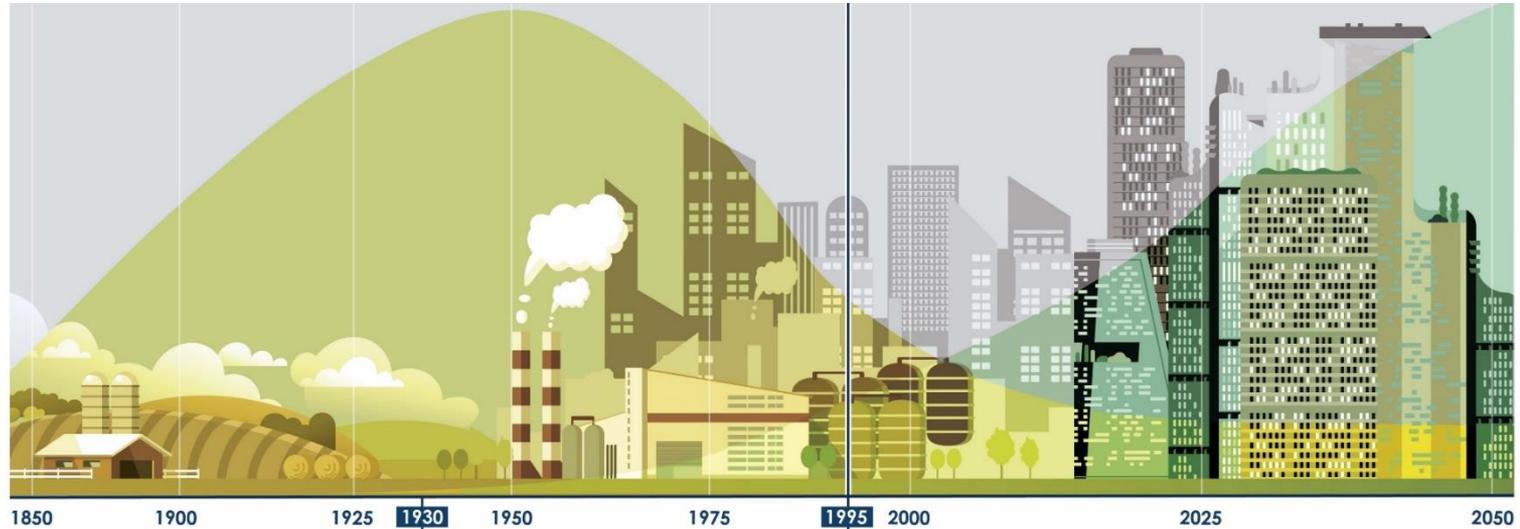# REAL ESTATE RESILIENCE, DATA-DRIVEN MODELS AND VALUATIONS

