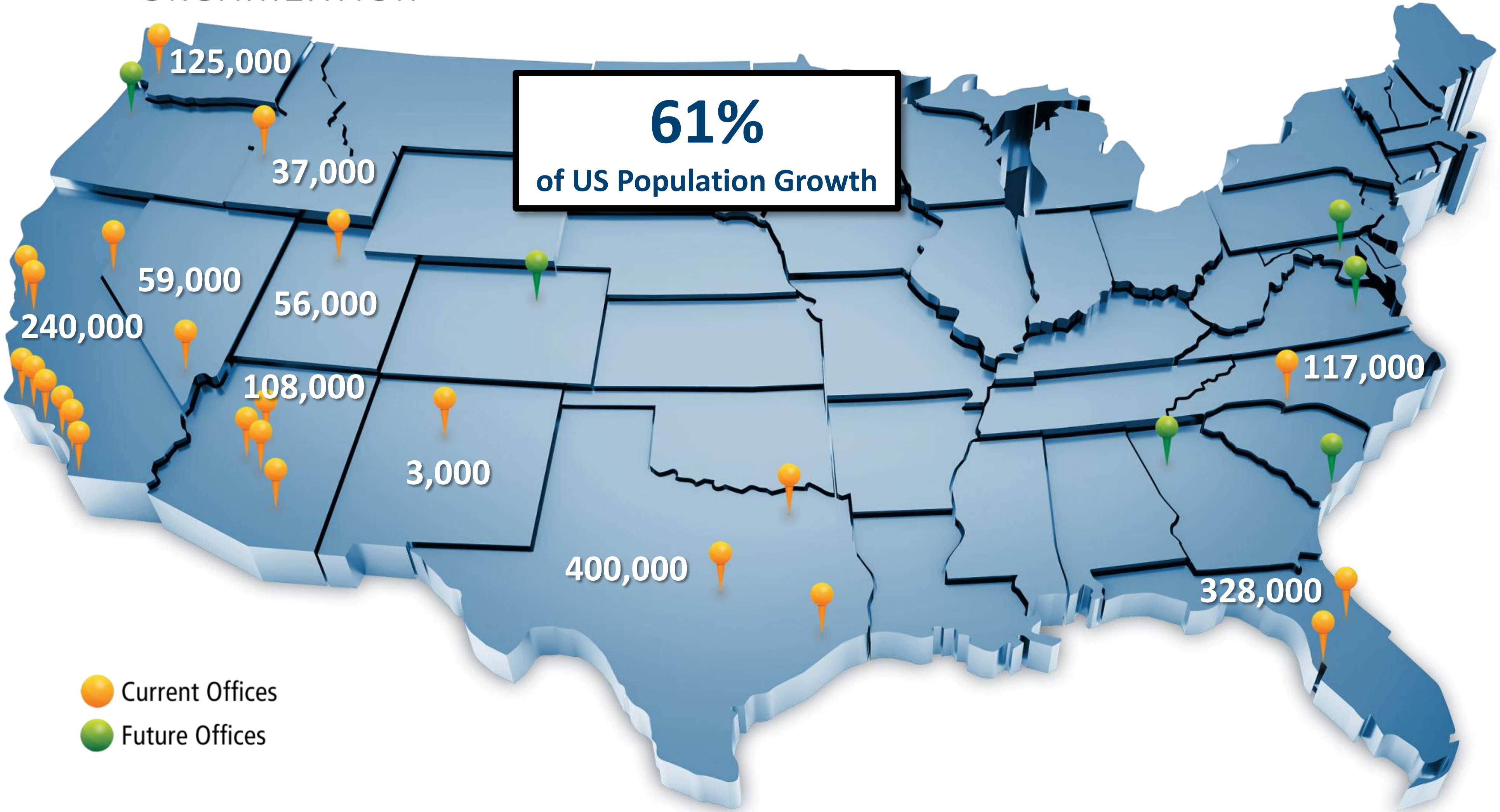
23rd Annual Spring Ag Forum

February 22, 2019

Land Advisors® ORGANIZATION

“The Best Known Name in Land”
Founded 1987



** State population growth 2016 to 2017.*

Affiliate Companies

Specializes in establishing strategic capital relationships between landowners, homebuilders, developers and capital providers.

Institutional capital firms • Hedge funds • Opportunity funds • Private equity firms • Mezzanine providers • Traditional/non-traditional debt providers

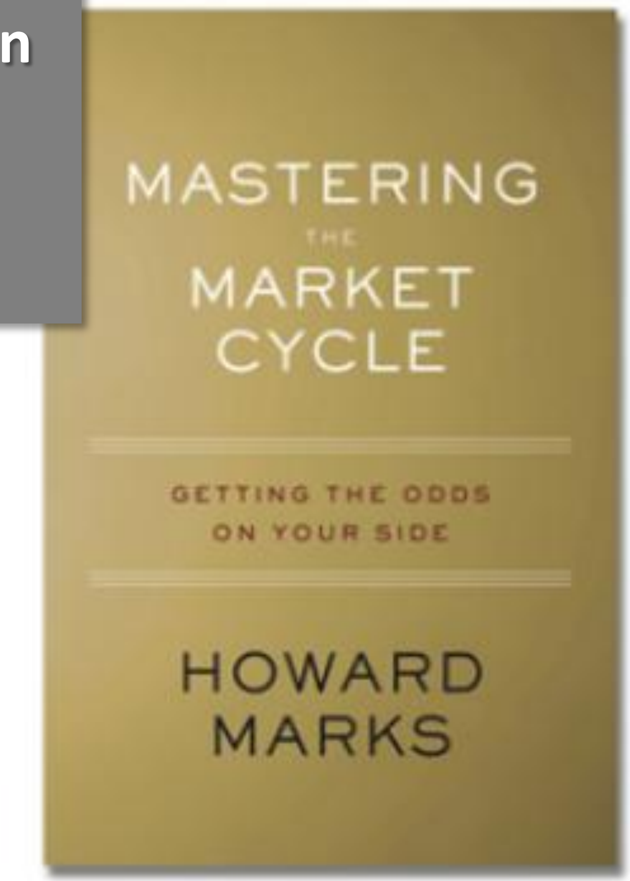
Assists the development and home building communities with the construction of projects using district financing structures (e.g. SID, CFD, DID, PID etc.) and other financing mechanisms designed to meet the unique characteristics and financing goals of our clients.

State and local tax consulting firm specializing in real and personal property tax reductions.

Specialized areas of expertise involve all real estate asset classes.

Mastering the Market Cycles

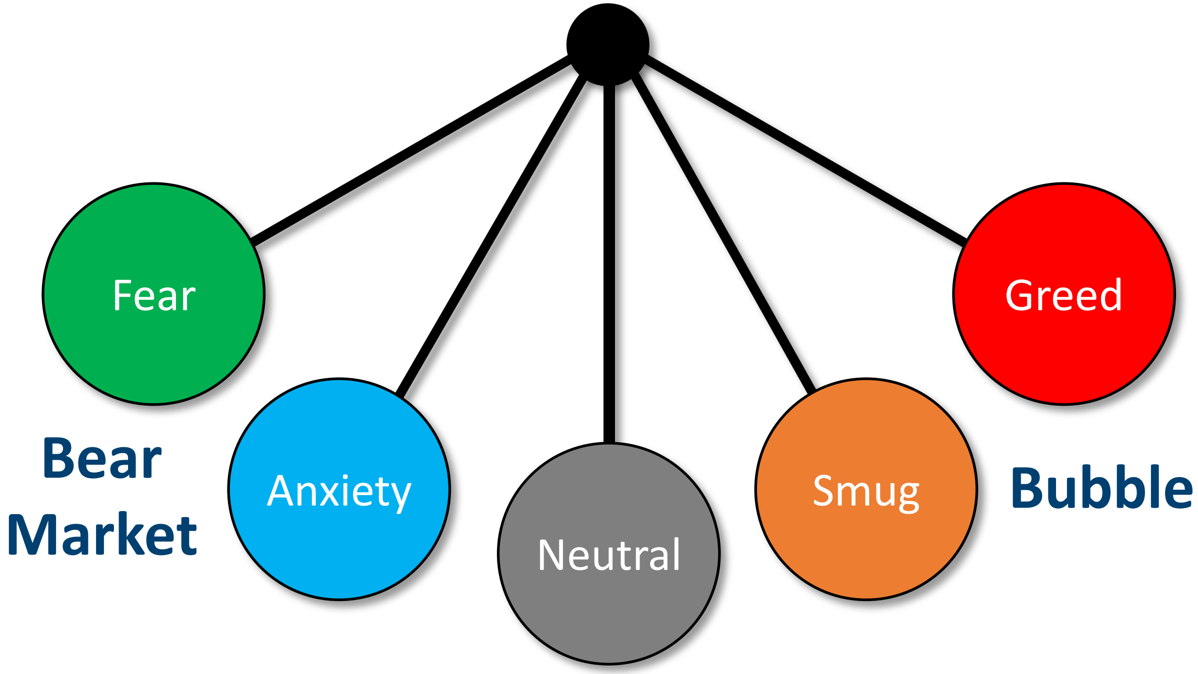
> **“We cannot predict the future, we can only better understand the present.”**



Howard Marks
Co-founder Oaktree Capital
$122 Billion Under Management

The Pendulum Swings of Psychology

The Market Pendulum



Exaggerated Swings Between

- Fear & Greed
- Optimism and Pessimism
- Risk Tolerance and Risk Aversion
- Faith in Value and Insistence in Concrete Valuation
- Urgency to Buy and Panic to Sell

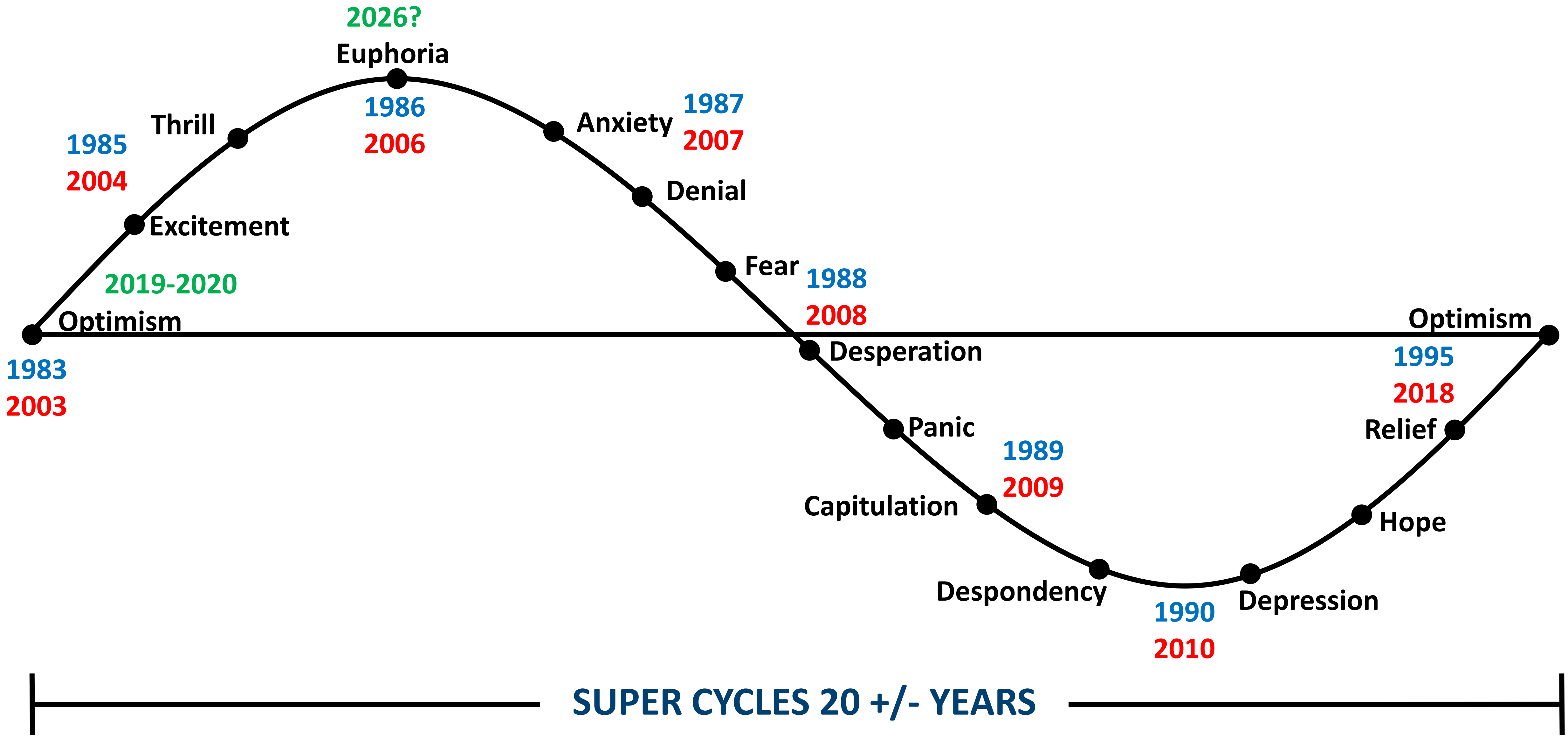
"Extreme Brevity of the Financial Memory"

- Keeps people from recognizing the recurring nature of these patterns, and thus their inevitability.

- We have two classes of forecasters: Those who don't know – And those who don't know they don't know.

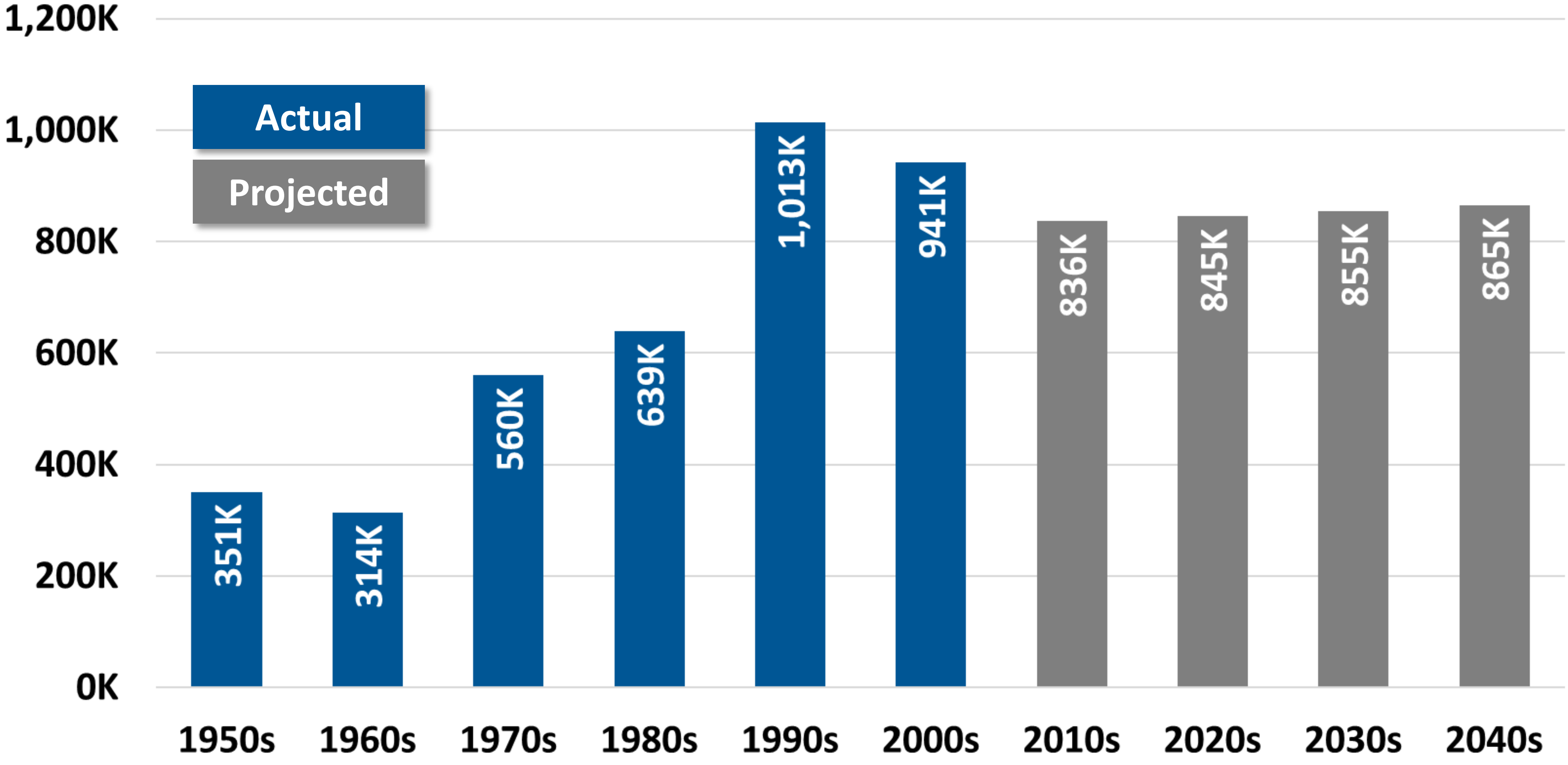
- John Kenneth Galbraith

Cycle of Market Emotions



Decennial Population Growth

2018 PHOENIX MSA POPULATION ESTIMATE : 4,837,000



Annual Population Growth

Year over year population change

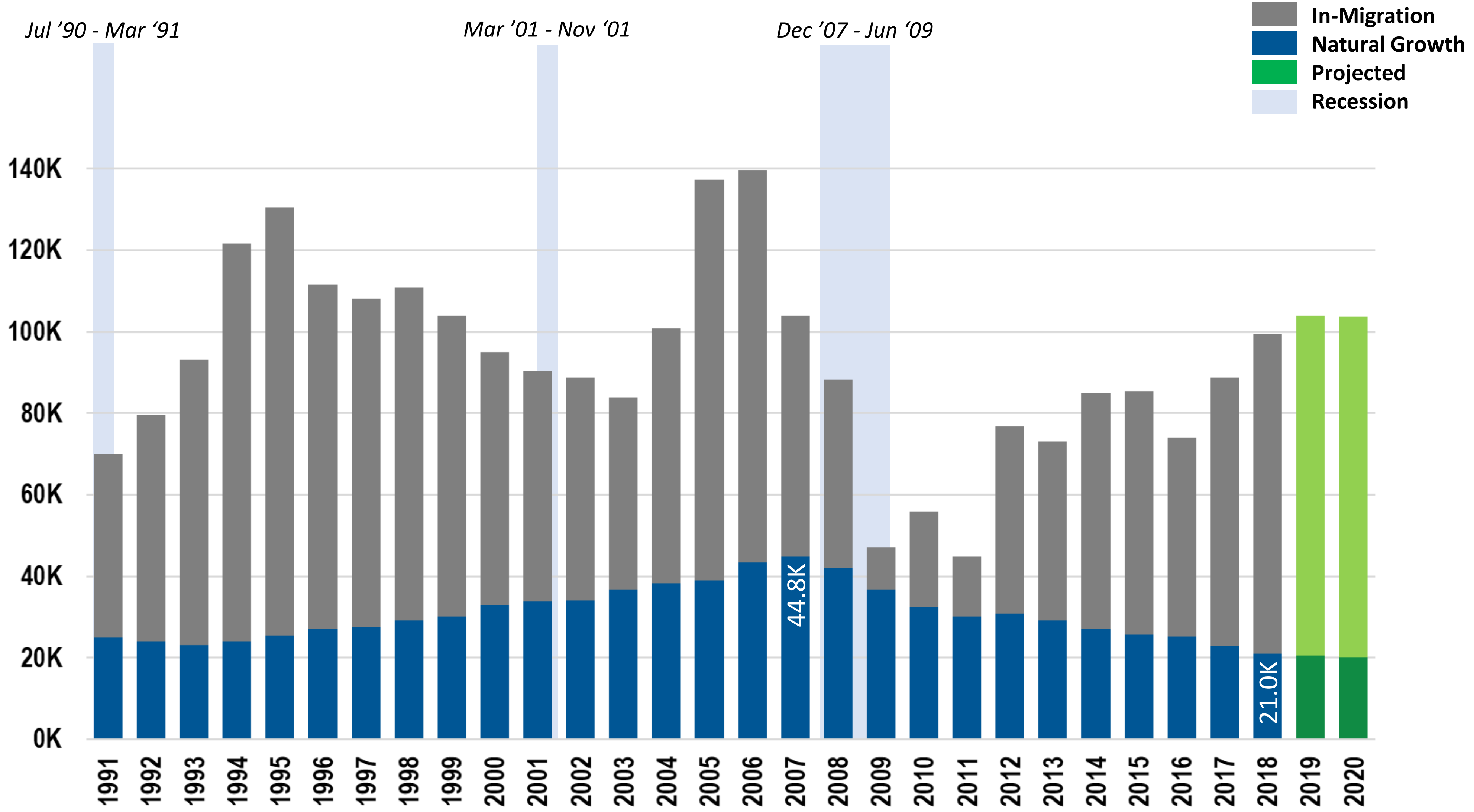
Population Growth

1990's: 1,013,000
2000's: 941,000
2010's: 836,000
2020's: 845,400
2030's: 855,000

Natural Growth

2007 Peak: 44,800
2018: 21,000
Change: -23,700

Lowest natural growth rate since 1991



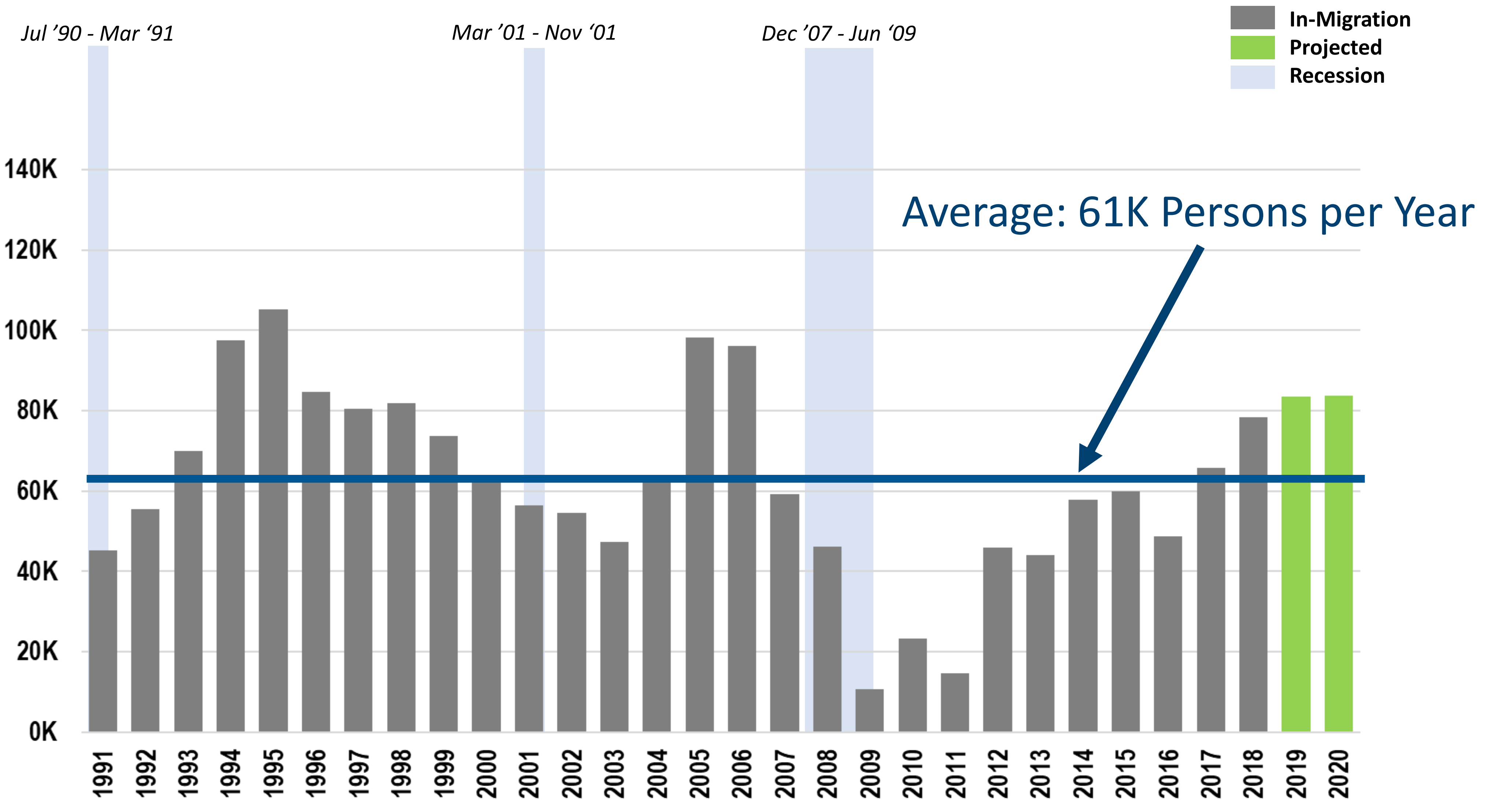
Annual Net Migration

Year over year population change not including natural growth.

<u>Total Net Migration</u>

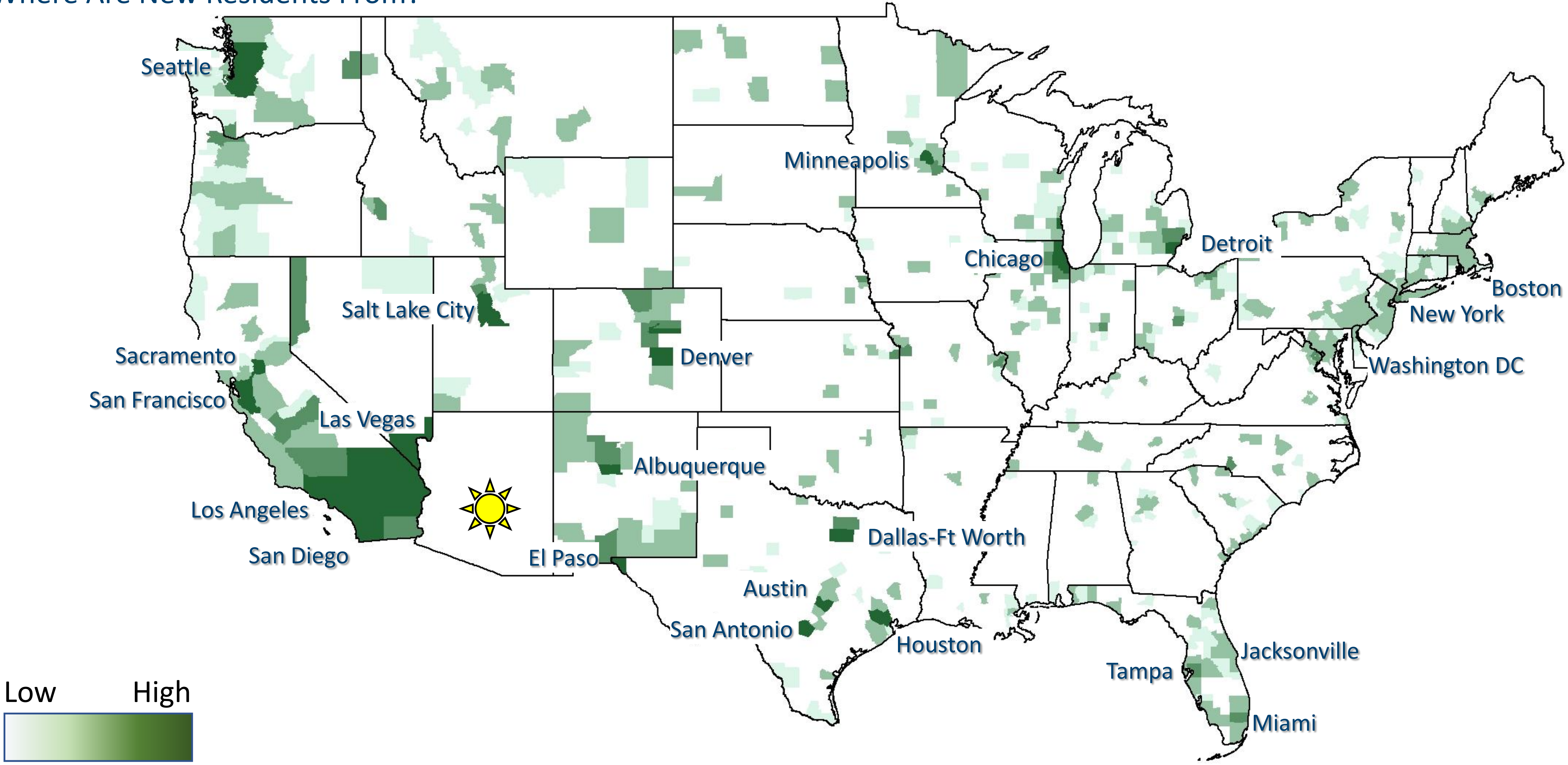
1991 – 2018

1.72 Million



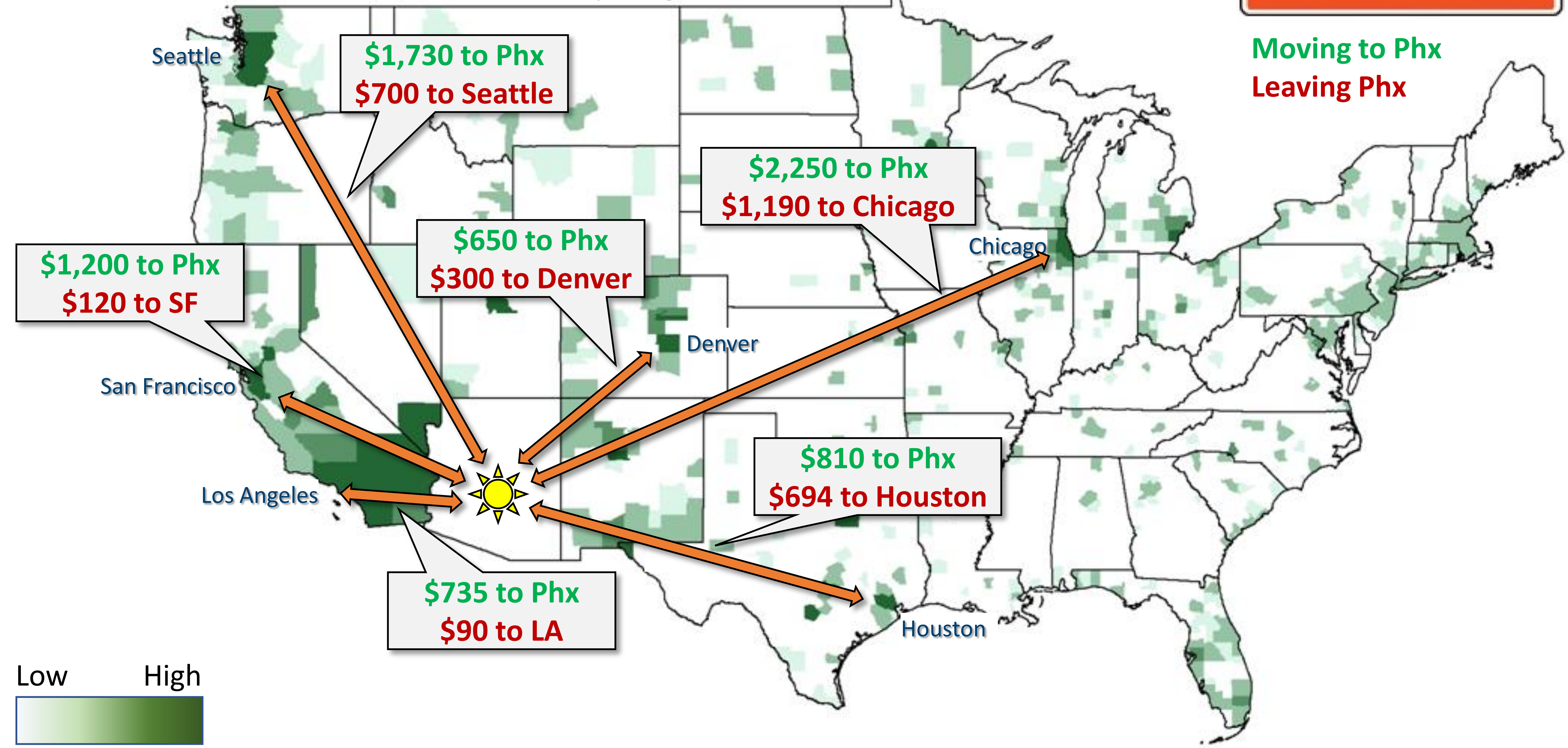
Phoenix In Migration

Where Are New Residents From?



