

nuveen
REAL ESTATE

Planning for the future

October 11, 2019

Appalachian Human Resources Summit
Parkway Ballroom, Plemmons Student Union

Daniel Manware, Associate, Nuveen Real Estate

Introductions

- 1. Name**
- 2. Company/Industry**
- 3. What do you hope to accomplish from this workshop?**

Source: Harvard Joint Center for Housing Studies, America's Rental Housing 2017; US Census Bureau

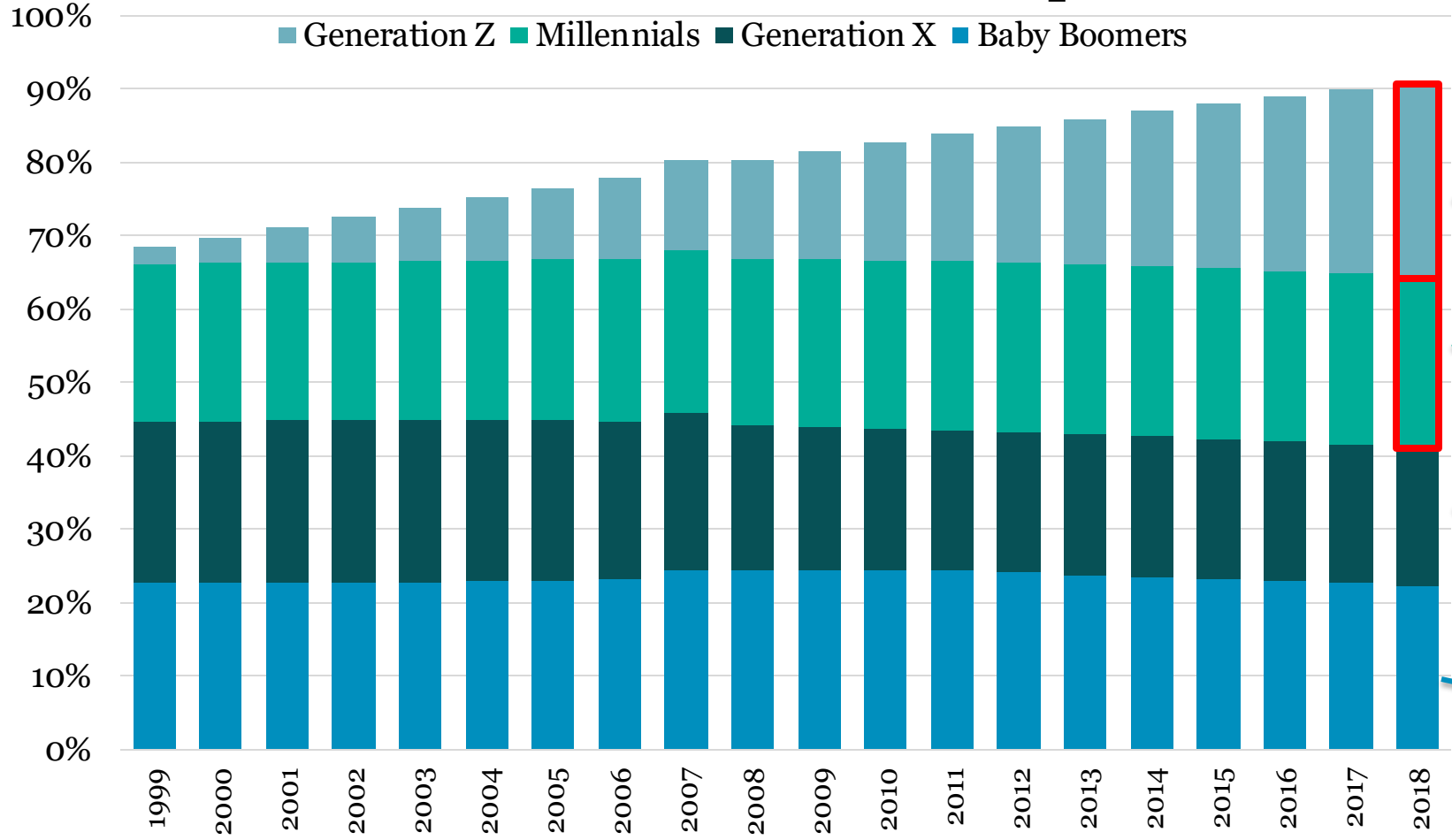
Questions

- What is your company headcount?
- What city is your office located in?
- Any field offices? Where are these field offices located?
- What % of your workforce is comprised of millennials and Gen Z?
- What are your primary recruitment tools?
- Internship program, college recruitment, social media, etc.?
- What are your primary HR issues?
- Do you offer flexibility for quiet work place? Work from home? Easy to work from tech perspective?
- What are the biggest challenges you face as an HR professional when thinking about the workforce of the future?

Demographics are a key megatrend

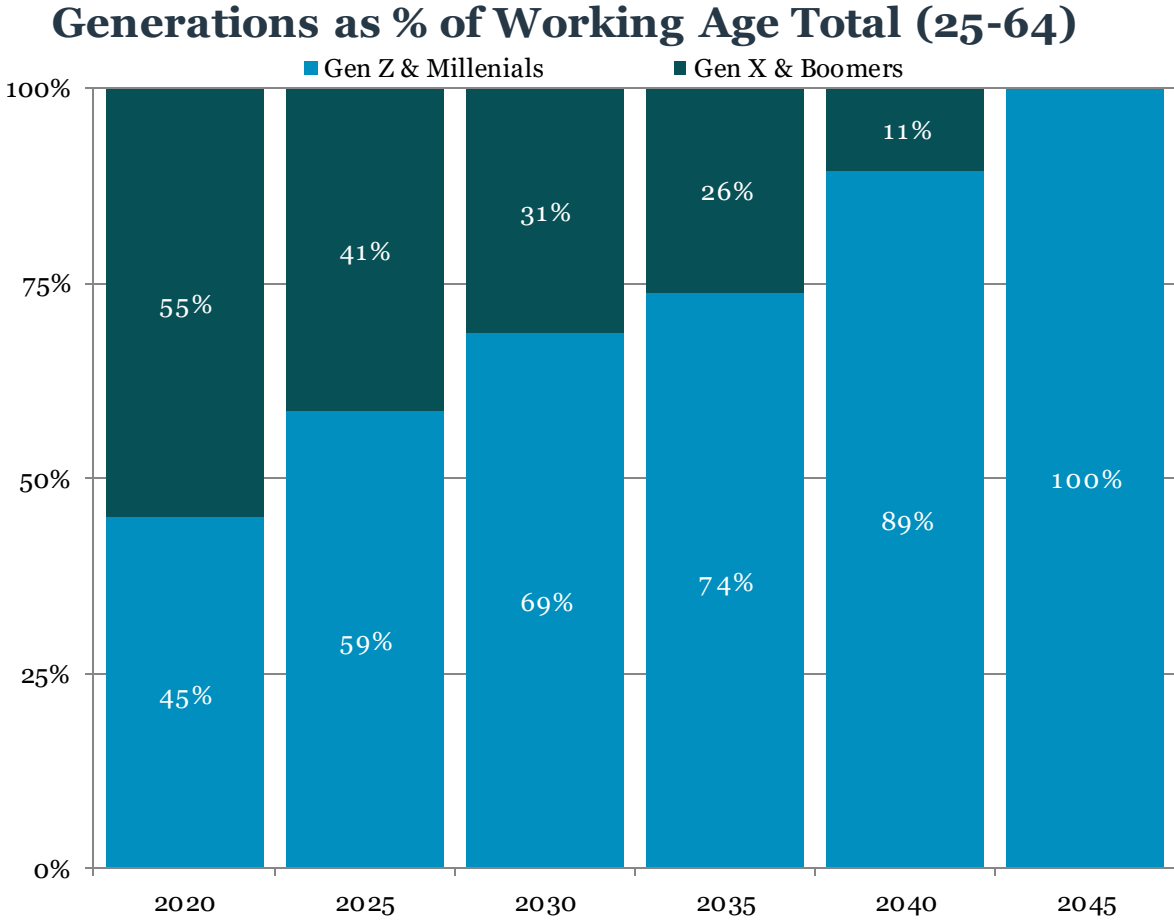
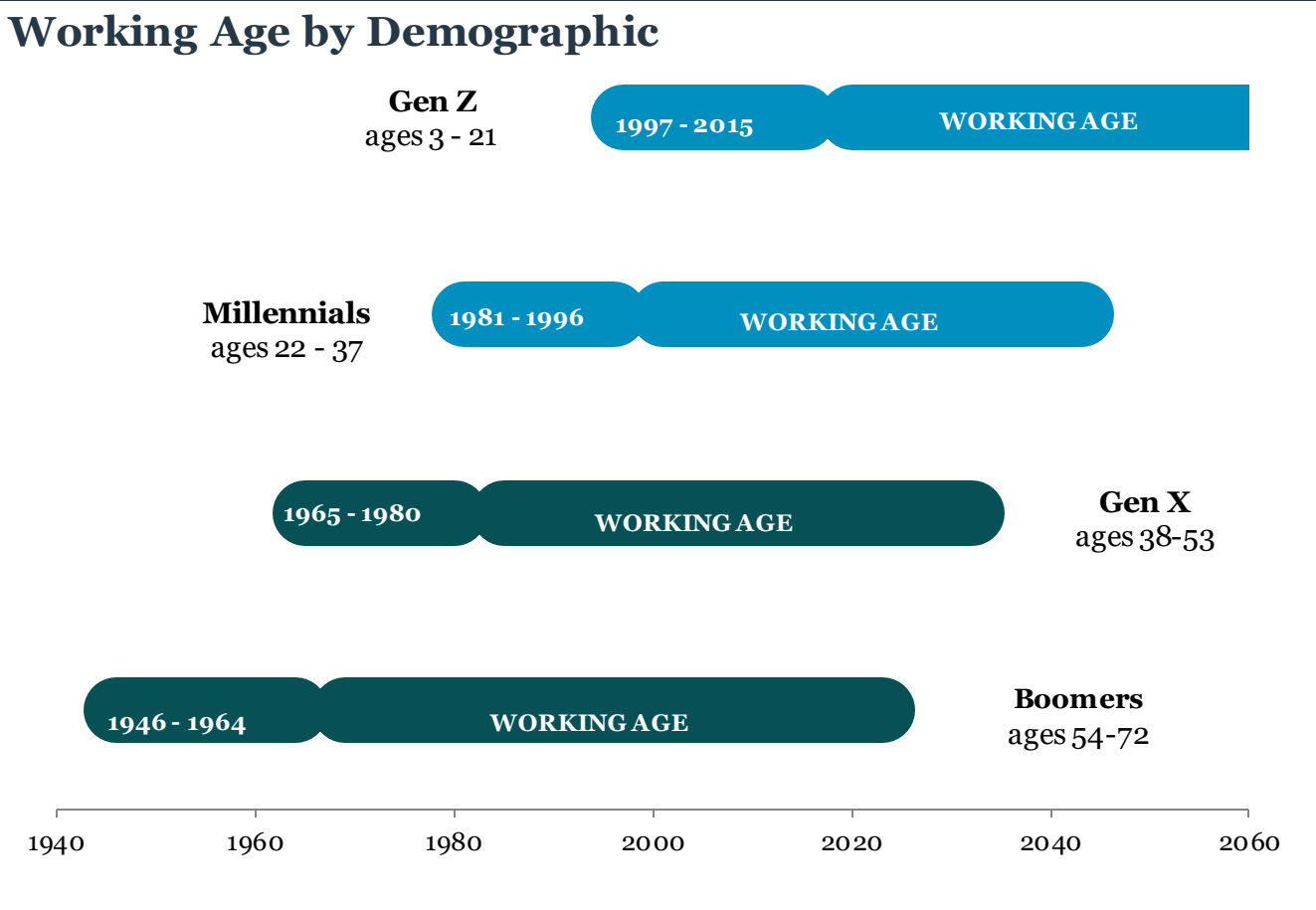
Generation Z and Millennials comprise half of the total US population

