



**Economics Research Associates**

Project Report

**Station Area Market Analysis Update:  
MLK, Jr., Plaza Saltillo, and Crestview Stations**

Prepared for

**Capital Metropolitan Transportation  
Authority**

**Austin, Texas**

Submitted by

**Economics Research Associates**

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**Appendix A: Station Area Maps..... A-1**

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<sup>1</sup> The North Lamar Station has been renamed to the Crestview Station

## **General & Limiting Conditions**

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible. These data are believed to be reliable. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the market and the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent and representatives or any other data source used in preparing or presenting this study.

No warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.



## **Section I: Introduction and Summary of Development Potential**

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### **Introduction**

The Capital Metropolitan Transportation Authority (Capital Metro) retained Economics Research Associates (ERA) to evaluate the economic trends, land values, and real estate markets in the Austin metropolitan region in order to assess the transit-oriented development potential for three transit stations. These future commuter rail stations include MLK, Jr, Crestview, and Plaza Saltillo. A preliminary market analysis was completed in August 2006 for these three stations. The City of Austin subsequently contracted PB PlaceMaking to conduct station area planning for these stations. Based on their planning work and the blended concepts for each of the stations presented in charettes in June 2007, ERA has updated the previous market analysis to reflect the physical characteristics, land uses, and public improvements reflected in the plans.

The report is organized in three sections. Following this introduction, Section II presents regional economic trends for the Austin-San Marcos metropolitan area. Section III reviews real estate trends in the region for land uses including housing, office, retail, and hotel. Section IV assesses the transit-oriented development opportunities for each of the land uses at the station areas.

### **Summary of Station Area Development Potential**

Based on our analysis of the regional real estate market ERA estimated the development potential at the MLK, Jr., Plaza Saltillo, and Crestview stations from 2007 to 2025. ERA presents our analysis of the development potential at each of the three station areas below in **Table I-1**.



**Table I - 1  
Station Area Development Potential Summary, 2007 – 2025**

Land Use	MLK, Jr. Station Area		Plaza Saltillo Station Area		Crestview Station Area	
	Low	High	Low	High	Low	High
<b>Residential (Units)</b>						
Condominium Flats and Live/Work Lofts	434	537	648	1,296	324	515
Apartments	193	401	476	639	401	639
Townhomes/ Duplexes	287	500	74	181	287	500
Total Units	914	1,438	1,198	2,116	1,012	1,654
<b>Office Space (SF)</b>	30,300	93,500	451,000	852,000	120,126	256,242
<b>Retail Space (SF)</b>	52,630	93,500	138,300	177,000	39,012	66,255
<b>Hotel (Units)</b>	0	96	0	180	47	162

Source: Economics Research Associates



## **Section II: Regional Demographic & Economic Overview**

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In this section, Economics Research Associates (ERA) analyzes the regional economic and demographic context of the Austin-Round Rock Metropolitan region. Our evaluation addresses both short-term and long-term trends in the Austin economy in order to better understand the potential for future growth in the region. The analysis includes a review of employment trends, key industries and the region's economic advantages. In addition, ERA presents an overview of demographics in the region, including historical population, ethnicity, resident migration, educational attainment, income, and population projections.

### **Austin's Regional Economy**

The story of Austin, Texas over the last two and a half decades is one of enormous growth, with the population increasing by almost 55 percent and employment jumping by almost 85 percent since 1990. In spite of the economic downturn in the technology industry during 2001, Austin continues to thrive, with the historic increase in population and job growth projected to continue over the long term. The growth of Austin can be attributed to its national recognition as a technology center, low cost of living, business-friendly tax structure and highly educated and young labor pool. Austin has achieved a reputation for its high quality of life, continually listed as one the top ten places to live and do business by prominent national surveys conducted by Forbes, Men's Journal and Entrepreneur Magazines.

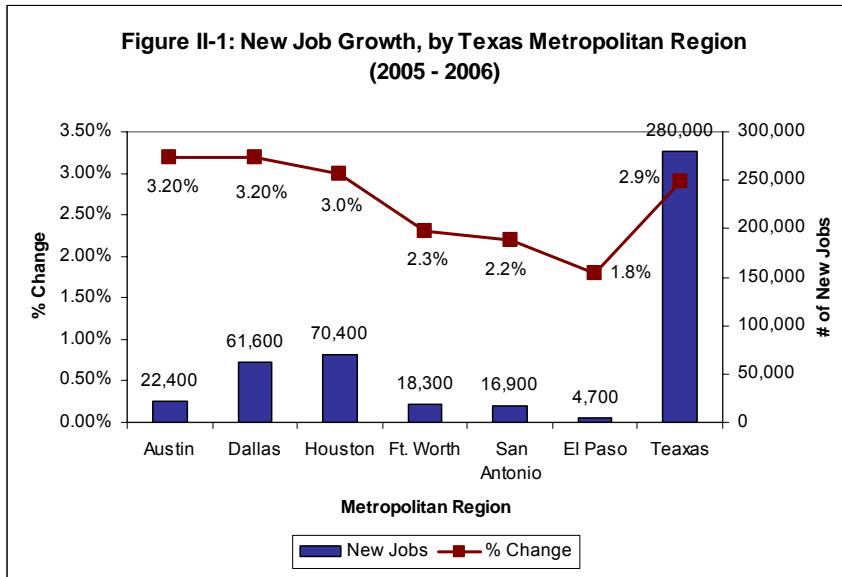
### **Historic Employment Trends**

From 1990 to 2006, non-farm related employment grew substantially, increasing by almost 330,000 jobs across the 16-year period (see **Table II-1**). Although the manufacturing industry in Austin, like other cities across the country, lost over 24,000 jobs from 2000 to 2006, other sectors such as government, leisure & hospitality, trade, transportation & utilities, and professional & business services all experienced job growth during this period.

Austin is heavily dependent on the technology sector, and is home to the offices of such noteworthy firms as Dell Computers, Freescale Semiconductor, Inc., and IBM Corporation. Like many other regions in the country, Austin experienced a loss of jobs after 2001 following the dot-com bust. However, unlike other economies heavily dependent on the technology industry, such as Silicon Valley, or Boston, Austin rebounded quickly from the economic downturn. Since 2003, the Austin workforce has increased by almost 67,000 at an average rate of 3.3 percent per year (see **Table II-2**). The economic vitality of the city of Austin is



further evident when compared to other metropolitan regions within Texas. As illustrated in **Figure II-1**, in 2006 Austin had the strongest job growth rate among the Texas metropolitan regions.



Source: Angelou Economics, January 2007

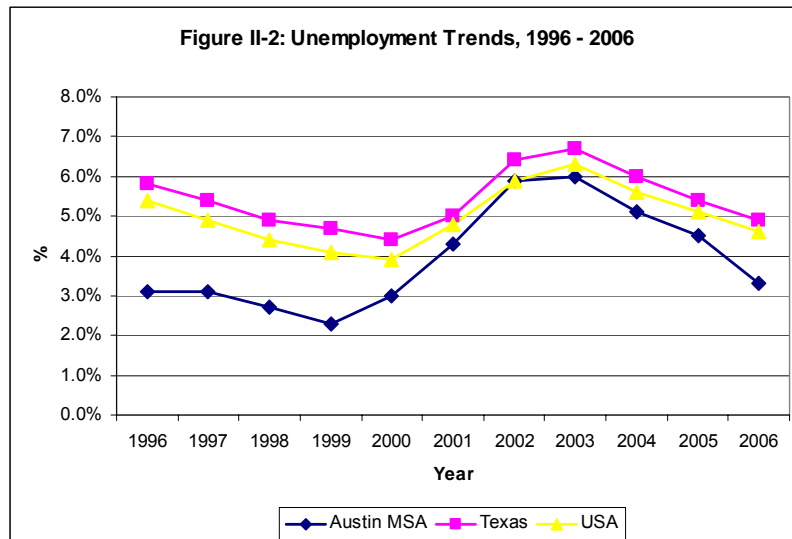
As expected the unemployment rate for Austin was low during the period of high employment growth. From 1995 to 2006, Austin had a lower unemployment rate than the state of Texas (**Figure II-2**) and remained lower than the state even when the regional economy declined in late 2001. Austin’s unemployment rate began to quickly descend again, indicating that the Austin economy is having an easier time rebounding from the 2001 economic downturn than the rest of Texas.

### Diversity in the Austin Economy

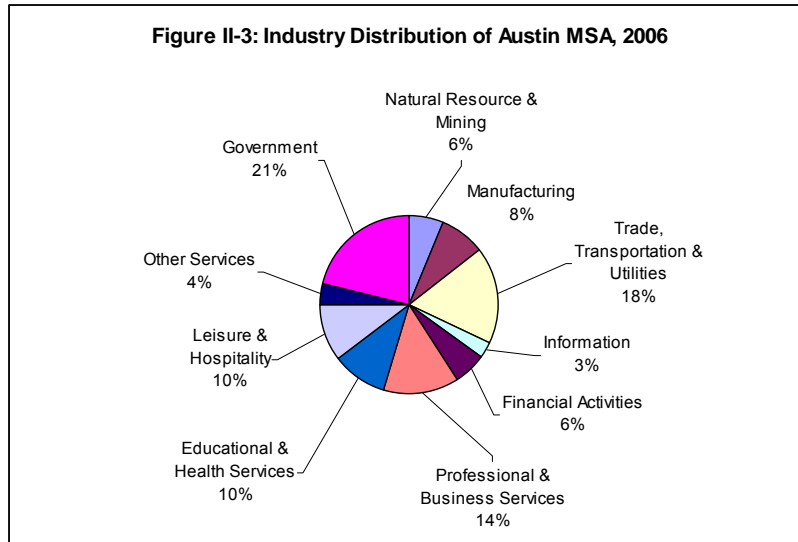
The Austin regional economy is rather diverse with strong employment in professional and business services, government and education (see **Table II-1**). As illustrated in **Figure II-2**, government employees constituted 21 percent of Austin’s labor force, while workers in the trade, transportation & utilities sector and the professional & business services sector composed another 18 and 14 percent, respectively. Many technology-related jobs can be categorized into the manufacturing, information and professional & business services sectors. These three sectors combined for 25 percent of the employment in the region, indicating that technology constitutes a large portion of the Austin regional economy. Home to University of Texas at

Austin, educational and health services present another key industry for the local economy, representing ten percent of the region’s employment.

The dominance of technology, government and education is evident in the region’s top ten employers (see **Table II-3**). Serving as the state capital, the local and state governments were the top two employers of any firm or organization in the Austin MSA. In 2006, employment in these two groups combined for almost 20 percent of the total labor force in the region, or roughly 135,500 workers. Educational organizations composed then next largest employment generator, with the University of Texas at Austin and the Austin Public School District adding almost 30,700 workers in 2006. Austin’s technology firms have shown growth in recent years, indicating strength in the industry. During 2006, Dell Computers, Freescale Semiconductors Inc. and the IBM Corporation added almost 30,000 jobs, or roughly four percent of the total non-farm employment in the Austin MSA.



Source: U.S. Bureau of Labor Statistics



Source: Texas Workforce Commission

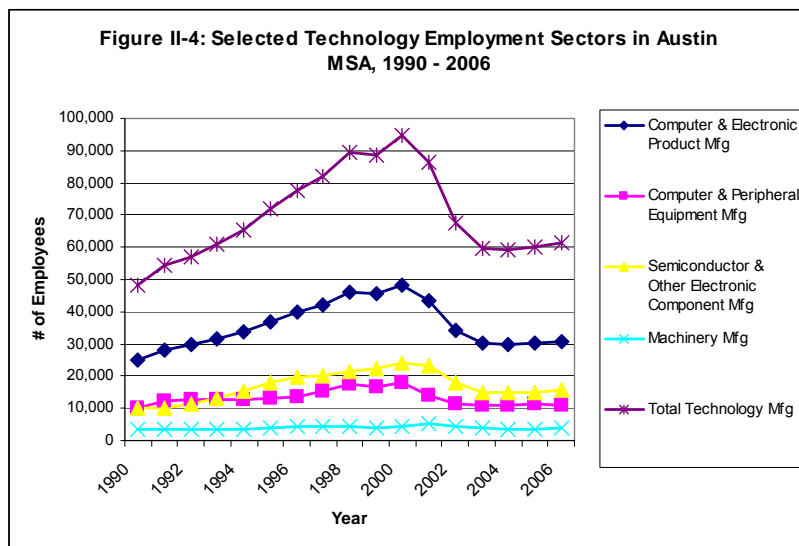
While Austin is the headquarters to several large corporations, the majority of Austin's technology businesses are small establishments, many of which have been responsible for the strong employment growth experienced in the last decade (see **Table II-4**). Over 30,500, or roughly 85 percent of business establishment within the Austin metropolitan region employed less than 20 people in 2005. While all establishment classifications experienced growth, it is interesting to note that business establishments of 20 to 99 people experienced the fastest growth rate from 1998 to 2005 (roughly 3.3 percent per year), while growth among companies employing over 500 was sluggish during this period (rough 2.0 percent per year). Likely the dominance of small businesses and the increased growth rate of medium sized firms are related to the presence of small high-technology start-ups in Austin.

### Austin Technology Industry

Outside of Silicon Valley and Boston, the Austin metropolitan region has one of the most important clusters of information technology companies. Austin is particularly strong in computer and electronic products manufacturing, computer services, and software development.

As illustrated in **Figure II-4**, the technology industries experienced phenomenal growth during the 1990s. The semiconductor and other electronic component-manufacturing sector experienced the greatest growth with a 12.6 percent annual growth rate from 1990 to 1995. However,

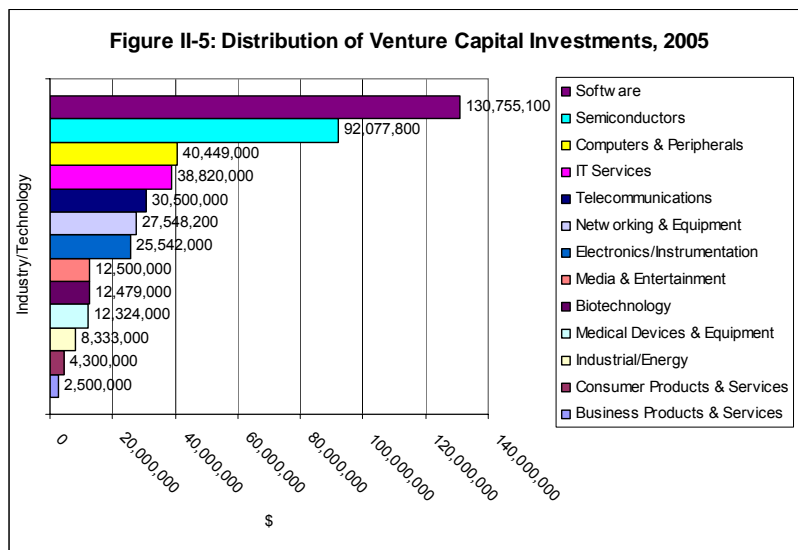
similar to Silicon Valley and the Boston, technology industries in Austin experienced declines from 2000 to 2003. Since 2004, the technology sectors have rebounded, together generating almost 62,000 new jobs in 2006. Employment growth in the Austin technology sectors will likely continue to grow over time due to the fact that many of these services cannot be moved to other parts of the country or the world. Thus, while Austin’s technology sector may not experience the same phenomenal rate of growth as during the 1990s, it is likely to continue growing over time.



Source: Texas Workforce Commission

Austin’s development as a hub of technology can be traced back to the early eighties with the establishment of two prominent research and development consortiums and Michael Dell’s enrollment at the University of Texas at Austin. In the early eighties, a number of computer and semiconductor manufacturers formed the Microelectronics and Computer Technology Corporation (MCC), a research and development consortium funded by both federal and private dollars. In an effort to shift the Texas and Austin economies focus away from government and more on emerging technology, the region’s civic and business leaders formed a partnership to actively pursue the establishment of the MCC in Austin. The effort paid off and in 1983 the MCC located in Austin, becoming one of the largest and most prominent computer research and development consortiums in the United States. While the civic and business leaders were developing the framework of Austin’s technology industry, a freshman at the University of Texas began selling personal computers out of his dorm room. In 1984, Michael Dell formed

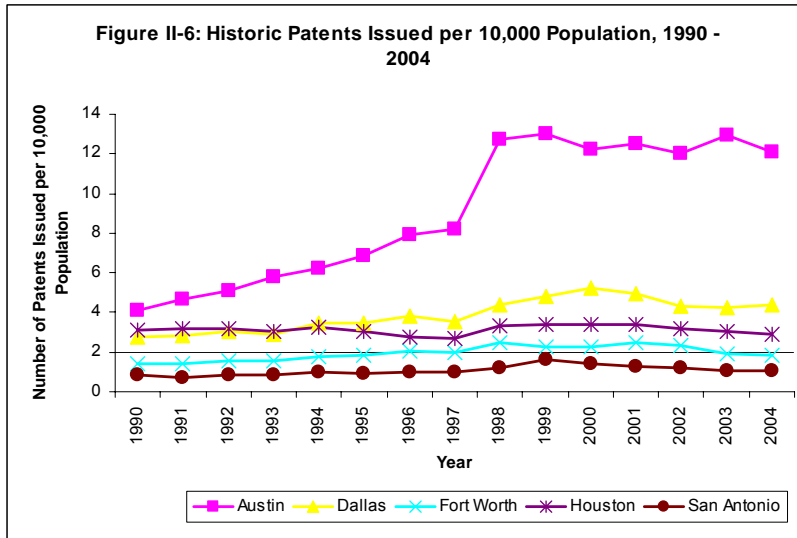
Dell Computers, which has since grown to be one of the prominent computer manufactures in the world with annual revenue in excess of \$12 billion dollars. Another event that sustained Austin’s technology industry was the establishment of Sematech, a consortium of semiconductor manufacturers who united their research and development activities in an effort to strength the microchip industry within the United States. Over twenty years later, Sematech has continued to foster the growth of the technology sector in Austin by supporting research and development in emerging technologies.



Source: Greater Austin Chamber of Commerce, Pricewaterhouse Coopers, Venture Economics, NVCA

The Austin metropolitan region has a significantly greater number of patents per capita than the other metropolitan regions within Texas (**Figure II-6**). In fact, according to the Texas Workforce Commission, between 1990 and 2003, 47.5 percent of the information technology and telecommunication patents issued in the state of Texas were issued to firms located in Austin.<sup>2</sup> Furthermore, in the 1990s, Austin had higher patent activity than larger and more economically diverse regions such as Phoenix, Seattle, Denver and Raleigh-Durham, indicating that the Austin technology sector was stronger and more prolific. One reason for Austin’s high patent activity is the University of Texas, which ranked third in the nation in the number of patents issued.

<sup>2</sup> State of Texas Information and Computer Technology Cluster Assessment, August 2005. pp 21.



Source: University of Texas Bureau of Business Research, U.S. Patent and Trademark Office

### Government

As the capital of the nation’s second largest state, government is a critically important component of the Austin economy. In 2006 the federal, state and local governments provided almost 152,000 jobs, constituting 21 percent of the Austin regional employment. Between 1990 and 2006, all three sectors of government grew or maintained a steady employment base. In fact, while the technology sector suffered as a result of the downturn, the government sector remained stable thus dampening the negative effect to Austin’s overall economy. As a result of the size of the government sector, the Austin economy tends to be less volatile than other technology based economies such as Silicon Valley.

### University of Texas at Austin

With over 50,000 students and 20,000 employees, the University of Texas at Austin has the fifth largest enrollment in the United States and is the second largest employer in the region. The University is internationally recognized as one of the best public institutions in the United States. In 2007, the schools of Business and Law and colleges of Engineering, Education and Pharmacy each ranked among the nation’s top 20 graduate programs by U.S. News & World Report. In addition to being a large employer, the University also promotes Austin’s technology sector by supporting emerging technologies through numerous research organizations and business incubators. Furthermore, with over 50,000 students enrolled, the University fosters



the entrepreneurial, creative and youthful spirit of Austin, which further supports innovation and enhances quality of life.

## **Regional Economic Forecast**

A number of factors fostered Austin's strong and robust economy and are vital to its continued growth. A significant strength is its balanced economy, comprised of technology, business services, education and government. As a result of this diversity, the Austin economy is more resistant to downturns, as was evident with the recent decline of the high-tech economy. Further supporting Austin's economy is the availability of a young and well-educated workforce. There are over eight colleges and university within the region with a total enrollment of more than 114,000 students, providing the region with exceptionally strong human capital. In addition, with no personal or corporate state income tax in Texas and minimal union activity, Austin has an extremely business-friendly environment. Finally, Austin offers an excellent quality of life. Continuously ranked among the top cities for both lifestyle and business, Austin has been recognized as among the best cities for entrepreneurship, standard of living, quality of labor force and best places to live for various groups including families, singles, Hispanics and seniors.

The Austin economy is well poised for future growth. While it has a large technology sector, it can endure down cycles in this sector because of its diversification. As such, ERA projects that Austin will grow at an annual rate of two percent and reach a total of one million non-farm jobs by 2025 (see **Table II-5**). ERA derived this forecast using the following methodology:

- ERA's forecast was anchored by the 2005 total full time employment of 692,000 as indicated by the Texas Workforce Commission.
- Employment growth rates were determined by adjusting the growth rates from the Capital Area Council of Governments' 2005 projections by 0.1 percent starting in 2009. This adjustment reflects Austin's investment in commuter rail and land use policies encouraging a greater variety of housing products around key rail stations. The additional transportation mode option and the greater choice of housing types and neighborhood styles enhance Austin's competitive position in attracting and retaining workers in the future.
- ERA's estimate of share of employment by industry sector was based on the Capital Area Council of Governments REMI model.



**Table II - 1**  
**Historic Net Non-Farm Employment Growth, by Industry, 1990 – 2006**

Austin MSA

Industry	1990	2005	2006	1990 - 2000		2000 - 2006	
				CAGR	Abs. Change	CAGR	Abs. Change
Natural Resource, Mining & Construction	13,100	40,200	44,500	12.2%	28,200	1.5%	3,200
Manufacturing	47,500	57,300	58,600	5.7%	35,300	-6.7%	-24,200
Computer & Electronic Product Mfg	25,000	30,100	30,800	6.8%	23,400	-8.6%	-17,600
Computer & Peripheral Equipment Mfg	10,100	11,200	10,900	5.8%	7,700	-9.3%	-6,900
Semiconductor & Other Electronic Component Mfg	9,900	15,100	16,000	9.3%	14,100	-7.8%	-8,000
Machinery Mfg	3,300	3,700	3,900	3.4%	1,300	-3.2%	-700
Trade, Transportation & Utilities	60,700	121,800	126,700	6.6%	54,400	1.9%	11,600
Transportation, Warehousing & Utilities	5,900	11,700	12,500	6.1%	4,800	3.2%	1,800
Information	10,400	21,500	21,800	8.9%	13,900	-2.1%	-2,500
Financial Activities	24,500	41,200	43,000	3.7%	10,800	4.0%	7,700
Professional & Business Services	36,600	94,100	98,700	9.6%	55,300	1.4%	6,800
Educational & Health Services	36,100	71,100	73,200	5.6%	26,200	3.3%	10,900
Leisure & Hospitality	35,100	69,700	74,000	5.6%	25,500	4.1%	13,400
Other Services	15,400	26,500	27,600	3.8%	6,900	4.4%	5,300
Government	<u>111,100</u>	<u>148,900</u>	<u>151,900</u>	<u>2.1%</u>	<u>25,700</u>	<u>2.1%</u>	<u>15,100</u>
Total	390,500	692,300	720,000	5.6%	282,200	1.4%	47,300

Source: Texas Workforce Commission, Economics Research Associates





**Table II - 2**  
**Historic Net Non-Farm Employment Growth, 1990 – 2006**  
Austin MSA

<u>Year</u>	<u># of Employees</u>	<u>Annual % Change</u>
1990	390,500	-
1991	402,800	3.1%
1992	424,200	5.3%
1993	453,600	6.9%
1994	484,400	6.8%
1995	516,700	6.7%
1996	540,900	4.7%
1997	566,300	4.7%
1998	600,700	6.1%
1999	635,400	5.8%
2000	672,700	5.9%
2001	674,100	0.2%
2002	658,400	-2.3%
2003	653,300	-0.8%
2004	667,400	2.2%
2005	692,200	3.7%
2006	720,000	4.0%
<i><u>Average Annual</u></i>		
1990 - 2000	517,109	5.6%
2000 - 2006	676,871	1.8%

Source: Texas Workforce Commission, ERA



**Table II - 3  
Top Ten Employers in Austin MSA, 2006**

Employer	Business Type	Employees
Local Government	Government	69,700
State of Texas	Government	65,900
University of Texas @ Austin	Higher Education	20,249
Dell Inc.	Personal Computer Systems	16,000
Federal Government	Government	10,800
Austin School District	Public Education	10,408
Seton Family of Hospitals	Medical Care	7,500
Freescale Semiconductor Inc.	Microprocessors	6,600
H.E. Butt Grocery Co. (Austin Regional Office)	Retail	6,200
IBM Corporation	Circuit Cards, hardware, software	6,200
<b>Total</b>		<b>219,557</b>

Source: Texas Workforce Commission

**Table II - 4  
Total Establishments by Employment Size, 1998 – 2005**  
Austin MSA

Year	Total Establishments	Establishments by Employment-Size Class			
		1 to 19	20 to 99	100 to 499	500+
1998	30,029	25,747	3,551	655	76
1999	30,735	26,200	3,754	693	88
2000	31,822	26,908	4,066	751	97
2001	32,399	27,290	4,239	770	100
2002	33,362	28,346	4,222	702	92
2003	33,915	28,889	4,239	758	78
2004	34,818	29,657	4,357	721	83
2005	35,864	30,542	4,470	765	87
<b>CAGR</b>	<b>2.6%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>2.2%</b>	<b>1.9%</b>

Source: County Business Patterns



**Table II - 5**  
**Projected Employment Growth, 2005 – 2030**  
 Austin MS

<u>Employment</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2005 - 2030 Abs. Change</u>
Total Employment	692,300	810,366	881,630	949,765	1,013,126	1,086,059	393,759
<u>Employment by Sector</u>							
Natural Resources, Mining & Construction	40,200	55,503	61,386	67,170	72,066	77,172	36,972
Manufacturing	57,300	48,164	45,157	47,095	49,644	53,225	-4,075
Trade, Transportation, Utilities	121,800	132,055	137,517	141,225	143,362	146,522	24,722
Information	21,500	24,396	25,844	26,693	27,527	28,742	7,242
Finance, Insurance, Real Estate	41,200	76,109	81,339	85,831	89,444	93,367	52,167
Professional Services	94,100	75,039	80,870	86,951	92,888	99,972	5,872
Other Services	167,300	264,716	302,079	338,939	375,453	417,318	250,018
Government	148,900	134,382	147,438	155,862	162,742	169,740	20,840
CAGR		3.0%	1.7%	1.5%	1.3%	1.4%	1.8%

Source: Texas Workforce Commission, Capital Area Council of Governments, ERA

## Austin Demographic Characteristics & Trends

ERA reviewed population and household trends, as well as key demographic variables in the City of Austin and the five counties that make up the Austin metropolitan area. In addition, ERA studied demographic forecasts to estimate county population and household growth for the next 20 years.

### Historic Population Trends

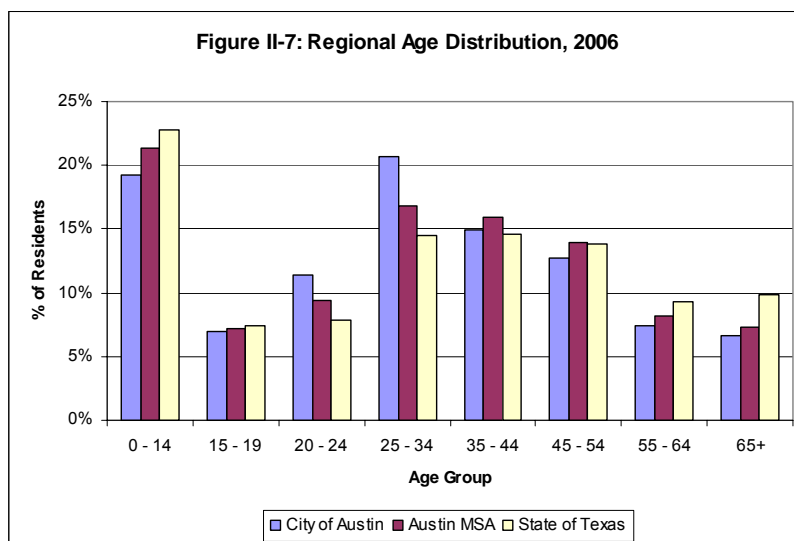
The population of the five county region increased by 600,000 residents between 1990 and 2006, which was equivalent to doubling the 1990 population of Travis County (see **Table II-6**). The rate of growth over the 16-year period was very high for the city of Austin, Travis County and the MSA with annual rates at 2.8, 3.0 and 3.4 percent respectively. As the years progressed the city's share of the MSA decreased from 55 to 50 percent, indicating that the suburbs were growing at a faster rate than the urban core. With the introduction of the new commuter rail line and the development of new high-density transit-oriented communities, this trend towards suburbanization may begin to slow. As the economy slowed in the first few years of this decade, population growth between 2000 and 2006 decreased to average annual rates of 1.5 percent for the city of Austin, 2.1 percent for Travis County and 2.5 percent for the MSA. From 1990 to 2006, the 5-county region averaged an additional 33,500 new residents annually.

The region's strong population growth can be attributed to significant in-migration from areas both within and outside of Texas. The state demographer found that between 1990 and 2000, the region absorbed nearly 300,000 new residents in net migration. With respect to domestic out of state migration, the most popular places of origin were San Jose, Los Angeles, San Diego, Phoenix and Chicago. There is a particularly strong connection between Silicon Valley and Austin. In 2002, the *Austin American- Statesman* reported that through out the 1990s San Jose ranked second as a place of origin for new migrants to Austin, while San Jose placed second as the most popular destination for people leaving Austin. This strong link between the two regions is due to their similar technology driven economies.

### Age

As illustrated in **Figure II-7**, in 2006, children under the age of 14 constituted a sizable portion of the total population in the City of Austin, the Austin MSA, and the State of Texas. In fact, in all three regions, those under the age of 20 composed 25 to 30 percent of the total population.

In addition, both the city and the MSA show a strong presence of young professionals aged between 20 and 34. This is likely due to recently graduating University of Texas students and the draw created from numerous technology firms in the region. For the MSA, those between the ages of 24 and 57 constituted 47 percent of the 2006 population, indicating that Austin will have a strong workforce even when the first of the Baby Boomers start to retire. The region also has a young population in comparison to the rest of the State. Both the MSA and the City have a high percentage of 20 to 24 year olds and 25 to 34 year olds than the state of Texas.



Source: ESRI Business Solutions, ERA

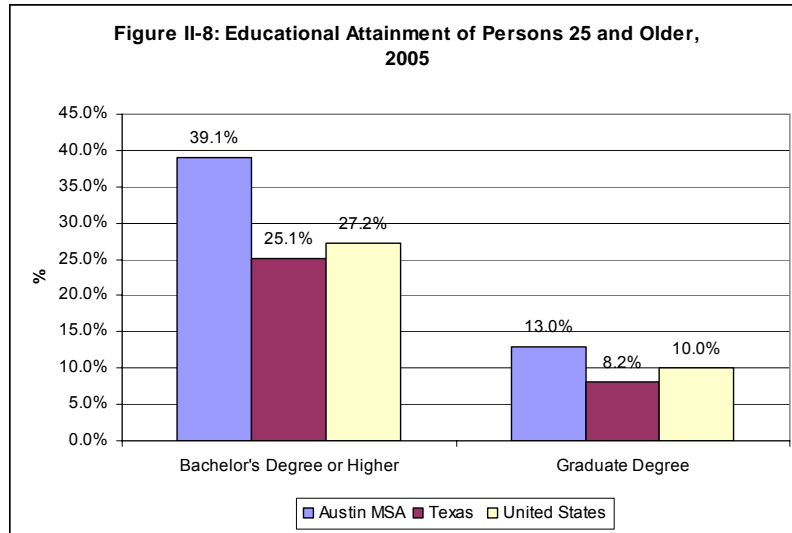
### Racial & Ethnic Diversity

The racial and ethnic composition of residents in the Austin metropolitan region in 2006 is shown in **Table II-7**. Overall the region is predominately white, with Hispanic residents totaling 36 percent of both the city and the state population. The city of Austin is somewhat more diverse than the state with a greater percentage of its residents identifying themselves as either Asian or Other.

### Educational Attainment

With the University of Texas and the strong technology and government sectors, the Austin region has attracted a highly educated workforce. As illustrated in **Figure II-8** and **Table II-8**, in 2006 approximately 39 percent of Austin residents over 25 possessed a bachelor’s degree or higher, compared to 27 percent nationwide. The level of graduate attainment in Austin is also

higher than the nation, with 13 percent of Austin residents possessing a graduate degree as compared to 10 percent of the nation. With eight universities and a combined enrollment over 114,000, the high level of educational attainment within the region is expected to increase.



Source: Austin Chamber of Commerce

### Household Income

As presented in **Table II-9**, income levels for households in the Austin region are slightly higher than that of Texas. According to the US Census, in 2006, the city had a median household income of \$54,301 while the total five-county MSA had a median household income of \$61,592 and the state had a median household income of \$49,251. The higher median household income in the metropolitan area when compared with the city reflects the fact that many high income individuals have moved out of the city limits into the wealthier surrounding suburban communities.

### Population & Household Forecasts

Austin’s strong and expanding economy should ensure steady population growth over the next twenty-five years. ERA projects the region will experience a 1.7 percent annual growth rate between 2005 and 2030, an increase of almost 781,500 residents. As indicated in **Table II-10**, ERA estimates that the region will break the two million mark in population by 2025 when it reaches a total population of 2.1 million. The forecast used for this analysis was developed using a methodology similar to that used to forecast metropolitan employment growth. We



reviewed the 2005 Capital Area Council of Government's forecast that used the Regional Economic Modeling Incorporation (REMI) simulation and adjusted this growth rate starting in 2009 to take into consideration the population growth expected as Austin continues to move out of the 2003 recession. Furthermore, with the continued investment in commuter rail and land use policies to encourage a greater variety of infill housing opportunities, Austin will enhance its competitive position in attracting and retaining residents.