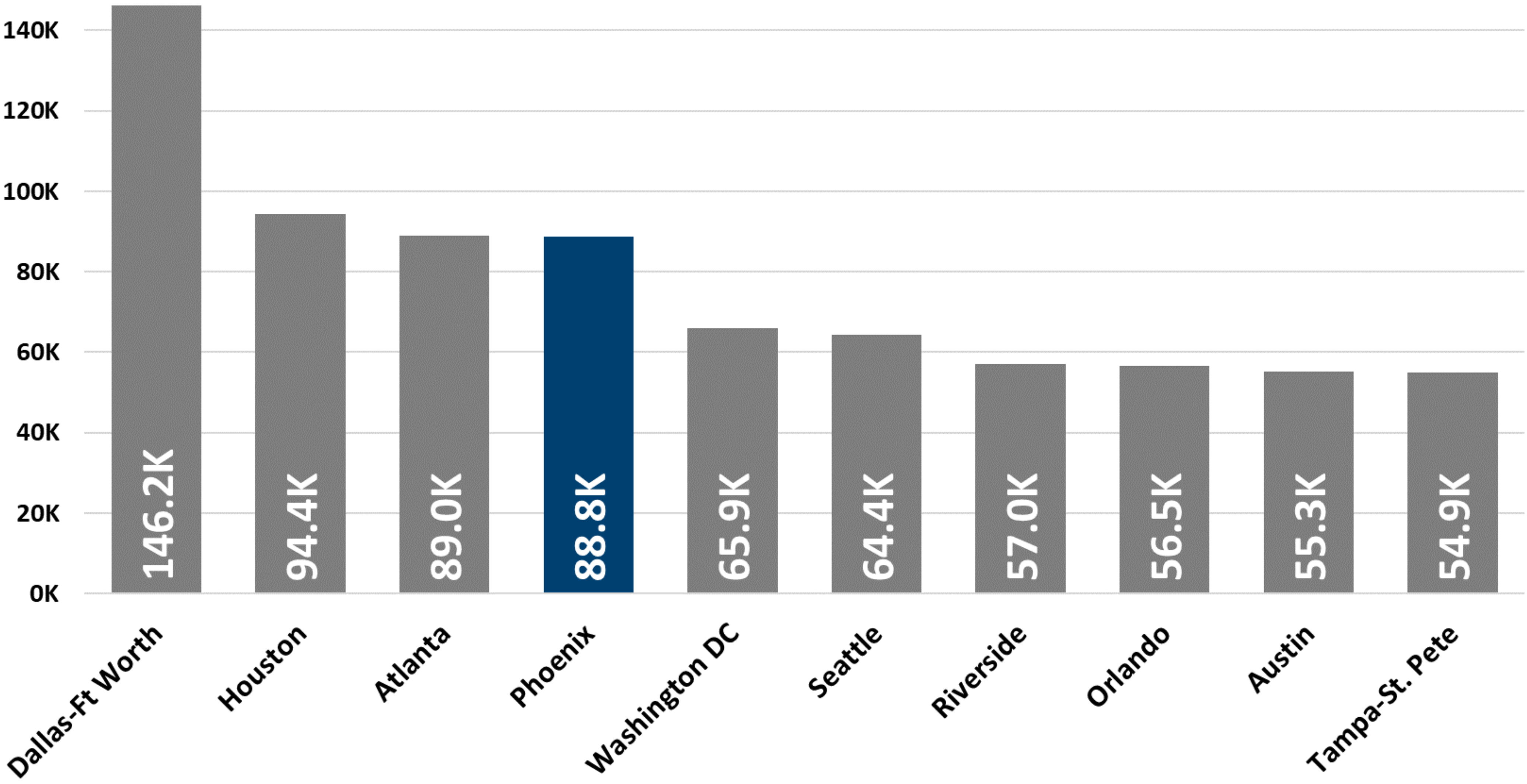
Phoenix In Migration

Truck Rental Rates Between Phoenix and Competing Cities



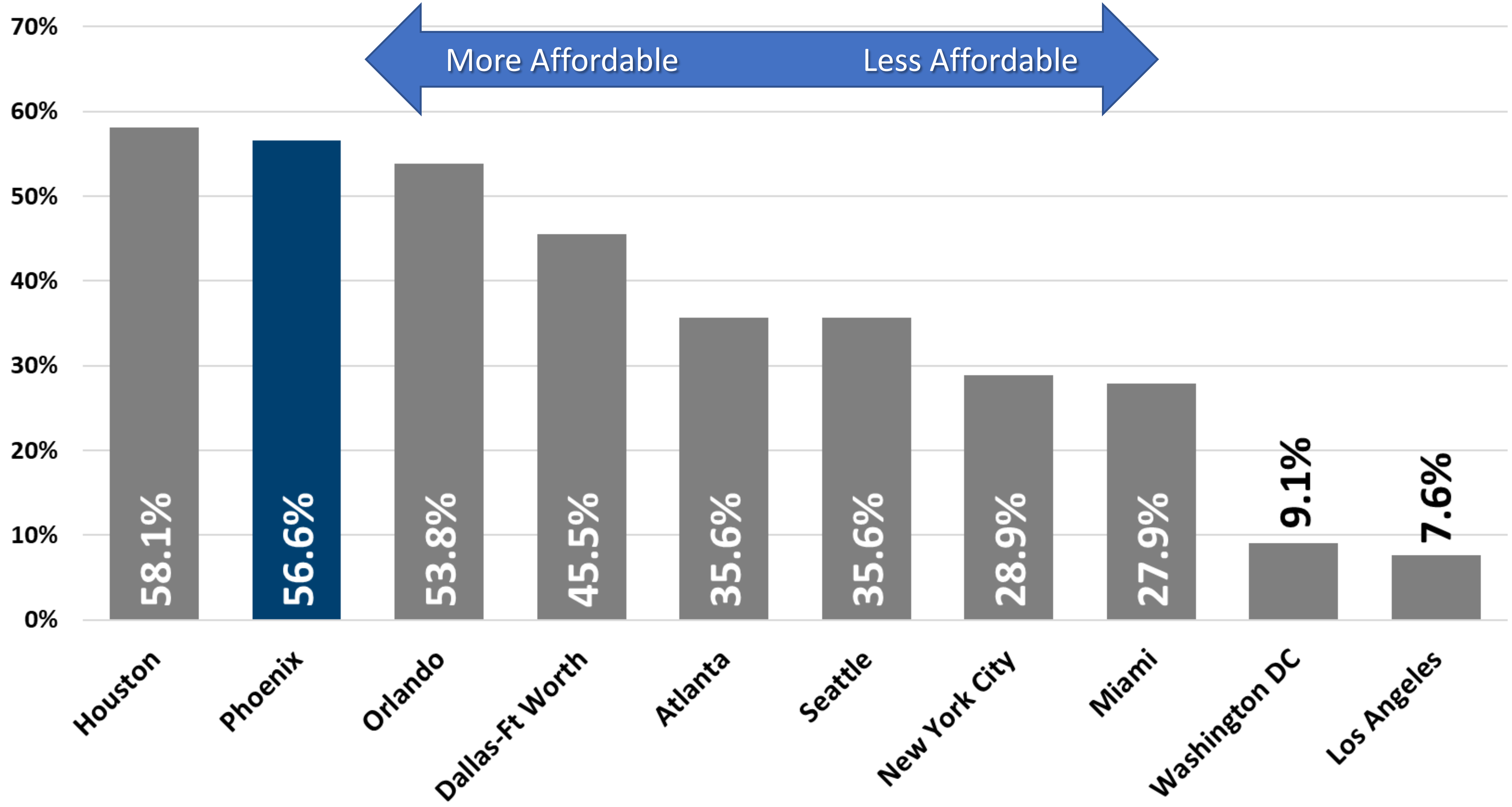
Population Growth - Top 10 Metro Areas

2016 to 2017

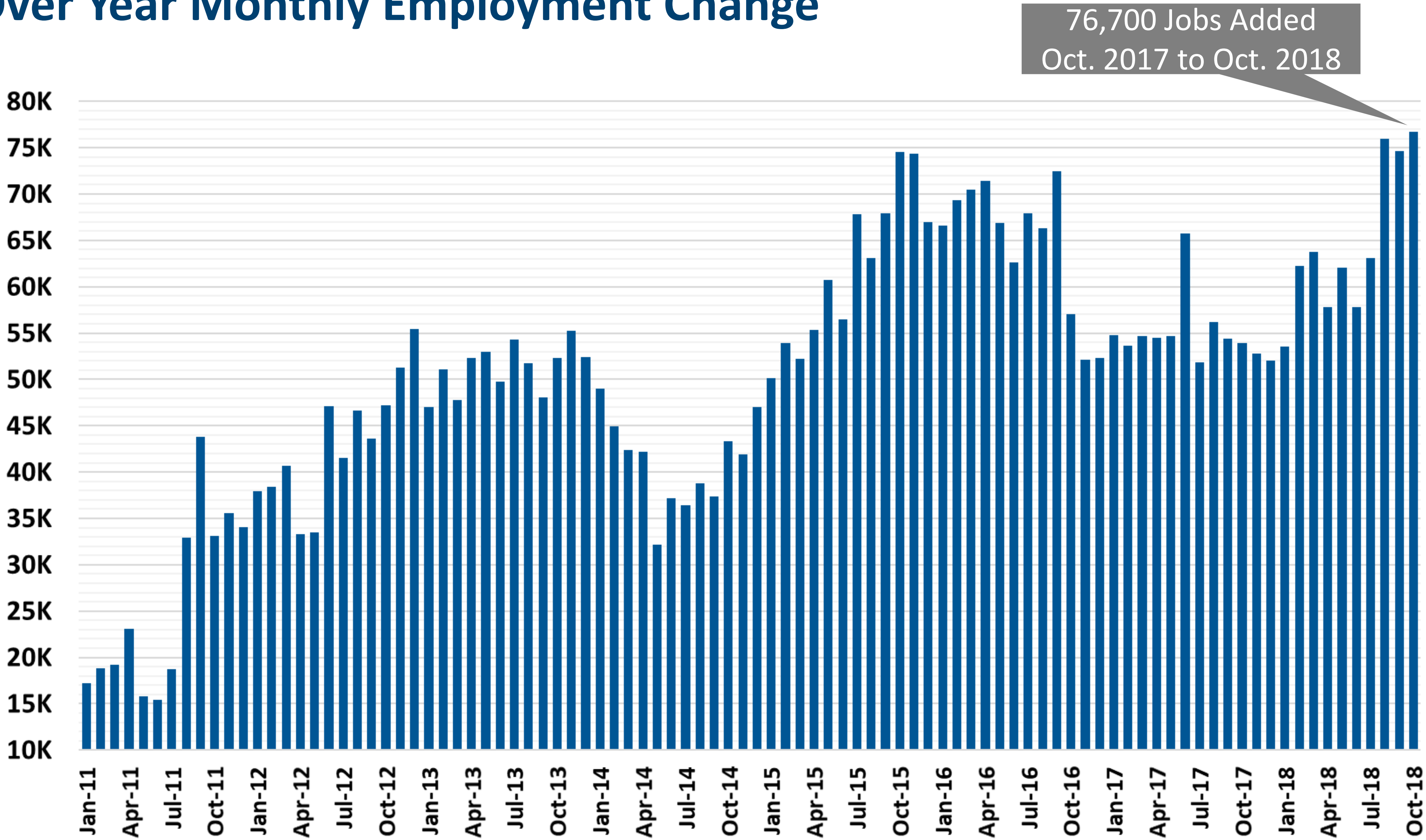


Housing Opportunity Index of Top 10 Population Growth Markets

Share of Homes Sold Affordable to the Median Family Income

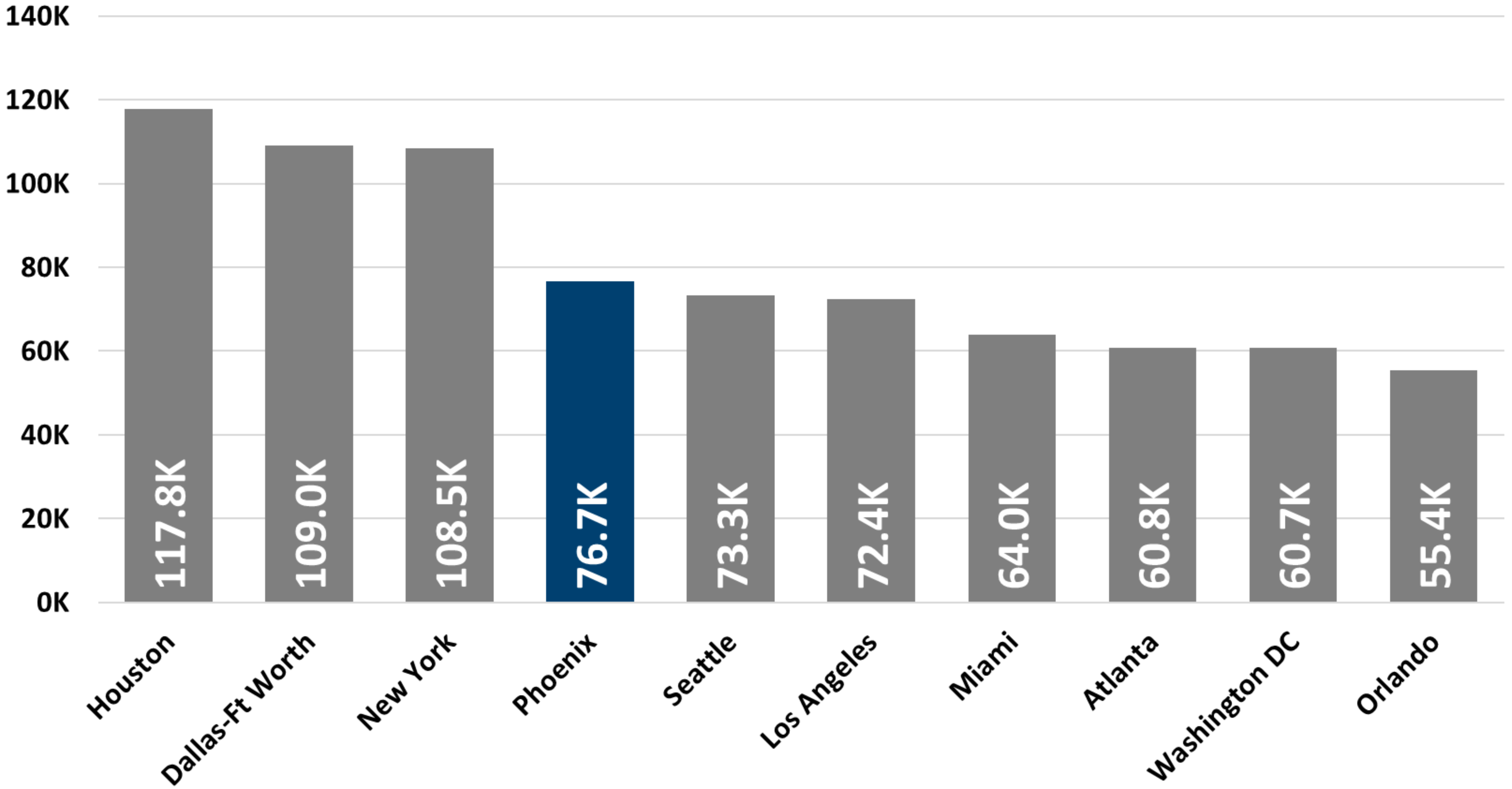


Year Over Year Monthly Employment Change



Employment Growth - Top 10 Metro Areas

Oct. 2017 to Oct 2018



Housing Opportunity Index of Top 10 Employment Growth Markets

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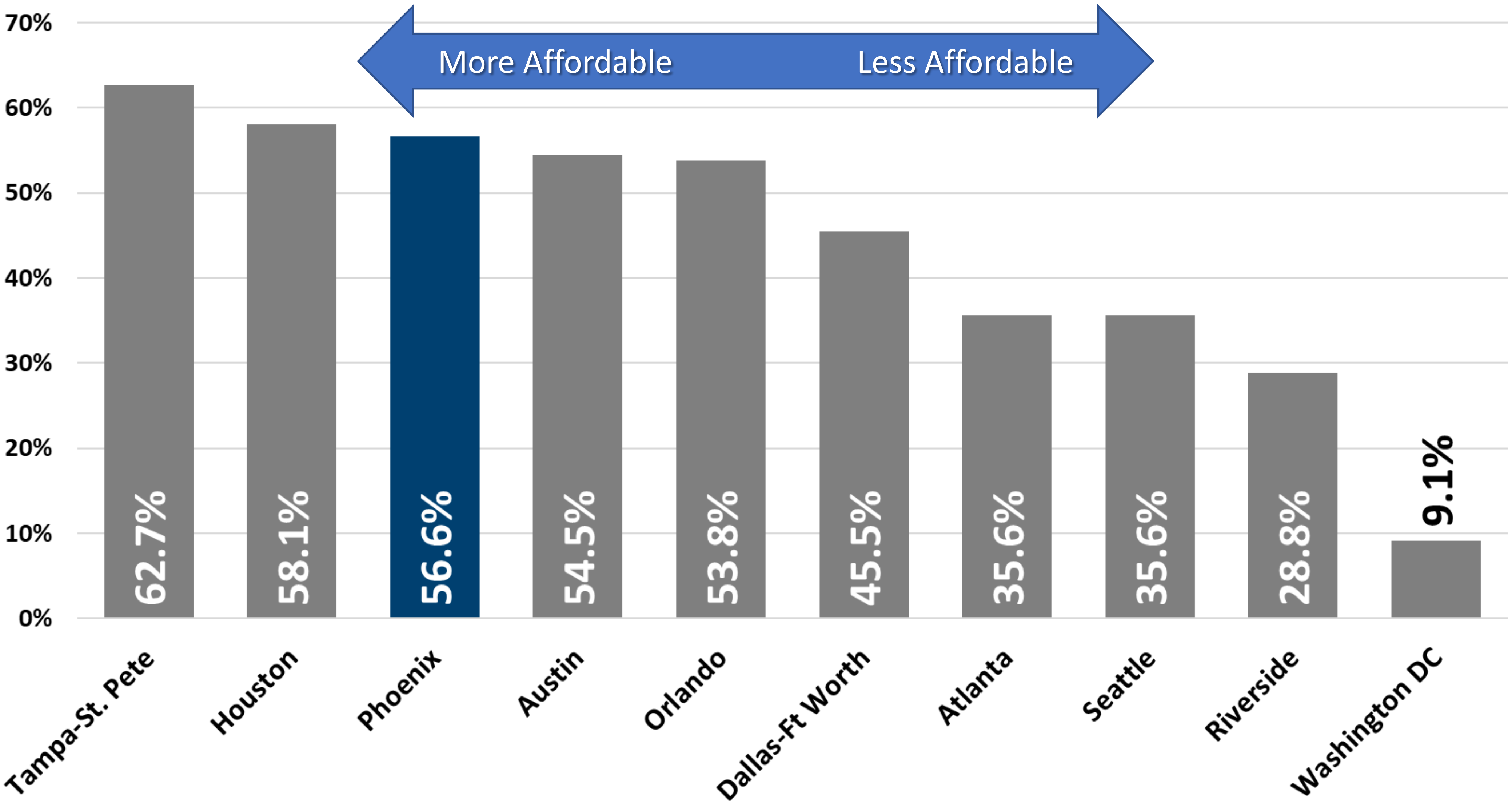
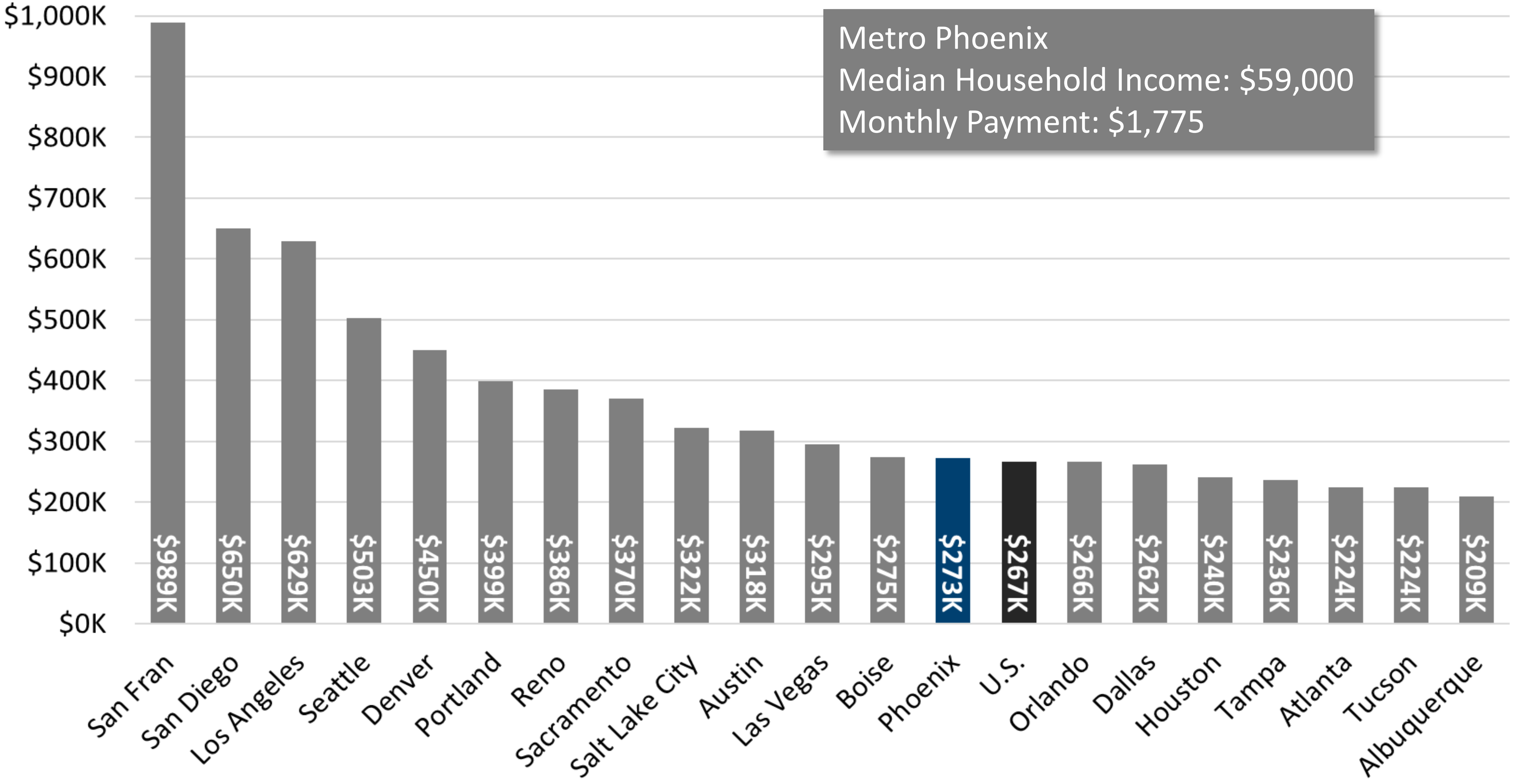
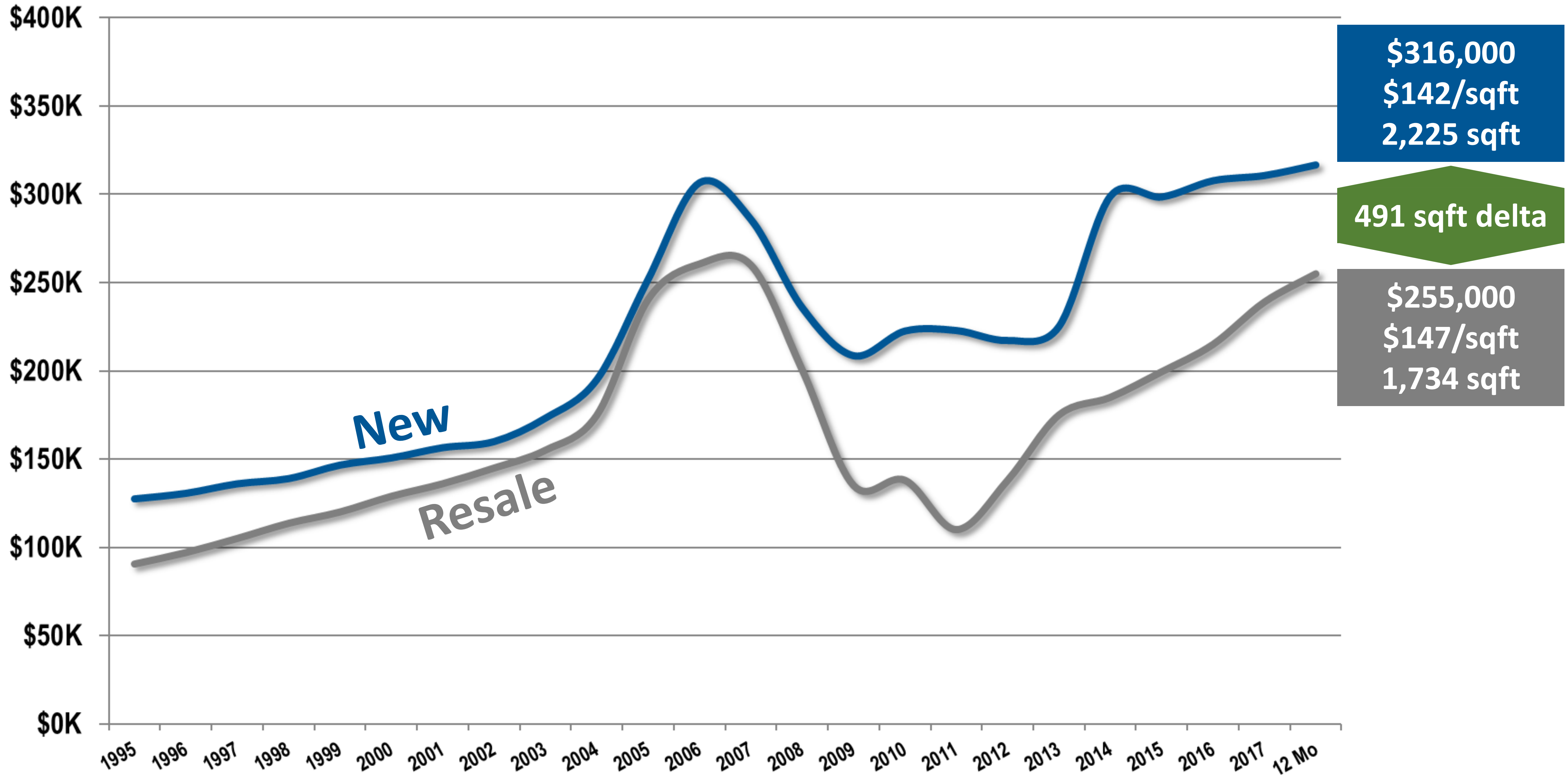


