

DRAFT

downtown area development plan

CORPUS CHRISTI

APPENDIX: REAL ESTATE MARKET ANALYSIS DOCUMENTS FOR HOUSING, OFFICE, HOTEL AND RETAIL



OCTOBER 17, 2017

EXHIBIT B



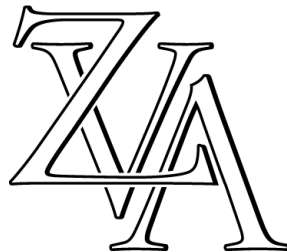
AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

The Downtown Corpus Christi Study Area

City of Corpus Christi
Nueces County, Texas

October, 2014

Conducted by
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AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

The Downtown Corpus Christi Study Area *City of Corpus Christi, Nueces County, Texas*

October, 2014

INTRODUCTION

The purpose of this study is to identify the market potential for newly-introduced market-rate multi-family and single-family attached housing units that could be leased or sold in the Downtown Corpus Christi Study Area. The Study Area includes the Corpus Christi zip codes of 78401 and 78402, encompassing the traditional downtown and the SEA district, as well as Washington Coles, Uptown, and North Beach.

The depth and breadth of the potential market have been determined using Zimmerman/Volk Associates' proprietary target market methodology. The target market methodology is particularly effective in defining housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues.

The remarkable transformation of American households (particularly the emerging predominance of one- and two-person households) over the past decade, combined with steadily increasing traffic congestion and unstable gasoline prices, has resulted in significant changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density, auto-oriented suburbs to a diverse mix of detached houses, attached houses and higher-density apartments in downtowns and walkable, mixed-use traditional neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade, representing an unprecedented demographic foundation on which cities can re-build their downtowns and in-town neighborhoods.

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For this analysis, Zimmerman/Volk Associates examined the following:

- Where the potential renters and buyers for new and existing housing units in the City of Corpus Christi and the Downtown Study Area are likely to move from (the draw areas);
- How many have the potential to move to the Downtown Study Area if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- Who is the potential market for new housing in the Downtown Study Area (the target markets);
- What their alternatives are (new construction or adaptive re-use of existing buildings in the Corpus Christi market area);
- What they will pay to live in the Downtown Study Area (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (market capture/absorption forecasts over the next five years).

The target market methodology is described in detail in the METHODOLOGY section at the end of this study.

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CITY-WIDE MARKET POTENTIAL

Analysis of migration, mobility, socio-economic and lifestyle characteristics of households currently living within defined draw areas is integral to the determination of the depth and breadth of the potential market for new and existing housing units within the City of Corpus Christi.

Historically, American households, more than any other nation's, have been extraordinarily mobile. In general, household mobility is higher in urban areas; a greater percentage of renters move than owners; and a greater percentage of younger households move than older households. Nationally, one result of the Great Recession has been a considerable reduction in household mobility. However, the City of Corpus Christi, where an average 18 percent of households moved every year in recent years, has a considerably higher mobility rate than the national average.

An understanding of these mobility trends, as well as analysis of the socio-economic and lifestyle characteristics of households currently living within defined draw areas, is integral to the determination of the depth and breadth of the potential market for housing units within a given area. The draw areas are derived primarily through migration analysis (using the latest data provided by the Internal Revenue Service, and supplemented by the most recent American Community Survey data), but also incorporate information obtained from real estate brokers, sales and leasing agents and other knowledgeable sources, as well as from field investigation.

As derived from migration analysis then—based on the most recent taxpayer records from the Internal Revenue Service—the draw area distribution of the potential housing market (those households likely to move both within and to the City of Corpus Christi) would be as follows (*see also the METHODOLOGY section at the end of this document*):

Market Potential by Draw Area *City of Corpus Christi, Nueces County, Texas*

City of Corpus Christi:	61.2%
Balance of Nueces County:	5.6%
San Patricio, Bexar, Harris, Kleberg, and Jim Wells Counties:	8.3%
Balance of US:	<u>24.9%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
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MARKET POTENTIAL FOR THE DOWNTOWN CORPUS CHRISTI STUDY AREA

The target market methodology also identifies those households that prefer living in downtowns and other urban neighborhoods. After discounting for those segments of the city's potential market that typically choose more suburban, exurban and/or rural locations, and including only households in target market groups with annual incomes above \$70,000 (those households with the ability to rent or purchase new market-rate dwelling units), the distribution of draw area market potential for newly-created housing units within the Downtown Study Area would be as follows (*see also* Appendix One, Table 9):

Market Potential by Draw Area
DOWNTOWN CORPUS CHRISTI STUDY AREA
City of Corpus Christi, Nueces County, Texas

City of Corpus Christi:	60.8%
Balance of Nueces County:	1.0%
San Patricio, Bexar, Harris, Kleberg, and Jim Wells Counties:	6.6%
Balance of US:	<u>31.6%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

As determined by the target market methodology, an annual average of over 3,400 younger singles and couples, empty nesters and retirees and compact families, represent the potential market for new housing units within the Downtown Corpus Christi Study Area (*see again* Appendix One, Table 9).

To create the appropriate densities in the Downtown, residential development in the Study Area should concentrate on the development of higher-density housing types including:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale); and
- Townhouses, rowhouses, live-work or flex units (single-family attached for-sale).

Excluding households with preferences for single-family detached units, then, an annual average of 2,785 households currently living in the defined draw areas represent the pool of potential renters/buyers of new housing within the Downtown Study Area each year over the next five years (*see* Table 1). This number represents less than 12 percent of the city-wide annual market potential of 23,745 households.

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Based on the tenure and housing preferences of those 2,785 draw area households, the distribution of rental and for-sale multi-family and for-sale single-family attached housing types would be as shown on the following table:

**Annual Potential Market for New Housing Units
 Higher-Density Housing Units
 DOWNTOWN CORPUS CHRISTI STUDY AREA
*City of Corpus Christi, Nueces County, Texas***

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Rental Multi-Family (lofts/apartments, leaseholder)	1,480	53.1%
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	715	25.7%
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	<u>590</u>	<u>21.2%</u>
Total	2,785	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 1

Annual Market Potential

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Downtown Corpus Christi Study Area Each Year Over The Next Five Years

Downtown Corpus Christi Study Area

City of Corpus Christi, Nueces County, Texas

*City of Corpus Christi, Balance of Nueces County, Regional Draw Area, Balance of the U.S.
Draw Areas*

Total Target Market Households With Potential To Rent/Purchase In The City of Corpus Christi, Nueces County, Texas	23,645
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Total Target Market Households With Potential To Rent/Purchase In The Downtown Corpus Christi Study Area	2,785
--	-------

Annual Market Potential

	<i>Multi- Family</i>		<i>Single- ... Family Attached ..</i>	
	<i>For-Rent</i>	<i>For-Sale</i>	<i>All Ranges</i>	<i>Total</i>
Total Households:	1,480	715	590	2,785
<i>{Mix Distribution}:</i>	53.1%	25.7%	21.2%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 11.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

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TARGET MARKET ANALYSIS

As determined by the target market analysis, the annual potential market—represented by lifestage—for new housing units in the Downtown Corpus Christi Study Area can be characterized by general unit type as shown on the following table (*see also* Table 2):

Downtown Residential Mix By Household Type
DOWNTOWN CORPUS CHRISTI STUDY AREA
City of Corpus Christi, Nueces County, Texas

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATT.
Empty-Nesters & Retirees	19%	13%	29%	22%
Traditional & Non-Traditional Families	13%	11%	7%	23%
Younger Singles & Couples	<u>68%</u>	<u>76%</u>	<u>64%</u>	<u>55%</u>
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

At 68 percent, younger singles and couples make up by far the largest share of the market for new housing in the Downtown Study Area. Among the principal factors in the larger share of the market held by younger households are:

- Their higher mobility rates—young people tend to move much more frequently than older people;
- Their strong preference for urban living, particularly lofts;
- Their preference for rental units, resulting from their negative experiences during the recent housing recession;
- The reduced mobility of older singles and couples because of their inability, or reluctance, to sell their existing units; and
- The fact that, outside of cities like New York, Chicago, or San Francisco, downtown dwelling units are rarely the choice of traditional families, in large part because of concerns about school quality and the lack of private outdoor space in which their children can play unsupervised.

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This younger market includes a variety of white-collar professionals—the *VIPs*, *Upscale Suburban Couples* and *Fast-Track Professionals*; young entrepreneurs, artists, and “knowledge workers”—the *Entrepreneurs*, *e-Types*, and *New Bohemians*; as well as recent college graduates—*Twentysomethings*;

Approximately half of the younger single and two-person households would be moving to the Downtown Study Area from elsewhere in the city, 10 percent from the regional draw area, and the remaining 40 percent from elsewhere in Texas or the country.

Older singles and couples (empty nesters and retirees) comprise 19 percent of the potential market for new Downtown Study Area housing units, approximately 52 percent of whom are currently living in other Corpus Christi neighborhoods.

Empty nesters and retirees—ranging from the most affluent *Old Money* and *Urban Establishment* households, to the upper-middle-income *Small-Town Establishment*, *Cosmopolitan Elite*, *Suburban Establishment*, *Affluent Empty Nesters*, *New Empty Nesters*, and *Cosmopolitan Couples*, to the middle-income *Middle-Class Move-Downs*, *Mainstream Retirees*, and *No-Nest Suburbanites*—represent a smaller than typical potential market for new housing units in the Study Area; the collapse of the ownership housing market in 2007-2008 has had a significant impact on this market segment, as a larger number of older households are choosing not to move.

At 13 percent, the third general market segment—family-oriented households (traditional and non-traditional families)—includes just three target household groups: *Unibox Transferees*, *Full-Nest Suburbanites*, and *Full-Nest Urbanites*. More than 30 percent of the traditional and non-traditional family households that represent the potential market for new housing units in the Downtown Study Area will be moving from outside Corpus Christi or Nueces County.

Depending on housing type, family-oriented households, many of whom are compact families or single parents with one or two children, will comprise between seven percent (for-sale multi-family units) and 23 percent (for-sale single-family attached units) of the market for new housing units within the Downtown Study Area.

In 2014, the primary target groups, their estimated median incomes, and estimated median home values, if owned, are:

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
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Primary Target Groups
(In Order of Median Income)
DOWNTOWN CORPUS CHRISTI STUDY AREA
City of Corpus Christi, Nueces County, Texas

HOUSEHOLD TYPE	MEDIAN INCOME	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees		
<i>Old Money</i>	\$155,100	\$306,200
<i>Urban Establishment</i>	\$124,000	\$301,000
<i>Small-Town Establishment</i>	\$111,700	\$195,800
<i>Cosmopolitan Elite</i>	\$110,200	\$174,500
<i>Suburban Establishment</i>	\$100,500	\$163,100
<i>Affluent Empty Nesters</i>	\$99,100	\$173,400
<i>New Empty Nesters</i>	\$98,000	\$135,800
<i>Cosmopolitan Couples</i>	\$81,000	\$168,400
<i>Middle-Class Move-Downs</i>	\$73,000	\$109,200
<i>Mainstream Retirees</i>	\$72,400	\$127,400
<i>No-Nest Suburbanites</i>	\$70,500	\$101,900
Traditional & Non-Traditional Families		
<i>Unibox Transferees</i>	\$118,800	\$161,100
<i>Full-Nest Suburbanites</i>	\$100,100	\$131,800
<i>Full-Nest Urbanites</i>	\$79,800	\$158,500
Younger Singles & Couples		
<i>The Entrepreneurs</i>	\$143,400	\$241,400
<i>e-Types</i>	\$125,600	\$289,800
<i>The VIPs</i>	\$104,200	\$166,000
<i>Fast-Track Professionals</i>	\$103,800	\$183,200
<i>Upscale Suburban Couples</i>	\$94,600	\$140,700
<i>New Bohemians</i>	\$78,600	\$244,700
<i>Twentysomethings</i>	\$72,400	\$117,600

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain “anomalous” households, such as empty-nester households within a “full-nest” category.

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 2

Downtown Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Downtown Corpus Christi Study Area Each Year Over The Next Five Years

Downtown Corpus Christi Study Area

City of Corpus Christi, Nueces County, Texas

Number of Households:	Multi- Family		Single- ... Family Attached .. All Ranges	
	Total	For-Rent	For-Sale	
	2,785	1,480	715	590
Empty Nesters & Retirees	19%	13%	29%	22%
Traditional & Non-Traditional Families	13%	11%	7%	23%
Younger Singles & Couples	68%	76%	64%	55%
	100%	100%	100%	100%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

THE CURRENT CONTEXT

—Multi-Family For-Rent—

Thirty-four rental properties located within the Corpus Christi city limits have been included in the rental survey. (*See also Table 3 at the end of this section.*) Five of the 34 properties are located in the Downtown Study Area.

Phase One of Bay Vista Apartments, a 169-unit property located on the southern edge of the Study Area, is leasing one-bedroom/one-bath units from \$1,035 to \$1,535 per month for 697 to 940 square feet of living space (\$1.48 to \$1.63 per square foot); and two-bedroom/two-bath apartments containing 1,059 to 1,270 square feet ranging between \$1,410 and \$2,185 per month (\$1.33 to \$1.72 per square foot). Amenities at Bay Vista include clubhouse, business center, conference center, fitness center, and pool.

Phase Two, the 164-unit Bay Vista Pointe Apartments, the newest community in the Downtown Study Area, is now leasing, with rents at \$1,035 to \$1,340 per month for 616- to 905-square-foot one-bedroom, one-bath apartments (\$1.48 to \$1.68 per square foot) and with two-bedroom, two-bath units leasing for \$1,475 to \$2,135 per month for 1,057 to 1,247 square feet of living space (\$1.40 to \$1.71 per square foot). In addition to a fitness center, conference center, and business center, property amenities include an internet café, a swimming pool, and waterfall.

Nueces Lofts, the redevelopment of the former Sherman building, is leasing 64 studios, one- and two-bedroom loft apartments. Rents for 556- to 786-square-foot studios range between \$790 to \$1,025 per month (between \$1.30 and \$1.42 per square foot); one-bedroom/one-bath lofts lease for \$950 to \$1,200 per month for 663 to 763 square feet of living space (\$1.43 to \$1.57 per square foot) and two-bedroom/two-bath 916- to 1,161-square-foot units rent for \$1,300 to \$1,650 per month (\$1.42 per square foot). Nueces Lofts provides a fitness center for its residents.

Retama Vista Apartments is currently the smallest Downtown property, with just 16 units. Rents start at \$710 per month for a 592-square-foot one-bedroom/one-bath apartment and go as high as \$1,220 per month for a two-bedroom/one-bath unit containing 1,023 square feet of living space

(\$1.19 to \$1.43 per square foot). Property amenities include a rooftop balcony and basketball courts.

The oldest property is the Princess Apartments, which contains 59 studios and one- and two-bedroom units. Monthly rents range between \$600 for a 375-square-foot studio to \$775 per month for an 825-square-foot two-bedroom unit with one bath. One-bedroom/one-bath apartments contain 500 square feet and lease for \$650 per month. The property-wide rent per square foot ranges between \$0.94 and \$1.60. A swimming pool is available for the use of the tenants.

Site work and building construction has already begun on the Cosmopolitan, a redevelopment of the site of the former Lichtenstein building. The five-story building will contain 165 apartments on the upper four floors with retail spaces on the ground floor. The property is expected to begin leasing at the end of the year, with occupancies scheduled for the spring of 2015.

Outside of Downtown, most of the other rental properties are located in the South Side. Six properties included in the survey are located in Central City/Bayside, one of which, Aspen Heights, is income-restricted.

—*One-Bedroom Units*—

- Rents for one-bedroom units start at \$645 per month at Alameda Apartments, located on South Alameda Street.
- The highest one-bedroom rent is \$1,650 per month at The Villas of Ocean Drive, a new property that recently opened and is still in lease-up.
- One-bedroom units range in size from 504 square feet to just over 900 square feet.
- One-bedroom rents per square foot fall between \$1.00 and \$2.19.

—*Two-Bedroom Units*—

- Rents for two-bedroom units start at \$805 per month at Alameda Apartments.
- The highest two-bedroom rent is \$3,000 per month at The Villas of Ocean Drive.
- Two-bedroom units range in size from 909 square feet to 1,383 square feet.
- Two-bedroom rents per square foot fall between \$0.77 and \$2.34.

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—Three-Bedroom Units—

- Rents for three-bedroom units start at \$975 per month at Alameda Apartments.
- The highest three-bedroom rent is \$1,889 per month at Camden South Bay on Ennis Joslin Road.
- Three-bedroom units range in size from 1,100 square feet to 1,827 square feet.
- Three-bedroom rents per square foot fall between \$0.89 and \$1.45.

Eighteen properties included in the survey are located in the South Side, one of which, South Pointe Apartments, is income-restricted. Only two of the 18—Valhalla Apartments, built in 1978 on Everhart Road, and the newly-constructed Springs at Corpus Christi on Timbergate—lease studio apartments. The Valhalla studios rent for \$550 to \$575 per month for 550 to 575 square feet (\$1.00 to \$1.04), and those at the Springs are renting for \$885 to \$914 per month for 525 to 623 square feet (\$1.47 to \$1.69).

—One-Bedroom Units—

- Rents for one-bedroom units start at \$650 per month at Lipes Apartments, located on Cimarron Boulevard, and Candlewood Apartments on Airline Road.
- The highest one-bedroom rent is \$1,260 per month at San Marin on South Staples Street.
- One-bedroom units range in size from 501 square feet to 921 square feet.
- One-bedroom rents per square foot fall between \$0.98 and \$1.74.

—Two-Bedroom Units—

- Rents for two-bedroom units start at \$765 per month at Candlewood Apartments.
- The highest two-bedroom rent is \$2,363 per month at San Marin.
- Two-bedroom units range in size from 795 square feet to 1,186 square feet.
- Two-bedroom rents per square foot fall between \$0.87 and \$2.54.

—Three-Bedroom Units—

- Rents for three-bedroom units start at \$1,089 per month at Walnut Ridge on South Staples Street.

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- The highest three-bedroom rent is \$1,843 per month at The Springs at Corpus Christi.
- Three-bedroom units range in size from 1,088 square feet to 1,399 square feet.
- Three-bedroom rents per square foot fall between \$0.84 and \$1.49.

Three properties included in the survey are located in Flour Bluff/Padre Island. Only one—Water's Edge on South Padre Island Drive—leases three-bedroom apartments. These units have rents of \$1,095 per month for 1,038 square feet (\$1.05 per square foot).

—*One-Bedroom Units*—

- Rents for one-bedroom units start at \$690 per month at Bay Club, located on South Padre Island Drive.
- The highest one-bedroom rent is \$1,080 per month at Compass Bay Apartments on Compass Street.
- One-bedroom units range in size from 667 square feet to 836 square feet.
- One-bedroom rents per square foot fall between \$1.00 and \$1.51.

—*Two-Bedroom Units*—

- Rents for two-bedroom units start at \$810 per month at Bay Club.
- The highest two-bedroom rent is \$1,405 per month at Compass Bay.
- Two-bedroom units range in size from 856 square feet to 1,062 square feet.
- Two-bedroom rents per square foot fall between \$0.93 and \$1.32.

Two properties included in the survey are located in the West Side—Peachtree Apartments, built in the 1970s on Peachtree Street, and Christy Estates on Holly Road. Peachtree rents range between \$525 to \$1,000 per month for 394-square-foot studios to 1,122-square-foot two-bedroom townhouses (\$0.86 to \$1.33). Units at Christy Estates are renting for \$665 to \$1,270 per month for 740-square-foot one-bedrooms to 1,500-square-foot three-bedroom townhouses (\$0.73 to \$0.95).

Excluding those properties which have recently opened and are still in the lease-up phase, nearly all of the rental communities in the survey are at functional full occupancy (occupancy rates at 95 percent or higher).

Summary Of Selected Rental Properties*The City of Corpus Christi, Nueces County, Texas***August 2014**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>		<u>Reported</u> <u>Unit Size</u>		<u>Rent per</u> <u>Sq. Ft.</u>		<u>Amenities</u>
. Downtown									
The Princess Apartments 1001 N. Water Street	59	Studio/1ba	\$600		375		\$1.60		Pool, laundry facility.
		1br/1ba	\$650		500		\$1.30		
		2br/1ba	\$775		825		\$0.94		
Retama Vista Apts (2004) 425 Schatzell Street	16	1br/1ba	\$710	to	592	to	\$1.20	to	Rooftop balcony, basketball courts, laundry facility.
			\$1,225		856		\$1.43		
		2br/1ba	\$1,210	to	1,010	to	\$1.19	to	
			\$1,220		1,023		\$1.20		
Nueces Lofts (2009) (formerly the Sherman Building) 317 Peoples Street	64	Studio/1ba	\$790	to	556	to	\$1.30	to	Fitness center, laundry facility.
			\$1,025		786		\$1.42		
		1br/1ba	\$950	to	663	to	\$1.43	to	
			\$1,200		763		\$1.57		
		2br/2ba	\$1,300	to	916	to	\$1.42	to	
			\$1,650		1,161		\$1.42		
Bay Vista Pointe (2014) 802 S. Carancahua	164	1br/1ba	\$1,035	to	616	to	\$1.48	to	Pool, waterfall, fitness center, conference center, internet cafe, business center.
			\$1,340		905		\$1.68		
		2br/2ba	\$1,475	to	1,057	to	\$1.40	to	
			\$2,135		1,247		\$1.71		
Bay Vista (2008) 522 Hancock	169	1br/1ba	\$1,035	to	697	to	\$1.48	to	Clubhouse, business center, conference room, fitness center, pool.
			\$1,535		940		\$1.63		
		2br/2ba	\$1,410	to	1,059	to	\$1.33	to	
			\$2,185		1,270		\$1.72		

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Summary Of Selected Rental Properties

The City of Corpus Christi, Nueces County, Texas

August 2014

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>		<u>Reported</u> <u>Unit Size</u>		<u>Rent per</u> <u>Sq. Ft.</u>	<u>Amenities</u>
. Central City/Bay Area								
Alameda Apts (2005) 4422 South Alameda Street	62	1br/1ba	\$645	to	504	to	\$1.00	Swimming pool, BBQ grills & laundry facility.
			\$725		726		\$1.28	
		2br/1ba	\$805		936		\$0.86	
		2br/2ba	\$845		1,100		\$0.77	
		3br/2ba	\$975		1,100		\$0.89	
Aspen Heights (2014) 4855 South Alameda Street Income-Restricted	153	2br/2.5ba	\$779	to	1,468	to	\$0.53	Fitness center, pool, computer lab, volleyball, movie theater, study lounge & tanning beds.
		TH	\$814		1,490		\$0.55	
		3br/3.5ba	\$699	to	1,827		\$0.38	
		TH	\$734				\$0.40	
		4br/4.5ba	\$689	to	1,967	to	\$0.35	
		SFD	\$714		1,969		\$0.36	
		5br/5.5ba	\$679	to	2,299	to	\$0.30	
		SFD	\$714		2,343		\$0.30	
Baypoint Resort Apartments (1998; 2004) 1802 Ennis Joslin Road	350	1br/1ba	\$871	to	675	to	\$1.29	Yoga, massage therapy, fitness center, clubhouse, pools, hot tub, BBQ pit, cappuccino machine, walking trail, pet park, putting green & multi-sport court.
			\$1,126		822		\$1.37	
		2br/1ba	\$1,061	to	909		\$1.17	
			\$1,161				\$1.28	
		2br/2ba	\$1,181	to	928	to	\$1.26	
			\$1,741		1,383		\$1.27	
		3br/2ba	\$1,571	to	1,385		\$1.13	
			\$1,821				\$1.31	
The Villas of Ocean Drive (2014) 4657 Ocean Drive	180	1br/1ba	\$875	to	580	to	\$1.51	Clubhouse, fitness center, playground, waterfall & pool.
			\$1,650		753		\$2.19	
		2br/2ba	\$1,570	to	1,069	to	\$1.47	
			\$3,000		1,282		\$2.34	
		3br/2ba	\$1,655	to	1,247		\$1.33	
			\$1,805				\$1.45	
Camden South Bay (2007) 1701 Ennis Joslin Road	270	1br/1ba	\$959	to	642	to	\$1.13	Basketball court, billiards, sand volleyball, business & fitness centers, pool, BBQ/Picnic area.
			\$1,019		902		\$1.49	
		2br/2ba	\$1,339	to	1,170	to	\$1.06	
			\$1,379		1,297		\$1.14	
		3br/2ba	\$1,689	to	1,428	to	\$1.18	
			\$1,889		1,570		\$1.20	
La Joya Bay Resort 1514 Ennis Joslin Road	336	1br/1ba	\$1,070	to	712	to	\$1.50	Basketball courts, business center, clubhouse, pool, fitness center, pet park.
			\$1,485		878		\$1.69	
		2br/2ba	\$1,290	to	1,119	to	\$1.15	
			\$1,730		1,226		\$1.41	