Generations' Share of Total US Population



Source: US Census Bureau

Generation Z and Millennials will comprise ~75% of workforce by 2035



Source: Harvard Joint Center for Housing Studies, America's Rental Housing 2017; US Census Bureau

Retaining millennials aka the “job hopping generation”

- 21% of millennials say they've changed jobs within the past year,
- **More than 3X the number of non-millennials who report the same**

- 60% of millennials say they are open to a different job opportunity
- **15 percentage points higher than the percentage of non-millennial workers who say the same**

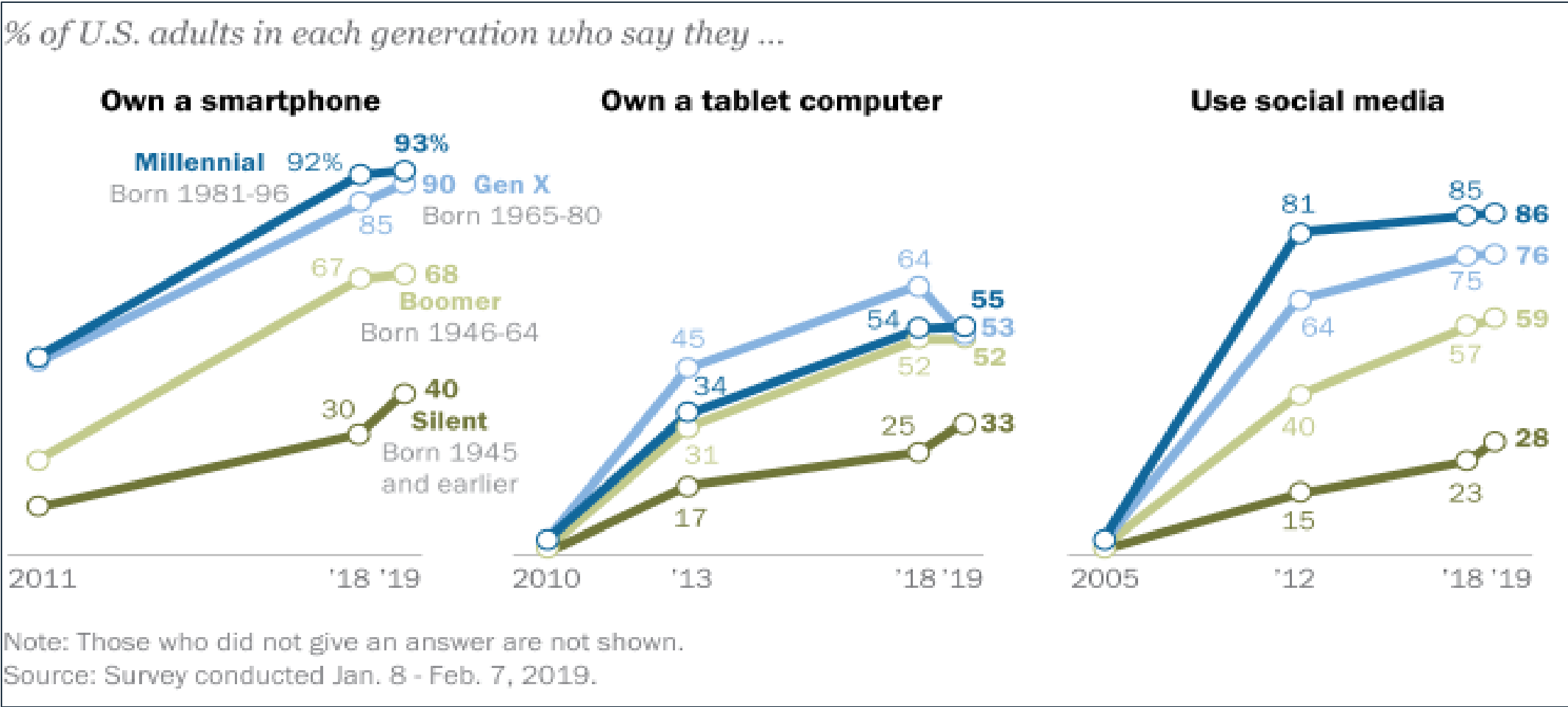
- Not just leaving for high-paying jobs, but for:
 - **Positive work culture**
 - **Better work-life balance**
 - **Environmental and social issues**



Source: Gallop, 2019

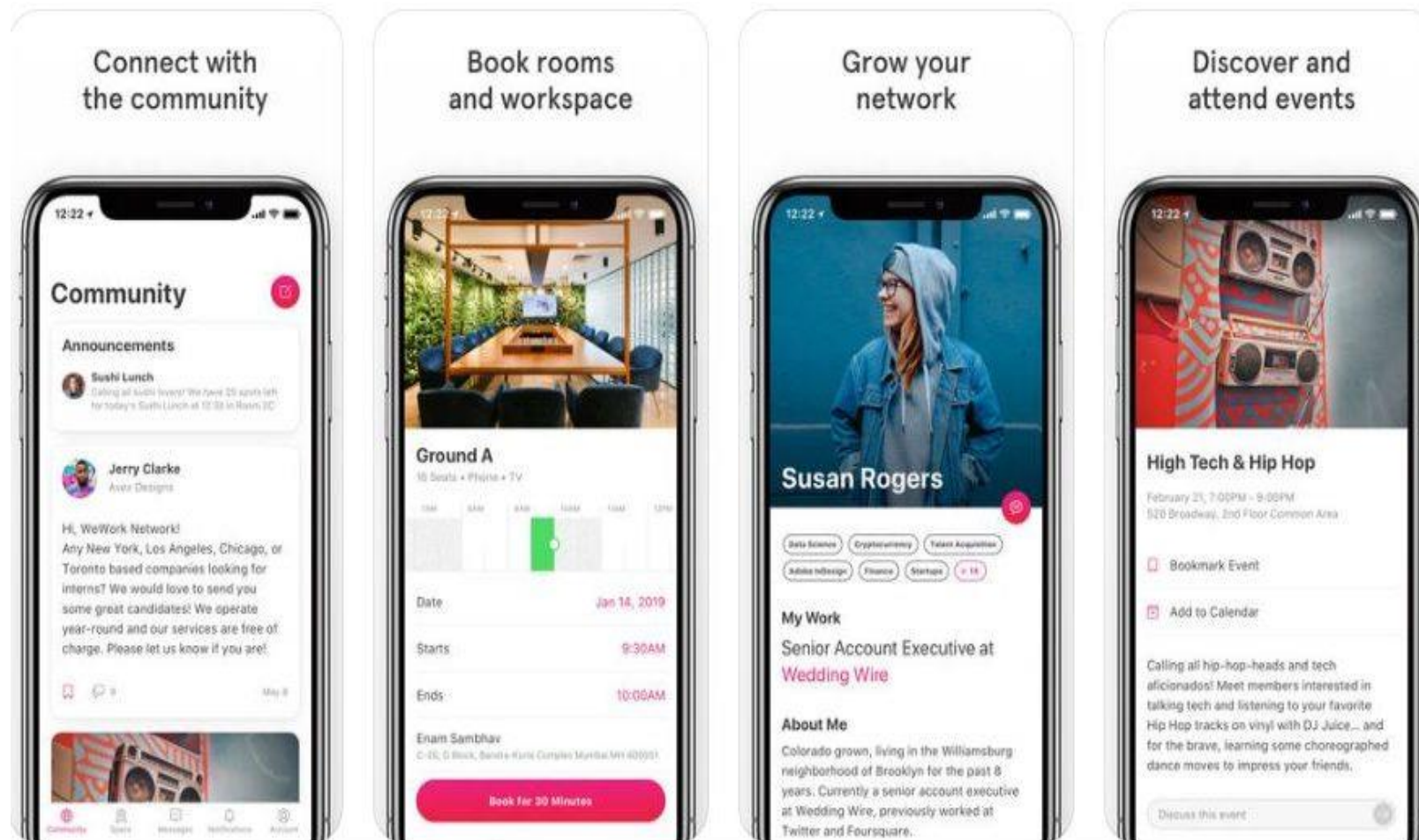
Younger workforce is technologically-adept

