

**WACUBO** 



# Rising to the Challenge

2023 WACUBO ANNUAL CONFERENCE



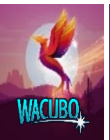
# Generating Revenue through Mission: Real Estate Strategies

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Arizona State University



# Key Takeaways

- New revenue streams have been essential to ASU's growth and its ability to support the increasing needs of its stakeholders.
- Greater attention to maximizing the value and economic return on assets, in this case land held by the university, has been a fruitful strategy for meeting these needs.
- Recognizing and championing the importance of mission alignment as a fundamental part of this strategy has been a key component of its success.
- Other higher education institutions have the same pressures to generate revenue and may have similar opportunities to use this strategy successfully.



# ASU Innovation Zones in the Valley



# Novus Innovation Corridor

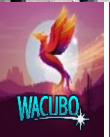


# Novus Innovation Corridor

- 355-acre, mixed-use development innovation zone, and the next step in fulfilling ASU's vision of the New American University as a fundamental contributor to the state's economic success.
- A public-private partnership, where a master development partner and various commercial developers invest in its creation, following a master development plan established by the university and its master development partner.
- Novus will consist of approximately 10 million square feet of commercial office, multi-family residential, hospitality and retail uses at full buildout.
- Novus will provide a live/work/play environment in which companies and other organizations, attracted by the university's knowledge assets, will collocate with the Tempe campus to advance mutual interests.



# Mullet Arena



# Mullett Arena

- New home for Arizona State men's ice hockey and wrestling and temporary host of the NHL's Arizona Coyotes that sits in the heart of the Novus Innovation Corridor.
- The 5,000-seat arena with 20 luxury suites and state-of-the-art amenities includes two NHL regulation-size ice sheets, large club lounge and premium club seats.
- The multipurpose facility flexibility provides the opportunity to hosts concerts, lectures and large-scale meetings as well as a community ice sheet for visiting teams, youth programs, ASU club programs and live events.
- ASU is collaborating with Oak View Group, a venue management company, as the arena brings together the university and its knowledge assets with the private sector.





# Mirabella at ASU

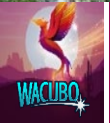


# Mirabella at ASU

- 20-story lifelong learning community comprising 246 senior housing units and 52 healthcare units on ASU's Tempe campus. ASU's commitment to learning across the lifespan led to development of this new facility dedicated to supporting engagement between the university and age 55+ individuals attracted to the active ASU community.
- Creates pathways to lifelong learning; provides a platform to conduct use-inspired research that pursues health and quality of life solutions for aging adults; enhances the university's academic programs; generates work-study and mentorship opportunities for students; and engages older alumni, faculty, staff and friends with Tempe residents.
- Mirabella is a joint venture between a nonprofit life plan community operator and a nonprofit university affiliate focused on supporting the university through real estate projects and services.



# Omni Tempe Hotel at ASU



# Omni Tempe Hotel at ASU

- ASU and the City of Tempe partnered to bring a four-star hotel and conference center on 1.6 acres of the shared edge of downtown Tempe and the ASU Tempe campus to enrich community and campus life.
- ASU's impact as an educational and research institution will be advanced by the increased ability to host research and education-related professional meetings and public functions on the campus. The hotel's location immediately adjacent to Mirabella will afford synergy between these two assets as well.
- The hotel and conference center also will serve as a catalyst for community and economic development with strategic value to the university.
- Developed under a long-term ground lease of university land. The university received ground lease proceeds in a one-time upfront payment, and also will benefit from additional base rent payments annually and preferential rights for conference center use.



# Phoenix Bio Core Innovation Zone



# Phoenix Bio Core Innovation Zone

- In 2016, a 7.4-acre parcel of undeveloped, city land in the heart of downtown Phoenix was leased to ASU, with the understanding that the university would foster the location of biomedical and life sciences companies there.
- Adjacent to the 12,500-student ASU Downtown Phoenix campus and the College of Nursing and Health Innovation and College of Health Solutions, as well as other life sciences programs:
  - University of Arizona College of Medicine–Phoenix
  - Northern Arizona University allied health programs
  - Translational Genomics Institute (TGen)
  - Four major healthcare systems also are located in this part of Downtown Phoenix.
- At full buildout, this 30-acre area, known as the Phoenix Bio Core, will exceed 6 million square feet of development and is expected to generate an annual economic impact exceeding \$2.1 billion annually.
- Expected to result in more than 1.2 million square feet of laboratory space.



# SkySong, The ASU Scottsdale Innovation Center



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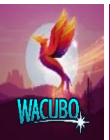
- 42-acre, 1.2-million-square-foot innovation zone located in Scottsdale. City of Scottsdale made land available to ASU in 2005 under a long-term ground lease with the express purpose of fostering economic development.
- Economic engine focused on entrepreneurship and the startup economy.
- More than 80 companies situated in SkySong have direct access to ASU research, startup company support and custom educational opportunities. Many of the more than 100 ASU spinout companies that have raised over \$600 million in venture capital started at SkySong.
- Enhances ASU's corporate engagement activities and provides education, training and instructional facilities.
- SkySong currently has a \$1.3 billion annual economic impact.





# Summary

- As public higher education investment has declined, new resource acquisition strategies are necessary.
- Arizona State University has focused significant attention on diversifying its revenue sources while evolving as a prototype of the *New American University*, seeking to serve students and other learners broadly and across the age spectrum.
- Unlocking the value of its land holdings has helped ASU both advance its mission and generate additional revenue.