**Table II - 6  
Regional Population Trends, 1990 - 2006**

Region	1990	2000	2001	2002	2003	2004	2005	2006	1990 - 2000		2000 - 2006	
									CAGR	Abs Growth	CAGR	Abs Growth
City of Austin	465,622	656,562	669,693	680,899	687,708	692,102	700,407	718,912	3.5%	190,940	1.5%	62,350
Travis County	576,407	812,280	830,150	844,263	856,927	874,065	893,295	920,544	3.5%	235,873	2.1%	108,264
Austin 5-County MSA <sup>1</sup>	846,227	1,249,763	1,281,007	1,306,627	1,332,760	1,366,079	1,403,646	1,450,746	4.0%	403,536	2.5%	200,983
City Share of MSA	55.0%	52.5%	52.3%	52.1%	51.6%	50.7%	49.9%	49.6%		-2.5%		-3.0%

<sup>1</sup> The Five County Austin MSA wholly includes these counties: Bastrop, Caldwell, Hays, Travis and Williamson

Source: City of Austin Demographer





**Table II - 7**  
**Racial & Ethnic Composition of Austin, 2006**

Race/Ethnicity	City of Austin		Austin MSA		State of Texas	
	#	%	#	%	#	%
White	446,988	62%	1,068,696	70%	16,356,262	69%
Black	71,626	10%	121,674	8%	2,710,948	11%
American Indian, Eskimo, Aleut	4,571	1%	9,297	1%	141,159	1%
Asian or Pacific Islander	40,099	6%	62,130	4%	769,165	3%
Other	138,259	19%	226,859	15%	3,160,457	13%
Two or More Races	<u>23,851</u>	<u>3%</u>	<u>44,956</u>	<u>3%</u>	648,908	3%
Total	725,394	100%	1,533,612	100%	23,786,899	100%
<i>Hispanic Origin</i>	<i>258,741</i>	<i>36%</i>	<i>469,202</i>	<i>31%</i>	<i>8,515,782</i>	<i>36%</i>

Source: ESRI Business Solutions, ERA

**Table II - 8**  
**Educational Attainment of Persons 25 Years and Older, 2006**

Educational Attainment	Austin MSA	Texas	United States
High School Graduate or Higher	87.0%	78.8%	84.2%
At Least Some College	66.2%	52.5%	54.7%
Bachelor's Degree or Higher	39.1%	25.1%	27.2%
Graduate Degree	13.0%	8.2%	10.0%

Source: Austin Chamber of Commerce



**Table II - 9**  
**Regional Household Income, 2006**

Household Income	City of Austin		Austin MSA		Texas	
	# of Households	% of Total	# of Households	% of Total	# of Households	% of Total
< \$20,000	45,858	16%	73,385	13%	1,533,147	18%
\$20,000 - \$29,000	27,692	9%	46,411	8%	908,148	11%
\$30,000 - \$39,000	32,746	11%	56,212	10%	964,130	12%
\$40,000 - \$49,000	28,212	10%	52,151	9%	829,184	10%
\$50,000 - \$59,000	24,579	8%	48,291	8%	706,273	8%
\$60,000 - \$74,999	30,701	11%	63,135	11%	841,088	10%
\$75,000 - \$99,000	35,977	12%	82,184	14%	975,308	12%
\$100,000 - \$149,000	37,264	13%	88,166	15%	965,035	12%
\$150,000 - \$249,000	19,962	7%	44,257	8%	441,580	5%
> \$250,000	<u>9,306</u>	<u>3%</u>	<u>18,738</u>	<u>3%</u>	<u>195,427</u>	<u>2%</u>
Total	292,297	100%	572,930	100%	8,359,320	100%
<i>Median Household Income</i>	<i>\$54,301</i>		<i>\$61,952</i>		<i>\$49,251</i>	

Source: ESRI Business Solutions, ERA



**Table II - 10  
Regional Population Projections, 2005 - 2025**

Region	2005	2010	2015	2020	2025	2030	2005 - 2015		2015 - 2025		2005 - 2030	
							CAGR	Abs Growth	CAGR	Abs Growth	CAGR	Abs Growth
City of Austin	700,407	781,993	863,384	953,245	1,052,460	1,147,830	2.1%	162,976	2.0%	189,076	2.0%	447,423
Travis County	893,295	1,042,127	1,193,520	1,366,907	1,565,482	1,771,199	2.9%	300,225	2.8%	371,962	2.8%	877,904
Austin 5-County MSA <sup>1</sup>	1,403,646	1,595,858	1,770,611	1,907,451	2,034,701	2,159,748	2.3%	366,965	1.4%	264,090	1.7%	756,102
City Share of MSA	49.9%	49.0%	48.8%	50.0%	51.7%	53.1%		-1.1%		3.0%		3.2%
Austin MSA CAGR		2.6%	2.1%	1.5%	1.3%	1.2%						

<sup>1</sup> The Five County Austin MSA wholly includes these counties: Bastrop, Caldwell, Hays, Travis and Williamson

Notes:

Population projects for city of Austin and Travis county come from the City of Austin demographer in the planning department

Population projections for the MSA comes from the Texas State Demographer and assumes a net migration of 1/2 of that experienced during the 1990s.

Source: City of Austin Demographer, Texas State Demographer

## Section III: Real Estate Market Trends

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ERA reviewed historical trends in the Austin metropolitan region<sup>3</sup> for housing, office, retail and hotel development. Based upon the economic trends for the region, ERA also prepared demand forecasts for the various land uses between 2007 and 2025.

### Residential Market

The residential housing market in Austin has been very active over the last decade, as shown by the building permit data found in **Table III-1**. The region experienced rapid residential construction in the early 1980s, at a rate of nearly 18,000 new residential units a year. Building activity slowed in the mid 1980s to the mid 1990s as construction for new residential units decreased to roughly 6,000 per year. The high tech boom and overall economic growth in the mid to late 1990s led to another surge in residential building activity. Similar to construction trends in the early 1980s, about 18,000 units were built each year from 1995 to 2000. Despite the employment losses beginning in 2001, the Austin metropolitan region continued to experience slow, but steady population and household growth during the first half of the decade due to international immigration and natural increase. In fact over the last five years, housing construction has grown faster than any previous period, with builders adding almost 20,000 units a year from 2001 to 2006.

Multifamily housing construction seems to have been more sensitive to fluctuations in the regional economy than single-family housing. Multifamily housing as a percentage of total new residential construction has been considerably greater during periods of high economic growth (the early 1980s and the mid to late 1990s). During the early 1980s, multifamily housing constituted over two-thirds of new construction permits. The share of multifamily units in construction from 1994 to 2001 ranged from 40 to 50 percent of total housing construction. However, over the last few years, multifamily housing construction has composed less than a third of all new residential building.

Multifamily housing activity has historically been more robust in Travis County, which has consistently had a larger share of multifamily construction than the greater metropolitan region (see **Table III-2**). For the most part from 1980 to 2003, over half of new residential building

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<sup>3</sup> Austin Metropolitan Region or Austin MSA is defined by the counties of: Williamson, Travis, Hays, Bastrop and Caldwell.

activity in the county has been for multifamily projects. Since 2003, construction has begun to shift again towards single-family units with the rapid growth of suburban communities in Travis County. Building permits in the Austin MSA, meanwhile, are primarily for single-family residents, with multifamily permits averaging less than 30 percent in most years since 1980. Most recent single-family housing construction has been concentrated in the suburbs and outer fringes of the city of Austin. The majority of new housing built in the core of the city has been multifamily projects (with the exception of tear downs of older single family housing to make room for newer and more modern single-family units). Downtown Austin and East Austin have been a particularly vibrant submarket for the construction of condos, lofts and luxury apartments during the last five years.

### **Multifamily Residential**

For the purposes of this analysis, ERA focused its residential demand analysis on multifamily products due to the fact that detached single-family housing is not considered appropriate for transit-oriented development. Currently, Austin does not offer a significant amount of high-density single-family housing. Most of the new single-family housing built over the last few years in the Austin metropolitan area has occurred in the suburban areas north and west of the city's core. Thus, ERA expects that information on multifamily housing will better describe the market for the higher-density products that are being considered near the transit stations.

For each of the station areas, the concept plans by PB PlaceMaking evaluate several specific residential product types. To the extent possible, ERA has examined recent market trends for these housing types within the Austin metropolitan area.

#### *High Density Residential Product*

The high-density residential product averages 60 dwelling units per acre. Most of the parking for this product will be tucked under the buildings. In some cases (for the mixed-use areas of the district), this product will be accompanied with active ground floor retail uses. Downtown and East Austin have experienced the largest growth in high density ownership residential development over the last few years, and will likely be the able to capture the largest portion of new high density product in the near term. In fact, as presented below, downtown Austin is poised for 20 new ownership condo projects over the next two years, with many of these development featuring over 100 units in large towers (see **Table III-3**).



Similarly East Austin has experienced significant growth in high density residential products over the last few years. As discussed later in Section IV, there are over eight loft projects either recently completed or under construction in East Austin.

#### *Medium Density Residential Product*

Exemplified by a three story rowhouse with rear alley access, this product is typically 17 to 30 dwelling units per acre and would not include any retail component. Currently, this product is most prevalent in Central Austin and near the new Mueller Development. This type of housing has worked well for students and young families that do not need a lot of space and who enjoy a more urban lifestyle. For example, Chestnut Commons, a 64-unit development currently under construction near the MLK, Jr. station features attached medium density housing units of this type.

#### *Low Density Residential Product*

Representing the only detached housing product in the station areas, this product has an average density of nine to 16 dwelling units per acre. Although these are single-family homes, they are considerably denser when compared with the existing single-family neighborhoods in Austin, many of which have an average density of only eight units per acre. ERA is not aware of any existing examples of this product in the Austin area. While still less dense than that proposed under the low density residential units, perhaps the closest available products to the low density units suggested by PB PlaceMaking are the units available at the Mueller Airport redevelopment project. As will be discussed later in this section, the Mueller Airport is currently being redeveloped and will include a portion of higher density-single family detached neighborhoods.

#### *Live/Work/Flex Product*

These units are a type of mixed-use development which combined residential living space in the same units with commercial or manufacturing space. Typically, this type of product appeals to artists or other entrepreneurs who can benefit from having their home or workspace directly attached to their business storefront. While there is a handful of live/work/flex units mixed in with other units at project across the city, this product type is not commonly found in the Austin area. Waterstreet Lofts in East Austin was one of the few developments that offered live/work units in the urban core, and this project provided only two of these units. In most cases, when retail and housing were mixed at projects, the retail space was not directly accessible from the adjacent residences. In many cases, the retail spaces were sold separately



from the residential condos. For example, in East Austin, retail condo spaces have been sold at approximately \$260 per square foot. The buyers of the retail condos did not necessarily occupy or buy the residential units above.

### **Multifamily Ownership Housing**

As indicated in **Table III-4**, the median and average price for multifamily ownership housing in the Austin region rose rapidly from 1999 to 2001, and then dropped slightly between 2003 and 2004. Recently, pricing for multifamily ownership housing has risen, again, growing by 16 percent between 2005 and 2006. Townhomes and condominium pricing increased every year since 1999 (see **Table III-5**). By 2006, median townhome/condo price stood at \$150,000, with most units selling in roughly two months from the time the property went on the market.

ERA surveyed housing prices for multifamily products in each of the station areas. This included both existing and new construction units. As shown in **Table III-6**, ERA found that East Austin and the North Lamar/Central Austin neighborhoods saw the greatest price appreciation between 2005 and 2006, with median prices in each area rising by over 20 percent over the last few years. The growing popularity of these areas have been confirmed by several residential brokers which note that growth of downtown and the University of Texas have spilled east and north.

### **Multifamily Rental Housing**

The multifamily rental market for the Austin metropolitan region from 1994 to 2006 is summarized in **Table III-7**. The information on the rental market for the Austin region was provided by Real Facts and includes only those properties with 100 units or more. Currently, the Austin region has more than 101,000 apartment units (as included in the Real Facts inventory). Older, Class C properties dominate most of the residential rental space available in Austin, accounting for roughly 44 percent of the total units in the metropolitan area. Newer, Class A, units meanwhile, made up the next largest segment, accounting for 39,000 apartment units, or roughly 40 percent of the total (see **Table III-8**). The number of apartment units built from the beginning of 1994 through the end of 2006 totaled 50,800 at an average rate of 3,900 units annually. The construction of rental units was consistent through much of the 1990s. Recently, with the housing boom experienced nationwide, developers have focused more on ownership single-family and condominium housing, with little apartment construction occurring. In fact, since 2004, annual multifamily rental construction has only achieved half of what it saw during the 1990s.

With little construction of new rental units over the last few years, occupancy rates have strengthened to an average of 94 percent by the end of 2006. Supported in large part by the demand for student housing, absorption of rental units has outpaced construction in every year since 2003.

Historical rental rates in the Austin MSA over the last three years are described in **Table III-9**. As shown, average rents dropped from \$820 in 2002 to \$802 in 2004 as a result of the economic downturn. However, average apartment rent has since recovered and as of the end of the first quarter, rental rates averaged around \$830 per month. Rental rates have grown in every year for studio units and two-bedroom townhome units. Between 2002 and 2007, rents for studio units increased from \$500 per month to \$526 while rents for two-bedroom townhome units have grown from \$990 to over \$1,060. Students have likely helped to stabilize the rental market for these types of units, with the desire either for their own place, or to share a larger unit with friends. In either case, while the multifamily rental market is still very much influenced by the surrounding economy, the large student population in the metropolitan region will help to stabilize rents, occupancy, and absorption over time.

### **Pipeline Projects**

The City of Austin maintains a comprehensive database of multifamily projects that are under review, approved, or under construction. As presented in **Table III-10**, at the end of the 2<sup>nd</sup> quarter in 2007, the city can expect over 29,000 new incoming multifamily units. In order to better understand the near term absorption of units in the market, ERA specifically examined projects that were currently under construction. As of the second quarter in 2007, the City of Austin had almost 6,700 units of multifamily housing under construction, with some of these projects already in the process of selling their units (see **Table III-11**). All together, these pipeline multifamily units were taken into consideration when estimating the total demand and capture rates for multifamily housing in the Austin MSA.

### **Housing Demand Estimates**

The City of Austin estimates that the majority of new households in the short term will be composed of foreign immigrant families, as well as domestic migration of young professionals and families to the Austin region as the economy continues to recover. Given the diversity of these newcomers, their housing preferences will cover the full range of options, including rental apartments, condominiums, townhouses and detached single-family homes.



Based on regional household growth forecasts and the housing market trends described, ERA estimated the regional housing demand for the Austin metropolitan area. The demand model (see **Table III-12**) makes the following assumptions:

- As the city of Austin and some of the inner suburbs become more developed, there will be a decrease in the available supply of undeveloped land for detached single-family development. In addition, with the regional economic recovery, the multifamily housing market is expected to become stronger. Therefore, ERA estimates that the share of single family housing as a percentage of total new construction will decline slightly over time.
- Housing vacancy rate is five percent at equilibrium
- The percentage of owner-occupied units will increase slightly, but remain in the range of 60 to 65 percent overall.
- About 70 to 75 percent of the multifamily units built in the next 20 years are expected to be ownership units. This includes condominium flats, duplexes and townhouses.
- ERA’s demand model shows that projected household growth will generate demand for about 277,000 housing units from 2007 to 2025. Approximately 47 percent of the new demand will be for multifamily housing, corresponding to 129,000 units. Of these multifamily units, 80 percent or 103,000 units will be condominium and apartment flats, and 26,000 (20 percent) will be townhomes and duplexes.
- After accounting for pipeline development, the net multi-family regional housing demand is estimated at 107,000 units, composed of 38,000 condominium units, 48,000 apartment units, and 21,000 townhouse/duplex units.

**Table III-13** provides an estimate of the city of Austin’s capture of the total regional housing demand. Historically, the city has captured nearly 75 percent of regional housing development, and over 80 percent of multifamily housing development. The introduction of the commuter rail line will provide a unique opportunity for Austin to capture a significant portion of the future regional housing demand within the city’s station areas. Furthermore, Austin possesses many qualities that make it attractive for residential development, including the existing employment concentration, the abundance of high-quality retail, dining and entertainment, and the availability of parks and open space throughout the city.



ERA estimated that the city of Austin would capture 82 percent of the metropolitan region's multifamily housing demand over the next 20 years, equivalent to 88,000 multifamily units. About 82 percent of the regional demand for condominiums and apartment flats will be captured in Austin, corresponding to 70,000 apartment/condominium units. Nearly 80 percent of regional demand for townhomes and duplexes, or 17,000 units, are estimated to occur within the city. There are a number of criteria that will make some station areas more attractive than others for the location of multifamily housing. The following influences housing demand, particularly for ownership housing:

- Quality and safety of neighborhood
- School district quality
- Lack of negative influences or nuisances, such as traffic, air pollution, noise, etc.
- Access to jobs
- Access to shops and retail services

The strongest locations for residential development will be those that best provide these amenities.



**Table III - 1  
Residential Building Permit Trends in Austin MSA, 1980 - 2006**

Year	Single Family Units	Multifamily Units	Total Housing Units	Percent Multifamily
1980	4,277	4,260	8,537	49.9%
1981	3,464	7,050	10,514	67.1%
1982	4,643	7,078	11,721	60.4%
1983	7,567	18,954	26,521	71.5%
1984	8,715	15,379	24,094	63.8%
1985	5,496	10,499	15,995	65.6%
1986	5,134	6,370	11,504	55.4%
1987	2,426	1,034	3,460	29.9%
1988	2,050	327	2,377	13.8%
1989	1,910	22	1,932	1.1%
1990	1,916	46	1,962	2.3%
1991	2,994	228	3,222	7.1%
1992	4,641	1,030	5,671	18.2%
1993	6,369	2,174	8,543	25.4%
1994	6,250	4,518	10,768	42.0%
1995	7,435	6,330	13,765	46.0%
1996	10,095	6,982	17,077	40.9%
1997	8,456	5,161	13,617	37.9%
1998	10,805	5,618	16,423	34.2%
1999	11,704	8,193	19,897	41.2%
2000	13,045	8,844	21,889	40.4%
2001	9,115	8,699	17,814	48.8%
2002	11,072	6,160	17,232	35.7%
2003	12,116	3,214	15,330	21.0%
2004	14,309	3,706	18,015	20.6%
2005	17,346	5,895	23,241	25.4%
2006	17,615	8,481	26,096	32.5%
<b>Total:</b>				
1980 - 1989	45,682	70,973	116,655	60.8%
1990 - 1999	70,665	40,280	110,945	36.3%
2000 - 2006	94,618	30,623	90,280	33.9%
1980 - 2006	210,965	141,876	317,880	44.6%
<b>Annual Average</b>				
1981-1985	5,977	11,792	17,769	65.7%
1986-1990	2,687	1,560	4,247	20.5%
1991-1995	5,538	2,856	8,394	27.7%
1996-2000	10,821	6,960	17,781	38.9%
2001-2006	13,596	6,026	19,621	30.7%
1980-2006	7,814	5,787	13,601	37.0%

Source: Real Estate Center at Texas A&M University



**Table III - 2  
Multifamily Building Permit Trends, Travis County & Austin MSA**

Year	Travis County					Austin MSA				
	Total Permits	MF Permits	Percent MF	Percent 2-4 units	Percent 5+ units	Total Permits	MF Permits	Percent MF	Percent 2-4 units	Percent 5+ units
1980	6,958	3,534	50.8%	32.4%	67.6%	8,537	4,260	49.9%	32.8%	67.2%
1981	9,290	6,373	68.6%	27.6%	72.4%	10,514	7,050	67.1%	30.4%	69.6%
1982	10,368	6,425	62.0%	33.3%	66.7%	11,721	7,078	60.4%	32.4%	67.6%
1983	22,763	16,587	72.9%	13.7%	86.3%	26,521	18,954	71.5%	14.7%	85.3%
1984	19,791	13,133	66.4%	20.2%	79.8%	24,094	15,379	63.8%	22.3%	77.7%
1985	13,111	8,874	67.7%	9.4%	90.6%	15,995	10,499	65.6%	14.6%	85.4%
1986	9,287	5,794	62.4%	3.7%	96.3%	11,504	6,370	55.4%	6.5%	93.5%
1987	2,574	633	24.6%	4.4%	95.6%	3,460	1,034	29.9%	3.3%	96.7%
1988	2,191	313	14.3%	5.1%	94.9%	2,377	327	13.8%	6.7%	93.3%
1989	1,746	20	1.1%	60.0%	40.0%	1,932	22	1.1%	63.6%	36.4%
1990	1,754	46	2.6%	100.0%	0.0%	1,962	46	2.3%	100.0%	0.0%
1991	2,794	224	8.0%	1.8%	98.2%	3,222	228	7.1%	3.5%	96.5%
1992	4,860	1,030	21.2%	3.3%	96.7%	5,671	1,030	18.2%	3.3%	96.7%
1993	6,993	2,096	30.0%	2.3%	97.7%	8,543	2,174	25.4%	4.1%	95.9%
1994	8,740	4,171	47.7%	2.2%	97.8%	10,768	4,518	42.0%	2.5%	97.5%
1995	9,778	5,378	55.0%	2.2%	97.8%	13,765	6,330	46.0%	3.1%	96.9%
1996	11,754	5,609	47.7%	3.9%	96.1%	17,077	6,982	40.9%	7.1%	92.9%
1997	9,351	4,224	45.2%	8.9%	91.1%	13,617	5,161	37.9%	8.5%	91.5%
1998	11,355	4,737	41.7%	5.2%	94.8%	16,423	5,618	34.2%	8.7%	91.3%
1999	13,056	6,314	48.4%	2.5%	97.5%	19,897	8,193	41.2%	4.2%	95.8%
2000	14,269	6,818	47.8%	6.8%	93.2%	21,889	8,844	40.4%	8.8%	91.2%
2001	10,692	6,299	58.9%	4.2%	95.8%	17,814	8,699	48.8%	4.1%	95.9%
2002	10,595	5,349	50.5%	9.2%	90.8%	17,232	6,160	35.7%	9.6%	90.4%
2003	8,565	2,447	28.6%	25.8%	74.2%	15,330	3,214	21.0%	22.2%	77.8%
2004	10,658	2,901	27.2%	17.0%	83.0%	18,015	3,706	20.6%	16.2%	83.8%
2005	14,234	4,809	33.8%	12.3%	87.7%	23,241	5,895	25.4%	10.8%	89.2%
2006	15,738	6,163	39.2%	12.7%	87.3%	26,096	8,481	32.5%	12.8%	87.2%
<b>Avg. Annual</b>										
1981 - 1985	15,065	10,278	67.5%	20.8%	79.2%	17,769	11,792	65.7%	22.9%	77.1%
1986 - 1990	3,510	1,361	21.0%	34.7%	65.3%	4,247	1,560	20.5%	36.0%	64.0%
1991 - 1995	6,633	2,580	32.4%	2.4%	97.6%	8,394	2,856	27.7%	3.3%	96.7%
1996 - 2000	11,957	5,540	46.2%	5.5%	94.5%	17,781	6,960	38.9%	7.5%	92.5%
2001 - 2006	11,747	4,661	39.7%	13.5%	86.5%	19,621	6,026	30.7%	12.6%	87.4%

Source: Real Estate Center at Texas A&M University.



**Table III - 3**  
**Downtown Ownership Multifamily Construction, 2007**

Project Name	Completion Date	# of Units	Size of Units	Price of Units	Avg \$/SF
721 Congress	2007	16	n/a	\$300,000 - \$1,000,000	n/a
Brazos Place	2007	72	600 - 1,400	\$190,000 - \$500,000	\$317
Bridges on the Park	2007	105	862 - 1,623	\$300,000 - \$800,000	\$348
Aqua Terra	2008	163	870 - n/a	\$350,000 - \$700,000	\$402
Hotel Van Zandt	2008	55	n/a	\$500,000 - \$2,000,000	\$357
The Shore	2008	192	632 - 3,077	\$200,000 - \$1,350,000	\$316
Spring	2008	246	576 - 1,720	\$200,000 - \$990,000	\$347
360	2008	430	721 - 2,000	\$190,000 - \$500,000	\$264
Orsay	2008	120	700 - 2,200	\$200,000 - \$1,100,000	\$285
Sabine on 5th	2008	80	700 - 1,461	\$190,000 - \$550,000	\$271
Star Riverside	2008	251	700 - 2,400	\$300,000 - \$1,000,000	\$428
115 Barton Springs	2009	24	1,600 - 6,200	\$1,000,000 - \$6,000,000	\$625
5th & Congress	2009	200	n/a	\$500,000 - n/a	\$550
Austonian	2009	195	1,200 - n/a	\$500,000 - n/a	\$416
7th & Rio Grande	2009	160	900 - 5,000	\$300,000 - \$4,000,000	\$333
4 Seasons Residences	2009	166	1,000 - 2,700	\$400,000 - \$4,000,000	\$400
The Metropolitan	2009	84	900 - 1,600	\$350,000 - \$1,000,000	\$389
21c	2010	202	n/a	\$300,000 - \$2,000,000	n/a
Seaholm	2010	80	1,200 - 4,000	\$450,000 - \$1,000,000	\$375
W Hotel Residences	2010	206	n/a	\$400,000 - n/a	n/a

Source: Austintowers.net



**Table III - 4**  
**Trends in Austin, Texas Multifamily Housing Market, 1999 - 2006**

Year	Median Price	Average Price	Days on Market	New Listings	% Change from Year Before			
					Median Price	Average Price	Days on Market	New Listings
1999	\$118,044	\$128,066	55	1,137				
2000	\$136,673	\$146,421	38	1,135	16%	14%	-31%	0%
2001	\$159,000	\$178,972	37	996	16%	22%	-3%	-12%
2002	\$165,150	\$184,413	47	1,383	4%	3%	27%	39%
2003	\$162,900	\$177,614	61	1,669	-1%	-4%	30%	21%
2004	\$155,000	\$168,619	93	2,155	-5%	-5%	52%	29%
2005	\$159,080	\$174,928	50	1,888	3%	4%	-46%	-12%
2006	\$180,000	\$205,239	43	2,015	13%	17%	-14%	7%

<sup>1</sup> Multifamily refers to duplexes, triplexes and fourplexes

Source: Spitzer & Associates, Gottesman Residential Real Estate

**Table III - 5**  
**Trends in Austin, Texas Multifamily Housing Market, 1999 – 2006**  
 Townhomes and Condominium Flats

Year	Median Price	Average Price	Days on Market	New Listings	% Change from Year Before			
					Median Price	Average Price	Days on Market	New Listings
1999	\$93,517	\$114,198	60	2,252				
2000	\$107,771	\$132,374	42	2,209	15%	16%	-30%	-2%
2001	\$115,232	\$140,631	45	3,127	7%	6%	7%	42%
2002	\$126,043	\$143,672	59	3,309	9%	2%	31%	6%
2003	\$127,228	\$145,814	69	3,484	1%	1%	17%	5%
2004	\$130,879	\$155,330	85	3,567	3%	7%	23%	2%
2005	\$137,599	\$163,277	81	3,617	5%	5%	-5%	1%
2006	\$150,000	\$180,158	66	865	9%	10%	-19%	-76%

Source: Spitzer & Associates, Gottesman Residential Real Estate



**Table III - 6  
Residential Price Appreciation, by Region, 2005 – 2006**

Station Area	Region	MLS Area	Median Sales Price			Avg Sales / SF			# of Sales		
			2005	2006	% Change	2005	2006	% Change	2,005	2,006	% Change
<b>Plaza Saltillo-Comal</b>											
Single Family	East Austin	5	\$108,600	\$135,000	24%	\$100	\$130	30%	330	425	29%
Condo/Townhome	East Austin	5	\$165,500	\$225,500	36%	\$195	\$206	6%	5	16	220%
<b>MLK</b>											
Single Family	East Austin	3	\$142,000	\$155,000	9%	\$106	\$117	10%	424	394	-7%
Condo/Townhome	East Austin	3	\$86,250	\$90,000	4%	\$55	\$56	2%	30	29	-3%
<b>Loyola Property</b>											
Single Family	East Austin	3E	\$92,000	\$103,900	13%	\$70	\$77	10%	132	139	5%
Condo/Townhome	East Austin	3E	-	-	-	-	-	-	-	-	-
<b>North Lamar / Highland Mall</b>											
Single Family	Central Austin	4	\$227,000	\$275,000	21%	\$192	\$220	15%	251	263	5%
Condo/Townhome	Central Austin	4	\$186,000	\$229,000	23%	\$197	\$234	19%	223	260	17%
<b>Southpark Meadows</b>											
Single Family	South Austin	10	\$134,000	\$148,000	10%	\$89	\$99	11%	1,339	1,465	9%
Condo/Townhome	South Austin	10	\$83,300	\$92,000	10%	\$95	\$106	12%	64	59	-8%

Note: Does not include developer sales for newly constructed units

Source: Austin Board of Realtors, Gottesman Residential Real Estate



**Table III - 7**  
**Austin MSA Apartment Units Absorbed, 1994 - 2006**

Year	Units Built	Total Units	Occupancy Rate	Occupied Units	Units Absorbed
1994	2,396	52,492	n/a	n/a	n/a
1995	4,290	56,782	n/a	n/a	n/a
1996	4,806	61,588	n/a	n/a	n/a
1997	4,235	65,912	n/a	n/a	n/a
1998	3,634	69,547	n/a	n/a	n/a
1999	3,742	72,389	n/a	n/a	n/a
2000	4,557	77,846	n/a	n/a	n/a
2001	10,181	88,027	n/a	n/a	n/a
2002	7,444	95,471	88.6%	84,587	n/a
2003	2,426	97,897	89.2%	87,324	2,737
2004	370	98,267	90.4%	88,833	1,509
2005	1,708	99,975	92.3%	92,277	3,443
2006	1,074	101,049	93.9%	94,885	2,609

Source: Real Facts

**Table III - 8**  
**Austin MSA Apartment Inventory Profile, 2Q 2007 <sup>1</sup>**

Properties:	Total	% of Total	Units:	Total	% of Total
Class A	116	32%	Class A	39,461	39%
Class B	55	15%	Class B	16,848	17%
Class C	190	53%	Class C	44,740	44%
Total	361	100%	Total	101,049	100%

Avg Units per Property: 280  
 Avg Year Built: 1988

<sup>1</sup> Includes only those properties with over 100 units

Source: Real Facts





**Table III - 9**  
**Austin MSA Apartment Average Rental Rates, 2002 - 2007**

Type of Unit	2002	2003	2004	2005	2006	2007 <sup>1</sup>	2002 - 2007	
							CAGR	Abs Growth
Studio	\$503	\$490	\$488	\$493	\$508	\$526	0.9%	\$23
Jr. 1bd	\$624	\$598	\$582	\$586	\$589	\$602	-0.7%	-\$22
1bd 1bth	\$723	\$690	\$684	\$689	\$701	\$722	0.0%	-\$1
2bd 1bth	\$802	\$767	\$762	\$758	\$767	\$793	-0.2%	-\$9
2bd 2bth	\$972	\$934	\$916	\$922	\$934	\$960	-0.2%	-\$12
2bd TH	\$987	\$1,021	\$1,015	\$1,014	\$1,040	\$1,062	1.5%	\$75
3bd 2bth	\$1,303	\$1,186	\$1,194	\$1,214	\$1,227	\$1,248	-0.9%	-\$55
3bd TH	\$1,390	\$1,395	\$1,479	\$1,467	\$1,285	\$1,394	0.1%	\$4
<i>Average</i>	<i>\$818</i>	<i>\$784</i>	<i>\$776</i>	<i>\$785</i>	<i>\$802</i>	<i>\$829</i>	0.3%	\$11

<sup>1</sup> Includes data only through the first quarter of 2007

Source: Real Facts



**Table III - 10**  
**Multifamily Pipeline Summary, 2007 Q2**  
City of Austin

Quarter	# of Units Under Review	# of Units Approved	# of Units Under Construction	Total Incoming Units
2007 Q2	12,187	9,654	7,330	29,171
2007 Q1	10,099	8,105	8,356	26,559
2006 Q4	8,010	6,555	7,640	22,205
2006 Q3	7,620	5,166	6,864	19,650
2006 Q2	6,762	10,850	6,054	23,666
2006 Q1	5,058	10,506	5,208	20,772
2005 Q4	6,335	7,701	6,384	20,420
2005 Q3	6,448	7,236	5,475	19,159
2005 Q2	4,369	7,277	4,602	16,248
2005 Q1	2,881	7,719	4,554	15,154
2004 Q4	1,848	7,460	4,189	13,497
2004 Q3	1,812	7,327	4,664	13,803
2004 Q2	1,822	6,832	5,187	13,841
2004 Q1	1,873	8,958	3,809	14,640
2003 Q4	2,739	8,080	2,877	13,696
2003 Q3	3,367	7,894	3,179	14,440
2003 Q2	3,717	7,937	4,166	15,820
2003 Q1	3,900	7,886	3,612	15,398
2002 Q4	3,649	8,514	5,910	18,072
2002 Q3	3,196	8,378	7,230	18,804
2002 Q2	5,681	6,311	6,534	18,526
2002 Q1	6,057	5,515	7,682	19,253
2001 Q4	7,609	5,584	10,702	23,895
2001 Q3	9,092	4,538	11,628	25,258
2001 Q2	8,033	4,118	10,148	22,298
2001 Q1	6,472	3,631	8,357	18,460

Source: City of Austin



**Table III - 11**  
**Under Construction Projects, 2007**  
 City of Austin

Project Name	Address	Zipcode	Units	Date Started Construction
Park Place Apartments	6200 LOYOLA LN	78724	252	4Q06
Bridges on the Park (fka Austin Park Village)	217 S LAMAR BLVD	78704	105	4Q05
Gables Westlake	3500 N CAPITAL OF TEXAS HWY	78746	175	4Q05
La Vista on Lavaca	1701 LAVACA ST	78701	23	4Q05
The Remington	13730 N F M 620 RD	78717	344	4Q05
1400 S. Congress-West	1401 Eva St	78704	21	4Q04
Goodwill Tract Apts	300 N Lamar Blvd	78703	160	4Q04
Canyon Ridge Condos	8100 F M 2222 RD	78750	102	4Q02
AMLl Downtown Tower	201 San Antonio St	78701	231	3Q05
Condominiums 360	360 Nueces Street	78701	432	3Q05
Crescent Machinery	127 E Riverside Dr	78704	172	3Q05
Deatonhill Condominiums	6810 Deatonhill Dr	78745	51	3Q05
Longhorn Canyon Condos	2601 N Quinlan Park Rd	78732	29	3Q05
Spaces 2525	2525 South Lamar Boulevard	78704	52	3Q05
The Quarters at Grayson House	714 W 22Nd St	78705	100	3Q05
The Quarters at Nueces House	2300 Nueces St	78705	232	3Q05
The Shore (fka Waterfront District Condos)	603 Davis St	78701	232	3Q05
Pearl Street North Block	2208 PEARL ST	78705	49	2Q06
Pearl Street South Block	2200 PEARL ST	78705	49	2Q06
Southpark Apartments	9401 S 1ST ST	78748	192	2Q06
Stratus on Slaughter Multifamily	4100 W SLAUGHTER LN	78749	208	2Q06
Texan Shoal Creek	2502 LEON ST	78705	98	2Q06
Red River Flats	901 Red River St	78701	94	2Q05
Scofield Farms Villas	1320 W Parmer Ln	78727	96	2Q05
Texan Tower	2505 San Gabriel St	78705	74	2Q05
Robertson Hill Apartments (aka Bennett)	900 San Marcos St	78702	283	2Q04
Springs at Onion Creek	8515 S I 35 SVC RD NB	78744	330	2Q01
ZOM	801 W 5Th St	78701	304	2Q01
Santora Villas	1805 FRONTIER VALLEY DR	78741	192	1Q07
2510 Leon Street	2510 LEON ST	78705	138	1Q06
701 W. 28Th Street	701 W 28TH ST	78705	100	1Q06
Chestnut Plaza Phase One	1601 MIRIAM AVE	78702	64	1Q06
Independence Park	6100 MANCHACA RD	78745	235	1Q06
Parker Lane Seniors Housing	2000 WOODWARD ST	78741	70	1Q06
Soco Lofts and Bella at South Congress Apartments	3801 S CONGRESS AVE	78704	375	1Q06
Twenty-One 24 Lofts	2124 E 6TH ST	78702	60	1Q06
101 Colorado	101 Colorado St	78701	258	1Q05
Bolter Multifamily Center	1605 Enfield Rd	78703	26	1Q05
Guadalupe Condos	2815 Guadalupe St	78705	74	1Q05
Speedway Condos	3007 - 3011 Speedway	78751	18	1Q05
West Campus Student Housing	2704 Rio Grande St	78705	64	1Q05
Triangle Multifamily	4701 N Lamar Blvd	78751	400	1Q03
Onion Creek Multi-Use	11215 S I 35 Svc Rd Nb	78747	72	1Q02
Woods at Manchaca	6704 Manchaca Road	78745	46	1Q00
			6682	

Source: City of Austin



**Table III - 12  
Estimated Housing Demand in Austin MSA, 2007 - 2025**

<b>Growth in Households by Type</b>	<b>2007</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
Total Population	1,450,746	1,563,179	1,727,413	1,898,404	2,079,470
Average Household Size	2.55	2.50	2.50	2.50	2.50
Total Households	568,920	625,272	690,965	759,362	831,788
Incremental Households	97,065	56,352	65,694	68,396	72,426
Total Housing Units	598,863	658,181	727,332	799,328	875,566
Vacancy Rate at Equilibrium	5%	5%	5%	5%	5%
% Single Family	62%	61%	61%	60%	59%
% Multifamily	38%	39%	39%	40%	41%
<b>New Housing Demand by Type</b>	<b>2007-10</b>	<b>2011-15</b>	<b>2016-20</b>	<b>2021-25</b>	<b>2007-25</b>
Total New Housing Unit Demand	59,300	69,200	72,000	76,200	276,700
Single Family (%)	60%	55%	50%	50%	53%
Multifamily (%)	40%	45%	50%	50%	47%
Single Family Units	35,600	38,100	36,000	38,100	147,800
Multifamily Units	23,700	31,100	36,000	38,100	128,900
Condominium and Apartment Flats (%)	80%	80%	80%	80%	80%
Condominiums	40%	45%	45%	45%	44%
Apartments	60%	55%	55%	55%	56%
Townhomes and Duplexes (%)	20%	20%	20%	20%	20%
Condominiums	7,600	11,200	13,000	13,700	45,500
Apartments	11,400	13,700	15,800	16,800	57,700
Townhomes/Duplexes	4,700	6,200	7,200	7,600	25,700
<b>Units in Pipeline <sup>1</sup></b>					
Single Family Units	1,591	1,229	0	0	2,820
Multifamily Units	<u>10,950</u>	<u>10,933</u>	<u>0</u>	<u>0</u>	<u>21,883</u>
Total Housing Units	12,541	12,162	0	0	24,703
<b>Net Regional Housing Demand</b>					
Multifamily Units	12,700	20,200	36,000	38,100	107,000
Condominiums	4,100	7,300	13,000	13,700	38,100
Apartments	6,100	8,900	15,800	16,800	47,600
Townhomes/Duplexes	<u>2,500</u>	<u>4,000</u>	<u>7,200</u>	<u>7,600</u>	<u>21,300</u>
<b>Total</b>	<b>12,700</b>	<b>20,200</b>	<b>36,000</b>	<b>38,100</b>	<b>107,000</b>

<sup>1</sup> Estimate of projects in construction, and in planning and review phases, within city of Austin.