A more tech-advanced workforce will impact workplace desires and expectations



Source: Pew Research Center

Tomorrow's offices: technologically-advanced



Younger generations will desire tech-enabled workplaces:

- Applications that allow them to book conference rooms, help find nearest lunch locations booking conference rooms via app
- Social messaging within application (i.e. Jammer, community board)

Source: WeWork

Tomorrow's offices: amenity-rich

Younger generations entering workforce will desire amenity-rich work environments



Wellness



Various areas



Cafeteria



High design



Fitness

Tomorrow's offices: sustainable

Younger generations entering workforce will desire sustainable work environments

Resource Efficiency



- Energy/water efficiency
- Renewable energy sources
- Waste management
- Building technology, EMS, remote diagnostics
- Net zero carbon/energy

Occupant Experience



- Health and wellness
- Thermal comfort
- Ventilation/air quality
- Lighting
- Views/Biophilia
- Amenities/communal space
- Noise/acoustics
- IoT

Resilience



- Decrease grid reliability
- Assess climate change exposure/vulnerability
- Protect infrastructure
- Future-proof against carbon pricing and regulation

Interactive exercise:

Your current office space offerings

Is your office space technologically advanced? How so?

Does your office space offer the amenities that millennials and Gen Z will want?

If not, let's brainstorm ways to make your office offerings more in line with what the next generation of workers wants.

Tomorrow's workplace: progressive HR benefits

- Unlimited Paid Time Off
- Work from home
- Dress for your day
- Maternity/Paternity Leave
- Fitness and health reimbursement
- Providing free breakfast/lunch
- Paid time off for volunteering

Business

'All the men are psyched' about Goldman Sachs' relaxed dress code. For everyone else, it's complicated.

Google has so much free food, employees worry about gaining the "Google 15."

14 companies that give their employees unlimited vacation days

Erin McDowell Aug 30, 2019, 3:27 PM

TECH

WeWork Puts Four-Ber Limit on Once-Bottomless Kegs

Last call for endless free alcohol as shared office-space company caps New York tenants' drinking

Cayenne pepper ginger shots, homemade lemon tarts, and Michelin-starred chefs — here's what employees at Silicon Valley's biggest tech companies are offered for free

Katie Canales Jul. 31, 2018, 4:36 PM

BANKS

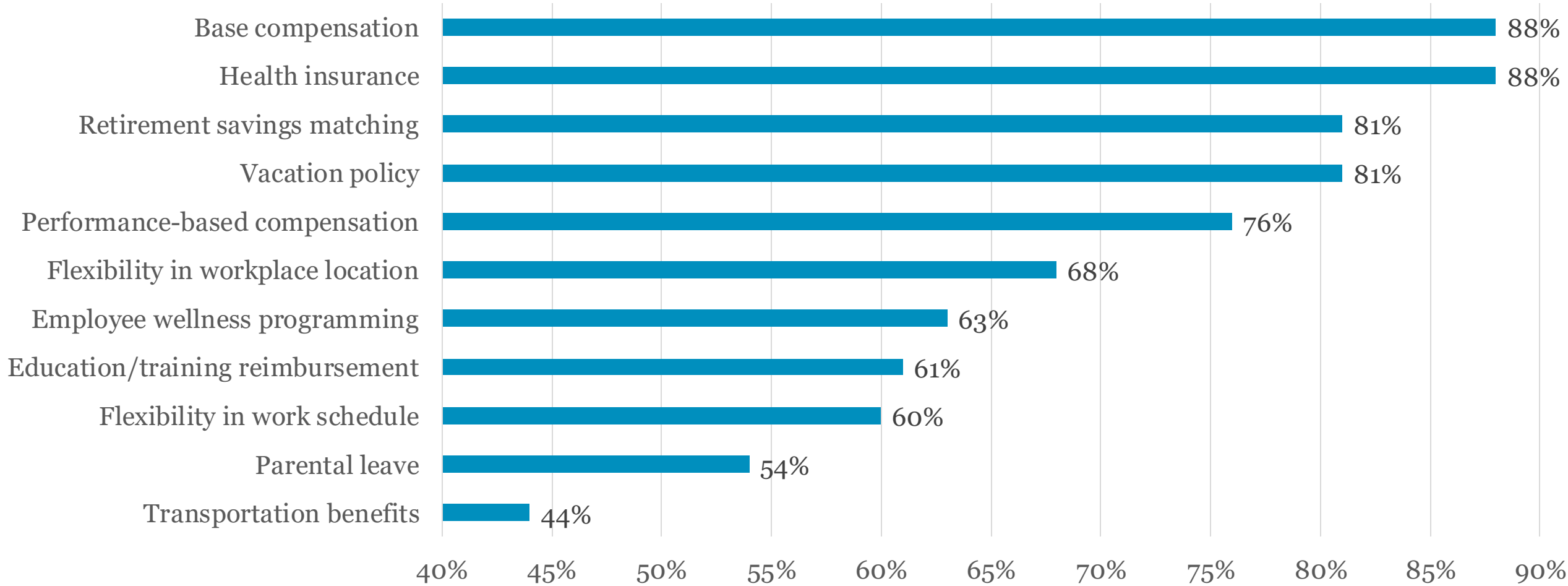
Suits and ties now optional: Goldman Sachs says it's relaxing its dress code

PUBLISHED TUE, MAR 5 2019 - 2:00 PM EST
UPDATED WED, MAR 6 2019 - 4:02 PM EST

Source: Forbes; Business Insider

Recent study: financial benefits remain top perk

Importance of Different Perks for All Respondents

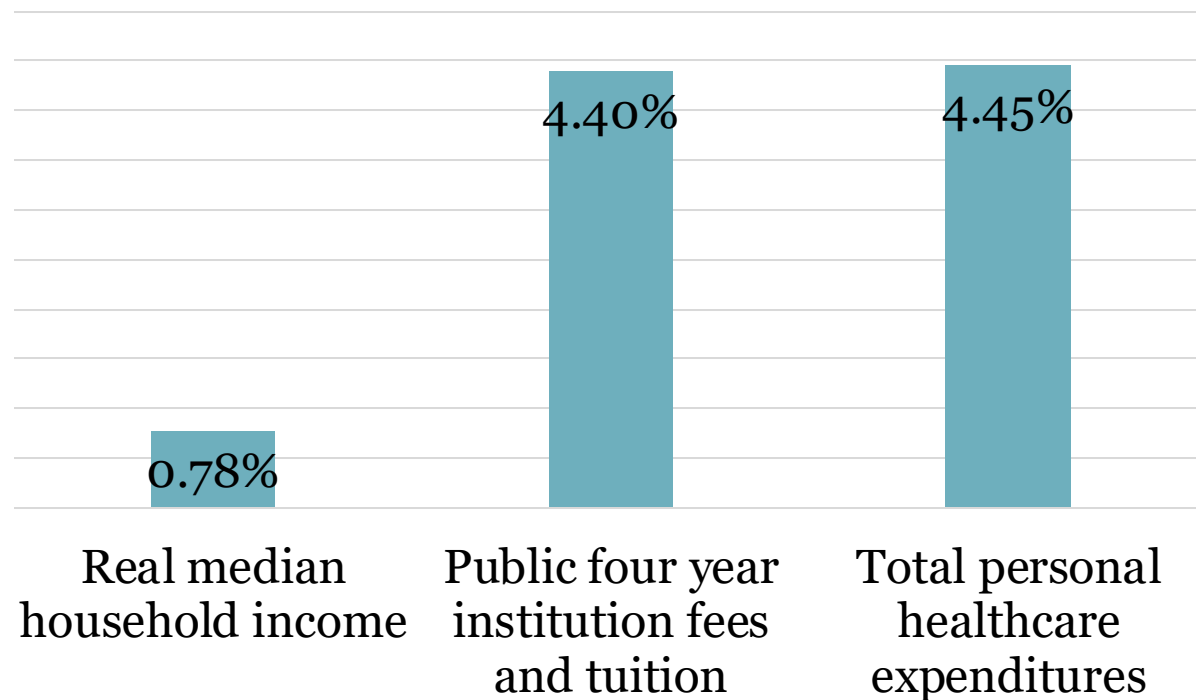


Source: State of Remote Work Report 2019, OWL Labs

Attracting/retaining talent: tuition reimbursement

Growing college debt continues to ignite younger generations' financial stress

10-year growth rates (2008-2017)



- Recent studies show that there is a direct correlation between financial stress and workplace performance.
- 25% of employees report that issues with personal finances have been a distraction at work.
- Of those distracted, 43% say that they spend three hours or more at work each week thinking about or dealing with issues related to their personal finances, and 15% report missing work occasionally as a result.

Sources: U.S. Census Bureau, Real Median Household Income in the United States; [MEHOINUSA672N], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MEHOINUSA672N>, June 25, 2019.; CollegeBoard, Trends in College Pricing 2017; US Inflation Calculator, 2019 Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Attracting/retaining talent: flexible working solutions

Workers who work remotely are happier, feel more trusted, less stressed, are more inclined to recommend their employer to a friend, and are less likely to leave than their office bound colleagues

83% of survey respondents agree that the ability to work remotely would make them happier.



81% of respondents agree that working remotely would make them better able to manage work-life conflict.