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Summary Of Selected Rental Properties*The City of Corpus Christi, Nueces County, Texas***August 2014**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>		<u>Reported Unit Size</u>		<u>Rent per Sq. Ft.</u>	<u>Amenities</u>
..... South Side								
South Pointe Apts (1999) 5725 Curtis Clark Drive Income-Restricted	n/a	2br/2ba	\$539	to	990		\$0.54	Children's play area, swimming pool, clubhouse, laundry facility.
			\$662				\$0.67	
		3br/2ba	\$625	to	1,189		\$0.53	
			\$727				\$0.61	
Valhalla Apts (1978) 6730 Everhart Road	165	Studio/1ba	\$550	to	550	to	\$1.00	Clubhouse, fitness center, hot tub, pool, & tennis court.
			\$575		555		\$1.04	
		1br/1ba	\$675		721		\$0.94	
		2br/1ba	\$790		910		\$0.87	
		2br/2ba	\$825		855		\$0.96	
Lipes Apts (2003) 3701 Cimarron Boulevard	170	1br/1ba	\$650	to	650		\$1.00	Clubhouse, swimming pool & laundry facility.
			\$700				\$1.08	
		2br/1ba	\$800	to	820		\$0.98	
			\$850				\$1.04	
		3br/2ba	\$1,150	to	1,334		\$0.86	
			\$1,200				\$0.90	
Candlewood 2002 Airline Road	288	1br/1ba	\$650	to	501		\$1.30	2 pools, tennis, basketball courts, clothing care centers, BBQ/Picnic area.
			\$775				\$1.55	
		1br/1ba TH	\$700	to	714		\$0.98	
			\$830				\$1.16	
		2br/1ba	\$765	to	795		\$0.96	
			\$910				\$1.14	
		2br/2ba	\$824	to	907		\$0.91	
			\$964				\$1.06	
		3br/2ba	\$1,210	to	1,088		\$1.11	Fitness center, 6 swimming pools, tennis courts, laundry facilities, racquetball courts, & free tanning salon
			\$1,425				\$1.31	
Walnut Ridge (1981; 2000) 5757 South Staples Street	704	1br/1ba	\$679	to	580	to	\$1.08	
			\$759		700		\$1.17	
		2br/1.5ba	\$819	to	830	to	\$0.99	
			\$839		855		\$1.01	
		2br/2ba	\$839	to	874	to	\$0.96	
			\$899		939		\$1.03	
		3br/2ba	\$1,089		1,133		\$0.96	
Chandler's Mill Apts. 6350 Meadowvista Drive	248	1br/1ba	\$687	to	524	to	\$1.28	Residents' lounge, pool, whirlpool, fitness center.
			\$975		763		\$1.31	
		2br/2ba	\$1,028	to	935	to	\$1.10	
			\$1,308		1,035		\$1.26	

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Summary Of Selected Rental Properties*The City of Corpus Christi, Nueces County, Texas***August 2014**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>		<u>Reported</u> <u>Unit Size</u>		<u>Rent per</u> <u>Sq. Ft.</u>	<u>Amenities</u>
. South Side {continued}.								
Crosswinds (1999) 6617 Weber Road	176	1br/1ba	\$725		580		\$1.25	Fitness center, swimming pool & laundry facility.
		2br/1ba	\$895		813		\$1.10	
		2br/2ba	\$985	to	914	to	\$1.02	
			\$995		977		\$1.08	
		3br/2ba	\$1,225		1,103	to	\$1.08	
					1,139		\$1.11	
Towne Oaks 6310 South Padre Island Drive	185	1br/1ba	\$734	to	746		\$0.98	Pool, sundeck.
			\$809				\$1.08	
		2br/1ba	\$879	to	996		\$0.88	
			\$959				\$0.96	
		2br/2ba	\$909	to	1,050	to	\$0.87	
			\$1,129		1,094		\$1.03	
		3br/2ba	\$1,094	to	1,297		\$0.84	
			\$1,219				\$0.94	
Camden Copper Ridge (1986) 6635 South Staples Street	344	1br/1ba	\$739	to	543	to	\$1.11	Pool, sand volleyball, laundry facility, BBQ/Picnic area.
			\$859		773		\$1.36	
		2br/2ba	\$1,109	to	998	to	\$1.11	
			\$1,149		1,034		\$1.11	
Stoneleigh Corpus Christi (2005) 5750 Curtis Clark Drive	348	1br/1ba	\$765	to	482	to	\$1.25	Business center, grill & picnic area, fitness center, pool, laundry facilities.
			\$950		760		\$1.59	
		2br/2ba	\$1,086	to	916	to	\$1.13	
			\$1,162		1,030		\$1.19	
San Marin (1997) 7221 South Staples Street	220	1br/1ba	\$800	to	724		\$1.10	Clothes care center, internet café, pool & sundeck.
			\$1,260				\$1.74	
		2br/2ba	\$900	to	931		\$0.97	
			\$2,363				\$2.54	
		3br/2ba	\$1,305	to	1,156		\$1.13	
			\$1,720				\$1.49	
Arbors on Saratoga 6225 Saratoga Boulevard	252	1br/1ba	\$878	to	760	to	\$1.14	Residents lounge, pool, sundeck, fitness center, business center, basketball courts.
			\$920		808		\$1.16	
		2br/2ba	\$1,012	to	955	to	\$0.95	
			\$1,098		1,161		\$1.06	
		3br/2ba	\$1,243	to	1,151	to	\$1.00	
			\$1,385		1,382		\$1.08	

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Summary Of Selected Rental Properties*The City of Corpus Christi, Nueces County, Texas***August 2014**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>		<u>Reported Unit Size</u>		<u>Rent per Sq. Ft.</u>	<u>Amenities</u>
. South Side {continued}.								
Springs at Corpus Christi (2014) 5702 Timbergate	284	Studio/1ba	\$885	to	525	to	\$1.47	Clubhouse, pool, fitness center, coffee bar, car care area, dog park.
			\$914		623		\$1.69	
		1br/1ba	\$1,129	to	857	to	\$1.32	
			\$1,211		909		\$1.33	
		2br/2ba	\$1,429	to	1,062	to	\$1.28	
			\$1,519		1,186		\$1.35	
		3br/2ba	\$1,801	to	1,302	to	\$1.32	
			\$1,843		1,399		\$1.38	
Gulf Breeze Apts. 6533 Patti Drive	200	1br/1ba	\$900		706		\$1.27	Business center, fitness center, playground, pool.
		2br/1ba	\$1,035	to	899		\$1.15	
			\$1,085				\$1.21	
		2br/2ba	\$1,118	to	954	to	\$1.16	
			\$1,174		1,011		\$1.17	
		3br/2ba	\$1,317	to	1,168	to	\$1.10	
			\$1,349		1,229		\$1.13	
Island Villa Apartments 1641 Nile Drive	n/a	1br/1ba	\$900	to	842	to	\$1.07	Clubhouse, business center, fitness center, pool, gazebo/grilling area.
			\$1,040		921		\$1.13	
		2br/2ba	\$1,100	to	1,025	to	\$1.07	
			\$1,340		1,181		\$1.13	
		3br/2ba	\$1,400	to	1,293		\$1.08	
			\$1,440				\$1.11	
Encore Crossings (2009) 2133 Nodding Pines	200	1br/1ba	\$909	to	824	to	\$1.10	Pool w/aquatic lounge, poolside grilling station, conference/study center, cyber café, fitness center.
			\$1,025		853		\$1.24	
		2br/2ba	\$1,124	to	1,033	to	\$1.09	
			\$1,254		1,060		\$1.21	
Tuscan Bay (2014) 2921 Airline Road	228	1br/1ba	\$929	to	789	to	\$1.13	BBQ/Picnic area, business center, clubhouse, dog park, fitness center, pool & sundeck.
			\$969		856		\$1.18	
		1br/1ba w/ attached garage	\$1,109		860		\$1.29	
		2br/2ba	\$1,199	to	1,050	to	\$1.13	
			\$1,249		1,108		\$1.14	
		2br/2ba w/ attached garage	\$1,401		1,176		\$1.19	
Camden Breakers (1995) 4901 Saratoga Boulevard	288	1br/1ba	\$979	to	651	to	\$1.49	Basketball court, business center, fitness center, pool, BBQ/Picnic area.
			\$1,129		757		\$1.50	
		2br/2ba	\$1,179	to	876	to	\$1.22	
			\$1,269		1,037		\$1.35	
		3br/2ba	\$1,739		1,226		\$1.42	

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Summary Of Selected Rental Properties*The City of Corpus Christi, Nueces County, Texas***August 2014**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Amenities</u>
..... Flour Bluff/Padre Island						
Bay Club 9350 S. Padre Island Drive	248	1br/1ba	\$690 to \$800	667	\$1.03 to \$1.20	Pool, tennis courts, playground, basketball courts.
		2br/1ba	\$810 to \$970	856	\$0.95 to \$1.13	
		2br/2ba	\$840 to \$1,000	900	\$0.93 to \$1.11	
Water's Edge 9320 S. Padre Island Drive	250	1br/1ba	\$714	714	\$1.00	Two pools, fitness center, tennis courts.
		1br/1.5ba TH	\$760	714	\$1.06	
		2br/1ba	\$865	860	\$1.01	
		2br/2ba	\$925	924	\$1.00	
		3br/2ba	\$1,095	1,038	\$1.05	
Compass Bay Apts (2004) 14501 Compass Street	82	1br/1ba	\$1,005 to \$1,080	667 to 836	\$1.29 to \$1.51	Fitness center, picnic area, pool, sundeck BBQ grills, heated pool, boat slips.
		2br/2ba	\$1,295 to \$1,405	1,018 to 1,062	\$1.27 to \$1.32	
..... West Side						
Peachtree (1970s) 3150 Peachtree Street	230	Studio/1ba	\$525	394	\$1.33	Clubhouse, pool.
		1br/1ba	\$695 to \$750	623 to 672	\$1.12 to \$1.12	
		2br/2ba	\$835 to \$895	885 to 1,042	\$0.86 to \$0.94	
		2br/2.5ba TH	\$1,000	1,122	\$0.89	
		3br/2ba	\$975	1,059	\$0.92	
Christy Estates 3942 Holly Road	262	1br/1ba	\$665 to \$745	740 to 820	\$0.90 to \$0.91	Pool.
		2br/1ba	\$765 to \$905	900 to 1,000	\$0.85 to \$0.91	
		2br/1.5ba TH	\$880 to \$905	1,200	\$0.73 to \$0.75	
		3br/2ba	\$1,085 to \$1,135	1,200	\$0.90 to \$0.95	
		3br/2.5ba TH	\$1,245 to \$1,270	1,500	\$0.83 to \$0.85	

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

—Multi-Family and Single-Family Attached For-Sale—

Two newly-constructed townhouse properties are currently being marketed in the Corpus Christi market area. Padre Beach View is a 30-unit property located on Beach View Drive. The 1,300-square-foot three bedroom townhouses are priced at \$249,900 (\$192 per square foot). The Cottage House at Padre Beach on Granada Drive is marketing four-bedroom townhouses priced between \$284,900 and \$529,000 for 1,852 and 2,475 square feet of living space (\$154 to \$214 per square foot). (See also Table 4 at the end of this section.)

All of the non-water-oriented condominiums and townhouses on the market at the time of the survey in September 2014 are resales at three properties: Cliff House and Atlantic Lofts in Downtown Corpus Christi, and Country Club Townhouses, in close proximity to the Corpus Christi Country Club. The weighted average price of the non-water-oriented units on the market is \$302,369 for an average unit size of just over 2,000 square feet (\$151 per square foot).

Two units are for sale at the high-rise Cliff House on South Upper Broadway Street—a 2,300-square-foot two-bedroom condominium listed for \$799,900 (\$346 per square foot) and a 1,400-square-foot two-bedroom on a lower floor for \$279,000 (\$201 per square foot). At Atlantic Lofts, on North Upper Broadway Street, four units are listed ranging in price from \$275,000 to \$349,500. All but one are two-bedroom units, ranging in size from approximately 1,800 to over 2,000 square feet (\$161 to \$178 per square foot); the one-bedroom unit contains 1,550 square feet (\$177 per square foot).

Seven two- and three-bedroom units are on the market at the Country Club townhouses. The asking prices range from \$205,000 to \$242,000, with units ranging in size from just under 1,900 to 2,550 square feet. The resale price per square foot ranges between \$89 and \$127.

Multiple water-oriented condominiums and townhouses priced above \$200,000 were listed in September, 2014. A 1,552-square-foot three-bedroom condominium at Admirals Court is priced at \$203,900; the highest price is \$745,200 for a 1,983-square-foot two-bedroom unit at Twin Dolphins (\$131 to \$376 per square foot). The weighted average price of all water-oriented units on the market is \$288,166 for an average unit size of just under 1,500 square feet (\$193 per square foot).

**Summary Of Selected For-Sale Multi-Family
And Single-Family Attached Properties and Listings
Units Priced at \$200,000 or More**

City of Corpus Christi, Neuces County, Texas

September, 2014

<i>Development Address</i>	<i>Housing Type</i>	<i>Unit Type</i>	<i>Unit Price</i>	<i>Unit Size</i>	<i>Price Per Sq. Ft.</i>	<i>Year Built</i>
Padre Beach View 15000 Beach View Drive	TH 30 du	3br/2.5ba	\$249,900	1,300	\$192	2014
The Cottage House at Padre Beach 14890 Granada Drive	TH 20 du	4br/2.5ba	\$284,900 \$529,000	1,852 2,475	\$154 \$214	2013
<i>. Non-Water-Oriented Resales.</i>						
Cliff House	CO	2br/2.5ba	\$799,900	2,309	\$346	1965
Cliff House	CO	2br/2.5ba	\$279,000	1,391	\$201	1965
Atlantic Lofts	CO	2br/2ba	\$349,500	2,013	\$174	2009
Atlantic Lofts	CO	2br/2ba	\$338,000	1,902	\$178	2009
Atlantic Lofts	CO	2br/2ba	\$290,000	1,799	\$161	2009
Atlantic Lofts	CO	1br/2ba	\$275,000	1,551	\$177	2009
Country Club	TH	2br/2ba	\$242,000	2,301	\$105	1978
Country Club	TH	2br/2ba	\$239,900	1,889	\$127	1978
Country Club	TH	3br/2.5ba	\$235,000	2,552	\$92	1978
Country Club	TH	3br/3ba	\$234,000	2,034	\$115	1978
Country Club	TH	3br/3ba	\$224,500	1,940	\$116	1978
Country Club	TH	3br/3ba	\$219,000	2,062	\$106	1978
Country Club	TH	3br/2.5ba	\$205,000	2,296	\$89	1978
Weighted Averages:			\$302,369	2,003	\$151	
<i>. Water-Oriented Resales.</i>						
Twin Dolphins	CO	2br/2.5ba	\$745,200	1,983	\$376	1983
Twin Dolphins	CO	2br/2ba	\$699,900			1983
Twin Dolphins	CO	3br/2.5ba	\$379,900	1,988	\$191	1983
Twin Dolphins	CO	3br/2.5ba	\$299,900	1,988	\$151	1983
Sea Gull	CO	3br/2.5ba	\$509,900	1,678	\$304	1982
Landmark	CO	2br/2ba	\$460,000	1,811	\$254	1983
Las Palmas	TH	3br/3.5ba	\$389,900	2,422	\$161	2007
Las Palmas	TH	3br/3.5ba	\$340,000	2,358	\$144	2007
Marina del Sol	CO	3br/2ba	\$379,000	1,573	\$241	1981
Marina del Sol	CO	3br/2ba	\$279,900	1,730	\$162	1981
Marina del Sol	CO	3br/2ba	\$240,000	1,108	\$217	1981
Marina del Sol	CO	3br/2ba	\$225,000	1,700	\$132	1981
Marina del Sol	CO	3br/2ba	\$209,500	1,573	\$133	1981

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

EXHIBIT B

**Summary Of Selected For-Sale Multi-Family
And Single-Family Attached Properties and Listings
Units Priced at \$200,000 or More
City of Corpus Christi, Neuces County, Texas
September, 2014**

<i>Development Address</i>	<i>Housing Type</i>	<i>Unit Type</i>	<i>Unit Price</i>	<i>Unit Size</i>	<i>Price Per Sq. Ft.</i>	<i>Year Built</i>
<i>. Water-Oriented Resales {continued}.</i>						
Grande Vistas	Duplex	3br/2.5ba	\$365,000	4,392	\$83	2003
Gulfstream	CO	2br/2ba	\$349,000	949	\$368	1970
Gulfstream	CO	2br/2ba	\$310,000	949	\$327	1970
Gulfstream	CO	2br/2ba	\$299,900	949	\$316	1970
Gulfstream	CO	2br/2ba	\$279,000	949	\$294	1970
Gulfstream	CO	2br/2ba	\$275,000	949	\$290	1970
Gulfstream	CO	2br/2ba	\$259,000	949	\$273	1970
Gulfstream	CO	2br/2ba	\$239,000	949	\$252	1970
Gulfstream	CO	2br/2ba	\$230,000	949	\$242	1970
Gulfstream	CO	2br/2ba	\$229,900	949	\$242	1970
Gulfstream	CO	2br/2ba	\$225,000	949	\$237	1970
Gulfstream	CO	2br/2ba	\$219,900	949	\$232	1970
Padre Island	TH	4br/4.5ba	\$330,000	2,479	\$133	2008
Padre Island	TH	4br/4.5ba	\$312,000	1,765	\$177	2014
Ports o Call	TH	4br/2.5ba	\$315,000	2,027	\$155	2002
Point Tesoro	TH	3br/3.5ba	\$309,900	2,041	\$152	2005
Seamount Cay	TH	3br/2.5ba	\$307,223	1,831	\$168	2007
Nautica	TH	3br/2.5ba	\$299,000	1,627	\$184	2007
Portofino	CO	3br/3ba	\$289,000	1,392	\$208	1974
Portofino	CO	2br/2ba	\$250,000	1,127	\$222	1974
Portofino	CO	2br/2ba	\$240,000	1,127	\$213	1974
Portofino	CO	1br/1ba	\$230,000	834	\$276	1974
Portofino	CO	2br/2ba	\$214,900	1,406	\$153	1974
Casa Viento	TH	3br/2.5ba	\$275,000	1,948	\$141	2005
Casa Viento	TH	4br/2.5ba	\$209,500	1,948	\$108	2005
El Constante	CO	2br/2ba	\$269,900	1,060	\$255	1985
El Constante	CO	2br/2ba	\$249,900	1,060	\$236	1985
El Constante	CO	2br/2.5ba	\$249,900	1,060	\$236	1985
El Constante	CO	2br/2.5ba	\$214,900	1,060	\$203	1985
Gun Cay Bay	TH	3br/2.5ba	\$250,500	2,031	\$123	2004
Gun Cay Bay	TH	3br/2.5ba	\$242,000	1,800	\$134	2004
Gun Cay Bay	TH	3br/2.5ba	\$215,000	1,253	\$172	2004
Palm Bay Village	TH	3br/2.5ba	\$249,900	1,648	\$152	2006
Vista del Rey	TH	3br/3ba	\$249,500	1,557	\$160	1999
Compass	CO	3br/2ba	\$249,900	1,403	\$178	2003
Compass	CO	3br/2ba	\$224,500	1,403	\$160	2003

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

EXHIBIT B

**Summary Of Selected For-Sale Multi-Family
And Single-Family Attached Properties and Listings
Units Priced at \$200,000 or More**

City of Corpus Christi, Neuces County, Texas

September, 2014

<u>Development</u> <u>Address</u>	<u>Housing</u> <u>Type</u>	<u>Unit</u> <u>Type</u>	<u>Unit Price</u>	<u>Unit Size</u>	<u>Price Per</u> <u>Sq. Ft.</u>	<u>Year</u> <u>Built</u>
<i>. Water-Oriented Resales {continued}.</i>						
Mayan Princess	CO	2br/2ba	\$239,000	1,160	\$206	1984
Mariner Cay Marina	CO	3br/2ba	\$227,700	1,193	\$191	1982
Mariner Cay Marina	CO	3br/2ba	\$220,000	1,193	\$184	1982
Salt Cay	TH	3br/2.5ba	\$225,000	1,603	\$140	1999
Beach Breezes	CO	3br/2.5ba	\$215,000	1,732	\$124	2004
Cayo Linda	TH	3br/2.5ba	\$204,750	1,539	\$133	2000
Cayo Linda	TH	3br/2.5ba	\$203,900	1,505	\$135	2000
Admirals Court	CO	3br/2.5ba	\$203,900	1,552	\$131	1985
	Weighted Averages:		\$288,166	1,493	\$193	

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

EXHIBIT B

—*Single-Family Detached For-Sale*—

The majority of the new single-family detached houses being built in Corpus Christi are located in the South Side or just outside the city limits in the south. Multiple properties in the area have recently completed new houses, which are now on the market, or have several under construction. (See also Table 5 at the end of this section.)

The least expensive new houses being marketed in the South Side are Braselton Homes' Cottages at South Lake, where the base prices for the 1,100- to 1,500-square-foot cottages range between \$129,900 and \$179,900 (\$118 to \$120 per square foot). Several of the cottages are alley-loaded, although most are more conventional models.

Terra Mar is a large master-planned community being developed by Hogan Homes, with several subdivisions of varying lot and house sizes and base prices. The least expensive houses are being constructed at Los Vientos at Terra Mar; these houses range in price between \$199,415 and \$227,625 for between 1,750 and 1,780 square feet of living space (\$112 to \$130 per square foot). The most expensive houses are being built at San Cristobal at Terra Mar, where a spec house is priced at \$504,700 for 3,144 square feet, and another, containing 3,578 square feet, is priced at \$551,900 (\$154 to \$161 per square foot).

There are multiple smaller subdivisions in the South Side that are also building and selling spec houses, ranging from Manhattan Estates, where base prices start at \$242,900, to The Coves at Lago Vista, where the most expensive house on the market is priced at \$585,000. Nearly all of the spec houses contain between 2,300 and 3,000 square feet, with a general price per square foot range between \$104 and \$140.

New single-family development is also occurring in Flour Bluff and Padre Island, and on the West Side. The most significant new residential development is being planned adjacent to the Schlitterbahn Waterpark and Resort, where a mix of single-family detached houses, multi-family units, and waterfront properties is being planned.

Summary Of Selected For-Sale Single-Family Detached Properties

City of Corpus Christi, Neuces County, Texas

September, 2014

<u>Property (Date Opened)</u> <u>Developer/Builder</u>	<u>Lot Size/ Price Range</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots</u>
. . . . South Side					
Cottages at South Lake (2013)		\$129,900 to	1,100 to	\$118 to	105
<i>Braselton Homes</i>	3,200 sf	\$179,900	1,500	\$120	
Terra Mar (2008)					
<i>Hogan Homes</i>					
<i>Los Vientos at Terra Mar</i>		\$199,415 to	1,781 to	\$112 to	
		\$227,625	1,749	\$130	
<i>Los Arboles at Terra Mar</i>	5,000 sf	\$192,490 to	1,686 to	\$104 to	
		\$238,490	2,300	\$114	
<i>Monte Verde at Terra Mar</i>	6,600 sf	\$267,990 to	2,192	\$122	
	8,550 sf	\$367,990			
<i>Entrada Del Sol {Villas}</i>	6,000 to 12,000 sf	\$315,490 \$369,900	2,458 to 2,500	\$128 to \$148	18
<i>San Cristobal at Terra Mar</i>	0.25 to 3+ acres	\$504,700 + \$551,900	3,144 to 3,578	\$154 to \$161	
<i>San Sebastian at Terra Msar</i>	1.75 to 3+ acres/ \$240,000				
Rancho Vista		\$213,900 +	2,001	\$107	396
<i>Braselton Homes</i>	8,614 sf	\$229,900 +	1,801	\$128	
		\$245,430 +	2,160	\$114	
		\$289,900 +	2,369	\$122	
	0.38 acre	\$319,900 +	2,655	\$120	
Manhattan Estates (2000)		\$242,900 to	2,343 to	\$104 to	6 listings
<i>Multiple Builders</i>	6,720 sf	\$270,648 +	2,500	\$108	
	0.17 acre	\$255,900 +	2,395	\$107	
Ranch Lake		\$249,000 to	2,377 to	\$105 to	8 listings
<i>Multiple Builders</i>		\$310,000 +	2,860	\$108	
King's Point		\$259,000 to	2,487 to	\$104 to	6 listings
<i>Several Builders</i>		\$299,000 +	2,860	\$105	

+ Spec or model home.

