

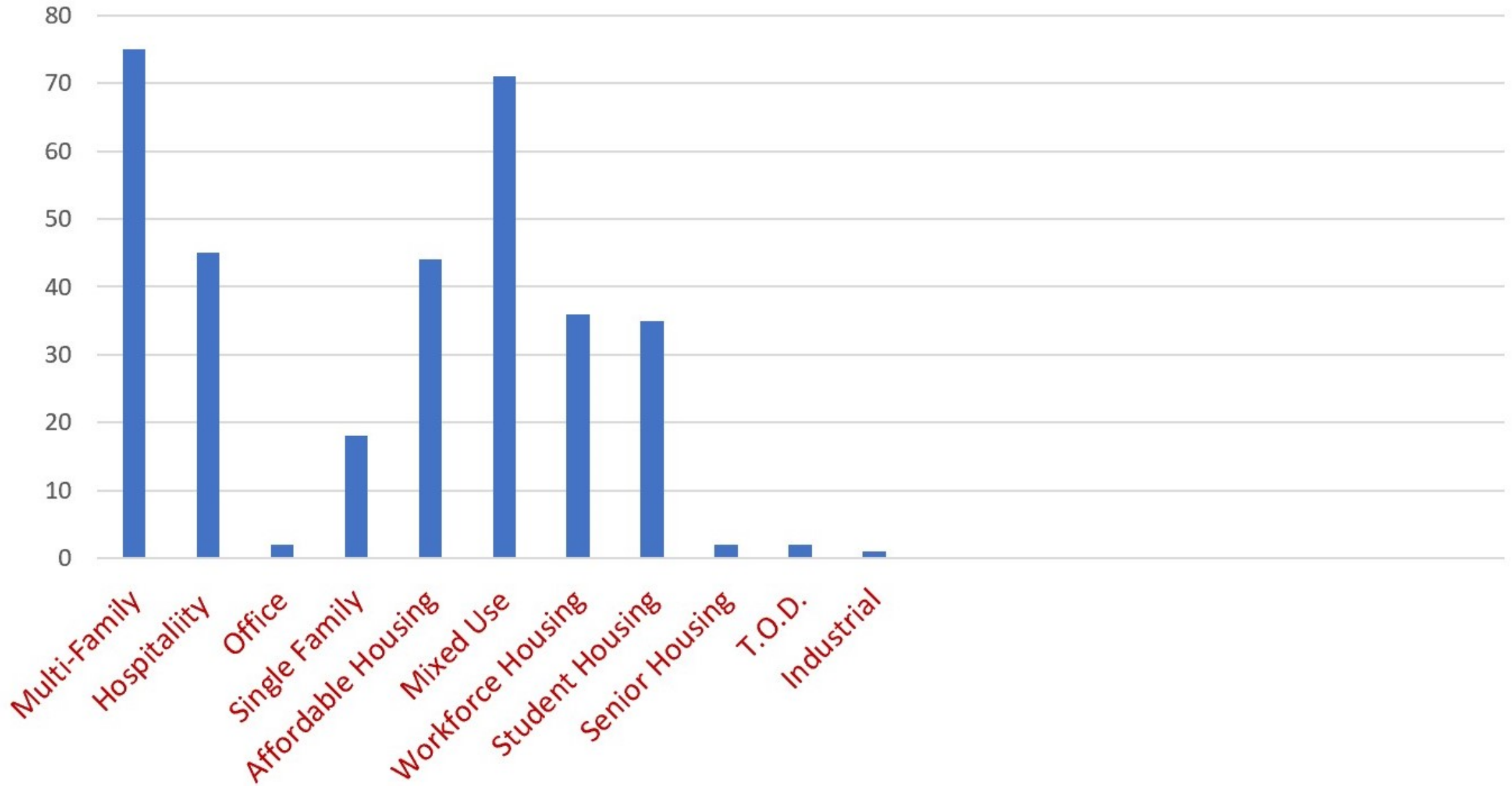
# REAL ESTATE DEVELOPMENT STRATEGIES IN OPPORTUNITY ZONES

**PRESENTED BY PETER MALONE**

# WHAT ARE OZ FUND MANAGERS LOOKING FOR?

- REVIEWED OVER 130 OPPORTUNITY ZONE FUNDS FOR REAL ESTATE INVESTMENT CRITERIA
- FOCUSED ONLY REAL ESTATE SPECIFIC SECTORS
- COMPILED FINDINGS
- MULTI-FAMILY, MIXED USE DEVELOPMENT AND HOSPITALITY WERE THE OVERALL SECTOR LEADERS FOR OZ FUND MANAGERS