Median Home Sales Price in Selected Markets

3rd Quarter 2018



New & Resale Median Home Price



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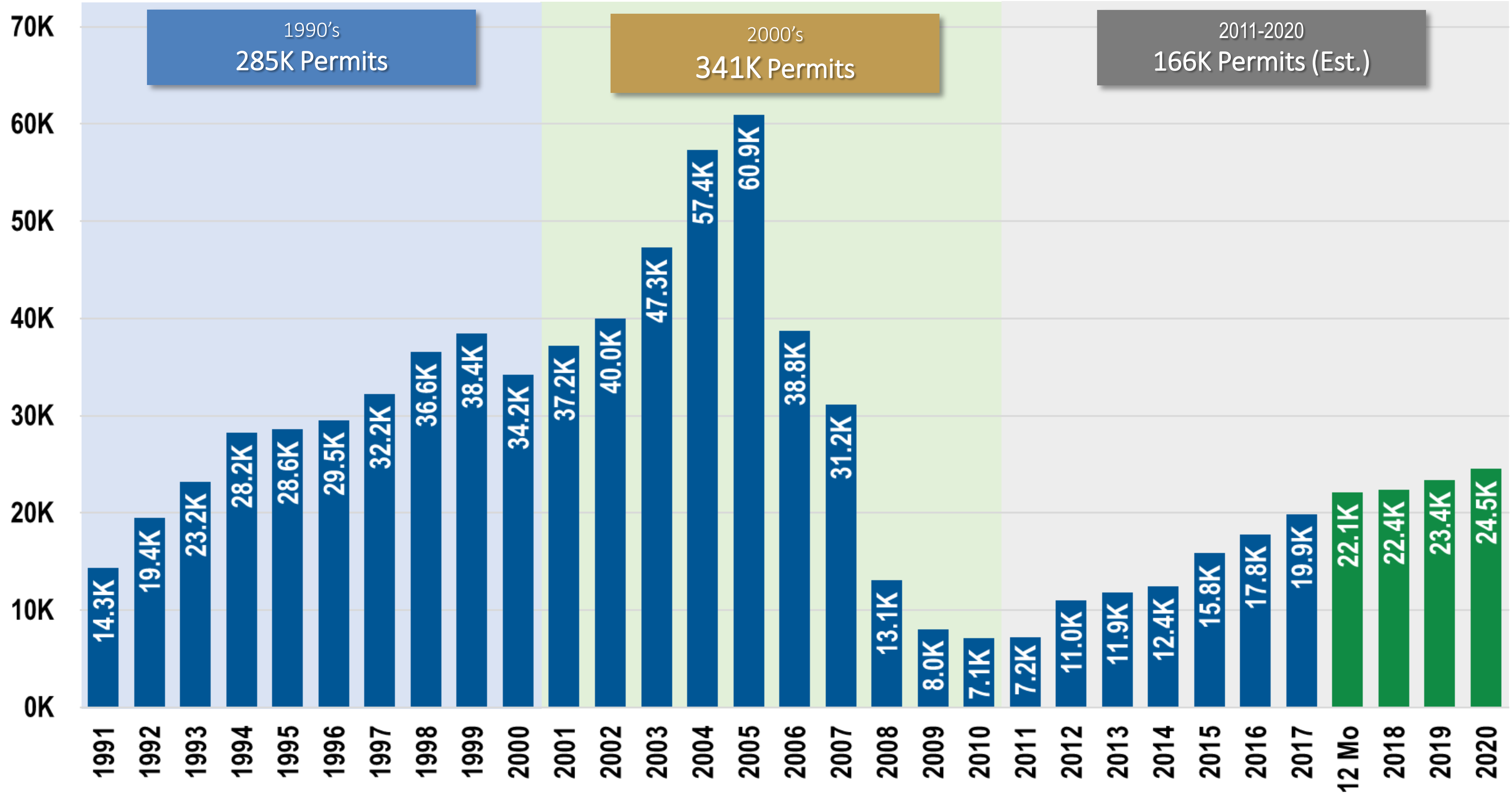
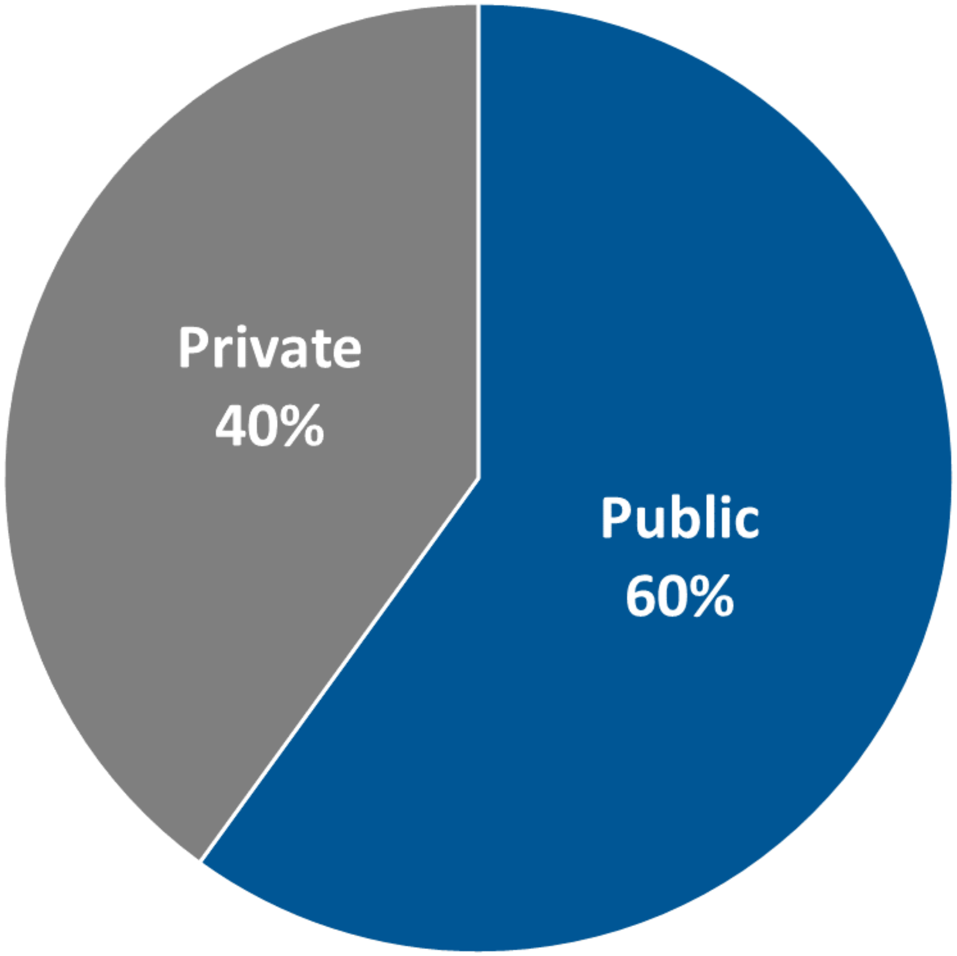
Phoenix Metro - Single Family Permits