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Summary Of Selected For-Sale Single-Family Detached Properties

City of Corpus Christi, Neuces County, Texas

September, 2014

<u>Property (Date Opened)</u> <u>Developer/Builder</u>	<u>Lot Size/ Price Range</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots</u>
. . . . South Side {continued}					
Graford Place		\$264,900 to	2,525	\$105	5 listings
Multiple Builders		\$327,900 †	2,921	\$112	
Barataria Bay	0.15 acre/	\$269,900 to	2,443	\$110	3 specs listings
K & M Homes	\$39,900 to	\$348,500 †	2,898	\$120	17 lots listed
	\$54,900				
Graceland	8,000 sf	\$271,900 †	2,423	\$112	
Multiple Builders					
Kings Crossing	0.5 acre	\$499,000 †	3,652	\$137	80
Multiple Builders		\$720,116 †	4,300	\$167	
The Coves at Lago Vista	0.5 to	\$539,000 †	4,045	\$133	160
Multiple Builders	1 acre	\$574,900 †	3,242	\$177	
		\$585,000 †	4,175	\$140	
. . . . Flour Bluff and Padre Island					
Pine Hollow		\$179,900 to	1,505 to	\$120 to	127
Fox Home Builders		\$229,900 †	1,090	\$211	
Blue Grass Estates		\$229,500 to	2,125 to	\$108 to	9 listings
Flour Bluff Pine Hollow LLC		\$299,900 †	2,427	\$124	
Point Tesoro		\$229,900 to	1,966 to	\$117 to	5 listings
Multiple Builders	6,200 sf	\$519,900 †	2,149	\$242	
Commodore's Pointe	8,032 sf	\$650,000 †	2,300	\$283	
Multiple Builders					

† Spec or model home.

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Summary Of Selected For-Sale Single-Family Detached Properties

City of Corpus Christi, Neuces County, Texas

September, 2014

<u>Property (Date Opened)</u> <u>Developer/Builder</u>	<u>Unit Type</u> <u>Lot Size</u> <u>Range</u>	<u>Unit Price</u> <u>Range</u>	<u>Unit Size</u> <u>Range</u>	<u>Price Per</u> <u>Sq. Ft.</u>	<u>Total</u> <u>Lots</u>
. . . . West Side					
Wood Oaks on the River Multiple Builders	6,700 sf	\$247,000	† 2,137	\$116	39 {Phase II}
London Club Estates Multiple Builders	1+ acre/ 67,500	\$354,900 \$448,116	† 2,635 † 3,125	\$135 \$143	7 listings

† Spec or model home.

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
 October, 2014

MARKET-RATE RENT AND PRICE RANGES: THE DOWNTOWN CORPUS CHRISTI STUDY AREA

—*Rental Distribution*—

Based on the incomes and financial capabilities of the 1,480 households that represent the target markets for new market-rate rental units (hard and soft lofts and upscale apartments) each year over the next five years, the distribution of annual market potential by rent range would be summarized as follows (*see also* Table 6):

**Annual Market Potential For Rental Lofts/Apartments
 Distributed By Rent Range
 Households In Target Groups With Median Incomes
 At Or Above \$70,000
 DOWNTOWN CORPUS CHRISTI STUDY AREA
*City of Corpus Christi, Nueces County, Texas***

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$750–\$1,000	135	9.1%
\$1,000–\$1,250	150	10.1%
\$1,250–\$1,500	260	17.6%
\$1,500–\$1,750	325	22.0%
\$1,750–\$2,000	245	16.6%
\$2,000–\$2,250	210	14.2%
\$2,250 and up	<u>155</u>	<u>10.4%</u>
Total:	1,480	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Note: The number of households by rent range was determined by applying the calculation of a monthly rental payment, excluding utilities, totalling no more than 25 percent of the target households' annual gross incomes.

Table 6

Target Groups For New Multi-Family For-Rent
Households In Target Groups With Median Incomes At Or Above \$70,000
Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Percent</i>
Urban Establishment	55	3.7%
Small-Town Establishment	10	0.7%
Cosmopolitan Elite	5	0.3%
Suburban Establishment	5	0.3%
Affluent Empty Nesters	5	0.3%
New Empty Nesters	20	1.4%
Cosmopolitan Couples	25	1.7%
Middle-Class Move-Downs	30	2.0%
Mainstream Retirees	5	0.3%
No-Nest Suburbanites	25	1.7%
Subtotal:	185	12.5%
Traditional & Non-Traditional Families		
Unibox Transferees	15	1.0%
Late-Nest Suburbanites	5	0.3%
Full-Nest Suburbanites	40	2.7%
Full-Nest Urbanites	110	7.4%
Subtotal:	170	11.5%
Younger Singles & Couples		
The Entrepreneurs	25	1.7%
e-Types	325	22.0%
The VIPs	50	3.4%
Fast-Track Professionals	25	1.7%
Upscale Suburban Couples	110	7.4%
New Bohemians	495	33.4%
Twentysomethings	95	6.4%
Subtotal:	1,125	76.0%
Total Households:	1,480	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
 October, 2014

—For-Sale Distribution—

Based on the incomes and financial capabilities of the 715 households that represent the target markets for new market-rate for-sale multi-family units (condominium soft lofts and luxury apartments) each year over the next five years, the distribution of annual market potential by price range would be summarized as follows (*see also* Table 7):

**Annual Market Potential For For-Sale Lofts/Apartments
 Distributed By Price Range
 Households In Target Groups With Median Incomes
 At Or Above \$70,000
 DOWNTOWN CORPUS CHRISTI STUDY AREA
*City of Corpus Christi, Nueces County, Texas***

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$150,000–\$200,000	70	9.8%
\$200,000–\$250,000	105	14.7%
\$250,000–\$300,000	140	19.6%
\$300,000–\$350,000	135	18.9%
\$350,000–\$400,000	125	17.5%
\$400,000–\$450,000	85	11.9%
\$450,000 and up	<u>55</u>	<u>7.6%</u>
Total:	715	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Note: For the for-sale distribution of both condominiums and townhouses, the number of households by price range was determined by assuming a down payment of 20 percent and then calculating monthly mortgage payments, including taxes and utilities, totalling no more than 30 percent of the annual gross income of the target households.

Table 7

Target Groups For New Multi-Family For-Sale
Households In Target Groups With Median Incomes At Or Above \$70,000

Downtown Corpus Christi Study Area

City of Corpus Christi, Nueces County, Texas

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Percentage</i>
Old Money	5	0.7%
Urban Establishment	60	8.4%
Small-Town Establishment	15	2.1%
Cosmopolitan Elite	25	3.5%
Suburban Establishment	15	2.1%
Affluent Empty Nesters	10	1.4%
New Empty Nesters	5	0.7%
Cosmopolitan Couples	35	4.9%
Middle-Class Move-Downs	15	2.1%
Mainstream Retirees	5	0.7%
No-Nest Suburbanites	15	2.1%
Subtotal:	205	28.7%
Traditional & Non-Traditional Families		
Unibox Transferees	5	0.7%
Late-Nest Suburbanites	5	0.7%
Full-Nest Suburbanites	10	1.4%
Full-Nest Urbanites	30	4.2%
Subtotal:	50	7.0%
Younger Singles & Couples		
The Entrepreneuers	50	7.0%
e-Types	125	17.5%
The VIPs	50	7.0%
Fast-Track Professionals	25	3.5%
Upscale Suburban Couples	75	10.5%
New Bohemians	95	13.3%
Twentysomethings	40	5.6%
Subtotal:	460	64.3%
Total Households:	715	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
 October, 2014

Based on the incomes and financial capabilities of the 590 households that represent the target markets for new market-rate for-sale single-family attached units (townhouses/live-work units) each year over the next five years, the distribution of annual market potential by price range would be summarized as follows (*see also* Table 8):

**Annual Market Potential For For-Sale Townhouses/Rowhouses/Live-Work Units
 Distributed By Price Range
 Households In Target Groups With Median Incomes
 At Or Above \$70,000
 DOWNTOWN CORPUS CHRISTI STUDY AREA
*City of Corpus Christi, Nueces County, Texas***

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$150,000–\$250,000	60	10.2%
\$200,000–\$250,000	80	13.6%
\$250,000–\$300,000	100	16.9%
\$300,000–\$350,000	115	19.4%
\$350,000–\$400,000	90	15.3%
\$400,000–\$450,000	80	13.6%
\$450,000 and up	<u>65</u>	<u>11.0%</u>
Total:	590	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 8

Target Groups For New Single-Family Attached For-Sale
Households In Target Groups With Median Incomes At Or Above \$70,000

Downtown Corpus Christi Study Area

City of Corpus Christi, Nueces County, Texas

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Percentage</i>
Old Money	5	0.8%
Urban Establishment	35	5.9%
Small-Town Establishment	5	0.8%
Cosmopolitan Elite	10	1.7%
Suburban Establishment	10	1.7%
Affluent Empty Nesters	5	0.8%
New Empty Nesters	10	1.7%
Cosmopolitan Couples	20	3.4%
Middle-Class Move-Downs	15	2.5%
No-Nest Suburbanites	15	2.5%
Subtotal:	130	22.0%
Traditional & Non-Traditional Families		
Unibox Transferees	25	4.2%
Late-Nest Suburbanites	10	1.7%
Full-Nest Suburbanites	25	4.2%
Full-Nest Urbanites	75	12.7%
Subtotal:	135	22.9%
Younger Singles & Couples		
The Entrepreneuers	35	5.9%
e-Types	85	14.4%
The VIPs	30	5.1%
Fast-Track Professionals	20	3.4%
Upscale Suburban Couples	65	11.0%
New Bohemians	70	11.9%
Twentysomethings	20	3.4%
Subtotal:	325	55.1%
Total Households:	590	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
 October, 2014

For purposes of this analysis, the target residential mix and optimum market position for the Downtown Study Area have been established for a total of 1,850 higher-density dwelling units, a number which could have a significant impact on the establishment of Downtown as a neighborhood. The target residential mix of 1,850 units would be derived from market preferences, as follows:

Target Residential Mix—1,850 Units
Higher-Density Housing Units
DOWNTOWN CORPUS CHRISTI STUDY AREA
City of Corpus Christi, Nueces County, Texas

HOUSING TYPE	PERCENT OF TOTAL	NUMBER OF UNITS
Multi-family for-rent	53.1%	983
Multi-family for-sale	25.7%	475
Single-family attached for-sale	<u>21.2%</u>	<u>392</u>
Total	100.0%	1,850

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Based on projected market capture rates (*see* DOWNTOWN STUDY AREA ABSORPTION PROJECTIONS *below*), a total of 1,850 new market-rate dwelling units developed within the Downtown Study Area—in a mix of 983 rental lofts and apartments, 475 for-sale lofts and condominiums, and 392 townhouses and live-work units—could be absorbed in five to seven years.

Therefore, established according to the housing preferences and the socio-economic and lifestyle characteristics of the target households, and the relevant residential context in the Corpus Christi market area, the general range of rents and prices for newly-developed market-rate residential units in the Downtown Study Area that could currently be sustained by the market is shown on the following page (*see also* Table 9 *for greater detail*):

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
 October, 2014

Rent, Price and Size Ranges
DOWNTOWN CORPUS CHRISTI STUDY AREA
City of Corpus Christi, Nueces County, Texas

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
MULTI-FAMILY FOR-RENT—			
Hard Lofts	\$800–\$1,500/month	500–1,100 sf	\$1.36–\$1.60 psf
Soft Lofts	\$750–\$2,000/month	400–1,250 sf	\$1.60–\$1.88 psf
Upscale Apartments	\$1,350–\$2,500/month	700–1,500 sf	\$1.67–\$1.93 psf
MULTI-FAMILY FOR-SALE—			
Hard Lofts	\$150,000–\$225,000	800–1,300 sf	\$173–\$188 psf
Soft Lofts	\$185,000–\$285,000	900–1,450 sf	\$197–\$206 psf
Upscale Condominiums	\$295,000–\$425,000	1,250–1,850 sf	\$230–\$236 psf
SINGLE-FAMILY ATTACHED FOR-SALE—			
Townhouses/Rowhouses	\$250,000–\$335,000	1,300–1,850 sf	\$181–\$192 psf
Live-Work	\$315,000–\$365,000	1,350–1,600 sf	\$228–\$233 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The realization of the full market potential for ownership units, condominiums in particular, could be challenging, given the availability of development financing and mortgage underwriting by financial institutions, the disinterest on the part of large numbers of younger households in becoming owners, and the fact that many otherwise-qualified households, particularly current renters, lack the funds for a down payment.

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
 October, 2014

Based on the unit types, sizes, configurations, and mix outlined in the optimum market position on Table 9, the weighted average rents and prices for each of the housing types is as follows:

Weighted Average Base Rent and Prices
DOWNTOWN CORPUS CHRISTI STUDY AREA
City of Corpus Christi, Nueces County, Texas

HOUSING TYPE	WEIGHTED AVERAGE BASE RENT/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENT/PRICES PER SQ. FT.
Multi-family for-rent	\$1,374 per month	842 sf	\$1.63
Hard lofts	\$1,093 per month	753 sf	\$1.45
Soft lofts	\$1,275 per month	780 sf	\$1.63
Upscale apts.	\$1,890 per month	1,070 sf	\$1.77
Multi-family for-sale	\$263,316	1,238	\$213
Hard lofts	\$184,500	1,015	\$182
Soft lofts	\$226,000	1,115	\$203
Upscale condos.	\$351,000	1,505	\$233
Single-family attached for-sale	\$304,022	1,597	\$190
Townhouses/rowhouses	\$298,250	1,613	\$185
Live-work	\$343,500	1,493	\$230

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Proposed rents and prices are in year 2014 dollars, are exclusive of consumer options and upgrades, floor and/or location premiums, and cover the broad range of rents and prices that could be sustained by the market in the Downtown Corpus Christi Study Area.

Location will have a significant impact on rents and prices; projects situated within a short walking distance of high-value amenities, such as locations with views of the bay, the restaurants and shops on Chaparral Street, or one of the parks, will likely command rents and prices at the upper end of values. Those projects in less desirable locations, such as adjacent to the Interstate, are likely to command rents and prices at the lower end of values.

Optimum Market Position--1,850 New Market-Rate Dwelling Units
Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
October, 2014

<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
<u>53.1%</u>	Multi-Family For-Rent						<u>222 to 266 units</u>
250	Hard Lofts	Loft / 1ba	25%	\$800	500	\$1.60	
		Loft / 1ba	30%	\$975	650	\$1.50	
		Loft / 1ba	25%	\$1,200	850	\$1.41	
		Loft / 1ba	20%	\$1,500	1,100	\$1.36	
		Weighted averages:		\$1,093	753	\$1.45	
500	Soft Lofts	Microloft / 1ba	15%	\$750	400	\$1.88	
		Studio / 1ba	20%	\$900	550	\$1.64	
		1br / 1ba	25%	\$1,300	800	\$1.63	
		2br / 1ba	15%	\$1,450	900	\$1.61	
		2br / 2ba	15%	\$1,600	1,000	\$1.60	
		2br / 2ba / den	10%	\$2,000	1,250	\$1.60	
		Weighted averages:		\$1,275	780	\$1.63	
233	Upscale Apartments	1br / 1.5ba	25%	\$1,350	700	\$1.93	
		1br / 1.5ba / den	25%	\$1,750	950	\$1.84	
		2br / 2ba	20%	\$1,975	1,150	\$1.72	
		2br / 2.5ba / den	15%	\$2,300	1,350	\$1.70	
		3br / 2.5ba PH	15%	\$2,500	1,500	\$1.67	
		Weighted averages:		\$1,890	1,070	\$1.77	
<u>983</u> units	Overall Weighted Averages:			\$1,374	842	\$1.63	

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Optimum Market Position--1,850 New Market-Rate Dwelling Units
Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
October, 2014

<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
<u>25.7%</u>	Multi-Family For-Sale						<u>72 to 86 units</u>
100	Hard Lofts	Loft / 1ba	30%	\$150,000	800	\$188	
		Loft / 1ba	30%	\$175,000	950	\$184	
		Loft / 1ba	20%	\$210,000	1,150	\$183	
		Loft / 1ba	20%	\$225,000	1,300	\$173	
		Weighted averages:		\$184,500	1,015	\$182	
200	Soft Lofts	1br / 1ba	25%	\$185,000	900	\$206	
		1br / 1ba / den	30%	\$205,000	1,000	\$205	
		2br / 2ba	25%	\$245,000	1,200	\$204	
		2br / 2ba / den	20%	\$285,000	1,450	\$197	
		Weighted averages:		\$226,000	1,115	\$203	
175	Upscale Condominiums	2br / 2ba	35%	\$295,000	1,250	\$236	
		2br / 2.5ba	30%	\$350,000	1,500	\$233	
		3br / 2ba	20%	\$395,000	1,700	\$232	
		3br / 2.5ba	15%	\$425,000	1,850	\$230	
		Weighted averages:		\$351,000	1,505	\$233	
<u>475</u>	units	Overall Weighted Averages:		\$263,316	1,238	\$213	

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

Optimum Market Position--1,850 New Market-Rate Dwelling Units
Downtown Corpus Christi Study Area

City of Corpus Christi, Nueces County, Texas

October, 2014

<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
21.2%	Single-Family Attached For-Sale						59 to 71 units
342	Townhouses/Rowhouses	2br/1.5ba	20%	\$250,000	1,300	\$192	
		2br/2.5ba	30%	\$290,000	1,550	\$187	
		2br/2.5ba	25%	\$310,000	1,700	\$182	
		3br/2.5ba	25%	\$335,000	1,850	\$181	
		Weighted averages:		\$298,250	1,613	\$185	
50	Live-Work Units	1br/1.5.5ba	25%	\$315,000	1,350	\$233	
	500 sf work space	1br/1.5.5ba	45%	\$345,000	1,500	\$230	
	on ground floor	2br/1.5.5ba	30%	\$365,000	1,600	\$228	
		Weighted averages:		\$343,500	1,493	\$230	
392	units	Overall Weighted Averages:		\$304,022	1,597	\$190	
1,850	Total Units						

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

EXHIBIT B

The Downtown Corpus Christi Study Area
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DOWNTOWN STUDY AREA ABSORPTION PROJECTIONS

After more than two decades' experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, over the near term, those households that prefer new construction, rather than previously-occupied units, currently represent between 15 and 18 percent of the potential Downtown Corpus Christi rental market, and between 10 and 12 percent of the potential Downtown Corpus Christi for-sale market, assuming the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units comprised approximately 15 percent of all units sold in the nation; in 2011, that percentage had dropped to just 8.5 percent of all units sold, but has now risen to over 9.5 percent of all units sold.)

Based on a 15 to 18 percent capture of the potential market for new rental housing, and a 10 to 12 percent capture of the potential market for new for-sale housing units, the Downtown Corpus Christi Study Area should be able to absorb between 353 to 423 new market-rate housing units per year over the next five years as follows:

Annual Capture of Market Potential
DOWNTOWN CORPUS CHRISTI STUDY AREA
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HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	1,480	15% to 18%	222 to 266
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	715	10% to 12%	72 to 86
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	<u>590</u>	10% to 12%	<u>59 to 71</u>
Total	2,785		353 to 423

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

These capture rates support the creation of between 1,765 and 2,115 new dwelling units within the Downtown Corpus Christi Study Area over the next five to seven years. Over the longer term (beyond five to seven years), these capture rates are likely to increase as the Downtown neighborhood is established. Depending on whether there is a sufficient number of developable

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sites, over 10 to 14 years, the market could likely support up to 5,000 new rental and for-sale housing units in the Downtown Study Area.

Approximately 80 percent of the annual market capture of new units—or 178 to 213 new rental units, 58 to 69 new condominiums, and 47 to 57 new townhouse/live-work units, a total of 283 to 339 new market-rate units per year over the next five years—would be located in the area encompassed by zip code 78401; the remaining 20 percent of units—or 44 to 53 new rental units, 14 to 17 new condominiums, and 12 to 14 new townhouse/live-work units, a total of 70 to 84 new market-rate units—would be located in North Beach, the residential area included in zip code 78402. The market is constrained in North Beach due to the additional cost of development incurred by flooding issues.

The impact of the substantial number of new units in the Downtown Study Area will be significant, by making the Study Area a much more desirable location for retailers and small businesses, by increasing the number of young people living in Downtown, and by providing greater housing and income diversity.

NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

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STUDY AREA BUILDING AND UNIT TYPES

Building and unit types most appropriate for the Downtown Study Area include:

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is three or more stories, often combined with non-residential uses on the ground floor. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.



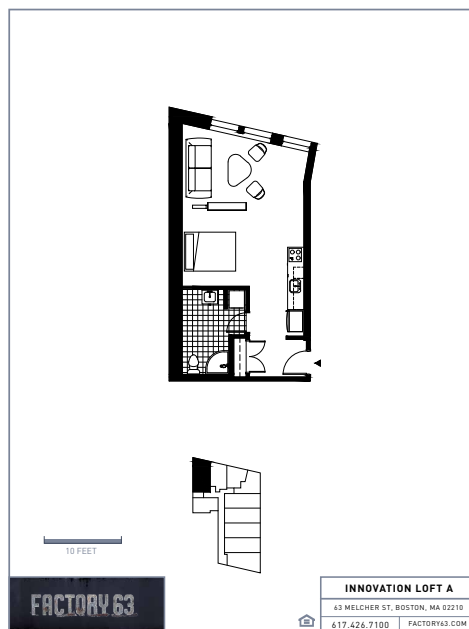
Courtyard apartment building

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- Loft Apartment Building: Either adaptive re-use of older warehouse or manufacturing buildings or a new-construction building type inspired by those buildings. The new-construction version usually has double-loaded corridors.

Microlofts: Several cities across the country are changing minimum unit size requirements as part of a strategy to attract young knowledge workers. Millennial knowledge workers have responded positively to efficiency units as small as 220 square feet, often leasing out new micro loft projects within a matter of days.

The City of Boston reduced the city's 450-square-foot unit minimum to 350 square feet in a pilot program currently limited to the South Boston "Innovation District." As of February, 2014, 353 micro-units have been approved. The first property to market micro-units, the 38-unit Factory 63, was completely leased within a week, reportedly all to renters who worked within a 10-block radius of the property. Initial rents were between \$1,200 a month for 337 square feet to \$2,450 for 597 square feet; fully-leased. There is a waiting list for vacancies in the property where rents now start at \$1,699.



Factory 63.

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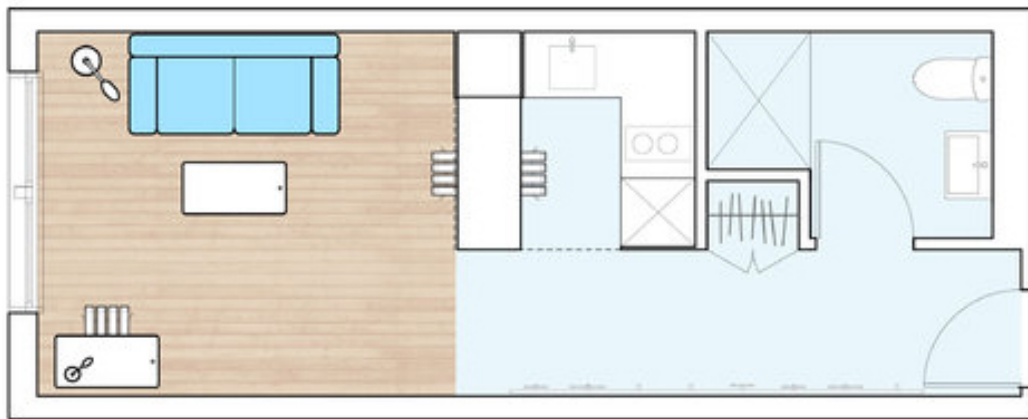
San Francisco has reduced allowable minimum from 290 square feet to 220 square feet, but limited the change to 375 units until market impact has been assessed by the City's planning department; the concern is that the higher-profit micro units could reduce housing opportunities for households with children. The first completed project, SoMa Studios with 23 295-square-foot units, was bulk leased for five years to the California College of the Arts. The same developer, Panoramic Interests, has a 160-unit building planned with 220-square-foot units slated when announced in 2012 with monthly rents between \$1,300 and \$1,500 (\$5.90 to \$6.80 per square foot); at the time the average San Francisco studio rent was \$2,075 for 493 square feet, or \$4.21 per square foot. The building will include substantial common space and parking for 240 bicycles but, other than a single car-share spot, no automobile parking.



Panoramic Interests.