- A study by Owl Labs found that full-time remote workers reported being happy in their jobs 22% more than workers who are never remote.
- Remote workers reported having better work-life balance, focus, and less stress. Companies that give workers more flexibility were more likely to retain them.
- Remote workers will also work longer hours; they reported working over 40 hours per week 43% more than non-remote workers.

Source: Business Insider; Owl Labs
<https://www.businessinsider.com/study-says-remote-workers-are-happier-stay-in-jobs-longer-2019-9>

Interactive exercise: *Progressive HR benefits*

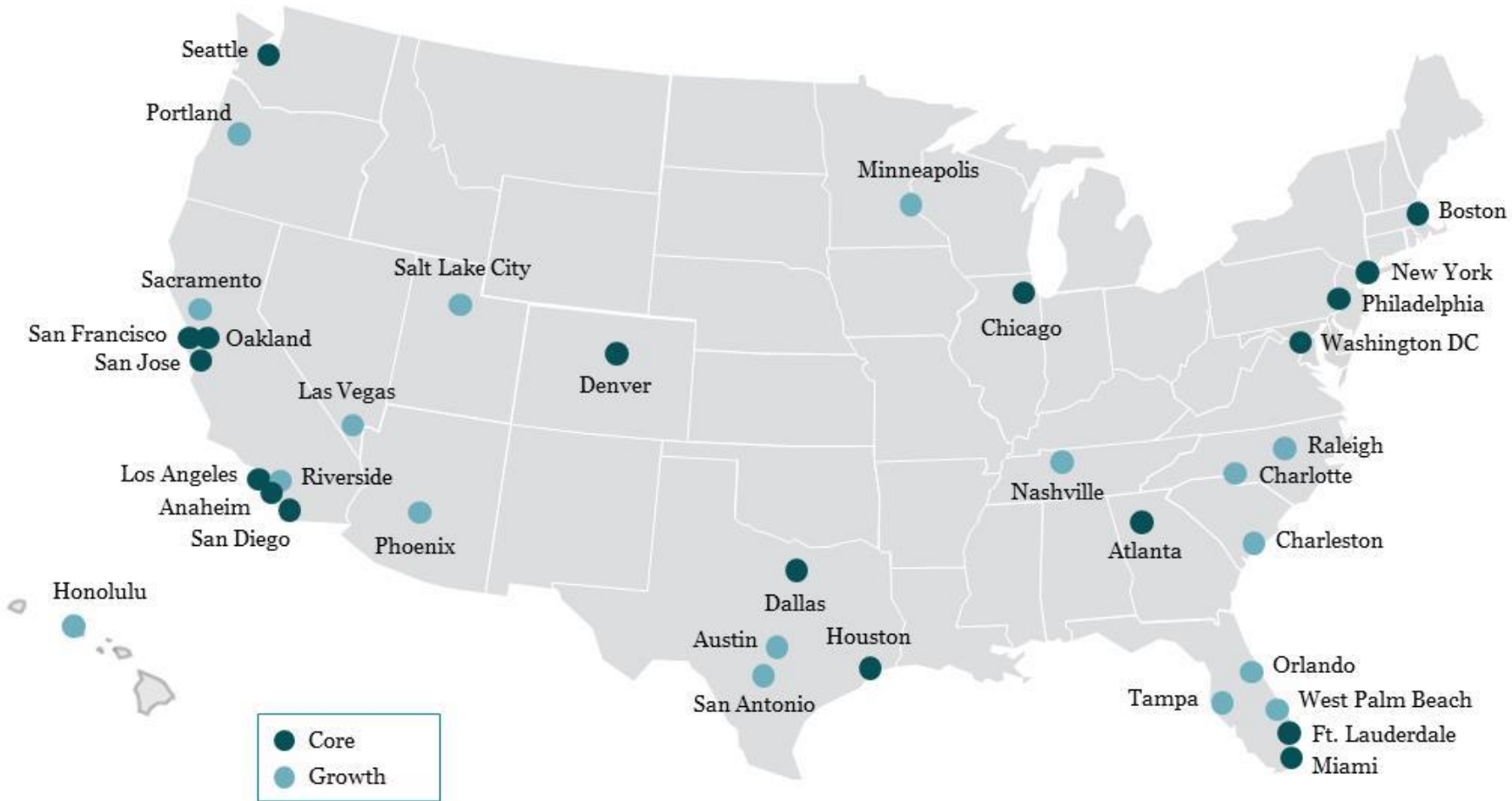
What are some of your most popular HR benefits?

Have there been any updates/revisions in the last decade?

How do you envision your benefits changing given a more progressive workforce?

Tomorrow's cities: Attracting Talent

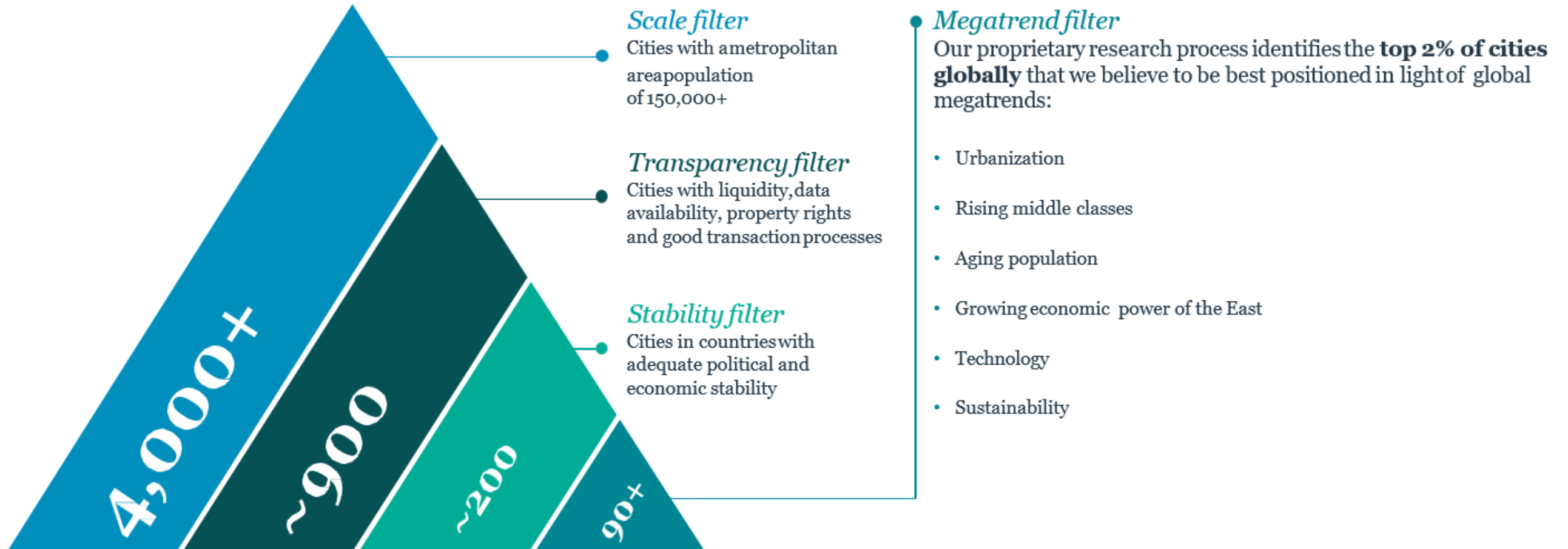
U.S. tomorrow's cities: Investment cities



Source: Nuveen Real Estate

Our proprietary city-focused approach

Identifies those cities best positioned for structural growth



Source: Nuveen Real Estate

Our proprietary city-focused approach

Our research identifies the characteristics of cities best positioned for structural growth

| Characteristics | Metrics | Best-Positioned City Examples |
|---|--|--|
| Hard Factors <ul style="list-style-type: none">• Scale• Productivity• Youthfulness• Affluence | <ul style="list-style-type: none">• Population, Size of GDP• GDP per Capita• Population <40• Households >\$100K | <ul style="list-style-type: none">• London• New York• Los Angeles |
| Soft Factors <ul style="list-style-type: none">• Connectivity• Technology• Liveability | <ul style="list-style-type: none">• International flights• Innovation index• Quality of life index | <ul style="list-style-type: none">• Boston• San Francisco• Sydney |
| Growth Factors | <ul style="list-style-type: none">• Population growth• Economic growth• Affluence growth | <ul style="list-style-type: none">• Perth• Shanghai• Austin |
| Sustainability | <ul style="list-style-type: none">• Air quality index• Climate change vulnerability• Grid carbon intensity | <ul style="list-style-type: none">• Brisbane• Copenhagen• Auckland |