Bryan Sanchez

Chief Investment Officer, Lionstone Investments

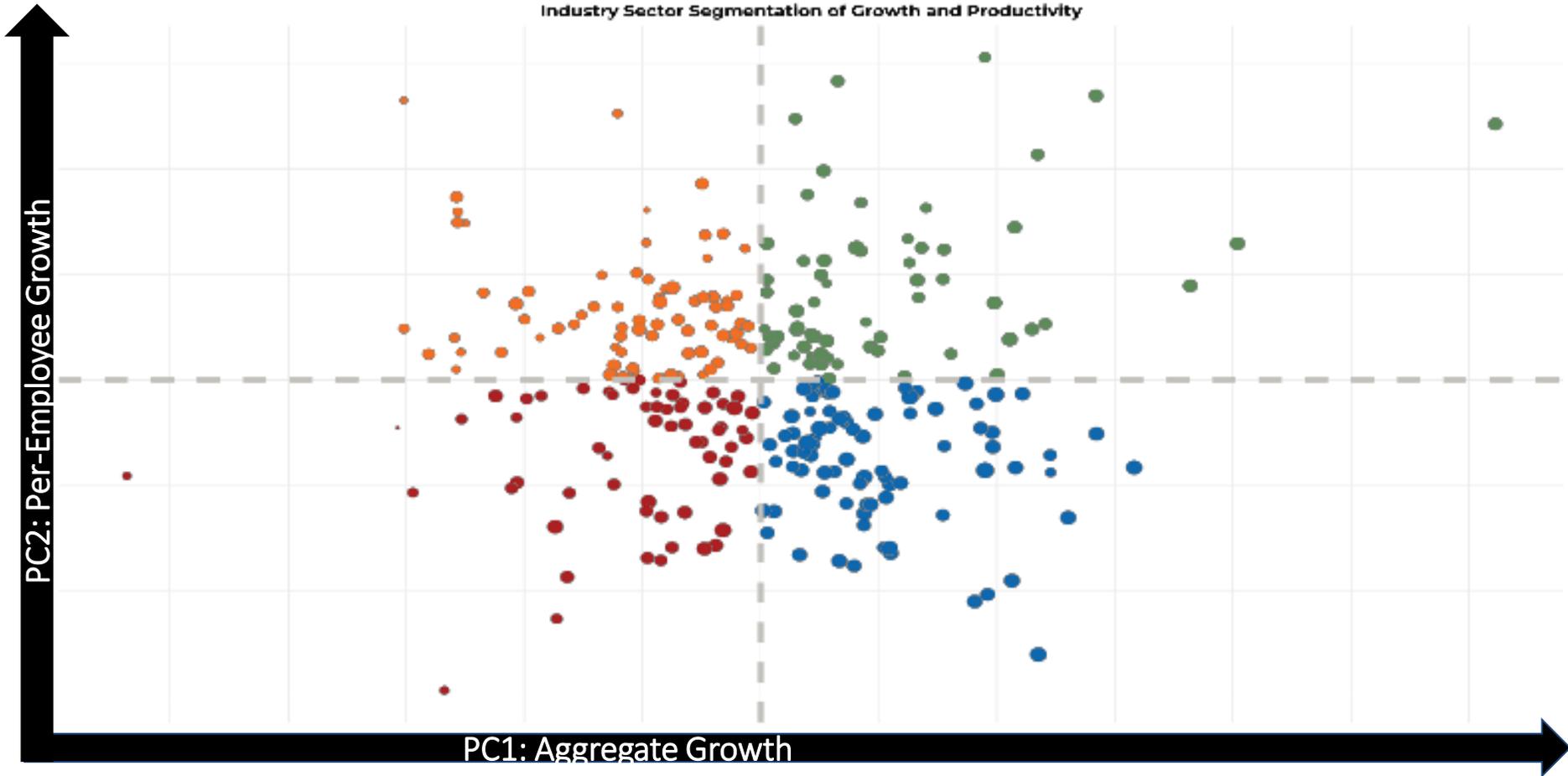# The Big Secular Trend — Industrial to Digital

	PHASE 1	PHASE 2	PHASE 1
	The Industrial Economy		**The Digital Economy**
WORK	Farm to factory	Factory to office parks	Office parks to innovation clusters
INNOVATION	Corporate	Corporate	Interdependent — University/Corporate/Government
KEY INPUTS	Raw Materials	Raw Materials	Talent, data, software, AI
LIFESTYLE	Urbanization 1.0	Suburbanization 1.0	Urbanization and Suburbanization 2.0
REAL ESTATE	Low-density, mixed use	Single use	Higher density, mixed-use
MOBILITY	Leaps — trains, cars, planes	Triumph of the car	Multimodal transport
PROSPERITY	Uneven growth	Shared growth	Uneven growth
POLITICS	Populism, dysfunction	Relative effectiveness	Populism, dysfunction

