Young Consumers – What do They Really Want?

Presented by:

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YOUNG CONSUMERS WILL HAVE AS DRAMATIC IMPACT AS THE BABY BOOM

Generation	Born	2006 Age	2006 % of Nation	2006 # of People	Average Annual Births
Eisenhowers	Before 1946	61+	16%	48M	2.6
Baby Boomers	1946 – 1964	42 – 60	26%	76M	4.0
Generation X	1965 – 1980	26 – 41	21%	62M	3.4
Echo Boomers/Gen Y	1981 – 1999	7 – 25	28%	83M	3.9
Post Echo/Gen Z	After 2000	0 – 6	9%	28M	4.0

SOURCE: Claritas, National Center for Health Statistics

YOUNG CONSUMERS

Generation Y came of age during the Information Revolution centered on widespread adoption of the Internet.

Personal computers, cell phones, instant messaging, cable, and internet – socialize electronically

Few have memories of the cold war

Gulf War, Oklahoma City Bombing, September 11, Afghanastan, War in Iraq

More tolerant – racial issues, gay rights, gender roles

Columbine High School Shooting

Most medicated generation

IF THEY ACT LIKE PREVIOUS GENERATIONS, RENTAL IS A GOOD BET

	Student Housing	Single & Roommate Rental	Rent as Couple / 1st Home	Young Family Own	Mature Family Own	Empty Nester Downsize Own	Retiree Senior Housing
2006	Gen Y	Gen Y	Gen X	Gen X	Gen X, Baby B	Baby B	Eisen, Baby B
2010	Gen Y	Gen Y	Gen Y	Gen X	Gen X, Baby B	Baby B	Eisen, Baby B
2015	Gen Y	Gen Y	Gen Y	Gen Y	Gen X	Gen X, Baby B	Eisen, Baby B
2020	Gen Z	Gen Y	Gen Y	Gen Y	Gen X, Gen Y	Gen X, Baby B	Eisen, Baby B

BUT WILL THEY ACT LIKE PREVIOUS GENERATIONS?