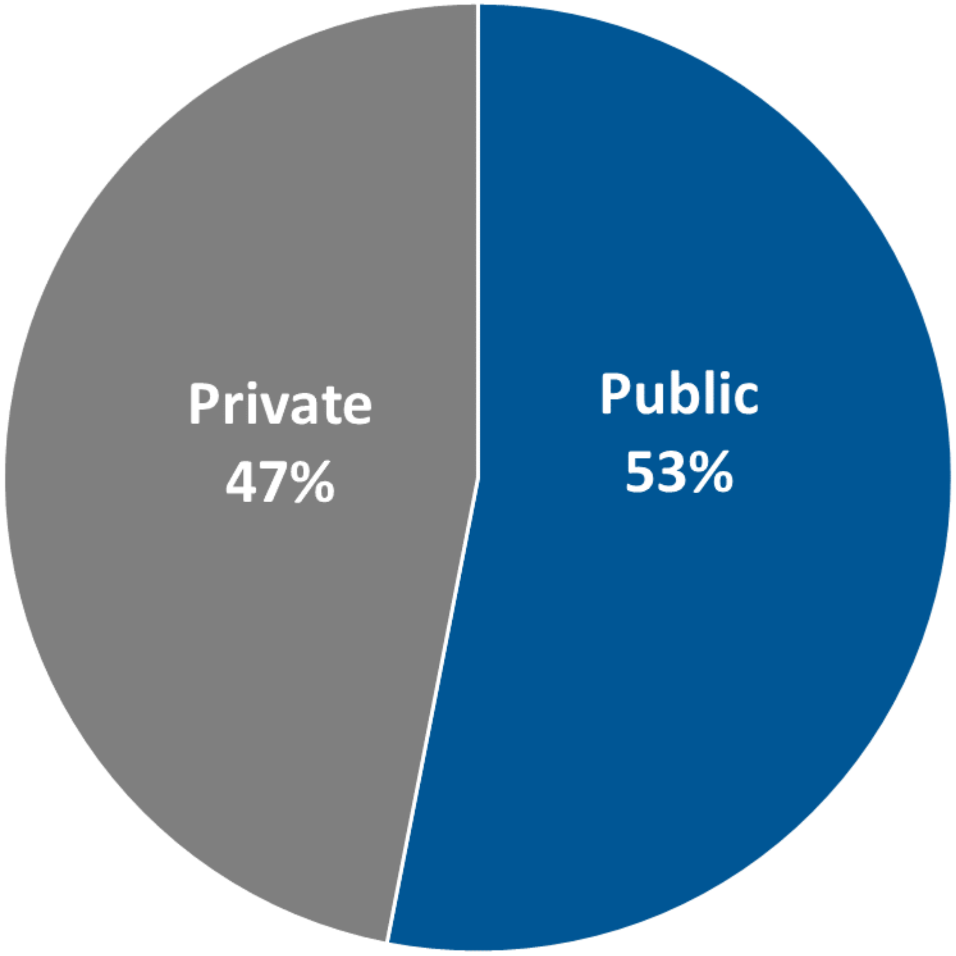


Public vs. Private Homebuilder's Permits

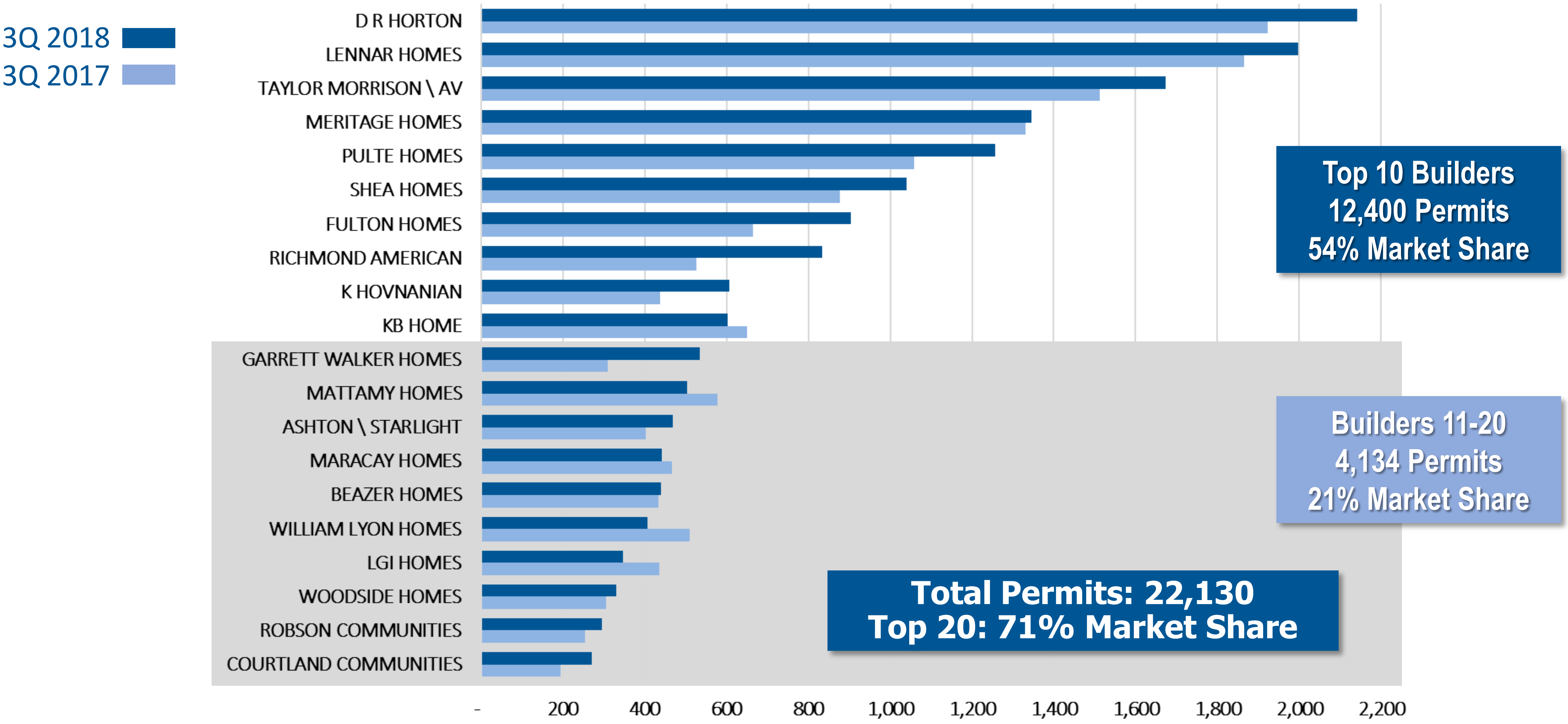
2015



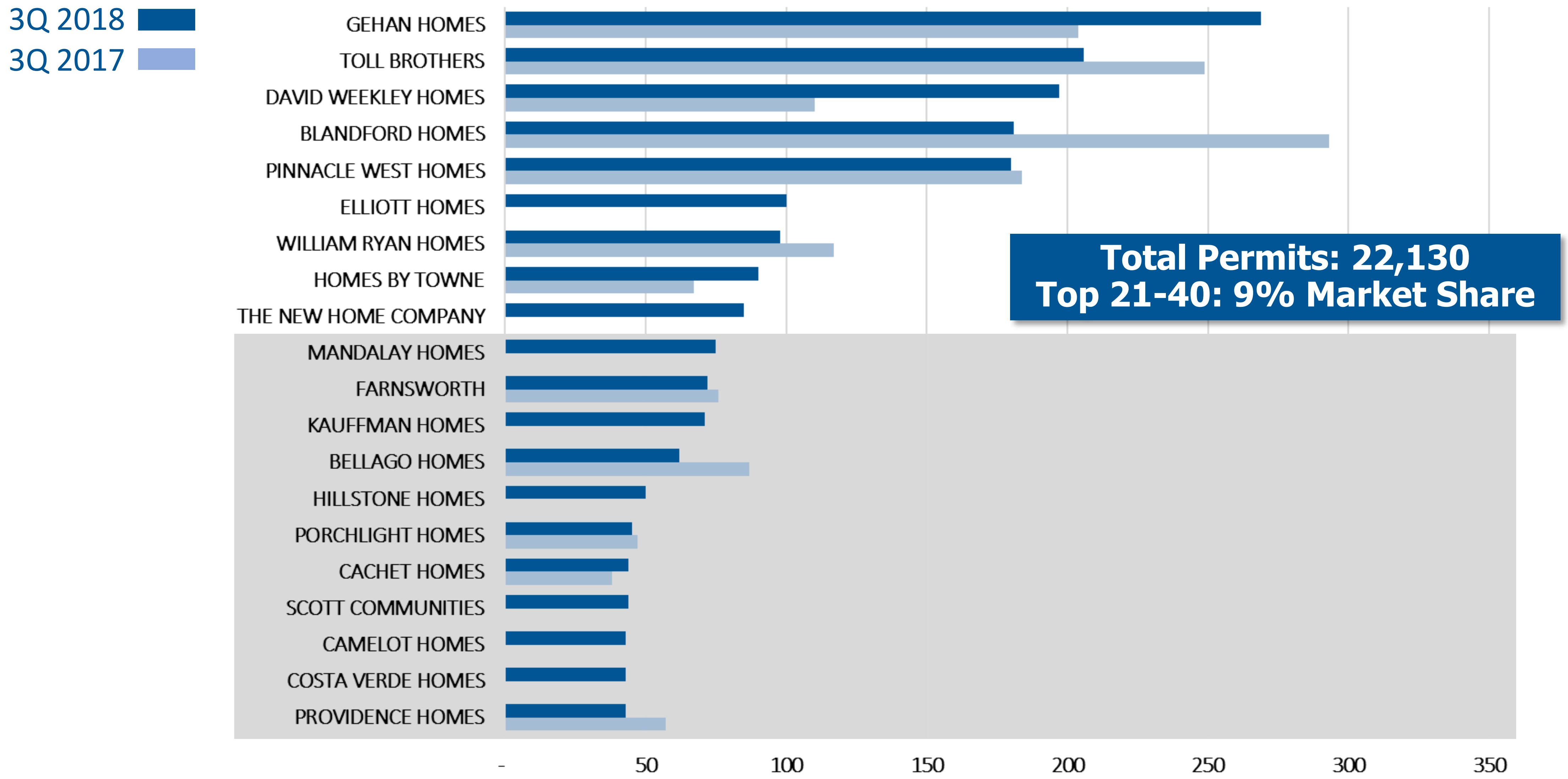
2018



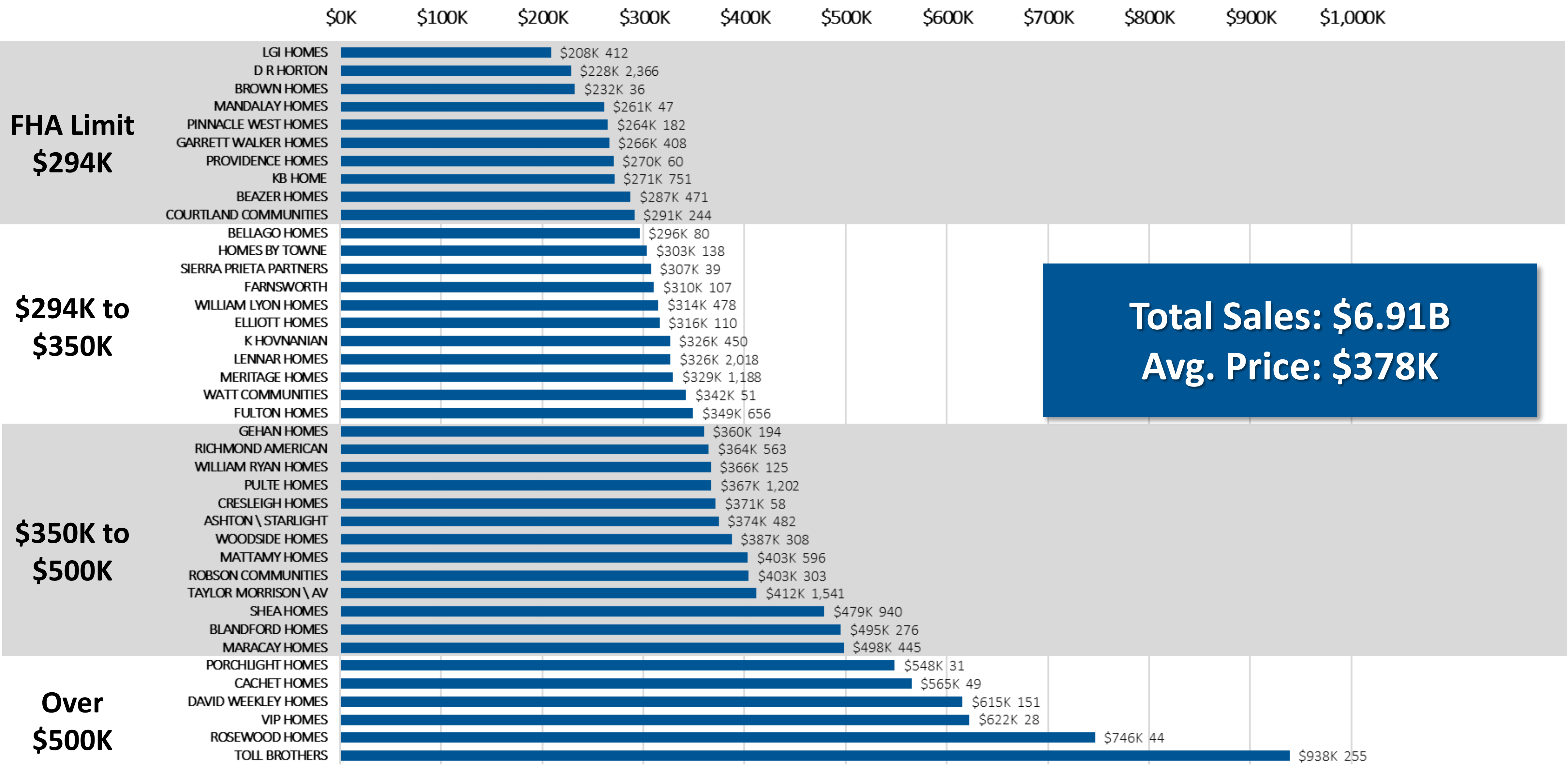
Top 20 Homebuilders by Permits



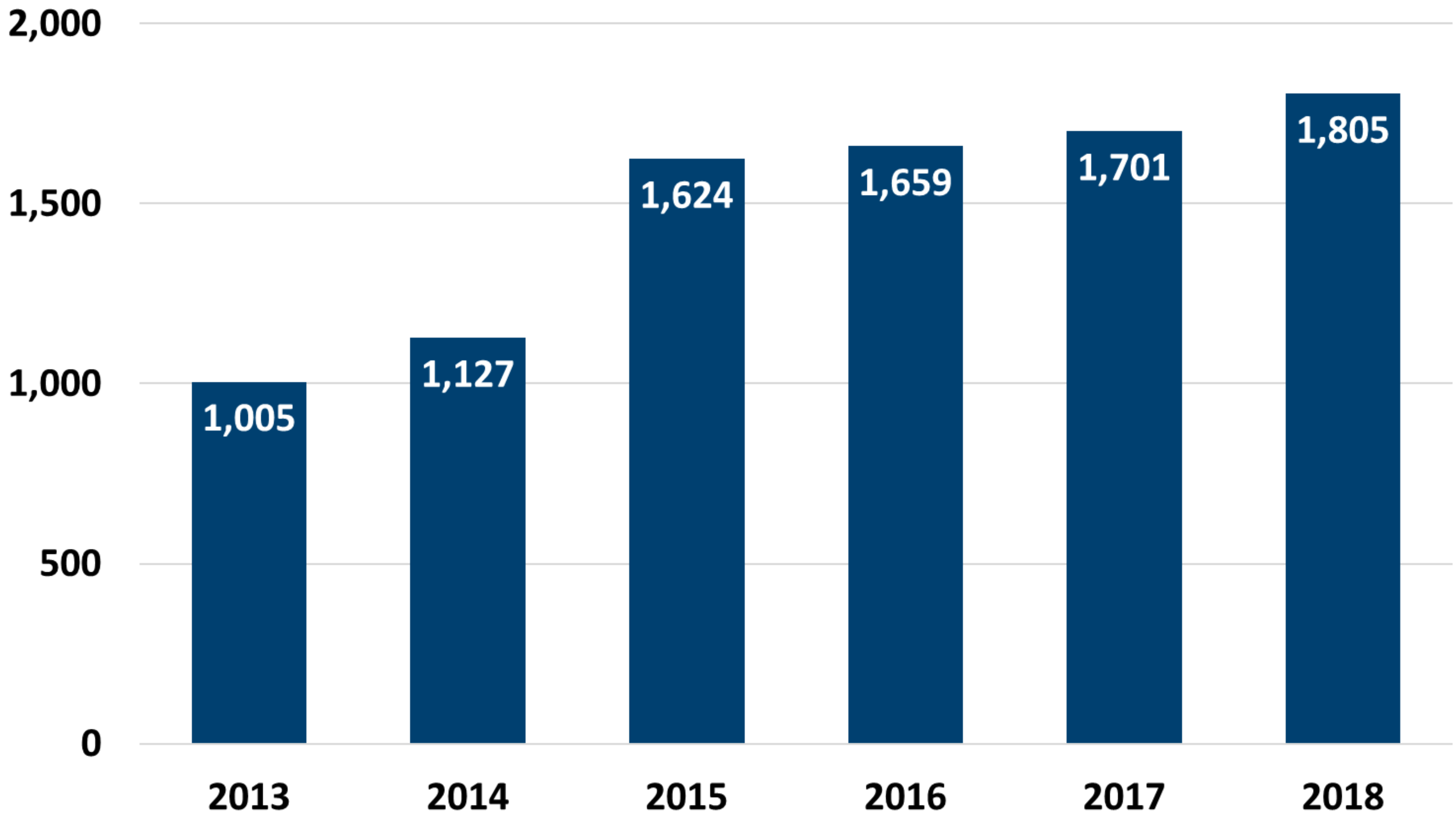
Top 21 to 40 Homebuilders by Permits



Top Builders Average Home Price SPLIT INTO TWO WHERE IS TOLL BROS

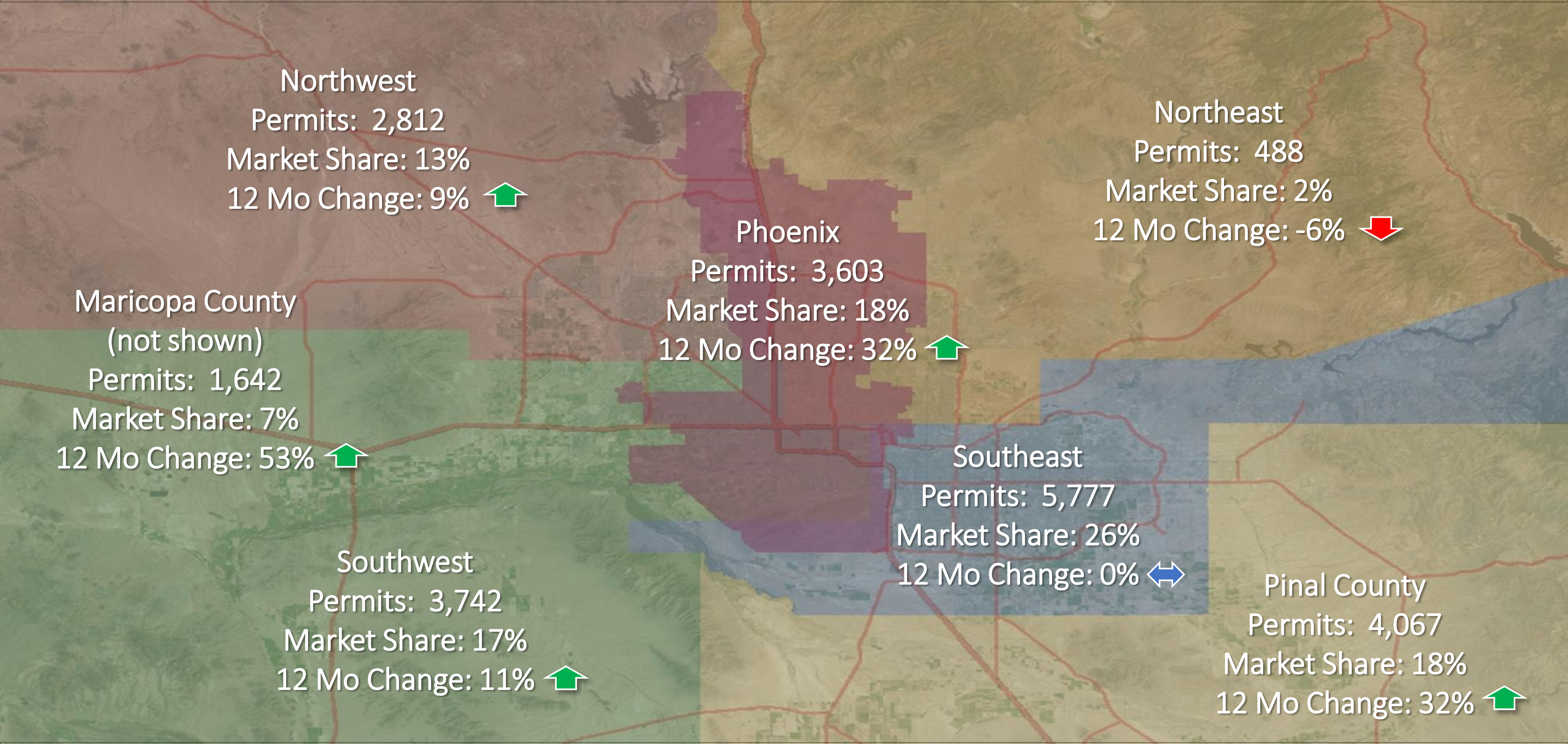


Active Adult Community Permits



Permits by Submarket

Single Family Permits Issued in the Last 12 Months



Source: HBACA, Land Advisors Organization

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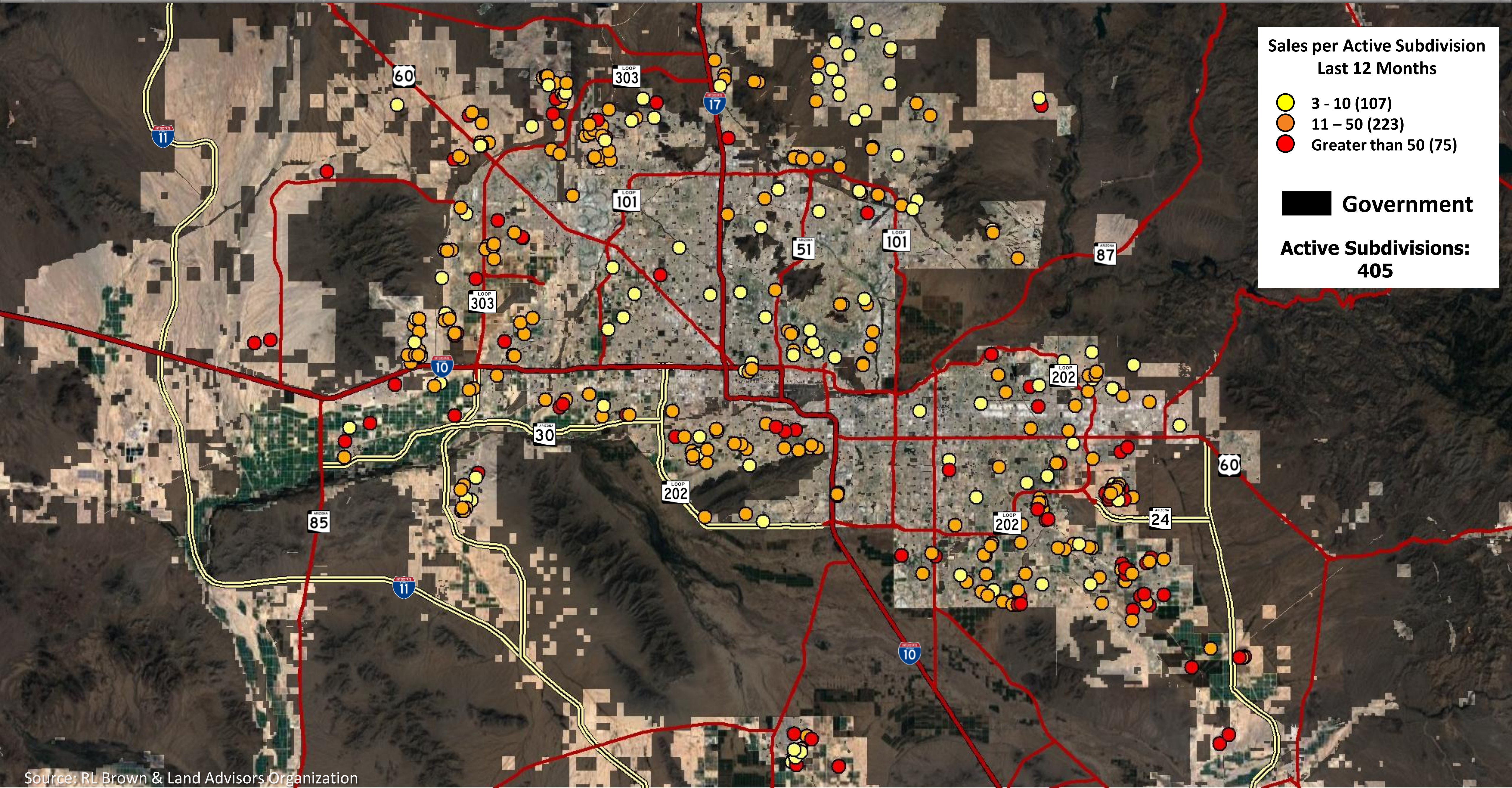
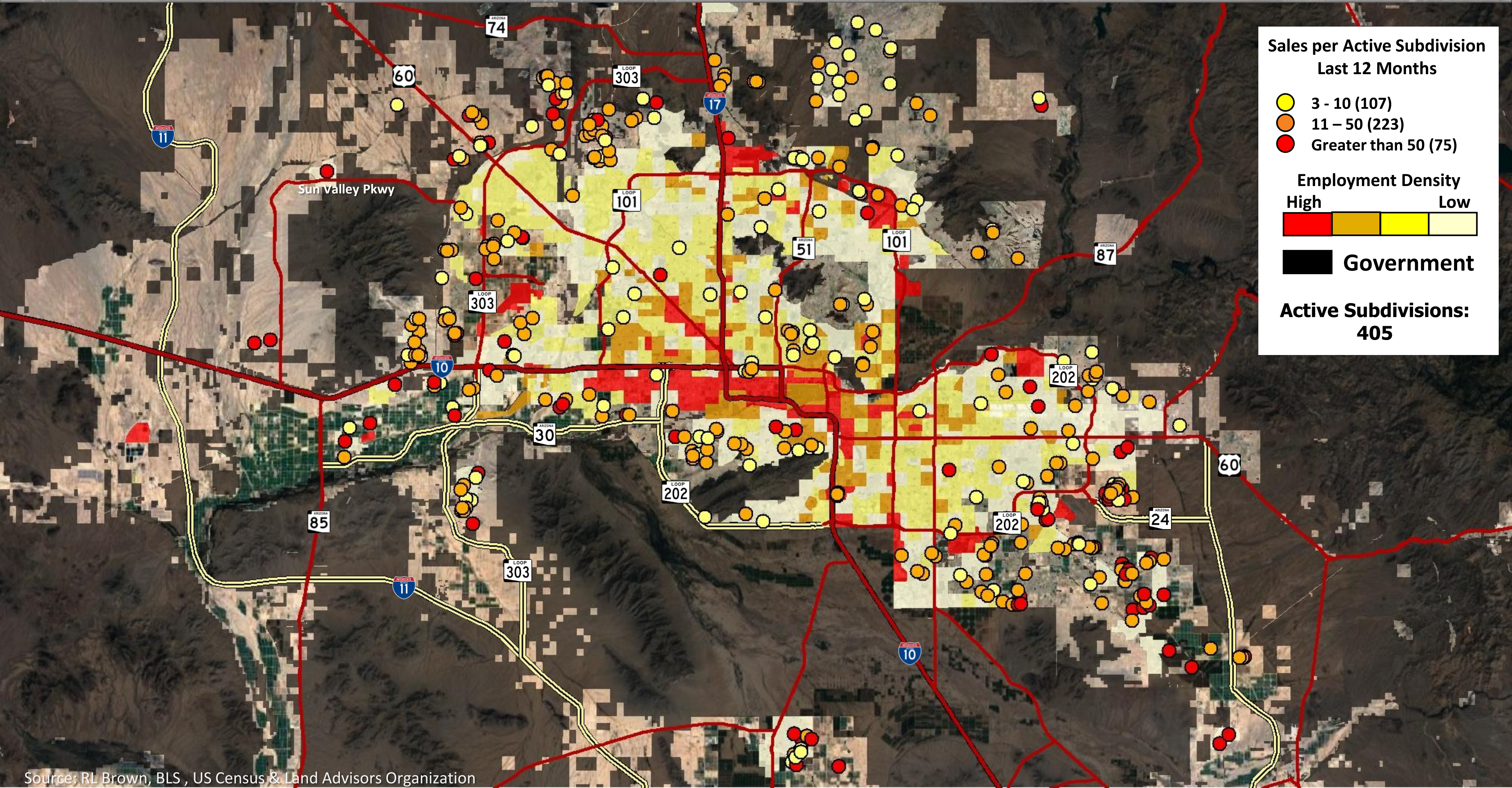
Active Subdivisions & Sales Velocity

Land Advisors ORGANIZATION



Source: RL Brown & Land Advisors Organization

Active Subdivisions Over Employment



Source: RL Brown, BLS , US Census & Land Advisors Organization

Built-out Subdivisions Over Next 12 Months

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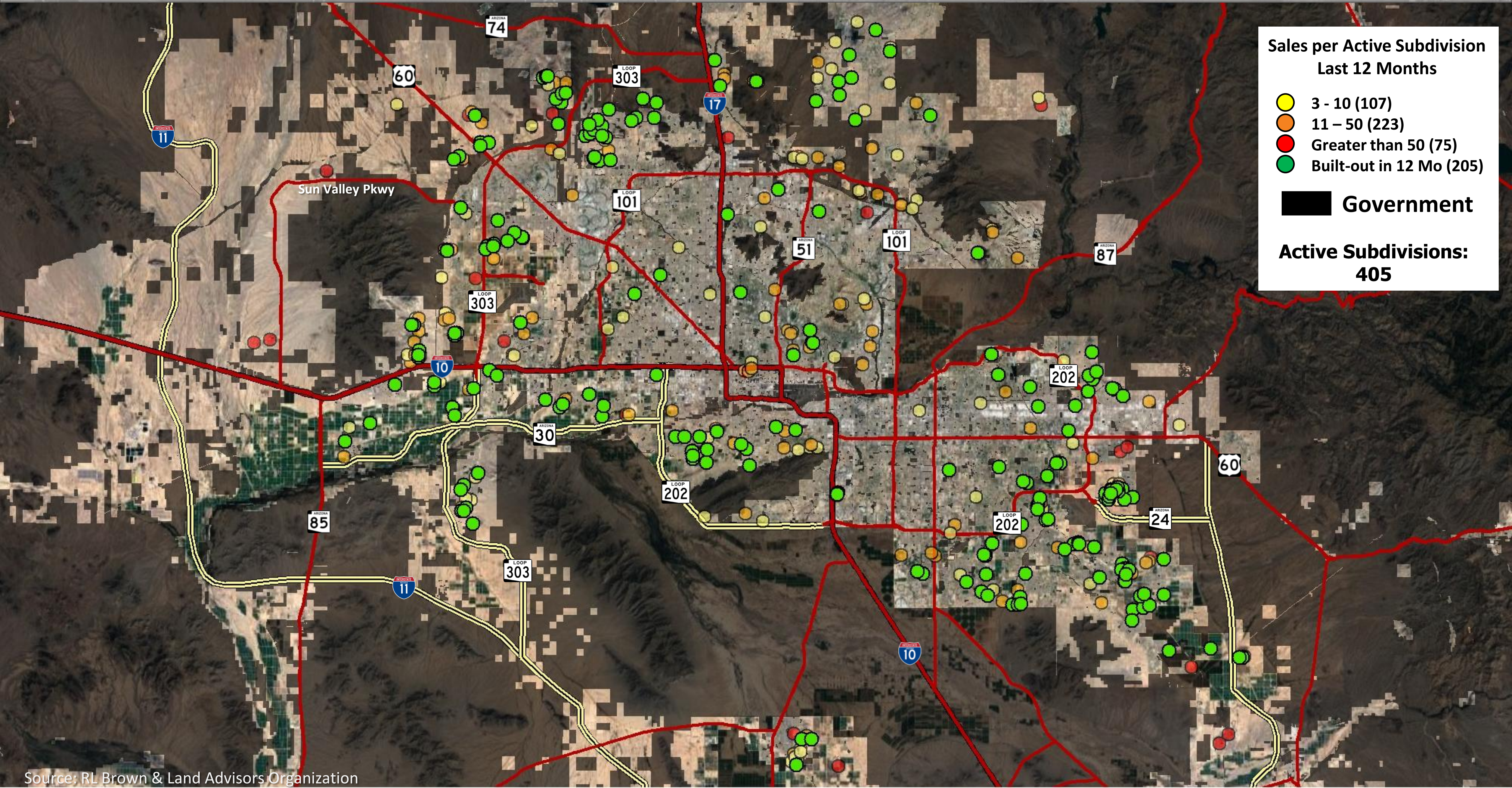
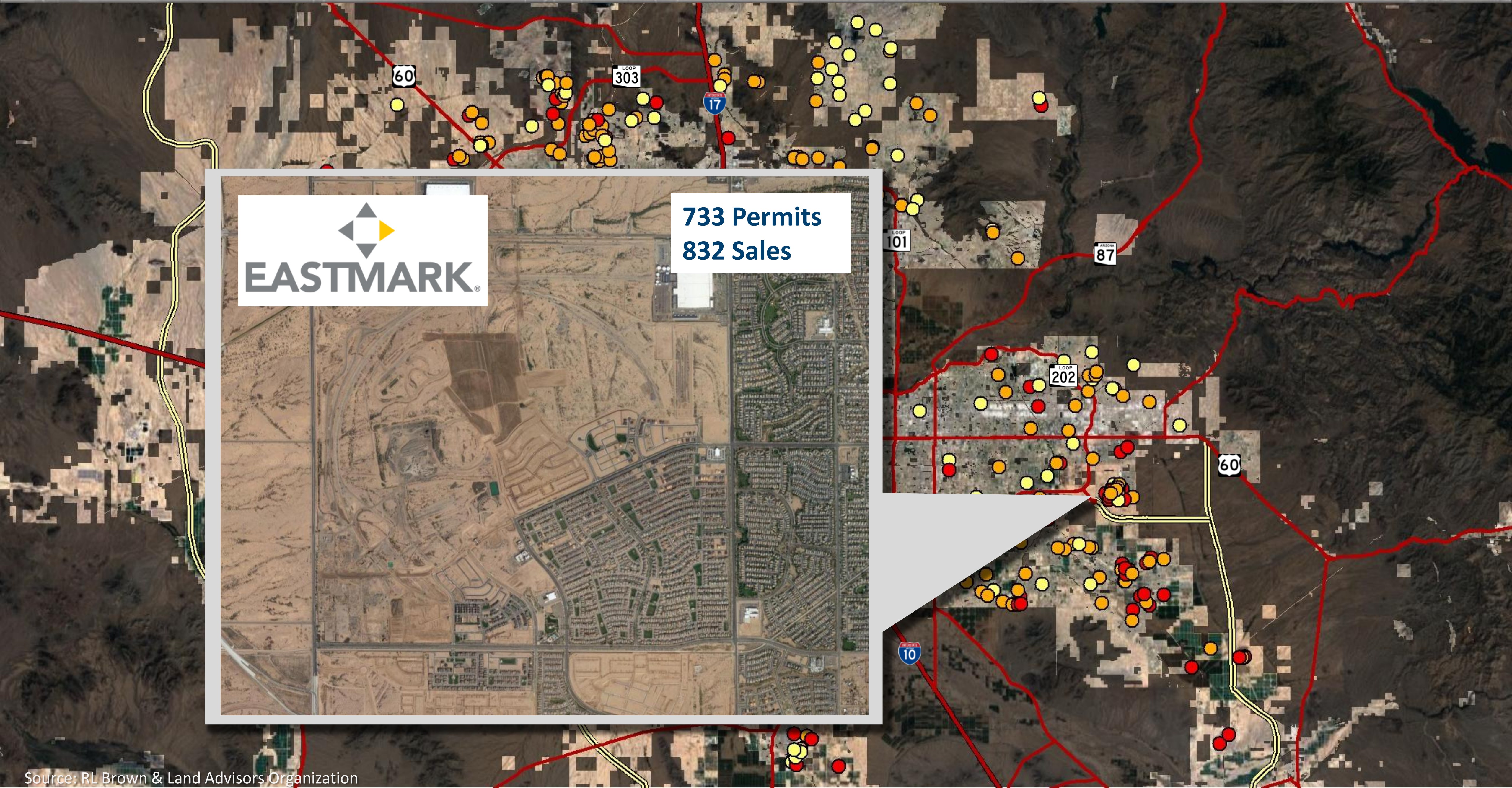


Source: RL Brown & Land Advisors Organization

Top Master Plans - Eastmark

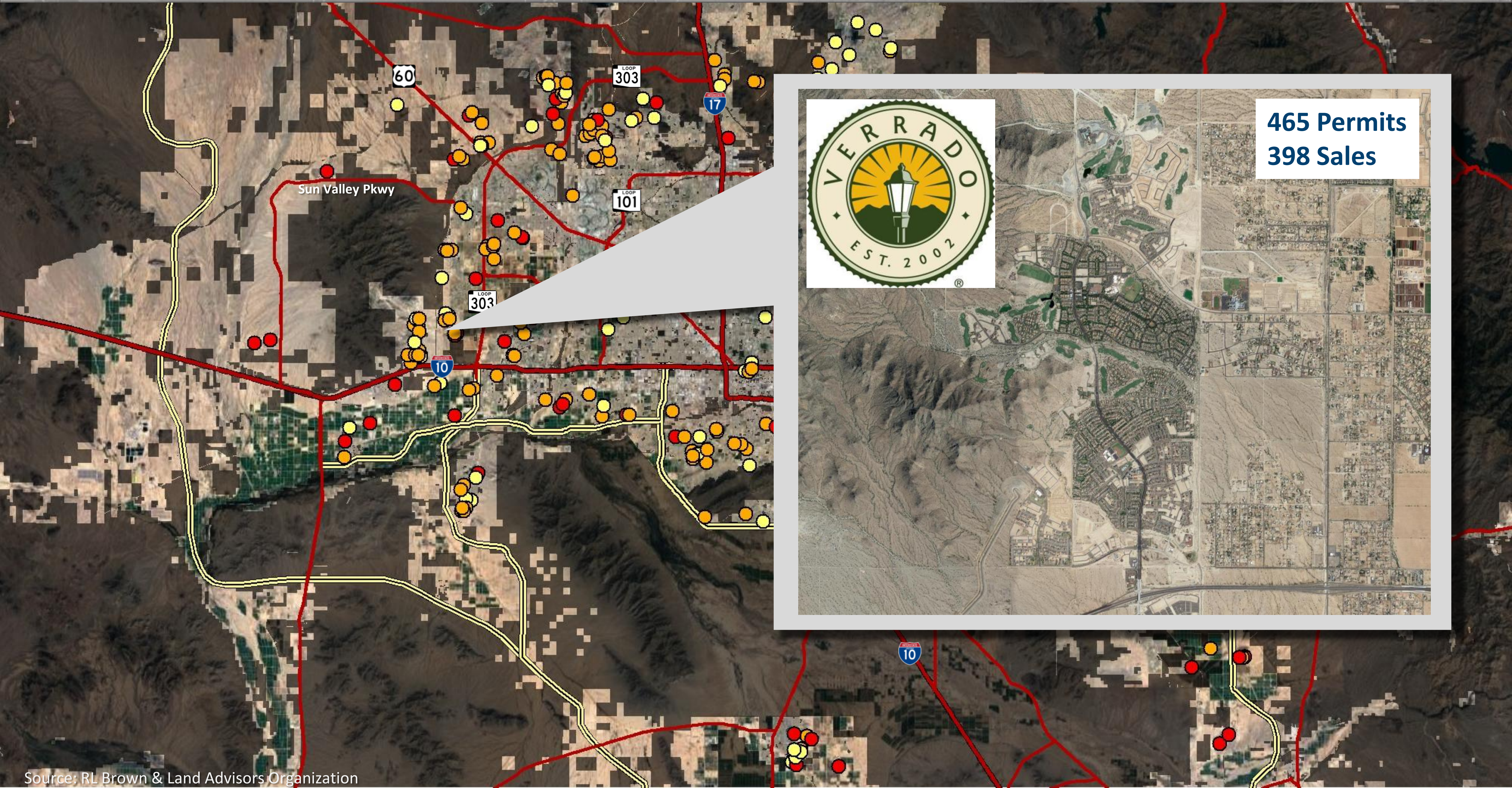
Land Advisors ORGANIZATION



Source: RL Brown & Land Advisors Organization

Top Master Plans – Verrado/Victory

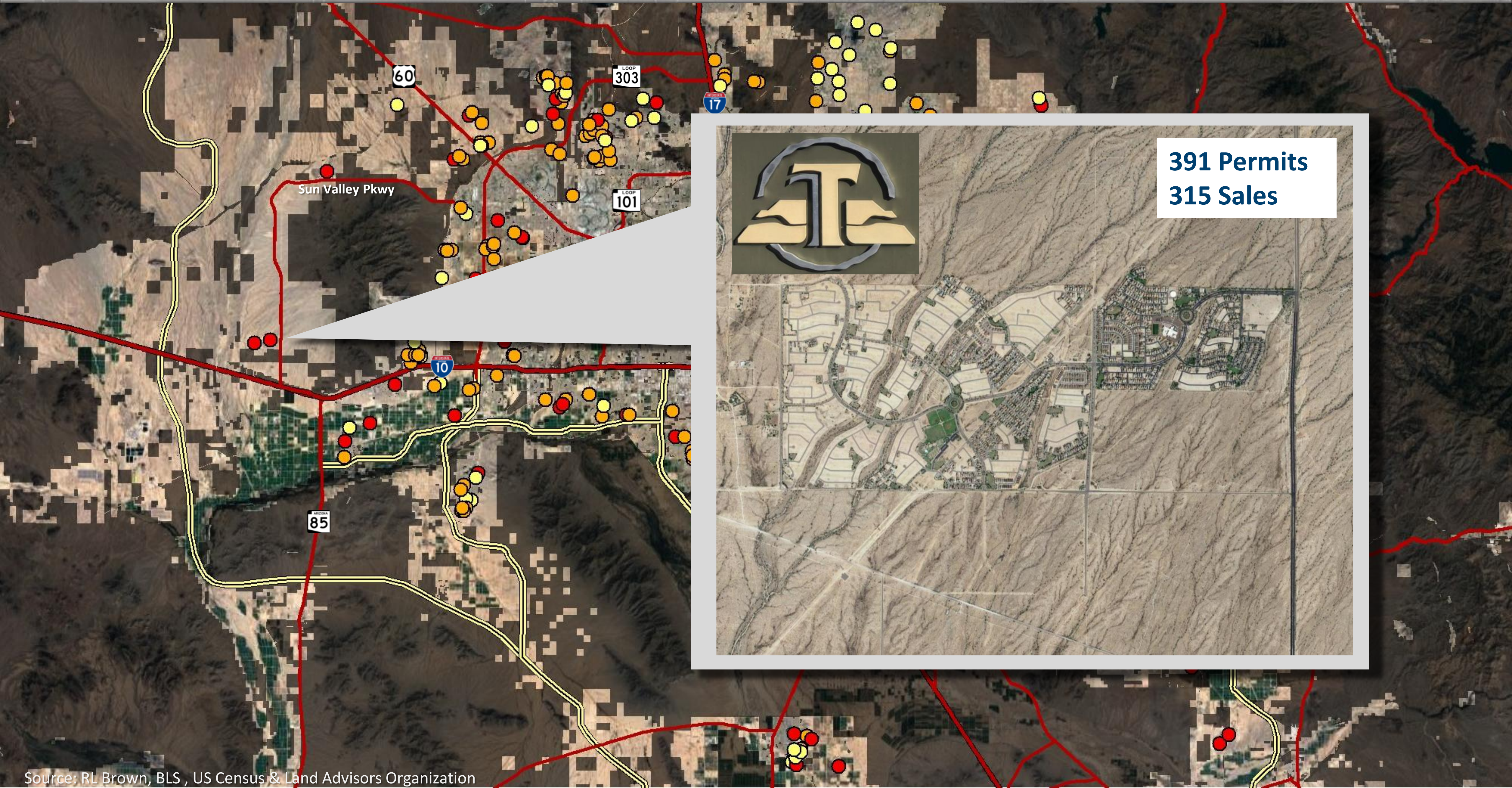
Land Advisors ORGANIZATION



Source: RL Brown & Land Advisors Organization

Top Master Plans - Tartesso

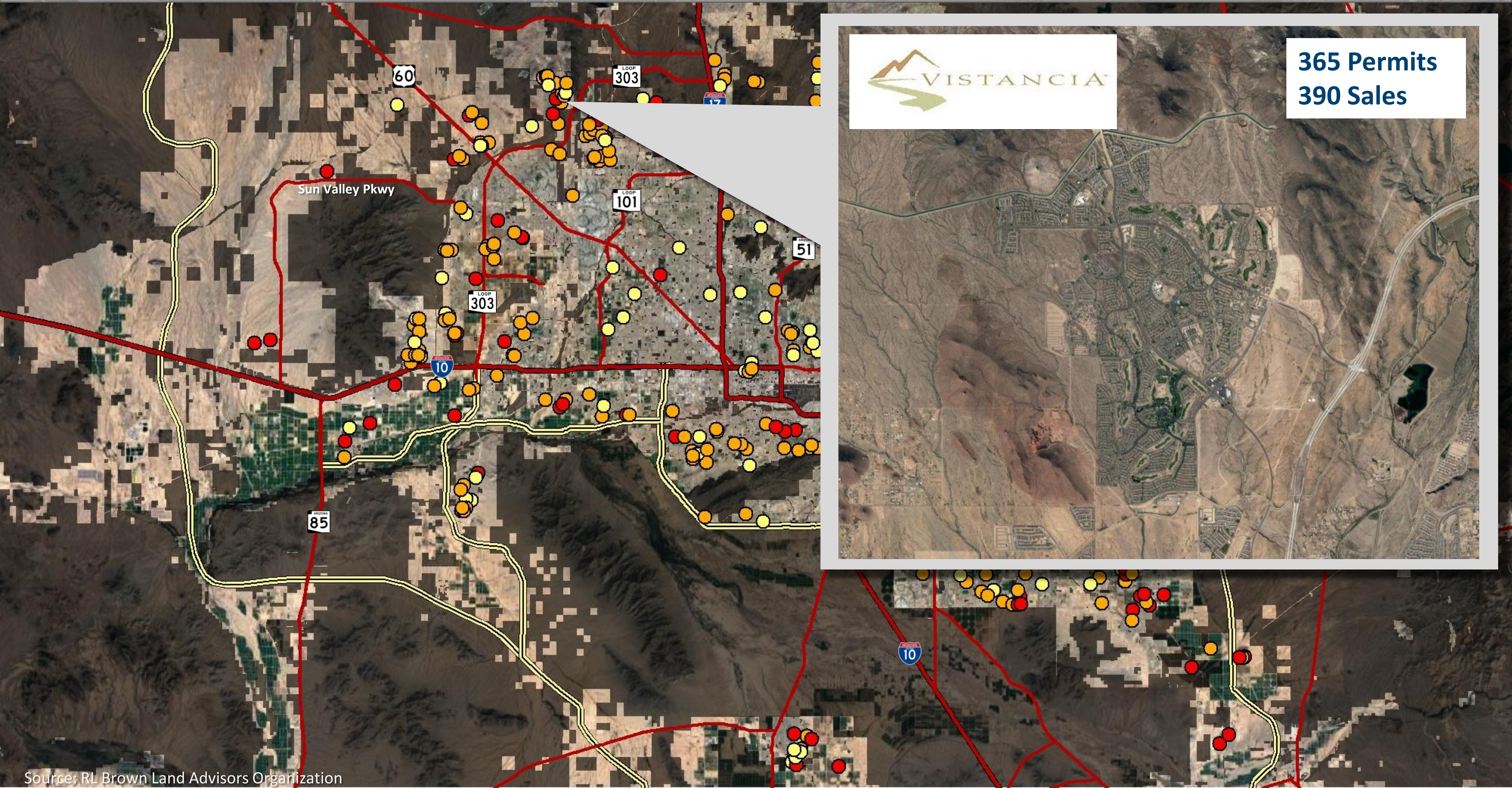
Land Advisors ORGANIZATION



391 Permits
315 Sales

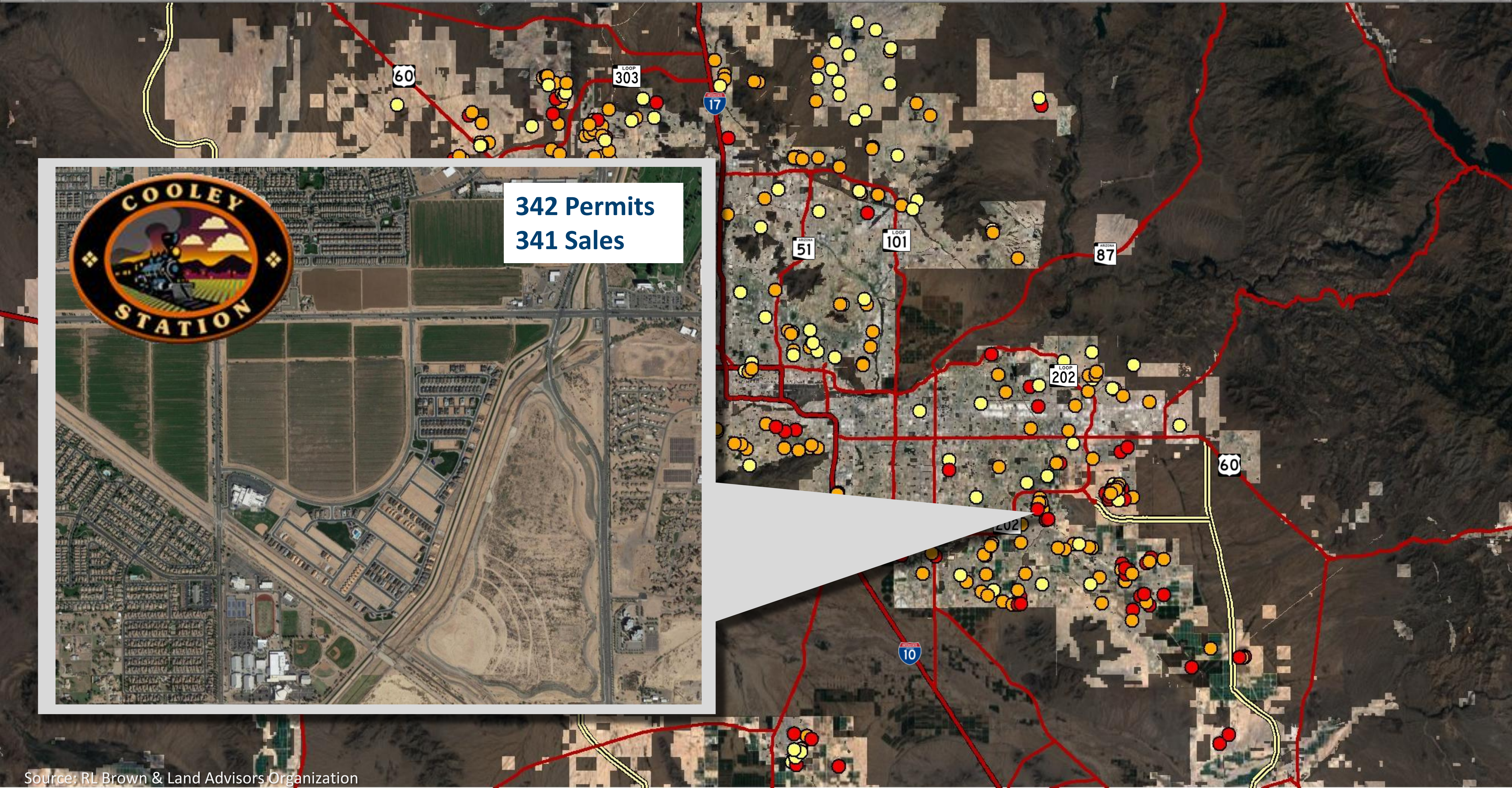
Source: RL Brown, BLS , US Census & Land Advisors Organization