Source: U.S. Census, Real Estate Center Texas A&M University, Texas State Demographer, Capital Area Council of Governments, ERA.



**Table III – 13**  
**Estimated Housing Demand in City of Austin, 2007 - 2025**

<b>New Housing Demand by Type</b>	<b>2007-10</b>	<b>2011-15</b>	<b>2016-20</b>	<b>2021-25</b>	<b>2007-25</b>
<b>Regional Housing Demand (units)</b>					
Multifamily Units	12,700	20,200	36,000	38,100	107,000
Condominiums	4,100	7,300	13,000	13,700	38,100
Apartments	6,100	8,900	15,800	16,800	47,600
Townhomes/Duplexes	2,500	4,000	7,200	7,600	21,300
<b>Austin Share of Demand (%)</b>					
Multifamily	80%	82%	82%	82%	82%
Condominiums	80%	83%	85%	87%	85%
Apartments	80%	80%	80%	80%	80%
Townhomes/Duplexes	75%	75%	80%	80%	79%
<b>Austin Housing Demand (units)</b>					
Multifamily Units	10,200	16,600	29,500	31,200	87,500
Condominium Flats	3,300	6,100	11,100	11,900	32,400
Apartments	4,900	7,100	12,600	13,400	38,000
Townhomes/Duplexes	1,900	3,000	5,800	6,100	16,800

Source: ERA

## Office Market

The office market in the Austin metropolitan area has followed the regional economic trends more than the residential market. In this section, ERA reviews historical trends in the regional office market and projects demand for new office construction over the next 20 years.

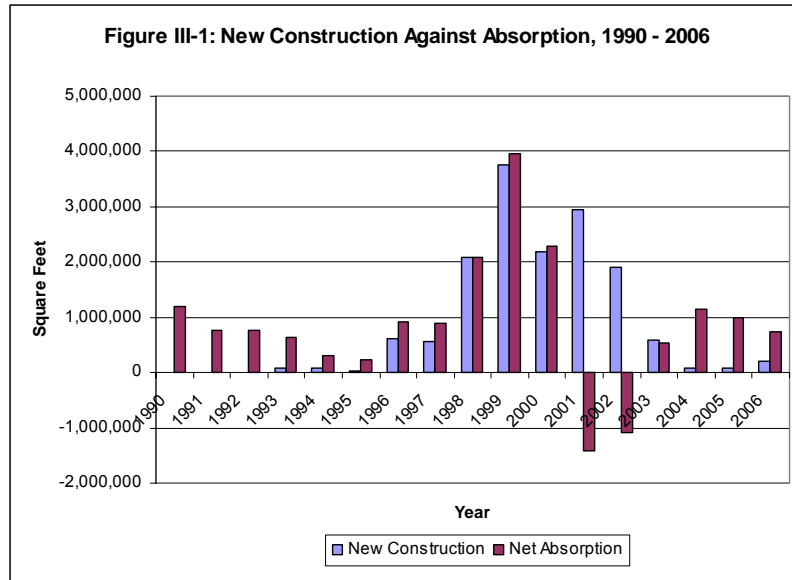
A complete picture of the Austin regional office market is best portrayed through the analysis of data from three different sources. While each office survey maintains a slightly different geography for the regional market area, they each help to complete the picture for the regional office market. Sources of information on the Austin office market included:

- **REIS** – This source is well known for its information and analysis of commercial real estate performance across the country. In particular, it maintains a comprehensive database on historic construction, absorption, vacancy rates, and rental rates within the Austin area.
- **Grubb & Ellis** – This commercial brokerage firm maintains quarterly information on the local Austin office market and includes most of the larger office buildings within the more populated areas of the Austin metropolitan region. Specifically Grubb & Ellis includes all multi-tenant and single tenant office buildings greater than 20,000 square feet in their statistics. This data source provides the best information on the present day regional office market, especially as driven by the average sized office properties.
- **CoStar** – This source covers the largest geography in the Austin market area (everything but the rural Bastrop and Caldwell counties) and includes all office buildings, regardless of size. This source is especially useful because it also provides information on the office market by building class and can, thus, indicate which types of construction are likely to be the most successful going forward.

## Historical Office Market Trends

Historical data on the supply of office space as tracked by REIS are presented in **Table III-14**.<sup>4</sup> As shown, the demand for office space was strong throughout the 1990s. Approximately 17.3 million square feet of office space were built from 1990 to 2006. Net absorption during this period generally kept up with construction, totaling 14.9 million square feet, or 876,000 square

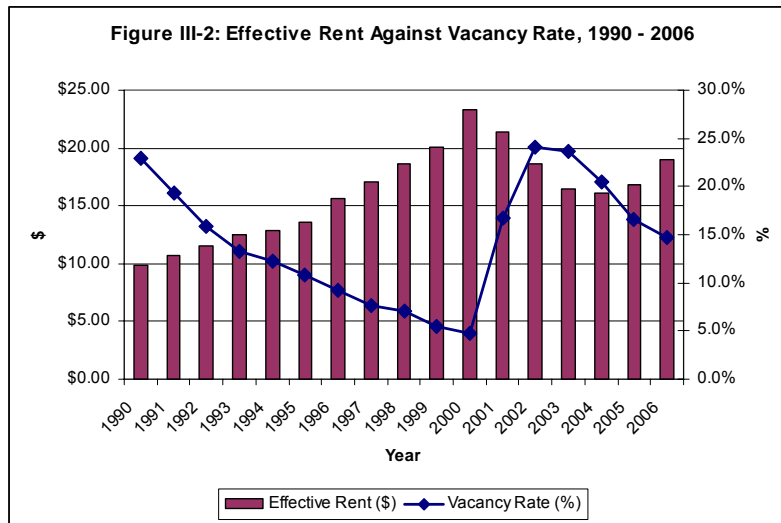
feet annually. Net absorption against new construction for the metropolitan area is presented in **Figure III-1**. Construction projects that started during the high point of the economic cycle in the late 1990s were completed at a time of economic contraction, leading to negative absorption in 2001 and 2002. By 2004 however, net absorption exceeded new construction, and firms began to take up existing vacant office space.



Source: REIS, ERA

As indicated **Figure III-2** and **Table III-14**, office vacancy rates at the beginning of the 1990s were above 20 percent and average rent was under \$13 per square foot per year for Class A space. As the technology sector expanded, rents climbed to a high of \$23 in 2000, and the vacancy rate declined steadily to less than five percent. The economic decline of 2001, which coincided with the completion of many new office projects, brought office vacancy rates up again to a high of 24 percent in 2002 and rents dropped. As the economy began to recover in 2003, demand for office space grew once more and occupancy levels improved. In 2006, the vacancy rate in the Austin metropolitan region was 12.3 percent and average Class A rent was \$28 per square foot per year. At the start of the 2<sup>nd</sup> quarter in 2007, vacancy rates had dropped to 13.4 percent and rents had increase to over \$21 per square foot per year.

<sup>4</sup> The data presented for the Austin metro office market includes: Travis, and portions of Williamson County. Bastrop, Caldwell and Hays Counties are excluded from the data.



Source: REIS, ERA

### Current Office Market Profile

According to Grubb & Ellis, the Austin metropolitan area currently has over 39 million square feet of rentable office space. The distribution of the region’s office space, as shown in **Table III-15**, indicates that the largest submarkets are Northwest Austin (10.8 million square feet), the Central Business District (8.4 million square feet) and Southwest Austin (6.1 million square feet). More than two thirds of the regional office inventory is concentrated within these three submarkets.

The CBD and Central Austin submarkets appear to be fairly healthy, maintaining vacancy rates of below 13 percent. Southwest and Northwest Austin are stronger submarkets, with vacancy rates at eight percent and ten percent respectively. Northeast Austin and East Austin seem to be weaker office locations compared to the other submarkets, with vacancy rates at 27 percent and 22 percent respectively.

The CBD had the highest rental rates of \$31.51 per square foot per year, with the South, Southwest and Northwest markets following at \$29.55, \$27.68 and \$27.39 per square foot per year, respectively.

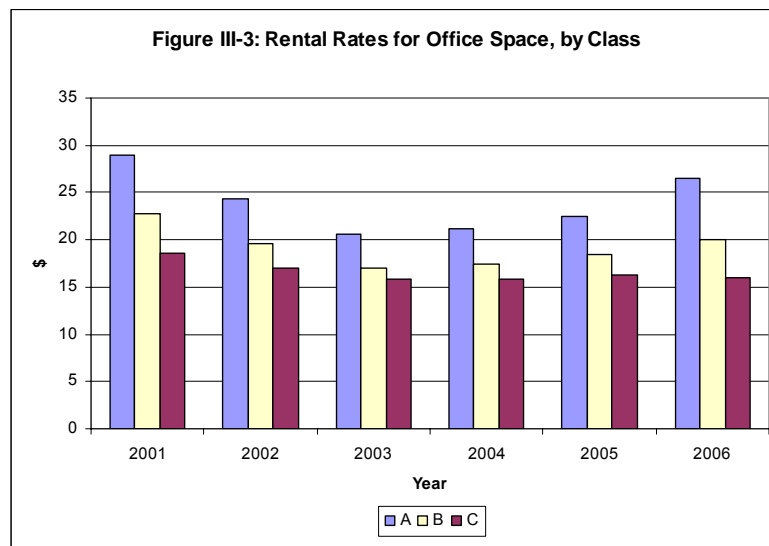
### Prospects for Office Development

Regional job growth and a lack of new construction over the last few years have worked to drive up office occupancy rates and average rents as the economy recovers. The economic



outlook for Austin is strong, as it is becoming increasingly competitive with other high technology regions due to the high quality of life, the diverse and skilled labor pool, and good business climate. Interestingly, while some areas have seen negative net absorption in office space, industrial and R&D properties have seen a corresponding increase in absorption. Some brokers believe that this shift describes the increasing demand of some office users to move from typical office buildings to lower cost, more spacious R&D buildings and converted industrial space in more suburban areas of the metropolitan area.

Over the last few years, the office market saw the greatest growth in its Class A office space. Class A office space experienced the greatest rental rate increase since the economic recession during the early part of the decade (see **Figure III-3**). Since 2003, rental rates for Class A Office space have grown by almost six dollars per square foot per year, while Class B rates have increased by only three dollars and Class C rates by only five cents.

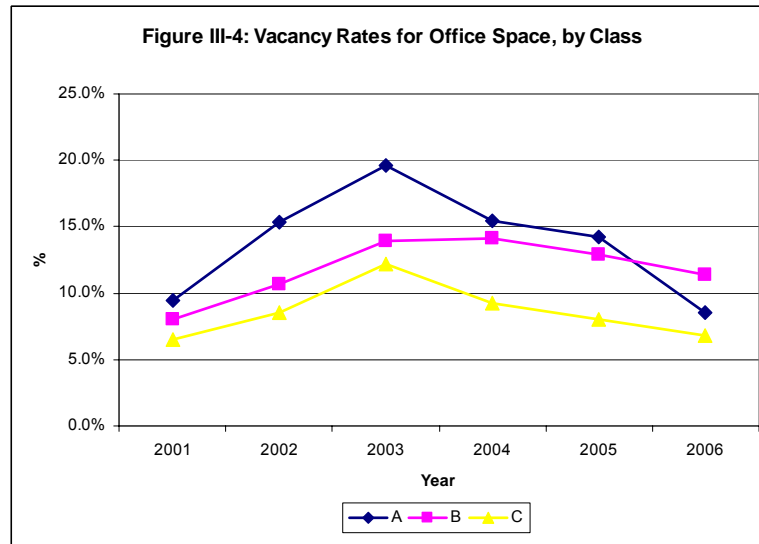


Source: CoStar, ERA

Similarly, vacancy rates have declined the most for Class A office space. Since 2003, vacancy rates have dropped by over 11 percent for Class A space, while Class B and Class C rates have both decreased by less than six percent (see **Figure III-4**)

Construction of new office space continues to locate in either the CBD, the northwest, the southwest or in Round Rock. As of the first quarter of 2007, the CBD is adding another 68,000 square feet of office space while the north is housing the construction of another 114,000

square feet of new office space. The largest region for new office construction, however, is planned for the Round Rock, Northwest Austin and Southwest Austin submarkets, which are currently adding an additional 583,000 square feet, 551,000 square feet, and 1.1 million square feet, respectively (see **Table III-16**).



Source: CoStar, ERA

### Office Demand Estimates

ERA estimated future employment-based demand for office space in the Austin metropolitan region based on the employment projections developed from the forecasts by the Texas Workforce Commission and the Capital Area Council of Governments, presented in Section II.

**Table III-17** summarizes the projected employment changes for the metropolitan region by major industry sector from 2007 to 2015 and from 2015 to 2025. According to the estimates, 140,000 new jobs will be generated in the 2007 to 2015 period. Almost 50 percent of that growth will occur in the sectors of health/education/recreation and other services. From 2015 to 2025, an additional 131,500 new jobs are forecast. During this period, the manufacturing sector is forecast to recover and generate new employment growth. Other high employment growth sectors include health/education/recreation; government; finance, insurance & real estate (FIRE); professional services; construction; and retail.

ERA then applied a percentage to each of the employment sectors that would be likely to occupy office space, as shown in **Table III-18**. For example, ERA estimated that only five percent of new manufacturing and wholesale trade jobs would occupy office space, while about

95 percent of new financial/professional service employees would occupy office space. Given these estimates, ERA calculated the number of new employees that would demand office space from each of the sectors from 2005 to 2025. The results show that from 2007 to 2015, almost 60,000 new employees will demand office space. From 2015 to 2025, an additional 53,600 employees will require new office space.

**Table III-19** presents the demand model used to calculate the amount of square footage of office and flex space that will be needed to meet the additional demand from new employment in various sectors in the region. The model incorporates the following assumptions:

- Each office employee will occupy about 250 net square feet.
- Net office space represents 84 percent of gross office space.
- Based on historical data and local standards, in equilibrium the Austin metropolitan area office market has a vacancy rate of 10 percent.

As shown, regional economic growth will create approximately 111,000 new office jobs between 2007 and 2025. This correlates to net occupied office space demand totaling about 28 million square feet by 2025. ERA factored in excess vacancies in the region's office space, which total 1.2 million square feet currently (maintaining a 10 percent vacancy overall for market equilibrium). In the 2007 to 2010 period, once all of this excess supply is absorbed by new employment growth, there will be employment-generated demand for an additional 7.0 million square feet of new construction. From 2011 to 2025, after firms have taken up existing vacant space, there will be demand for an additional 22.6 million square feet of new office space. In addition to employment-generated demand, there will also be a need to replace the older office buildings that are no longer functional in the marketplace. ERA has included a replacement factor of approximately 0.7 percent every year for existing Class B and Class C office space. In the 2007 to 2025 period, the construction to replace older buildings will total over 5.1 million square feet.

After factoring in space for hallways and circulation, new employment growth and replacement of older buildings will call for the development of 9.3 million gross square feet of office space in the next few years and 32.0 million gross square feet between 2011 and 2025 for a total of roughly 41.3 million square feet during the next 18 year period.



ERA expects that the majority of the demand for regional office space will remain concentrated within the city of Austin. ERA estimates that the city could capture between 70 and 80 percent of the regional demand for new office construction over the next ten years (see **Table III-20**). As the city's transit system becomes more developed, the attractiveness of locating in the city will be enhanced, leading to a greater capture of regional office construction from 2015 to 2025. Austin's share of regional office demand will range from 29.9 million square feet to 34.0 million square feet between 2007 and 2025.

The growing regional demand for office space does not mean that all communities and neighborhoods will benefit equally. The strength of an office location depends on the amenities and services provided in the area. Office development generally occurs in strong regionally serving locations that meet the following criteria:

- Provide peak hour access to the largest possible labor force
- Established office locations that offer prestige
- Convenience of nearby restaurants and services
- Availability of nearby executive housing

The new transit station areas that are able to meet these criteria most completely will be the strongest office locations.



**Table III – 14**  
**Net Construction & Absorption of Office Space in Austin, 1990 – 2007**

Year Ending	New Construction <sup>1</sup>	Inventory	Net Absorption	Occupied	Vacant	Vacancy Rate (%)	Effective Rent (\$)	Net Abs. as % of Occupied
1990	0	21,838,000	1,201,000	16,843,000	4,995,000	22.9%	\$9.90	7.1%
1991	0	21,838,000	764,000	17,607,000	4,231,000	19.4%	\$10.73	4.3%
1992	0	21,838,000	753,000	18,360,000	3,478,000	15.9%	\$11.54	4.1%
1993	70,000	21,908,000	626,000	18,986,000	2,922,000	13.3%	\$12.49	3.3%
1994	70,000	21,978,000	308,000	19,294,000	2,684,000	12.2%	\$12.89	1.6%
1995	33,000	21,912,000	239,000	19,533,000	2,379,000	10.9%	\$13.62	1.2%
1996	621,000	22,533,000	923,000	20,456,000	2,077,000	9.2%	\$15.57	4.5%
1997	571,000	23,104,000	883,000	21,339,000	1,765,000	7.6%	\$17.10	4.1%
1998	2,087,000	25,191,000	2,079,000	23,418,000	1,773,000	7.0%	\$18.63	8.9%
1999	3,763,000	28,954,000	3,948,000	27,366,000	1,588,000	5.5%	\$20.11	14.4%
2000	2,195,000	31,149,000	2,281,000	29,647,000	1,502,000	4.8%	\$23.34	7.7%
2001	2,956,000	33,871,000	-1,429,000	28,218,000	5,653,000	16.7%	\$21.40	-5.1%
2002	1,904,000	35,725,000	-1,090,000	27,128,000	8,597,000	24.1%	\$18.68	-4.0%
2003	591,000	36,207,000	524,000	27,652,000	8,555,000	23.6%	\$16.45	1.9%
2004	89,000	36,222,000	1,136,000	28,788,000	7,434,000	20.5%	\$16.06	3.9%
2005	73,000	35,692,000	1,000,000	29,788,000	5,904,000	16.5%	\$16.86	3.4%
2006	201,000	35,803,000	741,000	30,529,000	5,274,000	14.7%	\$19.02	2.4%
2007 <sup>2</sup>	2,069,000	37,739,000	2,152,000	32,681,000	5,058,000	13.4%	\$21.09	6.6%
<b>Total<sup>2</sup></b>	<b>17,293,000</b>	<b>37,739,000</b>	<b>17,039,000</b>					
<i>Ann Avg.</i>	<i>895,529</i>	<i>27,986,059</i>	<i>875,706</i>	<i>23,820,706</i>	<i>4,165,353</i>	<i>14.4%</i>	<i>\$16.14</i>	<i>3.8%</i>

<sup>1</sup> Does not net out any demolished or converted office space

<sup>2</sup> Only through First Quarter 2007

Source: REIS, Economics Research Associates



**Table III – 15  
Austin Office Submarket Profile, 2Q 2007**

Submarket	RBA <sup>1</sup>	Vacant Space	Share of RBA	Total Vacancy Rate <sup>2</sup>	Avg. Asking Rent <sup>3</sup>	Under Construction (SF)
CBD	8,420,366	1,095,387	24.3%	13.0%	\$31.51	68,000
Central	2,953,206	381,691	8.5%	12.9%	\$29.48	0
East	258,009	56,950	1.3%	22.1%	n/a	0
Far Northwest	519,487	103,803	2.3%	20.0%	n/a	0
Georgetown	27,636	0	0.0%	0.0%	n/a	0
North	3,073,662	453,369	10.0%	14.8%	\$28.33	114,091
Northeast	1,722,854	470,913	10.4%	27.3%	\$15.00	0
Northwest	10,754,769	1,116,108	24.7%	10.4%	\$27.39	551,365
Round Rock	1,147,890	96,716	2.1%	8.4%	\$23.27	583,278
South	3,011,522	139,274	3.1%	4.6%	\$29.55	0
Southeast	834,358	99,807	2.2%	12.0%	\$22.00	0
Southwest	6,060,911	475,362	10.5%	7.8%	\$27.68	1,135,000
West Central	483,799	27,287	0.6%	5.6%	n/a	0
<b>Total Austin Region</b>	<b>39,268,469</b>	<b>4,516,667</b>	<b>100.0%</b>	<b>11.5%</b>	<b>\$24.15</b>	<b>2,451,734</b>

<sup>1</sup> Rentable Building Area

<sup>2</sup> Includes Direct Vacancy and Sublet Vacancy

<sup>3</sup> Class A space

Source: Grubb & Ellis, Economics Research Associates



**Table III – 16  
Austin Under Construction Office Projects, 2Q 2007**

Property Name	Street Name	Street Direction	City	Submarket	Property Subtype	Property Size
1108 Lavaca	1108 Lavaca		Austin	CBD	Class A	68,000
Park Central - Phase I	12345 Lamar Blvd	N	Austin	North	Class A	114,091
Prominent Pointe II	8310 Capital Of Texas Hwy		Austin	Northwest	Class A	101,365
Four Points Centre	RR 620		Austin	Northwest	Class A	280,000
Ladera Bend	FM 2222 and Jester Blvd		Austin	Northwest	Class A	170,000
Amber Oaks III - H	9501 Amberglen Blvd		Austin	Round Rock	Class B	101,045
Amber Oaks III - I	9401 Amberglen Blvd		Austin	Round Rock	Class B	50,233
Park on Aspen Lake	13805 Highway 183	N	Round Rock	Round Rock	Class A	297,000
Green Square	Greenhill Drive		Round Rock	Round Rock	Class A	135,000
Palisades West I & II	6304 Bee Caves Rd		Austin	Southwest	Class A	360,000
The Terrace VI	Via Fortuna		Austin	Southwest	Class A	150,000
The Park on Barton Creek Bldg 1 & 2	3711 MoPac Expressway	S	Austin	Southwest	Class A	211,000
Overwatch Building	Southwest Parkway		Austin	Southwest	Class A	164,000
3900 San Clemente	3900 Capital of Texas Highway		Austin	Southwest	Class A	250,000

Source: Grubb & Ellis



**Table III – 17**  
**New Employment in the Austin MSA, by Industry, 2007 - 2025**

<b>Employment by Sector</b>	<b>2007-2010</b>	<b>2010-2015</b>	<b>2015-2020</b>	<b>2020-2025</b>	<b>2007-2025</b>
Natural Resources, Mining & Construction	5,270	5,882	5,785	4,896	21,832
Manufacturing	-1,487	-3,007	1,938	2,550	-7
Trade, Transportation, Utilities	9,952	5,461	3,708	2,137	21,258
Information	2,328	1,448	849	834	5,459
Finance, Insurance, Real Estate	5,427	5,230	4,492	3,613	18,761
Professional Services	6,981	5,831	6,080	5,937	24,830
Other Services	29,427	37,363	36,860	36,515	140,164
Government	10,868	13,056	8,424	6,880	39,228
<b>Total New Non-Ag Employment</b>	<b>68,766</b>	<b>71,263</b>	<b>68,136</b>	<b>63,361</b>	<b>271,526</b>

Source: Texas Workforce Commission, Capital Area Council of Governments, ERA





**Table III – 18  
Employment Generated Demand for Office Space in Austin MSA, 2007 – 2025**

Employment by Sector	% Using Office	2007-2010	2010-2015	2015-2020	2020-2025	2007 - 2025
Natural Resources, Mining & Construction	5%	263	294	289	245	1,092
Manufacturing	5%	-74	-150	97	127	0
Trade, Transportation, Utilities	2%	199	109	74	43	425
Information	95%	2,212	1,375	807	792	5,186
Finance, Insurance, Real Estate	95%	5,155	4,968	4,267	3,432	17,823
Professional Services	95%	6,632	5,539	5,776	5,640	23,588
Other Services	25%	7,357	9,341	9,215	9,129	35,041
Government	70%	7,608	9,139	5,897	4,816	27,460
<b>Total New Office Employment</b>		<b>29,352</b>	<b>30,616</b>	<b>26,422</b>	<b>24,225</b>	<b>110,615</b>

Source: Texas Workforce Commission, Capital Area Council of Governments, ERA.



**Table III – 19**  
**Estimated Potential Demand for Office Space in Austin MSA<sup>1</sup>**  
 (in Square Feet)

	2007-10	2011-15	2016-20	2021-25	Total	2007-2025
Change in Office Employment in Austin MSA (Jobs)	29,352	30,616	26,422	24,225	110,615	
<b>Office Demand Growth</b>						
Office Demand Growth @ 250 gross sf per new employee	7,338,000	7,653,900	6,605,600	6,056,100	27,653,600	
Occupancy in Equilibrium (%)	90%	90%	90%	90%		
New Employment-Generated Demand	8,153,300	8,504,300	7,339,600	6,729,000	30,726,200	
Current Surplus Inventory	(1,200,000)					
Incremental Office Demand in Austin MSA	6,953,000	8,504,000	7,340,000	6,729,000	29,526,000	
Replacement Factor <sup>1</sup>	842,000	1,433,000	1,454,000	1,455,000	5,184,000	
<b>New Office Construction Required</b>						
Cumulative Net Office Space Required	7,795,000	9,937,000	8,794,000	8,184,000	34,710,000	
Gross New Construction of Office Space Required <sup>2</sup>	9,280,000	11,830,000	10,469,000	9,743,000	41,321,000	
Annual New Construction	3,093,000	2,366,000	2,093,800	1,948,600	2,296,000	

<sup>1</sup> Assumes that existing Class B and Class C office space will be replaced at a rate of 0.7% annually.

<sup>2</sup> Includes hallways, circulation, and other non-leasable space.

Source: CoStar, ERA.



**Table III – 20**  
**Office Potential in the City of Austin, 2007 - 2025**  
 (in Square Feet)

	2007-10	2011-15	2016-20	2021-25	2007-25
Gross New Construction in Region	9,280,000	11,830,000	10,469,000	9,743,000	41,321,000
City of Austin Capture					
Low	70%	70%	75%	75%	
High	80%	80%	85%	85%	
New Construction in City of Austin					
Low	6,496,000	8,281,000	7,851,750	7,307,250	29,936,000
High	7,424,000	9,464,000	8,898,650	8,281,550	34,068,200

Source: ERA

## **Retail Market**

ERA reviewed recent retail trends in the Austin region, including inventory, absorption, vacancy and rents to determine the potential for retail development at the new transit stations.

### **Taxable Retail Sales Trends**

Taxable sales in the Austin metropolitan area experienced strong growth from 1990 to 2000 (see **Table III-21**). While sales increased in every retail sector during the period, the greatest annual growth rates occurred in the categories of furnishings and appliances, building materials, other retail, apparel, and eating and drinking places. Interestingly, this increase in sales was not merely a factor of population growth. Per capita retail sales also grew from \$5,400 in 1990 to \$9,300 in 2000 (**Table III-22**) as incomes increased.

After 2001, reflecting the economic slowdown, retail sales dropped slightly. However, retail sales soon began to grow once again by 2.5 percent in 2004, 2.8 percent in 2005, and 3.8 percent in 2006. In fact, by 2006, total per capita retail sales stood at \$9,900, almost \$900 higher than at its low in 2002. ERA expects that the next few years will show further retail sales growth.

### **Historical Retail Trends**

A summary of the regional retail trends is presented in **Table III-23**, and shows that the metropolitan area has about 56 million square feet of retail space currently. About 24 percent of the region's retail is located in the city of Austin, indicating an inventory of 13.2 million square feet (see **Table III-24**). Retail rents and vacancies have been generally strong throughout the last five years. Average rents increased from \$11 per square foot per year in 2002 to over \$20 per square foot per year in 2006. Similarly, vacancy rates have remained low at under eight percent throughout the period. At the end of 2006, retail vacancy in the metropolitan region was 6.6 percent. Since 2007, the Austin MSA has seen a small increase in vacancy rates and a slight drop in rental rates. Over the last two quarters, rents have decreased by a little over a dollar per square foot with vacancies increasing to almost nine percent.

Absorption trends have also been strong from 2000 to the present, considering the employment losses experienced in the region. Net absorption in the last five years totaled 11 million square feet, at an average of 1.8 million annually. Much of this growth can be attributed to retail supply catching up to the strong demand growth created during the 1990s decade.



## **Retail Outlook**

Although many economists warn of decreased consumer spending in the next two years, it is expected that regional retail shopping centers will fare better than small independent stores. "Big-box" power centers are believed to be the most competitive retail products in an environment of declining expenditures. In fact, a few major shopping centers have opened over the last few years. The Mueller Development has opened several stores at its 366,000 square foot power center located along I-35 between 51<sup>st</sup> Street and Airport Blvd, including a Bed Bath & Beyond, Old Navy, Best Buy and Wachovia Bank. Southpark Meadows in South Austin has also added several new stores to its power center, including a Target and a Cineplex.

In addition to completed projects, there are several major retail centers in construction and planning as of June 2007. A new development planned in Leander will bring 350,000 square feet of retail on 42 acres between Crystal Falls Parkway and U.S. Hwy. 183. The project will be anchored by a 150,000-square-foot Lowe's and is scheduled to break ground in October.

The City of Austin has also approved the site plan for the 192,000-square-foot Wal-Mart set for Northcross Mall. Renovations are already underway on the east end of the mall, where Lincoln Property Co., which owns the mall site, will relocate some of the mall's existing businesses. The Village at Central Park will be a 150,000-square-foot mixed use development on 17 acres adjacent to the Hill Country Galleria in the Village of Bee Cave at Texas 71 and RM 620. The project is the third major retail center to be built in Bee Cave, as developers seek to meet retail demand in the fast-growing and affluent Western Travis County suburbs

Given the abundance of existing and proposed regional retail shopping centers throughout the region, ERA envisions local resident and employee-supporting retail at the station areas rather than large-scale shopping centers. Generally, retail patrons prefer not to visit shopping centers by transit because of the inconvenience of carrying bulky or heavy purchased items home. However, if convenient, employees of shopping districts will commute by transit because they have an above average propensity to be younger, lower wage earners that do not own automobiles.



