, Chief Strategy Officer, Taylor Morrison, Inc.
Paul Johnson, Senior Vice President Community Development, Rancho Mission Viejo
David Hale, Vice President of Land Development, David Weekley Homes

UNCERTAINTY IS AROUND US

We are 7 years into an economic expansion.

External

- Brexit
- China

Internal

- Presidential Election
- Rate Hike

BIG BLOW TO MARKETS DURING THE HOUSING BUST

FHA Loan Limits

Source: Federal Housing Administration

County	2013	2014	Change
Inland Empire (Riverside & San Bernardino Counties)	$500,000	$355,350	-28.90%
Las Vegas (Clark County)	$400,000	$287,500	-28.10%
Phoenix (Maricopa County)	$346,250	$271,050	-21.70%
Miami (Miami-Dade County)	$423,750	$345,000	-18.60%
DC (DC, Arlington, & Alexandria Counties)	$729,750	$625,500	-14.30%
Chicago (Cook County)	$410,000	$365,700	-10.80%

Houston	$271,050	$295,550	9.04%
Austin	$288,750	$305,900	5.94%

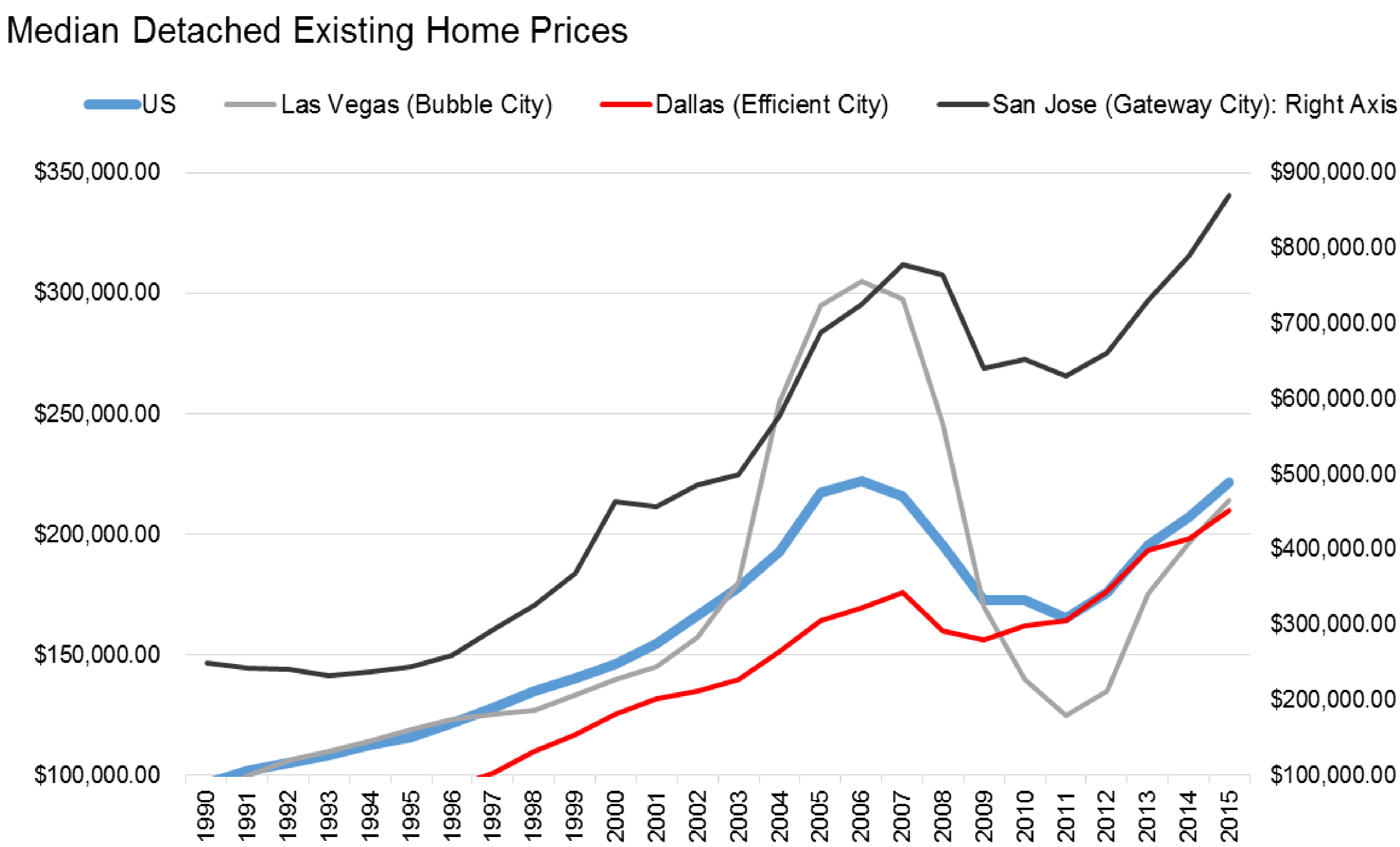
PRICED BELOW FHA LIMIT = KEY TO MORE SALES