# Macro backdrop

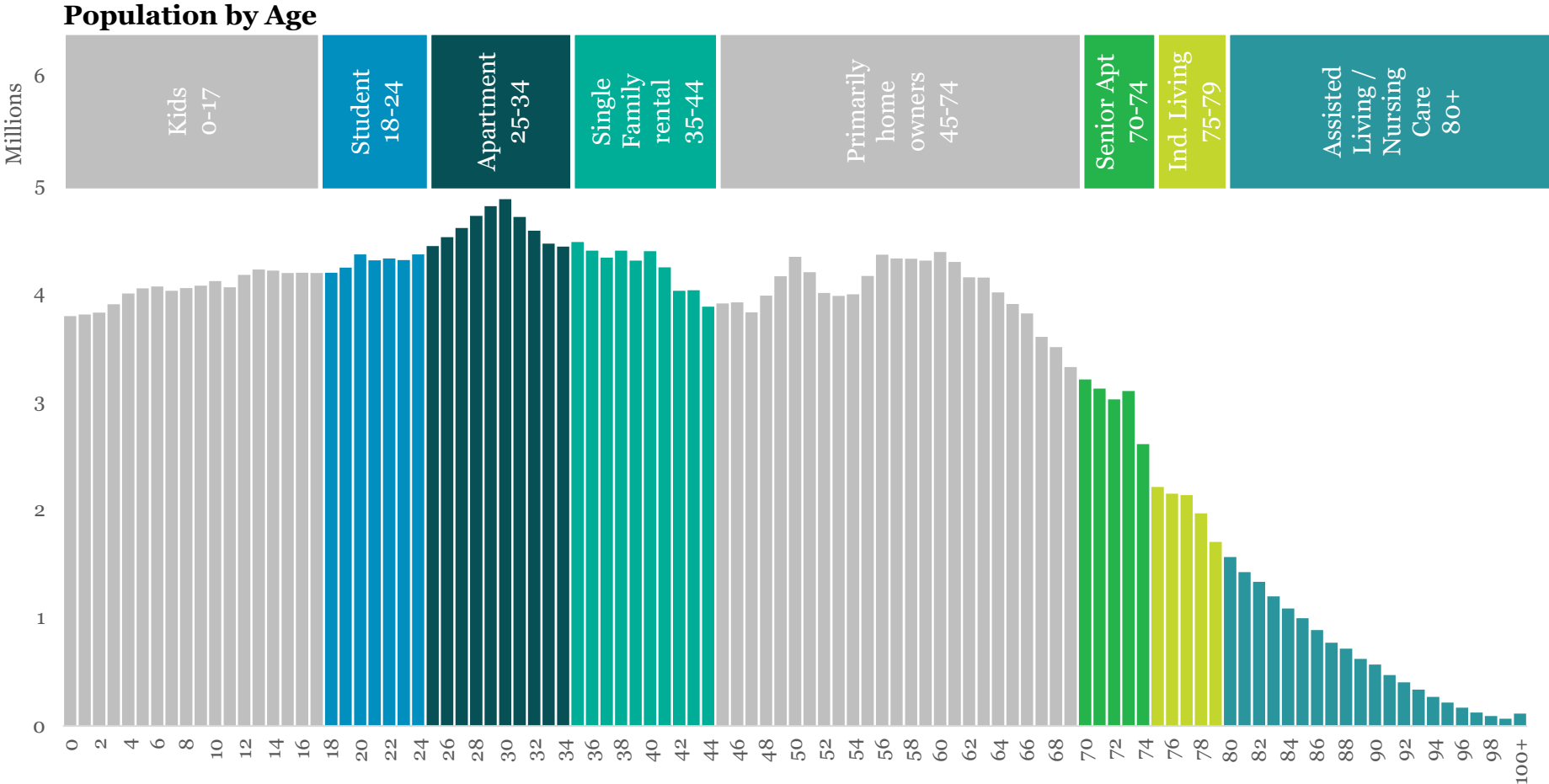
## *Population & Age*

PAMELA WEST  
Managing Director, Impact Investing

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# The U.S. population is not evenly distributed

The large Millennial and Baby Boomer generations have had outsized impacts on our rental markets in the past due to their relative size. Understanding how the size of various age cohorts will shift over time helps inform our strategy.

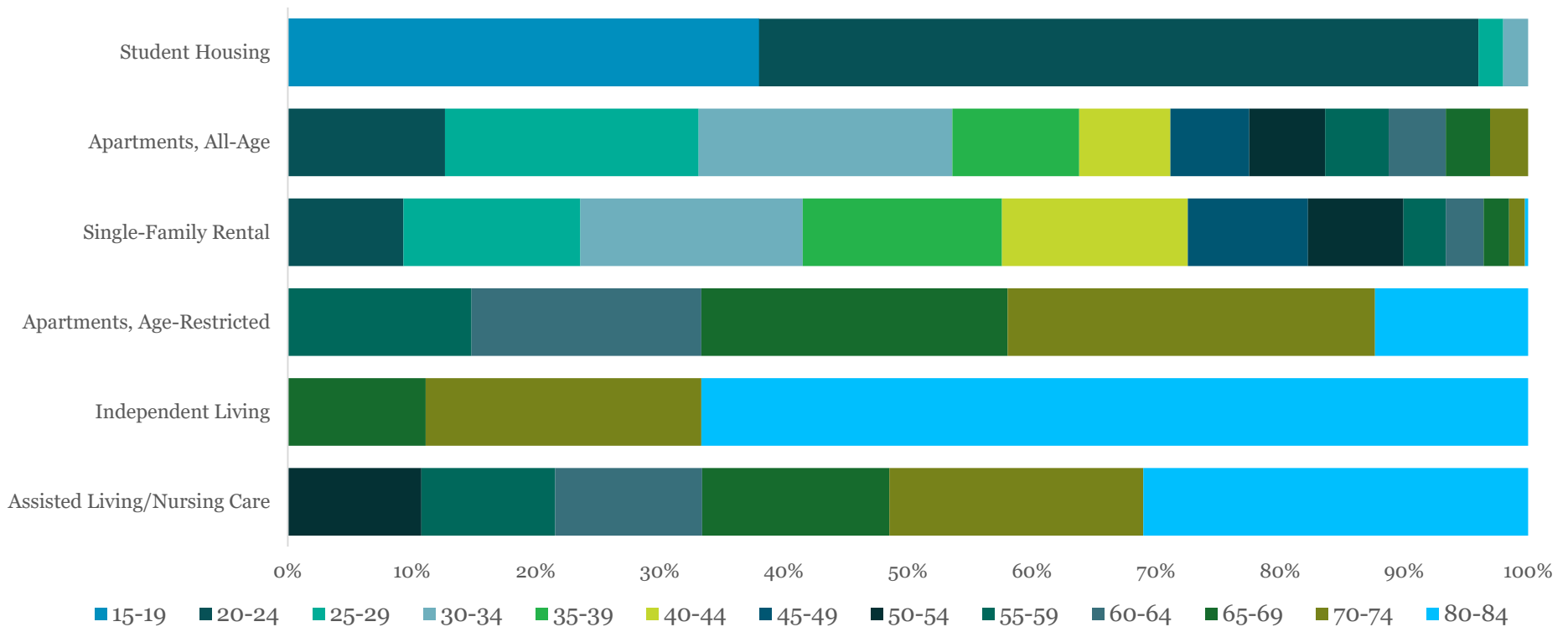


Source: US Census, Nuveen Research, As of 2020

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# Housing demographics V2.0 (Data-driven)

We have utilized data from our own portfolio and from external sources to better understand who actually rents in each housing subsector. Not surprisingly, tenants don't all fit neatly into predefined buckets.

