
AN M|PF YIELDSTAR

REPORT

**Central City Fort Worth
Housing Market Research Study
Fort Worth, Texas**

for

Central City Fort Worth Housing Committee

April 2006

Central City Fort Worth Housing Market Research Study Fort Worth, Texas

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Table of Contents

	<u>Page</u>
Executive Summary	1
1.0 Central Fort Worth Survey: Renter Target Market.....	6
2.0 Central Fort Worth Rental Demand.....	7
2.1 Central Fort Worth Renter Target Market Profile	11
3.0 Central Fort Worth Survey: Owner Target Market.....	23
3.1 Central Fort Worth For-Sale Demand	24
3.2 Central Fort Worth Owner Target Market Profile	29
4.0 Timing of Central Fort Worth Rental and For-Sale Development	39
5.0 Fort Worth Area Apartment Market Conditions.....	41
6.0 Competitive Apartment Community Profile.....	46
7.0 Other Apartment Markets: Dallas, Houston, Denver and San Diego	53
Appendix A: Property Profiles.....	A-1
Appendix B: Survey Questionnaire and Tabulations.....	B-1
Appendix C: Affordable Housing Tabulations	C-1

Executive Summary

In late 2005, DFWI retained M/PF YieldStar to conduct a study of housing demand in the Central City Fort Worth Area. M/PF applied a two-part methodology for this research, including 1) profiling the existing Central City apartment market, and 2) surveying existing residents of Central City multifamily developments and current employees of Central City businesses. The results of this research are presented in the attached Report and Appendices.

Primary findings of the research are summarized below.

- M/PF's study of Central City rental housing revealed a healthy market. Over 1,900 rental units were examined. Among the stabilized properties, occupancy currently averages 97 percent. Base rents average \$1.071 per square foot for units that average 974 square feet in size. Total rents average \$1.114 per square foot, or \$1,086 per month. Top-of-the-market total rents are commanded by Sundance West at \$1.618 per square foot (for units averaging 1,143 square feet in size).

One property is currently in initial lease-up, and one is under construction. The Depot recently began its initial lease-up program, and that property is now 58 percent occupied. Quoted and effective base rents currently average \$1.313 per square foot for units with an 890 square-foot average size. Unit sizes range from 570 to 1,217 square feet. No concessions are currently in effect.

Currently under construction, the 305-unit Lincoln at Trinity Bluff will offer units ranging from 573 square feet to 1,447 square feet, and averaging 860 square feet.

- Based on the existing market performance and the results of the resident and employee surveys, estimates of total rental and for-sale demand for the Central City Area were developed. Demand for over 3,070 units of rental housing and for approximately 4,225 units of for-sale housing was identified. Detailed distributions of these demand levels are presented in the Report by product type, location, and income level. A forecast of household growth for the Central City Area provided by Claritas, Inc. indicates that these demand levels represent approximately 11.4 years of housing growth. A forecast by the North Texas Council of Governments (COG) suggests that the absorption period may be as long as 19 years.
- Survey results revealed many similarities between the current group of residents and employees and a similar group surveyed for DFWI by M/PF in the Central Fort Worth Area in 2000. Comparisons of the current and the 2000 survey results are presented in the following table.

Central Fort Worth Housing Study

	<u>2000</u>	<u>2005</u>
Number of Respondents	610	668
Residential communities	38%	54%
Employees	62%	46%
Length of Residence in Metro	5.2 years	5.1 years
Previous Housing Type		
Rent an apartment	34%	40%
Rent single-family home or duplex	18%	13%
Own single-family home or duplex	32%	30%
Live with relatives	9%	11%
Current Tenure		
Renter	53%	59%
Owner	47%	41%
Current Rent/Mortgage Payment	\$948	\$991
Likelihood of Living in Central Fort Worth		
Very likely	48%	51%
Somewhat likely	19%	21%
Unlikely	20%	15%
Absolutely wouldn't	9%	8%
Don't know/no opinion	5%	5%
Reasons for Not Moving to Central Fort Worth		
Crime/safety	41%	32%
Quality of public schools	35%	16%
Limited retail stores	26%	14%
Parking problems	36%	6%
No public transportation	6%	4%
Preferred Tenure for Central Fort Worth Residence		
Renting	34%	29%
Owning	66%	72%
Neighborhoods Considered Desirable or Acceptable		
Sundance Square	83%	73%
Cultural District	86%	83%
Fort Worth South	52%	49%
Upper West Side	81%	72%
Lancaster Corridor	27%	29%
Other Downtown	43%	50%
Southeast	12%	16%
Forest Park Corridor (not tested in 2000)		60%
Trinity Uptown (not tested in 2000)		51%
Trinity Bluff Uptown (not tested in 2000)		51%
Northeast (not tested in 2000)		26%
Trinity River/Park Area (not tested in 2005)	82%	
Bluff Street (not tested in 2005)	38%	
Warehouse District (not tested in 2005)	37%	
Stockyard District (not tested in 2005)	30%	

Central Fort Worth Housing Study

	<u>2000</u>	<u>2005</u>
Preferred Density		
Elevator-served high-rise	54%	49%
Elevator-served mid-rise	64%	57%
Walk-up	57%	53%
Live/work	41%	37%
Loft	73%	63%
Townhouse/duplex	75%	72%
Single-family	79%	77%
Preferred Floor Plan		
Efficiency	1%	1%
1-1	7%	8%
1-1 den	11%	10%
2-1	3%	5%
2-1.5	9%	10%
2-2	21%	15%
2-2.5	1%	3%
2-2 den	12%	13%
3-2	35%	36%
Features Worth Additional Cost		
Washer/dryer machines (\$35)	50%	50%
Washer/dryer connections (\$20)	72%	65%
High-speed Internet wiring (\$10)	71%	69%
Eating area in kitchen (\$15)	57%	47%
Hardwood floors (\$25)	60%	51%
Upgrade to Berber carpet	56%	32%
Satellite TV connections (\$25)	54%	51%
Oversized walk-in closet (\$20)	80%	53%
Jacuzzi tub (\$5)	61%	13%
Marble or granite bathroom countertops (\$20)	42%	69%
Swimming pool (\$15)	73%	59%
Jacuzzi/hot tub (\$5)	54%	42%
Exercise room (\$15)	73%	63%
Intrusion alarm (\$5)	80%	70%
Preferred Amenities/Services		
Grocery store	96%	96%
Neighborhood services	80%	83%
Neighborhood retail	90%	94%
Neighborhood food	70%	88%
Public transportation	50%	57%
Full-service restaurant	84%	85%
Movie theaters	75%	76%
Proximity to Trinity River	48%	48%
Number of Adults in Household		
One	40%	47%
Two	49%	47%
Mean	1.74	1.61
Number of Children in Household		
None	71%	73%
One	14%	12%
Mean	0.5	0.48

Central Fort Worth Housing Study

	<u>2000</u>	<u>2005</u>
Household Classification		
Couple with children living at home	26%	21%
Couple without children living at home	28%	27%
One-adult household with children living at home	5%	7%
One-adult household without children living at home	34%	39%
Roommates without children living at home	4%	5%
Roommates with children living at home	1%	1%
Caretaker household	3%	1%
Age of Adult Male #1	43.4 years	43.1 years
Age of Adult Male #2	33.7 years	31.2 years
Age of Adult Female #1	41.8 years	42.7 years
Age of Adult Female #2	34.3 years	30.8 years
Highest Level of Education Completed		
Some high school	1%	4%
High school diploma	8%	10%
Trade school	2%	2%
Some college	21%	19%
College diploma	29%	28%
Post-graduate work	9%	8%
Post-graduate degree	18%	16%
Professional degree	13%	13%
Interest in Continuing Education		
Extremely interested	20%	19%
Very interested	21%	18%
Somewhat interested	31%	31%
Indifferent	29%	33%
Household Income		
Mean	\$89,100	\$83,200

- The generally positive responses to the neighborhoods tested in the current research imply that there is opportunity in most of the tested neighborhoods. Clearly desirable neighborhoods include Sundance Square, the Cultural District and the Upper West Side. Neighborhoods with moderate desirability include Forest Park, Trinity Uptown, Trinity Bluff and Fort Worth South Side. It is possible that this moderately desirable group did not score higher because the type of product being tested is not yet available in these neighborhoods. As product is developed and residents become more familiar with these neighborhoods, it is likely that the desirability of these and other areas will improve.
- The image of the tested areas improved since the survey in 2000 with several of the changes being rather dramatic in the positive direction. Overall, concern about crime is down from 2000.

- Similarly, the distribution of desirability by product type indicates that there are opportunities for all of the tested product types. Some of the product types are not readily available in the area (e.g., elevator served high-rise), and the desirability of these product types may increase as they are introduced to the market.
- Based on M/PF's experience, the age distribution in the Renter Target Market for the males is unusually broad, indicating that there is demand for rental units from a wide age group. This broad appeal suggests opportunities for a wide range of products across many locations. The age distribution of the Owner Target Market follows a similar pattern.
- The length of time residents report living in specific rental communities is longer than is usual for the renter segments tested by M/PF in other markets. (The length of residence in the area for the Owner Target Market indicates that 67 percent have lived in the area for more than five years.) People who live in the area are perhaps staying because they are happy with the area. This is supported by the general improvements in the perception of area neighborhoods.
- Households defining both the Renter Target Market and the Owner Target Market have few children in the home, suggesting a possible desire for one- and two-bedroom floor plans over three-bedroom or larger designs.
- The survey reveals that over one-half of the renters profiled have at least a college degree, and three-quarters have completed some college. An educated renter pool suggests higher income potential.
- Of those in the Owner Target Market who expect to purchase a residence in the Central City Area, over one-half expect to do so in 2006 or 2007.

1.0 Central Fort Worth Survey: Renter Target Market

Survey Response. A total of 3,000 questionnaires were delivered to employees working in the Central Fort Worth Area; 2,500 questionnaires were delivered to residents of multifamily developments in the Central Fort Worth Area. Approximately 668 usable responses were received, producing an overall response rate of 12.1 percent. A total of 362 multifamily residents submitted usable responses for a 14.5 percent response rate; 306 usable employee questionnaires were received for a 10.2 percent response rate. (These response rates are very consistent with the large number of survey research studies conducted by M/PF YieldStar over the last 30 years.) The surveys were delivered via two different methods: multifamily residents received questionnaires in the mail; employee questionnaires were delivered by hand to employers and distributed by employers to employees.

Table 1.0-1

Survey Sample Size	
# Questionnaires mailed to apartment residents	2,500
# Questionnaires delivered to employees	3,000
# Received and tabulated	668
Survey Response	12.1%
# in Target Market	159
<u>Renter Target Market Definition</u>	
➤ Prefer to rent rather than own	
➤ Did not rule out living in Central Fort Worth if right residence available	

Table 1.0-2

Survey Response	
<u>Residential Communities</u>	<u>Percentage of Total Return</u>
Homes of Parker Commons	9.9%
Gates of 7th Street Station	7.9%
Firestone Upper West Side	7.9%
Reserve at Upper West Side	7.6%
The Towers	7.6%
Hillside	7.3%
Harris Gardens	7.3%
Overton Park Townhouses	6.9%
Hulen Hills	5.9%
Historic Electric Building	5.3%
Residences of Diamond Hill	3.3%
Residences of Museum Place	3.0%
Sundance West	2.6%
Monticello	2.6%
Monticello Oaks	2.0%
Pennsylvania Place	2.0%
Lincoln Terrace	2.0%
Forest Park	1.7%
Hulen Park Place	1.7%
Sanger Lofts	1.3%
Lake Como	1.3%
Houston Place Lofts	1.0%
Trinidad	1.0%
3501 Towers	0.3%
Versailles	0.3%
Pecan Place	0.3%

2.0 Central Fort Worth Rental Demand

Total Potential Rental Demand. Documented in Table 2.0-1, some 2,800 apartment units exist in the Central Fort Worth Area today. Occupancy currently averages 96 percent, suggesting a potential renter pool of approximately 2,700 households. Based on the resident survey,

- 42 percent express a preference for living in a rental property.

In total, then, the currently realized pool of renter demand includes roughly 1,130 households living in the Central Fort Worth Area’s better rental properties.

The housing patterns of the Market Area’s apartment residents suggest that core prospects already living in surveyed rental apartments represent 27 percent of the Subject’s total pool of demand. That is, 27 percent of this locale’s apartment residents moved to their current residences from apartments within the Central Fort Worth Area. The total demand pool from which the Subject will draw is therefore estimated at 4,200 households. Excluding the 1,130 households who already live in Central Fort Worth apartments, unrealized demand for the Market Area totals 3,070 rental units.

Table 2.0-1

Depth of Demand for Market Area Rental Communities	
Number of existing competitive apartments ^a	2,837
Total apartment prospect pool (assuming 96.4 percent occupancy)	2,726
Share of Target Market households who prefer to rent ^b	42%
Total realized demand within local base of existing and new apartments	1,134
Share of Subject prospects from Market Area apartments ^b	27%
Total demand pool for Central Fort Worth Area apartments	4,200
Number of demand pool already living in Central Fort Worth Area apartments	1,130
Total unrealized demand pool for Central Fort Worth Area apartments	3,070

^a Number of units in Central Fort Worth Area.

^b Based on M/PF YieldStar survey responses.

Depth of Rental Demand by Product Type. The questionnaires allowed respondents to give multiple answers for the desirability of community types (i.e., a respondent could rate both high-rise and mid-rise property types “Very Desirable”). The results were quite positive, in that most types had relatively high ratings. Within the Renter Target Market, expressed demand levels for specific multifamily product types in the Central Fort Worth Area were above 50 percent for all community types tested except “Live/Work,” which fell to 38 percent.

The most popular product type within the aggregated Renter Target Market was “Townhouse/Rowhouse/Duplex,” rated as “Somewhat Desirable” or “Very Desirable” by 71 percent of Target Market households. Following closely behind, 68 percent preferred loft-style units while 62 percent preferred elevator-served mid-rise buildings, and 61 percent preferred walk-up buildings.

Because multiple responses were allowed, the responses were normalized (a normalized distribution simply maintains the inter-relationships of the individual product types in the Overall Preference while producing a product type distribution that totals 100 percent). Assuming that development of the Central Fort Worth Area follows this weighted distribution, the shares that each product type would account for are shown as the Normalized Preference in the following Table 2.0-2; the number of units reflecting these normalized shares are shown as Normalized Demand. This does not imply that of the demand for 3,070 rental units, the ultimate development of Central Fort Worth could not include larger numbers of any community type than is shown in the Normalized Demand column. It does imply that if a larger number of units in any community type are built, fewer units of demand would be left for all other product types combined.

Table 2.0-2

Potential Central Fort Worth Apartment Demand by Product Type ^{a, b}				
Product Type	Overall Preference	Normalized Preference	Overall Demand	Normalized Demand
Townhouse/Rowhouse/Duplex	71%	17%	2,058	533
Loft	68%	16%	1,945	504
Elevator-served mid-rise building	62%	15%	1,798	465
Walk-up building	61%	15%	1,760	456
Single-family home	58%	14%	1,685	436
Elevator-served high-rise building	53%	13%	1,520	394
Live/Work (public office space attached to building)	38%	9%	1,092	283
Total	NA	100%	NA	3,070

^a Demand for each type based on 3,070 units of unrealized potential demand.

^b Resident and Employee Survey Results aggregated for those who prefer to rent (rather than own) their home.

Depth of Rental Demand by Location. Table 2.0-3 arrays the number of prospects for Central Fort Worth rentals by location. Demand appears to be deepest for rental units in the Cultural District, a location rated “Desirable” or “Acceptable” by 77 percent of all Renter Target Market households (a 14 percent normalized share). Only slightly less positively, the Upper West Side and Sundance Square each garnered approximately 70 percent approval ratings (13 percent normalized shares). (Boundaries of these locations are presented in Map 2.0-1 on the following page.)