FHA	July 2016 Avg. Price and Per-Project Sales Rate by County Maricopa Co., AZ ($271K)	Harris Co., TX ($330k)	Orange Co., FL ($275k)	Riverside Co., CA ($357k)
Below Limit	4.11	3.46	3.44	3.61
Above Limit	2.18	1.25	2.07	3.10
Ratio	**1.9 to 1**	**2.8 to 1**	**1.7 to 1**	**1.2 to 1**

Source: Zonda

Meyers RESEARCH | ZONDA

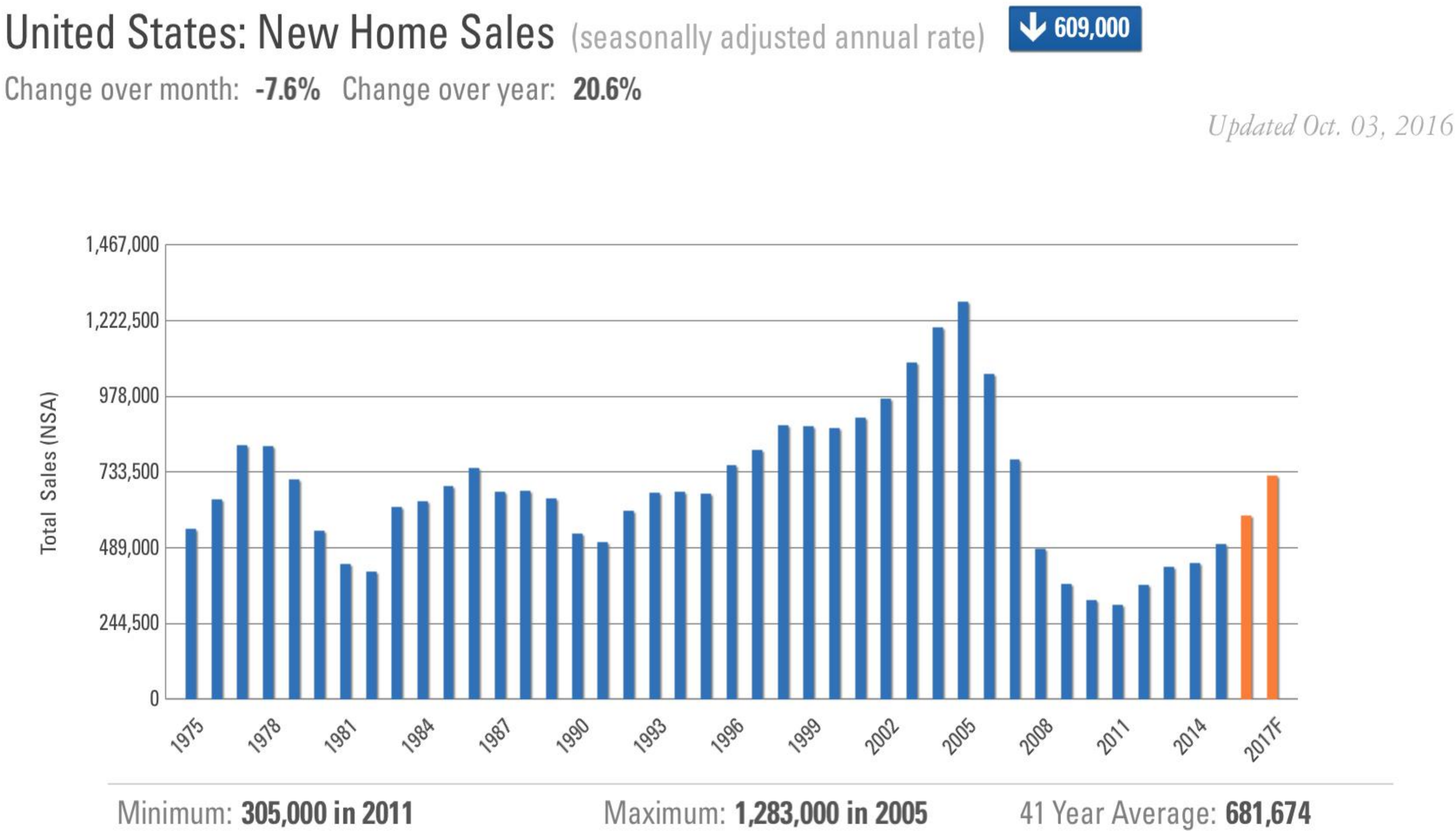
RECOVERY: DIFFERENT FOR BUBBLE MARKETS



Meyers RESEARCH | ZONDA™

ALL THINGS CONSIDERED, HOUSING IS DOING WELL

The last run up twisted our perspective of “normal”.