**Table III – 21**  
**Taxable Retail Sales in Austin MSA, 1990 – 2006**  
(in thousands of nominal dollars)

	1990	2000	2005	2006	1990-2000		2000 - 2006	
					CAGR	Abs. Growth	CAGR	Abs. Growth
Apparel Stores	\$318,593	\$817,336	\$961,955	\$993,778	9.9%	\$498,743	3.3%	\$176,442
Gen. Merchandise & Drug	659,615	1,400,125	\$1,655,537	\$1,811,266	7.8%	\$740,511	4.4%	\$411,141
Food Stores	536,827	1,074,869	\$1,218,630	\$1,303,347	7.2%	\$538,042	3.3%	\$228,479
Eating & Drinking Places	669,146	1,699,468	\$2,046,923	\$2,100,268	9.8%	\$1,030,322	3.6%	\$400,801
Furnishing & Appliances	326,757	1,363,784	\$1,463,970	\$1,694,082	15.4%	\$1,037,027	3.7%	\$330,298
Bldg Materials & Farm Eqmt	230,700	945,050	\$1,087,047	\$1,173,644	15.1%	\$714,350	3.7%	\$228,594
Auto Dealers & Service Statn.	203,632	437,546	\$468,352	\$488,149	7.9%	\$233,914	1.8%	\$50,603
Other Retail Stores	575,332	1,735,868	\$1,953,831	\$2,091,611	11.7%	\$1,160,535	3.2%	\$355,744
<b>Total Austin MSA</b>	<b>\$3,520,603</b>	<b>\$9,474,046</b>	<b>\$10,856,245</b>	<b>\$11,656,146</b>	<b>10.4%</b>	<b>\$5,953,443</b>	<b>3.5%</b>	<b>\$2,182,100</b>

Source: Texas State Comptroller



**Table III – 22**  
**Per Capita Taxable Retail Sales in Austin MSA, 1990 – 2006**  
 (in thousands of nominal dollars)

	1990	2000	2001	2002	2003	2004	2005	2006	1990-2000		2000 - 2006	
									CAGR	Abs. Growth	CAGR	Abs. Growth
<i>Austin MSA Population</i>	846,227	1,249,763	1,281,007	1,306,627	1,332,760	1,366,079	1,403,646	1,450,746	4.0%	403,536	2.5%	200,983
Apparel Stores	\$376	\$654	\$648	\$618	\$637	\$684	\$685	\$685	5.7%	\$278	0.8%	\$31
Gen. Merchandise & Drug	\$803	\$1,154	\$1,148	\$1,147	\$1,117	\$1,135	\$1,215	\$1,286	3.7%	\$351	1.8%	\$132
Food Stores	\$1,903	\$2,580	\$2,589	\$2,565	\$2,510	\$2,539	\$2,605	\$2,695	3.1%	\$677	0.7%	\$115
Eating & Drinking Places	\$791	\$1,360	\$1,366	\$1,341	\$1,363	\$1,434	\$1,458	\$1,448	5.6%	\$569	1.0%	\$88
Furnishing & Appliances	\$386	\$1,091	\$1,083	\$1,079	\$1,122	\$1,144	\$1,043	\$1,168	10.9%	\$705	1.1%	\$76
Bldg Materials & Farm Eqmt	\$273	\$756	\$686	\$680	\$675	\$712	\$774	\$809	10.7%	\$484	1.1%	\$53
Auto Dealers & Service Statn.	\$241	\$350	\$356	\$329	\$316	\$319	\$334	\$336	3.8%	\$109	-0.7%	-\$14
Other Retail Stores	\$680	\$1,389	\$1,360	\$1,243	\$1,276	\$1,277	\$1,392	\$1,442	7.4%	\$709	0.6%	\$53
<b>Total Austin MSA</b>	<b>\$5,452</b>	<b>\$9,334</b>	<b>\$9,237</b>	<b>\$9,003</b>	<b>\$9,016</b>	<b>\$9,245</b>	<b>\$9,506</b>	<b>\$9,869</b>	<b>5.5%</b>	<b>\$3,882</b>	<b>0.9%</b>	<b>\$534</b>

Source: Texas State Comptroller



**Table III – 23**  
**Austin MSA Historic Retail Trends, 2000 - 2007**

Year	# of Buildings	Total RBA	Total Net Absorption	Vacancy Rate	Avg. Rental Rates
2000	1,658	43,214,839	n/a	4.2%	\$15.77
2001	1,689	44,421,484	1,094,013	4.4%	\$11.05
2002	1,712	45,020,768	410,598	4.7%	\$11.30
2003	1,758	47,605,017	1,504,188	6.8%	\$15.57
2004	1,806	49,029,440	1,003,658	7.8%	\$15.47
2005	1,864	53,387,898	4,188,346	7.6%	\$17.20
2006	1,919	56,055,622	3,072,645	6.6%	\$20.28
2007 <sup>1</sup>	1,955	57,349,527	-1,035,114	8.9%	\$18.62
<i>Avg Annual</i>	<i>1,772</i>	<i>48,390,724</i>	<i>1,878,908</i>	<i>6.0%</i>	<i>\$15.23</i>

<sup>1</sup> Data only through 2nd quarter of 2007

Source: Costar, ERA

**Table III – 24**  
**City of Austin Historic Retail Trends, 2000 – 2007**

Year	# of Buildings	Total RBA	Total Net Absorption	Vacancy Rate	Avg. Rental Rates
2000	1,155	10,305,894	n/a	2.9%	\$21.27
2001	1,173	10,813,391	1,149,474	4.1%	\$5.25
2002	1,187	11,040,804	400,591	4.5%	\$6.94
2003	1,210	11,796,932	1,527,267	6.5%	\$14.94
2004	1,230	12,104,158	953,299	7.6%	\$11.05
2005	1,252	12,635,765	4,219,380	7.4%	\$13.88
2006	1,268	13,270,106	3,065,539	6.4%	\$15.37
2007 <sup>1</sup>	1,282	13,364,481	-314,201	8.4%	\$17.26
<i>Avg Annual</i>	<i>1,211</i>	<i>11,709,579</i>	<i>1,885,925</i>	<i>5.7%</i>	<i>\$12.67</i>

<sup>1</sup> Data only through 2nd quarter of 2007

Source: Costar, ERA



## Hotel Market

Austin is primarily a leisure visitor market. An inquiry study conducted in 2003 by the Convention and Visitors Bureau indicated that only 15 percent of visitors are business travelers. Instead most visitors are drawn to Austin's cultural and historical attractions, dining, the colleges and universities, and large music and art festivals.

## Transient Occupancy Tax Trends

The growth or loss of transient occupancy taxes will often point to the overall health of the region's visitor market. Transient-occupancy tax revenues for the Austin metropolitan area are summarized in **Table III-25**. The 1990s saw very strong growth in transient occupancy tax revenues, at an annual average rate of 11.8 percent, even after adjusting for tax rate changes. The hotel tax revenues for the first two years of the recession show decline, followed by a swift recovery. By 2006, transient-occupancy tax revenues reached \$27.3 million and exceeded the levels attained in 2000.

## Hotel Construction Trends

Hotel construction in Austin has followed broader economic trends. The pace of hotel construction was very strong in the mid 1980s, slowing in the early 1990s with the national recession. Overall, the metropolitan region has built more than 21,000 hotel rooms from 1980 to 2005. Of these hotel rooms, roughly 80 percent (or 18,000 rooms) are located in the 130 hotels scattered through the city of Austin (see **Table III-26**). On average, the City of Austin saw an average of 630 rooms open each year since 1980. However, paralleling the economic trends in the region, hotel construction was far from even, with the majority of new rooms opening in the last 1980s and between 1995 and 2004. Between 1985 and 1989 hotels in the City of Austin opened 4,700 new rooms, or roughly 950 per year. Similarly over the 10 years between 1985 and 1994, hotels in Austin added over 8,400 new rooms at an average rate of 840 per year (see **Table III-27**). The construction activity is expected to remain strong as the Austin hotel occupancy rate has remained high. As presented in **Table III-28**, there are many new hotels and renovations in the development pipeline, including:

- 21 C Museum Hotel – Scheduled to open in 2010, this project will contain luxury condominiums and artists' lofts in addition to a 200 room hotel, a free public world-class art museum and several upscale restaurants.

- Twelve Domain – The Novare group plans to build a 28-story condominium and 130-room hotel tower in North Austin as part of the Domain retail project. Several innovative features of the hotel include in-room computers that act as concierges, allowing guests to make dinner reservations, request valet or housekeeping services in addition to browsing the internet. Plans to break ground are set for spring 2008.
- Executive Education & Conference Center at UT – Scheduled for completion in August 2008, this facility will include a 300-seat amphitheater, 800-seat divisible ballroom, classrooms, conference rooms, and a 297 room hotel situated near three dining outlets.
- Marriott Hotel Complex – White Lodging is poised to start construction on two Marriott-branded hotels on Congress Avenue between Second and Third Streets. The first complex will add 1,000 room to the downtown hotel inventory. Meanwhile, the second project will feature an 11-story 150 room J.W. Marriot hotel. Together the hotels will also house 50,00 square feet of meeting space and two large ballrooms.
- Seaholm – There are plans to redevelop the Seaholm Power Plant into a new center that includes retail shopping, restaurants, offices and meeting and event space. A 160 room upscale hotel will serve as the anchor for the development, with completion scheduled for the spring of 2009.
- Block 21/W Hotel – Announced to open in 2009, this space will include 200 luxury condominiums, 449 hotel rooms, a new Austin Children’s Museum, new studios for Austin City Limits, and a nightclub.
- Hotel Van Zandt – Currently under construction, this project is slated to open in late 2007. Kimpton Hotel & Restaurants will manage this property which will include 290 guest rooms, 12,000 square feet of meeting space, a 5,500 square foot ballroom and a 100 seat restaurant.

### Hotel Distribution, by Price and Size

ERA looked up the addresses for each of the hotels found in **Table III-26** and mapped them to analyze the spatial clustering of these properties by price and by size. As shown in **Figure III-5**, hotels in the Austin’s central core are clustered in either the Central Business District or along I-35 at the Highway 71 and Highway 290 connectors. Furthermore, because of the high volume of traffic along I-35, most hotels are positioned in order to secure the maximum visibility from those traveling on the highway. By far, the greatest concentration of luxury and upscale hotels

are located in the central business district. Many of the hotels along the I-35 at the Highway 71 and Highway 290 connectors provide a more affordable alternative to CBD hotels, with the majority of these facilities providing either low to mid-price lodging opportunities.

Not surprisingly, given the price distribution of hotels by area, the majority of the larger hotels are also located in the Central Business District (see **Figure III-6**). This spatial distribution reflects that attractive nature of staying close to restaurants and shopping opportunities as well as near the Austin Convention Center. Those hotels outside of the CBD were mostly mid size to small hotels, and again, appear to provide a smaller, cheaper alternative to the large hotels downtown.

### **Historic Occupancy and Average Daily Rate Trends**

The Austin metropolitan area hotel market has been characterized by high occupancy levels and strong average daily room rates over the last few years. The occupancy rates for the various submarkets shown in **Table III-28** range from 70 percent in North Austin to almost 79 percent in northwest Austin. Interestingly, over the last two years, occupancy rates have increased the most in northwest Austin and have grown the least in the central business district. Average daily room rates ranged from \$75 in the North Austin market to almost \$150 in the central business district. While occupancy rates grew the most in North Austin between 2004 and 2006, rates there have actually been the most constant, increasing by only 12 percent across the two year period. The Central Business District and South Austin/Airport area, meanwhile, saw the greatest increase in average daily rates, seeing increases of 25 and 26 percent, respectively.

### **Hotel Outlook**

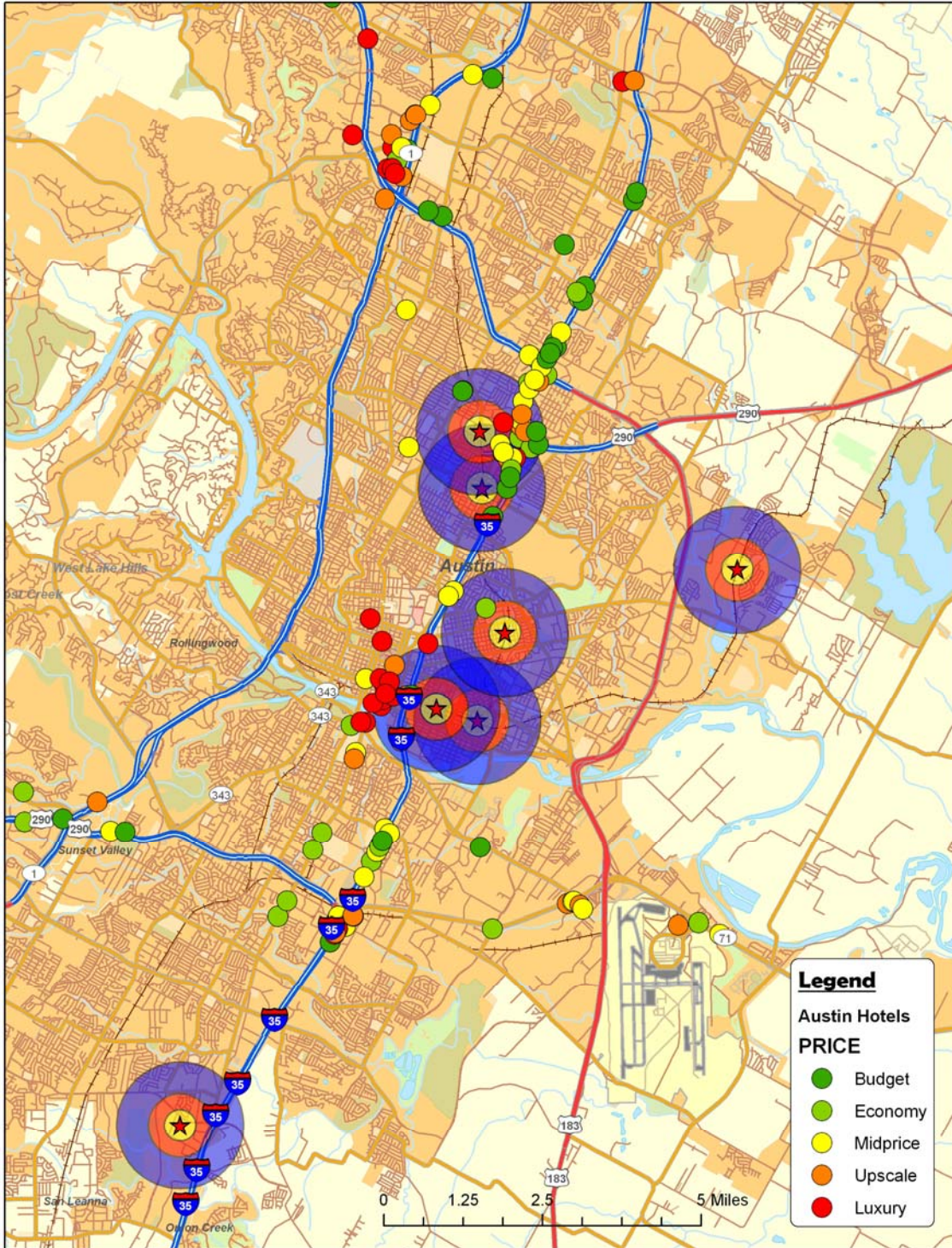
The outlook for the hotel market in Austin is positive, especially as the office market strengthens. ERA estimates that the hotel market could maintain its historical building activity rate of about 800 rooms a year over the next 20 years. ERA assumed that roughly 20 percent of the hotel rooms located in condominium developments would be actually competitive units absorbed by the typical hotel user. The city will capture between 66 and 80 percent of regional demand, or 8,400 to 10,200 by 2025 (see **Table III-29**).

- The communities and locations that may be best positioned to exploit new hotel demand are those that provide the following:

- Visibility from major highways and arterial roads and locations near airports or other major intercity transit hubs
- Major employment centers
- Locations with nearby attractions or visitor-serving facilities (convention centers, performing arts centers, etc.)
- Nearby convenient shops and restaurants



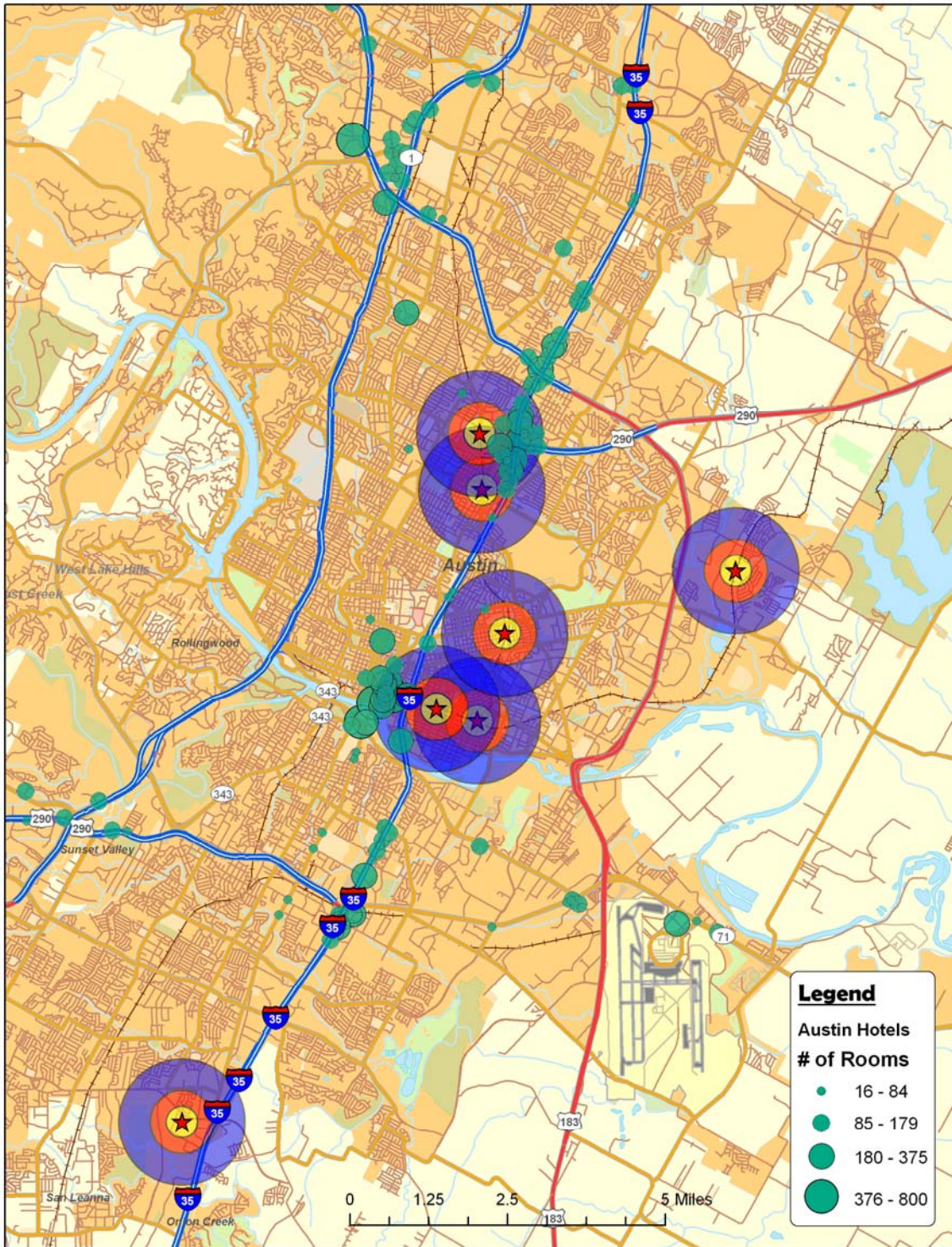
Figure III-5: Distribution of Hotels, by Price



Source: Smith Travel Research, ERA



Figure III-6: Distribution of Hotels, by Size



Source: Smith Travel Research, ERA



**Table III – 25**  
**State Transient Occupancy Tax Revenues, 1990 – 2006**  
(in thousands of nominal dollars)

Year	TOT Revenues	
	Revenue	Change
1990	\$6,594	- -
1991	\$7,249	9.9%
1992	\$8,087	11.5%
1993	\$9,246	14.3%
1994	\$10,394	12.4%
1995	\$12,166	17.0%
1996	\$13,114	7.8%
1997	\$14,567	11.1%
1998	\$15,965	9.6%
1999	\$17,933	12.3%
2000	\$21,223	18.3%
2001	\$18,780	-11.5%
2002	\$17,070	-9.1%
2003	\$17,190	0.7%
2004	\$19,253	12.0%
2005	\$22,697	17.9%
2006	\$27,284	20.2%

Notes:

State collects 6 percent of Taxable Hotel Revenues

Cities may collect an additional percentage on top of amount that goes to state

Source: State of Texas Controller



**Table III – 26**  
**Austin Metropolitan Area Hotels Opened Post-1980**

<b>Name of Establishment</b>	<b>City &amp; State</b>	<b>Zip Code</b>	<b>Open Date</b>	<b>Rooms</b>
Days Inn University Downtown	Austin, TX	78722	Jun 1980	63
Motel 6 Austin	Austin, TX	78753	Jun 1980	158
La Quinta Inns Austin North	Austin, TX	78752	Jun 1981	125
Austin Suites Hotel	Austin, TX	78753	Jun 1981	212
Walnut Forest Motel	Austin, TX	78753	Jul 1981	20
Ramada Austin	Austin, TX	78751	Dec 1981	137
Hyatt Regency Austin	Austin, TX	78704	Mar 1982	448
Red Roof Inn Austin North	Austin, TX	78753	Jun 1982	143
Doubletree Austin	Austin, TX	78752	Apr 1983	350
La Quinta Inns Austin South Ben White	Austin, TX	78745	May 1983	130
Americas Best Value Inn Austin	Austin, TX	78751	Jun 1983	91
Omni Austin Hotel Southpark	Austin, TX	78744	Jul 1983	313
Embassy Suites Austin North	Austin, TX	78723	Mar 1984	260
Austin Motor Inn	Austin, TX	78753	May 1984	48
Holiday Inn Austin Northwest Plaza	Austin, TX	78759	Jul 1984	194
Hilton Garden Inn Austin Downtown	Austin, TX	78701	Jun 1985	254
Heart Of Texas Motel	Austin, TX	78735	Jun 1985	30
Americas Best Value Inn Austin	Austin, TX	78741	Jun 1985	72
Exel Inn Austin	Austin, TX	78741	Jun 1985	89
Wyndham Garden Hotel Austin	Austin, TX	78741	Jun 1985	200
Super 8 Austin Downtown University	Austin, TX	78751	Jun 1985	140
Habitat Suites Hotel	Austin, TX	78752	Jun 1985	96
Hawthorn Suites Austin Central	Austin, TX	78752	Jun 1985	71
Budget Inn	Austin, TX	78753	Jun 1985	121
Live Oak Inn	Austin, TX	78704	Jul 1985	33
Embassy Suites Austin Downtown	Austin, TX	78704	Oct 1985	261
Drury Inn & Suites Austin North	Austin, TX	78752	Mar 1986	224
Sheraton Hotel Austin	Austin, TX	78701	May 1986	365
Oak Inn	Austin, TX	78704	Jun 1986	103
Days Inn Austin North	Austin, TX	78752	Jun 1986	146
Ramada Inn Austin North	Austin, TX	78753	Jun 1986	153
Renaissance Austin Hotel	Austin, TX	78759	Aug 1986	478
Northcross Suites	Austin, TX	78757	Oct 1986	197
Omni Austin Hotel Downtown	Austin, TX	78701	Nov 1986	375
Four Seasons Austin	Austin, TX	78701	Jan 1987	291
Motel 6 Austin South	Austin, TX	78741	Jan 1987	109
Best Western Atrium North	Austin, TX	78753	Jan 1987	117
Doubletree Austin	Austin, TX	78701	Jun 1987	189
Hampton Inn Austin North	Austin, TX	78752	Jul 1987	121
Courtyard Austin Central	Austin, TX	78751	Nov 1987	198
Barton Creek Resort	Austin, TX	78735	Aug 1988	303
Budget Lodge	Austin, TX	78753	May 1991	150
Vintage Villas Retreat	Austin, TX	78734	Jun 1994	43
Fairfield Inn & Suites Austin South Airport	Austin, TX	78744	May 1995	63
Fairfield Inn & Suites Austin Central	Austin, TX	78751	May 1995	63
Homestead Austin Arboretum	Austin, TX	78758	Jul 1995	123
Studio 6 Austin	Austin, TX	78752	Feb 1996	145
Residence Inn Austin Northwest Arboretum	Austin, TX	78759	Mar 1996	84





**Table III – 26**  
**Austin Metropolitan Area Hotels Opened Post-1980 (cont.)**

Name of Establishment	City & State	Zip Code	Open Date	Rooms
Super 8 Austin North	Austin, TX	78753	Apr 1996	123
Courtyard Austin Northwest Arboretum	Austin, TX	78759	May 1996	102
La Quinta Inn & Suites Mopac North Austin	Austin, TX	78759	Jun 1996	149
Hampton Inn Austin Arboretum Northwest	Austin, TX	78759	Sep 1996	124
Residence Inn Austin South	Austin, TX	78744	Oct 1996	66
Studio 6 Austin	Austin, TX	78759	Oct 1996	133
Courtyard Austin Airport South	Austin, TX	78744	Dec 1996	110
Amerisuites Austin North Central	Austin, TX	78752	Dec 1996	120
Mountain Star Lodge	Austin, TX	78738	Jan 1997	40
Hampton Inn Austin South Airport Area	Austin, TX	78744	Mar 1997	123
Comfort Inn Austin	Austin, TX	78752	Mar 1997	73
Homewood Suites Austin Northwest	Austin, TX	78759	Jul 1997	97
Doubletree Club Austin	Austin, TX	78702	Sep 1997	152
La Quinta Inn & Suites Austin Southwest	Austin, TX	78735	Dec 1997	128
Extended Stay Deluxe Austin Metro	Austin, TX	78723	Jan 1998	85
Homewood Suites Austin Airport South	Austin, TX	78744	Mar 1998	96
Red Roof Inn Austin South	Austin, TX	78744	Mar 1998	137
Extended Stay Deluxe Austin Arboretum North	Austin, TX	78758	Jun 1998	113
Candlewood Suites Austin Northwest	Austin, TX	78759	Jun 1998	125
Extended Stay Deluxe Austin Northwest Research Park	Austin, TX	78759	Jun 1998	120
La Quinta Inn & Suites Austin Round Rock	Austin, TX	78728	Jul 1998	86
Extended Stay Deluxe Austin North Central	Austin, TX	78753	Jul 1998	119
Embassy Suites Austin Arboretum	Austin, TX	78759	Jul 1998	150
Crossland Suites Austin West	Austin, TX	78729	Aug 1998	139
Homestead Austin Downtown Townlake	Austin, TX	78704	Dec 1998	130
Candlewood Suites Austin South	Austin, TX	78745	Dec 1998	122
Holiday Inn Express Hotel Austin North Central	Austin, TX	78753	Dec 1998	101
Bradford Homesuites Austin Northwest	Austin, TX	78759	Jan 1999	135
Amerisuites Austin Arboretum	Austin, TX	78759	Feb 1999	128
Extended Stay America Austin Arboretum	Austin, TX	78759	Mar 1999	102
Hotel San Jose	Austin, TX	78704	Apr 1999	40
La Quinta Inn & Suites Austin Airport	Austin, TX	78741	Apr 1999	142
Holiday Inn Express Hotel Suites Austin North	Austin, TX	78728	Jun 1999	84
InTown Suites Lamar Blvd	Austin, TX	78753	Jun 1999	121
Comfort Suites Austin	Austin, TX	78744	Nov 1999	50
Springhill Suites Austin Northwest Arboretum	Austin, TX	78759	Jan 2000	99
Comfort Suites Austin	Austin, TX	78750	Feb 2000	65
Inter-Continental Stephen F Austin Hotel	Austin, TX	78701	May 2000	189
Staybridge Suites Austin Arboretum	Austin, TX	78759	Jul 2000	121
Residence Inn Austin North Parmer Lane	Austin, TX	78753	Aug 2000	88
Extended Stay America Austin Downtown	Austin, TX	78701	Nov 2000	101
Springhill Suites Austin South Airport	Austin, TX	78744	Dec 2000	152
Hilton Austin Airport	Austin, TX	78719	Jan 2001	262
Hampton Inn Suites Austin Airport	Austin, TX	78744	Mar 2001	102
Comfort Suites Austin	Austin, TX	78741	Apr 2001	84
TownePlace Suites Austin Northwest	Austin, TX	78759	Apr 2001	127
Crestwood Suites Austin	Austin, TX	78750	Jul 2001	151
Holiday Inn Express Hotel & Suites Austin Airport	Austin, TX	78741	Aug 2001	80



**Table III – 26  
Austin Metropolitan Area Hotels Opened Post-1980 (cont.)**

<b>Name of Establishment</b>	<b>City &amp; State</b>	<b>Zip Code</b>	<b>Open Date</b>	<b>Rooms</b>
Suburban Extended Stay Hotels Austin	Austin, TX	78741	Aug 2001	136
Marriott Austin Airport South	Austin, TX	78744	Aug 2001	211
Hawthorn Suites Ltd Austin Airport	Austin, TX	78744	Dec 2001	70
Country Inn & Suites Austin North	Austin, TX	78752	Dec 2001	75
Extended Stay America Austin Southwest	Austin, TX	78735	Mar 2002	117
Extended Stay America Austin Northwest	Austin, TX	78750	Apr 2002	101
Holiday Inn Express Hotel Austin NW Highway 620 & 183	Austin, TX	78750	Jun 2002	65
Springhill Suites Austin North	Austin, TX	78753	Jun 2002	132
Hilton Garden Inn Austin Northwest Arboretum	Austin, TX	78759	Jul 2002	138
Fairfield Inn & Suites Austin Northwest	Austin, TX	78759	Sep 2002	134
Hampton Inn Suites Austin Downtown	Austin, TX	78701	Dec 2002	209
The Mansion @ Judges Hill	Austin, TX	78705	Feb 2003	48
Extended Stay America Austin Round Rock	Austin, TX	78728	Aug 2003	104
Holiday Inn Express Hotel & Suites Austin Sunset Valley	Austin, TX	78735	Sep 2003	99
Hilton Austin Convention Center	Austin, TX	78701	Dec 2003	800
Super 8 Airport South	Austin, TX	78744	Nov 2005	36
Courtyard Austin Downtown Convention Ctr	Austin, TX	78701	Sep 2006	270
Residence Inn Austin Downtown Convention Ctr	Austin, TX	78701	Sep 2006	179
Courtyard Austin Airport	Austin, TX	78744	Oct 2006	150
Hampton Inn Suites Austin Cedar Park Lakeline	Austin, TX	78750	May 2007	71
Driskill Hotel	Austin, TX	78701	n/a	189
Bel Air Motel	Austin, TX	78704	n/a	40
Ace Motel	Austin, TX	78722	n/a	25
The Crossings	Austin, TX	78726	n/a	95
Country Garden Inn	Austin, TX	78741	n/a	58
Parkwest Inn	Austin, TX	78741	n/a	42
Days Inn Austin South	Austin, TX	78745	n/a	62
Sands Motel	Austin, TX	78745	n/a	20
St Elmo Motel	Austin, TX	78745	n/a	30
Deluxe Inn	Austin, TX	78751	n/a	53
Motel 6 Austin Airport	Austin, TX	78751	n/a	118
Motel 6 Austin	Austin, TX	78753	n/a	111
Village Motor Inn	Austin, TX	78753	n/a	34
Staybridge Suites Austin	Austin, TX	78741	U/C	161
Bastrop Inn	Bastrop, TX	78602	Apr 1984	32
Best Western Inn Of The Pines	Bastrop, TX	78602	Nov 1997	37
Comfort Inn Bastrop	Bastrop, TX	78602	Feb 1998	42
Holiday Inn Express Hotel & Suites Bastrop	Bastrop, TX	78602	May 2003	56
Days Inn Bastrop	Bastrop, TX	78602	n/a	50
Comfort Inn Cedar Park	Cedar Park, TX	78613	Mar 1998	58
Best Western Cedar Inn	Cedar Park, TX	78613	Dec 1999	40
Holiday Inn Express Hotel Cedar Park	Cedar Park, TX	78613	Dec 2001	62
Best Western Austin Airport Hotel & Suites	Del Valle, TX	78617	Mar 1999	112
Quality Inn Georgetown	Georgetown, TX	78628	Jan 1985	54
La Quinta Inns Georgetown	Georgetown, TX	78628	Dec 1985	99
Holiday Inn Express Hotel & Suites Georgetown	Georgetown, TX	78626	Oct 1999	79
Comfort Suites Georgetown	Georgetown, TX	78626	Nov 2005	69
Plum Creek Inn	Lockhart, TX	78644	Jun 1983	55



**Table III – 26**  
**Austin Metropolitan Area Hotels Opened Post-1980 (cont.)**

Name of Establishment	City & State	Zip Code	Open Date	Rooms
Best Western Lockhart Hotel & Suites	Lockhart, TX	78644	Mar 2007	42
Lockhart Inn	Lockhart, TX	78644	n/a	36
La Quinta Inns Austin Round Rock	Round Rock, TX	78681	Apr 1987	116
Red Roof Inn Austin Round Rock	Round Rock, TX	78681	Sep 1996	107
Days Inn & Suites Round Rock	Round Rock, TX	78681	Oct 1996	49
Best Western Executive Inn	Round Rock, TX	78664	Nov 1996	65
Courtyard Austin Round Rock	Round Rock, TX	78681	Aug 1998	113
Extended Stay America Austin Round Rock	Round Rock, TX	78664	Dec 1998	138
Wingate By Wyndham Round Rock	Round Rock, TX	78664	Mar 1999	100
Residence Inn Round Rock	Round Rock, TX	78664	Jul 1999	96
Hilton Garden Inn Austin Round Rock	Round Rock, TX	78681	Jan 2000	122
Comfort Suites Round Rock	Round Rock, TX	78681	Jun 2000	62
Springhill Suites Round Rock	Round Rock, TX	78681	Aug 2000	104
Staybridge Suites Austin Round Rock	Round Rock, TX	78681	Apr 2001	81
Hampton Inn Austin Round Rock	Round Rock, TX	78664	May 2001	94
Marriott Austin North	Round Rock, TX	78681	May 2001	295
Candlewood Suites Round Rock	Round Rock, TX	78702	Jan 2002	98
Holiday Inn Suites Austin Round Rock	Round Rock, TX	78681	Aug 2002	91
Country Inn & Suites Round Rock	Round Rock, TX	78681	Nov 2003	61
Parkside Inn & Suite	San Marcos, TX	78666	Jun 1980	44
Americas Best Value Inn San Marcos	San Marcos, TX	78666	Jun 1985	33
Stratford Inn	San Marcos, TX	78666	Jun 1985	40
Super 8 San Marcos	San Marcos, TX	78666	Jul 1985	40
Days Inn San Marcos	San Marcos, TX	78666	Apr 1988	61
La Quinta Inns San Marcos	San Marcos, TX	78666	Oct 1993	117
Comfort Inn San Marcos	San Marcos, TX	78666	Dec 1994	54
Best Western San Marcos	San Marcos, TX	78666	Jul 1996	50
Ramada Limited San Marcos	San Marcos, TX	78666	Nov 1996	38
Amerihost San Marcos	San Marcos, TX	78666	May 1997	61
Gateway Inn	San Marcos, TX	78666	Jun 1997	32
Holiday Inn Express Hotel & Suites San Marcos	San Marcos, TX	78666	Jul 1997	106
Red Roof Inn San Marcos	San Marcos, TX	78666	May 1998	50
Hampton Inn Suites San Marcos	San Marcos, TX	78666	May 2003	90
Comfort Suites San Marcos	San Marcos, TX	78666	Jun 2006	53
Best Budget Inn	San Marcos, TX	78666	n/a	21
Motel 6 San Marcos	San Marcos, TX	78666	n/a	126
Best Western Taylor Inn	Taylor, TX	76574	Jun 1980	40
Taylor Inn	Taylor, TX	76574	Jul 1987	41
Luxury Inn	Taylor, TX	76574	Jun 1993	30
Regency Inn	Taylor, TX	76574	n/a	25

	Total	% in Austin
Total Hotel Rooms	21,635	82%
Total Hotels	184	71%

Source: Smith Travel Research, ERA



**Table III – 27**  
**Austin Hotel Rooms Opened, by Year, 1980 - 2006**

Year	Total Hotel Rooms	Avg. Built per Year
1980 - 1984	2,692	538
1985 - 1989	4,736	947
1990 - 1994	193	39
1995 - 1999	4,343	869
2000 - 2004	4,060	812
2005 - 2007 <sup>1</sup>	<u>706</u>	<u>471</u>
<b>Total</b>	<b>16,730</b>	<b>631</b>
<i>Date Opened Unavailable</i>	<i>1,038</i>	<i>n/a</i>

<sup>1</sup> Includes only up to June 2007

Source: Smith Travel Research

**Table III – 28**  
**Austin New Hotel Construction, 2007**

Name	# of Rooms	Expected Opening Date
Hotel Van Zandt	290	2007
Twelve Domain	130	2008
Executive Education & Conference Center at UT	297	2008
Seahollm	160	2009
Block 21/W Hotel	449	2009
21 C Museum Hotel	200	2010
Marriott Hotel Complex	1,000	n/a
Total	2,526 Rooms	

Source: Austin Visitors & Convention Bureau



**Table III – 29**  
**Occupancy & Average Daily Rate Trends, 2004 - 2006**

Region	Average Daily Room Rate			2004 - 2006		Occupancy Rate			2004 - 2006	
	2004	2005	2006	Abs Change	% Change	2004	2005	2006	Abs Change	% Change
CBD Austin	\$119.33	\$131.43	\$149.55	\$30.22	25.3%	68.9%	71.8%	75.2%	6.3%	-
North Austin	\$66.73	\$68.21	\$75.15	\$8.42	12.6%	57.7%	62.2%	69.7%	12.0%	-
Northwest Austin	\$84.65	\$84.31	\$94.46	\$9.81	11.6%	61.9%	71.1%	78.6%	16.7%	-
South Austin/ Airport	\$65.90	\$72.85	\$83.60	\$17.70	26.9%	62.0%	71.1%	74.7%	12.7%	-
<i>Austin Average</i>	<i>\$92.29</i>	<i>\$101.09</i>	<i>\$113.69</i>	<i>\$21.40</i>	<i>23.2%</i>	<i>63.5%</i>	<i>69.0%</i>	<i>74.1%</i>	<i>10.6%</i>	<i>-</i>

Source: PKF Consulting



**Table III – 30  
Hotel Demand in Austin MSA, 2007 - 2025**

	2007 - 10	2011- 15	2016 - 20	2021 - 25	2007 - 2025
Average Annual Room Demand	900	900	800	700	800
Regional Hotel Room Demand	2,700	4,500	4,000	3,500	14,700
Hotel Rooms in Construction <sup>1</sup>	1,903				
Hotel Room Potential in Austin MSA	797	4,500	4,000	3,500	12,797
<b>City of Austin Capture Rate</b>					
Low	70%	70%	65%	60%	66%
High	80%	80%	80%	80%	80%
<b>City of Austin Hotel Room Potential</b>					
Low	558	3,150	2,600	2,100	8,408
High	638	3,600	3,200	2,800	10,238

<sup>1</sup> Includes only 20 percent of the proposed rooms under construction for condominium-hotel developments

Source: ERA



## **Summary of Development Potential**

As presented in **Table III-31**, between 2007 and 2025, the Austin Metropolitan Area can expect regional demand for over 87,000 units of multifamily residential units, between 29 million and 34 million square feet of office space and between 8,000 and 10,300 hotel units.