Top Master Plans - Vistancia



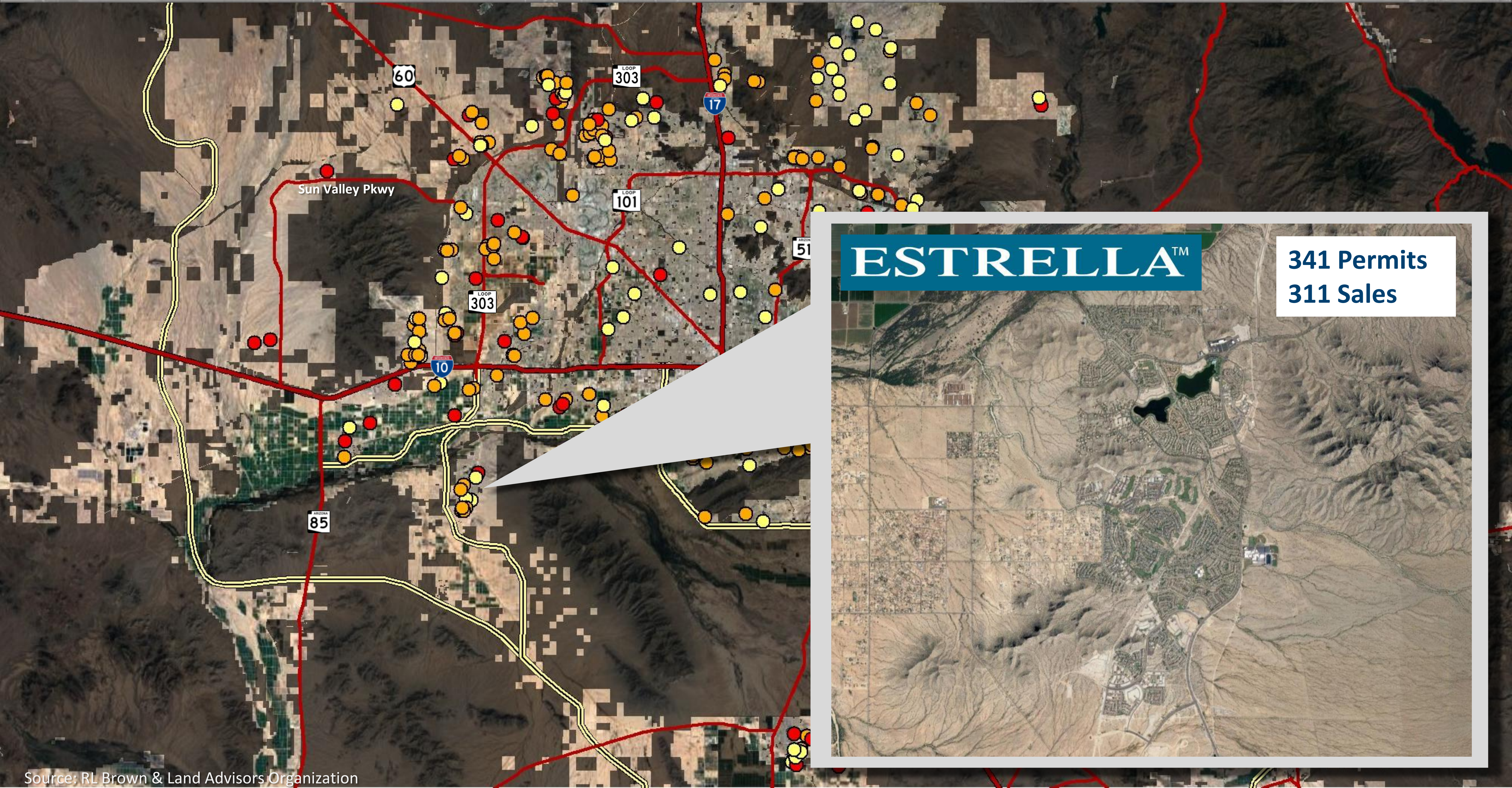
Source: RL Brown Land Advisors Organization

Top Master Plans – Cooley Station



Source: RL Brown & Land Advisors Organization

Top Master Plans – Estrella Mountain Ranch



Source: RL Brown & Land Advisors Organization

Top Master Plans – Sun City Festival/Festival Foothills

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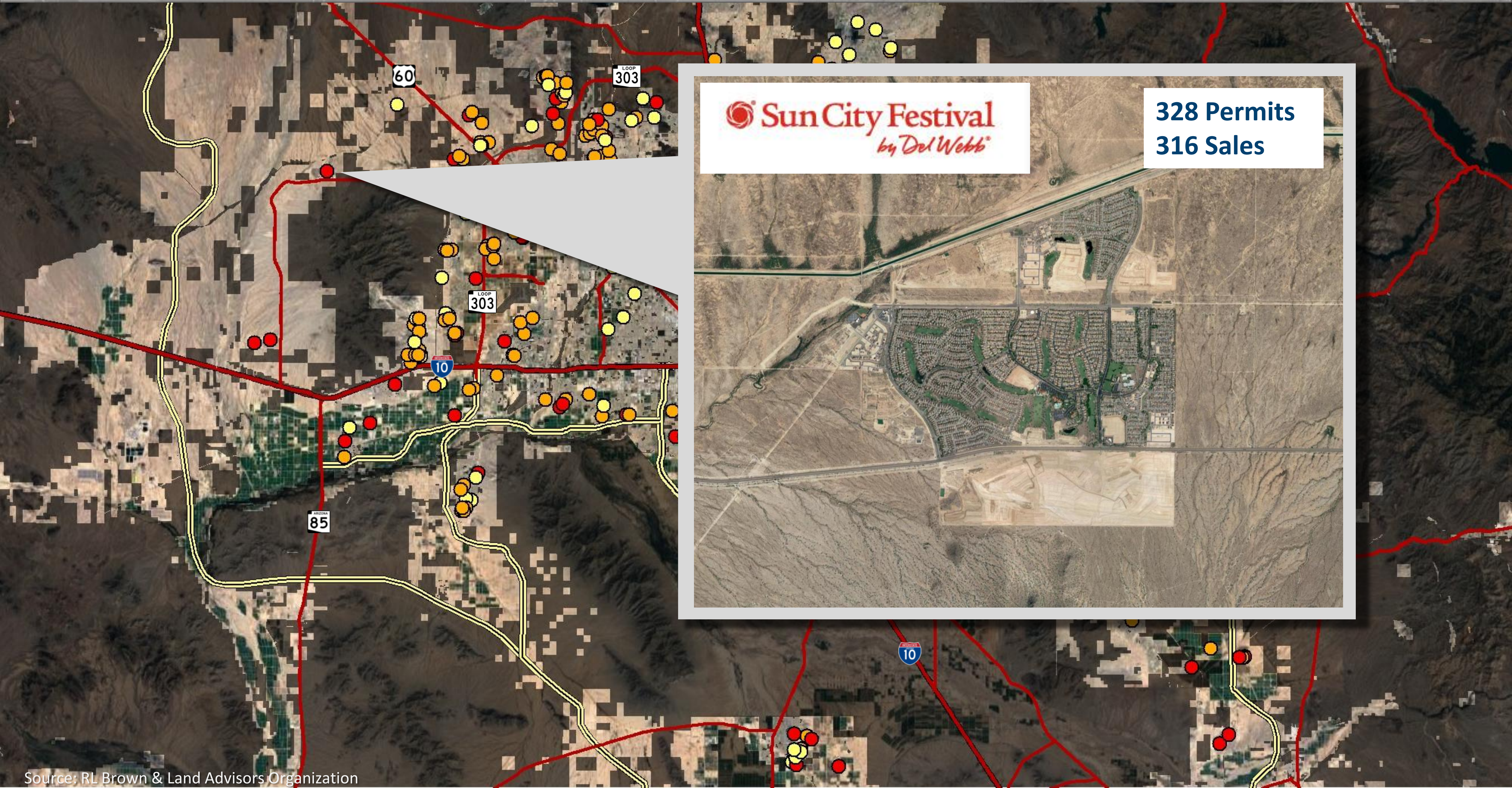


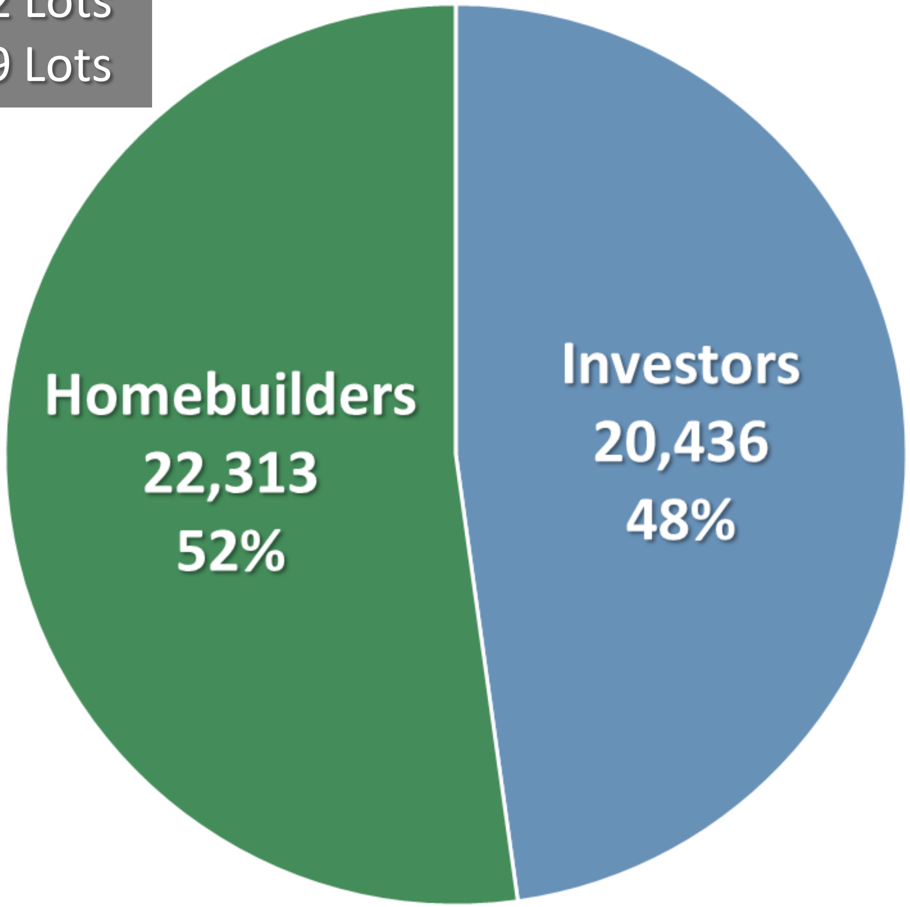
Source: RL Brown & Land Advisors Organization

Finished Lot Inventory

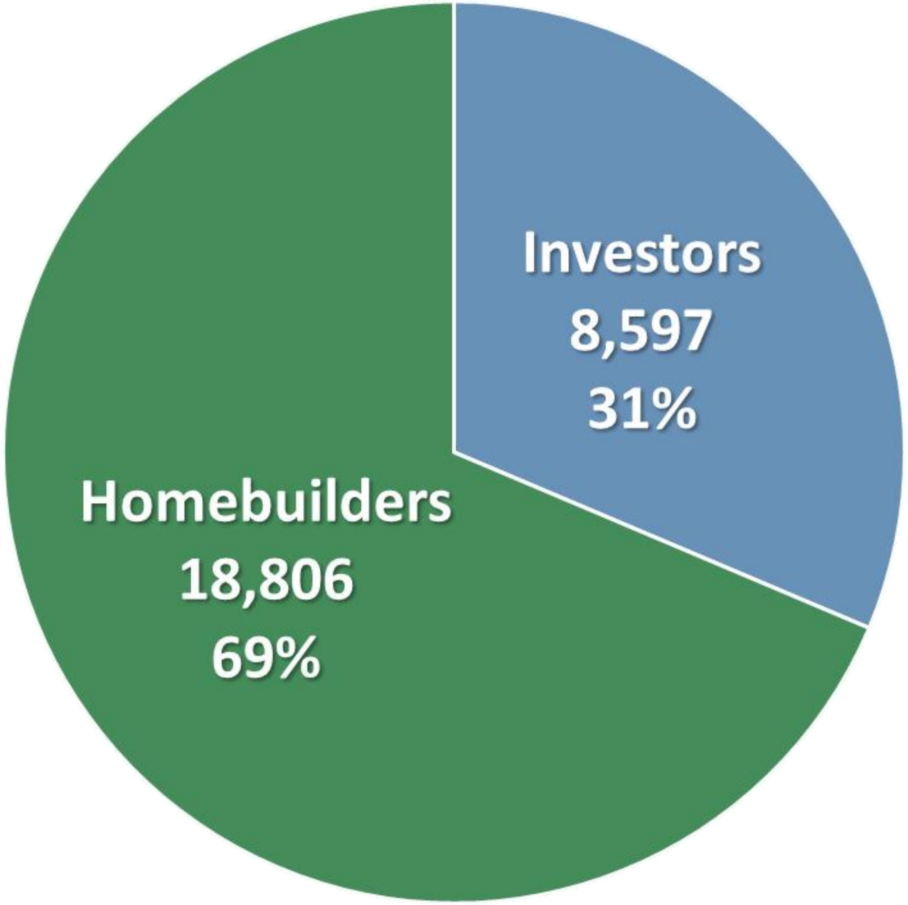
Conventional* Finished Lots Active/Inactive & Owner Type

Total Inventory
2015: 51,221 Lots
2018: 37,982 Lots
Delta: -13,239 Lots

2015



2018

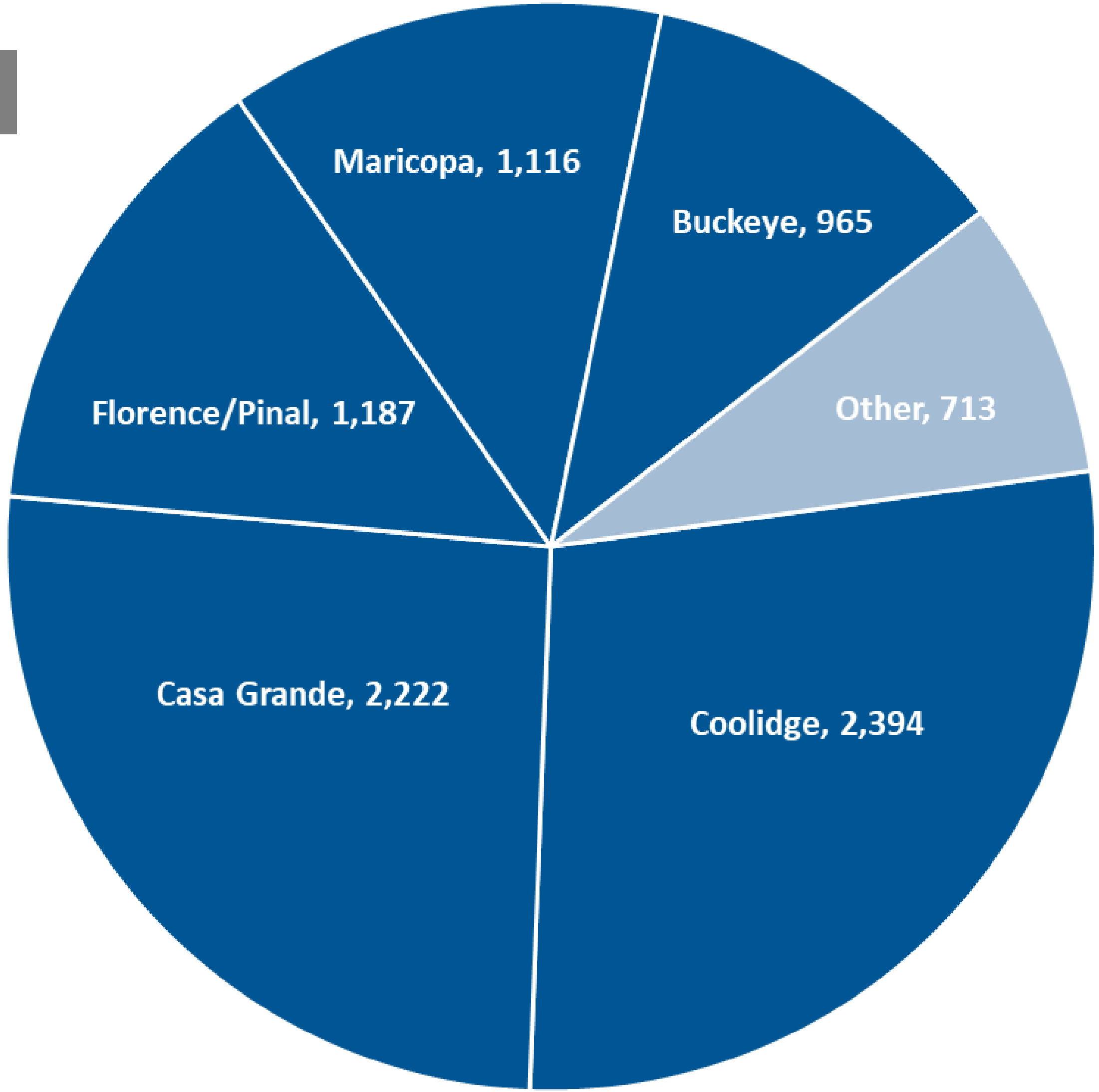


** Conventional lot width is between 40 and 94 feet.*

Investor Finished Lot Inventory by Location

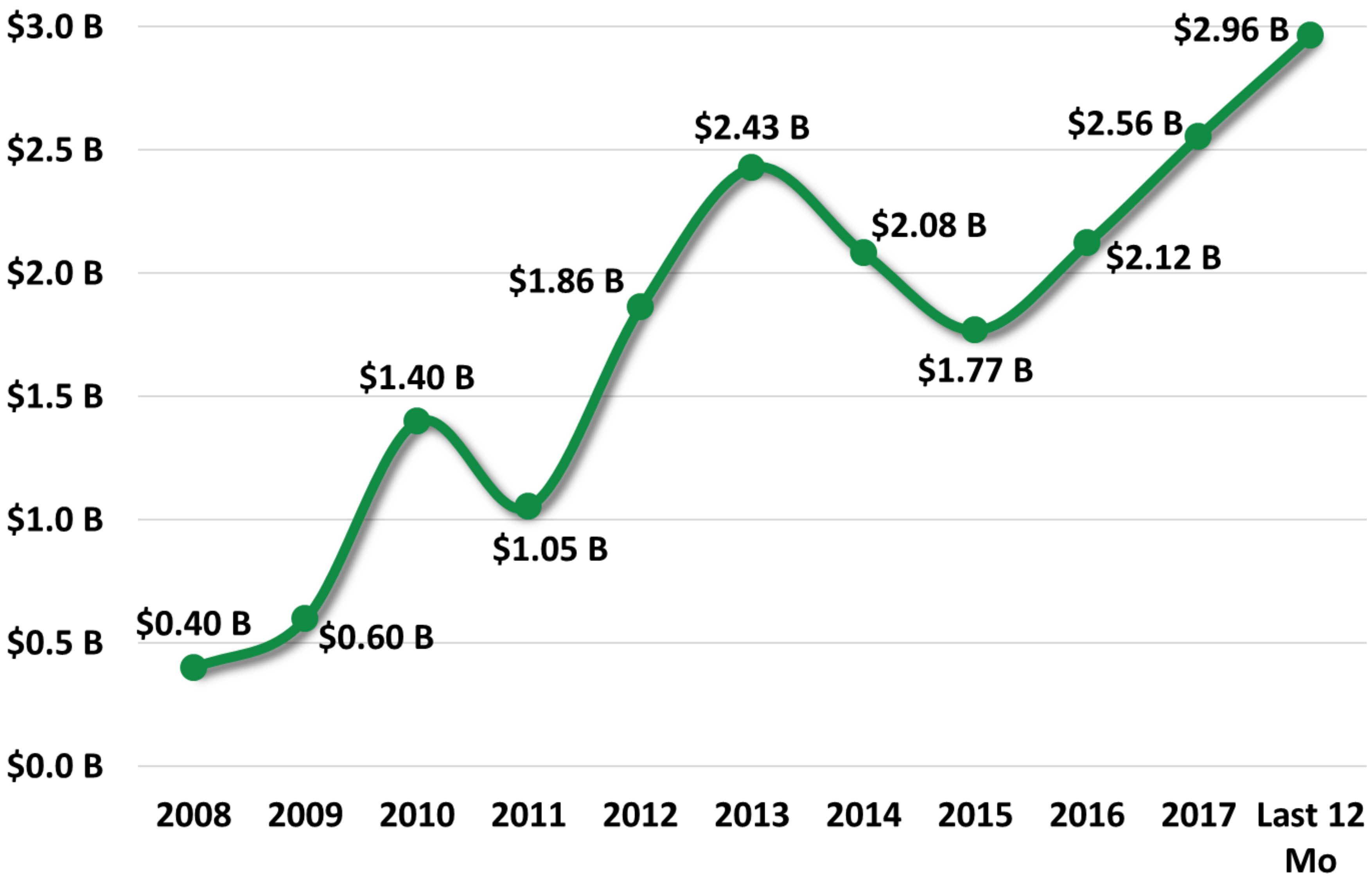
Conventional* Finished Lots

Total Inventory: 8,597 Lots



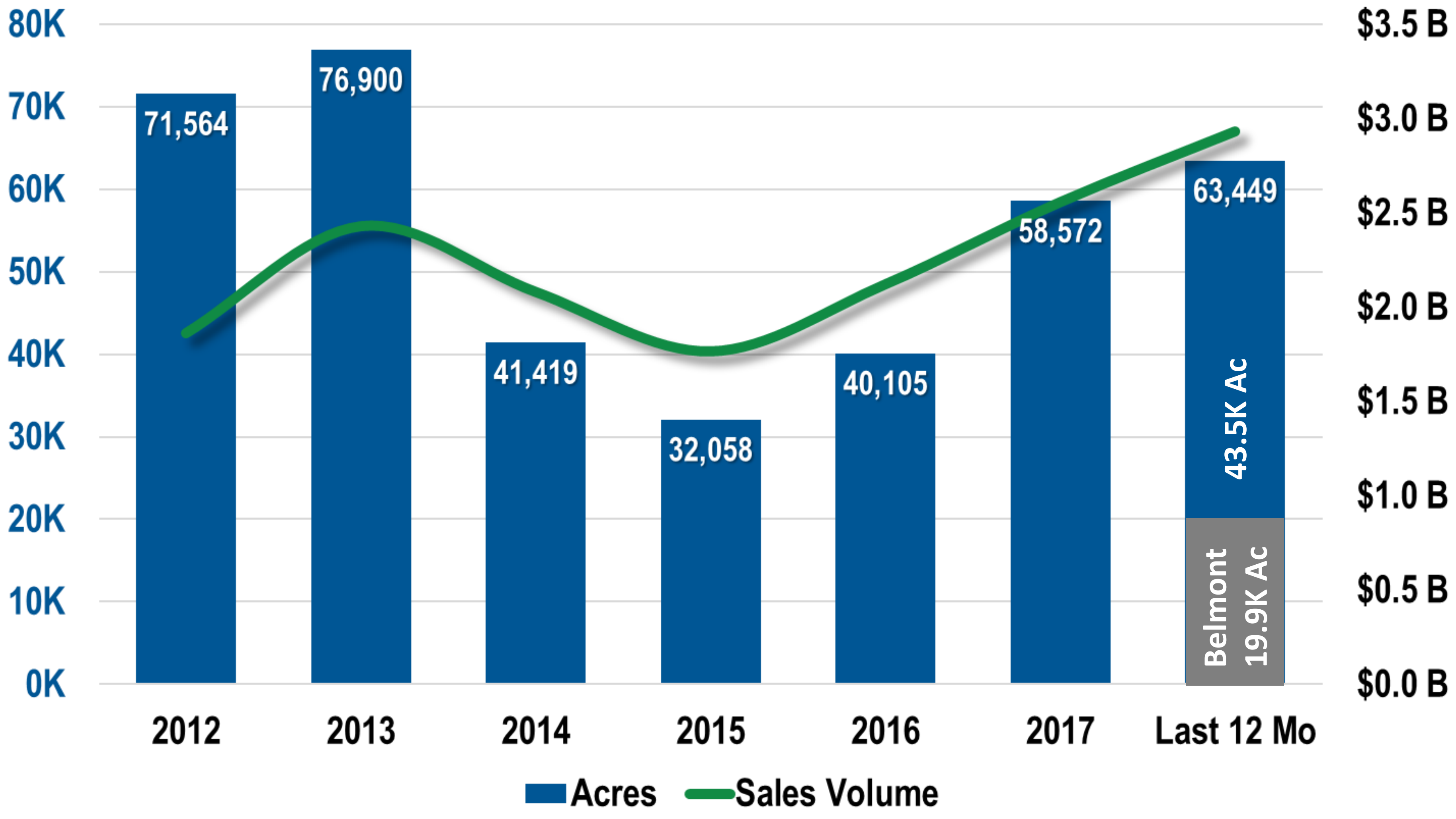
** Conventional lot width is between 40 and 94 feet.*