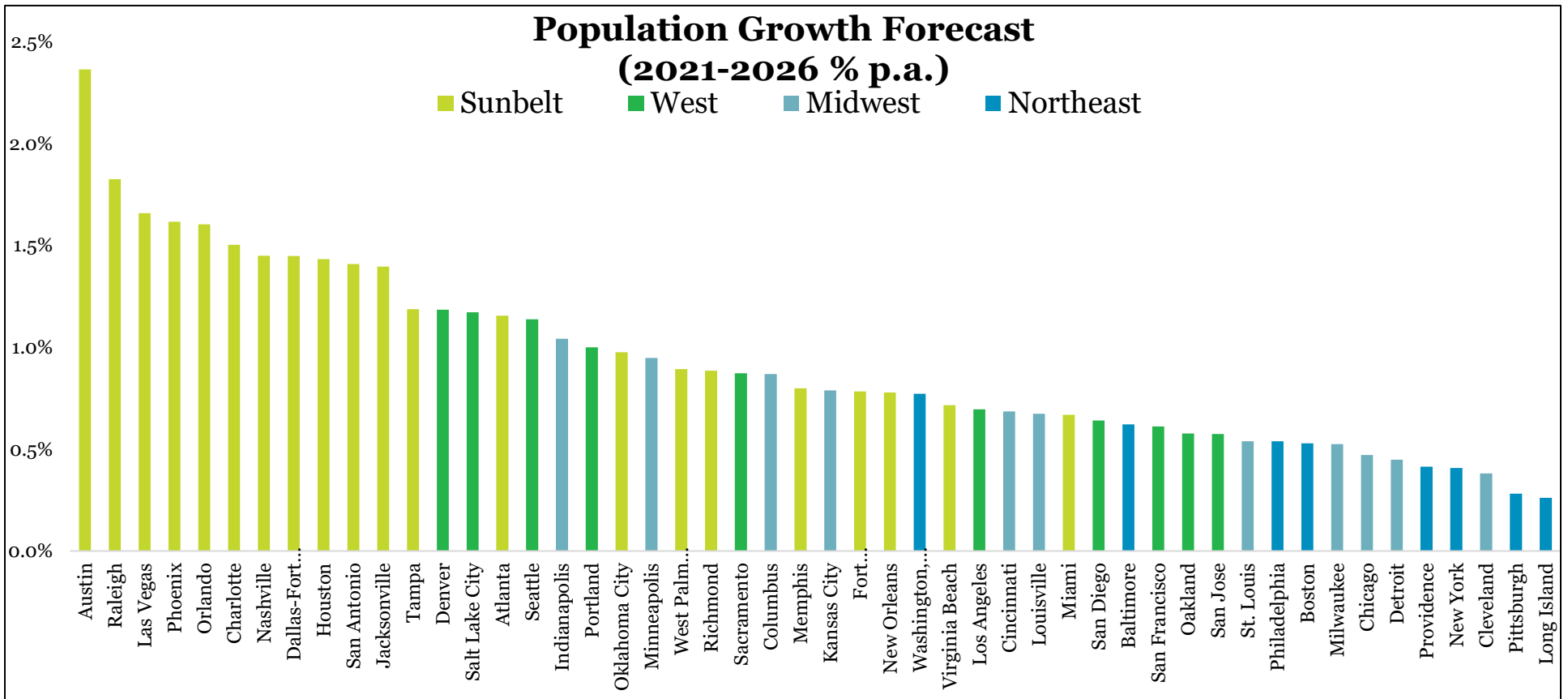


Source: Nuveen Research, As of 2021

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# Strategy: overweight to high population growth cities across the “Sunbelt”

Our strategy is to target markets that are projected to experience the strongest population growth.



Source: StratoDem Analytics, August 2022.

Note: Top 50 MSAs. Region averages within top 50 MSAs.

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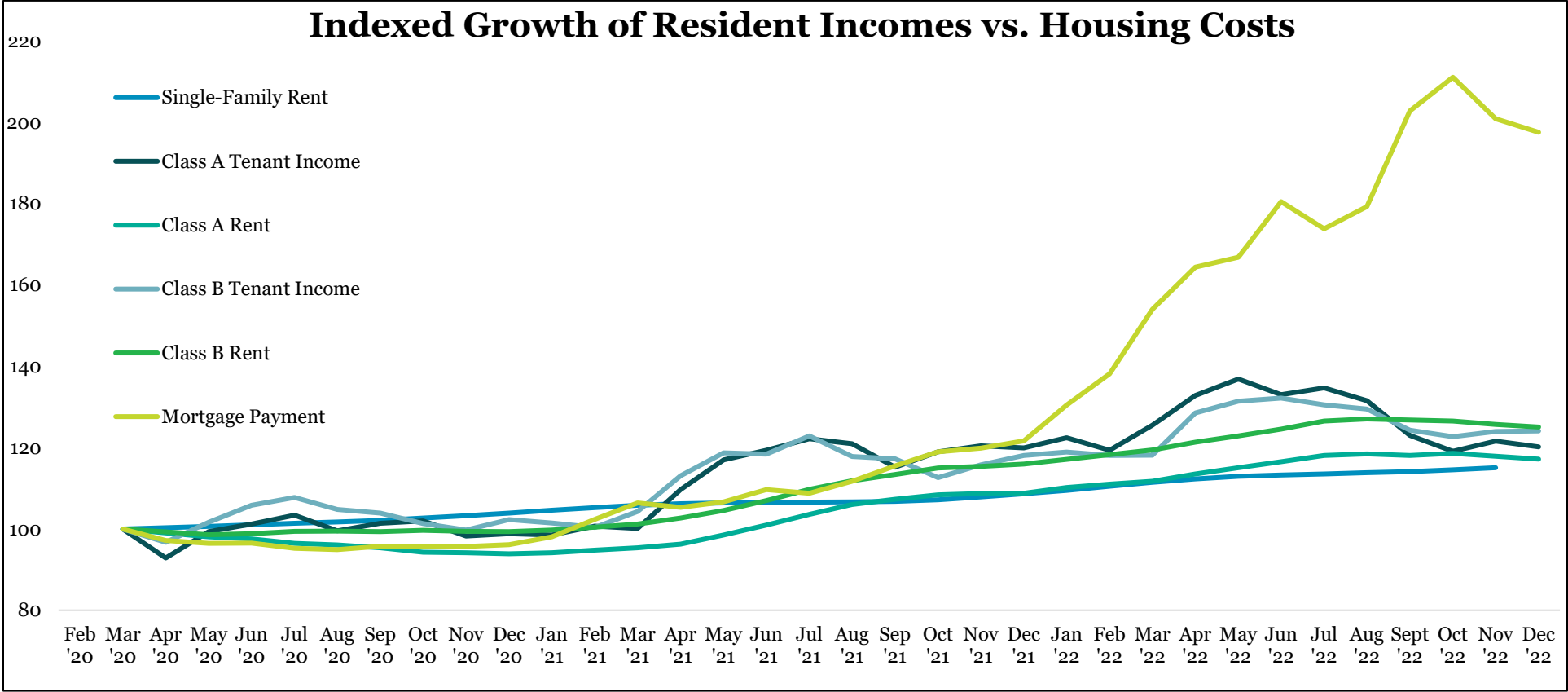
# Macro backdrop

## *Income & Needs*

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# Rental demand driver: mortgage payments increasing faster than rents and renter incomes

Potential home buyers are facing the most significantly skewed rent-vs-buy calculation in years, in favor of renting. This dynamic will further support demand for rental housing over the next few years.

