








**James Martha**

Managing Director, Head of U.S. Housing Sector

## U.S. sector specialist expertise - equity & debt

Because we believe specialists will outperform generalists, our sector-focused investment platform employs specialized equity teams dedicated to each property type

 <p><b>Retail</b> \$21B</p>	 <p><b>Office</b> \$28B</p>	 <p><b>Industrial</b> \$10B</p>	 <p><b>Housing</b> \$20B</p>	 <p><b>Other</b> \$15B</p>
<ul style="list-style-type: none"> <li>• Core</li> <li>• Value-add</li> <li>• Opportunistic</li> <li>• Super-regional malls</li> <li>• Shopping centers</li> <li>• High street retail</li> </ul>	<ul style="list-style-type: none"> <li>• Core</li> <li>• Value-add</li> <li>• Opportunistic</li> <li>• Gateway CBD</li> <li>• Medical/life sciences</li> <li>• Urban-suburban</li> </ul>	<ul style="list-style-type: none"> <li>• Core</li> <li>• Value-add</li> <li>• Opportunistic</li> <li>• Light industrial</li> <li>• Bulk industrial</li> <li>• Cold storage</li> <li>• Self storage</li> </ul>	<ul style="list-style-type: none"> <li>• Core</li> <li>• Value-add</li> <li>• Opportunistic</li> <li>• Luxury apartments</li> <li>• Workforce housing</li> <li>• Student housing</li> </ul>	<ul style="list-style-type: none"> <li>• Land</li> <li>• Parking</li> <li>• Self storage</li> <li>• Healthcare</li> <li>• REITS</li> <li>• Marketable securities</li> </ul>
<p><b>190</b> investments <b>85</b> million sq ft <b>70</b> MSAs</p>	<p><b>216</b> investments <b>162</b> million sq ft <b>37</b> MSAs</p>	<p><b>50</b> investments <b>309</b> million sq ft <b>34</b> MSA</p>	<p><b>278</b> investments <b>100,223</b> units <b>52</b> MSAs</p>	

Source: Nuveen Real Estate, 30 Jun 2019. \*\$33 billion in debt included in \$94 billion total

Note: Sums may vary slightly due to rounding.

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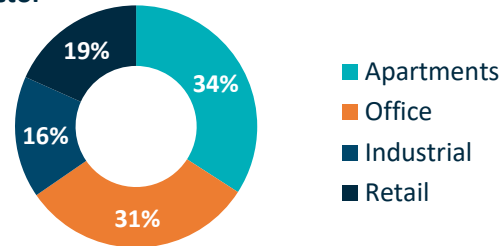
# US MULTIFAMILY HOUSING SECTOR



- US multifamily has consistently provided investors with attractive historical returns<sup>1</sup>
- Favorable demand drivers, particularly Millennials
- Strong demographic and economic trends
- High long term historical occupancies<sup>2</sup>
- Low long term historical capital expenditure ratios<sup>3</sup>
- Strong relative liquidity compared to other sectors<sup>4</sup>



## Transaction volume by sector<sup>4</sup>



**2018 apartment transactions = c.\$175bn**

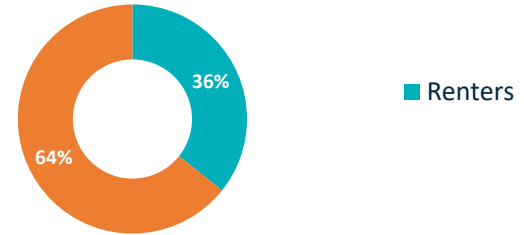
Source: <sup>1</sup>NCREIF Property Index – Apartments returned 8.6% over 15 years. <sup>2</sup>NCREIF Property Index shows apartments maintained the highest average occupancy rate (93.3%) as compared to retail, office and industrial over a 20-year period. <sup>3</sup>NCREIF Property Index shows apartments maintained the lowest capital expenditure ratio (24.1%) compared to retail, office and industrial over a 20-year period. <sup>4</sup>Nuveen Real Estate, 2Q19; RCA, 2014-2018 sales volume data for transactions \$2.5M+ updated June 2019. Past performance is no indication of future results. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

# LARGE AND DIVERSE RENTAL MARKET

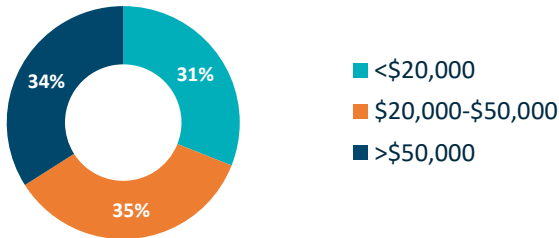
## Enables access through a variety of investment strategies

- c.36% of US households are renters<sup>1</sup>
- c.\$2 trillion total rental market<sup>3</sup>
- Diverse housing options catering to specific demographics
  - Workforce and luxury housing (income-based)
  - Student and senior housing (age-based)