## OPPORTUNITY ZONE FUNDS REAL ESTATE SECTOR FOCUS



Houston Multifamily, Q2 2019

# Average occupancy surpasses 90% for first time in three years

▲ Occupancy **90.2%**

▲ Avg. Rental Rate **\$1.17 PSF**

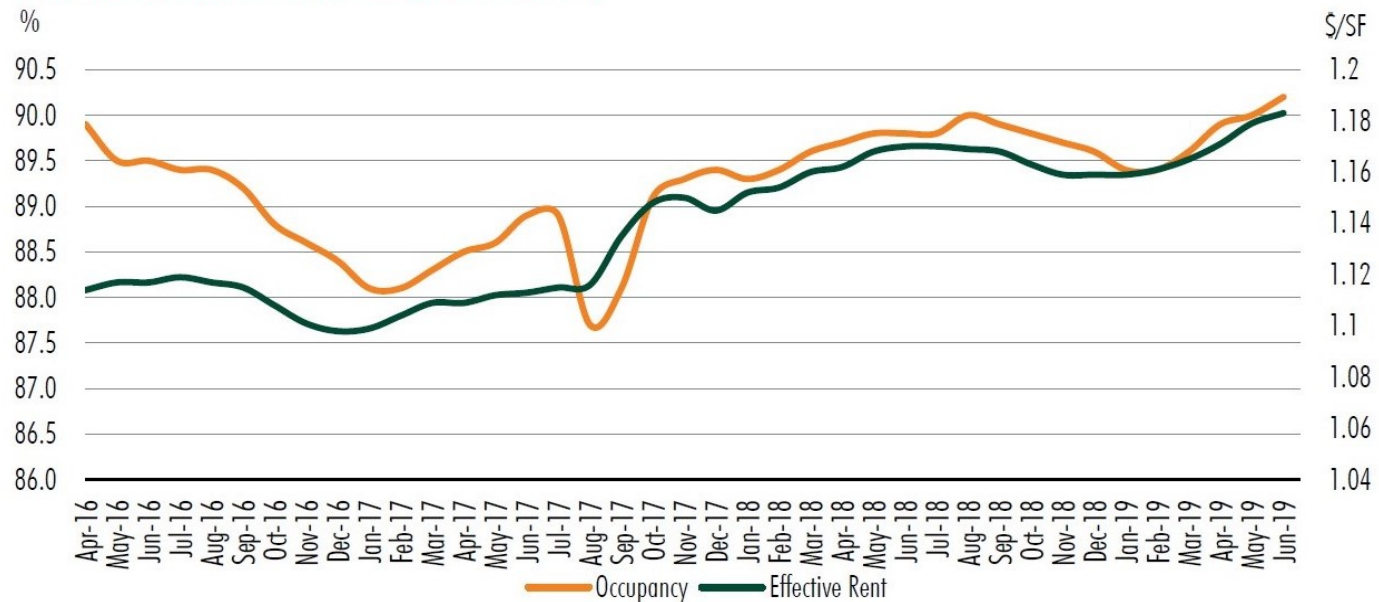
▲ Net Absorption **5,904 Units**

▲ Under Construction **22,094 Units**

▲ Completions **3,303 Units**

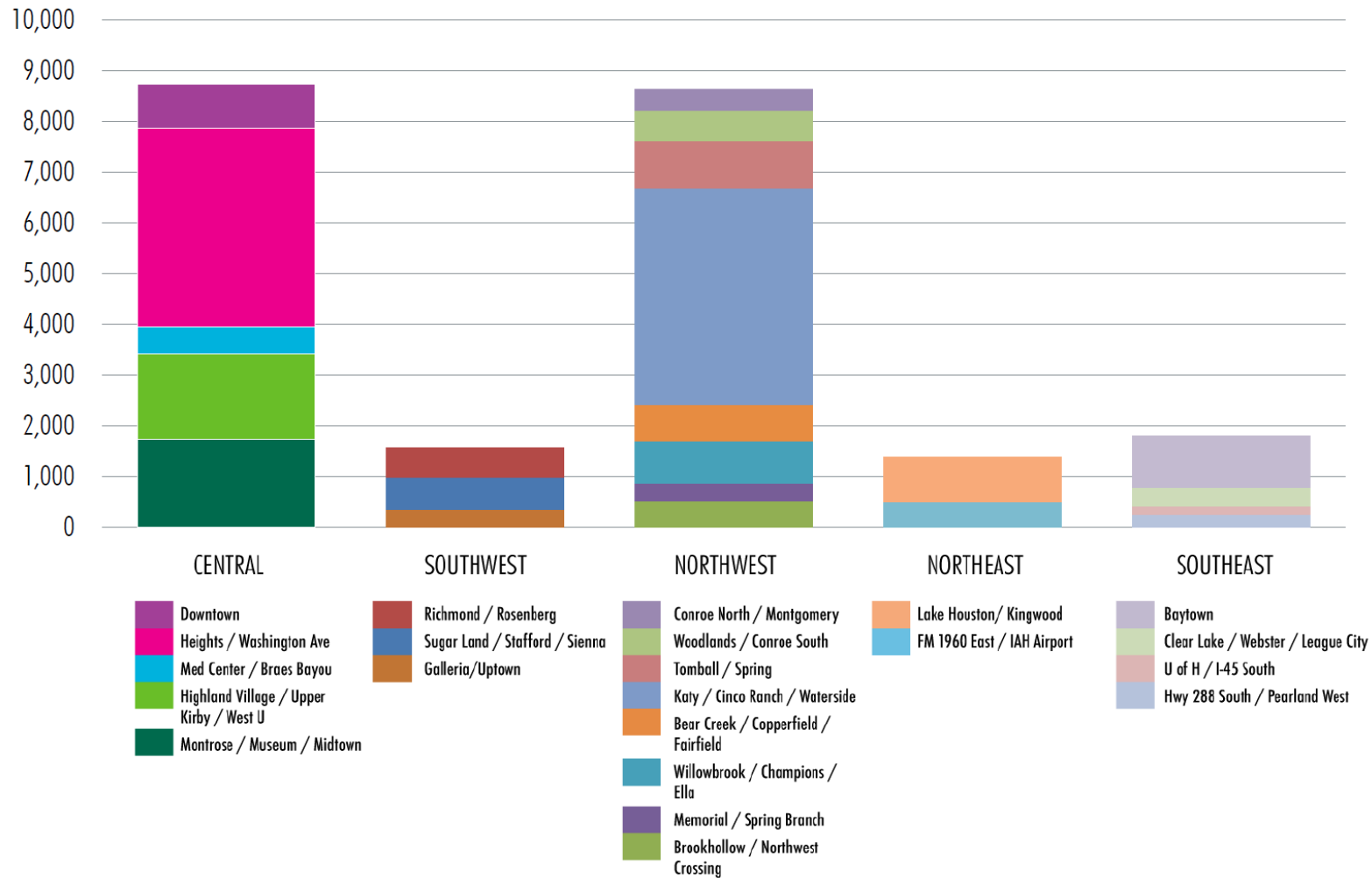
Figure 1: Occupancy and Rents Remain Higher than Pre-Harvey

\*Arrows indicate trend from previous quarter.