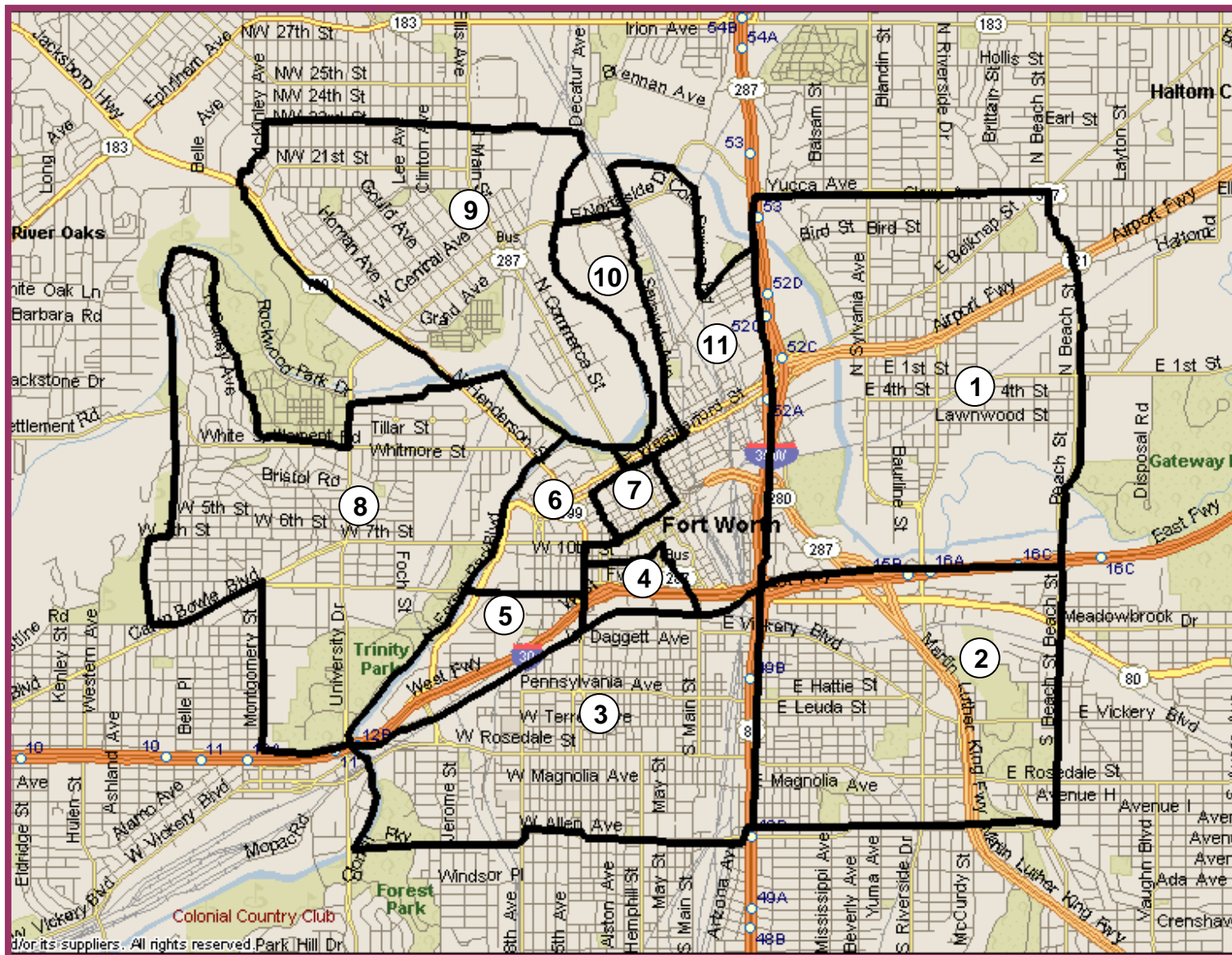
Table 2.0-3

Potential Apartment Demand by Location				
Location	Total Preference	Normalized Preference	Total Demand	Normalized Demand
Cultural District	77%	14%	2,361	432
Upper West Side	70%	13%	2,146	393
Sundance Square	69%	13%	2,106	386
Forest Park Corridor	55%	10%	1,692	310
Other Downtown	54%	10%	1,652	302
Fort Worth South	51%	10%	1,593	292
Trinity Uptown	49%	9%	1,495	274
Trinity Bluff Uptown	46%	8%	1,418	260
Northeast	30%	6%	924	169
Lancaster Corridor	25%	5%	768	141
Southeast	20%	4%	611	112
Total	NA	100%	NA	3,070

Depth of Rental Demand by Income. Approximately 40 percent of Renter Target Market households earn incomes below \$25,000 per year. Those with incomes between \$25,000 and \$55,000 account for 35 percent of all households, while those with incomes above \$55,000 account for 26 percent of all households. Based on these percentages, lower-income rental units should account for some 1,230 units of the 3,070 total unit demand, while middle- and upper-income units should account for approximately 1,040 and 800 units, respectively.

An alternative income analysis based on those households at or below 60 or 80 percent of the median household income (adjusted for household size) for Tarrant County indicates that some 1,230 units (approximately 40 percent) should be targeted at those households at or below 60 percent of the median, while some 1,500 units (approximately 49 percent) should be targeted at those households at or below 80 percent of the median.

Depth of Rental Demand by Household Size. One-person households account for 60 percent of the total Renter Target Market. Two- and three-person households comprise 31 and 4 percent, respectively, while four-person (or more) households comprise 5 percent. Based on these percentages, some 1,830 units of the total 3,070 unit demand should come from one-person households. Households with two, three and four(+) persons should account for approximately 960, 120 and 160 units, respectively.



Map 2.0-1

Central Fort Worth Area Neighborhoods

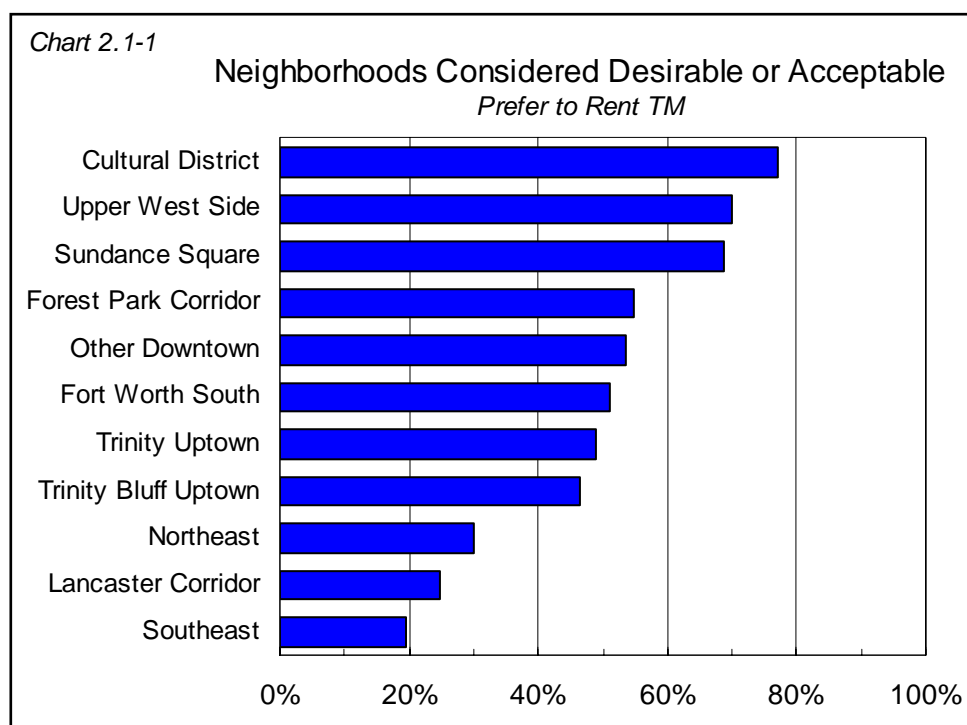
- | | | | |
|---|----------------------|----|----------------------|
| 1 | Northeast | 7 | Sundance Square |
| 2 | Southeast | 8 | Cultural District |
| 3 | Fort Worth South | 9 | Trinity Uptown |
| 4 | Lancaster Corridor | 10 | Trinity Bluff Uptown |
| 5 | Forest Park Corridor | 11 | Other Downtown |
| 6 | Upper Westside | | |

2.1 Central Fort Worth Renter Target Market Profile

The Renter Target Market of potential Central Fort Worth residents was defined as those who prefer to rent and who do not consider the Central Fort Worth Area an unacceptable residential location. Some 159 responses, or 24 percent of the total received, fit the Renter Target Market definition. This Target Market forms the basis for the following demographic analyses of potential rental residents.

Target Market Definition. As noted above, the likelihood of living in Central Fort Worth was positive for those who prefer to rent properties. A total of 87 percent stated they were either “Very Likely” or “Somewhat Likely” to live in the Area. Only 6 percent stated that they were “Unlikely to Consider the Central Fort Worth Area.” The remaining 7 percent had no opinion. Among the few who would not consider living in the area, crime and lack of safety, the high cost of living, and limited shopping (especially grocery stores) were the most frequently cited reasons.

When asked to rate Central Fort Worth neighborhoods’ desirability as a residential location, the Cultural District, the Upper West Side, and Sundance Square all achieved “Desirable” or “Acceptable” ratings of 65 percent or more. The Cultural District’s desirability tested quite high, with almost 80 percent rating it “Desirable” or “Acceptable.” The lowest ratings were given to the Northeast, Lancaster Corridor, and Southeast, with 30 percent or fewer rating it as desirable or acceptable.



Housing Patterns. Most of the Renter Target Market households (65 percent) have lived in the Fort Worth Metropolitan Area for five years or longer. Fifteen percent have lived in the Metro Area for less than two years. Not surprisingly, length of time in their current residence is somewhat shorter; some 28 percent have lived in their current residence for five years or longer, while just over 40 percent have lived in the Central Fort Worth Area for two years or less.

Chart 2.1-2

Length of Residence in the Metro Area
Prefer to Rent TM

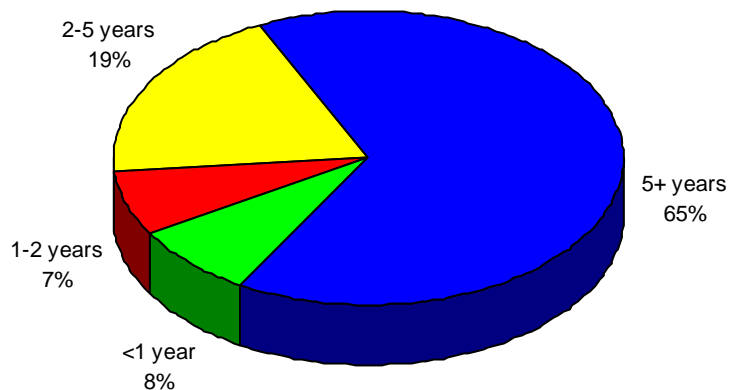
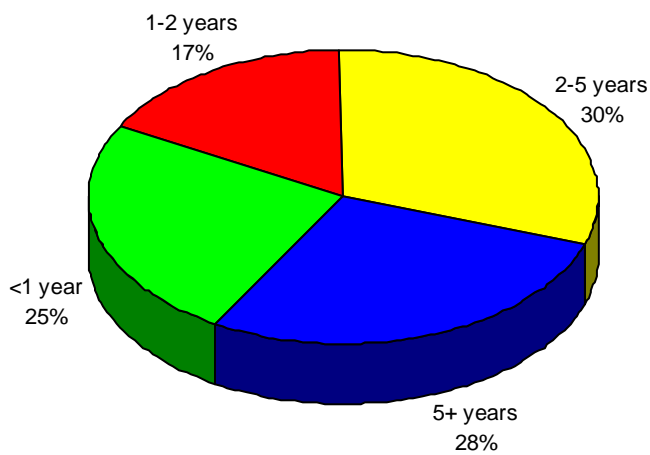
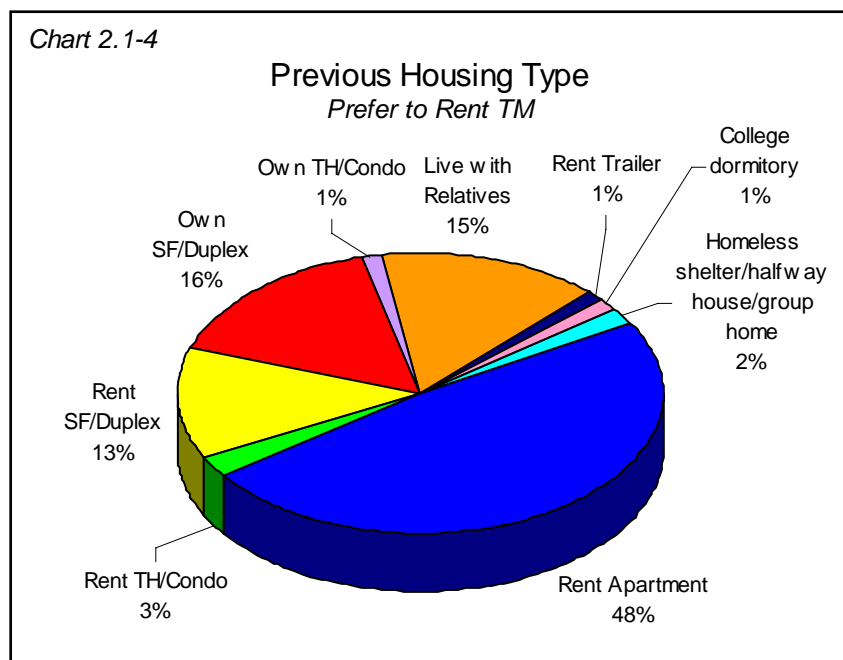


Chart 2.1-3

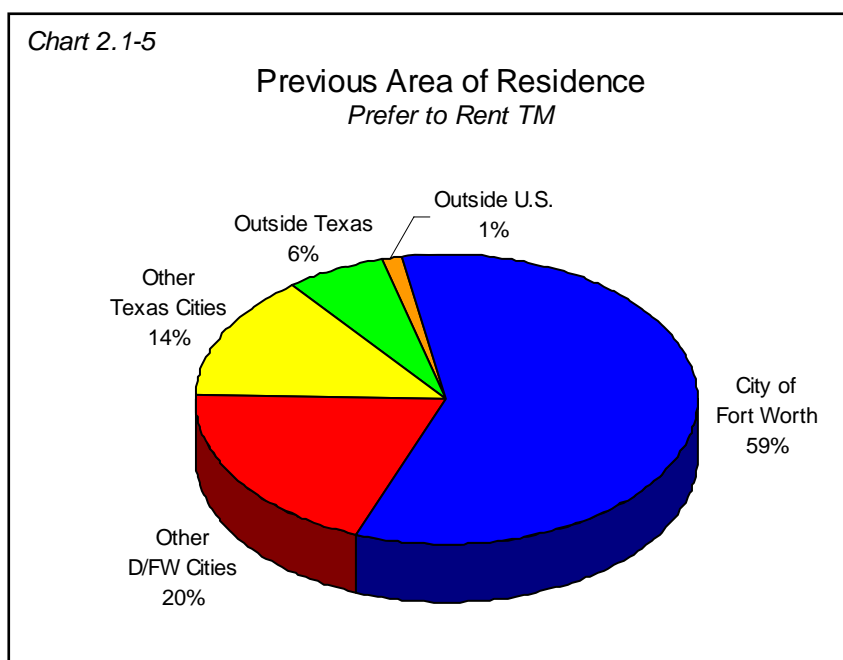
Length of Time in Current Residence
Prefer to Rent TM



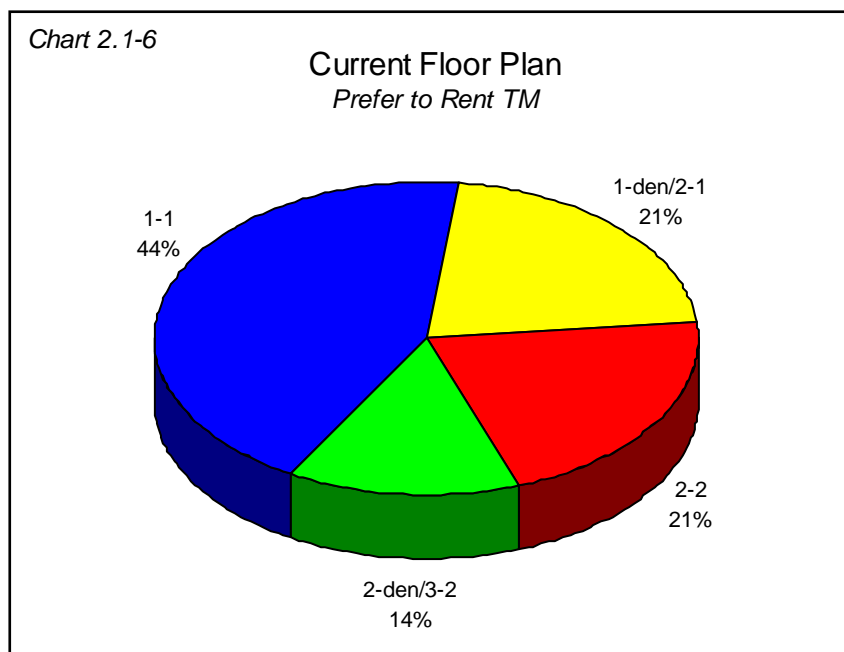
Prior to moving to their current residence, Renter Target Market households were most likely renting another apartment (48 percent). Approximately 16 percent previously owned a single-family home, 13 percent previously rented a single-family home, and 15 percent were living with relatives.



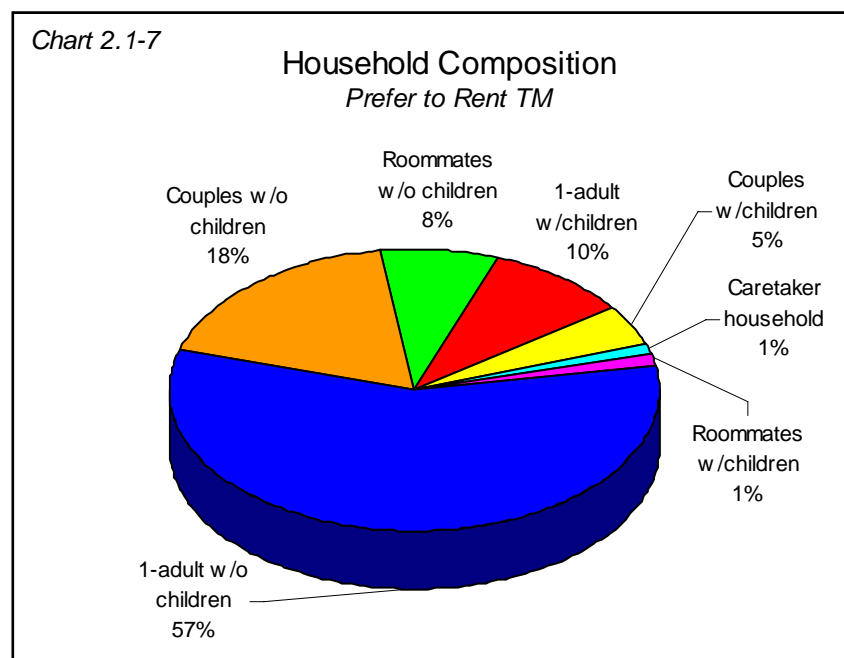
A majority of Renter Target Market households moved to their current residence from another Fort Worth location, and 37 percent moved from another Central Fort Worth Residence. The next largest groups originated from other Fort Worth/Dallas cities (20 percent). Only 6 percent came from outside Texas, and only 1 percent came from outside the United States.



