




OAR RESIDENTIAL UPDATE

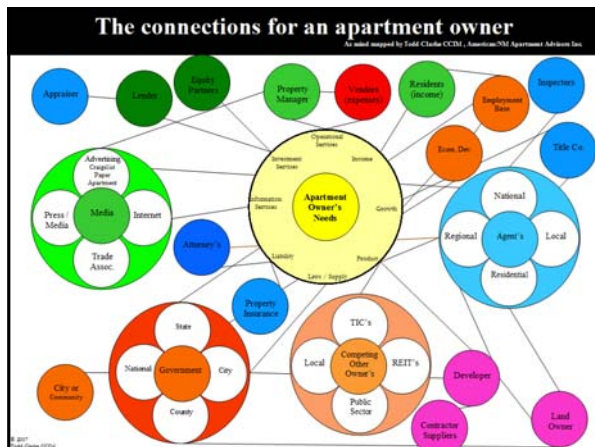


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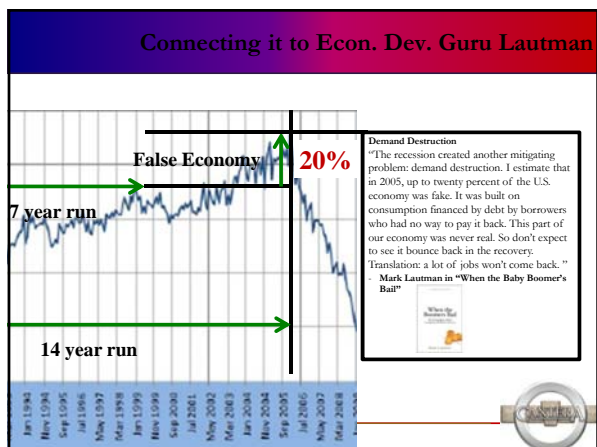
APARTMENT DEMAND DRIVERS

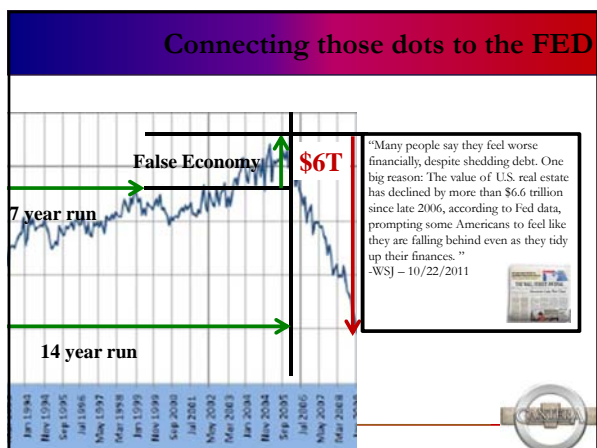
Demographics

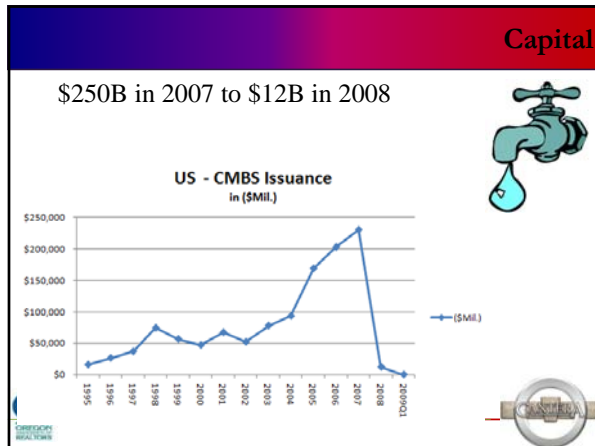


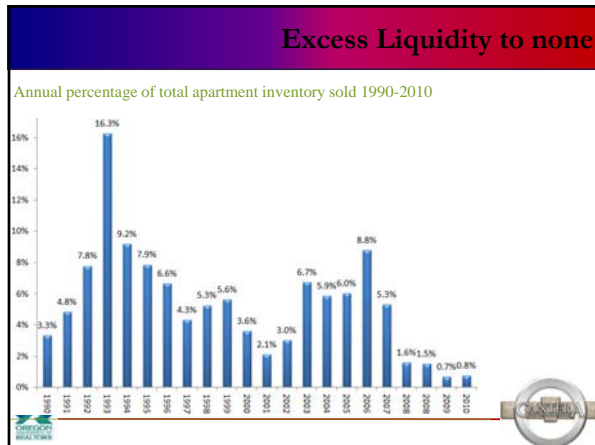













It is only equity right? Did it exist?