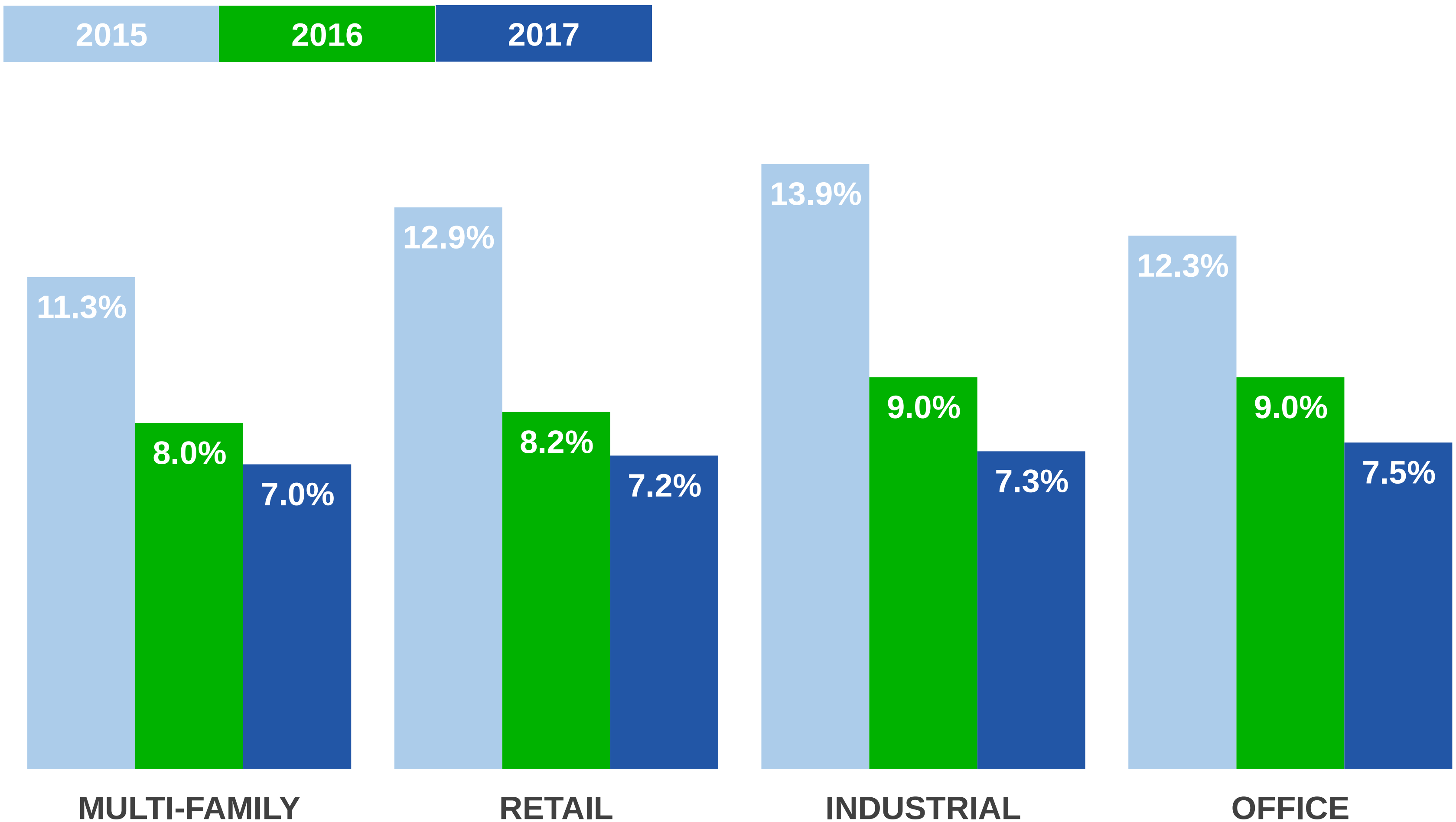


Source: U.S. Census Bureau, Moody's Analytics; Zonda by Meyers Research. Data as of September 26, 2016. Next release is October 26, 2016.

MODERATING RETURNS WILL BENEFIT RESIDENTIAL

Return Expectation by Asset Class (2015-2017)