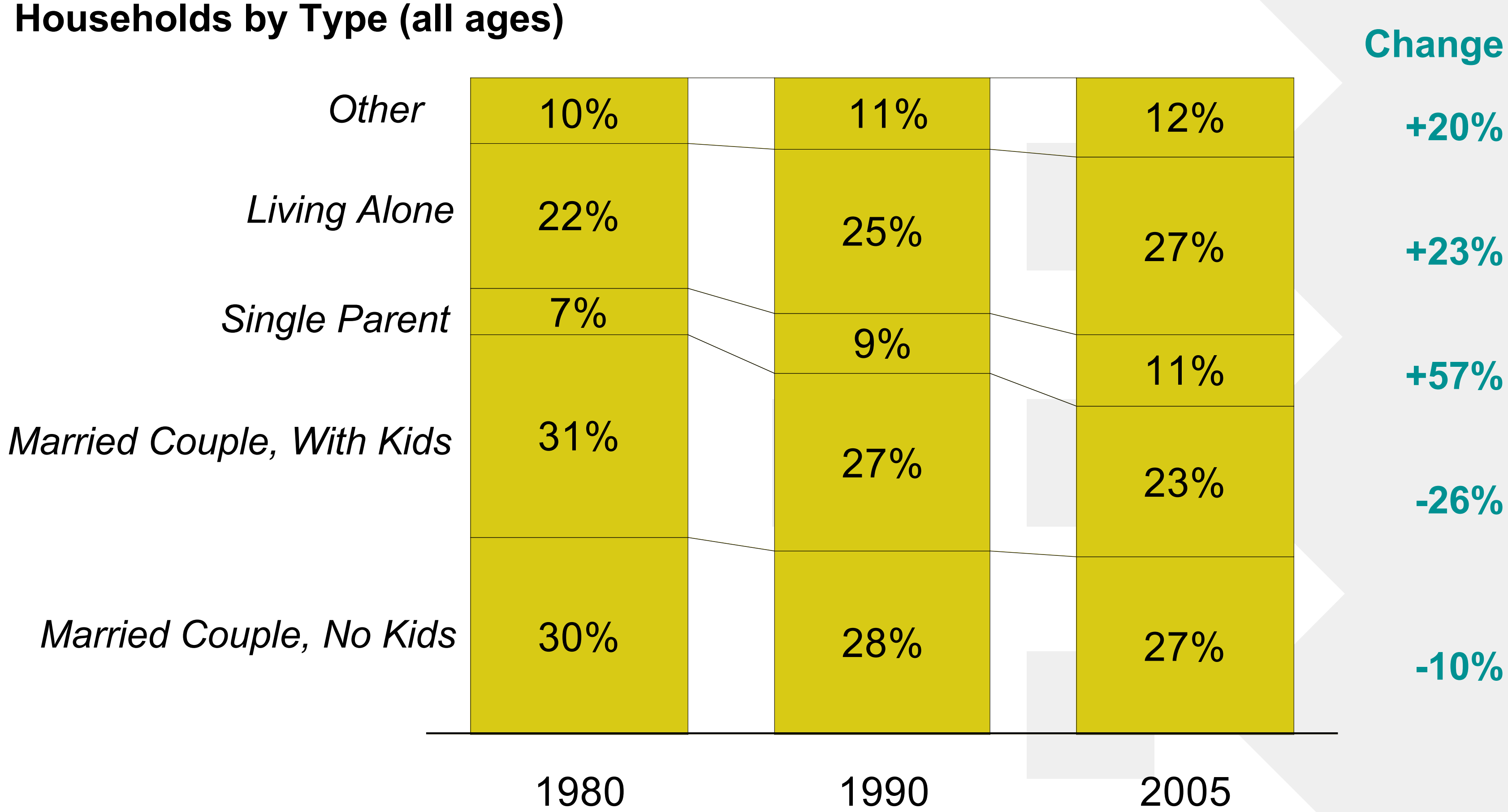
Key changes

- Non-traditional households
- Minorities
- Barriers to homeownership
- Move away from "home town"

What does this mean?

SHIFT TOWARDS NON-TRADITIONAL HOUSEHOLDS

Households by Type (all ages)



SOURCE: U.S. Census (2000), American Community Survey (2005), U.S. Census (1980)

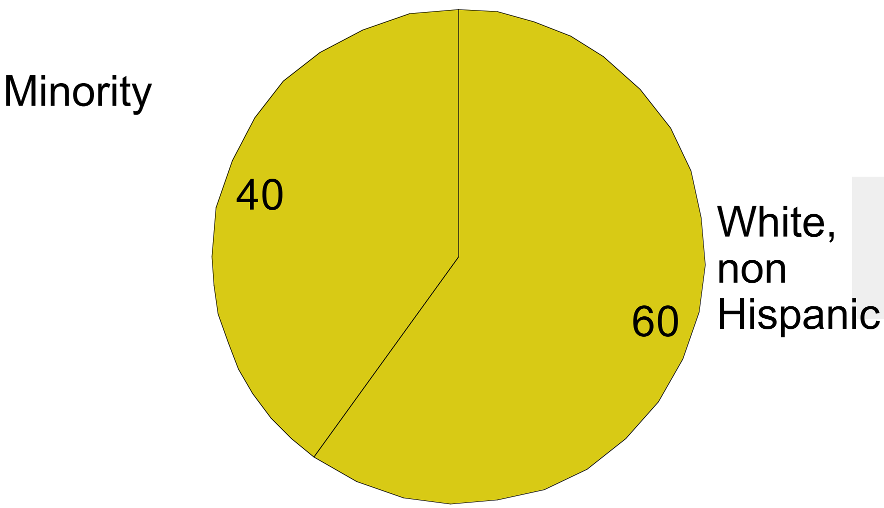
GROWTH IS IN MINORITIES

Geography	2006 % Population Minority	# New Whites 2006-2011	# New Minorities 2006-2011	% Growth Minority ('06-'11)
U.S.	34%	2,046,490	12,316,199	86%
Atlanta	44%	40,371	519,568	93%
Dallas	46%	45,142	585,914	93%
Houston	56%	25,717	495,268	95%
LA	67%	-92,189	718,848	100%
Phoenix	39%	137,991	390,710	74%
Riverside	58%	1,151	500,697	100%

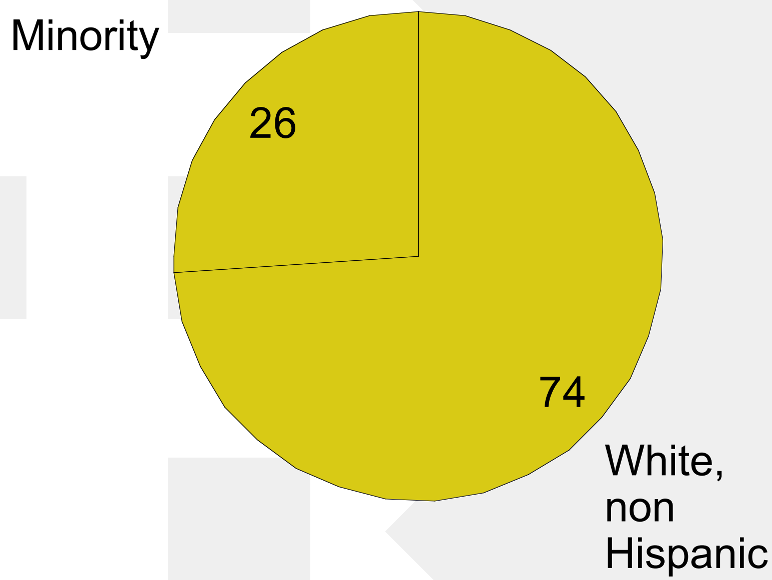
SOURCE: Claritas, Inc.