Not really, at least until
we borrowed against it to
buy:



On average, that \$6.6T is
about \$22,000 per person

And today?




The national belt-tightening, known as deleveraging, comes as the U.S. economy struggles to fend off a double-dip recession. Paying off bills slows consumer spending on appliances, travel and a slew of other products and services. Home sales, the engine of past economic recoveries, remain depressed.


-WSJ 10/22/2011

What we lost

Time, we work harder to pay off and serve those added expenditures...



Common perception



When the market returns, it will be just like before.
RIGHT?

Economy

Elect new leaders


Write new laws

Give the current leaders more power

Undo bad laws


Close the Banks

Get consumers to Spend again




I've survived this far, if we can just

then all will be back to normal. RIGHT?




Transformative change, or a Paradigm shift




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"What's that boy?! A paradigm shift?!"



Talent / Lifestyle

& Tolerance for the creative class



Millennials leaders of transformative change



- The top 10 jobs in 2010 didn't exist in 2004
- 10 to 14 different jobs before 38
- 20% of their college education was irrelevant by the time the graduated
- 12%+ met their spouse online

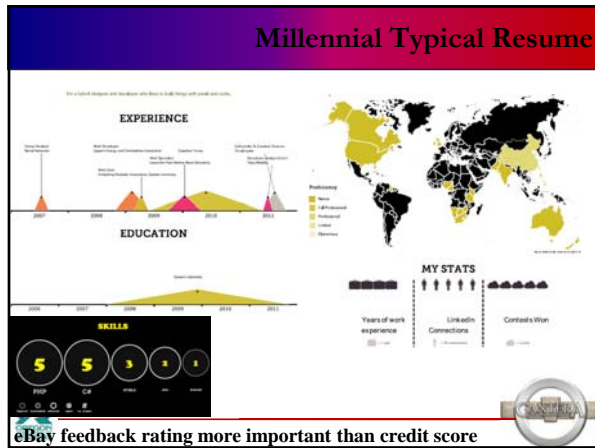
Millennials - lifestyle

- Lives out of a backpack
- Never knew a day without Google
- Asks Facebook friends for advice
- Pursues experiences more than "things"
- Needs constant feedback
- Multitasking (crams 28 hours into a 24 hour day)
- Has more tie to Facebook than their country
- Asks their employers "what can you do for me?"
- Marries later
- More likely to stay at home with parents
- Highly transient
- Not likely to buy homes
- Cares about global more than local

Typical Millennial:

- Grew up with Harry Potter
- Has always had GPS
- Knows gas stations for the cappuccino, not for fixing flats
- Have always been concerned about multiculturalism
- The Tonight has always been hosted by Jay Leno
- Have always had access to charter schools
- The video game generation – needs constant feedback

Source: Beloit Mindset list 2012



Millennial housing

- Lego generation
- Ikea Generation
- Green Generation

= Cube, function, flexible, scale able, and recyclable

LEGO + IKEA + GREEN = MODERN

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What they share


- Less is more
- More = Adventure/ Experience
- Quality of Living

- Downsizing
- Travel
- They don't want to share the same residence


Both are the new creative class

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And what they don't -their defining qualities



- Work ethic
- Respectfulness
- Morals




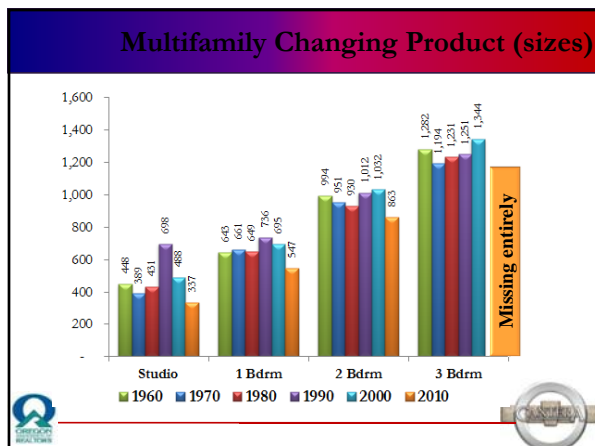
- Technology
- Music and pop culture
- Liberal leanings
- Superior intelligence
- Clothing

WSJ – 8/22/2012



A Third wave- Immigrants ?