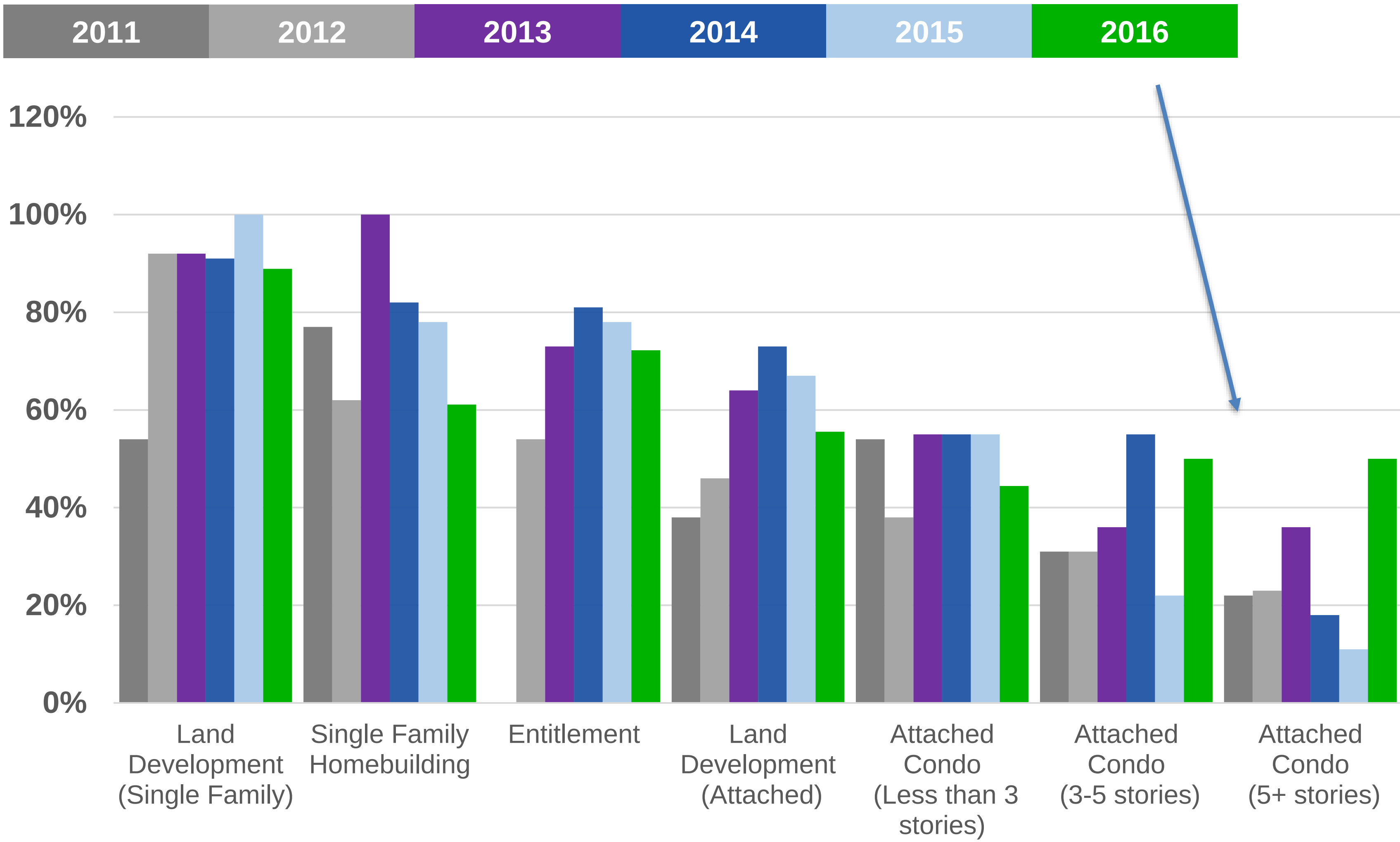
Source: Federal Reserve



ATTACHED BECOMING MORE INTERESTING

What Is Your Target Product Type

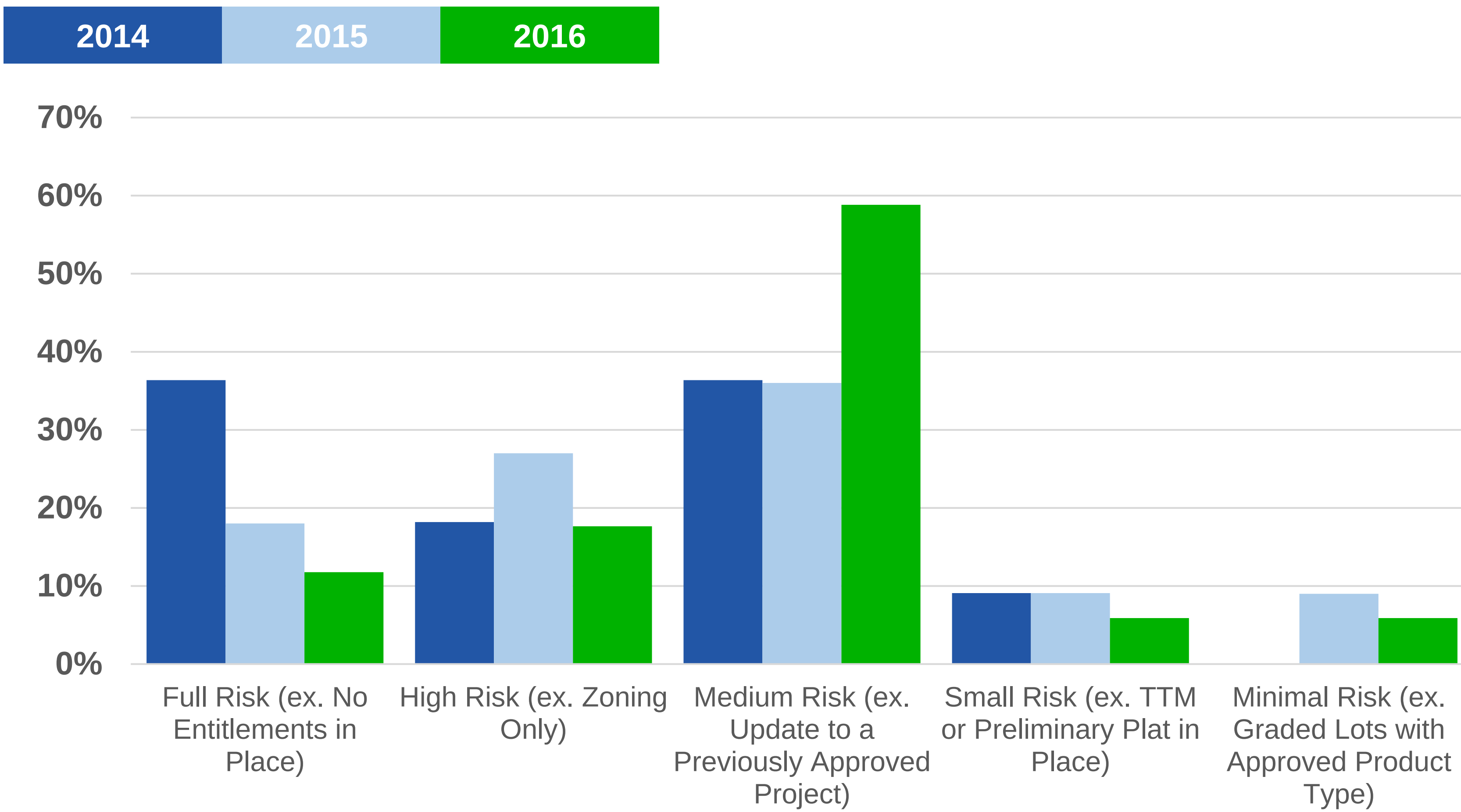
Source: Meyers Research



UNENTITLED IS NOW TOO RISKY

What Is Your Maximum Entitlement Risk

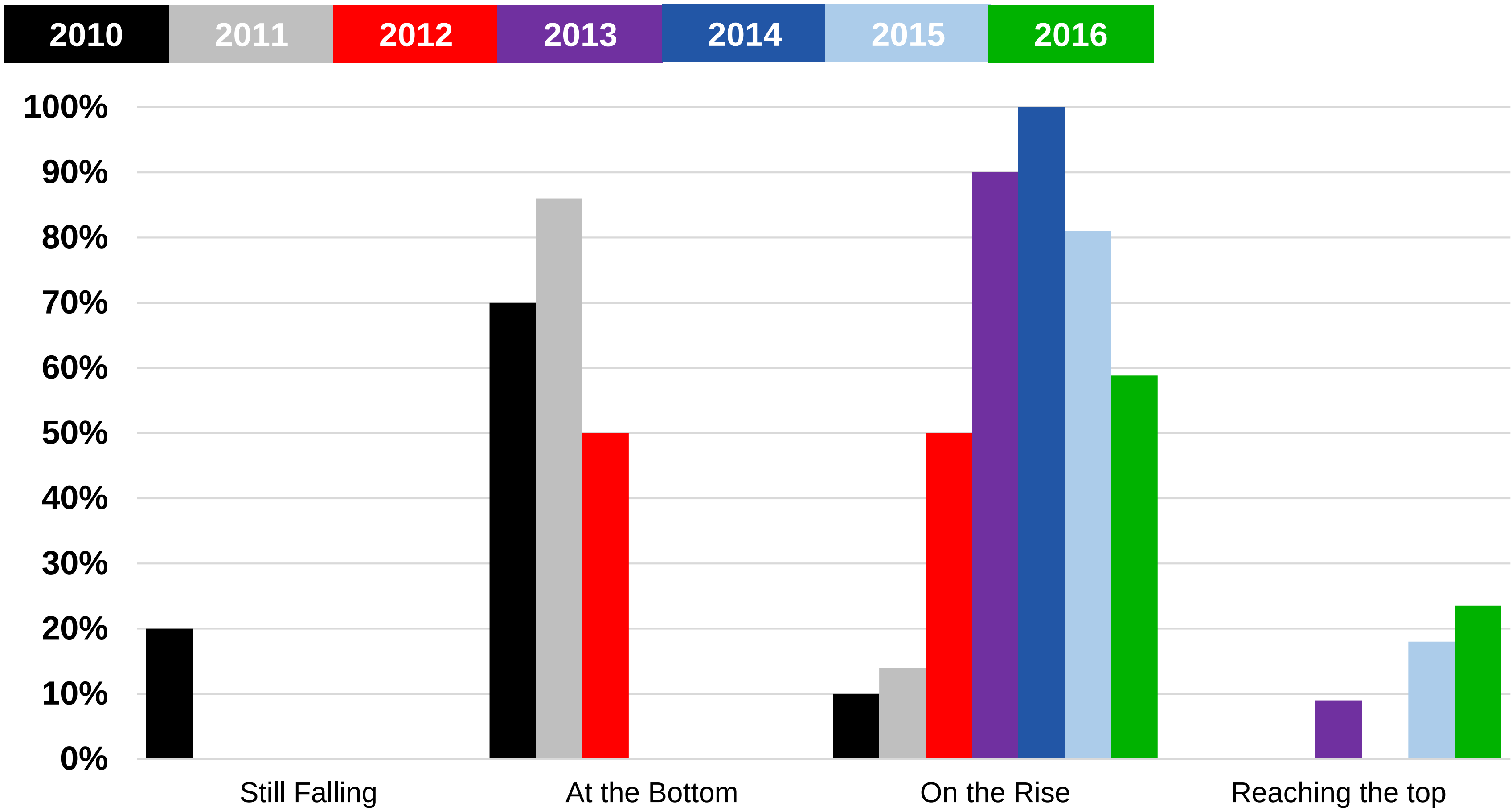
Source: Meyers Research