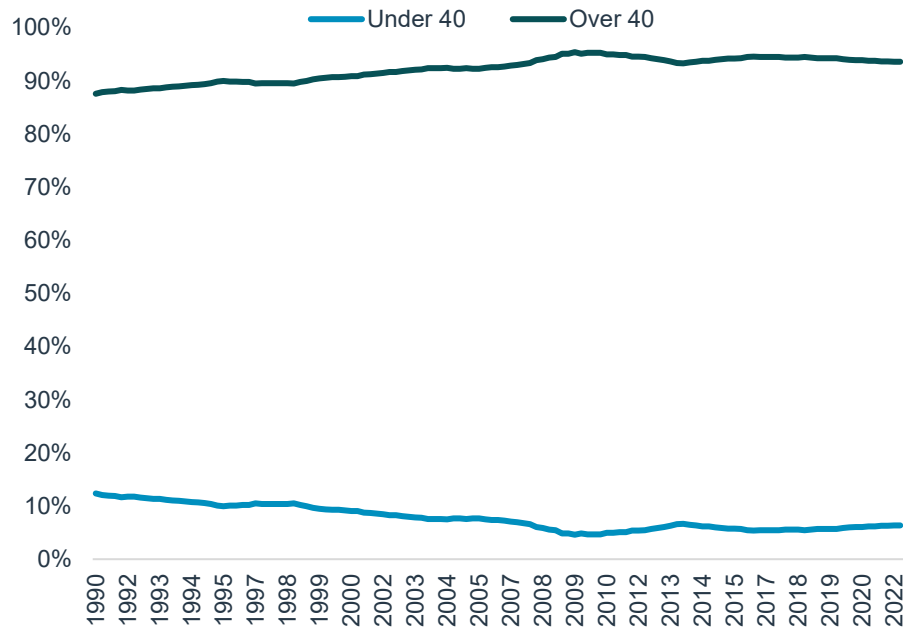


Source: RealPage; Zillow; Federal Reserve Bank of St. Louis, February 2023  
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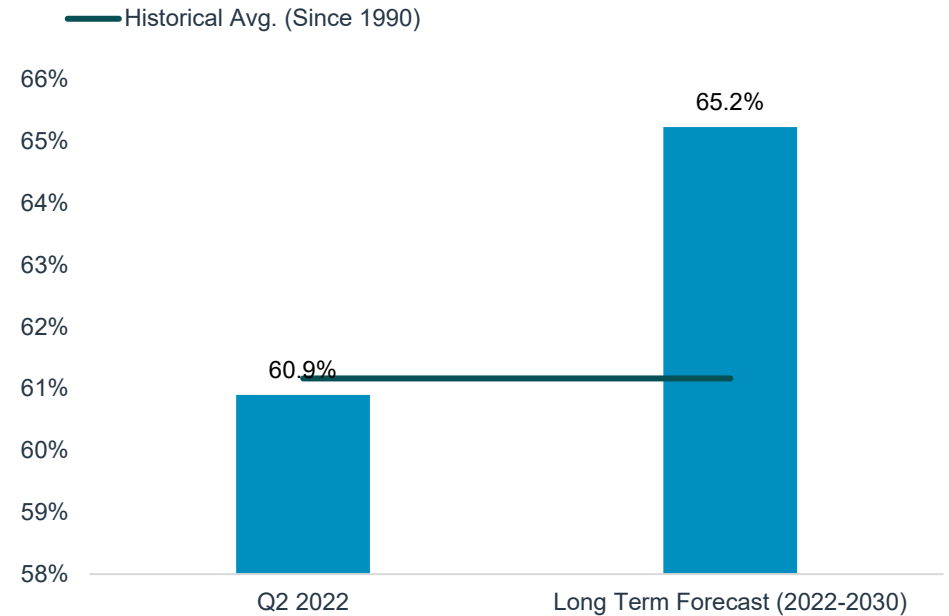
# A lack of wealth among renters will drive rentership rates higher

Those under age 40 have seen their share of wealth decline since the 1980s due to multiple recessions. The lack of wealth will drive rentership rates higher in the next decade.

### Distribution of U.S. household wealth: Under 40 age cohort<sup>1</sup>



### Rentership rate: Population age of 35 & younger<sup>2</sup>



<sup>1</sup> Source: Federal Reserve, November 2022.

<sup>2</sup> Source: U.S. Census Bureau; StratoDem Analytics, August 2022.

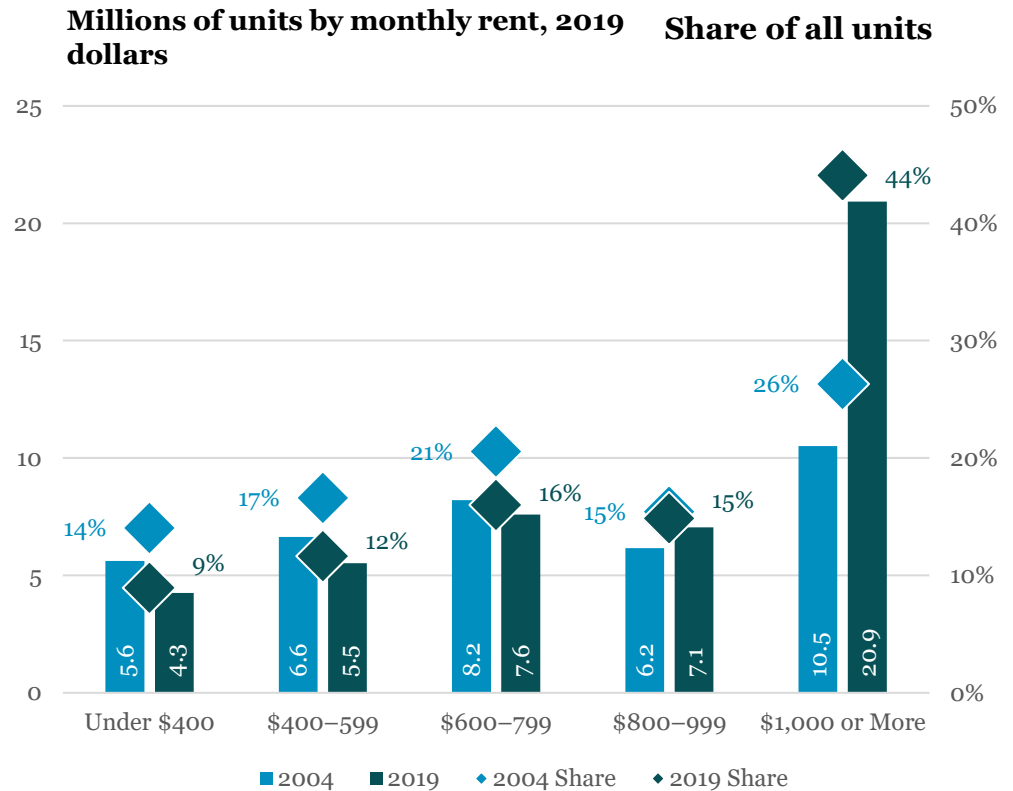
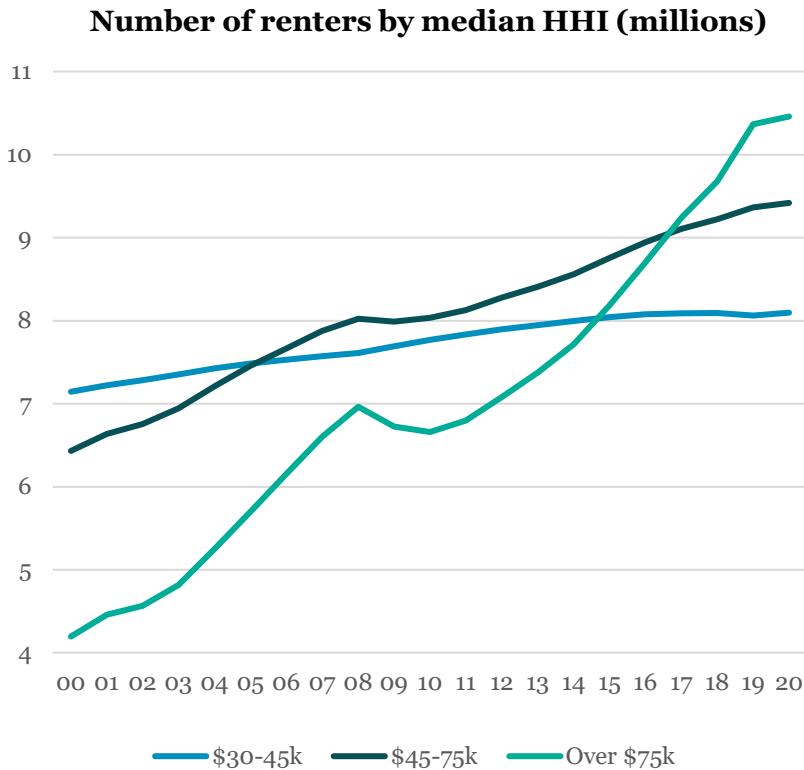
NOTE: Historical Average is 30-year average; Long-term forecast is 2030.