YOUNGER POPULATION MORE MINORITY THAN OLDER POPULATION

2004 Population aged 15-34
% of Total (138 million)



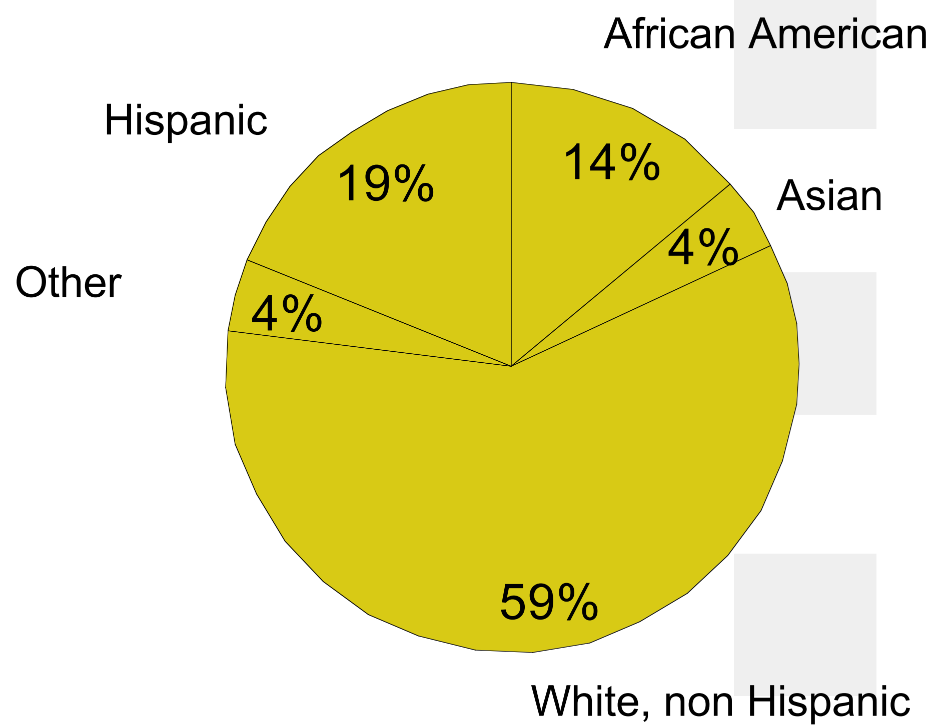
2004 Population Aged 35+
% of Total (148 million)



SOURCE: U.S. Census (2000), American Community Survey (2004)

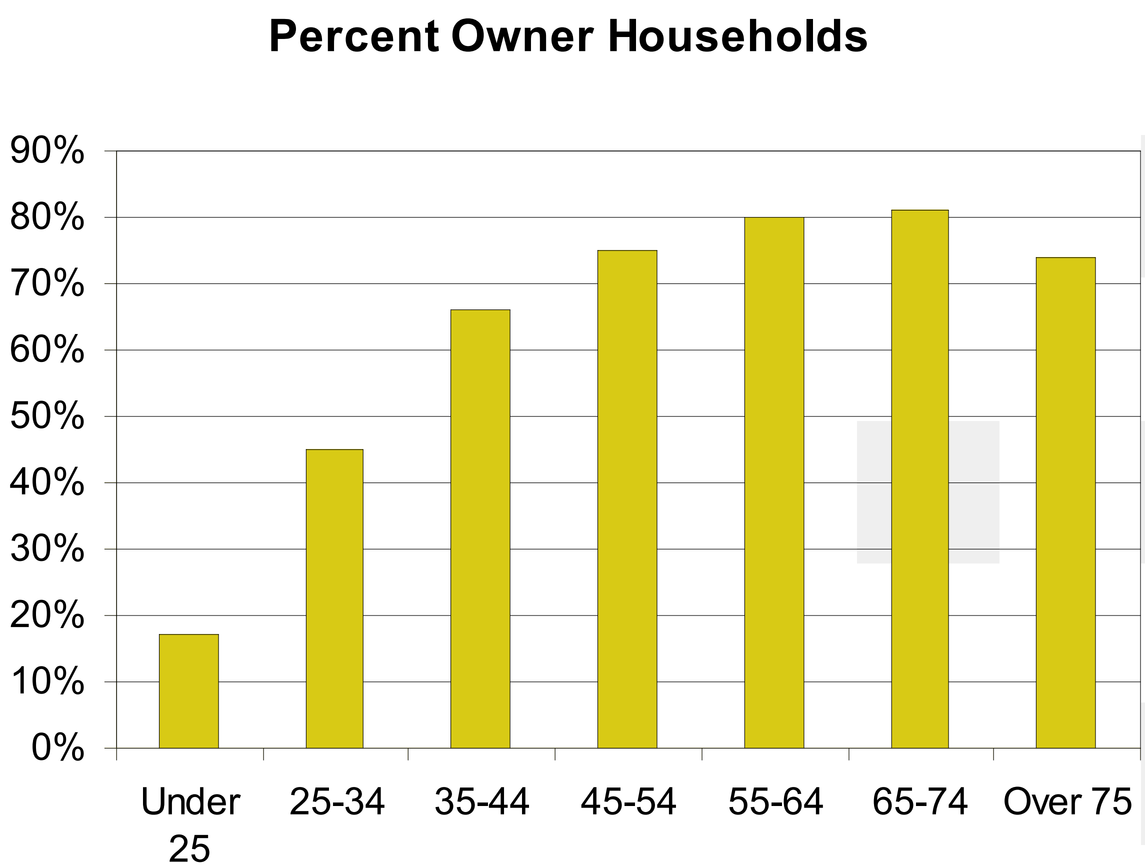
POPULATION LESS THAN 25 YEARS OLD IS VERY DIVERSE