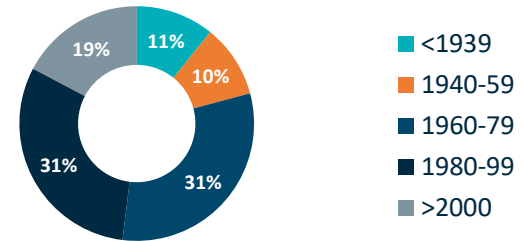
## US households by type<sup>1</sup>



## Renter households by income<sup>2</sup>



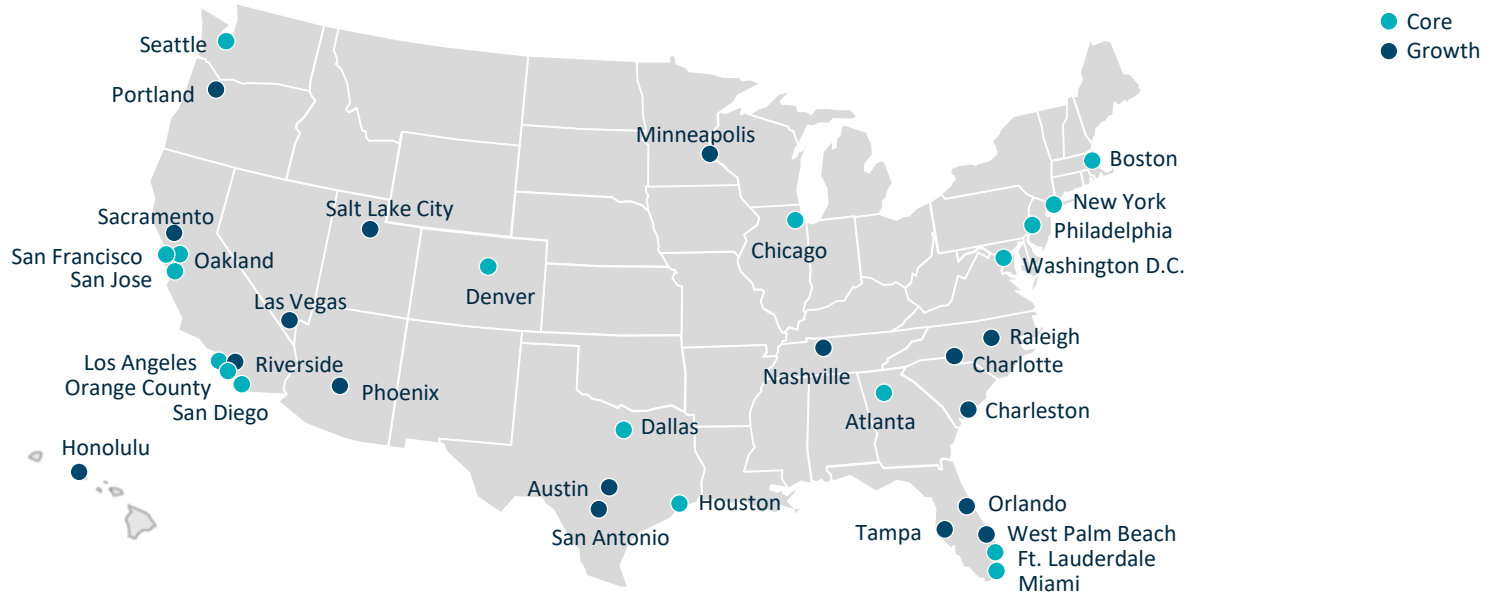
## Rental housing stock by vintage year<sup>2</sup>



Source: <sup>1</sup>US Census Bureau, 2Q 2019; <sup>2</sup>NMHC tabulations of US Census Bureau 2015 American Community Survey microdata; <sup>3</sup>RCA, August 2019

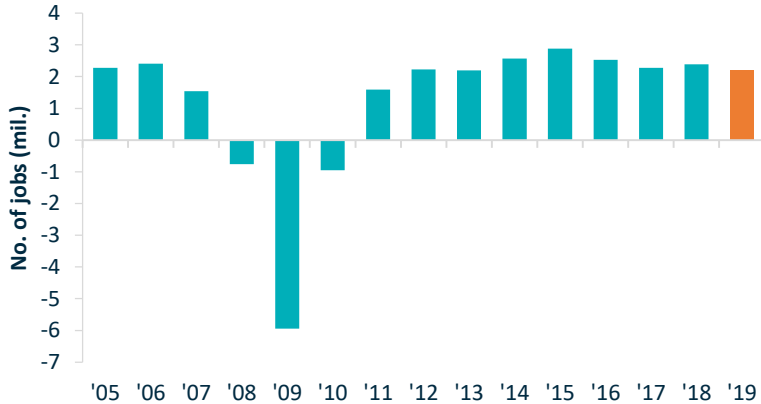
# TARGET INVESTMENT CITIES

Of the tomorrow's world cities identified globally, 35 are located in the U.S., which have been further classified as 'core' or 'growth' investment cities, based on sector and market specific characteristics