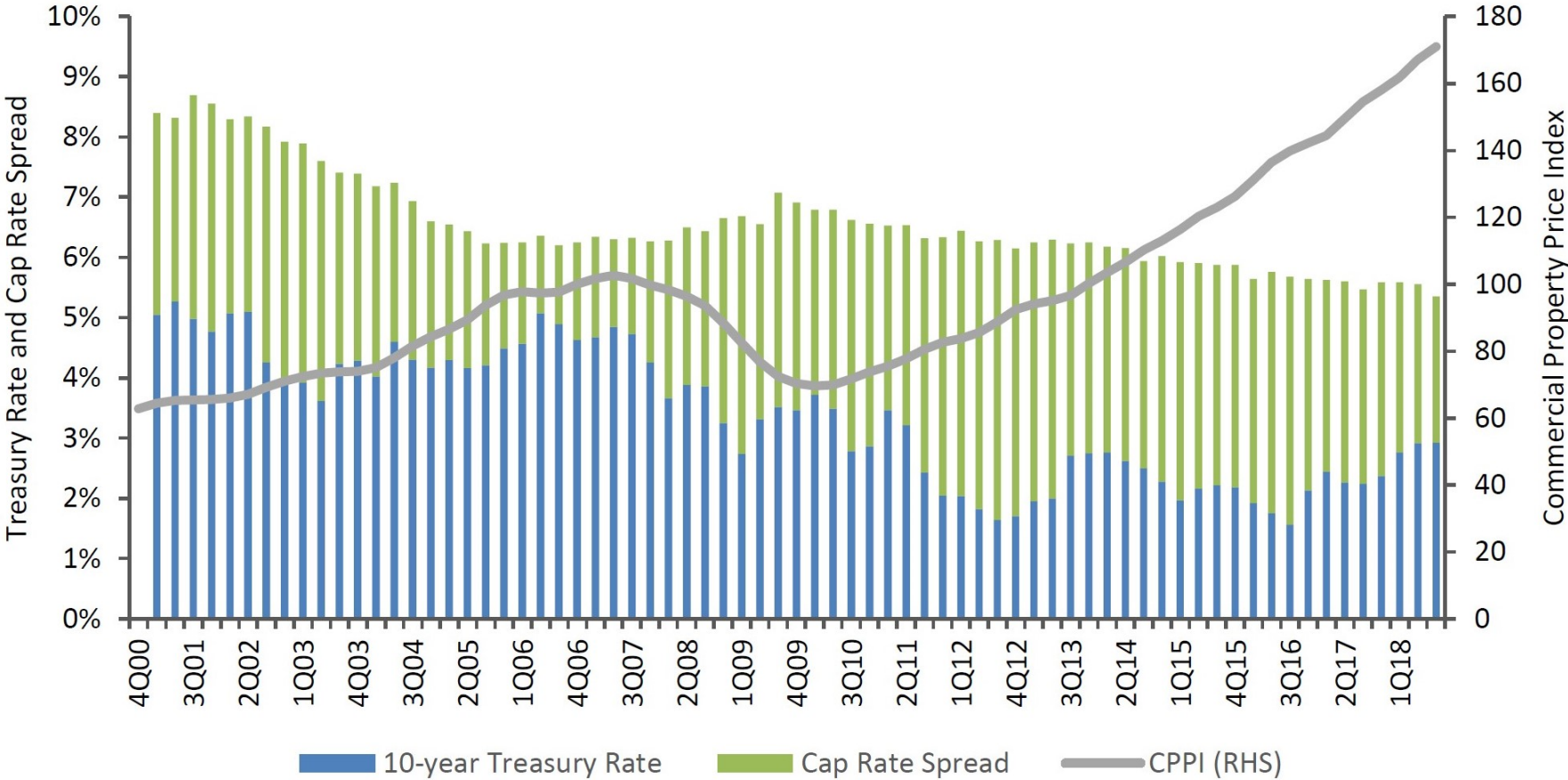
Source: CBRE Research, Apartment Data Services, Q2 2019.

Figure 3: Composition of Units