Land Transactions Annual Volume



Total Land

Acres & Sales Volume



West Valley Land Transactions 2015 to Present

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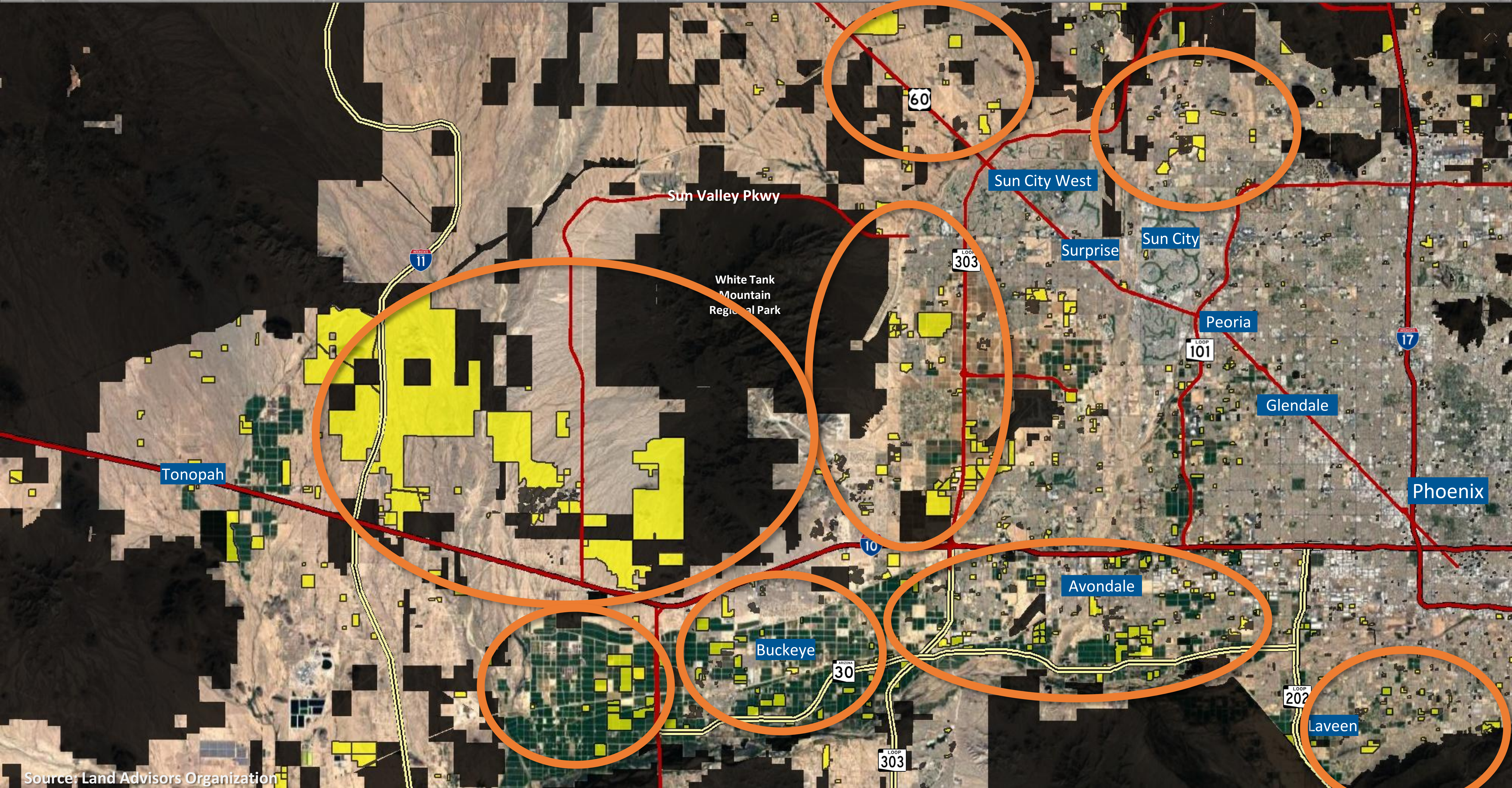
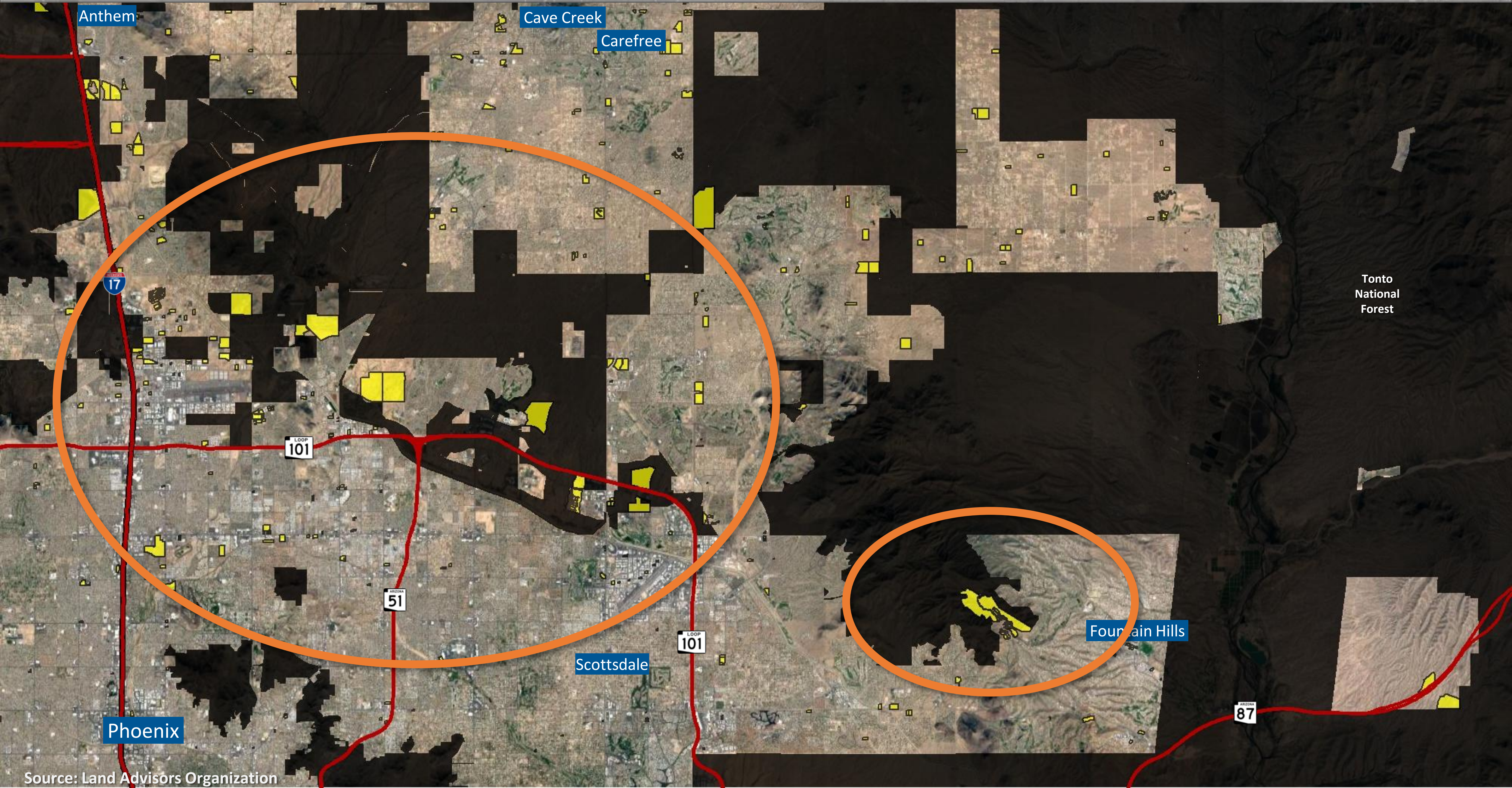


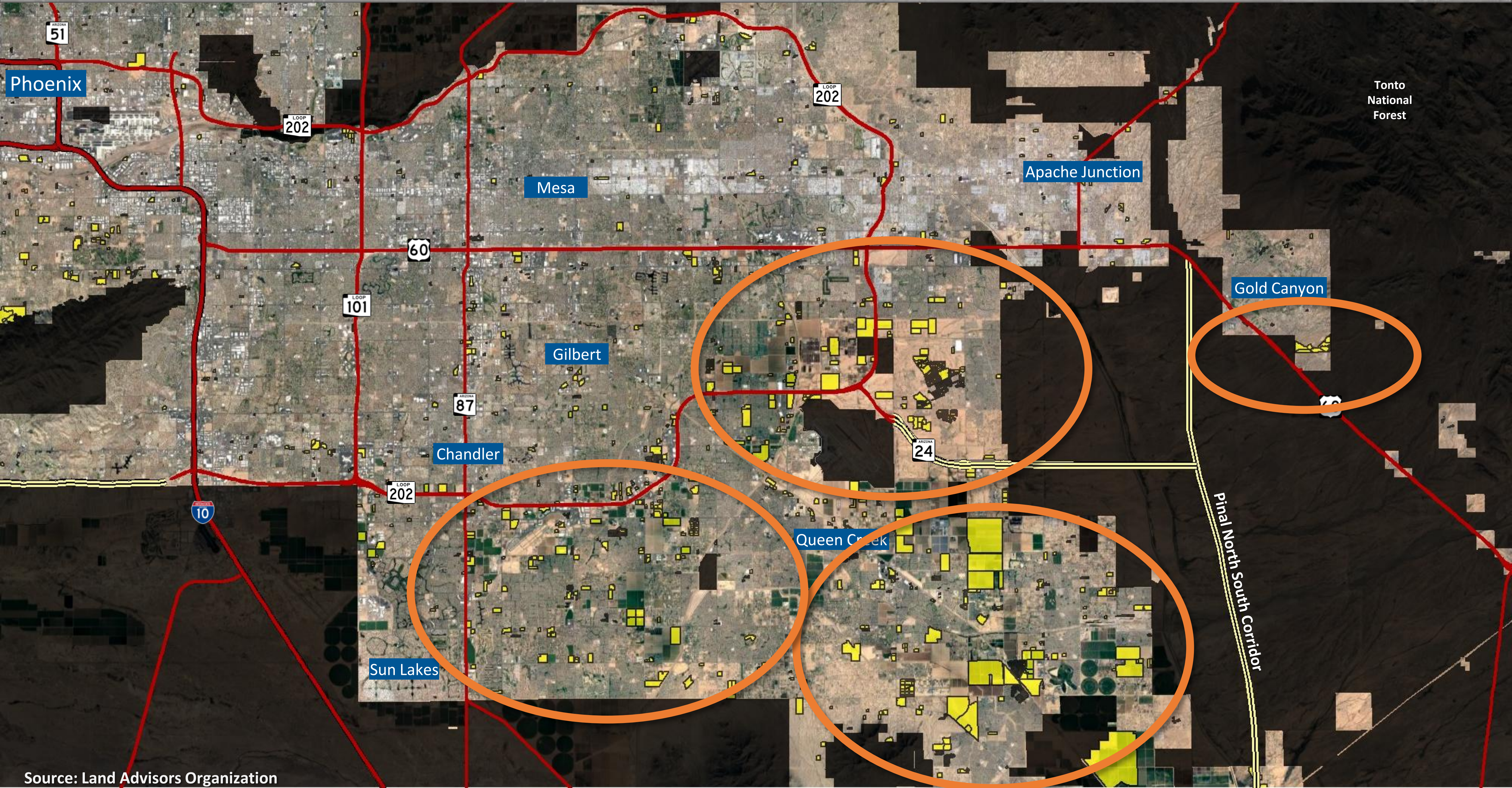
Source: Land Advisors Organization

Northeast Valley Land Transactions 2015 to Present



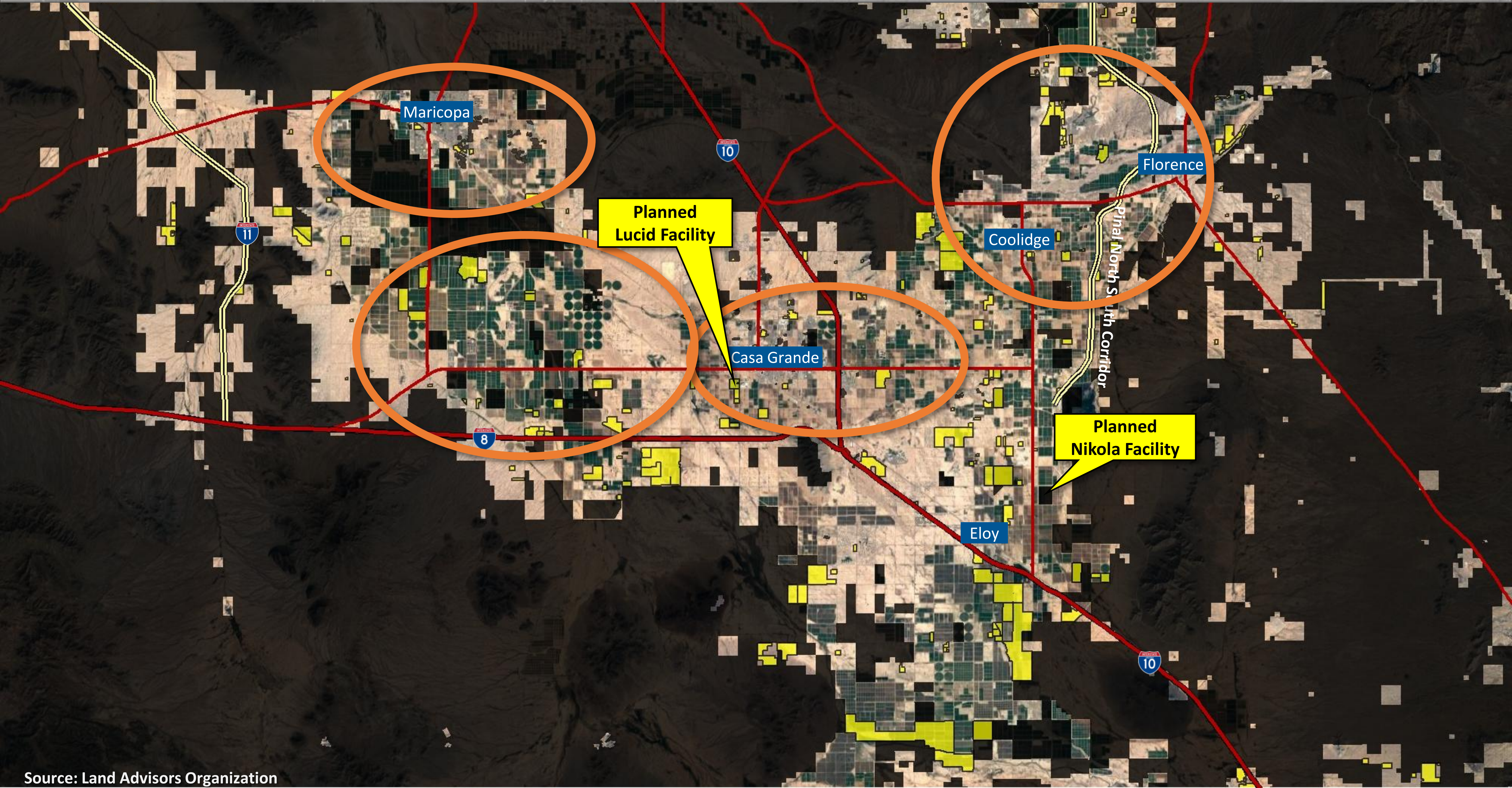
Source: Land Advisors Organization

Southeast Valley Land Transactions 2015 to Present



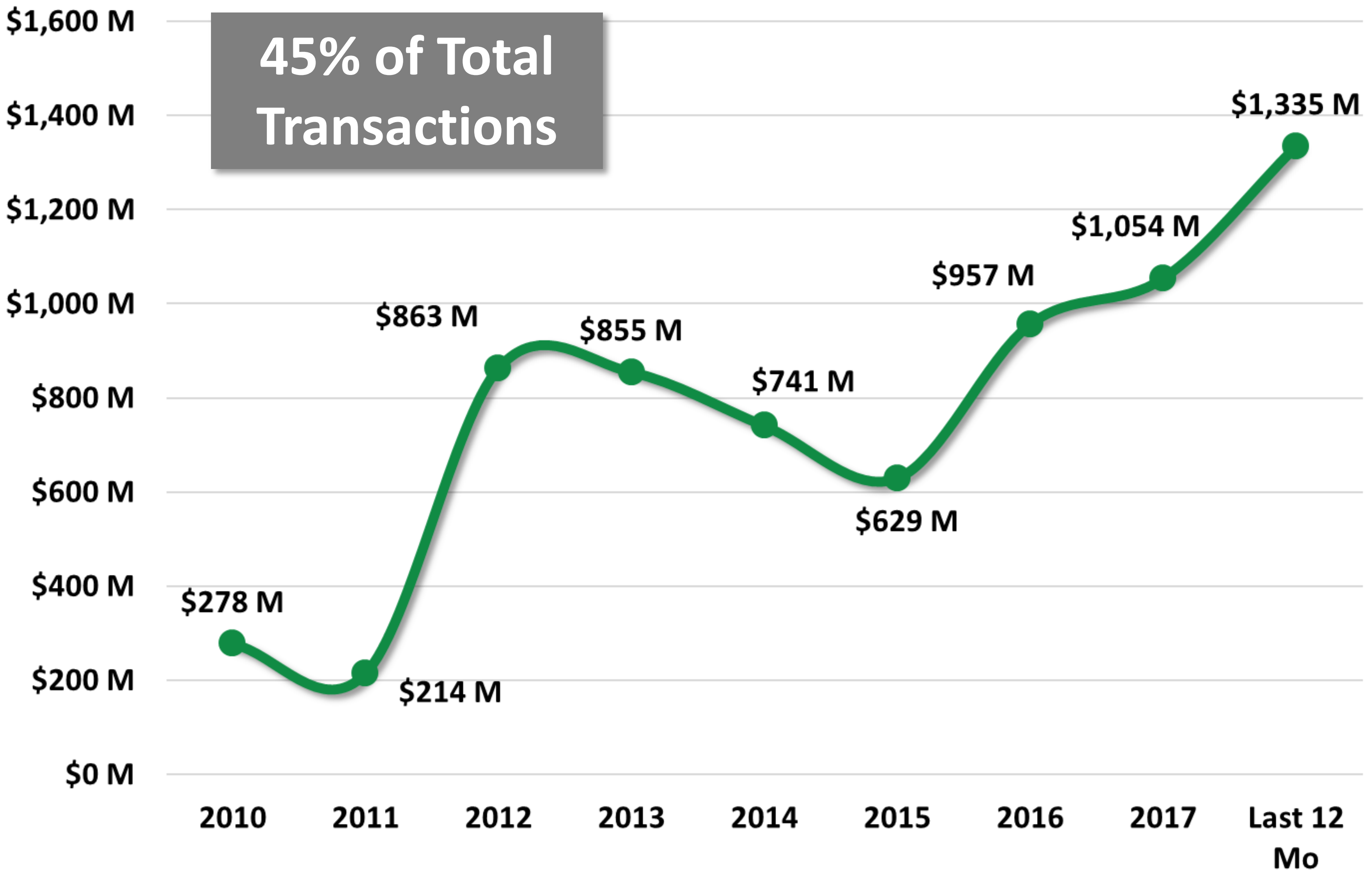
Source: Land Advisors Organization

Pinal County Land Transactions 2015 to Present



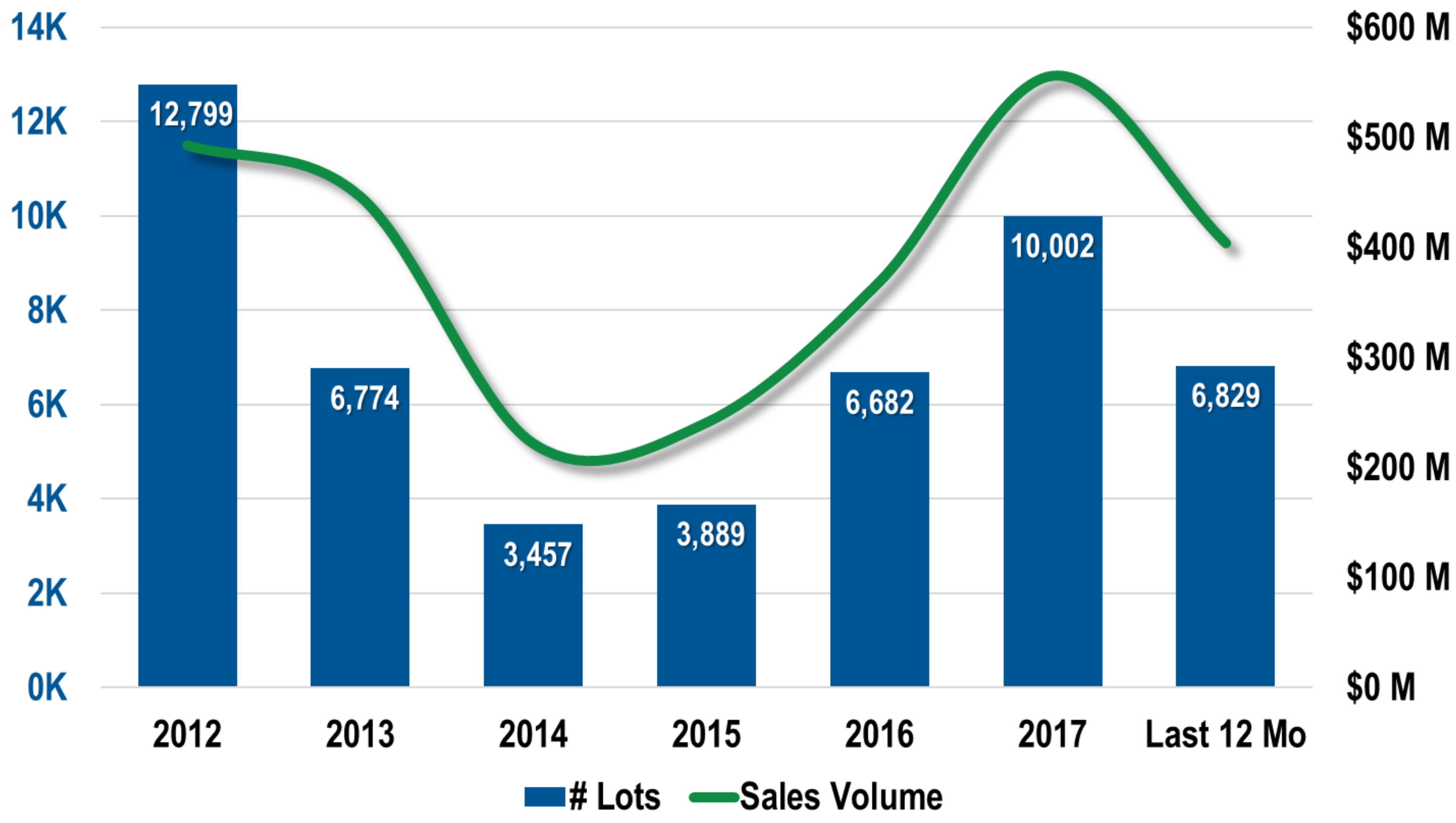
Source: Land Advisors Organization

Homebuilder’s Annual Land & Lot Spend

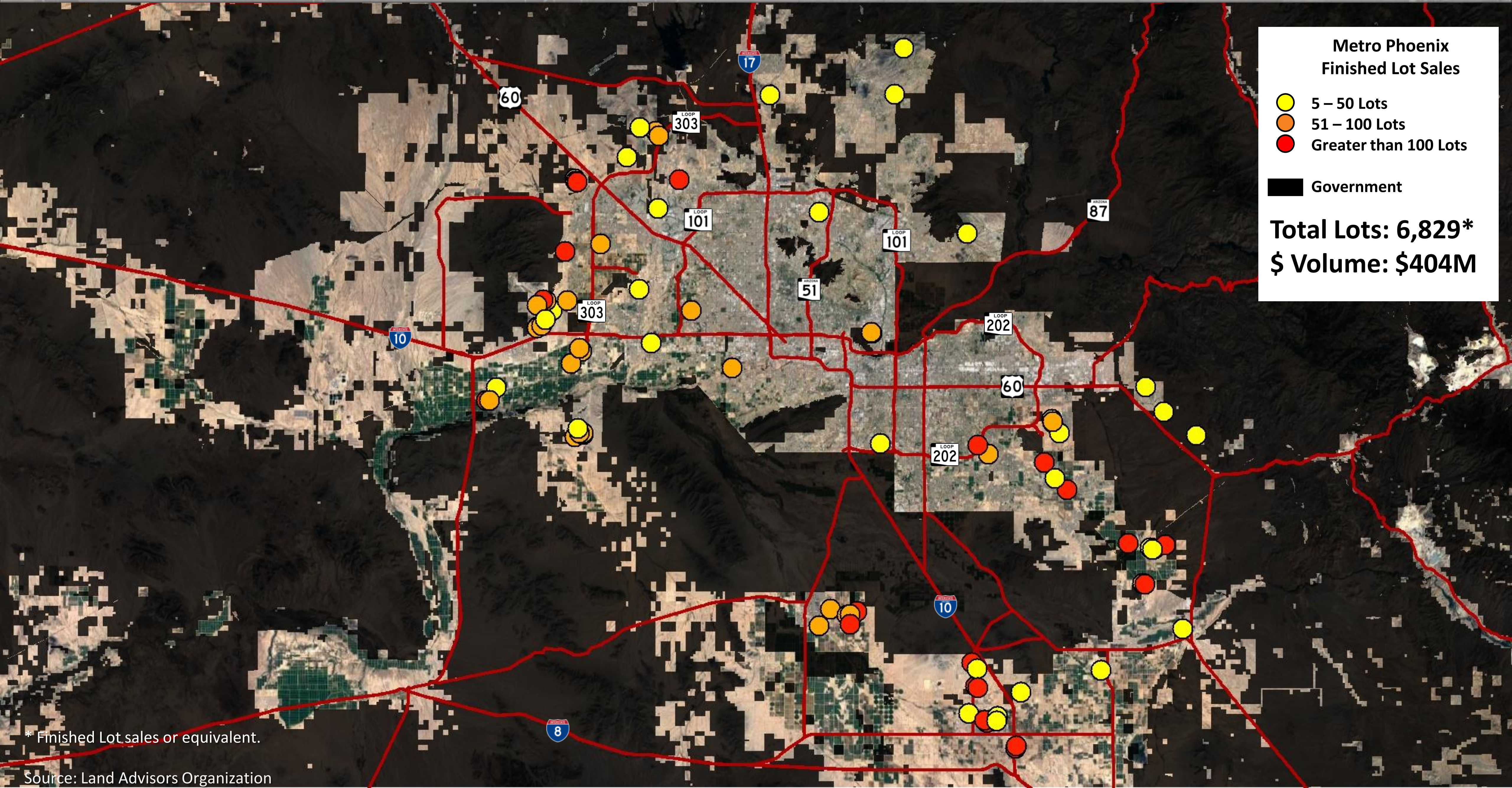


Finished Lots

Number of Lots & Sales Volume



Single Family Residential Finished Lot Sales Last 12 Months



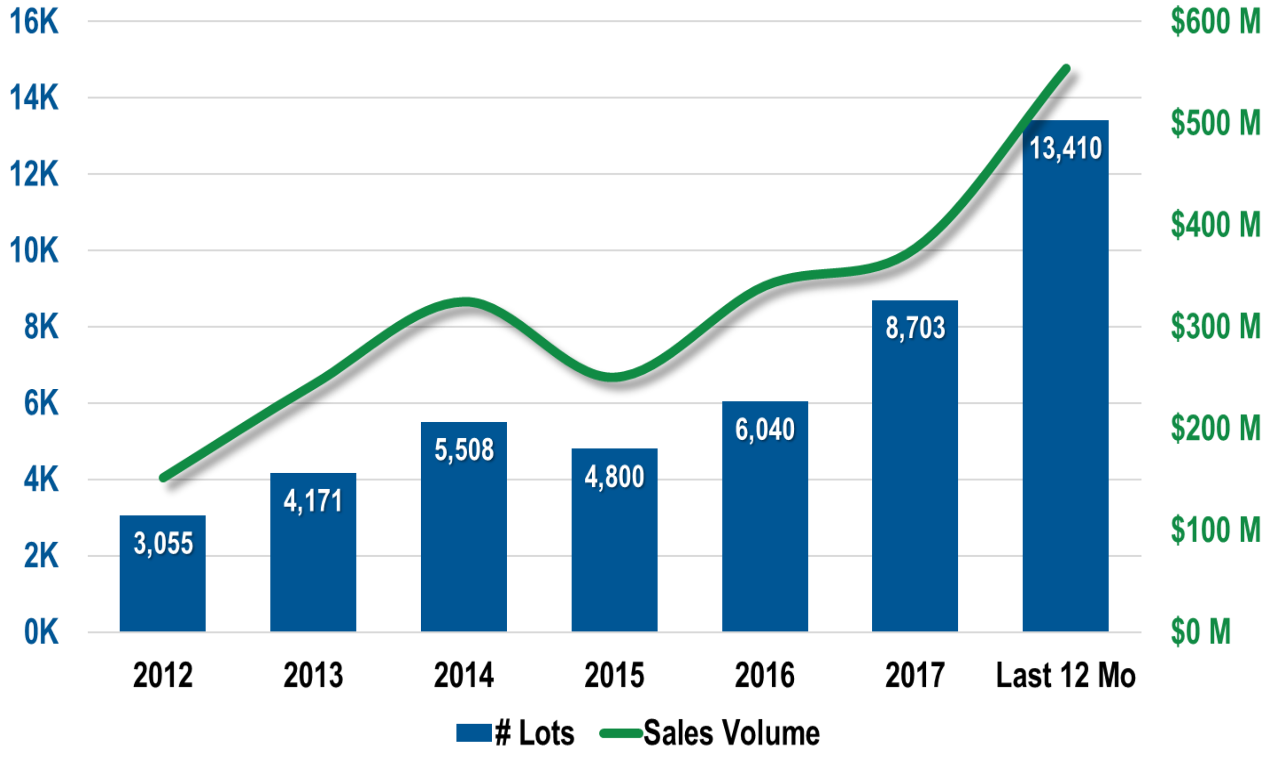
* Finished Lot sales or equivalent.