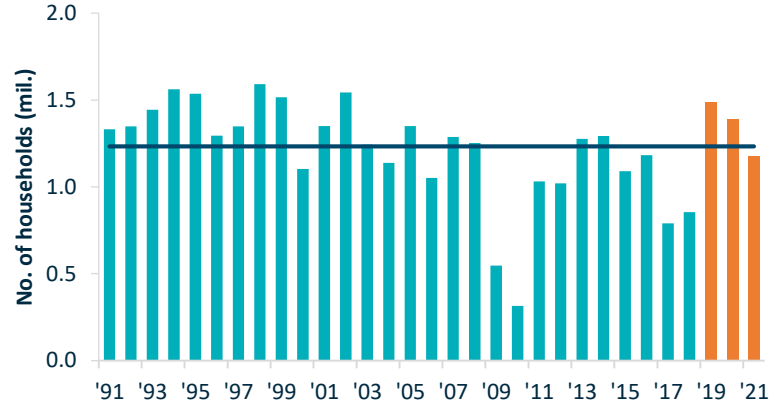


# DEMAND BOLSTERED BY STEADY JOB GROWTH AND NEW HOUSEHOLD FORMATIONS

Annual job creation<sup>1</sup>



Annual household formation<sup>2</sup>



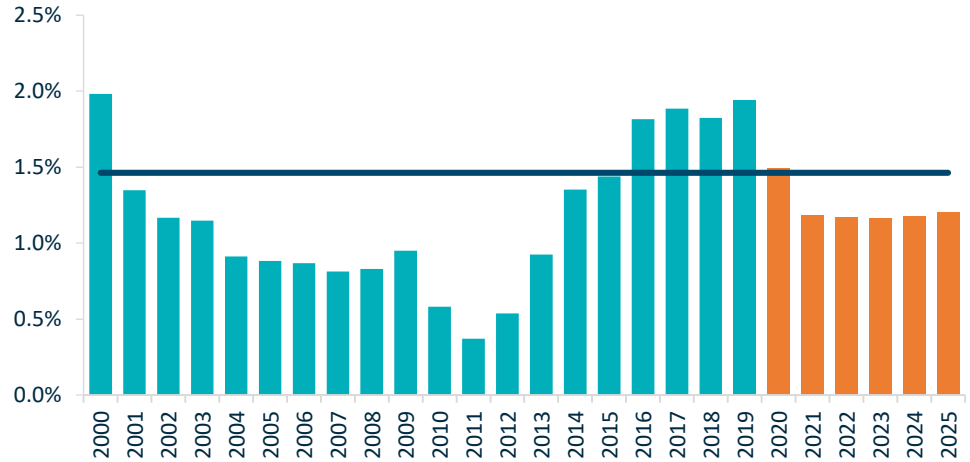
**Economic, employment and demographic trends expected to continue to bolster rental housing demand.**

Source: <sup>1</sup>Bureau of Labor Statistics; Moody's Analytics Q2 2019; <sup>2</sup>U.S. Census Bureau; Moody's Analytics, Q2 2019

# SUPPLY SIDE POISED TO PEAK

- Completions near peak volume in 2019
- Decreased construction lending due to federal oversight and lending requirements
- Most new supply is in the luxury segment, creating opportunity for class B assets

Apartment completions

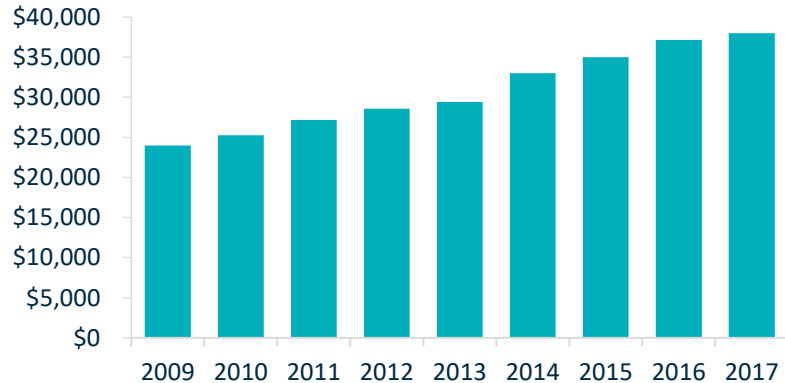


Source: CBRE-EA as of Q2 2019 (Orange = estimated)

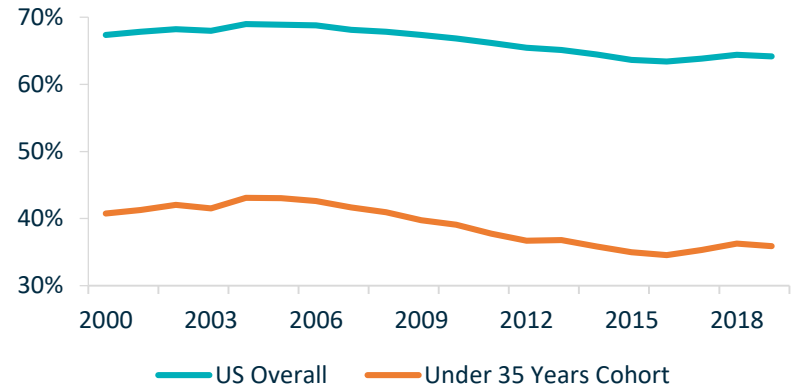
# INCREASING NECESSITY FOR RENTAL HOUSING = MORE DURABLE DEMAND

- Rental demand has risen across all age groups, income levels and household types creating a broad base of demand
- Millennials are expected to form 300,000 new households per year, and burdened by student loans and lack of financial resources necessary for home-ownership (e.g., down payments), most will likely be renters