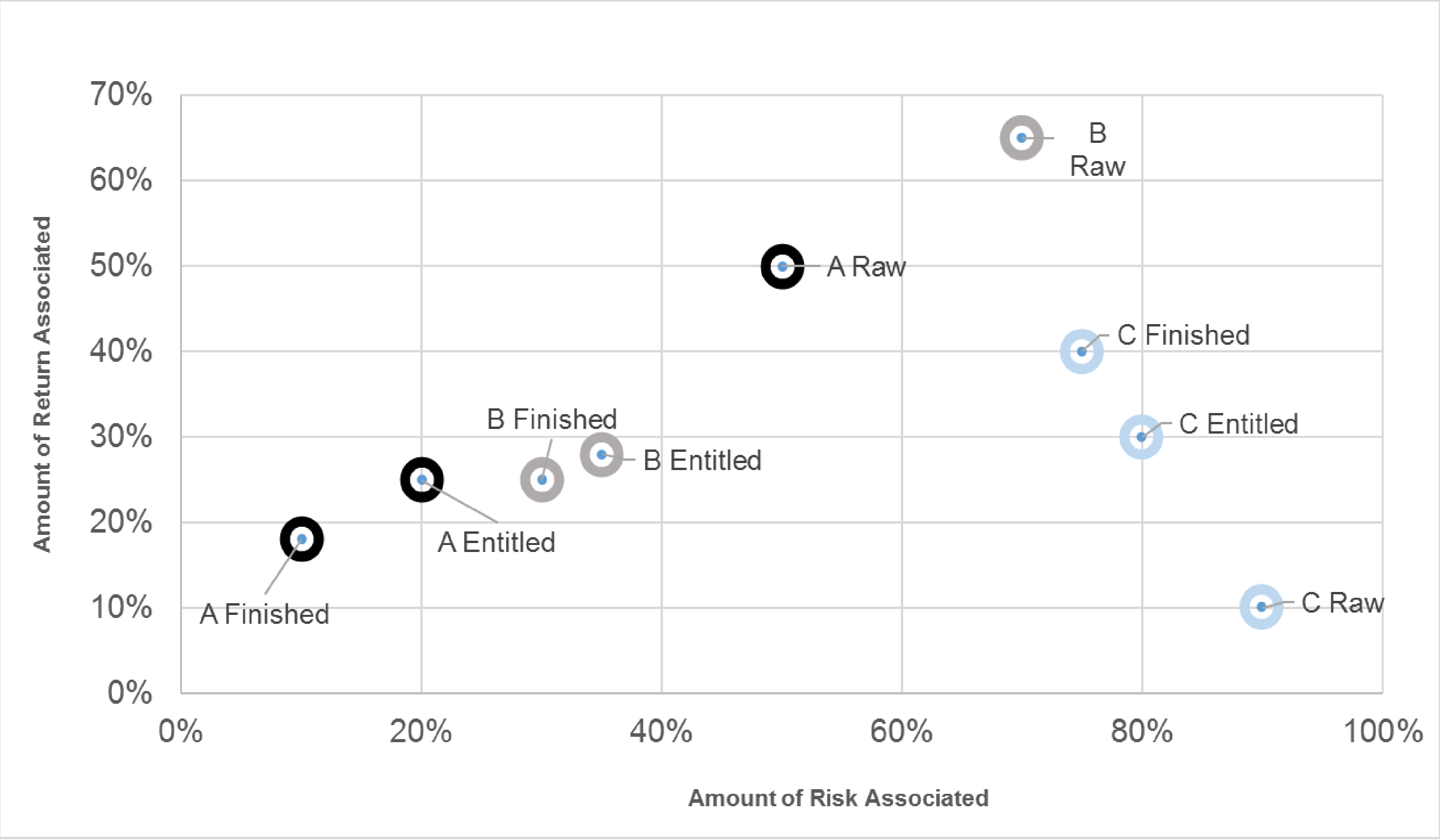
MARKET FORECAST

Where Are We In The Cycle?

Source: Meyers Research



RISK AND RETURN



LESSONS LEARNED AND FUTURE LOOK

Lessons Learned

1. This recovery is different than any in the past
2. Curveball: government intervention
3. Location, location, location
4. Length of economic cycle

Where Do We Go From Here?