2004 Population Under Age 25
% of Total



SOURCE: American Community Survey (2004)

YOUNG CONSUMERS MOVING INTO AGE GROUPS WITH HIGHER HOMEOWNERSHIP



- Trend:
  - Higher homeownership
    - Low interest rates
    - Creative mortgages
    - Help with down payments
  - Gen Y will move into higher homeownership age in 2007

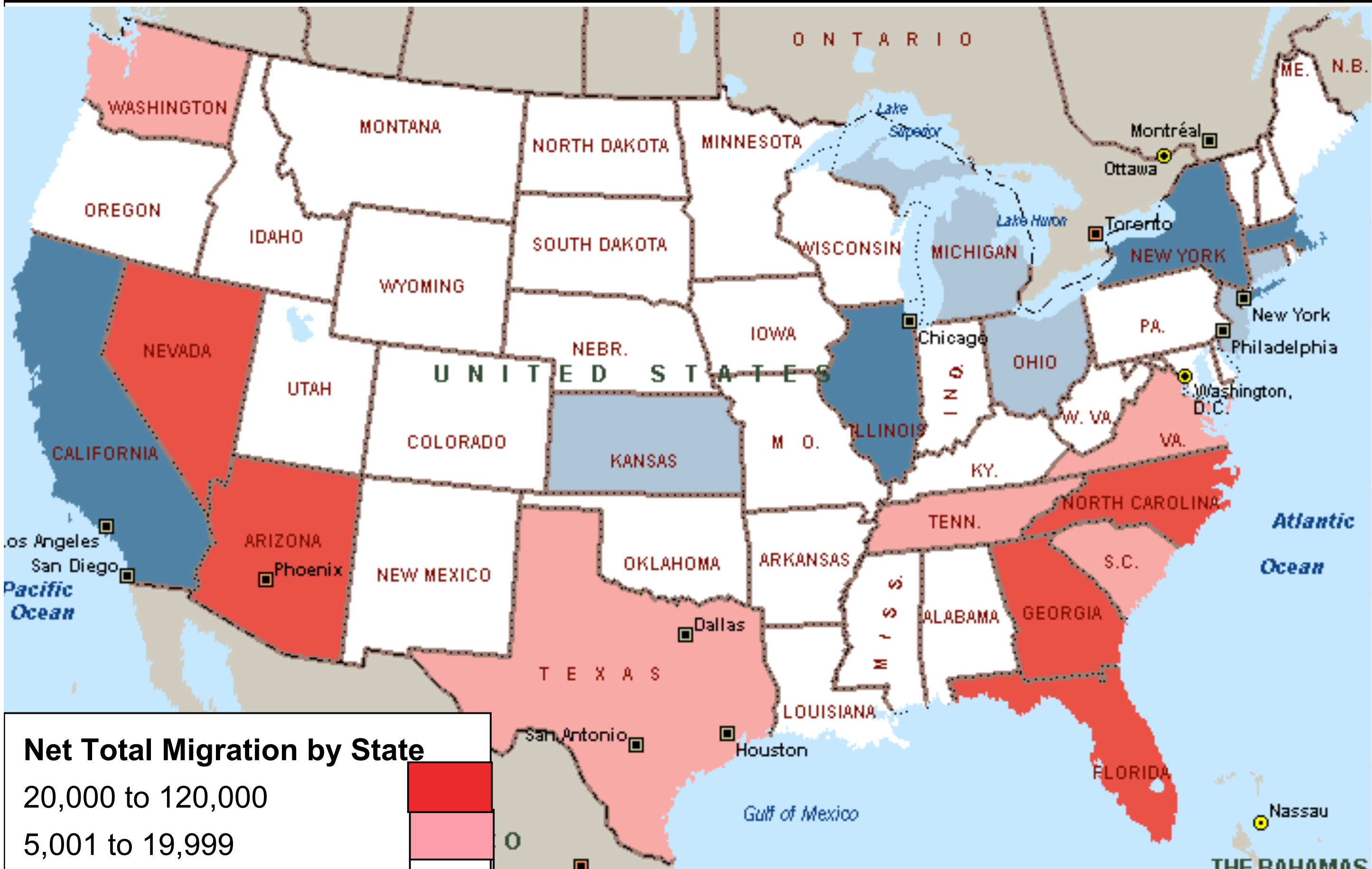
SOURCE: U.S. Census (2000)

BUT WILL YOUNG HOUSEHOLDS BE ABLE TO BUY?