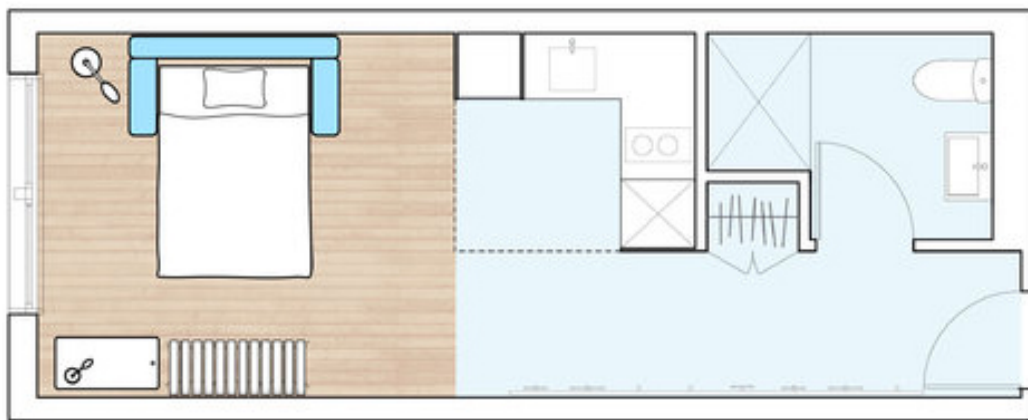
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In New York City a pilot program accommodates units smaller than the current 400-square-foot minimum. The first project, the 55-unit My Micro NY, won the City's "adapt NYC" micro-unit competition. Units in the modular building range from 250 to 370 square feet; 40 percent will be affordable. Every floor will have a common area, and the building will include an attic garden, a ground-floor porch, a lounge and a fitness deck.



APT. #3A - DAY

9'-10" high wall surface behind couch used as pin-up wall; kitchen counter is down and ready for a coffee.



APT. #3A - NIGHT

Convertible sofa-bed folded down; kitchen counter folded up; coffee table on wheels relocated to wall.

My Micro NY.

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Because of their small size and intricate layouts, small units are challenging to develop within existing buildings. A U.S. example of creating micro-units through the adaptive re-use of a non-residential building is the redevelopment of the historic, 1828 Arcade building in Providence, Rhode Island. The oldest surviving indoor mall in the nation, the Arcade closed when its three-story interior retail format was no longer economically viable. It re-opened in 2014 with ground-level retail and its two upper levels converted into 48 dwellings, including 38 micro units ranging from 225 to 450 square feet furnished with built-in beds, storage, banquette seating. In February, 2014, when half the units were completed and occupied, there was a 2,000-name waiting list for the remaining units. Units are now fully leased at rents starting at \$550 a month, \$2.44 per square foot.



Arcade Building.

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Hard Lofts: Unit interiors typically have high ceilings and commercial windows and are minimally finished (with minimal room delineations such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).

Soft Lofts: Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of “hard lofts,” such as exposed ceiling beams and ductwork, concrete floors and industrial finishes, particularly if the building is an adaptive re-use of an existing industrial structure.



Hard loft



Soft loft

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Luxury Apartment: A more conventionally-finished apartment unit, typically with completely-partitioned rooms.—trim, interior doors, kitchens and baths are fitted out with higher-end finishes and fixtures.



Luxury apartment

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- Mansion Apartment Building: A two- to three-story flexible-use structure with a street façade resembling a large detached or attached house (hence, “mansion”). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives

Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Act and the Americans with Disabilities Act.



Mansion apartment building

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- Mixed-Use Building: A pedestrian-oriented building, either attached or free-standing, with apartments and/or offices over flexible ground floor uses that can range from retail to office to residential.



Mixed-use buildings

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—SINGLE-FAMILY ATTACHED—

- Townhouse: Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks.



Townhouses

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- Live-work is a unit or building type that accommodates non-residential uses in addition to, or combined with living quarters. The typical live-work unit is a building, either attached or detached, with a principal dwelling unit that includes space that can be used as office, retail, or studio space, or as an accessory dwelling unit. Regardless of the form they take, live-work units should be flexible in order to respond to economic, social and technological changes over time and to accommodate as wide as possible a range of potential uses. The unit configuration must also comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

Some of the most effective neighborhood revitalization efforts have incorporated live-work housing for artists and artisans. Perhaps the best example of arts-led revitalization has taken place on two nearly-adjacent blocks in downtown Providence, Rhode Island. In over decade an artists' non-profit, AS220, has re-developed a series of buildings with a mix of uses including eating and drinking establishments, retail uses, gallery and performance spaces, shared technical equipment, and work and residential studios.



AS220

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The second redevelopment was the restoration of The Dreyfus, an historic hotel building and former dormitory that now includes a bar and restaurant and 14 residential studios, 11 of which rent to income-qualified artists. The most recent redevelopment is called the Mercantile Block, which includes ground floor market-rate retail, the group's shared print shop, a floor of office space, and two floors with 22 apartments.



The Dreyfus

METHODOLOGY

The technical analysis of market potential for Downtown Corpus Christi included determination of the draw areas—based on the most recent migration data for Nueces County, and incorporating additional data from the 2012 American Community Survey for Nueces County and the City of Corpus Christi—as well as compilation of current residential rental and for-sale activity in the Corpus Christi market area.

The evaluation of the city’s market potential was derived from the target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

NOTE: The Appendix Tables referenced here are provided in a separate document.

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to Nueces County and the City of Corpus Christi. These data are maintained at the county and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns. The migration data for the county has been supplemented by mobility data from the 2012 American Community Survey for the City of Corpus Christi.

Appendix One, Table 1. **Migration Trends**

Analysis of the most recent Nueces County migration data available from the Internal Revenue Service—from 2005 through 2009—shows that the county consistently lost households over the study period. (See Appendix One, Table 1.)

Annual in-migration into the county rose from 7,015 households in 2006 (the lowest in-migrating total over the five years) to 7,575 households in 2008 (the highest in-migrating total), but falling

again to 7,155 households in 2009. Nearly 30 percent of the county's in-migration is from just five counties: the adjacent counties of San Patricio, Kleberg, and Jim Wells, as well as Bexar County (City of San Antonio) and Harris County (City of Houston).

It is likely that migration data from 2010 and ensuing years will show increasing in-migration due both to the lessening of the impact of the Great Recession (household mobility typically drops during recessions) and the recent oil boom resulting from the development of the Eagle Ford Shale formation. Historically, although the numbers of households that move are likely to vary from year to year, migration patterns (the counties from which households are moving) typically remain consistent.

Between 2005 and 2009, the number of households moving out of the county each year generally ranged between 7,685 out-migrating households in 2005 to 7,545 out-migrating households in 2009, with a study period peak of 7,730 out-migrating households in 2006.

Net migration—the difference between the number of households that move into a given area and the number that move out—in the county ranged from a peak net loss of 715 households in 2006, to a net loss of only 60 households in 2008. In 2009, the net loss rose again to 390 households. Each year, the county loses households to Bexar and Harris Counties, but gains a small number of households adjacent San Patricio, Kleberg, and Jim Wells Counties.

NOTE: Even though net migration provides insights into a county's historical ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential.

Based on the migration data, then, the draw areas for Nueces County and the City of Corpus Christi have been delineated as follows:

- The local (internal) draw area, covering households currently living within the Corpus Christi city limits;
- The county (external) draw area, covering households currently living in the balance of Nueces County;
- The regional (external) draw area, covering households with the potential to move to the City of Corpus Christi from the adjacent San Patricio, Kleberg, and Jim Wells

Counties as well as Bexar County (City of San Antonio) and Harris County (City of Houston); and

- The national (external) draw area, covering households with the potential to move to the City of Corpus Christi from all other U.S. counties.

Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

2014 TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from The Nielsen Company provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

The three main lifestages are:

- Younger singles and couples, largely one- and two-person households with the head of household typically aged between 20 and 40, encompassing the leading edge of the Millennial generation, who were born between 1977 and 1996;
- Families, comprising both “traditional” families (married couples with one or more children) and “non-traditional” families (a wide range of family households, from a single parent with one or more children, an adult caring for younger siblings, a grandparent with custody of grandchildren, to an unrelated, same-sex couple with children), primarily Generation X, born between 1965 and 1976; and

- Empty nesters and retirees, largely one- and two-person households with the head of household typically aged over 50, primarily encompassing the Baby Boom generation, born between 1946 and 1964, as well as earlier generations.

Appendix One, Tables 2 and 3.

Target Market Classifications

An estimated 118,660 households live in the City of Corpus Christi in 2014. (Reference Appendix One, Table 2.) Over 46 percent of the city's households can be characterized as empty nesters and retirees, 35.1 percent can be characterized as traditional and non-traditional families, and the remaining 18.5 percent can be characterized as younger singles and couples.

Median income within the city is estimated at \$45,400, 12 percent lower than the national median of \$51,600. Median value of owner-occupied dwellings within the city is estimated at \$119,700, over 34 percent less than the national median of \$182,100.

Nueces County is estimated to comprise 130,735 households in 2014. (See Appendix One, Table 3.) Approximately 47.6 percent of county households can be characterized as empty nesters and retirees, 35.4 percent can be characterized as traditional and non-traditional families, and the remaining 17.1 percent can be characterized as younger singles and couples.

County median income is estimated at \$45,000, \$400 less than the city median. Median value of owner-occupied dwellings within the county is estimated at \$116,300, \$3,400 below the city median.

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to conventional supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position

derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant “predictable variables,” ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as “behaviors,” such as mobility rates, lifestage, and lifestyle patterns.

Mobility rates detail how frequently a household moves from one dwelling unit to another.

Lifestage denotes what stage of life the household is in, from initial household formation (typically when a young person moves out of his or her parents’ household into his or her own dwelling unit), through family formation (typically, marriage and children) to retirement (typically, no longer employed).

Lifestyle patterns reflect the ways households choose to live, *e.g.*, an urban lifestyle includes residing in a dwelling unit in a city, most likely high-density, and implies the ability to walk to more locations than a suburban lifestyle, which is most likely lower-density and typically requires automobile ownership to get to non-residential locations.

Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing. The most affluent of the 41 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments. Another 25 groups have median incomes such that most of the households require housing finance assistance.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential

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market for new dwelling units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the study area; and the current supply-side context.

DETERMINATION OF MARKET POTENTIAL FOR THE CITY OF CORPUS CHRISTI (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the City of Corpus Christi over the next five years. The total number from each county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.

Internal Mobility (Households Moving Within the City of Corpus Christi)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data from the American Community Survey, combined with data from the Nielsen Company, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that an average of 14,475 households currently living in the City of Corpus Christi have the potential to move from one residence to another—rental or ownership, new or resale—within the city each year over the next five years.

Approximately 47.7 percent of these households are likely to be traditional and non-traditional families (in all market groups); 38.9 percent are younger singles and couples (in all but one group); and the remaining 13.4 percent are empty nesters and retirees (in all groups).

Appendix One, Table 5.

External Mobility (Households Moving to the City of **Corpus Christi** from the Balance of Nueces County)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same county.

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The data shows that an average of 1,315 households, currently living in the balance of Nueces County, have the potential to move from a residence in the county to a residence in the City of Corpus Christi each year over the next five years.

More than 58 percent of these households are likely to be traditional and non-traditional families (in six market groups); 33.5 percent are empty nesters and retirees (in 12 groups); and the remaining 8.4 percent are younger singles and couples (in one group).

Appendix One, Tables 6 and 7; Appendix Two, Tables 1 through 5.

External Mobility (Households Moving to the City of Corpus Christi from Outside Nueces County)—

These tables determine the number of households in each target market group living in each draw area county and the balance of the United States that are likely to move to the City of Corpus Christi each year over the next five years (through a correlation of Nielsen data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 8.

Annual Market Potential for the City of Corpus Christi—

This table summarizes Appendix One, Tables 4 through 7. The numbers in the Total column on page one indicate the depth and breadth of the potential market for new and existing dwelling units in the City of Corpus Christi annually over the next five years originating from households currently living in the draw areas. An average of 23,645 households have the potential to move within or to the City of Corpus Christi each year over the next five years.

Traditional and non-traditional families are likely to account for 45.4 percent of these households (in all of Zimmerman/Volk Associates' target market family groups); 38.5 percent are likely to be younger singles and couples (in all of the younger target market groups); and the remaining 16.1 percent are likely to be empty nesters and retirees (in all of the empty nest/retiree groups).

As derived from the migration and mobility analyses, then, the distribution of the draw areas as a percentage of the potential market for new or existing dwelling units in the City of Corpus Christi is outlined on the following page (*see again* Appendix One, Table 8):

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Potential Housing Market by Draw Area
City of Corpus Christi, Nueces County, Texas

City of Corpus Christi:	61.2%
Balance of Nueces County:	5.6%
San Patricio, Bexar, Harris, Kleberg, and Jim Wells Counties:	8.3%
Balance of US:	<u>24.9%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

DETERMINATION OF THE POTENTIAL MARKET FOR THE DOWNTOWN CORPUS CHRISTI STUDY AREA—

The total potential market for new market-rate housing units within the Downtown Corpus Christi Study Area includes the same draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Nielsen data, to determine which target market groups, as well as how many households within each group, are likely to move to the Downtown over a five-year period.

Appendix One, Tables 9 through 11.

Market Potential for the Downtown Corpus Christi Study Area—

As derived by the target market methodology, an average of 3,405 households have the potential to rent or purchase new market-rate housing units in the Downtown Corpus Christi Study Area each year over the next five years. (*Reference* Appendix One, Table 09.) Over 60 percent of these households are likely to be younger singles and couples (in seven market groups); another 23.3 percent are likely to be empty nesters and retirees (in 11 groups); and 16.4 percent are likely to be traditional and non-traditional families (in four groups).

The distribution of the draw areas as a percentage of the market for the Downtown Study Area is shown on the following page:

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Market Potential by Draw Area
DOWNTOWN CORPUS CHRISTI STUDY AREA
City of Corpus Christi, Nueces County, Texas

City of Corpus Christi:	60.8%
Balance of Nueces County:	1.0%
San Patricio, Bexar, Harris, Kleberg, and Jim Wells Counties:	6.6%
Balance of US:	<u>31.6%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The 3,405 draw area households that have the potential to move to the Downtown Study Area each year over the next five years have been categorized by tenure propensities to determine renter/owner ratios. Approximately 43.5 percent of these households (1,480 households) comprise the potential market for new market-rate rentals. The remaining 56.5 percent (or 1,925 households) comprise the market for new market-rate for-sale (ownership) housing units. (*Reference Appendix One, Table 10.*)

Of these 1,925 households, 37.2 percent (or 715 households) comprise the market for new multi-family for-sale units (condominium apartments and lofts). Another 30.6 percent (620 households) comprise the market for new attached single-family (townhouse/rowhouse/live-work) for-sale units. The remaining 32.2 percent (or 620 households) comprise the market for all ranges and densities of new single-family detached houses. (*Reference Appendix One, Table 11.*)

—Target Market Data—

Target market data are based on the Nielsen (formerly Claritas) PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of

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geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another.

However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 “behaviors.”

The Downtown Corpus Christi Study Area
City of Corpus Christi, Nueces County, Texas
October, 2014

Over the past 26 years, Zimmerman/Volk Associates has augmented the PRIZM cluster systems for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those households in groups with median incomes of \$50,000 or more are included in the tables.



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Research & Strategic Analysis

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.



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Research & Strategic Analysis

RIGHTS AND STUDY OWNERSHIP—

Zimmerman/Volk Associates, Inc. retains all rights, title and interest in the methodology and target market descriptions contained within this study. The specific findings of the analysis are the property of the client and can be distributed at the client's discretion.



ZIMMERMAN/VOLK ASSOCIATES, INC., 2014

OFFICE, RETAIL, AND HOTEL MARKET ASSESSMENT

CORPUS CHRISTI, TEXAS

Submitted By:

W-ZHA, LLC

September, 2014

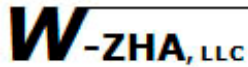
EXHIBIT B

INTRODUCTION

This report provides a baseline analysis of current conditions and recent trends in the Corpus Christi marketplace. Key market indicators and trends are presented for the office, retail and hotel markets. Market opportunities are identified, on a preliminary basis, given 10-year population and employment projections.

EXECUTIVE SUMMARY

- The City of Corpus Christi's population has grown rapidly recently with over 40,000 more residents and approximately 20,000 more households today than there were in 2010.
- With 80 percent of the region's job, City of Corpus Christi is the employment hub of the Coastal Bend region.
- Like the population, employment has grown in Corpus Christi and the City continues to enjoy an unemployment rate below the state and national average.
- Corpus Christi's office market is quite weak with relatively high vacancy and low rents. Growth in the regional economy has had relatively little impact on the office market. Future employment growth among industries that typically occupy office space will likely reduce vacancy over the next decade. The prospects for new general office construction are constrained average rents that are not sufficient to cover construction costs.
- Corpus Christi is a shopping destination for the region. It does not appear, however, that tourists are contributing significantly to retail sales. The data do indicate that the tourists market greatly contributes to eating and drinking sales in the City. Population growth over the next decade will result in demand for approximately one million square feet of new retail and eating and drinking development in the City.
- With an overall occupancy rate of 65 percent and average revenue per available room over \$70.00, the midscale and upscale hotel market is healthy. The hotel market benefits from a robust business and tourist market. Employment growth alone over the next decade will generate demand for an additional 300 to 500 rooms in Corpus Christi.



ECONOMIC FRAMEWORK

Demographics

The Corpus Christi Metropolitan Area consists of Nueces, Aransas and San Patricio counties.

Most Populous Metropolitan Areas State of Texas 2010

Metro Area	TX Rank	US Rank	2010 Population
Dallas-Fort Worth - Arlington	1	4	6,526,548
Houston - Sugar Land - Baytown	2	5	6,086,538
San Antonio - New Braunfels	3	25	2,142,508
Austin-Round Rock- San Marcos	4	35	1,716,289
El Paso - Las Cruces	5	58	1,045,180
McAllen - Edinburg - Mission	6	68	774,769
Corpus Christi	7	114	428,185
Brownsville - Harlingen	8	126	406,220
Killeen - Temple - Fort Hood	9	127	405,300
Beaumont - Port Arthur	10	132	388,745

Source: US Census; W-ZHA

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The Corpus Christi Metro Area is the 7th most populous Metro Area in Texas. In terms of total population the Metro Area ranked 114th in the Country.

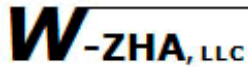
Population and Households Select Areas 2014

	Population		Households	
	#	City Share	#	City Share
Coastal Bend	590,567	54%	214,141	55%
Corpus Christi Metro	444,428	72%	164,746	72%
Nueces County	353,424	90%	130,736	91%
Corpus Christi City	318,033	100%	118,651	100%

Source: Claritas, Inc.; W-ZHA

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The Coastal Bend region consists of Aransas, Bee, Brooks, Duval, Jim Wells, Kenedy, Kieberg, Live Oak, McMullen, Nueces, Refugio, and San Patricio counties. The Coastal Bend region contains approximately



444,000 people. Nueces County is the largest county in the region – it accounts for 60 percent of Coastal Bend’s population.

**Most Populous Cities
State of Texas
2013**

City	TX Rank	2013 Est. Population
Houston	1	2,195,914
San Antonio - New Braunfels	2	1,409,019
Dallas	3	1,257,676
Austin	4	885,400
Fort Worth	5	792,727
El Paso	6	674,433
Arlington	7	379,577
Corpus Christi	8	316,381
Plano	9	274,409
Laredo	10	248,142

Source: US Census; W-ZHA

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Corpus Christi is the 8th largest city in Texas. The U.S. Census estimated the City’s population to be approximately 316,400 in 2013. Claritas, Inc. estimates that the City’s current population is approximately 318,000.

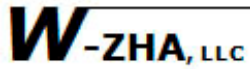
**Population and Household Trends
Texas, Coastal Bend, Corpus Christi Metro, Nueces County, Corpus Christi City
2000, 2010, 2014**

Population									
	2000	2010	2014	Change					
				2000-2010		2010-2014		2000-2014	
				#	Avg Ann	#	Avg Ann	#	Avg Ann
Texas					1.9%		1.5%		1.8%
Coastal Bend	549,082	571,987	590,567	22,905	0.4%	18,580	0.8%	41,485	0.5%
Corpus Christi Metro	403,279	428,185	444,428	24,906	0.6%	16,243	0.9%	41,149	0.7%
Nueces County	313,641	340,223	353,424	26,582	0.8%	13,201	1.0%	39,783	0.9%
Corpus Christi City	277,552	305,215	318,033	27,663	1.0%	12,818	1.0%	40,481	1.0%

Households									
	2000	2010	2014	Change					
				2000-2010		2010-2014		2000-2014	
				#	Avg Ann	#	Avg Ann	#	Avg Ann
Texas					1.9%		1.5%		1.8%
Coastal Bend	189,303	205,406	214,141	16,103	0.8%	8,735	1.0%	24,838	0.9%
Corpus Christi Metro	141,591	157,019	164,746	15,428	1.0%	7,727	1.2%	23,155	1.1%
Nueces County	110,364	124,587	130,736	14,223	1.2%	6,149	1.2%	20,372	1.2%
Corpus Christi City	98,922	112,843	118,651	13,921	1.3%	5,808	1.3%	19,729	1.3%

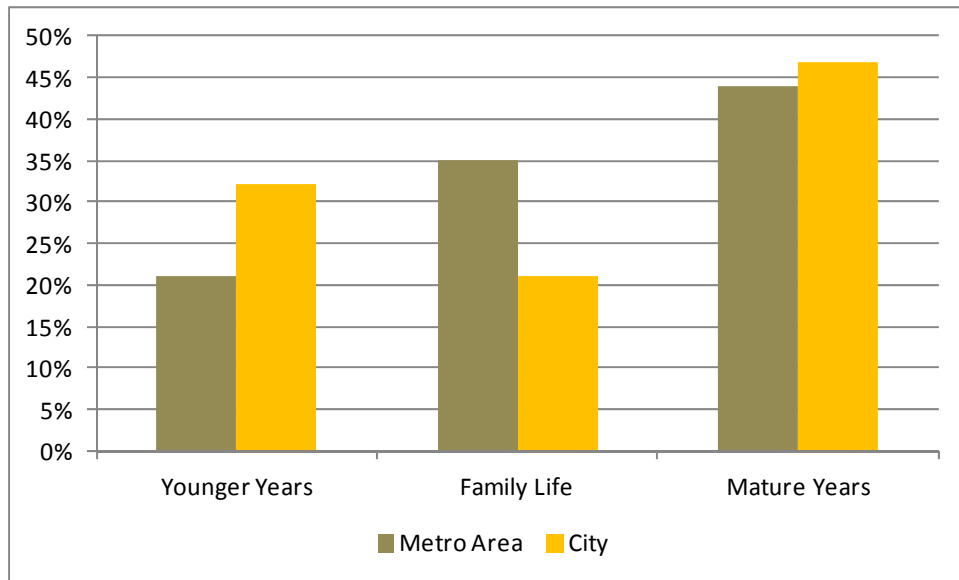
Source: Claritas, Inc.; W-ZHA

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The City of Corpus Christi has grown faster than its region over the last fourteen years. The City's households grew at an average rate of 1.3 percent per year between 2000 and 2014.

Households by Lifestage
Corpus Christi Metropolitan Area and Corpus Christi City
2014



Source: Claritas; W-ZHA

As compared to the Metro Area, the City of Corpus Christi contains a higher share of households that are young and childless. Like the Metro Area, almost half of the City's households are in their "mature years" (older households without children at home).

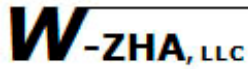
One- and Two-Person Households
Coastal Bend, CC MSA, Nueces County, CC City
2014

	Total	Share
Coastal Bend	121,181	57%
Corpus Christi Metro	93,698	57%
Nueces County	73,841	56%
Corpus Christi City	67,666	57%

Source: Claritas, Inc.; W-ZHA

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Over half of the City's households are one- and two-person households. This is the case throughout the Coastal Bend region.



Population Projections
Texas, Coastal Bend, Nueces County, Corpus Christi City
2014, 2020, 2024, 2030

	Population				2014-2024 Change	
	2014	2020	Extrapolated 2024	2030	#	Avg Ann.
Texas	26,668,922	29,510,184	29,510,184	33,628,653	2,841,262	0.7%
Coastal Bend	590,567	614,790	633,185	661,815	42,618	0.5%
Nueces County	353,424	374,157	387,167	407,534	33,743	0.7%
Corpus Christi City	318,033	335,657	347,328	365,599	29,295	0.6%

Source: Texas Water Development Board; W-ZHA
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According to projections from the Texas Water Development Board, the population growth rate will be slower in the next decade than it was from 2000 to 2014. The State's population is projected to grow 0.7 percent per year over the next ten years. The City's growth rate is projected to be 0.6 percent per year over this same time period.