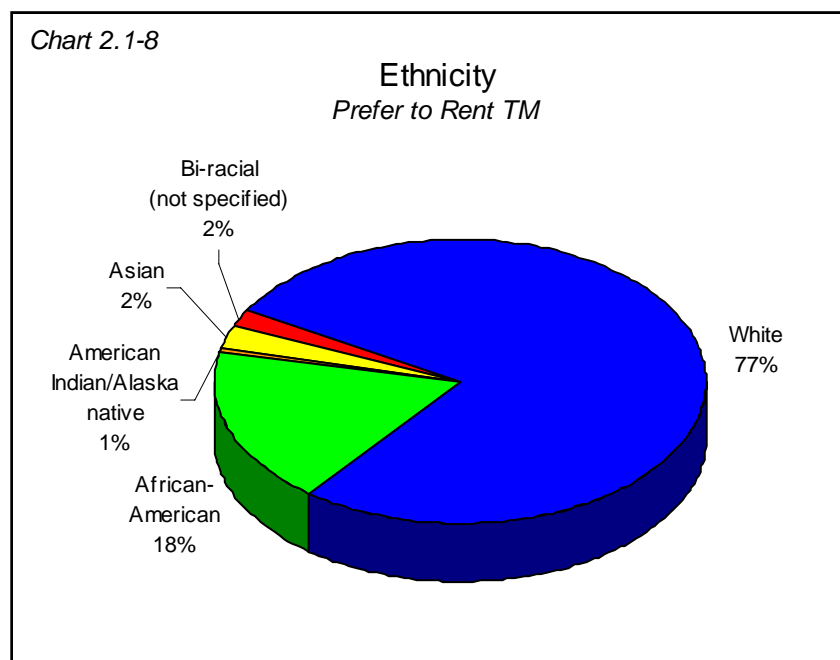
Slightly more than 4 out of 10 Renter Target Market households live in efficiency or one-bedroom units; almost two out of ten live in two-bedroom/two-bath units. One-bedroom/den, two-bedroom/two-bath and three-bedroom/two-bath units each account for approximately two out of ten current floor plans.



Demographics. Over 80 percent of Renter Target Market households are childless, including single adults with no children living in the home (57 percent), couples with no children living in the home (18 percent), and childless roommates (8 percent). One-adult households with children living in the home account for 10 percent, and couples with children account for 5 percent of all households.



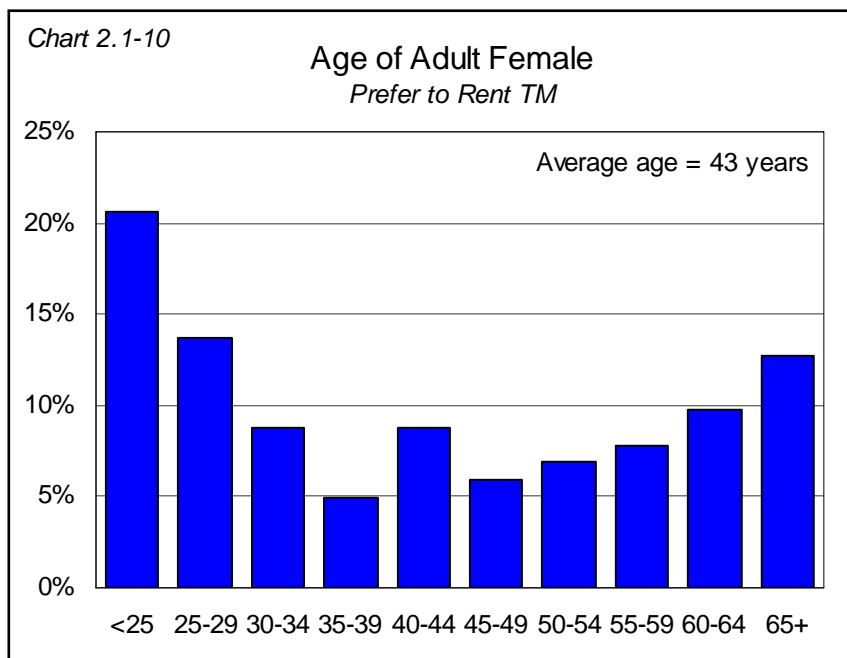
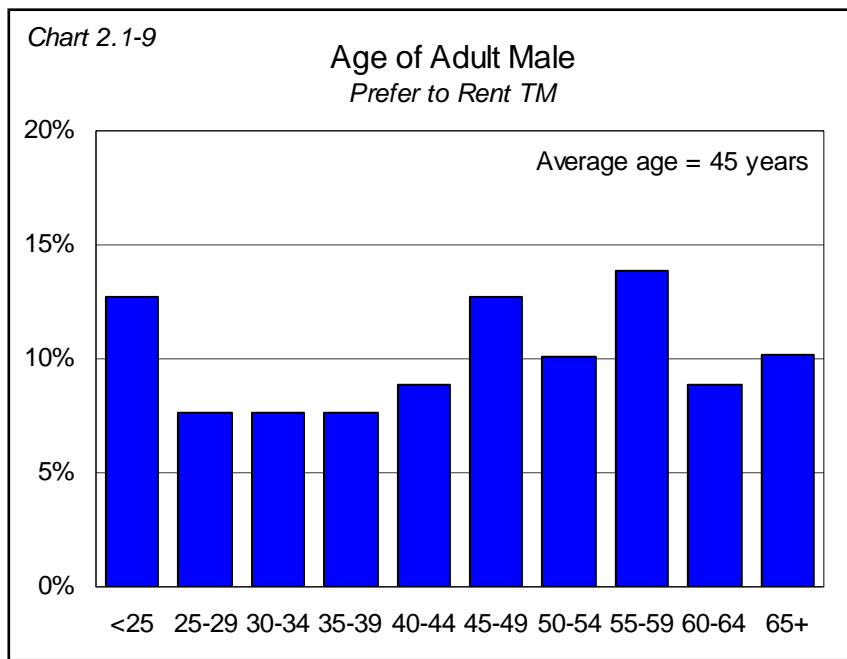
Most Renter Target Market households describe their ethnicity as White (77 percent). Black or African-American households account for 18 percent. The only other ethnic groups represented among Renter Target Market households were Asian or Bi-racial (each approximately 2 percent) and native Indian or Alaskan (1 percent). As a subcategory, 12 percent indicated that they were Hispanic or Latin American.



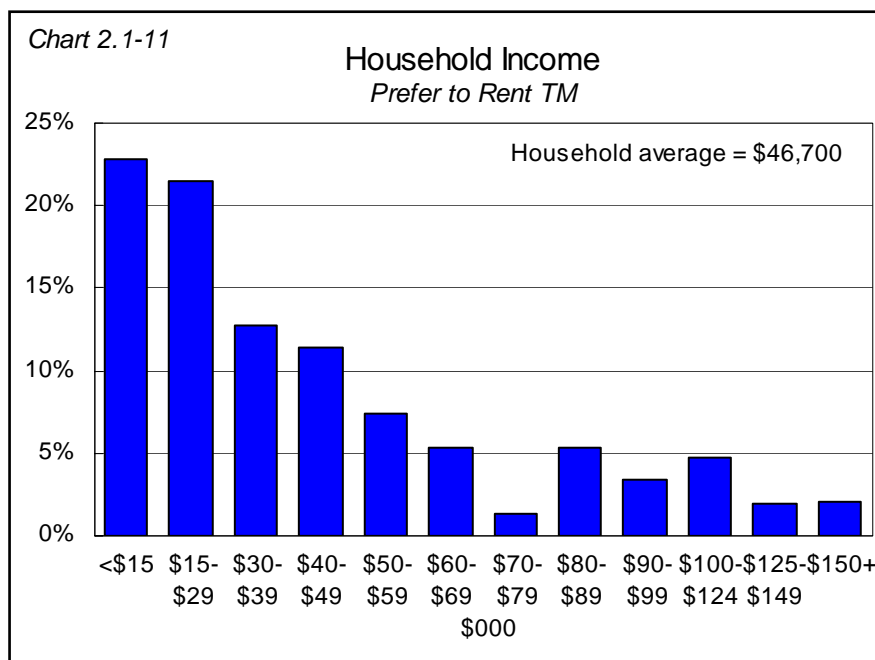
The Renter Target Market is an unusually mature group, with the first adult male in the household averaging 45 years, and the first adult female averaging 43 years. Second adult males averaged 28 years (only three households included second adult males), while second adult females averaged 31 years (17 households). The oldest male child among the 19 households which included children averaged 10 years of age, while the oldest female child (10 households) averaged 12 years. Second male children (8 households) averaged 7 years, while second females (4 households) averaged 10 years. Third male children averaged 4 years (2 households) and third female children averaged 4 years (1 household).

Table 2.1-1

Average Age of Target Market Household Members <i>Prefer to Rent TM</i>		
	Average Age (# of Households)	
	Male	Female
First Adult	45 (79)	43 (102)
Second Adult	28 (3)	31 (17)
First Child	10 (19)	12 (10)
Second Child	7 (8)	10 (4)
Third Child	4 (2)	4 (1)



Income and Employment. Renter Target Market households on average earn \$46,700 per year. Thirty-nine percent of all households report incomes below \$25,000; these households average \$15,800 per year. Thirty-five percent report incomes between \$25,000 and \$55,000, and average \$39,800. Twenty-six percent report incomes of \$55,000 or more and average \$101,800.



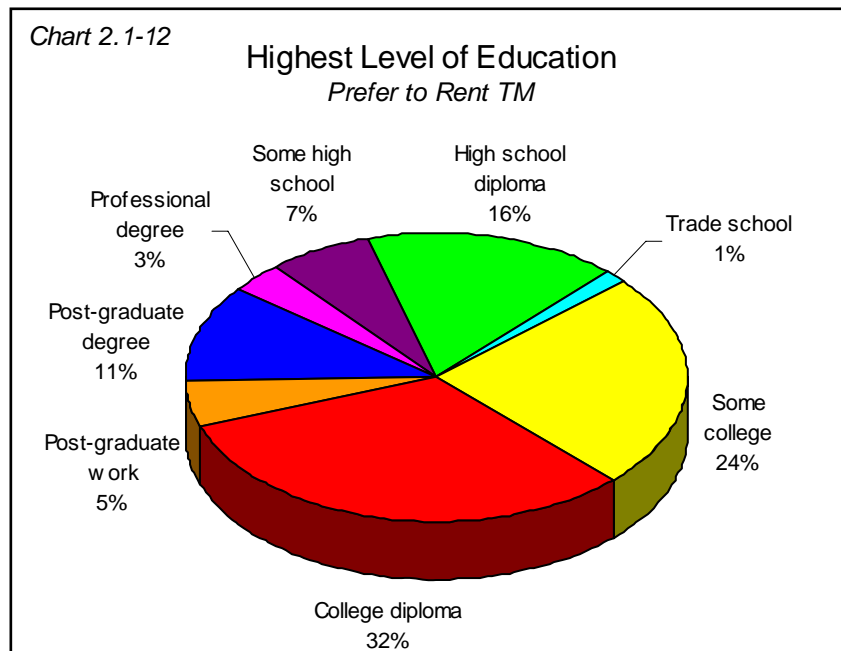
Regardless of income level, a large majority of Renter Target Market households are employed within the Fort Worth Area (80 percent), and most are employed within the Central Fort Worth Area (69 percent). By income level, 57 percent of those with incomes below \$25,000 are employed in the Central Fort Worth Area, compared to 72 percent of those with incomes in the \$25,000 to \$55,000 range and to 90 percent of those with incomes above \$55,000.

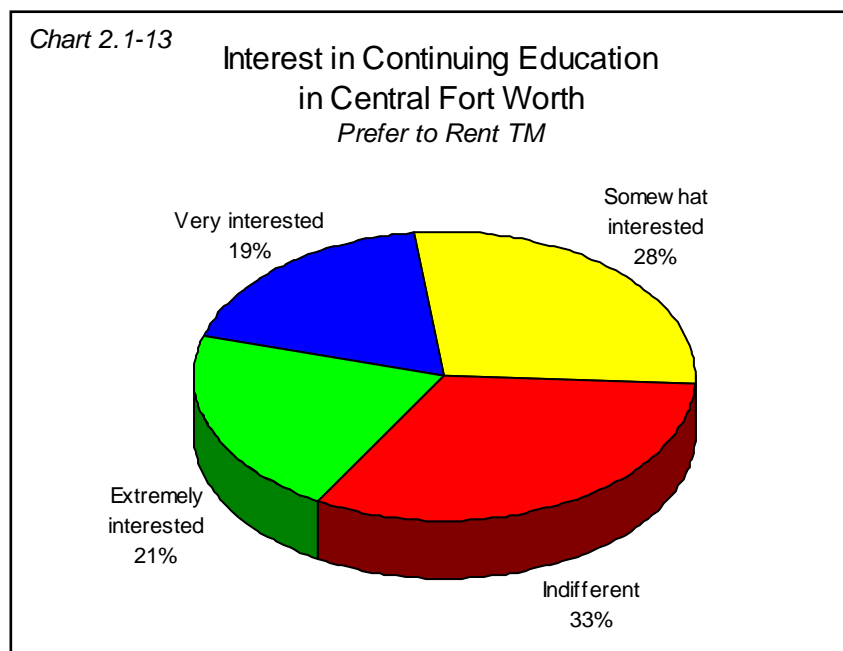
Job types were widely distributed among those with incomes below \$25,000. The plurality (33 percent) reports employment in the “Service” industry. The next most frequently reported job types were “Professional Specialty” (18 percent), “Sales” (15 percent) and “Administrative Support and Clerical” (15 percent). Among those with annual incomes between \$25,000 and \$55,000, the plurality report employment in “Professional Specialty” positions (41 percent). Other frequently reported job types were “Executive, Administrative and Managerial” (27 percent), and “Administrative Support and Clerical” (18 percent). Households with annual incomes over \$55,000 most frequently report jobs in the “Professional Specialty” and “Executive, Administrative and Managerial” areas (43 percent each).

Table 2.1-2

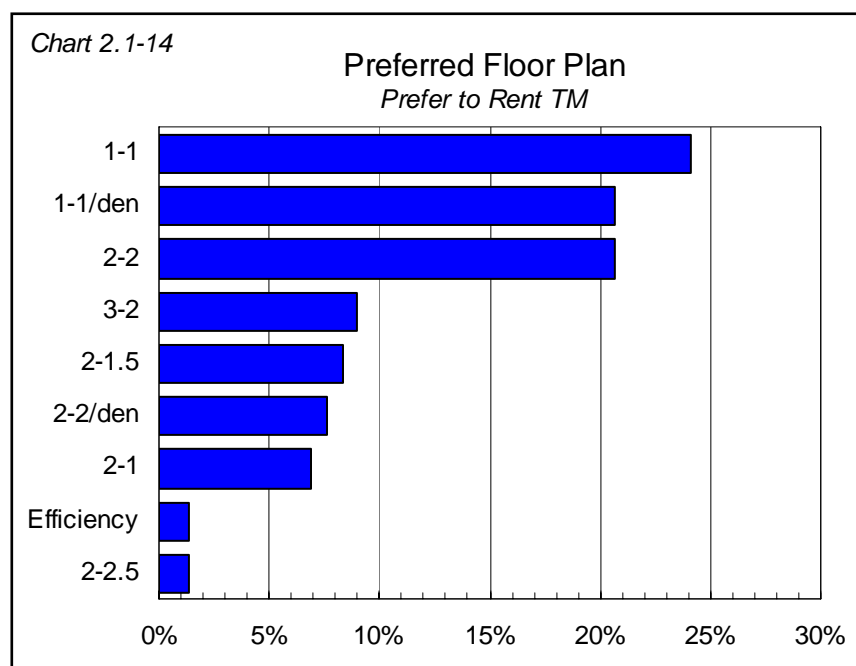
Occupational Classification by Income Level				
Occupation	Income Level			Total
	Less than \$25,000	\$25,000 to \$55,000	More than \$55,000	
Professional specialty	18%	41%	43%	35%
Technical	9%	9%	8%	9%
Executive, administrative and managerial	3%	27%	43%	25%
Sales	15%	9%	11%	12%
Administrative support, including clerical	15%	18%	16%	17%
Precision production, craft and repair	--	2%	3%	2%
Machine operators, assemblers and inspectors	12%	--	3%	4%
Transportation and material moving	6%	2%	--	3%
Handlers, equipment cleaners, helpers and laborers	3%	2%	--	2%
Service	33%	7%	3%	13%

Education. Approximately one-third of all Renter Target Market households include at least one person holding a college diploma; 5 percent have completed some graduate work but have no post-graduate degree, while 11 percent hold a post-graduate degree and 3 percent hold a professional degree. Among those with incomes less than \$25,000, only 15 percent have a full college education or more. In contrast, among middle- and high-income households, a respective 73 and 76 percent hold at least a college degree. Some 40 percent of all Renter households express strong interest in continuing education, 28 percent are somewhat interested, and 33 percent are indifferent. These levels of interest do not vary greatly by income level.