Source: Land Advisors Organization

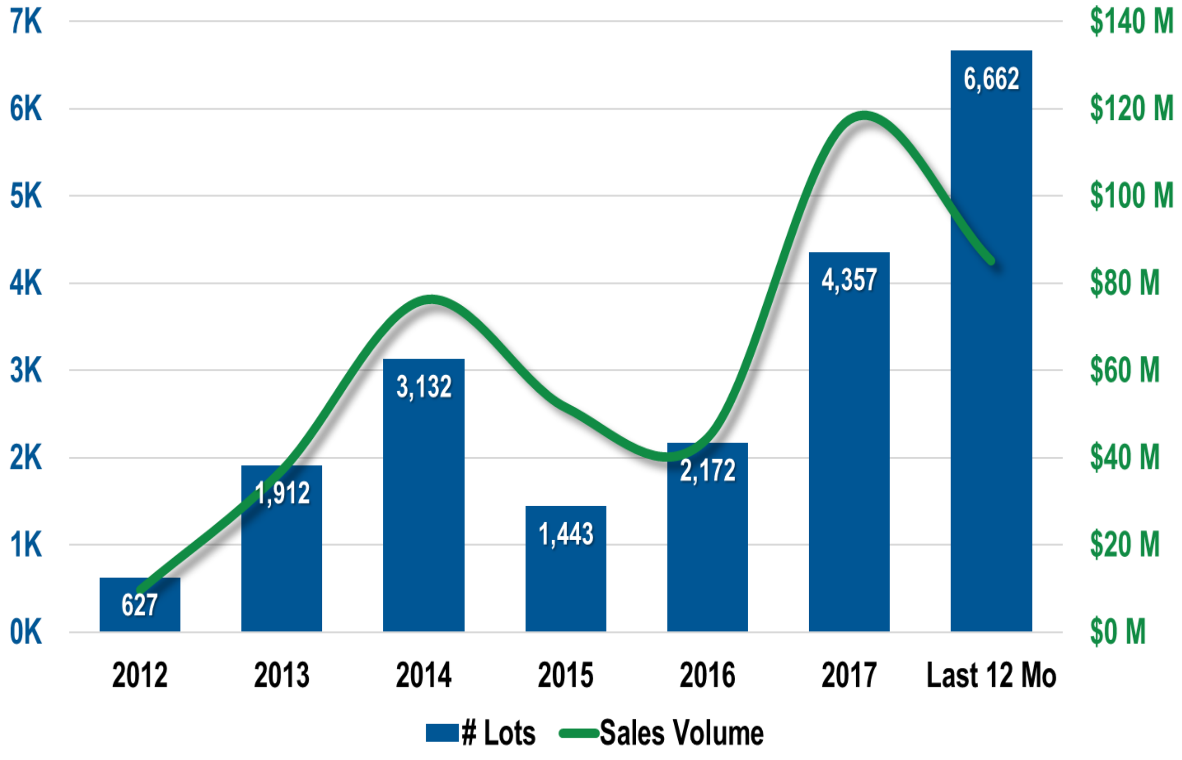
Platted & Engineered/Partially Improved Lots