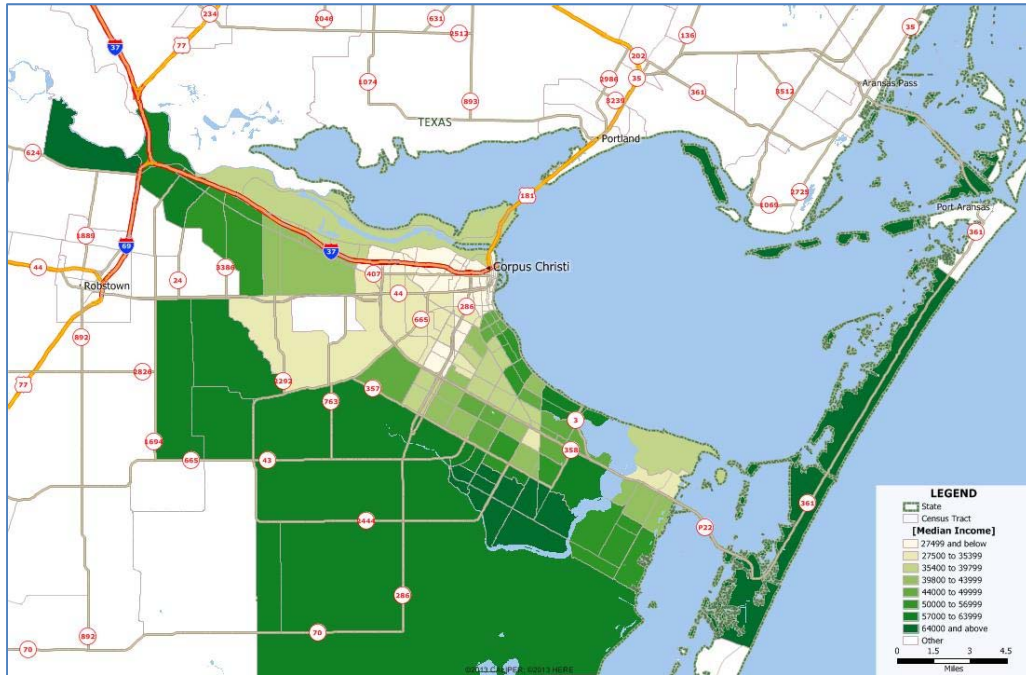
Median Income
Select Areas
2014

	2014
Texas	\$50,464
Coastal Bend	\$44,285
Corpus Christi Metro	\$45,749
Nueces County	\$44,979
Corpus Christi City	\$45,408

Source: Claritas, Inc.; W-ZHA
f:\8000s, misc\82325 Corpus Christi\household trend.xlsx\median income

The region's median household income is below the Texas average. The median income among City households is \$45,400.

**Median Household Income by Census Tract
Corpus Christi City
2014**



Source: Claritas, Inc.; W-ZHA

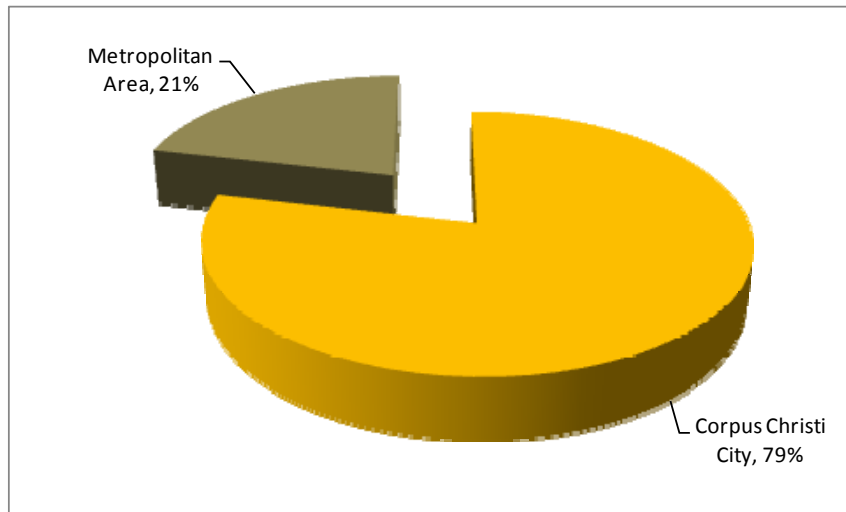
The map illustrates median household income by census tract. Incomes are high on Padre Island and in the South Side neighborhood.



Employment

As of 2013, there were 187,770 jobs in the Corpus Christi Metropolitan Area.

City Share of Metropolitan Area Employment
Corpus Christi Metropolitan Area and Corpus Christi City
2011



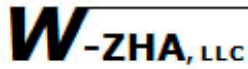
Source: US Census; W-ZHA

Almost 80 percent of these jobs are located in the City of Corpus Christi.

Top Ten Employers
Corpus Christi Metro Area
2012

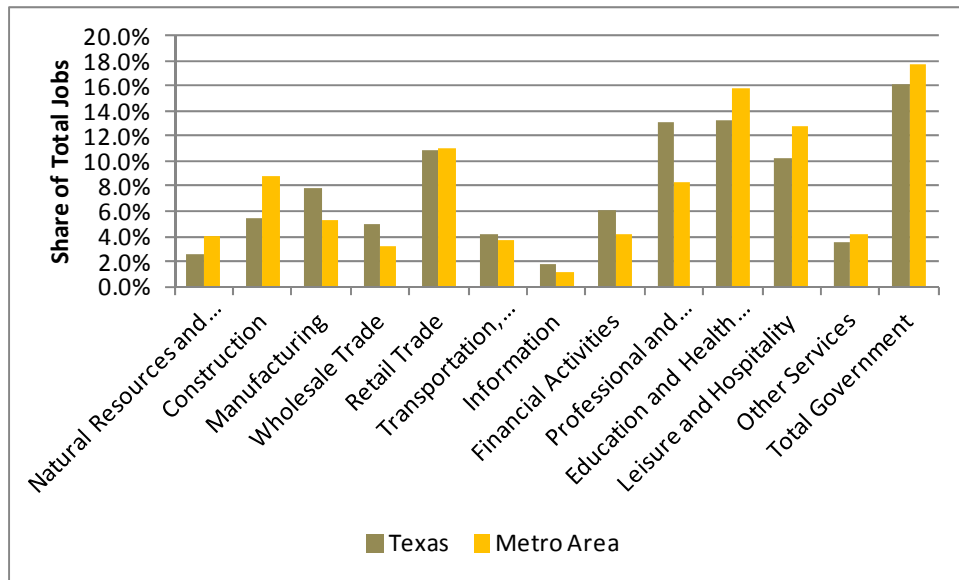
Business	Type of Product - Service	Civilian Employment
Corpus Christi Army Depot	Helicopter Repair	6,500
Corpus Christi ISD	School District	5,178
CHRISTUS Spohn Health System	Hospital	5,144
H.E.B	Grocery	5,000
City of Corpus Christi	City Government	3,171
Naval Air Station - Corpus Christi	Flight Training	2,822
Kiewit Offshore Services	Offshore Rig Manufacturer	2,200
Bay, LTD	Industrial Construction	2,100
Driscoll Children's Hospital	Hospital	1,800
Del Mar College	Junior College	1,542

Source: Corpus Christi Regional Economic Development Corporation; W-ZHA
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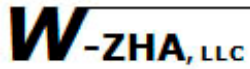
There are large public sector and private sector employers in the Corpus Christi Metro Area. Health, energy and the military play a major role in the Corpus Christi economy.

Employment by Industry
Texas and the Corpus Christi Metropolitan Area
2013

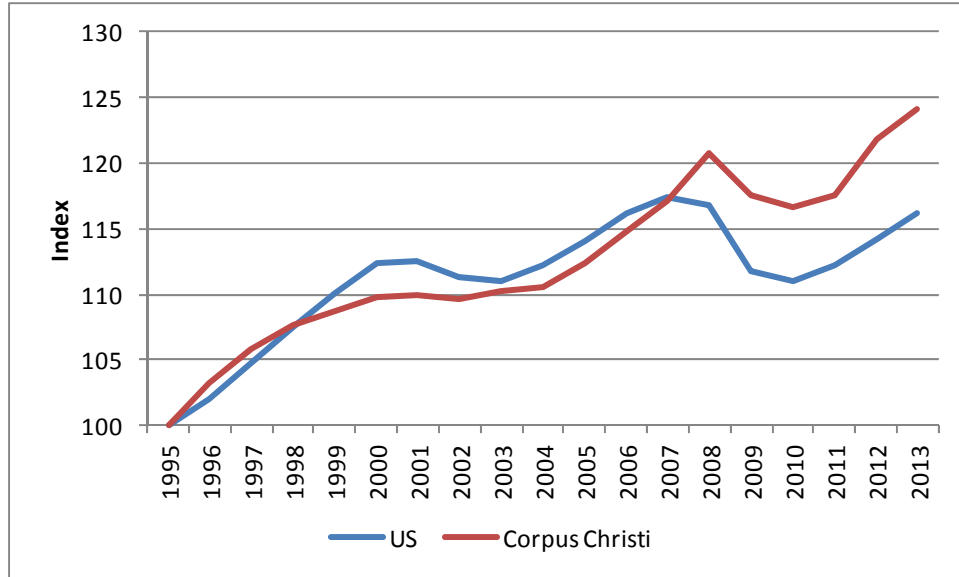


Source: Texas Workforce Commission; W-ZHA

Compared to Texas, the Corpus Christi Metropolitan Area has a higher share of its employment in the mining, construction, health, and tourism industries. According to the Convention and Visitors Bureau, Corpus Christi is the 5th most popular tourist destination in Texas. An estimated 7.1 million visitors spent over 18 million days in the Corpus Christi area in 2011. Approximately 43 percent of Corpus Christi's tourism is nature tourism.



**Relative Employment Performance (1995 = 100)
United States and Corpus Christi Metropolitan Area
1995 – 2013**



Source: Moody's Analytics; W-ZHA

The Corpus Christi Metropolitan economy is expanding at a rapid pace and employment is at an all time high. Growth is being driven by drilling in the Eagle Ford Shale and rising exports from the Port of Corpus Christi.

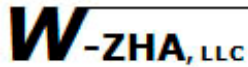
**Unemployment Rate
US, Texas, Corpus Christi Metro, Corpus Christi City
April, 2014**

	Unemployment Rate
United States	5.9%
Texas	4.7%
Corpus Christi Metro	4.6%
Corpus Christi City	4.2%

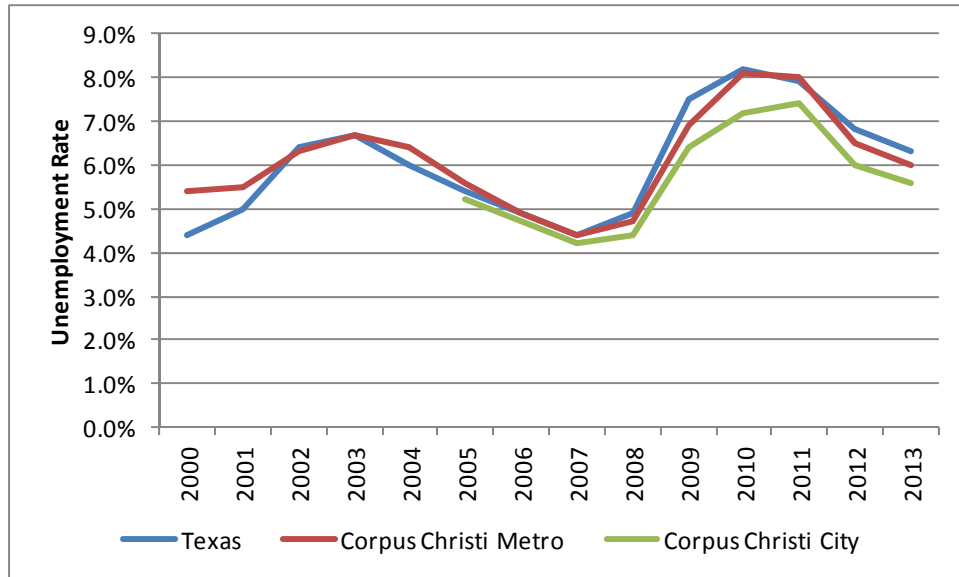
Source: Texas Workforce Commission; W-ZHA

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unemployment

The City's unemployment rate is well below the State and National average. Corpus Christi has maintained a low unemployment rate, while it's labor force has been expanding rapidly.



Unemployment Rate
Texas, Corpus Christi Metropolitan Area and Corpus Christi City
2000-2013



Source: Texas Workforce Commission; W-ZHA

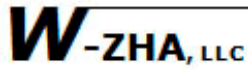
As illustrated in the graph above, the City's unemployment rate has been consistently below the Metropolitan Area's and Texas' unemployment rate.

Employment Trends by Major Industry
Corpus Christi Metropolitan Area
2003, 2008, 2013

Industry	Jobs (000's)			000's					
	2003	2008	2013	Chng 2003-08		Chng 2008-13		Chng 2003-13	
				#	Avg Ann	#	Avg Ann	#	Avg Ann
Natural Resources and Mining	2.85	4.88	7.48	2.0	21.3%	2.6	8.9%	4.6	10.1%
Construction	14.35	17.69	16.40	3.3	2.7%	(1.3)	-1.5%	2.0	1.3%
Manufacturing	11.87	11.08	9.77	(0.8)	-3.8%	(1.3)	-2.5%	(2.1)	-1.9%
Wholesale Trade	5.03	5.90	5.90	0.9	3.2%	0.0	0.0%	0.9	1.6%
Retail Trade	19.01	21.13	20.77	2.1	1.8%	(0.4)	-0.3%	1.8	0.9%
Transportation, Warehousing, and Utilities	5.34	5.55	7.01	0.2	5.6%	1.5	4.8%	1.7	2.8%
Information	2.73	2.47	2.08	(0.3)	-5.4%	(0.4)	-3.4%	(0.7)	-2.7%
Financial Activities	7.77	8.18	7.77	0.4	0.0%	(0.4)	-1.0%	0.0	0.0%
Professional and Business Services	16.02	16.61	15.69	0.6	-0.4%	(0.9)	-1.1%	(0.3)	-0.2%
Education	0.60	0.74	0.86	0.1	7.3%	0.1	3.1%	0.3	3.6%
Health	23.86	26.83	28.95	3.0	3.9%	2.1	1.5%	5.1	2.0%
Leisure and Hospitality	18.61	20.78	24.14	2.2	5.3%	3.4	3.0%	5.5	2.6%
Other Services	6.70	7.15	7.73	0.5	2.9%	0.6	1.6%	1.0	1.4%
Total Government	31.90	33.54	33.24	1.6	0.8%	(0.3)	-0.2%	1.3	0.4%
Total Non-Agricultural Employment	166.65	182.52	187.77	15.9	2.4%	5.3	0.6%	21.1	1.2%

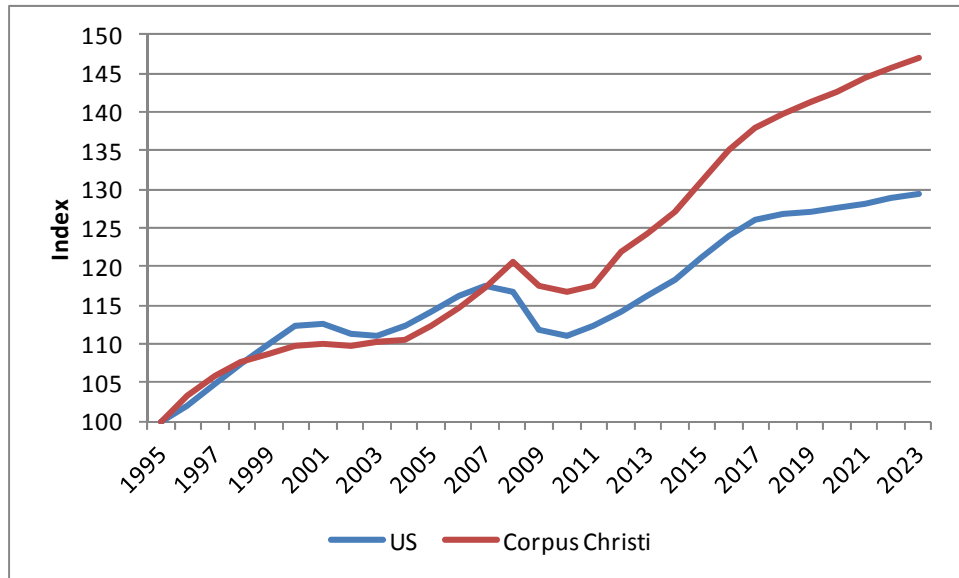
Source: Moody's Analytics; W-ZHA
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The greatest job gains since 2003 have occurred in the leisure and hospitality, health and mining industries. Employment in the natural resources and mining industry grew by an average of 10 percent per year from 2003 to 2013. This growth was driven by Eagle Ford Shale.



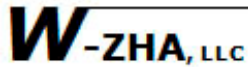
Between 2003 and 2013 jobs were lost in industries that typically occupy office space (information, financial activities, and professional and business service industries). Approximately, 1,000 jobs were lost in these industries during this timeframe.

Relative Employment Performance Projection (1995 = 100)
United States and Corpus Christi Metropolitan Area
1995 – 2023



Source: Moody's Analytics; W-ZHA

According to projections from Moody's Analytics, a national economics firm, the Corpus Christi Metropolitan Area will continue to outperform the United States in employment growth. Moody's outlook for Corpus Christi is optimistic as a result of output growth from Eagle Ford Shale and port infrastructure expansion. These drivers are also expected to spur jobs gains in construction and professional services. Associated income growth is also expected to drive other industries such as retail and leisure and hospitality.



**Employment Trends by Major Industry
Corpus Christi Metropolitan Area
2013, 2018, 2023**

Industry	000's									
	Jobs (000's)			Chng 2013-18		Chng 2018-2023		Chng 2003-13		
	2013	2018	2023	#	Avg Ann	#	Avg Ann	#	Avg Ann	
Natural Resources and Mining	7.48	9.66	10.50	2.2	7.0%	0.8	1.7%	3.0	3.4%	
Construction	16.40	20.17	19.35	3.8	3.4%	(0.8)	-0.8%	2.9	1.7%	
Manufacturing	9.77	9.81	9.48	0.0	-0.6%	(0.3)	-0.7%	(0.3)	-0.3%	
Wholesale Trade	5.90	6.27	6.18	0.4	0.9%	(0.1)	-0.3%	0.3	0.5%	
Retail Trade	20.77	21.63	22.24	0.9	1.4%	0.6	0.6%	1.5	0.7%	
Transportation, Warehousing, and Utilities	7.01	7.76	7.68	0.7	1.8%	(0.1)	-0.2%	0.7	0.9%	
Information	2.08	2.12	2.12	0.0	0.5%	0.0	0.1%	0.0	0.2%	
Financial Activities	7.77	8.55	8.77	0.8	2.5%	0.2	0.5%	1.0	1.2%	
Professional and Business Services	15.69	16.89	17.93	1.2	2.7%	1.0	1.2%	2.2	1.3%	
Education	0.86	0.98	1.07	0.1	4.5%	0.1	1.6%	0.2	2.2%	
Health	28.95	34.03	38.41	5.1	5.8%	4.4	2.4%	9.5	2.9%	
Leisure and Hospitality	24.14	29.38	32.56	5.2	6.2%	3.2	2.1%	8.4	3.0%	
Other Services	7.73	8.74	9.26	1.0	3.7%	0.5	1.2%	1.5	1.8%	
Total Government	33.24	35.37	36.67	2.1	2.0%	1.3	0.7%	3.4	1.0%	
Total Non-Ag Employment	187.77	211.37	222.21	23.6	3.4%	10.8	1.0%	34.4	1.7%	
Office-Inclined Employment	27.31	29.54	30.91	2.2	2.5%	1.4	0.9%	3.6	1.2%	

Source: Moody's Analytics; W-ZHA
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The industries forecasted to experience the greatest job gains are the health industry and leisure and hospitality.

OFFICE MARKET

Existing Conditions and Trends

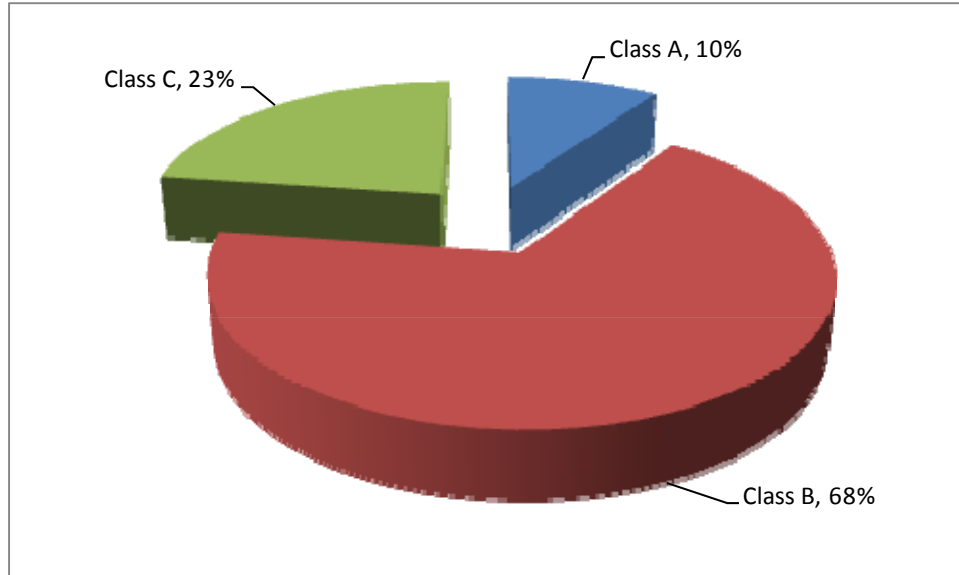
**Office Market Supply
Corpus Christi Office Market
4th Quarter 2013**

Building Class	Sq. Ft.
Class A	938,000
Class B	6,579,000
Class C	2,210,000
Total	9,727,000

Source: CoStar Group and Burbach Associates; Texas Real Estate Center at Texas A & M University, "2013 Texas Metro Market Overview data"; W-ZHA

According to data provided by the CoStar Group and Burbach & Associates, there are currently 9.7 million square feet of office space in the Corpus Christie market.

**Office Supply
Corpus Christi Market
4th Quarter 2013**



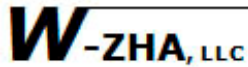
Only 10 percent of the office supply is classified as Class A office space. Almost 70 percent of the office supply is classified as Class B office space.

**Office Sub-Market Statistics
Corpus Christi Office Market
4th Quarter 2013**

Sub-Market	Sq. Ft.	
Central Business District	4,497,000	46%
South Side	2,213,000	23%
Mid-City	1,486,000	15%
West Side	658,000	7%
Other*	873,000	9%
Total	9,727,000	100%

* The data from the "2013 Texas Metro Market Overview" is not consistent. The "Other" category was created to compensate for total supply discrepancies.

Source: CoStar Group and Burbach Associates; Texas Real Estate Center at Texas A & M University, "2013 Texas Metro Market Overview Data"; W-ZHA



The Central Business District (CBD) is the largest sub-market containing slightly less than half of all of the office space in the Corpus Christi market. The South Side is the second largest sub-market with 2.2 million square feet.

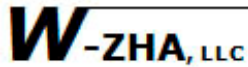
The largest office buildings are located in the Uptown and Central Business District. Many of these buildings are struggling – they have a lot of available space. The three Class A buildings listing space for-lease on Loopnet, a commercial property listing service, have a combined vacancy rate of 24 percent – over 230,000 square feet of Class A space is available for-lease.

Office Space For-Lease Corpus Christi Downtown and Uptown Market Fall, 2014					
Building Name	Address	Class	Size (SF)	Available	
				SF	%
One Shoreline Plaza	800 N Shoreline Blvd	A	363,300	86,465	24%
Frost Bank Plaza	802 N Carancahua St	A	310,858	58,925	19%
Tower II	555 N Carancahua St	A	289,462	86,090	30%
Bank of America Building	500 North Shoreline	B	350,000	50,000	14%
Bayview Tower	400 Mann St	B	120,000	10,000	8%
Furman Plaza	418 Peoples St	B	25,428	8,530	34%
AEP Building	539 N Carancahua St	B	280,744	11,393	4%
American Bank Building	711 & 811 N. Carancahua St	B	234,270	31,530	13%
Park Tower	710 Buffalo St	B	79,070	22,642	29%

Source: Loopnet; W-ZHA

f:\8000s, misc\82326 Corpus Christi\office.xlsx]Sheet3

The table above summarizes the office space listed for-lease by Loopnet in Corpus Christi's Downtown and Uptown areas as of fall, 2014.