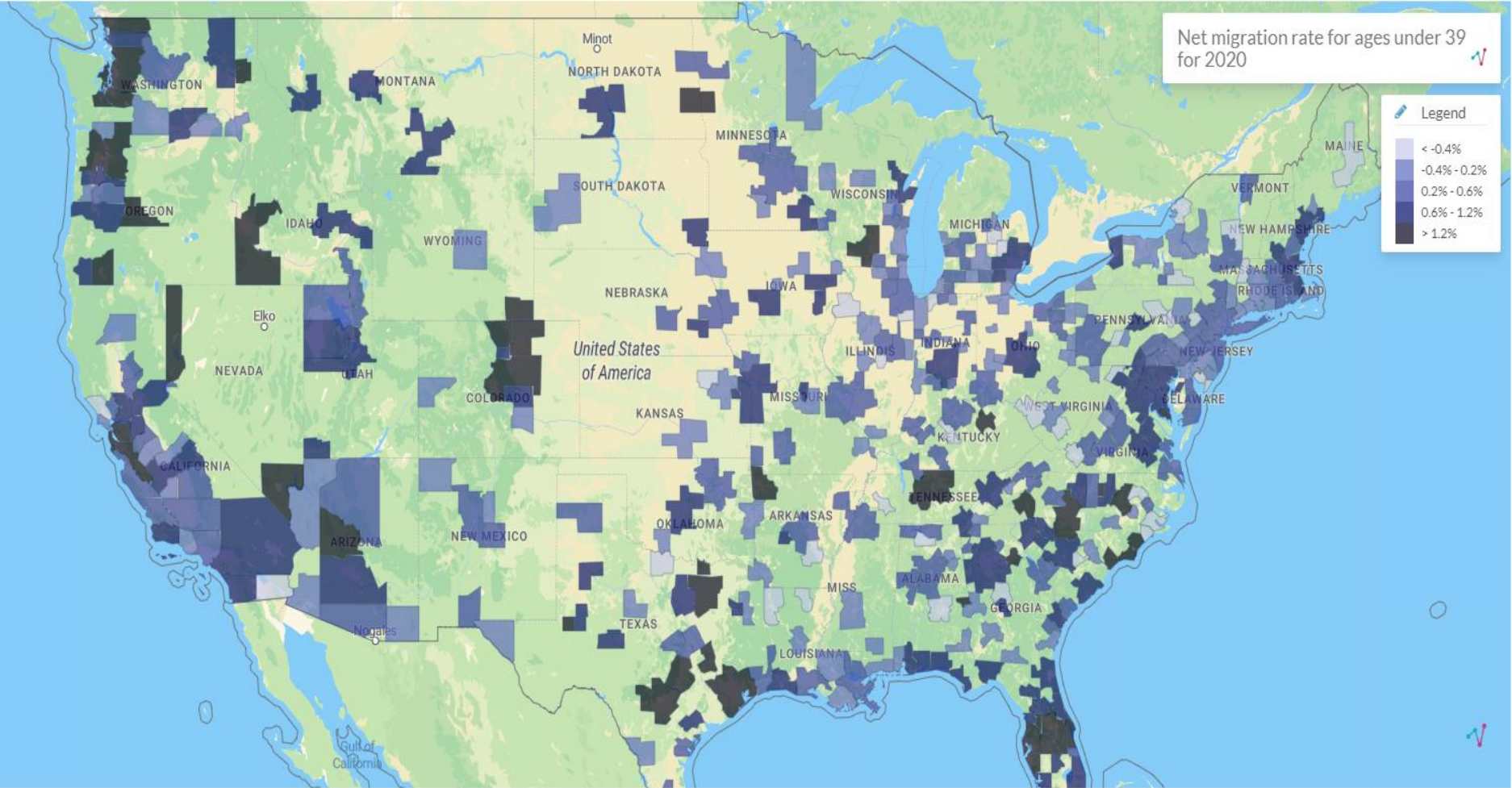
Interactive exercise:

Show case the Tomorrow's Cities filtering metrics for all MSAs

What cities do you currently operate in? Let's see how those cities score within our Framework.

Net migration rate of Millennials and Generation Z (2020)

Strongest net-migration experienced in Sunbelt cities



Winners:

- Austin, TX
- Orlando, FL
- Nashville, TN

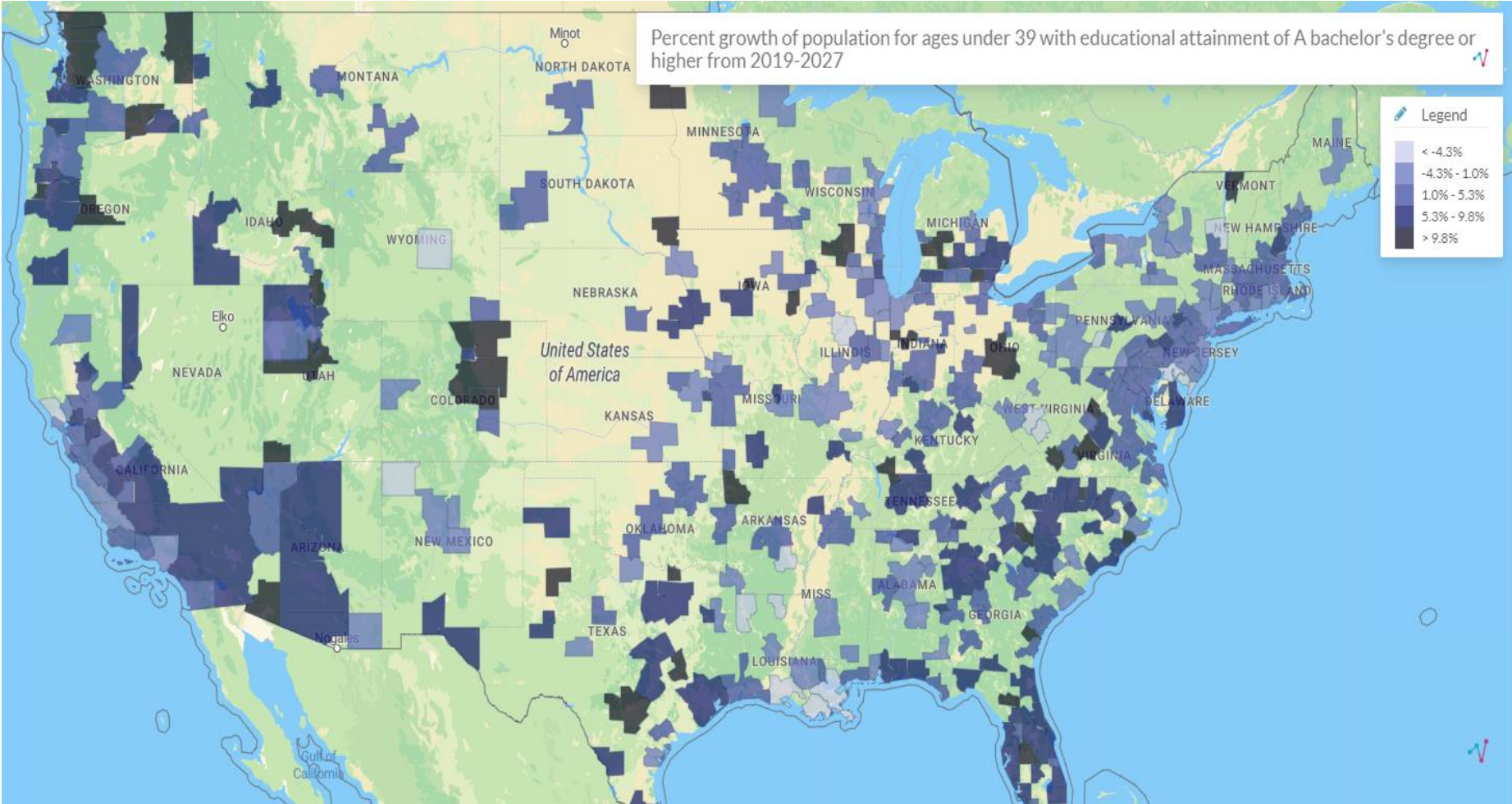
Losers:

- Youngstown, OH
- Milwaukee, WI
- Scranton, PA

Source: StratoDem Analytics

Growth of educated Millennials and Generation Z (2019-2027)

Southern and mountain cities are expected to experienced the strongest growth



Winners:

- Provo, UT
- San Antonio, TX
- Colorado Springs, CO

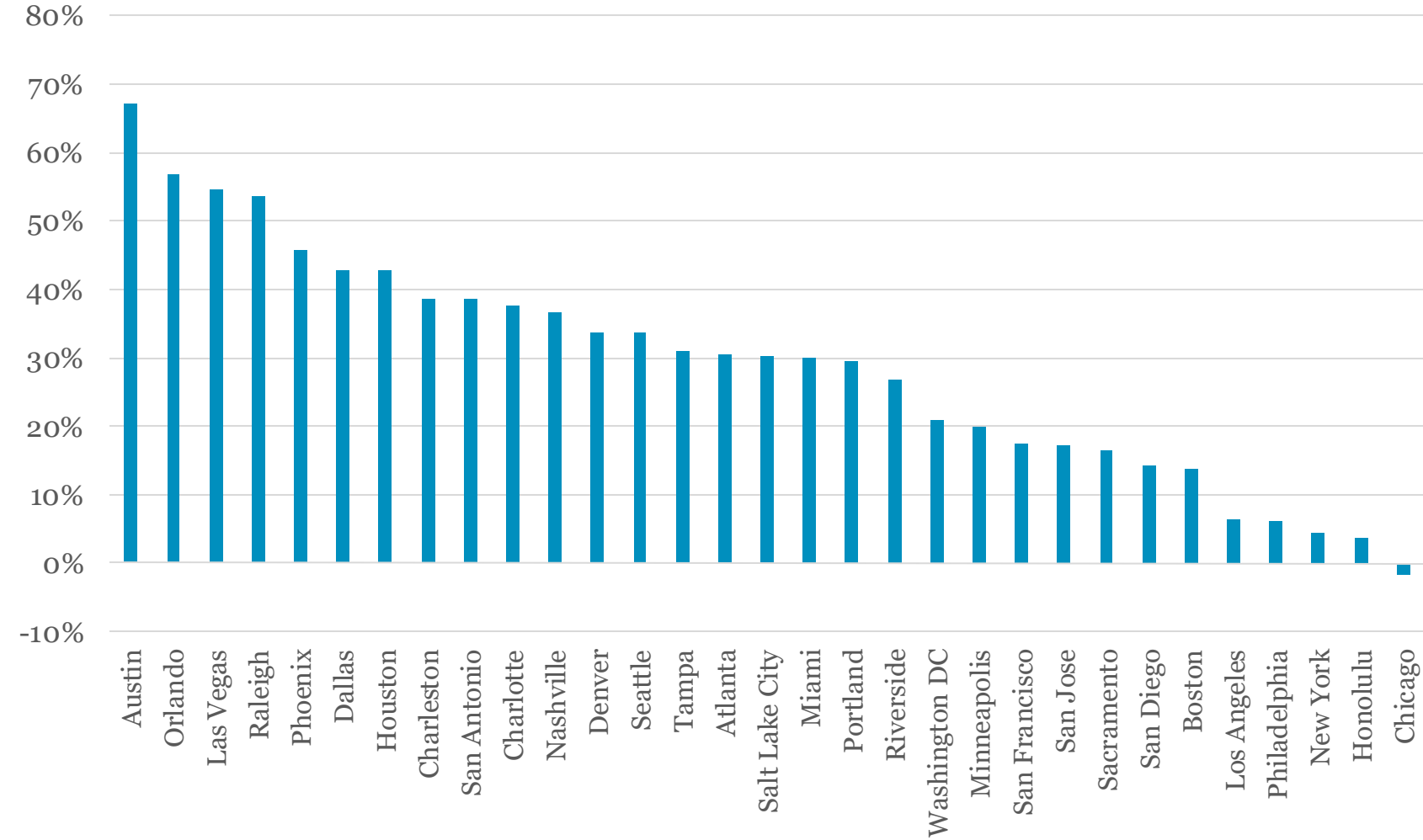
Losers:

- Philadelphia, PA
- New York, NY
- Erie, PA

Source: StratoDem Analytics

Tomorrow's cities: Long-Term Population Growth (2010-2030)

Strongest population growth expected in South, weakest (negative) in North



Top 3:

- 1) Austin, TX – 67%
- 2) Orlando, FL – 57%
- 3) Las Vegas, NV – 55%

Bottom 3:

- 33) New York, NY – 4%
- 34) Honolulu, HI – 4%
- 35) Chicago, IL – -1%

Source: Moody's Analytics

Interactive exercise:

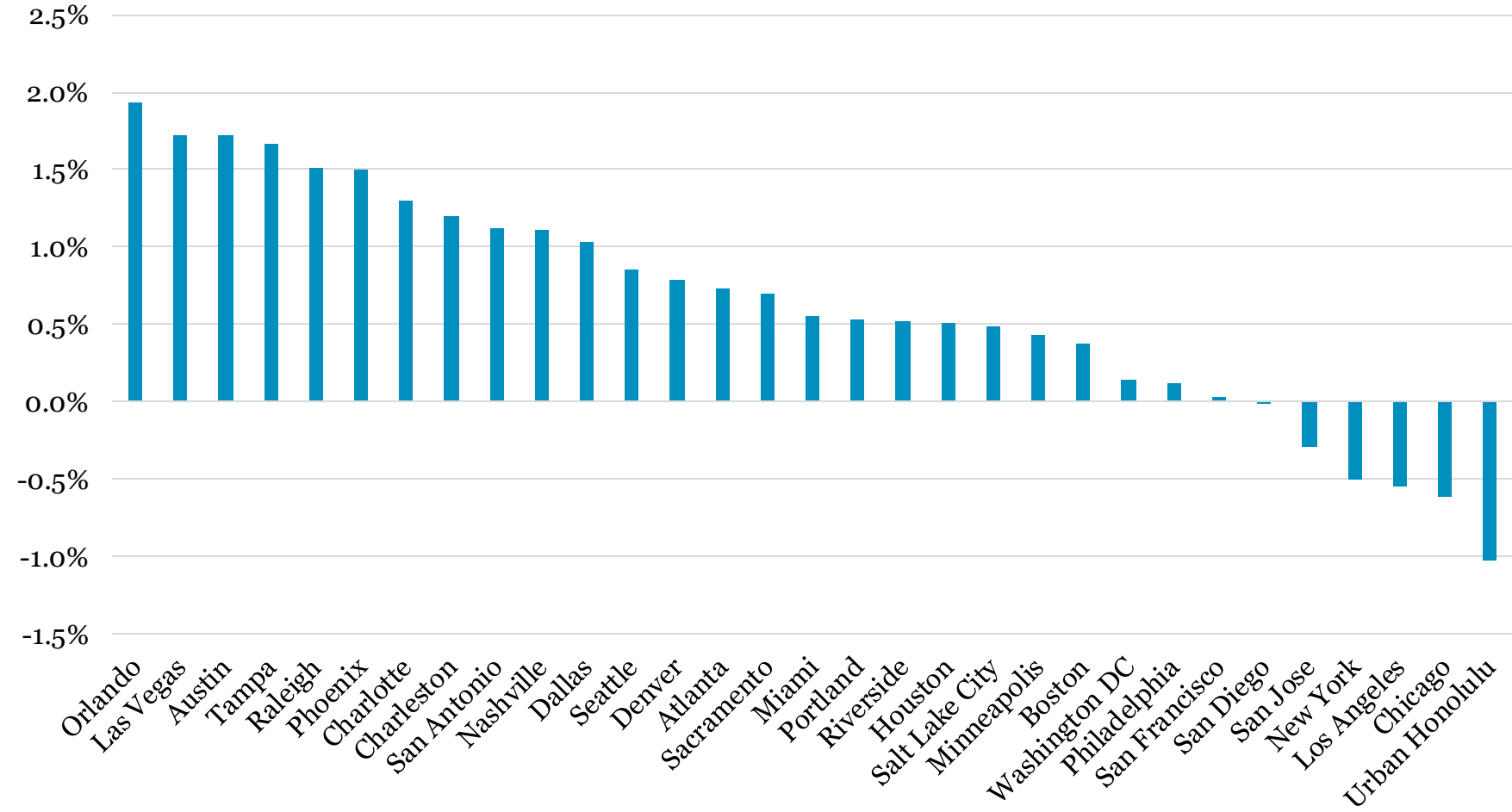
StratoDem Analytics custom query tool

Showcase the ability to forecast demographic trends using StratoDem Analytics (AI based tool).

Chosen participants can generate their own question and the group will analyze the results.

Tomorrow's cities: Net Migration (2018)

Strongest net-migration experienced in South and West



Top 3:

- 1) Orlando, FL – 1.9%
- 2) Las Vegas, NV – 1.7%
- 3) Austin, TX – 1.7%

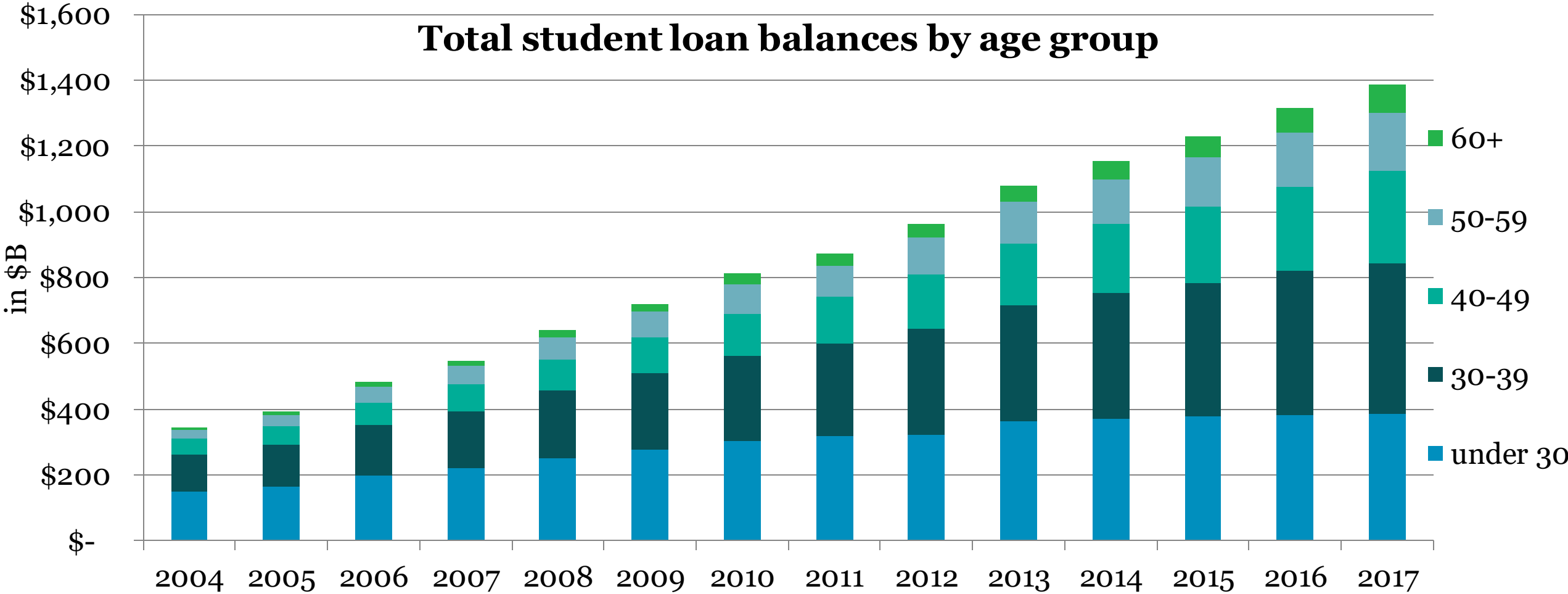
Bottom 3:

- 33) Los Angeles, CA – -0.6%
- 34) Chicago, IL – -0.6%
- 35) Honolulu, HI – -1%

Source: Moodu's Analytics

College debt will continue to hinder younger generations

Student debt burdens influence where younger generations can afford to live.