**Table III – 31**  
**Summary of Development Potential in Austin MSA, 2007 – 2025**

Land Use	2007 - 2010	2011 - 2015	2016 - 2020	2021 - 2025	Total
<b>MF Residential Development Potential (units)</b>					
Condominium Flats	3,300	6,100	11,100	11,900	32,400
Apartments	4,900	7,100	12,600	13,400	38,000
Townhomes/Duplexes	<u>1,900</u>	<u>3,000</u>	<u>5,800</u>	<u>6,100</u>	<u>16,800</u>
Total	10,100	16,200	29,500	31,400	87,200
<b>Office Development Potential (SF)</b>					
Low	6,496,000	8,281,000	7,851,750	7,307,250	29,936,000
High	7,424,000	9,464,000	8,898,650	8,281,550	34,068,200
<b>Hotel Development Potential (units)</b>					
Low	558	3,150	2,600	2,100	8,408
High	638	3,600	3,200	2,800	10,238

Source: Economics Research Associates



## Citywide Major Projects

In order to estimate the amount of product expected for each of the land uses discussed above, ERA reviewed the status of the major proposed projects discussed in our last report. Each of these developments has the ability to impact the regional demand by shifting absorption away from the station areas.

### Robinson Ranch

Robinson Ranch encompasses 7,500 acres of land in Travis and Williamson Counties. The ranch, a roughly diamond-shaped patch of land, is located north and east of West Parmer Lane, west of FM 1325 and south and southeast of FM 620. The McNeil Junction, the interchange of the Union Pacific and Capital Metro freight rail lines, runs through the property. The property is the site of Austin White Lime Company which conducts extensive quarrying, and rock crushing operations. The remainder of the property is used for ranching activities. 300 acres of the ranch were sold as right of way for the extension of Mopac/Loop One and Highway 45, which are currently under construction.



In June of 2004, the City of Austin annexed approximately 6,300 acres with approval of approximately 6,058 acres as a Planned Unit Development Zoning District (PUD). The annexed area is bound on the east, south and west by large residential, commercial and industrial projects. McNeil High School campus is within the area but is not included in the annexation.

The PUD Land Use Plan requires that 4,419 of the 6,058 acres be used as Mixed Use High Density, which allows for any combination of residential, commercial, industrial, agricultural, and civic uses, or as a Transit Oriented Development, with the remaining acreage to be used for open space. The southeast portion of the PUD is also in close proximity of the proposed Howard Lane Station.

The next step in the process is up to the Robinson family. While the land has been annexed into the City of Austin and zoned, the Robinson's still maintain control of the 6,000 acres.

Developers are eyeing the historic ranch land to the northwest, but currently no additional subdivisions have been planned for the area.

### Hope Ranch

In our previous report we mentioned that ABG Development Ltd. of San Antonio had committed to purchasing 600 acres of land from the Shaffer family along Interstate 35. However, as of last year, ABG Development decided to drop its plans to acquire the site due to slower than expected retail growth in the area and a lack of available water. Furthermore, while this deal struggled to get off the ground, other retail developments such as the power center at Southpark Meadows to the north, absorbed much of the retail demand in the area, leaving little for ABG if and when they were able to break ground.

### Southpark Meadows

This is a 425-acre, mixed-use, master-planned project located on Interstate 35, ten miles south of downtown Austin. The project is located approximately two miles north of Capital Metro’s proposed South Interstate 35 Park and Ride. When fully completed, the project will comprise 1.6 million square feet of retail space, approximately 650 multi-family units, 200 townhomes and up to 400 single-family homes. A five-acre park is planned to include 40,000 square feet of restaurant and courtyard space.





Opening in May of 2005, this development has been of the largest and most successful retail centers in the area. Tenants featured at this development include a Wal-Mart, Super Target, PetSmart, JC Penny, Ross, Ubuildit and a 14-screen Cinemark Theaters. Smaller retail space is fetching \$28 to \$32 per square foot. Lennar Homes have purchased the rights for the vertical construction of the 400 single-family homes while another development team controls the site for the multi-family units. 25 acres have been set aside for medical office and office condominiums.

### **Mueller Project**

The Mueller Center, located approximately 3.5 miles from the center of downtown Austin, is a redevelopment of the former Robert Mueller Municipal Airport. The master-planned project is approximately 711 acres located at the intersection of Interstate 35 and 51<sup>st</sup> Street in east Austin. The project will include approximately 4,600 housing units, half of which will be multi-family. The range of homes will include single-family yard homes, row homes, live-work “shop houses”, and mixed-use apartment and townhome buildings. In addition to the housing and mixed-use developments, the site includes the new 455,000 square foot Dell Children’s Medical Center of Central Texas, which will replace the current Children’s Hospital. The campus will also include a Ronald McDonald House facility and a 127,000 square foot medical office building. Also featured at the property are 366,000 square feet of retail tenants, including a Bed Bath & Beyond, Best Buy, Old Navy, and Wachovia Bank to name a few.

The first phase of the project included the hospital, retail center and roughly one-fourth of the residential units. There are three main types of housing products at the Mueller Development. The smallest Row House product features 1,400 to 2,000 square foot floor plans priced between \$240,000 and \$290,000. Garden Court Homes make up the next largest product and run from 1,600 to 2,000 square feet with pricing around \$300,000. The largest units are listed as the Yard Houses, which come in four different styles. Altogether, Yard Homes range in size between 1,700 and 2,600 square feet and are priced from \$240,000 to \$600,000. The majority of the buyers have been local residents, with only 25 percent coming from outside the area.

Some 25 percent of the homes — more than 1,100 new houses, condos and apartments — are reserved specifically for households with lower-than-average incomes. The Mueller Affordable Homes Program includes both for-sale and for-rent homes that are interspersed with the rest of

the Mueller community. For-sale homes at Mueller are reserved for households making no more than 80% of the Median Family Income (MFI) for the City of Austin. For-rent homes are available to households making no more than 60% of Austin MFI.



When the project is completely built out, the development team expects to build 2,400 single family units and 2,200 multifamily units over a ten year period. A town center will also be included at the project which will feature smaller boutique shops with local tenants and 442 apartment units.

**Downtown Austin**

Downtown Austin has experienced enormous growth recently and both residential and commercial development continues to occur. As of April 2007, the city of Austin identified over 75 projects currently under construction or in the planning stage. The projects include residential, retail, office, hotel, arts and entertainment uses.

Over 48 residential projects are in the planning stage, with construction projected to commence by the end of 2007 for over half of the projects. All of the proposed projects are multi-family,



ranging from rental units to luxury for-sale condominiums. Many of the projects are mixed-use such as 5<sup>th</sup> & Congress which will contain retail, office, and condominiums. With respect to commercial properties, there is a proposal for the expansion of the Austin Market District, which currently includes the popular Whole Foods flagship store; construction of two twin tower hotels by Marriott adding additional 850 rooms to service the convention center; and proposals for a new bank and 80,000 square foot office building. A number of civic and entertainment projects are also in the works including the development of the Austin Museum of Art and the renovation of both the Susanna Dickinson House and Brush Square.

### **University of Texas**

The University of Texas is also expanding. Currently under construction is the Jack S Blanton Museum of Art Educational Building. While the facility opened in April of 2006, a 56,000 square foot Education and Visitor Administration building will be the center of the museum's programs. It will house administrative offices, a 299 seat auditorium, and several classrooms. Also under construction is the UT Executive Education and Conference Center. As discussed earlier, this facility will feature a 300-seat amphitheater, 800-seat divisible ballroom, classrooms, conference rooms, and a 297 room hotel situated near three dining outlets. Scheduled for completion in 2008, the University of Texas also plans to expand the Royal-Memorial Stadium. The stadium expansion will stretch north of the existing facilities and include cheering, television production, ticketing and academic facilities.





## **Section IV: Transit Station Area Analysis**

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In the following section, ERA updates the market information presented in our last report. Specifically, we present data for the MLK, Jr., Crestview, and Plaza Saltillo station areas. For each station area, ERA analyzed the development potential of residential, office, retail and hotel uses.

### **Methodology**

Based on the regional real estate market trends described in Section III, ERA estimated demand for housing, office, retail and hotel development within the city of Austin. ERA then estimated the ability of each of the station areas to capture some percentage of the citywide development potential. For each of the stations, ERA calculated low and high capture rates based on the following criteria:

- The site's strengths and weaknesses in terms of location, access, transportation, developability of parcels, and other site-specific factors.
- Market competition from other planned and proposed developments in the city.
- Political and local policy considerations such as the level of community support, neighborhood plans, and land use policies.
- Concept plans developed by PB PlaceMaking for each of the station areas.

The ability of the station area to capture a greater share of development is also largely influenced by the site planning and design, the quality of the amenities provided, and the infrastructure linkages that help to create a vibrant mixed-use community.

ERA's analysis estimates market demand for real estate development within one-quarter mile of the proposed station locations. This was based on a literature review of transit oriented development research demonstrating that properties within a quarter-mile of rail stations experience the greatest property value benefits from enhanced rail access. As distance increases from the transit station, the effect on property value (and therefore development potential) tends to decrease.

Appendix A includes maps of each station area and delineates the area within a quarter-mile radius from the proposed station location. The quarter-mile radius, in most of the station areas, includes the City of Austin's Transit Oriented Development District zones. ERA's market



demand estimates acknowledges the parcels vacant and available for development within these zones. However, at this stage in the joint development planning process, the demand estimates should not be interpreted as parcel specific. For each of the stations, ERA has refined the market study to incorporate the knowledge gained from the station area planning work conducted by PB PlaceMaking for the City of Austin.

### **MLK Jr., Station Area**

The MLK, Jr. Station is located off E. Martin Luther King Boulevard at Alexander Avenue. The station area is approximately three miles northeast of Downtown Austin, and just one mile east of the main University of Texas campus. The Mueller Airport redevelopment is only one mile north of the MLK, Jr. station.

The immediate area surrounding the MLK, Jr. station is predominantly composed of single-family homes, small retail stores, several industrial buildings, and community churches. Much of the housing and commercial buildings date back to the early 20th century, and many of the historic structures are in need of renovation and rehabilitation. Plans have been developed for surrounding neighborhoods of Chestnut, Rosewood, MLK and Upper Boggy Creek.

There are two major development sites immediately adjacent to the future commuter rail station. The Chestnut Plaza property, a 30-acre site west of the station, was formerly home to the Featherlite pre-cast concrete factory. The property was purchased in 2003 by a limited partnership. In addition, the Redeemer Presbyterian Church owns an 11-acre vacant property directly across Martin Luther King Boulevard, north of the Chestnut Plaza site. Both property owners have expressed interest in developing a mixed-use transit village that would be sensitive to the neighborhood and accommodate the rail station facilities. The Chestnut neighborhood plan, completed in 1999, designates these parcels for high-density, mixed-use zoning.

### **Station Area Conceptual Plan**

The market analysis to follow addresses the potential for real estate development within the transit oriented development district (TOD district) defined in the station area's "blended concept" plan (See **Figure IV-1**).

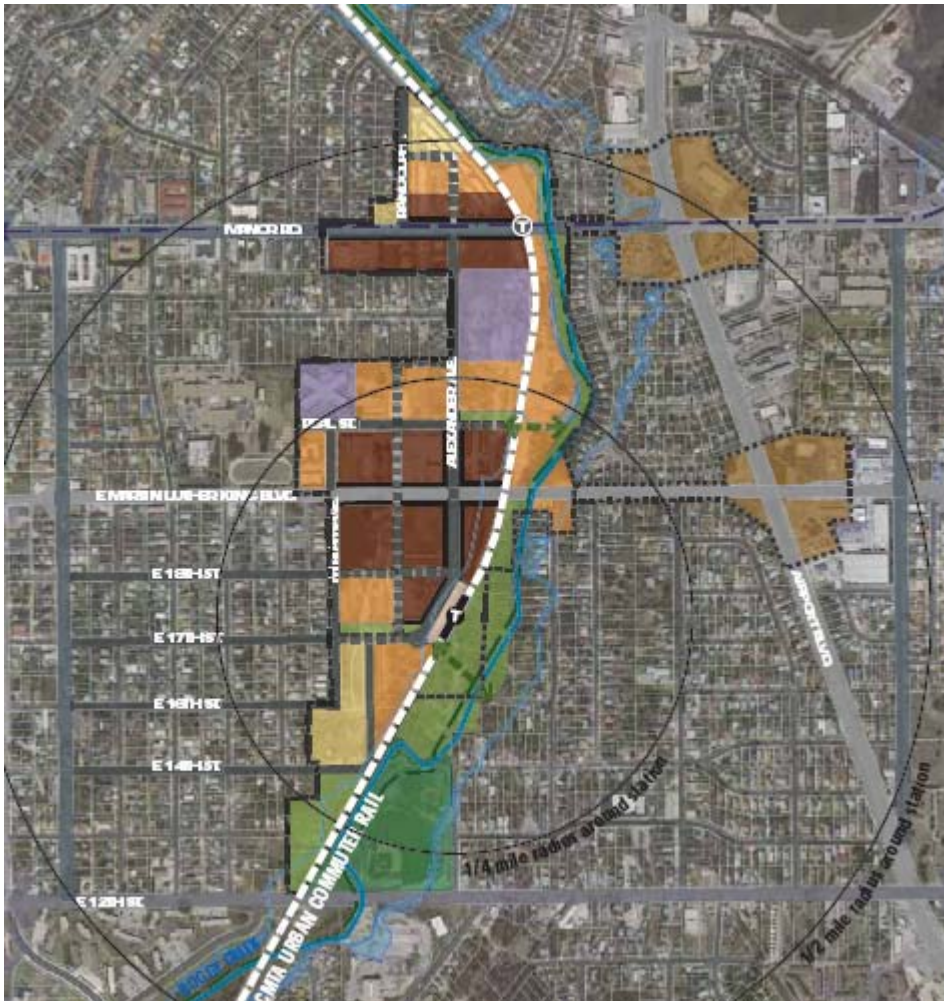
The blended plan has incorporated concepts and public comments from the previous public charettes. Several key features of the plan include:

- Two high density mixed-use nodes at the intersection of Martin Luther King, Jr. and Alexander (primary center) and the intersection of Manor and Alexander (secondary center). Proposed densities around these intersections run to a maximum of 60 units per acre.
- A linear park/natural area with a trail along Boggy creek, with open space east of the station.
- Improved pedestrian connections, especially with neighborhoods east of the station area. Bicycle and pedestrian improvements were also proposed on Martin Luther King Boulevard and Manor Road to increase safety for school children crossing Martin Luther King Boulevard.
- Additional corridor mixed-use districts at the intersections of Manor Road and Airport Boulevard, and Martin Luther King Boulevard and Airport Boulevard.
- The preservation of the adjacent single family neighborhoods, including ensuring the district steps down in density as it meets the existing neighborhoods and that parking for the station area does not reduce parking for local residents.
- Proposed building heights are highest (up to five stories) around the transit district core, centered at Martin Luther King Boulevard and Alexander Avenue, dropping to four stories around Manor Road and Alexander Avenue and the mixed-use corridors along Airport Boulevard. Near the single-family neighborhoods to the west, densities drop even further, with heights around two to three stories or less at the edge of the district.

ERA's analysis evaluates the demand for each of the land uses based on the proposed land uses, densities, infrastructure improvements, amenities, and other features of the blended plan.



**Figure IV-1: MLK, Jr. Transit Oriented District – Blended Concept**



Source: PB PlaceMaking, May 2007

### **Population & Demographic Overview**

In order to provide a context for the ensuing market analysis, ERA first analyzed key demographic characteristics for those living within one-mile of the future MLK, Jr. station area in order to have an understanding of the neighborhood’s population and households. (see **Table IV-1**). The following characteristics can be observed:

- The population within one-mile of the new station area totals 14,000. There are over 5,000 households in the area. Average household size is 2.6, which is roughly the metropolitan area average.

- The neighborhoods surrounding the station are extremely diverse. In 2006, roughly 30 percent of the residents were White, 40 percent Black, and 26 percent reported themselves as an “other” race. In addition, 42 percent of area residents are Hispanic.
- The median age of residents in the neighborhoods is slightly below the metropolitan area median. Nearly one-third of the population is aged between 20 and 34. About 22 percent of the residents are children under 14. However, the neighborhoods also have a large number of seniors (65 and over), composing 12 percent of the total population.
- The median household income in the neighborhoods is \$30,000, or 47 percent of the regional median household income. Nearly 35 percent of households earn less than \$20,000 annually. Only six percent of households have annual incomes over \$100,000, compared to 24 percent in the metropolitan area. The low incomes in the area are likely due to the substantial number of college students and seniors living in this neighborhood.
- The area is currently undergoing a transition from an older, established community with historic homes and an aging moderate-income population to a more economically diverse community as more affluent professionals and artists move into the area. Many older single family homes are being torn down and replaced with larger, more modern homes.
- A review of the demographic segments in the area reveals that there are a variety of households in the area, including: recent college graduates, affluent empty-nester households, retired seniors, wealthy young families and couples, and moderate-income immigrant families.



**Table IV - 1**  
**Key Demographic Profile at MLK, Jr. Station, 2006**

Category	Distance from Station			City of Austin	Austin MSA
	1/4 mile	1/2 mile	1 mile		
Population	718	3,931	14,233	725,393	1,533,612
<u>Households</u>					
# of Households	237	1,401	5,263	292,318	572,951
Avg. Household Size	3.03	2.66	2.63	2.41	2.61
<u>Race &amp; Ethnicity</u>					
White	15%	19%	30%	62%	70%
Black	57%	53%	40%	10%	8%
American Indian, Eskimo, Aleut	0%	1%	1%	1%	1%
Asian or Pacific Islander	0%	1%	1%	6%	4%
Other	25%	24%	26%	19%	15%
Two or More Races	2%	2%	3%	3%	3%
<i>Hispanic Origin</i>	41%	40%	42%	36%	31%
<u>Population by Age</u>					
0 - 14	22%	22%	22%	19%	21%
15 - 19	6%	7%	7%	7%	7%
20 - 24	6%	6%	8%	11%	9%
25 - 34	14%	16%	19%	21%	17%
35 - 44	14%	13%	13%	15%	16%
45 - 54	13%	12%	12%	13%	14%
55 - 64	7%	7%	7%	7%	8%
65+	17%	17%	12%	7%	7%
<i>Median Age</i>	36.0	34.4	31.4	30.6	32.1
<u>Household Income</u>					
< \$20,000	37%	41%	36%	16%	13%
\$20,000 - \$29,000	13%	15%	14%	9%	8%
\$30,000 - \$39,000	16%	15%	12%	11%	10%
\$40,000 - \$49,000	10%	8%	9%	10%	9%
\$50,000 - \$59,000	6%	6%	8%	8%	8%
\$60,000 - \$74,999	5%	5%	8%	11%	11%
\$75,000 - \$99,000	7%	5%	6%	12%	14%
\$100,000 - \$149,000	4%	3%	4%	13%	15%
\$150,000 - \$249,000	2%	1%	1%	7%	8%
> \$250,000	0%	0.1%	1%	3%	3%
<i>Median Household Income</i>	\$30,370	\$25,795	\$29,581	\$54,301	\$61,952

Source: ESRI Business Solutions, 2006

ERA also used ESRI Business Analyst data to assess housing characteristics in the area, such as tenure and vacancy rates for homes within one mile of the proposed station area (see **Table IV-2**).

- In 2006, over 40 percent of the homes within one-mile of transit station were owner-occupied. Renter households occupy small apartment complexes in the area as well as single-family homes.
- Vacancy rates for units within one-mile of the station stood at almost six percent in 2006, slightly higher than the average vacancy rate for housing in the city and metropolitan area.

### **Strengths & Opportunities**

ERA has identified the MLK, Jr. station area's strengths and opportunities for transit-oriented development. They include:

- Location – The station will be only two stops away from Downtown Austin on the commuter rail line. It is located within one mile of the University of Texas, providing an opportunity to capture much of the real estate demand generated from the university's students, faculty and staff.
- Support from Developer Community – Landowners of both of the large sites adjacent to the future rail station have expressed interest in transit-oriented development, including linkages to transit facilities, a mix of land uses, pedestrian-friendly design, and higher densities.
- Community support – The Chestnut Neighborhood Plan is supportive of mixed-use zoning for the areas immediately adjacent to the transit station.
- Size of sites – The combined acreage of two development sites (41 acres) in the district is large enough to create a high-impact transit-oriented community.
- Recent development activity – New housing projects and housing rehabilitation activity in the neighborhood indicate that there is a lot of interest from young professionals, artists and entrepreneurs.
- Amenities – Improvements to the creek, creating open space opportunities, could greatly improve neighborhood quality.

- Ability to attract Austin’s “creative class” – According to Richard Florida, who coined this term to describe a category of innovative and creative professionals in the New Economy, Austin has the second highest number of “creative class” workers in the country. These “creative” workers are demanding high-quality, urban-style housing throughout Austin, and prefer neighborhoods with nearby cultural and performing arts venues. The proximity of popular venues like Arts on Real and the Dobie Theater give the MLK, Jr. station an advantage in attracting these types of residents.

### **Challenges & Constraints**

ERA has identified the following challenges and constraints to transit-oriented development at the MLK, Jr. station:

- Due to the high number of retired seniors and college students in the area, the area’s median household income is 50 percent of the metropolitan area median.
- Lack of amenities and nearby services
- Historically, the area has not had a positive image for development
- There is a lack of connectivity from neighborhoods to the northeast. Residents in those areas must drive onto Airport Blvd. and Martin Luther King Blvd in order to use the retail around the transit station.
- Potential for opposition from existing residents fearing gentrification or high-density development
- Certain areas around Boggy Creek flood during periods of high rain. Development must be situated in such a way to ensure future homeowners and businesses that their property will not experience extensive damage during the rainy season.

### **Residential Market Potential**

ERA believes that the station area has strong potential for housing development in the short and long term due to the following characteristics:

- Increase in Homebuyer Demand – There has been a growth in demand for housing in the area, as evidenced by the high level of “tear down” activity, in which older homes are demolished and replaced by much larger, modern units. The replacement of older homes has been emerging more and more in the surrounding neighborhoods due to the

relatively low cost of land and the lack of undeveloped sites for new construction of single-family homes in central Austin.

- Quality of Neighborhood – Incoming residents are also attracted to this area’s well-established neighborhoods, with their tree-lined streets and historic homes.
- Location – MLK, Jr. station is located only two stops from Downtown Austin, a short train ride on the new commuter rail system.
- Anticipation of change in the neighborhood – There has been growing investor interest in the neighborhood since the purchase of the Chestnut Plaza property and as the commuter rail system has solidified. There are expectations that the neighborhood’s quality will improve significantly.

#### *Multifamily Ownership Market*

Brokers report that there are few new multifamily construction projects in this area, excluding the tear down activity. The most active development in the area has been at Chestnut Commons, a 64-unit project that features both attached studio flat units as well as larger detached two and three bedroom townhome products (see **Table IV-3**). As experienced throughout Austin, sales have been strong throughout the year with brokers claiming to have limited the number of monthly sales in order to give builders the chance to catch up with the local housing demand. Pricing at the project ranges from \$140,000 to \$260,000. With studios sized at 676 square feet, two-bedroom townhomes ranging from 1,200 to 1,400 square feet and three-bedroom floor plans set at roughly 1,300 square feet, pricing for homes at Chestnut Commons has averaged around \$200 per square foot.

The former Mueller airport redevelopment project, while still only in its first phase, is situated within a short drive approximately one mile east of the proposed MLK, Jr. station. Pricing for homes at Mueller have ranged from \$240,000 for a small 1,500 square foot unit to roughly \$600,000 for a 2,600 square foot unit. On average, homes run between \$160 and \$200 per square foot. Other homes, currently on the market in the surrounding neighborhood, have also maintained the same pricing structure as that found at Chestnut Commons. Of the homes built after 2000, most averaged a selling price around \$250,000, with a price per square foot ranging from \$180 to \$210.

MLK, Jr. Station provides an opportunity to develop live/work units, apartments, and condominium flats for Austin’s “creative class.” Just north Cesar Chavez neighborhood (east of

Downtown) which has experienced the construction of several loft projects, there appears to be strong demand for live/work space for artists and professionals, who can use the front space on the first floor for a business or studio, and use the upper floors as their primary residence. There are several good examples of successful condominium loft projects in Austin (mostly concentrated near the Plaza Saltillo station). They include:

- Pedernales Lofts in East Austin (East 6th Street and Pedernales, near Saltillo Station). The 105-unit development was 95 percent sold out before construction was completed in 2005. Buyers consisted of young business owners, artists, musicians, and teachers; 10 percent of lofts were reserved for moderate-income households. Resale units range in size from 610 square feet to over 1,200 square feet and are currently priced between \$170,000 and \$260,000 (or roughly \$220 to \$290 per square foot).
- Waterstreet Lofts in East Austin. This 22-unit development currently under construction includes a mix of condominium flats, lofts, and live/work lofts, and some units with commercial flex space on the ground floor. Prices range from \$230,000 for 800-square-foot units to \$345,000 for units 1,500 square foot units.

Live/work flex units are not currently proposed under the Station Area Plan blended concept. However, it is ERA's belief that this product could be viable for this transit-oriented development district.

#### *Residential Demand Estimate*

ERA estimates future demand for 900 to 1,400 housing units at the MLK, Jr. Station area over the next 20 years (**Table IV-4**). This includes 430 to 540 condominium flats and live-work lofts; 190 to 400 apartment units; and 290 to 500 townhouse and duplex units. The condominium flats, live-work units and apartment units are assumed to have an average density of 30 units per acre. This average density would incorporate higher density mixed-use residential products as well as medium density residential products. Meanwhile, the townhouse/duplex units are assumed to have an average density of 15 units per acre, which is generally consistent with the Station Area Plan's low-density residential land uses. Based on these assumed densities, the total acreage for potential housing development ranges from 40 to 65 net acres.

ERA is in agreement with the blended plan's placement of higher density housing along Martin Luther King Boulevard and Alexander Avenue, in proximity to the future transit station. Products may include condominium flats, apartments, and live/work flex units. It appears that





the community supports lower density products such as rowhouses, townhouses and duplexes along Miriam Avenue in recognition of the traditional single-family neighborhoods to the west. The plan also calls for medium density residential units along Boggy Creek to the east of the tracks. Once improved, the creek could serve as an important amenity for residents, and could add value to residential units directly facing or with access to the creek and any accompanying greenbelt.

**Table IV - 2  
Historic Housing Characteristics at MLK, Jr. Station**

	Distance from Station			City of Austin	Austin MSA
	1/4 Mile	1/2 Mile	1 Mile		
<b>Tenure</b>					
<u>2000</u>					
% Owners	60%	48%	43%	45%	58%
% Renters	40%	52%	57%	55%	42%
<u>2006</u>					
% Owners	59%	47%	42%	46%	61%
% Renters	41%	53%	58%	54%	39%
<u>2000 - 2006</u>					
Δ in % Owners	-1.2%	-1.0%	-1.1%	0.7%	2.5%
Δ in % Renters	1.2%	1.0%	1.1%	-0.7%	-2.5%
<b>Vacancy Rate</b>					
<u>2000</u>					
Total Units	247	1,409	5,382	276,783	496,004
% Vacant	10.9%	6.7%	5.4%	4.0%	4.9%
<u>2006</u>					
Total Units	266	1,502	5,261	307,549	602,254
% Vacant	8.6%	6.7%	6.0%	5.0%	5.3%
<u>2000 - 2006</u>					
Δ in Total Units	19	93	-121	30,766	106,250
Δ in Vacancy Rate	-2.3%	0.0%	0.6%	1.0%	0.4%

Source: U.S. Bureau of Census 1990 & 2000, ESRI Business Solutions 2006





**Table IV - 3  
MLK, Jr. Station Residential Comparables**

Project	# of Units	Size	Pricing	\$/SF	# of Units Sold per Month	Premiums
<b>Chestnut Commons</b>	64					
Studio Flat	48	676 - 676	\$141,990 - \$153,990	\$210 - \$228		
Two-Bedrom	TBD	1,231 - 1,394	\$211,990 - \$235,490	\$160 - \$180	8 to 9	None
Three-Bedroom	TBD	1,341 - 1,341	\$247,490 - \$260,999	\$185 - \$195		
<b>Mueller Development</b>	TBD					
Row Houses	TBD	1,465 - 1,900	\$240,000 - \$290,000	\$153 - \$164		
Garden Court Houses A	TBD	1,623 - 1,800	\$290,000 - \$330,000	\$179 - \$183		
Garden Court Houses B	TBD	1,876 - 2,065	\$290,000 - \$320,000	\$155 - \$155		
Yard Houses A	TBD	1,715 - 2,305	\$240,000 - \$300,000	\$130 - \$140	8 to 9	None
Yard Houses B	TBD	1,540 - 2,220	\$260,000 - \$300,000	\$135 - \$169		
Yard Houses C	TBD	2,004 - 3,140	\$333,000 - \$400,000	\$127 - \$166		
Yard Houses D	TBD	2,630 - 2,600	\$480,000 - \$600,000	\$183 - \$231		
<b>MLS Database<sup>1</sup></b>	n/a	1,536 - 1,601	\$269,900 - \$320,000	\$172 - \$208	n/a	n/a

<sup>1</sup> Includes resale and new construction multifamily homes for sale in the surrounding area built after 2000

Source: Individual Real Estate Brokers, July 2007



**Table IV - 4  
Residential Development Potential at MLK, Jr. Station**

	2007-10	2011-15	2016-20	2021-25	Total 2007-25
Austin Housing Potential					
Multifamily Housing (units)	12,700	20,200	36,000	38,100	107,000
Condominium Flats	4,100	7,300	13,000	13,700	38,100
Apartments	6,100	8,900	15,800	16,800	47,600
Townhomes/ Duplexes	2,500	4,000	7,200	7,600	21,300
MLK, Jr. Station Capture- Low					
Condominium Flats and Live/Work Lofts	1.0%	1.0%	1.2%	1.2%	
Apartments	0.2%	0.2%	0.5%	0.5%	
Townhomes/ Duplexes	1.0%	1.0%	1.5%	1.5%	
MLK, Jr. Station Capture - High					
Condominium Flats and Live/Work Lofts	1.2%	1.2%	1.5%	1.5%	
Apartments	0.5%	0.5%	1.0%	1.0%	
Townhomes/ Duplexes	2.0%	2.0%	2.5%	2.5%	
MLK, Jr. Station Potential- Low					
Condominium Flats and Live/Work Lofts	41	73	156	164	434
Apartments	12	18	79	84	193
Townhomes/ Duplexes	25	40	108	114	287
Total Units	78	131	343	362	914
MLK, Jr. Station Potential- High					
Condominium Flats and Live/Work Lofts	49	88	195	206	537
Apartments	31	45	158	168	401
Townhomes/ Duplexes	50	80	180	190	500
Total Units	130	212	533	564	1,438
Land area required for development (acres) <sup>1</sup>					
Low	3	6	15	16	40
High	6	10	24	25	65

<sup>1</sup>Assumes average density of 30 du/acre for condominium flats, live-work lofts, and apartment flats, and 15 du/acre for townhomes and duplexes.

Source: Economics Research Associates.

## Office Potential

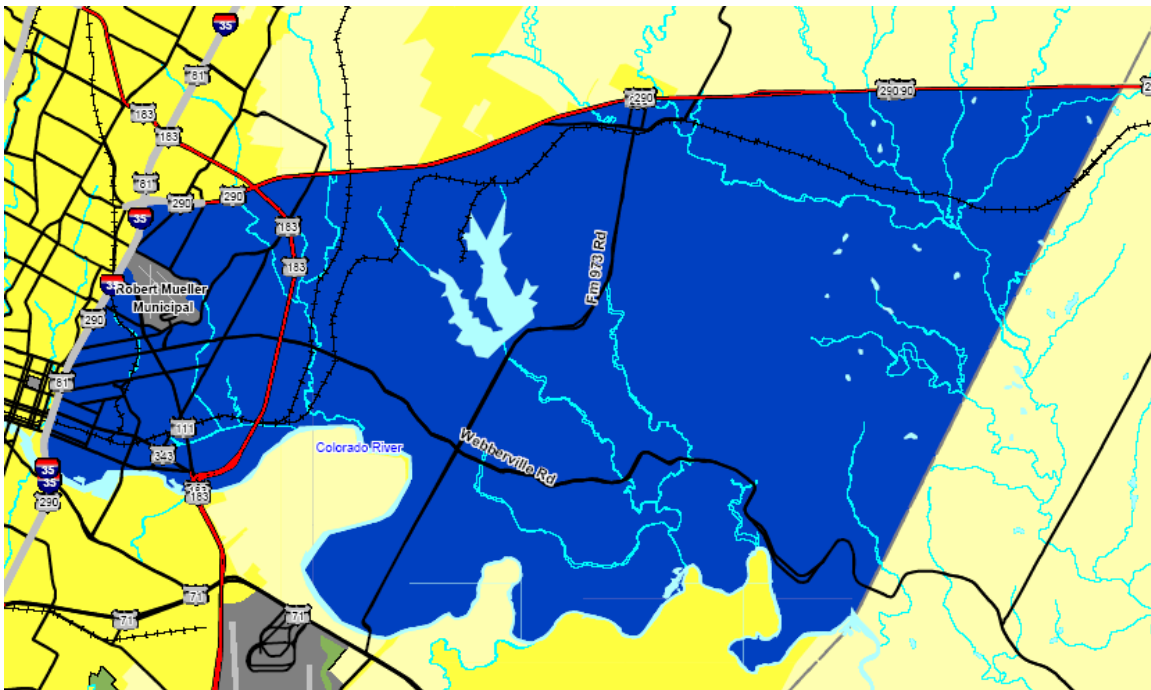
The regional economic outlook for Austin is strong. Regional job growth and a lack of new construction over the last few years have driven up occupancy rates and average rents as the economy recovers. Austin is becoming increasingly competitive with other high technology regions due to the high quality of life, the diverse and skilled labor pool, and good business climate. Many of the large firms are planning expansions in Austin, and several new construction projects are now underway.