**Select Buildings Asking Rent
Corpus Christi Office Market
June, 2014**

Building Name	Address	Class	Asking Rent
Uptown and Downtown Area			
One Shoreline Plaza	800 N Shoreline Blvd	A	\$20.00 - \$24.00
Frost Bank Plaza	802 N Carancahua St	A	\$17.21
Tower II	555 N Carancahua St	A	\$14.75
Bank of America Building	500 North Shoreline	B	\$15.00
Bayview Tower	400 Mann St	B	\$13.25
Furman Plaza	418 Peoples St	B	\$14.00 - \$16.50
AEP Building	539 N Carancahua St	B	\$14.50
American Bank Building	711 & 811 N. Carancahua St	B	\$13.00
Park Tower	710 Buffalo St	B	\$8.40 - \$10.49
South Side			
Sun Plaza	5656 S. Staples St	A	\$17.00
Century South	400 South Padre Island Drive	B	\$15.00
New York Life	5350 S. Staples St	B	\$15.50
Congressional Plaza	6262 Weber Rd	B	\$15.00

Source: Loopnet; W-ZHA

f:\8000s, misc\82326 Corpus Christi\office.xlsx]Sheet1

**Office Market Rents
Corpus Christi Office Market
2011**

	Low	High	Effective Avg Rent
Downtown Office			
Class A	\$17.00	\$22.00	\$19.50
Class B	\$9.00	\$13.00	\$11.00
Suburban Office			
Class A	\$13.00	\$17.00	\$15.00
Class B	\$9.00	\$13.00	\$11.00

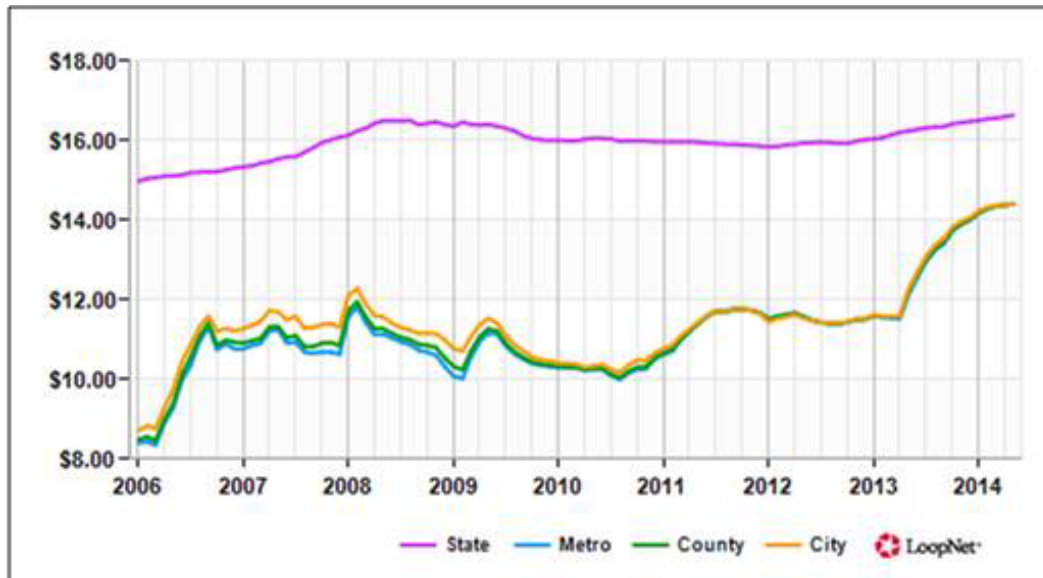
Source: NAI Cravey Real Estate Services; W-ZHA

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Rents are quite low in Corpus Christi. The average rent for Class A office in the CBD is less than \$20 per square foot. It is hard to develop new office product with such low rents.

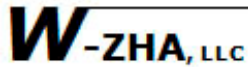
Office Rent
Corpus Christi Market
2006 - 2014



Source: Loopnet; W-ZHA

As the chart above illustrates average rents have increased within the last year. Even with this increase, however, average office rent is still very low in Corpus Christi. Low rents will deter office investment as tenants are reluctant to pay the premium necessary to support new construction.

The more recent office development has occurred in the South Side office sub-market. With its access and its residential growth and retail offerings, South Side is a desirable office location. There has not been an office building developed in the Central Business District or Downtown for 20 years.



Office Prospects

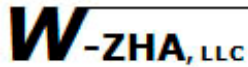
General Office

The primary market for general office space are businesses in the information, financial activities, professional and business services industries as well as religious, grantmaking, civic and professional organizations. In the Corpus Christi Metro Area, office-inclined industries are projected to grow by approximately 2,200 jobs by 2018 and another 1,400 jobs between 2018 and 2023.

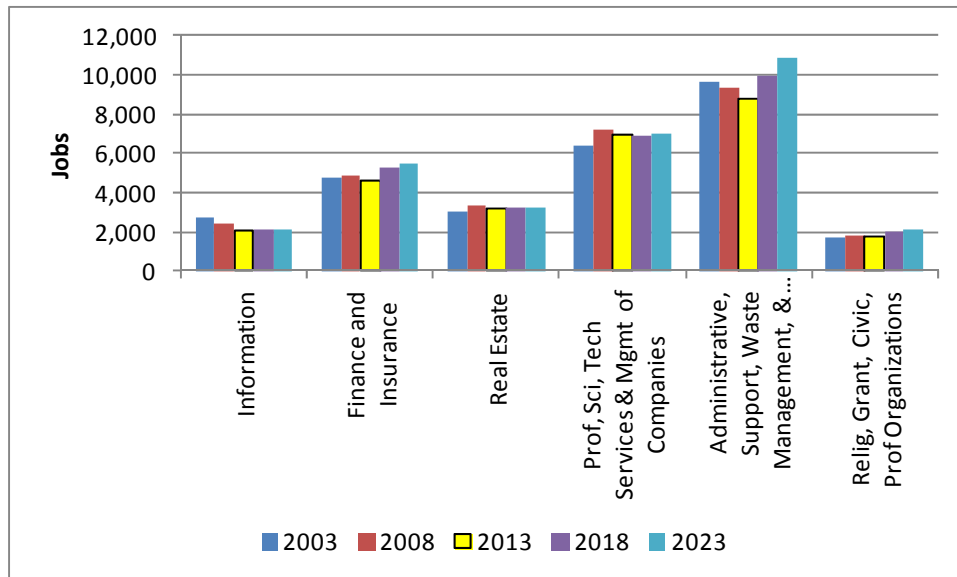
Employment Trends by Major Industry Corpus Christi Metropolitan Area 2013, 2018, 2023									
Office-Inclined Industry	Jobs			Chng 2013-18		Chng 2018-2023		Chng 2003-13	
	2013	2018	2023	#	Avg Ann	#	Avg Ann	#	Avg Ann
Information	2,075	2,117	2,125	42	0.5%	7	0.1%	49	0.2%
Finance and Insurance	4,633	5,275	5,509	642	3.5%	234	0.9%	876	1.7%
Real Estate	3,134	3,280	3,262	146	0.8%	(18)	-0.1%	128	0.4%
Prof, Sci, Tech Services & Mgmt of Companies	6,943	6,921	7,031	(22)	0.3%	110	0.3%	88	0.1%
Administrative, Support, Waste Management, & Remediation Services	8,743	9,972	10,898	1,230	4.5%	926	1.8%	2,155	2.2%
Religious, Grantmaking, Civic, & Professional Organizations	1,783	1,972	2,081	189	3.1%	109	1.1%	297	1.6%
Total	27,312	29,538	30,906	2,226	2.5%	1,368	0.9%	3,594	1.2%

Source: Moody's Analytics; W-ZHA
f:\8000s, misc\82326 Corpus Christi[economy emp (Recovered).xls]Sheet3

Most of this growth is projected to occur in administrative, support, waste management and remediation services industry sector. Administrative and support services account for 92 percent of the jobs in the administrative, support, waste management and remediation industry sector. Examples of firm-types in the administrative and support services industry include temporary employment services, business support services like telephone call centers, and office administrative services.



Jobs by Office-Inclined Industry
Corpus Christi Metro Area
2003, 2008, 2013, 2018, 2023

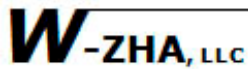


Source: Moody's Analytics; W-ZHA

As the graph illustrates, some of the employment growth projected from 2013 to 2023 will compensate for job losses that occurred between 2003 and 2013. This is true for the administrative, support, waste management and remediation industry sector. Where jobs in this industry are projected to grow by 2,155 jobs between 2013 and 2023, 865 of these jobs (or 40 percent) compensate for job losses since 2003. Therefore, a portion of new job growth in this industry sector will likely occupy existing leased, but under-utilized office space.

To quantify likely office demand over the next ten years, this analysis assumes that growth that compensates for job losses does not demand new office space. Instead, it is assumed that these new employees will likely occupy a business' existing (under-utilized) office space.

Because firms in the administrative and support industries can occupy telephone call center-type space, it was assumed that the average square feet of space per employee is lower for this industry than the professional office average. An average of 125 square feet per employee was assumed. (Call centers range from 90 to 140 square feet per employee.)



**Administrative and Support Services Office Demand
Corpus Christi Office Market
2013-2023**

	2013-2018	2018-2023	Total
Administrative & Support ^{/1}	1,128	849	1,978
Less: Job Losses Since 2003	(865)	0	(865)
Net New	263	849	1,112
Office Sq Ft /Job	125	125	125
Sub-Total	32,860	106,170	139,030

1. New jobs multiplied by 92 percent to account for non-office employment in waste management and remediation services.

Source: NAIOP "Changes in Average Square Feet per Worker"; Moody's Analytics; W-ZHA
f:\8000s, misc\82326 Corpus Christi\economy emp (Recovered).xls]Sheet14

The administrative and support services industries will demand 139,000 square feet of office space. These industries may occupy existing vacant office space. They may also occupy vacant retail space where parking is plentiful.

Real employment growth is projected for the finance and insurance industry sector. Over the next ten years, this industry sector is projected to gain eight hundred and seventy six jobs. Jobs in religious, grant, civic, and professional organizations are also projected to grow slightly.

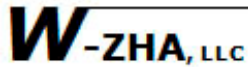
Professional businesses are using less office space per employee today than they were but five years ago. According to the CoreNet Global Corporate Real Estate 2020 survey of 500 corporate real estate executives, the metric has changed from 225 square feet in 2010 to 176 square feet in 2012, and is projected to reach 151 square feet in 2017.

**Other Office-Inclined Industry Office Demand
Corpus Christi Office Market
2013-2023**

	2013-2018	2018-2023	Total
Other Office-Inclined Industry	996	442	1,438
Sq Ft /Job	175	150	167
Sub-Total	174,360	66,320	240,680

Source: NAIOP "Changes in Average Square Feet per Worker"; Moody's Analytics; W-ZHA
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Using these survey findings as a guideline, for the "other office-inclined" industries, 175 square feet per employee was assumed for new jobs generated between 2013 and 2018 and 150 square feet per employee between 2018 and 2023. Other office-inclined industries will demand approximately 241,000 square feet of office space between now and 2023.



The U.S. Census collects data on the number of jobs at the City level. The most recent data is from 2011. In 2011, 85 percent of all of the office-inclined jobs in the Metro Area were in the City of Corpus Christi. Most of the office supply is in the City.

**General Office Demand
Corpus Christi City
2013-2023**

	2013-2018	2018-2023	Total
Administrative and Support Services	32,860	106,170	139,030
Other Office-Inclined	174,360	66,320	240,680
Total Demand: Metro Area (Sq Ft)	207,220	172,490	379,710
City Capture	80%	80%	80%
City General Office Demand	165,800	138,000	303,800

Source: W-ZHA

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For purposes of planning, it is assumed that the City would capture 80 percent of the general office demand. This translates into demand for 303,800 square feet of office space in the City by 2023. This demand will likely be satisfied with existing office supply as there is excess vacancy and the average rent is so low that new construction will be challenging from a financial feasibility standpoint.

Medical Office

Medical office space will also be in demand with the projected growth in the health and social service industries. Medical office space demand is generated from doctors' offices or "ambulatory care" providers. From 2002 to 2012, 40 percent of health and social services employment growth occurred in ambulatory care businesses. From 2007 to 2012, 27 percent of job growth in the health and social services industry occurred in ambulatory care businesses. Ambulatory care businesses include doctor's offices, diagnostic laboratories, and clinics.

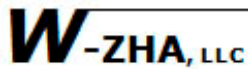
**Medical Office Demand
Corpus Christi Office Market
2013-2023**

	2013-2018	2018-2023	Total
New Jobs in Health and Social Service Industry	5,082	4,375	9,457
Percent Ambulatory Care	30%	30%	30%
Medical Office Jobs	1,525	1,310	2,835

Source: Moody's Analytics; W-ZHA

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The health care and social service industry is projected to grow significantly in the Metro Area between now and 2023. Given trends from 2002, it was assumed that 30 percent of the new job growth would occur in the ambulatory care industries. Therefore, it is estimated that there will be 2,835 new jobs in



health-related businesses that typically occupy general office (for example, psychiatrists) or medical office space (for example, dentists and general practitioners) by the year 2023.

**Medical Office: New Establishment Demand
Corpus Christi Office Market
2013-2023**

	2013-2018	2018-2023	Total
Medical Office Jobs	1,525	1,310	2,835
Share New Establishments	50%	50%	50%
New Medical Establishment Jobs	760	660	1,420

Source: Moody's Analytics; W-ZHA
f:\8000s, misc\82325 Corpus Christi\economy emp.xls]Sheet10

A portion of the employment growth will likely be absorbed by existing practitioners. While some of the employment growth will result in new businesses. Employment and establishment data from 2002 through 2012 indicates that roughly half of the new jobs generated in ambulatory care located in new firms. The other half of the new jobs located in existing businesses.

**Medical Office Demand
Corpus Christi Office Market
2013-2023**

	2013-2018	2018-2023	Total
New Medical Establishment Jobs	760	660	1,420
Sq Ft /Job	100 - 150	100 - 150	100 - 150
Total Sq Ft	76,000 - 114,000	66,000 - 99,000	142,000 - 213,000

Source: Moody's Analytics; W-ZHA
f:\8000s, misc\82325 Corpus Christi\economy emp.xls]med office

The average number of square feet per medical employee varies depending upon the type of medical practice. For purposes of this analysis, a range of 100 square feet to 150 square feet per medical employee was assumed. Given this assumption, employment growth among new firms has the potential to demand between 142,000 and 213,000 square feet of medical-related office space over the next decade.

**Medical Office Demand
Corpus Christi City
2013-2023**

	2013-2018	2018-2023	Total
Total Sq Ft	76,000 - 114,000	66,000 - 99,000	142,000 - 213,000
City Share	85%	85%	85%
City Potential (Sq Ft)	65,000 97,000	56,000 84,000	121,000 181,000

Source: Moody's Analytics; W-ZHA
f:\8000s, misc\82326 Corpus Christi\economy emp (Recovered).xls]Sheet12



In 2011, the City contained 90 percent of the Metropolitan Area's health and social service employment. For purposes of planning, it is assumed that the City has the potential to capture 85 percent of future growth. Given this assumption, there will be demand for between 121,000 and 181,000 square feet of medical office space in the City by 2023.

RETAIL

Retail and Eating and Drinking Sales

Retail Sales

Retail Sales Coastal Bend, Corpus Christi Metro and Corpus Christi City 2014

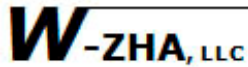
	000's	City Share
Coastal Bend	\$9,240,452	53%
Corpus Christi Metro	\$6,683,170	74%
Corpus Christi City	\$4,929,767	100%

Source: Claritas, Inc.; W-ZHA

F:\8000s, misc\82325 Corpus Christi\[retail analysis.xlsx]Sheet6

2014 retail sales in the City are estimated to total \$5 billion. The City of Corpus Christi contains 72 percent of the Metro Area's population and City retail sales are 74 percent of the Metro's retail sales. The City's share of the region's total retail sales are in-line with the City's share of population.

Comparing the population's retail spending power to estimated sales indicates whether a location is experiencing market leakage (outflow) or retail spending inflow. Typically, tourist destinations experience retail spending inflow.



**Total Retail Sales Inflow and Outflow
Select Areas
2014**

	\$000's		
	Coastal Bend	Corpus Christi Metro	Corpus Christi City
Retail Expenditure Potential	\$7,545,450	\$5,839,097	\$4,171,993
Retail Sales	\$9,240,452	\$6,683,170	\$4,929,767
Inflow/(Outflow)	\$1,695,002	\$844,074	\$757,773
% Inflow/(Outflow)	22%	14%	18%

Source: Claritas, Inc.; W-ZHA

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There are more retail sales in the City than would be expected if only local residents were shopping. Eighteen percent of the City's retail sales are inflow sales.

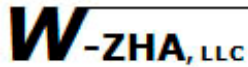
**Total Retail Sales Net of Vehicle Sales Inflow and Outflow
Select Areas
2014**

	\$000's		
	Coastal Bend	Corpus Christi Metro	Corpus Christi City
Retail Expenditure Potential	\$6,092,990	\$4,704,098	\$3,347,382
Retail Sales	\$6,723,793	\$4,710,601	\$3,419,531
Inflow/(Outflow)	\$630,804	\$6,503	\$72,149
% Inflow/(Outflow)	10%	0%	2%

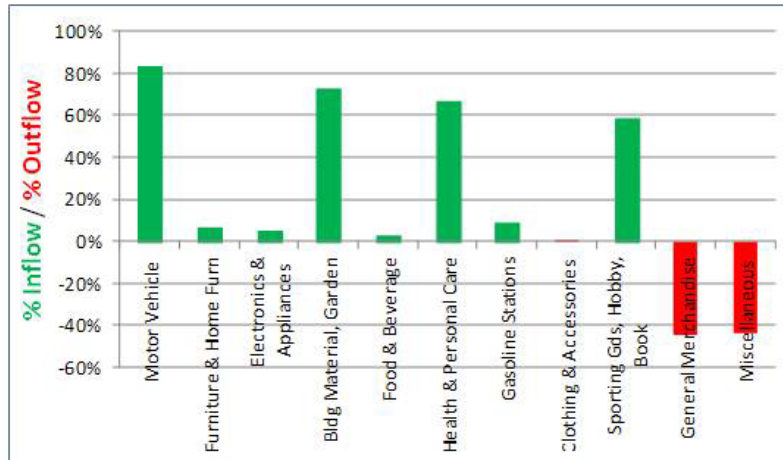
Source: Claritas, Inc.; W-ZHA

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If vehicle sales are excluded from total retail sales, resident spending power and retail sales are essentially equal in the Metro Area and the City. Therefore, the retail inflow is mostly from vehicle sales, not recreational shopping. This is surprising given that Corpus Christi is a tourist destination.



**Percent Retail Sales Inflow or Outflow
Corpus Christi City
2014**



Source: Claritas, Inc.; W-ZHA

It appears that many people come to Corpus Christi to purchase motor vehicles. This is not surprising given that the City is the region's economic hub. The City is also a destination for building material and garden equipment sales. These stores benefit from regional population growth. As the regional healthcare center, the City also experiences a net inflow of health and personal care sales.

The City experiences a net outflow of general merchandise and miscellaneous store sales. It does not appear that tourists are shopping for general merchandise, specialty goods or clothing when visiting Corpus Christi.

Eating and Drinking Sales

Eating and drinking sales are distinct from retail sales. Eating and drinking sales are those sales that occur in restaurants, cafes, clubs, and take-out restaurants. Once again, it is normal for a tourist economy to experience above average eating and drinking sales due to the visitor market.



**Total Eating and Drinking Sales Inflow and Outflow
Select Areas
2014**

	\$000's		
	Coastal Bend	Corpus Christi Metro	Corpus Christi City
Retail Expenditure Potential	\$807,877	\$616,198	\$444,184
Retail Sales	\$986,507	\$773,661	\$573,192
Inflow/(Outflow)	\$178,630	\$157,463	\$129,007
% Inflow/(Outflow)	22%	26%	29%

Source: Claritas, Inc.; W-ZHA

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Where retail has not fully capitalized on the tourist market, it appears that the eating and drinking industry has benefited from the tourist. The City has almost 30 percent more eating and drinking sales than would be expected from resident spending. The City has the greatest eating and drinking inflow as compared to the Metro Area and Coastal Bend.

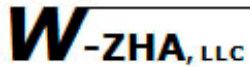
**Eating and Drinking Sales
Coastal Bend, Corpus Christi Metro and Corpus Christi City
2014**

	000's	City Share
Coastal Bend	\$986,507	58%
Corpus Christi Metro	\$773,661	74%
Corpus Christi City	\$573,192	100%

Source: Claritas, Inc.; W-ZHA

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The City's population is 54 percent of the Coastal Bend population, but the City's eating and drinking sales are 58 percent of the region's eating and drinking sales.



**Retail and Eat/Drink Sales Per Capita
Select Areas
2014**

	Total Retail Sales	Retail Sales (Net of Vehicle Sales)	Eat/Drink Sales
Texas	\$15,053	\$11,331	\$1,589
Coastal Bend	\$15,647	\$11,385	\$1,670
Corpus Christi Metro	\$15,038	\$10,599	\$1,741
Corpus Christi City	\$15,501	\$10,752	\$1,622

Source: Claritas, Inc.; W-ZHA

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On a per capita basis, retail sales (net of vehicle sales) in the City are below the Texas average. Eating and drinking sales per capita are above the Texas average.

The Retail Supply and Market

According to the "2013 Texas Metro Market Overview Data: Corpus Christi" produced by the Texas Real Estate Center at Texas A & M University, there are 22 million square feet of retail space in the Corpus Christi market. Retail space is located in seven sub-markets.



**Retail Inventory
Corpus Christi Market Area
4th Quarter 2013**

	Sq Ft 000's	Share of Total
CBD	1,694	8%
Mid-City	5,940	29%
South Side	6,228	30%
West Side	1,585	8%
Northwest	1,648	8%
Four Bluff/Padre Is.	1,628	8%
Portland/Ingleside	1,830	9%
Total ^{/1}	20,553	100%

1. The total square feet varies slightly from Commercial Real Estate Market Report where total square feet is 22.382 million.

Source: CoStar Group and Burbach Associates; Texas Real Estate Center at Texas A & M University, "2013 Texas Metro Market Overview Data"; W-ZHA

Retail is concentrated on South Padre Island Drive which carries over 100,000 vehicles per day. South Padre Island Drive serves both the Mid-City and the South Side sub-markets. Together these sub-markets contain 12 million square feet of retail space or approximately 60 percent of the market's retail space.

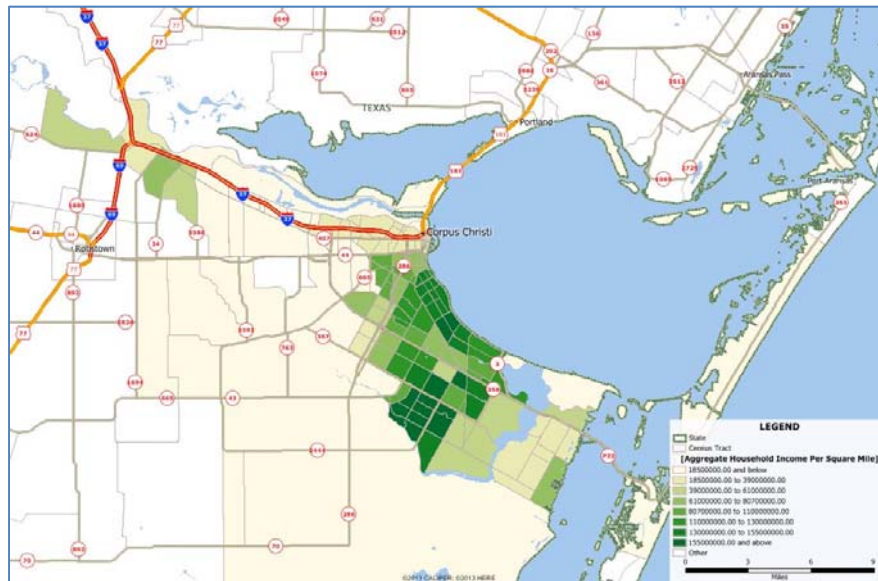
**Retail Inventory and Vacancy Rate
Corpus Christi Market Area
4th Quarter 2013**

Sub-Market	Sq Ft 000's	Vacancy Rate
CBD	1,694	6.0%
Mid-City	5,940	4.0%
South Side	6,228	4.7%
West Side	1,585	6.4%
Northwest	1,648	12.8%
Four Bluff/Padre Is.	1,628	4.7%
Portland/Ingleside	1,830	6.6%

Source: CoStar Group and Burbach Associates; Texas Real Estate Center at Texas A & M University, "2013 Texas Metro Market Overview Data"; W-ZHA

As of the 4th Quarter of 2013, the overall retail vacancy rate in the Corpus Christi market was 5.6 percent. Retail in the Central Business District reported a vacancy rate of 6 percent while Mid-City and South Side have vacancy rates below 5 percent. The highest vacancy rate was in the Northwest sub-market.