- Could change demand for housing
- Current US policy is opaque
- More PhDs outside of USA than inside
- Housing lifestyle matches ours from 1980 to 2000 (i.e. big house)








Technology

The Impact of Technology




Technology



- Driver = Moore's Law
- Where does Moore's law place technology in 5 years?
- Where does Moore's law place storage in 5 years?

Microprocessor Transistor Counts 1971-2011 & Moore's Law



= we will be able to do more with less

= By 2049 one \$1,000 computer will have more processing power than the combined human race

iPod = intersection of design with tech



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Technology

Has moved away from the engineers specifications, to a product designed by humanists

- Consumer driven
- Value Add
- Will soon grow so small it will disappear



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Technology – Social Networking



processed and regurgitated to us from multiple mediums

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Technology is bringing Green to the consumer





- Backup water (harvesting)
- Backup electricity (solar / wind)
- Longer life span
- More recyclable material
- Housing efficiency metrics available to owner

- Building Efficiency
- Building redundancy
- Building Efficiently




QUESTION?

- Where is the iPhone / iPad of housing?
- Do our planned communities actually encourage community?
- If the answer is NO, we are going to lose the hearts and minds of the creative class

What is the new product?







Idea #1: Live / Work



“I think we could Build these all day long”
- Mark Allison

Superior design, focus on resident base and location top rents


Idea #2: Live / Learn



Unique design and location, top rents

Idea #2: Live / Learn / Party

- Lobo Village – 848 Beds or 242 “quads”




NMSU readies ambitious campus housing plan

Enviably public/private partnerships

Leased in under 90 days

Idea #3: Live / Shop



A Unique Urban Community
Live it Uptown.






“this property outperformed the market by \$0.50/sf and the consultant’s pro-forma by 20%”

Superior design and location, top rents, top sales price

Idea #4: Live / Leave

Broadstone Town Center

- Closest housing to Mesa del Sol’s 2,000 jobs
- High income renters
- Caters to the Aerotropolis








Idea #4: Live / Leave / Green

SILVER GARDENS

APPLY ONLINE

Neighborhood Green Features Amenities Gallery Tour Photo Leasing & Contact



“Leased ahead of schedule – market rate and under 30% of income units leased first”
- Developer/Owner

Green Rental Apartments

Idea #5: Live / Leg up

Homeless census 2011

- 700 people
- 475 completed survey
- 252 highly vulnerable

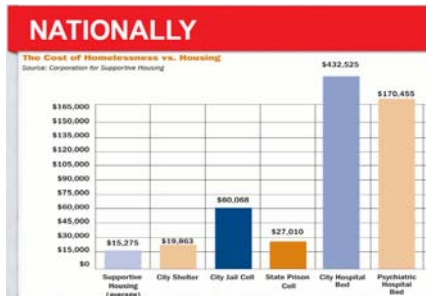


- 75 most vulnerable, 53 years old, average homeless period 20 years
- costs society more for someone to live on the street than it does to house them.
- 47% victims of violent attack since homeless
- Our community wants to ensure homelessness is rare, short-lived and non-recurring.

Idea #5: Live / Leg up

NATIONALLY

The Cost of Homelessness vs. Housing
Source: Corporation for Supportive Housing

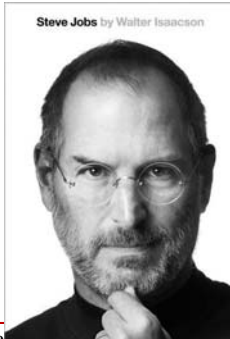


Category	Cost
Supportive Housing (average)	\$15,275
City Shelter	\$19,863
City Jail Cost	\$80,098
State Prison Cost	\$27,030
City Hospital Bed	\$432,525
Psychiatric Hospital Bed	\$170,455

- When housed, people use emergency services less frequently, thus, freeing these services up to help even more people - #1 most vulnerable est. health care cost 2010 = \$138,750 vs. apartment at \$15,275
- We want to live in a community where homelessness is rare, short-lived and non-recurring.
- 75 units committed by private sector, pressing needs for 400 more in a central location.

Idea #6: Live / Live Longer

- TBB: Baby Boomers
 - Original generation to find a guru
 - Healthy eating
 - Preventive health care
 - Concerned about extending lifespan and beauty span
 - Will not tolerate today's senior housing as that is "where the old folks live"
 - Wants intellectual stimulation long after physical stimulation has retired
 - Ask yourself, Where would Steve live?