**Average student loan debt<sup>1</sup>**



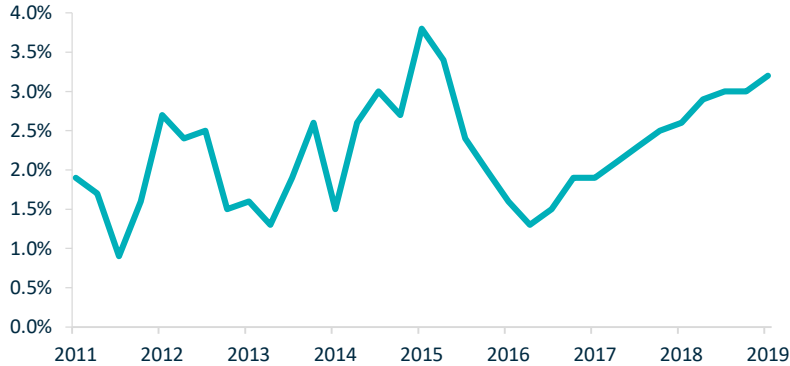
**Homeownership rates<sup>2</sup>**



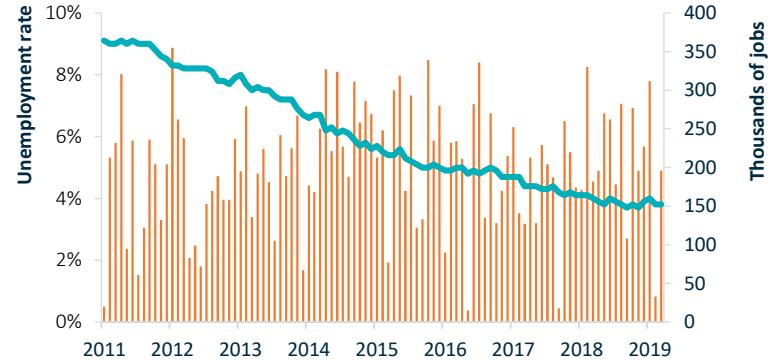
Source: <sup>1</sup>Edvisors, June 2019; <sup>2</sup>US Census Bureau, Seasonally adjusted homeownership rates, as of Q2 2019

# STRONG ECONOMIC GROWTH OUTLOOK FOR 2019

GDP growth remains healthy<sup>1</sup>



Unemployment rate is at a cyclical low<sup>2</sup>

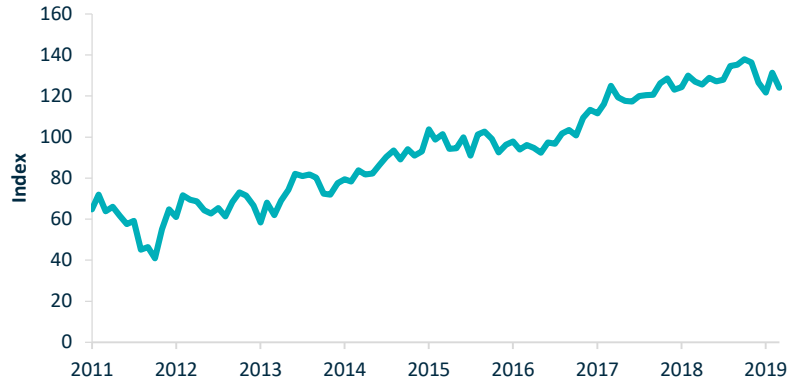


Source: <sup>1</sup>Bloomberg, Bureau of Economic Analysis; <sup>2</sup>Bloomberg, Bureau of Labor Statistics.