Geography	Under 34 Median Income	2006 Median Income	Affordable Home Price at 7.5%	Affordable Home Price at 6.5%	Median Existing Home Sales Price
Nation	$27,600	$48,800	$159,000	$174,000	$227,000
Atlanta		$59,600	$191,000	$208,000	$174,000
Dallas		$55,500	$179,000	$195,000	$154,000
Houston		$51,800	$169,000	$183,000	$153,000
LA		$51,600	$168,000	$183,000	$576,000
Phoenix		$52,000	$169,000	$184,000	$272,000
Riverside		$48,600	$159,000	$173,000	$396,000

SOURCE: Claritas, Inc., National Association of Realtors

SOUTH HAS THE HIGHEST NET MIGRATION

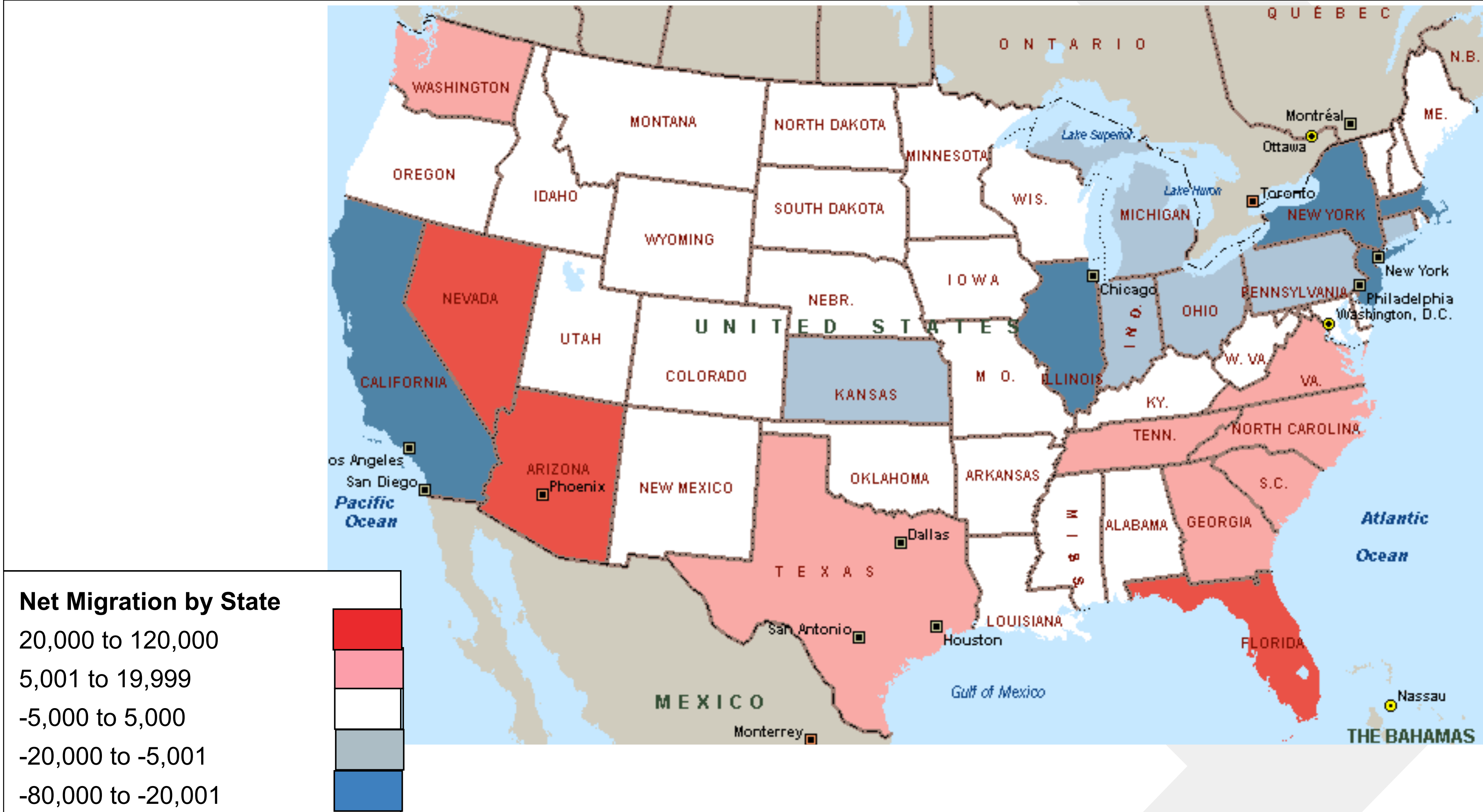


Net Total Migration by State
20,000 to 120,000
5,001 to 19,999
-5,000 to 5,000
-20,000 to -5,001
-80,000 to -20,001