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# Declining options for lower-income households

As the number of more affluent renters has risen, the availability of more affordable rental options has decreased as units moved upscale. The need for affordable housing preservation and creation is acute.



Sources: Stratodem; JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

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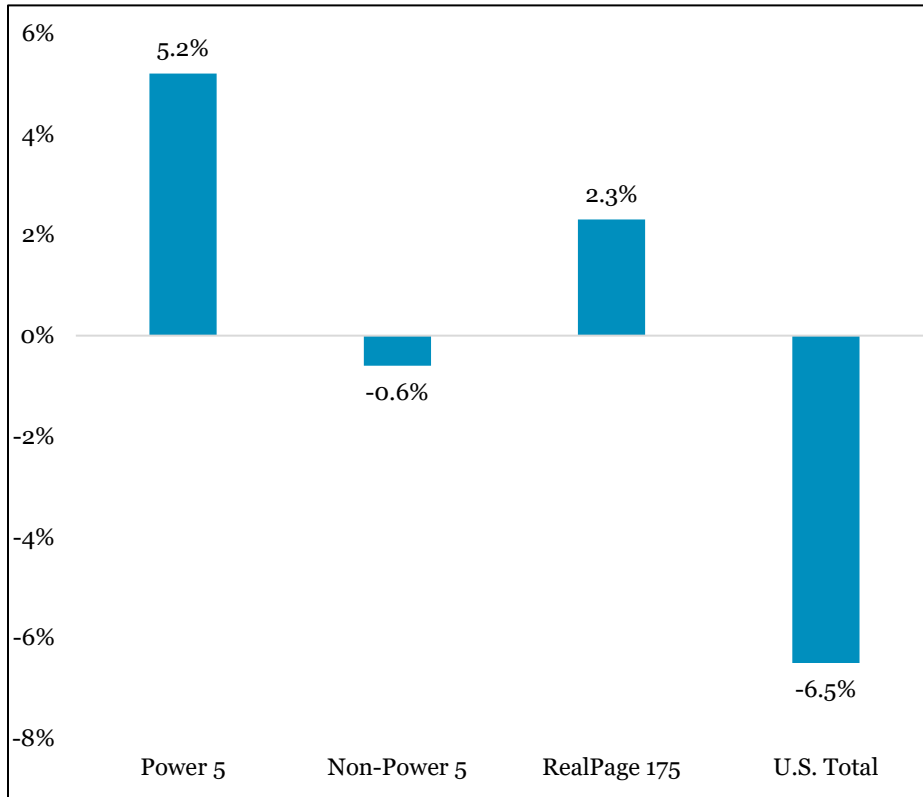
# Student Housing

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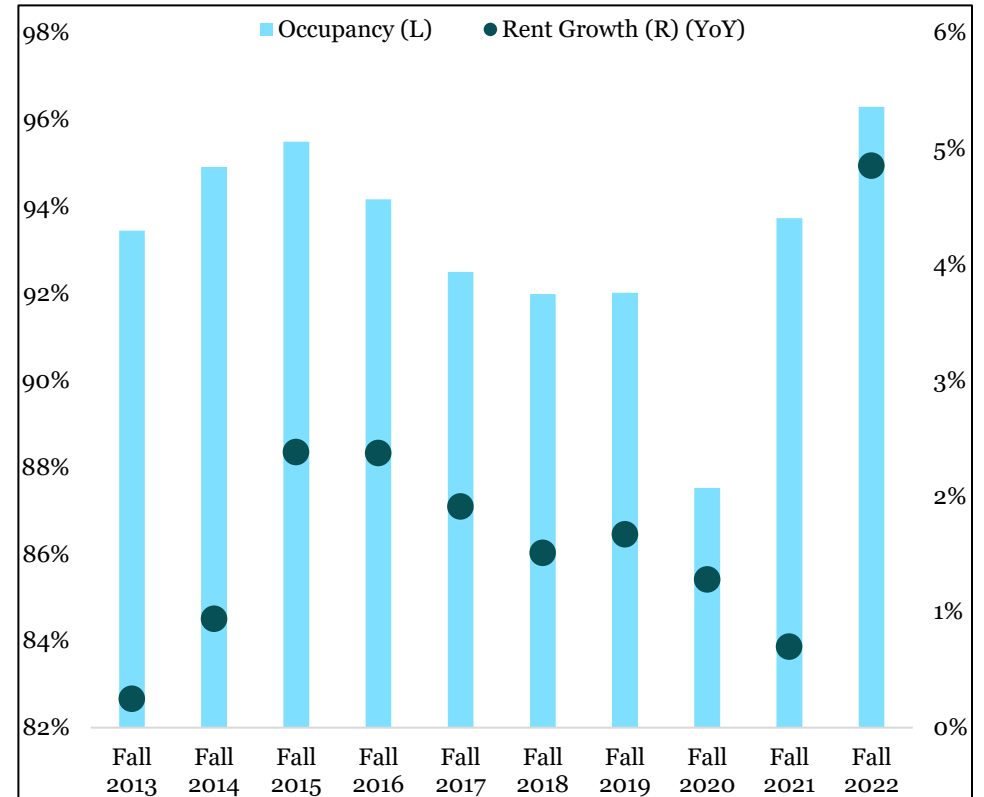
# Student housing: rebounding fundamentals

The student housing sector has experienced a “flight to quality” as Power 5/Tier 1 universities have experienced the strongest enrollment growth. U.S. student housing rent growth experienced record level in Fall 2022 and occupancy has rebounded from its Fall 2020 record low.