However, much of the new office space is moving into downtown, the northwest and the southwest. Moreover, few brokers we spoke with noted that the MLK, Jr. station area would be the next logical area for new office development in the region. ERA used data from Costar to compare each of the market areas within the Austin metropolitan region. While the regional boundaries defined by Costar do not match that used by Grubb & Ellis (as reported in section III), this data source allowed for historic comparisons between submarkets (see **Tables IV-5 to IV-8**)

The proposed MLK, Jr. station area is located in the East Austin submarket which is defined by Costar as the area east of I-35, south of Highway 290, west of the Travis County border, and north of the Colorado River (see **Figure IV-2**).

Currently, East Austin maintains the smallest percentage of rentable office building space in the Austin market with some of the highest vacancy rates and lowest rental rates. East Austin seems have been significantly affected by the downturn in the technology sector. Since 2001, East Austin has lost almost 70,000 square feet per year over the last six years. While office vacancy rates have grown in all Austin submarkets during the early part of the decade, the increase has been most pronounced in East Austin. Between 2001 and 2002 vacancy rates jumped from four percent to 13.2 percent, growing to as a high as 29 percent in 2005. Following rising vacancy rates, rental rates in East Austin have dropped from \$21 per square foot per year in 2000 to \$16 per square foot per year in 2006. There are some signs of recovery in this submarket, however. In 2006, East Austin experienced positive office absorption for the first time since 2001, and the vacancy rate dropped to about 23 percent.

**Figure IV-2: East Austin Office Submarket**



Source: Costar

*Office Demand Estimate*

Based on the following attributes of the MLK, Jr. Station location, ERA sees limited potential for office development.

- Location – East Austin does not have a prestigious image for office development, and consistently has a higher vacancy rate and lower rental rate than other submarkets
- Lack of existing employment centers nearby
- Predominance of low-density residential neighborhoods in surrounding area
- Lack of amenities, shopping and services in the area

However, the station area’s proximity to the University of Texas campus may allow it to capture a small percentage of university-related office users, or possibly office condo users such as professional and medical firms. ERA’s demand model (**Table IV-9**) estimates long term potential for between 30,000 and 94,000 square feet of office development from 2007 to 2025. The strongest locations in the station area for office development would be in close proximity to the transit station, perhaps along Martin Luther King Boulevard or Alexander Avenue. Secondary locations could be along the Airport Boulevard corridor and Manor Road.



**Table IV - 5  
Summary Profile of Austin Regional Office Market, 2007**

Region	Number of Buildings	Total RBA <sup>1</sup>	Share of RBA in Austin Region	Vacancy Rate <sup>2</sup>	Average Rental Rate
East Austin	101	1,599,360	2.5%	27.7%	\$16.49/fs
Austin CBD	355	12,228,609	19.1%	12.6%	\$27.25/fs
Central Austin	273	4,468,086	7.0%	11.0%	\$20.07/fs
North Austin	88	4,336,490	6.8%	8.1%	\$22.08/fs
South Austin	236	6,035,959	9.4%	7.8%	\$21.90/fs
Total Austin Regional Market	2,366	64,123,003	100.0%	11.0%	\$24.97/fs

<sup>1</sup> As of 2nd Quarter of 2007

<sup>1</sup> Rentable Building Area

<sup>2</sup> Does not include sublet vacancy

Source: CoStar Property; Economics Research Associates, July 2007



**Table IV - 6  
Austin Office Market Direct Net Absorption, 2001 - 2007**

Region	2001	2002	2003	2004	2005	2006	2007 <sup>1</sup>	Total	Avg. Annual
East Austin	21,019	-146,057	-66,270	-178,301	-118,754	78,986	0	-409,377	-68,230
Austin CBD	-66,443	-186,804	70,854	177,066	141,779	703,635	70,188	840,087	140,015
Central Austin	-268,336	-51,951	-134,745	97,409	97,277	57,486	6,146	-202,860	-33,810
North Austin	353,545	-20,058	-303,745	95,079	53,278	278,343	0	456,442	76,074
South Austin	297,414	289,181	-294,249	134,467	58,906	223,553	-1,877	709,272	118,212
Total Austin Regional Market	1,042,567	-349,389	-1,351,716	1,510,176	1,175,342	2,692,870	-542,515	4,719,850	786,642

<sup>1</sup> As of 2nd Quarter of 2007

Source: CoStar Property; Economics Research Associates, July 2007



**Table IV - 7**  
**Austin Office Market End of Year Vacancy Rate, 2001 - 2007**

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Region	2000	2001	2002	2003	2004	2005	2006	2007 <sup>1</sup>	Avg. Annual
East Austin	4.9%	4.0%	13.2%	16.9%	28.8%	29.1%	23.7%	27.7%	20.5%
Austin CBD	4.1%	10.5%	15.1%	18.3%	17.7%	18.0%	11.9%	12.6%	14.9%
Central Austin	9.3%	17.7%	18.2%	19.5%	17.7%	14.7%	13.3%	11.0%	16.0%
North Austin	5.4%	5.6%	8.5%	18.5%	15.3%	14.2%	7.6%	8.1%	11.1%
South Austin	4.1%	11.6%	14.5%	16.3%	15.8%	13.7%	11.0%	7.8%	13.0%
Total Austin Regional Market	5.5%	12.9%	17.6%	18.4%	15.4%	14.1%	10.7%	11.0%	14.3%

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<sup>1</sup> As of 2nd Quarter of 2007

Source: CoStar Property; Economics Research Associates, July 2007

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**Table IV - 8**  
**Austin Office Market Average End of Year Full Service Rental Rate, 2001 - 2007**

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Jurisdiction / Submarket / Area	2000	2001	2002	2003	2004	2005	2006	2007 <sup>1</sup>	Avg. Annual
East Austin	\$20.71	\$19.15	\$15.04	\$16.44	\$16.22	\$15.36	\$15.99	\$16.49	\$16.99
Austin CBD	\$32.76	\$28.92	\$24.15	\$21.19	\$21.67	\$22.54	\$24.04	\$27.25	\$25.04
Central Austin	\$22.20	\$22.02	\$18.78	\$16.85	\$17.58	\$18.43	\$18.45	\$20.07	\$19.19
North Austin	\$29.81	\$26.48	\$20.72	\$16.99	\$16.64	\$16.39	\$18.57	\$22.08	\$20.80
South Austin	\$21.56	\$25.55	\$20.67	\$18.27	\$18.35	\$19.71	\$22.31	\$21.90	\$20.92
Total Austin Regional Market	\$27.74	\$25.66	\$21.54	\$18.69	\$19.03	\$20.06	\$22.31	\$24.97	\$22.15

<sup>1</sup> As of 2nd Quarter of 2007

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Source: CoStar Property; Economics Research Associates, July 2007





**Table IV - 9**  
**Estimated Office Potential at MLK, Jr. Station**

	2007-10	2011-15	2016-20	2021-25	2007-2025
Austin Office Potential					
Low	6,496,000	8,281,000	7,851,750	7,307,250	29,936,000
High	7,424,000	9,464,000	8,898,650	8,281,550	34,068,200
MLK, Jr. Station Capture					
Low	0.0%	0.0%	0.2%	0.2%	
High	0.2%	0.2%	0.3%	0.4%	
Total MLK, Jr. Office Potential					
Low	0	0	15,700	14,600	30,300
High	14,800	18,900	26,700	33,100	93,500

Source: Economics Research Associates.

## **Retail Potential**

In order to evaluate the market for retail development in the area, ERA examined historic retail trends in the East Austin submarket. ERA used data from Costar to compare each of the market areas within the Austin metropolitan region (the retail submarket is defined in the same manner as the office market in **Figure IV-2**). As illustrated in **Tables IV-10** to **Table IV-13**, ERA makes the following observations about the east Austin retail market:

- East Austin has a considerably small portion of the metropolitan area's total retail space. In 2007, this submarket maintained only 467,000 square feet of rentable building area, roughly one-third that of every other submarket area we examined.
- While vacancy rates were one of the highest in the surrounding region at eight percent, rental rates were also one of the highest at almost \$19 per square foot per year.
- While East Austin experienced negative retail absorption between 2002 and 2004, some tenants are beginning to move back to the area. Over the last two years, absorption averaged 13,000 square feet.
- With the positive absorption in 2005 and 2006, vacancy rates dropped from 10 percent to five percent. However, with such a small retail market to begin with, a slightly negative absorption to start 2007 pushed vacancy rates back up to eight percent.
- Rental rates appear to correspond well with vacancy rates. Over the last two years, the drop in vacancy rates led to almost a significant increase in rental rates (from \$17 per square foot to \$24 per square foot). With increasing vacancy rates in 2007, rents have dropped back to \$18 per square foot per year.

### *Retail Demand Estimate*

Nearby retail centers such as the shopping district on Second Street near the university, the nearby Highland Mall, Downtown Austin retail, the Mueller development and the Domain shopping limit the potential for a large retail shopping center at the MLK, Jr. Station.

Most of the existing retail in East Austin and around the MLK, Jr. station is composed of small and independent retailers. Given this context, ERA has analyzed the site's ability to capture

spending from the residents of surrounding neighborhoods (within a seven-minute drive of the station area).

ERA's retail analysis is presented in **Tables IV-14** to **IV-16**. As shown in **Table IV-14**, from 2007 to 2015 the population of the trade area will increase from 17,000 to over 19,000 residents. From 2007 to 2010, there will be demand for 45,000 square feet of retail to support the new resident spending. From 2011 to 2015, there will be demand for an additional 39,000 square feet of new retail stores. **Table IV-15** presents retail demand from 2016 to 2025. As shown, the population increase will generate demand for nearly 60,000 square feet of retail stores from 2016 to 2020 and another 66,000 square feet from 2021 to 2025.

ERA then estimated the low and high capture rates of total resident spending in MLK, Jr. station area, as shown in **Table IV-16**. According to the analysis there is potential for between 41,000 and 59,000 square feet of retail space at in the station area over the long term. In the next few years, the demand for retail space is between 9,000 and 12,000 square feet, which could include uses like a small café, a video store, and a drycleaner. As more residential units are built at the station area, there will be demand for more retail at the scale of a neighborhood shopping center with a grocery store, drug store, restaurants, and other/specialty retail.

The blended plan for the station area shows a significantly larger amount of retail space along Martin Luther King Boulevard, Alexander Avenue, and surrounding the station. In addition, there is a secondary mixed-use retail area centered at Manor Road and Alexander Avenue. Finally, there are two corridor mixed use districts located further east of the station along Airport Boulevard at Manor Road and Martin Luther King Boulevard. ERA's analysis indicates that this scale of retail development may be difficult to achieve. The focus of active retail uses should be at the heart of the transit district, on Alexander Avenue between the station and Martin Luther King Boulevard, and to some extent along Martin Luther King Boulevard between Miriam Avenue and the railroad tracks. If the proposed streetcar system on Manor Road becomes operational, there may be some additional retail development potential on Manor Road, but that may take considerably longer to happen.



**Table IV - 10**  
**Summary Profile of Austin Regional Retail Market, 2007**

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Region	Number of Buildings	Total RBA <sup>1</sup>	Share of RBA in Austin Region	Vacancy Rate <sup>2</sup>	Average Rental Rate
East Austin	74	466,862	0.8%	8.1%	\$18.61/nnn
Austin CBD	206	1,477,091	2.6%	3.4%	\$20.69/nnn
Central Austin	161	1,236,871	2.1%	9.0%	\$15.35/nnn
North Austin	84	1,436,527	2.5%	10.9%	\$10.00/nnn
South Austin	151	1,508,902	2.6%	4.2%	\$20.20/nnn
<b>Total Austin Region</b>	<b>1,963</b>	<b>57,571,794</b>	<b>100.0%</b>	<b>9.0%</b>	<b>\$18.81/nnn</b>

<sup>1</sup> Rentable Building Area

<sup>2</sup> Does not include sublet vacancy

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Source: CoStar Property; Economics Research Associates, July 2007



**Table IV - 11**  
**Austin Regional Retail Market Direct Net Absorption, 2001 - 2006**

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Region	2001	2002	2003	2004	2005	2006	Avg. Annual
East Austin	23,194	-8,390	-3,841	-16,297	16,578	9,488	3,455
Austin CBD	-65,363	6,713	-95,007	10,472	-16,877	73,019	-14,507
Central Austin	-18,646	-9,352	135,141	-96,379	29,313	57,548	16,271
North Austin	75,254	-16,801	323,884	4,448	-31,848	18,009	62,158
South Austin	157,223	44,786	-28,400	-25,557	167,929	67,765	63,958
<b>Total Austin Region</b>	<b>1,149,474</b>	<b>400,591</b>	<b>1,527,267</b>	<b>953,299</b>	<b>4,219,380</b>	<b>3,065,539</b>	<b>1,885,925</b>

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<sup>1</sup> As of 2nd Quarter 2007

Source: CoStar Property; Economics Research Associates, July 2007



**Table IV - 12**  
**Austin Regional Retail Market Direct Net Absorption, 2001 - 2006**

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Region	2001	2002	2003	2004	2005	2006	Avg. Annual
East Austin	0.6%	2.4%	3.7%	9.6%	6.9%	4.8%	4.7%
Austin CBD	5.3%	5.7%	11.9%	11.8%	12.5%	7.6%	9.1%
Central Austin	4.4%	5.2%	4.8%	12.8%	11.4%	8.4%	7.8%
North Austin	1.3%	2.8%	0.7%	1.4%	3.6%	2.8%	2.1%
South Austin	2.1%	5.5%	10.1%	12.3%	9.8%	5.4%	7.5%
<b>Total Austin Region</b>	4.1%	4.5%	6.5%	7.6%	7.4%	6.4%	6.1%

<sup>1</sup> As of 2nd Quarter 2007

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Source: CoStar Property; Economics Research Associates, July 2007



**Table IV - 13**  
**Austin Regional Retail Market End of Year Full Service Retail Rental Rate, 2001 - 2006**

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Region	2001	2002	2003	2004	2005	2006	Avg. Annual
East Austin	n/a	n/a	\$24.50	\$17.05	\$20.78	\$23.79	\$21.53
Austin CBD	n/a	\$15.00	\$15.01	\$18.29	\$21.79	\$20.28	\$18.07
Central Austin	n/a	\$13.00	\$7.30	\$10.77	\$13.50	\$16.95	\$12.30
North Austin	n/a	\$3.60	\$14.33	\$14.04	\$8.24	\$9.30	\$9.90
South Austin	n/a	n/a	\$12.47	\$14.57	\$13.79	\$13.37	\$13.55
<b>Total Austin Region</b>	\$11.05	\$11.30	\$15.49	\$15.50	\$16.26	\$17.25	\$14.48

<sup>1</sup> As of 2nd Quarter 2007

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Source: CoStar Property; Economics Research Associates, July 2007



**Table IV - 14**  
**Retail Demand Estimate at MLK, Jr. Station: 2007 to 2015**  
 (in Thousands of Dollars)

		<u>2007</u>	<u>2010</u>	<u>2015</u>		<u>Demand 2007-2010</u>		<u>Demand 2011-2015</u>	
MLK Trade Area Population <sup>1</sup>		17,077	18,216	19,431					
Population Growth Rate			1.3%	1.3%					
Real Income Adjustment		1.030	1.077	1.100					
	Spending Per Capita <sup>2</sup>	Total Market Area Demand			Annual Sales/SF	Gain in Sales	Gain in Sq Ft	Gain in Sales	Gain in Sq Ft
Apparel Stores	\$0.48	\$8,434	\$9,410	\$10,251	\$275	\$976	3,548	\$841	3,057
Gen. Merchandise & Drug	\$0.90	\$15,833	\$17,665	\$19,243	\$250	\$1,832	7,327	\$1,578	6,312
Food Stores	\$1.89	33,185	\$37,023	\$40,331	\$375	\$3,839	10,237	\$3,307	8,820
Eating & Drinking Places	\$1.01	17,825	\$19,887	\$21,664	\$350	\$2,062	5,892	\$1,777	5,076
Furnishing & Appliances	\$0.82	14,378	\$16,041	\$17,474	\$225	\$1,663	7,392	\$1,433	6,369
Bldg Materials & Farm Eqmt	\$0.57	9,961	\$11,113	\$12,106	\$320	\$1,152	3,601	\$993	3,102
Auto Dealers & Service Statn.	\$0.24	4,143	\$4,622	\$5,035	n/a	\$479	n/a	\$413	n/a
Other Retail Stores	\$1.01	17,752	\$19,805	\$21,574	\$300	\$2,054	6,845	\$1,769	5,898
<b>Total Retail Stores</b>	<b>\$6.91</b>	<b>\$121,510</b>	<b>\$135,567</b>	<b>\$147,677</b>		<b>\$14,056</b>	<b>44,841</b>	<b>\$12,111</b>	<b>38,634</b>

<sup>1</sup> Population within a three to five-minute drive of station.

<sup>2</sup> Estimates based on 2006 per capita retail spending and adjusted for local market area income.

Source: Texas State Comptroller; ESRI Business Analyst; Economics Research Associates





**Table IV - 15**  
**Retail Demand Estimate at MLK, Jr. Station: 2015 to 2025**  
 (in Thousands of Dollars)

	Spending Per Capita <sup>2</sup>	2015	2020	2025	Annual Sales/SF	Demand 2016-2020		Demand 2021 to 2025	
		Total Market Area Demand				Gain in Sales	Gain in Sq Ft	Gain in Sales	Gain in Sq Ft
MLK Trade Area Population <sup>1</sup>		19,431	20,626	21,863					
Population Growth Rate		1.3%	1.2%	1.2%					
Real Income Adjustment		1.100	1.168	1.240					
<b>Apparel Stores</b>	\$0.48	\$10,251	\$11,549	\$12,995	\$275	\$1,299	4,722	\$1,445	5,256
Gen. Merchandise & Drug	\$0.90	\$19,243	\$21,681	\$24,394	\$250	\$2,438	9,752	\$2,713	10,853
Food Stores	\$1.89	\$40,331	\$45,441	\$51,127	\$375	\$5,110	13,626	\$5,687	15,164
Eating & Drinking Places	\$1.01	\$21,664	\$24,408	\$27,463	\$350	\$2,745	7,842	\$3,055	8,727
Furnishing & Appliances	\$0.82	\$17,474	\$19,688	\$22,152	\$225	\$2,214	9,839	\$2,464	10,950
Bldg Materials & Farm Eqmt	\$0.57	\$12,106	\$13,639	\$15,346	\$320	\$1,534	4,793	\$1,707	5,334
Auto Dealers & Service Statn.	\$0.24	\$5,035	\$5,673	\$6,383	n/a	\$638	n/a	\$710	n/a
Other Retail Stores	\$1.01	\$21,574	\$24,308	\$27,350	\$300	\$2,733	9,111	\$3,042	10,140
<b>Total Retail Stores</b>	<b>\$6.91</b>	<b>\$147,677</b>	<b>\$166,387</b>	<b>\$187,209</b>		<b>\$18,710</b>	<b>59,684</b>	<b>\$20,822</b>	<b>66,425</b>

<sup>1</sup> Population within a three to five-minute drive of station.

<sup>2</sup> Estimates based on 2006 per capita retail spending and adjusted for local market area income.

Source: Texas State Comptroller; ESRI Business Analyst; Economics Research Associates



**Table IV - 16**  
**Summary of Demand for Retail at MLK, Jr. Station, 2007-2025**

	2007-2010	2011-2015	2016-20	2021-25	2007-2025
<b>Retail Demand by Category</b>					
Apparel Stores	3,548	3,057	4,722	5,256	16,583
Gen. Merchandise & Drug	7,327	6,312	9,752	10,853	34,244
Food Stores	10,237	8,820	13,626	15,164	47,847
Eating & Drinking Places	5,892	5,076	7,842	8,727	27,537
Furnishing & Appliances	7,392	6,369	9,839	10,950	34,551
Bldg Materials & Farm Eqmt	3,601	3,102	4,793	5,334	16,830
Auto Dealers & Service Statn.	n/a	n/a	n/a	n/a	0
Other Retail Stores	<u>6,845</u>	<u>5,898</u>	9,111	10,140	<u>31,994</u>
<b>Total Retail Demand (in square feet)</b>	<b>44,841</b>	<b>38,634</b>	<b>59,684</b>	<b>66,425</b>	<b>209,584</b>
<b>MLK Capture Rate - Low</b>					
Apparel Stores	15%	15%	15%	15%	15%
Gen. Merchandise & Drug	12%	12%	12%	12%	12%
Food Stores	20%	20%	20%	20%	20%
Eating & Drinking Places	35%	35%	35%	35%	35%
Furnishing & Appliances	15%	15%	15%	15%	15%
Bldg Materials & Farm Eqmt	0%	0%	0%	0%	0%
Auto Dealers & Service Statn.	n/a	n/a	n/a	n/a	n/a
Other Retail Stores	30%	30%	30%	30%	30%
<b>MLK Capture Rate - High</b>					
Apparel Stores	20%	20%	20%	20%	20%
Gen. Merchandise & Drug	15%	15%	20%	20%	18%
Food Stores	30%	30%	35%	35%	33%
Eating & Drinking Places	50%	50%	55%	60%	54%
Furnishing & Appliances	15%	15%	15%	15%	15%
Bldg Materials & Farm Eqmt	5%	5%	7%	7%	7%
Auto Dealers & Service Statn.	n/a	n/a	n/a	n/a	n/a
Other Retail Stores	40%	40%	40%	40%	40%
<b>Retail Potential at MLK - Low</b>					
Apparel Stores	500	500	700	800	2,500
Gen. Merchandise & Drug	900	800	1,200	1,300	4,200
Food Stores	2,000	1,800	2,700	3,000	9,500
Eating & Drinking Places	2,100	1,800	2,700	3,100	9,700
Furnishing & Appliances	1,100	1,000	1,500	1,600	5,200
Bldg Materials & Farm Eqmt	0	0	0	0	0
Auto Dealers & Service Statn.	n/a	n/a	n/a	n/a	n/a
Other Retail Stores	<u>2,100</u>	<u>1,800</u>	<u>2,700</u>	<u>3,000</u>	<u>9,600</u>
<b>Total Retail Demand (in square feet)</b>	<b>8,700</b>	<b>7,700</b>	<b>11,500</b>	<b>12,800</b>	<b>40,700</b>
<b>Retail Potential at MLK - High</b>					
Apparel Stores	700	600	900	1,100	3,300
Gen. Merchandise & Drug	1,100	900	2,000	2,200	6,200
Food Stores	3,100	2,600	4,800	5,300	15,800
Eating & Drinking Places	2,900	2,500	4,300	5,200	14,900
Furnishing & Appliances	1,100	1,000	1,500	1,600	5,200
Bldg Materials & Farm Eqmt	200	200	300	400	1,100
Auto Dealers & Service Statn.	n/a	n/a	n/a	n/a	n/a
Other Retail Stores	<u>2,700</u>	<u>2,400</u>	<u>3,600</u>	<u>4,100</u>	<u>12,800</u>
<b>Total Retail Demand (in square feet)</b>	<b>11,800</b>	<b>10,200</b>	<b>17,400</b>	<b>19,900</b>	<b>59,300</b>

Source: Economics Research Associates.

## Hotel Potential

MLK, Jr. Station’s potential for hotel development is limited, due to the following factors:

- Lack of nearby employment centers
- No major tourist facilities, or regional attractions in the area
- Site does not have visibility from major freeways or highways

The site could only support a small limited-service hotel, with a maximum of 100 hotel rooms (see **Table IV-17** below).

**Table IV – 17  
Estimated Hotel Demand at MLK, Jr. Station**

	2007-10	2011-15	2016-20	2021-25	Total Demand 2007-2025
Austin Hotel Potential					
Low	558	3,150	2,600	2,100	8,408
High	638	3,600	3,200	2,800	10,238
MLK, Jr. Station Capture					
Low	0%	0%	0%	0%	
High	0%	1%	1%	1%	
Resulting Hotel Demand at MLK					
Low	0	0	0	0	0
High	0	36	32	28	96

Source: Economics Research Associates.

## Summary of Development Potential

The total real estate development potential at the MLK, Jr. station is summarized in **Table IV-18**. As indicated, the area could support a variety of uses during the short term, including 80 to 210 housing units, up to 15,000 square feet of office space, and 9,000 to 12,000 square feet of retail space. By 2025, there is potential for an additional 800 to 1,300 housing units, 30,000 to 80,000 square feet of office, 32,000 to 48,000 square feet of retail, and possibly a 100-room hotel.



**Table IV – 18**  
**Summary Development Potential at MLK, Jr. Station**

	2007-10	2011-2025	Total Demand
Housing Potential (units)			
Low	78	836	914
High	212	1,309	1,521
Office Potential (sq. ft.)			
Low	0	30,300	30,300
High	14,800	78,700	93,500
Retail Demand (sq. ft.)			
Low	8,700	32,000	40,700
High	11,800	47,500	59,300
Hotel Demand (rooms)			
Low	0	0	0
High	0	96	96

Source: Economics Research Associates.

## **Plaza Saltillo Station Area**

The Plaza Saltillo station area is located on an 11-acre site bounded by Interstate 35 to the west, Onion Street to the east, East Fifth Street to the north, and East Fourth Street to the south. In 1986, Capital Metro purchased the Plaza Saltillo site, a neglected rail yard, for future use in a passenger rail system and possible redevelopment. Plaza Saltillo, located on the eastern end of the site, was developed in the 1990s as a future commuter rail station and a public plaza, with a gazebo, market stalls and public restrooms. The Plaza is nominally used as a gathering and events space for the surrounding neighborhoods.

The immediate area surrounding the station area has historically been a warehousing and industrial district. In the last few years, the area has changed to include commercial, restaurant, office, and residential lofts, either redeveloped from warehouses or built as new construction.

The 1999 East Cesar Chavez Neighborhood Plan establishes zoning for the property as CS-MU (Commercial Services-Mixed Use), with a general height limit of 40 feet below 5<sup>th</sup> street. In 2005, the Austin City Council adopted a new “Transit-Oriented Development” ordinance for the future station area, which includes the 11-acre property. The ordinance allows for additional height as long as the affordable housing targets are met. If no additional height allowances are granted, affordable housing development would remain a goal rather than a requirement. The TOD ordinance goals for affordable housing are fairly stringent, recognizing that the majority of the households in the area are low and moderate income.

Since 2003, Capital Metro and the City of Austin have been working with the Community advisory Group, which represents East Austin residents, business owners, non-profit groups, and other stakeholders, to develop the Saltillo District Redevelopment Master Plan for the Capital Metro owned 11-acre site. The Master Plan was completed in March 2006 but has not yet been adopted by the Capital Metro Board or endorsed by the CAG. The plan recommends the development of up to 675 housing units (25 percent affordable), 20,000 square feet of community-oriented commercial space, and 25,000 square feet of “flex” space for neighborhood-serving businesses and artists. In addition, the plan includes a community garden and community center for educational and recreational uses.

Other key Master Plan recommendations are as follows:

- Realignment of the existing rail tracks along the southern edge of the site, to maximize redevelopment options on the property.
- Reconfigure site from “superblock” into seven more developable parcels totaling 7.9 acres.
- Improvement of Fourth Street as a well landscaped, residential street. The Lance Armstrong Bikeway and the future commuter rail line would run along the northern edge.
- Improvement of Fifth Street as a local serving commercial area.
- A dedicated alignment for the Lance Armstrong Bikeway immediately north of Fourth Street.
- Scale of development ranges from 40 feet (two to three floors) along Fourth Street to 60 feet (four to five floors) along Fifth Street. One signature building of up to 120 feet, adjacent to the I-35 frontage road, is proposed in the ROMA plan.

Plaza Saltillo is located within the East Cesar Chavez neighborhood, which extends from Interstate 35 to the west to Chicon Street on the east, and Seventh Street to the north. The Holly neighborhood is just east of the East Cesar Chavez neighborhood. In recent years, both East Cesar Chavez and Holly neighborhoods have experienced rapid change with the completion of numerous development projects on previously vacant or underutilized sites. These include affordable housing projects, market-rate lofts and condominiums, and commercial developments. This increased development pressure has created opposition for new market-rate housing from some community members fearing gentrification of East Austin.

### **Station Area Conceptual Plan**

The market analysis to follow addresses the potential for real estate development within the TOD district as defined by the Station Area Plan “blended concept” plan which includes portions of the East Cesar Chavez, Holly and Central East Austin neighborhoods. The TOD district is bounded by Seventh Street to the north, Third and Fourth Streets to the south, I-35 to the west and Chicon Street to the east (see **Figure IV-3**).

The blended concept plan’s key features include:

- The designation of East Seventh Street as the main corridor for the district with zoning that supports mixed use projects along the arterial.

**Figure IV-3: Plaza Saltillo Transit Oriented District – Blended Concept**



Source: PB PlaceMaking, May 2007

- The focus of pedestrian activity along East Sixth Street with high density transit oriented mixed use and active ground floor uses.
- A stepping down of density moving south to Fifth Street with a concentration of commercial retail uses and live/work flex units.
- Fourth and Third Streets are maintained as primarily residential streets with lower density units to support existing single-family neighborhoods.
- Building heights are higher (around five stories) along Sixth Street with heights generally decreasing south of 5<sup>th</sup> street.

- Maintaining the existing alignment of the railroad tracks as a current condition, and illustrating the potential realignment of the tracks just north of 4<sup>th</sup> Street.
- The existing plaza space immediately south of the station, potentially for a public market or “Mercado” land use.
- Pedestrian connections or “paseos” on the north-south streets to reinforce connections.

### Population & Demographic Overview

ERA analyzed key demographic variables for the neighborhoods one-mile around the station area, as presented in **Table IV-19**. The following characteristics can be observed:

- The population in the neighborhoods is nearly 15,000 in roughly 5,100 households. The average household size is 2.7, which is slightly higher than the metropolitan average of 2.6 and significantly higher than the city average of 2.4.
- The racial and ethnic composition in the one-mile area shows a great deal of diversity. About 35 percent of residents are White, 17 percent are Black, and 43 percent are of “other” race. Almost 70 percent of district’s neighborhood residents are Hispanic.
- The median age of residents in the surrounding neighborhoods is 32, which is roughly the metropolitan area median. In addition to ethnic diversity, there is a great deal of diversity in age as well. About 22 percent of the residents are children under 14. More than a quarter of the population is aged between 20 and 34. Another 27 percent of residents are aged between 35 and 54. The neighborhoods have a substantial number of seniors (65 and over), composing 12 percent of the total population.
- The median household income of those living around the station is \$30,100, corresponding to roughly 50 percent of the metropolitan area’s median household income. Almost 40 percent of the local households earn less than \$20,000 annually. Meanwhile, approximately 11 percent of households have annual incomes over \$100,000, compared to 26 percent in the metropolitan area.
- The area is currently undergoing a transition as the success of Downtown Austin has been creating new development opportunities in the East Austin Station Area neighborhoods. Consequently, the area is becoming more economically diverse as more affluent professionals and artists move into the area.



- A review of the demographic segments in the surrounding neighborhoods shows diversity in types of households, including: well-educated young professionals, retired seniors, young ethnic singles and couples, and Hispanic families with children.

ERA also examined current housing characteristics of the area (see **Table IV-20**).

- Ownership rates within one-mile of the station are lower than the regional average. In 2006, roughly 40 percent of the households living within one-mile of the Plaza Saltillo station owned their home, compared with 46 percent in the city and 61 percent in the MSA.
- In 2006, vacancy rates for units in the nearby neighborhood were approximately one to two percent higher than the regional average. Vacancy rates near the station area have dropped slightly since 2000 with the increase in demand for market rate housing in downtown and the surrounding areas. Since 2000, housing units within one-mile from the station saw vacancies drop by 0.3 percent over the six year period.



**Table IV – 19**  
**Key Demographic Profile at Plaza Saltillo Station, 2006**

Category	Distance from Station			City of Austin	Austin MSA
	1/4 mile	1/2 mile	1 mile		
Population	981	4,036	14,734	725,393	1,533,612
<u>Households</u>					
# of Households	337	1,229	5,106	292,318	572,951
Avg. Household Size	2.69	3.01	2.72	2.41	2.61
<u>Race &amp; Ethnicity</u>					
White	31%	35%	36%	62%	70%
Black	13%	14%	17%	10%	8%
American Indian, Eskimo, Aleut	1%	1%	1%	1%	1%
Asian or Pacific Islander	0%	0%	1%	6%	4%
Other	51%	47%	43%	19%	15%
Two or More Races	3%	3%	3%	3%	3%
<i>Hispanic Origin</i>	80%	78%	69%	36%	31%
<u>Population by Age</u>					
0 - 14	31%	23%	22%	19%	21%
15 - 19	9%	9%	8%	7%	7%
20 - 24	8%	10%	8%	11%	9%
25 - 34	16%	16%	17%	21%	17%
35 - 44	11%	13%	14%	15%	16%
45 - 54	11%	12%	12%	13%	14%
55 - 64	7%	8%	8%	7%	8%
65+	7%	9%	12%	7%	7%
<i>Median Age</i>	26.6	29.0	31.8	30.6	32.1
<u>Household Income</u>					
< \$20,000	43%	34%	38%	16%	13%
\$20,000 - \$29,000	18%	15%	12%	9%	8%
\$30,000 - \$39,000	16%	18%	16%	11%	10%
\$40,000 - \$49,000	8%	11%	8%	10%	9%
\$50,000 - \$59,000	2%	5%	5%	8%	8%
\$60,000 - \$74,999	3%	6%	5%	11%	11%
\$75,000 - \$99,000	9%	7%	5%	12%	14%
\$100,000 - \$149,000	1%	4%	5%	13%	15%
\$150,000 - \$249,000	0%	1%	4%	7%	8%
> \$250,000	0%	0.0%	2%	3%	3%
<i>Median Household Income</i>	\$23,178	\$30,447	\$30,086	\$54,301	\$61,952

Source: ESRI Business Solutions, 2006



**Table IV – 20  
Historic Housing Characteristics at Plaza Saltillo Station**

	Distance from Station			City of Austin	Austin MSA
	1/4 Mile	1/2 Mile	1 Mile		
<b>Tenure</b>					
<b>2000</b>					
% Owners	27%	43%	42%	45%	58%
% Renters	73%	57%	58%	55%	42%
<b>2006</b>					
% Owners	27%	45%	43%	46%	61%
% Renters	73%	55%	57%	54%	39%
<b>2000 - 2006</b>					
Δ in % Owners	0.0%	1.9%	0.4%	0.7%	2.5%
Δ in % Renters	0.0%	-1.9%	-0.4%	-0.7%	-2.5%
<b>Vacancy Rate</b>					
<b>2000</b>					
Total Units	346	1,319	5,503	276,783	496,004
% Vacant	5.1%	6.8%	7.2%	4.0%	4.9%
<b>2006</b>					
Total Units	355	1,406	5,553	307,549	602,254
% Vacant	6.0%	6.7%	6.9%	5.0%	5.3%
<b>2000 - 2006</b>					
Δ in Total Units	9	87	50	30,766	106,250
Δ in Vacancy Rate	0.9%	-0.1%	-0.3%	1.0%	0.4%

Source: U.S. Bureau of Census 1990 & 2000, ESRI Business Solutions 2006

## Strengths & Opportunities

ERA has identified the Plaza Saltillo station area's strengths and opportunities for transit-oriented development. They include:

- Location – The Plaza Saltillo station will be only one stop east of the Downtown Austin station on the commuter rail line and one mile east of the Downtown core, allowing it to capture much of the spillover in housing, office, and retail development
- Master Planning Process – The Saltillo District Redevelopment Master Plan, prepared for Capital Metro by ROMA, provides a guide for a mixed-use transit village, with housing, retail, office and other community-oriented uses.
- Recent development activity – New housing and commercial projects in the neighborhood indicate that there is strong interest from private developers.
- Ability to attract Austin's "creative class" – As mentioned above, Austin has an abundance of "creative" workers, who demand high-quality, urban-style housing, preferably in neighborhoods offering culture and diversity. Plaza Saltillo's proximity to the Warehouse and Sixth Street entertainment districts, as well as other cultural attractions, makes it a particularly strong location to attract this market segment.
- Lance Armstrong Bikeway – The city is developing a six-mile bike route from U.S. 183 in East Austin (along Fifth Street) through Downtown (along Fourth Street) and ending at Lake Austin Boulevard and Veteran's Drive. The bikeway will add a new amenity to East Austin and create a strong connection to Downtown and Town Lake districts.