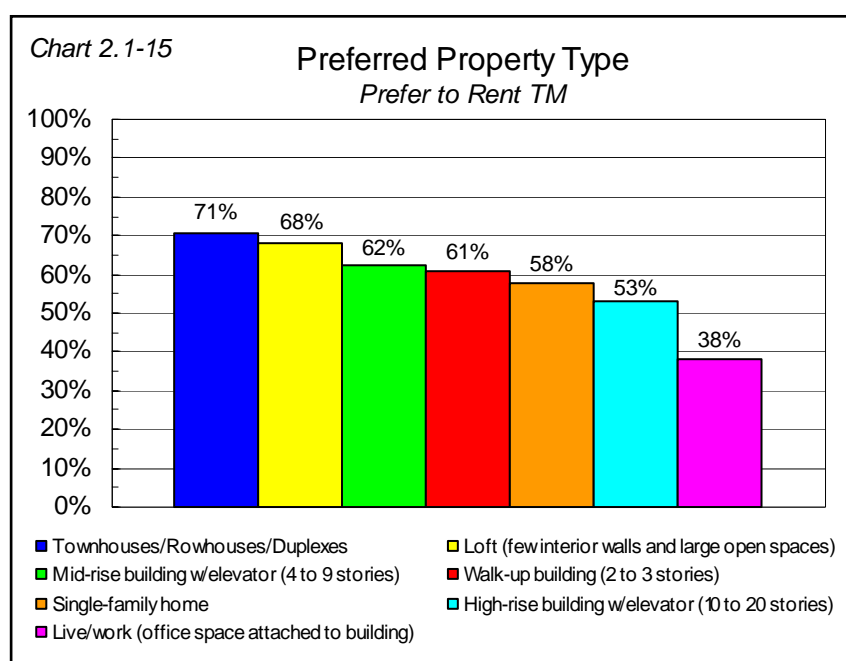




Product Preferences. Among Renter Target Market households, the most frequently preferred floor plans for their next residence are one-bedroom/one-bath (24 percent), one-bedroom/one-bath/den (21 percent), and two-bedroom/two-bath (21 percent) plans. Nine percent would like a three-bedroom/two-bath, but no one expressed a preference for a floor plan larger than three bedrooms. As can be seen in the following Chart 2.1-14, the remaining 25 percent of preferred floor plans are spread among a variety of unit types ranging from efficiency to two-bedroom/two-bath/den designs. These findings were relatively stable across income levels with the exceptions that fewer higher income renters express an interest in one-bedroom/one-bath designs (14 percent), and more express an interest in two-bedroom/two-bath plans (32 percent).



When given the options of community types with varying degrees of density, Renter households rated Townhouse/Rowhouse/Duplex most positively (71 percent rated this option desirable or acceptable), followed closely by Lofts (68 percent). Elevator-served mid-rise (62 percent), walk-up building (61 percent), and single-family home (58 percent) fell in the middle of the ratings. Elevator-served high-rise and Live/Work communities were selected by 53 and 38 percent, respectively. The order of these preferences was relatively stable across income categories.



Interior Unit Amenity Preferences. Potential rental residents expressed moderately strong desire for upscale amenities, including not only utilitarian items, but also luxury features. Those interior unit features rated worth an extra monthly fee by at least 50 percent of the Renter Target Market included an intrusion alarm (for \$5 extra per month), marble or granite bathroom countertops (\$20), high-speed Internet wiring (\$10), washer/dryer connections (\$20), and washer/dryer machines (\$35). Those features approved by 40 to 50 percent included oversized walk-in closet (\$20), satellite TV connections (\$25), eating area in kitchen (\$15), monitored individual security system in residence (\$30), stainless-steel kitchen appliances (\$25), hardwood floors (\$25), and granite kitchen countertops (\$15).

Common Area Amenities. Common area amenities considered worth the extra monthly cost by at least 40 percent of Renter households included exercise room (\$15), swimming pool (\$15), Jacuzzi/hot tub (\$10), security guard on duty 24 hours per day (\$50), and clubhouse (\$10).

Table 2.1-3

Features Worth Additional Cost <i>Prefer to Rent TM</i>		
	Additional Cost per Month	Percent Willing to Pay
Interior Unit Amenities		
Marble or granite bathroom countertops	\$20	68%
High-speed Internet wiring	\$10	64%
Washer/dryer connections in your unit	\$20	64%
Washer/dryer machines in your unit	\$35	54%
Satellite TV connections	\$25	49%
Oversized walk-in closet	\$20	48%
Eating area in kitchen	\$15	46%
Stainless-steel kitchen appliances	\$25	44%
Hardwood floors	\$25	42%
Granite kitchen countertops	\$15	40%
Microwave oven	\$10	38%
Phone line in master bath	\$5	38%
Double-sink vanity	\$10	34%
Fireplace	\$25	34%
Upgrade to patterned carpet	\$5	34%
Separate dining room	\$75	33%
Landlord provided computer/hardware	\$45	23%
Jacuzzi tubs	\$5	16%
Common Area Amenities		
Exercise room	\$15	62%
Swimming pool	\$15	55%
Jacuzzi/hot tub/whirlpool	\$10	46%
Clubhouse	\$10	40%
Greenspace for pets	\$10	39%
Children's play area	\$15	25%
Business center	\$10	16%
Security		
Intrusion alarm	\$5	74%
Monitored individual security system in your residence	\$30	47%
Security guard on duty 24 hours per day	\$50	45%

Stores and Services. Those stores and services deemed desirable to have in close proximity to a renter's residence are shown in the following table.

Table 2.1-4

Downtown Shopping/Services Desired	
<i>Prefer to Rent TM</i>	
Full-service grocery store	94%
Neighborhood retail (convenience/drug store, bank)	92%
Neighborhood food (fast food, coffee shop)	85%
Full-service restaurant	78%
Neighborhood services (dry cleaner, hair salon)	76%
Movie theaters	73%
Your employment location	66%
Public transportation	64%
Night clubs	50%
Proximity to Trinity River	38%
Public school	31%
Day care	24%
Private school	22%

3.0 Central Fort Worth Survey: Owner Target Market

Survey Response. A total of 3,000 questionnaires were delivered to employees working in the Central Fort Worth Area; 2,500 questionnaires were delivered to residents of multifamily developments in the Central Fort Worth Area. Approximately 668 usable responses were received, producing an overall response rate of 12.1 percent. A total of 362 multifamily residents submitted usable responses for a 14.5 percent response rate; 306 usable employee questionnaires were received for a 10.2 percent response rate. The surveys were delivered via two different methods: multifamily residents received questionnaires in the mail; employee questionnaires were delivered by hand to employers and distributed by employers to employees.

Table 3.0-1

Survey Sample Size	
# Questionnaires mailed to apartment residents	2,500
# Questionnaires delivered to employees	3,000
# Received and tabulated	668
Survey Response	12.1%
# in Target Market	405
Renter Target Market Definition	
➤ Prefer to own rather than rent	
➤ Did not rule out living in Central Fort Worth if right residence available	

Table 3.0-2

Survey Response	
Residential Communities	Percentage of Total Return
Homes of Parker Commons	9.9%
Gates of 7th Street Station	7.9%
Firestone Upper West Side	7.9%
Reserve at Upper West Side	7.6%
The Towers	7.6%
Hillside	7.3%
Harris Gardens	7.3%
Overton Park Townhouses	6.9%
Hulen Hills	5.9%
Historic Electric Building	5.3%
Residences of Diamond Hill	3.3%
Residences of Museum Place	3.0%
Sundance West	2.6%
Monticello	2.6%
Monticello Oaks	2.0%
Pennsylvania Place	2.0%
Lincoln Terrace	2.0%
Forest Park	1.7%
Hulen Park Place	1.7%
Sanger Lofts	1.3%
Lake Como	1.3%
Houston Place Lofts	1.0%
Trinidad	1.0%
3501 Towers	0.3%
Versailles	0.3%
Pecan Place	0.3%

3.1 Central Fort Worth For-Sale Demand

Total Potential Demand. Documented in Table 3.1-1, existing rental communities in Central Fort Worth today contain approximately 2,800 units. Occupancy for the Central Fort Worth Market Area is currently 96 percent, indicating that approximately 2,700 households are current renters. Of this total, 37 percent of the apartment residents in the Owner Target Market work in the Central Fort Worth Area and are therefore included in the Central Fort Worth Employee Base, leaving a renter pool of approximately 1,000 households who work outside of the Central Area.

Of this total,

- 58 percent express a preference for owning their residence;
- 68 percent state they would be very likely to live in Central Fort Worth if an appropriate housing choice were provided;
- 68 percent rated the tested community types desirable or acceptable;
- 54 percent rated the Central Fort Worth locations desirable or acceptable;
- 73 percent have adequate income to afford their chosen floor plan; and
- 50 percent expect to delay their purchase at least one year.

Central Fort Worth apartment residents currently provide demand for approximately 50 for-sale units.

Table 3.1-1

Core Owner Prospects from Central Fort Worth Apartment Residents	
Number of existing competitive apartments ^a	2,837
Total apartment prospect pool (assuming 96.4 percent occupancy)	2,726
Percent of apartment residents who are employed in Central Fort Worth ^b	37%
Apartment households not included in Central Fort Worth employee base	1,009
Share who desire to own a residence	58%
Share that is "Very Likely" to live in Central Fort Worth ^b	68%
Share who rated a community type desirable or acceptable ^b	68%
Share who rated the Central Fort Worth locations desirable or acceptable ^b	54%
Share of income-qualified households (selected purchase price no more than four times income) ^b	73%
Share expecting to delay purchase at least one year	50%
Number of prospects from local base of existing apartments	53

^a Total units in Central Fort Worth competitive apartments.

^b Based on M/PF YieldStar survey responses.

Employers in the Central Fort Worth Market Area currently offer approximately 105,000 jobs for employees. Of this total,

- 88 percent express a preference for owning their residence;
- 32 percent state they would be very likely to live in Central Fort Worth if an appropriate housing choice were provided;
- 50 percent rated the tested community types desirable or acceptable;
- 43 percent rated the Central Fort Worth locations desirable or acceptable;

- 94 percent have adequate income to afford their chosen floor plan; and
- 70 percent expect to delay their purchase at least one year.

Central Fort Worth employees currently provide demand for approximately 4,170 for-sale units.

Table 3.1-2

Core Owner Prospects from Central Fort Worth Employees	
Central Fort Worth Employee Base ^a	105,000
Share who desire to own a residence	88%
Share that is "Very Likely" to live in Central Fort Worth ^b	32%
Share who rated a community type desirable or acceptable ^b	50%
Share who rated the Central Fort Worth locations desirable or acceptable ^b	43%
Share of income-qualified households (selected purchase price no more than four times income) ^b	94%
Share expecting to delay purchase at least one year	70%
Number of prospects from local base of qualified employment base	4,173

^a US Census Bureau, 2003

^b Based on M/PF YieldStar survey responses.

In total, Central Fort Worth apartment residents and employees provide demand for approximately 4,225 for-sale units.

Depth of For-Sale Demand by Product Type. As was true in the Renter Target Market, preference for all product types was high among Owner Target Market households, with single-family home setting the high end of the range and live/work space the low. In the aggregate, 84 percent of the Owner Target Market rated single-family home "Desirable" or "Acceptable." Following single-family home, Townhouses/Rowhouses/Duplexes were also quite popular, with 73 percent of the Target Market finding them desirable. Lofts attained just over 60 percent approval, while Elevator-served mid-rise, Walk-up building and Elevator-served high-rise were each near 50 percent. Live/work space achieved the lowest approval, with only 37 percent finding this product type attractive.

Because multiple responses were allowed, the responses were normalized to produce a weighted product type distribution. Assuming that development of the Central Fort Worth Area follows this weighted distribution, the shares that each product type would account for are shown as the Normalized Preference in the following Table 3.1-3; the number of units reflecting these normalized shares are shown as Normalized Demand. This does not imply that of the demand for 4,225 for-sale units, the ultimate development of Central Fort Worth could not include some 3,549 single-family homes. It does imply that if 3,549 single-family homes are built, only some 800 units of demand would be left for all other product types.

Table 3.1-3

Potential Central Fort Worth For-Sale Demand by Product Type ^{a, b}				
Product Type	Overall Preference	Normalized Preference	Overall Demand	Normalized Demand
Single-family home	84%	21%	3,549	870
Townhouse/Rowhouse/Duplex	73%	18%	3,063	751
Loft	62%	15%	2,620	642
Elevator-served mid-rise building	54%	13%	2,292	562
Walk-up building	51%	12%	2,134	523
Elevator-served high-rise building	48%	12%	2,028	497
Live/Work (public office space attached to building)	37%	9%	1,553	381
Total	NA	100%	NA	4,225

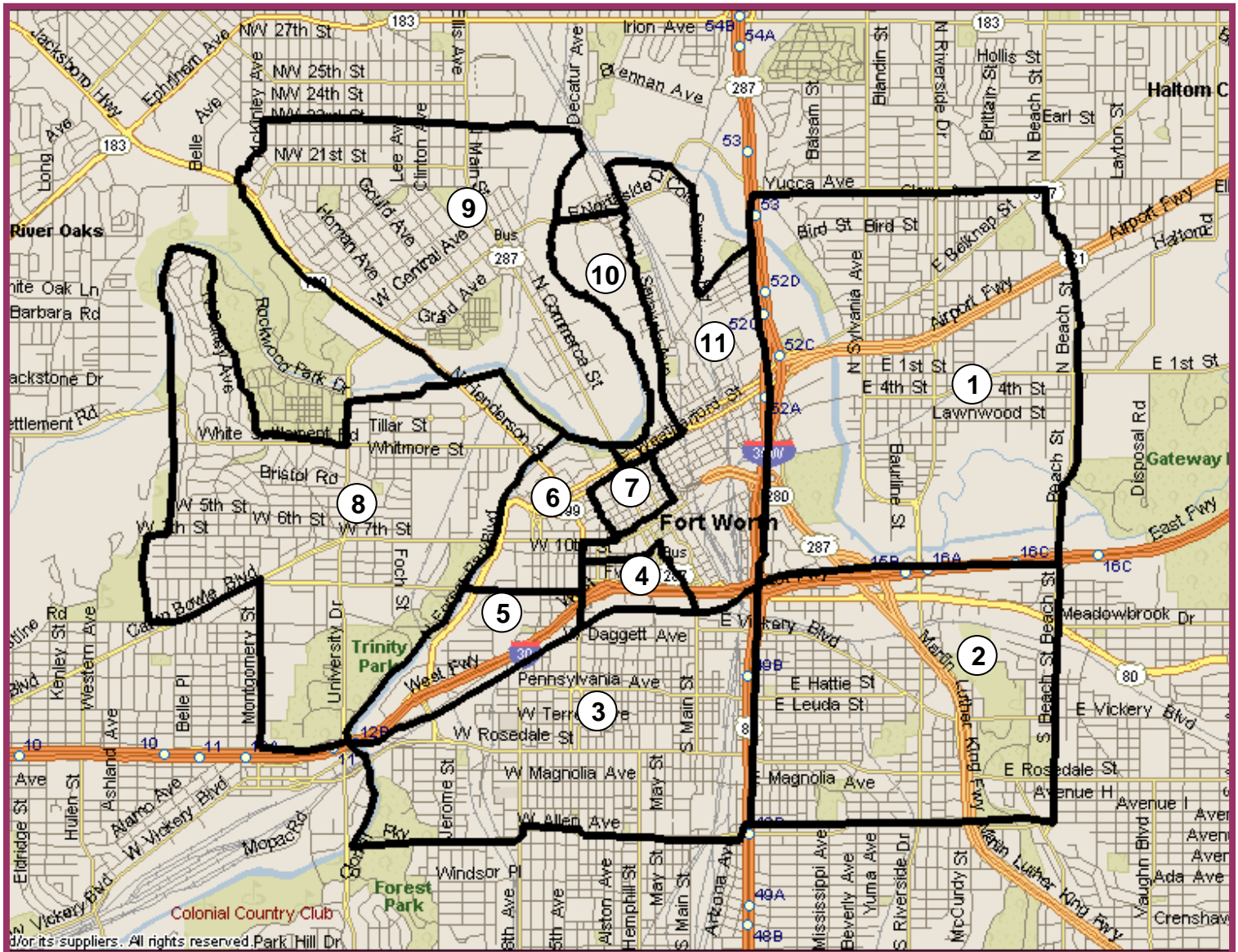
^a Demand for each type based on 4,225 units of aggregated potential demand.

^b Resident and Employee Survey Results aggregated for those who prefer to own (rather than rent their home).

Depth of For-Sale Demand by Location. The depth of demand prospects for Central Fort Worth for-sale product is detailed for specific neighborhoods in the following table. As was true for rental units, demand appears to be deepest for for-sale residences in the Cultural District, a location rated “Desirable” or “Acceptable” by 87 percent of all Owner Target Market households (a 15 percent normalized share). Only slightly less positive, Sundance Square and the Upper West Side each garnered near 75 percent approval ratings (13 percent normalized shares), and the Forest Park Corridor captured a 62 percent approval rating (11 percent share). (See Map 3.1-1 on the following page for boundaries of these locations.)