### 5 Year Enrollment Change (%) Fall '17-Fall '21



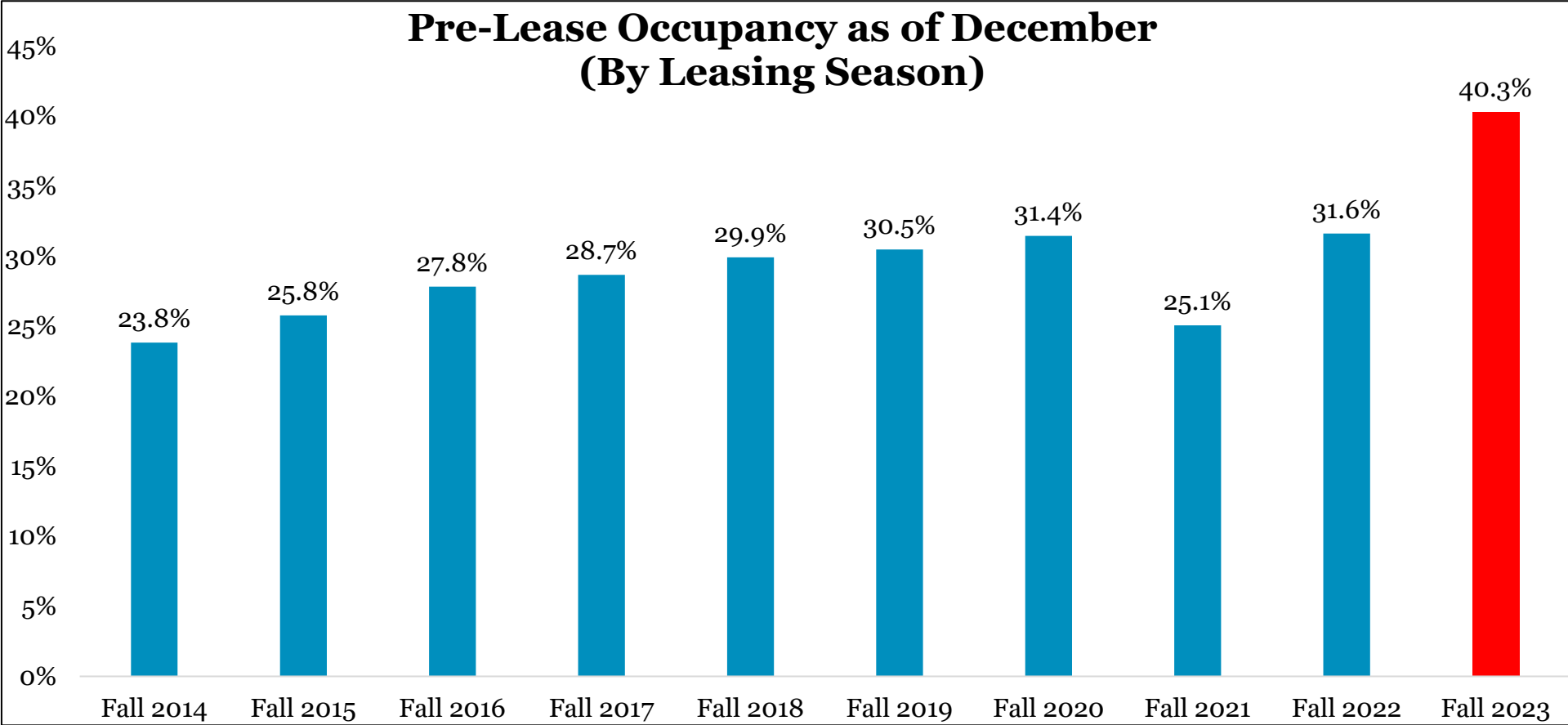
### U.S. Student Housing Occupancy vs. Rent Growth



Sources: RealPage/Axiometrics (2022); National Center for Education Statistics (2020)

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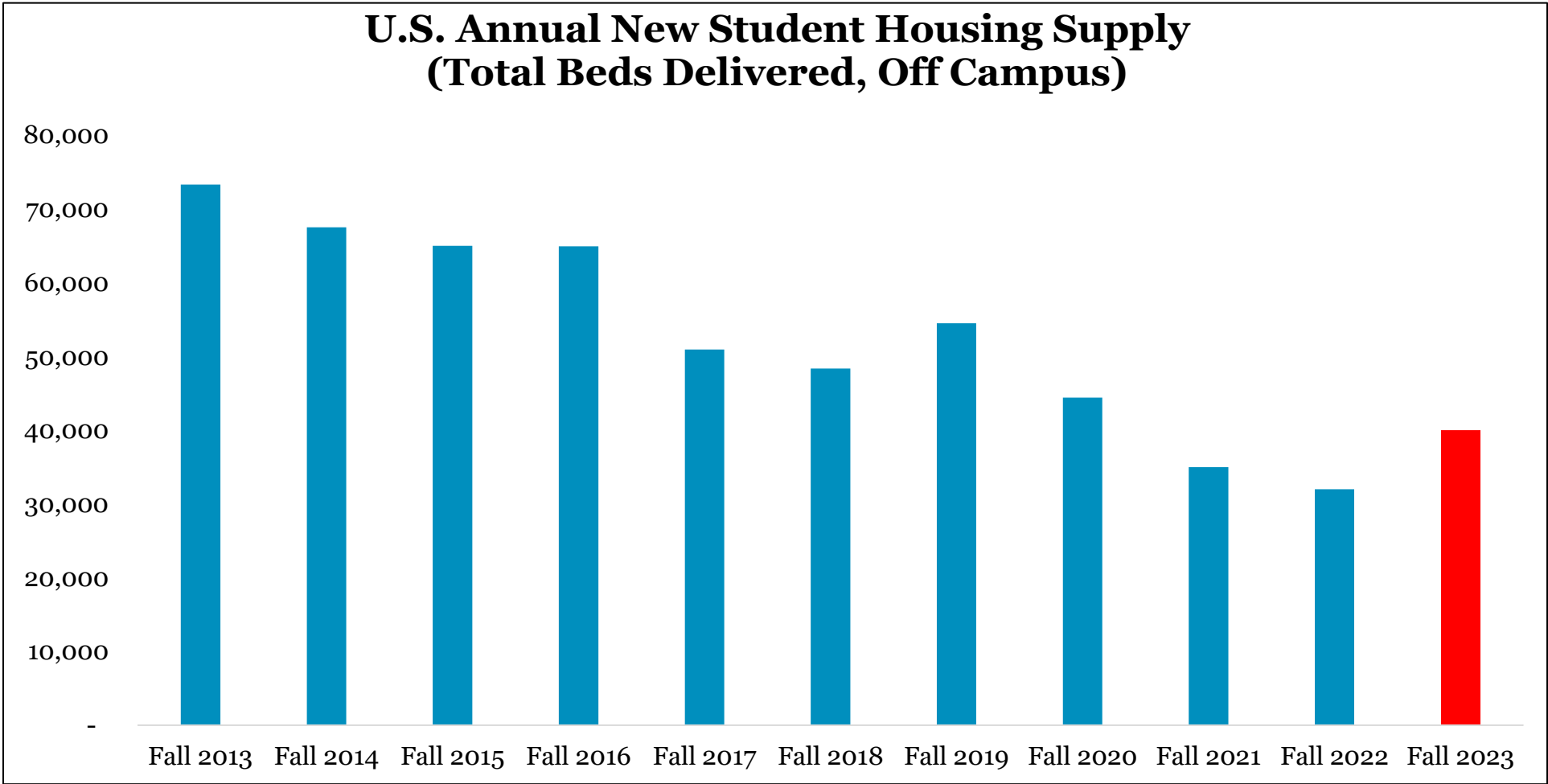
# Over 40% of student housing beds were pre-leased for the Fall 2023 academic year as of December 2022