## Challenges & Constraints

ERA has also identified the Plaza Saltillo station area's challenges and constraints for transit-oriented development. They include:

- Disincentives for high-density development – Within the Plaza Saltillo and MLK TODs, the Austin TOD Ordinance creates affordable housing requirements for buildings within the CP&R zone, if heights are increased above that allowed prior to Station Area Plan adoption. This may be a disincentive for private developers to build at higher densities. However, more affordable housing units and more ridership can be generated with a higher density program.

- Community Support – As land values continue to increase in East Austin, some households are in danger of being displaced. This dynamic has created opposition to new development from existing residents and community activists fearing gentrification.
- Rail line realignment – Without the realignment of the rail line, real estate development potential on the 11-acre Capital Metro site is limited due to shallow lot depths.
- Parcel size – Large vacant super-blocks should be developed into smaller parcels, in order to encourage finer grain, pedestrian-scale development.

## Residential Market Potential

In order to estimate future residential demand around the Plaza Saltillo station area, ERA examined historic housing characteristics as well as trends in the multifamily ownership and rental markets.

### *Multifamily Ownership Market*

The area east of downtown has quickly grown as a prime location for new “creative class” loft developments. As described in **Table IV-21**, ERA surveyed eight different loft projects in East Austin that was either recently built or under construction. Listed below is a brief description of each project:

- Sixth & Brushy – A Pegalo Properties development, this project includes ten one-bedroom units, six two-bedroom units, and two townhome units for a total of 18 units. One-Bedroom units, priced around \$200,000, range from 700 to 850 square foot unit and two-bedroom units, priced in the mid \$300,000s, range from 1,200 to 1,500 square feet. The two townhome units are roughly 1,350 square feet and are priced in the mid \$400,000s. Altogether, units are generally between \$240 and \$340 per square foot, with the townhome units commanding the highest per square foot price. With view into downtown, condo premiums average between \$5,000 and \$10,000 as you move to the next floor. Presently, all residential units have been sold at the project. In addition to the 18 residential units, Sixth & Brush also features several ground floor retail condominium units which sold for roughly \$200 per square foot.
- 1305 Lofts – This project features the first warehouse conversion in the East Caesar Chavez neighborhood. The development includes 14 two-bedroom units sized between 1,100 and 1,300 square feet and priced from \$280,000 to \$290,000 (for a price per square foot of roughly \$240). All units will be two-stories facing out on 6<sup>th</sup> street,

Unlike many of the other projects in the area, 1305 lofts does not provide ground floor commercial space. With sales starting late last year all but four units have been sold for an average monthly absorption rate of two to three units.

- Saltillo Lofts – Located across the street from the Plaza Saltillo station between fourth and Fifth Street, this project was developed by Larry Warshaw and Perry Lorenz. In total, this building features 29 units, 12 of which have income requirements, and nine ground floor commercial units facing Comal and Fifth Streets. The commercial units include a development office, a flower shop, and two clothing boutique stores. One-bedroom units at the project ranged from 700 to 800 square feet and were priced between \$180,000 and \$190,000 (for a price per square foot of \$250 to \$260). The two-bedroom units, meanwhile, were slightly larger, ranging between 1,000 and 1,200 square feet with pricing from \$250,000 to \$260,000 (or roughly \$230 to \$250 per square foot). Presently all residential and retail condo units have been sold at the project.
- Pedernales Lofts – One of the first loft projects in the area, this development is also one of the largest in East Austin. Altogether, the Pedernales Lofts includes 105 studio and one-bedroom units with several additional ground floor commercial units. At the time of this report, all units had been sold out, so all sales information refers to resale units available at the project. Based on data from the MLS, available studios ranged from 650 to 790 square feet, and were priced from \$170,000 to \$213,000 (or a price of roughly \$250 per square foot). The one-bedroom units, meanwhile, went from 1,000 square feet up to 1,200 square feet with pricing between \$230,000 and \$260,000.
- Este Lofts – Currently under construction, this project is situated within a quarter mile of the Pedernales Lofts development. When completely built out, this project will feature 57 units, 31 of which will be one-bedroom floor plans and 26 of which will be two-bedroom floor plans. One-bedroom-units range from 700 to 900 square feet and are priced just below \$200,000 (for a price per square foot from \$211 to \$233). Two-bedroom units, meanwhile, range from 1,200 to 1,800 square feet with pricing from the high \$200,000s to the mid \$400,000s. Similar with other project, typical floor premiums range from \$5,000 to \$10,000. Not surprisingly, given the area’s growth over the last few years, brokers report sales running at roughly eight to ten per month.

Este Lofts also offers several ground floor commercial condo units priced at \$260 per square foot.

- Waterstreet Lofts – Located along Caesar Chavez and Comal Streets, this three story development includes a total of 25 residential units and four commercial condominium units. Two of the 25 residential units are built as true live/work homes with commercial space directly attached to the residential unit. Studios range from 850 to 1,000 square feet and are priced in the low \$200,000s. One-bedrooms, meanwhile, are only slightly larger, averaging between 800 and 1,400 square feet with pricing in the mid \$200,000s. Finally, the three-bedroom unit offer residents with 1,500 square feet and are priced in the mid \$300,000s. Likely due to its location away from the heart of the East Austin, sales have been slower here than at other projects in the area. Currently, all but seven residential units and two commercial units have been sold, with the rest going at an average monthly rate of 2 to 3 per month.
- 2124 Lofts – Developed by Larry Warshaw & Perry Lorenz, this project is located on the corner of East Sixth Street and Robert Martinez Jr. Street. The development will span three floors and feature 60 one and two-bedroom floor plans. Pricing and sizes are similar to Este Lofts, with most units ranging from \$230 to \$280 per square foot. Also similar with Este lofts, this project has been able to generate a fairly high sales volume, selling between 8 and 10 units per months since opening. Ground floor commercial space at the project is priced at \$260 per square foot.

In summary, based on information collected from each of these projects, condominium and loft unit sales have been fairly strong in East Austin. In general, pricing average \$250 to \$300 per square foot, with projects closer to downtown able to capture a higher premium than those situated further east. Absorption has also been faster for properties closer to Sixth Street, the central arterial through the district. Most buyers have been young professionals working in downtown or those in the “creative class” wanting to live in a more urban, yet trendy, atmosphere. Similar with other areas around Austin, appreciation has slowed for these units, but will likely still grow at a consistent rate over time.

### *Multifamily Rental Market*

In addition to a growing for-sale multifamily market in East Austin, there is also the potential for rental multifamily units in the area. Recently the Robertson Hill Apartments opened on San Marcos Street between Ninth and Eleventh Streets. This development features 283 luxury

apartment units ranging from \$1,200 per month for a one-bedroom unit to over \$2,700 per month for a two bedroom townhome (see **Table IV-22**). Young professionals composed roughly 75 percent of the renters at Robertson Hills with the remaining 25 percent composed of University of Texas students.

The popularity of housing in this area is largely due to the success of new residential projects in Downtown Austin. In order to understand this dynamic, ERA examined trends in the apartment market in Downtown Austin. Real Facts tracks an inventory of about 1,100 rental apartment units in the downtown area. All of these units have been built within the last ten years in five new apartment buildings. Occupancy rates for the downtown area have remained consistently high since the beginning of the decade, supporting average rentals rates of \$1,300 to \$1,500 per month (see **Table IV-23**). As illustrated in **Table IV-24**, rents have increased throughout the central downtown area since 2002 for almost all unit types. Studio units have experienced the biggest rent increases over the last three years at an average rate of 7.3 percent per year. Over time, it is likely that continued success of downtown housing will fuel housing demand at the Plaza Saltillo station for both rental and ownership units.

#### *Estimated Residential Demand*

After examining both the for-sale and rental multifamily market in East Austin, it is clear that Plaza Saltillo is a very strong location for residential development due to the following characteristics:

- Existing market for housing – There has been a great deal of new housing development activity in the area, with new residential projects in the pipeline, including Este and 2124 Lofts. Recently completed for-sale products, mostly condominium and loft-style units, are selling at an average price of \$250 per square foot. The new Robertson Hills Apartments now under construction is leasing luxury two-bedroom apartments for \$1,200 per month, significantly higher than the average rents in the metropolitan area for similarly sized units.
- The success of Downtown housing projects – Plaza Saltillo is well-positioned to capture some of the “spillover” effect of the high demand for housing in downtown Austin.
- Neighborhood amenities – The Lance Armstrong Bikeway strengthens the connection of the neighborhood to Downtown Austin, and adds a new amenity to East Austin. Other



proposed amenities in the blended plan, such as pedestrian “paseos” and open space, will also help to enhance the area’s attractiveness for housing.

- Positive perception from development community – Developers and real estate brokers are very optimistic about future development opportunities at Plaza Saltillo.

Over the next 20 years, ERA’s demand model, shown in **Table IV-25**, estimates future potential for an additional 1,200 to 2,100 housing units at Plaza Saltillo. This includes 650 to 1,300 condominium flats and live/work loft units; 500 to 600 rental apartment flats; and 70 to 180 townhouse/duplex units. Because of the adjacency of the site to Downtown Austin, ERA believes that Plaza Saltillo offers a good opportunity to build at a higher density than at other stations. ERA assumed that the density achieved at the future Plaza Saltillo station would be 40 units per acre for condominium flats, live/work lofts and apartment flats, and 15 units per acre for townhouse/duplex development. Therefore, this housing potential would translate into 30 to 60 acres of developable area.

The Plaza Saltillo station is considered attractive for a variety of products, including live/work flex units, condominiums, apartments, and townhouse/rowhouse units. The station area plan currently proposes a substantial amount of live/work flex units along East Fifth Street between I-35 and Navasota Street, with a second cluster on East Fifth Street and East Sixth Street east of Chalmers Avenue. Although ERA considers live/work flex units very appropriate for this station area, the amount of land area designated for that product may be excessive, especially given that it is relatively untested in the Austin region. This area should probably be more loosely classified as medium-density housing, which could combine a mix of housing types such as loft-style condominiums which have been proven to be very successful, as well as live/work flex units. As a matter of policy, the City may consider pursuing live/work flex units in order to prevent gentrification and provide a greater diversity of housing types. However, it is unknown if the market can support the number of live/work units shown in the blended plan. If additional affordable units of this type are desired beyond what can be provided by the market, it may be appropriate to provide assistance from the City or other sources to develop them as part of a wider affordable housing strategy for this area. ERA also believes there is potential for high-rise residential projects in the medium to long term, particularly if it is oriented to the western edge of the district along the I-35 frontage.



**Table IV – 21  
Historic Housing Characteristics at Plaza Saltillo Station**

Project	# of Units	Size	Pricing	\$/SF	# of Units Sold per Month	Floor Premiums	Retail Condo Price/SF
<b>6th &amp; Brushy</b>	<b>18</b>						
One-Bedroom	10	700 - 850	\$203,000 - \$204,000	\$240 - \$290	Project Sold out	\$5 to \$10 K per floor	\$200
Two-Bedroom	6	1,200 - 1,500	\$348,000 - \$360,000	\$240 - \$290			
Townhome	2	1,300 - 1,400	\$440,000 - \$455,000	\$325 - \$338			
<b>1305 Lofts</b>	<b>14</b>						
Two-Bedroom	14	1,142 - 1,338	\$281,850 - \$292,850	\$231 - \$256	2 to 3	None	No retail space
<b>Saltillo Lofts</b>	<b>29</b>						
One-Bedroom	n/a	700 - 800	\$180,000 - \$190,000	\$238 - \$257	Project Sold out	None	n/a
Two-Bedroom	n/a	1,000 - 1,200	\$250,000 - \$280,000	\$233 - \$250			
<b>Pedernales Lofts<sup>1</sup></b>	<b>105</b>						
Studio	n/a	642 - 785	\$167,000 - \$212,500	\$236 - \$291	Project Sold out	None	n/a
One-Bedroom	n/a	1,060 - 1,210	\$232,000 - \$259,000	\$218 - \$222			
<b>Este Lofts</b>	<b>57</b>						
One-Bedroom	31	750 - 900	\$175,000 - \$190,000	\$211 - \$233	8 to 10	\$5 to \$10 K per Floor	\$260
Two-Bedroom	26	1,200 - 1,800	\$280,000 - \$450,000	\$233 - \$250			
<b>Waterstreet Lofts</b>	<b>25</b>						
Studio	7	851 - 1,029	\$225,000 - \$235,000	\$255 - \$275	2 to 3	n/a <sup>2</sup>	\$255
One-Bedroom	15	823 - 1,390	\$265,000 - \$275,000	\$265 - \$270			
Two-Bedroom	2	1,504 - 1,542	\$355,000 - \$360,000	\$225 - \$235			
<b>2124 Lofts</b>	<b>60</b>						
One-Bedroom	30	750 - 850	\$175,000 - \$190,000	\$224 - \$233	8 to 10	\$5 to \$10 K per Floor	\$260
Two-Bedroom	30	1,000 - 1,150	\$250,000 - \$325,000	\$250 - \$283			

<sup>1</sup> Pedernales Lofts have sold out and all data are from current resale prices

<sup>2</sup> Many of the units are two stories

Source: Individual Real Estate Brokers, July 2007



**Table IV – 22  
Robertson Hill Apartments**

Apartment Type	Size	Price	\$/SF
One Bedroom	670 - 1,040	\$1,240 - \$1,710	\$1.57 - \$2.16
Two-Bedroom	1,177 - 1,373	\$1,765 - \$2,090	\$1.45 - \$1.55
Two-Bedroom Townhome	1,754 - 1,777	\$2,630 - \$2,725	\$1.50 - \$1.53

Source: Robertson Hill Apartments, July 2007

**Table IV – 23  
Central Downtown Apartment Market Absorption Trends**

Year	Units Built	Total Units	Units Absorbed	Occupied Units	Occupancy Rate	Avg. Rental Rate
1997	287	287	n/a	n/a	n/a	n/a
1998	0	287	n/a	n/a	n/a	n/a
1999	0	287	n/a	n/a	n/a	n/a
2000	253	540	n/a	n/a	n/a	n/a
2001	239	779	n/a	n/a	n/a	n/a
2002	0	779	n/a	741	95%	n/a
2003	140	919	123	864	94%	\$1,303
2004	0	919	-3	861	94%	\$1,365
2005	0	919	-19	842	92%	\$1,464
2006	220	1,139	260	1,102	97%	\$1,538
<b>Avg. Annual</b>						
1997 - 2000	135	350	n/a	n/a	n/a	n/a
2001 - 2003	126	826	123	803	95%	\$1,303
2004 - 2006	73	992	79	935	94%	\$1,456

Source: Real Facts



**Table IV – 24**  
**Central Downtown Apartment Market Rental Rate Trends**

Type of Unit	2002	2003	2004	2005	2006	2007 <sup>1</sup>	2002 - 2006	
							CAGR	Abs Growth
Studio	n/a	\$918	\$948	\$1,022	\$1,135	\$1,155	7.3%	\$217
Jr. 1bd	n/a	\$740	n/a	n/a	n/a	n/a	n/a	n/a
1bd 1bth	\$1,055	\$1,114	\$1,175	\$1,149	\$1,306	\$1,430	5.5%	\$251
2bd 1bth	\$1,414	\$1,417	\$1,356	\$1,383	\$1,406	\$1,439	-0.1%	-\$8
2bd 2bth	\$1,556	\$1,633	\$1,641	\$1,666	\$1,844	\$2,014	4.3%	\$288
2bd TH	n/a	\$2,245	\$2,295	\$2,322	\$2,138	\$2,335	-1.6%	-\$107
3bd 2bth	\$1,886	\$1,926	\$1,984	\$1,986	\$2,015	\$2,056	1.7%	\$129
<i>Average</i>	<i>\$1,303</i>	<i>\$1,365</i>	<i>\$1,464</i>	<i>\$1,538</i>	<i>\$1,555</i>	<i>\$1,702</i>	4.5%	\$252

<sup>1</sup> Includes data only through the second quarter of 2007

<sup>2</sup> Growth tracked between 2003 and 2006 due to data limitations

Source: Real Facts



**Table IV – 25**  
**Estimated Residential Development Potential at Plaza Saltillo Station**

	2007-10	2011-15	2016-20	2021-25	Total 2007-25
Austin Housing Potential					
Multifamily Housing (units)	12,700	20,200	36,000	38,100	107,000
Condominium Flats	4,100	7,300	13,000	13,700	38,100
Apartments	6,100	8,900	15,800	16,800	47,600
Townhomes/ Duplexes	2,500	4,000	7,200	7,600	21,300
Salttillo Station Capture- Low					
Condominium Flats and Live/Work Lofts	1.0%	1.0%	2.0%	2.0%	
Apartments	1.0%	1.0%	1.0%	1.0%	
Townhomes/ Duplexes	0.0%	0.0%	0.5%	0.5%	
Salttillo Station Capture - High					
Condominium Flats and Live/Work Lofts	2.0%	2.0%	4.0%	4.0%	
Apartments	1.0%	1.0%	1.5%	1.5%	
Townhomes/ Duplexes	0.5%	0.5%	1.0%	1.0%	
Salttillo Station Potential- Low					
Condominium Flats and Live/Work Lofts	41	73	260	274	648
Apartments	61	89	158	168	476
Townhomes/ Duplexes	0	0	36	38	74
Salttillo Station Potential- High					
Condominium Flats and Live/Work Lofts	82	146	520	548	1,296
Apartments	61	89	237	252	639
Townhomes/ Duplexes	13	20	72	76	181
Land area required for development (acres) <sup>1</sup>					
Low	3	4	13	13	33
High	4	7	23	25	60

<sup>1</sup>Assumes average density of 40 du/acre for condominium flats, live-work lofts, and apartment flats, and 15 du/acre for townhomes and duplexes.

Source: Economics Research Associates.



## Office Potential

The surrounding neighborhoods have seen some recent office development in recent years.

Among these is:

- East Eleven, a new mixed-use building consisting of three stories of office space with ground floor retail, was completed in 2004, just a few blocks from Plaza Saltillo. Tenants include the City of Austin, ESPN Radio, Big Austin, Wells Fargo, an advertising firm, and several small retail establishments.
- Riata Partners is planning a 475,000-square-foot commercial building at the corner of Eleventh Street and I-35. Uses include a mix of office, residential, hotel and retail, with height up to 200 feet.

While the Plaza Saltillo station area shares the same office market characteristics as the MLK, Jr. station area, Plaza Saltillo has greater potential for future office development, given the following attributes:

- Adjacency to Downtown Austin – The short distance to the Downtown core gives the site some ability to capture office users.
- Convenient regional access (transit and highway) to the regional labor force, especially once the rail station is in operation.

Based upon our analysis shown in **Table IV-26**, ERA projects demand for between 450,000 to 850,000 square feet of office space at Plaza Saltillo Station. ERA believes that its location allows Plaza Saltillo to capture some of the office users that prefer being close to the urban core but are unable to pay the rents achieved Downtown. Recent trends suggest that this area is popular with certain types of “creative” professionals as well, such as architects and designers, who seek a less traditional building type and lower cost location.



**Table IV – 26**  
**Estimated Office Development Potential at Plaza Saltillo Station**

	2007-10	2010-15	2016-20	2021-25	2007-2025
Austin Office Potential					
Low	6,496,000	8,281,000	7,851,750	7,307,250	19,547,908
High	7,424,000	9,464,000	8,898,650	8,281,550	22,228,055
Saltillo Station Capture					
Low	1.0%	1.0%	2.0%	2.0%	
High	2.0%	2.0%	3.0%	3.0%	
Total Saltillo Office Potential					
Low	65,000	83,000	157,000	146,000	<b>451,000</b>
High	148,000	189,000	267,000	248,000	<b>852,000</b>

Source: Economics Research Associates.

## **Retail Potential**

There are not many large retail shopping centers in east Austin. The closest malls are the Dobie Mall and Second Street shopping district, approximately three miles northwest. However, there is a neighborhood shopping center with an HEB grocery store just one mile east of the Plaza. In addition, there are several small food stores and pharmacies in the area. Brokers note that the current redevelopment of the area is making the location more enticing for retail tenants. However, they mention that it will be some years before national tenants will see the area as viable for their operations.

There are no sites available at Plaza Saltillo for the development of large-scale retail spaces. It is likely that new retail development opportunities will be largely for smaller and independent operators. ERA's analysis evaluates the potential for new retail space in the area based on growth in the market area's population and income. According to the analysis presented in **Table IV-27** and **Table IV-28**, there will be substantial growth in retail spending potential in the trade area over the next 18 years. From 2007 to 2015, ERA estimates that there will be demand for almost 1.3 million square feet of new retail space in the trade area. From 2016 to 2025, there will be demand for an additional 1.8 million square feet of retail space. Only a small percentage of this new retail spending can be captured at Plaza Saltillo, however (**Table IV-29**). ERA estimates that there will be potential for the development of approximately 27,000 to 35,000 square feet of retail space in the short term (2007 to 2010). As residential projects reach completion and the number of higher-income households in the neighborhood increases the demand for retail will expand to support an additional 111,000 to 143,000 square feet of retail space from 2016 to 2025. ERA believes that the majority of the new retail will be composed of eating and drinking establishments (restaurants, bars, cafes), miscellaneous and specialty retail (gift shops, stationary stores, hobby stores, etc), and food stores (with a focus on specialty gourmet/ethnic foods). Sixth Street may gradually evolve into an entertainment and dining destination corridor, while ERA anticipates that Fourth Street and Fifth Street will contain more neighborhood-oriented retail uses.



**Table IV – 27**  
**Retail Demand Estimate at Plaza Saltillo Station: 2007 to 2015**  
(in Thousands of Dollars)

		<u>2007</u>	<u>2010</u>	<u>2015</u>	<u>Demand 2007 to 2010</u>		<u>Demand 2011 to 2015</u>		
Plaza Saltillo Trade Area Population <sup>1</sup>		298,370	310,158	330,850					
Population Growth Rate			1.3%	1.3%					
Real Income Adjustment		1.030	1.077	1.100					
		<u>Spending</u>	<u>Total Market Area Demand</u>		<u>Annual</u>	<u>Gain in</u>	<u>Gain in</u>	<u>Gain in</u>	<u>Gain in</u>
		<u>Per Capita<sup>2</sup></u>			<u>Sales/SF</u>	<u>Sales</u>	<u>Sq Ft</u>	<u>Sales</u>	<u>Sq Ft</u>
Apparel Stores	\$0.48	\$147,363	\$160,217	\$174,530	\$275	\$12,854	46,743	\$14,313	52,047
Gen. Merchandise & Drug	\$0.90	\$276,642	\$300,774	\$327,643	\$250	\$24,131	96,526	\$26,869	107,477
Food Stores	\$1.89	579,803	\$630,379	\$686,693	\$375	\$50,576	134,870	\$56,314	150,172
Eating & Drinking Places	\$1.01	311,440	\$338,606	\$368,856	\$350	\$27,167	77,619	\$30,249	86,426
Furnishing & Appliances	\$0.82	251,208	\$273,121	\$297,520	\$225	\$21,913	97,390	\$24,399	108,440
Bldg Materials & Farm Eqmt	\$0.57	174,035	\$189,216	\$206,119	\$320	\$15,181	47,441	\$16,903	52,823
Auto Dealers & Service Statn.	\$0.24	72,386	\$78,700	\$85,730	n/a	\$6,314	n/a	\$7,031	n/a
Other Retail Stores	\$1.01	310,156	\$337,211	\$367,335	\$300	\$27,055	90,183	\$30,124	100,415
<b>Total Retail Stores</b>	<b>\$6.91</b>	<b>\$2,123,032</b>	<b>\$2,308,223</b>	<b>\$2,514,426</b>		<b>\$185,192</b>	<b>590,772</b>	<b>\$206,203</b>	<b>657,800</b>

<sup>1</sup> Population within 10-minute drive of station.

<sup>2</sup> Estimates based on 2006 per capita retail spending and adjusted for local market area income.

Source: Texas State Comptroller; ESRI Business Analyst; ULI Dollars and Cents of Shopping Centers; Economics Research Associates



**Table IV – 28**  
**Retail Demand Estimate at Plaza Saltillo Station: 2015 to 2025**  
 (in Thousands of Dollars)

		<u>2015</u>	<u>2020</u>	<u>2025</u>		<u>Demand 2016 to 2020</u>		<u>Demand 2021 to 2025</u>	
Plaza Saltillo Trade Area Population <sup>1</sup>		330,850	350,701	371,743					
Population Growth Rate		1.3%	1.2%	1.2%					
Real Income Adjustment		1.100	1.138	1.196					
	Spending Per Capita <sup>2</sup>	Total Market Area Demand			Annual Sales/SF	Gain in Sales	Gain in Sq Ft	Gain in Sales	Gain in Sq Ft
Apparel Stores	\$0.48	\$174,530	\$191,386	\$213,218	\$275	\$16,856	61,294	\$21,832	79,387
Gen. Merchandise & Drug	\$0.90	\$327,643	\$359,286	\$400,270	\$250	\$31,643	126,573	\$40,984	163,936
Food Stores	\$1.89	\$686,693	\$753,013	\$838,910	\$375	\$66,320	176,852	\$85,897	229,058
Eating & Drinking Places	\$1.01	\$368,856	\$404,479	\$450,618	\$350	\$35,623	101,781	\$46,139	131,826
Furnishing & Appliances	\$0.82	\$297,520	\$326,254	\$363,470	\$225	\$28,734	127,706	\$37,216	165,404
Bldg Materials & Farm Eqmt	\$0.57	\$206,119	\$226,026	\$251,808	\$320	\$19,907	62,208	\$25,783	80,571
Auto Dealers & Service Statn.	\$0.24	\$85,730	\$94,010	\$104,734	n/a	\$8,280	n/a	\$10,724	n/a
Other Retail Stores	\$1.01	\$367,335	\$402,812	\$448,761	\$300	\$35,477	118,255	\$45,949	153,163
<b>Total Retail Stores</b>	<b>\$6.91</b>	<b>\$2,514,426</b>	<b>\$2,757,265</b>	<b>\$3,071,788</b>		<b>\$242,839</b>	<b>774,670</b>	<b>\$314,523</b>	<b>1,003,347</b>

<sup>1</sup> Population within 10-minute drive of station.

<sup>2</sup> Estimates based on 2006 per capita retail spending and adjusted for local market area income.

Source: Texas State Comptroller; ESRI Business Analyst; ULI Dollars and Cents of Shopping Centers; Economics Research Associates



**Table IV – 29**  
**Summary of Demand for Retail at Plaza Saltillo Station, 2007-2025**

	2007-2010	2011-2015	2016-20	2021-25	2007-2025
<b>Retail Demand by Category</b>					
Apparel Stores	46,743	52,047	61,294	79,387	239,472
Gen. Merchandise & Drug	96,526	107,477	126,573	163,936	494,512
Food Stores	134,870	150,172	176,852	229,058	690,951
Eating & Drinking Places	77,619	86,426	101,781	131,826	397,653
Furnishing & Appliances	97,390	108,440	127,706	165,404	498,941
Bldg Materials & Farm Eqmt	47,441	52,823	62,208	80,571	243,043
Auto Dealers & Service Statn.	n/a	n/a	n/a	n/a	0
Other Retail Stores	<u>90,183</u>	<u>100,415</u>	<u>118,255</u>	<u>153,163</u>	<u>462,016</u>
<b>Total Retail Demand (in square feet)</b>	<b>590,772</b>	<b>657,800</b>	<b>774,670</b>	<b>1,003,347</b>	<b>3,026,588</b>
<b>Plaza Saltillo Capture Rate - Low</b>					
Apparel Stores	3%	3%	3%	3%	
Gen. Merchandise & Drug	2%	2%	2%	2%	
Food Stores	5%	5%	5%	5%	
Eating & Drinking Places	10%	10%	10%	10%	
Furnishing & Appliances	2%	2%	2%	2%	
Bldg Materials & Farm Eqmt	0%	0%	0%	0%	
Auto Dealers & Service Statn.	0%	0%	0%	0%	
Other Retail Stores	8%	8%	8%	8%	
<b>Plaza Saltillo Capture Rate - High</b>					
Apparel Stores	5%	5%	5%	5%	
Gen. Merchandise & Drug	3%	3%	3%	3%	
Food Stores	6%	6%	6%	6%	
Eating & Drinking Places	12%	12%	12%	12%	
Furnishing & Appliances	3%	3%	3%	3%	
Bldg Materials & Farm Eqmt	0%	0%	0%	0%	
Auto Dealers & Service Statn.	0%	0%	0%	0%	
Other Retail Stores	10%	10%	10%	10%	
<b>Retail Potential at Plaza Saltillo - Low</b>					
Apparel Stores	1,400	1,600	1,800	2,400	7,200
Gen. Merchandise & Drug	1,900	2,100	2,500	3,300	9,800
Food Stores	6,700	7,500	8,800	11,500	34,500
Eating & Drinking Places	7,800	8,600	10,200	13,200	39,800
Furnishing & Appliances	1,900	2,200	2,600	3,300	10,000
Bldg Materials & Farm Eqmt	0	0	0	0	0
Auto Dealers & Service Statn.	n/a	n/a	n/a	n/a	n/a
Other Retail Stores	<u>7,200</u>	<u>8,000</u>	<u>9,500</u>	<u>12,300</u>	<u>37,000</u>
<b>Total Retail Demand (in square feet)</b>	<b>26,900</b>	<b>30,000</b>	<b>35,400</b>	<b>46,000</b>	<b>138,300</b>
<b>Retail Potential at Plaza Saltillo - High</b>					
Apparel Stores	2,300	2,600	3,100	4,000	12,000
Gen. Merchandise & Drug	2,900	3,200	3,800	4,900	14,800
Food Stores	8,100	9,000	10,600	13,700	41,400
Eating & Drinking Places	9,300	10,400	12,200	15,800	47,700
Furnishing & Appliances	2,900	3,300	3,800	5,000	15,000
Bldg Materials & Farm Eqmt	0	0	0	0	0
Auto Dealers & Service Statn.	n/a	n/a	n/a	n/a	n/a
Other Retail Stores	<u>9,000</u>	<u>10,000</u>	<u>11,800</u>	<u>15,300</u>	<u>46,100</u>
<b>Total Retail Demand (in square feet)</b>	<b>34,500</b>	<b>38,500</b>	<b>45,300</b>	<b>58,700</b>	<b>177,000</b>

Source: Economics Research Associates.



## Hotel Potential

The potential for hotel development at Plaza Saltillo is good, considering the following factors:

- Adjacency to downtown employment center
- Proximity to convention center and downtown hotel district
- The western portion of the site has visibility from I-35, a major highway

Once the area becomes established with more retail and restaurants, and the connectivity to Downtown Austin is strengthened with transit and the bikeway, ERA believes that the Plaza Saltillo station area could support up to 180 hotel rooms, in perhaps two boutique hotel properties (see **Table IV-30**). However, it is likely that other land uses more viable in the short term (residential and office primarily) will be developed earlier on the site, thereby limiting the amount of land available in the long term for hotel development.

## Summary of Development Potential

Plaza Saltillo station provides an excellent opportunity to develop a high-quality, high-density mixed-use transit village. However, much of the development opportunity in the short term at Plaza Saltillo will depend on the realignment of the railroad tracks to make the 11-acre Capital Metro site more feasible for development. That site provides the best short-term opportunity for transit-oriented development at this location.

As indicated in **Table IV-31**, the market supports a diverse range of land uses in the short term (2007 to 2010), including 100 to 150 housing units; 65,000 to 150,000 square feet of office space; and 27,000 to 35,000 square feet of retail space. In the long term, the site can support an additional 1,100 to 2,000 housing units; 400,000 to 700,000 square feet of office space; 110,000 to 140,000 square feet of retail; and 180 hotel rooms.



**Table IV – 30  
Estimated Hotel Demand at Plaza Saltillo Station**

	2007-10	2011-15	2016-20	2021-25	Total Demand 2007-2025
Austin Hotel Potential					
Low	558	3,150	2,600	2,100	8,408
High	638	3,600	3,200	2,800	10,238
Saltillo Station Capture					
Low	0%	0%	0%	0%	
High	1.0%	1.5%	2.0%	2.0%	
Resulting Hotel Demand at Saltillo					
Low	0	0	0	0	0
High	6	54	64	56	180

Source: Economics Research Associates.

**Table IV – 31  
Summary Development Potential at Plaza Saltillo Station**

	2007-10	2011-2025	Total Demand
Housing Potential (units)			
Low	102	1,096	1,198
High	156	1,960	2,116
Office Potential (sq. ft.)			
Low	65,000	386,000	451,000
High	148,000	704,000	852,000
Retail Demand (sq. ft.)			
Low	26,900	111,400	138,300
High	34,500	142,500	177,000
Hotel Demand (rooms)			
Low	0	0	0
High	6	174	180

Source: Economics Research Associates.

## **Crestview Station Area**

The Crestview Station is located at the intersection of North Lamar and Airport Boulevard. North Lamar is a key thoroughfare connecting South and North Austin through Downtown. The station area lies within a loop created by Interstate 35, Highway 183, Mopac Expressway, and Highway 71, which has recently been the focus of major residential development.

The Lamar/Justin TOD station area plan, which is focused around the Crestview Station, includes the Crestview, Highland and Brentwood neighborhoods. These neighborhoods are made up primarily of single-family homes, with some office and retail along major arterials of Lamar Boulevard and Airport Boulevard. Much of the housing and commercial space was built in the 1950s and 1960s. There has been little recent development in the area, with the exception of the demolition and replacement of single-family homes.

The large, 73-acre Trammell Crow/Stratus Properties site adjacent, and to the north of the station, is being developed as a mixed-use “new urbanist” community, which will include housing, retail, office, pocket parks, open space, and transit facilities. This multi-phased development should perform as a catalyst for other TOD district developments.

## **Station Area Conceptual Plan**

The market analysis to follow addresses the potential for real estate development within the TOD district as defined by the PB “blended concept”. (see **Figure IV-6**).