Table 3.1-4

Potential For-Sale Demand by Location				
Location	Total Preference	Normalized Preference	Total Demand	Normalized Demand
Cultural District	87%	15%	3,659	640
Sundance Square	75%	13%	3,182	557
Upper West Side	73%	13%	3,101	543
Forest Park Corridor	62%	11%	2,611	457
Trinity Bluff Uptown	55%	10%	2,303	403
Trinity Uptown	53%	9%	2,248	393
Other Downtown	49%	9%	2,079	364
Fort Worth South	47%	8%	1,977	346
Lancaster Corridor	31%	5%	1,301	228
Northeast	25%	4%	1,069	187
Southeast	15%	3%	613	107
Total	NA	100%	NA	4,225



Map 3.1-1

Central Fort Worth Area Neighborhoods

- | | | | |
|---|----------------------|----|----------------------|
| 1 | Northeast | 7 | Sundance Square |
| 2 | Southeast | 8 | Cultural District |
| 3 | Fort Worth South | 9 | Trinity Uptown |
| 4 | Lancaster Corridor | 10 | Trinity Bluff Uptown |
| 5 | Forest Park Corridor | 11 | Other Downtown |
| 6 | Upper Westside | | |

Depth of For-Sale Demand by Income. Approximately 22 percent of For-Sale Target Market households earn incomes below \$45,000 per year. Those with incomes between \$45,000 and \$75,000 account for 23 percent of all households, while those with incomes between \$75,000 and \$125,000 account for 33 percent. Households with incomes above \$125,000 comprise 23 percent of all Target Market households. Based on these percentages, lower income for-sale units should account for some 938 units of the 4,225 total unit demand, while lower-middle and upper-middle income units should account for approximately 955 and 1,378 units, respectively. Finally, a total of 955 upper-income units should be supportable.

An alternative income analysis based on those households at or below 60 or 80 percent of the median household income (adjusted for household size) for Tarrant County indicates that some 450 units (approximately 11 percent) should be targeted at those households at or below 60 percent of the median, while some 642 units (approximately 15 percent) should be targeted at those households at or below 80 percent of the median.

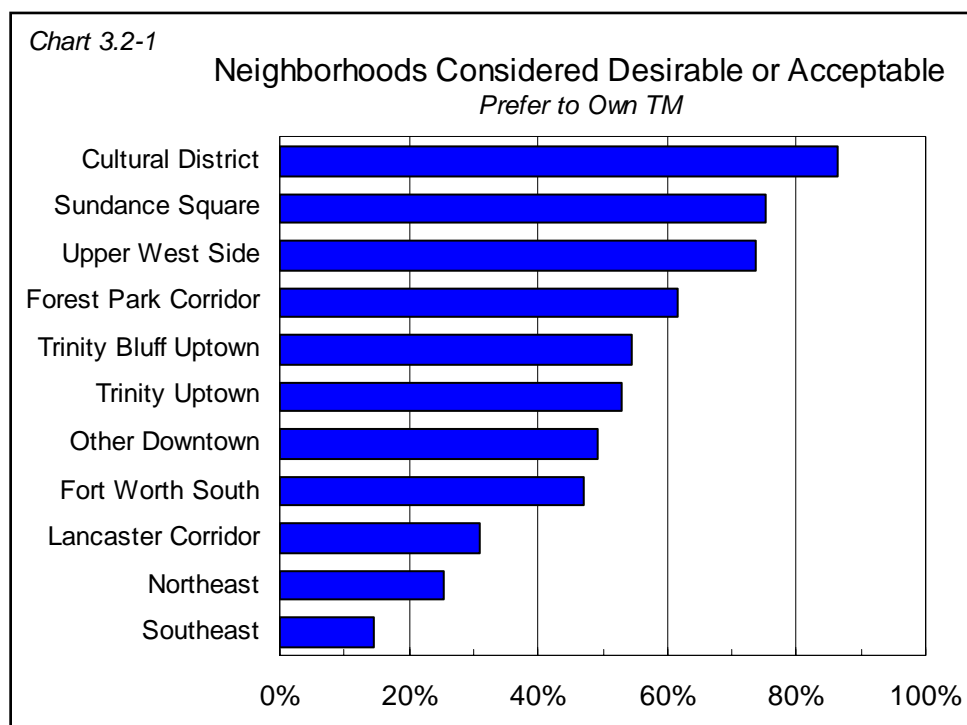
Depth of For-Sale Demand by Household Size. One-person and two-person households account for 35 and 38 percent of the total For-Sale Target Market, respectively; three-person and four-person (or more) households comprise 15 and 13 percent, respectively. Based on these percentages, 1,470 and 1,580 units of the total 4,225 unit demand should come from households with one and two persons, respectively, while 630 and 540 units of demand should come from households with three and four(+) persons, respectively.

3.2 Central Fort Worth Owner Target Market Profile

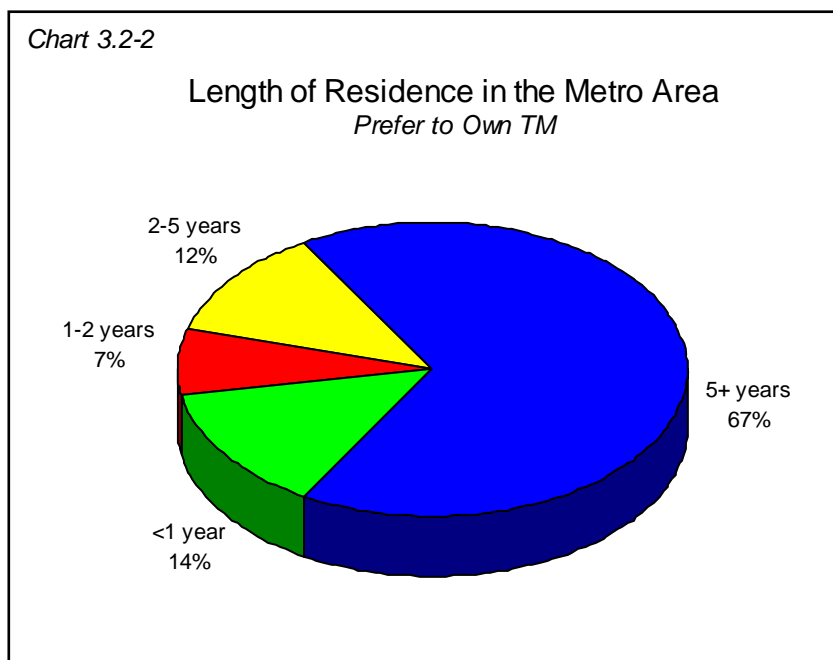
The Owner Target Market of potential Central Fort Worth residents was defined as those who prefer to own their residence and who do not consider the Central Fort Worth Area an unacceptable residential location. Some 405 responses, or 61 percent of the total received, fit the Owner Target Market definition. This Owner Target Market forms the basis for the following demographic analysis of for-sale housing potential residents.

Locational Survey Responses. Within the Owner Target Market, the likelihood of living in Central Fort Worth was positive, but not quite as strong for those who prefer to rent properties. Just over three-quarters (77 percent) of the Owner Target Market stated they were either “Very Likely” or “Somewhat Likely” to live in the area (compared to 87 percent of the Renter Target Market). Just under one-fifth (19 percent) were “Unlikely To” consider living in the Central Fort Worth Area. Among those who stated reasons for not living in Central Fort Worth, the most frequently cited reasons were crime and cost of living (both 31 percent). Other frequently cited reasons were the quality of the public schools (18 percent), lack of shopping (14 percent), traffic and congestion (12 percent), and desire for yard (11 percent).

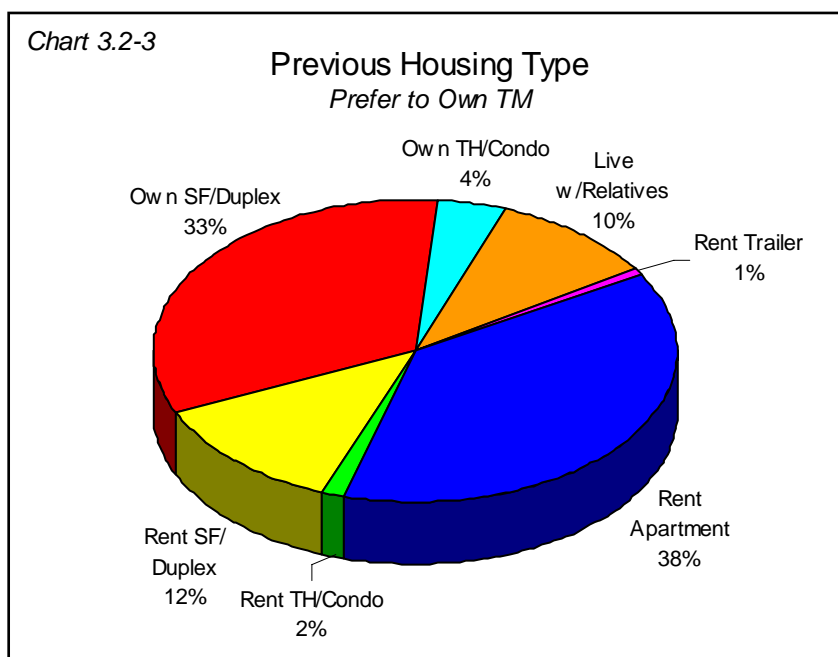
When asked to rate Central Fort Worth neighborhoods’ desirability as residential locations, the Cultural District achieved “Desirable” or “Acceptable” ratings of just under 90 percent. Sundance Square and Upper West Side were also highly rated (75 and 74 percent, respectively), as was the Forest Park Corridor (62 percent). Four areas were near 50 percent, including Trinity Bluff Uptown (54 percent), Trinity Uptown (51 percent), Other Downtown (49 percent) and Fort Worth South (47 percent). Lancaster Corridor was rated desirable or acceptable by 30 percent, Northeast was deemed desirable or acceptable by only 25 percent, and Southeast was the lowest rated area, being rated desirable or acceptable by only 15 percent of Owner Target Market households.



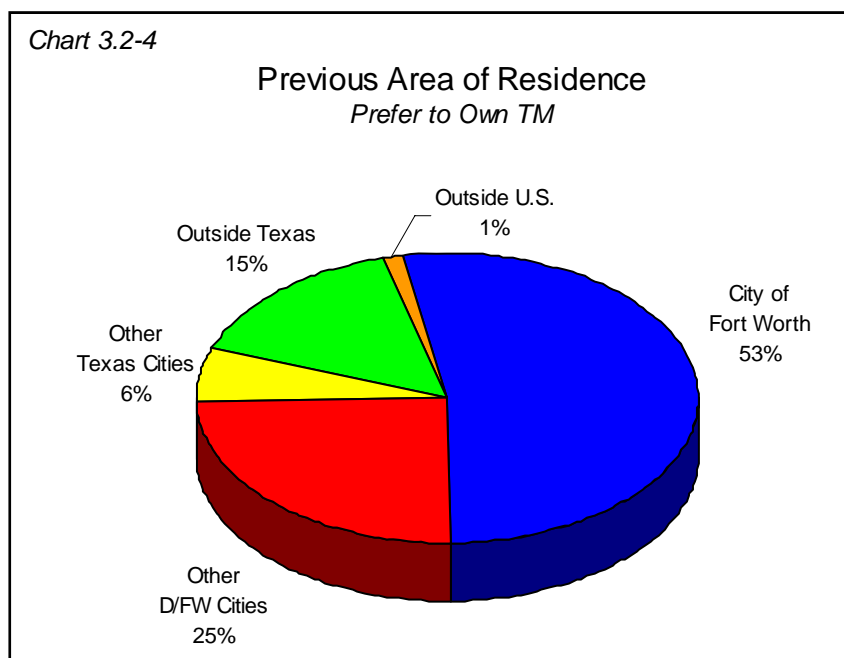
Past and Current Housing Patterns. Most of the Owner Target Market households (67 percent) have lived in the Fort Worth Metropolitan Area for five years or longer, with 21 percent claiming to have always lived in the Metro Area. Only 14 percent have been in the Area for less than a year.



Prior to moving to their current residence, Owner Target Market households were most likely living in an apartment (38 percent) or in a single-family home or duplex (33 percent buying, 12 percent renting). Ten percent were living with relatives. Ten percent were living with relatives.



A majority (53 percent) of Owner Target Market households moved to their current residence from another Fort Worth location. Other Fort Worth/Dallas cities accounted for 25 percent of previous residences, with Dallas and Arlington easily leading the pack. Other Texas cities accounted for 6 percent and locations outside of Texas accounted for 16 percent of previous residence locations.



Owner Target Market households are split between those currently renting their residence (48 percent) and those currently buying (52 percent). A minority of the group is currently living in a multifamily setting (39 percent); most are currently residing in duplexes, townhouses, and single-family homes (60 percent).

Just below 50 percent of Owner Target Market households currently live in three-bedroom/two-bath (44 percent) or larger (3 percent) floor plans. Another 16 percent live in two-bedroom/two-bath (13 percent) or two-bedroom/two-and-a-half-bath (3 percent) plans. Twenty-one percent live in one-bedroom/one-bath/den (8 percent), two-bedroom/one-bath (10 percent), or two-bedroom/one-and-a-half bath (3 percent) plans. One-bedroom units account for 17 percent of current floor plans, including one-bedroom/one-bath (16 percent) and efficiency/studio designs (1 percent).

A slight plurality of 35 percent has been in their current residence for five years or more, and another 20 percent have been in their current residences for 2 to 5 years. A near plurality of 34 percent has been in their residence for less than one year.

Chart 3.2-5

Current Floor Plan *Prefer to Own TM*

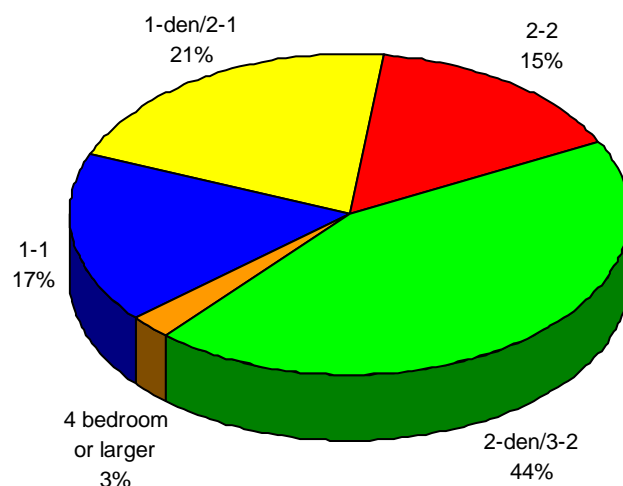
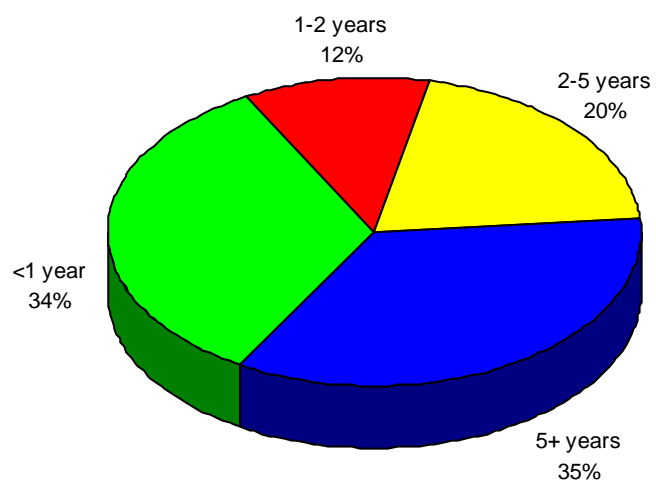
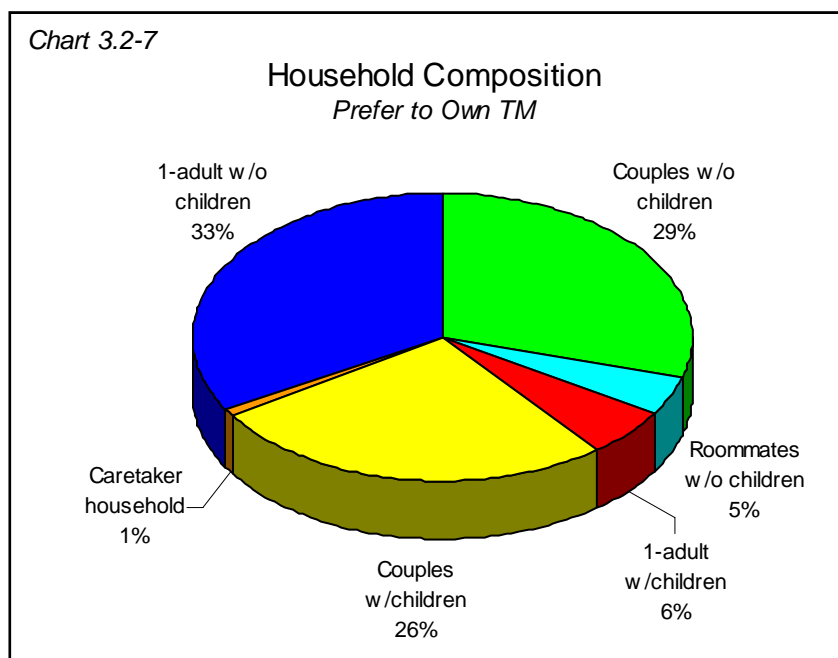