SOURCE: IRS

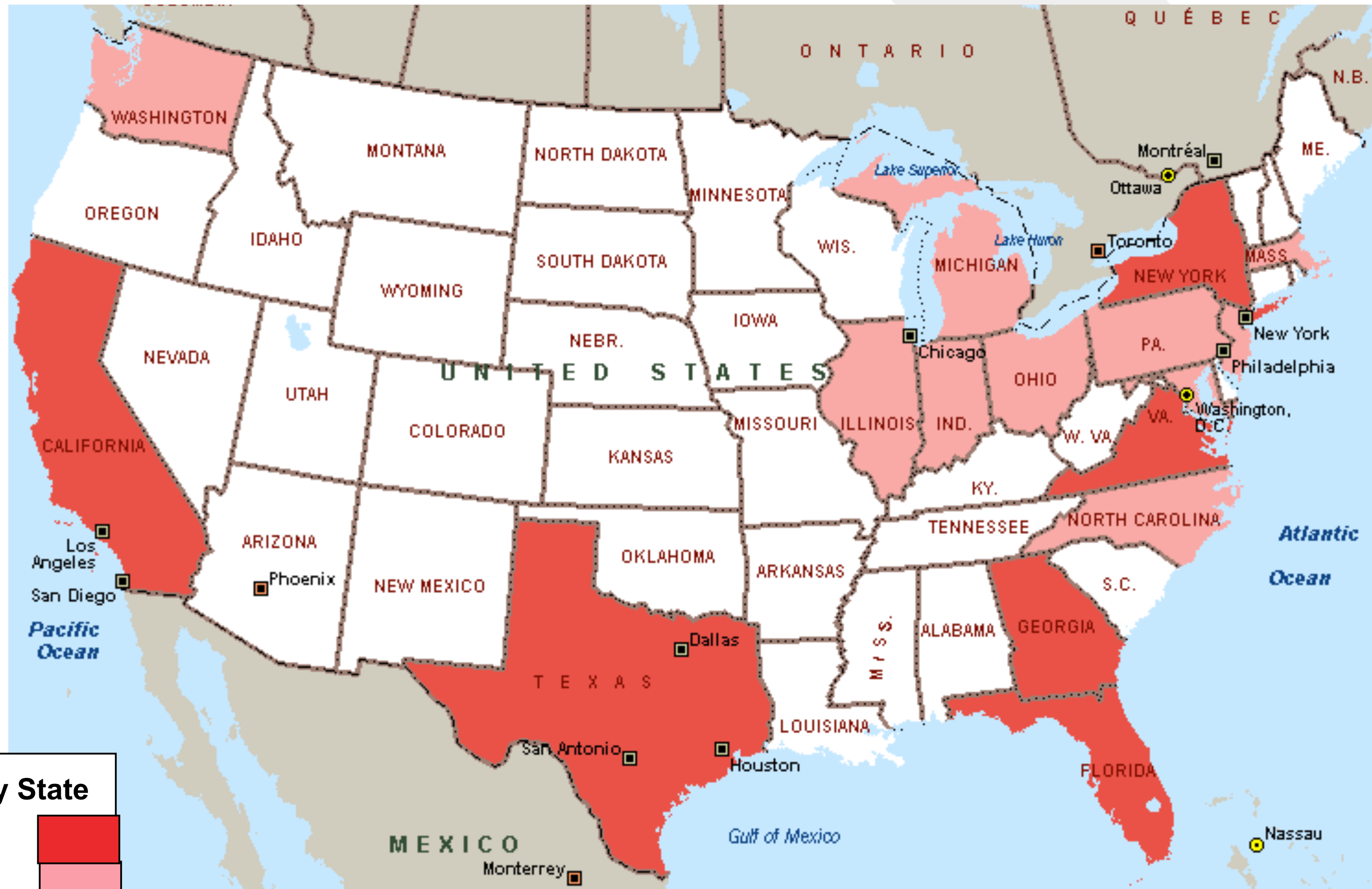
- Does not include:
  - Births, deaths
  - Illegal immigrants
- Why?
  - Jobs in South
  - Climate
  - Retirement
  - Moving out of high cost areas

SIMILAR PICTURE WHEN ONLY CONSIDERING STATE-TO-STATE MIGRATION



SOURCE: IRS

ALL STATES BENEFIT FROM FOREIGN IMMIGRATION



Net Foreign Immigration by State	
5,001 to 12,000	
1,501 to 5,000	
0 to 1,500	

SOURCE: IRS

WILL THE IDENTIFIED TRENDS MAKE YOUNG HOUSEHOLDS BEHAVE DIFFERENTLY THAN BEFORE?

- Key changes
- **What does this mean?**
  - Urban/in-fill locations
  - Density
  - New designs
  - Green buildings
  - Create gathering places
  - Unique amenities
  - Rise of 2^{nd} and 3^{rd} tier cities
  - Changing retail environment
  - New marketing techniques

YOUNG CONSUMERS ATTRACTED TO URBAN/IN-FILL LOCATIONS

Urban, infill locations

- Or bring infill environment to them
- Placemaking – excitement, sense of “place”
- Public transit options
- Willing to pioneer new areas
- Less concerned about schools
- Live, work & play – all in one
- Immigrant populations tend to concentrate in certain areas – will young minority buyers move into different areas?
- Help fix up underutilized public spaces – also appeals to the desire to “do good”

HOUSING WILL CONTINUE TO GET DENSER AND YOUNGER HOUSEHOLDS WILL LIVE IN IT

How dense will they go?