Steve Jobs by Walter Isaacson

Wellness, preventive, but cool healthcare



Ideas

- idea communities = ideal communities
 - Live / Work
 - Live / Leave / Green
 - Live / Shop
 - Live / Learn
 - Live / Leg up
 - Live / Live Longer
- idea communities = niche
- unfortunately the herd mentality of lender's encourages SAMENESS




Build into the Niche, find the gap

- Lenders don't want to hear this
- Developer's looking for new lender's
- The niche product is outperforming the market product by 2 to 1
- Any location is not always the best location – focus on walkability, activity, internet, and access to transportation (V4I1)

Biggest Challenge

Financing - the herd mentality of lender's encourages SAMENESS

Respite

Q&A

Transportation

Pent up Demand 1 apartment unit per 10 people

- Rio Rancho – underserved by 4,600 units
- Albuquerque –needs 1,350 units a year
- Los Lunas – underserved by 796 units

Technology is causing innovation



We will see more innovation in housing in next 10 years, than the last 100





Smart Cities



Just in Time to deliver Better, Faster, Healthier



Efficient Land Usage

Zoning	Maximum Density	Maximum Density with conditional use
R-2	24	30
R-3	30	36

- Increasing density by elimination of unused portions of land

8 fourplexes on 1.3774 acres
23 units to acre

9 fourplexes on 1.2397 acres
29 units to acre
26% more efficient

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Uncapping density

- Reconsider parking requirements
- Reconsider height restrictions
- Reconsider setbacks

From This:

To This:

Uncapping density – Financial Model

- Remove density restriction
- Makes the land under obsolete product worth as much as the improvements
- Increases sales tax revenue
- Increases property tax revenue
- Increases jobs!
- Better design
- CPTED Friendly

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- friendly

What change in density does Albuquerque need to make it possible for the apartment to replace office housing inventory?

Rough Analysis, Todd Clark CCIM, NMI Apartment Advisors Inc. - 5/13/2015

	Current Zoning	Possible Future Zoning
Lot size (acres)	0.16	0.16
Lot size (sf)	7,000	7,000
Typical footprint for R-3 zoning allowed	50x142 = 7,140	50x142 = 7,140
R-3 zoning allowed	30 units to the acre	100 units to the acre
# of units	4,800 max units	16,300 max units
Avg. Unit Size	430 sq ft	16,300 units
Est. Total bldg. size	850 sq ft	750 sq ft
FAR	3,400	12,000
Est. # of parking spaces	0.48	1.69
Est. area needed for parking	6,000	14,000
	1,350	3,600
Type	Single story footcandle	Type 2 bldgs each 2 story n 8 units
Footcandle Value 2008	\$ 200,000	\$ 1,320,000 est. construction cost
Footcandle Value 2011	\$ 123,000	\$ 1,227,704 est. land value
		\$ 1,442,704 Total est. value
Value per unit	\$ 31,250	(footcandle value 2011) # of possible units
% of total value assigned to the land	23%	
Value of land per unit	\$ 7,313	\$ 7,669
Potential Annual property tax revenue*	\$ 1,250	\$ 14,457
Property Tax multiplier		11.8
Potential sales tax per construction		\$ 92,465

*Assumes 1.5% rate

Why now:

- Aging inventory (avg. 1965)
- Wave of foreclosure fourplexes
- Unprecedented fires
- Low interest rates
- No cost to tax payer
- Bootstrap our way out of down economy



What we need

LESS:

- Consumption based economy
- Space
- \$
- Gas
- Social policy



MORE:

- Innovation
- Scale
- Mobility
- Design
- Flexibility
- Ability to move quickly





Have you done SWOT for your community?

Strengths: Well located airport - <i>Albuquerque</i> Talent (more PhDs per capita) Tolerance (look at GAP relocation) Technology (Sandia, tech transfer, home of Microsoft, etc) Central location Quality of living	Weaknesses: Lack of long term vision Lack of long term planning Lack of inventory of buildings, sites, land Incessant politics / fueled by nay sayers that leads to never trying
Opportunities: BHAG's Long term vision Transformative change	Threats: Any town in TX, AZ, OK, or NV That can rally their people



Respit

Q&A

ALBUQUERQUE CBSA

Competitive Advantages

ABQ vs. RR