Chart 3.2-6

Length of Time in Current Residence *Prefer to Own TM*



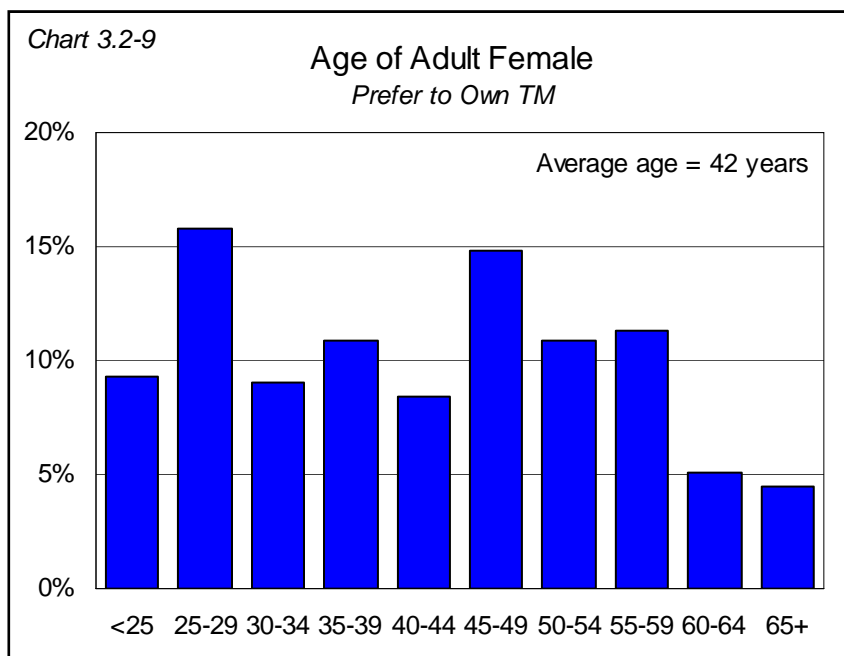
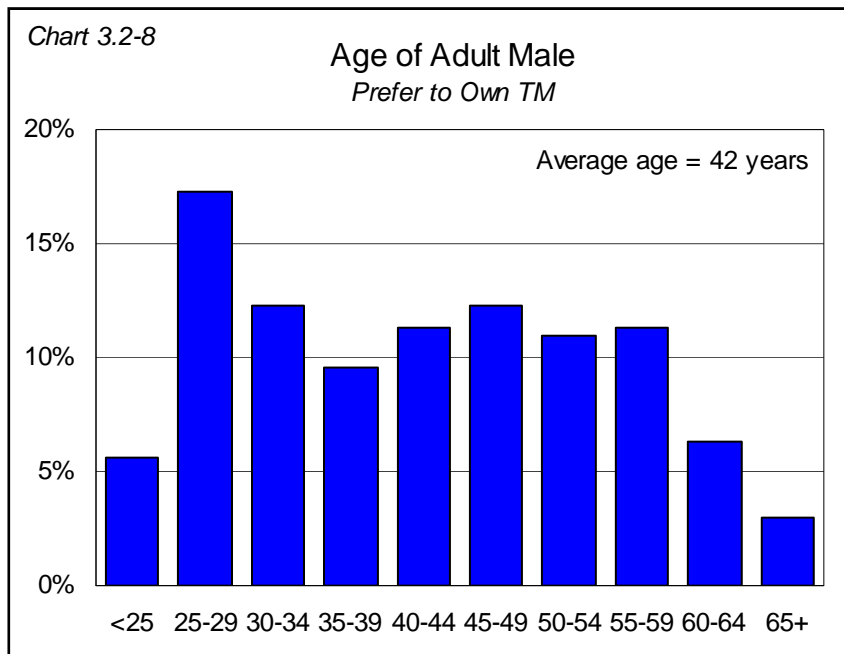
Demographic Profile of Those Who Prefer to Own. Most Owner Target Market households are single adults without children living in the home (33 percent) and couples without children living in the home (29 percent). Including childless roommates, 67 percent of the Owner Target Market households have no children. These households are split between those with one adult (33 percent) and those with two adults (36 percent).



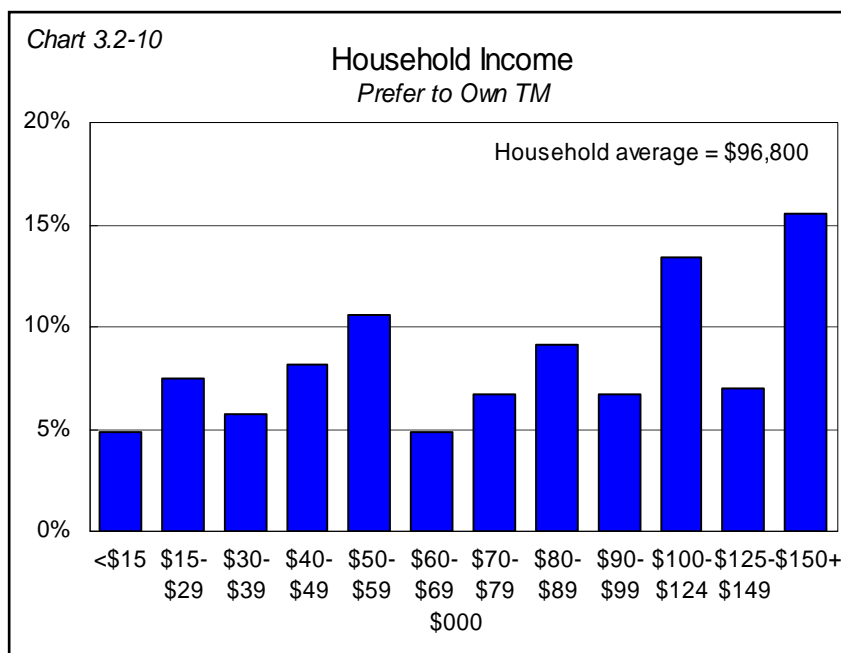
Surprisingly, the Owner Target Market is slightly younger than the Renter Target Market, although those who prefer to own are still a mature group, with both male and female heads of households averaging 42 years. Second adult males average 31 years, while second adult females average 33 years. Eldest children are on average 10 years old (both males and females), while second male children and second female children average 7 and 8 years, respectively. Third male children are 4 years old on average; third female children are 8 years old on average.

Table 3.2-1

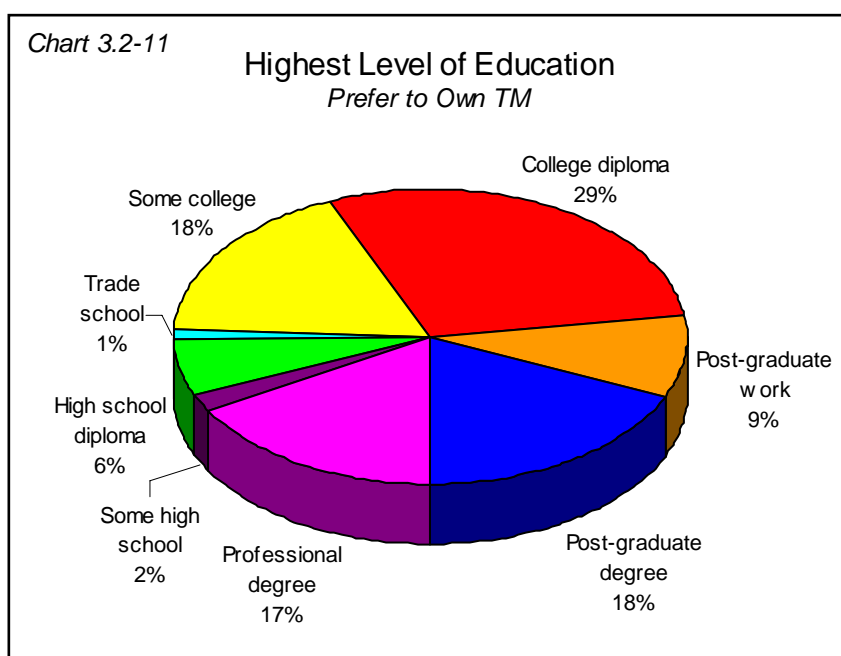
Average Age of Target Market Household Members <i>Prefer to Own TM</i>		
	Average Age (# of Households)	
	Male	Female
First Adult	42 (301)	42 (311)
Second Adult	31 (34)	33 (18)
First Child	10 (81)	10 (76)
Second Child	7 (30)	8 (20)
Third Child	4 (5)	8 (3)

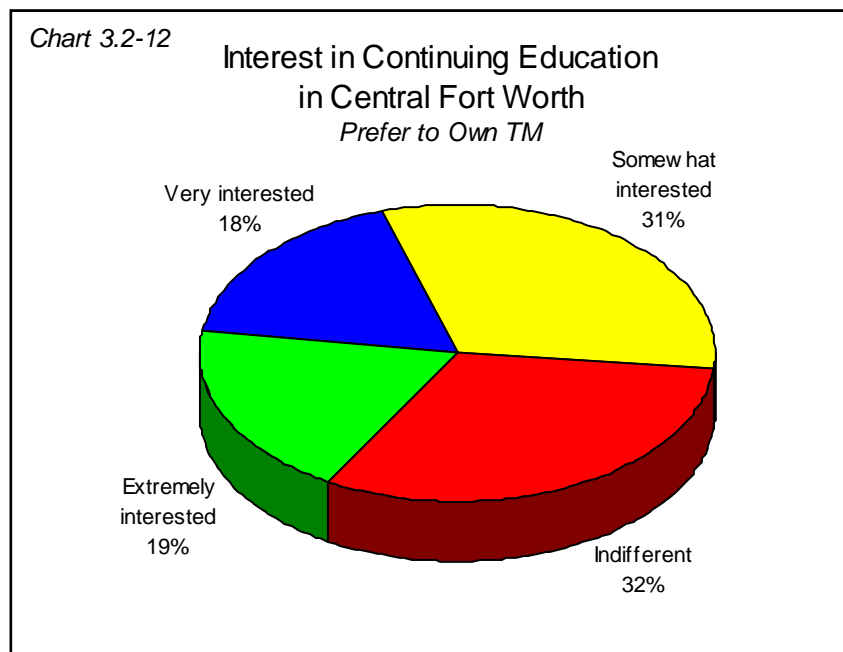


Despite being slightly younger, these households are much more affluent than the Renter households, on average earning \$96,800 per year.

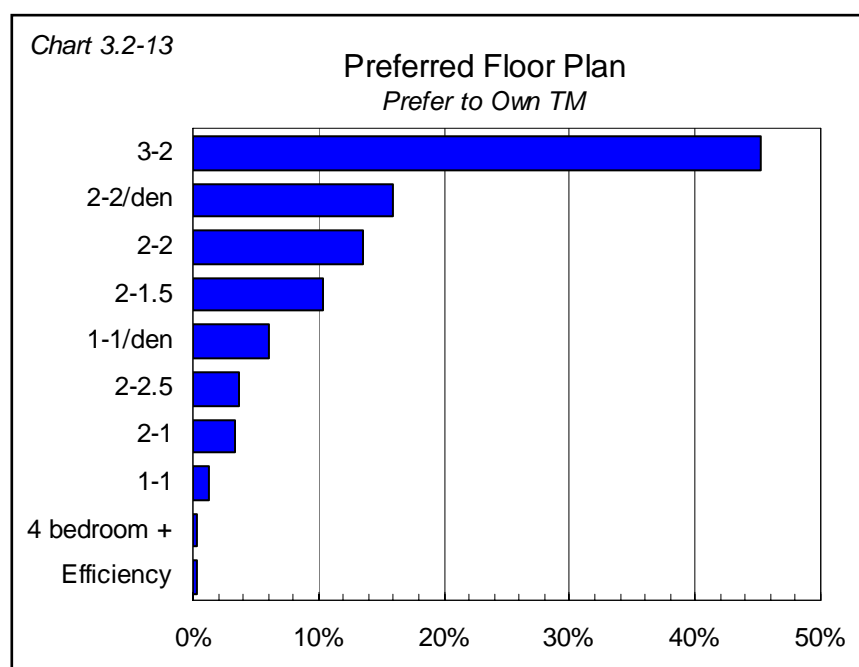


Education levels of the Owner Target Market are also quite high, with 73 percent holding a college diploma or higher. An additional 18 percent have some college education. Approximately 37 percent of these households express strong interest in continuing education, 31 percent are somewhat interested, and 32 percent are indifferent.



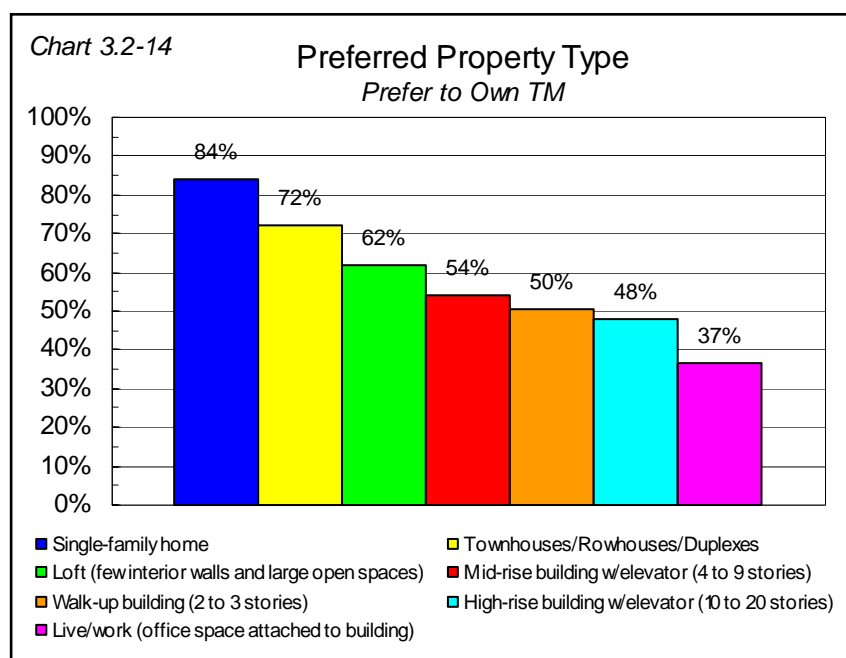


Product Preferences. A majority of Owner Target Market households prefer either three-bedroom/two-bath (45 percent) or two-bedroom/two-bath/den (16 percent) designs for their next residence. Other popular floor plans are two-bedroom/two-bath (14 percent), two-bedroom/one-and one-half-bath (10 percent), and one-bedroom/one-bath/den (6 percent) designs. Only 1 percent chose a one-bedroom/one-bath floor plan, and less than 1 percent chose an efficiency floor plan.



When asked to select a floor plan with a quoted purchase price, the average price chosen for one-bedroom floor plans was \$163,800. Average prices for two- and three-bedroom plans increased to \$180,200 and \$219,300, respectively. In total, 83 percent of Owner Target Market households chose a floor plan for which they would be income qualified (purchase price no more than four times income).

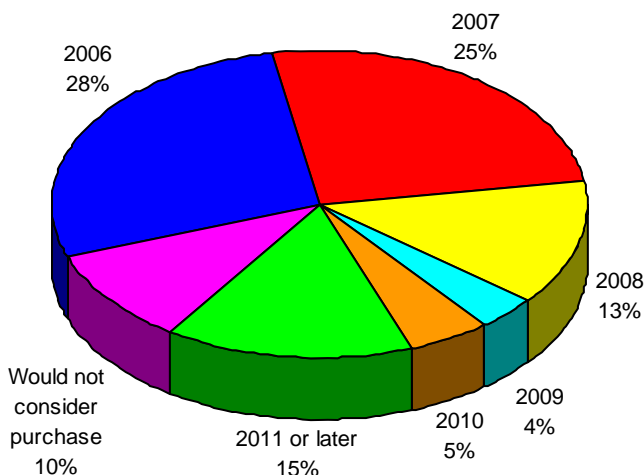
Not surprisingly, a full 84 percent of the Owner households rated single-family homes desirable or acceptable, and 72 percent rated townhouses, rowhouses and duplexes desirable or acceptable. Three-fifths (62 percent) indicated that lofts would be desirable or acceptable. As was true for Renters, live/work units were least acceptable, garnering only a 37 percent desirable or acceptable rating.



Over one-half (53 percent) of all households in the Owner Target Market expect to make a home purchase within the next two years, with 28 percent expecting to buy in 2006 and 25 percent expecting to buy in 2007. Only 15 percent would defer their purchase beyond 2010. Ten percent indicated they would not consider a Central Fort Worth purchase.

Chart 3.2-15

Timing for Purchase of Central City Residence
Prefer to Own TM



Stores and Services. Those stores and services deemed desirable to have in close proximity to an owner's residence are shown in the following table. Almost everyone rated a grocery store and neighborhood retail as very or somewhat desirable. Over 80 percent indicated that neighborhood food, full-service restaurant, neighborhood services, and employment were desirable, and nearly 80 percent thought a movie theater was desirable. Public transportation and proximity to the Trinity River were desirable for 55 and 53 percent, respectively.