**Aggregate Income Per Square Mile
Corpus Christi Census Tracts
2014**



Source: Claritas, Inc.; W-ZHA



The dominant retail intersection in the Corpus Christi Metropolitan Area is the corner of South Padre Island Drive and Staples Drive. As the map illustrates this location is convenient to those areas with a concentration of income. The La Palmera Mall, the Shops at La Palmera, the Staples Center and the Moore Center are located here.

La Palmera Mall is a regional shopping center with over a million square feet. The mall is anchored by Dillard's, Macy's and JC Penney. The Shops at La Palmera is an adjacent 230,000 square foot strip center.

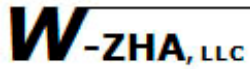
The Staples Center is a strip community center across from La Palmera Mall and adjacent to the struggling Sunrise Mall. Moore Plaza is a 535,000 square foot regional strip shopping center that is anchored by HEB, Target and Steinmart.

**Retail Inventory and Rental Rates
Corpus Christi Market Area
4th Quarter 2013**

Sub-Market	Sq Ft 000's	Rental Rate
CBD	1,694	\$10.09
Mid-City	5,940	\$12.88
South Side	6,228	\$17.54
West Side	1,585	\$10.22
Northwest	1,648	\$5.43
Four Bluff/Padre Is.	1,628	\$14.17
Portland/Ingleside	1,830	\$14.60

Source: CoStar Group and Burbach Associates; Texas Real Estate Center at Texas A & M University, "2013 Texas Metro Market Overview Data"; W-ZHA

The South Side sub-market commands the highest retail rents, while Northwest rental rates are the lowest.



Retail Prospects

Corpus Christi's strong economy and projected growth should have a positive impact on retail.

Retail (Net of Vehicle Sales) Potential Corpus Christi Metropolitan Area 2014-2024

New Residents	29,295
Spending /Resident	\$10,800
Total	\$316,382,800
Sq Ft @ \$350 Sales/Sq Ft	904,000

Source: W-ZHA

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Population growth over the next ten years should support 904,000 square feet of retail.

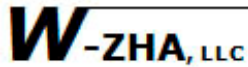
Eating and Drinking Potential Corpus Christi Metropolitan Area 2014-2024

New Residents	29,295
Spending /Resident	\$1,620
Total	\$47,457,400
Sq Ft @ \$450 Sales/Sq Ft	105,500

Source: W-ZHA

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Population growth over the next ten years should support 105,500 square feet of eating and drinking space.



HOTEL MARKET

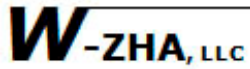
Hotel Market Trends

The performance of the Corpus Christi hotel market was analyzed from 2008 to 2013. The performance of the midscale and upscale hotel market was compared to all hotels in the Corpus Christi market. The hotels included in the midscale and upscale sample were developed with the assistance of a hotel owner who owns a number of competitive hotels in the Corpus Christi market.

Midscale to Upscale Class Hotels Corpus Christi Hotel Market 2014

Name	Class	Rooms
Hampton Inn & Suites Port Aransas	Upper Midscale Class	78
Omni Corpus Christi Hotel	Upper Upscale Class	475
Best Western Marina Grand Hotel	Midscale Class	173
Holiday Inn Corpus Christi Downtown Marina	Upper Midscale Class	334
Quality Inn & Suites On The Beach	Midscale Class	112
Radisson Hotel Corpus Christi Beach	Upscale Class	139
Comfort Suites Central Corpus Christi	Upper Midscale Class	93
La Quinta Inns & Suites Corpus Christi Airport	Midscale Class	67
Holiday Inn Corpus Christi Arprt Conv Ctr	Upper Midscale Class	237
Hampton Inn Suites Corpus Christi I 37 Navigation	Upper Midscale Class	80
Holiday Inn Express & Suites Corpus Christi North	Upper Midscale Class	64
Holiday Inn Express Corpus Christi NW Calallen	Upper Midscale Class	71
La Quinta Inns & Suites Corpus Christi West	Midscale Class	66
Hampton Inn Corpus Christi Northwest I 37	Upper Midscale Class	55
Comfort Inn & Suites Corpus Christi	Upper Midscale Class	61
Courtyard Corpus Christi	Upscale Class	105
Embassy Suites Corpus Christi	Upper Upscale Class	150
Holiday Inn Express & Suites Corpus Christi	Upper Midscale Class	88
Staybridge Suites Corpus Christi	Upscale Class	84
Springhill Suites Corpus Christi Downtown	Upscale Class	119
Residence Inn Corpus Christi	Upscale Class	66
TownePlace Suites Corpus Christi	Upper Midscale Class	107
Hyatt Place Corpus Christi	Upscale Class	103
Hilton Garden Inn Corpus Christi	Upscale Class	119
Comfort Suites Near Texas A & M Corpus Christi	Upper Midscale Class	66
Candlewood Suites Corpus Christi Spid	Midscale Class	74
Hawthorn Suites by Wyndham Corpus Christi	Midscale Class	62
Homewood Suites Corpus Christi	Upscale Class	86
Comfort Suites North Padre Island Corpus Christi	Upper Midscale Class	75
Holiday Inn Corpus Christi North Padre	Upper Midscale Class	149

Source: W-ZHA; Smith Travel Research
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The midscale to upscale class hotels analyzed are presented in the table above.

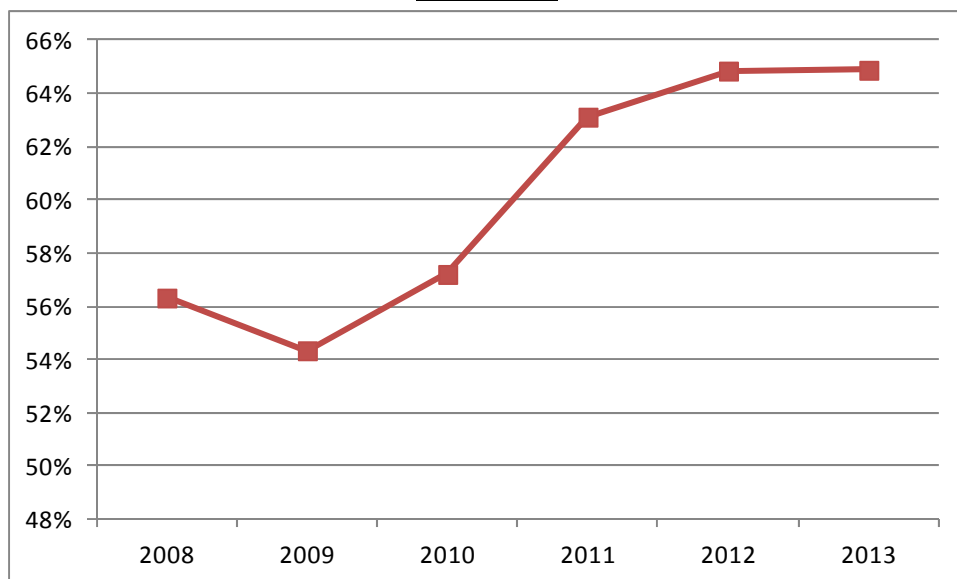
**Hotel Room Supply
Midscale to Upscale Class Hotels and All Hotels
Corpus Christi Hotel Market
2008 - 2013**

	Room Night Supply	
	Mid/Uppermid Hotels	Total
2008	1,031,675	3,638,505
2009	1,108,425	3,654,306
2010	1,131,135	3,693,806
2011	1,144,831	3,709,684
2012	1,143,769	3,708,989
2013	1,196,466	3,761,262
Change '08-'13	16%	3%

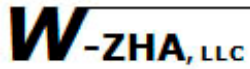
Source: Smith Travel Research; W-ZHA
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The supply of midscale to upscale hotels in Corpus Christi has increased since 2008. There are sixteen percent more midscale to upscale room nights available in Corpus Christi than there were in 2008.

**Hotel Occupancy
Midscale to Upscale Hotels
Corpus Christi Hotel Market
2008 - 2013**

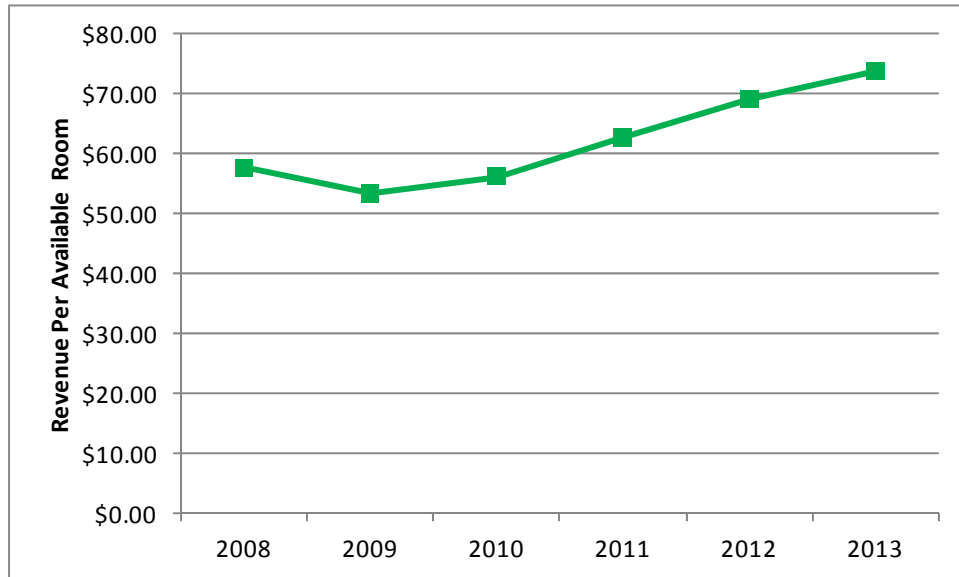


Source: Smith Travel Research; W-ZHA



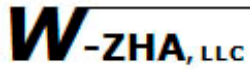
Even with the increase in supply, occupancy among the midscale to upscale hotels has been increasing. At year-end 2013, room nights available in these hotels were 65 percent occupied.

**Revenue Per Available Room
Midscale to Upscale Hotels
Corpus Christi Hotel Market
2008 - 2013**

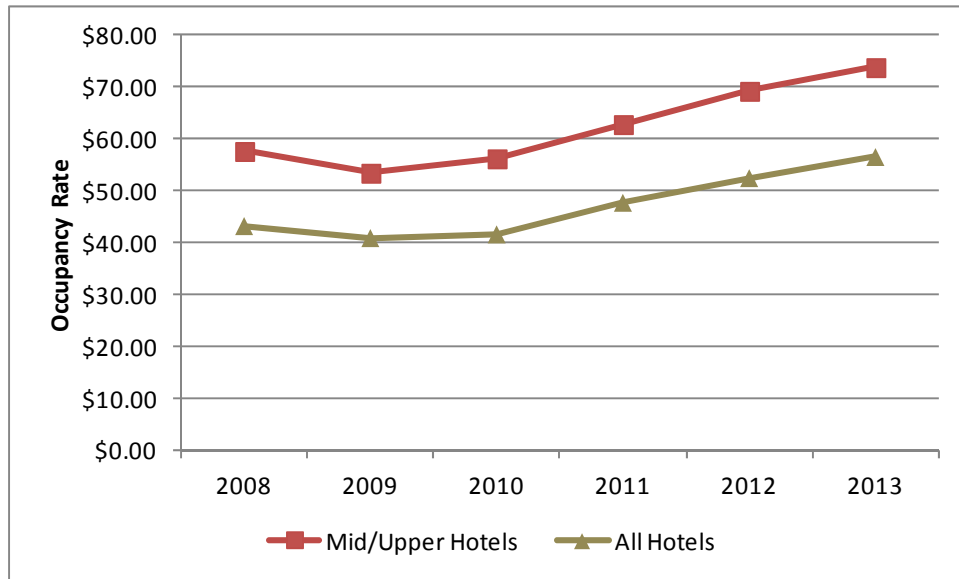


Source: Smith Travel Research; W-ZHA

The average daily rate for a hotel room in these hotels was \$102.34 in 2008. Five years later, the average daily rate was \$113.79 in midscale to upscale hotels. The revenue per available room in midscale to upscale hotels has increased by 28 percent over five years even as the supply has increased.

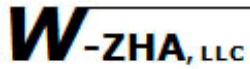


**Revenue Per Available Room
Midscale to Upscale Hotels and All Hotels
Corpus Christi Hotel Market
2008 - 2013**

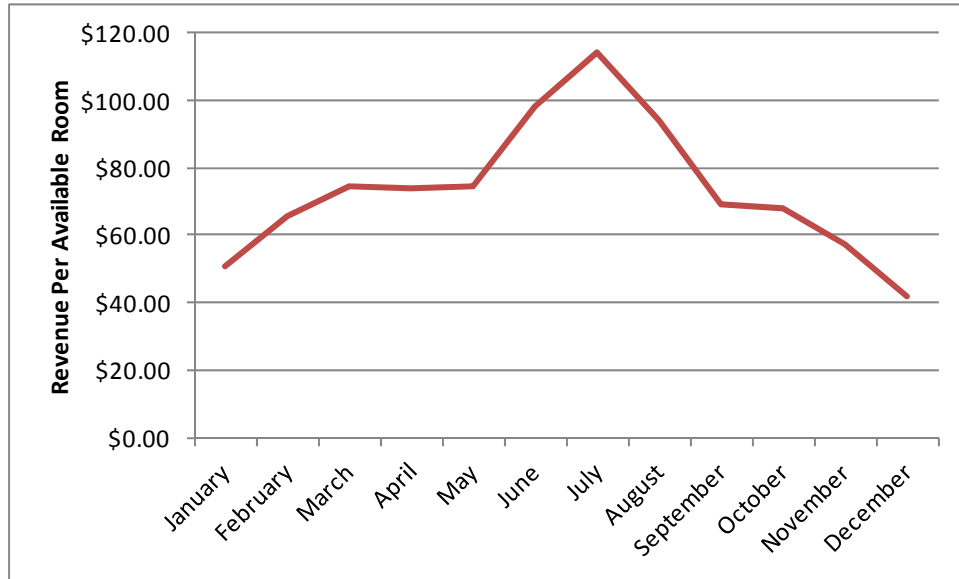


Source: Smith Travel Research; W-ZHA

Like the midscale to upscale hotels, the entire Corpus Christi hotel market experienced an increase in revenue per available room since 2008. The new hotel supply does not appear to be cannibalizing the market by taking market share from older hotels. It appears that growth in the economy is supporting the overall hotel industry.

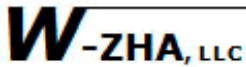


Revenue Per Available Room by Month
Midscale to Upscale Hotels
Corpus Christi Hotel Market
2013

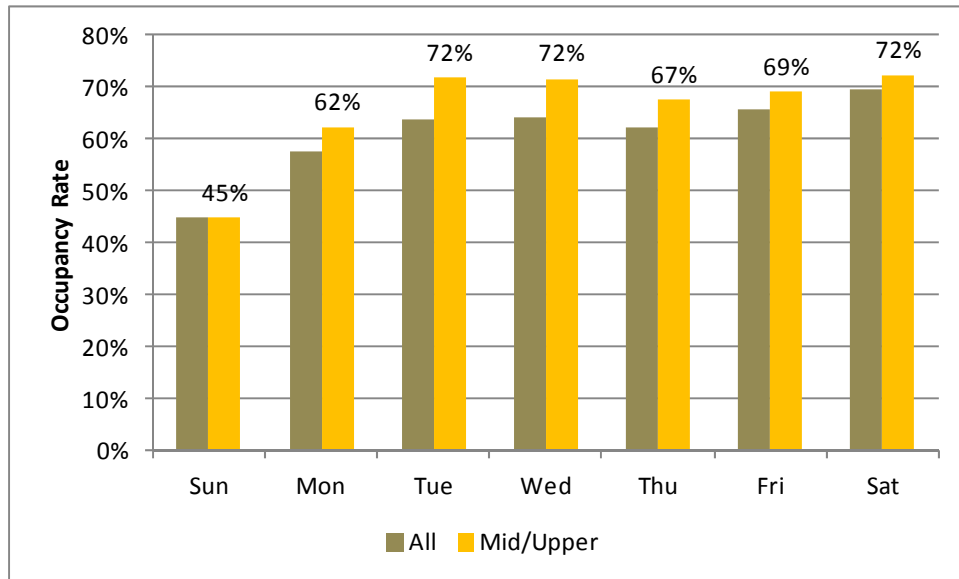


Source: Smith Travel Research; W-ZHA

Both business travel and tourism support the hotel industry in Corpus Christi. Hotels do best during the summer season when children are out of school and the weather is good. The fall and winter months are the weakest (September to February).



**Hotel Occupancy by the Day of the Week
Midscale to Upscale Hotels and All Hotels
Corpus Christi Hotel Market
2013**



Source: Smith Travel Research; W-ZHA

While the tourist is recognized as central to the hotel market, it is important to note that during the heart of the work week (Tuesday and Wednesday), the midscale to upscale hotels are as occupied as they are on a Saturday night. According to hotel managers, 70 percent of their occupancy is driven by the business traveler. The needs of both the business traveler and the tourist are important considerations from an economic development standpoint.

Hotel Market Prospects

Corpus Christi's hotel market has responded to regional economic growth. With an overall occupancy rate of 65 percent and the average revenue per available room over \$70.00, the midscale and upscale hotel market is healthy.

Employment is projected to continue to increase over the next decade. This will drive additional hotel demand in Corpus Christi. Employment growth alone will generate demand for an additional 300 to 500 rooms by 2023.



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Memorandum

To: Ben Carlson
Director of Urban Design, Goody Clancy

From: Michael J. Berne
President, MJB Consulting

Cc: Mitch Glass
Senior Urban Designer, Goody Clancy

Re: Retail Market Analysis and Strategy / Downtown Corpus Christi –
Findings and Recommendations

Date: June 19, 2015

In 2014, Goody Clancy was commissioned by the City of Corpus Christi to develop a Comprehensive Plan for the entire City (“Plan CC”) as well as an area plan for its Downtown (“Downtown Area Development Plan”, or DADP).

To ensure that these planning efforts were informed by market realities, Goody Clancy’s team included specialists for each of the primary land uses. For the DADP, the firm asked MJB Consulting (MJB), a retail planning and real estate consultancy, to undertake an analysis of Downtown retail and propose a strategy for enhancing it.

MJB's due diligence for this assignment consisted of the following:

- Familiarization with past plans and projects, including conversations with City staff as well as in-depth review of *Caller-Times* archives
- Guided and self-guided walking and driving tours of the study area and immediate vicinity as well as other Corpus Christi and Coastal Bend neighborhoods, including (but not limited to) Westside, Six Points, Southside, Lamar Park, Padre Island, Portland and Port Aransas
- Observations of existing retail mix and dynamics in Downtown Corpus Christi and each of its individual sub-districts and corridors (Core, Uptown, SEA District, North Beach, Hillcrest and Washington-Coles), including review of available spaces and sites, relevant projects and initiatives, etc.
- Survey and assessment of competing districts and centers, including (but not limited to) South Padre Island Drive / SR 358 (La Palmera, Shops at La Palmera, Moore Plaza, etc.), Staples Street, Portland / U.S. 181, Westside, Six Points, Lamar Park, Port Aransas, Padre Island and Outlets at Corpus Christi Bay (future)
- Interviews with property owners, leasing professionals and key stakeholders, including Terry Sweeney (DMD), Brad Lomax (Water Street Market), Casey Lain (House of Rock), Matt Cravey (Cravey Real Estate Services), Wayne Lundquist (Cobb-Lundquist & Atnip) and Joe Adame (Joe Adame and Co.)
- Presentations to and meetings with two groups of retail stakeholders as well as the DADP Advisory Committee
- Retrieval and analysis of demographic and sales-leakage data for Downtown Corpus Christi primary trade area, along with comparisons to the Corpus Christi MSA
- Gathering of available information on non-residential sources of consumer demand in Downtown Corpus Christi, including (but not limited to) daytime workers, tourism and "destination" businesses
- Review of and integration with findings from other experts on the consultant team (i.e. Goody Clancy, Zimmerman/Volk, W-ZHA, etc.)
- Reference to relevant comparables from across Texas and North America, including Downtown San Antonio (where MJB Consulting is currently working on a retail strategy and implementation effort)

In undertaking this scope-of-work, MJB's Principal, Michael J. Berne, applied the firm's unique "total immersion" methodology, visiting Corpus Christi three times and spending twelve days on site.

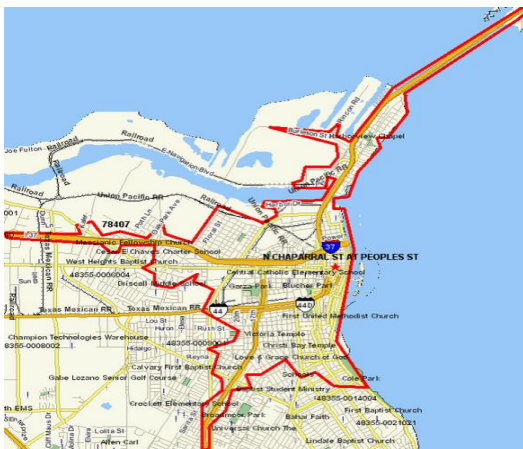
Detail

The following presents MJB's findings and recommendations, in the format of an "executive summary" memo as agreed upon in the initial contract.

Identifying the right "positioning" of a retail mix requires an assessment of two discrete "markets", one in which consumers demand goods and services from businesses, and the other in which tenants seek street-level space from landlords.

I. Consumer Demand

- For the purposes of quantifying and characterizing those nearby residents who would be most likely to gravitate to the Downtown core, a "primary trade area" has been hypothesized (see map below), corresponding to a five-minute drive time from the intersection of N Chaparral Street and Peoples Street.



Source: Nielsen-Claritas, MJB Consulting

- The demographic profile of this primary trade area is summarized in the table below, with the numbers for the Corpus Christi metro provided for the sake of comparison:

	Downtown Corpus Christi Primary Trade Area	Corpus Christi Metro
Population		
Population	20,000	449,000
Education and Employment		
Percent College-Educated	11%	19%
Percent Without H.S. Diploma	39%	21%
Percent Not In The Labor Force	50%	37%
Income and Wealth		
Median Household Income	\$28,000	\$52,000
Percent Housing Units Owner-Occupied	37%	63%
Median Home Value	\$73,000	\$123,000
Mobility		
Percent Households Without Cars	26%	8%

Source: Nielsen-Claritas, MJB Consulting

The primary trade area lags the Corpus Christi metro when measured in terms of percentages and medians. In absolute numbers, it can point to a modestly sized contingent of roughly 800 to 1,600 “blue-chip” consumers (i.e. 1,520 college-educated residents; 1,140 creative class workers; 1,150 households with annual incomes of \$75,000 or more, with 350 living in homes valued at \$200,000 or more), although, with new projects like The Cosmopolitan and in light of Zimmerman/Volk’s finding that there is potential for 4,400 more residents by the year 2025, this sub-market will continue to grow.

- In addition to those who live in the primary trade area, the Downtown can also draw on certain non-residential generators of demand, like, for instance, the approximately 20,500 daytime workers. Yet while a significant percentage is employed in higher-paying, white-collar office positions, these jobs are heavily concentrated in Uptown, just a five-minute walk from the core but psychologically much further owing to the grade change.

Another non-residential demand generator is tourism. The Coastal Bend attracts 8.1 million visitors per year, and while mid-market families are the core demographic, 38% of the households earn annual incomes of \$75,000 or more, and 23%, \$100,000 or more. However, only 900,000 of the 8.1 million actually spend time in the core, as most of the popular attractions are located to the north, in the SEA District and North Beach.

II. Competition

- Downtown Corpus Christi must vie for the attention of both consumers and prospective tenants with other centers and districts across the city and metro. And in most categories, it struggles to compete and will likely continue doing so, owing to the strong gravitational pull of much larger rivals with more conventional anchors and superior co-tenancy. For example, it stands little chance against South Padre Island Drive (SR 358) as a mass-market shopping destination or retail location.