- How to sell to consumers?
- Make sure there are places to “breath” – pocket parks, nature preserves
- Picture of Portland Place in Phoenix

Young families buy in dense detached product

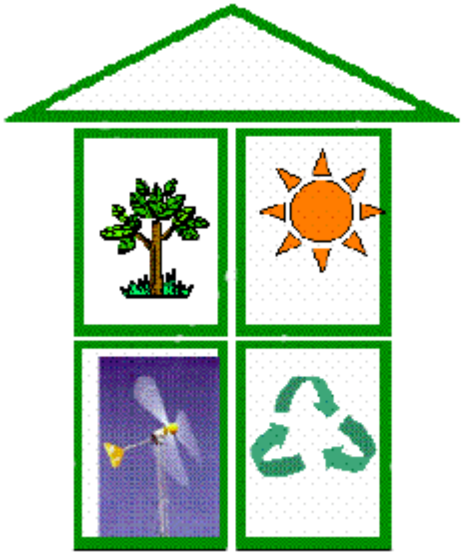
- Not just CA
- 35-40 foot lots
- Creative home design
- Picture of 4S Ranch in San Diego

NEW DESIGNS AND PRODUCTS

What is the right design for young consumers?

- Individual expression
- Look beyond “conventional” home products
- “Off-beat”
- Fewer extra bedrooms
- Creative living spaces
- More architecture, less “sameness”
- Balance price and lifestyle
- Lighter, sunnier, & brighter rooms – more glass
- Less emphasis on the kitchen – more entertaining areas
- Open layout

YOUNG CONSUMERS WANT TO BE GOOD TO THE ENVIRONMENT



Green buildings and communities

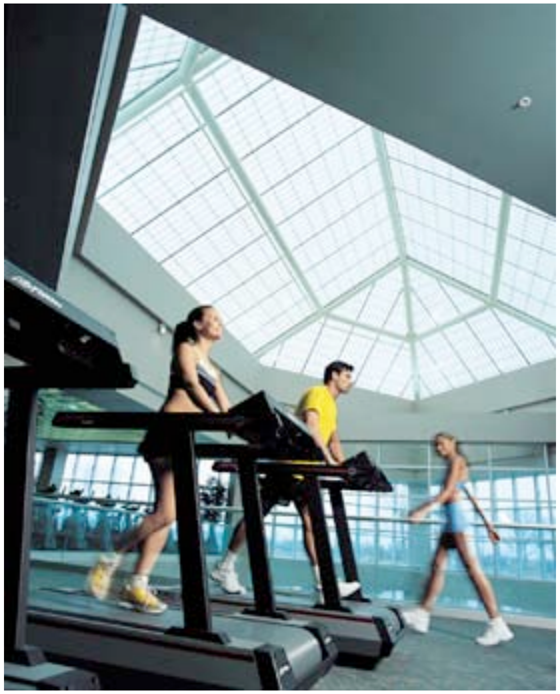
- Water conservation
- Energy efficient
- Green spaces
- LEED certification
- Pay small premium

CREATE GATHERING PLACES

Make sure there are places to socialize

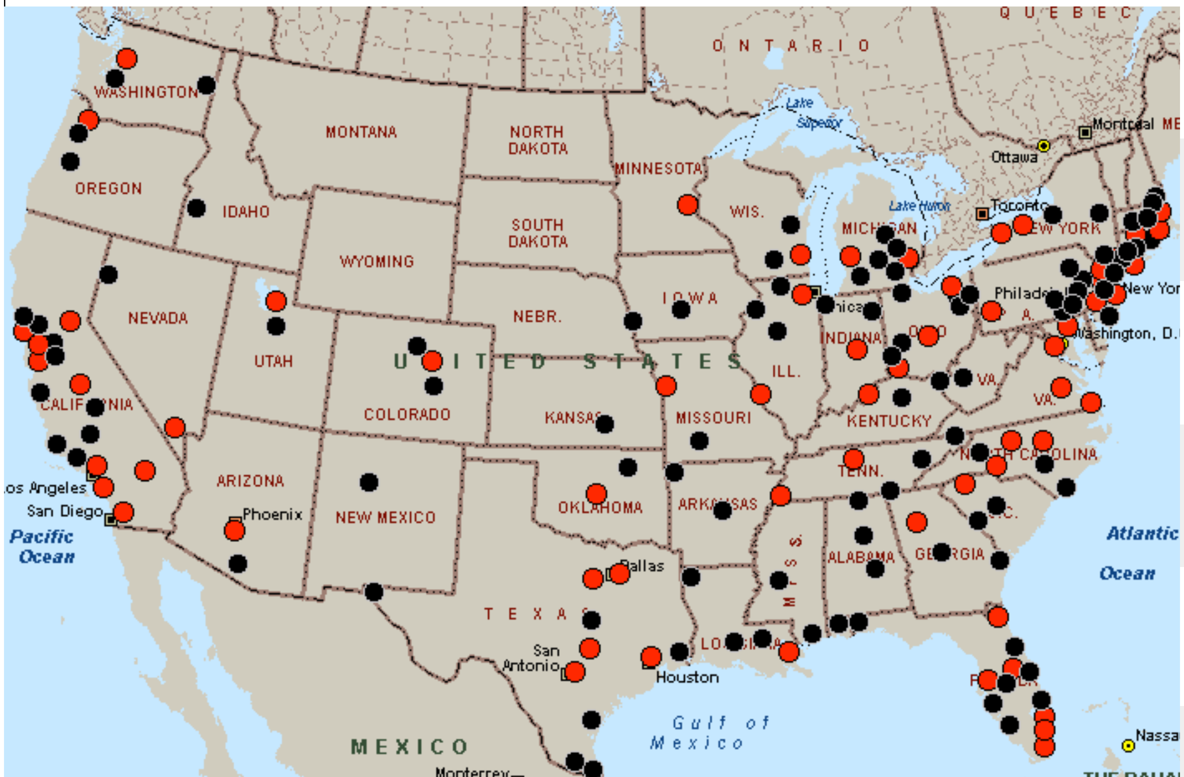
- Porches
- Pocket parks
- Dog parks
- Community rooms
- Outdoor meeting areas