Table 3.2-2

Central City Shopping/Services Desired
Prefer to Own TM

Full-service grocery store	97%
Neighborhood retail (convenience/drug store, bank)	95%
Neighborhood food (fast food, coffee shop)	89%
Full-service restaurant	87%
Neighborhood services (dry cleaner, hair salon)	86%
Your employment location	82%
Movie theaters	77%
Public transportation	55%
Proximity to Trinity River	53%
Night clubs	44%
Public school	40%
Private school	34%
Day care	31%

4.0 Timing of Central Fort Worth Rental and For-Sale Development

As part of this research, M/PF YieldStar contracted with Claritas, Inc., to provide a forecast of population and household growth for the Central Fort Worth Area. As can be seen in Table 4.0-1 below, Claritas forecasts total population growth of over 10,200 and total household growth of almost 3,200 during the 2005 through 2010 period. These forecasted totals, in turn, produce annual growth averages of some 2,000 for population and 640 for households.

Table 4.0-1

Claritas Population and Household Growth Forecast Central Fort Worth Market Area						
	2000		2005		2010	
	Population	Households	Population	Households	Population	Households
Total	168,843	57,326	177,304	59,835	187,525	63,016
Change	12,201	10,221	8,461	2,509	10,221	3,181
Annual Change	1,220	2,044	1,692	502	2,044	636

Source: All historical and forecast data are from Claritas, Inc.

Assuming an annual average increase in households of 640 per year, the approximate 7,300-unit demand (3,070 rental and 4,225 for-sale) identified by M/PF YieldStar in this Report for the Central Fort Worth Area will require some 11.4 years to be absorbed. Finally, assuming that the for-sale product demand identified by M/PF requires 11.4 years to be absorbed, for-sale absorption of 370 units per year would be expected.

M/PF's apartment supply/demand forecast (Section 5.0 of this Report) suggests that approximately 1,120 apartments will be completed in the Central Fort Worth Area during the three-year 2006 through 2009 period, an average of some 280 units per year. At this rate, approximately 36 percent of the rental demand identified in this Report will be satisfied by year-end 2009, leaving some 1,950 units of demand to be spread through the remaining 7.4 years, an average of some 260 units per year.

A second forecast of household growth was provided by the North Texas Council of Governments (COG). COG's forecast calls for the establishment of some 1,570 new households in the Central Fort Worth Area (the combination of areas defined by COG as the Fort Worth CBD and the Fort Worth Outer CBD) from 2005 through 2010, some 2,080 new households from 2010 through 2015, and approximately 2,161 new households from 2015 through 2020. At these rates, some 5,700 units of demand would be absorbed from 2005 through 2020, leaving 1,600 units to be absorbed after 2020. Over the entire 2005 through 2020 period, households would be established at an annual rate of approximately 390. In contrast to the 11-year absorption period suggested by the Claritas forecast, the COG forecast rate of growth suggests a 19-year absorption period for the 7,300 units identified by M/PF in this research.

These forecasts were produced using models based on historical trends. However, the general perception of the Central Fort Worth Area as a desirable housing location appears to be evolving. As that perception continues to improve, the annual influx of households to the Area should increase. Table 4.0-2 presents a sensitivity analysis of these forecasts at increased growth rates from 10 to 100 percent. As can be seen, at a 10 percent increase, the Claritas forecast suggests a

10.4-year absorption period, while the COG forecast suggests an 18.7-year period. Bringing the COG forecast absorption period up to the non-inflated Claritas forecast absorption period (11.4 years) would require an increase in growth of between 60 and 70 percent.

Table 4.0-2

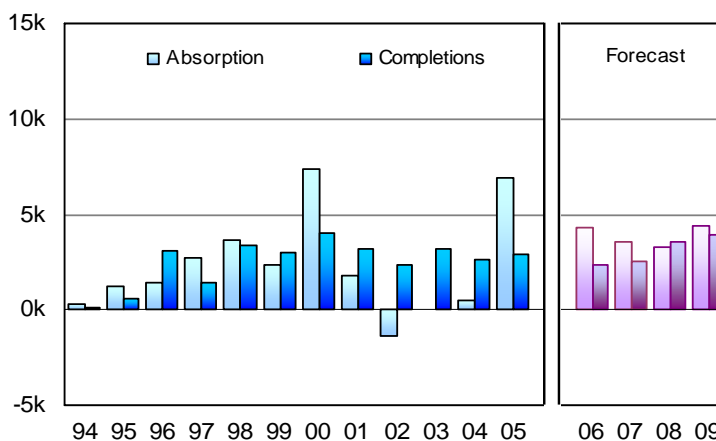
Sensitivity Analysis of Claritas and COG Household Growth Forecasts				
Sensitivity	Claritas		COG	
	Annual Absorption	Absorption Period (Years)	Annual Absorption	Absorption Period (Years)
0%	640	11.4	390	18.7
10%	704	10.4	429	17.0
20%	768	9.5	468	15.6
30%	832	8.8	507	14.4
40%	896	8.1	546	13.4
50%	960	7.6	585	12.5
60%	1,024	7.1	624	11.7
70%	1,088	6.7	663	11.0
80%	1,152	6.3	702	10.4
90%	1,216	6.0	741	9.9
100%	1,280	5.7	780	9.4

5.0 Fort Worth Area Apartment Market Conditions

Fort Worth Metro Area. The Fort Worth Metro Area experienced a minimal new supply from 1991 through 1995, when completions averaged approximately 361 per annum. Absorption during the same period averaged just over 900 units per year. With demand outpacing additions to supply, occupancy increased in the Metro from 89 percent at year-end 1991 to 93 percent at year-end 1995. Rent growth for the five-year period averaged 3.6 percent.

Chart 5.0-1

Apartment Supply/Demand Outlook Fort Worth Metro Area

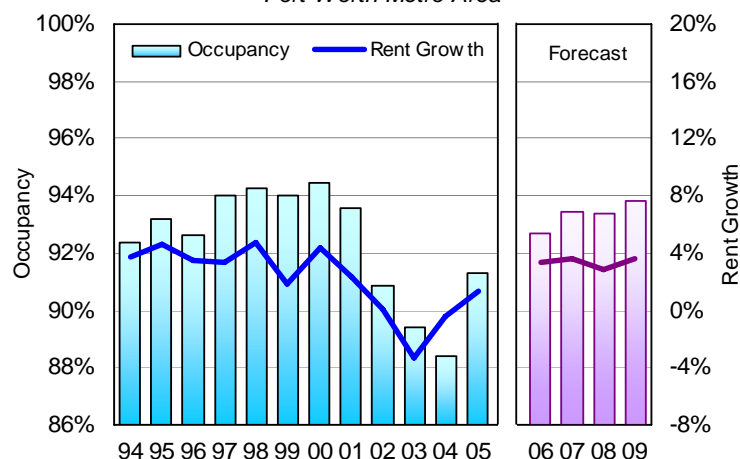


Beginning in 1996, new construction began to ramp up in the Metro, and from 1996 through 2000, new supply averaged almost 3,000 units annually. Absorption more than kept pace, averaging approximately 3,500 units. As a result, occupancy eased up to almost 95 percent by year-end 2000 and rent growth averaged 3.6 percent for the five-year 1996-2000 period.

With the national recession of 2001 impacting Fort Worth's economy, demand for apartments slowed in 2001 and remained depressed until 2005. Boosted by almost 7,000 units absorbed in 2005, absorption for the five-year 2001-2005 period averaged some 1,580 units. Despite this slowing in demand, new construction continued at a strong pace, with almost 2,900 units completed per year, and occupancy declined to 91 percent at year-end 2005. With occupancy easing each year from 2000 through 2004, rents were virtually unchanged from 2001 through 2005.

Chart 5.0-2

Apartment Occupancy and Rent Growth Fort Worth Metro Area



M/PF's forecast for the Fort Worth Metro Apartment Market indicates that some recovery is likely. From 2006 through 2009, an average of approximately 3,110 new units is expected per year; absorption is forecast to average some 3,850 units. Occupancy is expected to strengthen slightly, ending the forecast nearing the 94 percent mark. Rent growth is expected to return to the 1990s rate of approximately 3.4 percent per year.

Table 5.0-1

Apartment Supply/Demand Trends Fort Worth Metro Area							
	Units Absorbed	New Supply	Existing Units	Occupied Units	Available Supply	Occupancy	Rent Growth
1992	2,461	607	116,310	105,391	13,454	90.6%	2.7%
1993	1,642	259	116,079	107,033	11,178	92.2%	3.4%
1994	336	89	116,212	107,369	9,135	92.4%	3.8%
1995	1,209	576	116,476	108,578	9,419	93.2%	4.6%
1996	1,380	3,053	118,690	109,958	10,951	92.6%	3.5%
1997	2,701	1,411	119,831	112,659	10,143	94.0%	3.4%
1998	3,672	3,397	123,374	116,331	10,569	94.3%	4.8%
1999	2,371	3,018	126,267	118,702	10,061	94.0%	1.8%
2000	7,404	4,014	133,511	126,106	11,579	94.5%	4.3%
2001	1,791	3,201	136,663	127,897	10,606	93.6%	2.3%
2002	-1,366	2,395	139,226	126,531	11,161	90.9%	0.1%
2003	50	3,215	141,533	126,581	15,910	89.4%	-3.3%
2004	493	2,614	143,744	127,074	17,566	88.4%	-0.4%
2005	6,921	2,926	146,724	133,959	19,596	91.3%	1.3%
<u>Forecast</u>							
2006	4,267	2,376	149,100	138,226	15,141	92.7%	3.4%
2007	3,523	2,558	151,658	141,749	13,432	93.5%	3.6%
2008	3,260	3,586	155,244	145,009	13,495	93.4%	2.8%
2009	4,355	3,931	159,175	149,364	14,166	93.8%	3.7%

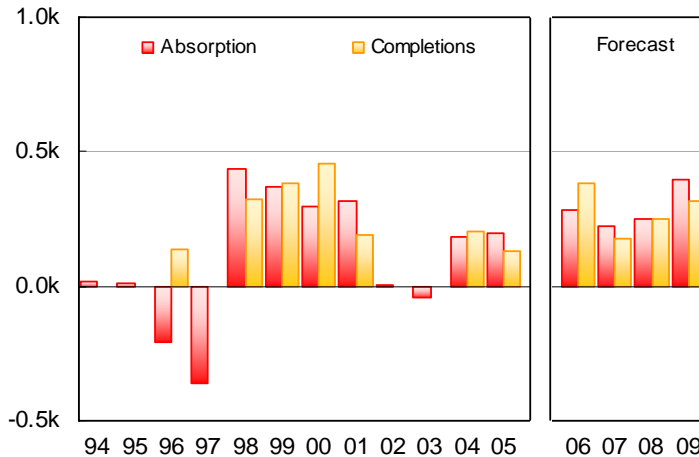
Central Fort Worth Market Area.

The Central Fort Worth Market Area's base is comprised of approximately 2,800 units. Additions to supply were minimal from 1990 through 1997, and with almost 1,000 units being removed from supply through conversion and demolition, total inventory declined to some 1,150 units by year-end 1997.

Construction activity increased in 1998 with the completion of 324 units, and over 1,000 units were completed during the next three years, bringing total supply to over 2,500 units by year-end 2001. No units were completed in 2002 or 2003, but 204 units were completed in 2004 and 130 units were completed in 2005, producing a year-end 2005 total inventory of just over 2,800 units.

Chart 5.0-3

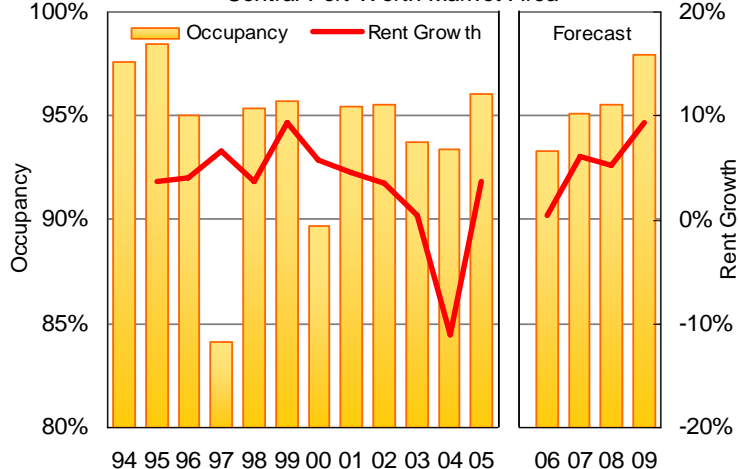
Apartment Supply/Demand Outlook Central Fort Worth Market Area



Annual absorption levels in the Central Fort Worth Market Area were either negligible or negative from 1990 through 1997. Almost 950 units of occupancy were lost during this period. However, almost all of these losses were due to demolition or conversion (several large communities were demolished and one was converted to assisted living), and with only one unusual year, overall average occupancy generally remained strong. Occupancy averaged near 94 percent at year-end 1990, peaked at near 99 percent at year-end 1995, and then eased to 95 percent at year-end 1996.

Chart 5.0-4

Apartment Occupancy and Rent Growth Central Fort Worth Market Area



The unusual year for the Central Fort Worth Market Area was 1997, when some 360 units of negative absorption were recorded. Most of these net move-outs can be explained by a reduction in supply of approximately 250 units. However, over 100 units of negative absorption still remain unexplained, and occupancy dropped to temporary low of 84 percent.

As noted above, some 324 units were completed in 1998. With absorption recorded at 440 units for the year, the area only absorbed the new supply, but also reabsorbed the 100 units lost during the previous year, and occupancy rebounded to once again average over 95 percent.

Completions and demand were well balanced in 1999. As a result, occupancy remained near 96 percent at year-end 1999.

Construction activity peaked in the area in 2000, with the completion of over 450 units. Demand (approximately 300 units) fell somewhat short of this level, and occupancy eased to just below 90 percent. As was true following the decline posted in 1997, the decline of occupancy in 2000 was temporary. Some 190 units were completed in 2001, while over 300 units were absorbed, pushing occupancy back in excess of 95 percent by year-end 2001.

Supply and demand were fairly well balanced from 2002 through 2005, with approximately 330 units completed and 340 units absorbed. Year-end 2005 occupancy averaged 96 percent.

Looking ahead, demand is forecast to continue to keep pace with the expected increase in new supply during the 2006 through 2009 forecast period. Specifically, some 1,120 units are forecast for completion through 2009; 385 of these units in properties with firm development plans are identified in Table 5.0-3 below. Other major properties in pre-development with less firm delivery schedules include the 650-unit Lincoln at Trinity Bluff II (Lincoln Property Company), the 355-unit T&P Warehouse (Ola Assen/Cleopatra, Inc.), and the 300-unit Montgomery Plaza (Weber & Company). Smaller properties currently in pre-development include the 75-unit 714 Main (Private Developer), the 65-unit Transport Life building (Jim Finley), the 40-unit Midtown Village (Trademark Companies), and the 36-unit Magnolia Green (Red Oak Realty, Inc.).

Some 1,160 units are forecast to be absorbed during the 2006 through 2009 period. Under these supply and demand forecasts, occupancy will first ease to 93 percent at year-end 2006 (as almost 400 units are completed), and then will rise back to near 98 percent by year-end 2009. Rents are expected to be virtually unchanged in 2006 in response to softening occupancy, then to increase by 5 to 6 percent in both 2007 and 2008 and by over 9 percent in 2009, producing a four-year average growth of just over 5 percent.

Table 5.0-2

Apartment Supply/Demand Trends <i>Central Fort Worth Market Area</i>									
	Absorption		New Supply		Available Supply ^a		Market Penetration ^b	Occupancy	Rent Growth
	#	% of Metro	#	% of Metro	#	% of Metro			
1994	15	4.5%	0	0.0%	53	0.6%	7.7	97.6%	
1995	14	1.2%	0	0.0%	38	0.4%	2.9	98.5%	3.7%
1996	-208	c	135	4.4%	159	1.5%	c	95.0%	4.1%
1997	-362	c	0	0.0%	69	0.7%	c	84.1%	6.7%
1998	439	11.9%	324	9.5%	507	4.8%	2.5	95.4%	3.6%
1999	372	15.7%	383	12.7%	451	4.5%	3.5	95.7%	9.4%
2000	295	4.0%	453	11.3%	532	4.6%	0.9	89.7%	5.7%
2001	314	17.6%	192	6.0%	429	4.0%	4.3	95.4%	4.5%
2002	3	c	0	0.0%	115	1.0%	c	95.5%	3.5%
2003	-45	c	0	0.0%	112	0.7%	c	93.7%	0.4%
2004	183	37.0%	204	7.8%	361	2.1%	18.0	93.4%	-11.1%
2005	196	2.8%	130	4.4%	308	1.6%	1.8	96.1%	3.7%
1994 - 2005 Annual Avg.	101	4.5%	152	6.1%	261	2.1%	2.1	94.2%	3.1%
2006	280	6.6%	385	16.2%	497	3.3%	2.0	93.3%	0.4%
2007	226	6.4%	174	6.8%	391	2.9%	2.2	95.1%	6.1%
2008	251	7.7%	251	7.0%	416	3.1%	2.5	95.5%	5.2%
2009	398	9.1%	314	8.0%	479	3.4%	2.7	97.9%	9.3%
2006 - 2009 Annual Avg.	289	7.5%	281	9.5%	446	3.2%	2.3	95.5%	5.3%

^a Available supply includes existing vacant units plus those to be completed within the year.

^b The Market Area's share of metrowide absorption divided by its share of available supply, an indication of the desirability of this area as an apartment locale. A volume above 1.0 indicates that this Market Area has captured more than its pro rata share of metrowide apartment demand.

^c The Metro or Market Area had negative absorption.