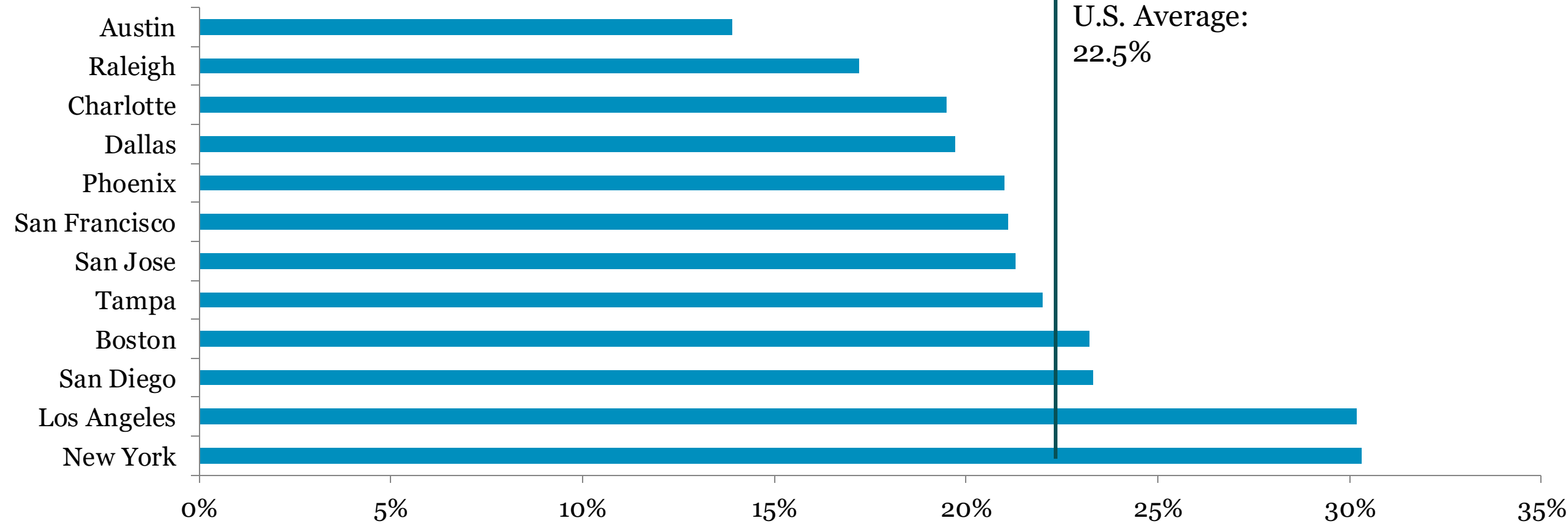


Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax

Many millennials are living at home until they can afford to move

22.5% millennials are living at home (up 9% since 2005)

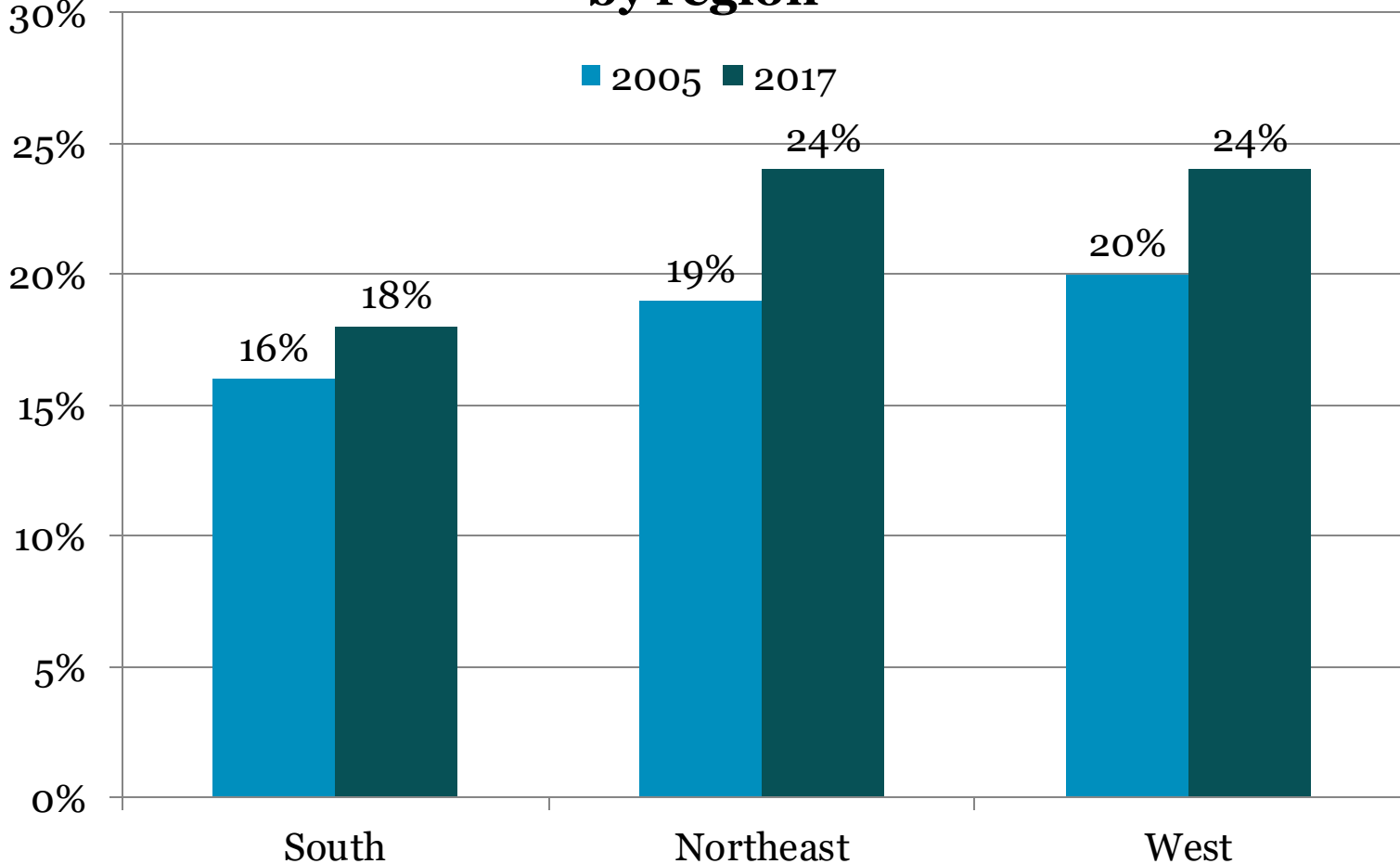
Share of millennials living w/ parent(s) by metro



Source: Zillow Research

If/when they move out, they need roommates to reduce the cost

% of Under 34 households with roommates by region



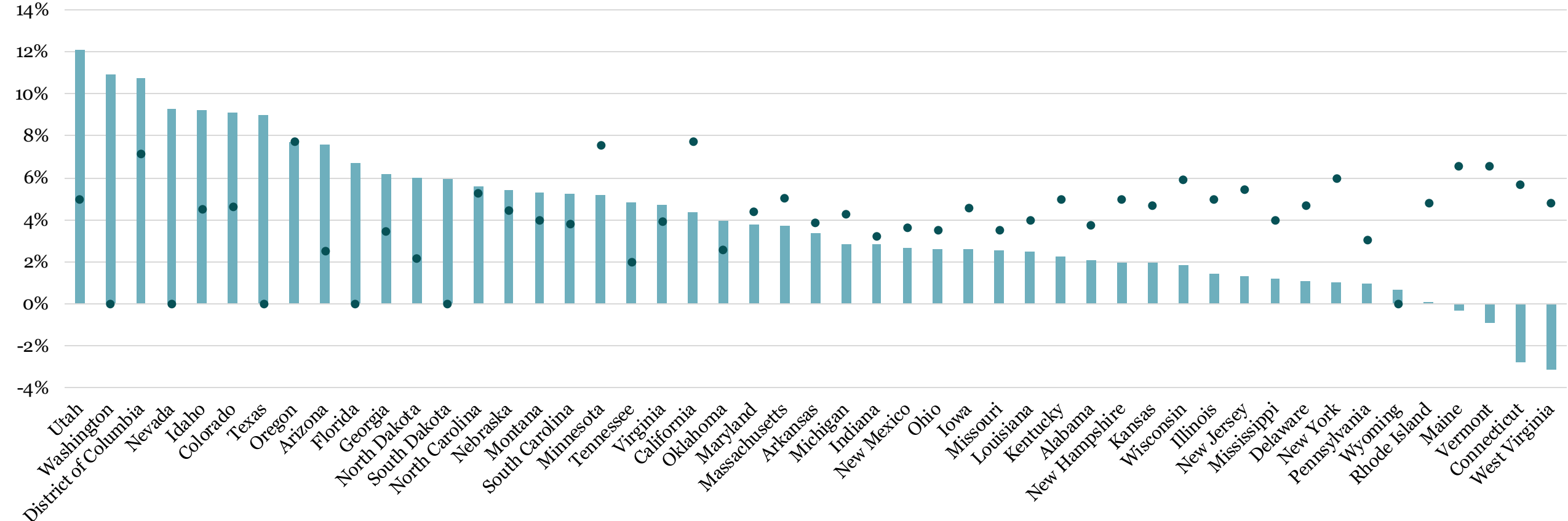
Source: Bureau of Labor Statistics and US Census Bureau



Affordability will impact where younger generation move

States with low (or no) personal income tax rates like Nevada and Texas are expected to experience strong population growth in the medium term. States with high personal income tax rates like Connecticut and Maine are expected to experience weak population growth in the medium term.