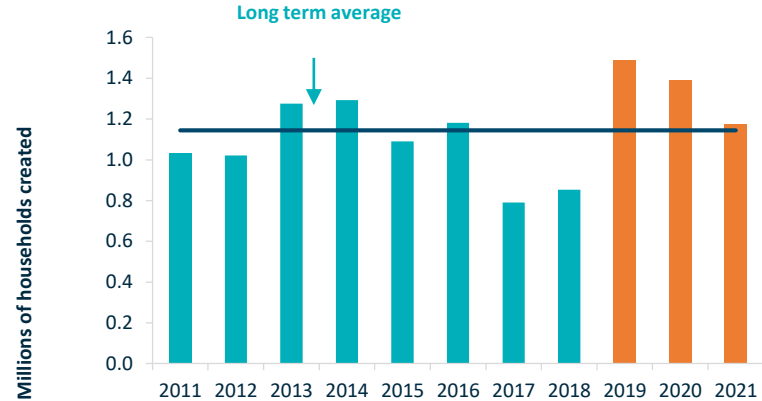


# STRONG ECONOMIC GROWTH OUTLOOK FOR 2019

Consumer confidence is at an 18 year high<sup>1</sup>



Which is supporting an uptick in household formation<sup>2</sup>

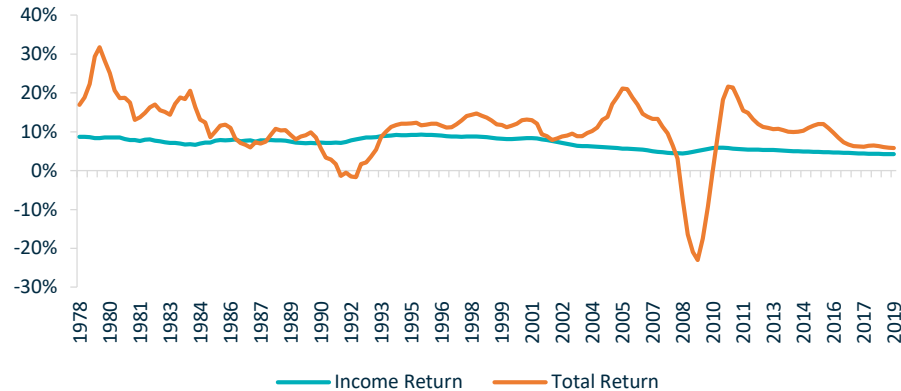


Source: <sup>1</sup>Bloomberg, Confidence Board; <sup>2</sup>Moody's Analytics, U.S. Census Bureau, 31 Mar 2019.

## U.S. MULTIFAMILY SECTOR – A RESILIENT ASSET CLASS

- Income is a hedge against capital markets volatility

Annualized NPI Multifamily returns since Q4 1978



*Through good times and bad,  
apartments delivered durable income  
returns to investors*

Over the last 40 years...

- Average annual income return of 6.8%
- Average annual total return of 10.1%
- Even with the stress of the global financial crisis, the annual income return was 5.5%

**Millennials and Middle Income households ('MiMis') drive economic and demographic trends.  
These cohorts will continue supporting strong demand for multifamily.**

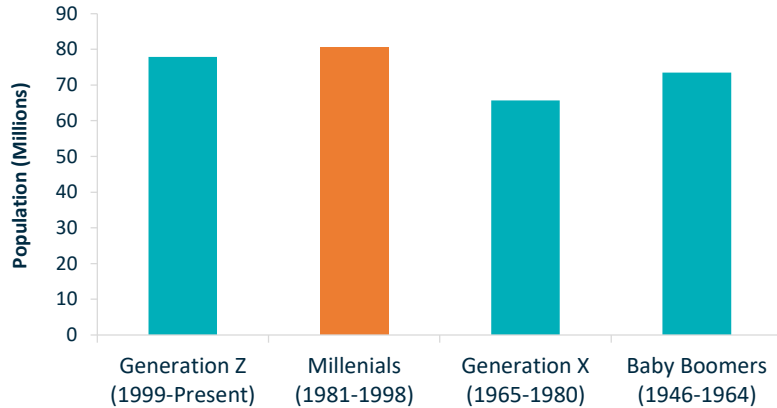
It is not possible to invest in an index. Performance for indices does not reflect investment fees or transactions costs.

Source: NCREIF as of Q2 2019.

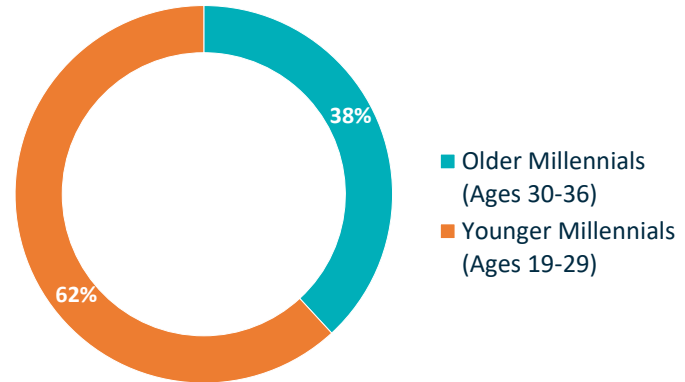
# DEMOGRAPHIC TRENDS FAVOR STRONG, LONG-TERM DEMAND FOR MULTIFAMILY

- Millennial population has the highest propensity to rent
- Generation Z is beginning to rent
- Younger millennials outnumber older millennials by almost 20 million