Table 5.0-3

New Supply Pipeline <i>Central Fort Worth Market Area</i>					
Property	Developer/Owner	Total Units	Status ^a	Year Completed	
				2005	2006
Lincoln at Trinity Bluff I	Lincoln Property Company	305	UC	0	305
The Depot	Carleton Residential	210	UC	130	80
Total		515		130	385

^a UC = Under Construction.

6.0 Competitive Apartment Community Profile

Fourteen properties containing 1,936 units were profiled as part of this research. The oldest property profiled was completed in 1992; the newest are still under construction. Twelve of the sampled communities are stabilized; one is in initial leasing and one is under construction.

Stabilized Properties. Occupancy among the stabilized properties sampled in the Market Area averages 97 percent. None of the stabilized properties are below 94 percent.

One-bedroom/one-bath units are the most abundant among the properties examined, comprising 54 percent of the overall unit mix. Two-bedroom/two-bath units comprise 29 percent of the total, while one-bedroom/den (or two-bedroom/one-bath) and three-bedroom/two-bath plans account for 14 and 3 percent, respectively.

These competitive properties achieve quoted base rents^a averaging \$1.071 per square foot for units with an average size of 974 square feet. Quoted base rents range from \$0.767 to \$1.423 per square foot. Effective base rents average \$1.007 per square foot, and range from \$0.735 to \$1.420. Top-of-the-market quoted base rents are commanded by Residences of Museum Place at \$1.423 per square foot, for units that average 1,226 square feet in size. However, Residences of Museum Place is currently offering a rental concession that reduces its effective rates by almost 11 percent. On an effective basis, Sundance West commands the area's top base rents at \$1.420 per square foot for units that average 1,143 square feet in size.

Quoted total rents average \$1.114 per square foot, or \$1,086 per month. Quoted total rents range from \$0.767 per month at Homes of Parker Commons II (845 square-foot average unit size) to \$1.618 per square foot at Sundance West. Effective total rents average \$1.048 per square foot, and range from \$0.735 to \$1.618.

Seven of the 12 stabilized communities are currently offering rental concessions. Ranging from a 14.4 percent reduction at Firestone Upper West Side to a 4.17 percent reduction at the Homes of Parker Commons, concessions in the area average 6.0 percent (including the five properties offering no specials).

Base amenity features (those offered in all units of any specific floor plan) in competitive properties vary widely. The two most heavily amenitized communities are Monticello Oaks and Residences of Museum Place. These two communities offer base amenity packages valued at \$337 and \$326, respectively. Other communities with strong base amenity packages include Firestone Upper West Side (\$299) and Sundance West (\$284). Lists of amenities offered by Central City apartment communities are provided in Appendix A of this Report.

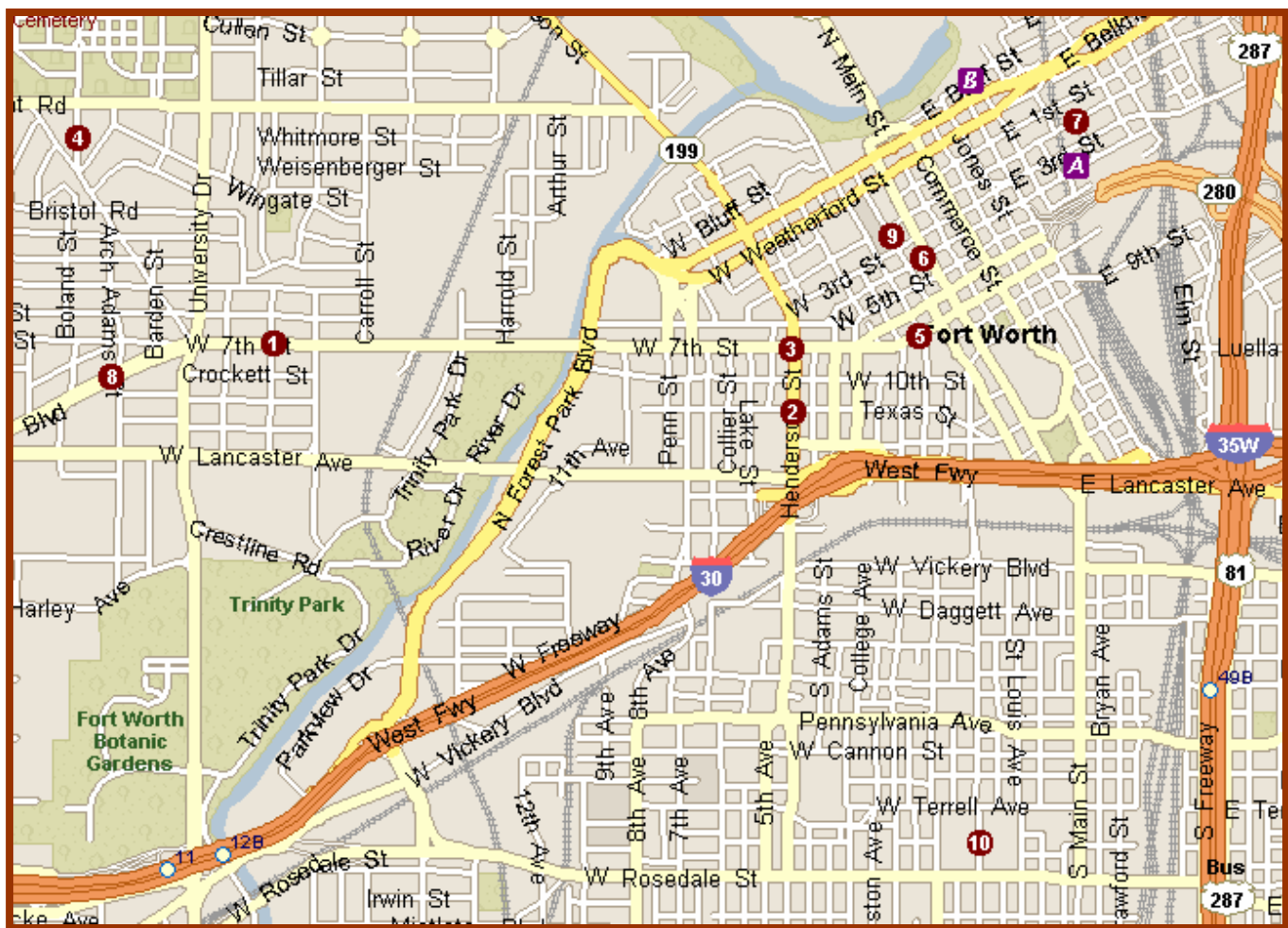
^a Base rents reflect the starting price for the most basic unit (i.e., one without custom features such as views or other premium amenities that may be available only in select apartments).

Properties in Initial Lease-up and Under Construction. One property is currently in initial lease-up, and one is under construction. The Depot recently began its initial lease-up program, and is now 58 percent occupied (as of March 28, 2006). This new 210-unit competitor offers a unit mix equally split between one-bedroom/one-bath (or one-bedroom/loft) and two-bedroom/two-bath (or two-bedroom loft) unit types. Quoted and effective base rents currently average \$1.228 per square foot for units with an 890 square-foot average size. Unit sizes range from 570 to 1,217 square feet. No concessions are currently in effect.

Currently under construction, the 305-unit Lincoln at Trinity Bluff will offer a mix of 71 percent one-bedroom, 27 percent two-bedroom, and 2 percent three-bedroom designs. Units will range from 573 square feet to 1,447 square feet, and average 860 square feet.

For further information concerning each of the apartment communities examined in this research, see the following:

- Map 6.0-1 for a depiction of competitive property locations,
- Table 6.0-1 for a summary of each community's current performance and general physical characteristics,
- Table 6.0-2 for a comparison of interior and common area amenities, and
- Appendix A for a profile of each existing community's performance by individual floor plan, with a complete listing of available amenities.



Map 6.0-1

Competitive Apartment Communities

Existing	In Lease-up/Under Construction
<ol style="list-style-type: none"> 1 AMLI at 7th Street Station 2 AMLI Upper West Side 3 Firestone Upper West Side 4 Monticello Oaks Townhomes 5 Electric Building Lofts 6 Sanger Lofts at Sundance Square 7 Hillside 8 Residences of Museum Place 9 Sundance West 10 Homes of Parker Commons I, II, and III 	<ol style="list-style-type: none"> A The Depot B Lincoln at Trinity Bluff

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Table 6.0-1

Competitive Apartment Communities
Central Fort Worth Market Area
October 2005

Name/Address/ Developer/ Management Company	Date Compl.	Occ.	Total # Units	Unit Size Range/ Average		Average Total Rent (Effective)	Average Rent Per Sq. Ft. (Effective)	Average Base Rent ^a (Effective)	Discount Percent	Unit Mix			
				Low	High					1/den,		2/den,	
										1-1	2-1	2-2	3-2
Existing													
AMLI at 7th Street Station 2601 W. 7th Street AMLI	1999	99%	189	790	1,565 1,060	\$1,005 (\$1,005)	\$0.948 (\$0.948)	\$0.921 (\$0.921)	0.0%	75 40%	24 13%	78 41%	12 6%
AMLI Upper West Side 1000 Henderson Street AMLI	1999	99%	194	626	1,296 907	\$1,030 (\$1,030)	\$1.135 (\$1.135)	\$1.025 (\$1.025)	0.0%	98 51%	30 15%	66 34%	0 0%
Firestone Upper West Side 1001 W. 7th Street Lincoln Property Company	2000	97%	350	641	1,641 935	\$1,119 (\$959)	\$1.197 (\$1.026)	\$1.190 (\$1.019)	-14.4%	235 67%	0 0%	115 33%	0 0%
Monticello Oaks Townhomes 150 Boland Street 312 Management	2000	94%	63	985	1,385 1,271	\$1,286 (\$1,149)	\$1.012 (\$0.904)	\$0.878 (\$0.799)	-9.1%	18 29%	0 0%	45 71%	0 0%
Electric Building Lofts 410 W. 7th Street Alexander Company	1996	94%	105	613	1,920 1,099	\$1,052 (\$921)	\$0.958 (\$0.838)	\$0.937 (\$0.820)	-12.5%	60 57%	29 28%	16 15%	0 0%
Sanger Lofts at Sundance Square 222 W. 4th Street Sundance Square Management	1993	96%	59	840	2,004 1,158	\$1,620 (\$1,620)	\$1.399 (\$1.399)	\$1.340 (\$1.340)	0.0%	54 92%	0 0%	5 8%	0 0%
Hillside 300 Crump Street McCormack, Baron, Ragan Mgmt.	1998	94%	172	668	1,208 825	\$931 (\$931)	\$1.129 (\$1.129)	\$1.129 (\$1.129)	0.0%	74 43%	80 47%	0 0%	18 10%
Residences of Museum Place 3320 Camp Bowie Boulevard Camp Bowie Partners	2000	98%	40	775	1,570 1,226	\$1,806 (\$1,619)	\$1.473 (\$1.320)	\$1.423 (\$1.270)	-10.7%	20 50%	0 0%	20 50%	0 0%
Sundance West 333 Throckmorton Street Sundance Square Management	1992	96%	57	605	2,268 1,143	\$1,850 (\$1,850)	\$1.618 (\$1.618)	\$1.420 (\$1.420)	0.0%	25 44%	0 0%	31 54%	1 2%
Homes of Parker Commons I - Parker 1015 Jennings Avenue Pace Realty Corporation	2001	96%	82	531	1,066 812	\$724 (\$694)	\$0.892 (\$0.854)	\$0.892 (\$0.854)	-4.2%	32 39%	34 41%	16 20%	0 0%
Homes of Parker Commons II - Commons 1015 Jennings Avenue Pace Realty Corporation	2001	96%	86	671	1,234 845	\$648 (\$621)	\$0.767 (\$0.735)	\$0.767 (\$0.735)	-4.2%	54 63%	0 0%	18 21%	14 16%

(continued on next page)

Table 6.0-1

Competitive Apartment Communities

Central Fort Worth Market Area

October 2005

Name/Address/ Developer/ Management Company	Date Compl.	Occ.	Total # Units	Unit Size Range/ Average		Average Total Rent (Effective)	Average Rent Per Sq. Ft. (Effective)	Average Base Rent ^a (Effective)	Discount Percent	Unit Mix			
				Low	High					1-1	1/den, 2-1	2-2	2/den, 3-2
Homes of Parker Commons III - Hogg	2001	96%	24	846	956	\$890	\$0.981	\$0.981	-4.2%	24	0	0	0
1015 Jennings Avenue Pace Realty Corporation					908	(\$853)	(\$0.940)	(\$0.940)		100%	0%	0%	0%
Existing		97%	1,421	531	2,268	\$1,086	\$1.114	\$1.071	-6.0%	769	197	410	45
Total/Average					974	(\$1,021)	(\$1.048)	(\$1.007)		54%	14%	29%	3%
In Initial Lease-up													
The Depot	2/2006	58% ^b	210	570	1,217	\$1,169	\$1.313	\$1.228	0.0%	105	0	105	0
555 Elm Street Carleton Residential					890	(\$1,169)	(\$1.313)	(\$1.228)		50%	0%	50%	0%
Active Property		97%	1,631	531	2,268	\$1,096	\$1.138	\$1.090	-5.2%	874	197	515	45
Total/Average					963	(\$1,040)	(\$1.080)	(\$1.033)		54%	12%	32%	3%
Under Construction, Not Leasing/Planned													
Lincoln at Trinity Bluff	12/2006	0%	305	573	1,447	\$0	\$0.000	\$0.000		216	0	82	7
Bluff Street at Grove and Cummings Streets Lincoln Property Company					860	\$0	\$0.000	\$0.000		71%	0%	27%	2%
Not Leasing/Planned		0%	305	573	1,447					216	0	82	7
Total/Average					860					71%	0%	27%	2%

^a Base rents reflect the starting price for the most basic unit (i.e., one without custom features such as garages, washer/dryer machines, views, fireplaces or other features which may be available only in select apartments).

^b Occupancy for The Depot is current as of March 28, 2006.

Table 6.0-2

Interior Amenity Selection by Apartment Community
Central Fort Worth Market Area

Amenity	AML I at 7th Street Station	AML I Upper West Side	Firestone Upper West Side	Monticello Oaks Townhomes	Electric Building Lofts	Sanger Lofts at Sundance Square	Hillside	Residences of Museum Place	Sundance West	Homes of Parker Commons I - Parker	Homes of Parker Commons II - Commons	Homes of Parker Commons III - Hogg	The Depot
9-Foot Ceiling (or higher)	X	X	X	X	X	X	X	X	X	X	X	X	X
Berber Carpet			X	X		S		X					S
Bookshelves		S	S					S	S				S
Ceiling Fan	X	X	X	X			X	X	X	X	X	X	X
Upgraded Floor in Entry (1)	C	C	C				C						S C
Upgraded Floor in Bath (1)						C		C	C				S C
Upgraded Floor in Kitchen (1)				C					C				
Crown Molding	X	X	X	X	X			X					
Fireplace (2)		S W	S W	W				G	S G				
French Doors		S	S	S					S				
High-Speed Internet Access (3)	P	P	P	P	P	P	P	P	P	P	P	P	P
Ice Maker	X	X	X	X		X	X	X	X	X	X	X	X
Intrusion Alarm (4)	P	P	A	M			A	A					A
Kitchen Island		S						S	S				S
Microwave Oven	X	X	X	X				X	X				X
Multiple Phone Lines	X	X	X	X	X	X	X	X	X	X	X	X	X
Patio/Balcony	S	S	S	X			X	X	S		X		S
Upgraded Lighting (5)	T	T	R,T		T			T	R	T			T
Stall Shower + any style tub			S					S	S				
Upgraded Tub (6)	O	S O	S O	O				S O					O
Vaulted/Cathedral Ceiling								S					S
Washer/Dryer (7)	Conn	Conn	Conn	Conn	S Conn	Conn	Conn, F	Conn	Conn, St	S Conn	Conn	Conn	Conn
Stainless-Steel Appliances in Kitchen													S

X=in all units; S=in some units

(1) C=Ceramic tile; H=Hardwood; HS=Hardwood-style; G=Granite

(2) W=Wood-burning; G=Gas log

(3) P=Pre-wired; Svc=Service

(4) P=Pre-wired; A=Audible; M=Monitored

(5) R=Recessed; T=Track; C=Chandelier

(6) O=Oval soaker; J=Jacuzzi

(7) F=Full-sized side-by-side; St=Stacked; Conn=Connections

Table 6.0-2 (continued)

Common Area Amenity Selection by Apartment Community
Central Fort Worth Market Area

Amenity	AML I at 7th Street Station	AML I Upper West Side	Firestone Upper West Side	Monticello Oaks Townhomes	Electric Building Lofts	Sanger Lofts at Sundance Square	Hillside	Residences of Museum Place	Sundance West	Homes of Parker Commons I-Parker	Homes of Parker Commons II-Commons	Homes of Parker Commons III-Hogg	The Depot
Billiards	X	X	X										X
Business Center	X	X	X	X		X			X				X
Clubhouse/Clubroom	X	X	X	X		X	X		X	X	X	X	X
Conference Room w/table & chairs	X	X	X										
Controlled Building Access					X	X		X	X				
Controlled Property Access	X	X	X	X			X				X	X	X
Fitness Center	X	X	X	X	X					X	X	X	X
Jacuzzi/Hot Tub/Whirlpool	X	X	X					X					
Media Room/Movie Theatre													
Picnic/Grill Area	X	X	X	X									X
Sauna													
Swimming Pool	X	X	X	X			X			X	X	X	X
Teaching Kitchen													
Tennis Courts													
Video Camera Entrance						X		X	X				