1. Focus on A and B locations
2. Shorter duration projects <3 years
3. Manufactured sites (focus on retail)
4. Look towards density solutions

SETTING THE STAGE….

Labor Shortages

Recession?

Where in the Cycle are WE?

Demographics

Scale and Timeframe

Absorption Vs Pricing

MPC and Mixed Use

Public vs Private

Consumer Preferences

Debt and Equity

Increasing Densities

Profit Margins

Lessons Learned

Relationships

BEVERLY HILLS | SAN DIEGO | ORANGE COUNTY | BAY AREA | DALLAS | PHOENIX | DENVER | PHILADELPHIA | NEW YORK

Meyers RESEARCH
a Kennedy Wilson Company

Builder, Developer Real Deal Strategies – Setting the Stage

ULI Fall Meeting
Dallas, Texas
October 27, 2016

Moderator: **Tim Sullivan**, Managing Principal, Meyers Research LLC, a Kennedy Wilson Co.

Laurie Ford, Senior VP, Newland Mid-Atlantic Region
Erik Heuser, Chief Strategy Officer, Taylor Morrison, Inc.
Paul Johnson, Senior Vice President Community Development, Rancho Mission Viejo
David Hale, Vice President of Land Development, David Weekley Homes

$10M TO $20M DEALS ARE STILL THE IDEAL