AMENITIES



Amenities
- Bark parks
- Fitness centers
- Community arts centers
- Pools
- Nature-oriented – exercise outdoors

SECOND AND THIRD TIER CITIES



Population

First Tier (over 1M)

Second Tier (300K-1M)

Metros with 300,000-1,000,000 People

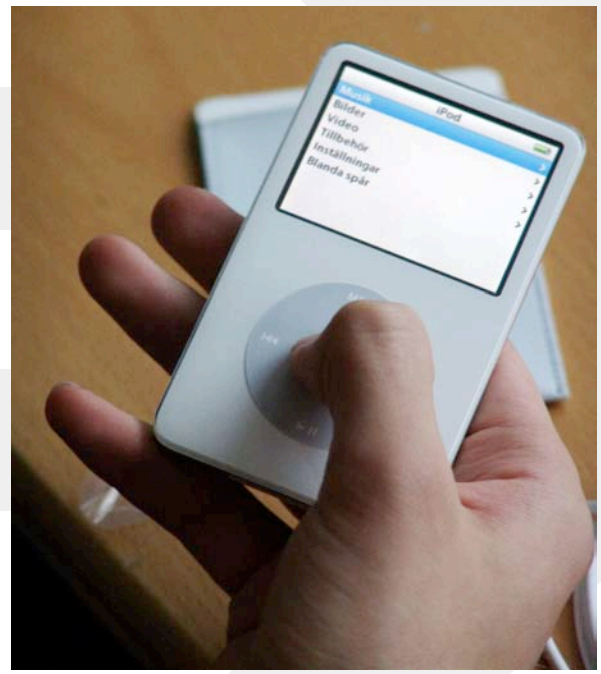
- Trend of people moving from more expensive to less expensive markets
- Evidence of high-rise construction in 2nd tier cities
- Corporate headquarters
- Sports teams
- Conventions
- More urban-feeling

CHANGING RETAIL ENVIRONMENTS

- E-commerce
- High discretionary income
- Restaurants – not fast food
- “Hip” chains – Hollister v. GAP
- Shopping is entertainment
- Comfortable in malls, but not department stores
- Special shopping areas to attract young shoppers
- Create new business & market paradigms (food, art, clothing, music, leisure, etc)
- Interactive – Apple Store, Sony Store
- Places that offer live music
- Places to gather

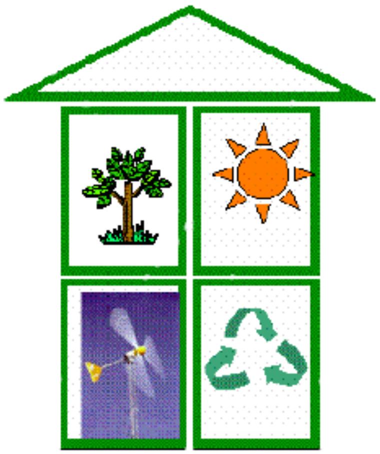
NEW WAYS TO MARKET

- The most connected generation – everything is on-line
- Bilingual staff and agents
- Grass roots – non-conventional marketing on internet
- Lack of trust/interest in TV advertising



THE BOTTOM LINE

- It is a new day
- The market is vast, affluent, and independent
- The customer is sophisticated, informed, and knows what s/he want
- Customer knowledge is mote important than ever
- Boomer don't have a clue about understanding the next generation
- New ways to do marketing, media, and communication
- Key themes – fun, action, social benefit, authentic and fair



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Roundtable Panel Discussion

Gadi Kaufmann, Robert Charles Lesser & Co., LLC

Marisa Gaither, National Capital Revitalization Corporation, Washington, DC

Suzanne Mulvee, Property & Portfolio Research, Inc, Boston, MA

Julio Zavolta, Totum Consulting, Los Angeles, CA

Howard Kozloff, TMG, Los Angeles, CA

Jeff Kaplan, Wulfe Urban, Houston, TX

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