Source: Lionstone Research

Dissecting US Labor Market

Industry Sector Segmentation of Growth and Productivity

PC2: Per-Employee Growth

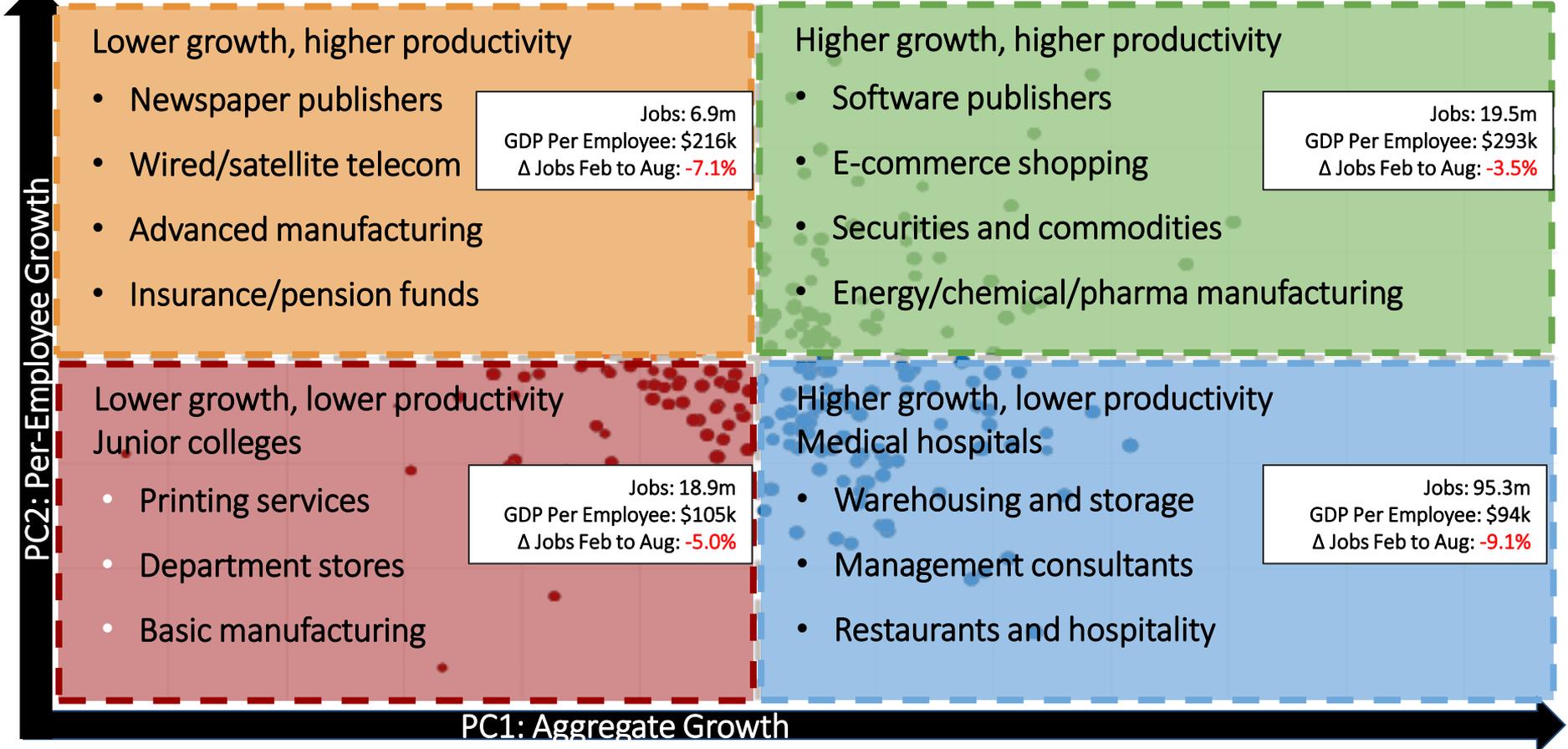PC1: Aggregate Growth

Source: BLS, Moody's, Lionstone Research, as of November 2020

Identifying the High Productivity Jobs

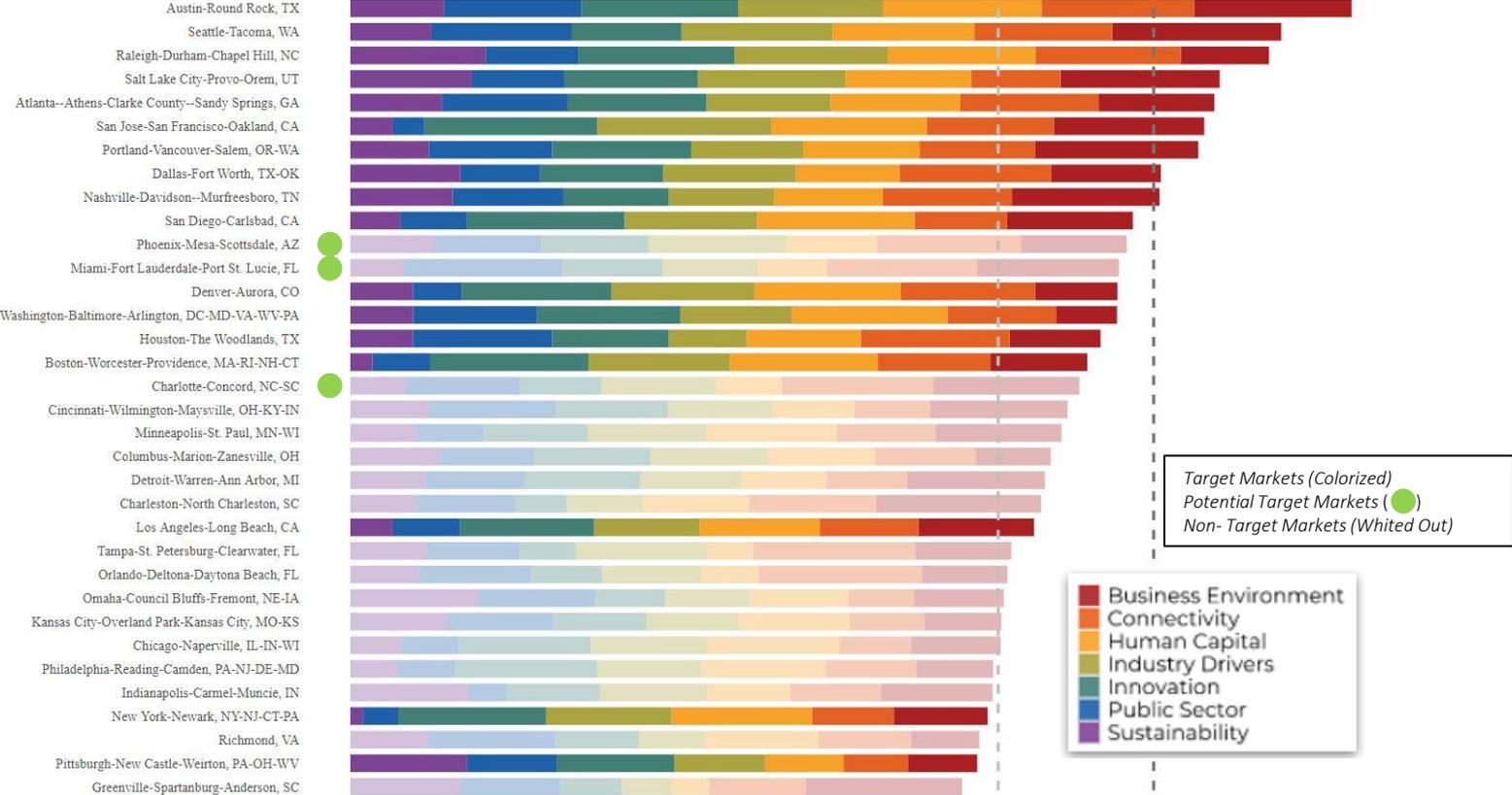Industry Sector Segmentation of Growth and Productivity

Lower growth, higher productivity

- Newspaper publishers
- Wired/satellite telecom
- Advanced manufacturing
- Insurance/pension funds

Jobs: 6.9m
GDP Per Employee: $216k
Δ Jobs Feb to Aug: -7.1%

Higher growth, higher productivity

- Software publishers
- E-commerce shopping
- Securities and commodities
- Energy/chemical/pharma manufacturing