- The same sort of competitive disadvantage applies within smaller sub-markets and niches as well, with upscale consumers and brands most likely to gravitate to the Alameda Street corridor in Lamar Park, antique collectors and dealers to the Avalon Street “Antique

Lane” near the intersection of Alameda and Everhart, the “artsy-urban” set to Six Points, neo-hippies to the Water Street Village complex along South Water Street, etc.

III. Positioning and Tenanting Strategy

- Given that there are no obvious “silver-bullet(s)”, that none of the aforementioned demand segments (i.e. trade area residents, office workers, tourists, etc.) are large enough to sustain the retail mix on their own, Downtown Corpus Christi will need to be *multi-dimensional*, catering to several different sub-markets and day-parts, with the businesses corresponding to each one clustered together so as to generate cross-traffic for each other and coalesce into a visible and recognizable niche.

- The most promising of these “mini-opportunities” are ones that build from strength and that leverage existing anchors and co-tenancies. Downtown, for example, is already well established as a regional destination for live music, boasting a diverse ecosystem of performance venues that range in size from the American Bank Center (with a capacity for 10,000 patrons) to the House of Rock (500), and that can accommodate a wide variety of acts.

While the subject demands further examination, Downtown’s live-music niche might be capable of supporting additional offerings, including perhaps a mid-sized option like The Knitting Factory (a famed New York City venue that has since expanded to smaller markets like Spokane, Boise and Reno) as well as more intimate bars, with capacity for 100 to 200, that can showcase smaller touring bands.

- Downtown used to be more prominent as a drinking destination but has lost some of its luster in recent years. It might, however, start to fill that void by offering a greater diversity of evening-oriented concepts that, while still dependent on alcohol as a source of revenue, also offer the possibility of other sorts of activities and experiences besides excessive consumption.

Examples might include: 1) a “dueling-piano” bar; 2) a “bar-cade”, which combines food and drink with a selection of vintage arcade games; 3) a bowling alley which, in contrast to family/league-oriented suburban venues, doubles as a lounge or nightclub; and/or 4) a true sports bar, designed specifically with the sports fanatic in mind, with large-screen televisions seemingly in every direction (e.g. Dallas-based, Canadian-born Boston’s Restaurant & Sports Bar).

One especially intriguing possibility is Los Angeles-based Trifecta Management Group, which develops unique food and entertainment concepts customized to the specifics of local (often secondary) markets. Venues might include live music, arcade games, bowling alleys, high-definition TV’s as well as various other leisure activities (e.g. billiards, bocce, etc.), and typically feature local chefs and vendors.

- Downtown missed a golden opportunity to expand its evening economy when Alamo Drafthouse Cinema decided to develop its first Corpus Christi theater on the Southside.

Another possibility, however, is a niche concept like Maya Cinemas, the California-based exhibitor drawn to revitalizing areas with large Latino populations. While its multiplexes feature first-run movies, it also devotes screens to Spanish-language fare. Its founder and CEO, Moctesuma Esparza, is an industry veteran who co-produced *Selena* and *The Milagro Beanfield War*, among other pictures.

- In stark contrast to the perceived dominance of larger chains on the Southside, Downtown Corpus Christi also boasts one of the Coastal Bend's largest concentrations of unique, owner-operated restaurants, several of which – like Water Street Oyster Bar, Bleu Bistro and the Republic of Texas Bar & Grill, for example -- enjoy a regional draw. This existing collection could serve as the basis for a marketing campaign that draws new customers and operators.

In order, however, to preempt cannibalization and complement (rather than undermine) what already exists, additional offerings should focus on capturing more destination diners and taking market share from *other* parts of the region, while at the same time drawing tourists and workers. Possibilities include small regional chain-lets that typically open just one location per market, or local restaurateurs already successful elsewhere in the Coastal Bend and interested in developing a new concept in the Downtown.

As part of this positioning, additional offerings might showcase homegrown dishes and formats that locals would perceive as uniquely Corpus Christi, perhaps offering new interpretations of familiar foods and beverages. And while restaurateurs cannot afford to venture too far from prevailing tastes and sensibilities, there would seem to be room in the market for at least one or two more elevated (though still moderately-priced) “foodie” concepts.

- One of the most dynamic areas in the industry today is in non-permanent “mobile” retailing, like carts, trucks and shipping containers. A chief advantage of these formats is that they allow businesses to customize their operations to periods of peak demand (e.g. weekday lunch, weekend nightlife, special events, etc.) and avoid the high fixed costs of a storefront lease. In so doing, they lower the barriers-to-entry for early-stage entrepreneurs who have ideas and talent but limited capital.

The result, as anyone who has visited one of Austin's famed food-truck pods will corroborate, is a flowering of new and innovative concepts, which can help to activate vacant lots and public spaces, generate buzz and media attention, portray the host district as hip and contemporary as well as validate an unproven market for other prospects. Some vendors even ultimately become permanent storefront tenants themselves.

Yet while this movement is most commonly associated with food, it could take many other forms as well, like, for instance, fashion trucks, which customers can enter via a collapsible staircase in back and then browse the offerings within, even trying them on in a cordoned-off dressing room. A similar sort of low-cost setup could also work for other kinds of comparison goods, like books, or various services and conveniences, such as haircuts or beauty supplies.

- So-called “traditional” retail – that is, businesses selling goods and services (as opposed to food, drink or entertainment) – will be far more difficult to attract and sustain at this early stage of Downtown’s evolution, given the relatively low levels of daytime foot traffic (when most consumers shop) and close-in residential (generating pedestrian activity on the weekends) as well as the weak connectivity between its individual districts (limiting potential spin-off from the few existing pockets of vitality).

- The retail categories that typically receive the most attention in a fledgling Downtown like Corpus Christi’s are the basic conveniences thought to be essential to its emergence as a residential neighborhood. Yet while the arrival of a grocery store would be an important symbol and milestone, its absence is by no means a deal-breaker, and certainly not as detrimental as the failure of one that opened too soon.

Generally speaking, a dedicated population of 10,000 to 15,000 is considered the minimum threshold for a full-service supermarket. Right now, though, the trade area’s 20,000 residents can already shop at one of three H.E.B. stores (on Leopard, Port and Alameda). Furthermore, the trade area is currently *importing* expenditures of roughly \$2.7 million in the category, meaning that if anything it is over-supplied.

Roughly the same threshold applies to a large-format drug store. In this case, however, the trade area is grossly over-supplied, with \$21.3 million in imported expenditures, and contributions from other sub-markets (e.g. workers, visitors, patients, etc.) are not sufficient to close the gap. Indeed, the CVS that had been located at Six Points closed, despite its proximity to CHRISTUS Spohn’s Shoreline hospital campus.

Additional stores from these operators would most likely cannibalize their *existing* locations in or near the trade area: another H-E-B in the Downtown core, even if it were successful, would be simply taking customers and sales from itself. In other words, it is only with continued residential growth that such formats will start to become more attainable and sustainable: the market cannot be forced.

- In terms of comparison retail, the low number of nearby residents can in some instances be overcome by the presence of anchors that can draw high volumes of foot traffic *during the day* (when consumers typically shop for such goods), and particularly on the weekends. They might live in other parts of the Corpus Christi metro and/or be visiting the Coastal Bend as tourists.

A clear example of the latter is the Rivercenter Mall in Downtown San Antonio, a 500,000 square foot enclosed center that generates north of \$500 per square foot – thereby qualifying as a “Class A” mall by industry standards – largely on the shoulders of tourists (who are responsible for 75% of its overall sales) and in the absence of nearby residents.

Of course, Downtown San Antonio contains 14,000 hotel rooms (versus approximately 1,760 in the Downtown Corpus Christi study area), and draws 30 million annual visitors (8.1 million). Furthermore, the mall there is centrally located with respect to the tourist

experience, with connections to the Riverwalk as well as frontage on Alamo Plaza. And even with such advantages, it still struggles to expand beyond its core teen and 20-something customer.

In other words, Downtown Corpus Christi is far from the point when it could hope for something on this scale. While the Coastal Bend might very well be capable of sustaining a second regional comparison-oriented shopping center, the more imminent possibility is in Robstown, at the intersection of U.S. 77 and SR 44, where the 330,000 square foot Outlets at Corpus Christi Bay would be able to capture expenditures from motorists driving to and from Mexico, the Rio Grande Valley and South Padre Island.

- The larger point is that retail revitalization in a Downtown setting like Corpus Christi's must be understood as a kind of evolution: each phase corresponds to certain kinds of categories and operators, and in the absence of massive and ongoing operating subsidies from the City and/or the developers, none of these phases can be "skipped" without risking some sort of "black eye" (i.e. a failed store) and jeopardizing the entire process.

- At this earlier stage in its evolution, there are *other* formats in some of these categories that Downtown *could* support. These include a so-called "limited-assortment" grocer, like an ALDI, which retails an edited selection of mostly private-label brands in a no-frills environment at very low prices, or a discount variety store, such as 99 Cents Only, that also sells groceries and even produce.

Another basic convenience that might be possible at this point is a family restaurant or "diner", like a Village Inn, which offers an extensive and broadly appealing menu (without alcohol) in an unpretentious setting at reasonable prices. And finally, a new café might avoid the fate of the closed Coffee Waves location at Water Street Market if it is able to secure a below-market rent from a landlord, can supplement revenue from other sources (e.g. as a lunch spot, wine bar, etc.) and/or includes a drive-thru window.

Given the low levels of daytime foot traffic, comparison retail remains high-risk at this stage -- as is clear from the ongoing churn at Water Street Market, arguably the most favorable location for such businesses in the Downtown. Exceptions include ones that: 1) are operated by savvy, high-caliber merchants; 2) can draw as destinations while also enjoying other sources of revenue besides the walk-in trade (e.g. online, wholesale, etc.); and 3) benefit from low occupancy costs and flexible property owners.

- Generally speaking, the food, drink and entertainment categories discussed above are the more important ones in the early stages of Downtown revitalization, inasmuch as they – far more than basic services like grocery and drug stores – help in establishing the "there, there" that then *drives* interest in the location as a residential address and creates value for developers.

Put simply, in a metro like Corpus Christi, where sprawl is not constrained, one lives, or wants to live, in a Downtown not because it has a supermarket, but rather, because it is an exciting place to be, with attractions and energy that simply cannot be found elsewhere.

In the absence of such “sizzle”, even the presence of a new and gleaming H-E-B would not be enough.

“Retail follows rooftops” is an oft-quoted industry adage, and it is largely true in most categories. The challenge with Downtown revitalization, however, is that the rooftops themselves only materialize *in response to* pioneering retail. Indeed, if one were simply to wait for the former *before* even tackling the latter, then the demand might never actually arrive.

Take, as an example, the Pearl Brewery in San Antonio. When Silver Ventures initially proceeded with the redevelopment in the early 2000’s, there were no rooftops on site or in the vicinity. Its first move was to entice local celebrity chefs to develop new dining concepts there, followed by a new campus for the prestigious Culinary Institute of America (CIA) and then, a weekly Farmers Market.

Today, the Pearl Brewery contains no less than fifteen restaurant and bars, along with 40,000 square feet of retail space, and it has become a premier residential address, with 300+ housing units that command the highest lease rates and sales prices in the entire metro (in addition to several new mid-rise apartment complexes that others have developed in the immediate vicinity).

Its success could be attributed to a number of different factors, including its owner -- a deep-pocketed billionaire intent on developing a “legacy project” and both willing and able to absorb early losses in the name of a longer-term vision – but there can be little doubt that retail, food specifically, played a critical role in its evolution and residential appeal.

- In order to sustain a cluster of comparison retailers as well as improve the prospects for restaurants and cafes, it will be necessary to land one or more daytime anchors capable of generating large volumes of foot traffic and providing an additional day-part. Such efforts could point to the well-located vacant land and the consolidated property ownership, the latter theoretically offering an incentive for subsidizing “loss-leaders”.

One possible anchor is a family-oriented amusement park concept, similar to what was proposed by TRT Holdings for the Memorial Auditorium site in 2006, and far more extensive than either Hurricane Alley Waterpark or Schlitterbahn. Such an attraction would align with the psychographics of both visitors and metro-wide residents, and would draw large numbers to the Downtown – nearly 500,000, in TRT’s earlier estimation.

Another possible anchor is the outdoor-recreation “category killer”. According to the Corpus Christi CVB, “nature tourism” was part of nearly half of all visitor trips in 2012/13, and yet none of the most well known operators -- Bass Pro, Cabela’s and Gander Mountain, for example -- have a presence in the Coastal Bend, leaving just the (comparatively) limited selections at Wal-Mart, Academy Sports, Dick’s Sporting Goods, etc.

While their typical floor-plates of 100,000+ square feet might be too large for a Downtown setting, both Bass Pro and Cabela's have started to open roughly 40,000 square foot "Outpost" stores in smaller markets (e.g. Bass Pro's new 42,000 square foot unit in Lubbock, an MSA of 306,000 people). They typically do not gravitate to conventional strips like S.P.I.D., and while The Outlets at Corpus Christi Bay might appeal to them, they could also be intrigued by Downtown's more central location.

Lastly, a campus for a TAMU-CC School of Art, along with student housing, could have a transformative impact on Downtown retail: not only would it synergize with the existing live-music venues and art galleries, but also, it would provide support for an art supply store (such as a Jerry's Artarama), a coffeehouse, casual eateries and perhaps even one or two niche-specific comparison retailers (like a vintage clothier, for instance).

And while it might not offer quite the same sex appeal or spin-off potential as a university arts program, a cosmetology and beauty academy, like the Texas-based Ogle School (with eight locations statewide), would offer valuable training for possible careers in the salon industry (as well as affordable haircuts for the general public) and would appeal in particular to lower-income residents in nearby neighborhoods.

- Finally, just as each of the evolutionary phases in the revitalization process correlates with specific categories and operators, each also corresponds to a certain quantity and scale of retail, and disregarding such limits would likely backfire in the form of vacant storefronts or constant turnover. In the case of Downtown Corpus Christi, there is, at this point, only enough demand (from consumers and prospective tenants) to support the equivalent of one walk-able business district.

This current level of demand should be concentrated, to the extent possible, in one place -- rather than diluted across the several that exist in the study area -- so as to take full advantage of the synergistic potential of co-location. Specifically, adjacent retailers generate cross-traffic for each other that they would not necessarily be able to attract on their own, and more easily cohere into something marketable than if they were scattered across a sprawling, disconnected land mass.

The precedent for retail is strongest, and the catalytic potential seemingly greatest, in the Downtown core itself, which, with Chaparral Street and the adjoining side streets, can still point to a compact, walk-able, largely intact storefront fabric with historic and symbolic resonance. And with its cluster of dining and nightlife draws, its collection of hotels, its proximity to the Uptown office district and its potential for new housing, it can also offer a greater level of diversity and consistency in its consumer demand.

Of course, with most of the visitor attractions located to the north, additional food, drink and entertainment uses might be possible there as well, particularly in the SEA District. That, however, would first require the creation of new inventory, which would likely assume a more isolated and disconnected form -- similar to the attractions themselves -- and which would present formidable competition to (and amount to an abandonment of) the core.

- Within the core itself, Chaparral Street should be the top priority: as the most identifiable street in the Downtown and, with the recent streetscape improvements, also the most attractive and walk-able, its progress – both real and perceived -- will have the greatest bearing on Downtown's overall brand. Focusing efforts there would also serve to reinforce and protect such public investments as well as private ventures like The Cosmopolitan.

And in terms of the consumer, Chaparral Street is the most central of the core's north-south thoroughfares, and therefore, the most convenient for its various sub-markets. For while Shoreline Boulevard can offer the bay-front, and Water Street, visibility and access to the motorist, a Chaparral location is able to capitalize on proximity to and provide an added amenity for the daytime workers in Uptown, while, at least on one side, also enjoying Water Street frontage (a la Water Street Market).

- Again, a strategy of prioritizing the core and Chaparral Street makes sense for Downtown Corpus Christi *in the current stage of its evolution*, but as the demand fundamentals improve, as the residential population grows and new daytime anchors are added, other districts could become more viable for retail. For now, though, these other districts are more appropriately designated for *other* (equally critical) uses and initiatives.

In the meantime, the retail mix in each should be limited to what exists today, and perhaps, a few other ancillary businesses that would not weaken tenant demand for or reduce consumer expenditure in the core. For example, the Uptown intersection of Leopard Street and Staples Street, near the City Hall, the County Courthouse and soon, the RTA's new Staples Street Center, would be suitable, say, for additional quick-service food and beverage operators like Subway, Dunkin Donuts or even a Huddle House.

- In terms of specific blocks and sites, the approach should be one of building from existing strengths, with near-term tenanting should focus on: 1) available spaces along the stretch of Chaparral Street from William to Schatzell, leveraging both the Water Street Market and The Cosmopolitan; 2) storefronts on intersecting side streets headed towards Uptown, including William, Schatzell and Peoples, from Chaparral to Mesquite; and 3) mobile retailing opportunities for La Retama Park.

In the medium term, tenanting efforts would encompass new Chaparral Street inventory created by the redevelopment of now-vacant building and sites (first initiated in the near term), including: 1) the Ward Building; 2) the Greyhound Bus Station; and 3) the parcels currently owned by TRT Holdings at the northern end of the existing fabric. The leasing climate north of Schatzell should start to improve once there is a clear and positive direction for the future of these last two.

IV. Next Steps

- Retail tenanting in a struggling Downtown requires a fundamentally different mindset. Unlike most suburban shopping centers, it does not necessarily sell itself. For this reason,

simply posting a “For Lease” sign and then waiting for tenants to discover the opportunity on their own – the sort of reactive approach taken by most developers, landlords and brokers -- is often not enough, especially if the goal is not just to fill space but also, to catalyze broader revitalization.

There is a need, then, for a more proactive effort, one that recognizes the true balance-of-power in this small corner of retail leasing – that the buyer, not the seller, is the one with all of the leverage – and that it therefore falls to the property owner (or its representative or advocate) to take the case directly and forcefully *to the tenant*, offering a convincing argument for why Downtown should be on *its* radar screen, with both a compelling pitch as well as other inducements, financial or otherwise.

- The DMD assumes a pivotal role in this regard. Not only can it point to an energetic executive director with a background in real estate development – especially important in light of the relatively weak corporate presence in Downtown -- but also, as a property and business organization with a place-specific (versus a city- or metro-wide) mandate, it can more easily sidestep messy political dynamics that could potentially derail such efforts.

Specifically, it is the DMD that should take the lead on the retail strategy outlined here, advocating on behalf of (or in opposition to) specific tenancies and uses; serving as their “concierge” or middleman with the City and other stakeholders (when necessary); lobbying for other broader initiatives and investments that might be necessary; and, more generally, providing a level of reassurance to prospective tenants and existing merchants that, like a shopping center manager, someone is “minding the store” and protecting their interests.

Obviously the DMD does not have much actual leverage in this arena, but it can gain some clout by partnering closely with the public sector, which might have to remain behind the scenes for political reasons but which could align its various “carrots” and “sticks” – like, for instance, modestly sized forgivable loans for build-out assistance (below), expedited “fast-track” permitting, etc. – with the tenancing strategy outlined here.

The DMD should also look to develop and strengthen relationships with the sub-set of property owners that are for various reasons incentivized to take a broader approach to retail leasing and might consider one or more “loss-leaders”. These include landlords that have a larger portfolio and stake in the Downtown, that can appreciate the value of street-level tenancing in driving premiums on the (more profitable) uses upstairs, and/or that retain a sentimental attachment to the district and the city.

- The DMD should position itself as an information clearinghouse, offering – with a separate link on its website as well as in print form (below) -- hard-to-find data points that retailers and brokers cannot easily obtain on their own, including a comprehensive inventory of available (and soon-to-be-available) spaces, details on individual sub-markets (e.g. visitors) and demand generators (e.g. live-music venues), testimonials from existing merchants, news on future developments and improvements, etc.

The print format would offer more than just information: a professionally developed and designed brochure that challenges prevailing assumptions about Downtown retail and reframes the opportunity through a combination of creative data mining, coherent narrative and visual flourish, it would serve as a useful tool to landlords and brokers, particularly those ones educated in the “post-a-sign-and-wait-for-calls” school of retail leasing.

The DMD is also prepared to take its role one step further by signing master leases for the ground-floor retail space in new mixed-use project(s), and then proceeding to “curate” the tenant mixes there by actively pursuing desired tenancies and offering below-market rents. Yet as much as this might be needed, and although the public / non-profit sector must be willing at this stage in Downtown’s evolution to take high-risk positions until private interests are ready to do so, it would be breaking new ground for a BID, especially a fledgling and capacity-challenged one like the DMD.

- Incentivizing retail, it might be argued, amounts to an attempt to “skip” certain stages in the revitalization process. As already discussed, this typically backfires, at least when the purpose is to overcome inadequate consumer demand, for the recipient, upon draining the full amount, will still likely fall victim to the limitations of the market. (And ongoing operating support is never recommended, given the risk of protecting lousy merchants and creating the conditions for “moral hazard”).

Incentives can play a critical role, however, if the goal is to overcome risk aversion on the tenant side. Of course, subsidies should not be offered in categories where the consumer demand simply does not yet exist, but in ones where the findings have revealed nearer-term potential (above) and where the reluctance is driven by other factors, like perception or undercapitalization, such assistance actually helps to facilitate latent (yet very real) market opportunities.

One might argue that certain categories warrant exceptions to this general approach, like, for instance, art galleries and studios, which, irrespective of their ability to generate sales, could help in changing perceptions about Downtown. However, while this might be true, other sources of financial support are presumably available for such uses, particularly if they are run as non-profits or, for that matter, sponsored by a new TAMU-CC School of Art (see above).

- There is precedent for Corpus Christi to make use of so-called Chapter 380 agreements in pursuing catalytic anchors for its Downtown: as just one example, Fort Worth-based Trademark received \$23 million in tax incentives for the renovation and expansion of the old Padre Staples Mall (now, La Palmera). This practice is well established across Texas: indeed, one of Corpus Christi’s competitors for new development, the City of Robstown, is providing \$38 million to the developers of The Outlets at Corpus Christi Bay.

There is also the need, however, for a separate incentive geared towards early-stage entrepreneurs, perhaps using “Type A” funds. In addition to the existing Façade Improvement Grant program, modestly sized forgivable loans should be offered to help

defray the build-out costs incurred by small businesses, including not just prospects considering a new location but also, current merchants looking to improve or expand their operations.

The availability of such funding can be critical: many landlords assume that a period of free rent is sufficient, but this presupposes that the entrepreneur can still somehow front amounts in the tens or hundreds of thousands. And while some continue to view an inability to secure start-up capital as a red flag of sorts, the recent revolution in micro-scaled retail and food service has shown how undercapitalization is not necessarily an indication of business acumen or a predictor of success.

Finally, in light of the complicated political dynamics surrounding growth and development in Corpus Christi, this incentive pool should be funded by the established TIRZ that is *specific* to the Downtown, jointly administered by both the City and the DMD but with the latter as the “front man”. And again, such monies should be used as “carrots” to incentivize businesses and locations that have been prioritized in the tenanting strategy (above).

- Of course, retail revitalization in a Downtown setting is not only or even primarily a function of consumer demand and tenant attraction: it requires a far more comprehensive approach encompassing initiatives and improvements in a broad range of areas, and while the DMD can and should take a leadership role in championing and coordinating what needs to happen, much of it will ultimately depend on support from and collaboration between a host of other entities and stakeholders.

Given, for example, the weak connectivity between Downtown’s various districts, it will be especially important not just to establish and reinforce links to the extent possible – for pedestrians between the core and Uptown, for motorists negotiating the new Harbor Bridge, etc. – but also, to ensure and expand direct, relatively fast and frequent transit alternatives that provide access to key consumer sub-markets, such as out-of-town tourists.

Another critical piece is personal safety. Even this element, however, is more complicated than it seems. Of course the DMD will be playing a “clean-and-safe” function, but perceptions are also influenced by various other factors, including the cosmetics of building facades, the age of store signage, the condition of basic infrastructure, the design and programming of public spaces, even the communication protocols in crisis situations.

And while retail can, as explained earlier, play a pivotal role in growing rooftops and catalyzing revitalization, ultimately its performance will hinge on the markets for these other uses. Demand, for example, could exist for new housing but if the numbers do not pencil or the price point is not right, it will not materialize. And on a macro level, structural forces impacting the larger economy or certain industries (e.g. oil and gas) could accelerate, slow or halt the process.

In other words, retail revitalization, especially in a Downtown setting, is a marathon, not a sprint. Even in the frothiest of markets, there are countless variables and potential roadblocks, and there *will be* disappointments and setbacks. Furthermore, the only constant about retail is that it changes, constantly. Yet while staying the course carries no guarantee of a successful outcome, refusing to resolve upon one or failing to stick with it is more likely to result in failure.