Source: RealPage, January 2023, Core 175 universities tracked by RealPage Market Analytics

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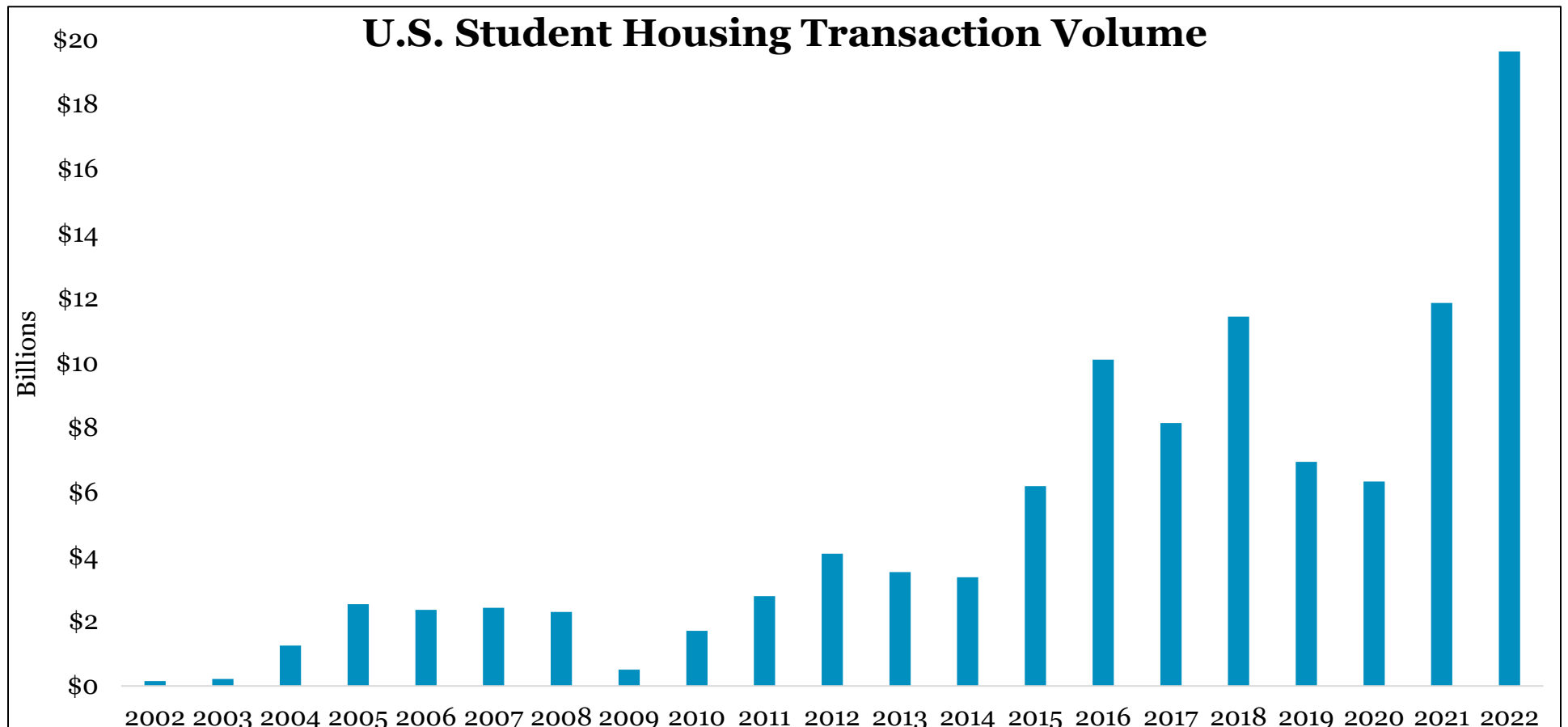
# Student housing construction has eased but is expected to pick up in 2023



Source: RealPage, January 2023

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# A total of \$19.6 billion in U.S. student housing properties traded hands in 2022, topping 2021's \$11.9 billion in deals



Source: Real Capital Analytics, January 2023

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# Community regeneration

## Driving positive social outcomes: Nuveen's headline targets



- Invest in underserved communities & neighborhoods disenfranchised from major economic hubs
- Enhance economic activity & job creation within regeneration zones
- Provide affordable & quality homes
- Enrich communities' sense of pride & boost health and wellbeing outcomes
- Physical improvement of landscape & built environment to socially include communities
- Headline SDGs



## Environmental outcomes: Nuveen's headline targets



- Net zero carbon by 2040 pathway alignment
- Sustainable building practices
- Review of climate related physical risks and mitigation strategies
- Environmental remediation, including removal of underground storage tanks