Number of Lots & Sales Volume

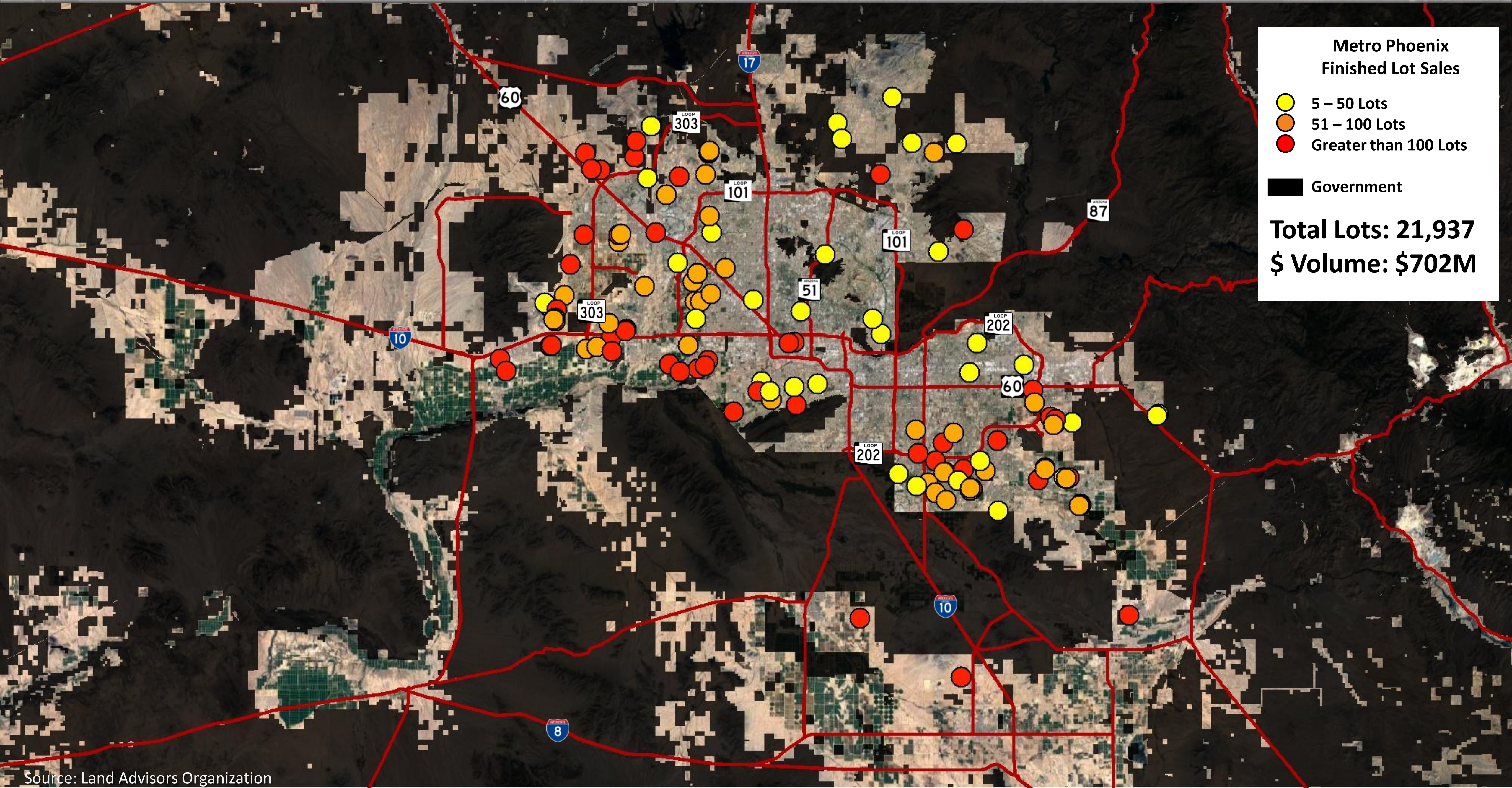
Homebuilders



Investors/Developers

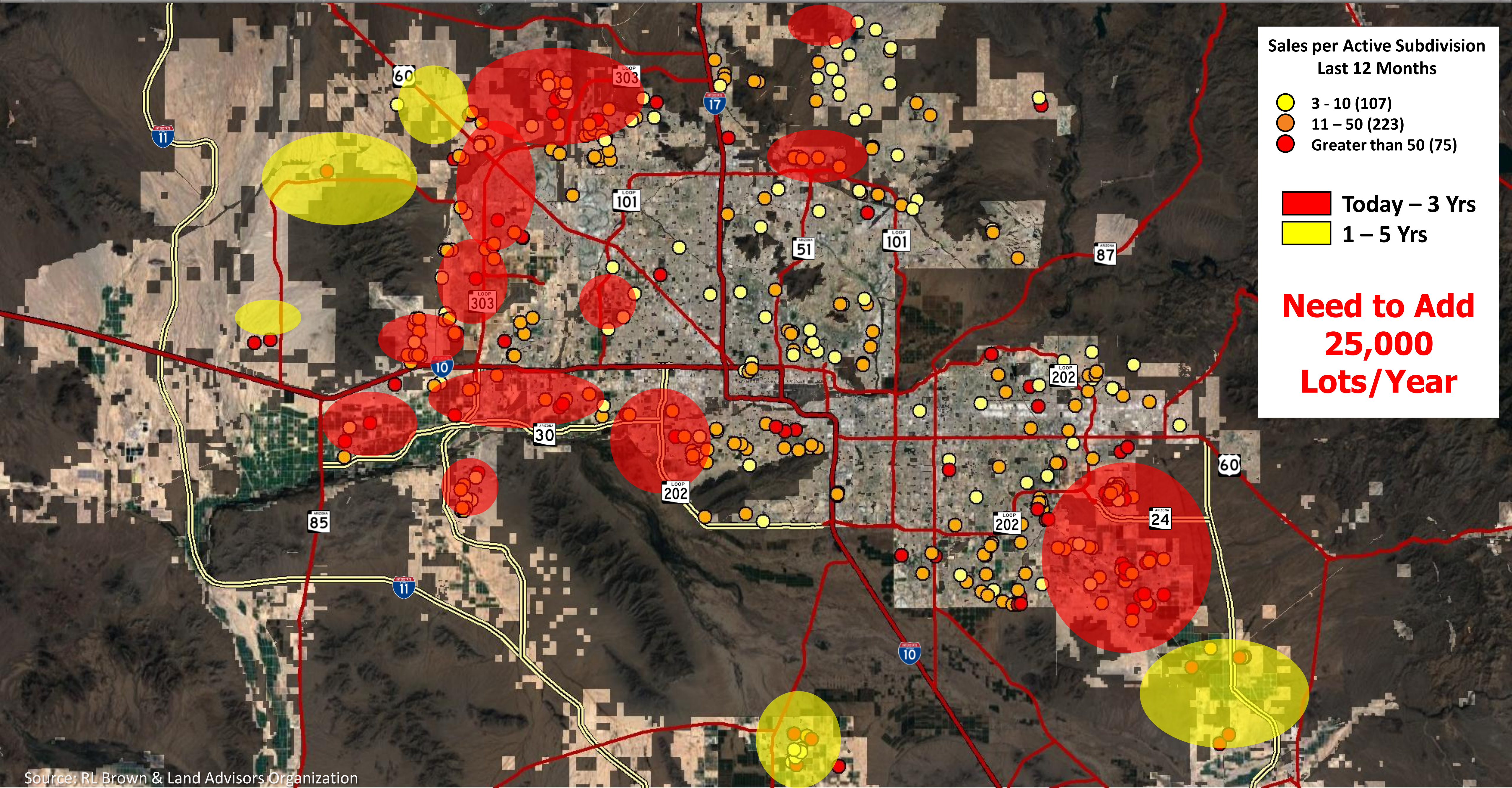


Platted & Engineered/Partially Improved Lot Sales Last 12 Months



Source: Land Advisors Organization

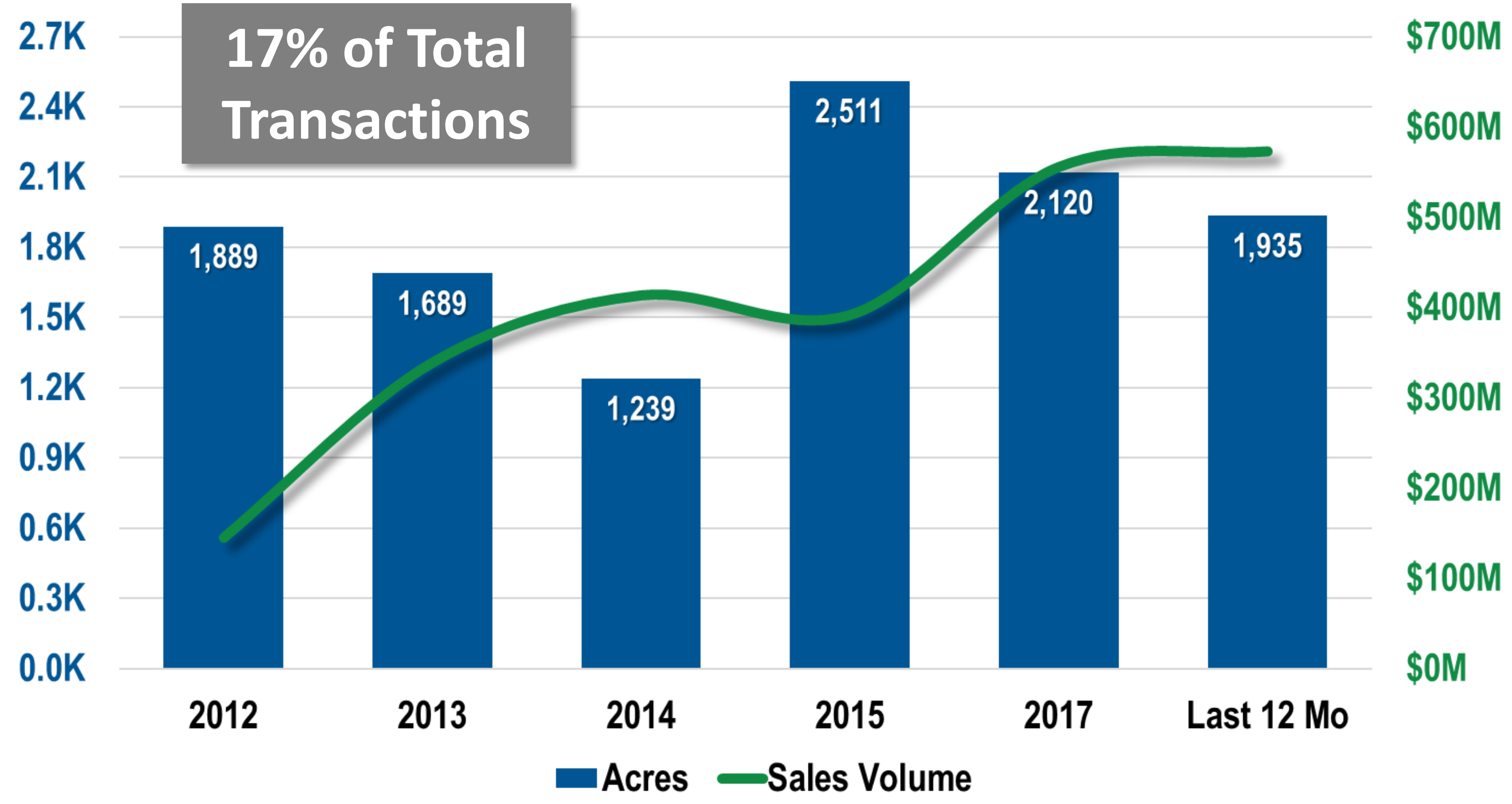
Lot Development Demand Pressure



Source: RL Brown & Land Advisors Organization

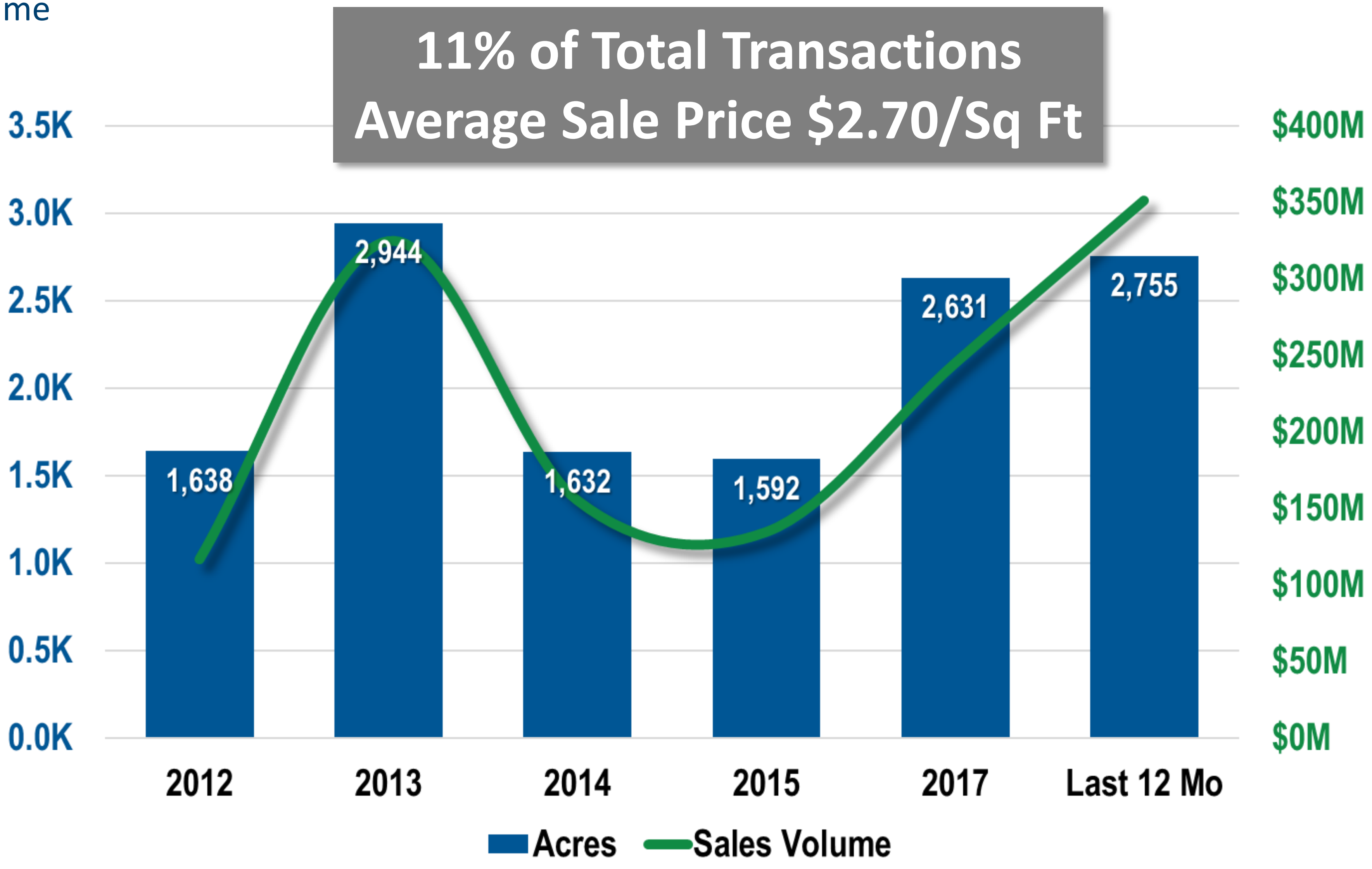
Commercial Land

Office, Retail, Mixed Use & Municipal



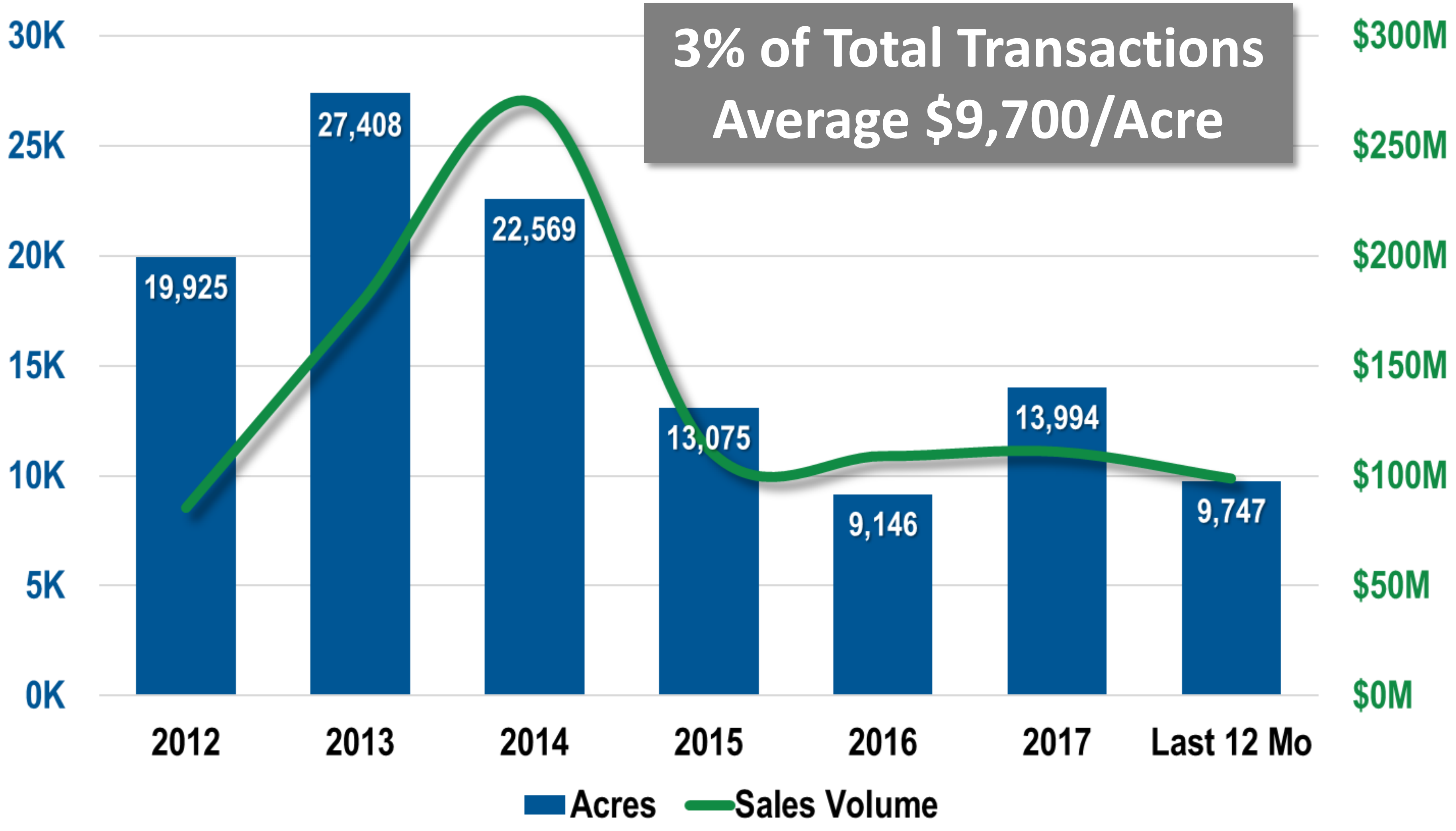
Industrial Land

Acres & Sales Volume

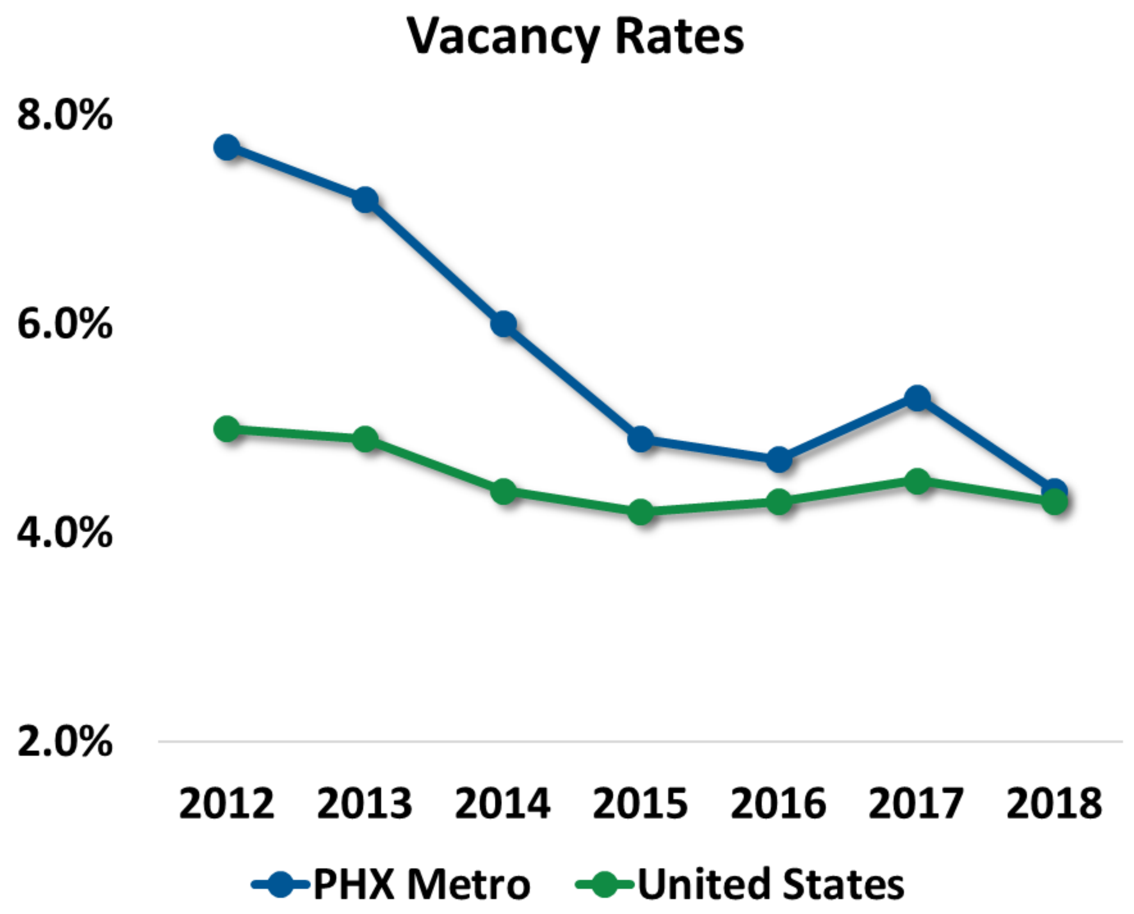


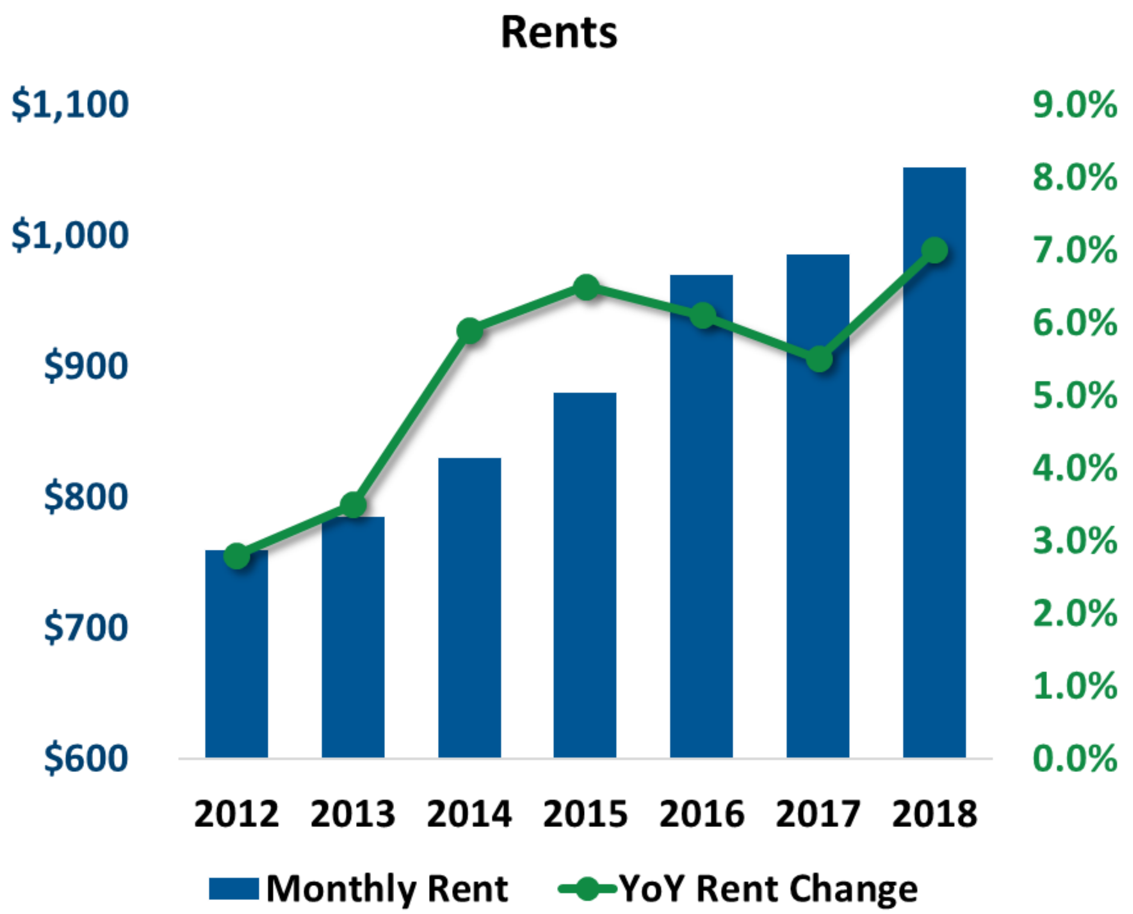
Agricultural Land

Acres & Sales Volume

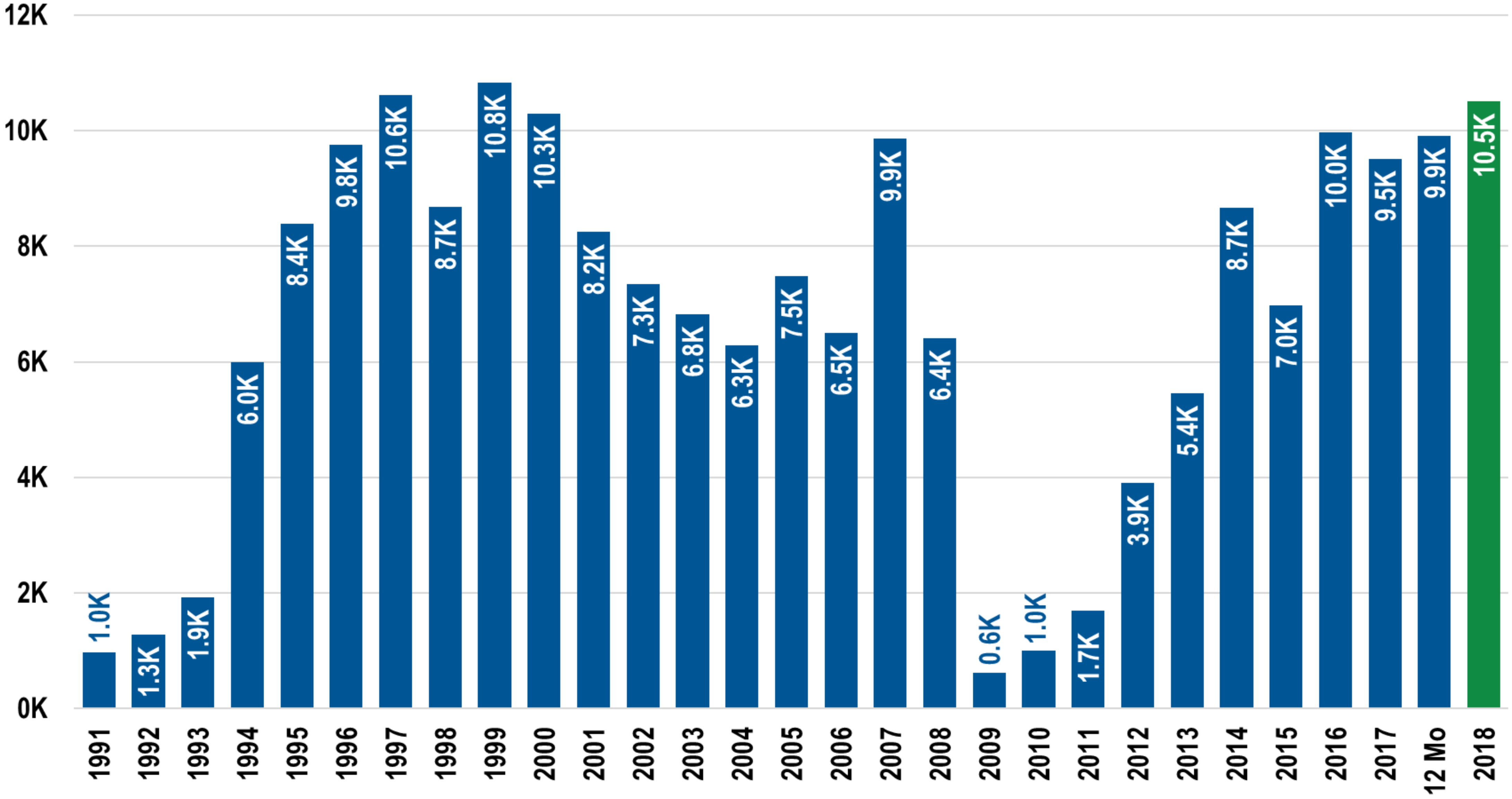


Multifamily Trends





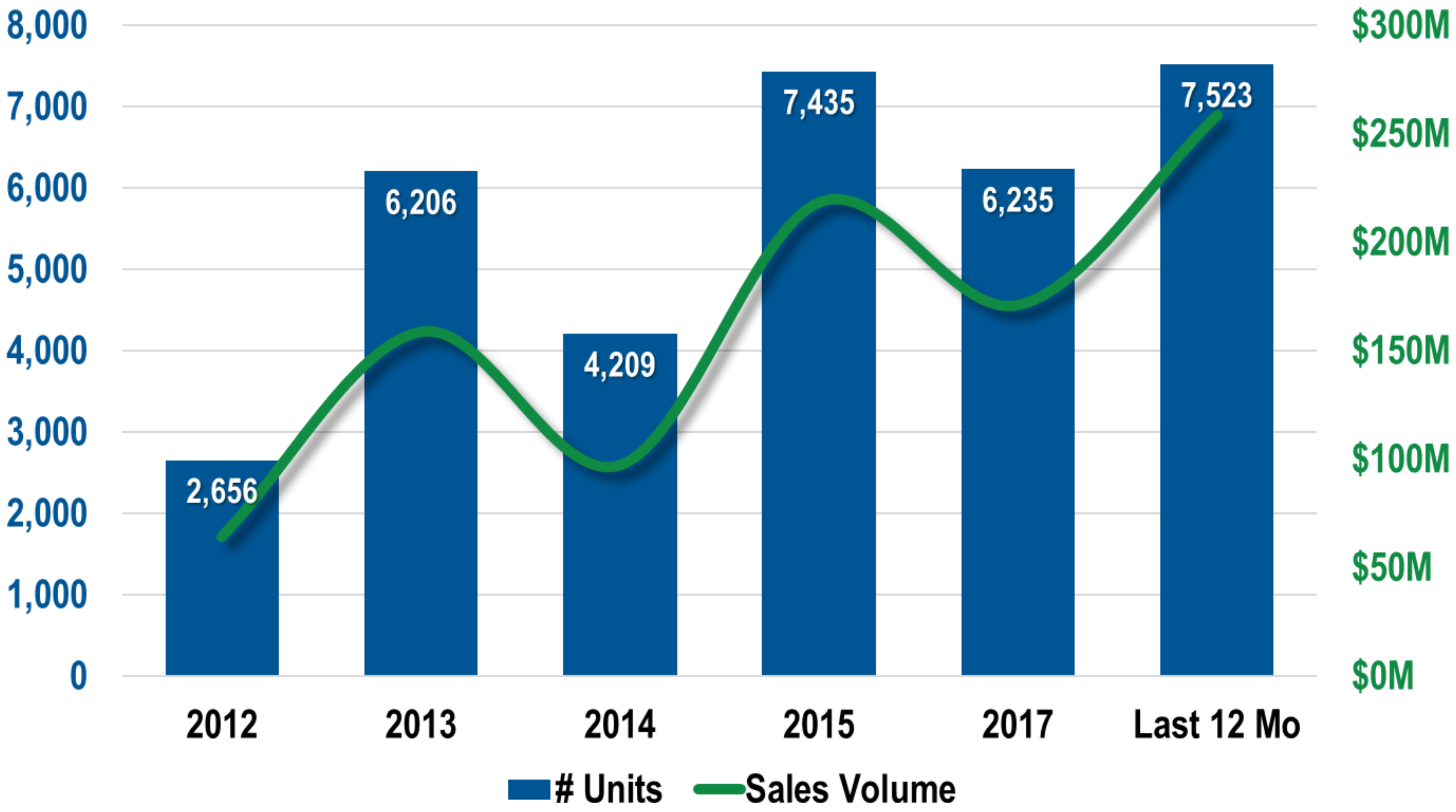
Multifamily Permits



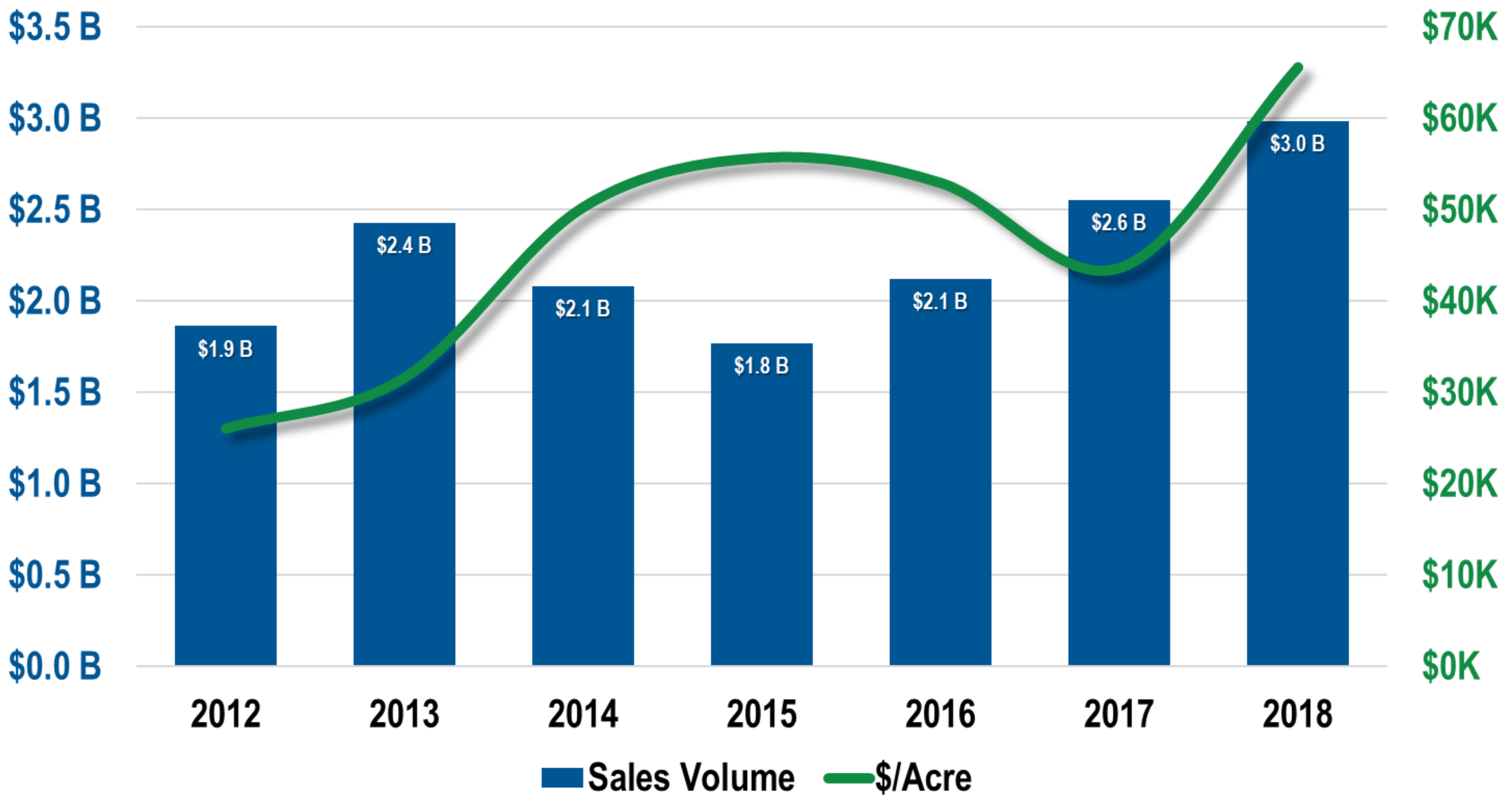
Apartment Land

Number of Units & Sales Volume

8% of Total Transactions
Vast Sum is "Luxury"

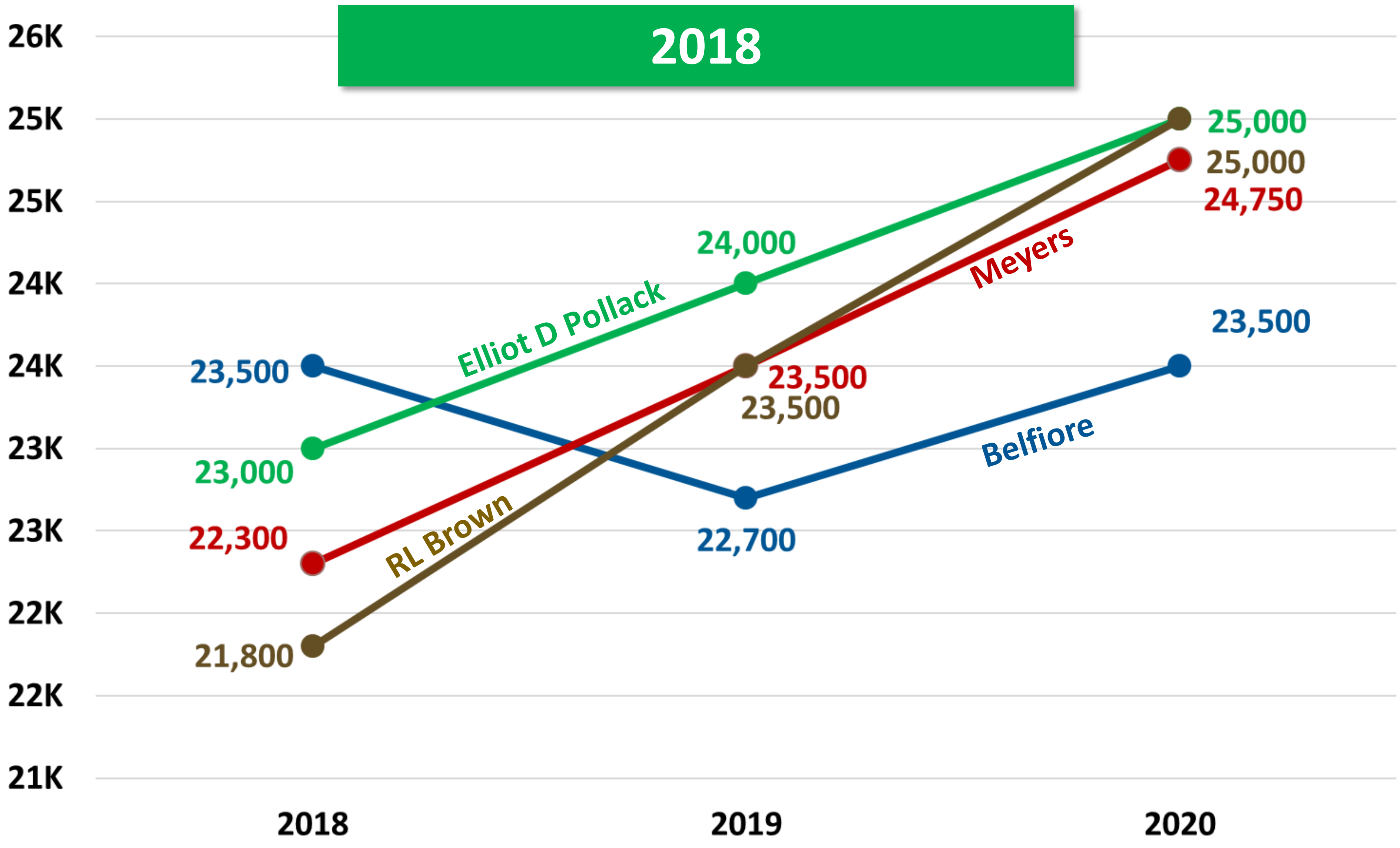


Total Land Sales Volume & Price per Acre



Source: Land Advisors Organization

Expert Single Family Permit Projections



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Retail Vacancy

8.3%

Unchanged
From 2017

Rentable Area:	**151.5M Sqft**
YTD Net Absorption:	**147.5K Sqft**
Under Construction:	**714.2K Sqft**

Office Vacancy

15.7%

Down 2.0%
from 2017

Rentable Area:	**88.7M Sqft**
YTD Net Absorption:	**1.497M Sqft**
Under Construction:	**3.285M Sqft**

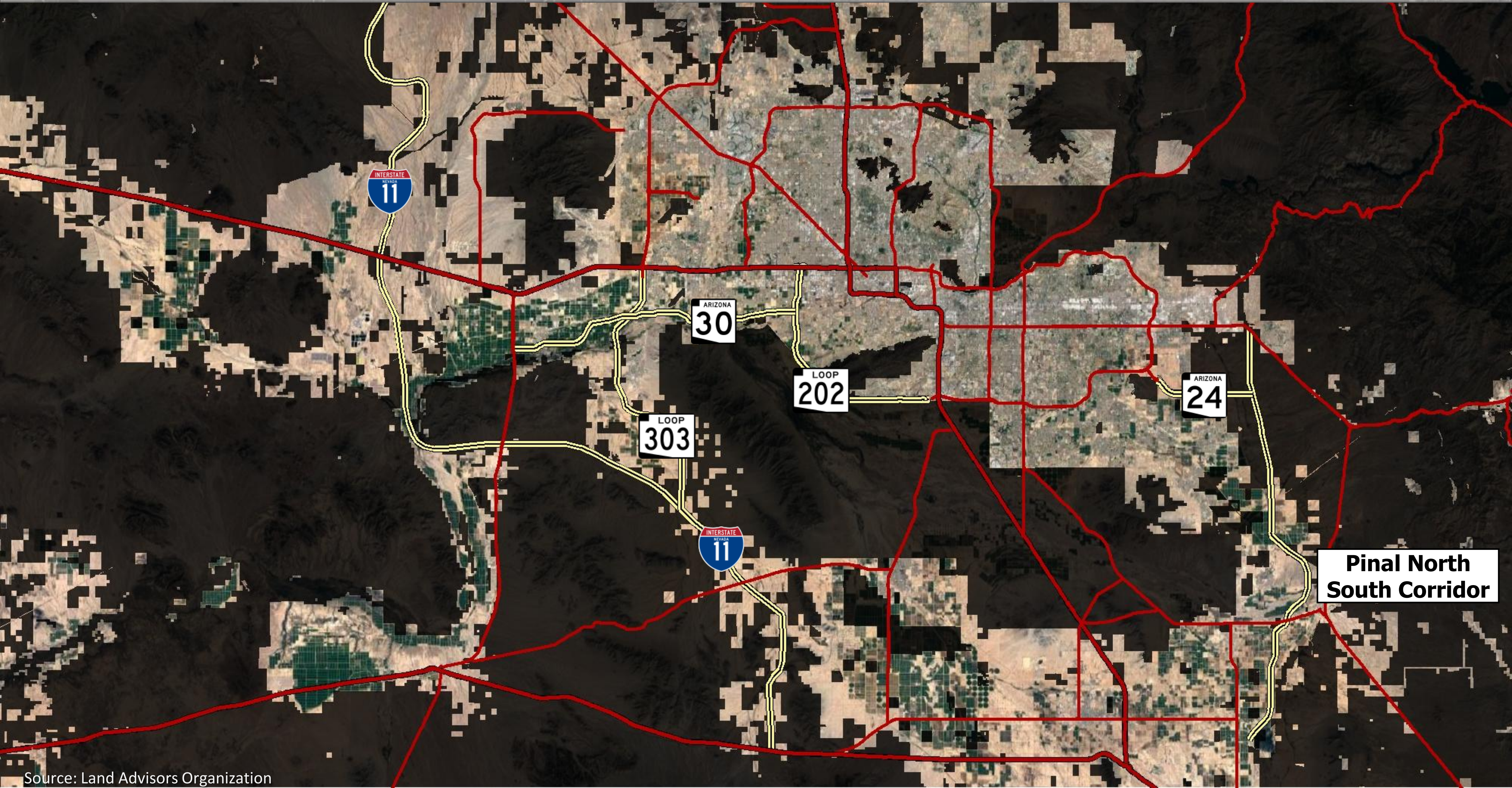
Industrial Vacancy

5.7%

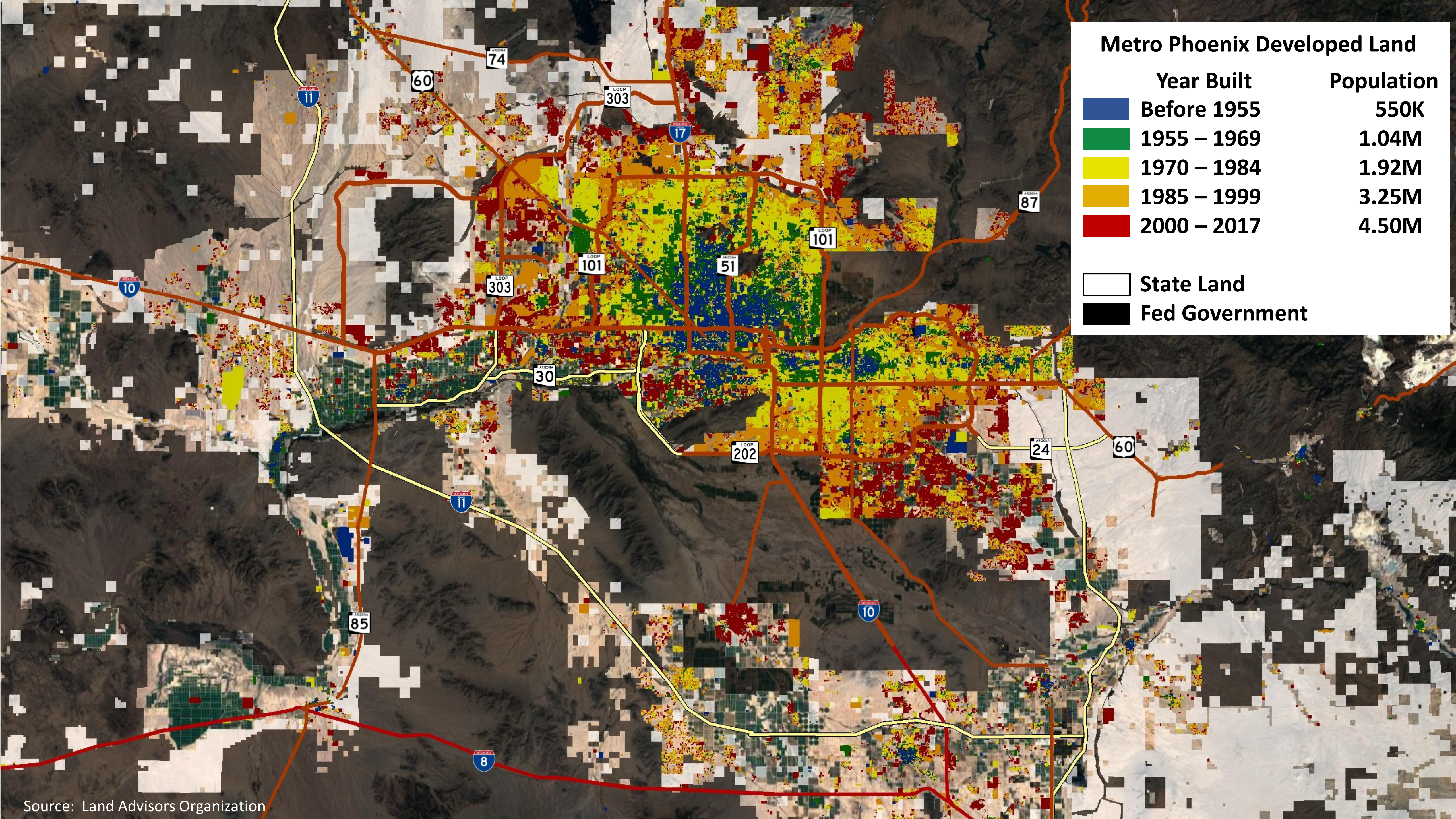
Down 1.6%
from 2017

Rentable Area:	**314.6M Sqft**
YTD Net Absorption:	**8.690M Sqft**
Under Construction:	**7.740M Sqft**

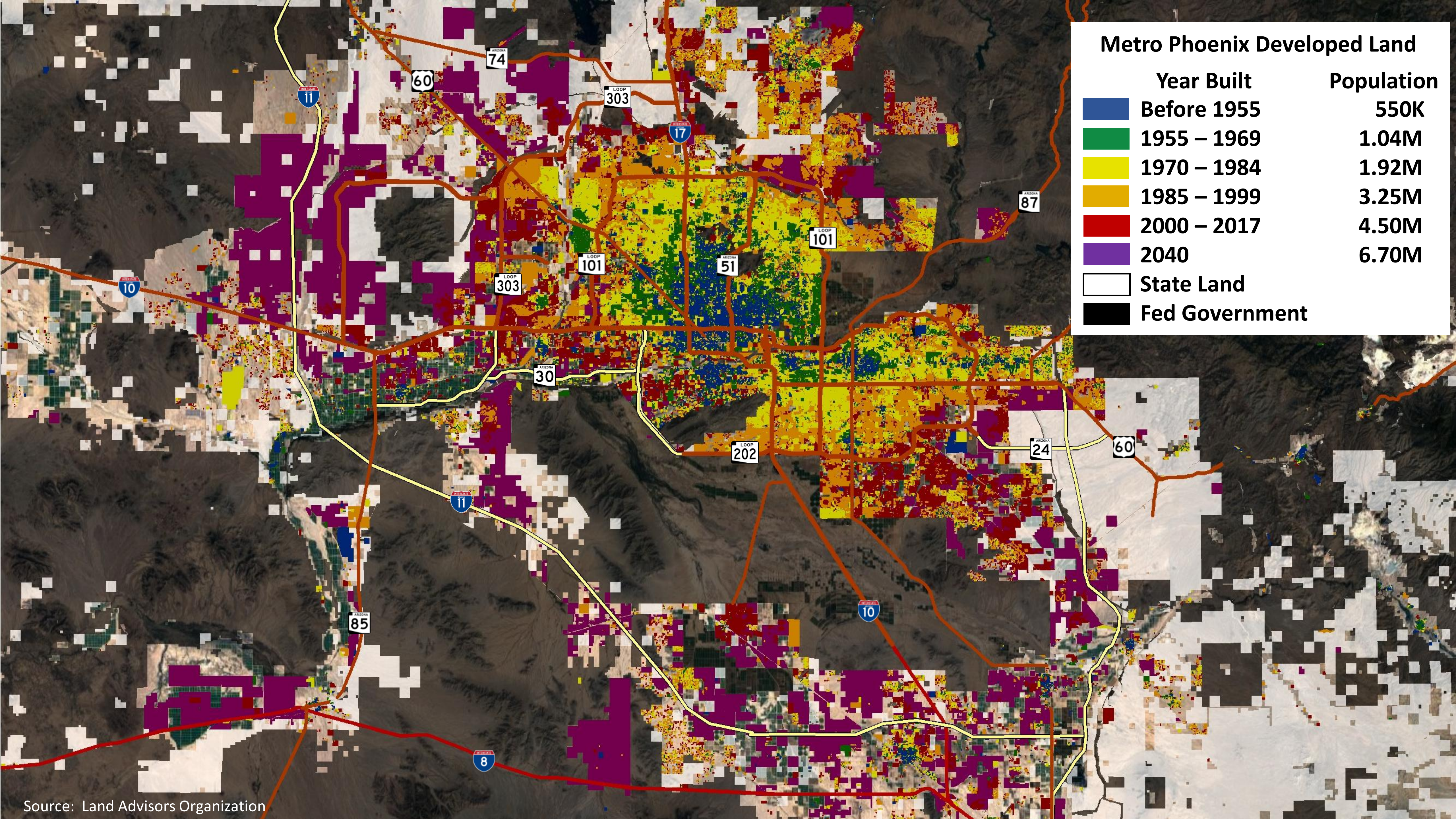
Metro Phoenix Proposed Freeways



Source: Land Advisors Organization



Metro Phoenix Developed Land
Year Built
Population
Before 1955
550K
1955 – 1969
1.04M
1970 – 1984
1.92M
1985 – 1999
3.25M
2000 – 2017
4.50M
State Land
Fed Government
74
60
303
11
17
87
101
51
101
303
10
30
202
24
60
11
10
85
8
Source: Land Advisors Organization


Metro Phoenix Developed Land
Year Built
Population
Before 1955
550K
1955 – 1969
1.04M
1970 – 1984
1.92M
1985 – 1999
3.25M
2000 – 2017
4.50M
2040
6.70M
State Land
Fed Government
Source: Land Advisors Organization

Conclusions

- "It's Different this Time" – Observe Where We/You Are in the Cycle
- Population and Job Growth will Remain Very Strong – More Begets More
- Watch Affordability Metrics and Must Create Affordable Alternatives
- Rising of all Costs
- Continual State of Cautious Optimism