Under Construction by Submarket



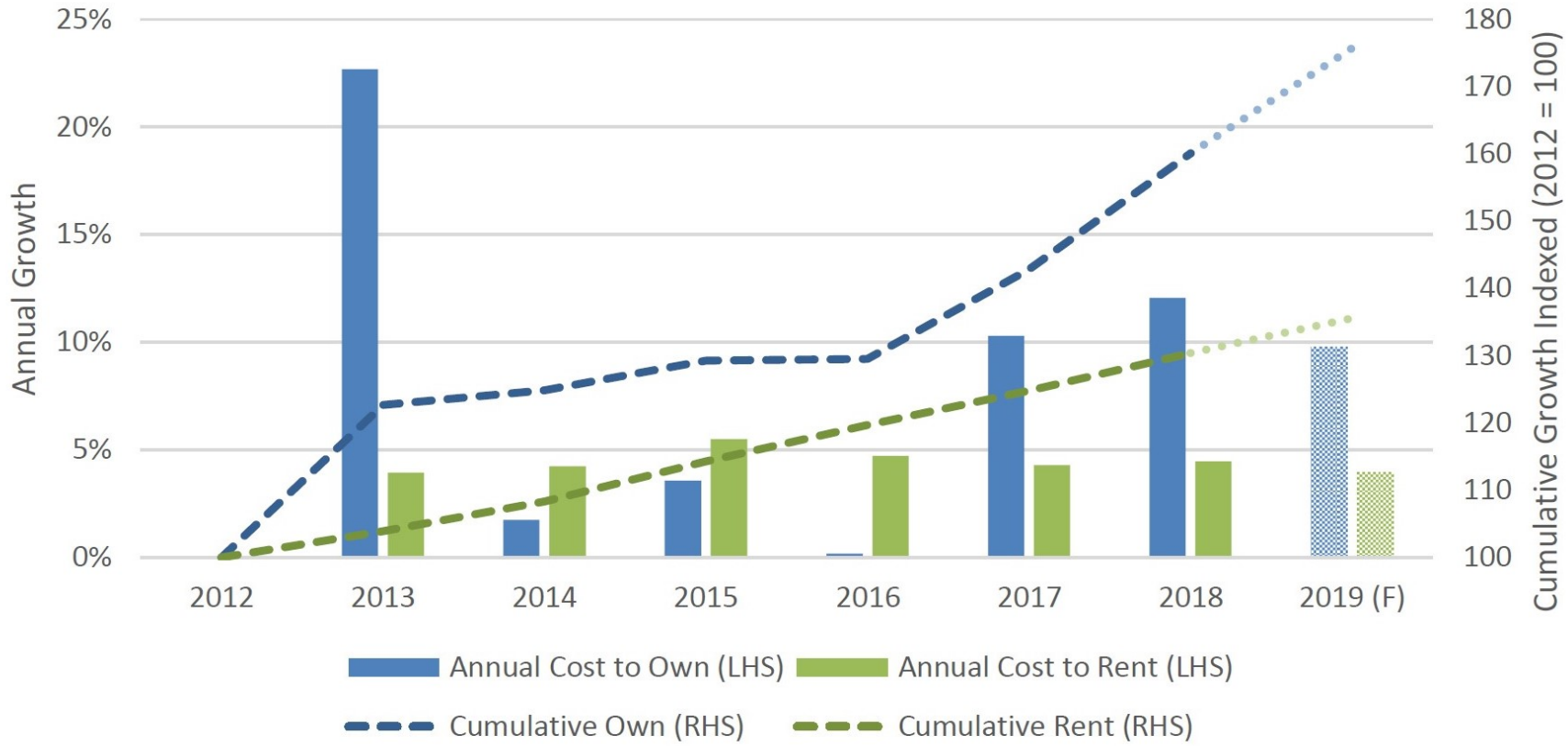
Source: CBRE Research, Apartment Data Services, Q2 2019.