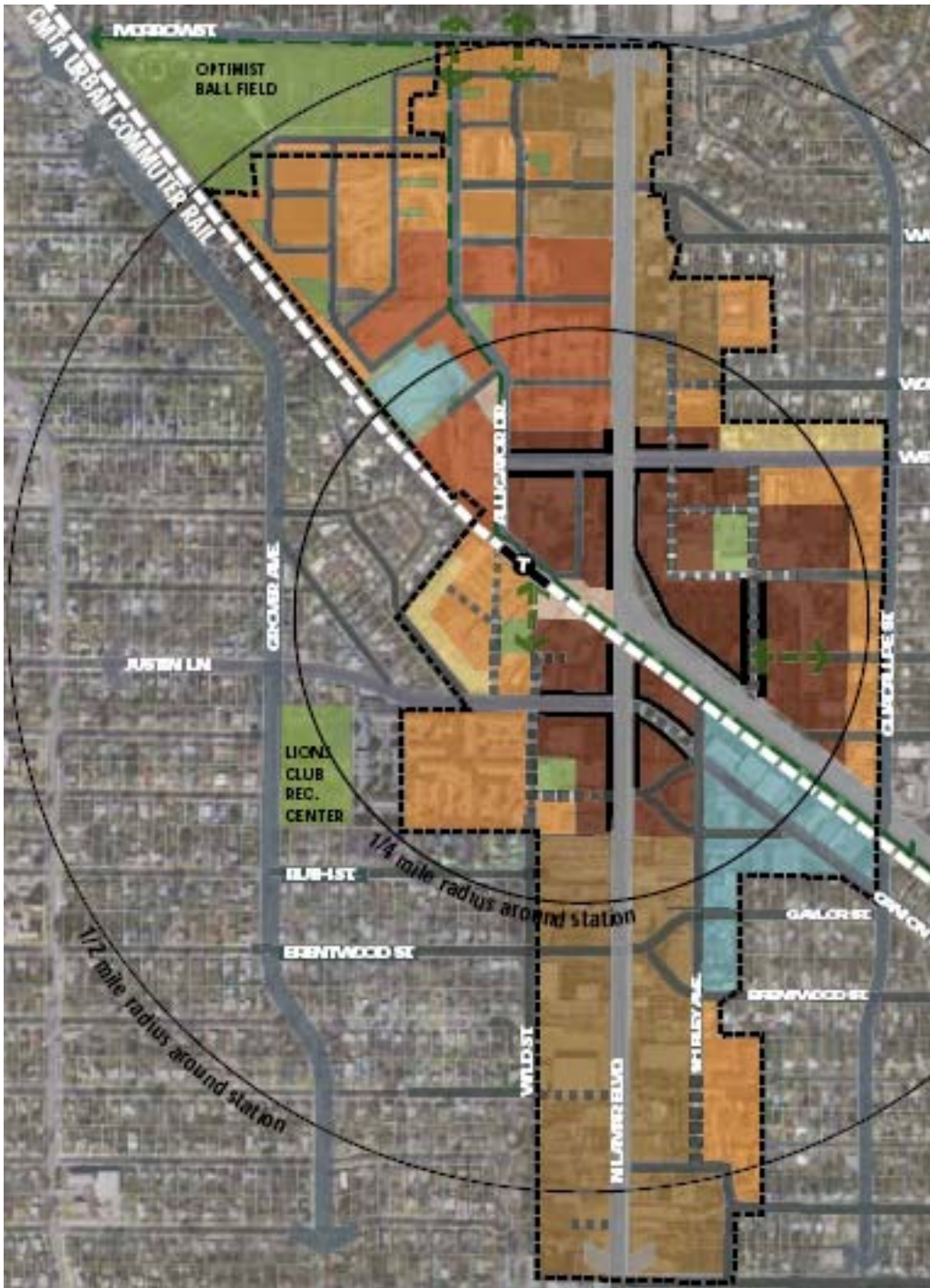
This plan incorporated several concepts from the previous public charettes. In addition, the plan also takes into account the approved Trammell Crow plan, which includes about 1,000 units of low and medium-density housing (both for-sale and rental), and a total of about 150,000 square feet of retail and commercial space. Retail uses are concentrated along North Lamar Boulevard and West St. John’s Avenue in the areas closest to the transit station.

Other key features of the blended concept include:

- A strong mixed-use center concentrated at North Lamar Boulevard and Airport Boulevards, with the highest densities situated around the station.
- To the extent possible, alter the existing street network to create more of a pedestrian grid. This includes adding some new connections and improving existing ones.

- Mixed use corridor development along the length of Lamar Boulevard north and south of the transit district's core.
- Improved circulation patterns, including enhancements to improve safety for vehicles and pedestrians at the intersection of Airport Boulevard and North Lamar Boulevard.
- Transition to lower density development in areas close to existing single-family neighborhoods.
- A pocket of live/work flex units in the triangle roughly bounded by North Lamar Boulevard, Airport Boulevard, and Gaylor Street.
- Pedestrian trail that parallels the rail line until it reaches the station and then continues on-street north on Alligator to Morrow. The plan also calls for improved pedestrian crossings at key intersections of Lamar Boulevard.

Figure IV-4: Lamar/Justin Transit Oriented District – Blended Concept



Source: PB PlaceMaking, May 2007



## Population & Demographic Overview

The following summarizes 2006 key demographic characteristics of the area within a one-mile radius of the Crestview Station (see **Table IV-32**):

- The total population of the residents living in the area is nearly 17,000. There are 8,100 households in the area. The average household size of 2.0 persons is significantly smaller than the regional average.
- Similar with other Austin neighborhoods, this area is ethnically diverse. About 19 percent of residents are of “other” race; 37 percent are Hispanic and 65 percent are White.
- The station area neighborhoods have a lower proportion of senior residents than the metropolitan area, with only nine percent of residents aged over 55. Meanwhile, over 50 percent of the neighborhood’s population is aged between 20 and 34, indicating a significant presence of students and young professionals. Children under 15 compose only 13 percent of the total population, compared to 21 percent in the region.
- The median household income in the area is \$39,000; about 63 percent of the regional median household income. Only 11 percent of households have annual incomes over \$100,000, compared to 26 percent in the metropolitan area. Meanwhile, 36 percent of the surrounding households have annual incomes of under \$30,000. This is likely due to the substantial number of college students and seniors living in this neighborhood.
- Though historically quiet neighborhoods inhabited by retired seniors and college students, there is an increasing number of young professionals and higher-income families moving in to the Lamar/Justin TOD District area and improving the existing housing stock. According to ESRI Business Analyst, these neighborhoods include a mix of higher-income urban professionals; transitioning young singles; retired seniors; and ethnic families.

In addition, ERA assessed the current housing characteristics of the area using ESRI Business Analyst data (see **Table IV-33**).

- In 2006, approximately 70 percent of the residents in the surrounding neighborhoods (one-mile from the station) rented their unit. Likely, the low ownership rates are due to the number of young families in rental units or small single family homes around the

project and the large student population residing in apartment units south of the station area.

- Vacancy rates near the Crestview station have remained low over the last six years. While the metropolitan average saw vacancies rise by almost 0.5 percent, housing units within one-mile of the station area had vacancies increase by only 0.1 percent.

### **Strengths & Opportunities**

The station area has many strengths and opportunities for transit-oriented development. Among these are:

- Location – The TOD district is located within four miles of the University of Texas, allowing it to capture some of the real estate demand generated from students and faculty. Moreover, the area is well located near I-35 and Hwy 290. As a result, it is also attractive for young professionals working north of the urban core.
- High Growth in Surrounding Area – Though these neighborhoods have not seen a great deal of development in recent years, the adjacent areas to the north and northeast are some of the fastest growing areas in the city. Moreover, there is a growing trend for students to locate more and more north of campus as seen by the popularity of the Triangle Project and the opening of several new condominium developments. The Crestview Station Area is positioned to capture some of the spillover of activity occurring in those high-growth areas.
- Transportation – Lamar Boulevard is a major arterial that connects the site to Downtown Austin. There are several existing bus lines offering service to north Austin and south Austin. Access will be enhanced once the North Lamar station is completed, as it will be a transfer point for several bus lines as well as commuter rail, and potentially, rapid bus service.
- Amenities – Pocket parks, playing fields and open space will be preserved on the Crestview Station development site, creating a family-friendly environment.
- Developer support for transit-oriented development – Developers of TOD district properties support the incorporation of key transit-oriented development features, including linkages to transit facilities, a mix of land uses, pedestrian-friendly design, and higher densities.

- Size of adjacent Crestview Station Development site – The 73-acre development site is large enough to create a high-quality example of transit-oriented development.
- Community Involvement – The community appears to be supportive of development that will provide greater retail and housing opportunities and improvements to infrastructure to address traffic and safety conditions.

### **Constraints & Challenges**

ERA has identified some possible challenges and constraints to transit-oriented development, including:

- Due to the high number of young professionals and college students in the area, median household income in the neighborhood is well below the metropolitan area median. Housing and retail must be tailored for these populations.
- Currently, the area suffers from traffic congestion and access problems for vehicles and pedestrians. Lamar Boulevard narrows from a six-lane arterial to a four-lane road just 200 feet north of Airport Boulevard, causing backup and congestion at peak times. Development opportunities will rely upon the ability to address traffic and pedestrian/cyclist safety concerns at the Airport and Lamar intersection, and the ability to improve connectivity of the transit station to surrounding neighborhoods.
- Varying opinions from neighborhood residents on TOD development options and potential opposition to increased density, especially the impact of traffic through single-family neighborhoods.



**Table IV – 32**  
**Key Demographic Profile at Crestview Station, 2006**

Category	Distance from Station			City of Austin	Austin MSA
	1/4 mile	1/2 mile	1 mile		
Population	916	4,518	16,908	725,393	1,533,612
<u>Households</u>					
# of Households	438	1,990	8,139	292,318	572,951
Avg. Household Size	2.08	2.26	2.07	2.41	2.61
<u>Race &amp; Ethnicity</u>					
White	72%	69%	65%	62%	70%
Black	4%	4%	7%	10%	8%
American Indian, Eskimo, Aleut	1%	1%	1%	1%	1%
Asian or Pacific Islander	3%	3%	5%	6%	4%
Other	17%	20%	19%	19%	15%
Two or More Races	4%	4%	4%	3%	3%
<i>Hispanic Origin</i>	38%	42%	37%	36%	31%
<u>Population by Age</u>					
0 - 14	10%	12%	13%	19%	21%
15 - 19	5%	5%	5%	7%	7%
20 - 24	24%	21%	18%	11%	9%
25 - 34	31%	31%	32%	21%	17%
35 - 44	12%	13%	14%	15%	16%
45 - 54	9%	9%	10%	13%	14%
55 - 64	4%	4%	4%	7%	8%
65+	6%	6%	4%	7%	7%
<i>Median Age</i>	28.0	28.4	28.7	30.6	32.1
<u>Household Income</u>					
< \$20,000	16%	33%	24%	16%	13%
\$20,000 - \$29,000	14%	15%	13%	9%	8%
\$30,000 - \$39,000	16%	19%	14%	11%	10%
\$40,000 - \$49,000	10%	13%	11%	10%	9%
\$50,000 - \$59,000	14%	5%	8%	8%	8%
\$60,000 - \$74,999	11%	6%	11%	11%	11%
\$75,000 - \$99,000	7%	4%	9%	12%	14%
\$100,000 - \$149,000	10%	3%	7%	13%	15%
\$150,000 - \$249,000	2%	2%	3%	7%	8%
> \$250,000	0%	0.5%	1%	3%	3%
<i>Median Household Income</i>	\$43,007	\$40,673	\$38,978	\$54,301	\$61,952

Source: ESRI Business Solutions, 2006



**Table IV – 33  
Historic Housing Characteristics at Crestview Station**

	Distance from Station			City of Austin	Austin MSA
	1/4 Mile	1/2 Mile	1 Mile		
<b>Tenure</b>					
<u>2000</u>					
% Owners	32%	31%	27%	45%	58%
% Renters	68%	69%	73%	55%	42%
<u>2006</u>					
% Owners	33%	32%	27%	46%	61%
% Renters	67%	68%	73%	54%	39%
<u>2000 - 2006</u>					
Δ in % Owners	0.8%	1.0%	0.3%	0.7%	2.5%
Δ in % Renters	-0.8%	-1.0%	-0.3%	-0.7%	-2.5%
<b>Vacancy Rate</b>					
<u>2000</u>					
Total Units	452	2,059	8,460	276,783	496,004
% Vacant	5.0%	4.7%	3.8%	4.0%	4.9%
<u>2006</u>					
Total Units	488	2,218	8,711	307,549	602,254
% Vacant	4.2%	4.8%	3.9%	5.0%	5.3%
<u>2000 - 2006</u>					
Δ in Total Units	36	159	251	30,766	106,250
Δ in Vacancy Rate	-0.8%	0.1%	0.1%	1.0%	0.4%

Source: U.S. Bureau of Census 1990 & 2000, ESRI Business Solutions 2006

## Residential Market Potential

Overall, the Crestview station area is a strong location for housing development. Some of its key advantages include:

- Access to entire region through existing roads, transit and freeways
- Parks and open space amenities
- Quality of schools – Brentwood Elementary has been given good performance ratings by the state. In addition, McCallum High School offers advanced-level curriculums with Advanced Placement and International Baccalaureate program classes.

### *Multifamily Ownership Market*

There are a few new multifamily projects currently selling in the vicinity of the station (see **Table IV-34**). Generally, the price for new condominiums ranges from \$200 to \$360 per square foot, with the more expensive units located closer to the UT campus. New condominiums at Satsuma 53, currently under construction, are selling for between \$220,000 and \$400,000 (\$200 per square foot). Speedway Condos, a development under construction near the University of Texas, is selling units from \$175,500 to \$285,000 (\$325 to \$375 per square foot). Finally, loft units at 3200 Grandview, also located near the university, range in price from \$175,000 to \$950,000 (\$290 to \$360 per square foot). Other multifamily units built after 2000 and listed on the MLS averaged between \$200 and \$225 per square foot.

### *Multifamily Rental Market*

The Triangle is a recently completed rental apartment project located within a mile of Lamar/Just Lane Station Area. As show in **Table IV-35**, rents at the 325-unit development range from \$1,410 for two-bedroom units to \$2,300 for three-bedroom units. An additional 450 apartments are under construction, due to be completed over the next few months. Presently, 90 percent of the units are leased and roughly 25 percent of the renters are university students.

ERA expects that, in addition, to multifamily ownership units, demand will also grow for rental units around the station. Therefore, in order to understand the potential for future apartment construction we examined historic trends in the rental market surrounding the Crewtview station area. While there are over 3,500 units of rental housing in the North Lamar region, only 700 units have been built over the last ten years, with the majority of that new construction coming

at the Triangle development. Since 2003, absorption has remained strong, and all the new units built in 2005 were absorbed that year. In fact, for the most part, apartments in the area have averaged vacancy rates of roughly 90 percent since 2002. Perhaps because renters in this area mostly composed of young professionals rather than students, rents in the area were somewhat more sensitive to the regional economy than in other areas in the city. With the employment drop in 2003 and the negative absorption seen that year, monthly rental rates decreased by over \$300. However, with the economic growth experienced over the last few years, rental rates have almost reached the same levels seen before 2003 (see **Table IV-36**). Smaller units experienced the biggest drop in monthly rental rates and the slowest recovery. Larger units, meanwhile, appeared to rebound faster, and in 2006 had higher rental rates than in 2002 (see **Table IV-37**). In general, historic trends in the surrounding apartment market suggest that periods of strong economic growth will increase demand and rental rates for apartment units.



### *Estimated Residential Demand*

Given the demographic characteristics of the surrounding area, ERA believes that the residential strategy at the Crestview Station Area should offer products that meet the needs of various submarkets. This includes moderately priced rental apartments for students, seniors, and families; luxury rental apartments for young professionals; and ownership housing for middle- and upper-income professionals and families.

Looking at both the potential for ownership and rental housing, our analysis of the station area shows demand for between 1,000 and 1,700 multifamily units from 2007 to 2025 (see **Table IV-38**). This includes between 400 and 600 rental apartment units, 300 to 500 for-sale condominium flats, and 300 to 500 townhomes and duplexes. Assuming average density of 40 du/acre for multifamily apartments and condominiums and 12 du/acre for townhomes and duplexes, the range of development potential is from 40 to 70 acres (net) of housing.

Based on price trends for ownership multifamily units in the neighborhood and citywide, ERA estimates that new for-sale high-quality multifamily flats at the TOD district could achieve prices ranging from \$225 to \$325 per square foot. Because townhomes and duplexes are likely to be larger units, prices for these products will be slightly lower at \$200 to \$275 per square foot. New rental housing in this station area, if well designed, could easily achieve the rental rates experienced at the Triangle, which range from \$1.40 to \$1.80 per square foot.

The blended concept shows a significant amount of live/work flex units in an area that currently has an existing cluster of light manufacturing/ warehouse uses. Although there may be some demand for these types of units at the station area, ERA believes that the demographics and development trends at Plaza Saltillo and MLK, Jr. station areas make them stronger locations for this product than the Lamar/Justin Lane station area. This district may be better suited to more conventional housing products such as condominiums (including loft-style units), townhouses, rowhouses, and apartment flats.





**Table IV – 34  
Crestview Station Residential Comparables**

Project	# of Units	Size	Pricing	\$/SF	# of Units Sold per Month	Premiums
<b>Satsuma 53</b>	<b>4</b>					
One-Bedroom	4	1,100 - 1,800	\$219,900 - \$399,900	\$200 - \$222	4	none
<b>Speedway Condominiums</b>	<b>26</b>					
One-Bedroom	9	580 - 580	\$175,000 - \$210,000	\$300 - \$360	9	\$4 to \$9K per Floor
One-Bedroom + Study	9	760 - 760	\$235,000 - \$250,000	\$310 - \$350	8	
<b>3200 Grandview</b>	<b>16</b>					
One-Bedroom	7	580 - 580	\$175,000 - \$210,000	\$300 - \$360	9	
Two-Bedroom	5	760 - 760	\$235,000 - \$250,000	\$310 - \$350	8	n/a
Three-Bedroom	4	3,281 - 3,317	\$949,575 - \$949,575	\$286 - \$289	8	

Source: Individual Real Estate Brokers, July 2007

**Table IV – 35  
The Triangle Apartments**

Unit Type	Size	Pricing	\$/SF
One Bedroom + Loft	1,126 - 1,126	\$2,038 - \$2,038	\$1.81 - \$1.81
Two Bedroom Two Bath	946 - 1,062	\$1,410 - \$1,590	\$1.45 - \$1.64
Two Bedroom Two Bath	1,074 - 1,287	\$1,630 - \$2,050	\$1.41 - \$1.59
Three Bedroom Two Bath	1,325 - 1,347	\$2,250 - \$2,300	\$1.69 - \$1.74

Source: The Triangle Apartments, July 2007



**Table IV – 36  
Crestview Station Apartment Market Absorption Trends**

Year	Units Built	Total Units	Units Absorbed	Occupied Units	Occupancy Rate	Avg. Rental Rate
1997	273	3,062	n/a	n/a	n/a	n/a
1998	0	3,062	n/a	n/a	n/a	n/a
1999	0	3,062	n/a	n/a	n/a	n/a
2000	0	3,062	n/a	n/a	n/a	n/a
2001	0	3,062	n/a	n/a	n/a	n/a
2002	0	3,062	n/a	2,786	91%	\$790
2003	0	3,062	3	2,789	91%	\$740
2004	0	3,062	-58	2,731	89%	\$424
2005	450	3,512	489	3,220	92%	\$694
2006	0	3,512	28	3,248	92%	\$766
<b>Avg. Annual</b>						
1997 - 2000	68	3,062	n/a	n/a	n/a	n/a
2001 - 2003	0	3,062	3	2,788	91%	\$765
2004 - 2006	150	3,362	153	3,066	91%	\$628

Source: Real Facts



**Table IV – 37  
Crestview Station Apartment Market Rental Rate Trends**

Type of Unit	2002	2003	2004	2005	2006	2007 <sup>1</sup>	2002 - 2006	
							CAGR	Abs Growth
Studio	\$455	\$493	\$470	\$458	\$457	\$484	0.1%	\$2
Jr. 1bd	\$573	\$550	\$534	\$510	\$513	\$525	-2.7%	-\$60
1bd 1bth	\$715	\$674	\$663	\$632	\$664	\$721	-1.8%	-\$51
2bd 1bth	\$875	\$845	\$844	\$803	\$827	\$899	-1.4%	-\$48
2bd 2bth	\$951	\$928	\$904	\$876	\$961	\$1,071	0.3%	\$10
2bd TH	\$725	\$837	\$803	\$783	\$782	\$801	1.9%	\$57
3bd 2bth	\$935	\$913	\$929	\$959	\$1,691	\$1,799	16.0%	\$756
<i>Average</i>	\$790	\$740	\$724	\$694	\$766	\$837	-0.8%	-\$24

<sup>1</sup> Includes data only through the second quarter of 2007

Source: Real Facts



**Table IV – 38  
Crestview Station Residential Development Potential**

	2007-10	2011-15	2016-20	2021-25	Total 2007-25
Austin Housing Potential					
Multifamily Housing (units)	12,700	20,200	36,000	38,100	107,000
Condominium Flats	4,100	7,300	13,000	13,700	38,100
Apartments	6,100	8,900	15,800	16,800	47,600
Townhomes/ Duplexes	2,500	4,000	7,200	7,600	21,300
Crestview Station Capture- Low					
Condominium Flats	0.5%	0.5%	1.0%	1.0%	
Apartments	0.5%	0.5%	1.0%	1.0%	
Townhomes/ Duplexes	1.0%	1.0%	1.5%	1.5%	
Crestview Station Capture - High					
Condominium Flats	1.0%	1.0%	1.5%	1.5%	
Apartments	1.0%	1.0%	1.5%	1.5%	
Townhomes/ Duplexes	2.0%	2.0%	2.5%	2.5%	
Crestview Station Potential- Low					
Condominium Flats	21	37	130	137	324
Apartments	31	45	158	168	401
Townhomes/ Duplexes	25	40	108	114	287
Crestview Station Potential- High					
Condominium Flats	41	73	195	206	515
Apartments	61	89	237	252	639
Townhomes/ Duplexes	50	80	180	190	500
Land area required for development (acres) <sup>1</sup>					
Low	3	5	17	18	43
High	7	11	26	28	72

<sup>1</sup>Assumes average density of 30 du/acre for condominium flats, live-work lofts, and apartment flats, and 15 du/acre for townhomes and duplexes.

Source: Economics Research Associates.

## Office Potential

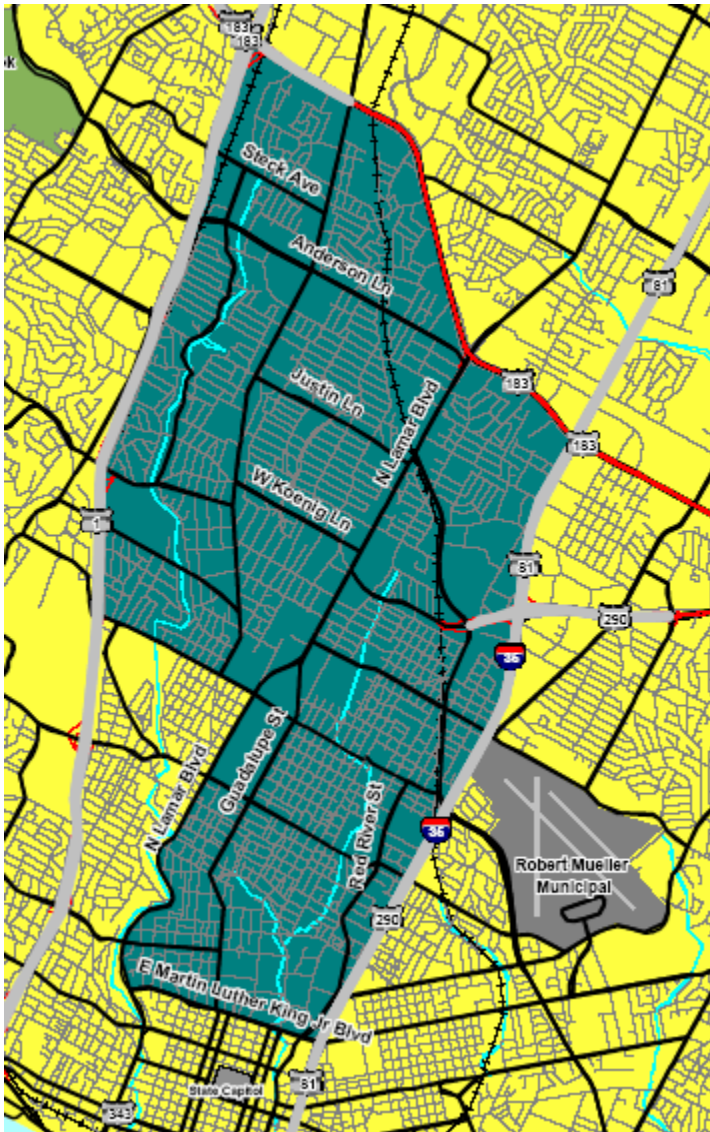
The Crestview station area has some potential for future office development, given the following attributes:

- Proximity to University of Texas – The short distance to UT may enable the area to attract office users related to the university and its research institutions.
- Convenient regional access (transit and highway) to the regional labor force, especially once the rail station is in operation. The new rail system will provide employers locating in central Austin with better and faster access to their workforce than other competing suburbs in the metropolitan area.

ERA also examined Costar data to compare the central Austin office market with other markets in the region (see **Figure IV-4** for description of the Central Austin office market). As described in **Table VI-39**, Central Austin contains roughly seven percent of the region's total office space with vacancy and rental rates at roughly the regional average. Specifically, office vacancy rates near the station area were at 11 percent and annual rents were roughly \$20 per square foot. This region was one of the hardest hit during the economic downturn at the beginning of the decade as tenants vacated over 450,000 square feet of rentable space. Since 2003, however, this area has rebounded, reabsorbing over half the space that was vacated between 2001 and 2003 (**Table IV-40**). Vacancies and rental rates have always been slightly above the regional average. Between 2000 and 2006, vacancy rates averaged 16.2 percent while rental rates averaged around \$19.19 (see **Tables IV-41 to IV-42**).

Based upon our analysis shown in **Table IV-43**, ERA estimates demand for between 120,000 to 260,000 square feet of office space at the station area. ERA expects that demand for office space will largely come from university-related businesses, as well as professional office space for users such as travel agents, realty companies, medical offices, or legal offices, which primarily serve the local market. Optimal office locations will be those that offer the greatest amount of accessibility.

Figure IV-5: Central Austin office submarket



Source: Costar



**Table IV - 39**  
**Summary Profile of Austin Regional Office Market, 2007**

Region	Number of Buildings	Total RBA <sup>1</sup>	Share of RBA in Austin Region	Vacancy Rate <sup>2</sup>	Average Rental Rate
Central Austin	273	4,468,086	7.0%	11.0%	\$20.07/fs
Austin CBD	355	12,228,609	19.1%	12.6%	\$27.25/fs
East Austin	101	1,599,360	2.5%	27.7%	\$16.49/fs
North Austin	88	4,336,490	6.8%	8.1%	\$22.08/fs
South Austin	236	6,035,959	9.4%	7.8%	\$21.90/fs
Total Austin Regional Market	2,366	64,123,003	100.0%	11.0%	\$24.97/fs

<sup>1</sup> Rentable Building Area

<sup>2</sup> Does not include sublet vacancy

Source: CoStar Property; Economics Research Associates, July 2007



**Table IV – 40  
Austin Regional Office Market Direct Net Absorption, 2001 – 2007**

Region	2001	2002	2003	2004	2005	2006	2007 <sup>1</sup>	Total	Avg. Annual
Central Austin	-268,336	-51,951	-134,745	97,409	97,277	57,486	6,146	-202,860	-33,810
Austin CBD	-66,443	-186,804	70,854	177,066	141,779	703,635	70,188	840,087	140,015
East Austin	21,019	-146,057	-66,270	-178,301	-118,754	78,986	0	-409,377	-68,230
North Austin	353,545	-20,058	-303,745	95,079	53,278	278,343	0	456,442	76,074
South Austin	297,414	289,181	-294,249	134,467	58,906	223,553	-1,877	709,272	118,212
Total Austin Regional Market	1,042,567	-349,389	-1,351,716	1,510,176	1,175,342	2,692,870	-542,515	4,719,850	786,642

<sup>1</sup> As of 2nd Quarter of 2007

Source: CoStar Property; Economics Research Associates, July 2007





**Table IV – 41**  
**Austin Regional Office Market End of Year Vacancy Rate, 2001 – 2007**

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Region	2000	2001	2002	2003	2004	2005	2006	2007 <sup>1</sup>	Avg. Annual
Central Austin	9.3%	17.7%	18.2%	19.5%	17.7%	18.0%	13.3%	11.0%	16.2%
Austin CBD	4.1%	10.5%	15.1%	18.3%	17.7%	18.0%	11.9%	12.6%	13.6%
East Austin	4.9%	4.0%	13.2%	16.9%	28.8%	29.1%	23.7%	27.7%	17.2%
North Austin	5.4%	5.6%	8.5%	18.5%	15.3%	14.2%	7.6%	8.1%	10.7%
South Austin	4.1%	11.6%	14.5%	16.3%	15.8%	13.7%	11.0%	7.8%	12.4%
Total Austin Regional Market	5.5%	12.9%	17.6%	18.4%	15.4%	14.1%	10.7%	11.0%	13.5%

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<sup>1</sup> As of 2nd Quarter of 2007

Source: CoStar Property; Economics Research Associates, July 2007

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**Table IV – 42  
Austin Regional Office Market Average Full Service Rental Rate, 2001 – 2007**

Jurisdiction / Submarket / Area	2000	2001	2002	2003	2004	2005	2006	2007 <sup>1</sup>	Avg. Annual
Central Austin	\$22.20	\$22.02	\$18.78	\$16.85	\$17.58	\$18.45	\$18.45	\$20.07	\$19.19
Austin CBD	\$32.76	\$28.92	\$24.15	\$21.19	\$21.67	\$22.54	\$24.04	\$27.25	\$25.04
East Austin	\$20.71	\$19.15	\$15.04	\$16.44	\$16.22	\$15.36	\$15.99	\$16.49	\$16.99
North Austin	\$29.81	\$26.48	\$20.72	\$16.99	\$16.64	\$16.39	\$18.57	\$22.08	\$20.80
South Austin	\$21.56	\$25.55	\$20.67	\$18.27	\$18.35	\$19.71	\$22.31	\$21.90	\$20.92
Total Austin Regional Market	\$27.74	\$25.66	\$21.54	\$18.69	\$19.03	\$20.06	\$22.31	\$24.97	\$22.15

<sup>1</sup> As of 2nd Quarter of 2007

Source: CoStar Property; Economics Research Associates, July 2007



**Table IV – 43**  
**Estimated Office Potential at Crestview Station**

	2007-10	2010-15	2016-20	2021-25	2007-2025
Austin Office Potential					
Low	6,496,000	8,281,000	7,851,750	7,307,250	29,936,000
High	7,424,000	9,464,000	8,898,650	8,281,550	34,068,200
Crestview Station Capture					
Low	0.3%	0.3%	0.5%	0.5%	
High	0.5%	0.5%	1.0%	1.0%	
Total Crestview Station Office Potential					
Low	19,488	24,843	39,259	36,536	<b>120,126</b>
High	37,120	47,320	88,987	82,816	<b>256,242</b>

Source: Economics Research Associates.

## **Retail Potential**

The Highland Mall, a regional shopping center, is located less than a mile from the Crestview Station. Anchored by Macy's and Dillard's, the Highland Mall has been in decline over the last few years, and is expected to further deteriorate as it faces increasing competition from newer and larger retail shopping centers. It is ERA's understanding that the two owner groups controlling the property have not yet developed a strategy for redevelopment or re-tenanting the shopping center, which has created some uncertainty about the future of the site. However, it seems highly likely that the shopping center will be redeveloped in the short to medium term to include retail and possibly office uses. In addition to the Highland Mall, there are various marginal strip retail centers along North Lamar Boulevard that include food stores, convenience stores, and discount retail stores.

Because of the existing larger regional centers in the immediate market area, ERA believes that the new retail development opportunities at the station area will be derived largely from new residents and employees. ERA estimated demand for support retail from new residents and employees at the station area from 2007 to 2025. As shown in **Table IV-44**, ERA calculated demand for 40,000 to almost 70,000 of support retail space in the Lamar/Justin TOD district during the 18-year period.

In order to avoid competing with the Highland Mall and the Domain shopping center, ERA does not recommend apparel or general merchandise stores as retail tenants at the station. However, the mix of retail should be designed to generate activity and attract foot traffic. ERA envisions a mixture of convenience/service retail, restaurants and bars as tenants for the retail space in the TOD district. Possible tenants could include a destination-type restaurant/brew pub such as Gordon Biersch, which can attract young professional singles and families. A fitness center or yoga studio may also work well at this location on the upper floors, drawing from commuter residents and local workers.



**Table IV – 44**  
**Demand for Support Retail from Residents and Employees at Crestview Station, 2007-2025**

	2007-10	2010-15	2016-20	2021-25	2007-2025
<b>Calculation of Residential Generated Retail Demand</b>					
Residential Units					
Low	46	77	238	251	611
High	91	153	375	396	1,015
Avg. Unit Size	1,200	1,200	1,200	1,200	1,200
Residential Unit Sq. Ft.					
Low	54,600	91,800	285,600	301,200	733,200
High	109,200	183,600	450,000	474,600	1,217,400
Retail % of Residential Sq. Ft.	3%	4%	5%	5%	
<b>Subtotal Residential Generated Retail Demand</b>					
Low	1,638	3,672	14,280	15,060	34,650
High	3,276	7,344	22,500	23,730	56,850
<b>Calculation of Office Generated Retail Demand</b>					
Office Sq. Ft.					
Low	19,488	24,843	39,259	36,536	120,126
High	37,120	47,320	88,987	82,816	256,242
Retail % of Office Sq. Ft.	3%	3%	4%	4%	
<b>Subtotal Office Generated Retail Demand</b>					
Low	585	745	1,570	1,461	4,362
High	1,114	1,420	3,559	3,313	9,405
<b>TOTAL DEMAND FOR SUPPORT RETAIL AT CRESTVIEW STATION</b>					
LOW	2,223	4,417	15,850	16,521	<b>39,012</b>
HIGH	4,390	8,764	26,059	27,043	<b>66,255</b>

Source: Economics Research Associates.



## Hotel Potential

ERA does not consider the Lamar/Justin Lane TOD district a strong hotel location, due to the lack of nearby employment centers, tourist facilities, and regional attractions. However, the site could leverage its excellent regional highway access, provided by Interstate 35, Highway 183, Mopac Expressway, and Highway 71, to attract a hotel. ERA's estimate of hotel potential indicates that the station area could support a small, limited-service hotel over the long term. By 2025, the site may be able to support a 160-room hotel (see **Table IV-45**). However, it is likely that other land uses more viable in the short term, such as housing, will be developed earlier on the site, thereby limiting the amount of land available in the long term for hotel development.

## Summary of Development Potential

Based on ERA's analysis of market demand, the station area has strong potential for housing development in the short term. In the longer term, there is demand for office and possibly a small, limited service hotel if the land for hotel development is reserved. Retail potential is primarily support retail for residents and employees at the in the neighborhood. One or more anchor uses, such as a restaurant/microbrewery, is important to long-term retail success. The following table (**Table IV-46**) summarizes the development potential at the station by land use and time period.



**Table IV – 45**  
**Estimated Hotel Demand at Crestview Station, 2007-2025**

	2007-10	2011-15	2016-20	2021-25	Total Demand 2007-2025
Austin Hotel Potential					
Low	558	3,150	2,600	2,100	8,408
High	638	3,600	3,200	2,800	10,238
Crestview Station Capture					
Low	0%	0%	1%	1%	
High	1%	1%	2%	2%	
Resulting Hotel Demand at Crestview Station					
Low	0	0	26	21	47
High	6	36	64	56	162

Source: Economics Research Associates.



**Table IV – 46**  
**Summary Development Potential at Crestview Station**

	2007-10	2011-2025	Total Demand
Housing Potential (units)			
Low	76	936	1,012
High	152	1,502	1,654
Office Potential (sq. ft.)			
Low	19,488	100,638	120,126
High	37,120	219,122	256,242
Retail Demand (sq. ft.)			
Low	2,223	36,789	39,012
High	4,390	61,866	66,255
Hotel Demand (rooms)			
Low	0	47	47
High	6	156	162

Source: Economics Research Associates.