State Population Growth (2020-2027) vs. 2019 Average Personal Income Tax Rate

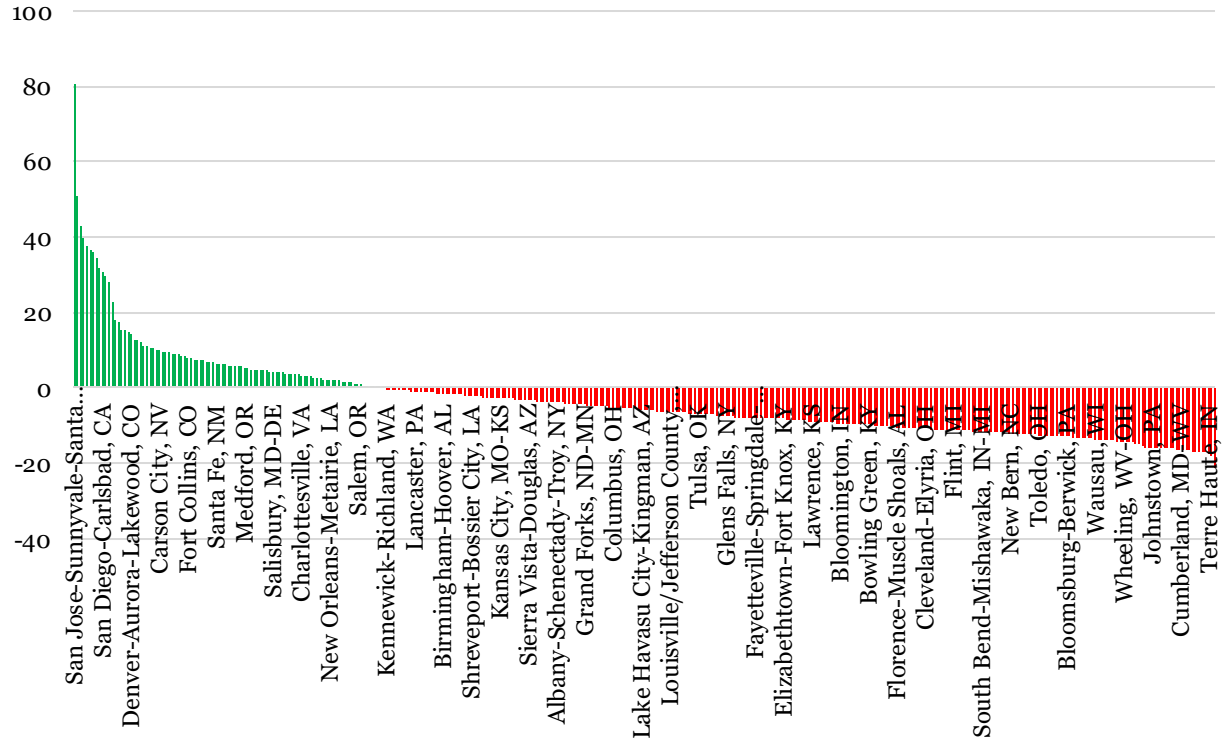


Source: StratoDem Analytics, 2019
 Note: Straight-line average of personal income tax rate

Younger generations will desire a low cost of living

Northeast and California cities are amongst the most expensive places to live while Sunbelt cities are amongst the least expensive.

Moody's Analytics': Cost of living index relative to US



Source: Moody's Analytics

High cost of living:

- San Jose, CA
- Santa Cruz, CA
- Honolulu, HI
- Santa Maria, CA
- San Diego, CA
- Fairfield County, CT
- Portland, OR

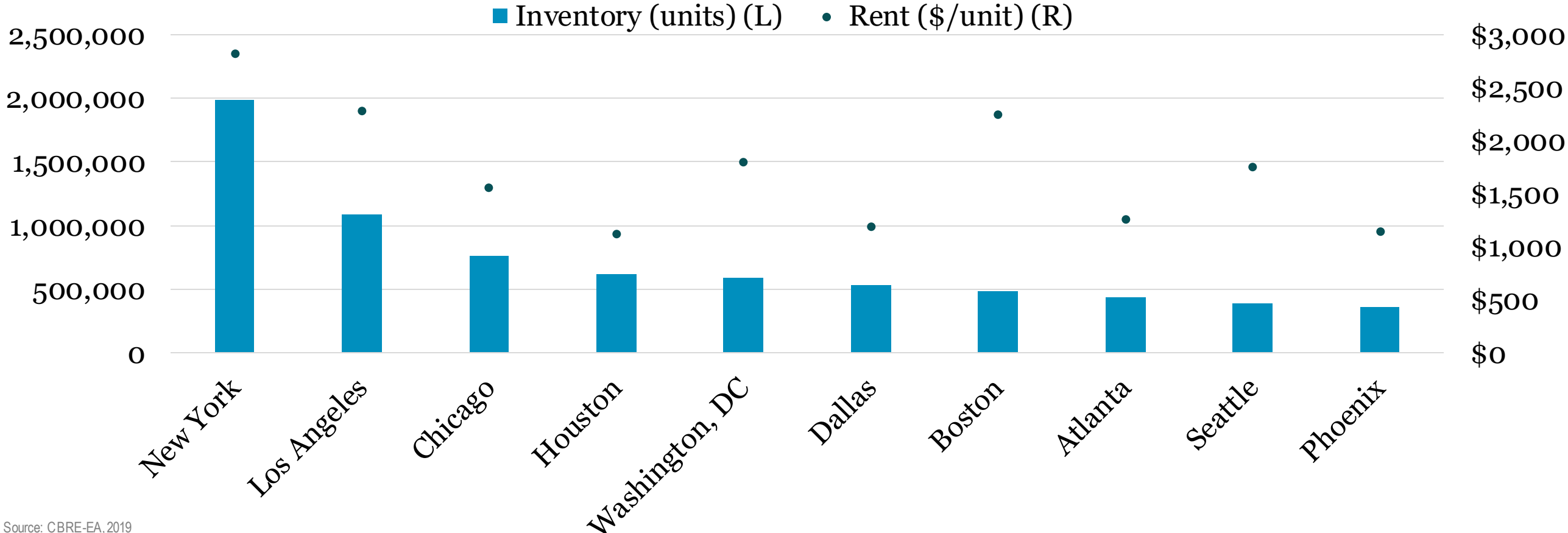
Low cost of living:

- Greenville, NC
- Greensboro-High Point, NC
- Omaha-Council Bluffs, NE-IA
- Memphis, TN

Where are the most apartment units in US?

While traditional office markets like NY and LA have the most apartment units, Atlanta and Phoenix make the top 10.

Largest US Apartment Markets

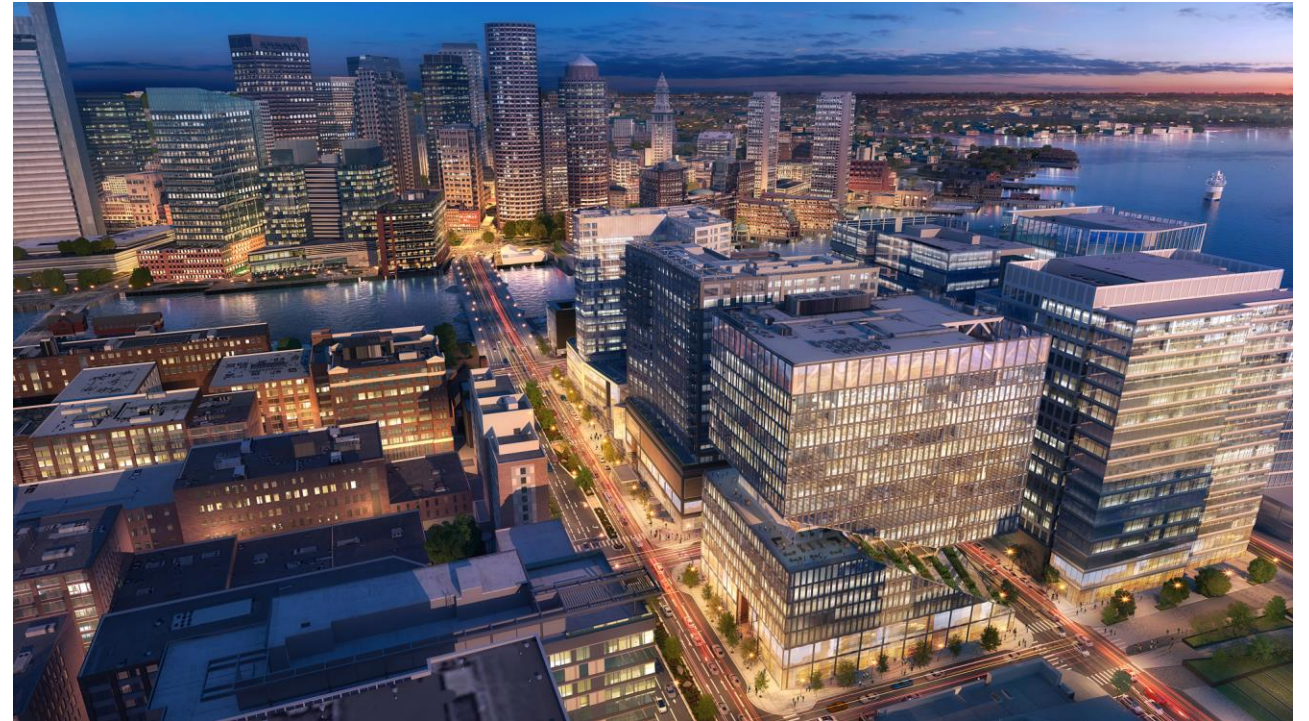


Source: CBRE-EA, 2019

Where in the city will they want to live/work?

- Live-Work-Play areas
- Walking distance to restaurants, bars, fitness studios, etc.
- Compatible location for ride sharing applications (Uber, Lyft, etc.)
- Close proximity to public transportation

Seaport Boston



Interactive exercise: *PlacerAI demonstration*

Identify a Gen Z/millennial “hot spot” in your city and we will analyze real-time foot traffic analytics to see where they are going/coming from to better understand where this generation spends its time in your city.

How can your firm take advantage of the live-work-play options within your city?

Important information

Real estate investments are subject to various risks including fluctuations in property values, higher expenses or lower income than expected, and potential environmental problems and liability.

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