## Meeting financial returns: Nuveen's headline targets



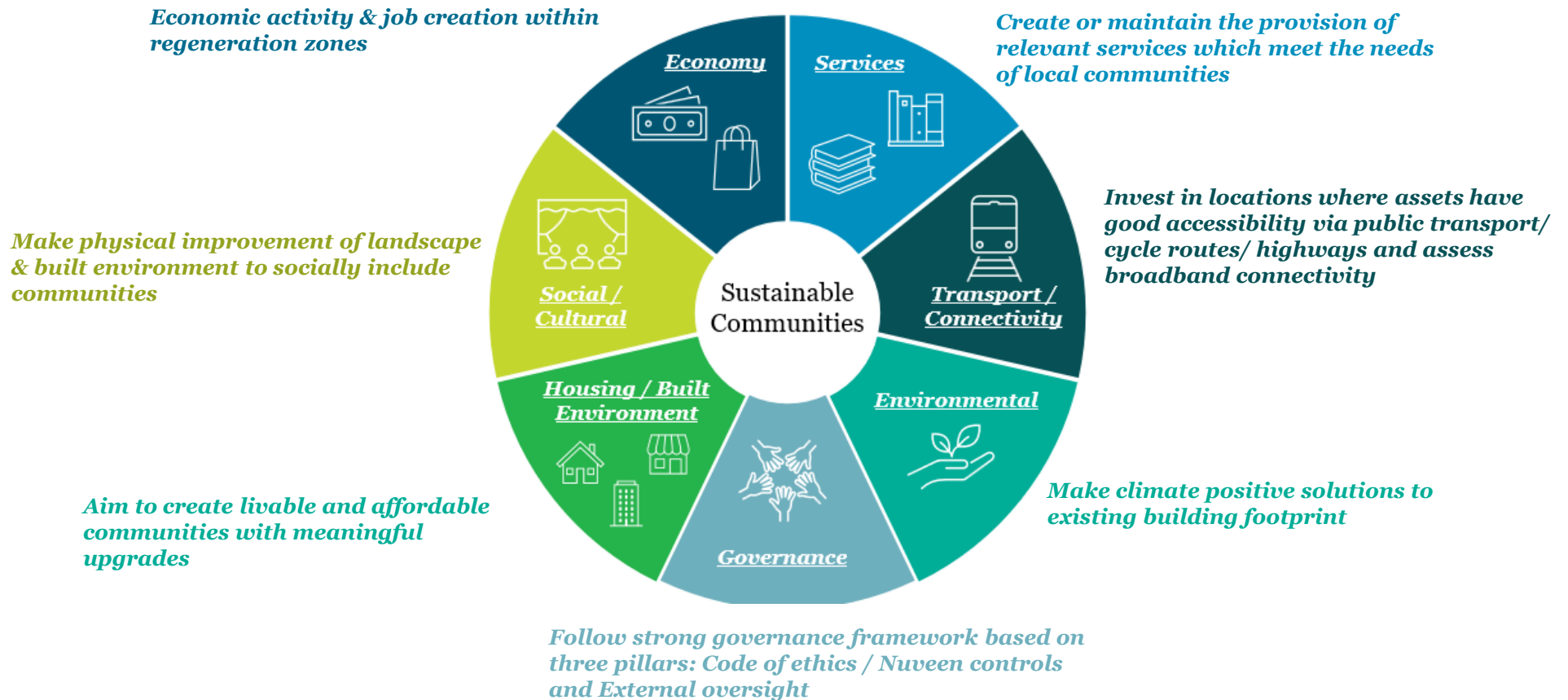
- Provide diversification through geographical and mixed-use sector exposure
- Portfolio construction varies by project to include build to core, core plus and value add
- Commercial subsidies available to de-risk opportunities with state intervention
- Enhance liquidity at disposal in terms of better neighborhoods and component sell down

Source: Nuveen 2022

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# Community regeneration

Creating a sustainable ecosystem considers several components



Source: Nuveen 2022

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# Impact opportunities across real estate sectors

## Nuveen multiple sector expertise

### Housing

- Affordable
- Senior
- Worker
- Student

**Impact & investment opportunity:**

- Develop and preserve affordable and quality housing for underserved
- Strong demand from occupier & investment groups

### Alternatives

- Hospitals and GP centers
- Medical office
- Care homes
- Education

**Impact & investment opportunity:**

- Provision of medical facilities in underserved communities
- Strong structural story with rising investment demand

### Industrial/logistics

- Last mile logistics

**Impact & investment opportunity:**

- Training & apprenticeship schemes to drive employment & education
- Strong rental growth opportunity

### Retail/mixed-use

- Under utilized retail provision
- Major space, national users
- Small local independents

**Impact & investment opportunity:**

- Target vacant spaces, generate footfall & enhance community
- Curing food deserts
- Higher income returns

### Workplace/office

- Repurpose opportunities
- Attract larger companies to new destinations
- Local business provision

**Impact & investment opportunity:**

- Enhance employment opportunities in local vicinity
- Innovation hubs to attract start-ups & target national companies to set up local training hubs for new talent pipeline

### Debt

- Financing diverse investment managers and developers' real estate projects, (i.e. AH & MU)
- Work towards creating industry diversity through providing project-based financing

**Impact & investment opportunity:**

- Consistent income and stable returns on investment
- Borrower will evidence net carbon negative plan

Source: Nuveen 30 Sep 2022.

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# Smart Sustainable Building Blueprint

Sector-specific blueprint which takes into account the three key drivers of change in tomorrow's world: **sustainability, technology and people.**

Used to **protect and enhance value**

Classifies features as **essential, value add or pilot**, which reflects **market maturity** and **Nuveen Real Estate's operating standards**

Reflected in **business planning**

Prioritise **implementation strategies** for assets in a given sector.














A framework within which we set and measure progress towards **operational goals.**



# All investments have the potential for positive and negative impact

## Creekside Village net impact

Creekside Village  
SENIOR APARTMENTS

	543 low-income residents housed	<b>+3</b>		N/A: this is a senior property, therefore there are no vocational training programs for residents	<b>0</b>
	Monthly food bank distributions on-site for residents	<b>+2</b>		Property no longer receives grants to fund the Envoy electric vehicle service previously in place at the property; service has been removed	<b>0</b>
	Regular programming for residents on topics such as healthy eating, aging in place, and more	<b>+2</b>		15%+ discount to average market rents	<b>+3</b>
	N/A: this is a senior property	<b>0</b>		60 units <50% AMI; 197 units <60% AMI; 37 units <80% AMI. Approximately 30% of the property is occupied by Section 8 voucher residents	<b>+3</b>
	>50% of residents are women. >70% of property and asset management staff are women in senior positions	<b>+2</b>		Adopting and reporting on sustainability practices	<b>+1</b>
	Property installed Smart Rain, which monitors the sprinkler system and optimizes water consumption measures	<b>+1</b>		Plans to reduce building carbon footprint and decrease utility usage through energy retrofits	<b>+1</b>
	Property implemented LED lighting in common areas as part of the energy retrofits	<b>+1</b>	<b>Net Impact Score</b>		<b>19</b>

The **Net Impact Score** is a management tool that helps us to classify any investment based on its positive or negative impact externalities. We use it together with social and environmental performance data to manage for impact over the life of the investment.

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# Opportunities

- Develop innovative programming to attract and retain students/faculty in MSAs
- More inclusivity of community needs (workforce and affordable housing)
- Partnerships to develop revenue-sharing opportunities (ground leases, master leases, etc.)
- Incorporate ESG and impact measurement into real estate master plans

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