## Demographic cohorts



## Millennials divided (80 million total)

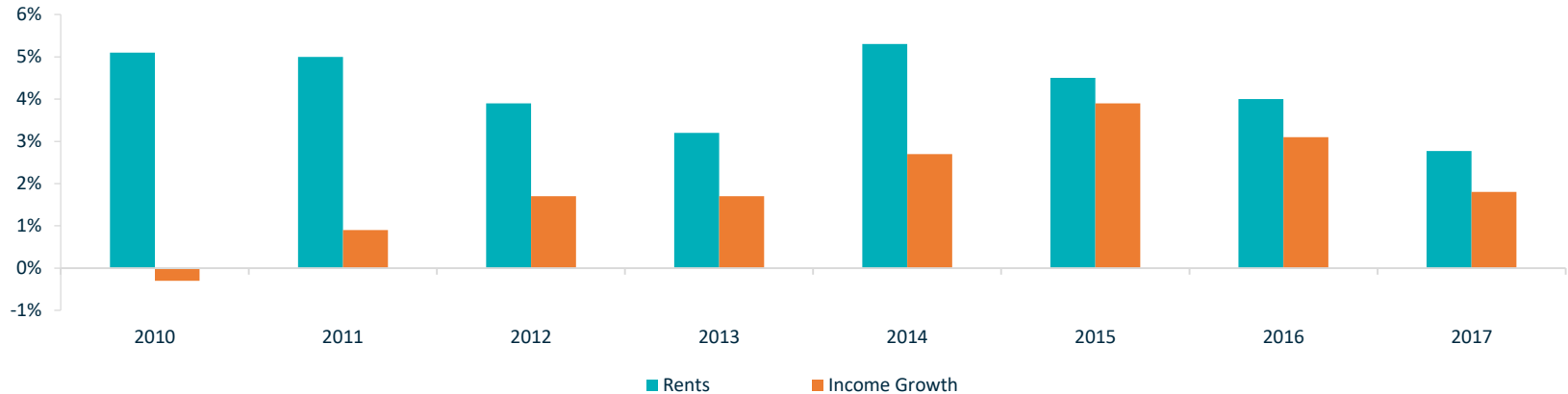


Source: Nuveen Real Estate; Pew Research Center; U.S. Census Bureau (BOC): Population Estimates as of Q2 2019

# INCREASING DEMAND FOR MIDDLE-INCOME HOUSING DRIVEN BY RENT GROWTH OUTPACING INCOME GROWTH

Following the Global Financial Crisis, US multifamily rents have seen strong growth, but incomes have lagged

## Rents vs income growth



**Opportunity to meet the demand of the middle-income market with Class B product**

Sources: US Census Bureau; Moody's Analytics; CBRE-EA, Q2 2019

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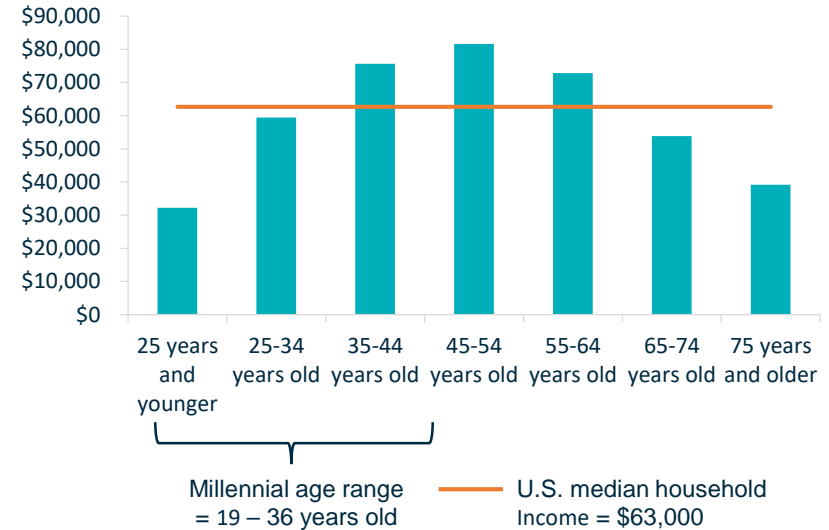
# DEMOGRAPHIC AND LIFESTYLE TRENDS ARE DRIVING STRONG MULTIFAMILY DEMAND

Millennial households tend to have incomes at or below the U.S. median, thus are a large pool of likely renters

**Millennials' home ownership rate is significantly lower than the U.S. average – 39% vs. 65%, respectively**

- Key factors contributing to millennials' propensity to rent include:
  - Record high student loan debt
  - Stricter lending requirements
  - Prolonged decisions to marry/start families