### Exhibit 3: Multifamily Price Index, Cap Rate Spread and Treasury Rate



Sources: Freddie Mac, Moody's/RCA CPPI, Federal Reserve Board, Moody's Analytics

### Exhibit 9: Cumulative and Annual Growth of Cost to Own and Cost to Rent



Sources: Freddie Mac, Census Bureau, Moody's Analytics, REIS  
 Note: Last data point as of 3Q. To provide annual growth rates, calculated from 3Q to 3Q. Forecasts for 2019 apply annual growth projections onto 2018 Q3 data and use 2019 30-year mortgage rate forecast.

# Former Stock Yard Restaurant Nashville, TN

photo courtesy of Bing





# Former Stock Yard Restaurant Nashville, TN

- 342 unit lifestyle apartment complex
- Situated on 3.70 acres
- On main transit line
- Incorporates the historic restaurant as the central theme
- Features pool, entertainment deck, fitness room
- 8 luxury multi-level apartments in the former restaurant
- Parking deck with bridgeway
- High walkability score
- Situated next to First Tennessee Baseball Stadium
- Expected completion 1<sup>st</sup> quarter 2020
- Developed by Alliance Residential, Phoenix, Az

# Former Stock Yard Restaurant- Nashville, TN



# Mixed Use Development

- “Mixed-use developments are unified communities generally built around retail and with added-on real estate types: office, multifamily, single-family residential, hotel or medical offices”.
- “Traditional urban high-rises are forms of mixed-use with ground-floor retail and multifamily or office space above”.
- “Transit-oriented developments are often mixed-use, but most of the newer projects are either ground-up (sometimes called “place-making” developments) or else redevelopments of existing structures, such as an old mall”.
- Source: [icsc.com](http://icsc.com)

# Mixed Use Development- LC Germantown

Nashville, Tn



# Mixed Use Development- LC Germantown

- A mixed use development project featuring 411 residential apartments
- Built on a 3.94 acre site that was a former tractor trailer storage yard
- Total building size = 178,790 SF
- Features several restaurants
- High walkability score
- On main transit line
- Features pool, rooftop deck and drive up parking deck
- Has own interior road for small community feel
- Completed in 2019
- Developed by Lifestyle Communities, Columbus, OH

# Mixed Use Development- LC Germantown



# The Hospitality Sector- Is There A Fit?



# The Hospitality Sector- Some Caution Signs

- “STR and Tourism Economics have downgraded their 2019 forecast for the U.S. hotel industry, now pegging year-over-year demand growth at 1.9 percent, compared to prior guidance that projected 2019 growth to hit 2 percent.” source: Business Travel News
- “This is the second consecutive downgrade in the 2019 outlook since August. The researchers expect demand to slow further in 2020 to 1.7 percent.” source: Business Travel News



# Final Take Away

- Do you have sites that fit any of the outlined real estate sectors?
- What type of density does your community allow?
- Is there a roadmap for developers to get through the process?
- What type of growth do you want in your community?
- Do you have incentives?
- What makes your community unique for a developer?
- How are you getting the word out to the market?
- Who are your partners in deciding an action plan?