Jobs: 19.5m
GDP Per Employee: $293k
Δ Jobs Feb to Aug: -3.5%

Lower growth, lower productivity
Junior colleges

- Printing services
- Department stores
- Basic manufacturing

Jobs: 18.9m
GDP Per Employee: $105k
Δ Jobs Feb to Aug: -5.0%

Higher growth, lower productivity
Medical hospitals

- Warehousing and storage
- Management consultants
- Restaurants and hospitality

Jobs: 95.3m
GDP Per Employee: $94k
Δ Jobs Feb to Aug: -9.1%

PC1: Aggregate Growth

Source: BLS, Moody's, Lionstone Research, as of November 2020

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Follow the Highly Productive Jobs

% of Top-Right Hand Quadrant Jobs vs Growth of Top Right Hand Quadrant Jobs [last 5 years]
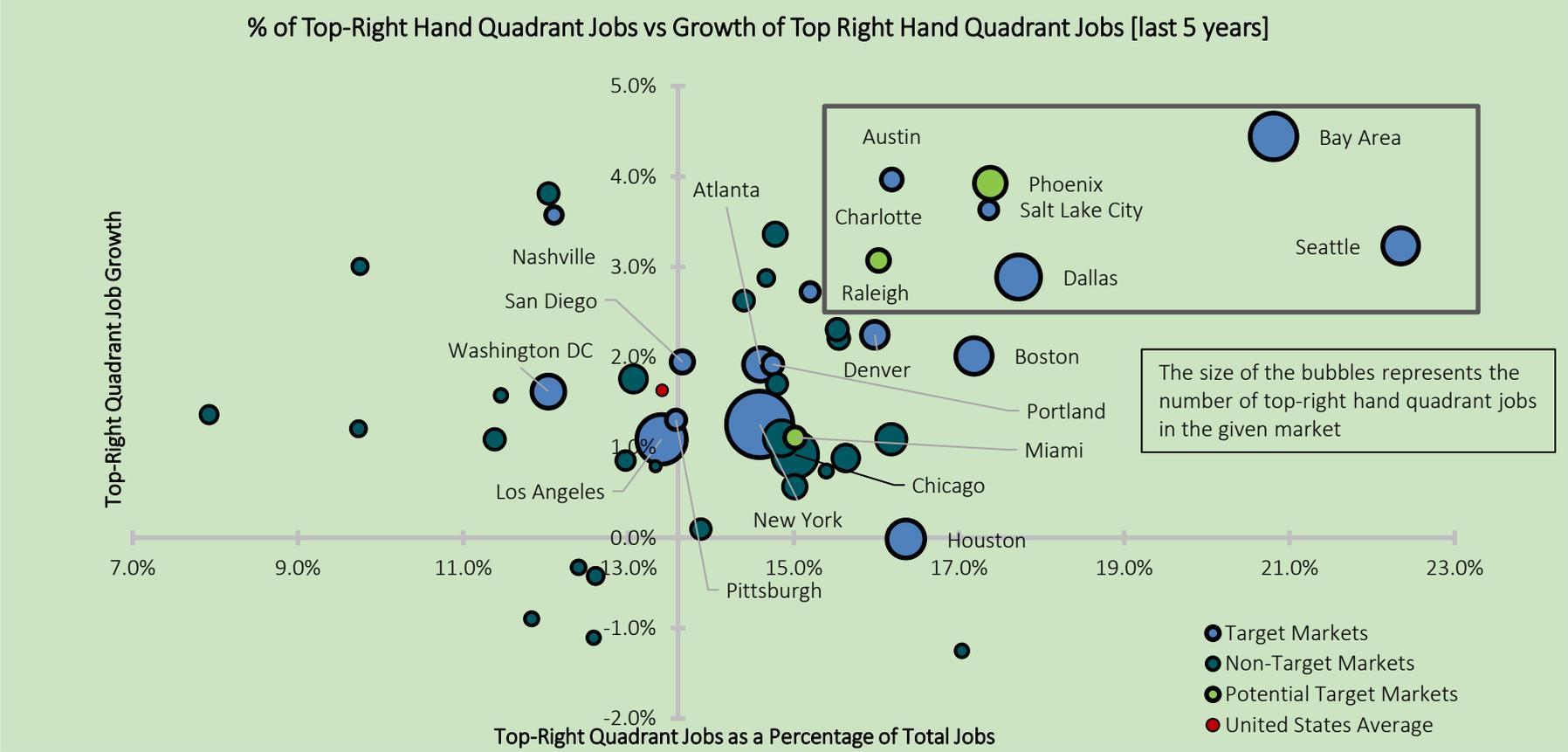
Source: Lionstone Research, BLS, Moody's, Lionstone Research, as of November 2020
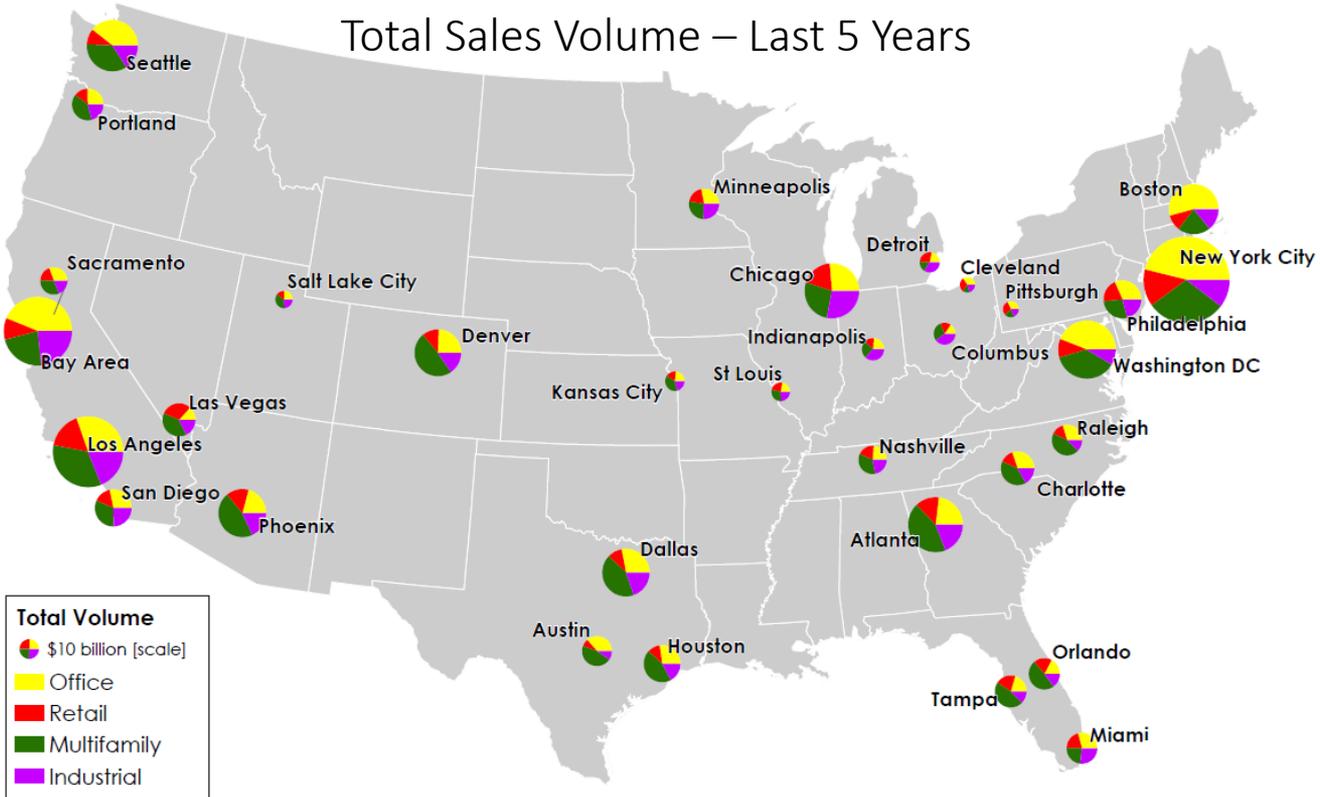
Holistic, Forward Looking View on Market Selection

The Hockey Stick Markets

Legend:
- 🔵 IC Markets
- 🟢 IC Potential
- ⚫ Non IC Markets

The Investor's Challenge: Deploying Capital to High Growth Markets

Total Sales Volume – Last 5 Years