Median household income by age cohort

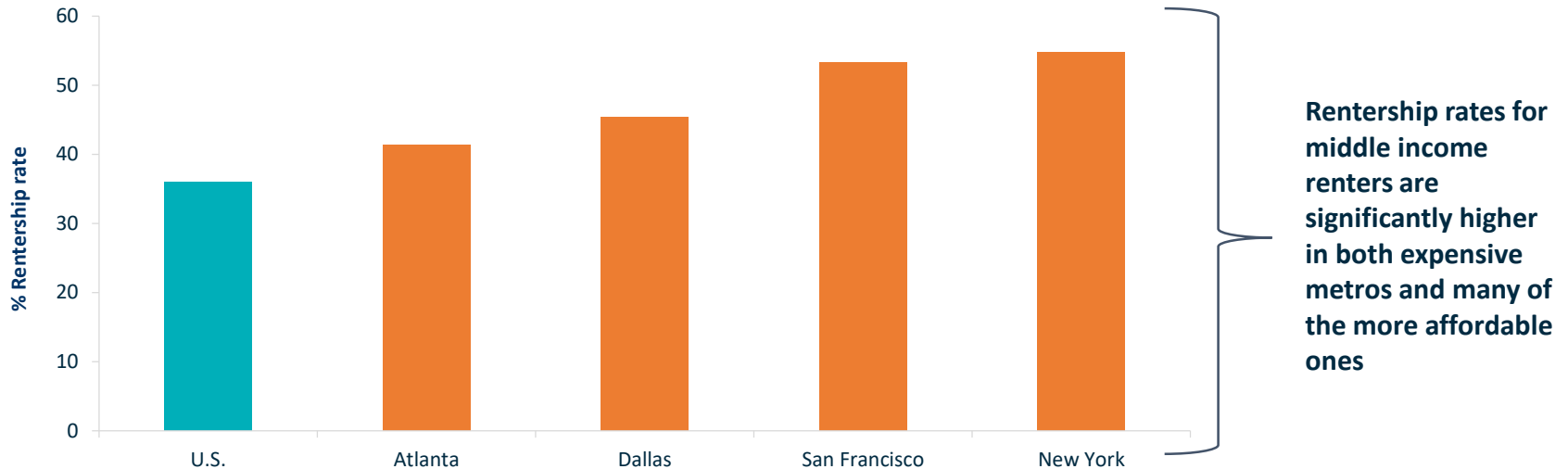


Source: StratoDem, 31 Mar 2019

# RENTERS BY NECESSITY

Middle income renters also represent a stable and sustainable long-term source of multifamily demand

## Rentership rates by metro area, for incomes \$57k-\$85k



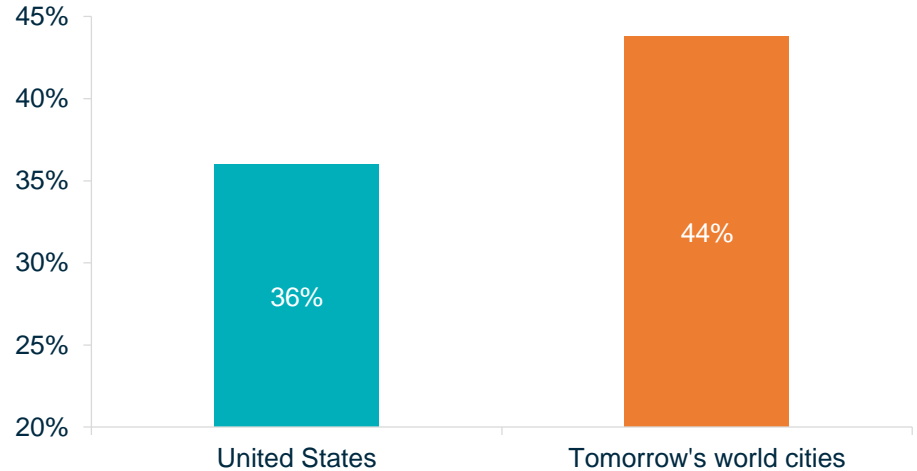
Source: JCHS tabulations of U.S. Census Bureau, 2016 American Community Survey 1-Year Estimates; latest as of 31 Mar 2019

# ACCESSING LARGEST RENTERSHIP BASE IN THE U.S.

Millennials + middle incomes (MiMIs) = our target

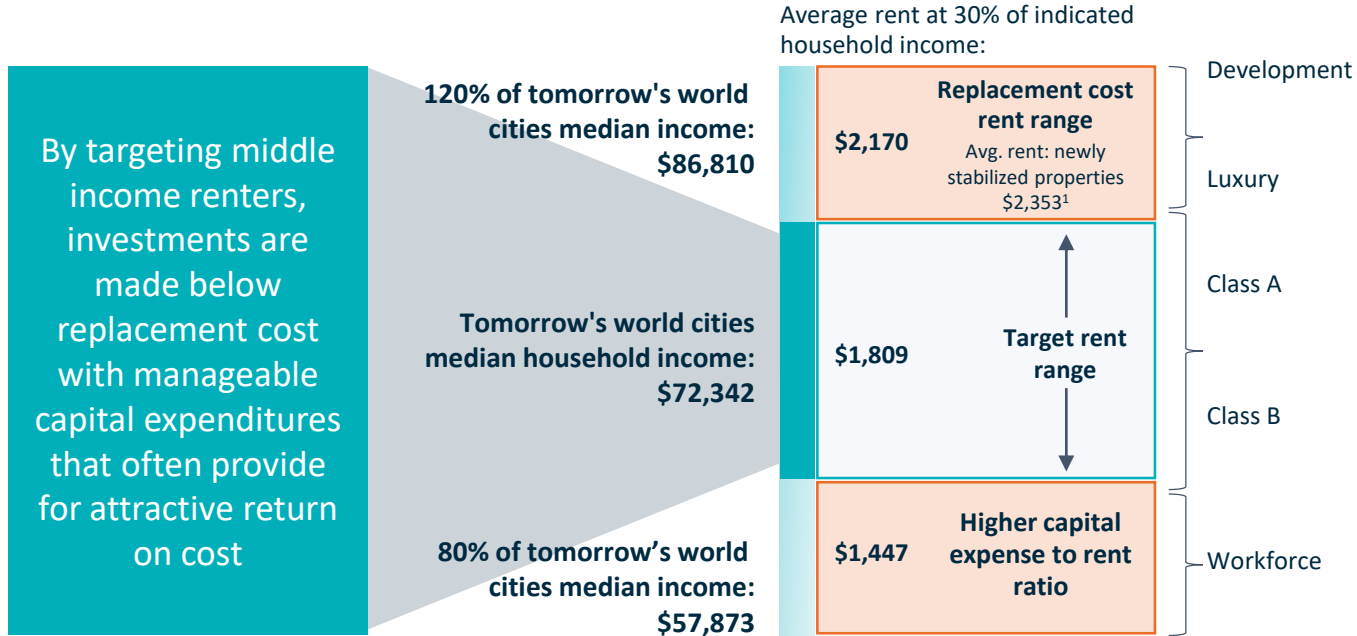
Our research has identified tomorrow's world cities that are millennial magnets and have higher middle income rentership rates than the U.S. average

Rentership rates for incomes \$45k-\$75k



Source: JCHS tabulations of U.S. Census Bureau, 2016 American Community Survey 1-Year Estimates; latest as of 31 Mar 2019

# TARGETING 'MIMIS' – MILLENNIALS AND MIDDLE INCOMES



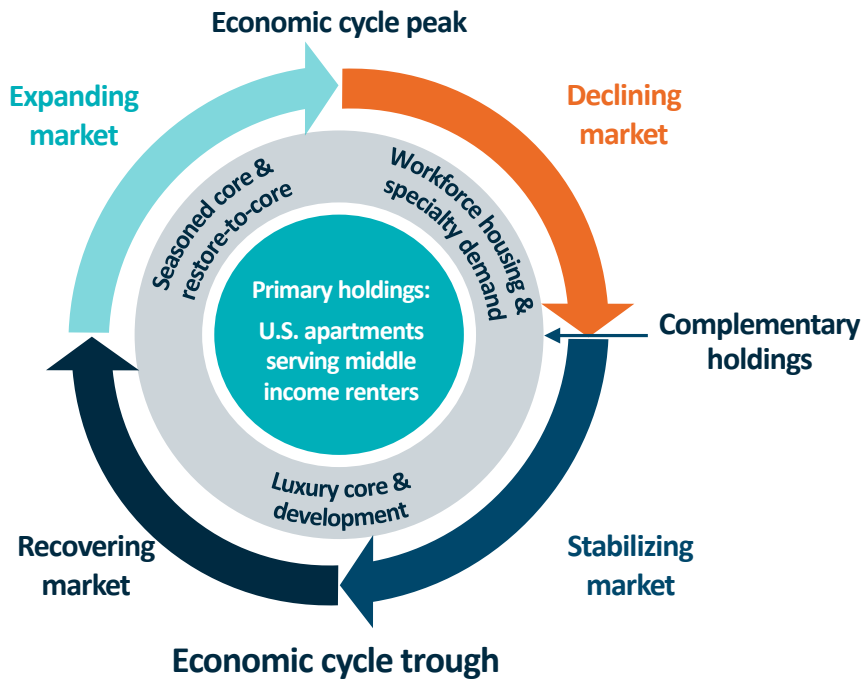
Source: Axiometrics



# A BALANCED PORTFOLIO STRATEGY, ACCESSING DIVERSE MULTIFAMILY DEMAND DRIVERS

## Portfolio construction

By focusing on differing renter demand segments, multifamily can generate durable income distributions for investors throughout market cycles



# FUTURE (STILL) LOOKS BRIGHT...US APARTMENT PROSPECTS<sup>1</sup>

Target apartments with lower price points in supply-disciplined markets in an effort to capture expanding household formations

Drivers of total return performance:

- **Healthy US economic, employment and household growth**
- **Demographic trends...Millennials are in their prime renting years**
- **Fundamentals remain attractive despite increased supply due to depth of overall demand**
- **Readily available commercial mortgage financing...Bond financing provides low-cost option**
- **Strong domestic and foreign investor appetite for US properties**
- **NOI growth to drive total return performance**

Source: Nuveen Real Estate, Q2 2019

<sup>1</sup>House view; not a prediction, projection or guarantee of future performance; there can be no assurance that such results will be achieved. Past performance is no indication of future results. Inherent in any investment is the potential for loss.

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